

ECONOMIC INACTIVITY DECREASES, VACANCIES CONTINUE TO FALL BUT SHORTAGES ARE STILL A BRAKE ON GROWTH

The latest ONS data cover the period from February to April 2023 and show a labour market that remains tight but continues to soften, with the employment rate increasing, unemployment remaining low, and economic inactivity and vacancies both falling. Real time Pay-As-You-Earn data for May 2023 showed that the number of payrolled employees increased by 23,000 to 30 million.

The economic inactivity rate decreased by 0.4% on the quarter, to 21.0% in the period from February to April 2023. The decrease was largely driven by people looking after a family or home. However, economic inactivity due to long-term sickness reaches a record high – and stands at 2.55 million, representing nearly 3 in 10 of those economically inactive.

The number of vacancies continues to fall – with 79,000 fewer vacancies on the quarter to 1,051,000. Vacancies fell for the eleventh consecutive period but remain higher than pre-pandemic levels. The difficulties that firms face when hiring is still a hard brake on growth. Businesses and government have identified getting people back to work as a top priority. A laser-like focus on delivering the promised expansions to childcare and occupational health services, and businesses increasing flexible working can quicken the pace of easing shortages.

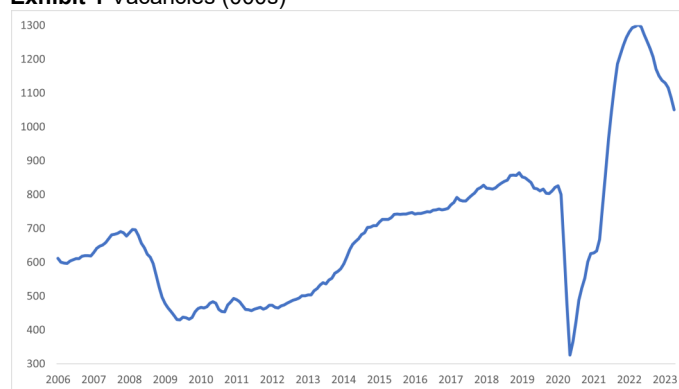
Employment rate increases and the number of vacancies continues to fall...

- The official measure of employment shows an increase of 250,000 in the three months to April 2023, compared with the previous quarter, and an increase of 382,000 on the same period a year ago. The employment rate has increased by 0.2% and is now at 76%.
- Male employment increased by 199,000 on the quarter to April 2023, while female employment went up by 52,000 in the same period. On the year, male employment increased by 290,000 and female employment increased by 92,000.
- All age groups saw an increase in employment levels, with those aged 35-49 seeing the largest increase over the quarter (+53,000), followed by those aged 50-64,

16-24 years-old and 25-34 years-old (+48,000, +21,000 and +12,000 respectively).

- The number of employees working full-time increased (+43,000), while the total number of employees working part-time also increased by 76,000. Both the number of self-employed people working full time and part-time increased (+85,000 and +32,000 respectively).
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees increased by 23,000 and is now at 30 million.
- There were an estimated 1.05 million vacancies in the three months to May 2023, a decrease of 79,000 compared to the last quarter. There are 250,000 fewer vacancies now than a year ago.
- The largest number of jobs available are in Human Health and Social Care (192,000) sector, the Wholesale and Retail trade; repair of motor vehicles and cycles sector (137,000) and the Accommodation and Food service activities sector (127,000).
- The total number of hours worked increased on the quarter to 1.058 million, up by 15% on the quarter. Positively, the number of working days lost because of labour disputes decreased from 553,000 in March 2023 to 257,000 in April 2023.

Exhibit 1 Vacancies (000s)

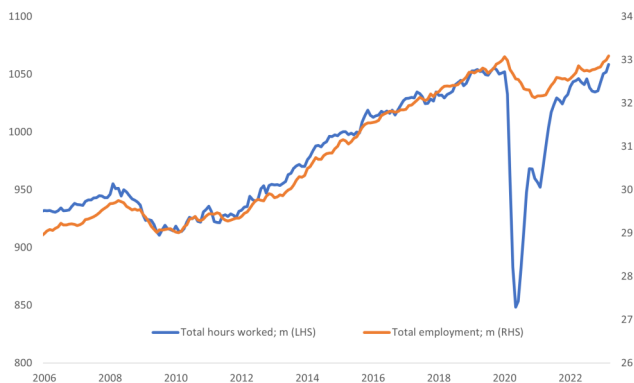


Source: ONS June 2023 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	76%	33,089	+250,000 (0.8%)	+382,000 (1.2%)
Unemployment** (ILO)	3.8%	1,305	+52,000 (+4.2%)	+5,000 (0.4%)
Youth unemployment (16-24)	10.9%	465	+7,000 (+1.5%)	+10,000 (+2.2%)

Source: ONS June 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 June 2023 labour market statistics

...while the unemployment rate slightly increases

- Official data show that, in the three months to April 2023, unemployment levels increased by 52,000 to stand at 1.3 million. The unemployment rate increased by 0.1% in the last quarter and stands at 3.8%. There are 5,000 more unemployed people than in the same period a year ago.
- The number of redundancies remained at a similar level compared to the previous quarter (-2,000) but is up by 37,000 on the year.
- The number of those who are economically inactive significantly decreased (-140,000) compared to the previous quarter, with 99,000 fewer people economically inactive now than the same time last year. The inactivity rate is now 21.0%. The main reason for becoming economically inactive is due to long-term sickness, which is now at a record high at 2.55 million, and students staying in education for longer (2.18 million). Of the 8.7 million economically inactive, 1.7 million say they want a job.

