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LABOUR MARKET DECLINES FURTHER, WITH UNEMPLOYMENT AND REDUNDANCIES RISING SHARPLY

The latest ONS data covers the period between August and October 2020, providing a snapshot of labour market activity during a period of more relaxed restrictions, ahead of England entering a second national lockdown, and greater flexibility within the Job Retention Scheme, albeit on less generous terms for business. The latest data shows a significant decrease in employment, another rise in unemployment and a sharp increase in redundancies. The recent extensions of the Job Retention Scheme until March and increased support through Universal Credit are important steps that recognise this difficult reality, at a time when businesses across the country are operating under tough restrictions.

Real time Pay-As-You-Earn data shows that by November 2020, 819,000 people had left company payrolls compared with February (i.e. prior to the pandemic). Vacancies have continued to edge up but are still far below the levels seen before the onset of the coronavirus pandemic. Similarly, total hours worked rose again over August to October (at least in part reflecting more people returning from furlough) but were still exceptionally low. But while positive, these developments need to be seen in the context of London moving into tier-3 restrictions and further restrictions in the regions and nations that are not yet reflected in the data.

While news of a vaccine has provided hope, many firms are still finding it difficult to operate within the toughest COVID-19 restrictions. And with millions more expected to be living under the toughest tier before the end of the week, the Government must continue to do what it can to help businesses get through winter.

Employment continues to fall impacting particularly young people...

- ONS estimates that between May to July 2020 and August to October 2020, total actual weekly hours worked in the UK rose by 12.3%, to 960.0 million hours as the economy re-emerged from the first lockdown.

But weekly hours worked were still 12% lower than a year earlier, and 9% below their pre-pandemic peak.

- The ONS estimates that the number of people temporarily away from work, including furloughed workers, fell to 3.7 million people in October, down from almost 7.9 million people in April 2020. There were also around 211,000 people away from work because of the pandemic and receiving no pay in October 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 819,200 compared with February 2020. This figure does not capture the 210,000 people who identified themselves as being employed, but temporarily away from their jobs because of the pandemic, but who were receiving no pay.
- The official measure of employment shows a significant fall of 144,000 in the three months to October 2020, compared with the previous quarter,

Exhibit 1 Vacancies (000s)

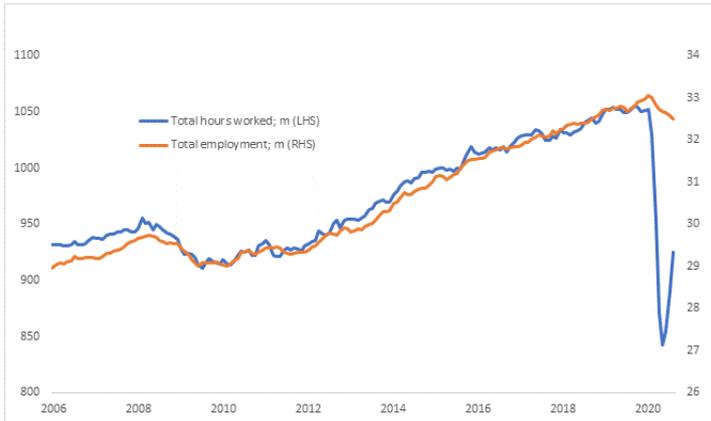


Source: ONS December 2020 Labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.2%	32,522	-144,000 (-0.4%)	-280,000 (-0.9%)
Unemployment** (ILO)	4.9%	1,692	+241,000 (+16.6%)	+411,000 (+32.1%)
Youth unemployment (16-24)	14.6%	597	+29,000 (+4.8%)	+102,000 (+20.6%)

Source: ONS December 2020 Labour market statistics, August to October 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 December 2020 labour market statistics

and was 280,000 down on the same period a year earlier. The employment rate fell by 0.5% points to stand at 75.2%.

- Male employment fell by 166,000 over the quarter to October, while female employment rose by 22,000. On the year male employment decreased by 353,000 while female employment increased by 73,000.
- Almost all age groups saw a decline in employment, with those aged 16 to 24 years old seeing the steepest drop (-90,000).
- The number of self-employed decreased by 183,000 in the three months to October. Also, the number of people working part-time fell sharply, by 194,000 on the quarter. These were the main drivers of falling employment on the quarter.
- For September to November 2020, there were an estimated 547,000 vacancies, which is a quarterly increase of 110,000 vacancies, and an increase of 203,000 vacancies from the record low in April to June 2020. Despite the increase, vacancies remain a third below the pre-coronavirus pandemic levels.

...while unemployment and redundancies continue to rise sharply

- Official data shows that in the three months to October 2020 unemployment increased significantly by 241,000 and stood at 1.69 million, the highest level since mid-2016. On a year-on-year basis, the number of unemployed people increased by 411,000. The unemployment rate stood at 4.9%, an increase of 0.8% points on the previous quarter.
- Redundancies increased substantially – by 217,000 on the quarter and 251,000 on the year – to a record high of 370,000. The annual increase was the largest since

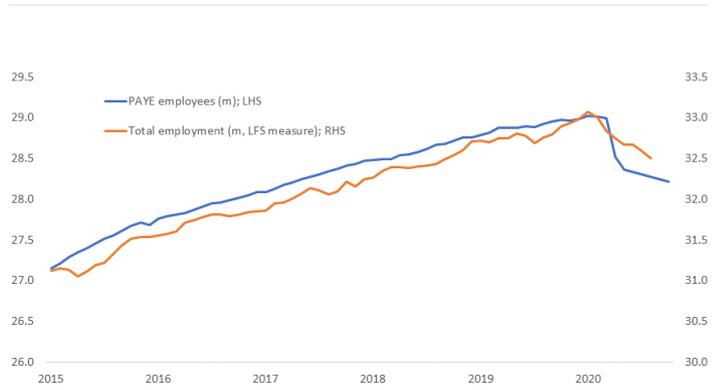
February to April 2009. Experimental weekly Labour Force Survey (LFS) estimates show that redundancies remain high in October, but have dropped from the peak in September 2020.

