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MIXED PICTURE FROM THE LABOUR MARKET

Today's figures show a mixed picture from the labour market over the last three months. With the pace of employment growth slowing and the claimant count rising amidst weaker economic momentum, there is a risk that the labour market will continue to soften in months to come.

Employment remained broadly unchanged over the quarter to October at 31.8 million—the weakest performance in over a year. The employment rate dropped a touch to 74.4%, from 74.5% in the three months to July.

Alongside this, unemployment fell by 16,000 in the three months to October, while the unemployment rate remained at an 11 year-low of 4.8%. But, the number of people claiming out of work benefits increased again and is now at its highest level since February 2015.

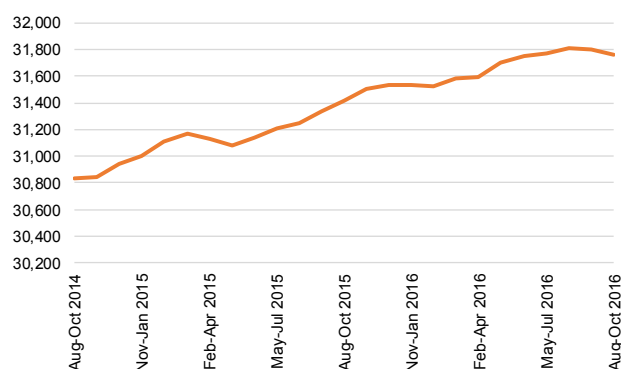
Wage growth increased slightly over the three months to October with annual regular pay growth reaching 2.6%. But, with prices rising at a faster pace, real earnings growth remained flat at 1.7%.

Employment remains broadly stable...

Today's data shows that employment growth in the UK has slowed, leaving the employment level relatively unchanged:

- In the three months to October 2016, employment remained broadly unchanged (-6,000) (**Exhibit 1**). This was the slowest pace of quarterly employment growth in over a year. There are now 31.8 million people in employment in the UK.
- The employment rate for those aged 16 to 64 dropped a touch to 74.4%, from 74.5% in the previous quarter.
- The lacklustre picture for employment growth was due to little change in the number of employees (-6,000) and in the number of self-employed people (-2,000).

Exhibit 1 UK employment (000s)



Source: ONS 2016, December labour market statistics

- But, there was movement in the number of people working full (-51,000) and part-time (+46,000). This was driven by a fall in self-employed people working full-time (-55,000) and a rise in part-time self-employment (+53,000).
- In contrast, the number of employees working full- and part-time remained more or less unchanged (-5,000 and -1,000 respectively).
- There remains some indication of underemployment in the labour market—13.8% (1.2 million) of people are working part-time as they could not find a full-time job.

Headline figures	Rate	Number (000s)	Change on quarter in 000s (% change)	Change on year in 000s (% change)
Employment* (ILO)	74.4%	31,762	-6 (-0.1%)	342 (1.1%)
Unemployment** (ILO)	4.8%	1,616	-16 (-1.0%)	-103 (-6.0%)
Youth unemployment (16-24)	13.1%	587	-34 (-5.5%)	-38 (-6.0%)

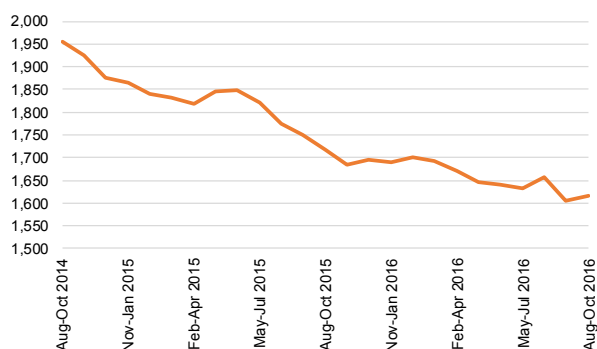
Source: ONS 2016, December labour market statistics, Aug to Oct 2016 data *Rate for those aged 16-64 **Rate for those aged 16 and over

...while ILO unemployment edges down a touch...

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

- In total, 1.6 million people were unemployed in the three months to October (**Exhibit 2**). While the unemployment rate remained at an 11-year low of 4.8%.

Exhibit 2 Unemployment in the UK (000s)



Source: ONS 2016, December labour market statistics

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.

