

Article

Labour market economic commentary: October 2018

Additional economic analysis of the latest UK labour market headline statistics and long-term trends for October 2018

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1 . Main points

- The level of employment in the UK decreased by 5,000 in the three months to August 2018 to 32.39 million.
- The unemployment rate decreased by 0.1 percentage points to 4.0% in the three months to August 2018.
- The rate of economic inactivity rose by 0.2 percentage points to 21.2% in the three months to August 2018.
- The number of economically active persons aged 16 years and over increased from 33.39 million to 33.76 million between the periods May to July 2016 and June to August 2018.
- Between the periods May to July 2016 and June to August 2018, annual real wage growth was at its highest in June 2016; it was negative between March 2017 and January 2018, and was positive between February and August 2018.

2 . Employment

The latest estimates from the Labour Force Survey (LFS) show that the number of people in employment in the UK decreased by 5,000 to 32.39 million in the three months to August 2018. This was the first quarterly decrease since the period August to October 2017.

The employment level by sex shows that the number of men in employment increased by 19,000 to 17.16 million. The number of women in employment decreased by 24,000 to 15.24 million.

The employment rate decreased by 0.1 percentage points to 75.5% in the three months to August 2018. It increased by 0.4 percentage points on the year.

3 . Unemployment

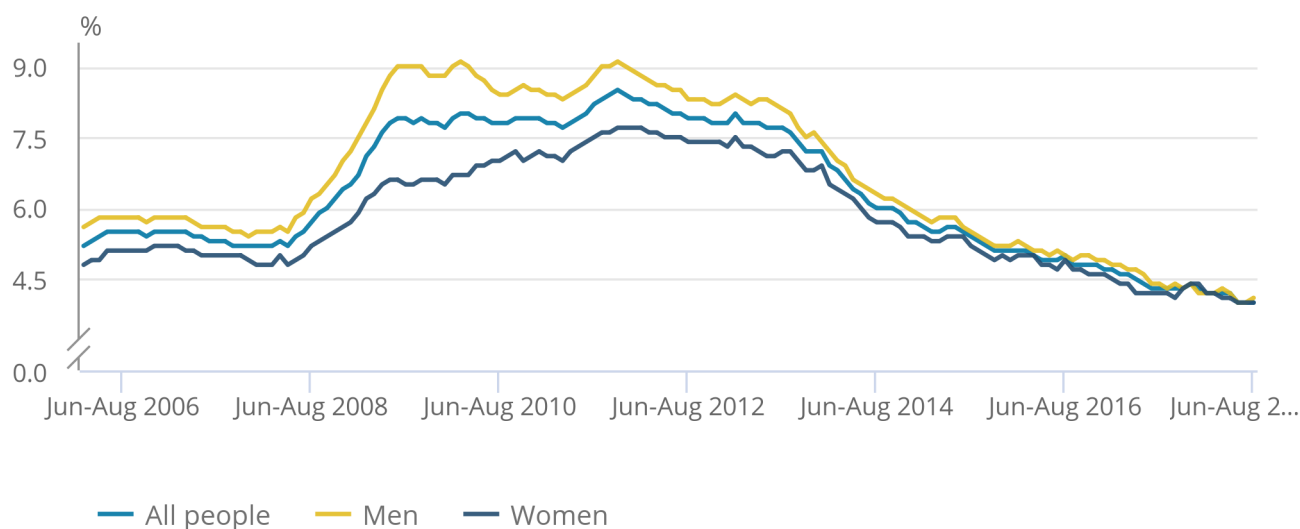
The number of unemployed people aged 16 years and older in the UK fell by 47,000 to 1.36 million in the three months to August 2018. The number of unemployed women decreased by 24,000 and that of men decreased by 23,000. The unemployment rate decreased by 0.1 percentage points to 4.0% in the three months to August 2018 and by 0.3 percentage points on the year. Male and female unemployment rates have both been declining over time. Figure 1 shows overall unemployment and its disaggregation by sex.

