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THE LABOUR MARKET CONTINUES TO IMPROVE AND PAY EDGES AHEAD OF INFLATION IN THE PRIVATE SECTOR

Employment rose again this month fuelled solely by a rise in the number of employees. And, positively, not only were more businesses taking on people, the vast majority of these positions were full-time. This increase in the number of people working as employees offset a sharp decline in self-employment.

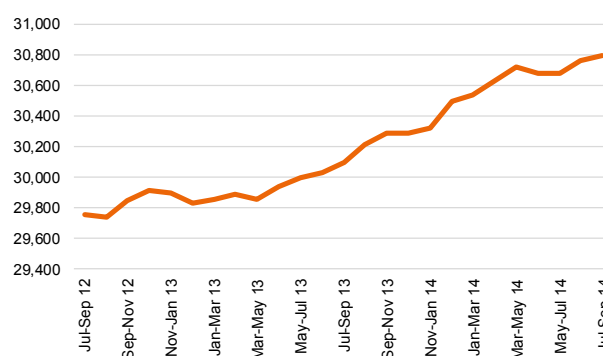
Reflecting improvements in employment, unemployment also fell. The fall in the number of people out of work and looking for work can be seen across the UK's nations and regions with all but three areas registering a drop in unemployment. Encouragingly, unemployment fell for those who have been out of work for both shorter and longer periods of time.

Whilst data released today shows that unemployment has fallen, conditions have also started to look up for those already in work. In the private sector growth in regular pay, which excludes bonuses, has picked up and is now ahead of growth in prices. This is very welcome given that real pay has been squeezed since the crisis began six years ago. However, in the public sector pay growth continued to lag behind increases in inflation.

Employment rises again...

The number of people in work has increased again this month. In the three months to September, there was a rise in employment of 112,000 (**Exhibit 1**). Positively, this was a larger rise than we saw last month (+46,000 in the three months to August) and, as a result, there are now 30.8 million people in work, an employment rate of 59.6%.

Exhibit 1 UK employment (000s)



Source: ONS 2014, November labour market statistics

...driven by more full-time employee jobs

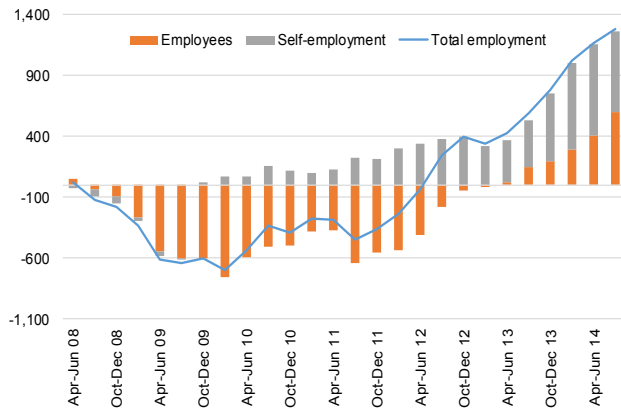
Encouragingly, the rise in employment in the three months to September was driven solely by more people now working for an employer. This rise in employees more than compensated for the fall in self-employment.

- In the three months to September there was a net increase in the number of people working as employees of 196,000 (**Exhibit 2**, overleaf).
- Not only were firms taking on more people, they were also taking them on full-time. In just over seven out of ten cases those finding work with an employer moved into full-time positions. The remainder moved into part-time work with a business.

Headline figures	Rate	Number (000s)	Change on quarter in 000s (% change)	Change on year in 000s (% change)
Employment* (ILO)	59.6%	30,793	112 (0.4%)	694 (2.3%)
Unemployment (ILO)	6.0%	1,959	-115 (-5.5%)	-529 (-21.3%)
Youth unemployment (16-24)	16.2%	737	-39,000 (-5.0%)	-243 (-24.8%)
Claimant count	2.8%	931.7	-20.4 (-2.1%) (change on Sept)	-373.1 (-28.6%)

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

Exhibit 2 Change in UK employment compared to before the recession (Quarter 1 2008) (000s)



Source: ONS 2014, November labour market statistics

- While the number of employees rose, the number of people self-employed fell. In the three months to September 88,000 fewer people were self-employed.
- The decline in self-employment was particularly notable amongst those working part-time, accounting for 78% of the total drop in self-employment.

More men and women in work

In recent previous editions we reported that employment growth benefitted women more than men. This month however, the growth in employment has been more equally shared.

- In the three months to September employment among men increased by 63,000 (0.4%) while employment among women increased by 49,000 (0.3%).
- As a result, the employment rates for men and women now stand at 65.0% and 54.4% respectively.

Unemployment falls further...

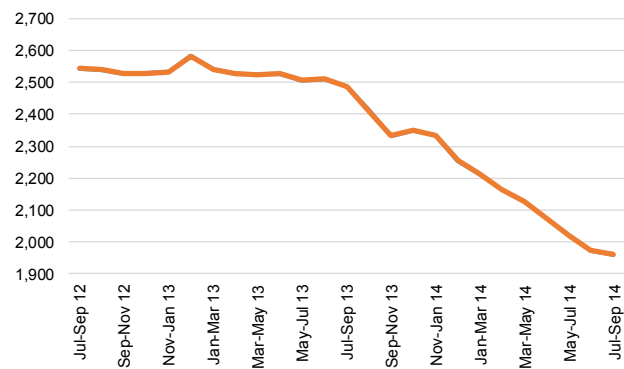
Unemployment has fallen yet again this month. 115,000 fewer people were out of work and looking for work in the three months to September and, as a result, there are now 1.96 million people unemployed (**Exhibit 3**).

