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## FURTHER INCREASE IN ECONOMIC INACTIVITY AS PAY GROWTH CONTINUES TO FALL

The latest ONS data cover the period from June to August 2022 and show a labour market that is continuing to tighten, with the employment rate decreasing, unemployment decreasing, economic inactivity rising sharply and vacancies falling for the third quarter in a row. Real time Pay-As-You-Earn data for September 2022 showed that the number of payrolled employees increased, up by 69,000 to a record 29.7 million.

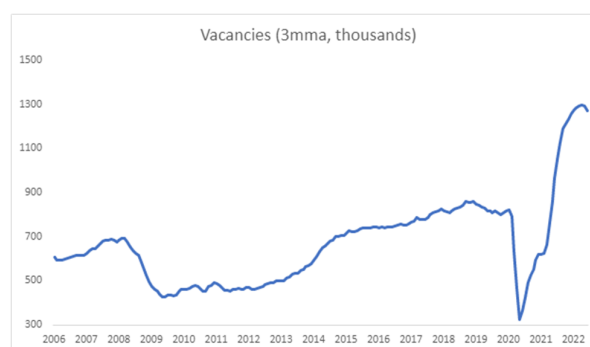
Furthermore, real regular pay growth is still in negative territory, with the three-month average close to the lowest it has been since records began at -2.9%. Skills and labour shortages and high vacancies are putting a break on growth and business investment, while inflation remains very high. To go for growth and build a higher-wage economy the government should create the conditions for higher business investment. Immediately updating the Shortage Occupations List and reforming the Apprenticeship Levy to unlock business investment in the full range of skills the economy needs should be the starting point.

### Employment rate and number of vacancies both fall...

- The official measure of employment shows a decrease of 109,000 in the three months to August 2022, compared with the previous quarter, and an increase of 265,000 on the same period a year ago. Despite this increase, the employment rate has decreased by 0.3 percentage points to 75.5%.
- Male employment decreased (-73,000) over the quarter to August, while female employment also decreased (-35,000). On the year, male employment increased by 138,000 and female employment increased by 127,000.

- Those aged 35-49-year-old saw an increase in employment levels over the quarter (+17,000)
- Those aged 16-24 did not see a significant change in employment levels in the three months to August 2022 (-1,000).
- Those aged 50-64 saw the largest decrease in employment levels (-63,000), followed by those aged 25-34 (-11,000).
- The number of people working full-time decreased (-77,000), while the total number of employees working part-time also decreased (-32,000).
- The number of self-employed people working full time increased (36,000), while the total number of self-employed people working part-time had no significant change (+7,000).
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has increased once again by 69,000 and is now at a record high at 29.7 million.

Exhibit 1 - Vacancies (000s)



Source: ONS October 2022 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.5%	32,754	-109,000 (-0.3%)	+265,000 (+0.8%)
Unemployment** (ILO)	3.5%	1,188	-97,000 (-7.6%)	-323,000 (-21.4%)
Youth unemployment (16-24)	10.0%	372,000	-62,000 (-17%)	-122,000 (-2.8%)

Source: ONS October 2022 labour market statistics, June 2022 to August 2022 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 October 2022 labour market statistics

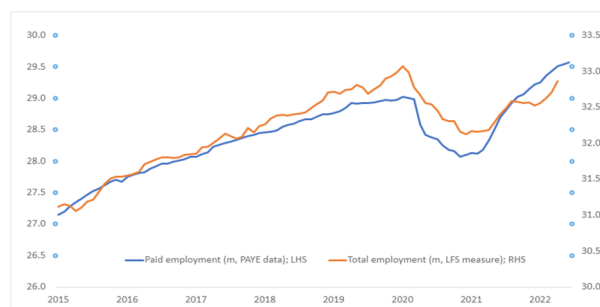
- There were an estimated 1.25 million vacancies in the three months from July 2022 to September 2022, a decrease of 46,000 and the fourth consecutive quarterly fall and the largest fall since August 2020.
- 4 of the 18 industry sectors are showing record high vacancies, down from a high of 12 earlier in the year. The largest number of jobs available are in Human health and social care (217,000) and the Wholesale and retail trade; repair of motor vehicles and cycles sector (159,000).
- The total number of hours worked decreased on the quarter to 1.045 million, a -0.4% decrease on the quarter but still up on the year by 2.1%. This is still below pre-pandemic levels.

### ...while unemployment falls and redundancy rate still historically low

- Official data show that, in the three months to August 2022, unemployment decreased by 97,000 to stand at 1.18 million. The unemployment rate stood at 3.5%, a decrease of 0.3% points on the previous quarter, the lowest it has been since 1974. There are 323,000 fewer unemployed people than in the same period a year ago.
- The number of redundancies increased on the previous quarter (+16,000) but is down by 31,000 on the year. This means that the redundancy rate is at 2.4 per thousand employees.
- The number of those who are economically inactive increased significantly (+252,000) compared to the previous quarter, with 226,000 more people economically inactive now than the same time last year. The inactivity rate is now at 21.7%, the highest since August 2015. This is mainly due to those aged 50-64 leaving the labour market due to long-term sickness, which is now at a record high, and students staying in education for longer.

