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LABOUR MARKET COMING OUT OF STASIS, WITH UNEMPLOYMENT AND REDUNDANCIES ON THE RISE

The latest ONS data covers the period between May and July 2020, providing the first snapshot of labour market activity in the aftermath of a more substantial easing of lockdown at the start of July and the introduction of greater flexibility within the Job Retention Scheme. The impact of COVID-19 on the labour market is becoming more pronounced and is starting to feed through to headline labour market indicators. This month's data shows a large fall in the number of young people in employment, while the quarterly and annual changes in redundancies are the largest since 2009.

ONS experimental data shows that 695,000 people have left company payrolls compared with March, with the Claimant Count reaching 2.7 million in August 2020, an increase of 120.8% since March. But vacancies saw a small rise as compared to the previous quarter, which was mainly driven by small businesses. Total hours worked were still exceptionally low but showed the first signs of recovering in the three months to July 2020.

With prospects of a second wave of infections and government support schemes coming to an end in October, a successor to the Job Retention Scheme is needed to protect jobs and businesses.

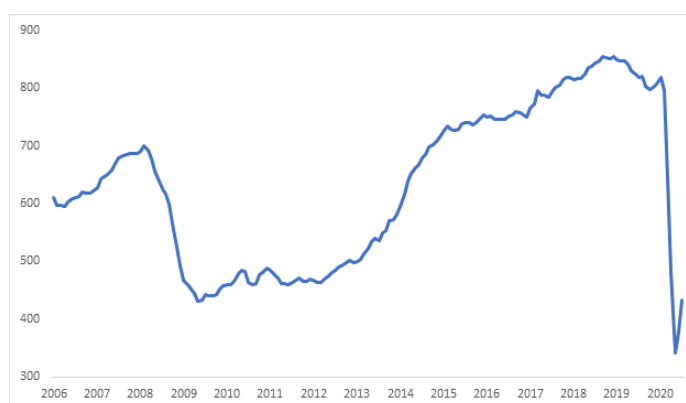
Large fall in the number of young people in employment but vacancies and hours worked see a slight recovery...

- ONS estimates that between February to April 2020 and May to July 2020, total actual weekly hours worked in the UK fell by 93.9 million to 866.0 million hours. But experimental estimates based on returns for individual weeks suggest that the average number of weekly hours worked started to slowly increase in July. The ONS are treating furloughed employees as still being "in employment" but working zero hours. Hence the hours worked is currently a better indicator of the extent of labour market activity in the three months to July.
- The ONS estimates that the number of people temporarily away from work, including furloughed workers, was more than 5 million in July 2020, with

approximately 2.5 million of these being away for three months or more. There were also around 250,000 people away from work because of the pandemic and receiving no pay in July 2020.

- Vacancies in the UK in June to August 2020 were at an estimated 434,000; this is almost 30% higher than the record low in April to June 2020. However, vacancies are still almost half (47%) the level they were in February 2020.
- Experimental Pay As You Earn (PAYE) data shows that in July the number of employees in the UK on payrolls was down by 695,000 compared with March 2020. This figure is not believed to be capturing the 250,000 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 12,000 in the three months to July 2020, compared with the previous quarter, and was 202,000 higher than during the

Exhibit 1 Vacancies (000s)

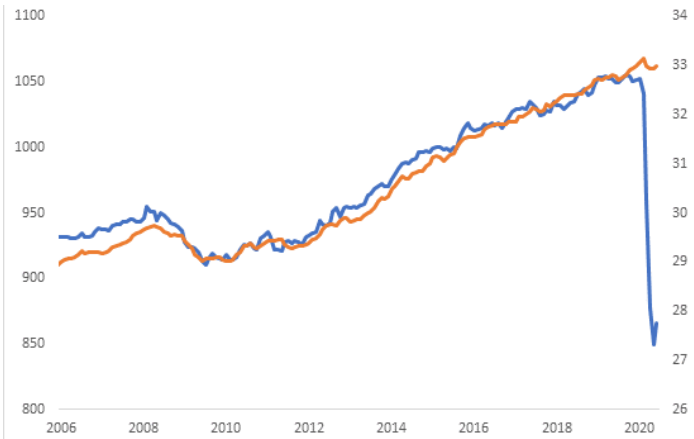


Source: ONS September 2020 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	76.5%	32,979	-12,000 (0%)	+202,000 (+0.6%)
Unemployment** (ILO)	4.1%	1,398	+62,000 (+4.6%)	+104,000 (+8.0%)
Youth unemployment (16-24)	12.5%	564	+35,000 (+6.8%)	+76,000 (+15.3%)

Source: ONS September 2020 labour market statistics, May to July 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 September 2020 labour market statistics

same period a year earlier. The employment rate increased by 0.1% points to stand at 76.5%.

