

WAGES OUTPACE INFLATION WHILE UNEMPLOYMENT INCREASES AND VACANCIES CONTINUE TO FALL

The latest ONS data cover the period from May to July 2023 and show a labour market that remains tight but with increasing signs of softening. The employment rate decreased while both the unemployment and inactivity rate increased. Vacancies continue to fall although remain above pre-pandemic levels. Real time Pay-As-You-Earn data for August 2023 remained broadly unchanged from the previous quarter – with 30.1 million payrolled employees in the labour market.

The economic inactivity rate increased by 0.1% on the quarter, to 21.1% in the period from May to July 2023. The increase was driven by people aged 16 to 24 years. Those inactive because of long-term sickness increased to another record high. Positively, those inactive because they were looking after family or home decreased to a record low.

The number of vacancies continues to fall – with 64,000 fewer vacancies on the quarter to 989,000. Vacancies have been falling for over a year but remain higher than pre-pandemic levels. Growth in regular pay was 7.8% in the quarter to July 2023 – the same as the previous 3-month period and the highest regular annual growth rate since records began in 2001. Wages outpacing the rate of inflation is good news to households struggling with the cost-of-living crisis but for these increases to be sustainable in the long run measures to boost investment and productivity are critical.

Turning the Apprenticeship Levy into a broader Skills Challenge Fund will allow firms to spend their training budgets in a more flexible way helping businesses to give workers the skills they need. Meanwhile, a renewed focus is required to bring down record high sickness absence.

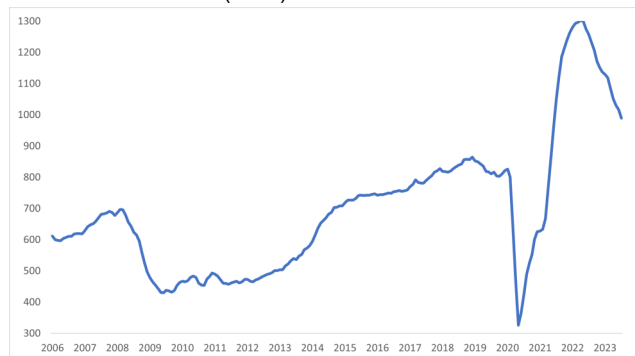
Employment rate decreases and the number of vacancies continues to fall...

- The official measure of employment shows a significant decrease of 207,000 in the three months to July 2023, compared with the previous quarter, and an increase of 135,000 on the same period a year ago. The employment rate has decreased by 0.5% and is now at 75.5%.
- Male employment decreased by 236,000 on the quarter to July 2023, while female employment

increased by 28,000 in the same period. On the year, male employment marginally increased by 9,000 and female employment increased by 127,000.

- Those aged 25-34 were the only age group that saw an increase in employment levels (+74,000). The rest age groups saw a decrease in employment – those aged 16-24, 35-49 and 50-64 years old (-178,000, -50,000 and -3,000 respectively).
- The number of employees working full-time decreased (-29,000), while the total number of employees working part-time increased by 59,000. The number of self-employed people working full time decreased quite significantly by 158,000 while the number of self-employed working part-time decreased by 45,000.
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees remained broadly unchanged from the previous quarter and stands at 30.1 million.
- This is the first quarter in more than a year that vacancies fell below the million. There are now 989,000 vacancies in the economy - 64,000 fewer than in the previous quarter. There are 268,000 fewer vacancies now than a year ago.

