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## LABOUR MARKET STRENGTHENS, BUT PAY GROWTH REMAINS A CONCERN

Data released today by the Office for National Statistics shows a labour market that is performing well, with the number of people in employment rising and those of out of work falling.

But for people in work pay growth remains a concern. After accounting for increases in the prices of goods and services, growth in regular pay (which excludes bonus payments) fell back for the third month in a row to the lowest pace of growth since 2014.

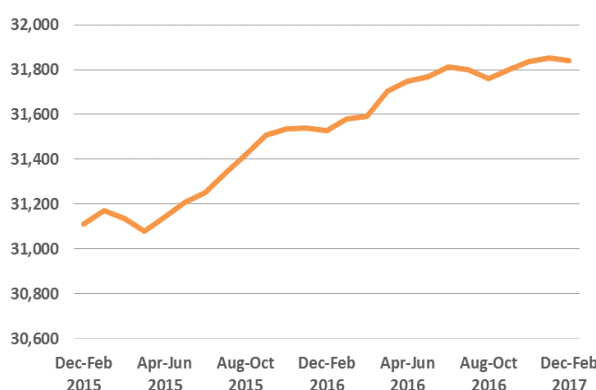
A real pick up in productivity growth is needed if we are to see earnings head up, particularly as inflation is set to rise further in 2017.

### Employment rises as does the number of vacancies...

Today's data revealed another welcome rise in the number of people in employment.

- As **Exhibit 1** shows, the number of people in work rose by 39,000 in the three months to February 2017, bringing the total in employment to 31.8 million.
- The employment rate remained at a record high of 74.6%
- The growth in employment reflected a rise in the number of employees (+30,000), and a smaller increase in self-employment (+5,000) in the three months to February.
- The number of people in government supported training programmes also rose (+17,000) but there was a reduction in the number of unpaid family workers (-13,000) over the same time period.

**Exhibit 1 UK employment (000s)**



Source: ONS 2017, April labour market statistics

- Today's data also revealed a shift to full-time work, with 109,000 more people working full-time for an employer and 80,000 fewer people working for a business on a part-time basis.
- And this picture is reflected amongst those who are self-employed as well, with 39,000 working for themselves on a full-time basis and 34,000 no longer self-employed on a part-time basis.
- A separate data set found that the number of job vacancies has increased by 16,000 to reach an all-time high of 767,000 in the three months to March 2017.
- While it is positive that employment opportunities are available, access to the right skills continues to be a key challenge.

Headline figures	Rate	Number (000s)	Change on quarter in 000s (% change)	Change on year in 000s (% change)
Employment* (ILO)	74.6%	31,841	39 (0.1%)	312 (1.0%)
Unemployment** (ILO)	4.7%	1,559	-45 (-2.8%)	-141 (-8.3%)
Youth unemployment (16-24)	12.4%	558	-14 (-2.5%)	-72 (-11.4%)

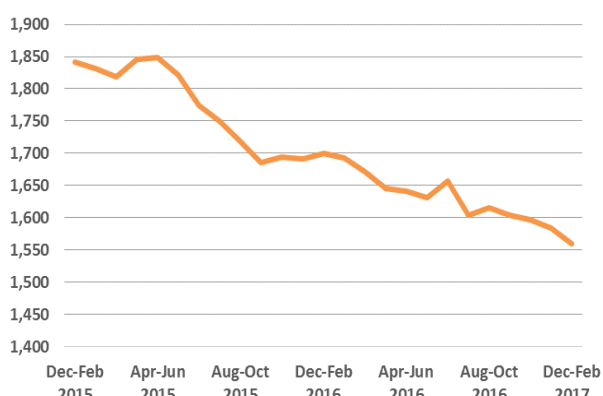
Source: ONS 2017 April labour market statistics, Dec-Feb 2017 data \*Rate for those aged 16-64 \*\*Rate for those aged 16 and over

### ...and a similarly positive picture for unemployment

As employment rose in the latest data, the number of people out of work fell.

- The number of unemployed continued to fall in the three months to February 2017, with 45,000 fewer people out of work and looking for work (**Exhibit 2**).
- The unemployment rate is now 4.7% - the lowest it has been since 1975.
- Most of the fall in unemployment took place amongst men (-30,000), with the numbers of women out of work also falling, but by less (-15,000).
- However, over the last year, the picture is more even, with both groups seeing falls in the numbers out of work of over 8%.

**Exhibit 2** UK unemployment (000s)



Source: ONS 2017, April labour market statistics

### Short term unemployment falls...

Looking at the data in a little more detail, the volume of people who had been out of work for shorter periods of time fell.

- In the three months to February 2017, short-term unemployment (unemployed for up to six months) fell (down by 39,000 on the previous quarter).
- However, the number of people unemployed for over six and up to 12 months increased a little (+12,000).
- At the same time, the number of people long-term unemployed (unemployed for over 12 months), and generally considered to be further away from finding skill appropriate jobs, fell (-18,000).

### ...while youth unemployment edged down a touch too

Turning to unemployment amongst young people it is positive to see that youth unemployment has fallen a little further this month.

