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CORONAVIRUS IS LEAVING A DEVASTATING MARK ON THE LABOUR MARKET

The latest ONS data covers the period between April to June 2020 – part of the most restrictive period of the lockdown introduced in the second half of March and the beginning of lockdown easing. The impact of COVID-19 on the labour market is becoming even more evident and is starting to feed through to the headline labour market indicators. This month's data shows the largest decrease in employment on the quarter since May to July 2009 with both men and women seeing decreases on the quarter.

Additionally, ONS experimental data shows that 730,000 people have left company payrolls between March and July, hours worked continued to fall reaching record lows on the year and on the quarter, and pay fell sharply. But vacancies saw a small rise compared to the previous quarter, which was mainly driven by small businesses in the hospitality sector.

Against this backdrop, flattening the unemployment curve is critical. And as local lockdowns become more common, the nature of support for businesses and people will need to evolve. Stepping up test and trace efforts will also be essential to minimise disruption in affected areas.

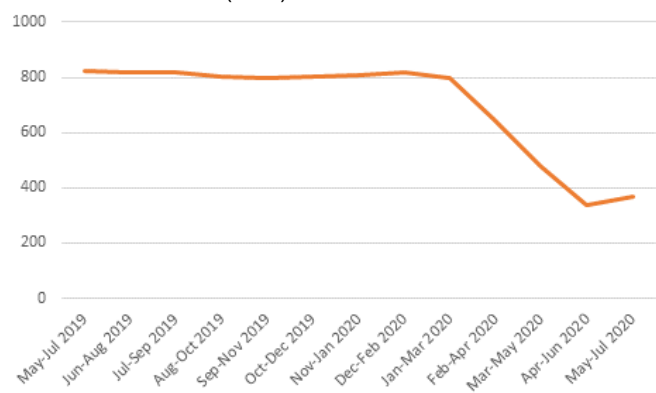
Largest annual decrease in hours worked, but vacancies rise slightly...

- ONS estimates that between January to March 2020 and April to June 2020, total actual weekly hours worked in the UK decreased by 18.4% to 849.3 million hours. This is the largest quarterly decrease since estimates began in 1971, with total hours dropping to its lowest level since September to November 1994. The ONS is treating furloughed employees as still being “in employment” but working zero hours. Hence this is a decent indicator of the extent of labour market activity in the three months to June.
- The ONS estimates that a large number of people are temporarily away from work, including furloughed workers - approximately 7.5 million in June 2020, with over 3 million of these being away for three months or more. New analysis shows that the youngest workers, oldest workers and those in manual or elementary occupations were those most likely to be temporarily

away from paid work during the coronavirus pandemic. There were also around 300,000 people away from work because of the pandemic and receiving no pay in June 2020.

- In the three months to July 2020, the number of vacancies increased slightly and now stands at 370,000 - 10% higher than the record low in April to June 2020.
- Experimental Pay As You Earn (PAYE) data shows that in July the number of employees in the UK on payrolls was down by 730,000 compared with March 2020. This figure is not believed to be capturing around 300,000 people who identified themselves as being employed, but temporarily away from their jobs because of the pandemic, but who were receiving no pay.
- Official employment is weakening and fell by 220,000 in the three months to June 2020, compared with the previous quarter - the sharpest decline since 2009, and was 113,000 higher than during the same period a year earlier. The

Exhibit 1 Vacancies (000s)

