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EMPLOYMENT GROWTH IS SLOWING, BUT PAY GROWTH STRENGTHENS

Latest data from the ONS showed further signs that growth in the UK labour market is tailing off.

But while the employment rate edged lower, the unemployment rate remained at a multi-decade low. At the same time, however, the number of employees fell for the second consecutive quarter—the small rise in employment in the three months to May was mostly driven by self-employment. But the picture was mixed across the regions and nations.

The unemployment rate stood at 3.8% in the quarter to May 2019 and, even accounting for slower employment growth and another decline in vacancies, the labour market remains tight.

In a sign that this is feeding through to earnings, nominal pay growth has strengthened in the three months to May. But wage growth remains a little below pre-crisis norms. The only route to stronger and sustainable pay growth is a revival in productivity, which remains in the doldrums. Reinvigorating efforts to boost productivity is critical to living standards and future economic growth.

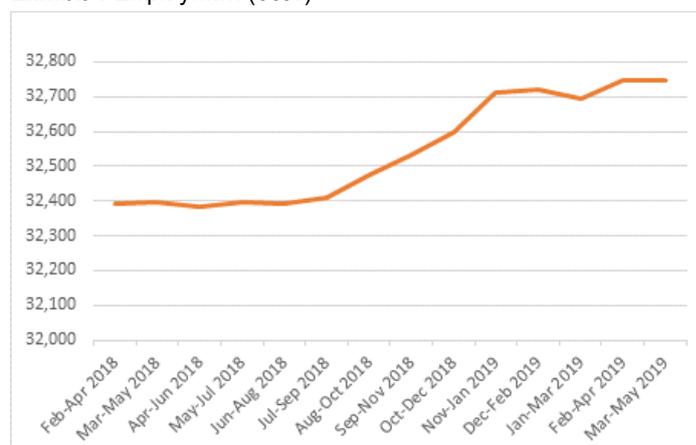
There are signs that employment growth is tailing off...

The rise in employment in the quarter to May 2019 was mainly driven by those aged 65+ years old and those 50-64 years old.

- Employment increased by 28,000 in the three months to May 2019 and was up by 354,000 compared with the same period a year earlier.
- The employment rate edged lower, by 0.1% points, and stood at 76.0%.
- Male employment decreased by 31,000 on the quarter, while female employment rose by 59,000. Both groups saw rising employment year-on-year, with male employment rising by 142,000, and female employment by 212,000.

- Employment growth was strongest among those aged 65+ years old (+45,000), those aged 50-64 years old (+36,000) and those aged 25-34 years old (+27,000). Employment remained broadly unchanged for those aged 35-49 years old (+6,000) and decreased significantly among those aged 16-24 years old (-86,000).
- The number of people working full-time decreased by 58,000 over the quarter, while the number of people working part-time increased by (+86,000). On a year-on-year basis, the number of people working full-time increased by 247,000, while the number of part-time workers has increased by 107,000. Meanwhile, the number of employees fell by 85,000 in the three months to May, the second consecutive quarter of contraction.
- In the three months to June 2019, the number of vacancies fell by 19,000 to 827,000 – vacancies have now not risen since the start of the year. The number of unemployed people per vacancy reached

Exhibit 1 Employment (000s)



Source: ONS July 2019 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	76.0%	32,749	+28,000 (+0.1%)	+354,000 (+1.1%)
Unemployment** (ILO)	3.8%	1,292	-51,000 (-3.8%)	-116,000 (-8.2%)
Youth unemployment (16-24)	11.3%	493	+1,000 (+0.02%)	-63,000 (-12.7%)

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

a historic low of 1.5 job seekers per vacancy in the quarter to May 2019.

...while unemployment remained at a record low

The unemployment rate remains at its joint-lowest since 1975, but the inactivity rate increased in the three months to May .

- In the three months to May 2019, unemployment decreased by 51,000 on the quarter to 1.29 million. On a year-on-year basis, the number of unemployed people was down by 116,000.
- The unemployment rate edged to a further low of 3.8%, 0.1% points lower than in the period from December to February and is at its joint-lowest since 1974.
- Male unemployment decreased by 19,000 in the three months to May, and female unemployment dropped by 31,000. Both groups saw unemployment fall over the year: female unemployment declined by 74,000, and male unemployment by 42,000.
- The number of those registered as economically inactive (not available and/or not looking for work) rose by 83,000 compared with the previous quarter, but dropped by 43,000 on a year earlier. The increase in the number of those who are economically inactive was driven by an increase in male inactivity (+78,000), while female inactivity remained broadly unchanged (+5,000).
- The inactivity rate stood at 20.9%, an increase of 0.2% points on the quarter, but close to the record low figures seen over the past months.

Exhibit 2 Unemployment (%)



Source: ONS July 2019 labour market statistics

Regions saw a mixed picture on employment...

