

Article

Labour market economic commentary: April 2020

Additional economic analysis of the latest UK labour market headline statistics and long-term trends for April 2020.

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Table of contents

1. [Main points](#)
2. [The future of the labour market economic commentary](#)
3. [Overview of the UK labour market](#)
4. [The coronavirus \(COVID-19\) pandemic and the UK labour market](#)
5. [Latest labour market estimates for the period December 2019 to February 2020](#)

1 . Main points

- The Office for National Statistics' (ONS') new faster indicators show that the coronavirus (COVID-19) has had large-scale impacts on the UK labour market.
- Of the businesses that responded that they continued trading during the second wave of the Business Impact of Coronavirus (COVID-19) Survey (BICS) (in the period 23 March to 5 April 2020), 41% reported having to reduce staff levels in the short term while 29% reported having to decrease working hours.
- In the period December 2019 to February 2020, employment increased by 352,000 to a record high of 33.07 million and unemployment increased by 22,000 to 1.36 million.
- The number of people who were economically inactive fell by 166,000 to 8.37 million, leading to a record low inactivity rate of 20.2%.
- In the year to February 2020, total average weekly nominal pay (which includes bonuses) grew by 2.8% to £545 and regular average weekly nominal pay (which excludes bonuses) grew by 2.9% to £511.

2 . The future of the labour market economic commentary

Following a review of our outputs over recent months, the way we publish our labour market content is changing. From May 2020, the labour market economic commentary will no longer be published as an individual publication. Instead, economic commentary will be included in the [monthly labour market overview](#).

This is intended to streamline the number of publications we produce, making it clearer and simpler for users to find economic context for the main labour market data. In addition, more detailed economic analysis of labour market data will be published on a quarterly basis starting in May 2020. We welcome feedback on these changes via email at economic.advice@ons.gov.uk.

3 . Overview of the UK labour market

The strong performance of the labour market in the UK continued in the year to December 2019 to February 2020 as the level of employment increased to a record high while inactivity continued to decline, reaching another record low. However, the unemployment level increased by 22,000 to 1.36 million in this period.

In the year to February 2020, average weekly earnings growth weakened. Total pay (which includes bonuses) grew by 2.8% to £545 and regular pay (which excludes bonuses) grew by 2.9% to £511. Slowing wage growth preceded a period of significant labour market changes caused by the coronavirus (COVID-19) pandemic.

On 23 March 2020, the UK government reacted to the pandemic by introducing measures to restrict the spread of the virus (for example, the prohibition of non-essential travel and social distancing). The government introduced the [Coronavirus Job Retention Scheme \(CJRS\)](#) to protect employees who lose their jobs because of COVID-19. It also introduced a separate scheme, the [Self-employment Income Support Scheme \(SEISS\)](#), to support self-employed workers who have lost income because of COVID-19. The impacts of the pandemic and of the interventions are not yet showing in the latest labour market statistics.

Even though the impacts of the pandemic and the responses are not yet showing in the latest employment numbers, there were already indications that firms were less confident about increasing employment in Quarter 1 (Jan to Mar) 2020. The [Bank of England Agents' summary of business conditions](#) for Quarter 1 2020 highlighted that many firms had put recruitment plans on hold in Quarter 1 2020, with only food distributors reporting an increase in staff. In the manufacturing sector, firms in automotive, aerospace and machinery industries were shutting down, introducing shorter working hours and making workers redundant.

The latest [KPMG and REC. UK Report on Jobs](#), for March 2020, reported that permanent and temporary placements have both fallen at their fastest rate since 2009, with firms either postponing or cancelling plans to take on new staff. The deteriorating employment environment was also highlighted by the latest [IHS Markit and CIPS Flash UK Composite Purchasing Managers' Index \(PMI\)](#), which signalled a rapid deterioration for employment across the private sector, with manufacturing and services most affected.

4 . The coronavirus (COVID-19) pandemic and the UK labour market

The world economy has been adversely impacted by the coronavirus (COVID-19) pandemic. The first cases of COVID-19 were reported in China in November 2019, and the virus has been spreading around the world ever since, with large numbers of cases and deaths worldwide.

