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LABOUR MARKET DETERIORATES FURTHER, WITH UNEMPLOYMENT AND REDUNDANCIES CONTINUING TO RISE

The latest ONS data covers the period between September and November 2020, providing a snapshot of labour market activity during a period of renewed restrictions across the country. The latest data shows a further decrease in employment, another sharp increase in unemployment with the unemployment rate reaching 5% - the highest rate since 2016, and another significant increase in redundancies to a record high of 395,000.

The extension of the Job Retention Scheme until the end of April 2021 is an important step that recognises this difficult reality, at a time when businesses across the country are operating under a third national lockdown. But the prospect of extending lockdown further makes it urgent that the Chancellor acts now to extend job and business support further. The Job Retention Scheme needs to run to at least the end of June with targeted support thereafter to avoid a cliff-edge for individuals and firms.

Real time Pay-As-You-Earn data shows that by December 2020, 828,000 people had left company payrolls compared with February (i.e. prior to the pandemic). The vacancies recovery also slowed in the quarter to December, with vacancies remaining 29.3% below pre-pandemic levels. Total hours worked rose again over September to November, despite the reintroduction of restrictions, but were still 6.9% below their February 2020 level.

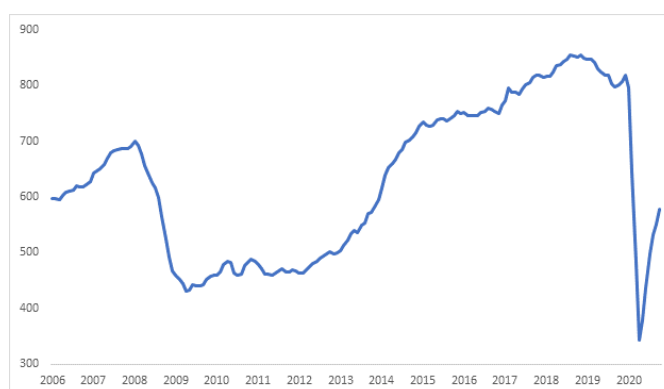
Additionally, these developments need to be seen in the context of a renewed lockdown in England and the regions and nations that are expected to last until the end of February and that are not yet reflected in the data.

Employment continues to fall...

- The official measure of employment shows a fall of 88,000 in the three months to November 2020, compared with the previous quarter, and was 398,000 down on the same period a year earlier. This was the largest annual decrease since December 2009 to February 2010. The employment rate fell by 0.4% points on the quarter to stand at 75.2%.

- Male employment fell by 84,000 over the quarter to November, while female employment remained broadly unchanged (-3,000). On the year male employment decreased by 358,000 while female employment decreased by 40,000.
- Almost all age groups saw a decline in employment, with those aged 35 to 45 years old (-65,000) and those aged 50-64 years old (-60,000) seeing the steepest drop.
- ONS estimates that between June to August 2020 and September to November 2020, total actual weekly hours worked in the UK rose by 10%, to 979.0 million hours but remained far below the pre-pandemic level.
- The ONS estimates that the number of people temporarily away from work, including furloughed workers, fell to 4.1 million people in November, down from almost 7.9 million people in April 2020. There were also around 278,000 people away from work because of the pandemic and receiving no pay in

Exhibit 1 Vacancies (000s)

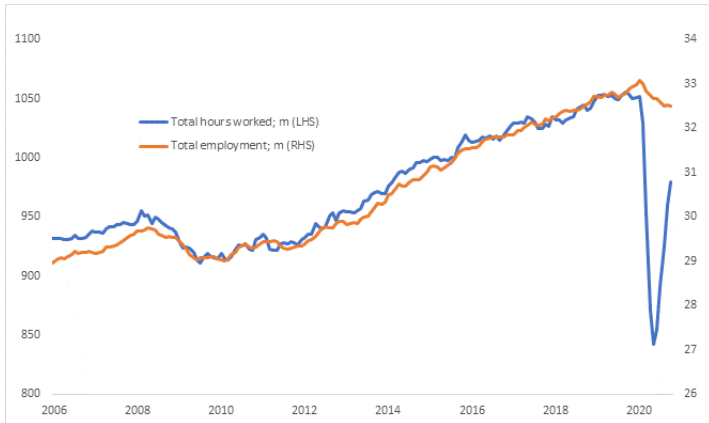


Source: ONS January 2021 labour market statistics

Headline figures	Rate	Number	Change on quarter	Change on year
Employment* (ILO)	75.2%	32,503	-88,000 (-0.3%)	-398,000 (-1.2%)
Unemployment** (ILO)	5.0%	1,724	+202,000 (+13.3%)	+418,000 (+32.0%)
Youth unemployment (16-24)	14.6%	591	+10,000 (+1.7%)	+80,000 (+15.6%)

