

PAY RISES FASTER THAN INFLATION FOR THE FIRST TIME IN ALMOST TWO YEARS, WHILE ECONOMIC INACTIVITY AND VACANCIES CONTINUE TO FALL

The latest ONS data cover the period from April to June 2023 and show a labour market that continues to soften, with the employment rate decreasing, unemployment increasing, and economic inactivity and vacancies both falling. However, real time Pay-As-You-Earn data for July 2023 showed that the number of payrolled employees increased by 97,000 to 30.2 million.

The economic inactivity rate decreased by 0.1% on the quarter, to 20.9% in the period from April to June 2023. The decrease was largely driven by those that are looking after a family or home. Meanwhile, those inactive because of long-term sickness increased to a record high.

The number of vacancies continues to fall – with 66,000 fewer vacancies on the quarter to 1,020,000. Vacancies fell for the thirteenth consecutive period but still remain higher than pre-pandemic levels. Growth in regular pay was 7.8% in the quarter April to June 2023 – the highest it has been since records began in 2001. Pay rising faster than CPIH inflation for the first time in almost two years will be welcome relief to households struggling with the cost-of-living crisis, but the widening gulf between pay and productivity will add to the Bank of England's headache.

Bringing inflation down requires a wider policy response than just raising interest rates, with action needed to boost business investment and productivity, and to ease the most acute labour shortages. Empowering firms to invest more in people, innovation and capital, requires a review of the UK's tax system – with an ambitious tax roadmap to provide certainty and clarity. While steps to boost labour supply by expanding childcare will help, renewed focus is required to bring down record high sickness absence.

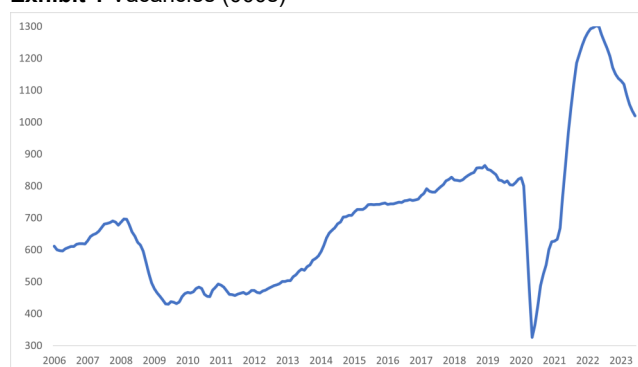
Employment rate decreases and the number of vacancies continues to fall...

- The official measure of employment shows a decrease of 66,000 in the three months to June 2023, compared with the previous quarter, and an increase of 137,000 on the same period a year ago. The employment rate has decreased by 0.1% and is now at 75.7%.
- Male employment decreased by 46,000 on the quarter to June 2023, while female employment also went down by 20,000 in the same period. On the year, male

employment increased by 120,000 and female employment increased by 17,000.

- Those aged 50-64 were the only age group that saw an increase in employment levels (+91,000). The rest age groups saw a decrease in employment – those aged 16-24, 25-34 and 35-49 years old (-73,000, -37,000 and -9,000 respectively).
- The number of employees working full-time decreased (-67,000), while the total number of employees working part-time increased significantly by 89,000. The number of self-employed people working full time decreased by 55,000 while the number of self-employed working part-time also decreased by 23,000.
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees increased by 97,000 and stands at 30.2 million.
- There were an estimated 1.02 million vacancies in the three months to July 2023, a decrease of 66,000 compared to the last quarter. There are 256,000 fewer vacancies now than a year ago.
- The largest number of jobs available are in Human Health and Social Care (182,000) sector, the Wholesale and Retail trade; repair of motor vehicles and cycles sector (137,000) and the Accommodation and Food service activities sector (124,000).

Exhibit 1 Vacancies (000s)



Source: ONS August 2023 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.7%	32,929	-66,000 (-0.2%)	+137,000 (+0.4%)
Unemployment** (ILO)	4.2%	1,439	+109,000 (+8.2%)	+145,000 (11.2%)
Youth unemployment (16-24)	12.3%	524	+42,000 (+8.7%)	+95,000 (+22.1%)

Source: ONS August 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 August 2023 labour market statistics

- The total number of hours worked decreased on the quarter to 1.046 million, down by 5.6%. The number of working days lost because of labour disputes increased to 160,000. Over half of the days lost because of labour disputes in June were in the Health and Social Work sector.

...while the unemployment rate increases

- Official data show that, in the three months to June 2023, unemployment levels increased significantly by 109,000 to stand at 1.43 million. The unemployment rate increased by 0.3% in the last quarter and stands at 4.2%. There are 145,000 more unemployed people than in the same period a year ago.
- The redundancy rate increased by 0.9% in the quarter to June 2023 and stands at 3.8%.
- The number of those who are economically inactive decreased (-38,000) compared to the previous quarter, with 198,000 fewer people economically inactive now than the same time last year. The inactivity rate is now 20.9%. The main reason for becoming economically inactive is due to long-term sickness, which is now at a record high at 2.57 million. Of the 8.69 million economically inactive, 1.66 million say they want a job.

