

UNEMPLOYMENT AND INACTIVITY RISE WHILE PAY PLATEAUS

The latest ONS data shows a largely unchanged labour market that remains tight overall but continues to slowly soften.

The UK employment rate (for people aged 16 to 64 years) was estimated at 74.5% in January to March 2024, below estimates of a year ago, and decreased in the latest quarter. The UK unemployment rate (for people aged 16 years and over) was estimated at 4.3% in January to March 2024, above estimates of a year ago, and increased in the latest quarter. Payrolled employees in the UK fell by 5,000 (0.0%) between February and March 2024, but rose by 288,000 (1.0%) between March 2023 and March 2024.

The UK economic inactivity rate for people aged 16 to 64 years was estimated at 22.1% in January to March 2024, above estimates of a year ago, and increased in the latest quarter. Those inactive due to long-term and temporary sickness has increased slightly this quarter.

In February to April 2024, the estimated number of vacancies in the UK decreased by 26,000 on the quarter to 898,000. Vacancies decreased on the quarter for the 22nd consecutive period but are still above pre-coronavirus (COVID-19) pandemic levels.

Annual growth in employees' average regular earnings (excluding bonuses) in Great Britain was 6.0% in January to March 2024, and annual growth in total earnings (including bonuses) was 5.7%.

Annual growth in real terms (adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH)) for regular pay was 2.0% in January to March 2024, and for total pay was 1.7%.

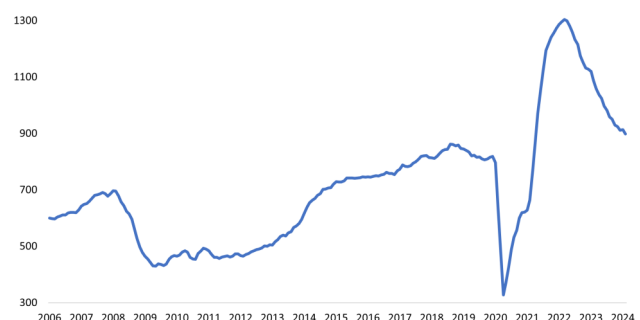
While there continue to be signs of the labour market cooling, it is still overheating and there is not yet any indication that pay rises are reducing to a level compatible with easing inflation and reducing interest rates.

Please note: this release follows the reintroduction of Labour Force Survey data, which now includes the latest population information. The ONS continues to advise that increased volatility of Labour Force Survey estimates, resulting from smaller achieved sample sizes, means that estimates of quarterly change should be treated with additional caution.

Employment rate decreases and vacancies continue to fall...

- The official measure of employment shows a decrease of 178,000 in the three months to March 2024, compared with the previous quarter and a decrease of 204,000 on the same period a year ago. The employment rate is down on the quarter (-0.6%) and also down on the year (-0.8%) standing at 74.5%. This is below pre-pandemic rates.
- Male employment decreased by 102,000 on the quarter to March 2024, while female employment decreased by 75,000 in the same period. On the year, male employment decreased by 217,000 and female employment decreased by 13,000. The only age group to see an increase in employment levels on the quarter were those aged 35-49 (+20,000) while those aged 16-24, 25-34 and 50-64 all saw a decrease in employment levels (-79,000, -26,000 and -118,000 respectively).
- The number of employees working full-time increased by 134,000, while the total number of employees working part-time decreased by 177,000 on the quarter. The number of self-employed people working full-time decreased by 77,000 and the

Exhibit 1 Vacancies (000s)

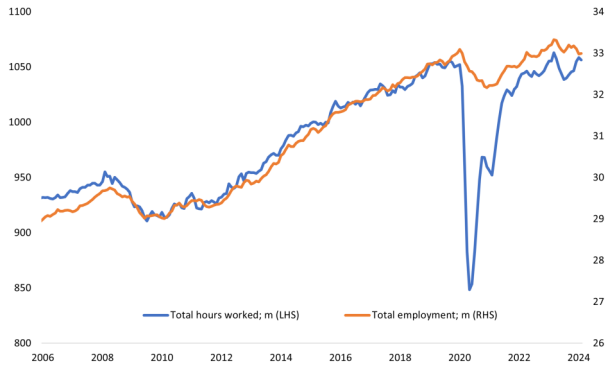


Source: ONS May 2024 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	74.5%	32,997	-177,000 (-0.5%)	-204,000 (-0.6%)
Unemployment** (ILO)	4.3%	1,486	+166,000 (+12.6%)	+103,000 (+7.4%)
Youth unemployment (16-24)	13.0%	539	+57,000 (11.8%)	+32,000 (+6.3%)

Source: ONS May 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 May 2024 labour market statistics

number of self-employed people working part-time decreased by 42,000.