Figure 1: Male and female unemployment rate

UK, seasonally adjusted, January to March 2006 to June to August 2018

Figure 1: Male and female unemployment rate

UK, seasonally adjusted, January to March 2006 to June to August 2018



Source: Office for National Statistics, Labour Force Survey

The figure shows that since the economic downturn, the rate of male unemployment has decreased more quickly than the rate of female unemployment. In the period June to August 2018, the overall rate of unemployment was 4.0%, the rate of male unemployment was 4.1% and the rate of female unemployment was 4.0%.

The duration of unemployment for people aged 16 years and older also shows a decreasing trend. In the three months to August 2018, short-term unemployment fell by 23,000 to 800,000, medium-term unemployment fell by 15,000 to 208,000 and long-term unemployment fell by 10,000 to 355,000.

4 . Inactivity

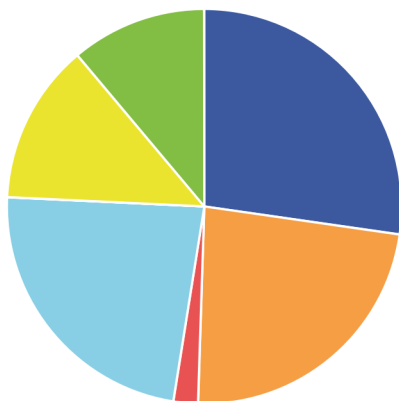
The rate of economic inactivity in the UK rose by 0.2 percentage points to 21.2% in the three months to August 2018. The inactivity level increased by 103,000 to 8.75 million. The increase in the number of inactive women (71,000) was greater than that of men (32,000); the inactivity rate among men increased by 0.1 percentage points to 16.4% and among women, it increased by 0.3 percentage points to 25.9%. Figure 2 shows the structure of inactivity.

Figure 2: The structure of economic activity

UK, seasonally adjusted, June to August 2018

Figure 2: The structure of economic activity

UK, seasonally adjusted, June to August 2018



Source: Office for National Statistics, Labour Force Survey

Notes:

1. The percentage of discouraged workers rounds down to zero in whole percentages.

The figure disaggregates inactivity into seven categories. It shows that students, those looking after family or home, and the long-term sick constitute the largest categories of inactivity.

In the three months to August 2018, the categories that contributed to the increase in the level of inactivity were students (52,000), those looking after the family or home (24,000), the long-term sick (30,000) and the discouraged (4,000). The remaining categories decreased.

5 . What has changed in the labour market since the referendum to leave the EU?

On 23 June 2016, the UK voted in a referendum (popularly known as the Brexit referendum or EU referendum) to leave the European Union. As the country prepares for the exit on 29 March 2019, this commentary takes stock of what has happened to the labour market since the referendum. It examines the changes to labour market variables between the periods May to July 2016 and June to August 2018.

In the period May to July 2016, the number of economically active people aged 16 years and over was 33.39 million. People are classified as economically active if they are in work, or they are seeking and are available for work. By the period June to August 2018, this number had increased to 33.76 million. Since the referendum, economic activity has fallen among three age groups. The economic activity level in the 16 to 17 years age group decreased by 60,000, the 18 to 24 years age group decreased by 198,000 and the 35 to 49 years age group decreased by 20,000. The other age groups' economic activity levels increased. The 50 to 64 years age group increased by 428,000.

Disaggregating the economically active population by sex shows that between the referendum period and June to August 2018, the number of economically active women increased by more than three times the number of men. The number of economically active women increased by 282,000 to 15.87 million, while the number of economically active men increased by 88,000 to 17.9 million.

