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**Pertemps
Network**



British
Chambers of
Commerce

Labour Market Update: Key Takeaways for 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, aged 16 - 64)	75%	33,372	+373,000 (-1.1%)	+344,000 (-1%)
Unemployment (000s, aged 16+)	4%	1,386	-141,000 (-9.3%)	-66,000 (-4.5%)
Youth Unemployment (000s aged 16 - 24)	13.6%	576	-10,000 (-1.7%)	+40,000 (+7.5%)

Source: Labour Force Survey from the Office for National Statistics

1. Overall Trends:

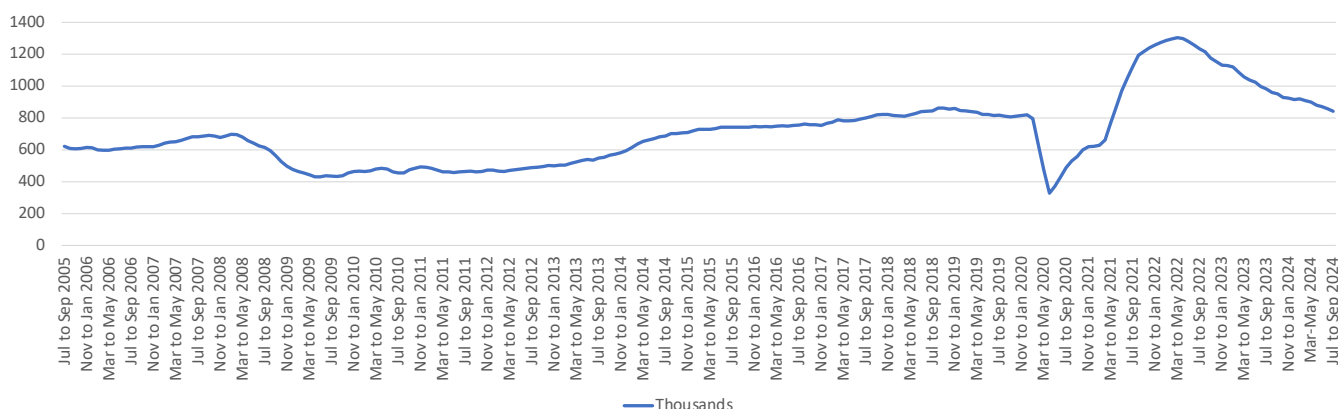
- **Market Overview:** Mixed signals. While the number of vacancies and unemployment numbers are starting to decline, economic inactivity remains high. Regular earnings (excluding bonuses) growth seen to be slowing at 4.9%, June to August 2024, while annual growth (including bonuses) was 3.8%. The June, July and August 2023 NHS and Civil Service one-off payments contribute to this annual growth.
- **Employment Rate Increases to 75% :** The employment rate for people aged 16 to 64 was estimated at 75%, which is above last year's estimates and an increase from the previous quarter.
- **Unemployment Rate Falls to 4%:** The unemployment rate for people aged 16 and over was estimated at 4%, lower than last year and down from the previous quarter.
- **Economic Inactivity Rate Falls to 21.8%:** The economic inactivity rate for people aged 16 to 64 is now 21.8%, a reduction on last year and slightly lower on the previous quarter. The redundancy rate has softened on the quarter and is slightly lower than the rate a year ago.

2. Payroll Insights:

- **Employee Numbers:** The early estimate for Sept 2024 shows an increase of 113,000 in the full-time employment, compared to the previous year, and down 15,000 on previous month. The September estimates are provisional and may be revised.
- **Job Vacancies:** The estimated number of vacancies decreased by 34,000 to 841,000 on the previous quarter. This marks the 27th 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 27th consecutive period, to 841,000

