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EMPLOYMENT EDGES UP DRIVEN BY PRIVATE SECTOR JOB CREATION AND PAY MOVES FURTHER AHEAD OF INFLATION

Positively, the labour market has continued to perform well this month. Employment rose yet again driven by full-time job creation in private sector businesses. This more than counteracted a decline in the number of people working for themselves.

As the number of people in work rose, the number of people out of work also declined. This picture was echoed across the UK's nations and regions with unemployment falling or remaining stable in all but one location.

For those already in work, there are tentative signs that real pay - that is pay in terms of the amount of goods and services it can buy - is on the up. This is clearly good news with Christmas just around the corner.

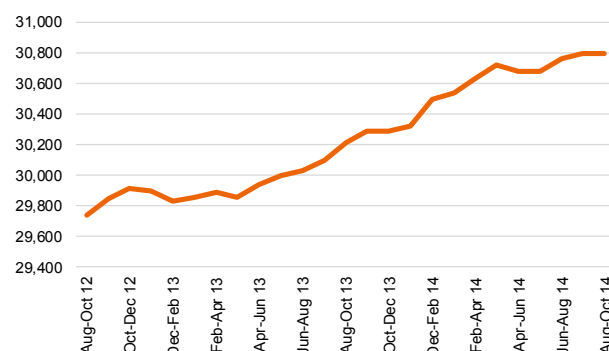
Employment rises again, driven by full-time employee jobs

Employment rose again this month. In the three months to October, 115,000 more people were working (**Exhibit 1**). As a result, there are now 30.8 million people in work - the highest number since records began.

The rise in employment has been driven once again by an increase in the number of people working full-time for an employer.

- There were 165,000 more people working as employees compared to the previous quarter.
- All of these new employees moved into full-time positions - the number of full-time employees rose by 174,000 while the number of people working as part-time employees fell slightly (-9,000).

Exhibit 1 UK employment (000s)



Source: ONS 2014, December labour market statistics

- The growth in the number of people working for an employer more than offset the decline in the number of people working for themselves. In the three months to October, 29,000 fewer people were self-employed.

Employment creation fuelled by the private sector

Positively, the private sector has been the driving force behind this employment creation.

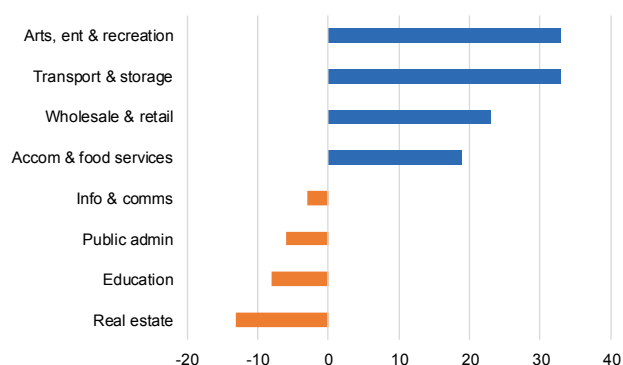
- In the three months to October 130,000 more people were employed in the private sector.
- This more than counteracted the decline in employment opportunities in the public sector (-16,000).

Headline figures	Rate	Number (000s)	Change on quarter in 000s (% change)	Change on year in 000s (% change)
Employment* (ILO)	59.5%	30,796	115 (0.4%)	588 (1.9%)
Unemployment (ILO)	6.0%	1,958	-63 (-3.1%)	-455 (-18.8%)
Youth unemployment (16-24)	16.6%	754	-2 (-0.2%)	-208 (-21.7%)
Claimant count	2.7%	900.1	-26.9 (-2.9%) (change on Oct)	-368.0 (-29.0%)

Source: ONS, labour market statistics, August to October 2014 data; claimant count data October 2014 *Aged 16 and over

A separate data series on jobs also released today showed that, between the second and third quarters of this year, the: transport and storage; arts, entertainment and recreation; and wholesale and retail trade sectors were the strongest job creators (**Exhibit 2**).

Exhibit 2 Change in UK jobs by sector (000s, Q2-Q3 2014)



Source: ONS 2014, December labour market statistics

Record number of women in work

As we reported last month, the growth in employment has recently become more balanced between men and women.

- Employment amongst men expanded by 66,000 in the three months to October meaning that 16.4 million men are now in work.
- At the same time employment amongst women increased by 48,000. As a result, 14.4 million women are now in work, a record high.

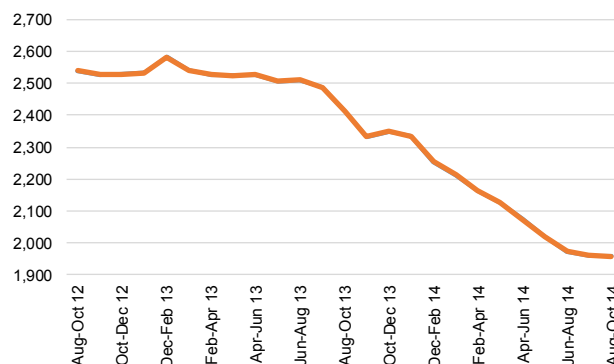
Unemployment declines yet again...

As the number of people in employment has been on the up, unemployment continued to fall.

- In the three months to October, unemployment fell by 63,000, albeit a smaller decline than seen in the three months to September. There are now 1.96 million people out of work and looking for work (**Exhibit 3**).
- The unemployment rate now stands at 6.0%, slightly above the consensus expectation of 5.9%, but still at a six-year low.
- In recent times unemployment has fallen for those out of work for both shorter and longer periods of time. In the three months to October, unemployment fell for those only recently out of work (up to six months) and for those unemployed for over a year (-40,000 each).

