

LABOUR MARKET REMAINS TIGHT BUT VACANCIES CONTINUE TO FALL

The latest ONS data cover the period from January to March 2023 and portray a labour market that continues to show signs of softening, with the employment rate increasing, unemployment remaining low, and economic inactivity and vacancies both falling. Real time Pay-As-You-Earn data for April 2023 showed that the number of payrolled employees decreased for the first time since February 2021, down by 136,000 to a 29.8 million.

The economic inactivity rate decreased by 1.8% on the quarter, to 21.0% in the period from January to March 2023. The decrease in economic inactivity was largely driven by people who do not want a job meaning there has been a significant flow of people moving from economically inactive to employed. However, economic inactivity due to long-term sickness continues to rise to a new record high – and stands now at 2.55 million, representing nearly 3 in 10 of those economically inactive.

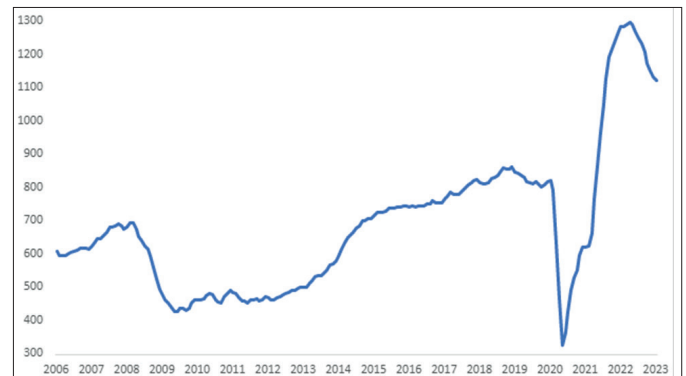
On the other hand, vacancies fell by 55,000 on the quarter to 1,083,000. Vacancies fell on the quarter for the tenth consecutive period but remain higher than pre-pandemic levels. Lastly, there were 556,000 working days lost because of labour disputes in March 2023, up from 332,000 in February 2023.

Employment rate increases as vacancy levels continue to fall...

- The official measure of employment shows an increase of 182,000 in the three months to March 2023, compared with the previous quarter, and an increase of 363,000 on the same period a year ago. The employment rate has increased by 0.2% and is now at 75.9%.
- The net increase in employment is exclusively male whose employment figures have gone up by 182,000. Female employment remained at the same level as the previous quarter (-1,000). On the year, male employment increased by 284,000 and female employment increased by 79,000.

- Those aged 16-24 saw the largest increase in employment levels over the quarter (+98,000), with the 25-34-year-old age group and the 35-49-year-old age group also seeing a rise this quarter (+51,000 and +25,000 respectively).
- The 50-64-year-old group was the only one that saw a decrease in employment levels (-57,000).
- The number of employees working full-time decreased (-41,000), while the total number of employees working part-time increased significantly (+128,000). Both the number of self-employed people working full time and part-time increased (+34,000 and +50,000 respectively).
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has decreased

Exhibit 1 - Vacancies (000s)

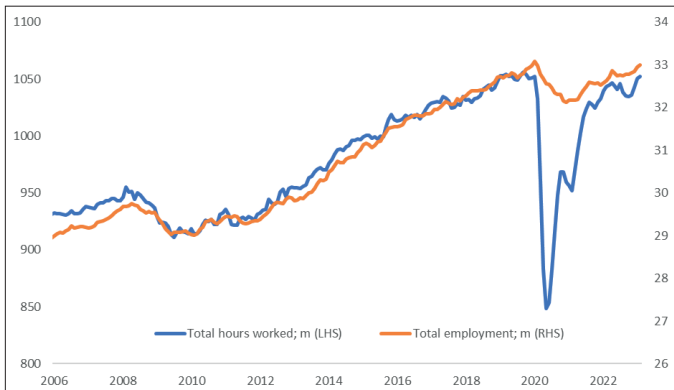


Source: ONS April 2023 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.9%	32,995	+182,000 (+0.6%)	+363,000 (+1.1%)
Unemployment** (ILO)	3.9%	1,329	+60,000 (+0.1%)	+71,000 (-5.6%)
Youth unemployment (16-24)	8.8%	482	-11,000 (-0.9%)	+44,000 (+1.1%)

Source: ONS April 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



Source: ONS May 2023 labour market statistics

for the first time since February 2021 by 136,000 and is now at 29.8 million. data (millions)

- There were an estimated 1.08 million vacancies in the three months to April 2023, a decrease of 55,000 compared to the last quarter. There are 214,000 fewer vacancies now than a year ago.
- The largest number of jobs available are in Human Health and Social Care (196,000) sector, the Wholesale and Retail trade; repair of motor vehicles and cycles sector (138,000) and the Accommodation and Food service activities sector (132,000).
- The total number of hours worked increased on the quarter to 1.052 million, and it is now at pre-pandemic levels. However, there were 556,000 working days lost because of labour disputes in March 2023, up from 332,000 in February 2023.