Exhibit 1 Vacancies (000s)

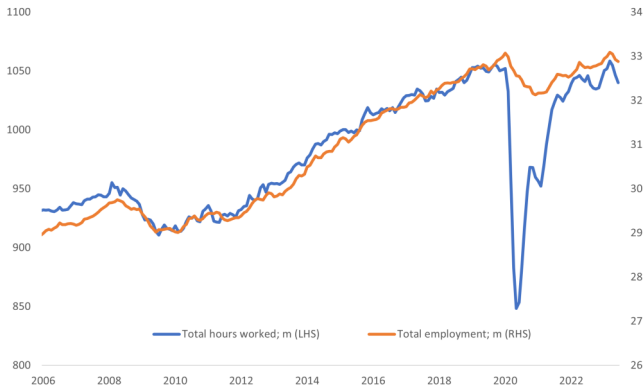


Source: ONS September 2023 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.5%	32,882	-207,000 (-0.6%)	+135,000 (+0.4%)
Unemployment** (ILO)	4.3%	1,464	+159,000 (+12.2%)	+240,000 (19.6%)
Youth unemployment (16-24)	12.7%	526	+61,000 (+13.1%)	+154,000 (+41.4%)

Source: ONS September 2023 labour market statistics, *Rate for those aged 16-64 **Rate for those aged 16 and over

Exhibit 2 Employment vs actual weekly hours worked (millions)



Source: ONS September 2023 labour market statistics

- The largest number of jobs available are in Human Health and Social Care sector (181,000), the Wholesale and Retail trade; repair of motor vehicles and cycles sector (133,000) and the Accommodation and Food service activities sector (118,000).
- There were 281,000 working days lost because of labour disputes in July 2023. The majority of the strikes were in the Education and Health and social work sectors.

...while the unemployment rate increases

- Official data show that, in the three months to July 2023, unemployment levels increased significantly by 159,000 to stand at 1.46 million. The unemployment rate increased by 0.5% in the last quarter and stands at 4.3%. There are nearly a quarter of a million more unemployed people than in the same period a year ago (+240,000).
- The redundancy rate increased by 0.3% in the quarter to July 2023 and stands at 3.6%.
- The number of those who are economically inactive increased by 63,000 compared to the previous quarter but decreased by 231,000 compared to the same time last year. The inactivity rate is now 21.1%. The main reason for becoming economically inactive is due to long-term sickness, which is now at a record high at 2.6 million. Of the 8.7 million economically inactive, 1.66 million say they want a job.

Pay growth catches up with inflation

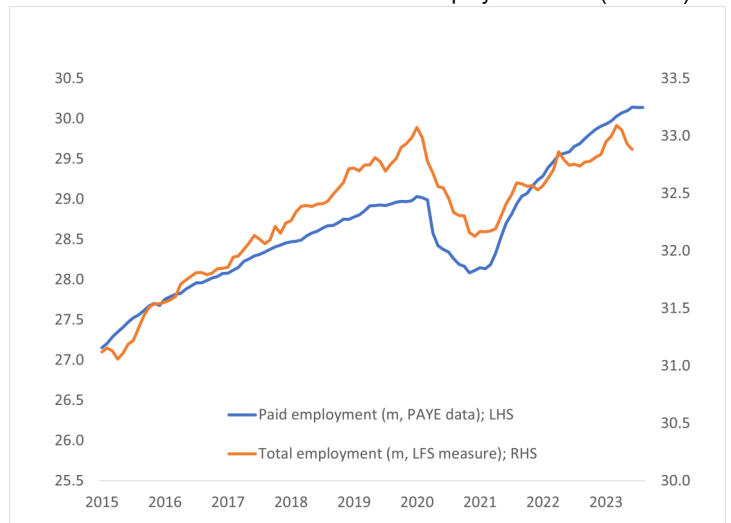
- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 7.8% on the year in the three months to July 2023 (the less volatile three-month rolling basis).

- In the three months to July, nominal regular pay growth stood at 8.1% in the private sector (down by 0.1% from June 2023). In the public sector, nominal pay growth stood at 6.6% (up by 0.4% from the previous quarter).
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+9.5% - up by 0.1% points), manufacturing (+8.1% - down by 0.1% points), services (+8.0% - no change from the previous quarter), wholesaling, retailing, hotels and restaurants (+6.5% - up by 0.2% from the previous quarter) and construction (+5.4% - down by 0.4% from the previous quarter).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) has increased 0.5% points on the previous quarter (on the less volatile three-month rolling basis) – and is at 0.6% on the year.
- Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) is at 1.2%, up from 0.6% in July 2023.