- The decline in employment was mainly driven by those aged 16 to 24 years (-156,000), with a record fall of 146,000 for those aged 18 to 24 years, and those aged 65+ years (-92,000). This was partially offset by rises those aged 25 to 64 years old (+236,000) with a record increase of 67,000 for women in the 25 to 34 years age group.
- In addition to that, the estimated employment rate for women was 72.9%, a joint record high; this is 0.8 percentage points up on the year and 0.2% points up on the quarter.
- The number of employees increased by 159,000 in the three months to July, while the number of self-employed fell by 154,000 on the quarter. Also the number of people working part-time decreased strongly by 272,000 on the quarter. These are also indications that the labour market is deteriorating.

...while unemployment and redundancies both start to rise

- Experimental data showed that UK claims for benefits reached 2.7 million in August 2020, an increase of 120.8% 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.
- Official data shows that in the three months to July 2020 unemployment increased by 62,000 and stood at 1.4 million. On a year-on-year basis, the number of unemployed people increased by 104,000. The

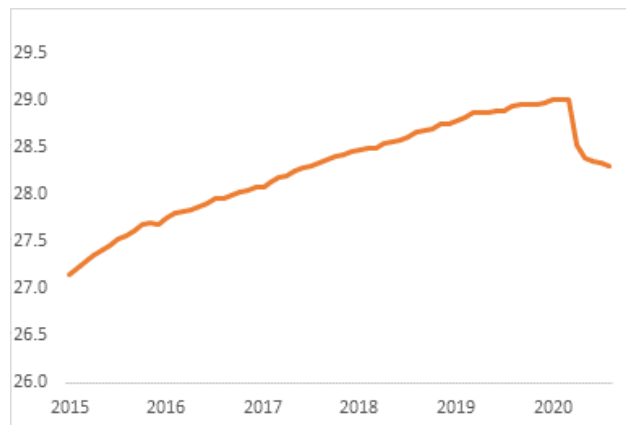
unemployment rate stood at 4.1%, an increase of 0.2% points on the previous quarter.

- Looking at the duration of unemployment, those unemployed for up to six months have seen the largest increases, up by 128,000 over the quarter and by 202,000 over the year, to 988,000.
- The number of those who are economically inactive and who want a job fell by 118,000 on the previous quarter and by 235,000 on the year.
- The inactivity rate decreased by 0.3% points on the quarter and now stands at 20.2%, a joint record low, and is down by 0.6% points on the previous year.
- Redundancies increased by 48,000 on the quarter and 58,000 on the year to 156,000. These are the largest quarterly and annual increases since 2009. While this was also the highest level of redundancies since the three months to November 2012, the level remains well below that seen during the 2008 downturn.

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

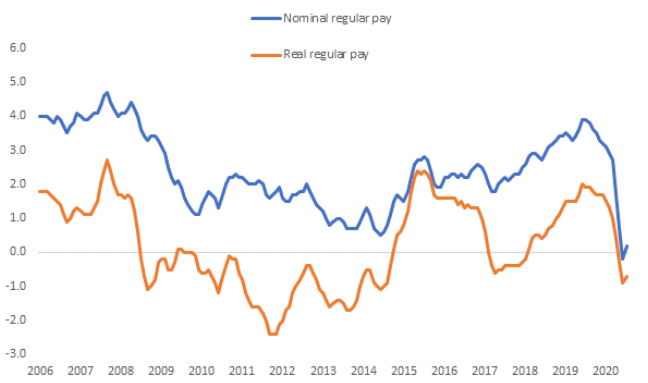
- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) has increased and was 0.2% on the year in the three months to July 2020 (on the less volatile three-month rolling basis), up by 0.4% points from June 2020. Pay growth has slowed steadily over the past year (from a peak of 3.9% in June/July 2019).
- In the three months to July, nominal regular pay growth slowed in the private sector but saw a little uptick (up by 0.3% points) to -0.9% on the year, and increased by 0.4% points in the public sector to 4.5% on the year. This reflects the fact that many employees, mostly in the private sector, have been

