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LABOUR MARKET REMAINS TIGHT BUT THE NUMBER OF VACANCIES KEEPS FALLING

The latest ONS data cover the period from August to October 2022 and show a labour market that remains tight, with the employment rate slightly increasing, economic inactivity decreasing and vacancies falling for the fifth quarter in a row. Real time Pay-As-You-Earn data for November 2022 showed that the number of payrolled employees increased, up by 107,000 to a record 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 -2.7%. However, strong pay growth, particularly in the private sector, is being eroded by high inflation. Moreover, there were 417,000 working days lost due to labour disputes in October 2022 – the highest it’s been in over a decade.

There are positive signs in terms of economic inactivity, with more people aged 50s returning to work. Despite this, the labour market remains tight. Business and government need to pull every lever to ease shortages, including helping more people to overcome the barriers like the cost of childcare and ill-health that are preventing them from working, investing in technology and new ways of working to boost productivity, and investing in skills.

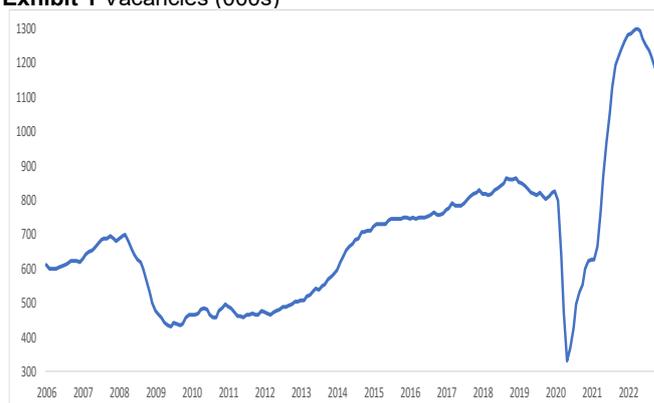
Employment rate slightly increases as vacancy levels continue to soften...

- The official measure of employment shows an increase of 27,000 in the three months to October 2022, compared with the previous quarter, and an increase of 191,000 on the same period a year ago. The employment rate stands now at 75.6%, an increase of 0.2% compared with the previous quarter.
- Male employment decreased (-12,000) over the quarter to October, while female employment increased by 39,000. On the year, male employment increased by 89,000 and female employment increased by 102,000.
- Those aged 50–64-year-old saw the largest increase in employment levels over the quarter (+95,000), followed by those aged 25-34 (+55,000). Those aged 35-49 also saw a rise this quarter (+16,000). In

contrary, the only age group that saw a decrease in employment levels was the 16-24-year-old one (-59,000).

- The number of people working full-time increased (+22,000), while the total number of employees working part-time remained unchanged (+5,000). The number of self-employed people working full time decreased (-66,000) while the total number of self-employed people working part-time increased (+13,000).
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has increased once again by 107,000 and is now at a record high at 29.9 million.
- There were an estimated 1.18 million vacancies in the three months to November 2022, a decrease of 65,000 and the fifth consecutive quarterly fall. The largest number of jobs available are in Human Health and Social Care (208,000), the Wholesale and Retail Trade; repair of motor vehicles and cycles sector (148,000) and the Accommodation & Food Service activities sector (146,000).

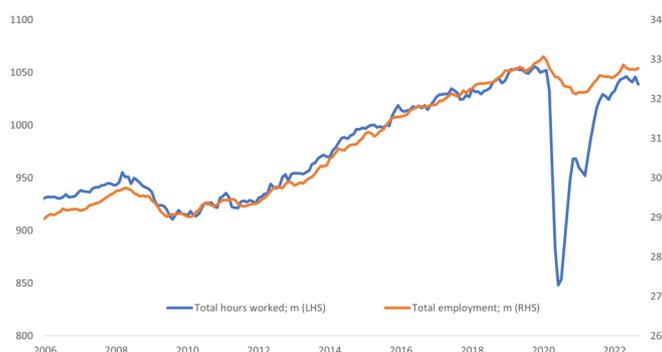
Exhibit 1 Vacancies (000s)



Source: ONS December 2022 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.6%	32,773	+27,000 (+0.1%)	-191,000 (0.2%)
Unemployment** (ILO)	3.7%	1,247	+23,000 (+1.9%)	-176,000 (+12.4%)
Youth unemployment (16-24)	10.5%	431	+59,000 (+17.8%)	-27,000 (12.5%)

Source: ONS December 2020 labour market statistics, August to October 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 December 2022 labour market statistics

- The total number of hours worked decreased on the quarter to 1.037 million, a -0.4% decrease on the quarter but still up on the year by 0.9%. This is still below pre-pandemic levels.
- There were 417,000 working days lost in October due to industrial action – the highest since November 2011.