The private sector sees strong 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 7.2% on the year in the three months to April 2023 (the less volatile three-month rolling basis).
- In the three months to April, nominal regular pay growth stood at 7.6% in the private sector (up by 0.5% from March 2023). In the public sector, nominal pay growth stood at 5.6% (no change from the previous quarter).
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+9.2% - up by

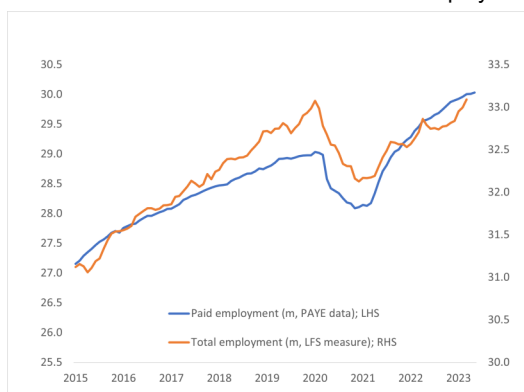
0.4% points), services (+7.4% - up by 0.4% points), manufacturing (+7.0% - up by 0.6% points), construction (+6.4% - down by 0.1%) and wholesaling, retailing, hotels and restaurants (+5.1% - up by 0.6% points).

- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) has decreased 0.7% points on the previous quarter (on the less volatile three-month rolling basis) – and is at -1.3% on the year as 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 -0.3%, down from -1.6% in March 2023.

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

- In the three months to April 2023, employment increased in London (+134,000), West Midlands (103,000), North West (38,000), North East (36,000), East Midlands (33,000), the East (16,000) and Northern Ireland (+12,000).
- Employment remained broadly unchanged in the South East (+5,000), Wales (0, no change) and Yorkshire and the Humber (-4,000).
- The regions and nations that saw a decline in employment levels were Scotland (-74,000) and the South West (-47,000)

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

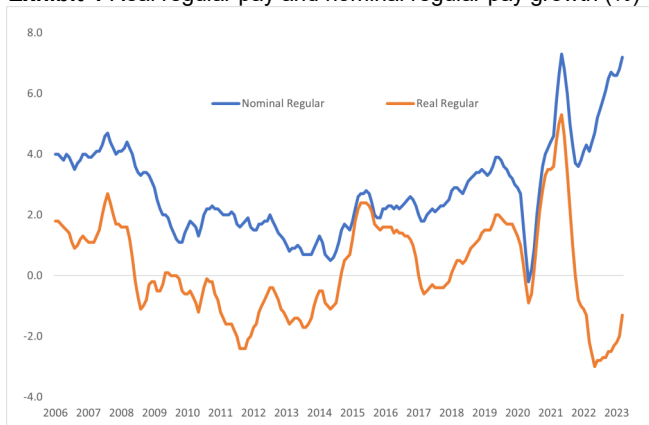


Source: ONS June 2023 labour market statistics

...while unemployment levels also varied across the country

- In the three months to April 2023, unemployment increased in the South West (+21,000), Wales (+21,000), the East (+18,000), Yorkshire and the Humber (+17,000) and West Midlands (+15,000).

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



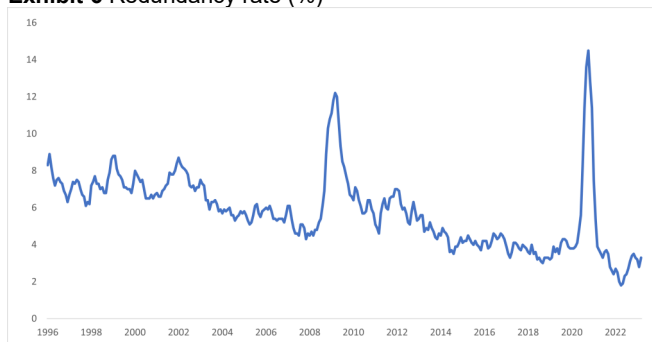
Source: ONS June 2023 labour market statistics

Exhibit 5 Unemployment rate (%)



Source: ONS June 2023 labour market statistics

Exhibit 6 Redundancy rate (%)



Source: ONS June 2023 labour market statistics

- Unemployment levels remained broadly unchanged in London (+3,000), Northern Ireland (+1,000), East Midlands (0, no change), Scotland (-3,000) North East (-6,000) and the South East (-8,000).
- Unemployment levels only decreased in the North West (-26,000).

The next Labour Market Update will be published on **11 July 2023**.



ABOUT THE SPONSOR

“We are evidencing some differences in hiring trends between sectors. While hospitality, healthcare and engineering remain strong, construction, IT and retail are weakening against historical highs.

“We need an upskilled and reskilled workforce which can move between sectors and quickly fill businesses vacancies. Businesses need to work with recruiters, but the Government also needs to play its part by reforming the Apprenticeship Levy to deliver more flexible, modular, and effective training options to help candidates get a start.”

Carmen Watson, Chairperson, Pertemps Ltd

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