Mixed picture in employment levels across regions and nations...

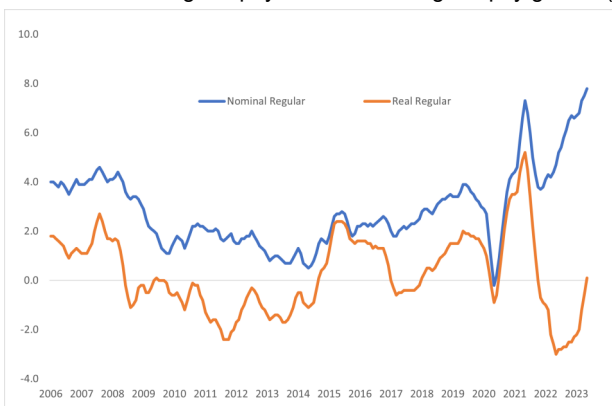
- In the three months to July 2023, employment increased in the South East (+82,000), Wales (+42,000), Scotland (+26,000) and East Midlands (+18,000).
- Employment remained broadly unchanged in Yorkshire and The Humber (-2,000) and the North East (-5,000).
- The regions and nations that saw a decline in employment levels were London (-182,000), North West (-55,000), West Midlands (-42,000), East (-34,000), South West (-33,000) and Northern Ireland (-22,000).

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



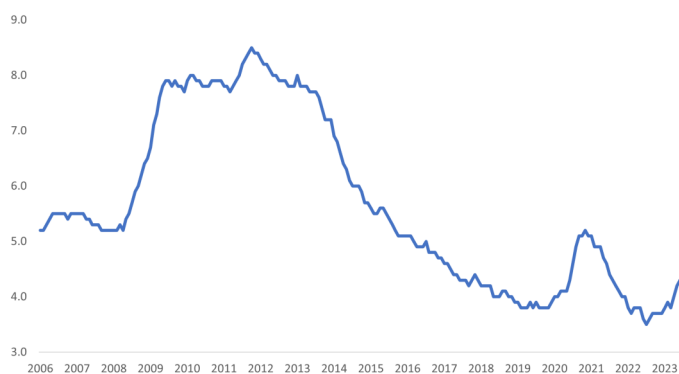
Source: ONS September 2023 labour market statistics

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



Source: ONS September 2023 labour market statistics

Exhibit 5 Unemployment rate (%)



Source: ONS September 2023 labour market statistics

Exhibit 6 Redundancy rate (%)



Source: ONS September 2023 labour market statistics

...while unemployment levels also varied across the country

- In the three months to July 2023, unemployment increased in the North West (+85,000), Scotland (+37,000), North East (+22,000), East Midlands (+18,000), South East (+15,000) and South West (+14,000).
- Unemployment levels remained broadly unchanged in London (+7,000) West Midlands (+2,000), Northern Ireland (+2,000) and East (-2,000).
- Unemployment levels decreased in Wales (-15,000) and Yorkshire and The Humber (-25,000).

The next Labour Market Update will be published on **17th October 2023**.



ABOUT THE SPONSOR

“The labour market continues to be very tight but is showing some signs of softening, which will help in the longer term.

“The number of vacancies keeps falling while the inactivity rates are still very high, meanwhile wage growth has caught up with inflation for the first time in a couple of years.

“Organisations must continue to work closely with recruitment specialists on long-term attraction and retention strategies to enable them to make the best of a changing labour market.”

Carmen Watson, Chairperson, Pertemps Ltd

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For further information about Pertemps Network Group, please contact:

James Wilde
 PR and Communications Manager
 T: 01676 525250
 E: james.wilde@pertemps.co.uk
 W: www.pertemps.co.uk