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LABOUR MARKET SEES STRONG RECOVERY, BUT UNCERTAINTY AND NEW RESTRICTIONS PRESENT A CHALLENGE FOR BUSINESS

The latest ONS data covers the period from August to October 2021, providing a snapshot of labour market activity during the period when the economy was fully opened.

The latest data show continued signs of recovery in the labour market, with employment increasing, unemployment decreasing, and vacancies at a new record high. Young people who were particularly affected by the pandemic saw a continued increase in the employment rate and decrease in the unemployment and inactivity rates. Real time Pay-As-You-Earn data for November 2021 also showed that the number of payrolled employees increased once again, up by 257,000 to 29.4 million. The uptick in employment was driven mainly by part-time workers.

However, uncertainty over the new Omicron variant, ongoing supply chain issues and labour shortages are taking the edge off growth. Government and business must work together to tackle these challenges and formulate solutions at speed. This means in the short-term, the economy should remain open as is feasibly safe to do so while increasing efforts to build confidence and protect public health. With Plan B coming in, the net effect is that demand in some sectors will be suppressed – those sectors hardest hit must be closely monitored as further targeted support may yet be needed.

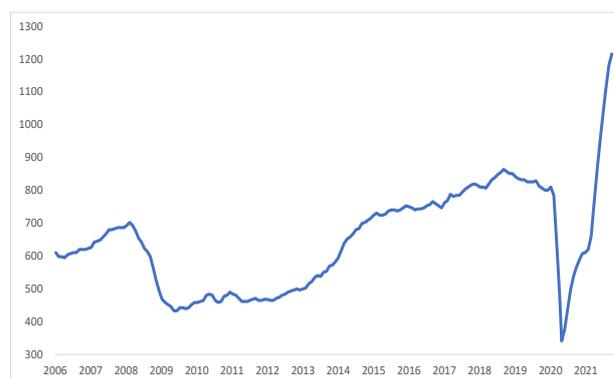
Employment rises and the number of vacancies reaches a new record high...

- The official measure of employment shows a significant increase of 149,000 in the three months to October 2021, compared with the previous quarter, an increase of 193,000 on the same period a year ago. The employment rate rose by 0.2% points to 75.5%.
- Male employment increased (+93,000) over the quarter to October, and female employment also increased by +56,000. On the year, male

employment increased by 144,000 and female employment increased by 49,000.

- Most age groups saw a rise in employment, with those aged 16 to 24 years old seeing the largest increase (+72,000) over the quarter, followed by those aged 35-49 years old (+58,000) and 25-34 years old (+8,000). Those aged 50-64 years old were the only age group to see a decrease in employment (-24,000).
- The number of people working part-time significantly increased (+240,000) in the three months to October. The number of people working full-time decreased (-91,000). Separately, the number of self-employed people also decreased on the previous quarter (-51,000).
- Experimental Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has increased once again and now exceeds its February 2020 level (by +424,000). Payrolls increased in October 2021 to 29.4 million.

Exhibit 1 Vacancies (000s)

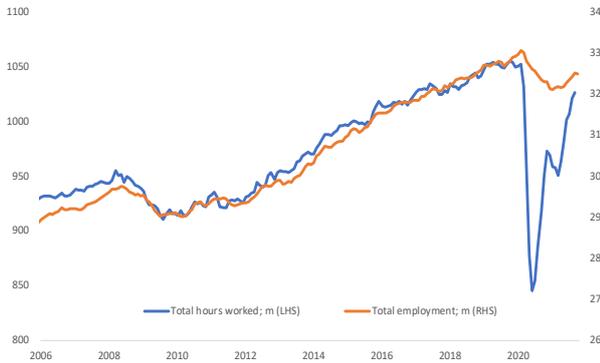


Source: ONS December 2021 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.5%	32,506	+149,000 (+0.5%)	+193,000 (-0.6%)
Unemployment** (ILO)	4.2%	1,423	-127,000 (-8.2%)	-295,000 (-17.2%)
Youth unemployment (16-24)	11.3%	459,000	-66,000 (-15.5%)	-144,000 (-31.4%)

