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**Pertemps
Network**



British
Chambers of
Commerce

Labour Market Update: Key Takeaways for Small Business Owners

The latest data from the Office for National Statistics (ONS) for June to August 2024 gives us a snapshot of the current labour market. Here's what you need to know:

	Rate	Number (000s)	Change on quarter (%change)	Change on year (%change)
Employment (000s)	74.8%	33,232	+265,000 (+0.8%)	+150,000 (-0.5%)
Unemployment (000s)	4.1%	1,437	-74,000 (-4.9%)	-60,000 (-4%)
Youth unemployment (aged 16 -24)	14.2%	598	28,000 (4.9%)	+52,000 (+9.5%)

Source: Labour Force Survey from the Office for National Statistics

1. Overall Trends:

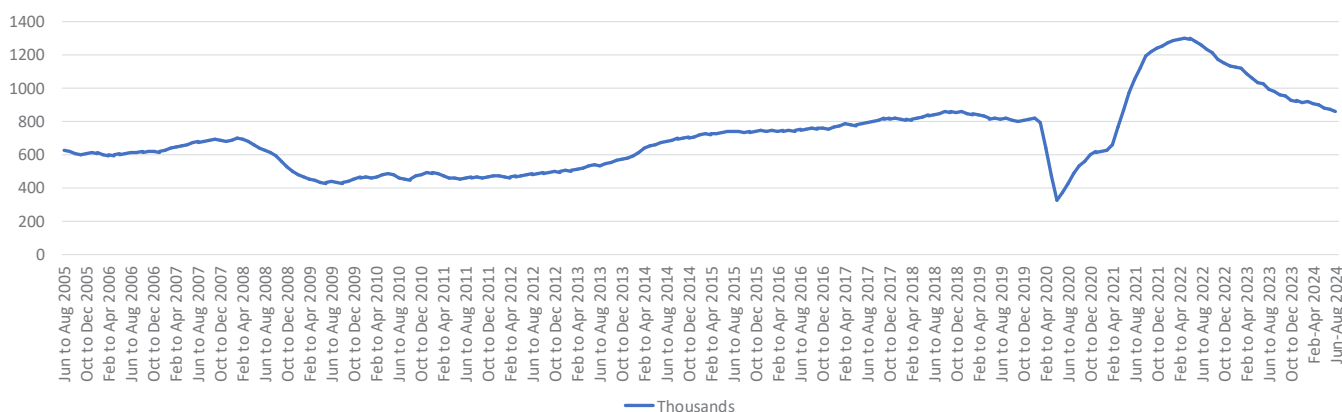
- **Market Overview:** Mixed signals. While the number of vacancies and unemployment numbers are starting to decline, economic inactivity remains high. Regular earnings (excluding bonuses) growth remains relatively strong at 5.1%, May to July 2024, with annual growth (including bonuses) at 4%. The June & July 2023 NHS and Civil Service one-off payments contribute to this annual growth.
- **Employment 74.8%:** The employment rate for people aged 16 to 64 was estimated at 74.8%, which is lower than last year and has increased from the previous quarter.
- **Unemployment Rate 4.1%:** The unemployment rate for people aged 16 and over was estimated at 4.1%, lower than last year and down from the previous quarter.
- **Economic Inactivity 21.9%:** The economic inactivity rate for people aged 16 to 64 is now 21.9%, also higher than last year and slightly lower on the previous quarter. The redundancy rate has softened on the quarter but is still slightly higher than the rate a year ago.

2. Payroll Insights:

- **Employee Numbers:** The early estimate for August 2024 shows an increase of 302,000 on the full time employment, the part-time employment numbers decreased by -10,000. These August estimates are provisional and may be revised.
- **Job Vacancies:** The estimated number of vacancies decreased by 42,000 to 857,000 on the previous quarter. This marks the 26th consecutive period of falling vacancies, yet they remain 7.7% (61,000) above pre-pandemic levels.

