

GROWTH IN EMPLOYMENT SLOWS WHILE ECONOMIC INACTIVITY INCREASES

The latest ONS data covers the period from November 2023 to January 2024 and shows a labour market that remains tight overall but continues to slowly soften. Growth in employment has slowed while economic inactivity has increased. The unemployment rate decreased, returning to the same rate as a year ago and vacancies continue to fall although remain above pre-pandemic levels. Real time Pay-As-You-Earn data for January 2024 shows that the number of payrolled employees increased by 48,000 on the revised December figure – with 30.4 million in the labour market.

The economic inactivity rate (21.9%) was largely unchanged on the last quarter but is higher than estimates a year ago (October – December 2022). The increase is driven by historically high numbers of people reporting they are long term sick.

The number of vacancies continues to fall – with 26,000 fewer vacancies on the quarter to 932,000. This is the 19th consecutive period in which vacancies have fallen, although the pace has slowed in the last period, with the smallest fall in the number of vacancies since May – July 2022. Vacancies are still above pre-pandemic levels.

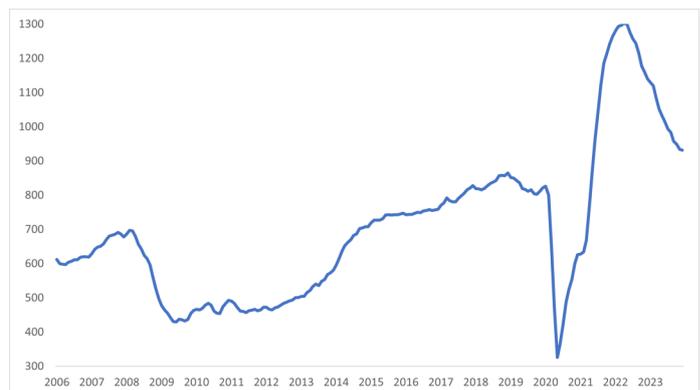
Growth in regular pay was 6.2% on the quarter to December 2023 – down from 6.7% in the previous period. In real terms, annual growth, real pay rose on the year by 1.8%.

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 a persistently high level of economic inactivity due to long-term sickness, there is a compelling case for business and government to work together to improve the

health of the UK’s workforce. At this Spring Budget, the Government has an opportunity to help employers invest more in health & wellbeing, including by making health investments and other preventative interventions such as Employee Assistance Programmes tax-free. Delivering the promised occupational health subsidy will help small businesses play a more proactive role too.

Please note: this release sees the reintroduction of Labour Force Survey data, which now includes the latest population information. This means that the ONS has revised some of the data from previous periods and therefore some of the numbers used to compare this month’s data may look different to previous editions. Overall, the reweighting shows that the labour market is a little tighter than previously estimated. There are more people employed, unemployed and inactive than previously, but the employment and unemployment rate are lower, with a greater proportion economically inactive.

Exhibit 1 Vacancies (000s)

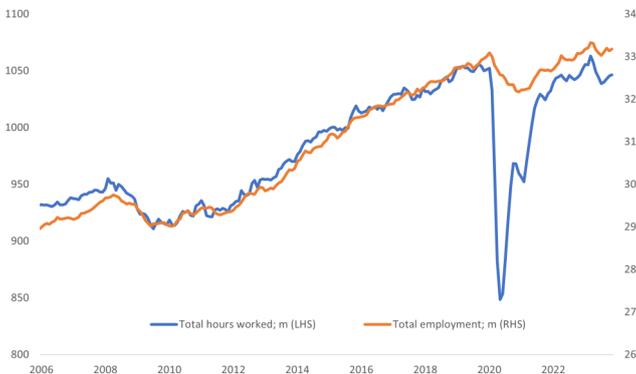


Source: ONS February 2024 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	70.0%	33,174	+72,000 (+0.2%)	+107,000 (+0.3%)
Unemployment* (ILO)	3.8%	1,320	-87,000 (-6.2%)	-13,000 (-0.9%)
Youth unemployment (16-24)	11.6%	482,000	-17,000 (-3.4%)	-9,000 (-1.8%)

Source: ONS February 2024 labour market statistics, *Rate for those aged 16 and over

Exhibit 2 Employment vs actual weekly hours worked (millions)



