

WAGE GROWTH PERSISTS WHILE EMPLOYMENT CONTINUES TO PAINT A MIXED PICTURE

"The latest data shows a modest increase in the unemployment rate, indicating a rising demand for talent across all sectors. As businesses plan for an increase in employment costs, strategic foresight will be key to navigating the challenges posed by the upcoming changes announced in the Budget. By partnering with a recruitment expert, businesses can navigate these difficulties more effectively and secure the best talent in a competitive environment."

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

In the quarter to November 2024, wage growth across the economy remained strong, unemployment and employment levels both increased, and economic inactivity marginally fell but remains high. This paints a mixed picture of the labour market, with conditions cooling but the challenges associated with activating the finite labour supply persisting.

The UK employment rate (for people aged 16 to 64 years) was estimated at 74.8% in the period September to November 2024, which is slightly down on the quarter and reversing the gains made earlier in 2024. The UK unemployment rate (for people aged 16 years and over) was estimated at 4.4% during the same period, slightly up on the year and the quarter.

The UK economic inactivity rate for people aged 16 to 64 years was estimated at 21.6% in the period September to November 2024, marginally down on the year and the quarter. The estimated number of vacancies in the UK decreased by 24,000 on the quarter to 812,000 in October to December 2024. Vacancies decreased on the quarter for the 30th consecutive period. Whether or not the number of vacancies is lower than pre-pandemic increasingly depends on which data sources and data point are used. The big picture remains that the number of vacancies continues to fall.

Payrolled employees in the UK decreased by 32,000 (-0.1%) between October and November 2024 but rose by 95,000 (+0.3%) between November 2023 and November 2024. The early estimate of payrolled employees for December 2024 decreased by 47,000 (-0.2%) on the month and fell by 8,000 (0.0%) on the year to 30.3 million. The December 2024

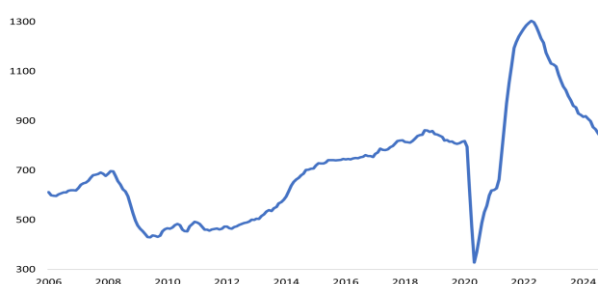
estimate should be treated as a provisional estimate and is likely to be revised when more data is received next month.

Annual growth in employees' average regular earnings (excluding bonuses) in Great Britain was 5.6% in the quarter to November, and annual growth in total earnings (including bonuses) was the same. 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 was 2.5% and 2.4%, respectively, across the same period.

Despite a slight uptick in unemployment and decrease in inactivity, the labour market story remains broadly unchanged: businesses cannot rely on bringing more people into the labour market to deliver on short or longer-term growth objectives, and attention must be paid to how workforce productivity can be raised. Businesses will be looking to the Chancellor at the forthcoming Spending Review to make changes that can help unlock business investment in areas such as technology and training.

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)

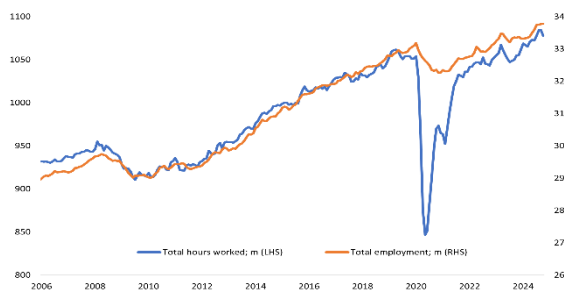


Source: ONS January 2025 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	74.8%	33,783	+36,000 (+0.1%)	+438,000(+1.3%)
Unemployment** (ILO)	4.4%	1,568	+133,000 (+9.3%)	+186,000 (+13.5%)
Youth unemployment (16-24)	14.5%	628	+31,000 (5.2%)	+102,000 (+19.4%)

Source: ONS January 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 January 2025 labour market statistics