The estimated number of vacancies fell on the quarter, for the 26th consecutive period, to 857,000

Number of vacancies in the UK, seasonally adjusted,
June to Aug 2005 to June to Aug 2024



3. Challenges for Small Businesses:

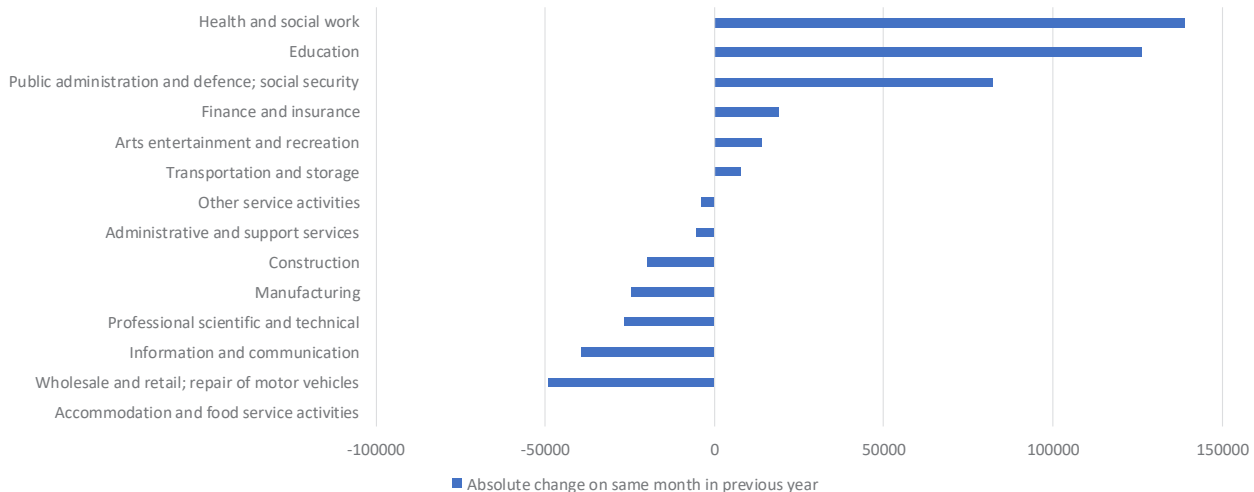
- **Hiring Issues:** Many small businesses still find it difficult to hire the right people, causing wages to rise faster than inflation and pushing up prices.
- **Market Dynamics:** Despite the cooling labour market, labour shortages remain a significant challenge for businesses. Employers are becoming more cautious in their hiring strategies, balancing the need for competitive wages with a more measured approach to recruitment. As businesses adjust to changing economic conditions, the job market is evolving, with sustained wage growth but a slower pace of new hiring. In response, companies must increasingly invest in employee retention programmes and upskilling initiatives to maximise the productivity of their existing workforce.

4. Key Observations:

- **Employment Rates:** Employment increased by 265,000 in the three months to July 2024 compared to the previous quarter and an increase of 150,000 compared to a year ago. The employment rate is now 74.8%.
 - **Gender Breakdown:** Male employment increased by 91,000 on the quarter, while female employment increased by 174,000. Over the year, male employment decreased by -8,000, and female employment increased by 158,000.
 - **Age Groups:** All age groups saw an improvement in employment levels on the quarter with the 16-24 age group seeing a small increase (+4,000) and larger increases in the 25-34 age group (+47,000), the 35-49 aged group (+105,000) and the 50-64 age group (+82,000).
 - **Job Types:** While part-time employment decreased by -10,000 and part-time self-employment increased by +32,000. Full-time employment increased by +302,000 and full-time self-employed decreased by -104,000.

