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LABOUR MARKET SEES STRONG RECOVERY

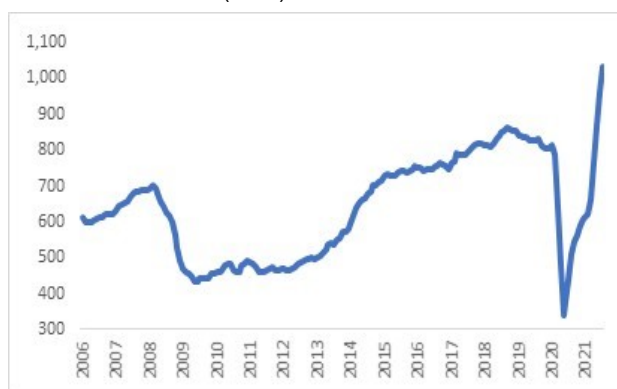
The latest ONS data covers the period from June to August 2021, providing a snapshot of labour market activity during the reopening of the economy. The figures show continued signs of recovery in the labour market, with employment increasing, unemployment decreasing, and vacancies at a new record high. Young people, who were particularly affected by the pandemic, saw a continued increase in the employment rate and decrease in the unemployment and inactivity rates. Real time Pay-As-You-Earn data for September 2021 also showed that the number of payrolled employees increased by 207,000 to 29.2 million, rising above the pre-pandemic level for the first time. This is partly flattered by changes in employment status from self-employed to employee.

Encouragingly, the unemployment rate has decreased on the quarter and stands at 4.5%, the lowest it has been since July 2020. The number of unemployed people stood at 1.48m. However, the true extent of labour market slack remains uncertain. HMRC data shows that there were still 1.3m employees furloughed as of the end of August, a little over half of which were fully furloughed. The closure of the scheme at the end of September is likely to push up the unemployment rate, but the potential for mismatches between the skills and availability of furloughed workers on one hand, and the recruitment needs of businesses on the other hand, points to a risk that labour shortages could prove persistent, which along with wider supply chain disruption, risks impeding the economic recovery. It is welcome that the government has set up a new taskforce chaired by Sir David Lewis to advise on the impact of supply chain disruption and labour shortages on the recovery. Business and Government working together is key to creating the high-wage, high-skill, high-investment, high-productivity economy we all want to see.

Employment rises and the number of vacancies reaches a new record high...

- The official measure of employment shows a significant increase of 235,000 in the three months to August 2021, compared with the previous quarter, but was 49,000 down on the same period a year ago. The employment rate rose by 0.5% points to 75.3%.
- Male employment increased over the quarter to August by 140,000 while female employment increased by 95,000. On the year, male employment decreased by 44,000 and female employment decreased by 6,000.
- Most age groups saw a rise in employment, with those aged 16 to 24 years old seeing the largest increase (+123,000) over the quarter, followed by those aged 35-49 years old (+56,000) and 50-64 years old (+48,000). Those aged 25-34 years old were the only age group to see a decrease in employment (-29,000).

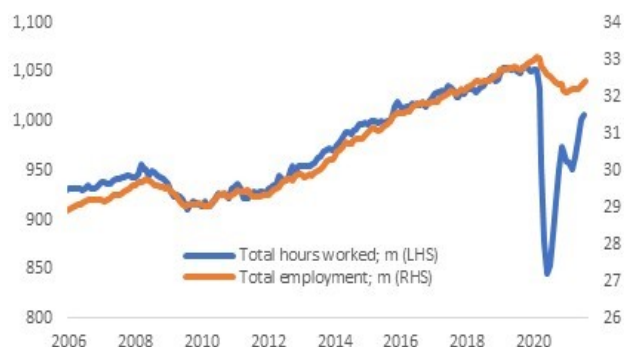
Exhibit 1 Vacancies (000s)



Source: ONS October 2021 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.3%	32,416	+235,000 (+0.7%)	-49,000 (-0.2%)
Unemployment** (ILO)	4.5%	1,510	-126,000 (-7.7%)	-33,000 (-2.2%)
Youth unemployment (16-24)	12.2%	499,000	-40,000 (-7.4%)	-85,000 (-14.6%)

