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## PAY GROWTH CONTINUES TO DISAPPOINT AND FALLS FURTHER BEHIND INFLATION

The latest ONS data covers the period from February 2022 to April 2022, providing a snapshot of labour market activity during a period in which all pandemic restrictions were lifted.

The latest data show signs that the labour market is still tight, with employment figures increasing, unemployment and economic inactivity decreasing, and vacancies at a new record high. Real time Pay -As-You-Earn data for May 2022 showed that the number of payrolled employees increased, up by 90,000 to a record 29.6 million. This was mainly spearheaded by the number of full-time employees, which has reached a record high over the previous quarter, but partially offset by a decrease in the number of part-time employees.

Furthermore, real regular pay growth continues to fall, with the three-month average the lowest it has been since November 2011, and the second lowest since records began. Skills and labour shortages and record high vacancies are putting a break on growth, while inflation reaches a 40-year peak. This culmination of challenges is putting a strain on households and dampening business optimism for the months ahead. Urgency is needed to build confidence and ease the risks of a full-blown recession. Not being able to hire the people they need is a major drag on business confidence, so the Government should immediately allow firms to use their Apprenticeship Levy to tackle shortages and update the Shortage Occupation List.

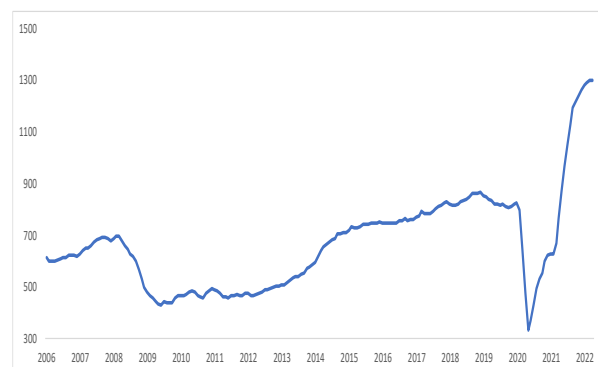
### Employment rises and vacancies reaches a new record high...

- The official measure of employment shows an increase of 177,000 in the three months to April 2022, compared with the previous quarter, and an increase of 533,000 on the same period a year ago. The employment rate

has increased by 0.2% percentage points to 75.6%.

- Male employment increased (+101,000) over the quarter to April, while female employment also increased by +76,000. On the year, male employment increased by 332,000 and female employment increased by 201,000.
- Those aged 16 to 24-year-old saw the largest increase in employment levels over the quarter (+75,000), followed by those aged 35-49 (+37,000) and 50-64 (+19,000).
- Those aged 25-34 saw a slight decrease in employment levels (-13,000).
- The number of people working full-time increased (+132,000), while the total number of employees working part-time also increased (+45,000).
- The number of self-employed people working full time slightly decreased (-13,000), while the total number of self-employed people working part-time increased (+41,000).

Exhibit 1 Vacancies (000s)



Source: ONS June 2022 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.6%	32,707	+177,000 (0.5%)	+533,000 (+1.7%)
Unemployment** (ILO)	3.8%	1,300	-47,000 (-3.6%)	-356,000 (-21.5%)
Youth unemployment (16-24)	9.2%	455,000	-7,000 (-3.7%)	-82,000 (-21.9%)

Source: ONS June 2022 labour market statistics, February 2022 to April 2022 data \*Rate for those aged 16-64 \*\*Rate for those aged 16 and over

**Exhibit 2** Employment vs actual weekly hours worked

Source: ONS June 2022 labour market statistics

- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has increased once again by 90,000 and is now at a record high at 29.6 million.
- In a further sign of a tightening labour demand, there were an estimated 1.3 million vacancies in the three months from March 2022 to May 2022, but the rate of growth in vacancies continued to slow down. This is the tenth consecutive month that the three-month vacancy average stands at over one million.
- 7 of the 18 industry sectors are showing record high vacancies, but the rate of growth in vacancy numbers continues to slow. The largest number of jobs available are in Human health and social care (215,000) and the Accommodation and food services activities (174,000).
- The total number of hours worked increased on the quarter to 1.044 million, a 1.2% increase on the quarter and up on the year by 7.8%. However, this is still below pre-pandemic levels.

