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UK LABOUR MARKET REMAINS TIGHT, BUT GROWTH MAY HAVE PEAKED

Latest data from the ONS painted a familiar picture of the UK labour market. The employment rate stood at close to a record high, and the unemployment rate remains at its lowest since the 1970s. While there are signs of labour market growth softening—with vacancies declining again and employment growth slowing, the labour market remains tight on the whole. The fact that the proportion of temporary employees who couldn't find a permanent job is the lowest since 2008 evidences this tightness.

In a sign that labour market tightness is feeding through to earnings, nominal pay growth has remained strong in the three months to July, with wage growth almost catching up with pre-crisis norms. But productivity growth continues to disappoint and has been falling on the year for four quarters. The only route to sustainably strong pay growth is a revival in productivity. The UK's weak productivity underlines the need for the government to work with business to encourage more investment in new technologies, skills and infrastructure.

Across the UK, the regions and nations have seen a mixed picture on employment and unemployment.

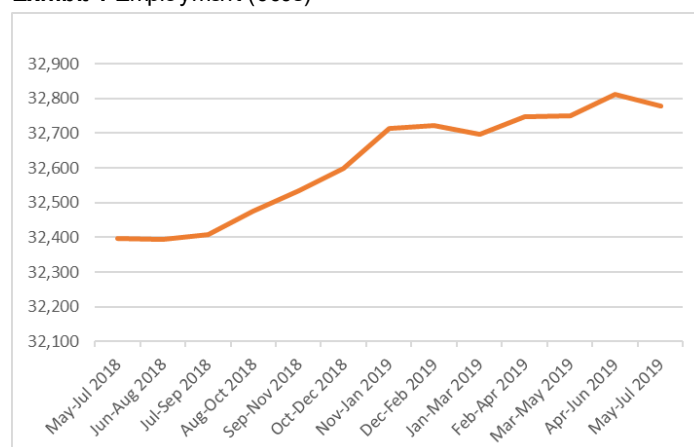
Employment rate remains at a record high...

The rise in employment in the quarter to July 2019 was driven by those aged 50-64 years old.

- Employment increased by 31,000 in the three months to July 2019 and was up by 369,000 compared with the same period a year earlier.
- The employment rate was unchanged and stood at 76.1%, the joint-highest on since comparable record began in 1971.
- Male employment decreased by -29,000 on the quarter, while female employment rose by 60,000. Both groups saw rising employment year-on-year, with male employment rising by 86,000, and female employment by 284,000.

- Employment growth was strongest among those aged 50-64 years old (+60,000), but this was the only age bracket to see substantive growth. It remained broadly unchanged among those 25-34 years old (-7,000), those 35-49 years old (-4,000), and those 65+ years old (+10,000), but dropped among those 16-24 years old (-28,000).
- The number of people working full-time increased by 22,000 over the quarter, while the number of people working part-time remained broadly unchanged (+9,000). On a year-on-year basis, the number of people working full-time increased by 304,000, while the number of part-time workers increased by 65,000.
- The number of employees remained broadly unchanged (+6,000) in the three months to July, after two consecutive quarters of decline. The proportion of temporary employees who couldn't find a permanent job has decreased further (-18,000), remaining at its lowest since 2008. This is one of the

Exhibit 1 Employment (000s)



Source: ONS September 2019 Labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	76.1%	32,777	+31,000 (+0.1%)	+369,000 (+1.1%)
Unemployment** (ILO)	3.8%	1,294	-11,000 (-0.8%)	-64,000 (-4.7%)
Youth unemployment (16-24)	11.5%	488	+7,000 (+1.4%)	-44,000 (-9.01%)

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

indicators pointing to a tight labour market, albeit one where employment growth has softened.

