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## LABOUR MARKET CONTINUES TO WEAKEN, BUT REMAINS RELATIVELY RESILIENT

The latest ONS data covers the period from October to December 2020, providing a snapshot of labour market activity during a period of renewed restrictions, with England entering a second national lockdown in November, alongside another extension of the Job Retention Scheme. The latest data shows a further decrease in employment and another increase in unemployment with the unemployment rate reaching 5.1%. However, the further deterioration in the labour market was relatively modest, particularly in light of the much larger economic hit from the pandemic so far. This is in large part due to the Job Retention Scheme, which continues to support people in work and limit the impact of Coronavirus on the labour market. Employers will now be looking to the Chancellor to extend furlough into the summer, securing people's jobs and livelihoods and helping to mitigate longer-term economic scarring.

Real time Pay-As-You-Earn data shows that by January 2021, 726,000 people had left company payrolls compared with February 2020 (i.e. prior to the pandemic) – though encouragingly, payrolls themselves rose for the second month running in January. The recovery in vacancies continued, but slowed in October to December, and vacancies remained far below the levels seen before the coronavirus pandemic. Similarly, total hours worked rose again over October to December, but at a slower rate, and were still exceptionally low compared to before the pandemic.

The labour market may see further deterioration in early 2021, with much of the UK entering another lockdown – though the subsequent extension of the Job Retention Scheme will offer considerable support to businesses and households. Furthermore, the Prime Minister's road map offers optimism that the country can get back to business in the coming months. But with tough decisions on jobs being taken daily, employers need the Budget to provide further business support until the economy is fully reopen. VAT deferrals and a business rates holiday to June would also provide immediate relief to those sectors who are struggling and preparing for restrictions to ease over time,

alongside extending the Job Retention Scheme further into the summer.

### Employment continues to fall...

- The official measure of employment shows a fall of 114,000 in the three months to December 2020, compared with the previous quarter, and employment was 514,000 down on the same period a year earlier. This was the largest annual decrease since May to July 2009. The employment rate fell by 0.3% points to stand at 75.0%.
- Male employment fell by 75,000 over the quarter to December, while female employment fell by 39,000. On the year, male employment decreased by 424,000 while female employment decreased by 117,000.
- Almost all age groups saw a decline in employment, with those aged 35 to 45 years old (-43,000) and those aged 25-34 years old (-31,000) seeing the largest drop.
- Total actual weekly hours worked in the UK saw an increase of 53.7 million in the three months to

Exhibit 1 Vacancies (000s)

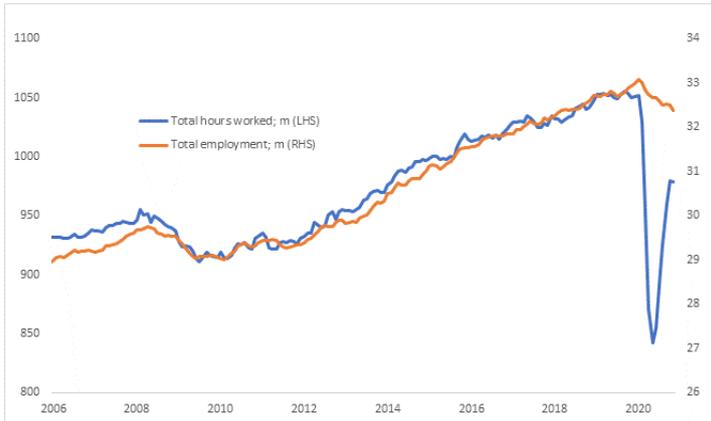


Source: ONS February 2021 labour market statistics

| Headline figures           | Rate  | Number | Change on quarter | Change on year    |
|----------------------------|-------|--------|-------------------|-------------------|
| Employment* (ILO)          | 75.0% | 32,393 | -114,000 (-0.4%)  | -541,000 (-1.6%)  |
| Unemployment** (ILO)       | 5.1%  | 1,744  | +121,000 (+7.4%)  | +454,000 (+35.2%) |
| Youth unemployment (16-24) | 14.2% | 589    | -12,000 (-1.9%)   | +79,000 (+15.5%)  |

Source: ONS February 2021 labour market statistics, October to December 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 February 2021 labour market statistics

December 2020 (a rise of 5.8%), but are still far below the pre-pandemic level. In addition, the rate of increase between October to December has slowed.

- The ONS estimates that the number of people temporarily away from work has fallen since its peak in April and May 2020, although it has increased slightly in November and December. There were also around 307,000 people away from work because of the pandemic and receiving no pay in December 2020; this has increased slightly since November but 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 726,200 compared with February 2020. However, payrolls themselves rose for the second month running in January 2021. This data does not capture the 307,000 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 sharply by 152,000 in the three months to December. Also, the number of people working part-time fell significantly, by 153,000 on the quarter. These were the main drivers of falling employment on the quarter.
- For November 2020 to January 2021, there were an estimated 599,000 vacancies, which is a quarterly increase of 64,000, but 211,000 fewer than a year ago. However, the rate of increase slowed once again, and the level of vacancies remained far below the pre-coronavirus pandemic levels. The number of job vacancies in November 2020 to January 2021 was 26% lower than a year ago.