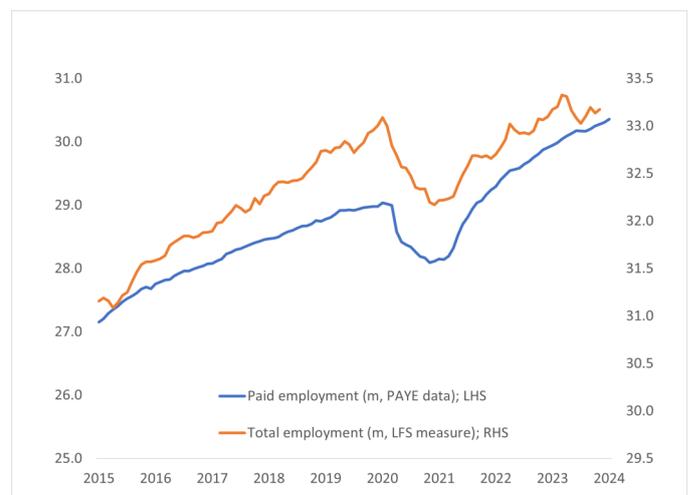
Source: ONS February 2024 labour market statistics

Employment rate increases while number of vacancies continues to fall...

- The official measure of employment shows an increase of 72,000 in the three months to December 2023, compared with the previous quarter, and an increase of 107,000 on the same period a year ago. The employment rate is up on the quarter (0.2%) but down on the year (-0.2%) sitting at 75%. This is below pre-pandemic rates.
- Male employment increased by 42,000 on the quarter to December 2023, while female employment increased by 31,000 in the same period. On the year, male employment increased by 32,000 and female employment increased by 75,000.
- Those aged 25-34 were the only age group that saw a decrease in employment levels (-135,000). The other age groups all saw an increase in employment – those aged 16-24, 35-49 and 50-64 years old (+37,000, +108,000 and +91,000 respectively).
- The number of employees working full-time increased quite significantly (+145,000), while the total number of employees working part-time decreased by 100,000. The number of self-employed people working full time increased by 56,000, while the number of self-employed working part-time decreased slightly by 6,000.

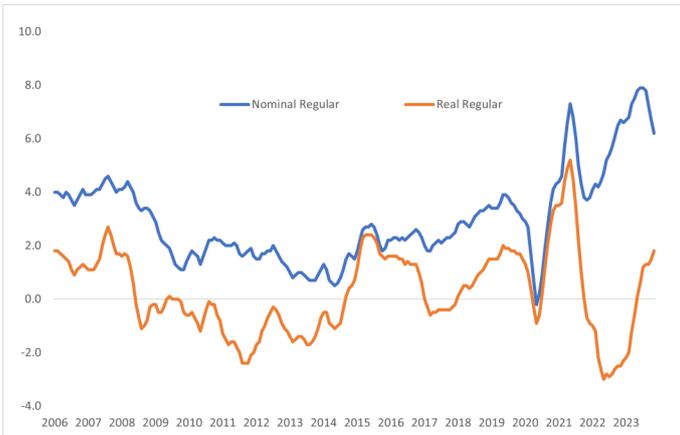
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees for January 2024 increased by 48,000 on the month and increased by 413,000 on the year to 30.4 million. Although it should be noted that the January 2024 estimate should be treated as a provisional estimate and is likely to be revised when more data is received next month.
- There are 932,000 vacancies in the economy – 26,000 fewer than in the previous quarter. There are 209,000 fewer vacancies now than a year ago. This is the 19th 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, but the pace has slowed in the latest period, with the smallest fall in the number of vacancies since May to July 2022. This is though, still a higher level of vacancies than normal.
- The largest number of jobs available are in Human Health and Social Care sector (167,000), the Wholesale and Retail trade; repair of motor vehicles and cycles sector (125,000) and the Accommodation and Food service activities sector (109,000).
- There were 108,000 working days lost due to labour disputes in December 2023. The majority of strikes were in the health and social work industry.