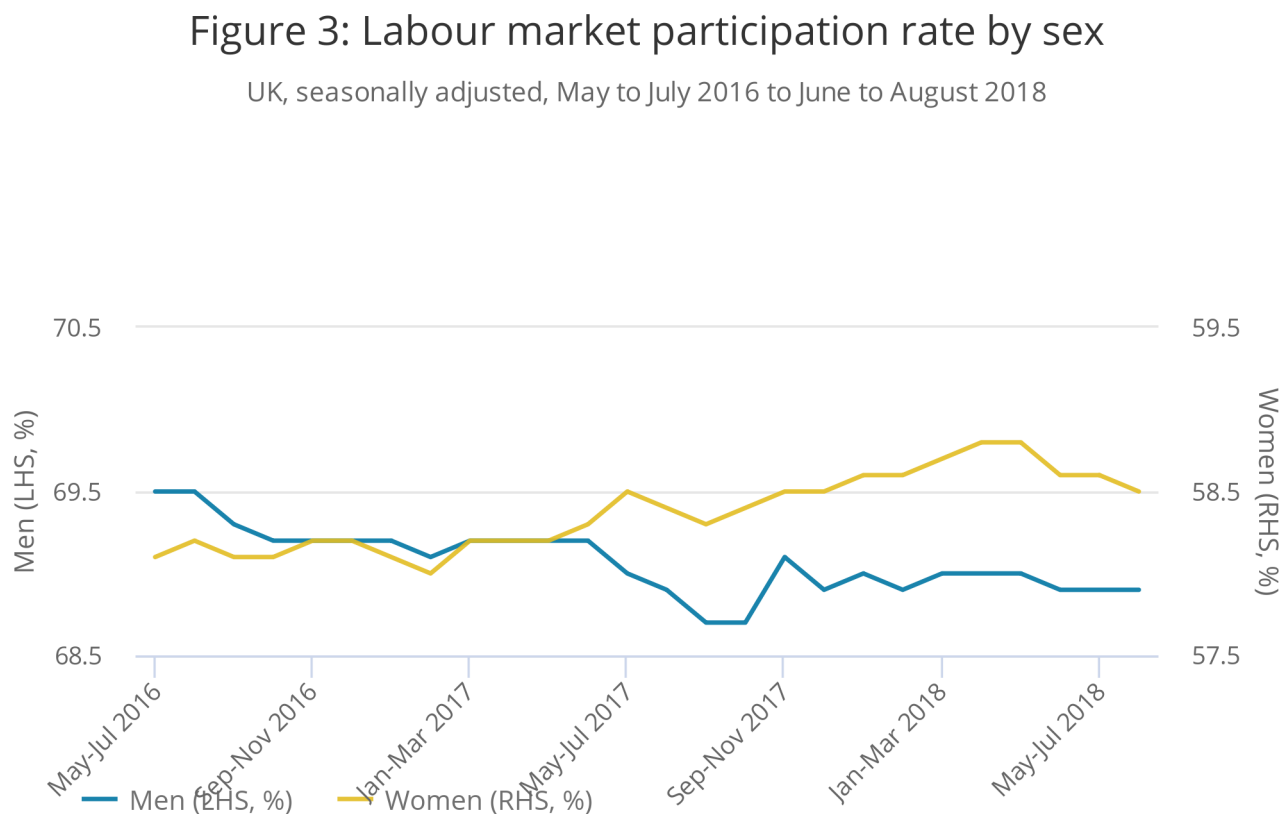
The economically active population can be disaggregated by sex and by age. This disaggregation shows that over the same period, the number of economically active men aged 16 to 17 years decreased from 236,000 to 215,000 and that of economically active women in the same age group decreased from 252,000 to 212,000. The number of female students increased by 76,000 to 1.19 million and the number of male students increased by 12,000 to 1.19 million.

The age disaggregation shows that the number of economically active women increased in all age groups 25 years and older. The numbers of economically active men aged 35 to 49 years and 65 years and older decreased between May to July 2016 and June to August 2018.

The number of economically active women aged 50 to 64 years increased by 6.5%, while that of men in the same age group increased by 3.3%. The number of economically active women aged 65 years and older increased by 11.4% to 512,000. Figure 3 shows the labour market participation rates of men and women.

Figure 3: Labour market participation rate by sex

UK, seasonally adjusted, May to July 2016 to June to August 2018



Source: Office for National Statistics, Labour Force Survey

The figure shows that, in the three months to August 2018, the male and female participation rates were 68.9% and 58.5% respectively. Compared with the period May to July 2016, the male participation rate was 0.6 percentage points lower and the female participation rate was 0.4 percentage points higher.

Employment increased, sustained by the number of employees

The number of people in employment can be classified into four categories, namely employees, the self-employed, unpaid family workers, and workers in government-sponsored training and employment programmes. Figure 4 shows the numbers of employees and the self-employed.

