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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 April to June 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, aged 16 - 64)	74.5%	33,094	+97,000 (+0.3%)	-69,000 (-0.2%)
Unemployment (000s, aged 16+)	4.2%	1,435	-51,000 (-3.4%)	-25,000 (-1.7%)
Youth unemployment (aged 16 -24)	13.4%	560	+21,000 (+3.9%)	+27,000 (+5.1%)

Source: Labour Force Survey from the Office for National Statistics

1. Overall Trends:

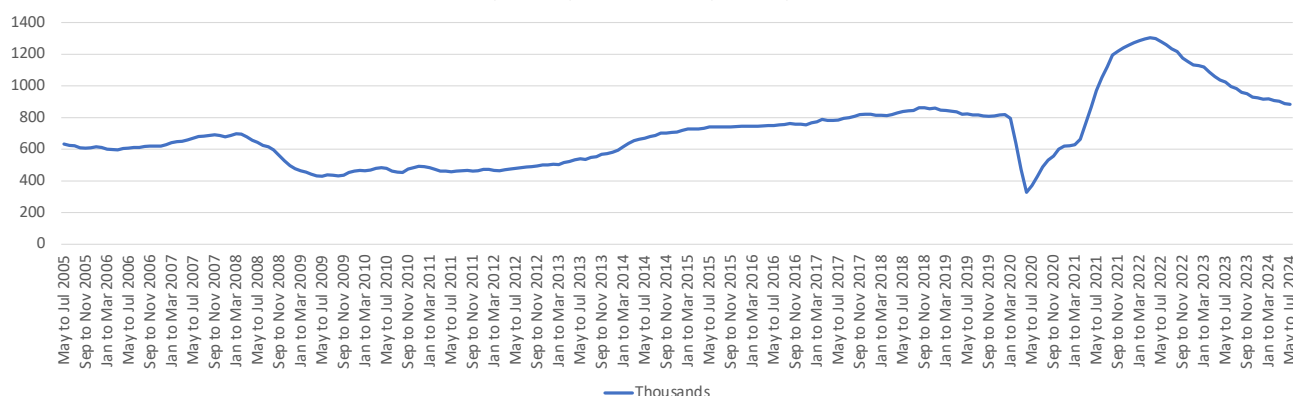
- **Market Overview:** Mixed signals while the number of vacancies and unemployment numbers are starting to decline, economic inactivity remains high. Earnings growth remains relatively strong which is being fuelled by ongoing competition for skilled workers.
- **Employment Increase 74.5% :** The employment rate for people aged 16 to 64 was estimated at 74.5%, which is lower than last year and has increased from the previous quarter.
- **Unemployment Rate 4.2%:** The unemployment rate for people aged 16 and over was estimated at 4.2%, lower than last year and down from the previous quarter.
- **Economic Inactivity 22.2%:** The economic inactivity rate for people aged 16 to 64 is now 22.2%, also higher than last year and unchanged on the previous quarter. The redundancy rate has softened on the quarter but still slightly higher than the rate a year ago.

2. Payroll Insights:

- **Employee Numbers:** The early estimate for July 2024 shows an increase of 24,000 (0.1%) on the month but an increase of 252,000 (0.8%) on the year, totalling 33,094 million. These July estimates are provisional and may be revised.
- **Job Vacancies:** The estimated number of vacancies decreased by 26,000 on the quarter to 884,000. This marks the 25th consecutive period of falling vacancies, yet they remain above pre-pandemic levels.

The estimated number of vacancies fell on the quarter, for the 25th consecutive period, to 884,000

Number of vacancies in the UK, seasonally adjusted,
May to July 2005 to May to July 2024



