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## ECONOMIC INACTIVITY FALLS BUT LONG-TERM SICKNESS REACHES RECORD HIGH

The latest ONS data cover the period from November 2022 to January 2023 and show a labour market that continues to show signs of softening, with the employment rate increasing, unemployment remaining low, and economic inactivity and vacancies both falling. Real time Pay-As-You-Earn data for February 2022 showed that the number of payrolled employees increased, up by 98,000 to a record 30 million.

However, of those who are economically inactive, 2.52 million have cited long-term sickness for their reason of inactivity, the highest figure on record. Ahead of the Spring Budget, the Chancellor has the opportunity to start fixing this by expanding the scope of health support firms can provide to employees as a non-taxable benefit. Too many other people, including parents and the over-50s, still face barriers in returning to work. The Chancellor can remove these by expanding childcare provision, investing in technology and new ways of working to boost productivity, and reforming the Apprenticeship Levy.

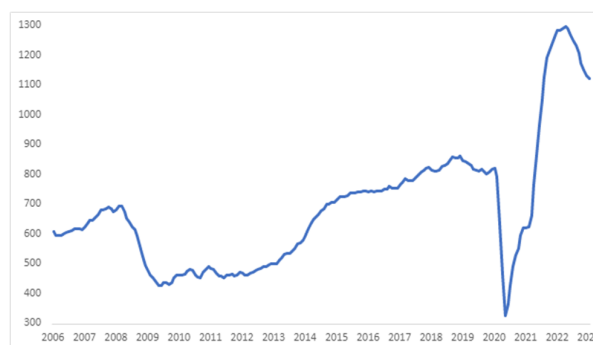
employment increased by 193,000 and female employment increased by 116,000.

- Those aged 16-24 saw the largest increase in employment levels over the quarter (+86,000), with the 25-34 year old age group also seeing a rise this quarter (+28,000).
- Those aged 35-49 saw the largest decrease in employment levels this quarter (-47,000), while those aged 50-64 also saw employment levels decrease (-33,000).
- The number of people working full-time decreased significantly (-144,000), while the total number of employees working part-time increased (+89,000).
- The number of self-employed people working full time increased (+24,000), while the total number of self-employed people working part-time also increased (+67,000).
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has increased

### Employment rate increases as vacancy levels continue to fall...

- The official measure of employment shows an increase of 65,000 in the three months to January 2023, compared with the previous quarter, and an increase of 309,000 on the same period a year ago. The employment rate has changed by 0.1% and is now at 75.7%.
- Male employment increased (+57,000) over the quarter to January, while female employment remained the same as the previous quarter (+8,000). On the year, male

Exhibit 1 - Vacancies (000s)



Source: ONS March 2023 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.7%	32,839	+65,000 (+0.1%)	+309,000 (+0.9%)
Unemployment** (ILO)	3.7%	1,253	+5,000 (+0.4%)	-94,000 (-7.0%)
Youth unemployment (16-24)	10.8%	458	+27,000 (+6.3%)	-4,000 (-0.9%)

Source: ONS March 2023 labour market statistics, November 2022 to January 2023 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 March 2023 labour market statistics

once again by 98,000 and is now at a record high at 30 million.

- There were an estimated 1.12 million vacancies in the three months to February 2023, a decrease of 51,000 and the second consecutive quarterly fall.
- The largest number of jobs available are in Human health and social care (205,000), the Wholesale and retail trade; repair of motor vehicles and cycles sector (147,000) and the Accommodation and Food service activities (142,000).
- The total number of hours worked increased on the quarter to 1.042 million, a 0.7% increase on the quarter but still up on the year by 10.2%. This is still below pre-pandemic levels, however, 220,000 working days were lost in January, and a further 822,000 were lost in December due to labour disputes.

**...while unemployment remains the same but redundancy rate increases**

- Official data show that, in the three months to January 2023, unemployment stayed at the same level (+5,000) to stand at 1.25 million. The unemployment rate stood at 3.7%, the same as the previous quarter. There are 94,000 fewer unemployed people than in the same period a year ago.
- The number of redundancies remained the same as the previous quarter (+6,000) and is up by 26,000 on the year. This means that the redundancy rate is at 3.3 per thousand employees, the fourth consecutive quarterly rise after dropping to a record low of 1.8 per thousand employees a year ago.
- The number of those who are economically inactive decreased (-77,000) compared to the previous quarter, with only 2,000 more people economically inactive now than the same time last year. The inactivity rate is now at 21.3%. The main reason for becoming economically inactive

