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EMPLOYMENT RISES, BUT WAGE GROWTH WEAKENS

Today's data revealed a strong rise in the number of people in work as well as a fall in unemployment, demonstrating that the labour market continues to be a bright spot for the UK economy.

In fact, the rise in employment was the largest in around 18 months while unemployment declined amongst people who had been looking for work for both shorter and longer periods of time. Youth unemployment also fell.

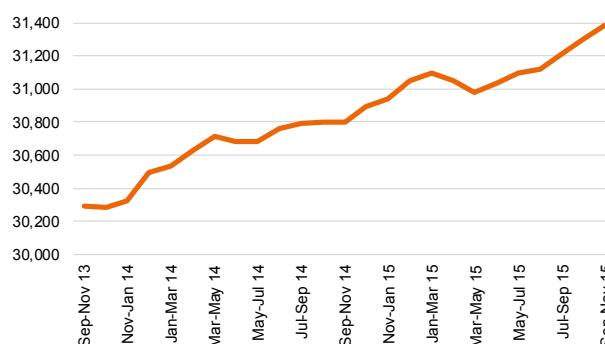
The picture on pay however is more mixed. The rate at which average weekly earnings are increasing in the private sector slowed further this month, continuing a recent trend. Boosting productivity is key to turning this around. This is particularly important as inflation, which impacts on peoples' purchasing power at the till, is likely to pick up gradually this year.

Strong rise in the number of people in work...

Data out today show that the number of people in work has risen once again.

- The number of people in work increased by 267,000 in the three months to November, the largest rise in around 18 months (**Exhibit 1**).
- At the same time, the employment rate edged up a little further to 74.0%.
- The rise in employment was due to an increase in the number of people working for a business as well as an increase self-employment. In the three months to November, the number of employees increased by 160,000, while the number of people choosing to work for themselves rose by 121,000.

Exhibit 1 UK employment (000s)



Source: ONS 2015, January labour market statistics

- The majority (70%) of people taking up employment in the three months to November, whether with a business or working for themselves, entered into full-time roles.

Demand for new recruits looks set to continue in the immediate future according to provisional data on the number of job vacancies for which businesses are actively seeking recruits from outside their organisation.

- In the final quarter of 2015, the number of vacancies increased by 13,000 to reach 756,000, the highest level since records began.
- The key question however, is whether those people looking for work have skill sets that are well matched to the vacancies that businesses are recruiting for.

Headline figures	Rate	Number (000s)	Change on quarter in 000s (% change)	Change on year in 000s (% change)
Employment* (ILO)	74.0%	31,389	267 (0.9%)	588 (1.9%)
Unemployment** (ILO)	5.1%	1,675	-99 (-5.6%)	-239 (-12.5%)
Youth unemployment (16-24)	13.7%	628	-56 (-8.2%)	-136 (-17.8%)

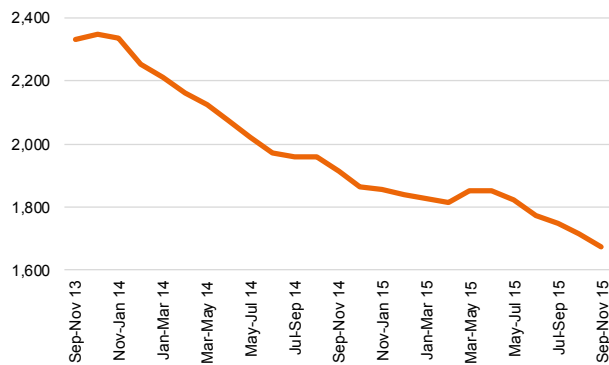
Source: ONS 2015, January labour market statistics, Sept to Nov 2015 data *Rate for those aged 16-64 **Rate for those aged 16 and over

...alongside a fall in unemployment

Continuing the good news story, as UK employment rose, unemployment fell.

- The number of people unemployed in the UK fell by 99,000 in the three months to November. As **Exhibit 2** shows, this means that 1.68 million people are now out of work and looking for work.
- The unemployment rate fell back to 5.1%, which was slightly lower than most people had expected (5.2%). Positively, the unemployment rate is now a touch lower than just before the crisis began (5.2%), and is the lowest since early 2006.