Figure 4: Employees and self-employed

UK, seasonally adjusted adjusted, May to July 2016 to June to August 2018

Figure 4: Employees and self-employed

UK, seasonally adjusted adjusted, May to July 2016 to June to August 2018



Source: Office for National Statistics, Labour Force Survey

The figure shows that in the post-referendum period, the number of employees had an upward trend and the trend for the self-employed was broadly flat. The number of employees increased by 2.5% to 27.47 million between the periods May to July 2016 and June to August 2018. The self-employed increased by 0.03% to 4.76 million between the same periods.

Unpaid family workers increased by 7% to 118,000. The number of workers on government-sponsored training and employment programmes decreased by 44.1% to 45,000.

The different employment categories showed the following changes:

Employees

The numbers of both male and female employees increased between the periods May to July 2016 and June to August 2018. Male employees increased by 2.4% to 13.91 million and female employees increased by 2.6% to 13.56 million.

Self-employment

Although the number of self-employed men decreased by 1.6% to 3.17 million between the periods May to July 2016 and June to August 2018, that of self-employed women increased by 3.5% to 1.59 million.

Unpaid family workers and workers on government-sponsored programmes

Both male and female unpaid family workers increased in the period after the referendum. Male unpaid family workers increased by 14.8% to 57,000 and female unpaid family workers increased by 0.6% to 61,000.

There were decreases in the numbers of both men and women on government-sponsored training and employment programmes. The number of men fell by 45% to 26,000 and the number of women fell by 42.8% to 18,000.

Full-time and part-time employment

People in employment (that is, employees and self-employed) can work full-time or part-time. Between the referendum period and the three months to August 2018, the number of people working on a full-time basis increased by 2.8% to 23.9 million. Disaggregating full-time employment by sex shows that the number of men working full-time increased by 1.6% to 14.89 million and the number of women working full-time increased by 4.9% to 9 million.

Part-time employment decreased by 0.1% to 8.5 million. Disaggregating part-time employment by sex shows that the number of men working part-time increased by 1.1% to 2.27 million and the number of women working part-time decreased by 0.6% to 6.23 million.

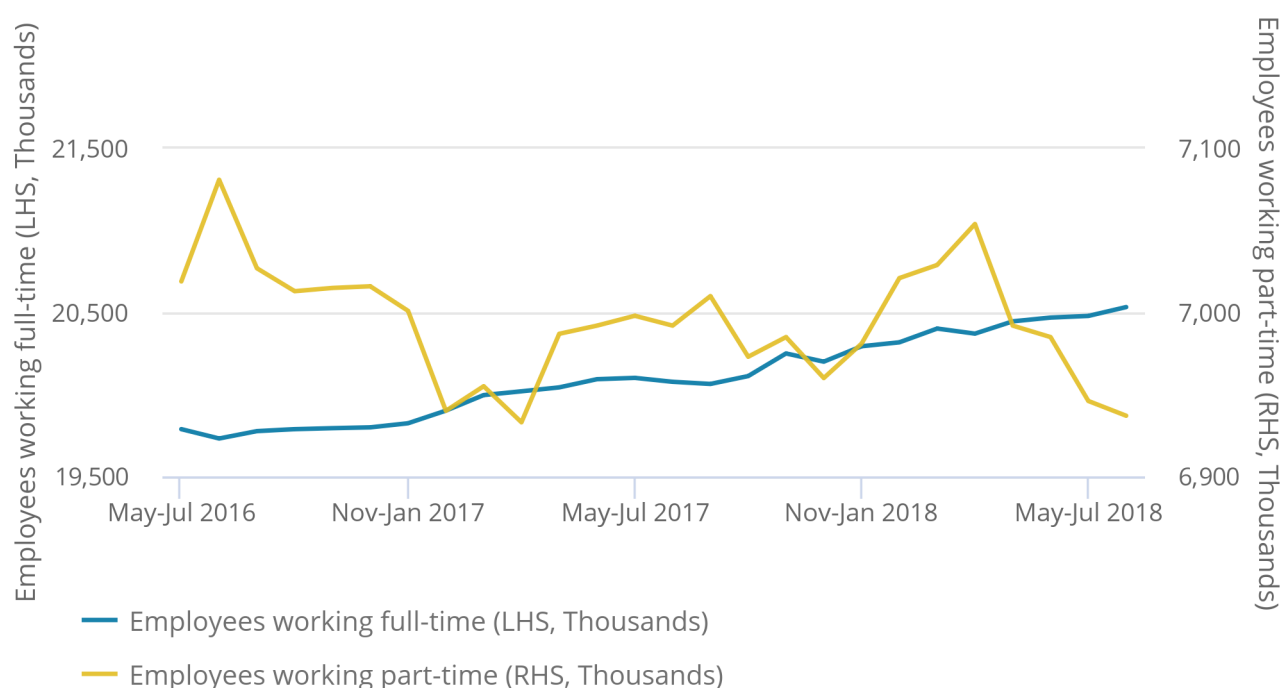
Interesting pictures emerge if we group people in employment into employees and the self-employed, and again disaggregate each group by full-time and part-time status, and by sex. Figure 5 shows the trends of part-time and full-time employees.

