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## LACKLUSTRE PAY GROWTH CONTINUES

Labour market statistics released today reveal that there are more people in work than ever before. And, at the same time, the data show that the number of people out of work and looking for work has fallen once again. Positively, the fall in unemployment was mainly amongst jobseekers who had been trying to find work for longer periods of time.

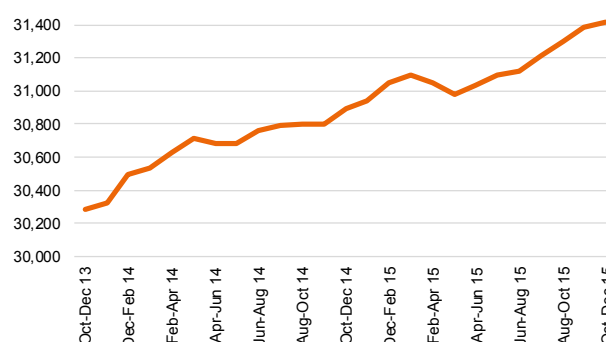
On the downside however, the pace at which peoples' pay packets have been growing remains subdued, after having slowed consistently in the last few months. This underlines the need for a sustained pickup in productivity to enable wages to rise at a faster pace.

### More people in work than ever before

The good news in today's statistics was that employment has continued to rise strongly.

- In the final quarter of last year, 205,000 more people were in work compared to the quarter before (**Exhibit 1**). The number of people in employment has now increased for six consecutive quarters.
- The employment rate also crept up to 74.1%, the highest rate since records began.
- As we reported last month, the increase in employment was driven by growth in the number of people working for a businesses (99,000), but also a rise in the number of people working for themselves (105,000).
- The majority of the rise in employment - both amongst those working for a business and for themselves - was in full-time positions.
- Looking ahead, provisional data on the number of job vacancies suggests that there is scope for further

**Exhibit 1 UK employment (000s)**



Source: ONS 2016, February labour market statistics

employment growth. In the three months to January 2016, businesses were recruiting for 776,000 positions, up 3.0% on the quarter before.

### A range of sectors propel jobs growth

A separate dataset also released today looks at the number of jobs created in different sectors of the economy. The statistics reveal that:

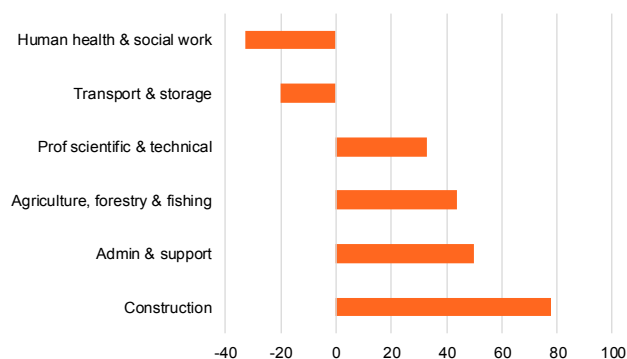
- In the three months to September, businesses in the administration & support and professional scientific & technical sectors were key drivers of jobs growth in the economy (rising by 50,000 and 33,000 respectively) (see **Exhibit 2** overleaf).
- Outside of the services sector, construction firms also made a very healthy contribution to jobs growth (77,000).

Headline figures	Rate	Number (000s)	Change on quarter in 000s (% change)	Change on year in 000s (% change)
Employment* (ILO)	74.1%	31,417	205 (0.7%)	521 (1.7%)
Unemployment** (ILO)	5.1%	1,690	-60 (-3.4%)	-172 (-9.3%)
Youth unemployment (16-24)	13.6%	622	-31 (-4.8%)	-118 (-15.9%)

Source: ONS 2016, February labour market statistics, Oct to Dec 2015 data \*Rate for those aged 16-64 \*\*Rate for those aged 16 and over

- In contrast, the number of jobs in sectors like human health & social work and transport & storage fell in the three months to September (-33,000 and -20,000 respectively).