Exhibit 2 UK unemployment (000s)



Source: ONS 2015, January labour market statistics

Delving a little deeper, the data released today reveal that unemployment has fallen for people who had been looking for work for both shorter and longer periods of time.

- In the three months to November, short term unemployment (out of work and looking for work for up to six months) fell by 28,000.
- Medium term unemployment (those unemployed for over six months and up to 12 months) fell by 33,000.
- The number of long term unemployed (over 12 months), who are generally considered to be the furthest away from the labour market, fell by 38,000.

Young people benefit from a healthy labour market

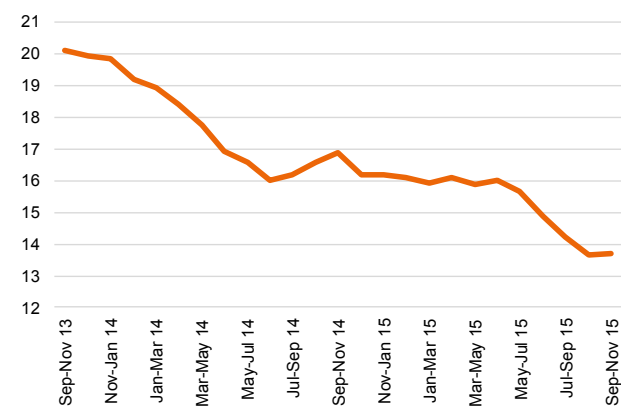
Today's data also show that young people have been benefiting from the strength of the UK's labour market.

- In the three months to November, the number of unemployed 16 to 24 year olds fell by 56,000.
- Encouragingly, 66% of the decrease in the number of young unemployed people was due to a fall in those not

in full-time education. The remaining third that found employment were in full-time education and therefore took up part-time work.

- As **Exhibit 3** shows, the youth unemployment rate also fell back to 13.7%, down from 14.8% in the previous quarter.

Exhibit 3 UK youth unemployment rate (%)



Source: ONS 2015, January labour market statistics

Employment rose in three quarters of nations and regions...

The healthy rise in UK employment was shared across three quarters of nations and regions (**Exhibit 4** overleaf).

- The north west saw the largest increase in employment in the three months to November (+86,000) although the south east (+58,000) and north east (+38,000) also made impressive gains.
- In Yorkshire and Humber, the West Midlands (both +23,000) and Scotland (21,000) growth in employment, while a little more modest, was still significant. Employment also rose in London (+17,000), Northern Ireland (+13,000) and the East of England (+10,000).
- In contrast, the number of people in work remained more or less unchanged in the south west (+3,000) but fell in Wales (-4,000) and the East Midlands (-22,000).

...with a similarly widespread fall in unemployment

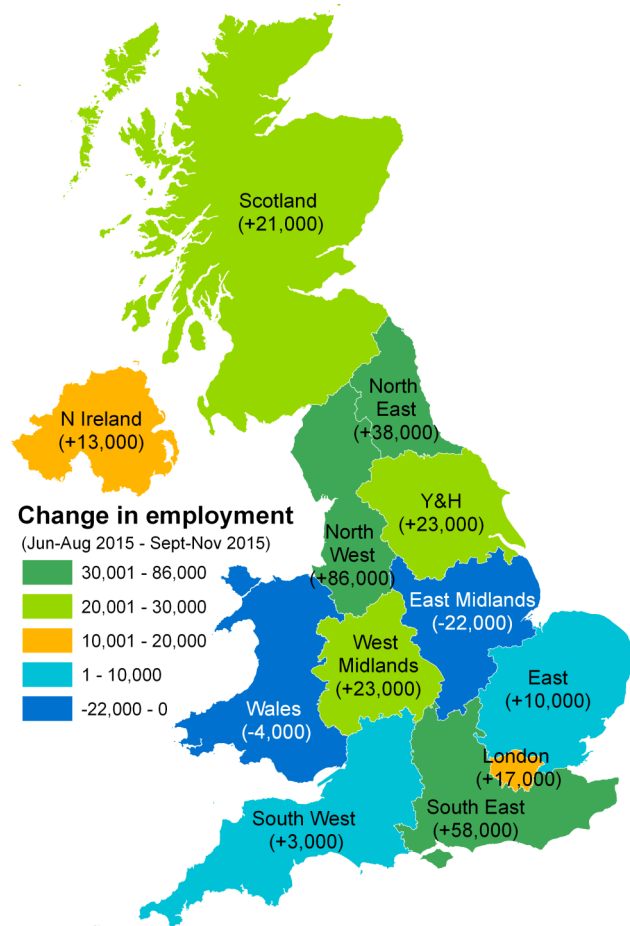
The rise in employment across most regions and nations was accompanied by a similarly widespread fall in unemployment.