Figure 5: Employees working part-time and full-time

UK, seasonally adjusted, May to July 2016 to June to August 2018

Figure 5: Employees working part-time and full-time

UK, seasonally adjusted, May to July 2016 to June to August 2018



Source: Office for National Statistics, Labour Force Survey

The figure shows a positive trend for full-time employees. It also shows that the number of part-time employees has remained broadly flat.

The number of employees working on a full-time basis increased by 3.8% to 20.53 million between May to July 2016 and June to August 2018. The increase was driven by women working full-time, who increased by 5.4% to 8.25 million. Men working full-time also increased, but by half the percentage of women (2.7%) to 12.28 million.

The number of part-time employees decreased by 1.2% to 6.94 million. There was a larger decrease in the number of women working part-time (of 1.5% to 5.31 million) than that of men working part-time (of 0.1% to 1.63 million).

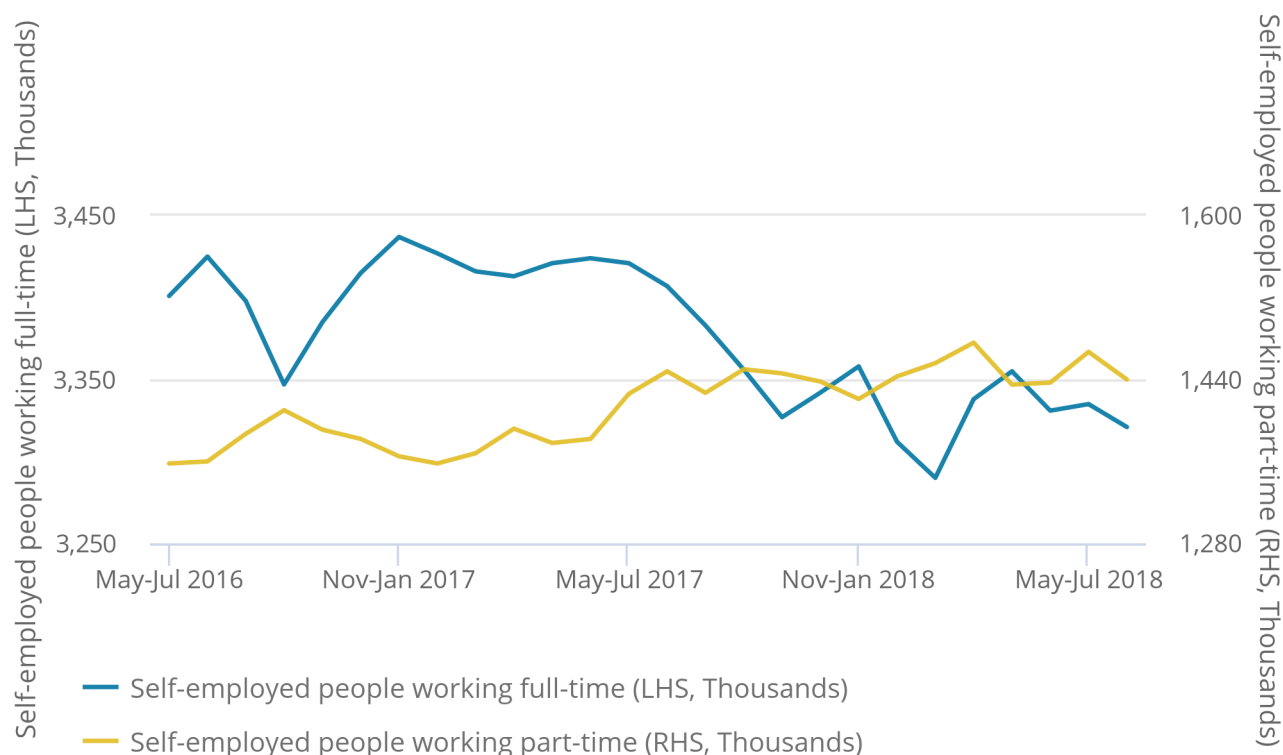
We can also break down self-employment into full-time and part-time, and by sex. Figure 6 shows the trends of full-time and part-time self-employed workers.

