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## STRONG EMPLOYMENT GROWTH CONTINUES, ALONGSIDE SLOW IMPROVEMENT IN REAL PAY GROWTH

The ONS' latest labour market data painted a familiar picture —strong employment growth and falling unemployment. But stubbornly slow pay growth means that living standards remain under pressure, so doubling down on efforts to boost productivity remains critical.

Employment remains at a record high, with growth similar to the relatively strong rates seen over most of 2017, bringing the employment rate back to a joint record high since 1971.

Unemployment decreased once again, returning the rate to a 42-year low. A very small margin of slack in the labour market likely remains among those who would prefer to work longer hours or in permanent employment.

However, a period of stronger and more sustained real wage growth is needed to recover the real value lost over the last year.

Looking across the UK's regions and nations, most have experienced a significant improvement in employment while unemployment levels have remained broadly unchanged.

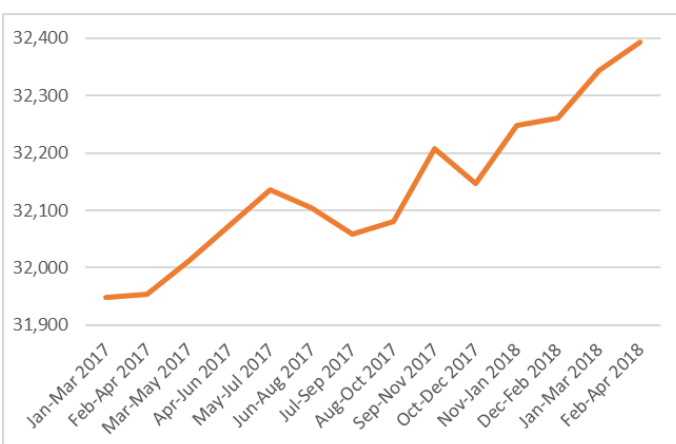
Workforce jobs in most industries have remained largely unchanged, though some sectors such as IT, have registered more significant changes in the three months to March.

### The employment rate remains at a record high...

- Employment rose by 146,000 to 32.39 million in the three months to April 2018. On a year-on-year basis, employment rose by 440,000.
- The employment rate increased to 75.6%, up 0.3% points on the quarter, bringing it back to the joint highest since comparable records began in 1971.

- Growth was driven largely by the number of employees, which increased by 150,000, with the number of self-employed increasing by 34,000. On a year-on-year basis the number of employees rose by 473,000 and the number of self-employed remained largely unchanged (+9,000).
- While female unemployment increased by 112,000, male employment rose by 34,000 on the quarter. Both also posted an increase year-on-year, with female employment rising by 275,000 and male employment increasing by 165,000.
- Employment grew in almost all age groups. The rise was strongest among those aged 50-64 years old (+86,000), 35-49 (+31,000) and 16-24 (+27,000). It remained largely unchanged for those aged 25-34 years old (-7,000) and for those aged 65+ (+9,000).
- Rising part-time headcount underpinned the latest rise in employment: the number of people working full-time increased by 44,000 over the quarter, while the number of people working part-time rose by 103,000. On a year-on-year basis, the number of people

Exhibit 1 Employment (000s)



Source: ONS June 2018 labour market statistics

Headline figures	Rate	Number	Change on quarter	Change on year
Employment* (ILO)	75.6%	32,394	+146,000 (+0.5%)	+440,000 (+1.4%)
Unemployment** (ILO)	4.2%	1,416	-38,000 (-2.6%)	-115,000 (-7.5%)
Youth unemployment (16-24)	11.9%	521	-16,000 (-2.9%)	- 43,000 (-8.2%)

Source: ONS June 2018 labour market statistics, February to April 2018 data \*Rate for those aged 16-64 \*\*Rate for those aged 16 and over

working full-time increased by 259,000, while the number of part-time workers increased by 181,000.

- In the three months to May 2018, the number of vacancies remained largely unchanged at 818,000 and close to its record high.