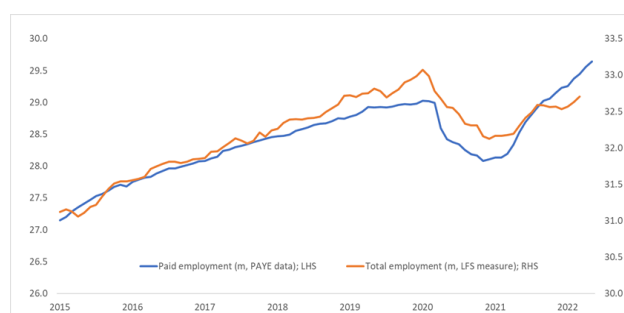
#### ...while the unemployment and redundancy rate continue to fall

- Official data show that, in the three months to April 2022, unemployment decreased by 47,000 to stand at 1.3 million. The unemployment rate stood at 3.8%, a decrease of 0.2% points on the previous quarter. There are 344,000 fewer unemployed people than in the same period a year ago.
- Redundancies decreased slightly on the previous quarter (-13,000) and is down by 52,000 on the year. This means that the redundancy rate is at 2.0 per thousand employees, the lowest rate since records began.
- The number of those who are economically inactive decreased by 39,000 compared to the previous quarter, with 24,000 less people economically inactive now than the same time last year. The inactivity rate is now at 21.3% - down by 0.1% points on the previous quarter.

This has been driven mainly by people who were classified as students and have now become economically active.

#### Wage growth continues to fall behind inflation

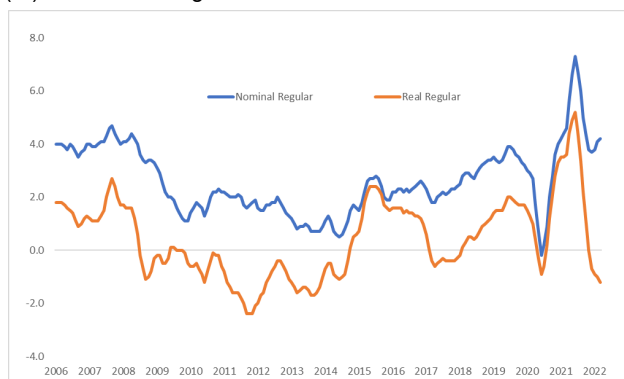
- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 4.2% on the year in the three months to April 2022 (the less volatile three-month rolling basis).
- In the three months to April, nominal regular pay growth stood at 4.8% in the private sector (down by 0.1% points on March) and at 1.8% in the public sector.
- Across the different sectors, nominal annual regular pay growth was strongest in wholesaling, retailing & hospitality (+6.0% - up by 0.8% points), followed by finance (+5.7% - down by 0.1% points), and construction (+5.0% - up by 0.6% points). Both services (+4.4% - down by 0.1% points) and manufacturing (+2.6% - down by 0.1% points) showed slight declines in nominal annual regular pay.
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) dropped by 1.0% on the quarter (on the less volatile three-month rolling basis) – and is now at -2.2% on the year and the lowest since November 2011.
- Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) dropped to -3.4%, down from 1.9% in March – the lowest it has been since records began.

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

Source: ONS June 2022 labour market statistics

#### Most regions and nations saw upticks in employment levels...

- In the three months to April 2022, employment increased in the South East (+51,000), the North West (+42,000), Scotland (+24,000), Northern Ireland (+24,000), West Midlands (+21,000), the South West (+18,000) and the North East (+11,000).
- Employment remained broadly unchanged in Yorkshire and the Humber (+10,000), London

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

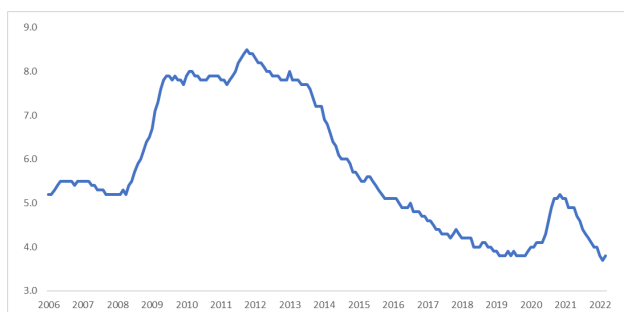
Source: ONS June 2022 labour market statistics

**Exhibit 6** Redundancy rate (%)

Source: ONS June 2022 labour market statistics

(+4,000), Wales (-6,000) and in the East Midlands (-8,000).

- The only region that saw a drop in employment levels was the East (-13,000).

**Exhibit 5** Unemployment rate (%)

Source: ONS June 2022 labour market statistics

The next labour market update will be published on **19 July 2022**.

### ...while unemployment decreased in most regions and nations

- In the three months to April 2022, unemployment decreased in the South East (-33,000), Scotland (-16,000), and in the West Midlands (-15,000).
- Unemployment levels remained broadly unchanged in Wales (+7,000), the South West (+3,000), the North East (-3,000), Northern Ireland (-4,000), London (-7,000), East Midlands (-8,000), and the North West (-9,000).
- The only region that saw an increase in unemployment levels was Yorkshire and the Humber (+20,000).



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#### ABOUT THE SPONSOR

"Current market trends still show growth albeit a slowdown in hiring activity from previous months. Vacancy activity remains high with many employers still offering improved wage conditions in order to attract key talent. But with competitive demand for staff, companies need to work with recruiters to make sure they get hiring right in this challenging market."

#### Carmen Watson, Chairperson, Pertemps Network Group

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