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THE IMPACT OF THE PANDEMIC IS FELT IN THE LABOUR MARKET, WITH UNEMPLOYMENT AND REDUNDANCIES RISING

The latest ONS data covers the period June to August 2020, providing a snapshot of labour market activity at the start of greater flexibility within the Job Retention Scheme and the introduction of employers' contributions to the scheme in August.

The latest labour market data shows the ongoing divergence in labour market data which is a result of the success of the government's furlough scheme. Hours worked, payroll numbers, vacancies and pay continue to fairly contemporaneously track the economic effects of Covid. Given this data covered the quarter to August, the economic recovery at the time is apparent: hours worked continued to pick up as workers returned from furlough, payroll numbers improved a little, and vacancies and pay both rose.

But with government support schemes at that time set to end in the autumn, the summer months also showed a spike in redundancies and a sharp rise in unemployment, highlighting the extent to which government support has cushioned the overall effect of Covid on the labour market. Meanwhile, although hours worked have picked up, they remain 15% lower than a year ago. And the picture is worse for vacancies: despite a rapid increase in vacancies, they remain 40% lower than a year ago. The jobs data also highlights the challenging job market for young people, with employment falling sharply amongst those aged 16-24.

The Government's flexibility and support packages have reduced the extent of job losses substantially. Looking ahead, to protect jobs, it will be important to make sure that support matches tiered local lockdowns. And successfully ramping up the testing regime will be a key component to securing an economic recovery down the road.

Large fall in the number of young people in employment, but vacancies and hours worked see a slight increase...

- ONS estimates that between March and May 2020 and June and August 2020, total actual weekly hours worked in the UK saw a record increase of 20 million, or 2.3%, to 891.0 million hours. But weekly hours worked nonetheless remain 15% below their level a year ago.
- The ONS estimates that prior to the coronavirus (COVID-19) pandemic, there was on average 2 to 2.5 million people temporarily away from work. The number of people temporarily away from work, including furloughed workers, rose to almost 7.3 million people in April to June 2020, but has fallen to 6.4 million people in June to August 2020.
- Vacancies in the UK in July to September 2020 were estimated at 488,000, which is a record quarterly

Exhibit 1 Vacancies (000s)

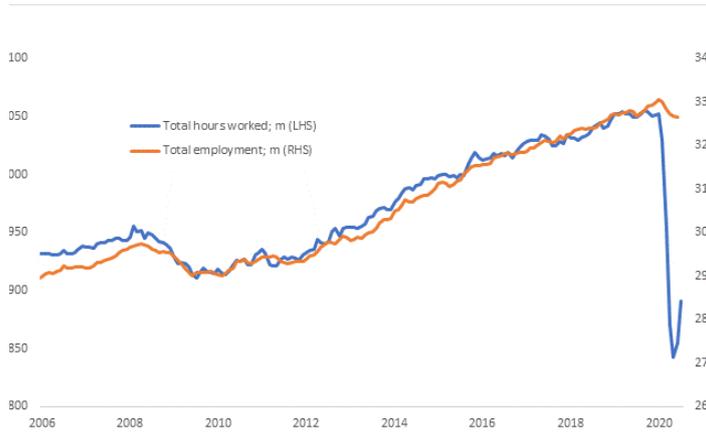


Source: ONS October 2020 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.6%	32,591	-153,000 (-0.5%)	-102,000 (-0.3%)
Unemployment** (ILO)	4.5%	1,522	+138,000 (+10%)	+209,000 (+15.9%)
Youth unemployment (16-24)	13.4%	581	+35,000 (+6.4%)	+87,000 (+18.6%)

Source: ONS October 2020 labour market statistics, June to August 2020 data *Rate for those aged 16-64 **Rate for those aged 16 and over

Exhibit 2 Employment vs actual weekly hours worked (millions)



Source: ONS October 2020 labour market statistics

increase of 144,000 vacancies from the record low in April to June 2020. However, vacancies are still 40% lower than a year ago.