Source: ONS January 2021 labour market statistics, September to November 2020 data *Rate for those aged 16-64 **Rate for those aged 16 and over

Exhibit 2 Employment vs actual weekly hours worked (millions)



Source: ONS January 2021 labour market statistics

November 2020; this has fallen from around 658,000 in April 2020.

- Experimental Pay-As-You-Earn (PAYE) data shows that in November the number of employees in the UK on payrolls was down by 828,200 compared with February 2020. This figure does not capture the 278,000 people who identified themselves as being employed, but temporarily away from their jobs because of the pandemic, but who were receiving no pay.
- The number of self-employed decreased by 66,000 in the three months to November. Also, the number of people working part-time fell sharply, by 187,000 on the quarter. These were the main drivers of falling employment on the quarter.
- For September to December 2020, there were an estimated 578,000 vacancies, which is a quarterly increase of 81,000 vacancies, but 224,000 fewer than a year ago. Despite the increase, the recovery of vacancies has slowed and remains far below the pre-coronavirus pandemic levels.

...while unemployment and redundancies continue to rise

- Official data shows that in the three months to November 2020, unemployment increased significantly by 202,000 and stood at 1.72 million, the highest level since mid-2015. On a year-on-year basis, the number of unemployed people increased by 418,000. The unemployment rate stood at 5.0%, an increase of 0.6% points on the previous quarter and its highest since 2016.
- Redundancies increased substantially – by 168,000 on the quarter and 280,000 on the year – to a record high of 395,000. This means that the redundancy rate also

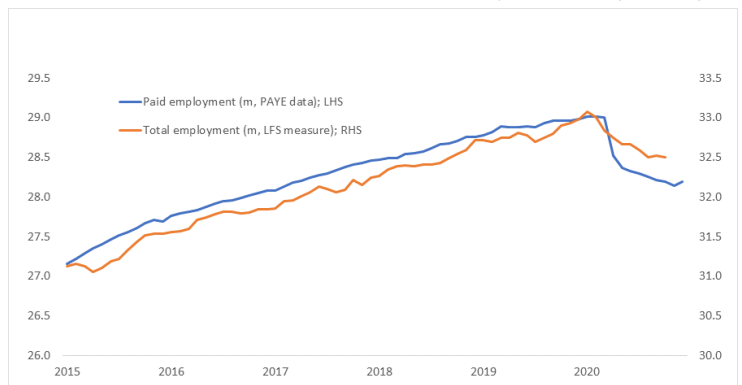
reached a record high of 14.2 per thousand. Experimental weekly Labour Force Survey (LFS) estimates show that the number of people reporting redundancy in the three months prior to interview has been increasing since June 2020 and remains high in November 2020 but has dropped from the peak in September.

- Experimental data showed that UK claims for benefits increased slightly in December 2020 to 2.6 million. This represents a monthly increase of 0.3% and an increase of 113.2%, or 1.4 million, 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.
- The number of those who are economically inactive has decreased (-33,000) on the previous quarter but increased on the year (+84,000). The inactivity rate now stands at 20.7%, down by 0.1% points on the quarter and up by 0.2% points on the year.

Pay growth continued strengthening in the three months to November, but remains subdued

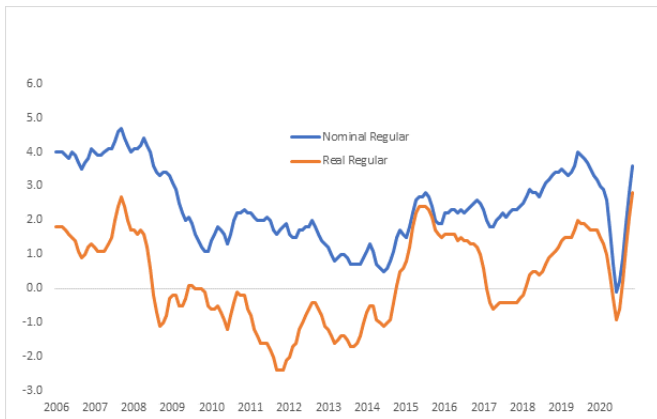
- Annual growth in employee pay continued to strengthen, at least in part reflecting more employees returning to work from furlough. Growth in average pay was also impacted by compositional effects from fall in the number and proportion of lower-paid employee jobs.
- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) picked up, to 3.6% on the year in the three months to November 2020 (on the less volatile three-month rolling basis), up by 0.8% points from October 2020.