Source: Vacancy Survey from the Office for National Statistics

3. Challenges for Small Businesses:

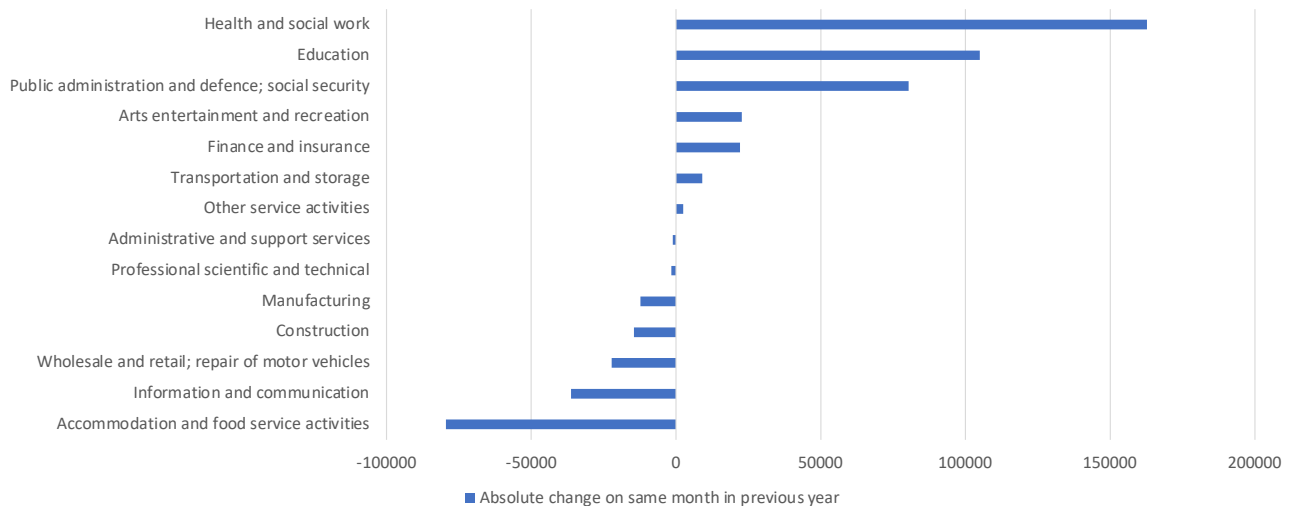
- **Hiring Issues:** Many small businesses still find it difficult to hire the right people, causing wages to rise faster than inflation and pushing up prices.
- **Market Dynamics:** Despite the cooling labour market, labour shortages remain a significant challenge for businesses. Addressing these shortages will require a mix of policy changes, such as removing barriers to work, investing in technology and enhancing lifelong learning.

4. Key Observations:

- **Employment Rates:** Employment increased by 97,000 in the three months to June 2024 compared to the previous quarter and is still lower by 67,000 compared to a year ago. The employment rate is now 74.5%.
 - o **Gender Breakdown:** Male employment decreased by 23,000 on the quarter, while female employment increased by 120,000. Over the year, male employment decreased by 192,000, and female employment increased by 122,000.
 - o **Age Groups:** The only age group to see a decrease in employment levels on the quarter were those aged 25-34 (-1,000) while those aged 16-24 (+15,000), 35-49 (+33,000), 50-64 (+13,000) and 65+ (+36,000) all saw an increase in employment levels.
 - o **Job Types:** The quarterly increase was driven by part-time (+124,000) and self-employed workers (+18,000). This was offset by a decrease in full-time employees (-83,000). The number of employees with a second job has been increasing since early 2024 and in the latest 3-month period this accounts 3.8% (1.25 million) people in employment.

5. Sector Insights:

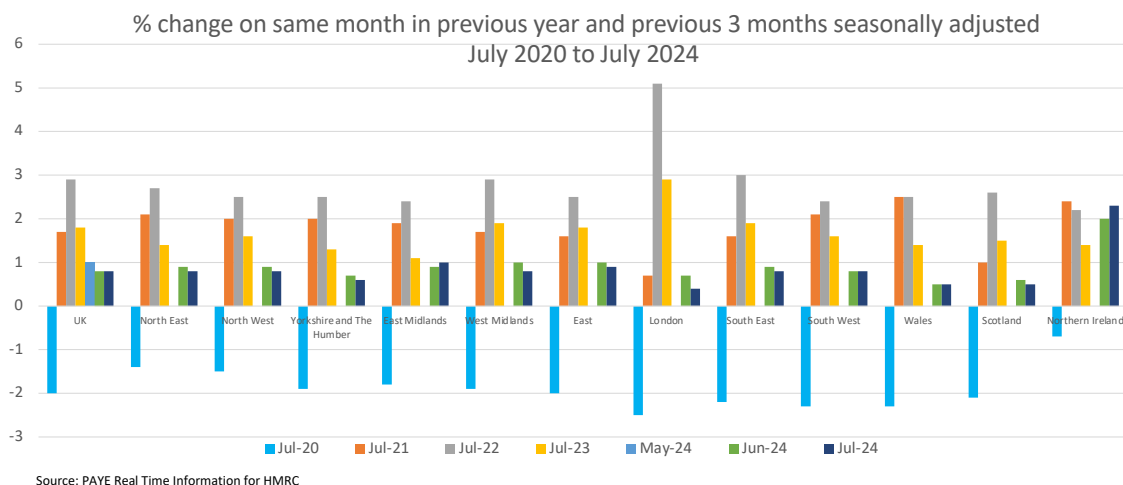
Payrolled employees, absolute change on July 2023 seasonally adjusted UK, July 2024



- **Vacancies:** The estimated numbers of Vacancies decreased by -26,000 on the quarter. The Health and Social Care sector increased to 158,000. Wholesale, Retail and Vehicle repairs sectors saw a combined drop of 22,000 but remains high at 108,000. The hospitality sector accounts for 100,000 current vacancies.
- **Strikes:** There were 100,000 working days lost to strikes in June 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.

