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JANUARY 2020: EMPLOYMENT BACK TO RECORD HIGH WHILE PAY GROWTH SLOWS FURTHER

Going into the new year it is clear that the labour market continued to grow strongly. The employment rate remained at a record high, with the unemployment rate rising slightly but remaining close to record low. The inactivity rate has dropped to its lowest level on record and nominal regular pay growth has continued to slow after its recent peak in summer 2019.

However, it's important to note that **January's data covers the period before the escalation in the Covid-19 pandemic**, and its effects have been felt more acutely since across the country. It's likely that the labour market will see an impact, and businesses and government must keep considering how people can be supported – for example, if they follow public health advice to self-isolate, but are unable to work.

The employment rate remained at a record high...

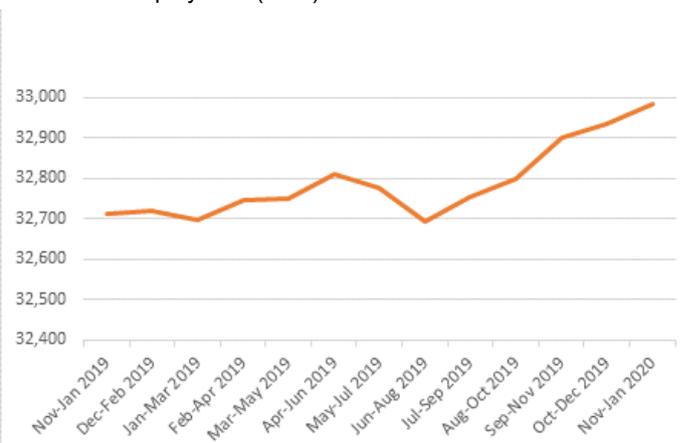
The increase in employment in the quarter to January 2020 was once again mainly driven by significantly more women in employment.

- Employment increased by 184,000 in the three months to January 2020, compared with the previous quarter, and is 271,000 higher than during the same period a year earlier.
- The employment rate increased by 0.3% points, to stand at a record high of 76.5%.
- The rise in employment was entirely driven by growth in the number of people working full-time (which increased by 225,000 over the quarter), while the number of people working part-time decreased by 42,000. On a year-on-year basis, the number of people working full-time increased by 345,000, while the number of part-time workers decreased by 74,000.
- The number of employees increased (+100,000) in the three months to January and now stands at 27.8 million – the highest it has been in almost a year. The proportion of temporary employees who couldn't find a

permanent job has remained broadly unchanged on the quarter (-2,000).

- Male employment increased by 12,000, while female employment increased significantly by 171,000 on the quarter. Year-on-year, male employment remained broadly unchanged (+9,000) while female employment rose significantly (by 262,000).
- Employment grew among almost all age groups. Over the quarter, growth was strongest among those aged 16-24 years old (+61,000), and those aged 50-64 years old (+56,000), and there were also solid rises among those aged 65+ years old (+39,000) and those aged 25-34 years old (+23,000). Employment remained broadly unchanged among those aged 35-49 years old (+3,000).
- In the three months to January 2020, the number of vacancies increased by 19,000 and stands at 817,000. The number of unemployed people per vacancy increased slightly and stands at 1.7 job seekers per vacancy in the quarter to January 2020.

Exhibit 1 Employment (000s)



Source: ONS March 2020 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	76.5%	32,985	+184,000 (+0.6%)	+271,000 (+0.8%)
Unemployment** (ILO)	3.9%	1,343	+63,000 (+4.9%)	+5,000 (+0.4%)
Youth unemployment (16-24)	11.7%	506	+33,000 (+6.9%)	-29,000 (-5.7%)

Source: ONS March 2020 labour market statistics, November 2019 to January 2020 data *Rate for those aged 16-64 **Rate for those aged 16 and over

- Overall, the data for the 3 months to January painted a picture of a continually tight labour market. However, this was prior to the escalation of the Covid-19 outbreak, the effects of which are likely to be felt more acutely across the economy in the coming weeks.

...and the unemployment rate stayed at close to a record low

The unemployment rate has increased slightly on the previous quarter, while the inactivity rate remained at a record low.