Exhibit 3 PAYE real time data vs official employment data (millions)



Source: ONS January 2021 labour market statistics

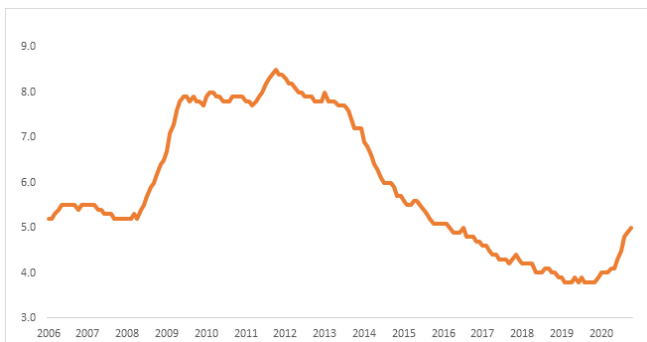
Exhibit 4 Real regular pay and nominal regular pay growth (%)



Source: ONS January 2021 labour market statistics

- In the three months to November, nominal regular pay growth stood at 3.3% in the private sector (up by 0.8% points on October) and at 4.2% in the public sector (up by 0.2% points on October). The improvement in the private sector at least partly reflects the fact that some employees have been moved off furlough between September and November, and wages have again increased from 80% of normal levels under the Job Retention Scheme.
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+5.4% - up by 0.7% points) and services (+4.3% - up by 0.8% points), followed by wholesaling, retailing & hospitality (+3.1% - up by 1.4% points), manufacturing (0.8% - up by 0.5% points) and construction (-1.1% - up by 1.0% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 2.8% on a year ago (on the less volatile three-month rolling basis) – up by 0.7% points from October 2020.

Exhibit 5 Unemployment rate (%)



Source: ONS January 2021 labour market statistics

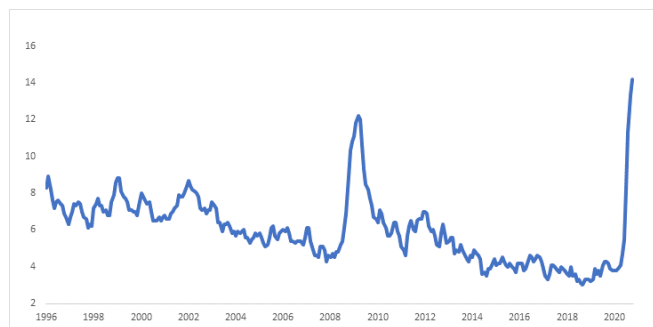
Regions saw a mixed picture on employment...

- In the three months to November 2020, employment increased in Scotland (+26,000), the South West (+21,000) and the Yorkshire and The Humber (+11,000).
- Employment remained broadly unchanged in the South East (-9,000), the North East (-8,000), the West Midlands (-5,000), Northern Ireland (+1,000) and Wales (+10,000).
- Employment decreased in the North West (-66,000), London (-34,000), the East Midlands (-20,000), and the East (-14,000).

... while most regions saw an increase in unemployment

- In the three months to November 2020, unemployment increased in London (+88,000), the West Midlands (+43,000), the East Midlands (+30,000), Yorkshire and The Humber (+26,000), the East (+16,000), Wales (+14,000) and the North West (+13,000).
- Unemployment remained broadly unchanged in the North East (-4,000), Northern Ireland (-4,000), Scotland (-1,000) and the South West (+1,000).
- Unemployment decreased in the South East (-19,000).

Exhibit 6 Redundancy rate (%)



Source: ONS January 2021 labour market statistics

The next labour market update will be published on **23rd February 2021**.



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ABOUT THE SPONSOR

“Continuing pandemic challenges, and new trade relations with the EU, are causing businesses to think long-term by implementing changes through upskilling, employee engagement, transformation and talent retention. The current climate has created the need for businesses to come together to lay the foundations to build back a stronger, fairer and more resilient economy in order to stay competitive within this ever-changing economic climate.”

Carmen Watson, Chairperson, Pertemps Ltd

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