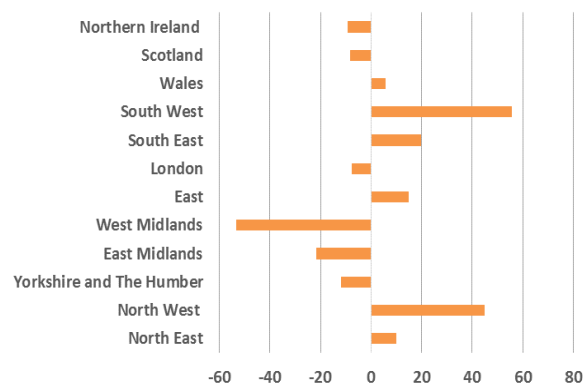
- The number of people aged 16-24 out of work and looking for work nudged down by 14,000 in the three months to February 2017.
- The unemployment rate also dropped a touch, from 12.6% in the three months to December 2016 to 12.4% in the three months to February 2017.
- The youth unemployment rate is gradually creeping closer to its pre-crisis low of 11.6% as more employers bring young people into work.

### Not all UK nations and regions saw employment growth...

Despite positive growth in employment across the UK as a whole, not all nations and regions saw the number of people in work rise.

- As **Exhibit 3** shows, in the three months to February 2017, employment grew in the South West (+56,000), North West (+45,000), South East (+19,000), and East (+15,000).
- However, employment levels fell in other regions, and in some cases considerably, such as the West Midlands (-53,000), East Midlands (-22,000), and Yorkshire and Humber (-12,000).
- In contrast, employment was relatively unchanged in Northern Ireland (-9,000), Scotland (-8,000), London (-7,000), Wales (+6,000) and the North East (+10,000).

**Exhibit 3** Quarterly change in employment by region (000s)



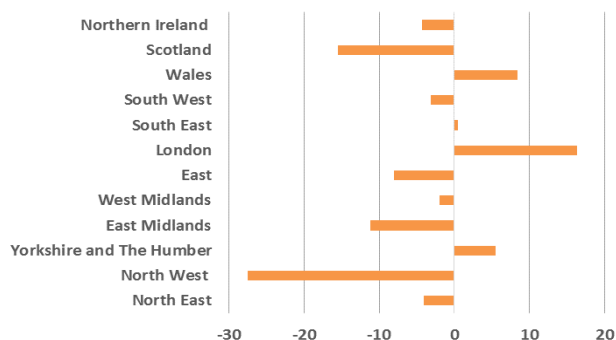
Source: ONS 2017, April labour market statistics

### ...and similarly some nations and regions saw falls in unemployment

Similar to the picture on changes in employment levels across UK's nations and regions, movements in unemployment were also concentrated in a number of locations.

- As **Exhibit 4** shows, in the three months to February 2017, unemployment fell in the North West (-27,000), Scotland (-15,000) and the East Midlands (-11,000).
- Unemployment was little changed in Wales (+8,000), Yorkshire and Humber (+5,000), the East (-8,000), Northern Ireland and the North East (both -4,000), the South West (-3,000), the West Midlands (-2,000), and the South East (0).
- The only region to see unemployment raise was London (+16,000).

**Exhibit 4** Quarterly change in unemployment by region (000s)



Source: ONS 2017, April labour market statistics

### Pay growth remains a concern

While changes in employment and unemployment set out in today's data have been broadly positive, with pay growth remaining lacklustre, the picture for those in work is less rosy.

- In the three months to February 2017, real growth in regular pay (earnings excl. bonuses and stripping out growth in inflation) fell back for the third month in a row, to 0.2% (**Exhibit 5**). That is the lowest level of growth since 2014.
- Such weak growth is due in part to rising inflation but is also caused by weak underlying pay growth - nominal regular pay growth (not adjusted for inflation) fell back by 0.2 percentage points to stand at 2.2% in the three months to February.

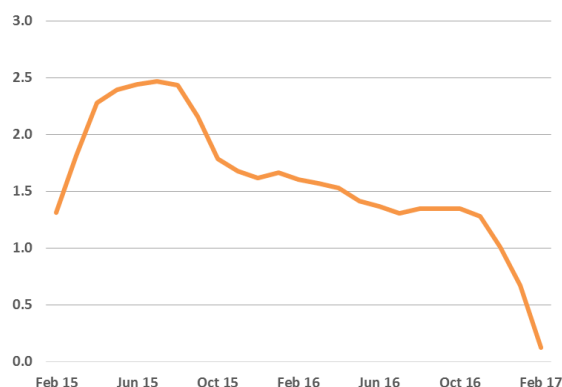
- Looking in a little more detail at pay growth in specific industries, nominal regular pay growth in the private sector fell back from 2.7% in the three months to January 2017 to 2.4% in the three months to February.

Breaking this down further, regular earnings growth:

- Slowed in the construction (from 3.8% in the three months to January to 3.1% in the three months to February) and wholesaling, retailing, hotels & restaurants sectors (from 3.6% to 2.8% over the same time periods).
- Remained unchanged in the finance and business services sector (1.4%)
- Rose in the manufacturing sector (from 1.8% to 2.1%).

This data underscores the need to unlock the productive potential of all UK nations and regions by adopting a meaningful industrial strategy, with clear priorities and targets that delivers opportunity and prosperity for all.

**Exhibit 5** Annual growth in regular pay (adjusted for inflation)



Source: ONS 2017, April labour market statistics

The next labour market update  
will be published on **17 May**

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*"As the CBI/Pertemps Employment Trends Survey showed, businesses are keen to expand their workforces this year, particularly on a permanent basis.*

*We are continuing to hear this from our clients so anticipate jobs growth. Yes, skills shortages remain but I believe that through greater partnership working these shortages can be addressed to improve job skills and employability."*

**Carmen Watson, Chairperson, Pertemps Ltd**

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