**...while unemployment continues to fall**

The fall in unemployment this quarter has been mainly driven by a decline in youth unemployment and among those aged 35-49 years old. The number registered as economically inactive is now at its joint lowest since 1991.

- The three months to April 2018 saw a drop in unemployment of 38,000 on the quarter (to 1.42 million). On a year-on-year basis, the number of unemployed people was down 115,000.
- The unemployment rate was at 4.2%, down by 0.1% point compared to last quarter and once again the lowest since 1975.
- While male unemployment increased (+10,000) in the three months to April, the number of unemployed women declined (-47,000). Year-on-year, both male unemployment (-73,000) and female unemployment (-41,000) fell.
- Unemployment fell among those aged 16-24 years old (-18,000) and those aged 35-49 years old (-13,000). It remained largely unchanged for those aged 25-34 years old (-3,000) those aged 50-64 years old (-8,000) and those aged 65+ (+4,000).
- The number of those registered as economically inactive (not available and/or looking for work) decreased by 33,000 compared with the previous quarter, having been generally falling since the end of 2017. The inactivity rate is now at 36.2% for the three months to April 2018, down by 0.2% on the quarter and the joint lowest since 1991.

**Most regions saw an increase in employment...**

This quarter saw a generally broad-based rise in employment across the regions and nations.

- In the three months to April 2018, employment grew in the West Midlands (+56,000), the East (+33,000), London (+33,000), the East Midlands (+27,000), Yorkshire and The Humber (+15,000), the North East (+13,000), the South West (+12,000) and Wales (+11,000).
- It declined in the South East (-28,000) and the North West (-19,000) and remained broadly unchanged in Northern Ireland (-5,000) and Scotland (-2,000).

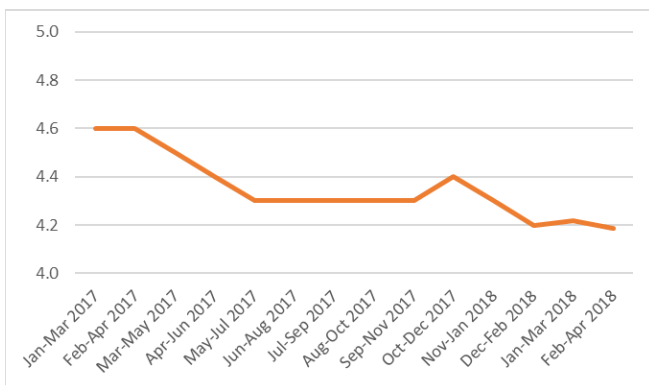
**... and little change in unemployment**

- London was the only region to see a significant rise in unemployment (+13,000). It decreased in Yorkshire and the Humber (-16,000), the East (-16,000) and in the South West (-10,000).
- There was no significant change elsewhere: North East (-8,000), Wales (-7,000), North West (-2,000), East Midlands (-2,000), Scotland (0), Northern Ireland (+1,000), South East (+2,000) and West Midlands (+7,000).

**Living standards remain under pressure**

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 2.8% on the year in the three months to April 2018, down marginally (by 0.1% pts) on March.
- Nominal regular pay growth decreased by 0.1% pts in the private sector (to 2.9%) and remained unchanged in the public sector (at 2.5%).

**Exhibit 2** Unemployment (%)



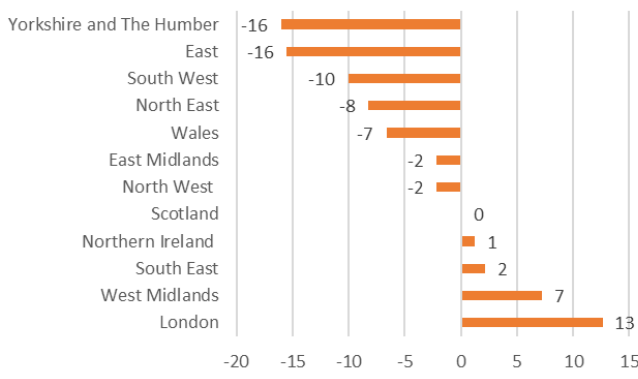
Source: ONS June 2018 labour market statistics

