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## EMPLOYMENT RATE BACK TO RECORD HIGH, WHILE PAY GROWTH SLOWS

Latest data from the ONS paints a familiar picture of the UK labour market. The employment rate returned to a record high, with the unemployment rate remaining close to record low. This strong employment growth was driven by significantly more women in employment. Creating a labour market that supports more women in jobs is critical to achieving a fairer, thriving economy.

The inactivity rate has dropped to its lowest level on record. Vacancies have stopped falling, which could indicate a growing appetite for hiring. Yet the strength in employment continues to be tempered by slowing pay growth and lacklustre productivity.

Nominal regular pay growth has continued to slow after its recent peak in summer 2019. Early estimates show that productivity (as measured by output per hour) rose for the second quarter running, but there is a long way to go before we start seeing a more definitive recovery—essential for stronger and sustainable pay growth. By unlocking investment in skills, unleashing spending on innovation and pressing ahead with HS2, the upcoming Budget presents a golden opportunity to boost the UK's long-term growth potential.

Across the UK, most regions and nations have seen a mixed picture in employment, with unemployment broadly remaining unchanged.

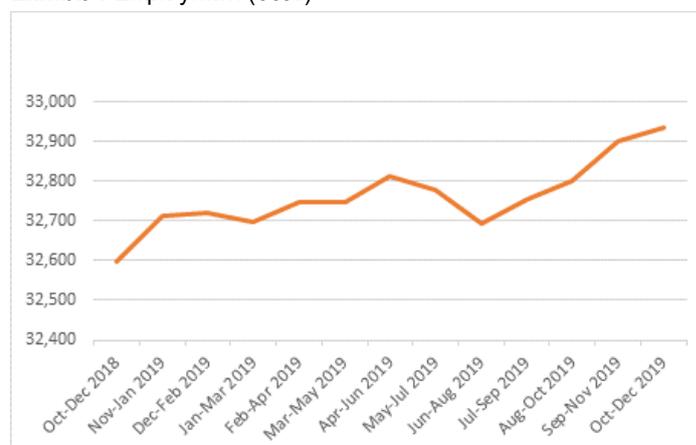
### The employment rate returns to a record high...

The increase in employment in the quarter to December 2019 was mainly driven by significantly more women in employment—more than five times the rate of male employment growth.

- Employment increased by 180,000 in the three months to December 2019, compared with the previous quarter, and is 336,000 higher than during the same period a year earlier.
- The employment rate increased by 0.4% points and now stands at a record high of 76.5%.

- Male employment increased by 30,000, while female employment increased by 150,000 on the quarter. Both groups saw rising employment year-on-year, with male employment rising by 39,000, and female employment rising significantly, by 298,000.
- Employment grew among almost all age groups. Over the quarter growth was strongest among those aged 16-24 years old (+81,000), those aged 50-64 years old (+61,000), those aged 35-49 years old (+27,000) and those aged 25-34 years old (+25,000). Employment decreased among those aged 65+ years old (-14,000).
- The number of people working full-time increased by 203,000 over the quarter, while the number of people working part-time decreased by 23,000. On a year-on-year basis, the number of people working full-time increased by 381,000, while the number of part-time workers decreased by 45,000. The number of employees increased (+106,000) in the three months to December and now stands at 27.7 million – the highest it has been in almost a year. The

Exhibit 1 Employment (000s)



Source: ONS February 2020 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	76.5%	32,934	+180,000 (+0.6%)	+336,000 (+1.0%)
Unemployment** (ILO)	3.8%	1,290	-16,000 (-1.2%)	-73,000 (-5.4%)
Youth unemployment (16-24)	11.3%	481	-19,000 (-3.8%)	-59,000 (-10.9%)

Source: ONS February 2020 labour market statistics, October to December 2019 data \*Rate for those aged 16-64 \*\*Rate for those aged 16 and over

proportion of temporary employees who couldn't find a permanent job has remained broadly unchanged on the quarter (+10,000).

