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EMPLOYMENT GROWS, UNEMPLOYMENT REMAINS LOW, AND PAY GROWTH STRENGTHENS

The ONS's latest labour market data saw employment rising, with unemployment remaining low.

The employment rate remains close to a record high, with employment growth similar to the relatively strong rates seen over most of 2017.

The unemployment rate ticked up slightly and stands now at 4.1%. In the three months to September 2018, the ratio of unemployed people per vacancy was at a historic low of 1.6% which highlights the growing challenges companies face when hiring workers.

Figures on UK employment by nationality show a record annual drop of 132 thousand in EU nationals. Although the number of non-EU nationals has risen on the year, the 34 thousand rise does not fully plug the gap left by EU nationals.

Pay growth has edged higher once again and is the strongest it has been in a decade but still weak relative to pre-crisis norms.

Pay growth also remains constrained by subdued UK productivity growth. As the ONS's flash estimate of productivity growth in the months to September showed—output per hour worked decline by 0.4% over the quarter, following a rise of 0.5% in the three months to June.

Across the UK, regions and nations have seen a mixed picture in employment levels and little change in unemployment levels.

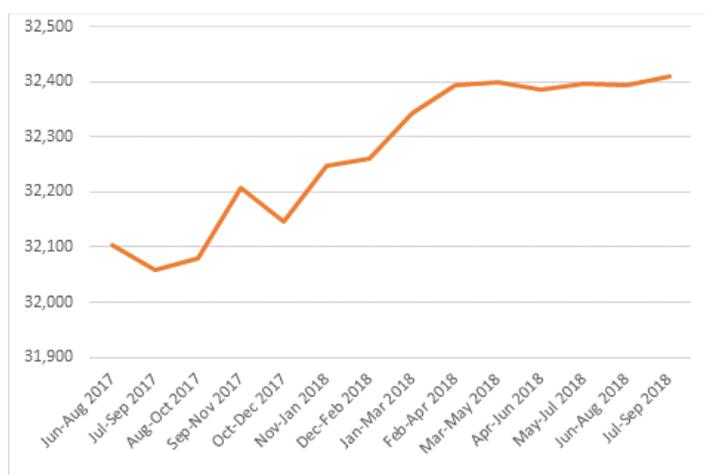
Employment continues to be strong...

The rise in employment this quarter was mainly driven by an increase among older workers - those aged 50-64 and 64+ years old.

- Employment increased by 23,000 in the three months to September 2018 and was up by 350,000 compared with the same period one year earlier.

- The employment rate was 75.5%, little changed compared with April to June 2018, but higher than a year earlier (75.0%).
- Male employment increased by 29,000 on the quarter, while female employment remained broadly unchanged (-6,000). Both groups saw rising employment year-on-year, with male employment rising by 208,000, and female employment by 142,000.
- Employment growth was strongest among older people, rising by 59,000 among those aged 50-64 years old and by 26,000 in those aged 65+ years old. It also grew among those aged 25-34 years old (+19,000) but fell for those aged 16-24 years old (-40,000) and those aged 35-49 years old (-41,000).
- The number of people working full-time increased by 82,000 over the quarter, while the number of people working part-time dropped by 59,000. On a year-on-year basis, the number of people working full-time

Exhibit 1 Employment (000s)



Source: ONS November 2018 labour market statistics

Headline figures	Rate	Number	Change on quarter	Change on year
Employment* (ILO)	75.5%	32,409	+23,000 (+0.1%)	+350,000 (-1.1%)
Unemployment** (ILO)	4.1%	1,381	+21,000 (-1.6%)	- 43,000 (-3.0%)
Youth unemployment (16-24)	11.1%	476	-16,000 (-3.25%)	- 112,000 (-19.0%)

Source: ONS November 2018 labour market statistics, July to September 2018 data *Rate for those aged 16-64 **Rate for those aged 16 and over

increased by 416,000, while the number of part-time workers dropped by 66,000.

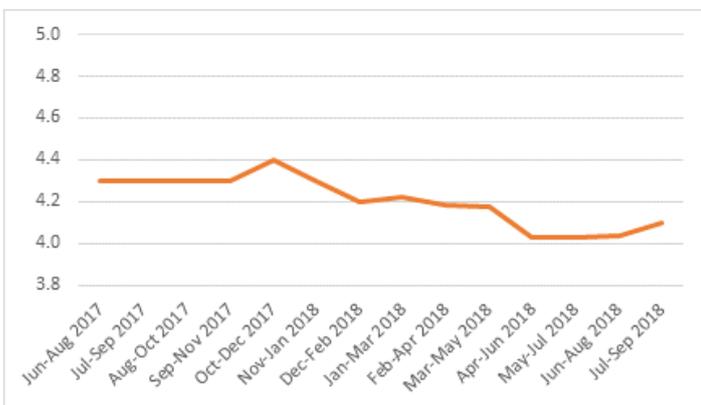
- In the three months to September 2018, the number of vacancies grew by 11,000 and is now at 845,000 while the ratio of unemployed people per vacancy is at a historic low of 1.6%.

...while unemployment remains low

The unemployment rate ticked up in the three months to September, while inactivity remained broadly unchanged after two quarters of growth.

- The three months to September 2018 saw an increase in unemployment of 21,000 on the quarter (to 1.36 million). On a year-on-year basis, the number of unemployed people was down by 43,000.
- The unemployment rate was 4.1%, slightly higher than for April to June 2018 but lower than for a year earlier (4.3%).
- Male unemployment grew by 29,000 in the three months to September, while the number of unemployed women remained broadly unchanged (-8,000). Both groups saw unemployment fall over the year: female unemployment declined by 23,000, and male unemployment by 20,000.
- The number of those registered as economically inactive (not available and/or looking for work) remained broadly unchanged (+1,000) compared with the previous quarter but dropped by 147,000 on a year earlier.
- The inactivity rate remained broadly unchanged and stands at 21.2% but is lower than for a year earlier (21.6%).

