

REGULAR WAGE GROWTH CONTINUES TO CLIMB, WHILE EMPLOYMENT AND UNEMPLOYMENT LEVELS INCREASE

"While the labour market has experienced a slight rise in unemployment, there has also been a notable increase in average earnings, reflecting the growing demand for skilled talent. This shift stresses the fact that businesses are willing to pay a premium for the right expertise, making it essential for companies to adapt and secure top-tier candidates. As the competition for talent intensifies, having a dedicated recruitment partner becomes more crucial than ever."

**Carmen Watson, Chairperson,
Pertemps Network Group**

In the quarter to December 2024, wage growth across the economy remained strong, unemployment and employment levels increased, and economic inactivity marginally fell but remains high. This paints the same picture of the labour market as described in recent months, with hiring expectations cooling but the challenges associated with accessing new skills and talent remaining a top threat to growth.

The UK employment rate (for people aged 16 to 64 years) was estimated at 74.9% in the period between October and December 2024, which is slightly up on the quarter and the year. The UK unemployment rate (for people aged 16 and over) was estimated at 4.4% in September and December 2024, slightly up on the quarter and the year.

The UK economic inactivity rate for people aged 16 to 64 years was estimated at 21.5% in the quarter to December 2024, marginally down on the year and the quarter.

The estimated number of vacancies in the UK decreased by 9,000 to 819,000 in the period between November 2024 to January 2025. This represents the 31st consecutive quarterly decline in the number of positions employers are actively recruiting for from outside of their business.

Payrolled employees in the UK decreased by 3,000 (0.0%) between October and December 2024 but rose by 106,000 (+0.3%) between December 2023 and December 2024. The early estimate of payrolled employees for January 2025 increased by 21,000 (+0.1%) on the month and 49,000 (+0.2%) on the year to 30.4 million. The January 2025

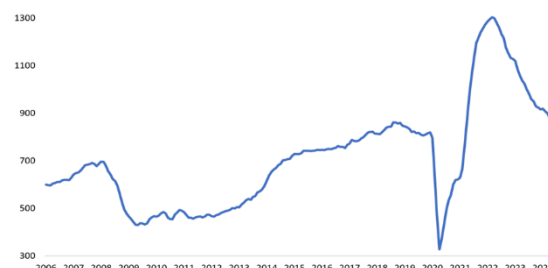
estimate should be treated as a provisional estimate and is likely to be revised when more data is received next month.

Annual growth in employees' average regular earnings (excluding bonuses) in Great Britain was 5.9% in the quarter to December, and annual growth in total earnings (including bonuses) was 6.0%. Annual growth in real terms (adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH)) for regular pay and total pay both stood at 2.5% across the same period.

There are some new stories emerging through the labour market data, including an uptick in regular wage growth and the plateau in vacancy levels which have been falling since the pandemic. But the overarching message stays unchanged: policymakers must work with businesses to identify levers which can help drive productivity, as simply recruiting more people into the labour market cannot be relied on as the mechanism to drive growth. Businesses will be looking to the Chancellor to use the time between now and the Spending Review to engage with the challenges holding back firms' ability to make productivity-enhancing investments. This includes continued rigidity in how the Apprenticeship Levy can be spent and the risk of huge compliance costs presented by the Employment Rights Bill.

Please note: Increased volatility of LFS estimates, resulting from smaller achieved sample sizes, means that estimates of quarterly change should be treated with added caution.

Exhibit 1 Vacancies (000s)

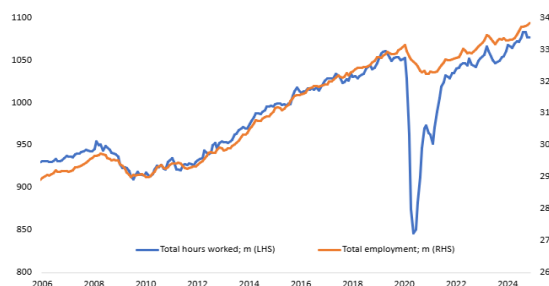


Source: ONS February 2025 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	74.9%	33,856	+107,000 (+0.3%)	+479,000(+1.4%)
Unemployment** (ILO)	4.4%	1,557	+48,000 (+3.2%)	+213,000 (+15.8%)
Youth unemployment (16-24)	14.8%	642	0 (0.0%)	+161,000 (+33.5%)