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



Source: ONS February 2024 labour market statistics

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



Source: ONS February 2024 labour market statistics

...while the unemployment rate decreases

- Official data shows that, in the three months to December 2023, unemployment levels decreased by 87,000 to stand at 1.32 million. The unemployment rate decreased by 0.2% in the last quarter and stands at 3.8%. There are 13,000 fewer unemployed people in the same period a year ago.
- The redundancy rate increased by 1.4% in the quarter to December 2023 and stands at 4.0%.
- The number of those who are economically inactive increased by 24,000 compared to the previous quarter and has increased by 120,000 compared to the same time last year. The inactivity rate is now 21.9%. The increase has been driven by those who are long-term sick, which remains at historically high levels (2.8 million). 652,000 of those who are long-term sick want to work.

Pay growth continues to soften but shows signs of plateauing

- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 6.2% on the year in the three months to December 2023 (the less volatile three-month rolling basis). This is down from 6.7% last month and continues

the falling trend that we've seen over the last 3 months. However, when looking at the single month measure (6.2% in December 2023 compared to 6.2% in November and 6.1% in October) there are signs of a plateauing rather than wages continuing to fall in line with falling inflation.

- In the three months to December, nominal regular pay growth stood at 6.2% in the private sector (down by 0.4% from November 2023). In the public sector, nominal pay growth stood at 5.8% (down 0.8% from the previous quarter).
- Across the different sectors, nominal annual regular pay growth was strongest in wholesaling, retailing, hotels and restaurants (+7.2% - down by 0.1% points), manufacturing (+6.9% - down by 0.2% points), Finance and business services (+6.7%, down by 0.5% points), services (+6.2%, down by 0.6% points), and construction (+3.8%, down by 0.6% points).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) has increased by 0.3% points on the previous quarter (on the less volatile three-month rolling basis) – and is at 1.8% on the year.
- Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) is at 1.9%, down by 0.1% in November 2023.

Exhibit 5 Unemployment rate (%)



Source: ONS February 2024 labour market statistics

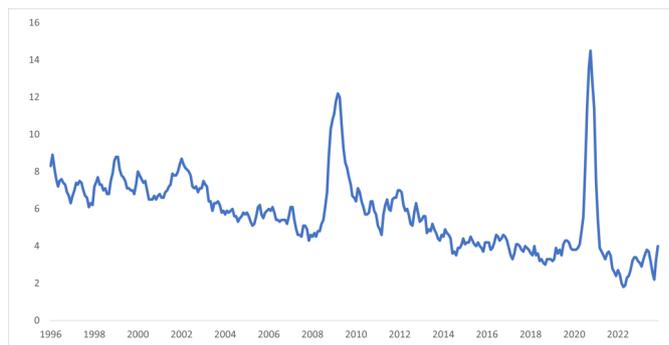
Mixed picture in employment levels across regions and nations...

- In the three months to December 2023, employment increased in London (+211,000), the North West (+20,000), Scotland (+18,000), Northern Ireland (+12,000) and Yorkshire and the Humber (+11,000).
- Employment remained broadly unchanged in the North East (-3,000).
- Employment levels fell in the South West (-66,000), the South East (-55,000), Wales (-36,000), the East Midlands (-19,000), the East (-14,000), and the West Midlands (-10,000).

...while unemployment levels also varied across the country

- In the three months to December 2023, unemployment increased in the South East (+12,000), East Midlands (+8,000) and Yorkshire and the Humber (+8,000).
- Unemployment remained broadly unchanged in the West Midlands (+4,000), Scotland (+4,000), Northern Ireland (+4,000), the North East (-4,000), and Wales (-1,000).
- Unemployment levels decreased in London (-55,000), the North West (-41,000), the South West (-15,000) and the East (-11,000).

Exhibit 6 Redundancy rate (%)



Source: ONS February 2024 labour market statistics

The next Labour Market Update will be published on **12th March 2024.**



ABOUT THE SPONSOR

“Finding the right people for your team in the UK is a challenge, based on these latest ONS figures. With recent updates indicating a tighter landscape than anticipated, our approach must evolve to not only attract but retain top talent.

It’s a call to action for employers and businesses to work with recruiters to update their recruitment strategies to help foster a workplace culture that resonates with the aspirations of today’s workforce, ensuring that we remain competitive in attracting and retaining top talent in the UK.”

Carmen Watson, Chairperson, Pertemps Ltd

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