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EMPLOYMENT AT RECORD HIGH, BUT PAY GROWTH CONTINUES TO STRUGGLE

Employment growth continues to strengthen, with a record number of people now in work. At a time of economic and political uncertainty, this shows the resilience of businesses up and down the country, as they continue to employ more people and create new opportunities, with vacancies now at an all-time high. Unemployment also continues to fall with the jobless rate at its lowest in over 40 years.

Pay growth continues to struggle and has now gone negative, meaning the cost of living is outpacing wage growth. In addition, productivity weakened over Q1 2017, falling by 0.5% on the quarter. This followed modest quarterly growth in output per hour over 2016.

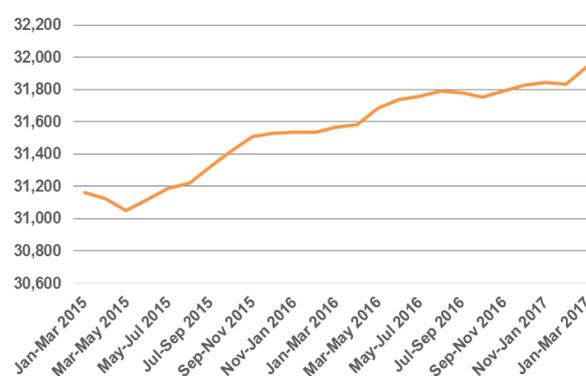
With both wage growth and productivity remaining tepid, it is imperative that there is a relentless policy focus on boosting the UK's productivity. This is the only sustainable route to higher wages, and better living standards.

Employment continues to strengthen with record job openings...

Today's data shows that employment growth in the UK continues to strengthen (**Exhibit 1**):

- The level of employment rose in the three months to March by 122,000, with total employment now at an all-time high of 31.9 million. The rise over the three months to March was the strongest since mid-2016.

Exhibit 1 Employment (000s)



Source: ONS 2017, May labour market statistics

- The employment rate has also risen to a record 74.8%.
- Rising levels of employment were driven by increasing numbers of employees (136,000). Those who classify themselves as self-employed fell by 13,000, marking the first substantive decline in almost two years.
- The shift to more full-time work continues, with 200,000 more people doing such work in the three months to March 2017 and 79,000 fewer people working part-time – the latter falling for the fifth rolling quarter.

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	74.8%	31,947	122, 000 (0.4%)	381,000 (1.2%)
Unemployment** (ILO)	4.6%	1,541	-53,000 (-3.3%)	-152,000 (-9%)
Youth unemployment (16-24)	12.5%	562	-5,000 (-0.1%)	-68,000 (-10.8%)

Source: ONS 2017 May labour market statistics, January to March 2017 data *Rate for those aged 16-64 **Rate for those aged 16 and over

- With vacancies now at an all-time high of 777,000, access to the necessary skills and talent for businesses will continue to be a challenge.
- In the three months to March, those who are inactive (people who are of working age but not looking or available for work) fell by 40,000, with the rate now at 21.5%, the lowest ever recorded. This is to be welcomed as it shows the strength of the UK labour market in engaging previously inactive individuals.
- The growth in employment in the economy is being driven by the private sector. In the three months to December 2016, there were a further 92,000 people employed in the private sector, with 1,000 fewer in the public sector.

...with the unemployment rate now at a 42 year low

Today's data showed that unemployment in the UK continues to fall in the three months to March (Exhibit 2):

- Unemployment also continues to fall, with 53,000 fewer individuals out of work. The level of unemployment now stands at 1.5 million, the lowest since 2005.
- The unemployment rate has dropped to 4.6%,

a level not seen in over 40 years.

- The fall in unemployment was broad-based across age groups, with the biggest decline amongst those who are 50 and over (-28,000). For those between 25-49, it dropped by 20,000, and there were 21,000 fewer young people between 18-24 unemployed.

Pay growth is struggling

Today's data shows that pay growth in the UK continues to struggle and has gone negative (Exhibit 3):

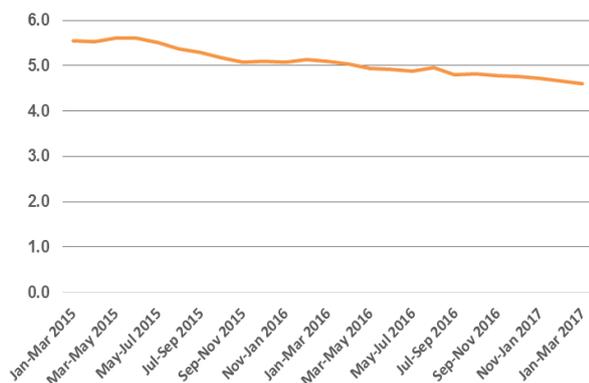
In the three months to March 2017, real growth in regular pay (earnings excluding bonuses and stripping out CPIH inflation) continued to deteriorate, and is now negative at -0.2%. This means pay growth is not keeping up with the rising cost of living.

This was both due to a combination of higher inflation, and slower nominal pay growth – the latter (excluding bonuses) has also eased (now at 2.1% on the same three months a year ago) for the fourth month running.

In addition, productivity weakened over Q1 2017, falling by 0.5% on the quarter – following modest quarterly growth over 2016.

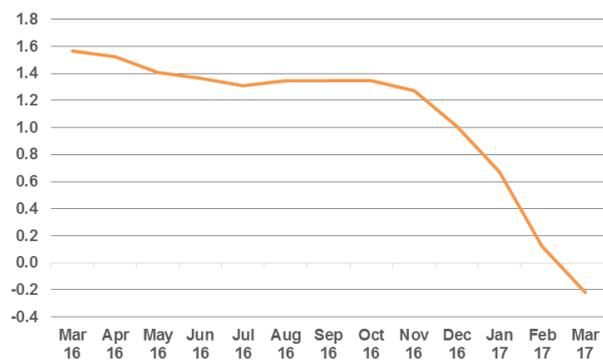
With both wage growth and productivity remaining tepid, it is imperative that there is a relentless policy focus on boosting the UK's productivity. This is the only sustainable route to higher wages, and better living standards.

Exhibit 2 Unemployment in the UK (%)



Source: ONS 2017, May labour market statistics

Exhibit 3 Real earnings growth (excluding bonuses)



Source: ONS 2017, May labour market statistics

The regional picture

There were significant increases in employment in some regions, but not all...

In the three months to March 2017, employment grew notably in the North West (61,000), South West (43,000), North East (26,000), Wales (25,000) and the East (12,000).

But there were falls in the West Midlands (-42,000) and Northern Ireland (-21,000).

Employment changed little in Yorkshire and Humber (-1,000), East Midlands (2,000), London (3,000), South East (8,000), and Scotland (5,000).

...and falling unemployment in most areas, though with a slight increase in London

In the three months to March 2017, unemployment fell in the North West (-24,000), East Midlands (-18,000), East (-17,000), Scotland (-14,000), and the North East (-14,000).

But there was an increase in London (29,000).

Unemployment changed little in Yorkshire and Humber (-3,000), West Midlands (-5,000), South East (6,000), South West (2,000), Wales (6,000), and Northern Ireland (-1,000).

The next labour market update
will be published on **14th June**

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To achieve this, we campaign in the UK, the EU and internationally for a competitive business landscape.

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"In recent months, we have experienced a sharp increase in job openings; mirroring national statistics showing the highest level of vacancies on record. Whilst good news, it does create challenges for recruiters, particularly those in the engineering, IT and medical professionals, and we're having to work even closer with clients in planning to meet demand."

Carmen Watson, Chairperson, Pertemps Ltd

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