- In the three months to January 2020, the number of vacancies remained broadly unchanged (+7,000) and now stands at 810,000. The number of unemployed people per vacancy stood at 1.6 job seekers per vacancy in the quarter to December 2019 – unchanged for the seventh consecutive rolling quarter. Vacancies have stopped falling, which could indicate a growing appetite for hiring.

**...with the unemployment rate remaining close to a record low**

The unemployment rate has remained broadly unchanged on the previous quarter, while the inactivity rate has dropped to a record low.

- In the three months to December 2019, unemployment decreased (-16,000) on the quarter and stood at 1.29 million. On a year-on-year basis, the number of unemployed people was down by 73,000.
- The unemployment rate stood at 3.8%, broadly unchanged on the previous quarter.
- Male unemployment dropped by 24,000, while female unemployment remained broadly unchanged (+8,000) in the three months to December. Both male and female unemployment decreased on the year by 39,000 and 34,000 respectively.
- The number of those registered as economically inactive (not available and/or not looking for work) has decreased significantly (-94,000) compared with the previous quarter, and fell by 14,000 on a year earlier.

- The inactivity rate is at a record low of 20.5%, down by 0.3% points on the quarter and down by 0.4% points on the previous year.

**Employment in the regions saw a mixed picture...**

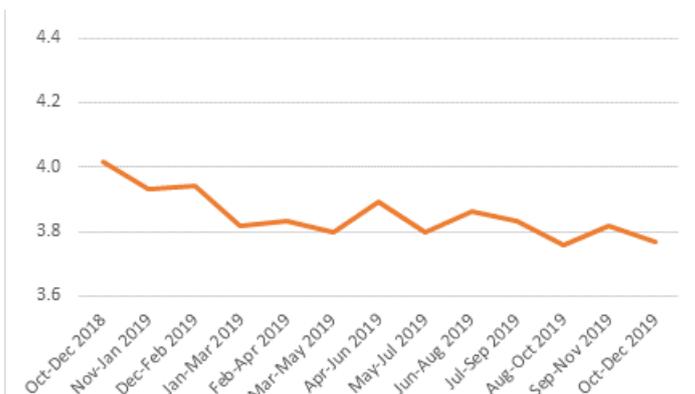
In the last quarter employment has grown the strongest in London, the East Midlands and the North West.

- In the three months to December 2019, employment increased in London (+77,000) and the North West (+41,000), the East Midlands (+41,000), Scotland (+37,000), the East (+17,000).
- Employment remained broadly unchanged in Northern Ireland (-2,000), the West Midlands (-1,000), Wales (+6,000) and the South East (+9,000).
- Employment decreased in the South West (-22,000), the North East (-12,000) and Yorkshire and The Humber (-12,000).

**... while unemployment remained broadly unchanged in most regions**

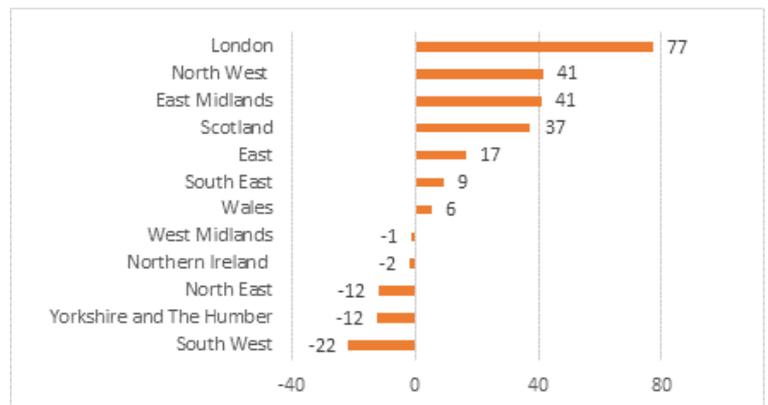
- In the three months to December 2019, unemployment increased in Yorkshire and The Humber (+16,000) and the West Midlands (+11,000).
- Unemployment remained broadly unchanged in Northern Ireland (-1,000), the South East (-1,000), the North East (+3,000), the North West (+4,000), the South West (+5,000) and the East (+7,000).
- Unemployment decreased in the East Midlands (-21,000), Wales (-14,000) and Scotland (-14,000).