The [International Labour Organization \(ILO\)](#) identified three main dimensions across which the economic shocks of COVID-19 will impact the world. These are the quantity of jobs, the quality of jobs (particularly wages and social protection) and the effects on specific groups who are more vulnerable to adverse labour market outcomes. Globally, the ILO estimates that between 5.3 million ("low" scenario) and 24.7 million ("high" scenario) jobs could be lost. Underemployment is expected to increase on a large scale, and wages and working hours are expected to adjust downwards significantly. The loss of working hours was estimated to cause loss of income for unprotected workers, with a corresponding knock-on effect on the wider economy.

In March 2020, the government took action to reduce the spread of the virus by introducing measures that included a lockdown of businesses and non-essential movement. The government also put in place support for workers through the [Coronavirus Job Retention Scheme \(CJRS\)](#) (for employees) and the [Self-employment Income Support Scheme \(SEISS\)](#) (for the self-employed) to reduce the negative impact of the pandemic.

The impacts of the pandemic are not yet reflecting in the latest labour market numbers. However, the Office for National Statistics (ONS) published COVID-19-related research on [homeworking](#), [employment for parents](#), [self-employment](#) and the potential impact on the people who are [70 years of age and older](#). Further analysis has been published on [faster economic indicators](#), which discusses results from the [Business Impact of Coronavirus \(COVID-19\) Survey \(BICS\)](#).

COVID-19, the UK economy and society: wave 2 of BICS

The ONS is producing new data and [experimental](#) indicators on the UK economy and society, including information related to COVID-19. The initial results from the [second wave of BICS](#) for the period 23 March to 5 April 2020 shows that 75% of the businesses that responded to the survey continued trading, while the remaining 25% had temporarily closed or paused trading.

The firms that continued trading reported that 70% of the workforce was working as normal, but they had furloughed an average of 21% of the workforce. In addition, 5% of the workforce was off sick or in self-isolation because of COVID-19. The government's CJRS covers 80% of the normal wages of furloughed workers.

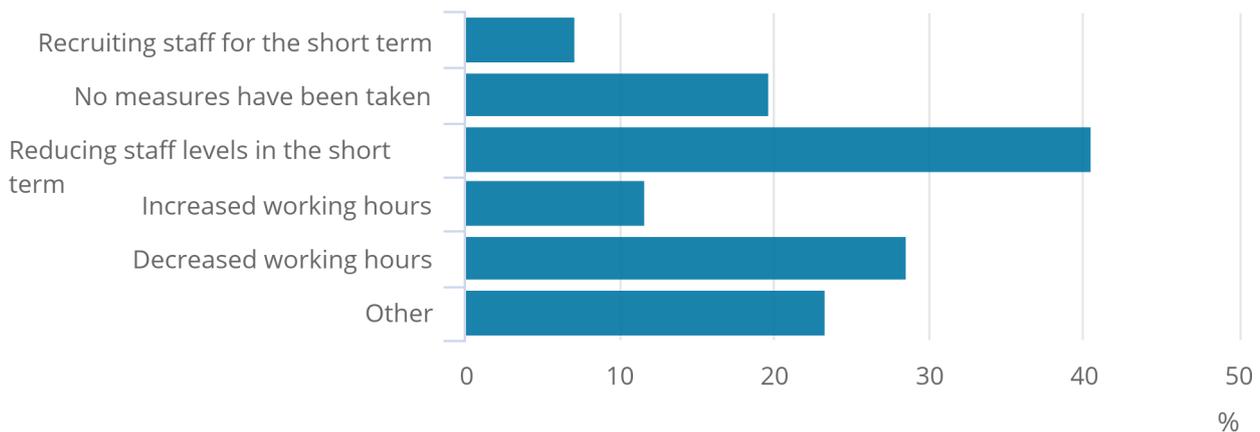
The firms that continued trading were also asked about the measures they had put in place to manage their current workforce. Their responses are shown in Figure 1.

