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LABOUR MARKET REMAINS TIGHT AS INFLATION ERODS RECORD PAY GROWTH

The latest ONS data cover the period from July to September 2022 and show a labour market that remains tight, with the employment rate decreasing, unemployment decreasing, economic inactivity rising sharply and vacancies falling for the fourth quarter in a row. Real time Pay-As-You-Earn data for October 2022 showed that the number of payrolled employees increased, up by 74,000 to a record 29.8 million.

Furthermore, real regular pay growth is still in negative territory, with the three-month average close to the lowest it has been since records began at -2.7%. Skills and labour shortages and high vacancies are putting a break on growth and business investment. Labour market resilience is a precondition to growth, and with a record number of people economically inactive due to long-term sick, UK's productivity and economic growth are being restricted.

- Those aged 35-49 did not see a significant change in employment levels in the three months to September 2022 (-3,000).
- Those aged 16-24 were the only age group that saw a decrease in employment levels (-13,000).
- The number of people working full-time decreased (-15,000), while the total number of employees working part-time also decreased (-37,000).
- The number of self-employed people working full time increased (19,000), while the total number of self-employed people working part-time also increased (+28,000).
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has increased once again by 74,000 and is now at a record high at 29.8 million.

Employment rate plateaus as vacancy levels continue to fall...

- The official measure of employment shows a decrease of 52,000 in the three months to September 2022, compared with the previous quarter, and an increase of 148,000 on the same period a year ago. Despite this increase, the employment rate has not changed and remains at 75.5%.
- Male employment decreased (-59,000) over the quarter to September, while female employment remained the same as the previous quarter (-7,000). On the year, male employment increased by 64,000 and female employment increased by 83,000.
- Those aged 25-34 year-olds saw the largest increase in employment levels over the quarter (+47,000), with the 50-64 year old age group also seeing a rise this quarter (+28,000).

Exhibit 1 - Vacancies (000s)

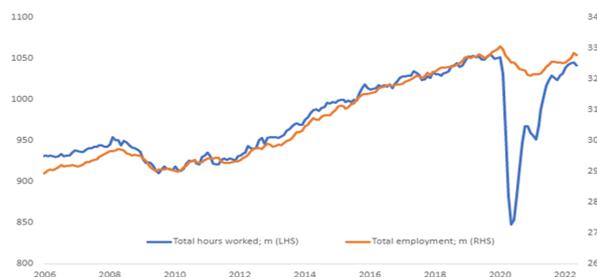


Source: ONS November 2022 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.5%	32,739	-52,000 (-0.2%)	+148,000 (+0.5%)
Unemployment** (ILO)	3.6%	1,224	-69,000 (-5.3%)	-227,000 (-15.6%)
Youth unemployment (16-24)	9.26%	399,000	-39,000 (-7.5%)	-67,000 (-16.8%)

Source: ONS November 2022 labour market statistics, July 2022 to September 2022 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 November 2022 labour market statistics

- There were an estimated 1.22 million vacancies in the three months to October 2022, a decrease of 46,000 and the fourth consecutive quarterly fall.
- 5 of the 18 industry sectors are showing record high vacancies, down from a high of 12 earlier in the year. The largest number of jobs available are in Human health and social care (212,000) and the Wholesale and retail trade; repair of motor vehicles and cycles sector (153,000).
- The total number of hours worked decreased on the quarter to 1.039 million, a -0.4% decrease on the quarter but still up on the year by 0.9%. This is still below pre-pandemic levels, however, 356,000 working days were lost in August, and a further 205,000 were lost in September due to industrial action – the highest two-month total for more than ten years.

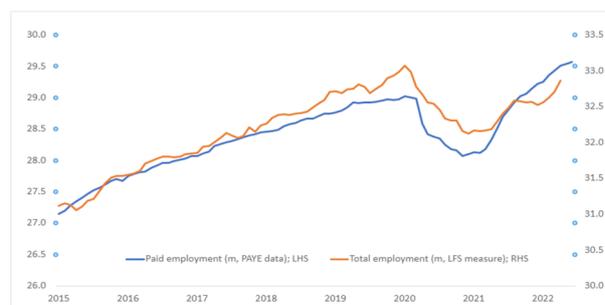
...while unemployment also falls but redundancy rate increases

- Official data show that, in the three months to September 2022, unemployment decreased by 69,000 to stand at 1.224 million. The unemployment rate stood at 3.6%, a decrease of 0.2% points on the previous quarter. There are 227,000 fewer unemployed people than in the same period a year ago.
- The number of redundancies increased on the previous quarter (+21,000) but is down by 29,000 on the year. This means that the redundancy rate is at 2.7 per thousand employees.
- The number of those who are economically inactive increased significantly (+108,000) compared to the previous quarter, with 198,000 more people economically inactive now than the same time last year. The inactivity rate is now at 21.6%. The main reason for becoming economically inactive is due to long-term sickness, which is now at a record high at 2.5 million, and students staying in education for longer (2.4 million).