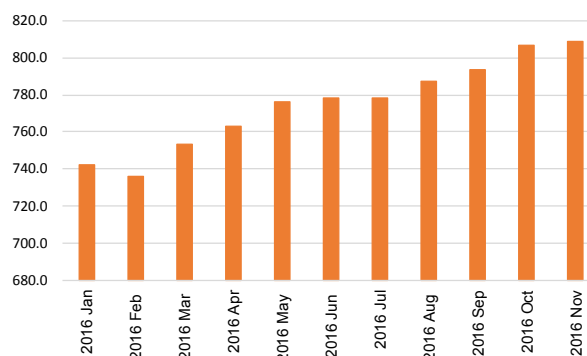
- In the three months to October, short-term unemployment (unemployed for up to six months) was broadly unchanged (increased by 1,000 on the previous quarter).
- The number of people unemployed for between six and 12 months rose (+15,000).
- At the same time, the number of people long-term unemployed (unemployed for over 12 months), and generally considered to be further away from the labour market, fell by 31,000.

...but the claimant count continues to rise ...

Today's data also revealed that the number of people on the claimant count increased again in November:

- There were 809,045 people on the claimant count in November, an increase of 2,350 on October.
- The number of people claiming out of work benefits has been increasing fairly steadily over the course of 2016, and is now around 73,000 higher than its low in February 2016 and the highest since February 2015.

Exhibit 3 UK claimant count (000s)



Source: ONS 2016, December labour market statistics

- 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.

...while youth unemployment falls

Positively, youth unemployment saw a healthy decline over the quarter:

- In the three months to October, there were 587,000 16-24 year olds out of work and looking for work, a fall of 34,000 on the previous quarter.
- The youth unemployment rate is now 13.1%, down 0.6 percentage points on the previous quarter. The rate remains significantly lower than the highs it reached during the financial crisis and is now approaching the pre-crisis low of 11.6%.

Employment levels rise in some of the UK nations and regions...

Turning to the outlook in the regions and nations of the UK, we saw a mixed picture. (Exhibit 4 overleaf).

- The West Midlands saw the largest rise in employment (+54,000) followed by Yorkshire and Humber (+43,000), the South East (+15,000) and London (+10,000).
- Employment was broadly unchanged in the South West (+6,000), Northern Ireland (0), and the North East (-2,000).
- In contrast, employment fell in the East (-66,000), Scotland (-40,000), the East Midlands (-10,000), Wales (-8,000) and the North West (-9,000).

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

Positively, we saw unemployment falling in five of the UK's regions and nations.

- In the three months to October, London saw the most substantial fall in unemployment (-30,000), followed by the West Midlands (-25,000), Yorkshire and the Humber (-15,000), North East (-14,000) and the South West (-13,000).

Exhibit 4 Quarterly change in employment (May—Jul 2016-Aug-Oct 2016), 000s



Source: ONS 2016, December labour market statistics

- Unemployment was on the up in the East (+46,000), Scotland (+14,000), the East Midlands (+10,000) and the North West (+9,000).
- But, it was broadly unchanged in Wales (+2,000), Northern Ireland (+1,000) and the South East (-2,000).

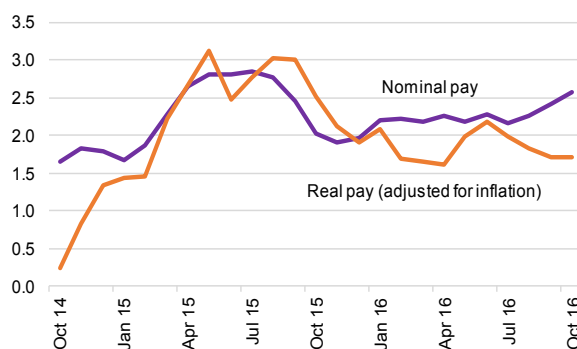
Rising inflation offsets earnings growth.

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 2.5% in the three months to October, from 2.4% in the three months to September.
- Regular pay growth (excl bonuses) followed a similar pattern (speeding up from 2.4% to 2.6% over the same period).
- However, rising inflation is increasingly eating into the real value of peoples' pay packets at the till. As a result, real annual earnings growth remained unchanged at 1.7% in the three months to October for both total and regular pay.

- With the inflation rate hitting its highest level for two years in November and expected to rise further in the months ahead, pay packets will continue to be stretched. Stronger productivity growth will be needed to ensure a sustainable pick-up in wage growth and living standards going forward.

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



Source: ONS 2016, December labour market statistics

The next labour market update will be published on **18 January**
A CBI/Pertemps update will follow soon.

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Carmen Watson, Chairperson, Pertemps Ltd

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