Figure 1: Of the businesses that were continuing trading, 41% of those that responded said they were reducing staff levels in the short term

Measures taken to manage workforce as a result of the coronavirus (COVID-19), percentage of all businesses, UK, 23 March to 5 April 2020

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Measures taken to manage workforce as a result of the coronavirus (COVID-19), percentage of all businesses, UK, 23 March to 5 April 2020



Source: Office for National Statistics – Business Impact of Coronavirus (COVID 19) Survey

Notes:

1. The percentages in this chart will not sum to 100% as businesses were able to select multiple options.
2. Initial results, wave 2 of the Office for National Statistics' (ONS') Business Impact of Coronavirus (COVID-19) Survey (n = 3,977).
3. Real estate services, other services, and mining and quarrying data have been removed from the industry breakdown because of the quality of response rates, but these sectors are included in the industry total.

Of the businesses that continued trading, 41% reported having to reduce staff levels in the short term, while 29% reported having to decrease working hours (Figure 1). The responses indicate that uncertainty remains heightened and businesses are taking precautions to reduce their employment costs.

Businesses also gave responses on the arrangements they had put in place in terms of staff working patterns in the period 23 March to 5 April 2020. The results show that of those businesses continuing to trade, on average, 47% of staff were working remotely, 37% of staff were still working at their normal place of work, and 16% of staff had other arrangements in place.

COVID-19, the UK economy and society: wave 1 of BICS

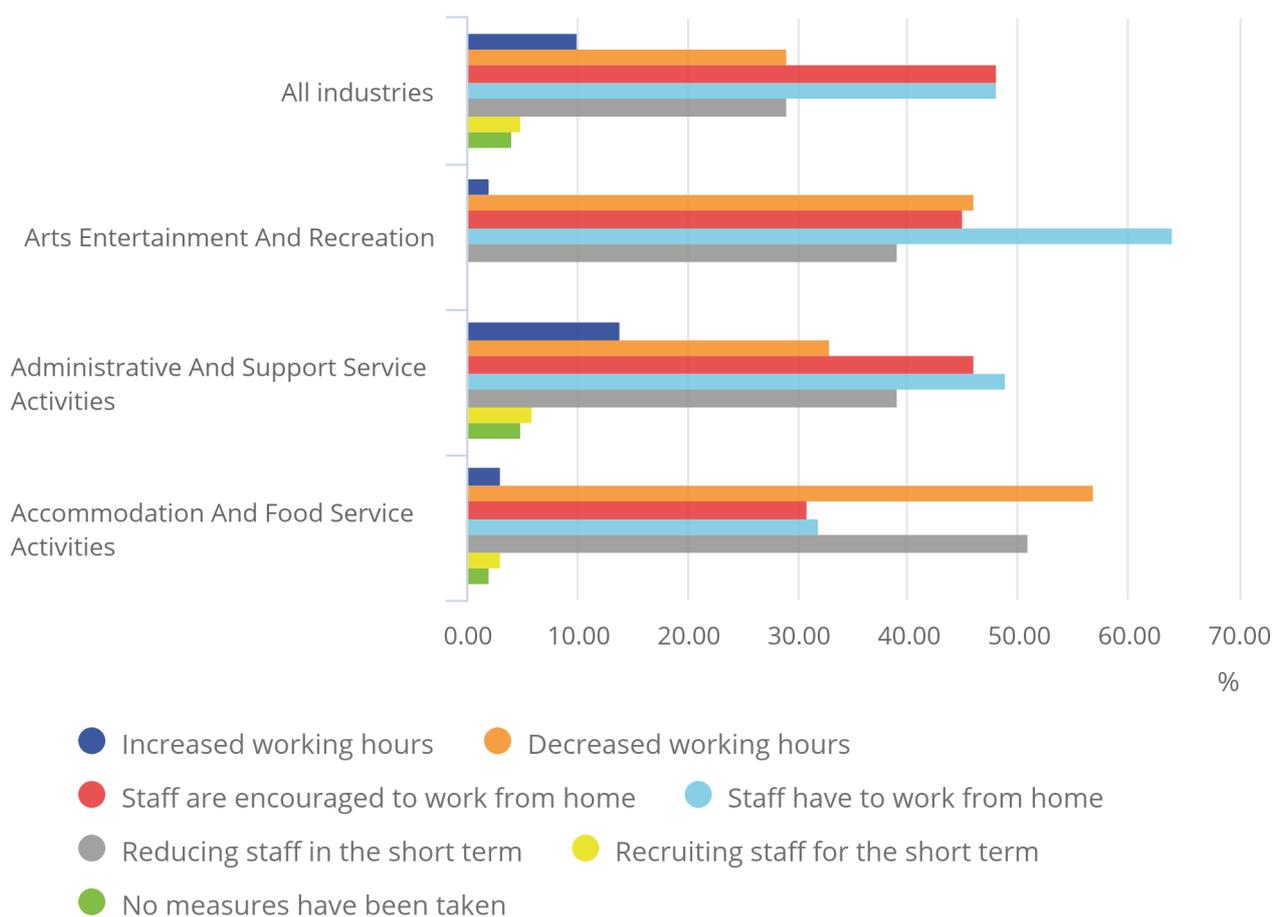
The [first wave of BICS](#), carried out between 9 and 22 March 2020, shows that over a quarter (29%) of responding businesses were reducing staff levels in the short term and 5% were recruiting staff in the short term. Almost half (48%) of businesses that responded said that they had encouraged their staff to work from home. Figure 2 shows the measures that businesses in a selection of industries introduced to cope with the impact of COVID-19.

