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EMPLOYMENT RATE INCREASES BUT PAY GROWTH FALLS BEHIND INFLATION

The latest ONS data covers the period from October to December 2021, providing a snapshot of labour market activity during a period in which the Omicron variant became the dominant Covid-19 variant in the UK.

The latest data show a continuing recovery in the labour market, with employment increasing, unemployment decreasing, and vacancies at a new record high. Real time Pay-As-You-Earn data for January 2022 showed that the number of payrolled employees increased once again, up by 108,000 to 29.5 million.

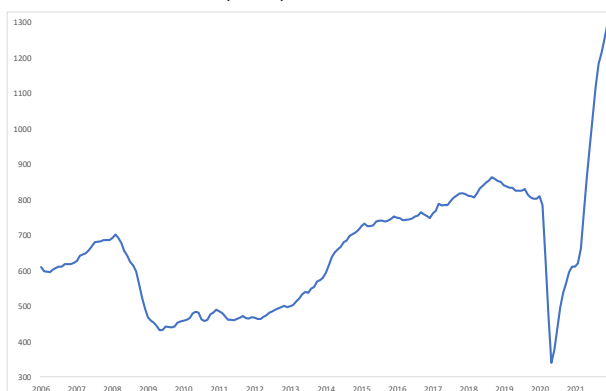
However, pay growth has fallen and is failing to keep up with inflation. Ongoing supply chain issues, labour shortages and record high vacancies are putting a break on growth. Squeezed incomes as a result of rising inflation is yet another major challenge facing the UK economy, on top of the difficulties firms are already facing filling vacancies. To break this cycle and deliver sustainably rising living standards, bold action is needed for growth, with steps to address skills and labour shortages.

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

- The official measure of employment shows a decrease of 38,000 in the three months to December 2021, compared with the previous quarter, but an increase of 337,000 on the same period a year ago. The employment rate rose by 0.1% points compared with the previous quarter to 75.5%.
- Male employment decreased (-40,000) over the quarter to December, and female employment increased (+2,000). On the year, male employment increased by 184,000 while female employment increased by 153,000.
- Employment grew among those aged 16 to 24 years old over the quarter (+82,000) but dropped for those aged 25-34 years old (-24,000), 35-49 years-old (-23,000) and 50-64 years olds (-5,000).

- The number of people working part-time increased (+22,000) in the three months to December and is up by 132,000 on the year. The number of people working full-time decreased (-60,000) on the quarter but remains up by 205,000 on the year. The number of self-employed people decreased on the previous quarter (-99,000) and is down by 141,000 on the year.
- Experimental Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has increased by 108,000 in January 2022 when compared with December 2021 – and it's now up by 1.5% since February 2020.
- In a further sign of a tightening labour market, there were an estimated 1.29 million vacancies in the three months to January 2022, a quarterly increase of 114,000 and a new record high. The number of vacancies is now 513,700 above pre-pandemic levels. The ratio of vacancies to every 100 employee jobs continued to rise, reaching a record high of 4.3 in November 2021 to January 2022.

Exhibit 1 Vacancies (000s)



Source: ONS February 2022 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.5%	32,485	-38,000 (+0.1%)	+337,000 (+0.9%)
Unemployment** (ILO)	4.1%	1,374	-74,000 (-5.1%)	-396,000 (-22.4%)
Youth unemployment (16-24)	11.2%	465,000	-10,000 (-5.7%)	-132,000 (-14.7%)

Source: ONS February 2022 labour market statistics, September to November 2022 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 February 2022 labour market statistics

- 10 of the 18 industry sectors are showing record highs, but the rate of growth in vacancy numbers continues to slow. The largest number of jobs available are in the health and social care sector (206,000) and the accommodation and food service industry (178,000).
- The total number of hours worked increased on the quarter to 1.026 million (unchanged compared with the previous quarter) but still up on the year by 5.9%.

...while unemployment falls and redundancies rate slows

- Official data show that, in the three months to December 2021, unemployment decreased by 74,000 to stand at 1.37 million. The unemployment rate stood at 4.1%, a decrease of 0.2% points on the previous quarter. There are 396,000 fewer unemployed people than in the same period a year ago.
- Redundancies decreased on the previous quarter (-32,000) and is down by 285,000 on the year. This means that the redundancy rate is at 2.6 per thousand employees (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 increased by 31,000 compared to the previous quarter and stood at 21.2% - 0.1% higher than the previous quarter and 1.0% higher than before the coronavirus pandemic.

Wage growth falls behind inflation

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) stood at 3.7% on the year in the three months to December 2021 (the less volatile three-month rolling basis), down by 0.1% points from November 2021.
- In the three months to December, nominal regular pay growth stood at 3.9% in the private sector (down by 0.2% points on November) and at 2.7% in the public sector (up by 0.1% points on November).

- Across the different sectors, nominal annual regular pay growth was strongest in finance (+6.6% - up by 0.2% points) and services (+4.1% - remained unchanged from last quarter), followed by wholesaling, retailing & hospitality (+3.6% - down by 0.2% points), construction (+2.1% - down by 0.8% points) and manufacturing (+1.7% - down by 0.5% points).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) dropped by 0.8% on a year ago (on the less volatile three-month rolling basis) – and is now in negative territory at -0.8%.