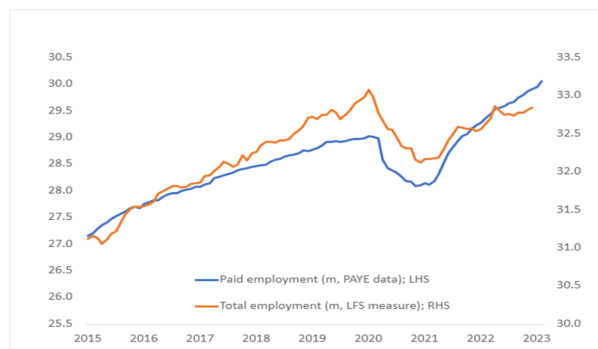
is due to long-term sickness, which is now at a record high at 2.5 million, and students staying in education for longer (2.2 million).

- Of the 8.8 million economically inactive, 1.7 million say they want a job, an increase of 53,000 on the previous quarter.

**The private sector sees strong wage growth but continues to fall behind inflation**

- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 6.1% on the year in the three months to January 2023 (the less volatile three-month rolling basis).
- In the three months to January, nominal regular pay growth stood at 7.0% in the private sector (down by 0.3% points on December 2022).
- In the public sector, nominal pay growth stood at 4.8%, the highest pay growth since April 2021.
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+7.7% - up by 0.3% points), services (6.8% - down by 0.1% points), construction (+5.8% - up by 0.3%), manufacturing (5.4% - down by 0.1% points), and wholesaling, retailing, hotels and restaurants (+5.3% - down by 0.7% points).

**Exhibit 3 - PAYE real time data vs official employment data**

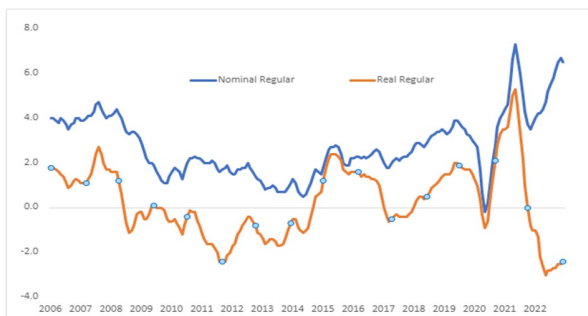


Source: ONS March 2023 labour market statistics

- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) is up by 0.1% on the quarter (on the less volatile three-month rolling basis) – and is at -2.4% on the year as inflation continues to erode wage growth.
- Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) is at -2.7%, down from -2.4% in December 2022.

**There was a mixed bag in employment levels across regions and nations...**

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



Source: ONS March 2023 labour market statistics

- In the three months to January 2023, employment increased in the South East (+51,000), the North West (+43,000), the South West (+31,000), the North East (+19,000), Scotland (+13,000) and the West Midlands (+12,000)
- Employment remained broadly unchanged in Northern Ireland (+10,000), Yorkshire and the Humber (+8,000) and Wales (-6,000).
- The regions and nations that saw a decline in employment levels was London (-56,000), the East (-43,000) and the East Midlands (-12,000).

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

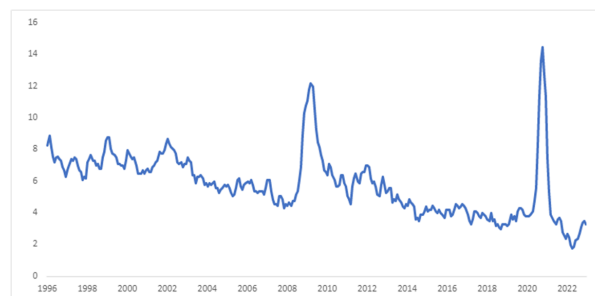
- In the three months to January 2023, unemployment increased in the South East (+21,000) and the South West (+11,000).
- Unemployment levels remained broadly unchanged in the East Midlands (+3,000), London (+1,000), Wales (-2,000), Northern Ireland (-3,000), Scotland (-4,000), the North East (-7,000) and the West Midlands (-10,000).
- Unemployment levels decreased in the North West (-17,000), Yorkshire and the Humber (-23,000) and in the East (-36,000).

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



Source: ONS March 2023 labour market statistics

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



Source: ONS March 2023 labour market statistics

The next labour market update will be published on **18 April 2023**.



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“Recruitment activity has slowed due to the lingering economic uncertainty which has led to hesitancy around hiring. “With the rising cost of living crisis, it’s important for recruiters and employers to work together to tackle economic inactivity and address the skills gap. The Spring Budget is a great opportunity for the Government to help us find a way forward together.”

#### Carmen Watson, Chair of Pertemps Network Group

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