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EMPLOYMENT EDGES UP OVERALL, BUT YOUNG PEOPLE FAIL TO BENEFIT

Today's data reveals a more mixed picture across the UK labour market. The number of people in work increased again in the quarter to November 2014, but at a slightly slower pace than we've seen recently.

At the same time, unemployment fell again, particularly amongst the long-term unemployed.

However, the picture is not so rosy for young people. Particularly worrying was the rise in the number of 16-24 year-olds not in education or employment and looking for work.

Finally, for those already in work conditions are slowly improving as pay growth continues to edge up. This, combined with a fall in the cost of goods and services, has meant that employees' purchasing power now looks a little healthier.

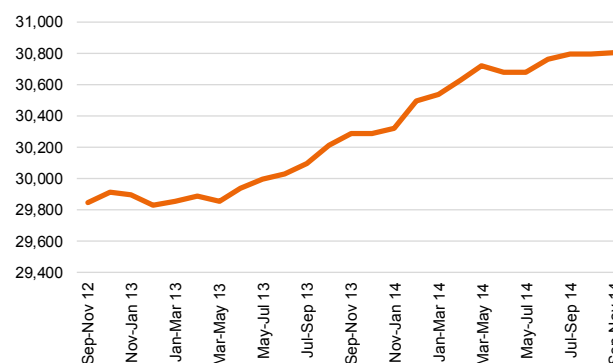
Employment continues to rise, but at a slower rate

This month's data shows that the UK's flexible labour market has continued to support more people into work.

- The number of people in employment rose by 37,000 in the three months to November 2014 (**Exhibit 1**).
- Although this was the slowest increase seen since mid-2013, persistent job creation over the last few years means that the number of people in work is now at a record high (30.8 million).

More recently, employment growth has increasingly been driven by more people working for an employer rather than for themselves.

Exhibit 1 UK employment (000s)



Source: ONS 2015, January labour market statistics

- Following recent trends, in the three months to November 2014, there were 80,000 more people working for a business. Positively, all of these people found full-time work.
- The expansion in the number of employees offset a small decline in the number of people working for themselves (-3,000).
- Another reason why overall employment increased by only 37,000 despite stronger growth in the number of employees (+80,000) was a fall in the number of unpaid family workers and people on government training and employment programmes (-24,000 and -15,000 respectively).

Headline figures	Rate	Number (000s)	Change on quarter in 000s (% change)	Change on year in 000s (% change)
Employment* (ILO)	59.5%	30,801	37 (0.1%)	512 (1.7%)
Unemployment (ILO)	5.8%	1,914	-58 (-2.9%)	-418 (-17.9%)
Youth unemployment (16-24)	16.9%	764	30 (4.1%)	-171 (-18.3%)
Claimant count	2.6%	867.7	-29.7 (-3.3%) (change on Nov)	-370.8 (-29.9%)

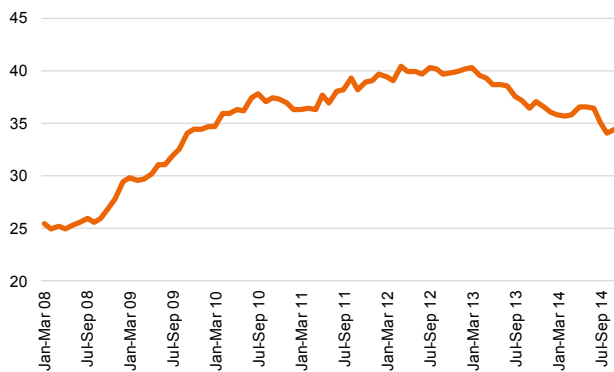
Source: ONS 2015, January labour market statistics, September to November 2014 data; claimant count data December 2014 *Aged 16 and over

Involuntary temporary employment falls

During the recession the number of people employed on temporary contracts rose as employers sought to keep as many people in work as possible whilst coping with uncertain levels of demand.

As the economy has continued to improve, employers have increasingly been able to offer permanent posts to those who would prefer them. As **Exhibit 2** shows, the share of employees on temporary contracts who would prefer permanent work has declined from a high of 40.3% in early 2012 to 34.4% in the three months to November 2014.

Exhibit 2 Share of temporary employees who could not find a permanent job (%)



Source: ONS 2015, January labour market statistics

Women benefit most from rising employment

Similar to last month, it has been women who have benefited most from the growth in employment.

- Employment amongst women increased by 25,000 in the three months to November 2014. As a result there are now 14.4 million women in work.
- Male employment also expanded but by just 13,000, upping the number of men in work to 16.4 million.

Unemployment declines overall...

As employment has continued its upward path, unemployment also maintained a downward trajectory.

- In the three months to November 2014, unemployment dropped by 58,000, meaning that 1.9 million people were out of work and looking for work.
- This translates into an unemployment rate of 5.8%, a slightly sharper fall than the consensus expectation of 5.9%. The unemployment rate is now getting closer to its

pre-recession rate of 5.2% in the three months to March 2008.

- In recent updates we reported that unemployment fell for those out of work for both shorter and longer periods of time. However, in the three months to November the sharpest declines were seen amongst the long-term unemployed (a fall of 53,000 for those out of work and looking for work for over a year). The number of people out of work for shorter periods of time remained relatively stable (-3,000 for those unemployed for up to six months and -1,000 for those unemployed for over six and up to 12 months).
- The Claimant Count, which is a timelier but narrower measure of unemployment, also fell. In December 2014 29,700 fewer people claimed Job Seekers Allowance.