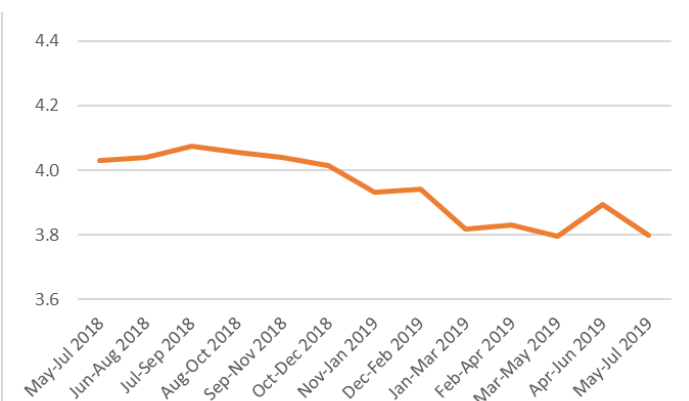
- Indeed, in the three months to August 2019, the number of vacancies dropped further by 23,000 (to 812,000) – marking the 7th consecutive month of falling vacancies. The number of unemployed people per vacancy stood at 1.6 job seekers per vacancy in the quarter to July 2019 – unchanged on the quarter from February to April 2019.

...with the unemployment rate remaining at a record low

The unemployment rate as well as the inactivity rate have remained broadly unchanged on the previous quarter.

- In the three months to July 2019, unemployment decreased by 11,000 on the quarter to 1.29 million. On a year-on-year basis, the number of unemployed people was down by 64,000.
- The unemployment rate stood at 3.8%, unchanged on the period from February to April 2019.
- Male (-8,000) and female (-2,000) unemployment remained broadly unchanged in the three months to July. Male unemployment also remained broadly unchanged over the year (-8,000) while female unemployment declined significantly, by 56,000.
- The number of those registered as economically inactive (not available and/or not looking for work) remained broadly unchanged (+6,000) compared with the previous quarter, and decreased by 171,000 on a year earlier.
- The inactivity rate stood at 20.8%, and is unchanged on the previous quarter.

Exhibit 2 Unemployment (%)



Source: ONS September 2019 labour market statistics

Regions saw a mixed picture in employment..

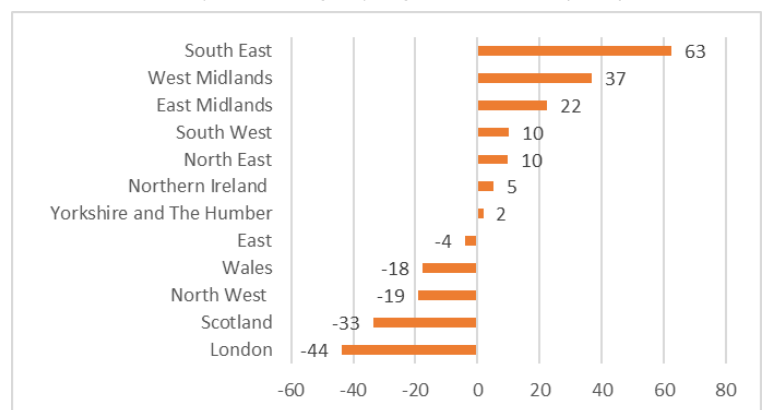
The latest quarter saw significant increases and decreases in employment in the regions, with the greatest increase in the South East and the greatest decrease in London.

- In the three months to July 2019, the largest increases in employment were in the South East (+63,000) followed by the West Midlands (+37,000) and the East Midlands (+22,000).
- Employment remained broadly unchanged in the East (-4,000), Yorkshire and The Humber (+2,000), Northern Ireland (+5,000), the South West (+10,000) and the North East (+10,000).
- Employment decreased in London (-44,000), Scotland (-33,000), the North West (-19,000) and Wales (-18,000).

... as well as in unemployment

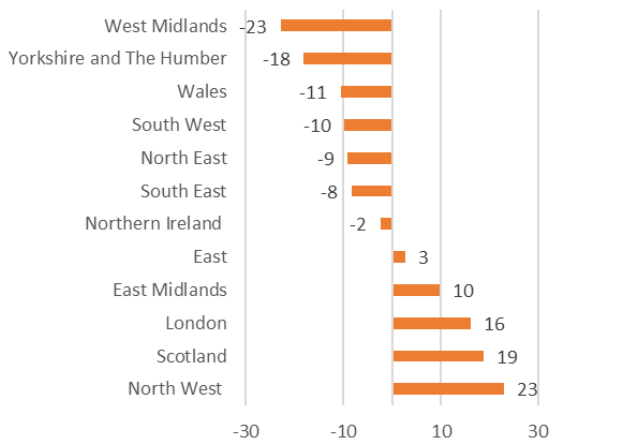
- In the three months to July 2019, employment increased in the North West (+23,000) and Scotland (+19,000) and London (+16,000).
- Unemployment decreased in the West Midlands (-23,000), Yorkshire and The Humber (-18,000) and Wales (-11,000).
- Unemployment remained broadly unchanged in the South West (-10,000), the North East (-9,000), the South East (-8,000), Northern Ireland (-2,000), the East (+3,000) and the East Midlands (+10,000).