Figure 6: Self-employed people working part-time and full-time

UK, seasonally adjusted, May to July 2016 to June to August 2018

Figure 6: Self-employed people working part-time and full-time

UK, seasonally adjusted, May to July 2016 to June to August 2018



Source: Office for National Statistics, Labour Force Survey

The figure shows that part-time self-employment has a positive trend, while full-time self-employment has been on a downward trend since the November to January 2017 period.

The data show that between May to July 2016 and June to August 2018, full-time self-employment decreased by 2.4% to 3.32 million. This was driven by a 3% fall in the number of men who were in full-time self-employment. The number of full-time self-employed women was unchanged at 731,000 during that period.

Over the same period, the number of people who were self-employed and worked part-time increased by 6.1% to 1.44 million. This was driven by the number of women, who increased by 6.8% to 862,000. The number of men also increased, by 5% to 578,000.

Hours worked by women increased at a faster rate than those by men

Between the periods May to July 2016 and June to August 2018, the number of actual weekly hours worked increased by 2.3% to 1,041.4 million. Disaggregating the increase by sex shows that men's weekly hours increased by 1.1% to 624.2 million and women's weekly hours increased by 4.1% to 417.2 million. The average worker's actual weekly hours increased by 0.3% to 32.1 hours. Average male worker weekly hours fell slightly to 36.4 hours. Average female worker weekly hours increased by 1.5% to 27.4 hours.

We can divide hours worked into full-time hours, part-time hours and hours from second jobs, and again into male and female weekly hours. Overall, average full-time weekly hours fell by 0.3% to 37.3 hours. Male weekly hours fell by 0.5% to 39.1 hours and female weekly hours increased by 0.3% to 34.4 hours.

Part-time weekly hours increased by 1.2% to 16.3 hours. Part-time male weekly hours fell by 0.5% to 16.1 hours and part-time female weekly hours increased by 1.8% to 16.4 hours. Since the referendum period, part-time female workers on average put in 0.3 hours more than part-time male workers.

Hours from second jobs increased by 2.4% to 9.8 hours per week. Male weekly hours in second jobs increased by 3.4% to 10.7 hours, while female weekly hours in second jobs increased by 1.7% to 9.1 hours.

Unemployment continued to decline

The level of unemployment declined between the referendum period and the three months to August 2018. Unemployment duration also changed during that period. Focusing on the unemployment of people aged 16 years and older, the data show that the unemployment rate fell from 4.9% to 4%. This was a decrease of 0.9 percentage points over the period. The unemployment rate for men decreased by 1 percentage point to 4.1% and that of women decreased by 0.7 percentage points to 4%.

Looking at duration of unemployment shows that short-term unemployment (of up to six months) fell from 953,000 to 800,000. The number of men in short-term unemployment fell by 18.6% to 407,000. The number of women in short-term unemployment fell by 13.1% to 394,000.

The number of people in medium-term unemployment (of between 6 and 12 months) decreased from 228,000 to 208,000. The number of men in this category decreased by 15% to 109,000 and the number of women decreased by 0.4% to 99,000.