- Payrolled employees in the UK fell by 5,000 (0.0%) between February and March 2024, but rose by 288,000 (1.0%) between March 2023 and March 2024. The early estimate of payrolled employees for April 2024 decreased by 85,000 (0.3%) on the month but increased by 129,000 (0.4%) on the year, to 30.2 million. The April 2024 estimate should be treated as a provisional estimate and is likely to be revised when more data are received next month.
- There are 898,000 vacancies in the economy. There are 188,000 fewer vacancies now than a year ago and 26,000 fewer than in the previous quarter. This is the 22nd consecutive period that vacancies have fallen but they are still above pre-pandemic levels. This is the longest series of falls in vacancy estimates recorded.
- Vacancies are becoming more concentrated in fewer sectors. The largest number of jobs available are in Human Health and Social Care sector (160,000), the Wholesale and Retail trade, repair of motor vehicles and cycles sector (116,000) and the Accommodation and Food service activities sector (107,000).
- There are now only four sectors with more than 3.5 vacancies per 100 employees, down from 13 sectors at the peak of shortages in 2022. The most acute shortages are in the energy (4.4), hospitality (4) and health & social care (3.6) sectors.
- There were an estimated 22,000 working days lost because of labour disputes across the UK in March 2024.

...while the unemployment rate increases

- Official data shows that, in the three months to March

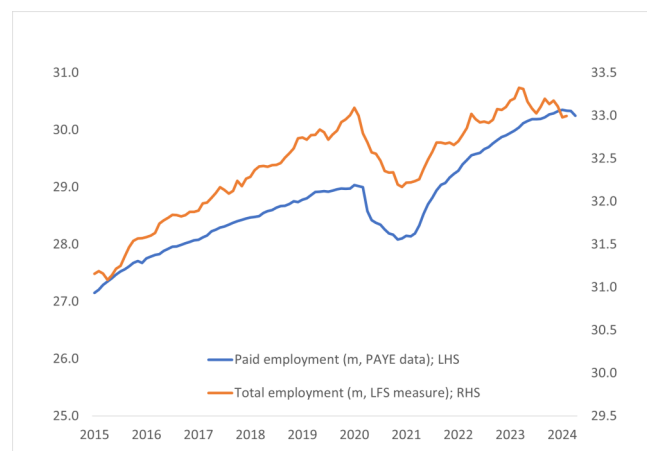
2024, unemployment levels increased by 166,000 to stand at 1.48 million. The unemployment rate increased by 0.5% on the last quarter and stands at 4.3%. There are 103,000 more unemployed people in the same period a year ago.

- The redundancy rate decreased by 0.9% in the quarter to March 2024 and stands at 3.1%.
- The number of those who are economically inactive increased by 104,000 compared to the previous quarter and has increased by 302,000 compared to the same time last year. The inactivity rate is now 22.1% in January to March 2024, above estimates a year ago, and increased in the latest quarter. The increase is driven by increases on the quarter to both economic inactivity due to temporary sickness (+49,000) and long-term sickness (+20,000).

Pay growth softens slightly, but shows signs of plateauing

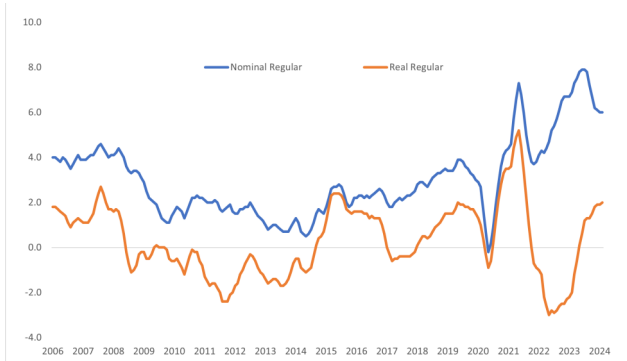
- Nominal pay growth across the whole economy (excl. bonuses and before adjusting for inflation) remains at 6.0% on the year in the three months to March 2024 (the less volatile three-month rolling basis). Wages continue to plateau, rather than fall in line with falling inflation.
- In the three months to March, nominal regular pay growth stood at 5.9% in the private sector, down from 6% in the previous quarter. In the public sector, nominal pay growth stood at 6.3%, up from 6.1% in the previous quarter.