Source: ONS October 2021 labour market statistics, June to August 2021 data *Rate for those aged 16-64 **Rate for those aged 16 and over

Exhibit 2 Employment vs actual weekly hours worked (millions)

Source: ONS October 2021 labour market statistics

- The number of employees increased by 0.8% points (+218,000). Of those, 182,000 moved to part-time employment while 36,000 moved to full-time employment. The total number of people working part-time significantly increased (+258,000) in the three months to August. The number of people working full-time slightly decreased (-22,000).
- The number of self-employed people working full-time decreased on the quarter (-63,000), while the number of self-employed people working part-time increased (+53,000).
- Experimental Pay-As-You-Earn (PAYE) data (which do not suffer from distortions arising from the classification of furloughed employees) show that the number of payrolled employees has increased once again and now exceeds its February 2020 level (by +122,000). Payrolls increased by 207,000 in September 2021 to 29.2 million. It should be noted that this may be in part due to shifts from self-employed to employed status, and not a nominal increase of people working.
- In a further sign of recovering labour demand, there were an estimated 1,102,000 vacancies in July-September, a quarterly increase of 239,000 and a new record high. This is the second consecutive month that the three-month vacancy average has stood over one million. The number of vacancies is now 318,000 above pre-pandemic levels. There are notably high vacancies in the transport and storage sector (up 56.1% on the quarter to 52,000), construction (up 45.3% to 43,000) and the accommodation and food services sector (up 22.5% on the quarter to 134,000).

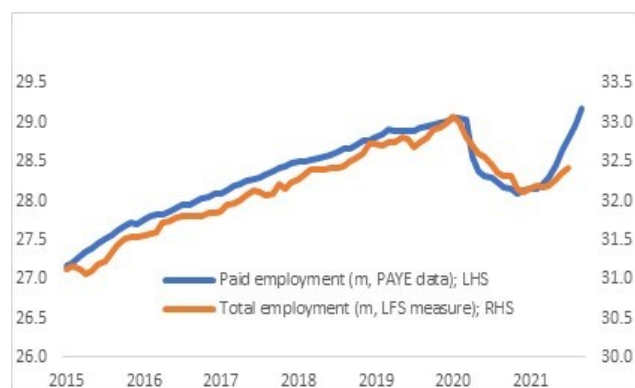
...while unemployment and redundancies fall

- Official data show that, in the three months to August 2021, unemployment decreased by 118,000 to stand at 1.48 million. The unemployment rate stood at 4.5%, a significant decrease of 0.4% points on the previous quarter. There are 41,000 fewer unemployed people than in the same period a year ago.

- Redundancies decreased by 5,000 on the quarter and by 130,000 on the year. This means that the redundancy rate now stands at 3.6 per thousand employees, a lower rate than pre-pandemic levels (this compares to a peak in the redundancy rate of 14.5% towards the end of 2020).
- The number of those who are economically inactive also decreased significantly on the previous quarter (-91,000) but remained up on the year (+50,000). The inactivity rate is now at 21.1% - down by 0.2% points on the previous quarter.

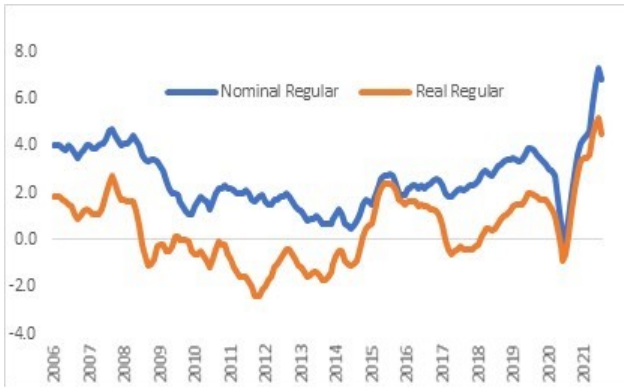
Pay growth remained high in the three months to August