Source: ONS December 2021 labour market statistics, August to October 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 December 2021 labour market statistics

- In a further sign of recovering labour demand, there were an estimated 1.2 million vacancies in the three months to September to November, a quarterly increase of 185,000 and a new record high. This is the fourth consecutive month that the three-month vacancy average has risen further above one million. The number of vacancies is now 434,500 above pre-pandemic levels.
- 13 of the 18 industry sectors are showing record high levels of vacancies, but the rate of growth in overall vacancy numbers slowed. The largest number of jobs available are in the health and social care (198,000) and the accommodation and food service industry (155,000).
- The total number of hours worked increased by 7.8% on the year, but remain 3% below their pre-pandemic level.

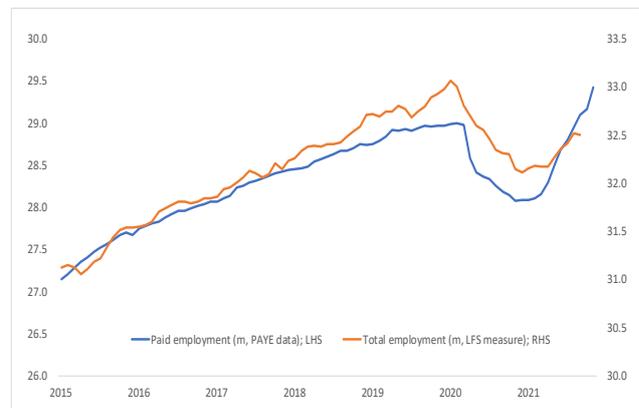
...while unemployment and redundancies rate slows

- Official data show that, in the three months to October 2021, unemployment decreased by 127,000 to stand at 1.42 million. The unemployment rate stood at 4.2%, a decrease of 0.4% points on the previous quarter. There are 295,000 fewer unemployed people than the same period last year.
- Redundancies remained broadly unchanged from the previous quarter (+3,000) down by 280,000 on the year. This means that the redundancy rate is at 3.3 per thousand employees, a lower rate than pre-pandemic levels (this compares to a peak rate of 14.5% towards the end of 2020).
- The number of those who are economically inactive (aged between 16 and 64 years old) increased by 35,000 compared to the previous quarter, with 77,000 more people economically now than the same time last year. The inactivity rate slightly increases for the second quarter in a row to at 21.2% - up by 0.1% points on the previous quarter.

Pay growth remained high in the three months to September

- Annual growth in employee pay increased in October. Pay growth has recently been flattered by compositional effects from a disproportionate fall in the number of lower-paid employee jobs, and base effects from factors that depressed pay growth last year. As a result, underlying pay growth is likely lower than that outlined below, though the ONS remarked that these effects have now largely worked their way out of growth rates on pay.
- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) stood at 4.3% on the year in the three months to October 2021 (the less volatile three-month rolling basis), down by 0.7% points from September 2021. Pay growth peaked in 2021 at 7.3% in June.
- In the three months to October, nominal regular pay growth stood at 4.7% in the private sector (down by 1.2% points on September) and at 2.7% in the public sector, also down by 0.1% points on September).
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+6.9% - down by 1.0% points) and services (+4.6% - down by 1.3% points), followed by construction (+4.0% - down by 1.5% points), wholesaling, retailing & hospitality (3.9% - down by 1.2% points) and manufacturing (+2.6% - down by 1.3% points).