Source: ONS February 2025 labour market statistics, *Rate for those aged 16-64 **Rate for those aged 16 and over

Exhibit 2 Employment vs actual weekly hours worked



ONS February 2025 labour market statistics

Employment levels are up on the year and the quarter and vacancies continue to decline...

- The official measure of employment increased in the three months to December 2024 (+107,000), and is also higher compared to this time last year (+479,000). The employment rate is marginally up on the quarter and the year (+0.1%), sitting at 74.8%.
- Male employment increased by 188,000 on the quarter to December 2024, while female employment fell during the same period (-80,000). On the year, male and female employment increased by 284,000 and 195,000, respectively. In the quarter to December 2024, 16-17 year olds were the only age group to observe a decrease in employment levels (-29,000). 50-64 year olds observed the largest increase in employment levels (+59,000), followed by 18-24 year olds (+24,000) and 25-34 year olds (+21,000).
- Between October and December 2024, the number of employees working full-time rose (+100,000) while the number of employees working part-time decreased (-44,000). The number of self-employed people working full and part-time both increased on the quarter by 49,000 and 5,000, respectively.
- Estimates for payrolled employees in the UK decreased by 14,000 (0.0%) between November and December 2024 but rose by 44,000 (+0.1%) between December 2023 and December 2024.
- In the three months to January 2024, there were 819,000 vacancies across the economy, representing a decrease on the quarter (-9,000). There are 110,000 fewer vacancies now compared to a year ago (-11.8%).
- Following trends seen in previous months, vacancies continue to concentrate in a certain number of sectors. Human health and social work activities continue to report the most vacancies (142,000), followed by the wholesale and retail trade and repair of motor vehicles (93,000) and accommodation and food service activities (87,000) (October to December 2024).
- Most sectors are reporting between 2 and 3 vacancies per 100 employee jobs. The exceptions to this are accommodation and food service activities (3.3), electricity, gas, steam and air conditioning supply (3.2), mining and quarrying (3.2), financial and insurance activities (3.2), and human health and social work activities (3.1).
- There was an estimated 52,000 working days lost because of labour disputes across the UK in December 2024.

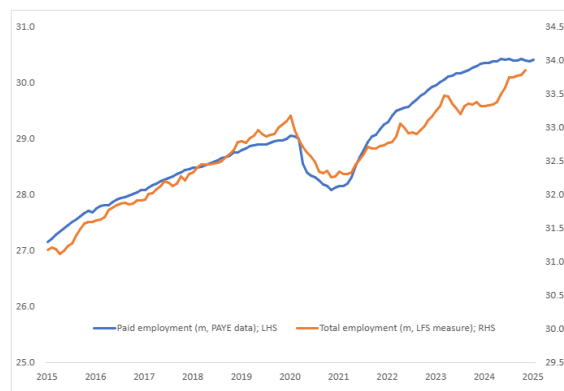
...while the unemployment levels also rose

- In the quarter to December 2024, unemployment levels increased to 1.557 million (+48,000). The unemployment rate also rose marginally on the quarter from 4.3% to 4.4%. There are 213,000 more unemployed people compared to this time last year.
- The redundancy levels increased on the quarter to December 2024 by 22,000 to 114,000, and the redundancy rate also rose from 3.2% to 3.9% over the same period.
- Inactivity levels fell on the quarter (-42,000) and the year (-126,000) and there are now 9.29 million 16-64 year olds who are unemployed and not listed as actively looking for work. The inactivity rate has marginally fallen on the quarter and year, sitting at 21.5%.
- Inactivity related to temporary sickness is up on the quarter (+17,000) and the year (+56,000) while inactivity linked to long-term sickness is down on the quarter (-26,000) and figures observed this time last year (-72,000). Sickness continues to be the leading cause of driving inactivity, accounting for 2.98 million cases, followed by studying (2.47 million) and family and caring responsibilities (1.66 million).