**Exhibit 3** Employment change by regions & nations (000s)



Source: ONS June 2018 labour market statistics

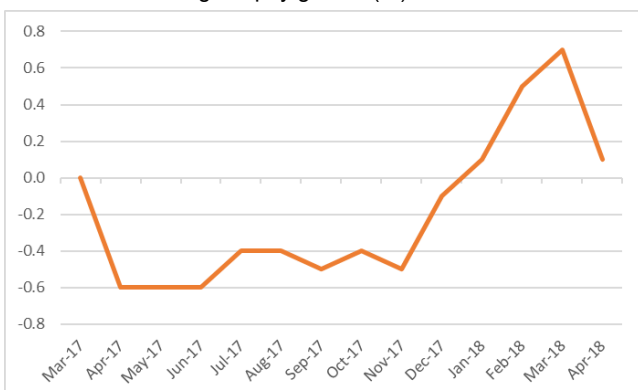
**Exhibit 4** Unemployment change by regions & nations (000s)



Source: ONS June 2018 labour market statistics

- Looking at the private sector in more detail, the construction sector continues to have the strongest nominal regular pay growth in the three months to April 2018 (+5.1% on the year – the fastest since mid-2008), followed by finance (+2.8%) and services (+2.7%). Nominal regular pay growth in manufacturing (+2.7%) and wholesaling (+2.3%) remained broadly unchanged compared to March. The continued strengthening in pay growth in construction particularly could be linked to the acute skills shortages in the sector.
- Despite the softening in nominal pay growth, real wages ticked up for the third month in a row, building on the modest improvement seen last month. Real pay (excl. bonuses and adjusting for CPIH inflation) grew by 0.4% on a year ago (on the less volatile three-month rolling basis). The further uptick in real pay growth was largely driven by inflation falling back in April.
- Indeed, real pay growth remains weak by historical standards, and so living standards remain under pressure.

**Exhibit 5** Real regular pay growth (%)



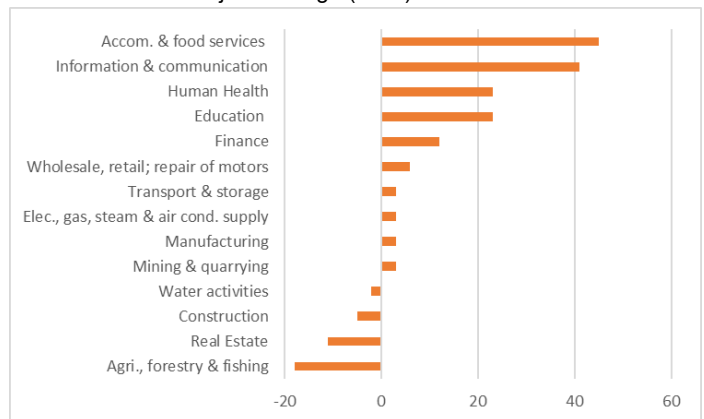
Source: ONS June 2018 labour market statistics

**Some industries have registered a significant change in workforce jobs**

In the three months to March the number of workforce jobs in most industries has remained broadly unchanged with some industries showing significant changes and others potentially indicative long-term trends.

- The accommodation & food services industry (+45,000) and the information & communication sector (+41,000) registered the largest increase in workforce jobs in the three months to March 2018. They were followed by the education (+23,000) and the human health sector (+23,000).
- The agriculture and forestry sector saw a decline (-18,000) on the quarter, while all other sectors have remained broadly unchanged.
- With regard to longer-term trends, manufacturing, wholesale and construction have seen more significant changes year-on-year. Workforce jobs in manufacturing increased (+46,000) with wholesale (-30,000) and construction (-17,000) declining.

**Exhibit 6** Workforce jobs change (000s)



Source: ONS June 2018 labour market statistics

The next labour market update will be published on 17th July 2018.



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