- Experimental data showed that UK claims for benefits increased slightly in November 2020 to 2.7 million. This represents a monthly increase of 2.5% and an increase of 114.8%, 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 remained broadly unchanged (-2,000) on the previous quarter and broadly unchanged (-4,000) on the year. The inactivity rate now stands at 20.8%.

Pay growth strengthened further in the three months to October, but remains subdued

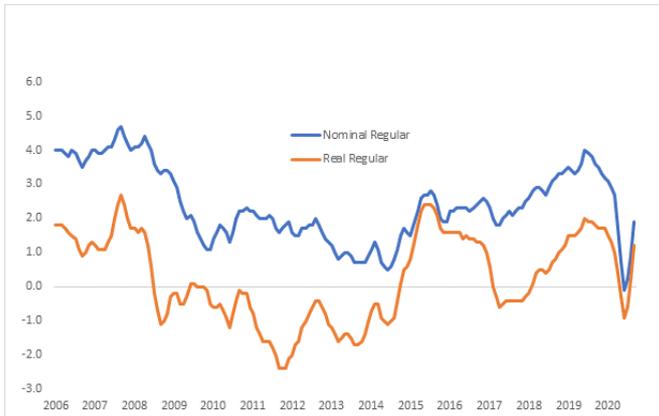
- Annual growth in employee pay continued to strengthen, at least in part reflecting more employees returning to work from furlough. Growth in average pay will also be impacted by compositional effects from fall in the number and proportion of lower-paid employee jobs.
- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) picked up, to 2.8% on the year in the three months to October 2020 (on the less volatile three-month rolling basis), up by 0.9% points from September 2020.
- In the three months to October, nominal regular pay growth stood at 2.4% in the private sector (up by 1.0% points on September) and at 4.1% in the public sector (up by 0.1% points on September). The improvement in the private sector at least partly

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



Source: ONS December 2020 labour market statistics

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



Source: ONS December 2020 labour market statistics

reflects the fact that some employees have been moved off furlough between August and October, 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 (+4.6% - up by 0.8% points) and services (+3.4% - up by 0.8% points), followed by wholesaling, retailing & hospitality (+1.6% - up by 1.7% points), manufacturing (0.6% - up by 0.7% points) and construction (-1.1% - up by 1.7% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 2.1% on a year ago (on the less volatile three-month rolling basis) – up by 0.9% points from September 2020.

Exhibit 5 Unemployment rate (%)



Source: ONS December 2020 labour market statistics

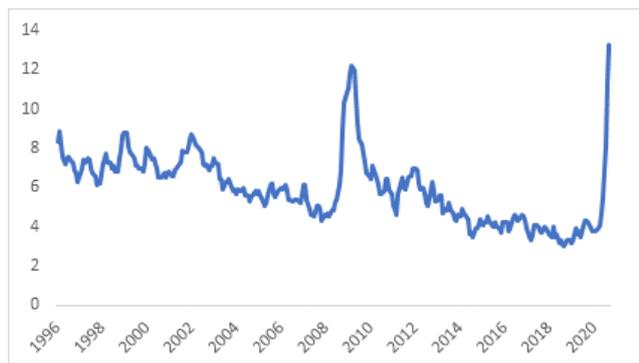
Most regions saw a fall in employment...

- In the three months to October 2020, employment increased in Scotland (+57,000), the West Midlands (+30,000) and the South West (+15,000).
- Employment remained broadly unchanged in Yorkshire and The Humber (-10,000) and Northern Ireland (+1,000).
- Employment decreased in London (-95,000), the North West (-45,000), the North East (-29,000), the East Midlands (-29,000), the South East (-15,000), Wales (-13,000) and the East (-11,000).

... with unemployment increasing in most regions as well

- In the three months to October 2020, unemployment increased in London (+59,000), the North West (+35,000), Yorkshire and The Humber (+31,000), the West Midlands (+26,000), the East (+22,000), Wales (+22,000), the East Midlands (+16,000), the North East (+13,000), the South East (+13,000) and the South West (+12,000).
- Unemployment remained broadly unchanged in Northern Ireland (+8,000).
- Unemployment decreased in Scotland (-15,000).

Exhibit 6 Redundancy rate (%)



Source: ONS December 2020 labour market statistics

The next labour market update will be published on **26th January 2021**.

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ABOUT THE SPONSOR

"In light of the coronavirus pandemic, businesses are taking all the necessary steps to protect jobs and reduce redundancies. But despite this, hiring expectations are weaker compared to 2019, but remains positive with new job markets emerging. Employee engagement and flexible working practices continue to be businesses top priority, in order to stay competitive in this ever-changing economic climate."

Carmen Watson, Chairperson, Pertemps Ltd

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