The private sector continues to see strong wage growth

- 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 June 2023 (the less volatile three-month rolling basis).
- In the three months to June, nominal regular pay growth stood at 8.2% in the private sector (up by 0.3% from May 2023). In the public sector, nominal

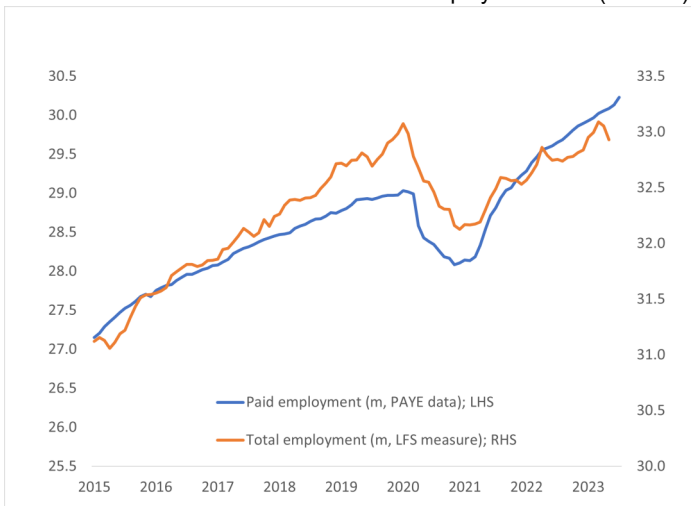
pay growth stood at 6.2% (up by 0.3% from the previous quarter).

- Across the different sectors, nominal annual regular pay growth was strongest in finance (+9.4% - up by 0.3% points), manufacturing (+8.2% - up by 0.3% points), services (+7.9% - up by 0.3% from the previous quarter), wholesaling, retailing, hotels and restaurants (+6.3% - up by 0.7% from the previous quarter) and construction (+5.8% - down by 0.4% from the previous quarter).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) has increased 0.7% points on the previous quarter (on the less volatile three-month rolling basis) – and is at 0.1% on the year, exceeding CIPH inflation for the first time in almost two years.
- Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) is at 0.6%, up from -0.1% in May 2023.

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

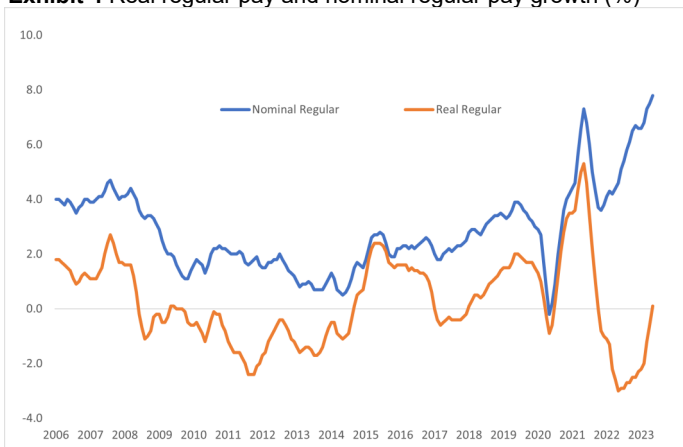
- In the three months to June 2023, employment increased in East Midlands (+31,000), West Midlands (+28,000), the South East (+28,000), Wales (+26,000) and the North East (+22,000).
- Employment remained broadly unchanged in the North West (0, no change), the East (-6,000) and Northern Ireland (-9,000).
- The regions and nations that saw a decline in employment levels were London (-126,000), Scotland (-31,000), Yorkshire & The Humber (-17,000) and the South West (-12,000).

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



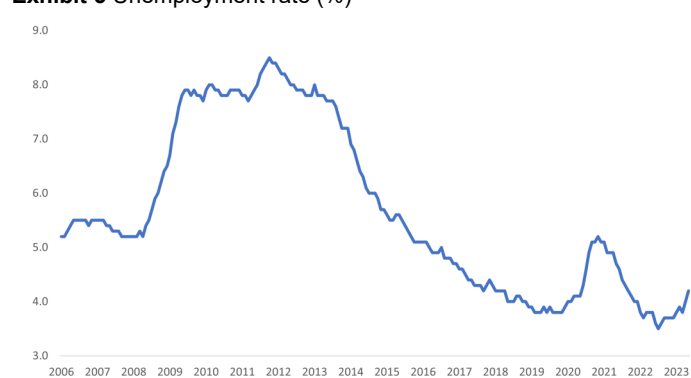
Source: ONS August 2023 labour market statistics

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



Source: ONS August 2023 labour market statistics

Exhibit 5 Unemployment rate (%)



Source: ONS August 2023 labour market statistics

Exhibit 6 Redundancy rate (%)



Source: ONS August 2023 labour market statistics

...while unemployment levels also varied across the country

- In the three months to June 2023, unemployment increased in the North East (+37,000), Scotland (+24,000), South West (+23,000), London (+15,000) and the East (+13,000).
- Unemployment levels remained broadly unchanged in Wales (+5,000) West Midlands (+4,000), Northern Ireland (+2,000), East Midlands (+1,000), North East (+1,000) and South East (-1,000).
- Unemployment levels only decreased in Yorkshire and The Humber (-13,000).

The next Labour Market Update will be published on **12th September 2023.**



ABOUT THE SPONSOR

“The jobs market remains fairly robust, with vacancies and pay still rising with unemployment remaining low.

“Hiring overall remains the same, but some sectors, including hospitality and construction, remain under pressure from significant labour shortages. Recruiters and businesses need to work together with the Government to create a strategy that puts a focus on skills, transport, access to work and immigration to rebalance the labour market and support our economic recovery.”

Carmen Watson, Chairperson, Pertemps Ltd

Pertemps Network Group is the largest privately owned recruitment agency. It has a turnover in excess of £1bn and offers immediate and strategic solutions to clients across both the public and private sector. It is made up of: **Pertemps Ltd** – established in 1961 with over 100 branches, operating across a multitude of sectors and supplying diverse roles. The company also specialises in business process outsourcing delivered using a wide range of

solutions such as Master Vendor, Neutral Vendor and Recruitment Process Outsourcing.

Network Group – offering expertise across specialist recruitment sectors including IT, legal, finance, healthcare, education, medical, construction, manufacturing, security and engineering.

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