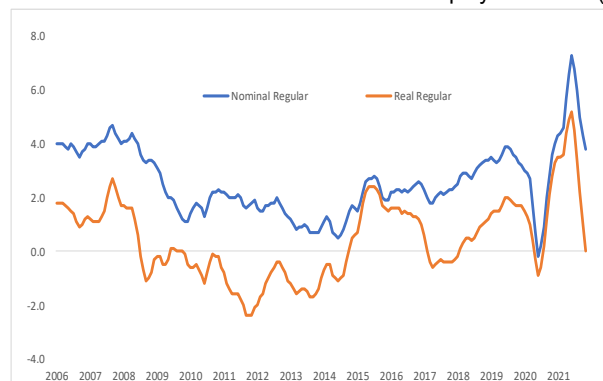
The regions and nations saw a mixed bag in employment levels...

- In the three months to December 2021, employment increased in London (+33,000) and the West Midlands (31,000).
- Employment remained broadly unchanged in Northern Ireland (+4,000), East Midlands (+3,000), North East (+2,000) and Yorkshire and The Humber (+1,000), the East (-8,000) and Wales (-8,000).
- The regions or nations that saw a drop in employment level were the South West (-16,000), Scotland (-16,000), the North West (-24,000) and the South East (-40,000)

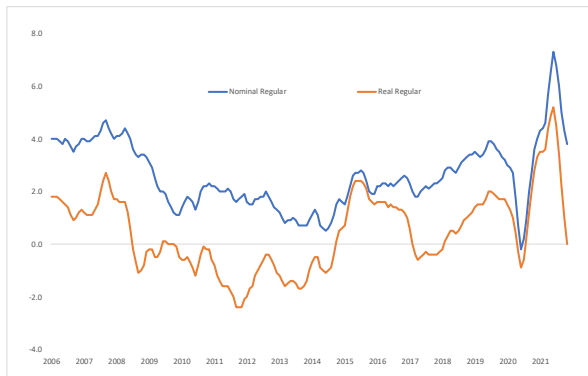
...while unemployment decreased in most regions and nations

- In the three months to October, unemployment decreased in London (-22,000), Yorkshire and The Humber (-20,000), East Midlands (-16,000), South West (-14,000), Northern Ireland (-12,000), Wales (-11,000) and the East (-11,000).
- Unemployment levels remained broadly unchanged in Scotland (-2,000), North East (+6,000), West Midlands (+6,000), the South East (+6,000).
- The only region that saw unemployment increase was the North West (+17,000)

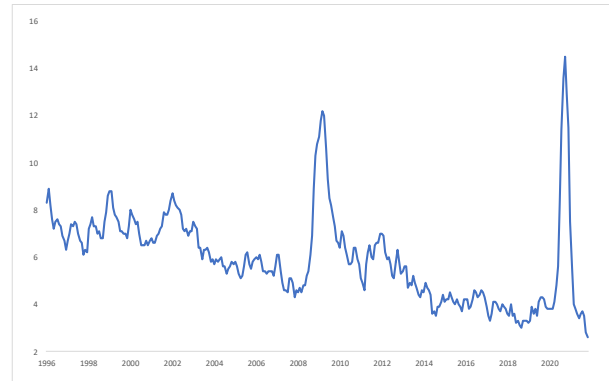
Exhibit 3 PAYE real time data vs official employment data (millions)



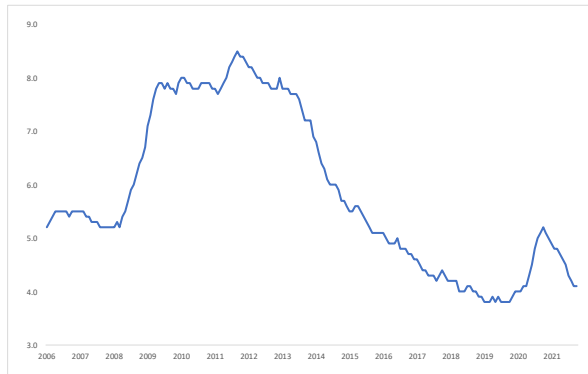
Source: ONS February 2022 labour market statistics

Exhibit 4 Real regular pay and nominal regular pay growth (%) 3-month average

Source: ONS February 2022 labour market statistics

Exhibit 6 Redundancy rate (%)

Source: ONS February 2022 labour market statistics

Exhibit 5 Unemployment rate (%)

Source: ONS January 2022 labour market statistics

The next labour
market update will be
published on **15th
March 2022.**



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The CBI is the UK's premier lobbying organisation, providing a voice for employers at a national and international level. Our mission is to promote the conditions in which businesses of all sizes and sectors in the UK can compete and prosper for the benefit of all.

To achieve this, we campaign in the UK, the EU and internationally for a competitive business landscape.

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ABOUT THE SPONSOR

"Demand for staff continued to increase as we entered 2022 and, unsurprisingly, starter salaries have continued to rise for organisations to attract talent in this tight candidate market.

We have started to see a slowing of pay level growth for existing staff as businesses realign themselves and work on longer-term recruitment strategies with their recruitment specialists."

Carmen Watson, Chairperson, Pertemps Network Group

Pertemps Network Group is one of the UK's largest privately owned recruitment agencies. It has a turnover in excess of £900m and offers immediate and strategic solutions to clients across both the public and private sector. It is made up of:

Pertemps Ltd – established in 1961 with over 100 branches, operating across a multitude of sectors and supplying diverse roles. The company also specialises in business process outsourcing delivered using a wide range

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