Figure 2: Measures taken to cope with the impact of COVID-19 on the workforce varied across industries

Measures taken to cope with the impact of the coronavirus (COVID-19), percentage of responding businesses, UK, 9 March 2020 to 22 March 2020

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Measures taken to cope with the impact of the coronavirus (COVID-19), percentage of responding businesses, UK, 9 March 2020 to 22 March 2020



Source: Office for National Statistics – Business Impact of Coronavirus (COVID-19) Survey

Notes:

1. Real estate services, other services, and mining and quarrying data have been removed from the industry breakdown because of the quality of response rates, but these sectors are included in the industry total.
2. The percentages in this chart will not sum to 100 as businesses were able to select multiple options.

When all the industry responses were combined, the most common response to the pandemic was either to encourage people to work from home or to state that people must work from home (Figure 2). A small proportion of firms did not take any action.

The flexibility for homeworking depends on the sector. The arts, entertainment and recreation sector and administrative and support services activities sectors have the largest proportion of staff either encouraged to work from home or who must work from home. However, firms in the accommodation and food service activities have predominantly either reduced staff in the short term or decreased working hours in response to the government's COVID-19 measures.

COVID-19 and homeworking

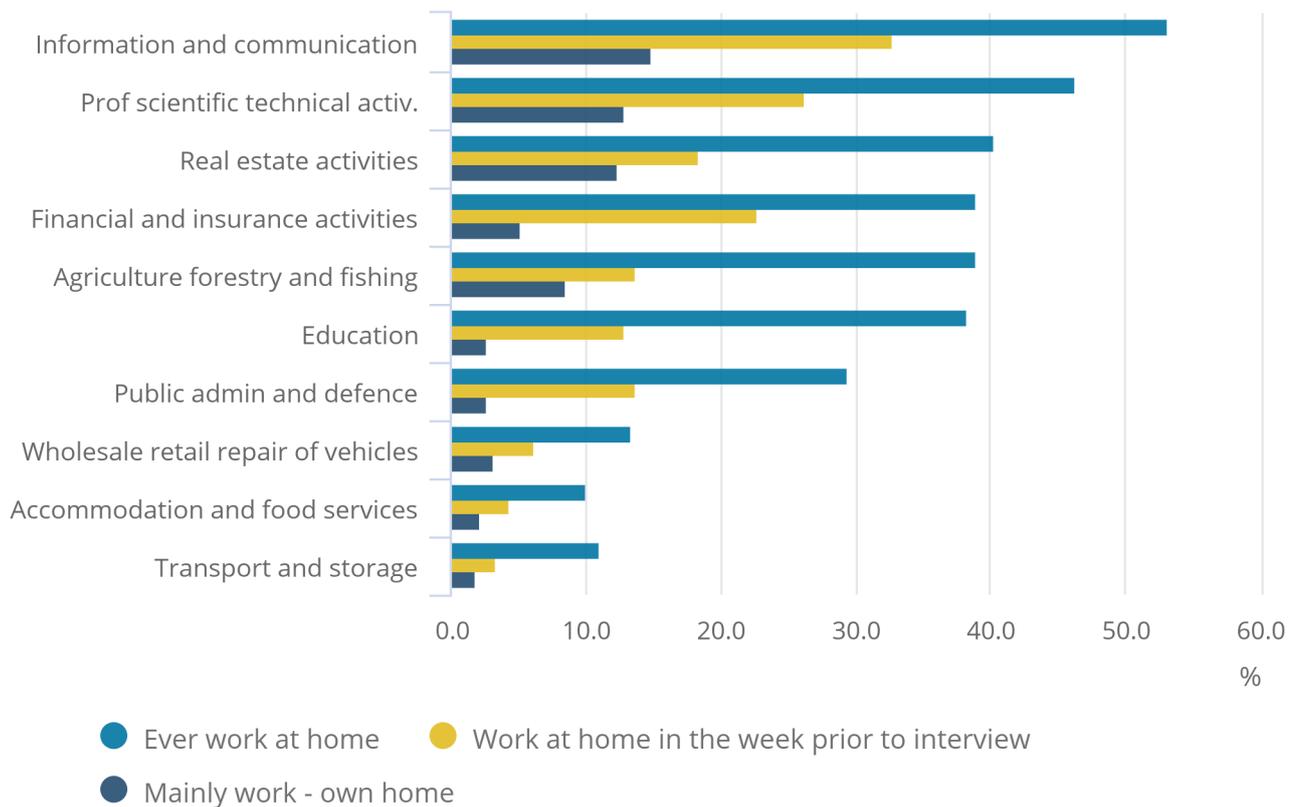
The ONS recently published an article on [coronavirus and homeworking in the UK labour market](#). In the 12-month period to December 2019, there were 32.6 million people in employment. Of these, around 1.7 million people reported working mainly from home, with around 4.0 million working from home at some point in the week prior to the interview. Further, 8.7 million people said they worked from home, and 2.9 million worked either in the same grounds or buildings as their home or used home as a base. Figure 3 shows the prevalence of homeworking disaggregated by industry. Current lockdown measures are expected to change these figures significantly in some industries.

Figure 3: The information and communication industry reported the highest prevalence of homeworking