- Although the number of people unemployed has fallen, the unemployment rate remains unchanged, at 6.0%, just above the consensus expectation of 5.9%. This is because the number of people in the workforce has increased.
- Unemployment fell across all durations in the three months to September. The largest decline was among

those who had been out of work for the longest (a fall of 53,000 among those out of work for over 12 months), followed by those who had been unemployed for up to six months (-49,000) and those who had been out of work for over six and up to 12 months (-13,000).

- The claimant count, a narrower measure of unemployment, also fell in October by 20,400. This was similar to the consensus expectation (a fall of 20,000). As the claimant count is a timelier measure this indicates that unemployment is likely to continue to fall in the future.

Exhibit 3 UK unemployment (000s)



Source: ONS 2014, November labour market statistics

...and so does youth unemployment

Encouragingly, as the labour market has continued to improve more and more young people have moved into work. This month however while youth unemployment has continued to fall, the picture is a little more mixed.

- Youth unemployment fell by 39,000 in the three months to September compared to the previous quarter.
- This fall was driven by students finding part-time work. Only 37% of the decline in youth unemployment was accounted for by those not in full-time education.
- These changes mean that there are now 737,000 young people out of work and looking for work, a youth unemployment rate of 16.2%.
- But comparing the current youth unemployment level with data for the three months to October we see that the number of young people unemployed is actually now slightly higher (+3,400). This increase was particularly notable amongst young people not in full-time education and indicates that youth unemployment may start to fall at a slower pace than we have seen recently.

Employment grows in half of the UK's regions

While employment increased across the UK as a whole this picture was reflected in only half of the UK's nations and regions. However, this is still a slight improvement on last month when only five out of the 12 areas saw employment grow.

- Employment growth was strongest in the north west (+41,000 in the three months to September), followed by Yorkshire and Humber (+24,000), Scotland (+22,000) and London (+21,000).
- The East of England also saw employment expand (+17,000), as did the south west (+13,000).
- Employment remained more or less stable in Northern Ireland (+1,000) and Wales (0).
- Four regions registered a fall in employment. The largest decline was seen in the south east (-11,000), followed by the north east (-10,000) and the West Midlands and East Midlands (both -3,000).

Unemployment falls in all but three regions

Despite more patchy employment growth, unemployment has fallen in all but three of the UK's nations and regions.

- Unemployment fell most significantly in London (-47,000) and the north west (-23,000).
- The West Midlands (-15,000), the south west (-13,000), Yorkshire and Humber (-12,000) and Scotland (-10,000) also saw significant declines in unemployment.
- Smaller falls in unemployment were seen in Northern Ireland (-6,000), the East of England and the north east (both -2,000). In Wales unemployment was stable (0).
- The two regions where unemployment rose were the south east (+9,000) and the East Midlands (+6,000).

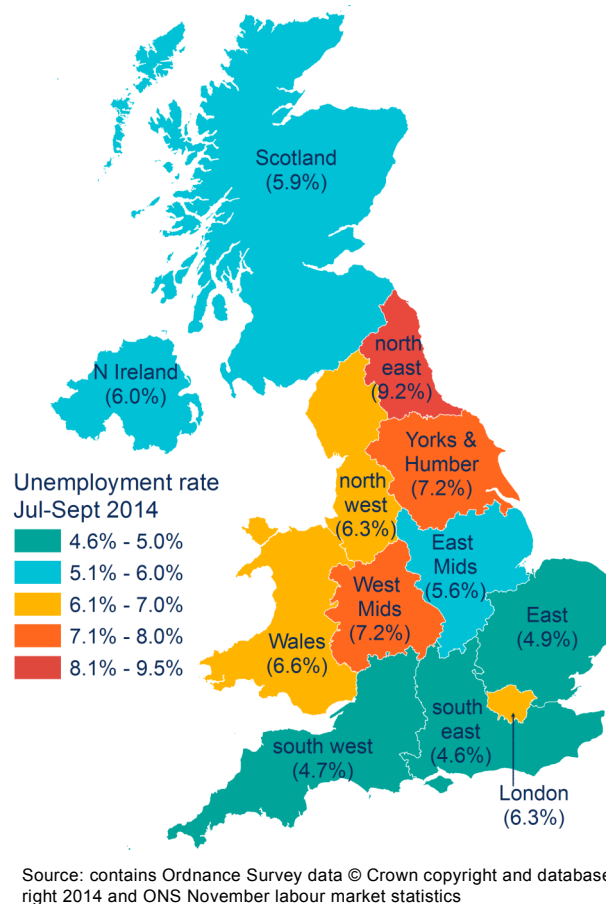
The unemployment rate remains highest in the north east, at 9.2%, in the three months to September, and is now lowest in the south east, at 4.6% (**Exhibit 4**).

Private sector pay outpaces inflation

Since the recession began six years ago there has been a significant squeeze on real pay, that is pay in terms of the amount of goods and services it can buy. Positively, today's data shows that pay growth has picked up.

- Annual growth in regular pay (excluding bonuses) across the whole economy increased from 0.9% in the three months to August to 1.3% in the three months to September.
- Conditions were slightly better in the private sector with annual growth in regular pay standing at 1.6% in the three months to September. This compares to growth of just 1.0% in the public sector.

Exhibit 4 Regional unemployment rate



- With annual CPI inflation over the same period at 1.4%, pay growth is now just outpacing growth in consumer prices in the private sector.
- Growth in total pay, which includes bonuses, was weaker at 1.0% for the economy as a whole, 1.1% in the private sector and 0.8% in the public sector. This weakness was driven by a fall in bonus payments. In the three months to September bonuses fell by 5.3% for the economy as a whole.

The next labour market update will be published on 17 December.

A CBI/Pertemps update will follow soon.

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Carmen Watson, Chairperson, Pertemps Ltd

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