Exhibit 3 Paid employees - PAYE real time data (millions)



Source: ONS September 2020 labour market statistics

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



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

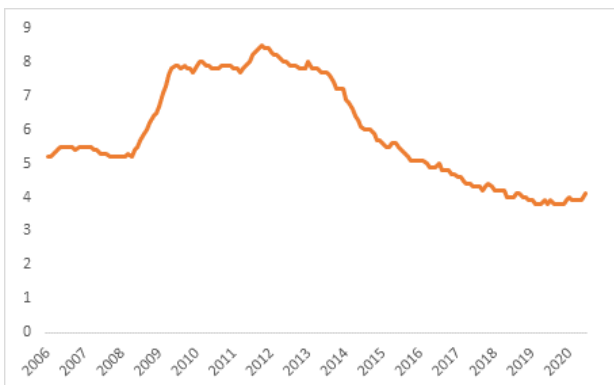
furloughed and moved into the JRS which only pays wages at 80% of normal levels.

- Across the different sectors, nominal annual regular pay growth was strongest in finance (+1.1% - up by 0.1% points) and services (+1.0% - up by 0.3% points), followed by manufacturing (-1.7% - up by 0.8% points), wholesaling, retailing & hospitality (-3.2% - up by 0.7% points) and construction (-7.5% - up by 1.2% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) decreased by -0.7% on a year ago (on the less volatile three-month rolling basis) – up by 0.2% points from June 2020.

Employment remained broadly unchanged in most regions...

- In the three months to July 2020, employment increased in London (+52,000) and the West Midlands (+36,000).
- Employment remained broadly unchanged in the North West (-9,000), Wales (-5,000), the East

Exhibit 5 Unemployment rate (%)



Source: ONS September 2020 labour market statistics

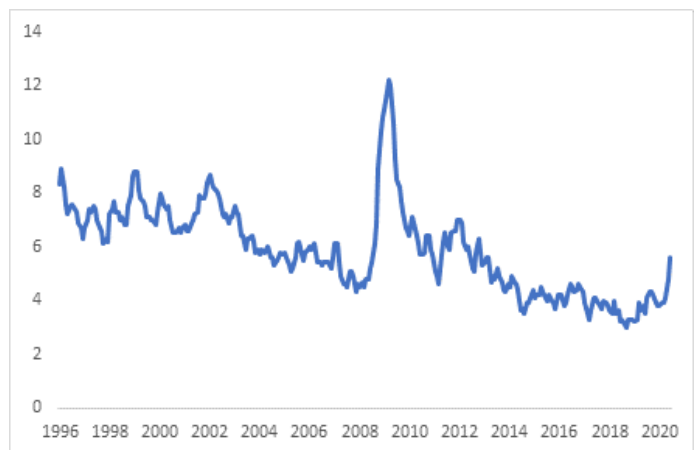
(-3,000), Scotland (-2,000), Northern Ireland (+2,000), the North East (+6,000) and Yorkshire and The Humber (+8,000).

- Employment decreased in the South West (-40,000), the East Midlands (-30,000) and the South East (-27,000).

... as well as unemployment

- In the three months to July 2020, unemployment increased in the South East (+23,000), the South West (+22,000), London (+21,000) and the East Midlands (+17,000).
- Unemployment remained broadly unchanged in the North East (0), Scotland (+1,000), Wales (+1,000), Yorkshire and The Humber (+2,000), the East (+3,000) and Northern Ireland (+5,000).
- Unemployment decreased in the North West (-22,000), and the West Midlands (-12,000).
- However, as with the headline data, the employment and unemployment data across the regions and nations is likely not reflective of labour market conditions at present.

Exhibit 6 Redundancy rate (%)



Source: ONS September 2020 labour market statistics

The next labour market update will be published on **13th October 2020**.

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ABOUT THE SPONSOR

"August has seen a definite upturn in recruitment activity as businesses started to plan their reopening. Understandably, permanent placement growth has been slow. Temporary billings, however, have increased rapidly reflecting the fact that temporary workers provide critical cover for fluctuating demands. Given the substantial rise in candidate availability, it's positive news that companies are rediscovering hiring confidence, enabling more people to find work."

Carmen Watson, Chairperson, Pertemps Ltd

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