The percentage of UK workforce homeworking by industry, UK, January to December 2019

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The percentage of UK workforce homeworking by industry, UK, January to December 2019



Source: Office for National Statistics – Annual Population Survey

The industries information and communication; professional, scientific and technical activities; financial and insurance activities; and real estate activities provide far more homeworking opportunities than others (Figure 3). These are part of the traditional "white collar" industries, with jobs that are usually performed in an office or other administrative setting, which involve a high useage of computers or laptops, which allow greater flexibility for homeworking.

In contrast, the transportation and storage and accommodation and food services industries have only around 10% of people reporting ever working from home. These sectors have already been severely impacted by the economic lockdown meant to combat the spread of the virus. Restaurants, shops and leisure facilities were ordered to close; air travel has largely halted; and public transport usage has been greatly reduced. In the transport sector, the [Freight Transport Association](#)'s latest survey indicates that firms have introduced measures to help deal with the pandemic that include more homeworking, flexible working arrangements and, in some cases, scaling back or suspending operations.

Employment of older workers and COVID-19

The ONS recently published an article on the [Coronavirus and employment for those aged 70 years and over in the UK: October 2018 to September 2019](#). The analysis in this commentary complements that article by analysing the employment of people aged 60 to 69 years.

The analysis of the age groups 60 to 64 years and 65 to 69 years is especially important because the [likelihood of severe illness and death from COVID-19 rises with age](#), implying that the two age groups are more likely to be affected than younger age groups. In addition, the number of older workers has increased in recent periods, and the economic inactivity rate reached a record low rate in the year to December 2019 to February 2020.

In the year to September 2019, estimates from the Annual Population Survey (APS) show that 3.35 million of the people in employment in the UK were aged between 60 and 64 years. Also, there were 1.30 million people in employment who were aged between 65 and 69 years old.