**Exhibit 2** Unemployment (%)



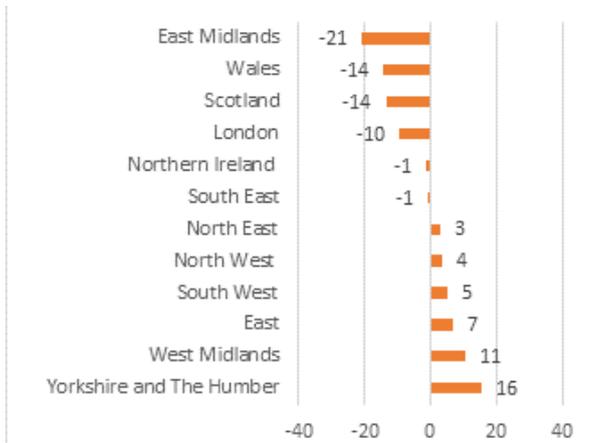
Source: ONS February 2020 labour market statistics

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



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

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

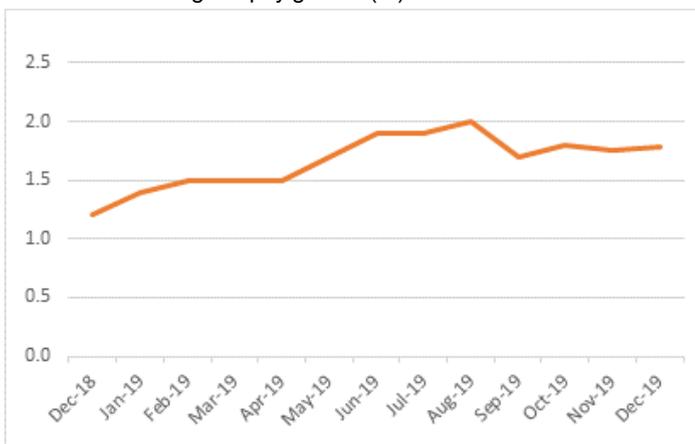


Source: ONS February 2020 labour market statistics, shown as quarter on quarter changes

**Pay growth is slowing**

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 3.2% on the year in the three months to December 2019, down by 0.2% points on November. Pay growth has been slowing for 5 consecutive months, from its peak in June/July (3.9%).
- In the three months to December, nominal regular pay decreased in the private sector (down by 0.1% points) and stood at 3.2%. It remained broadly unchanged in the public sector, standing at 3.4%.
- Looking across the private sector, pay growth was strongest in finance (+4.2% - down by 0.2% points)

**Exhibit 5** Real regular pay growth (%)

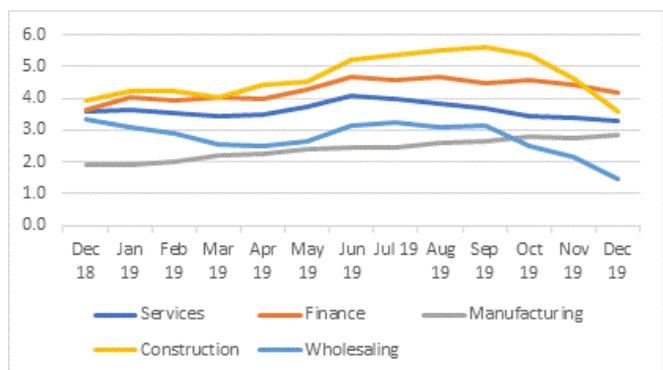


Source: ONS February 2020 labour market statistics

and construction (+3.6% - down by 1.0% point), followed by services (+3.3% - down by 0.1% points), manufacturing (+2.9% - up by 0.2% points) and wholesaling, retailing & hospitality (+1.5% - down by 0.7% points). Most sectors saw a notable slowing in pay growth.

- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 1.8% on a year ago (on the less volatile three-month rolling basis) – unchanged on November.

**Exhibit 6** Nominal regular pay growth by sector (%)



Source: ONS February 2020 labour market statistics

The next labour market update will be published on **17th March 2020**.



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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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