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LABOUR MARKET REMAINS STEADY

Today's figures show that labour market performance remained steady in the three months to November 2016. The UK's flexible labour market remains a mainstay of the economy and will be key to making a success of Brexit.

Employment remained broadly unchanged over the quarter to November at 31.8 million. Alongside this, unemployment fell by 52,000, while the unemployment rate remained at an 11 year-low of 4.8%.

Wage growth accelerated to its fastest annual pace since 2015 over the three months to November with annual regular pay growth reaching 2.7%. But, with prices rising at a faster pace, real earnings growth remained flat at 1.7%.

Employment remains broadly unchanged...

Today's data shows that employment growth in the UK was relatively unchanged:

- In the three months to November 2016, the employment level was 31.8 million (-9,000) (**Exhibit 1**). Employment growth has been cooling since the end of 2015 when it was growing by around 200,000 a quarter. Despite this slowdown, there are still 31.8 million people in work in the UK.
- The employment rate for those aged 16 to 64 remains at a historic high of 74.5%, unchanged on the previous quarter.
- The fall in employment can be attributed to reduction in the number of employees (-8,000) and a larger fall in the number of self-employed people (-17,000).
- This was offset by an increase in the number of unpaid family workers and those in government supported training programmes increased (both +8,000).

Exhibit 1 UK employment (000s)



Source: ONS 2017, January labour market statistics

- Positively, the number of people working full-time was up (+23,000) while the number of people working part-time fell (-32,000).
- Breaking this down further, the number of employees working full-time grew (+52,000) while those working part-time fell (-60,000).
- We also saw a fall in full-time self-employment in the three months to November (-49,000) but part-time self-employment rose (+31,000).

...as unemployment edges lower...

The number of people unemployed according to the ILO measure fell slightly in the three months to November:

- In total, 1.6 million people were looking for a job in the three months to November, a fall of 52,000 on the

Headline figures	Rate	Number (000s)	Change on quarter in 000s (% change)	Change on year in 000s (% change)
Employment* (ILO)	74.5%	31,802	-9 (0.0%)	294 (0.9%)
Unemployment** (ILO)	4.8%	1,604	-52 (-3.2%)	-81 (-4.8%)
Youth unemployment (16-24)	12.7%	573	-52 (-8.3%)	-57 (-9.0%)

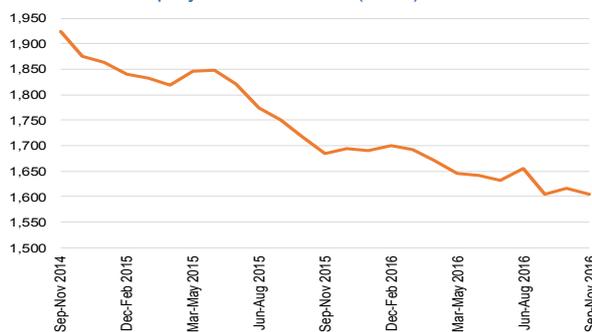
Source: ONS 2017 January labour market statistics, Sep to Dec 2016 data *Rate for those aged 16-64 **Rate for those aged 16 and over

previous quarter (**Exhibit 2**). The unemployment rate remained at an 11-year low of 4.8%.

Looking at the data in a little more detail, the number of people who had been out of work for shorter periods of time is relatively unchanged. But, more positively, there has been a fall in the number of people who are long-term unemployed:

- In the three months to November, short-term unemployment (unemployed for up to six months) was broadly unchanged (down by 3,000 on the previous quarter).
- In contrast, the number of people unemployed for over six and up to 12 months fell (-13,000).
- Alongside this number of people long-term unemployed (unemployed for over 12 months), and generally considered to be further away from the labour market, fell by even more (-36,000).

Exhibit 2 Unemployment in the UK (000s)



Source: ONS 2017, January labour market statistics

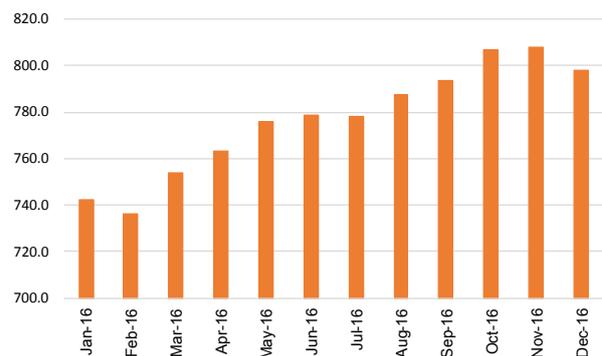
...and the claimant count falls...

Today's data also revealed that the number of people on the claimant count fell for the first time since July 2016:

- 797,806 people were on the claimant count in December, a fall of 10,145 on November (**Exhibit 3**).
- Prior to this, the number of people claiming out of work benefits had increased fairly steadily over the course of 2016. In fact, the claimant count is up 26,900 on the year.
- Though the fall in December is positive, it remains to be seen if this improvement will continue into 2017.
- Claimant count data is timelier than the ILO unemployment figures as it is based on administrative data meaning it can pick up developments before the labour force survey. The other main difference is that the ILO figure also includes people who are not claiming out

of work benefits as they may be ineligible or simply choose not to claim.