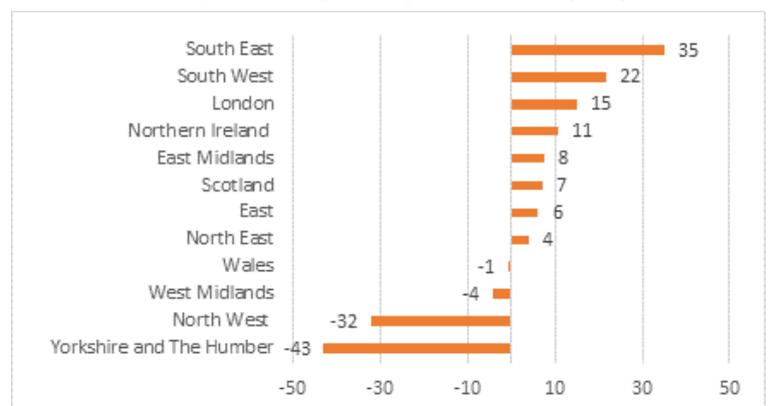
The latest quarter saw significant increases and decreases in employment in the regions, with the greatest increase in the South East and the greatest decrease in Yorkshire and The Humber.

- In the three months to May 2019, the largest increases in employment were in the South East (+35,000) followed by the South West (+22,000), London (+15,000) and Northern Ireland (+11,000).
- Employment remained broadly unchanged in the West Midlands (-4,000), Wales (-1,000), the North East (+4,000), the East (+6,000), Scotland (+7,000) and the East Midlands (+8,000).
- Employment decreased in Yorkshire and The Humber (-43,000) and the North West (-32,000).

... while unemployment remained broadly unchanged

- In the three months to May 2019, unemployment decreased in the South East (-21,000), the East Midlands (-13,000) and Wales (-11,000).
- Unemployment remained broadly unchanged in: the East (-9,000), London (-9,000), Scotland (-1,000), the South West (0), the East Midlands (0), the North East (0), Yorkshire and The Humber (+1,000), Northern Ireland (+1,000) and the North West (+9,000).

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



Source: ONS July 2019 labour market statistics, shown as quarter on quarter changes

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



Source: ONS July 2019 labour market statistics, shown as quarter on quarter changes

Pay growth is the strongest in two and a half years

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 3.6% on the year in the three months to May 2019, up by 0.2% points on April, remaining close to its strongest since mid-2008.
- In the three months to May, nominal regular pay grew in the private and in the public sectors and is now at 3.7% (up 0.1% points) and at 3.5% (up 0.5% points).
- Looking across the private sector, pay growth was strongest in construction (+4.4% - unchanged) and finance (+4.3% - up by 0.3% points), followed by services (+3.7% - up by 0.2% points), wholesaling,

retailing & hospitality (2.6% - up by 0.1% points) and manufacturing (+2.6% - up by 0.3% points).

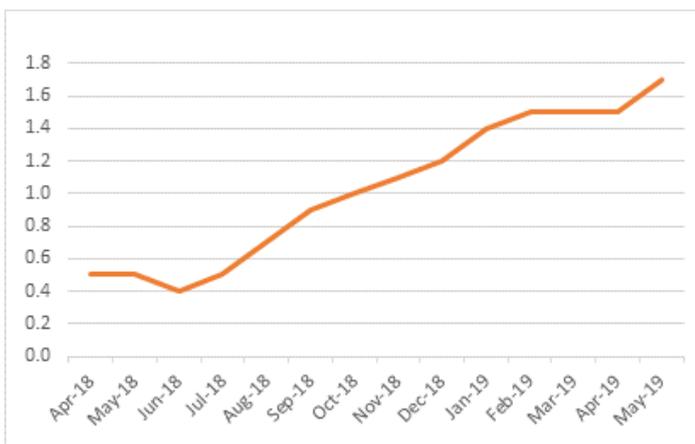
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 1.7% on a year ago (on the less volatile three-month rolling basis) – with growth remaining at its strongest in two and a half years, but still a little below pre-crisis norms.

Productivity growth remains weak

Data published earlier this month showed that productivity growth in Q1 2019 remained weak. Productivity growth also varied across industries.

- Labour productivity for Q1 (Jan to Mar) 2019, as measured by output per hour, decreased by 0.2% compared with the same quarter in the previous year; this was a marginally greater quarter-on-year decrease than the negative 0.1% seen in Q4 (Oct to Dec) 2018, and is the third consecutive quarter of contraction. Annual productivity growth therefore remained well below the pre-financial crisis trend rate of almost 2% per year.
- Labour productivity in the services industries increased by 0.2% in Q1 of 2019 compared with the previous quarter, while productivity in manufacturing industries decreased by 0.9% over the same period.

Exhibit 5 Real regular pay growth (%)



Source: ONS July 2019 labour market statistics

The next labour market update will be published on 13th August 2019.

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Carmen Watson, Chairperson, Pertemps Ltd

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