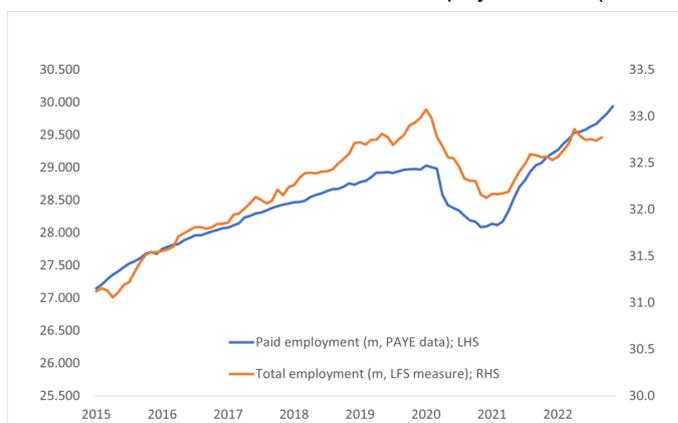
...while unemployment increases and economic inactivity decreases

- Official data show that, in the three months to October 2022, unemployment increased by 23,000 to stand at 1.24 million. The unemployment rate increased to 3.7% - an increase of 0.1% points on the previous quarter. There are 176,000 fewer unemployed people than in the same period a year ago.
- The number of redundancies increased on the previous quarter (+25,000) but is down by 9,000 on the year. This means that the redundancy rate is at 3.1 per thousand employees.
- The number of those who are economically inactive decreased significantly (-76,000) compared to the previous quarter, with 123,000 more people economically inactive now than the same time last year. The inactivity rate is now at 21.5%. The decrease in economic inactivity during the last quarter was driven by those aged 50 to 64 years. Looking at economic inactivity by reason, the quarterly decrease was driven by those inactive because they are retired.

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

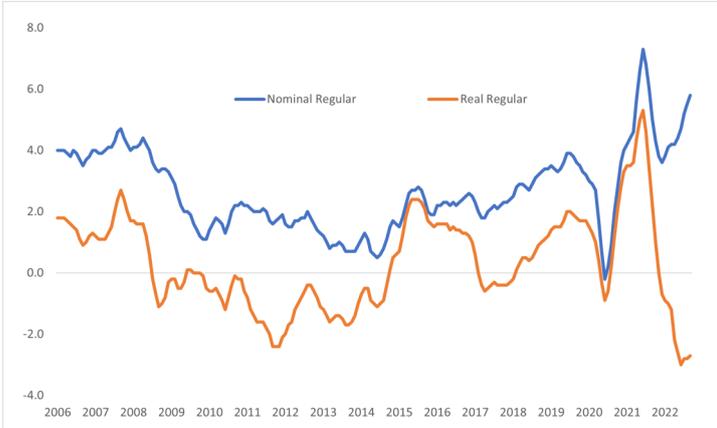
- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 6.1% on the year in the three months to October 2022 (the less volatile three-month rolling basis).

- In the three months to October, nominal regular pay growth stood at 6.9% in the private sector (up by 0.3% points), the strongest pay growth on record outside of the pandemic period. In the public sector, nominal pay growth stood at 2.7%, 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 (+7.0% - up by 0.7% points) followed by wholesaling, retailing, hotels and restaurants (+6.6% - down by 0.7% points), services (6.3% - up by 0.3% points), construction (+5.7% - up by 0.3% points) and manufacturing (5.2% - up by 0.3% 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 is still at -2.7% 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 -2.9%, up from -2.5% in September.

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

Source: ONS December 2022 labour market statistics

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



Source: ONS December 2022 labour market statistics

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

- In the three months to October 2022, employment increased in the East (+31,000), London (+25,000), the South West (+22,000), Scotland (+22,000), the South East (+18,000) and Yorkshire and the Humber (+17,000).
- Employment remained broadly unchanged in Northern Ireland (+10,000), the North East (0), Wales (-4,000) and the East Midlands (-6,000).

Exhibit 5 Unemployment rate (%)



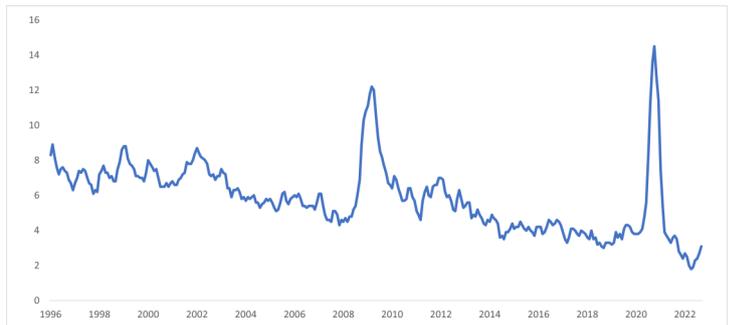
Source: ONS December 2022 labour market statistics

- The regions that saw a decline in employment levels were the West Midlands (-69,000) and the North West (-43,000).

...while unemployment levels also varied across the country

- In the three months to October 2022, unemployment increased in the North West (+26,000), the East Midlands (+14,000) and London (+13,000).
- Unemployment levels remained broadly unchanged in the South East (-3,000), Northern Ireland (-1,000), the North East (0), Wales (-5,000), the West Midlands (+6,000) and Scotland (+7,000).
- Unemployment levels decreased in the South West (-21,000), the East (-12,000) and Yorkshire and the Humber (-12,000).

Exhibit 6 Redundancy rate (%)



Source: ONS December 2022 labour market statistics

The next labour market update will be published on **17th January 2023**.



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“Despite the current economic uncertainty, we’re seeing an increase in temporary hiring as we approach Christmas, while permanent hiring remains steady.

“As the economic outlook weakens, one would expect to see hiring decrease, but pay and vacancies are still growing, although at a much lower rate. To boost productivity in the current economic climate, businesses need to ensure they are adopting a “people first” approach and offering the best possible package to attract the right talent.”

Carmen Watson, Chairperson, Pertemps Ltd

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