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EMPLOYMENT IS AT RECORD HIGH, UNEMPLOYMENT AT RECORD LOW, AND PAY GROWTH IS STRONGEST IN TWO AND A HALF YEARS

According to the ONS, the UK labour market continued to defy gravity in the beginning of 2019 against a backdrop of tepid economic growth and heightened uncertainty.

The employment rate rose again to a new record high, with the unemployment rate at another record low.

The unemployment rate dropped to 3.9%. Meanwhile the number of vacancies was little changed, the number of job seekers per vacancy (1.6) remains the lowest since records began. These are signs that the labour market remains tight.

Pay growth is the strongest it has been in two and a half years, giving some relief to households' budgets. But as the Chancellor noted in last week's Spring Statement, the only route to stronger pay growth remains a revival in productivity growth, rather than the fits and starts that we've seen since the financial crisis.

The UK's weak productivity underlines the need for the government to accelerate the industrial strategy, ensuring that the UK economy can generate jobs and sustainable pay growth in the future.

Across the UK, most regions and nations have seen an increase in employment, while unemployment has remained broadly unchanged.

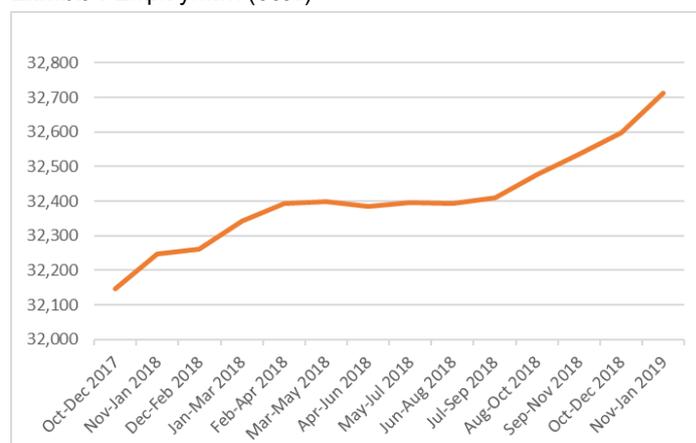
Employment once again at record high...

The rise in employment in the quarter to January 2019 was broad bases across gender and age groups, and with two new full time jobs created for every part-time job.

- Employment increased by 222,000 in the three months to January 2019 – the biggest increase since the quarter to November 2015 – and was up by 473,000 compared with the same period a year earlier.
- The employment rate was 76.1%, 0.4% points higher than in the period August to October 2018, and the joint-highest since comparable estimates began in 1971.

- Male employment increased by 77,000 on the quarter, while female employment rose by 144,000. Both groups saw rising employment year-on-year too, with male employment rising by 226,000, and female employment by 246,000.
- Employment increased across all age groups. The increase was strongest among those aged 50-64 years old (+74,000) and those aged 25-34 years old (+66,000). Employment also rose among those aged 65+ years old (+44,000), those aged 16-24 years old (+24,000) and among those aged 35-49 years old (+14,000).
- The number of people working full-time increased by 152,000 over the quarter, while the number of people working part-time increased by 70,000. On a year-on-year basis, the number of people working full-time increased by 424,000, while the number of part-time workers was up by 49,000. The number of women working part-time has increased over the

Exhibit 1 Employment (000s)



Source: ONS March 2019 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	76.1%	32,714	+222,000 (+0.7%)	+473,000 (+1.5%)
Unemployment** (ILO)	3.9%	1,338	-35,000 (-2.5%)	- 112,000 (-7.7%)
Youth unemployment (16-24)	11.8%	500	+5,000 (+1.4%)	- 51,000 (-9.2%)

Source: ONS March 2019 labour market statistics, November 2018 to January 2019 data *Rate for those aged 16-64 **Rate for those aged 16 and over

quarter (+82,000) while the number of men working part-time has dropped (-12,000).

- In the three months to February 2019, the number of vacancies remained broadly unchanged and stood at 854,000. And the number of unemployed people per vacancy remained at a historic low of 1.6 job seekers per vacancy in the quarter to January 2019.

...while unemployment once more hit record low

The unemployment rate fell again to its joint-lowest since 1975, with the inactivity rate also being at its joint-lowest since 1971.

- In the three months to January 2019, unemployment decreased by 35,000 on the quarter and is now at 1.34 million. On a year-on-year basis, the number of unemployed people was down by 112,000.
- The unemployment rate fell to 3.9%, 0.1% points lower than in the period from August to October and is at its joint-lowest since 1975.
- Female unemployment decreased by 19,000 in the three months to January, with male unemployment decreasing by 16,000. Both groups saw unemployment fall over the year: female unemployment declined by 85,000, and male unemployment by 27,000.
- The number of those registered as economically inactive (not available and/or not looking for work) dropped by 117,000 compared with the previous quarter, and by 194,000 on a year earlier. The decrease in the number of those who are economically inactive was mainly driven by a drop in female inactivity (-92,000), and the decline in male inactivity was significantly smaller (-24,000). The most significant reason for the drop in female inactivity was

a reduction in the number of women retiring early (-59,000).

