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LABOUR MARKET CONTINUES TO DETERIORATE, WITH UNEMPLOYMENT AND REDUNDANCIES RISING SHARPLY

The latest ONS data covers the period between July and September 2020, providing a snapshot of labour market activity during a period of relaxed restrictions and greater flexibility within the Job Retention Scheme, albeit on progressively less generous terms for business. The impact of COVID-19 on the labour market is now feeding through to headline labour market indicators. This month's data shows a significant fall in employment for young people, a sharp rise in unemployment and redundancies, with the annual increase in redundancies being the largest since the February to April quarter of 2009. The recent extensions of the Job Retention Scheme and increased support through Universal Credit are important steps that recognise this difficult reality.

ONS experimental data shows that by October 2020 782,000 people had left company payrolls compared with March, while the Claimant Count dropped slightly to 2.6 million last month. Vacancies have continued to edge up but are still far below the levels seen before the coronavirus pandemic. Total hours worked also rose over July to September but were still exceptionally low. While positive these developments need to be seen in the context of a second lockdown in England and further restrictions in the regions and nations that are not yet reflected in the data.

The next couple of months will be crucial. The Government must use this time well to get ahead of the curve on the economy as well as the virus. The creation of an economic recovery commission uniting government, business and unions would be a vital step, as would rollout of mass testing and investment in job-creating projects, with a focus on digital skills and green jobs.

Employment continues to fall impacting particularly young people...

- ONS estimates that between April to June 2020 and July to September 2020, total actual weekly hours worked in the UK saw a record increase of 9.9% as the

economy re-emerged from lockdown. But weekly hours worked were still 12% lower than a year earlier.

- The ONS estimates that the number of people temporarily away from work, including furloughed workers, fell to 3.9 million people in September, down from almost 7.9 million people in April 2020. There were also around 210,000 people away from work because of the pandemic and receiving no pay in September 2020; this has fallen from around 658,000 in April 2020.
- Experimental Pay As You Earn (PAYE) data shows that in October the number of employees in the UK on payrolls was down by 782,000 compared with March 2020. This figure doesn't capture the 210,000 people who identified themselves as being employed, but temporarily away from their jobs because of the pandemic, but who were receiving no pay.

Exhibit 1 Vacancies (000s)

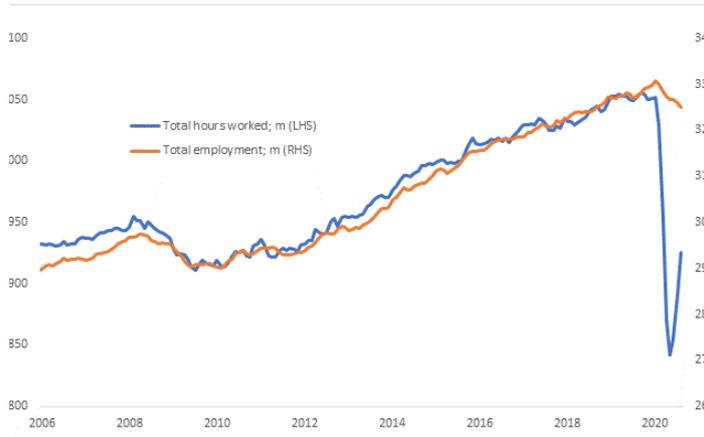


Source: ONS November 2020 Labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.3%	32,507	-164,000 (-0.5%)	-247,000 (-0.8%)
Unemployment** (ILO)	4.8%	1,624	+243,000 (+17.6%)	+318,000 (+24.4%)
Youth unemployment (16-24)	13.6%	601	+52,000 (+9.5%)	+124,000 (+25.9%)

Source: ONS November 2020 Labour market statistics, July to September 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 November 2020 Labour market statistics

- The official measure of employment shows a significant fall of 164,000 in the three months to September 2020, compared with the previous quarter, and was 247,000 down on the same period a year earlier. The employment rate fell by 0.6% points to stand at 75.3%.
- Male employment fell by 134,000 over the quarter to September, while female employment fell by 30,000, the decrease on the year was 319,000 for men and 73,000 for women.
- The decline in employment was mainly driven by those aged 16 to 24 years (-176,000), with a steep drop of 136,000 for those aged 18 to 24 years.
- The number of self-employed decreased by 174,000 in the three months to September. Also, the number of people working part-time fell sharply, by 158,000 on the quarter. These are further indications that the labour market is deteriorating.
- For August to October 2020, there were an estimated 525,000 vacancies, which is a quarterly increase of 146,000 vacancies and an increase of 182,000 vacancies from the record low in April to June 2020. The smallest businesses, with one to nine employees, saw the largest quarterly growth in vacancies, with an estimated increase of 36,000 (51.8%) vacancies, compared with an estimated increase of 18,000 (12.4%) for larger businesses with more than 2,500 employees.

...while unemployment and redundancies increased sharply

- Official data shows that in the three months to September 2020 unemployment increased sharply by 243,000 and stood at 1.62 million, the highest level

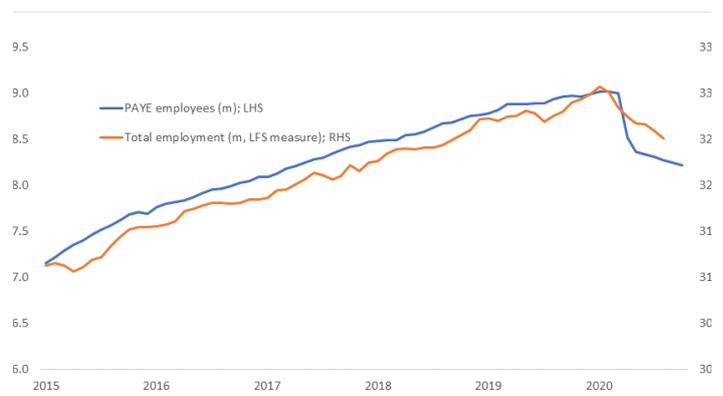
since mid-2016. On a year-on-year basis, the number of unemployed people increased by 318,000. The unemployment rate stood at 4.8%, an increase of 0.7% points on the previous quarter.

