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EMPLOYMENT FELL AND PAY GROWTH IS SOFTENING

Latest data from the ONS showed that the UK labour market remains in a good place, but there are signs that the uncertainty that has been holding back the economy as a whole has now reached the labour market, with employment falling and pay growth softening.

While vacancies have declined again and employment dipped for the second month running, the labour market remains tight on the whole. The fact that the proportion of temporary employees who couldn't find a permanent job is close to the lowest since 2008 evidences this tightness.

This tightness of the labour market has also been feeding through to earnings over the past months, with nominal pay growth remaining strong. But latest ONS data shows signs that wage growth has peaked and is now softening.

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.

Across the UK, employment and unemployment have remained broadly unchanged in the regions and nations.

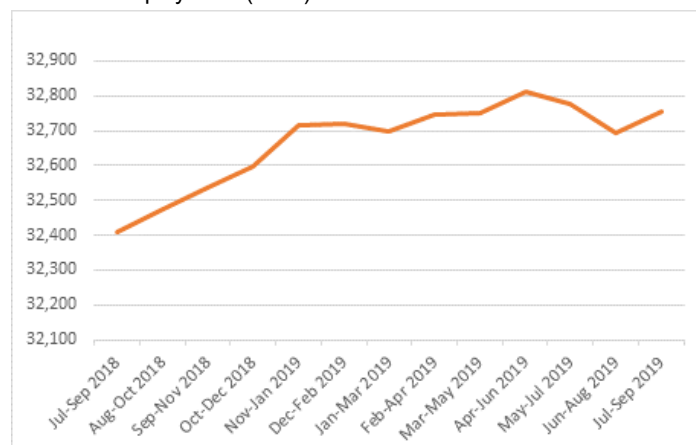
The employment rate has edged lower...

The decrease in employment in the quarter to September 2019 was driven by those aged 16-24 and 65+ years old.

- Employment decreased by 58,000 in the three months to September 2019, compared with the previous quarter, but was still 323,000 higher than during the same period a year earlier.
- The employment rate edged lower and stood at 76.0%, 0.1% points down on the previous quarter.
- Male employment increased by 35,000, while female employment decreased significantly by 93,000 on the quarter. Both groups saw rising employment year-on-year, with male employment rising by 97,000, and female employment by 226,000.

- Employment grew among those aged 35-49 years old over the quarter (+41,000), those aged 50-64 years old (+28,000) and those aged 25-34 years old (+26,000). And it dropped significantly among those 16-24 years old (-102,000) and those 65+ years old (-53,000).
- The number of people working full-time increased by 103,000 over the quarter, while the number of people working part-time decreased substantially (-164,000). On a year-on-year basis, the number of people working full-time increased by 286,000, while the number of part-time workers increased by 37,000. The number of employees decreased (-49,000) in the three months to September. The number of temporary employees who couldn't find a permanent job has remained broadly unchanged (-10,000) on the quarter, and dropped by 59,000 on the year. The substantial decrease in part-time workers as well as the drop in the number of temporary employees who couldn't find a permanent job indicates that the labour market remains tight.

Exhibit 1 Employment (000s)



Source: ONS November 2019 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	76.0%	32,753	-58,000 (-0.2%)	+323,000 (+1.0%)
Unemployment** (ILO)	3.8%	1,306	-23,000 (-1.8%)	-72,000 (-5.2%)
Youth unemployment (16-24)	11.5%	500	-2,000 (+0.04%)	-22,000 (-4.4%)

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

- In the three months to October 2019, the number of vacancies dropped further by 18,000 to 800,000 – continuing the decline in the number of vacancies since the beginning of 2019. The number of unemployed people per vacancy stood at 1.6 job seekers per vacancy in the quarter to September 2019 – unchanged on the quarter from April to June 2019.

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

The unemployment rate has decreased while the inactivity rate has increased on the previous quarter.