- Experimental Pay As You Earn (PAYE) data shows that in September the number of employees in the UK on payrolls was down by 673,000 compared with March 2020, but up 20,000 on August. This figure is not believed to be capturing the 192,000 people who identified themselves as being employed, but temporarily away from their jobs because of the pandemic, but who were receiving no pay.
- Official employment fell by 153,000 in the three months to August 2020, compared with the previous quarter, and was 102,000 down on the same period a year earlier. The employment rate decreased by 0.3% points to stand at 75.6% - the lowest rate in two years.
- The decline in employment was mainly driven by those aged 16 to 24 years (-220,000), with a record fall of 191,000 for those aged 18 to 24 years.

...while unemployment and redundancies continue to rise

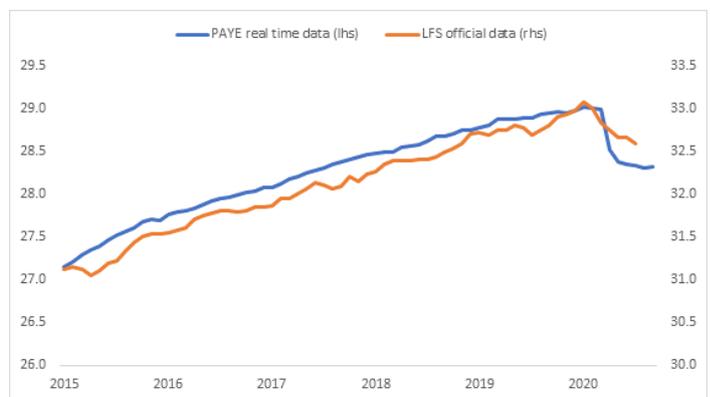
- Official data shows that in the three months to August 2020 unemployment increased by 138,000 to stand at 1.52 million, the highest level since the beginning of 2017. On a year-on-year basis, the number of unemployed people increased by 209,000. The unemployment rate stood at 4.5%, an increase of 0.4% points on the previous quarter.
- Redundancies increased substantially by 114,000 on the quarter and 113,000 on the year to 227,000. The annual increase was the largest since April to June 2009, with the number of redundancies reaching its highest level since May to July 2009.

- Experimental data showed that UK claims for benefits reached 2.7 million in September 2020, an increase of 120.3% since March. However, enhancements to Universal Credit as part of the UK government's response to the coronavirus mean that an increasing number of people are eligible for support while still employed. Consequently, changes are not due wholly to changes in the number of people who are unemployed.
- The number of those who are economically inactive and who want a job remained broadly unchanged on the previous quarter and fell by 51,000 on the year.
- The inactivity rate was broadly unchanged on the quarter and now stands at 20.8% and is down by 0.2% points on the previous year.

Pay growth has slowed sharply, but stabilised in the three months to August

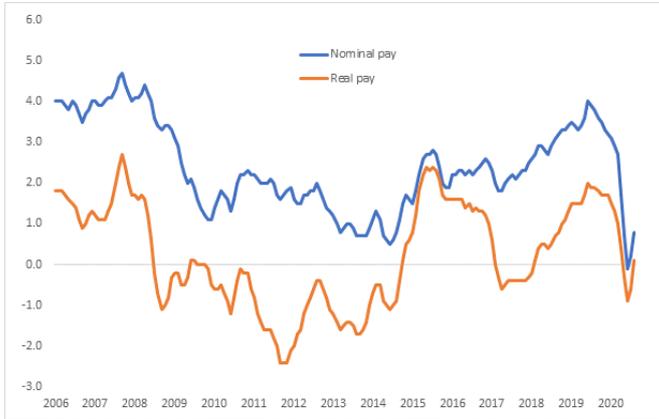
- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) picked up to 0.8% on the year in the three months to August 2020 (on the less volatile three-month rolling basis), from 0.6% points in July 2020.
- In the three months to August, nominal regular pay growth was unchanged in the private sector and grew 4.1% in the public sector. The slight improvement in the private sector will have been affected by the fact that employees have been moved off furlough between June and August and wages have again increased from 80% of normal levels.
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+2.3%) and