The number of people aged 60 years and over who are in employment has been increasing because people are living longer, healthier lives. The increase in the State Pension age also encouraged people to remain in the labour market for longer.

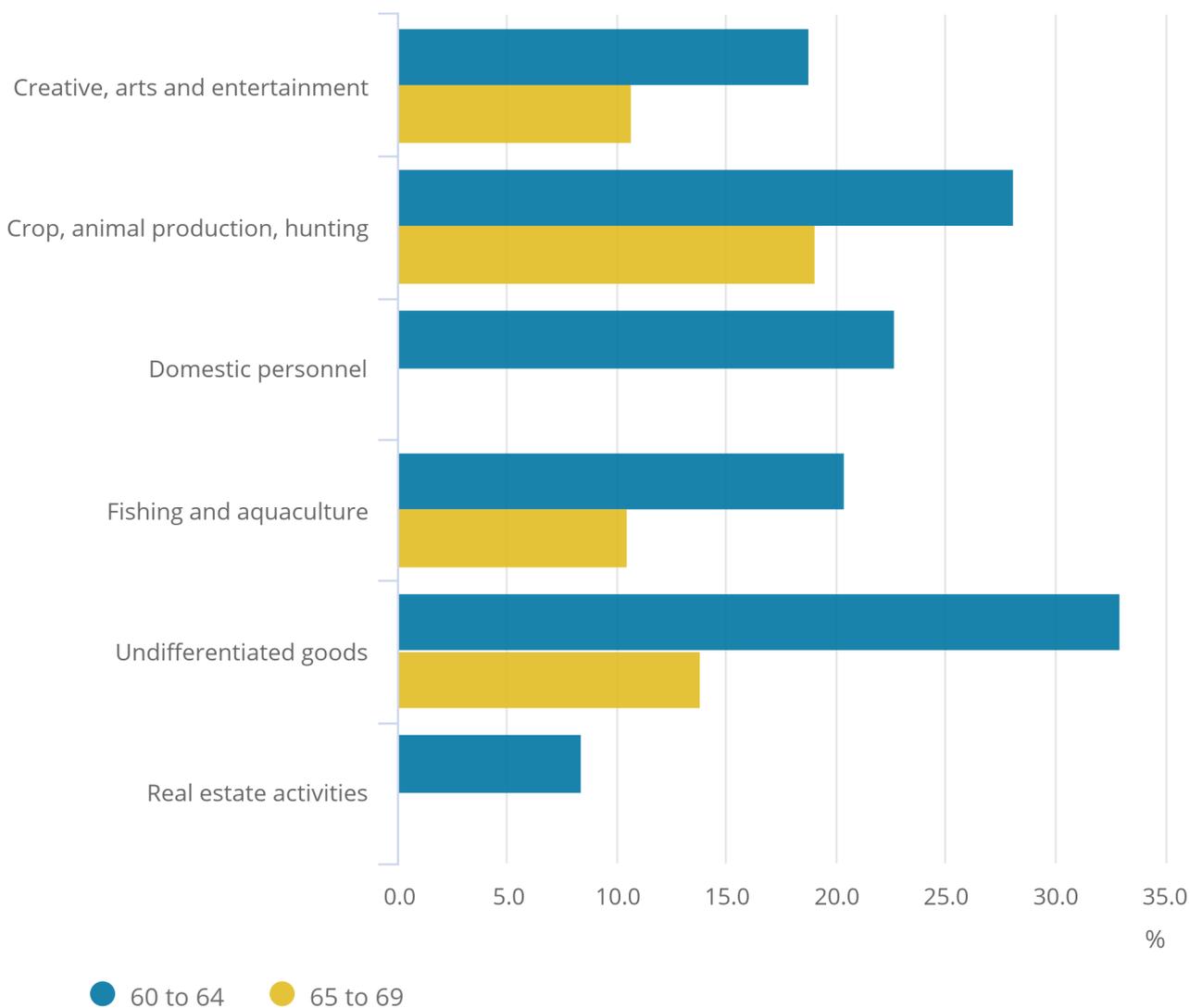
Older workers are employed across several industries. Figure 4 shows five industry sub-divisions with the largest shares of workers aged 60 years and over.