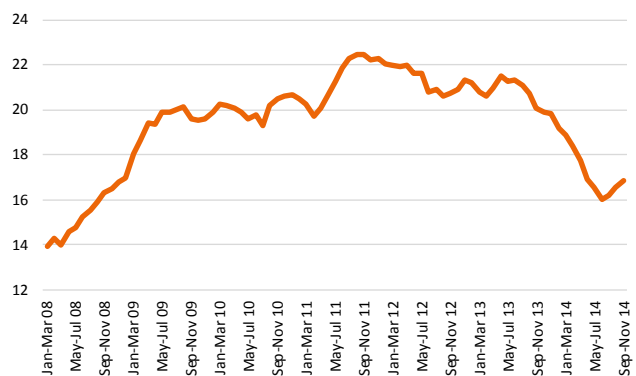
Although declining unemployment is positive, it has been due, in part, to more people exiting the labour market and therefore becoming “economically inactive”. In the three months to November 2014, an additional 103,000 people chose to leave the labour market. This was mainly because they chose to look after family or their home.

...but actually increases for young people

An additional worry is the increase in the youth unemployment this quarter.

- In the three months to November 2014, the number of 16-24 year olds who were not in education or employment but wanted to work rose by 52,000.
- This was only partially offset by a fall in the number of students who couldn't find work (-22,000) meaning that, overall, youth unemployment increased by 30,000. This was the fastest increase since early 2013.

Exhibit 3 UK youth unemployment rate (%)



Source: ONS 2015, January labour market statistics

- These changes mean that, in the last quarter the youth unemployment rate increased by almost one percentage point, to 16.9% (**Exhibit 3**).

Employment growth slows in UK regions...

Reflecting slower employment growth for the UK as a whole, increases in employment were more moderate in the UK's nations and regions this month, occurring in just seven out of 12 areas.

- The West Midlands saw the largest increase in employment (+31,000), followed by the north east (+16,000), the south east (+14,000) and East Midlands (+12,000).
- Smaller increases in employment were seen in the south west (+9,000), Wales and the north west (both +4,000).
- The number of people in employment remained roughly unchanged in Scotland (+1,000), Northern Ireland (-1,000) and the East of England (-2,000).
- The two regions which saw employment drop were Yorkshire and Humber (-9,000) and London (-42,000).

...while declines in unemployment moderated

Again reflecting the national picture, the majority of nations and regions saw declining or relatively stable levels of unemployment.

- The sharpest drop in unemployment was seen in the West Midlands (-34,000).
- Less dramatic declines were seen in the north east (-9,000), the south east (-8,000), the south west (-7,000), Yorkshire and Humber (-6,000), the north west and London (both -4,000).
- Unemployment remained relatively stable in Northern Ireland (-3,000), the East Midlands and the East of England (both +1,000).
- The only two areas to see unemployment increase were Scotland (+7,000) and Wales (+9,000).

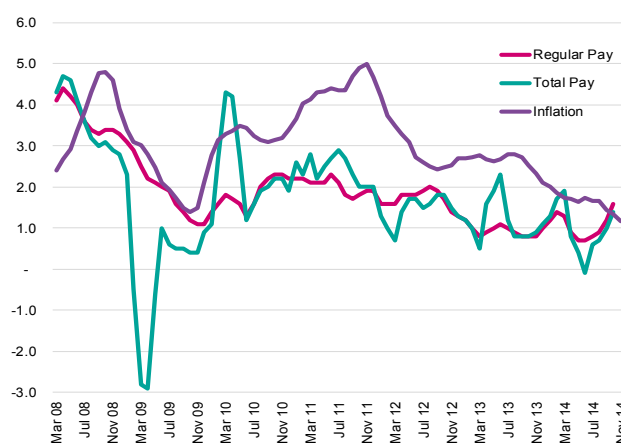
Pay growth picks up again, but remains low

Turning to look at those in work, today's data shows that pay growth has continued to edge up, albeit by a relatively small amount.

- Annual growth in regular pay, which excludes bonuses, grew by 1.8% across the whole economy and by 2.2% in the private sector in the three months to November 2014.
- However, these growth rates are still low compared to before the downturn when regular pay growth averaged around 4%.

- Productivity - the value a workers adds for every hour he or she works - is a key driver of sustainable pay growth. Productivity in the UK has been very weak throughout the crisis and will need to pick up further before faster pay growth is possible.
- That said, slightly quicker pay growth combined with a sharp decline in inflation means that regular pay, in terms of the goods and services it can buy, has risen (the annual rate of CPI over the same period was 1.2%).
- Looking at specific sectors, regular pay growth was fastest in finance and business services (2.8%) while the construction and manufacturing sectors saw slightly slower growth of 1.8% and 1.6% respectively. Pay growth was more sluggish in the wholesale, retail, hotels and restaurants sector (1.4%).
- Finally, growth in total pay, which includes bonuses, was quite similar to regular pay growth at 1.7% across the whole economy and 2.1% in the private sector. This was also ahead of the rate of inflation.

Exhibit 4 Change in pay growth (%)



Source: ONS 2015, January labour market statistics

The next labour market update will be published on 18 February.

A CBI/Pertemps update will follow soon.

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Wages for temporary contract workers have been rising at the fastest pace for years and growth of permanent salaries remains strong. However, an increasing lack of skills continues to cause concern in many sectors as employers search for specialist staff.”

Carmen Watson, Chairperson, Pertemps Ltd

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