- In the three months to September 2019, unemployment decreased by 23,000 on the quarter to 1.31 million. On a year-on-year basis, the number of unemployed people was down by 72,000.
- The unemployment rate stood at 3.8%, 0.1% points lower than in the period from April to June.
- Male unemployment remained broadly unchanged (-9,000) while female unemployment decreased by (-14,000) in the three months to September. Both male and female unemployment decreased on the year, with male unemployment declining by -17,000 and female unemployment declining by -55,000.
- The number of those registered as economically inactive (not available and/or not looking for work) has increased (+53,000) compared with the previous quarter, and decreased by 110,000 on a year earlier.
- The inactivity rate stood at 20.8%, 0.1% higher than in the previous quarter.

Employment remained broadly unchanged in the regions...

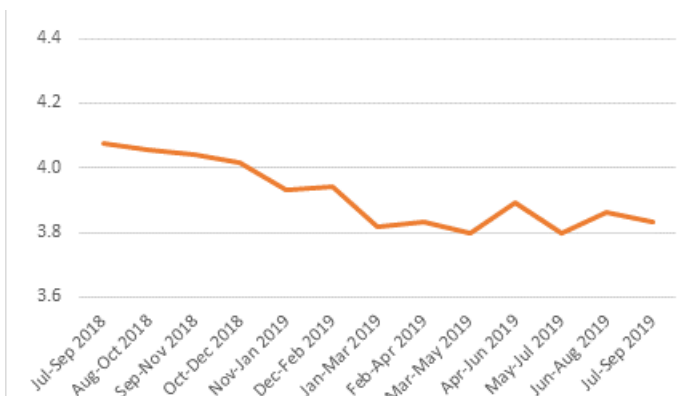
In the last quarter employment has remained broadly unchanged in the regions and nations with only few experiencing significant increases and decreases.

- In the three months to September 2019, employment increased in the West Midlands (+21,000).
- Employment remained broadly unchanged in the South West (-10,000), the East Midlands (-4,000), the South East (-2,000), Northern Ireland (+4,000), Yorkshire and The Humber (+5,000), London (+6,000), the North East (+6,000), the North West (+8,000).
- Employment decreased in Scotland (-43,000), Wales (-25,000), and the East (-24,000).

... as well as in unemployment

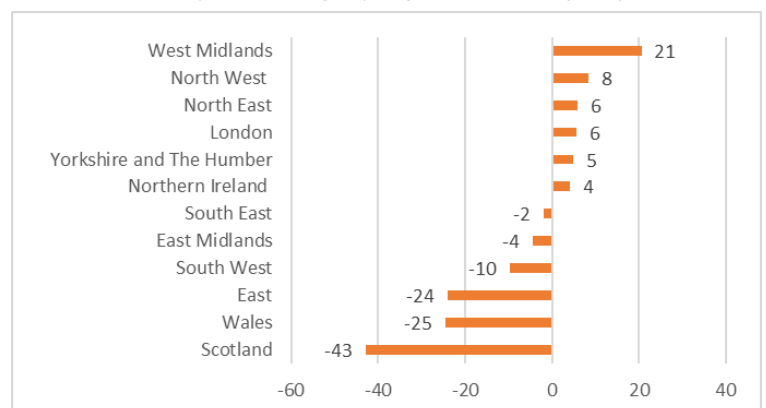
- In the three months to September 2019, unemployment increased in the South East (+12,000).
- Unemployment remained broadly unchanged in Northern Ireland (-5,000), the North West (-5,000), the South West (-4,000), Wales (-2,000), London (0), the East Midlands (+5,000), the East (+6,000), the North East (+7,000), and Scotland (+8,000).
- Unemployment decreased in Yorkshire and The Humber (-32,000) and the West Midlands (-14,000).