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



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

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

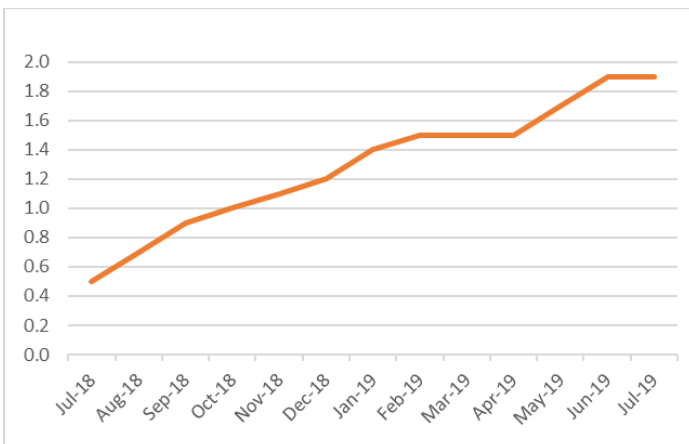


Source: ONS September 2019 labour market statistics, shown as quarter on quarter changes

Pay growth is the strongest in almost four years

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 3.8% on the year in the three months to July 2019, down by 0.1% points on June, remaining close to its strongest since mid-2008.
- In the three months to July, nominal regular pay growth edged lower in the private and in the public sectors and is at 3.9% (down by 0.1% points) and at 3.5% (down by 0.4% points) respectively.
- Looking across the private sector, pay growth was strongest in construction (+5.3% - up by 0.1% points) and finance (+4.6% - unchanged), followed by services (+4.0% - unchanged), wholesaling, retailing

Exhibit 5 Real regular pay growth (%)



Source: ONS September 2019 labour market statistics

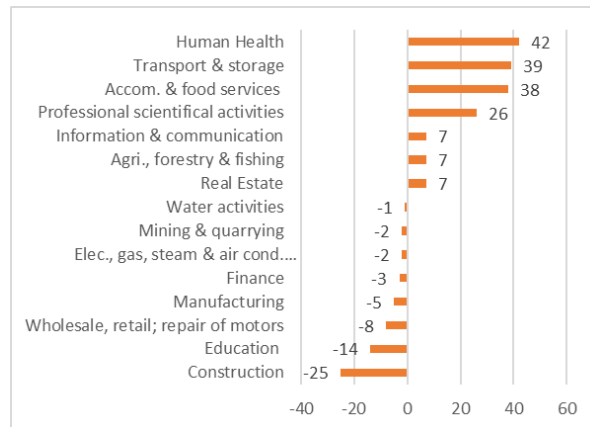
& hospitality (+3.2% - up by 0.1% points) and manufacturing (+2.4% - unchanged).

- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 1.9% on a year ago (on the less volatile three-month rolling basis) – the strongest growth in almost four years, and closing in on pre-crisis norms.

Jobs growth was concentrated in a few industries in Q2 2019

- Human health (+42,000), transport & storage (+39,000) and accommodation & food services (+38,000) registered the largest increase in workforce jobs in the three months to June 2019.
- Jobs in construction (-25,000) and education (-14,000) saw the greatest decline on the quarter.
- Looking at the change in jobs compared to a year ago, professional scientific activities (+183,000), human health (+162,000), and transport & storage (+84,000) have seen substantial increases. Agriculture, forestry & fishing (-26,000) saw the largest decreases in workforce jobs on a year ago.

Exhibit 6 Change in Workforce jobs by industry (000)



Source: ONS September 2019 labour market statistics

The next labour market update will be published on **15th October 2019**.



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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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