Exhibit 2 Unemployment (%)



Source: ONS November 2018 labour market statistics

Regions saw a mixed picture in employment...

The latest quarter saw an increase in employment in some regions—with the greatest increase in London and the North West.

- In the three months to September 2018, the largest increases in employment were in London (+65,000) followed by the North West (+51,000), Wales (+18,000) and the North East (+11,000).
- Employment declined in the East (-28,000), the South West (-21,000), the South East (-20,000), the West Midlands (-19,000) and Northern Ireland (-11,000).
- Employment remained broadly unchanged in Yorkshire and the Humber (-8,000), the East Midlands (-8,000) and Scotland (-6,000).

... and little change in unemployment

- Yorkshire and the Humber saw rising unemployment (+22,000) while unemployment fell in Scotland (-12,000).
- There was no significant change elsewhere: London (-8,000), Wales (-7,000), the North West (-2,000), East (-1,000), South East (0), South West (+1,000), Northern Ireland (+2,000), East Midlands (+6,000), West Midlands (+9,000) and the North East (+10,000).

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



Source: ONS November 2018 labour market statistics

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



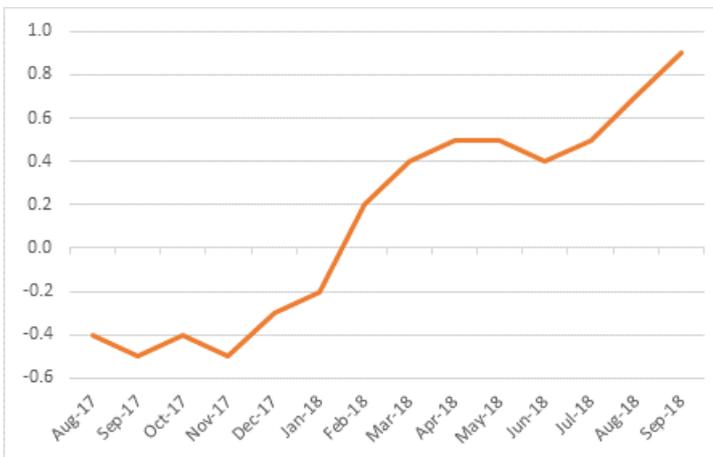
Source: ONS November 2018 labour market statistics

Pay growth is the strongest in a decade but still weak relative to pre-crisis norms

Nominal regular pay increased at the strongest pace in a decade. In the private sector, wholesaling, retailing & hospitality overtook construction as the sector with the strongest nominal regular pay growth in the three months to September.

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 3.2% on the year in the three months to September 2018, up by 0.1% points on August.
- Nominal regular pay growth edged up by 0.1% points in the private sector and in the public sector in the three months to September 2018: private sector pay increased by 3.3% (the highest since mid-2015),

Exhibit 5 Real regular pay growth (%)

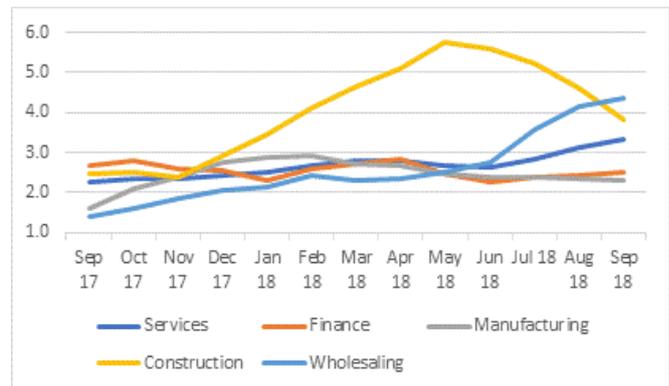


Source: ONS November 2018 labour market statistics

while public sector pay rose by 2.8% (the highest since the beginning of 2011).

- Looking at the private sector in more detail, wholesaling, retailing & hospitality has overtaken the construction sector in the three months to September 2018 and is now witnessing the strongest nominal regular pay growth (+4.4% - up by 0.2% points on the previous rolling quarter), followed by construction (+3.8% - down by 0.8% points), services (+3.3% - up by 0.2% points), finance (2.5% down by 0.1% points) and manufacturing (+2.3% - unchanged on the previous rolling quarter).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) increased by 0.9% on a year ago (on the less volatile three-month rolling basis) - the strongest growth in almost two years, but still weak relative to pre-crisis norms.
- Underlining the constraints on faster pay growth, the ONS's flash estimate of productivity growth in the months to September showed a decline in output per hour worked of 0.4% over the quarter, following a rise of 0.5% in the three months to June.
- On an annual basis, output per hour increased by just 0.1% during the third quarter, slowing sharply from 1.4% in the second quarter.

Exhibit 6 Nominal regular pay growth (%) by sector



Source: ONS November 2018 labour market statistics

The next labour market update will be published on **11th December 2018**.



For further information or a copy in large text format, please contact:

Anna Koch
Policy Adviser
T: 44 (0)20 7395 8107
E: anna.koch@cbi.org.uk

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Kevin Cooke
Head of PR and Communications
T: 01676 525250
E: Kevin.Cooke@pertemps.co.uk
W: <http://www.pertemps.co.uk/>