- In the three months to January 2020, unemployment increased by 63,000 on the quarter and stood at 1.34 million. On a year-on-year basis, the number of unemployed people was broadly unchanged (+5,000).
- The unemployment rate stood at 3.9%, up by 0.2% points on the previous quarter.
- This could have been related to a sharp fall in the number of those registered as economically inactive (not available and/or not looking for work), which has decreased significantly (-175,000) compared with the previous quarter, and on a year earlier (by 118,000).
- The inactivity rate is at a record low of 20.4%, down by 0.4% points on the quarter and down by 0.3% points on the previous year.
- Male unemployment increased by 33,000, while female unemployment increased by 29,000 in the three months to January. On the year, male unemployment increased by 20,000 and female unemployment decreased by 15,000.

Mixed picture for employment in the regions...

In the last quarter employment has grown the strongest in London and in Scotland.

- In the three months to January 2020, employment increased in London (+115,000) and Scotland (+31,000), the North West (+15,000), the East Midlands (+15,000), and the South East (+13,000).
- Employment remained broadly unchanged in Northern Ireland (-3,000), Wales (0), the South West (+1,000), the East of England (+4,000), the West Midlands (+5,000) and the North East (+9,000).
- Employment decreased in Yorkshire and The Humber (-20,000).

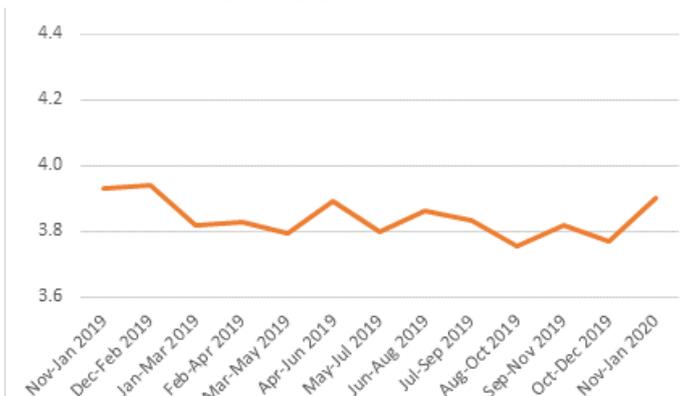
... while unemployment remained broadly unchanged in most regions

- In the three months to January 2020, unemployment increased in the North West (+16,000) and Yorkshire and The Humber (+13,000).
- Unemployment remained broadly unchanged in Scotland (-4,000), Wales (-3,000), Northern Ireland (+1,000), the West Midlands (+1,000), the North East (+1,000), London (+3,000), the South East (+7,000), the East Midlands (+8,000), the East (+9,000) and the South West (+10,000).

Pay growth slowed further

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 3.1% on the year in the three months to January 2020, down by 0.1% points on December 2019. It has been slowing for 6 consecutive months since its last peak in mid-2019 (3.9% in June/July).
- In the three months to January, nominal regular pay decreased in the private sector (down by 0.2% points) and stood at 3.0%, as well as in the public sector (down by 0.2% points) and stood at 3.2%.

Exhibit 2 Unemployment (%)



Source: ONS March 2020 labour market statistics

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



Source: ONS March 2020 labour market statistics, shown as quarter on quarter changes

Jobs growth was concentrated in a few industries in Q4 2019

- Construction (+44,000), real estate (+31,000) and accommodation & food services (+21,000) registered the largest increase in workforce jobs in the three months to December 2019.
 - Jobs in professional scientific activity (-22,000), human health (-15,000) and manufacturing (-
-
- Looking across the private sector, pay growth was strongest in finance (+3.5% - down by 0.7% points) and services as a whole (+3.2% - down by 1.0% points), followed by construction (+2.7% - down by 0.8% points), manufacturing (+2.4% - down by 0.4% points) and wholesaling, retailing & hospitality (+2.0% - up by 0.5% points).
 - Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 1.5% on a year ago (on the less volatile three-month rolling basis) – down by 0.2% points on December 2019.



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“We are finding that businesses remain slightly cautious about hiring in the current environment but, in the main, are continuing to invest in creating permanent and interim opportunities. The jobs market therefore remains stable compared to previous months. The short-term increased by 1% for permanent staff, and by 2% for agency workers, despite concerns raised regarding the UK's economy.”

Carmen Watson, Chairperson, Pertemps Ltd

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