### Wage growth is strong in the private sector but continues to fall behind inflation

- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 5.4% on the year in the three months to August 2022 (the less volatile three-month rolling basis).
- In the three months to August, nominal regular pay growth stood at 6.2% in the private sector (up by 0.2% points on July), the strongest pay growth seen outside of the Covid-19 pandemic.
- In the public sector, nominal pay growth stood at 2.2% in the public sector (up by 0.2% in July).
- Across the different sectors, nominal annual regular pay growth was strongest in wholesaling, retailing, hotels and restaurants (+7.4% - up by 0.3% points), followed by finance (+5.9% - down by 0.1% points), services (5.6% - up by 0.2% points), construction (+4.9% - down by 0.5%) and manufacturing (4.6% - up by 0.3% points).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) dropped by 0.1% on the quarter (on the less volatile three-month rolling basis) – but is still at -2.9% on the year, the second lowest since records began in 2001.
- Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) is at -2.8%, up from -3.0% in June.

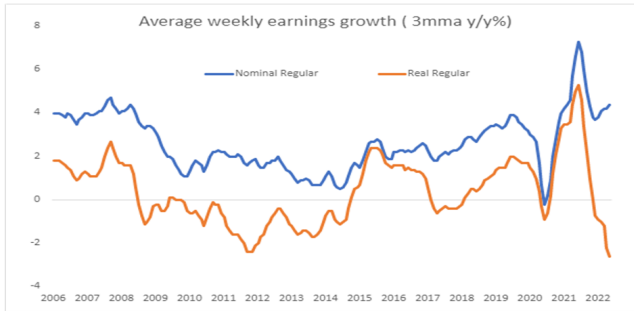
**Exhibit 3 - PAYE real time data vs official employment data (millions)**

Source: ONS October 2022 labour market statistics

### Most regions and nations saw a mixed bag in employment levels...

- In the three months to August 2022, employment increased in the East (+40,000), and Scotland (+15,000).
- Employment remained broadly unchanged in Yorkshire and the Humber (+8,000), the North East (-5,000), Northern Ireland (-4,000) and, the North West (-2,000) and the South East (-2,000).
- The regions and nations that saw a decline in employment levels was the East Midlands (-64,000), London (-32,000), the South West (-25,000), Wales (-25,000) and the West Midlands (-13,000).

**Exhibit 4 - Real regular pay and nominal regular pay growth (%) 3-month average**



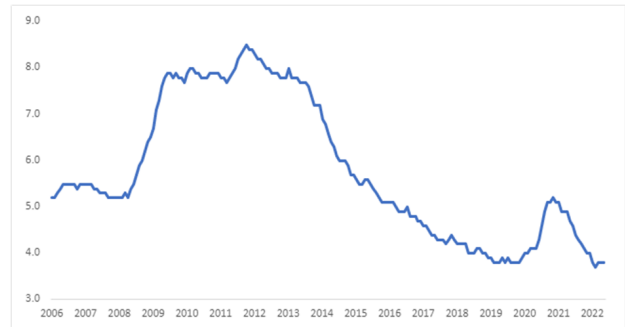
Source: ONS October 2022 labour market statistics

- The region or nation that saw a decline in employment levels was the South West (-12,000), London (-14,000), the West Midlands (-18,000), Wales (-18,000) and the South East (-32,000),

**...while unemployment levels also varied across the country**

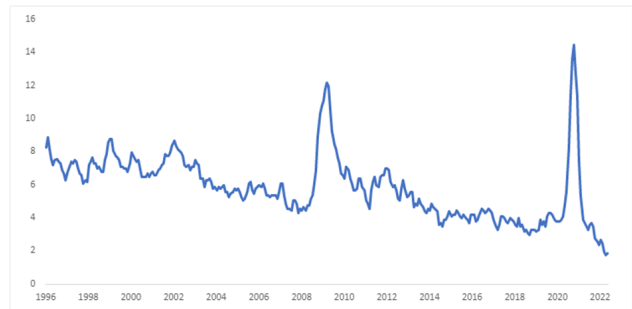
- In the three months to July 2022, unemployment increased in the South East (+11,000) and the East Midlands (+13,000).
- Unemployment levels remained broadly unchanged in the North East (-9,000), Wales (-8,000), Scotland (-8,000), Northern Ireland (-4,000) and the South West (-3,000).
- Unemployment levels decreased in London (-33,000), the North West (-32,000), the East (-24,000) and Yorkshire and the Humber (-16,000).

**Exhibit 5 - Unemployment rate (%)**



Source: ONS October 2022 labour market statistics

**Exhibit 6 - Redundancy rate (%)**



Source: ONS October 2022 labour market statistics

The next labour market update will be published on **15 November 2022.**



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#### ABOUT THE SPONSOR

“The challenges we are facing in the labour market are illustrative of the current economic climate. Recruitment activity remains high, with pay continuing to rise for both temporary and permanent roles. However, those rises are not keeping pace with inflation which, it seems, may be an issue for some time to come.

“Businesses must work with recruiters to pinpoint the skills needed and access the right talent pools. A ‘people first’ approach must be adopted and the employment proposition has to be strong to attract and retain talent.”

#### **Carmen Watson. Chairperson, Pertemps Network Group**

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