Long-term unemployment (of over 12 months) also decreased during the period. It fell by 21%, from 449,000 to 355,000. The fall was driven by a decline in the number of women in long-term unemployment, from 178,000 to 137,000. The number of long-term unemployed men also decreased, from 271,000 to 218,000.

Economic inactivity among women decreased at a faster rate than among men

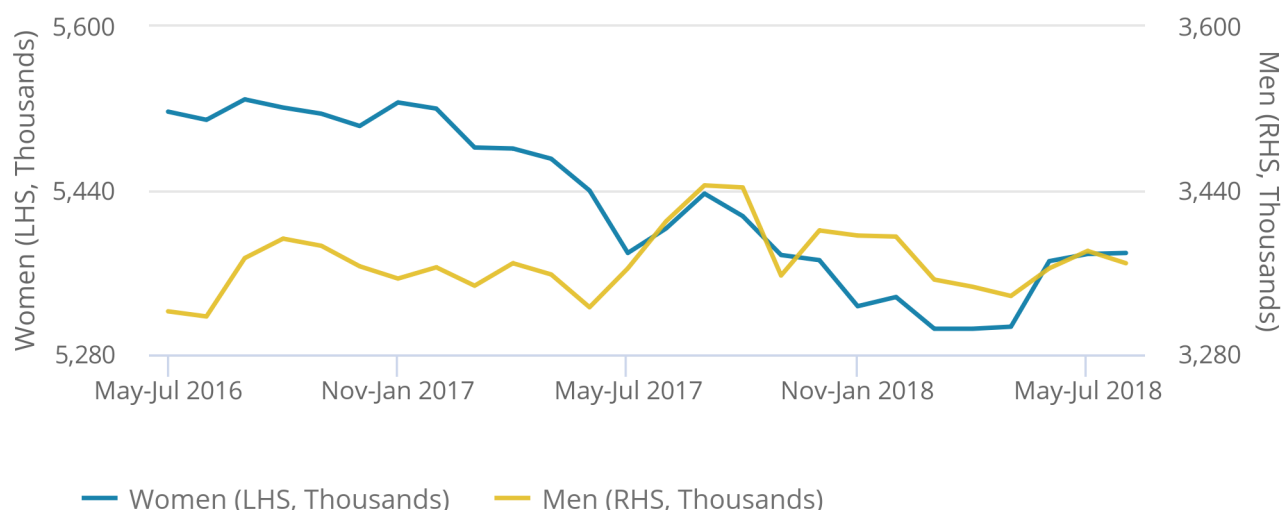
The level of economic inactivity of people aged 16 to 64 years decreased between May to July 2016 and June to August 2018. It decreased from 8.84 million to 8.75 million. Figure 7 shows the trends for men and women.

Figure 7: Levels of inactivity by sex

UK, seasonally adjusted, May to July 2016 to June to August 2018

Figure 7: Levels of inactivity by sex

UK, seasonally adjusted, May to July 2016 to June to August 2018



Source: Office for National Statistics: Labour Force Survey

The figure shows that the number of economically inactive women has been on a downward trend until the first calendar quarter of 2018. The number of economically inactive men has been unstable, but it shows a shallow upward trend.

The number of economically inactive men increased from 3.32 million to 3.37 million between the referendum period and June to August 2018. The number of economically inactive women decreased, from 5.52 million to 5.38 million.

The people who are economically inactive can be classified as either “not wanting a job”, or as “wanting a job”. The latter group consists of economically inactive people who reported wanting a regular paid job but did not meet the definition of being unemployed because they did not look for work in the four weeks preceding the survey, or they were unable to start work within two weeks of the survey. This group decreased by 12.3% to 1.91 million in the post-referendum period. The decrease was driven by the fall in the number of men from 886,000 to 786,000 and by that of women from 1.3 million to 1.13 million. The fall in this category, together with decreases in unemployment and part-time employment, indicates a decreasing level of slack in the economy.

Redundancies fell

Since May to July 2016, the number of redundancies fell by 122,000 to 89,000, resulting in the redundancy rate falling from 4.6% to 3.3%. Male redundancies fell from 72,000 to 50,000 and female redundancies fell from 49,000 to 40,000. The data show that male redundancy fell at a faster rate than female redundancy.

