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LABOUR MARKET CONTINUES TO TIGHTEN BUT PAY GROWTH FALLS FURTHER BEHIND INFLATION

The latest ONS data covers the period from January 2022 to March 2022, providing a snapshot of labour market activity during a period in which the government launched its Living with Covid strategy, with most of the pandemic restrictions lifted.

The latest data show a labour market that continues to tighten, with employment figures largely unchanged, unemployment decreasing, and vacancies at a new record high. Real time Pay-As-You-Earn data for April 2022 showed that the number of payrolled employees increased, up by 121,000 to a record 29.5 million. However, due to an increase in the rate of those who are economically inactive, the total number of workers in the labour market has decreased overall.

Furthermore, real pay growth continues to fall. Ongoing supply chain issues, skills shortages and rising energy prices are all impacting the cost of doing business, putting a break on growth and a strain on households. To break this cycle and deliver sustainably rising living standards, the UK requires bold action. Putting pounds into the pockets of people facing hardship and stimulating business investment are two actions the government can take now that will help us to emerge from this crisis.

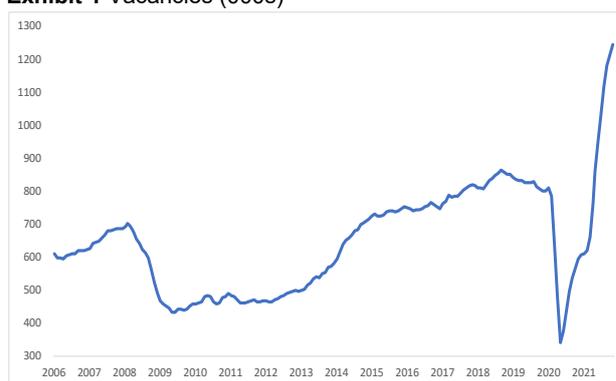
The number of vacancies reaches a new record high...

- The official measure of employment shows an increase of 83,000 in the three months to March 2022, compared with the previous quarter, and an increase of 388,000 on the same period a year ago. The employment rate increased by 0.1% percentage points to 75.7%.
- Both female (+36,000) and male employment increased (+35,000) over the quarter to March.

On the year, male employment increased by 45,000 and female employment increased by 37,000.

- Those aged 50-64 saw the largest increase in employment levels over the quarter (+38,000), followed by the 25 to 34 years-old age bracket (+34,000), the 16 to 24-year-old age bracket (+17,000) and those aged 35-49 (+11,000).
- The number of people working full-time increased overall by +32,000, while the total number of employees working part-time increased by +51,000.
- The number of self-employed people working full time increased (+31,000), as did the total number of self-employed people working part-time (+19,000).
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has increased once again by 121,000 and is now at a record high at 29.5 million.

Exhibit 1 Vacancies (000s)



Source: ONS May 2022 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.7%	32,569	+83,000 (0.1%)	+388,000 (+1.2%)
Unemployment** (ILO)	3.7%	1,257	-118,000 (-8.6%)	-396,000 (-24%)
Youth unemployment (16-24)	10.6%	438,000	-27,000 (-2.1%)	-105,000 (-22.7%)

Source: ONS May 2022 labour market statistics, January 2022 to March 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 May 2022 labour market statistics

- In a further sign of a tightening labour demand, there were an estimated 1.295 million vacancies in the three months from February 2022 to April 2022, but the rate of growth in vacancies continued to slow down. This is the ninth consecutive month that the three-month vacancy average stands at over one million.
- 7 of the 18 industry sectors are showing record high vacancies. The largest number of jobs available are in human health and social care (212,000) and the accommodation and food services activities (171,000).
- The total number of hours worked increased on the quarter to 1.041 million, a 1.4% increase on the quarter and up on the year by 9.6%. However, this is still below pre-pandemic levels.

...while unemployment continues to fall

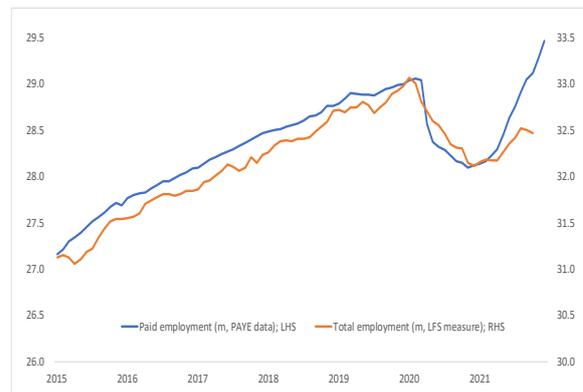
- Official data show that, in the three months to March 2022, unemployment decreased by 118,000 to stand at 1.25 million. The unemployment rate stood at 3.7%, a decrease of 0.3% points on the previous quarter. There are 396,000 fewer unemployed people than in the same period a year ago.
- The number of those who are economically inactive increased by 65,000 compared to the previous quarter, with 6,000 more people economically inactive now than the same time last year.