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



3. Challenges for Businesses:

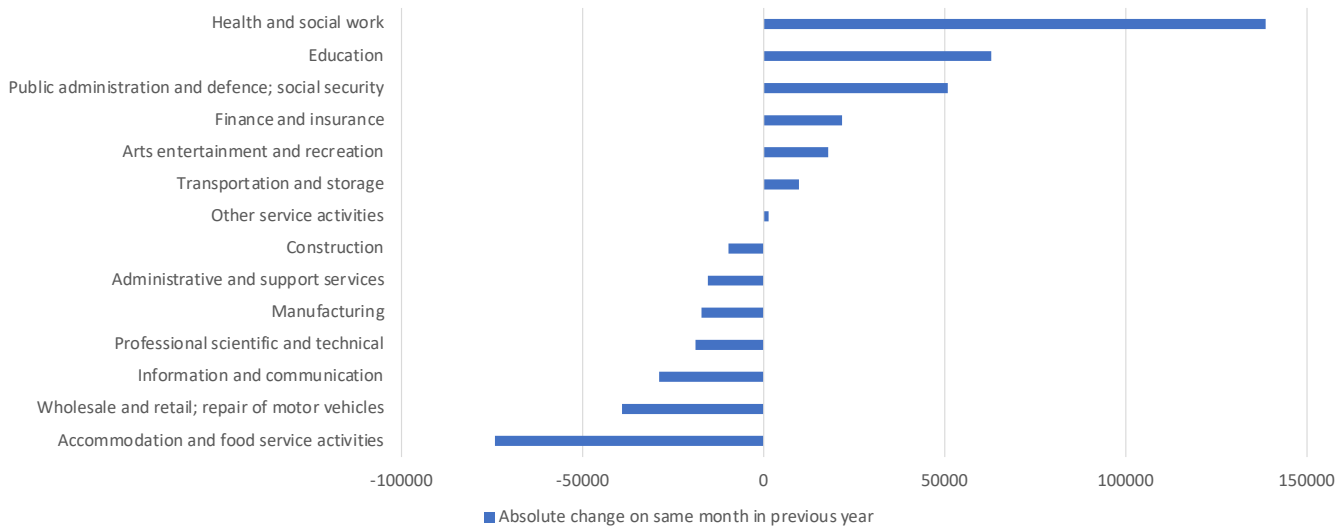
- **Market Dynamics:** Despite the cooling labour market, labour shortages remain a significant challenge for businesses. Employers are becoming more cautious in their hiring strategies, balancing the need for competitive wages with a more measured approach to recruitment. As businesses adjust to changing 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 373,000 in the three months to August 2024 compared to the previous quarter and an increase of 344,000 compared to a year ago. The employment rate is now 75%.
 - o **Gender Breakdown:** Male employment increased by 213,000 on the quarter, while female employment increased by 160,000. Over the year, male employment increased by 147,000, and female employment increased by 198,000.
 - o **Age Groups:** All but one age group saw an improvement in employment levels on the quarter: 16-17 age group (+25,000), 25-34 (+41,000), 35-49 (+192,000), 50-64 (+63,000) and 65+ age group (+69,000). The 18- 24 age group saw a decline of -17,000.
 - o **Job Types:** While in both full-time (184,000) and part-time (211,000) employment increased. Full-time self-employment decreased by -78,000 and part-time self-employment increased by 29,000.

5. Sector Insights:

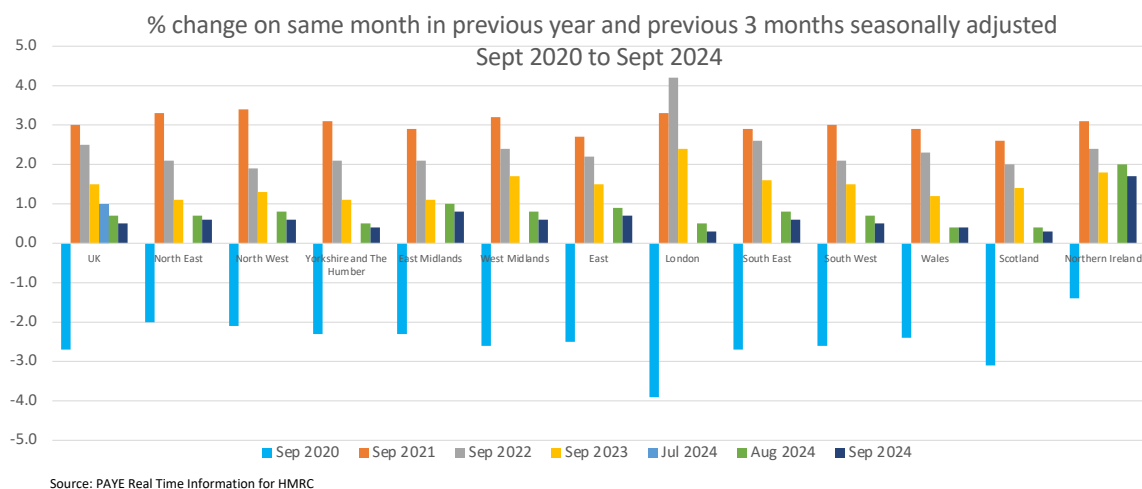
Payrolled employees, absolute change on Sept 2023 seasonally adjusted UK, Sept 2024



- **Vacancies:** The estimated numbers of vacancies decreased by -34,000 (-3.8%) on the month. The Health and Social Care sector remained highest at 149,000. Motor industry sectors remain high at 104,000. The hospitality sector accounts for 95,000 current vacancies.
- **Strikes:** There were 31,000 working days lost to strikes in August 2024.