Earnings growth remained low despite the decrease in the level of slack in the economy

An important indicator of how well workers are benefitting from employment is the change in the real value of their earnings. Increasing real earnings means workers can afford more goods and services. The increase therefore indicates improvements in living standards, with a fall representing a reduction in living standards.

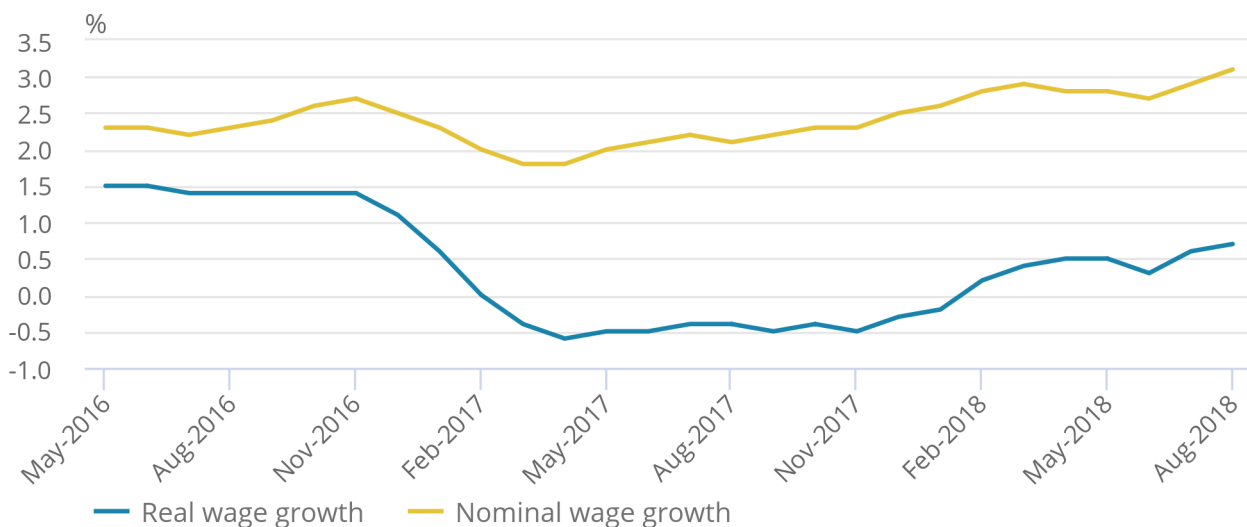
The earnings data are based on the Monthly Wages and Salaries Survey (MWSS), which covers employees working in businesses with 20 or more employees in all industrial sectors in the country, with an adjustment for smaller businesses. The UK labour market statistical bulletin [discusses the types and measurement of average weekly earnings](#). The statistical bulletin also explains how nominal (or current) average weekly earnings are adjusted to real average weekly earnings. It also explains the difference between total pay and regular pay. In this section, we analyse regular pay. Figure 8 shows the growth trends of nominal and real regular average weekly earnings.

Figure 8: Annual nominal and real wage growth

UK, seasonally adjusted, May to July 2016 to June to August 2018

Figure 8: Annual nominal and real wage growth

UK, seasonally adjusted, May to July 2016 to June to August 2018



Source: Office for National Statistics: Monthly Wages and Salary Survey (MWSS)

The figure shows that, between the periods May to July 2016 and June to August 2018, annual real wage growth was at its highest in June 2016. Thereafter, real wage growth slowed and became negative in March 2017. Between March 2017 and January 2018, annual real wage growth was negative, with an average decline of 0.4%. Real wage growth became positive from February 2018 onwards. Between February and August 2018, annual real wage growth averaged 0.4%, while nominal wage growth averaged 2.8%. In the three months to August 2018, average annual real wage growth was 0.5% and average annual nominal wage growth was 2.9%.

The difference between the nominal wage growth and the real wage growth reflects the level of inflation in the economy. That real wage growth is now positive indicates that that wage growth is, from February 2018, exceeding the rate of inflation as measured by the Consumer Prices Index including owner occupiers' housing costs.

6 . Authors

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