Exhibit 3 UK claimant count (000s)



Source: ONS 2017, January labour market statistics

...and youth unemployment continues to decline

Positively, today's fall in unemployment was largest among young people:

- In the three months to November, there were 573,000 16-24 year olds out of work and looking for work, a fall of 52,000 on the previous quarter.
- The youth unemployment rate stands at 12.7%, down 1.0 percentage points on the previous quarter. The rate remains significantly lower than the highs it reached during the financial crisis and is now steadily approaching the pre-crisis low of 11.6%.

As economic inactivity rises...

The data also revealed that economic inactivity rose at its fastest pace since 2014:

- In the three months to November, there were 8.9 million economically inactive people in the UK.
- Only a small number of all inactive people (32,000) are discouraged workers - those who have been unable to find a job and have stopped looking. This number was broadly unchanged on the quarter (-3,000).
- During the recession, inactivity rose steadily in response to the weaker economic conditions. Despite this rise, inactivity is still below these levels and next month's data will make clear if this is just a blip or a long-term trend.

- Economically inactive people are those not in employment who have not been seeking work within the last 4 weeks and/or are unable to start work within the next 2 weeks. This figure will include people who are students as well as people who are looking after family, on long-term sick leave and those who have given up looking for a job.

Mixed employment picture across the nations & regions...

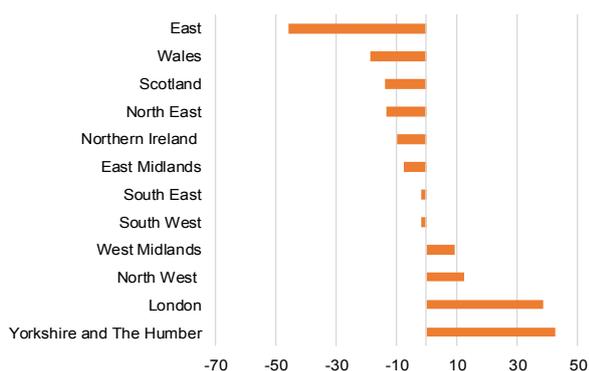
Turning to the outlook in the regions and nations, we saw a mixed picture reflecting the small national fall. **(Exhibit 4)**

- Positively, employment rose in Yorkshire and Humber (+43,000), London (+39,000) and the North West (+12,000)
- Employment was broadly unchanged in the East Midlands (-8,000), South East and South West (both -2,000), and the West Midlands (+9,000).
- The East saw the largest fall in employment (-46,000) followed by Wales (-18,000), Scotland (-14,000), the North East (-13,000) and Northern Ireland (-10,000).

...while unemployment falls in four of the nations and regions

The decrease in national unemployment was driven by falls in four of the UK's regions and nations.

Exhibit 4 Quarterly change in employment (Jun- Aug 2016-Sep-Nov 2016), 000s



Source: ONS 2017, January labour market statistics

- In the three months to November, Yorkshire and Humber saw the most substantial fall in unemployment (-27,000), followed by London (-26,000), the South East (-18,000) and the South West (-14,000).
- Unemployment was broadly unchanged in the West Midlands (-7,000), East Midlands, North East (-1,000), Wales and Northern Ireland (+1,000) and the North West (+7,000).

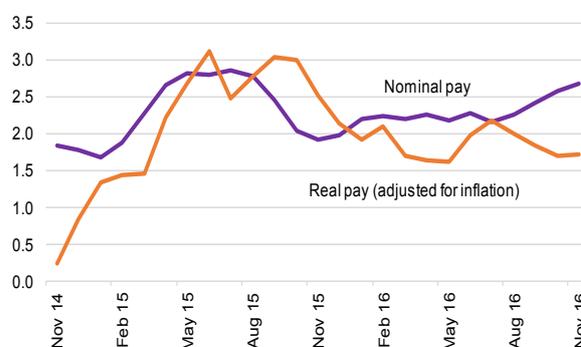
- But, it was on the up in the East (+22,000) and Scotland (+11,000).

While real wage growth remains subdued

Turning back to those in work, pay growth in the UK remains below pre-recession levels:

- Annual growth in total pay (incl bonuses) edged up to 2.8% in the three months to November, from 2.6% in the three months to October.
- Regular pay growth (excl bonuses) followed a similar pattern (up from 2.6% to 2.7% over the same period).
- However, rising inflation is increasingly eating into the real value of peoples' pay packets at the till. Real average earnings growth (earnings stripping out growth in inflation) remained at 1.7% - unchanged since July 2016, but similar to pre-crisis levels.
- With inflation expected to rise over the coming months, pay growth is likely to be eroded over the course of this year. This underlines the need for a pickup in productivity growth so that wages can rise faster.

Exhibit 5 Annual growth in regular pay, whole economy (%)



Source: ONS 2017, January labour market statistics

The next labour market update will be published on **15 February**

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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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“As the CBI/Pertemps Employment Trends Survey showed, businesses are keen to expand their workforces this year, particularly on a permanent basis.

We are continuing to hear this from our clients so anticipate jobs growth. Yes, skills shortages remain but I believe that through greater partnership working these shortages can be addressed to improve job skills and employability.”

Carmen Watson, Chairperson, Pertemps Ltd

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