5. Sector Insights:

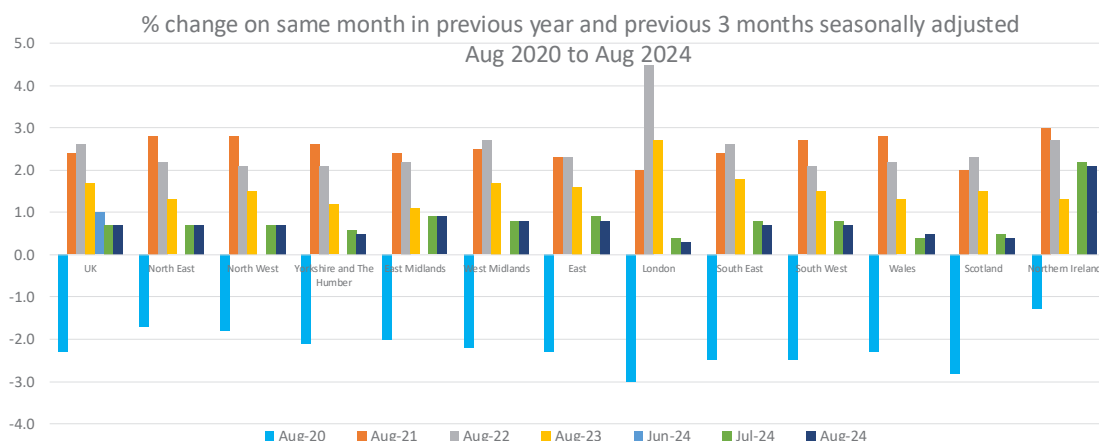
Payrolled employees, absolute change on Aug 2023 seasonally adjusted UK, Aug 2024



- **Vacancies:** The estimated numbers of vacancies decreased by -42,000 on the month. The Health and Social Care sector remained highest at 154,000. Motor industry sectors remain high at 107,000. The hospitality sector accounts for 98,000 current vacancies.
- **Strikes:** There were 42,000 working days lost to strikes in July 2024, mainly in health and social work.

6. Regional Differences:

Regional employee growth fell across the UK over 2020 & 2021, but subsequently recovered across all regions.



Source: PAYE Real Time Information for HMRC

- **Employment Levels:** Employment remained stable across most regions with London showing an easing and Northern Ireland still out-pacing the other regions.

7. Pay Trends:

The rate of growth in Median Pay is lower in 2024 than the high rates seen through 2023



- **Pay Growth:** Nominal pay growth (excluding bonuses) was 5.1% on the year in the three-months to July 2024, marginally down on the 5.4% the previous month indicating an easing in pay growth. Pay growth in the private sector was 4.9%, slightly down from the previous month, while in the public sector, it was 5.7%.
- **Sector Pay:** The highest pay growth was in Finance and Business Services (+5.4%), Manufacturing (+5.9%)
- **Real Pay:** Adjusted for CIPH inflation, real regular pay growth (easing on the rolling 3 month period and excluding bonuses) stands at 2.2% over the year.

In conclusion, while the labour market is gradually cooling, small businesses continue to face challenges in hiring and managing costs. Improving access to training and addressing skill shortages are key to helping businesses thrive.

Carmen Watson, Chair of Pertemps Network Group, said: *"These days, while salaries are still growing at a steady pace, we're seeing less demand for new hires. It looks like employers are being a bit more careful about how they bring in new people, trying to balance offering good wages with being smart about recruitment."*

As the economy shifts, the job market is changing too – wages are still rising, but companies aren't hiring as fast. To make the most of their current teams, businesses are focusing more on keeping their staff happy and investing in training to boost productivity."

Jane Gratton, Deputy Director Public Policy at the British Chambers of Commerce, responds to the latest labour market data: *"There are some further signs of loosening in the jobs market as vacancies continue to fall and wage growth slows."*

"But pay continues to outpace inflation by some margin and high levels of economic inactivity mean recruitment difficulties are likely to persist."

"With over 850,000 more people no longer seeking work than before the pandemic, this remains a big concern."

"Dig deeper into this data and the numbers who are inactive due to long-term sickness have increased by more than 650,000 since early 2020."

"The autumn statement presents a key opportunity to reverse this trend. Action needs to be taken help employers promote good health and wellbeing and stop people falling out of work unnecessarily."

"Removing the tax on workplace medical insurance and cash health plans for employers and their people would encourage more take up."

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Working with a recruitment specialist to supply workers can improve your organisation's efficiency and productivity - and reduce costs.

The rhetoric that agencies cost more is not true in many cases.

We've developed the Pertemps Iceberg Challenge to show that what you pay to direct employees is just the tip of the iceberg, with significant additional employment costs lurking out of sight.

Working with an agency, there are no hidden costs.

Contact us at **hello@pertemps.co.uk** or **0808 164 1152** to take the Iceberg Challenge and see how Pertemps can start saving you money on your people costs.

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