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LABOUR MARKET REMAINS RESILIENT WITH SOME EARLY SIGNS OF RECOVERY

The latest ONS data covers the period from January to March 2021, providing a snapshot of labour market activity during a period of renewed restrictions but also the announcement of a roadmap out of lockdown. The latest data shows that the labour market has remained stable, though there were some early signs of recovery with employment increasing and unemployment decreasing. However, with the reintroduction of tighter restrictions at the start of the year, total hours worked decreased on the quarter. Overall, the labour market has held up reasonably well, particularly in light of the fall in GDP in the first quarter (1.5% q/q). This is in large part due to the Job Retention Scheme, which continues to support people in work and limit the impact of Coronavirus on the labour market.

Real time Pay-As-You-Earn data for April 2021 indicates the number of payroll employees has increased for the fifth consecutive month but remains 772,000 below pre-pandemic levels. In February to April 2021, the number of vacancies reached its highest level since January to March 2020, with most industries displaying increases over the quarter, most notably, accommodation and food service activities. But vacancies remain far below the levels seen before the coronavirus pandemic hit. Meanwhile, businesses are starting to report vacancies they are struggling to fill, so government support for skills and retraining is essential to prevent skills shortages.

Additionally, businesses increasingly need to know what rules will be in place after 21 June to make their next reopening decisions. They are hoping to avoid any further bumps in the road and will be closely watching the trajectory of new variants and the conclusion of reviews into social distancing and Covid-status certificates.

Employment rises in early sign of recovery...

- The official measure of employment shows an increase of 84,000 in the three months to March 2021, compared with the previous quarter, but was 529,000

down on the same period a year earlier. The employment rate rose by 0.2% points to stand at 75.2%.

- Male employment remained broadly unchanged (-3,000) over the quarter to March, while female employment increased by 87,000. Over the year male employment decreased by 384,000 while female employment decreased by 145,000.
- Almost all age groups saw a rise in employment, with only those aged 16 to 24 years old seeing a decrease (-26,000) and those aged 65+ years old remaining broadly unchanged (-9,000) over the quarter.
- ONS estimates that in January to March 2021 total actual weekly hours worked in the UK decreased coinciding with the introduction of further coronavirus lockdown measures, which cause the previous recovery in total hours to stall.
- Experimental Pay-As-You-Earn (PAYE) data shows that the number of payroll employees has increased

Exhibit 1 Vacancies (000s)

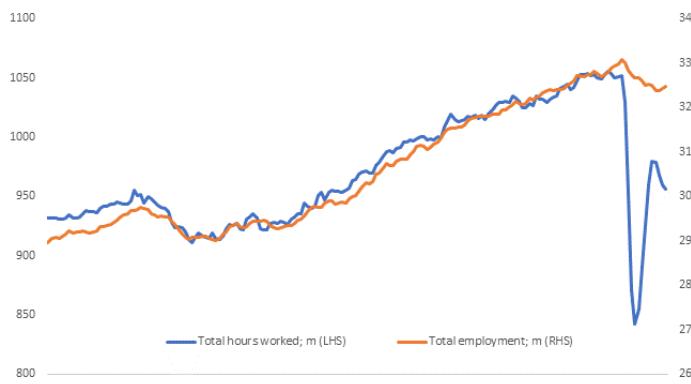


Source: ONS May 2021 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.2%	32,476	+84,000 (+0.3%)	-529,000 (-1.6%)
Unemployment** (ILO)	4.8%	1,623	-121,000 (-6.9%)	+258,000 (+18.9%)
Youth unemployment (16-24)	14.3%	536	-53,000 (-8.9%)	+70,000 (+15.0%)

Source: ONS May 2021 labour market statistics, January to March 2021 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 May 2021 labour market statistics

for the fifth consecutive month but remains 772,000 below pre-coronavirus pandemic levels. Since February 2020, the largest falls in payrolled employment have been in the hospitality sector, among those aged under 25 years, and those living in London.

- The number of self-employed decreased by 44,000 in the three months to March. And the number of people working part-time fell significantly, by 165,000 on the quarter.
- For February to April 2021, there were an estimated 657,000 vacancies, which is a quarterly increase of 48,000 vacancies and the highest level since January to March 2020. Despite the increase, the number of job vacancies in February 2021 to April 2021 remained almost 128,000 below its pre-pandemic level in January 2020 to March 2020, with the largest falls in vacancies being in arts, entertainment and recreation, and accommodation and food service activities.