- In contrast, unemployment actually increased for those out of work for more than six but less than 12 months (+17,000).
- Another measure of unemployment, the Claimant Count, which is narrower but timelier, also registered a fall (-26,900). This indicates that unemployment is likely to continue to fall in the near future.

Exhibit 3 UK unemployment (000s)



Source: ONS 2014, December labour market statistics

...and so to does youth unemployment

Youth unemployment also fell although, as we reported last month, the picture is beginning to look a little less rosy.

- In the three months to October, youth unemployment fell by only 2,000 compared to the previous quarter.
- This fall was due to a rise in the number of students finding part-time work (+9,000). At the same time however it is worrying to see that the number of unemployed young people not in full-time education actually rose (+16,000).
- The relatively small decline overall in young people out of work and looking for work meant that the youth unemployment rate remained at 16.6%.
- But comparing the current level of youth unemployment to data for the three months to September, the number of young unemployed people rose (+17,000).

Employment falls in only two UK regions

Mirroring the rise in employment across the UK as a whole, employment only fell in two of the UK's nations and regions in the three months to October.

- Employment growth was strongest in the north west (+35,000) and the East of England (+26,000), followed by the north east, Yorkshire and Humber and the East Midlands (all +20,000).
- The south west (+18,000) and Northern Ireland (+11,000) also saw employment rise.
- In Wales employment remained unchanged (0) as was broadly the case in the West Midlands (-2,000) and Scotland (-3,000).
- Declines in employment were seen in London (-7,000) and the south east (-22,000).

Unemployment fell or was stable in most regions

With unemployment falling across the UK as a whole, the majority of regions also saw a drop in the number of people out of work and looking for work.

- The sharpest falls in unemployment were seen in London (-22,000), the north west (-18,000), the West Midlands (-14,000), Scotland (-11,000) and the north east (-8,000).
- Unemployment remained stable in Yorkshire and Humber, the south west and Northern Ireland (all -2,000) as well as in the East of England (+1,000), the East Midlands (+2,000) and the south east (+3,000).
- The only area to see unemployment rise significantly was Wales (+8,000).

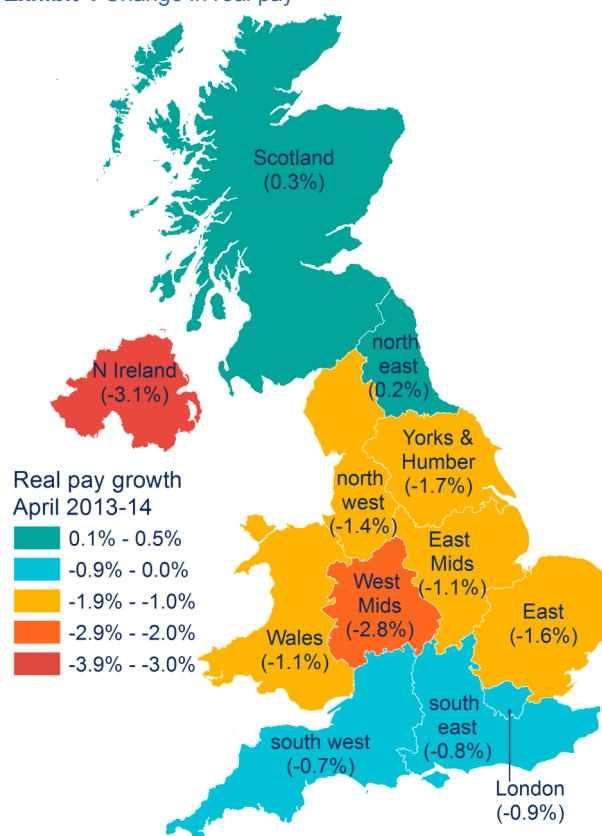
Pay growth outpaces increases in prices

Earlier this month the Office for National Statistics published data from its most comprehensive annual survey of pay. The statistics revealed that, from April 2013 to April 2014:

- Weekly pay increased by just 0.1%. This means that, after accounting for increases in the costs of goods and services, real pay fell by 1.6%. **Exhibit 4** shows how real pay growth varied across the UK's nations and regions.
- However, this data is influenced by changes in the make-up of the workforce. For example, as lower paying sectors - hit harder during the recession - have been recovering and creating jobs again, this has dragged down average pay.
- This 'compositional effect' can be stripped out by just looking at people who were in work continuously from one year to the next. For this group pay increased by 4.1%, well ahead of inflation.

Timelier but less robust data released today also shows tentative signs that real pay is starting to pick up, particularly for the UK's private sector workforce.

Exhibit 4 Change in real pay



Source: contains Ordnance Survey data © Crown copyright and database right 2014 and ONS Annual Survey of Hours and Earnings 2013 and 2014

- Annual growth in regular pay (excluding bonuses) across the whole economy increased by 1.6% in the three months to October, slightly faster than the annual rate of CPI inflation over the same period (1.3%).
- Pay growth was stronger in the private sector at 2.0% than in the public sector at 0.9%.
- Growth in total pay across the economy as a whole was weaker at 1.4%. This is because total pay includes bonus payments which fell by 2.5% in the three months to October.

The next labour market update will be published on **21 January**.

A CBI/Pertemps update will follow soon.

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Carmen Watson, Chairperson, Pertemps Ltd

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