

PAY GROWTH SLOWS WHILE VACANCIES CONTINUE TO FALL

The latest ONS data covers the period from October to December 2023 and shows a labour market that remains tight overall but continues to slowly soften. This softening is limited to falling vacancies with the employment rate, unemployment rate and economic inactivity broadly unchanged from the last quarter (75.8%, 4.2% and 20.8% respectively). Vacancies have fallen for the eighteenth consecutive month but are still higher than the pre-pandemic norm. Real time Pay-As-You-Earn data for December 2023 shows that the number of payrolled employees decreased by 24,000 on the revised November figure – with 30.2 million in the labour market.

The number of vacancies continues to fall – with 49,000 fewer vacancies on the quarter to 934,000. Vacancies have been falling for eighteen months but remain higher than pre-pandemic levels.

Growth in regular pay was 6.6% in the quarter to November 2023 – down from 7.3% in the previous period. In real terms, annual growth, real pay rose on the year by 1.4%.

In November, there were 69,000 working days lost because of labour disputes across the UK, the lowest number of working days lost since May 2022.

While there continues to be signs that the labour market is softening, it is happening slowly. Many businesses are still struggling to hire the people they need, leading to higher employment costs that are putting pressure on prices. With an election fast approaching, all parties need to look at measures to support business investment as only productivity growth can help to bring down inflationary pressures, create the capacity for sustainable growth and improve living standards.

Please note: because of the increased uncertainty around the Labour Force Survey estimates, today's data is an alternative series of estimates of UK employment, unemployment, and economic inactivity as experimental statistics. Unadjusted Labour Force Survey data are not published and therefore some of the usual statistics included in this Update are not included today.

Employment rate remains unchanged while the number of vacancies continues to fall...

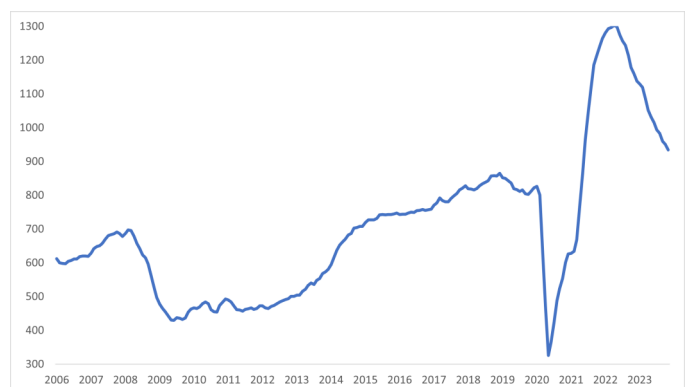
- Experimental estimates for September to November 2023 show a largely unchanged figure for the UK employment rate – standing at 75.8%.
- Experimental estimates for September to November 2023 show the UK unemployment rate remained at 4.2%.
- Experimental estimates for September to November 2023 show a largely unchanged figure to the UK economic inactivity too – standing at 20.8%.
- In October to December 2023, the estimated number of vacancies in the UK fell by 49,000 on the quarter to 934,000. Vacancies fell on the quarter for the 18th consecutive period.

- There were 69,000 working days lost because of labour disputes across the UK in November 2023 – the lowest number of working days lost since May 2022. The majority of the strikes were in the transport, storage, information and communication industries.