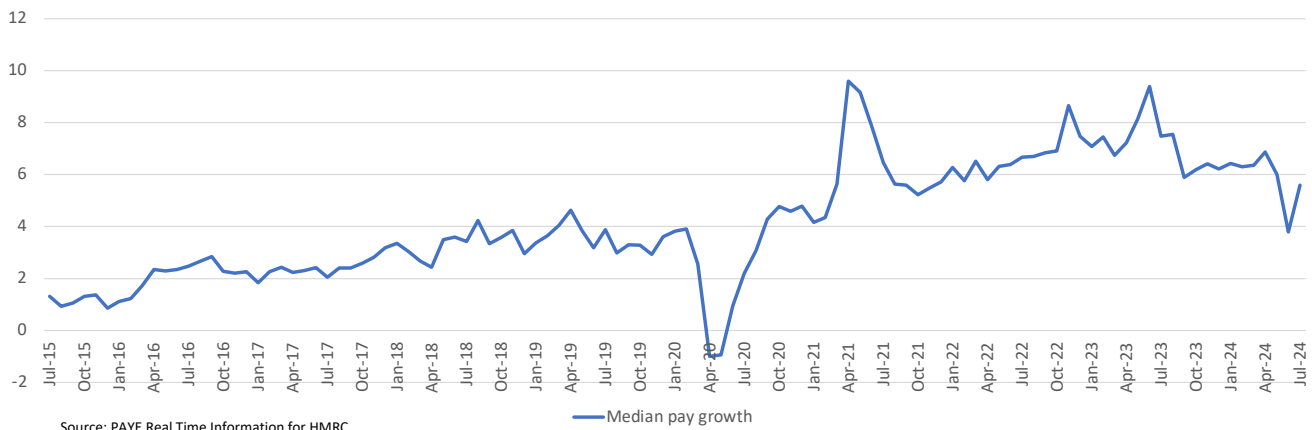


- **Employment Levels:** Employment rose across most regions with Wales and Scotland both showing slightly stronger figures. Northern Ireland saw no real change.

7. Pay Trends:

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

Percentage change month-on-month in previous year, seasonally adjusted, UK, July 2015 to July 2024 (estimated)



- **Pay Growth:** Nominal pay growth (excluding bonuses) was 5.4% in the year to June 2024, slightly down from the previous month. Pay growth in the private sector was 5.2%, slightly down from the previous month, while in the public sector, it was 6%.
- **Sector Pay:** The highest pay growth was in Finance and Business Services (+6.2%), Manufacturing (+6%)
- **Real Pay:** Adjusted for CIPH inflation, real regular pay growth (easing on the rolling 3 month period and excluding bonuses) stands at 2.4% over the year.

Carmen Watson, Chair of Pertemps Network Group, said: *"The labour market is gradually slowing down, with job vacancies still higher than before the pandemic, and pay rates remain elevated due to last year's inflation."*

"The new Government's initiatives to reform the Apprenticeship Levy and establish Skills England are promising but must focus on addressing local needs rather than imposing top-down solutions. To genuinely support all workers, particularly those seeking flexible work arrangements and new opportunities, it is crucial that employment protection reforms do not create obstacles for jobseekers and encourage collaboration with businesses."

Jane Gratton, Deputy Director Public Policy at the British Chambers of Commerce, comments on the latest labour market data:

"The labour market is continuing to give mixed signals as the number of vacancies declines for the 25th time alongside persistently high levels of economic inactivity and falling unemployment."

"Employment costs also remain a major concern for employers, with real wage earnings still rising strongly, amid widespread recruitment difficulties and ongoing competition for skilled workers."

"Bridging the UK's long-standing skills gap will be crucial to bringing more balance to the labour market. The focus must be on creating an education and training system that properly prepares young people for the world of work. It must help adults to return to work, stay in work, and continuously upskill and reskill for a rapidly changing workplace."

"As hundreds of thousands of students receive A-level, T-level and vocational qualification results this week, employers will be eager to bring new talent into their businesses. They will be looking beyond the technical and academic achievements to assess people's real-world work-readiness and development potential."

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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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