**Exhibit 2** Change in workforce jobs (000s, Q2-Q3 2015)



Source: ONS 2016, February labour market statistics

### Fewer people looking for work...

Alongside the rise in employment across the UK, the number of unemployed people fell.

- In the final quarter of 2015, unemployment declined by 60,000, compared to the previous quarter (Jul-Sept). As a result, 1.69 million people are now out of work and looking for work (**Exhibit 3**).
- The unemployment rate now stands at 5.1% which, although lower than before the crisis began, was a touch higher than the consensus expectation of a fall to 5.0%.

The decline in unemployment seen at the end of 2015 was due in the main to a fall in the number of people who had been looking for work for longer periods of time.

- The number of people out of work for over six and up to 12 months fell by 27,000, while the number out of work for over a year declined by 26,000.
- In contrast, the number of people who had been seeking work for up to six months fell by just 8,000 in the three months to December.

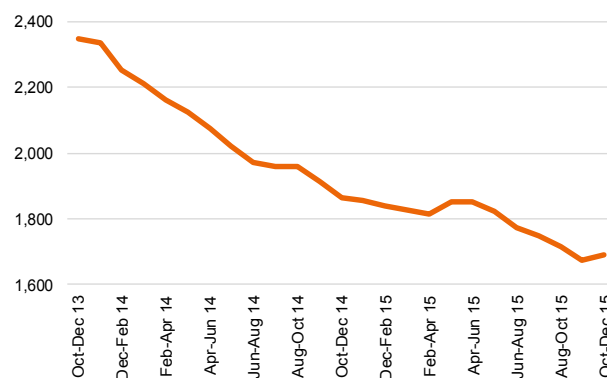
### ...including young people

Positively, today's data shows that youth unemployment has continued to edge downwards.

- In the last three months of 2015, the number of 16 to 24 year olds unemployed fell by 31,000.

- As a result, 622,000 young people are now looking for work. Almost two thirds of these young people are not in full-time education while the remaining third are seeking part-time opportunities which fit around their studies.
- The youth unemployment rate is now 13.6%, which, like the overall unemployment rate, is a little lower than before the crisis began.

**Exhibit 3** UK unemployment (000s)



Source: ONS 2016, February labour market statistics

### Employment grows in most of the UK's nations and regions...

The positive employment growth seen across the UK as a whole was driven by almost all of the UK's nations and regions.

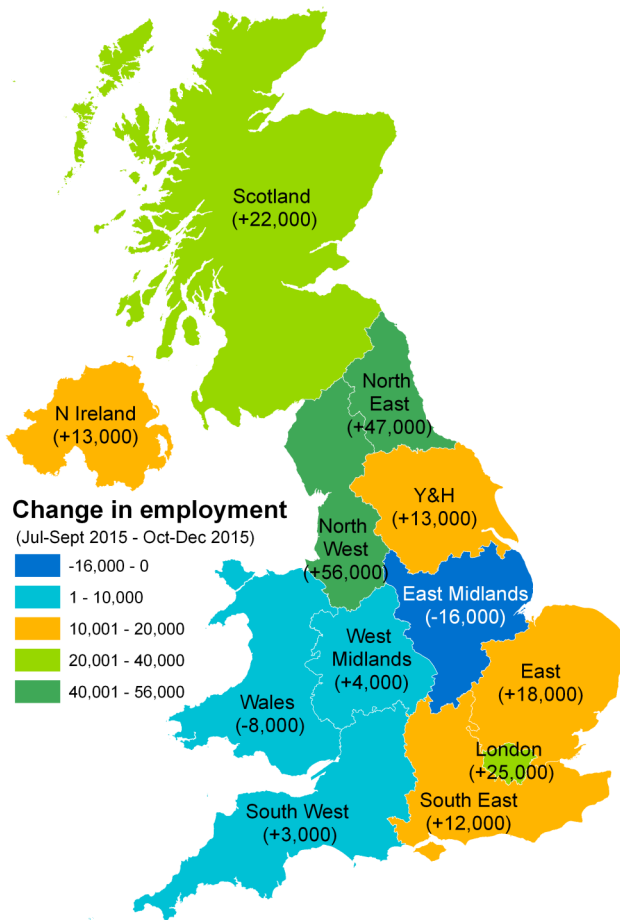
- As **Exhibit 4** overleaf shows, the north led the way with the number of people in work rising strongly in the north west (+56,000) and the north east (+47,000) in the final quarter of 2015.
- Employment growth was slightly lower, although still healthy, in London (+25,000), Scotland (+22,000), the East of England (+18,000), Northern Ireland and Yorkshire & Humber (both +13,000) and the south east (+12,000).
- Employment also rose, albeit less strongly, in Wales (+8,000) and the West Midlands (+4,000).
- In contrast, the number of people in work remained broadly similar in the south west (+3,000) and actually fell in the East Midlands (-16,000).

