

### GROWTH IN EMPLOYMENT FALLS WHILE ECONOMIC INACTIVITY INCREASES

The latest ONS data covers the period from December 2023 to February 2024 and shows a largely unchanged labour market that remains tight overall but continues to slowly soften. UK employment is up on the year but down on the quarter, while economic inactivity has slightly increased. The unemployment rate is above estimates of a year ago but largely unchanged on the latest quarter. Vacancies continue to fall but are still above pre-pandemic levels. Real time Pay-As-You-Earn data for February 2024 shows that the number of payrolled employees increased by 20,000 on the January figure – with 30.4 million in the labour market.

The economic inactivity rate (21.8%) was largely unchanged on the last quarter but is higher than estimates a year ago (November – January 2023) and increased in the latest quarter. The increase is largely due to a rise in the number of students. Those inactive due to long-term sickness has fallen slightly this quarter, but the trend still appears to be rising.

The number of vacancies continues to fall – with 43,000 fewer vacancies on the quarter to 908,000. This is the 20<sup>th</sup> consecutive period in which vacancies have fallen but are still above pre-pandemic levels.

Growth in regular pay was 6.1% on the quarter to January 2024 – down from 6.2% in the previous period. In real terms, annual growth, real pay rose on the year by 1.8%.

There continues to be signs that the labour market is softening, but it is happening slowly, with this month's figures largely unchanged from last month. While pressures in the labour market continue to gradually ease, achieving sustainable growth requires a step change in efforts to remove barriers to work and unlock the business investment needed to boost productivity. That's why the Chancellor was right to announce the extra funding needed to deliver expanded childcare last week. But firms can make a bigger contribution to tackling long-term sickness absence if health-based tax incentives are modernised. The Budget was a missed opportunity to do so.

**Please note: this release follows the reintroduction of Labour Force Survey data last month, which now includes the latest population information. The ONS continues to advise that increased volatility of Labour Force Survey estimates, resulting from smaller achieved sample sizes, means that estimates of quarterly change should be treated with additional caution.**

#### Employment rate decreases and vacancies continue to fall..

- The official measure of employment shows a decrease of 21,000 in the three months to January 2024, compared with the previous quarter, but an increase of 76,000 on the same period a year ago. The employment rate is slightly down on the quarter (0.1%) and also down on the year (-0.2%), remaining at 75%. This is below pre-pandemic rates.
- Male employment increased by 27,000 on the quarter to January 2024, while female employment decreased by 48,000 in the same period. On the year, male employment increased by 27,000 and female employment increased by 49,000. Those aged 16-24 and 25-34 saw a decrease in employment levels (-33,000 and

**Exhibit 1** Vacancies (000s)

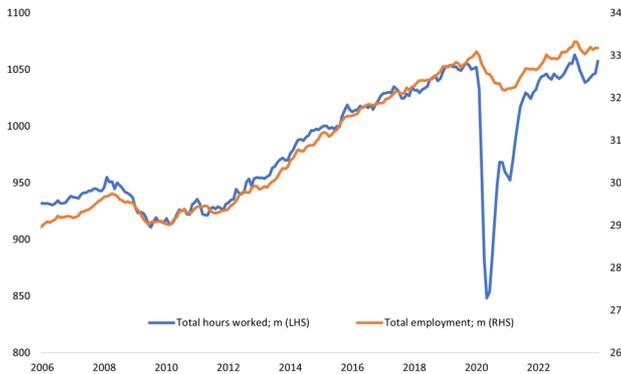


Source: ONS March 2024 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.0%	33,175	-21,000 (-0.1%)	+76,000 (+0.2%)
Unemployment** (ILO)	3.9%	1,359	-8,000 (-0.6%)	+44,000 (+3.4%)
Youth unemployment (16-24)	12.1%	502	-6,000 (-1.2%)	+20,000 (+4.1%)

Source: ONS March 2024 labour market statistics, \*Rate for those aged 16-64 \*\*Rate for those aged 16 and over

**Exhibit 2** Employment vs actual weekly hours worked (millions)



Source: ONS March 2024 labour market statistics

159,000 respectively), while those aged 35-49 and 50-64 saw an increase (132,000 and 65,000 respectively).

- The number of employees working full-time increased quite significantly (+171,000) while the total number of employees working part-time decreased by 174,000. The number of self-employed people working full-time increased by 28,000, while the number of self-employed people working part-time decreased by 35,000.
- Pay-As-You-Earn data shows that the number of payrolled employees for February 2024 increased by 20,000 on the month and increased by 368,000 on the year to 30.4 million. Although it should be noted that the February 2024 estimate should be treated as a provisional estimate and is likely to be revised when more data is received next month.
- There are 908,000 vacancies in the economy – 43,000 fewer than in the previous quarter. There are 224,000 fewer vacancies now than a year ago. This is the 20<sup>th</sup> 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.
- The largest number of jobs available are in the Human Health and Social Care sector (159,000), the Wholesale and Retail trade, repair of motor vehicles and cycles sector (123,000) and the Accommodation and Food service activities sector (109,000).
- There were 203,000 working days lost to labour disputes across the UK in January 2024. The majority of strikes were in the health and social work industry.

