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

According to the ONS, the UK labour market continues to outperform the rest of the economy. The employment rate remains at a record high, with the unemployment rate at a record low. Across the UK, many regions and nations have seen an increase in employment, while unemployment has remained broadly unchanged.

The unemployment rate fell again to 3.8% in the quarter to March 2019. But although the number of job seekers per vacancy (1.5) remains close to record low, the overall number of vacancies has decreased. These are signs that the labour market remains tight.

Pay growth has come off its recent two and a half year high over the last couple of months. The only route to stronger pay growth remains a revival in productivity, rather than the fits and starts that we've seen since the financial crisis. The flash estimate for productivity in Q1 unfortunately showed no sign of a shift from this trend, recording that productivity fell by 0.6% following growth of 0.3% in Q4 2018.

To some extent, the labour market's strong performance may reflect Brexit contingency planning (i.e. hiring to support stockpiling or those with other specialist skills). In addition, the economy remains highly vulnerable to political developments: ongoing uncertainty continues to push companies to delay investment decisions and shift production outside the UK. It remains crucial for Parliament to finally agree a Brexit deal, in order to give businesses the confidence to invest, rather than simply stockpile, in the UK.

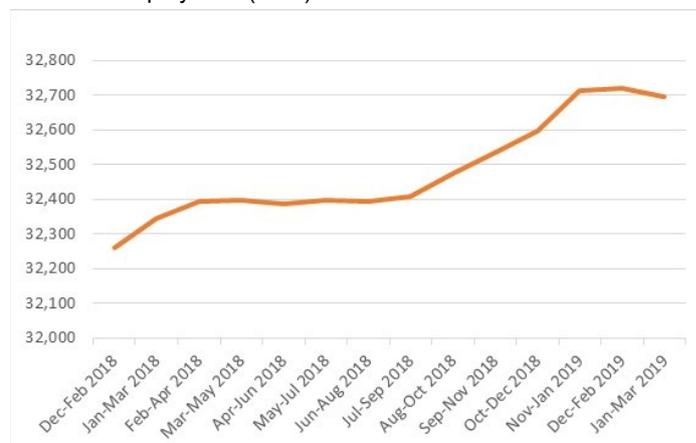
Employment remains at a record high...

The rise in employment in the quarter to March 2019 was fairly broad-based across gender and almost all age groups.

- Employment increased by 99,000 in the three months to March 2019 and was up by 354,000 compared with the same period a year earlier.

- The employment rate was 76.1%, 0.2% points higher than in the period October to December 2018, and the joint-highest since comparable estimates began in 1971.
- Male employment decreased by 15,000 on the quarter, while female employment rose by 114,000. Both groups saw rising employment year-on-year, with male employment rising by 148,000, and female employment by 206,000.
- Employment growth was strongest among those aged 50-64 years old (+82,000) and those aged 25-34 years old (+39,000). Employment also rose slightly among those aged 16-24 years old (+11,000). It remained broadly unchanged among those aged 65+ years old (-8,000) and decreased among those aged 35-49 years old (-23,000).
- The number of people working full-time increased by 75,000 over the quarter, while the number of people working part-time increased by 24,000. On a year-on-year basis, the number of people working full-time

Exhibit 1 Employment (000s)



Source: ONS May 2019 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	76.1%	32,697	+99,000 (+0.3%)	+354,000 (+1.1%)
Unemployment** (ILO)	3.8%	1,298	-65,000 (-4.8%)	-119,000 (-8.4%)
Youth unemployment (16-24)	11.3%	466	-44,000 (-8.6%)	-90,000 (-16.1%)

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

increased by 372,000, while the number of part-time workers has dropped by 18,000. The number of women working part-time has increased over the quarter (+76,000) while the number of men working part-time has fallen significantly (-52,000).

- In the three months to April 2019, the number of vacancies dropped by 16,000 to 846,000. Nonetheless, the number of unemployed people per vacancy reached a historic low of 1.5 job seekers per vacancy in the quarter to March 2019.

...while unemployment remained at a record low

The unemployment rate fell again to its joint-lowest since 1975, with the inactivity rate close to the record low figures seen over the past months.

- In the three months to March 2019, unemployment decreased by 65,000 on the quarter to 1.29 million. On a year-on-year basis, the number of unemployed people was down by 119,000.
- The unemployment rate fell to 3.8%, 0.2% points lower than in the period from October to December, and to its joint-lowest since 1974.
- Male unemployment decreased by 45,000 in the three months to March, and female unemployment dropped by 20,000. Both groups saw unemployment fall over the year: female unemployment declined by 69,000, and male unemployment by 50,000.
- The number of those registered as economically inactive (not available and/or not looking for work) dropped by 23,000 compared with the previous quarter, and by 69,000 on a year earlier. The decrease in the number of those who are

economically inactive was mainly driven by a drop in female inactivity (-70,000), while male inactivity increased by 47,000.