...while unemployment and redundancies stabilise

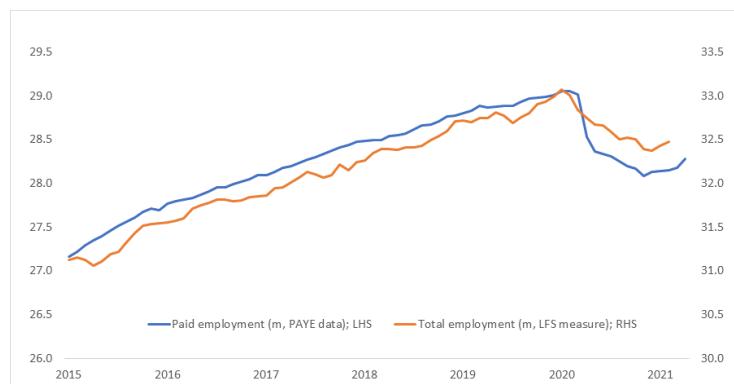
- Official data shows that in the three months to March 2021 unemployment decreased significantly by 121,000 and stood at 1.62 million. On a year-on-year basis, the number of unemployed people increased by 258,000. The unemployment rate stood at 4.8%, a decrease of 0.3% points on the previous quarter, but up 0.8% points on the year.
- Redundancies decreased by 191,000 on the quarter but increased by 46,000 on the year. This means that the redundancy rate now stands at 5.5 per thousand, which is substantially lower than the record high of 14.2 per thousand in September to November 2020.
- The number of those who are economically inactive has increased by 48,000 on the previous quarter and

on the year (+255,000). The inactivity rate now stands at 21%. ONS data suggests that more young people are staying in education and not looking for work, which is supported by the record economic inactivity rate of young people in full-time education.

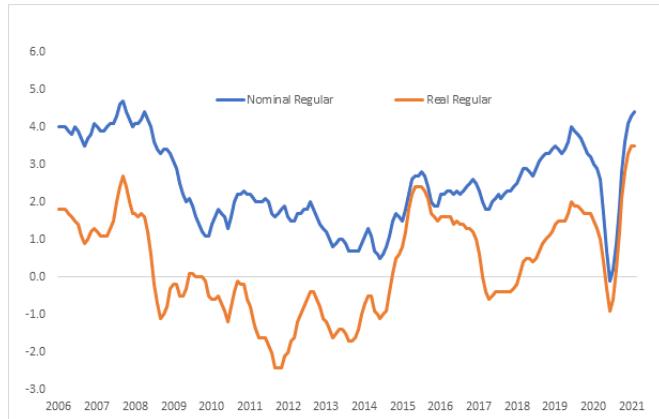
Pay growth picked up in the three months to March

- Annual growth in employee pay increased slightly in March, partly reflecting the composition effect of a fall in the number and proportion of lower-paid employee jobs.
- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) stood at 4.6% on the year in the three months to March 2021 (the less volatile three-month rolling basis), up by 0.2% points from February 2021.
- In the three months to March, nominal regular pay growth stood at 4.2% in the private sector (up by 0.1% points from February) and at 5.5% in the public sector (up by 0.3% points from February).
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+7.0% - up by 0.4% points) and services (+5.2% - up by 0.2% points), followed by wholesaling, retailing & hospitality (+2.3% - down by 0.3% points), manufacturing (2.1% - up by 0.1% points) and construction (+1.2% - down by 0.3% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 3.6% on a year ago (on the less volatile three-month rolling basis) – up by 0.1% points from February 2021.

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



Source: ONS May 2021 labour market statistics

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

Source: ONS May 2021 labour market statistics

Regions and nations saw a mixed picture in employment...

- In the three months to March 2021, employment increased in the East (+26,000), Wales (+26,000), Scotland (+26,000), the East Midlands (+21,000) and the North East (+14,000).
- Employment remained broadly unchanged in London (-10,000), Northern Ireland (-5,000), the South West (-1,000), the South East (+5,000) and the West Midlands (+7,000).

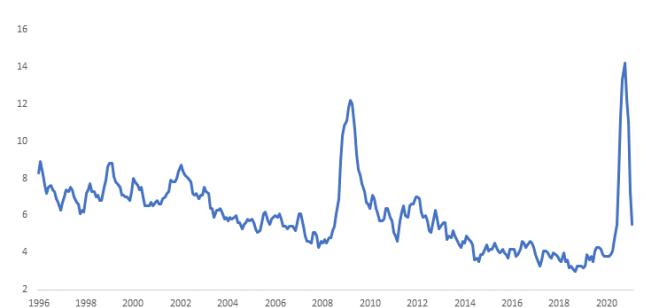
Exhibit 5 Unemployment rate (%)

Source: ONS May 2021 labour market statistics

- Employment decreased in the North West (-13,000) and Yorkshire and The Humber (-13,000).

...while unemployment declined in most regions and nations

- In the three months to March 2021, unemployment remained broadly unchanged in Scotland (-4,000), Northern Ireland (0), Wales (1,000) and the North West (+4,000).
- Unemployment decreased in the East Midlands (-26,000), the East (-19,000), the South West (-17,000), the North East (-13,000), Yorkshire and The Humber (-13,000), the South East (-12,000), London (-11,000) and the West Midlands (-11,000).

Exhibit 6 Redundancy rate (%)

Source: ONS May 2021 labour market statistics

The next labour market update will be published on **15th June 2021**.

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"As restrictions begin to ease, business confidence in the UK economy has improved significantly, with a surge in demand for both permanent and contingent employees at one of the highest rates in over 20 years. It is the fastest rate we have ever seen.

There is still a reluctance from employees to seek new roles as they remain concerned over job security. Recruitment firms will play a key role in engaging and securing key talent for organisations."

Carmen Watson, Chairperson, Per temps Ltd

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