**...while unemployment and redundancies continue to rise**

- Official data shows that in the three months to December 2020 unemployment increased significantly by 121,000 and stood at 1.74 million, the highest level since mid-2015. On a year-on-year basis, the number

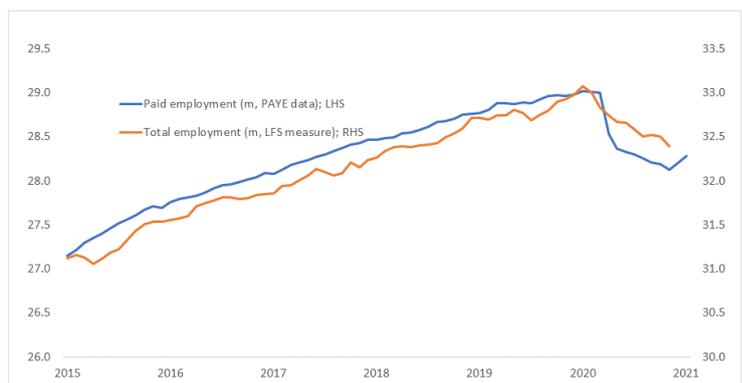
of unemployed people increased by 454,000. The unemployment rate stood at 5.1%, an increase of 0.4% points on the previous quarter.

- Redundancies increased by 30,000 on the quarter and 235,000 on the year. This means that the redundancy rate now stands at 12.3%. Experimental weekly Labour Force Survey (LFS) estimates show that the number of people reporting redundancy in the three months prior to being interviewed had been increasing since June 2020 (peaking in September) and remains high, but fell back in December 2020.
- Experimental data showed that claimant count unemployment increased slightly in January 2021 to 2.6 million. This represents a monthly increase of 0.8% and an increase of 109.1%, 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, it's possible that the rise in December was not wholly due to changes in the number of people who are unemployed.
- The number of those who are economically inactive has remained broadly unchanged (+2,000) on the previous quarter but increased significantly on the year (+187,000). The inactivity rate now stands at 20.9%.

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

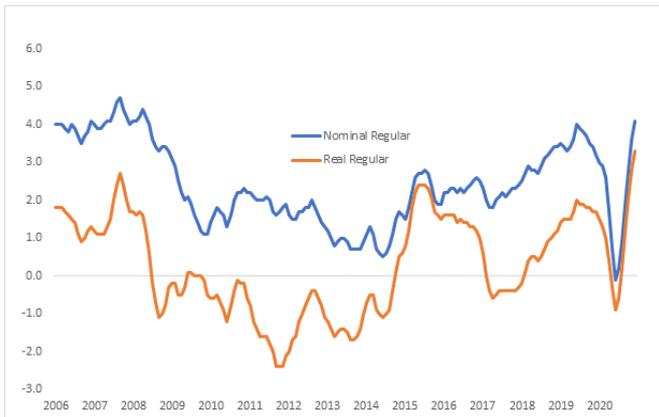
- Annual growth in employee pay continued to strengthen, at least in part reflecting more employees returning to work from furlough. Growth in average pay was also impacted by compositional effects from fall in the number of lower-paid employee jobs.
- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) picked up, to 4.1% on the year in the three months to December 2020 (on the less volatile three-month rolling basis), up by 0.5% points from November 2020.
- In the three months to December, nominal regular pay growth stood at 4.0% in the private sector (up by 0.7%

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



Source: ONS February 2021 labour market statistics

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



Source: ONS February 2021 labour market statistics

points on November) and at 4.2% in the public sector (unchanged on November). The improvement in the private sector at least partly reflects the fact that some employees may have been moved off furlough in December.

- Across the different sectors, nominal annual regular pay growth was strongest in finance (+5.4% - up by 0.4% points) and services (+4.7% - up by 0.5% points), followed by wholesaling, retailing & hospitality (+3.7% - up by 0.9% points), manufacturing (1.7% - up by 0.6% points) and construction (1.3% - up by 1.3% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 3.3% on a year ago (on the less volatile three-month rolling basis) – up by 0.5% points from November 2020.

**Regions saw a mixed picture on employment...**

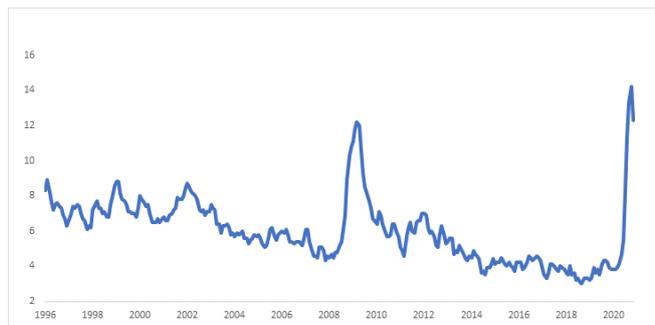
- In the three months to December 2020, employment increased in Wales (+14,000).

- Employment remained broadly unchanged in the South West (-10,000), Scotland (-7,000), the North East (-8,000), the West Midlands (-5,000), Yorkshire and The Humber (-1,000), London (0), the North East (0) and the South East (+7,000).
- Employment decreased in the North West (-51,000), the East (-26,000), the East Midlands (-20,000) and Northern Ireland (-15,000).

**... and on unemployment**

- In the three months to December 2020, unemployment increased in London (+55,000), the West Midlands (+36,000), the East Midlands (+25,000), Yorkshire and The Humber (+11,000) and the South West (+11,000).
- Unemployment remained broadly unchanged in Scotland (-3,000), the North East (-3,000), Wales (-2,000), Northern Ireland (0), the East (+6,000) and the North West (+7,000).
- Unemployment decreased in the South East (-22,000).

**Exhibit 6** Redundancy rate (%)



Source: ONS February 2021 labour market statistics

**Exhibit 5** Unemployment rate (%)



Source: ONS February 2021 labour market statistics

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

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"Recruitment companies are working hard to supply contingent workers, to help businesses bounce back from the continuing challenges. We are witnessing a continuous shift towards a more flexible labour market due to the pandemic, resulting in a further boost to the UK's productivity as employers access a wider pool of talent, which will be essential as we recover from Covid-19."

### **Carmen Watson, Chairperson, Pertemps Ltd**

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