LABOUR MARKET UPDATE

JANUARY 2023

Supported by

NUMBER OF VACANCIES SOFTENS AND RECORD PAY GROWTH FAILS TO KEEP PACE WITH INFLATION

The latest ONS data cover the period from September to November 2022 and show a labour market that is starting to evidence early signs of softening, with the employment rate unchanged from the previous quarter, the unemployment rate increasing, economic inactivity decreasing and vacancies falling for the sixth quarter in a row. Real time Pay-As-You-Earn data for December 2022 showed that the number of payrolled employees increased, up by 28,000 to 29.9 million.

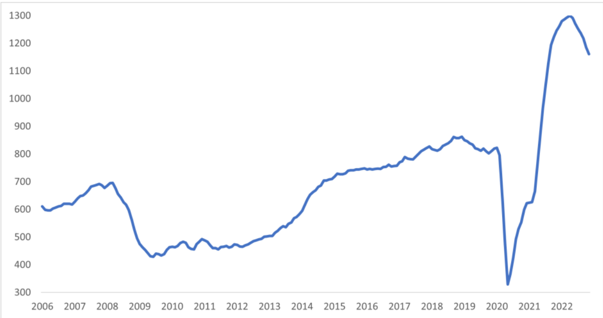
Real regular pay growth is still in negative territory, with the three-month average close to the lowest it has been since records began in 2001 at -2.6%. However, record pay growth, particularly in the private sector, is being eroded by high inflation. There were 467,000 working days lost due to labour disputes in November 2022 – the highest since November 2011.

There are positive signs in terms of economic inactivity, with evidence of younger and older workers returning to employment. Despite this, businesses are still struggling to hire. The Government needs to pull every lever to ease shortages and strengthen the case for the business investment that is needed to drive growth and living standards. This means helping more people to overcome the barriers like the cost and availability of childcare or ill-health that are preventing them from working, and updating the Shortage Occupations List.

Employment rate remains unchanged and vacancy levels continue to soften…

- The official measure of employment shows an increase of 27,000 in the three months to November 2022, compared with the previous quarter, and an increase of 219,000 on the same period a year ago. The employment rate remained at 75.6%, unchanged from the previous quarter.
- Male employment increased (+23,000) over the quarter to November, while female employment remained unchanged (+4,000). On the year, male employment increased by 122,000 and female employment increased by 98,000.
- Those aged 50–64-year-old saw the largest increase in employment levels over the quarter (+79,000), followed by those aged 25-34 (+54,000). Those aged 35-49 saw a decline this quarter (-64,000) followed by the 16-24-year-old age group (-87,000).
- The number of people working full-time decreased (-31,000), while the total number of people working part-time increased (+58,000). The number of self-employed people working full time decreased (-96,000) while the total number of self-employed people working part-time increased (+56,000).
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has increased by 28,000 and is now at a record high at 29.9 million.
- There were an estimated 1.16 million vacancies in the three months to December 2022, a decrease of 75,000 and the sixth consecutive quarterly fall. Vacancies decreased across all types of business sizes. The largest number of jobs available are in Human Health and Social Care (206,000), the Accommodation & Food Service activities sector (149,000) and the Wholesale and Retail Trade; repair of motor vehicles and cycles sector (146,000).

Exhibit 1 Vacancies (000s)

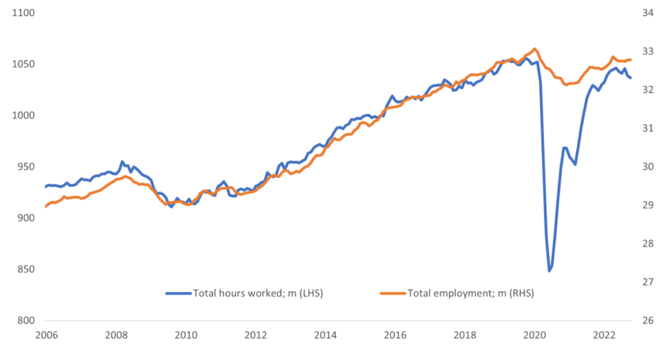


Source: ONS January 2023 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.6%	32,781	+27,000 (0.1%)	+219,000 (0.7%)
Unemployment** (ILO)	3.7%	1,244	+56,000 (+4.7%)	-138,000 (-10%)
Youth unemployment (16-24)	9.8%	461	+89,000	+8,000

Source: ONS January 2023 labour market statistics, September to November 2023 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 January 2023 labour market statistics

- The total number of hours worked decreased on the quarter to 1.035 million, a -1% decrease on the quarter but still up on the year by 1.1%. This is still below pre-pandemic levels.
- There were 467,000 working days lost in November due to industrial action – the highest since November 2011 – involving 197,000 workers.

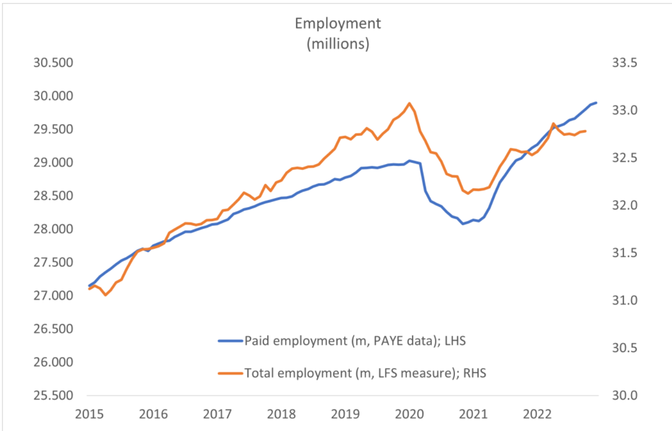
…while unemployment increases and economic inactivity decreases

- Official data show that, in the three months to November 2022, unemployment increased by 56,000 to stand at 1.24 million. The unemployment rate increased to 3.7% - an increase of 0.2% points on the previous quarter. There are 138,000 fewer unemployed people than in the same period a year ago.
- The number of redundancies increased on the previous quarter (+30,000) and is up by 19,000 on the year. This means that the redundancy rate is at 3.4 per thousand employees.
- The number of those who are economically inactive decreased by 55,000 compared to the previous quarter but is up by 111,000 on the year. The inactivity rate is at 21.5%. The decrease in economic inactivity during the last quarter was driven by those aged 16 to 24 and those aged 50 to 64 years. Looking at economic inactivity by reason, the quarterly decrease was driven by those inactive because they are students, long-term sick or retired.