- Redundancies increased substantially by 181,000 on the quarter and 195,000 on the year to a record high of 314,000. The annual increase was the largest since February to April 2009. Experimental weekly Labour Force Survey (LFS) estimates show that redundancies have been increasing since June 2020, with strong growth during the first two weeks of September 2020.
- Experimental data showed that UK claims for benefits have fallen slightly to stand at 2.6 million in October 2020. 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 increased by 21,000 on the previous quarter and rose by 46,000 on the year. The inactivity rate now stands at 20.9%.

Pay growth picked up slightly in the three months to September, but remains subdued

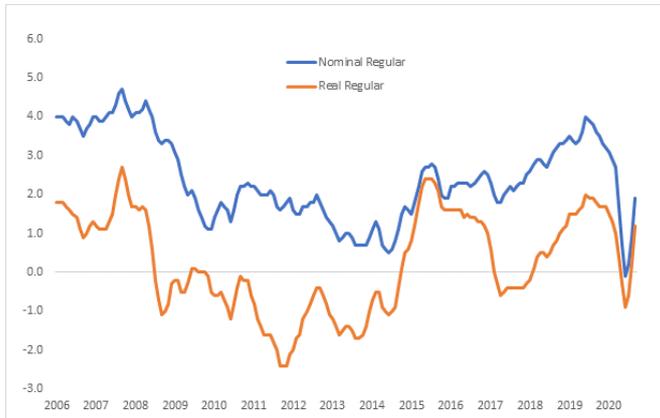
- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) has increased and was 1.9% on the year in the three months to September 2020 (on the less volatile three-month rolling basis), up by 1.0% points from August 2020. However, pay growth has slowed over the past year (from a peak of 3.9% in June/July 2019).

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



Source: ONS November 2020 Labour market statistics

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



Source: ONS November 2020 labour market statistics

- In the three months to September, nominal regular pay growth stood at 1.4% in the private sector (up by 1.3% points on August) and at 4.0% in the public sector (down by 0.1% points on August). The improvement in the private sector reflects the fact that employees have been moved off furlough between July and September and wages have again increased from 80% of normal levels that have been paid to workers on furlough.
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+3.7% - up by 1.4% points) and services (+2.5% - up by 0.9% points), followed by manufacturing (0.0% - up by 0.9% points), wholesaling, retailing & hospitality (-0.2% - up by 1.5% points) and construction (-2.8% - up by 2.3% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 1.2% on a year ago (on

Exhibit 5 Unemployment rate (%)



Source: ONS November 2020 labour market statistics

the less volatile three-month rolling basis) – up by 1.0% points from August 2020.

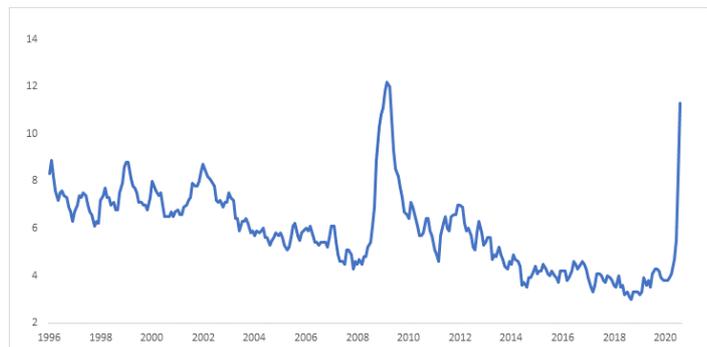
Most regions saw a fall in employment...

- In the three months to September 2020, employment increased in the East (+31,000), Yorkshire and The Humber (+23,000) and Scotland (+16,000).
- Employment remained broadly unchanged in Northern Ireland (-4,000) and the West Midlands (-2,000).
- Employment decreased in the South West (-49,000), Wales (-42,000), London (-39,000), the North East (-31,000), the East Midlands (-28,000), the North West (-22,000) and the South West (-17,000).

... with unemployment increasing in most regions

- In the three months to September 2020, unemployment increased in London (+60,000), the South East (+38,000), the North West (+33,000), Wales (+28,000), Yorkshire and The Humber (+24,000) and North East (+15,000).
- Unemployment remained broadly unchanged in Scotland (-1,000), the East Midlands (+8,000), the West Midlands (+9,000), the East (+9,000), the South West (+9,000) and Northern Ireland (+9,000).

Exhibit 6 Redundancy rate (%)



Source: ONS November 2020 labour market statistics

The next labour market update will be published on **15th December 2020**.

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ABOUT THE SPONSOR

“Recruitment companies are working hard to place increasing numbers of temporary workers into roles which will be vital to keep businesses operating throughout what will be a challenging few months ahead. Despite the rise in short-term placements there has been a renewed fall in permanent staff appointments due to Covid-19 uncertainties. IT and computing roles are reporting the highest increase in permanent staff demand with the biggest rise in temporary vacancies being Blue Collar roles.”

Carmen Watson, Chairperson, Pertemps Ltd

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