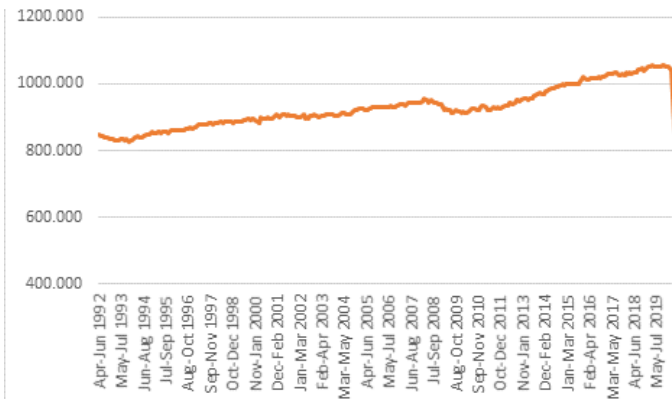


Source: ONS August 2020 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	76.4%	32,924	-220,000 (-0.6%)	+113,000 (+0.3%)
Unemployment** (ILO)	3.9%	1,338	-10,000 (-0.7%)	+9,000 (+0.6%)
Youth unemployment (16-24)	12.5%	543	+3,000 (+0.5%)	+41,000 (+8.1%)

Source: ONS August 2020 labour market statistics, April to June 2020 data *Rate for those aged 16-64 **Rate for those aged 16 and over

Exhibit 2 Total actual weekly hours worked (000s)



Source: ONS August 2020 labour market statistics

employment rate decreased by 0.2% points to stand at 76.4%.

- The decline in employment was mainly driven by those aged 16 to 24 years (-100,000) and those aged 65+ years (-161,000). This was partially offset by those aged 25 to 64 years (+41,000).
- The number of employees increased by 52,000 in the three months to June, while the number of self employed fell significantly by 238,000 on the quarter. Also the number of people working parttime decreased strongly by 129,000 on the quarter.
- New experimental data using Adzuna online job adverts shows that on 31 July 2020, online job adverts were closest to their 2019 average in London and Northern Ireland. Compared with their 2019 averages, the online job adverts were lowest in Yorkshire and The Humber and the East of England.

...while the unemployment rate remained broadly unchanged, but the number of people who are economically inactive has increased significantly

- Experimental data showed that UK claims for benefits have reached 2.7 million in July 2020 (up by 94,400 between June and July) an increase of 116.8% since March 2020. However, enhancements to Universal Credit as part of the UK government's response to the coronavirus mean that an increasing number of people are eligible for support while still employed. Consequently, changes are not due wholly to changes in the number of people who are unemployed.
- Official data show that in the three months to June 2020 unemployment remained broadly unchanged on the quarter (-10,000) and stood at 1.34 million. On a year-on-year basis, the number of unemployed people

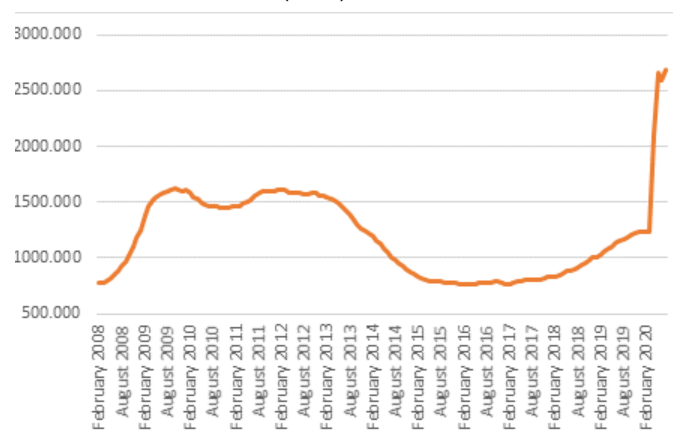
was also broadly unchanged (+9,000). The unemployment rate stood at 3.9%, unchanged on the previous quarter.

- The number of those registered as economically inactive (not available and/or not looking for work) increased significantly by 82,000 compared with the previous quarter, but remained down by 127,000 on a year earlier.
- Those who are economically inactive (i.e. not looking for work and/or not available for work) but who want a job increased by a record 235,000 on the year and 218,000 on the quarter.
- The inactivity rate increased by 0.2% points on the quarter and now stands at 20.4% but is still down by 0.4% points on the previous year.
- Redundancies increased by 30,000 on the year and 27,000 on the quarter to 134,000. While this is the highest level since February to April 2013, the level remains well below that seen during the 2008 downturn.