Figure 4: The undifferentiated goods industry had the largest share of workers aged 60 to 64 years, while the crop, animal production and hunting industry had the largest share of workers aged 65 to 69 years

Top five industry subdivisions with the largest proportions of workers aged 60 to 64 years and 65 to 69 years, UK, seasonally adjusted, October 2018 to September 2019

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Top five industry subdivisions with the largest proportions of workers aged 60 to 64 years and 65 to 69 years, UK, seasonally adjusted, October 2018 to September 2019



Source: Office for National Statistics – Annual Population Survey

In the year ending September 2019, the proportions of workers aged 60 to 64 years and 65 to 69 years in the undifferentiated goods sector were 33% and 13.8% respectively. However, total employment in the sector was low, at 7,000.

The crop, animal production and hunting industry employed 300,000 people aged 16 years and over. Of these, 28.0% were aged 60 to 64 years and 19.1% were aged 65 to 69 years. The results for the agriculture occupations for both age groups show that the industry employs predominantly older workers. These results are reflected in the Department for Environment, Food and Rural Affairs' [Agricultural labour in England and the UK: Farm Structure Survey 2016](#), which shows that the median age of farm holders was 60 years, while 35% of managers were aged over 65 years.

The creative arts and entertainment industry employed 220,000 people, of which 18.8% were aged 60 to 64 years and 10.7% were aged 65 and 69 years. The domestic personnel sector employed 45,000 people, of which 22.7% were aged 60 to 64 years. The real estate activities sector employed 382,000 people, of which 8.4% were aged 65 to 69 years.

The fishing and aquaculture sub-sector employed around 16,000 people, of which 20.4% were aged 60 to 64 years and 10.5% were aged 65 to 69 years. The [2018 Employment in the UK fishing fleet report](#) showed that of those aged over 60 years, 24% were vessel owners while 30% were employed as deckhands. In this industry, as in others, age is associated with capital accumulation, usually observed in the form of asset ownership. However, [age also increases vulnerability to diseases like COVID-19](#).

5 . Latest labour market estimates for the period December 2019 to February 2020

Employment

Employment continued its strong upward trend in the year to December 2019 to February 2020. The level of employment increased by 352,000 in this period to a record high of 33.07 million. This corresponded to a 0.4 percentage point increase in the employment rate to a record high of 76.6%.

The recent growth in employment in the UK driven by women, who accounted for over 90% of the total increase in the employment level in the year to December 2019 to February 2020. The number of women in employment increased by 318,000 over the same period. The remainder consisted of men who increased by 34,000.

In the year to December 2019 to February 2020, growth in full-time employment was stronger than that of part-time employment. The total number of people working full time increased by 309,000 to 24.5 million and that of part-time workers decreased by 43,000 to 8.6 million.

Figure 5: The increase in employment was caused by accelerating growth in full-time as opposed to part-time employment

Indices of full-time, part-time and total employment (December 2013 to February 2014 = 100), UK, seasonally adjusted, between December 2013 to February 2014 and December 2019 to February 2020

Figure 5: The increase in employment was caused by accelerating growth in full-time as opposed to part-time employment

Indices of full-time, part-time and total employment (December 2013 to February 2014 = 100), UK, seasonally adjusted, between December 2013 to February 2014 and December 2019 to February 2020



Source: Office for National Statistics – Labour Force Survey

From late 2016 onwards, the growth of part-time employment slowed and remained relatively level (Figure 5). The growth of full-time employment has been increasing robustly. The strong growth rate of full-time employment indicates a high demand for labour in the UK economy in this period.

Unemployment

In the year to December 2019 to February 2020, the level of unemployment increased by 22,000 to 1.36 million. This was the second consecutive annual increase and was driven by the rising number of unemployed men (increasing by 32,000 to 763,000) compared with a decrease in the number of unemployed women (decreasing by 10,000 to 601,000). The December 2019 to February 2020 figures showed the largest increase in the level of unemployment for men since March to May 2012.