6. Regional Differences:

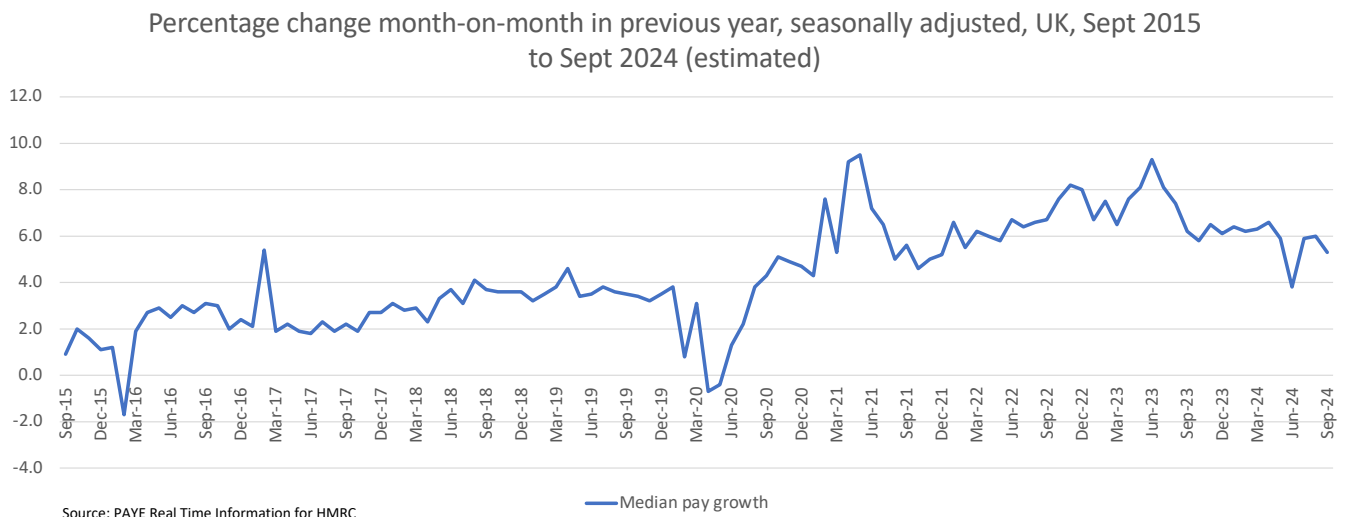
Regional employee growth fell across the UK over 2020 & 2021, but subsequently recovered across all regions.



- **Employment Levels:** Employment levels increased in the East (+50,000), the West Midlands (+48,000) and London (+47,000) June to August 2024. The rate of employment in Wales (+23,000) and Scotland (+41,000) showed slower growth than the previous quarter. Declines were experienced in Northern Ireland, and Yorkshire and the Humber, both at -4,000.

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 4.9% on the year in the three-months to August 2024, marginally down on the 5.1% the previous month, indicating an easing in pay growth. Pay growth in the private sector was 4.8%, slightly lower than the nominal pay growth average, while in the public sector, it was 5.2%, a 0.5% drop on the previous three-month rolling average.
- **Sector Pay:** The highest pay growth was in manufacturing (+6%).
- **Real Pay:** Adjusted for CIPH inflation, real regular pay growth (easing on the rolling 3-month period and excluding bonuses) stands at 1.9% over the year.

Carmen Watson, Chair of Pertemps Network Group, said: *"The drop in unemployment isn't too surprising, especially with everything going on in the economy."*

"An ongoing decrease in job openings might show that businesses are being cautious, not that they don't need staff, especially with so many workers nearing retirement and the UK facing some big challenges to stay competitive."

"In this tough situation, companies need to juggle different priorities, like keeping and rewarding their current teams while working with tight budgets. Building strong relationships with recruitment partners will be key for when they're ready to hire again."

Jane Gratton, Deputy Director Public Policy at the British Chambers of Commerce said: *"With vacancies continuing to fall and the pace of wage rises slowing, it would appear there are further signs of the labour market loosening."*

"It's good to see that levels of unemployment and economic inactivity have fallen slightly. But our latest [research](#) shows three quarters of firms are still struggling to find staff with the skills that they need."

"Firms are worried the autumn budget might lead to a higher tax burden – particularly a potential increase in NICs – and that the Government's new employment reforms could increase costs."

"There are two key issues the Chancellor must address to boost employment and help keep momentum in the economy. First, is to help the long-term sick back into work and, second is to plug the gaps in local training provision."

"We want a reduction in the employer and employee tax on workplace health services so more people can get tailored support more quickly. And we need longer-term funding for Local Skills Improvement Plans, to help more businesses provide more training for more people."

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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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