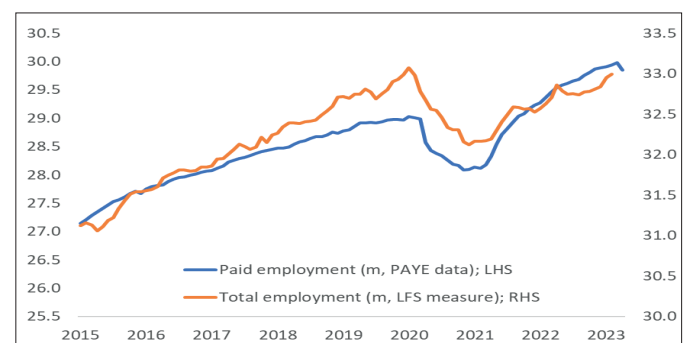
...while unemployment slightly increases

- Official data show that, in the three months to March 2023, unemployment levels increased by 60,000 to stand at 1.32 million. The unemployment rate increased by 0.1% in the last quarter and stands at 3.9%. There are 71,000 more unemployed people than in the same period a year ago.
- The number of redundancies decreased on the previous quarter (-18,000) but is up by 11,000 on the year. The redundancy rate is at 2.8 per thousand employees, a decrease of -0.7% from the previous quarter.
- The number of those who are economically inactive significantly decreased (-156,000) compared to the previous quarter, with 134,000 fewer people economically inactive now than the same time last year. The inactivity rate is now at 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 (2.17 million). Of the 8.7 million economically inactive, 1.7 million say they want a job, an increase of 12,000 on the previous quarter.

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

- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 6.7% on the year in the three months to March 2023 (the less volatile three-month rolling basis).
- In the three months to March, nominal regular pay growth stood at 7.0% in the private sector (no change from February 2023). In the public sector, nominal pay growth stood at 5.6%, the highest pay growth since December 2005.
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+8.8% - up by 0.6% points), services (+6.9% - no change), manufacturing (+6.3% - up by 0.4% points), construction (+6.2% - no change) and wholesaling, retailing, hotels and restaurants (+4.4% - down by 0.5% points).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) has slightly increased by 0.3% points on the previous quarter (on the less volatile three-month rolling basis) - and is at -2.0% 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 -1.7%, down from -2.0% in February 2023.

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

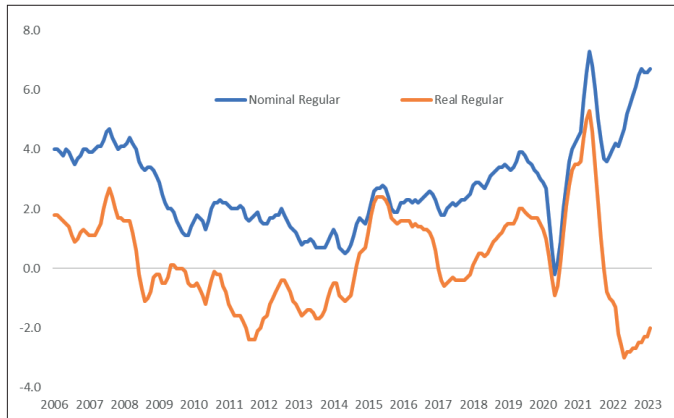


Source: ONS May 2023 labour market statistics

Employment levels increased across most regions...

- In the three months to March 2023, employment increased in London (+83,000), Yorkshire and the Humber (+46,000), South East (+43,000), the North East (+40,000), the North West (+31,000), the East Midlands (+26,000), the East (+17,000) and the West Midlands (+16,000)
- Employment remained broadly unchanged in Northern Ireland (+4,000) and Wales (-10,000).

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



Source: ONS May 2023 labour market statistics

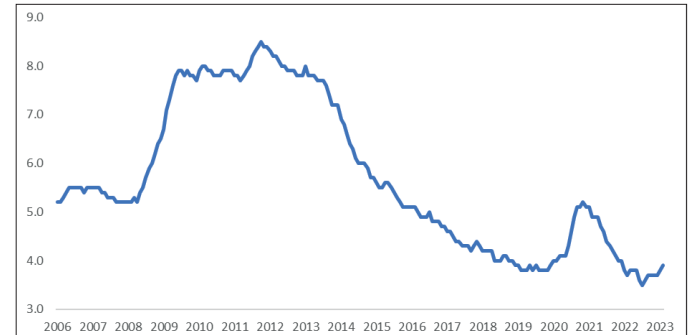
- The regions and nations that saw a decline in employment levels were Scotland (-60,000) and the South West (-53,000)

...while most regions also saw an increase in unemployment levels

- In the three months to March 2023, unemployment increased in the West Midlands (+21,000), the East (+19,000), Wales (+16,000), London (+14,000), East Midlands (+12,000) and the South West (+11,000).
- Unemployment levels remained broadly unchanged in Yorkshire and the Humber (+1,000), Northern Ireland (no change), the North East (-1,000) and Scotland (-7,000).
- Unemployment levels decreased in the South East (-13,000), and North West (-14,000).

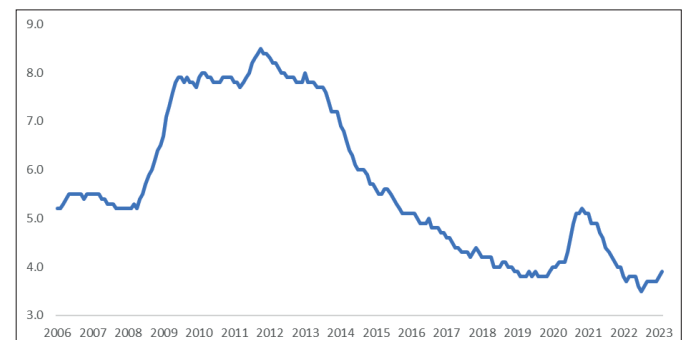
Source: ONS April 2023 labour market statistics

Exhibit 5 - Unemployment rate (%)



Source: ONS May 2023 labour market statistics

Exhibit 6 - Redundancy rate (%)



Source: ONS May 2023 labour market statistics

The next labour market update will be published on **13th June 2023**.

“ It’s evident there’s been some progress on bringing people back to the labour market, and overall employment remains high.

“ But there is still work to be done to address high worklessness, labour shortages and high inflation. Businesses need to work with recruitment professionals to find innovative ways to hire people and also need to consider their employee engagement as part of their wider recruitment and retention strategy.”

Carmen Watson, Chairperson, Pertemps Ltd

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