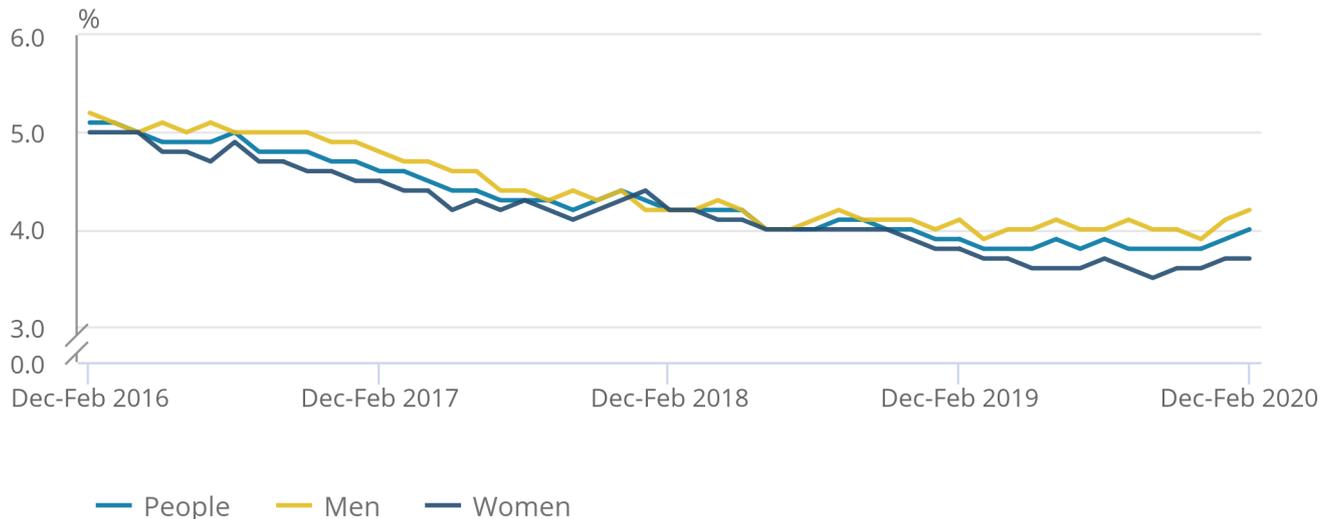
The unemployment rate was largely unchanged on the year, remaining at 4.0%. The unemployment rate for men rose by 0.2 percentage points on the year to 4.2% and that for women fell by 0.1 percentage points to 3.7%. Figure 6 shows the growing divergence in the trends of unemployment rates for men and women.

Figure 6: In recent months, the unemployment rates for men and women have been diverging

Unemployment rates for men and women, UK, seasonally adjusted, between December 2015 to February 2016 and December 2019 to February 2020

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Source: Office for National Statistics – Labour Force Survey

The unemployment rates for men and women have been diverging since May to July 2018 (Figure 6). That was the time when both rates were equal to 4.0%. The divergence has been particularly clear from early 2019 onwards, indicating that men have been driving the recent increase in the unemployment rate.

Economic inactivity

The level of economic inactivity decreased by 166,000 to 8.37 million in the year to December 2019 to February 2020.

The inactivity rate fell by 0.4 percentage points to a record low of 20.2%. The decreases in both the level and rate of inactivity were driven by women.

In the year to December 2019 to February 2020, the number of women who were economically inactive fell by 157,000 to a record low of 5.09 million. The economic inactivity rate for women decreased by 0.8 percentage points to a record low of 24.5%. In comparison, the number of men who were economically inactive only fell by 9,000 to 3.28 million, and the economic inactivity rate reduced by 0.1 percentage points to 15.9%.

Disaggregating the number of economically inactive people by age shows that the age group 50 to 64 years made up 17.0% of all inactive people. People aged 65 years and over made up 56.0% of the total. The inactivity rates for these age groups fell in the year to December 2019 to February 2020, with that for the 50 to 64 years age group decreasing by 0.4 percentage points to 25.2% and that for the 65 years and over age group decreasing by 0.8 percentage points to 88.2%. Both age groups' inactivity rates reached record low rates in the three months to February 2020.