- The inactivity rate slightly increased for the sixth quarter in a row to at 21.4% - up by 0.1% points on the previous quarter. This has been driven mainly by people who have caring responsibilities, retired or have long-term illnesses.

Wage growth continues to fall behind inflation

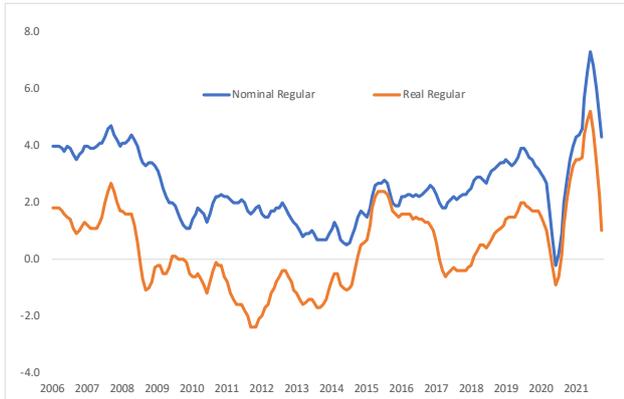
- In the three months to March, nominal regular pay growth stood at 4.8% in the private sector (up by 0.2% points on February) and at 1.8% in the public sector, (down by 0.3% points on February).
- Across the different sectors, nominal annual regular pay growth was strongest in wholesaling, retailing & hospitality (+6.4% - up by 0.8% points), followed by finance (+5.7% - down by 0.4% points), and services (up +4.4% - no change on the previous quarter). Construction (+4.1% - up by 1.0% points) and manufacturing (+2.6% - up by 0.1% points) also showed growth in nominal annual regular pay.
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) dropped by -0.2% on the quarter (on the less volatile three-month rolling basis) – and is now at -1.2% on the year and the lowest since November 2013.
- Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) dropped to -1.9%, down from 0.7% in February.

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



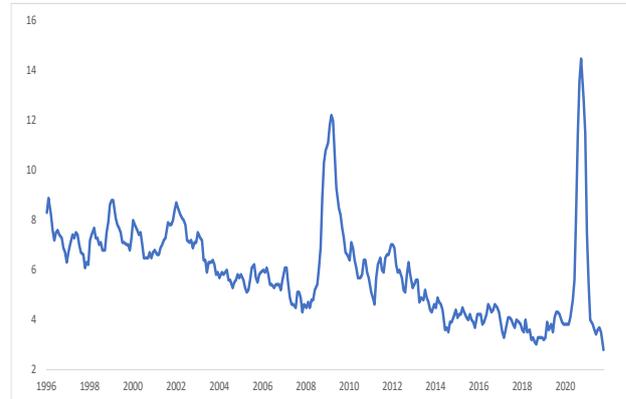
Source: ONS May 2022 labour market statistics

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



Source: ONS May 2022 labour market statistics

Exhibit 6 Redundancy rate (%)



Source: ONS May 2022 labour market statistics

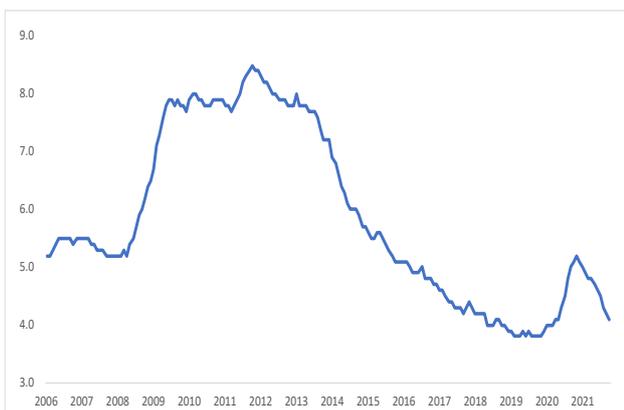
The regions and nations saw a mixed bag in employment levels...

- In the three months to March 2022, employment increased in the West Midlands (+45,000), in the South East (+37,000), Scotland (+36,000), the East Midlands (+29,000), the North East (+13,000), and Northern Ireland (+13,000).
- Employment remained broadly unchanged in the South West (+6,000), Yorkshire and the Humber (+3,000), and Wales (-8,000).
- The regions that saw a drop in employment level were the East (-35,000), London (-34,000), and the North West (-22,000).

...while unemployment decreased in most regions and nations

- In the three months to March 2022, unemployment decreased in the South East (-32,000), London (-25,000), Scotland (-24,000), the East Midlands (-18,000), and the North West (-13,000).
- Unemployment levels remained broadly unchanged in the East (+9,000), Yorkshire and the Humber (+5,000), the South West (+1,000), Wales (-2,000), Northern Ireland (-3,000), the North East (-7,000).

Exhibit 5 Unemployment rate (%)



Source: ONS May 2022 labour market statistics

The next labour market update will be published on **14 June 2022**.



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Carmen Watson, Chairperson, Pertemps Network Group

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