Exhibit 2 Unemployment (%)



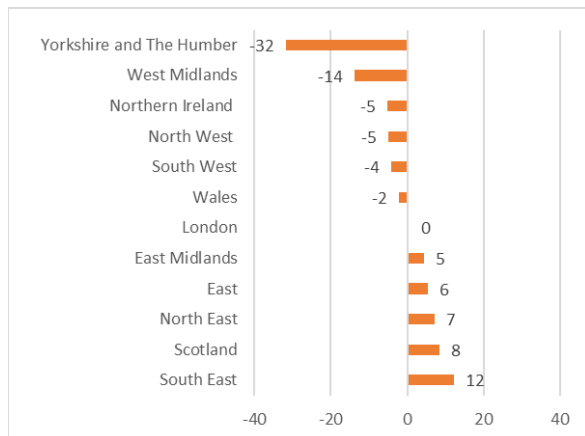
Source: ONS November 2019 labour market statistics

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



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

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



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

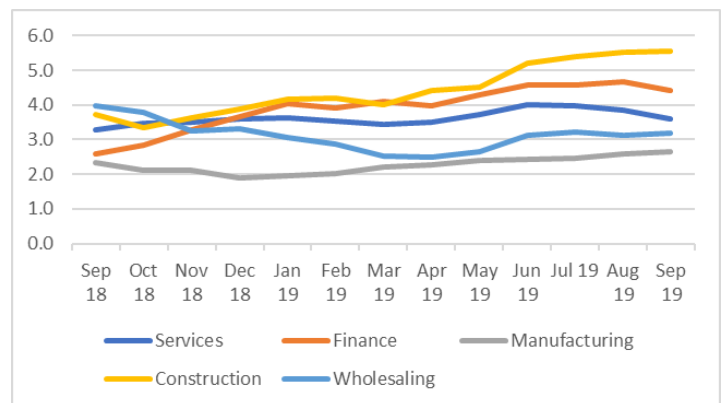
Pay growth is softening

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 3.6% on the year in the three months to September 2019, down by 0.2% points on August, and from a peak of 3.9% in June/July, which was the strongest since mid-2008.
- In the three months to September, nominal regular pay slowed in the public sector to 3.2% (down by 0.1% points) and in the private sector to 3.7% (down by 0.2% points).
- Looking across the private sector, pay growth was strongest in construction (+5.5% - unchanged) and finance and business services (+4.4% - down by

0.3% points), followed by services (+3.6% - down by 0.2% points), wholesaling, retailing & hospitality (+3.2% - down by 0.1% points) and manufacturing (+2.7% - up by 0.1% points).

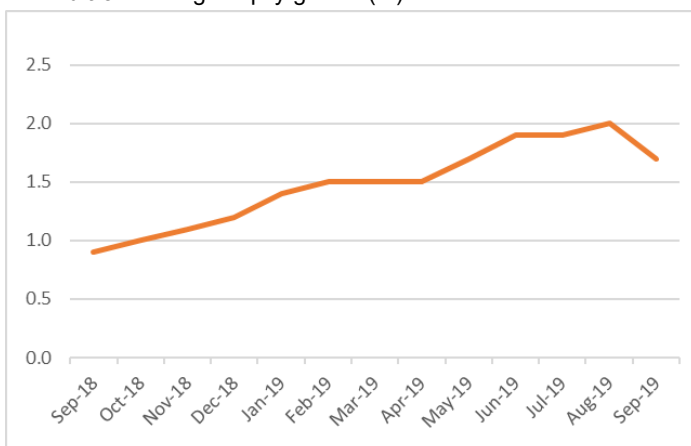
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 1.7% on a year ago (on the less volatile three-month rolling basis) – down by 0.2% points on August.

Exhibit 6 Nominal regular pay growth (%) by sector



Source: ONS November 2019 labour market statistics

Exhibit 5 Real regular pay growth (%)



Source: ONS November 2019 labour market statistics

The next labour market update will be published on **17th December 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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ABOUT THE SPONSOR

"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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