- In the three months to November, the south east was the region that saw the most substantial fall in unemployment (-20,000), followed closely by Scotland

(-19,000), the north west (-15,000), East of England (-14,000) and Wales (-11,000).

- Unemployment also fell, although by less, in the East and West Midlands (both -8,000), the south west (-7,000) and the north east (-6,000).
- In Yorkshire and Humber (-3,000) and Northern Ireland (0), unemployment was broadly unchanged compared to the previous quarter. London was the only location where unemployment edged up a touch (+13,000).

Exhibit 4 Quarterly change in employment



Source: contains Ordnance Survey data © Crown copyright and database right 2015 and ONS 2015, January labour market statistics

Wage growth weakens once again

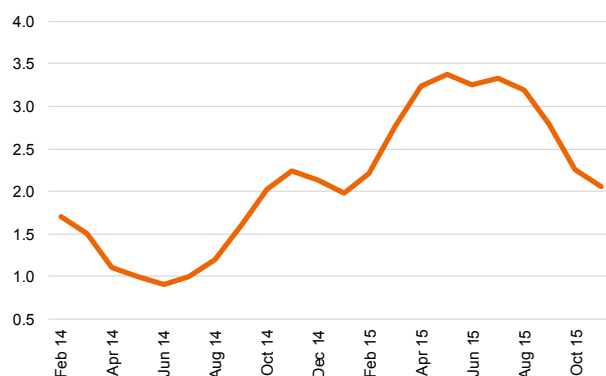
Although the labour market picture so far is positive, today’s data reveal more mixed prospects for peoples’ pay packets.

- In the private sector, annual growth in regular pay (excluding bonus) stood at 2.1% in the three months to

November. This was down from 2.3% in the three months to October and from a peak of 3.4% in the three months to May (**Exhibit 5**).

- This slowdown was seen across the other sectors of the economy too. In fact, annual growth in regular pay also fell in the service sector (from 1.8% in the three months to October to 1.7% in the three months to November), the wholesaling, retailing, hotels & restaurants sector (from 3.2% to 2.9%) and construction sector (from 6.4% to 6.2%). In the finance & business services and manufacturing sectors pay growth remained unchanged (at 1.6% and 1.5% respectively).
- Looking at annual growth in total pay, which includes bonuses, the slowdown in underlying pay growth described above was compounded by a sharp slowing in the growth of bonus payments. As a result, total pay growth in the private sector weakened from 2.7% in the three months to October to 2.2% in the three months to November.
- Despite this, low inflation has boosted the ‘real’ value, or purchasing power at the till, of employees’ pay packets. But, with inflation likely to pick up gradually this year, there is a real need to boost ‘nominal’ pay growth. To do this, there must be a sustained recovery in productivity.

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



Source: ONS 2015, January labour market statistics

The next labour market update will be published on **17 February**.

A CBI/Pertemps update will follow soon.

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ABOUT THE SPONSOR

“Encouragingly, a steady supply of suitable candidates per vacancy throughout 2015 has supported strong employment growth. In certain industries and occupations however, as more and more people have moved into work, finding applicants with the right skill sets has become a bit tougher. That said, there is evidence that businesses are starting to respond to this challenge by up-skilling existing staff, giving greater opportunities to young people and raising starting salaries.”

Carmen Watson, Chairperson, Pertemps Ltd

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