- The inactivity rate stood at 20.8%, a decrease of 0.1% points on the quarter and close to the record low figures seen over the past months.

Many regions saw employment increasing...

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

- In the three months to March 2019, the largest increases in employment were in the East Midlands (+44,000) followed by the West Midlands (+29,000), the East (+28,000), Yorkshire and The Humber (+17,000) and London (+12,000).
- Employment remained broadly unchanged in the North West (-10,000), the North East (-5,000), Scotland (-3,000), the South West (+1,000), Northern Ireland (+7,000) and the South East (+8,000).
- Employment decreased in Wales (-28,000).

... while unemployment remained broadly unchanged

- In the three months to March, unemployment declined in the East Midlands (-23,000), the South West (-18,000) and Yorkshire and The Humber (-12,000).

Exhibit 2 Unemployment (%)



Source: ONS May 2019 labour market statistics

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



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

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



Source: ONS May 2019 Labour market statistics, shown as quarter on quarter changes

- There was no significant change in: Northern Ireland (-8,000), Scotland (-7,000), the North West (-7,000), London (-4,000), the West Midlands (-3,000), the North East (0), the East (+4,000), Wales (+5,000) and the South East (+7,000).

Pay growth has come off its recent high

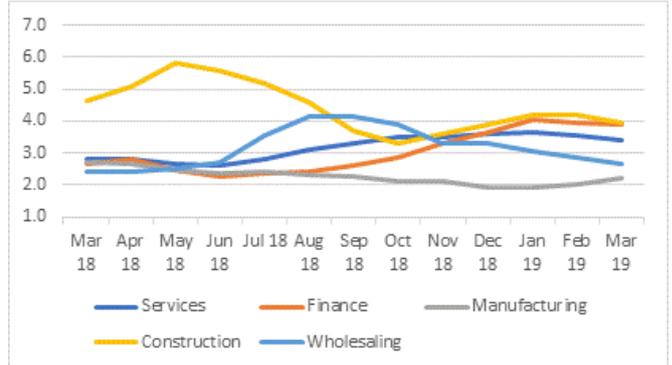
Nominal regular pay growth has dropped in the public and the private sectors. In the private sector, nominal regular pay growth was strongest in the construction and finance sectors.

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 3.4% on the year in the three months to February 2019, down by 0.1%. Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 3.3% on the year

in the three months to March 2019, down by 0.1% points on February, but remaining close to its strongest since the end of 2008.

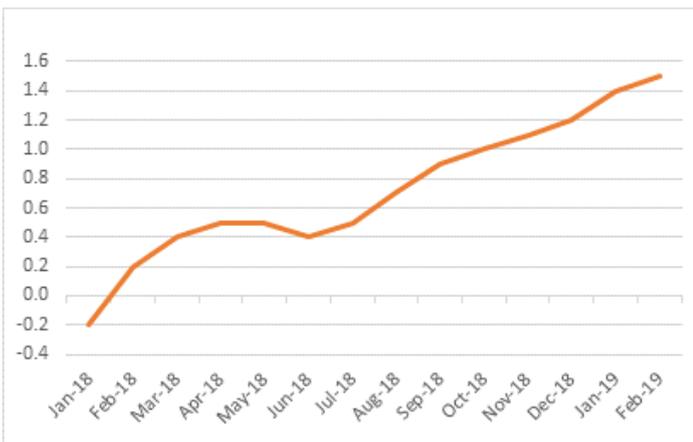
- In the three months to March, nominal regular pay growth dropped in both the private and the public sector. It stood at 3.5% in the private sector – down by 0.1% – and 2.3% in the public sector – down by 0.3%.
- Looking across the private sector, pay growth was strongest in construction (+3.9% - down by 0.3%) and finance (+3.9% - broadly unchanged), followed by services (+3.4% - down by 0.1% points), wholesaling, retailing & hospitality (2.6% - down by 0.3% points) and manufacturing (+2.2% - down by 0.2% 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) – with growth remaining at its strongest in two and a half years, but still weaker than pre-crisis norms.

Exhibit 6 Nominal regular pay by sector (%)



Source: ONS May 2019 labour market statistics

Exhibit 5 Real regular pay growth (%)



Source: ONS May 2019 labour market statistics

The next labour market update will be published on **11th June 2019**.

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The CBI is the UK's premier lobbying organisation, providing a voice for employers at a national and international level. Our mission is to promote the conditions in which businesses of all sizes and sectors in the UK can compete and prosper for the benefit of all.

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“Although this year has started with political and economic uncertainty, the recruitment industry has seen some impressive results including an 11 per cent increase in total industry turnover. The labour market remains strong and recruiters are upping their endeavours to find the right staff for employers despite skills shortages.”

Carmen Watson, Chairperson, Pertemps Ltd

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