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

- The official measure of employment increased in the three months to November 2024 (+36,000), and is also higher compared to this time last year (+438,000). The employment rate is marginally down on the quarter and directly in line with this time one year ago, sitting at 74.8%.
- Male employment increased by 104,000 on the quarter to November 2024, while female employment fell during the same period (-68,000). On the year, male and female employment levels increased by 266,000 and 212,000, respectively. There was a notable divide between age groups in changes to employment levels in the three months to November 2024. The age groups who observed an increase in employment levels were 35-49 year olds (+3,000), 50-64 year olds (+65,000) and the 65 and overs (+28,000). The younger age groups all observed a decline in employment levels, ranging from an 8,000 to 32,000 decrease.
- In the three months to November 2024, the number of employees working full-time rose (+56,000) while those working part-time decreased (-163,000). The number of self-employed working full and part-time both increased on the quarter by 85,000 and 34,000, respectively.
- Payrolled employees fell by 11,000 (0.0%) on the quarter but rose by 134,000 (0.4%) on the year, when looking at September to November 2024.
- In the three months to December 2024, there were 812,000 vacancies across the economy, representing a 24,000 decline on the quarter. There are 118,000 (-14.4%) fewer vacancies now compared to one year ago.
- Vacancies continue to concentrate in fewer sectors. Human health and social work activities continued to report the most vacancies (139,000), followed by the wholesale and retail trade and repair of motor vehicles (94,000) and accommodation and food service activities (88,000) (September to November 2024).
- There are now only five sectors reporting more than 3 vacancies per 100 employees, and vacancies continue to be the most densely concentrated in the electricity, gas, steam and air conditioning supply sector (3.6).
- There was an estimated 51,000 working days lost because of labour disputes across the UK in November 2024.

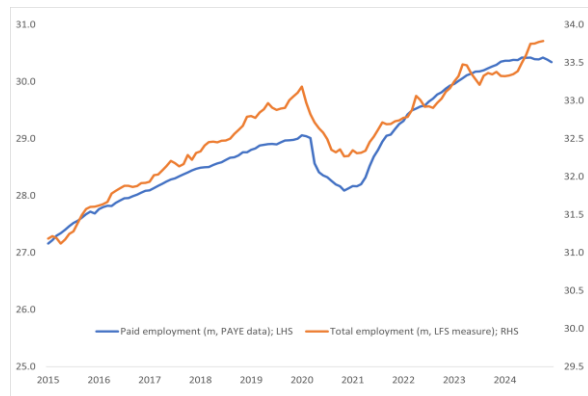
...while unemployment levels also increased and inactivity fell

- In the quarter to November 2024, unemployment levels increased to 1.568 million (+133,000). The unemployment rate also rose on the quarter to 4.4% from 4.0%. There are 186,000 more unemployed people compared to this time last year.
- The redundancy levels increased on the quarter by 29,000, and the redundancy rate has also risen from 2.9% to 3.8%.
- Economic inactivity levels decreased on the quarter (-54,000) and the year (-64,000) and there are now 9.3 million 16-64 year olds who are unemployed and not listed as actively looking for work. The inactivity rate has also marginally fallen on the quarter and the year, sitting at 21.6%.
- Current inactivity related to temporary sickness (215,000) is up on the year and the quarter, while inactivity related to long-term sick is up on the quarter and down on the year, sitting at 2.8 million.

Wage growth strengthened for the second month in a row

- Nominal pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 5.6% on the year in the three months to November 2024 (the less volatile three-month rolling basis). This represents the second consecutive uptick, following a plateau in pay growth for more than twelve months.
- In the three months to November, nominal regular pay growth stood at 6.0% in the private sector (up from 5.5% in October). In the public sector, nominal pay growth was 4.1%, marginally down on last month's figure (4.3%).
- Across the different sectors, nominal regular pay growth was joint strongest in manufacturing and finance and business services (6.0%). Nominal annual pay growth continues to be weakest in the public sector excluding financial services (4.2%).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) is slightly up (on the less volatile three-month rolling basis) from 2.3% to 2.5%. Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) was 2.1%, down from 3% in October 2024.

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



ONS January 2025 labour market statistics

Several regions and nations observed a fall in employment levels...

- In the three months to November 2024, employment levels rose the most in the East of England (+72,000), the East Midlands (+24,000) and Yorkshire and the Humber (+16,000).
- Several regions in England observed a decrease in employment levels, with London ranking top (-42,000) followed by the North West (-26,000) and South West (-14,000).
- Employment levels rose marginally in Scotland (+6,000) and Northern Ireland (+1,000) and fell in Wales (-3,000).

...And a handful saw unemployment levels decrease

- Across the same period, unemployment levels increased in several regions and nations.
- The only decreases in unemployment levels were recorded in the East Midlands (-19,000), North East (-5,000), Scotland (-4,000) and Northern Ireland (-1,000).

Exhibit 5 Unemployment rate (%)



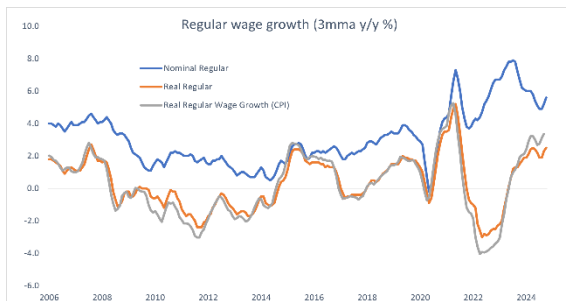
Source: ONS January 2025 labour market statistics

Exhibit 6 Redundancy rate (%)



Source: ONS January 2025 labour market statistics

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



Source: ONS January 2025 labour market statistics



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The next Labour Market Update will be published on 18th February.

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