- The inactivity rate stood at 20.7%, a decrease of 0.3% points and the lowest figure since comparable estimates began in 1971.

Most regions saw employment increasing...

The latest quarter saw an increase in employment in most regions—with the greatest increase in the East.

- In the three months to January 2019, the largest increases in employment were in the East (+56,000) followed by the South West (+40,000), the South East (+34,000), Wales (+28,000), the West Midlands (+21,000), Northern Ireland (+18,000), Scotland (+13,000) and Yorkshire and the Humber (+11,000).
- Employment remained broadly unchanged in the North East (+7,000), the North West (+6,000), the East Midlands (-2,000) and London (-9,000).

... while unemployment remained broadly unchanged

- In the three months to January, unemployment rose in Yorkshire and the Humber (+16,000) and the East (+12,000).
- Unemployment declined in London (-22,000), the North West (-19,000) and the South East (-12,000).
- There was no significant change in: the East Midlands (+4,000), the South West (+2,000), West Midlands (0), Northern Ireland (0), Wales (-2,000), the North East (-4,000) and Scotland (-9,000).

Pay growth is the strongest in two and a half years

In the private sector, finance has overtaken construction and is now the industry with the strongest nominal regular pay growth.

Exhibit 2 Unemployment (%)



Source: ONS March 2019 labour market statistics

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



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

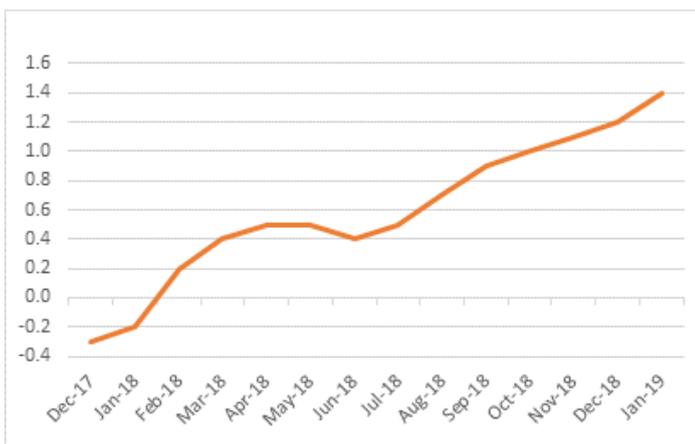
Exhibit 4 Unemployment change by regions & nations (000s)



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

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 3.4% on the year in the three months to January 2019, unchanged on December but remaining at its strongest since the end of 2008.
- Nominal regular pay growth in the private and public sectors was broadly unchanged, remaining at 3.5% in the three months to January 2019 in the private sector, and at 2.9% in the public sector.
- Looking at the private sector in more detail, pay growth in finance (+4.2% - up by 0.5% points) has overtaken construction (+4.1% - up by 0.2% points), followed by services (+3.6% - broadly unchanged), wholesaling, retailing & hospitality (3.1% - down by 0.2% points) and manufacturing (+1.9% - broadly unchanged).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 1.4% on a year ago (on

Exhibit 5 Real regular pay growth (%)



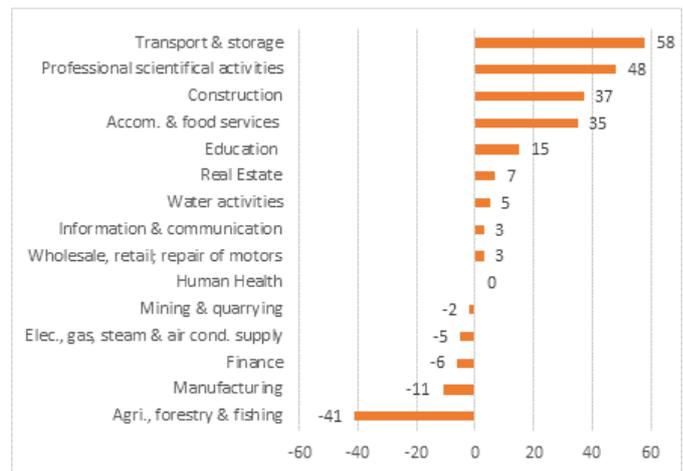
Source: ONS March 2019 labour market statistics

the less volatile three-month rolling basis) – the strongest growth in almost two years, but still weaker than pre-crisis norms.

Jobs growth was concentrated in a few industries in Q4 2018

- Transport & storage (+58,000), professional scientific activities (+48,000), construction (+37,000) and accommodation & food services (+35,000) registered the largest increase in workforce jobs in the three months to December 2018.
- Jobs in the agriculture, forestry and fishing sector saw the greatest decline (-41,000) on the quarter, followed by manufacturing (-11,000).
- Looking at the change in jobs compared to a year ago, in information & communication (+90,000), accommodation & food services (+87,000) and transport and storage (+86,000) have seen substantial increases. Agriculture, forestry & fishing (-74,000) and wholesale, retail & repair (-26,000) saw the largest decreases in workforce jobs on a year ago.

Exhibit 6 Change in workforce jobs by industry (000s)



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

The next labour market update will be published on **16th April 2019**.

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Carmen Watson, Chairperson, Pertemps Ltd

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