Regular pay growth (excluding bonuses) increases for the third consecutive month

- Nominal pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 5.9% on the year in the three months to December 2024 (the less volatile three-month rolling basis).
- In the three months to December, nominal regular pay growth stood at 6.2% in the private sector. In the public sector, nominal pay growth was 4.7%. This is the first increase in nominal regular pay growth in the public sector since May 2024.
- Across the different sectors, nominal regular wage growth was strongest in wholesaling, retailing, hotels and restaurants (6.6%), followed by construction (6.5%). The public sector (excluding financial services) continues to observe relatively weaker rates of nominal regular wage growth (5.0%) compared to other sectors.
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) has increased for the third consecutive month to 2.5%. Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) is 2.4%, up from 2.0% in November.

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



ONS February 2025 labour market statistics

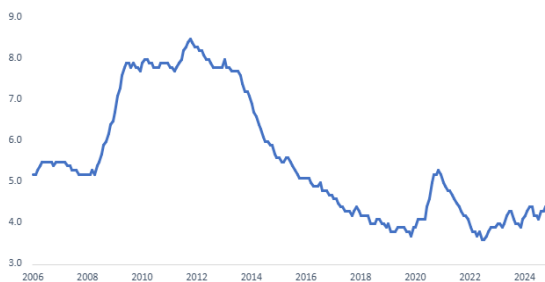
Employment levels paint a mixed picture across the regions and nations...

- In the three months to December 2024, employment levels have continued to rise the most in the East of England (+52,000), followed by the East Midlands (+41,000) and Yorkshire and the Humber (+34,000).
- London observed the most marked decrease in employment levels in the three months to December 2024 (-95,000). The only other region in England to observe a decrease in employment levels over the quarter was the North East (-16,000).
- Employment levels rose marginally in Wales (+7,000), Scotland (+2,000) and Northern Ireland (+2,000).

...And a handful saw unemployment levels rise

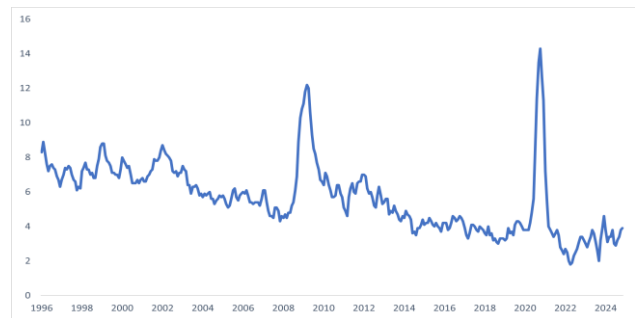
- Across the same period, unemployment levels increased in several regions and nations. The greatest drop in unemployment in the three months to December 2024 was observed in the East Midlands (-14,000).
- The largest increase in unemployment levels occurred in the East of England (+32,000), Yorkshire and the Humber (+18,000), the South West (+13,000) and Scotland (+13,000).

Exhibit 5 Unemployment rate (%)



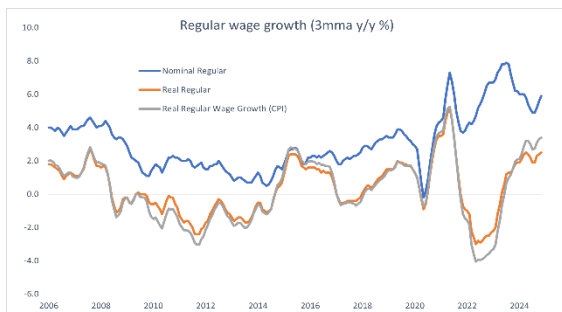
Source: ONS February 2025 labour market statistics

Exhibit 6 Redundancy rate (%)



Source: ONS February 2025 labour market statistics

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



Source: ONS February 2025 labour market statistics



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