### ...while unemployment falls across half of the UK

While the increase in employment was fairly widespread, the fall in unemployment was concentrated in half of the UK's nations and regions.

- The north west (-19,000), Wales and the West Midlands (both -12,000) saw the most significant declines in unemployment in the final quarter of 2015.
- The East of England (-8,000), south west (-7,000) and Scotland (-5,000) also saw unemployment decline a little too.
- In contrast, the number of people out of work and looking for work remained broadly flat in London (-3,000), the north east (-2,000), the south east (-1,000), Northern Ireland (0) and the East Midlands (+2,000).
- Yorkshire & Humber was the only UK region to see unemployment rise very slightly (+8,000).

Exhibit 4 Quarterly change in employment



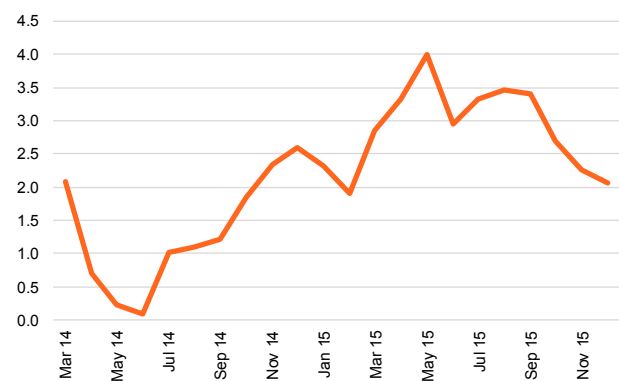
Source: contains Ordnance Survey data © Crown copyright and database right 2016 and ONS 2016, February labour market statistics

**Pay growth remains lacklustre**

Less welcome news in today’s statistics was that growth in the size of peoples’ earnings remains subdued, after having slowed consistently in recent months.

- At 2.2%, regular pay growth, which excludes bonuses, in the private sector was broadly similar to that seen in the three months to November (2.1%) but still significantly lower than in the spring (3.4% in the three months to May).
- As **Exhibit 5** shows, total pay growth in the private sector, which includes bonuses, stood at 2.1%, which was a little lower than the month before (2.3% in the three months to November). This slowdown was driven by a decline in bonus pay growth (6.0% to 0.9% over the same period).
- Although low inflation means that pay packets are stretching further at the till, such lacklustre pay growth underlines the need for a pickup in productivity so that wages can rise faster.
- Not adding to the cumulative burden on businesses from recent Government policies, will help firms to create more jobs and boost productivity.

Exhibit 5 Annual growth in private sector total pay (%)



Source: ONS 2016, February labour market statistics

The next labour market update will be published on **16 March**.

A CBI/Pertemps update will follow soon.

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#### ABOUT THE SPONSOR

*“2016 to date has seen an acceleration of permanent placements increasing slightly on pre-Christmas levels. Usage of temporary labour showed growth, but at a slower pace than the previous four months.*

*The January increase in vacancies was a five-month high with demand stronger in the private sector than public sector. Candidate availability remains tight particularly in the health and executive sectors while construction and manufacturing are evidencing acute skill shortages.”*

**Carmen Watson, Chairperson, Pertemps Ltd**

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