Pay growth softens but remains above inflation

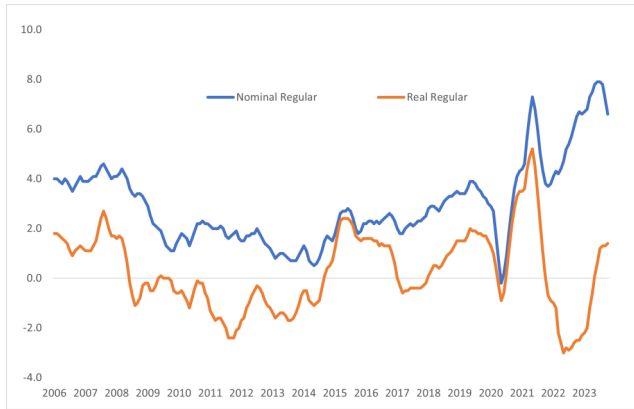
- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 6.6% on the year in the three months to November 2023 (the less volatile three-month rolling basis). This is down from 7.2% last month. It is likely to fall again next month but there are signs of a slowing pace rather than a continued acceleration.
- In the three months to November 2023, nominal regular pay growth stood at 6.5% in the private sector (down by 0.7% from the previous quarter). In the public sector, nominal pay growth stood at 6.6% (down by 0.3% from the previous quarter). This is the first time that public sector pay has risen faster than the private sector since March 2021. This is likely to be a one-off because pay growth in the public sector was particularly strong in September.
- Across the different sectors, nominal annual regular pay growth was strongest in wholesale, retail, hotels and restaurants (+7.2 up by 0.2% from last quarter), finance (+7.0% - down by 1.2% from the last quarter), manufacturing (+7.0% - down by 0.4% from the last quarter), services (+6.7% - down by 0.6% from the last quarter (+4.5% - down by 0.7% from the previous quarter).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) has increased 0.1% on the previous quarter (on the less volatile three-month rolling basis) – and is at 1.4% on the year.
- Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) is at 1.7%, up by 0.3% from the last quarter.

Exhibit 1 Vacancies (000s)



Source: ONS January 2024 labour market statistics

Exhibit 2 Real regular pay and nominal regular pay growth (%)



Source: ONS January 2024 labour market statistics



ABOUT THE SPONSOR

“As we came to the end of 2023, the job market seemed cautiously optimistic but not overly confident. We saw a decrease in permanent job placements and temporary hires, indicating a hesitancy among employers.”

“Although there’s a slight slowdown in the growth of available candidates, there’s still an overall increase due to redundancies and reduced hiring. In this environment, the competition for skilled workers is intense leading to higher starting pay rates. As we navigate economic uncertainties, our commitment to smart and thoughtful hiring practices becomes more important than ever.”

Carmen Watson, Chairperson, Pertemps Ltd

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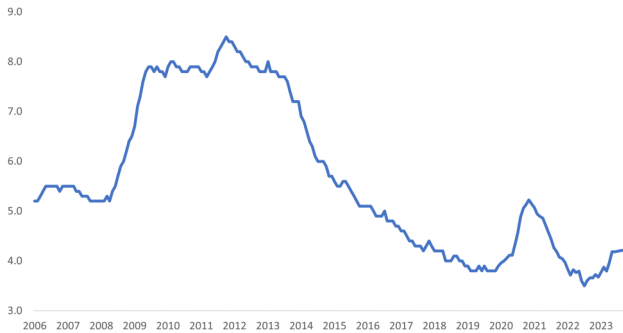
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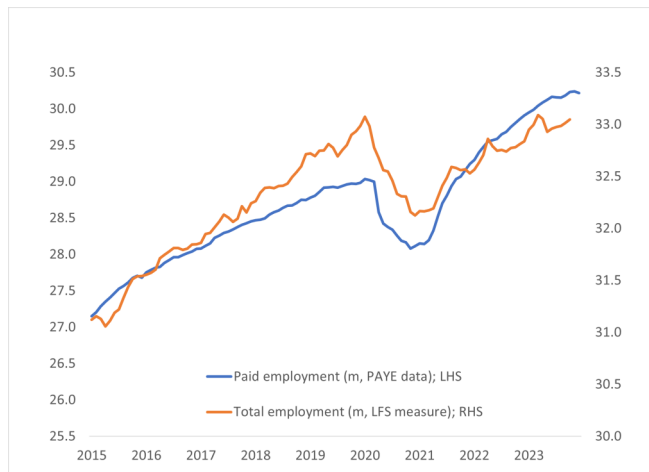
The next Labour Market Update will be published on **13th February 2024.**

Exhibit 3 Unemployment rate (%)



Source: ONS January 2024 labour market statistics

Exhibit 4 PAYE real time data vs official employment data (millions)



Source: ONS January 2024 labour market statistics