Pay growth has slowed sharply, with further declines looming

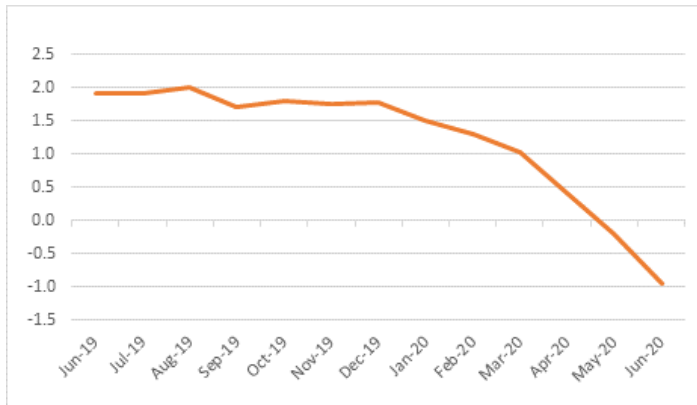
- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) turned negative and was -0.2% on the year in the three months to June 2020 (on the less volatile three-month rolling basis), down by 0.9% point on May 2020. This reflects the fact that many employees that have been furloughed are receiving 80% of their wages. Pay growth has been slowing for almost a year since its last peak (3.9% in June/July 2019).
- In the three months to June, nominal regular pay growth slowed in the private sector (down by 1.1% points) and turned negative to -1.2% on the year, but

Exhibit 3 Claimant Count (000s)



Source: ONS August 2020 labour market statistics

Exhibit 4 Real regular pay growth (%)



Source: ONS August 2020 labour market statistics, quarter on quarter changes

increased by 0.3% points in the public sector to 4.1% on the year.

- Across the different sectors, nominal annual regular pay growth was strongest in finance (+1.0% - down by 0.7% points) and services (+0.7% - down by 0.7% points), followed by manufacturing (-2.5% - down by 0.9% points), wholesaling, retailing & hospitality (-3.9% - down by 1.6% points) and construction (-8.7% - down by 3.1% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) decreased by -1.0% on a year ago (on the less volatile three-month rolling basis) – down by 0.7% points on May 2020.

Employment fell in most regions...

- In the three months to May 2020, employment increased in the North East (+39,000), Wales (+33,000), Yorkshire and The Humber (+24,000), and the East Midlands (+13,000) as compared to the quarter from December to February.

Exhibit 5 Employment change by regions & nations (000s)



Source: ONS August 2020 labour market statistics

- Employment remained broadly unchanged in the West Midlands (-6,000), the East (-5,000) and the North West (+8,000).
- Employment decreased in London (-103,000), Scotland (-47,000), the South West (-46,000), the South East (-25,000) and Northern Ireland (-12,000).

... while unemployment saw a mixed picture in most regions

- In the three months to June 2020, unemployment increased in the South East (+15,000), the South West (+14,000), the East Midlands (+13,000) and Scotland (+11,000).
- Unemployment remained broadly unchanged in Wales (-8,000), London (-4,000), the North East (-2,000), Northern Ireland (+1,000) and the East (+2,000).
- Unemployment decreased in the North West (-20,000), the West Midlands (-18,000) and Yorkshire and The Humber (-15,000).
- However, as with the headline data, the employment and unemployment data across the regions and nations does not fully capture labour market conditions at present.

Exhibit 6 Unemployment change by regions & nations (000s)



Source: ONS August 2020 labour market statistics

The next labour market update will be published on **15th September 2020**.



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“The pandemic still weighs heavily on hiring decisions, but the recruitment downturn has eased considerably. As more of the economy reopened in July, permanent and temporary hires fell at the softest rates for five months, and this trend should continue to improve. Recruiters will play a leading role in restoring confidence and helping people find work.”

Carmen Watson, Chairperson, Pertemps Ltd

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