The private sector sees record wage growth but continues to fall behind inflation

- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 5.7% on the year in the three months to September 2022 (the less volatile three-month rolling basis).
- In the three months to September, nominal regular pay growth stood at 6.6% in the private sector (up by 0.3% points on August), the strongest pay growth on record outside of the Covid-19 pandemic period.
- In the public sector, nominal pay growth stood at 2.2%, the same as the previous quarter.
- Across the different sectors, nominal annual regular pay growth was strongest in wholesaling, retailing, hotels and restaurants (+7.3% - up by 0.2% points), followed by finance (+6.2% - up by 0.2% points), services (5.9% - up by 0.2% points), construction (+5.4% - up by 0.3%) and manufacturing (4.9% - up by 0.3% points).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) dropped by 0.1% on the quarter (on the less volatile three-month rolling basis) – and is still at -2.7% on the year as inflation continues to erode wage growth.

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

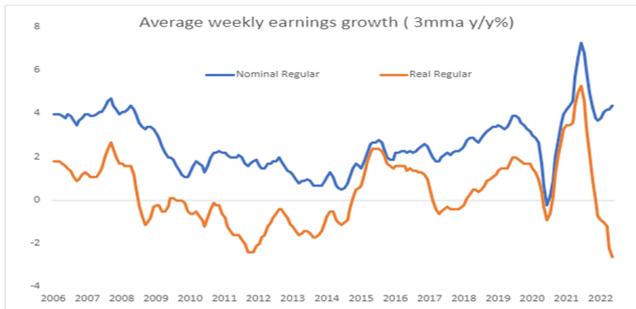


Source: ONS November 2022 labour market statistics

Most regions and nations saw a mixed bag in employment levels...

- In the three months to September 2022, employment increased in the East (+32,000), the South East (+22,000) and the South West (+15,000).
- Employment remained broadly unchanged in Yorkshire and the Humber (+5,000), the North East (+2,000), Northern Ireland (-1,000), London (-2,000) and Scotland (-8,000).
- The regions and nations that saw a decline in employment levels was the East Midlands (-43,000),

Exhibit 4 - Real regular pay and nominal regular pay growth (%) 3-month average



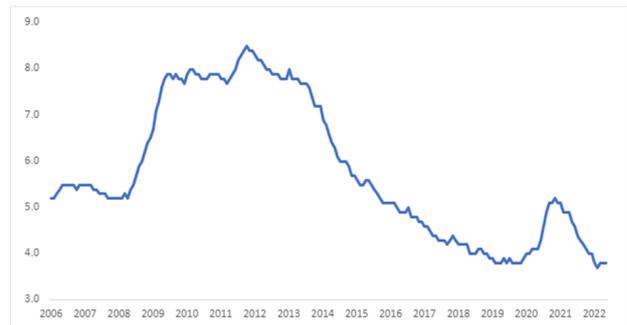
Source: ONS November 2022 labour market statistics

the North West (-36,000), the West Midlands (-24,000) and Wales (-15,000).

...while unemployment levels also varied across the country

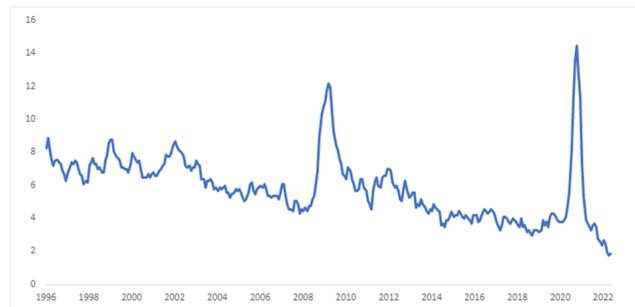
- In the three months to September 2022, unemployment increased only in the East Midlands (+25,000).
- Unemployment levels remained broadly unchanged in the South West (-9,000), the North West (-6,000), Wales (-3,000), the West Midlands (+1,000), Northern Ireland (+2,000) and Scotland (+9,000).
- Unemployment levels decreased in the South East (-28,000), London (-19,000), the East (-17,000), the North East (-11,000) and Yorkshire and the Humber (-11,000).

Exhibit 5 - Unemployment rate (%)



Source: ONS November 2022 labour market statistics

Exhibit 6 - Redundancy rate (%)



Source: ONS November 2022 labour market statistics

The next labour market update will be published on **13 December 2022.**



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"Despite economic and politically uncertainty, vacancies and pay are still rising with temporary worker demand high, but permanent hires lowering.

"It's essential that we focus on upskilling the workforce to support and boost our economic recovery. We are working with employers on longer-term recruitment strategies to help them manage the market now while also planning for the future."

Kent Thompson, Managing Director, Pertemps Group

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