- Annual growth employee pay has slowed in August, but remains high compared to the previous year, partly reflecting the compositional effect of a disproportionate fall in the number of lower-paid employee jobs, and base effects from factors that depressed pay growth last year. As a result, underlying pay growth is likely much lower than that outlined below.
- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) stood at 6.0% on the year in the three months to August 2021 (the less volatile three-month rolling basis), down by 0.8% points from July 2021.
- In the three months to August, nominal regular pay growth stood at 6.8% in the private sector (down by 1.0% point on July) and at 2.6% in the public sector (up by 0.2% points on July).
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+9.3% - down by 0.7% points) and construction (+8.3% - down by 2.5% points), followed by services (+6.2% - down by 0.6% points), wholesaling, retailing & hospitality (5.7% - down by 1.9% points) and manufacturing (+4.1% - down by 1.2% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 3.4% on a year ago (on the less volatile three-month rolling basis) – down by 1.1% points from July 2021.

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

Source: ONS October 2021 labour market statistics

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

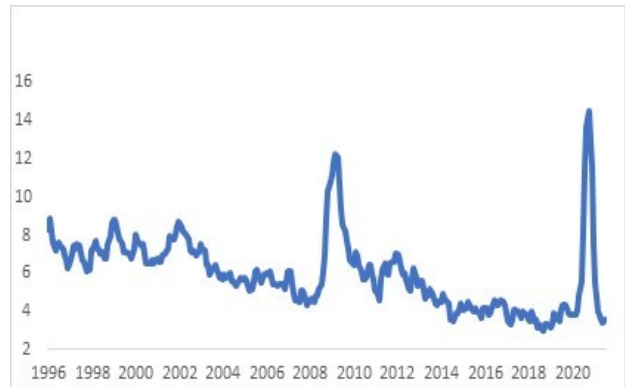


Source: ONS October 2021 labour market statistics

Employment increased in most regions and nations...

- In the three months to August 2021, employment increased in the East (+72,000), the South West (+43,000), London (+33,000), the South East (+26,000), Wales (+25,000), the North West (12,000) and Northern Ireland (+12,000).
- Employment remained broadly unchanged in the East Midlands (+9,000), Scotland (+7,000), the West Midlands (+5,000), Yorkshire and The Humber (+1,000) and in the North East (-10,000).

Exhibit 6 Redundancy rate (%)

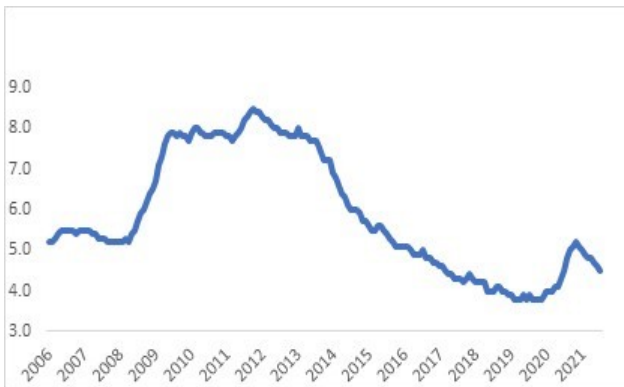


Source: ONS October 2021 labour market statistics

...while unemployment decreased or remained at similar levels to the previous quarter

- In the three months to August, unemployment decreased in London (-38,000), the North West (-31,000), the West Midlands (-26,000) and the East Midlands (-14,000).
- Unemployment levels remained broadly unchanged in Northern Ireland (+5,000), Wales (+4,000), the South East (+3,000), Scotland (0), Yorkshire and The Humber (-6,000), the North East (-9,000), and the East (-10,000).

Exhibit 5 Unemployment rate (%)



Source: ONS October 2021 labour market statistics

The next labour market update will be published on **16th November 2021**.



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“The number of vacancies across all sectors is continuing to rise exponentially, with the fastest growth for starting salaries we’ve seen in 24 years. Recruiters will be critical to help sustain our economic recovery, by working with employers to support and reskill future talent pipelines, to transition people into jobs that are most in demand.”

Kent Thompson, Managing Director, Pertemps Network Group

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