Exhibit 3 PAYE real time data vs official employment data (millions)



Source: ONS October 2020 labour market statistics

Exhibit 4 Real regular pay and nominal regular pay growth (%)



Source: ONS October 2020 labour market statistics, quarter on quarter changes

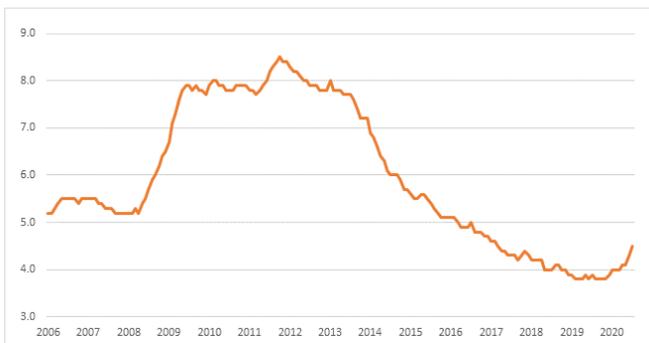
services (+1.5%), followed by manufacturing (-0.9%), wholesaling, retailing & hospitality (-1.8%) and construction (-5.3%).

- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 0.1% on a year ago (on the less volatile three-month rolling basis) – up by 0.7% points from July 2020.

Most regions saw a mixed picture on employment...

- In the three months to August 2020, employment increased in London (+72,000) and Scotland (+15,000).
- Employment remained broadly unchanged in the North West (-8,000), Yorkshire and The Humber

Exhibit 5 Unemployment rate (%)



Source: ONS October 2020 labour market statistics

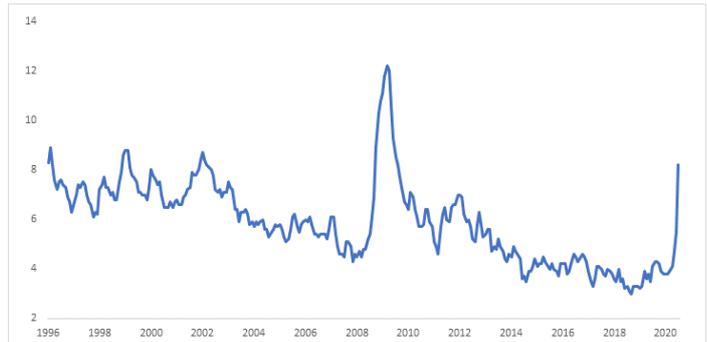
(+1,000), Northern Ireland (+1,000) and the West Midlands (+4,000).

- Employment decreased in the South East (-48,000), the South West (-45,000), the East Midlands (-45,000), the North East (-39,000), Wales (-37,000) and the East (-23,000).

... while unemployment increased in most regions

- In the three months to August 2020, unemployment increased in the South East (+49,000), the North East (+18,000), South West (+16,000), Wales (+15,000), the North West (+12,000), the East (+11,000) and Northern Ireland (+11,000).
- Unemployment remained broadly unchanged in Yorkshire and The Humber (+9,000), the East Midlands (+5,000), London (+5,000) and Scotland (+1,000).
- Unemployment decreased in the West Midlands (-12,000).

Exhibit 6 Redundancy rate (%)



Source: ONS October 2020 labour market statistics

The next labour market update will be published on **10th November 2020.**

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“Companies are getting to grips with the pandemic and have a better idea of their staffing requirements. This is leading to an overall more positive trend for permanent and temporary hires. We are seeing an increased number of job vacancies being advertised on behalf of our clients, largely linked to a reopening of the economy. Whilst demand for staff is on the rise, it is now very much a candidate-rich environment.”

Carmen Watson, Chairperson, Pertemps Ltd

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