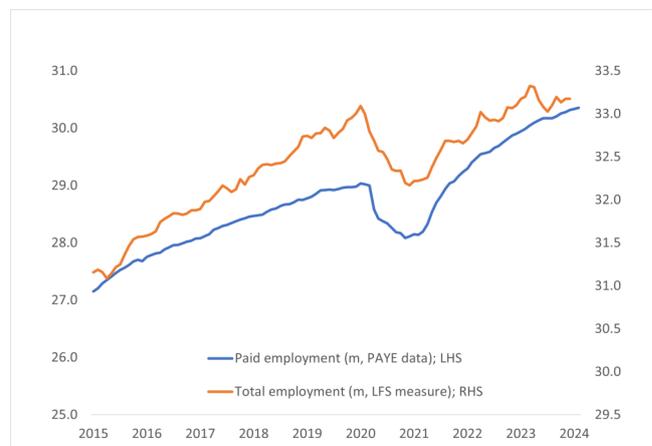
**...while the unemployment rate decreases**

- Official data shows that, in the three months to January 2024, unemployment levels marginally decreased by 8,000 to stand at 1.36 million. The unemployment rate remains unchanged on the last quarter and stands at 3.9%. There are 44,000 more unemployed people in the same period a year ago.
- The redundancy rate increased by 2.5% in the quarter to January 2024 and stands at 4.6%.
- The number of those who are economically inactive increased by 44,000 compared to the previous quarter and has increased by 100,000 compared to the same time last year. The inactivity rate is now 21.8%. The increase is driven by the number of students. Those inactive due to long-term sickness has fallen but remains higher than estimates a year ago.

**Pay growth softens slightly, bus shows signs of plateauing**

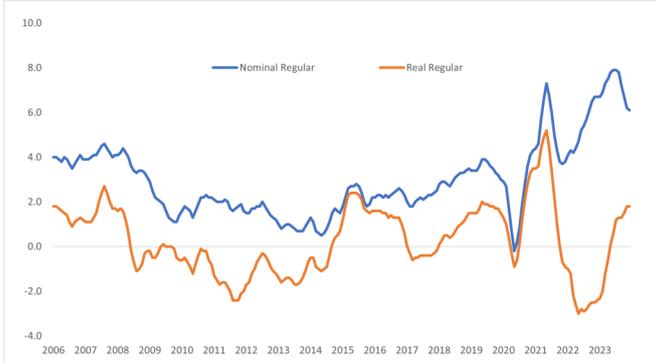
- Nominal pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 6.1% on the year in the three months to January 2024 (the less volatile three-month rolling basis). This is marginally down from 6.2% last month and continues the falling trend that we've seen over the last 3 months, although at a slower pace, indicating that wages may be plateauing rather than continuing to fall in line with falling inflation.
- In the three months to January, nominal regular pay growth stood at 6.1% in the private sector

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



Source: ONS March 2024 labour market statistics

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



Source: ONS January 2024 labour market statistics

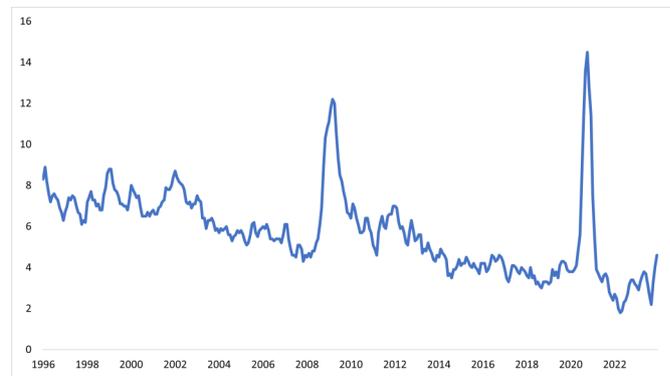
**Exhibit 5** Unemployment rate (%)



Source: ONS January 2024 labour market statistics

- (down by 0.1% from December 2023). In the public sector, nominal pay growth stood at 5.9%, unchanged from the previous quarter.
- Across the different sectors, nominal annual regular pay growth was strongest in Wholesaling, retailing, hotels and restaurants (7.2% - unchanged from previous quarter), Manufacturing (+6.8% - down by 0.1% points), Finance and business services (+6.6% - down by 0.1% points), Services (+6.2%, unchanged from the previous quarter), and Construction (+3.3%, down by 0.5% points).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) is unchanged 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 1.6%, down by 0.3% in December 2023.

**Exhibit 6** Redundancy rate (%)



Source: ONS January 2024 labour market statistics

**The next labour market update will be published on 16th April 2024.**



**ABOUT THE SPONSOR**

“We were hoping that the Chancellor’s Budget would spark investment and economic growth, but it would appear that organisations are holding

back awaiting for more certainty.

“Despite introducing initiatives such as AI skills support and financial assistance for small businesses, they lacked the cohesion needed for substantial progress.

“The measures introduced can have a significant impact on the employment market and we’re keen to ensure that the challenges of the job market are properly considered. “

**Carmen Watson, Chairperson, Pertemps Ltd**

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