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



Source: ONS May 2024 labour market statistics

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



Source: ONS May 2024 labour market statistics

- Across the different sectors, nominal annual regular pay growth was strongest in Manufacturing (+6.8 unchanged from the previous quarter) and Finance and business services (+6.8%, unchanged from the previous quarter). Nominal annual regular pay growth was weakest in Construction, decreasing from 3.1% last quarter to 2.6% this quarter.
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) is marginally up on the previous quarter (1.9%) on the less volatile three-month rolling basis, rising to 2% on the year.

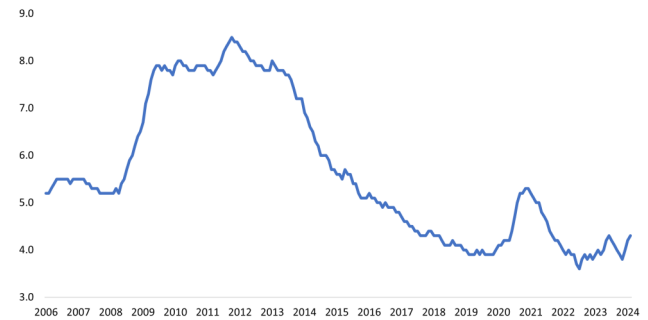
Mixed picture in employment levels across regions and nations...

- In the three months to March 2024, employment levels increased in Northern Ireland (+6000), but decreased in England (-133,000), Scotland (-38,000) and Wales (-13,000).
- Employment levels increased in the South West (+39,000), the East Midlands (+24,000), the South East (+4000) and the East (+2,000). Employment levels fell in all other regions, most significantly in London (-103,000), and Yorkshire and The Humber (-37,000).

...while unemployment levels also varied within and between nations

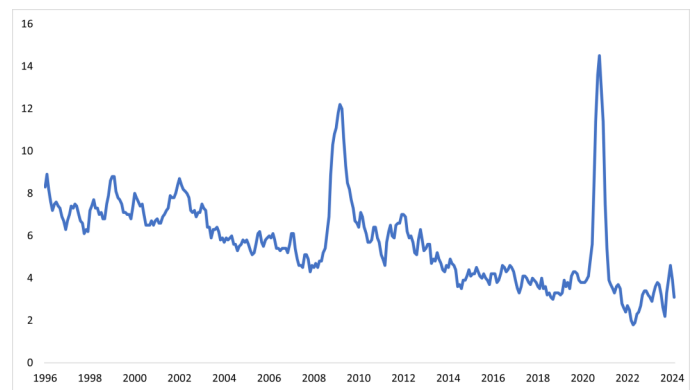
- Unemployment levels decreased marginally in Scotland (-5,000), Northern Ireland (-4,000) and Wales (-3,000).
- In the three months to March 2024, unemployment increased in all regions of England, except the North East, which saw no change. The regions with the greatest increases in the unemployment rate include the North West (+47,000), the West Midlands (+38,000) and London (+37,000).

Exhibit 5 Unemployment rate (%)



Source: ONS May 2024 labour market statistics

Exhibit 6 Redundancy rate (%)



Source: ONS May 2024 labour market statistics



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The next Labour Market Update will be published on **11th June**

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“This month’s update shows a labour market adapting to economic shifts, with vacancies holding steady despite a slowdown. The forecast points towards a potential increase in demand, offering a glimmer of hope amidst ongoing uncertainties.

“Data suggests a gradual easing in pay growth. However, challenges will remain especially in sectors most affected by persistent skill shortages. It’s crucial for policymakers to prioritise evidence-based strategies, addressing skill barriers and to streamline regulations to foster long-term, sustainable growth.”

Carmen Watson, Chairperson, Pertemps Network Group

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