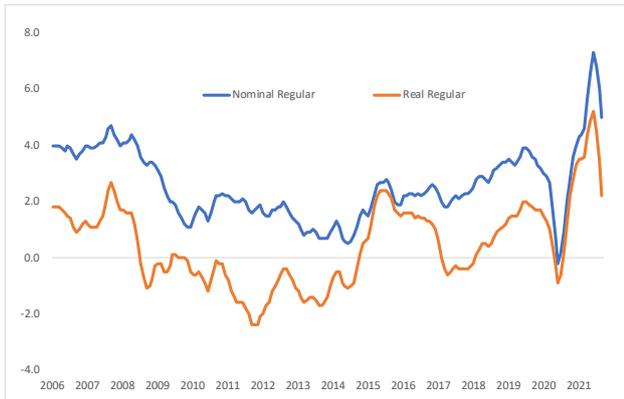
Exhibit 3 PAYE real time data vs official employment data (millions)



Source: ONS December 2021 labour market statistics

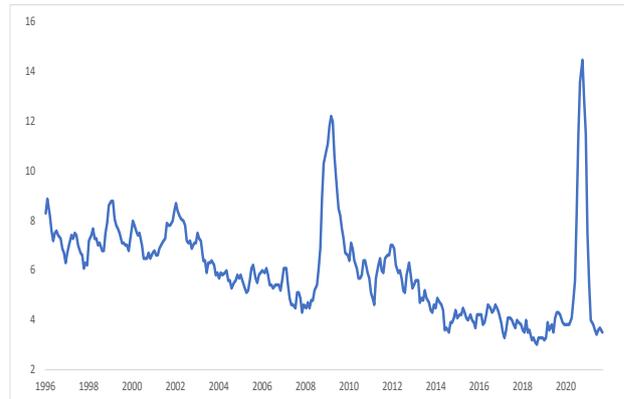
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 1.0% on a year ago (on the less volatile three-month rolling basis) – down by 1.2% points from September 2021.
- Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) dropped to 0.0%, down from 1.1% in September and the first time it has dropped this low since July 2020.

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



Source: ONS December 2021 labour market statistics

Exhibit 6 Redundancy rate (%)

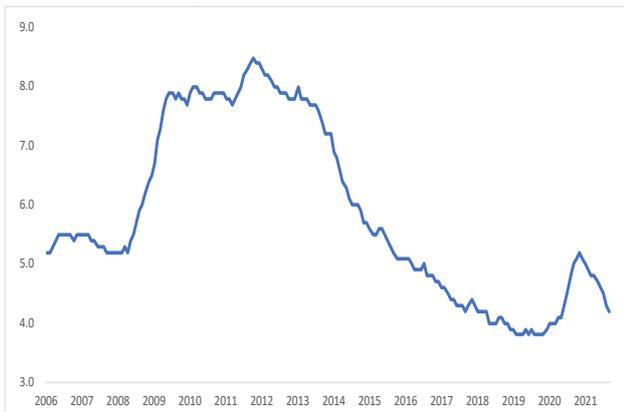


Source: ONS December 2021 labour market statistics

Employment increased in most regions and nations...

- In the three months to October 2021, employment increased in the South West (+43,000), the East (+35,000), the North West (+35,000), the West Midlands (+26,000), Scotland (+24,000), the East

Exhibit 5 Unemployment rate (%)



Source: ONS December 2021 labour market statistics

- Midlands (+16,000), and London (+14,000).
- Employment remained broadly unchanged in the South East (+2,000), Yorkshire and The Humber (+1,000), and Northern Ireland (-6,000).
- Employment levels dropped only in the North East (-25,000) and Wales (-16,000).

...while unemployment decreased or remained at similar levels to the previous quarter

- In the three months to September, unemployment decreased in London (-38,000), the South East (-30,000), the North West (-19,000) the East (-17,000) and Yorkshire and the Humber (-13,000).
- Unemployment levels remained broadly unchanged in North East (-10,000), the East Midlands and the South West (-6,000), the West Midlands and Scotland (-5,000), Wales (-4,000) and in Northern Ireland (+2,000).

The next labour market update will be published on **18th January 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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“As recruiters, we’ve witnessed a sharp increase in hiring activity, with permanent placements quickening and temp placements continuing to rise strongly.

“Demand for staff has been positive in recent months and employers will need to work with recruiters to focus on attracting and retaining talent within this highly competitive market, as more people will be looking for new opportunities in the new year.

“But not only that, employers will need to take an inclusive approach to ensure their processes are fairer, more diverse and more inclusive.”

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

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