The private sector sees record wage growth but it can't keep up with inflation

- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 6.4% on the year in the three months to November 2022 (the less volatile three-month rolling basis).
- In the three months to November, nominal regular pay growth stood at 7.2% in the private sector (up by 0.2% points). In the public sector, nominal pay growth stood at 3.3%, an increase of 0.5% points from the previous quarter. Outside of the height of the pandemic period, this is the largest growth rate seen for the private sector and is among the largest differences between the private sector and public sector growth rates ever seen.
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+7.6% - up by 0.5% points) followed by services (+6.6% - up by 0.3%), construction (+6.3% - up by 0.6%), wholesaling, retailing, hotels and restaurants (+5.9% - down by 0.6% points) and manufacturing (5.4% - up by 0.2% points).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) remained unchanged on the quarter (on the less volatile three-month rolling basis) – and stands at -2.6% on the year as high inflation continues to erode wage growth.
- Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) is at -2.4%, down from -2.8% in September.

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

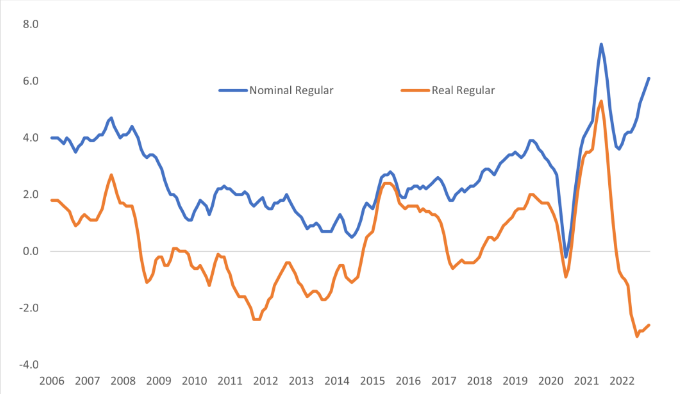


Source: ONS January 2023 labour market statistics

There was a mixed bag in employment levels across regions and nations…

- In the three months to November 2022, employment increased in the South West (+34,000), the East Midlands (+20,000) and Northern Ireland (+15,000).
- Employment remained broadly unchanged in the North West (+10,000), Scotland (+8,000), North East

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

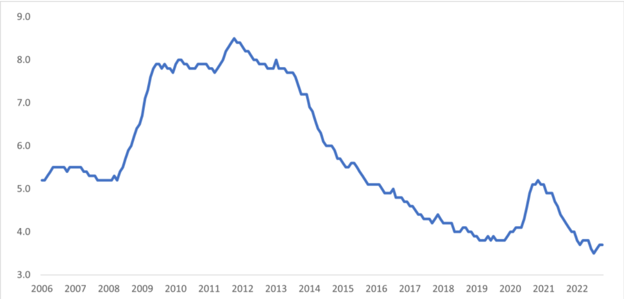


Source: ONS January 2023 labour market statistics

(+8,000), Wales (+4,000), South East (-3,000), London (-7,000) and Yorkshire and the Humber (-9,000).

- The regions that saw a decline in employment levels were the West Midlands (-14,000) and the East (-40,000).

Exhibit 5 Unemployment rate (%)

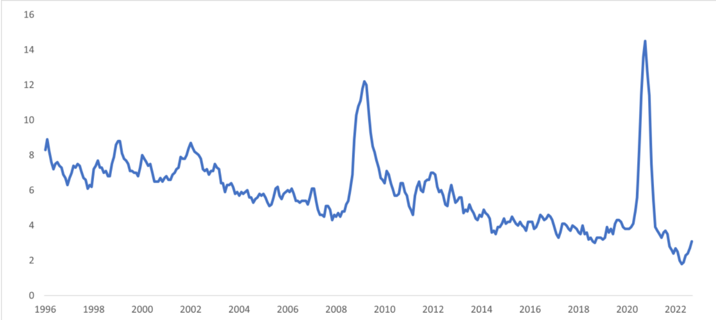


Source: ONS January 2023 labour market statistics

…while unemployment levels also varied across the country

- In the three months to November 2022, unemployment increased in the South East (+25,000), the East (+15,000) and London (+14,000).
- Unemployment levels remained broadly unchanged in Northern Ireland (-2,000), Scotland (+1,000), Wales (+1,000), the North East (+4,000), Yorkshire and the Humber (+7,000), the East Midlands (+7,000) and the North West (+9,000).
- Unemployment levels decreased in the South West (-15,000) and the West Midlands (-12,000).

Exhibit 6 Redundancy rate (%)



Source: ONS January 2023 labour market statistics

The next labour market update will be published on **14th February 2023**.

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"We've seen a slowdown in the number of vacancies over December, with firms pushing hiring activity back into the new year.

"But overall activity levels remain high, with vacancies and starting rates of pay still growing. Recruiters need to work with the government to help direct their policy decisions to ensure our labour market can deliver economic growth while addressing the labour and skills shortages."

Carmen Watson, Chairperson, Pertemps Ltd

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