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SHARP INCREASE IN ECONOMIC INACTIVITY AS TALENT POOLS SHRINK ACROSS THE BOARD

The latest ONS data covers the period from May to July 2022 and shows a labour market that is plateauing, with the employment rate decreasing, unemployment increasing, economic inactivity rising sharply and vacancies falling for the second quarter in a row. Real time Pay-As-You-Earn data for August 2022 showed that the number of payrolled employees increased, up by 71,000 to a record 29.7 million.

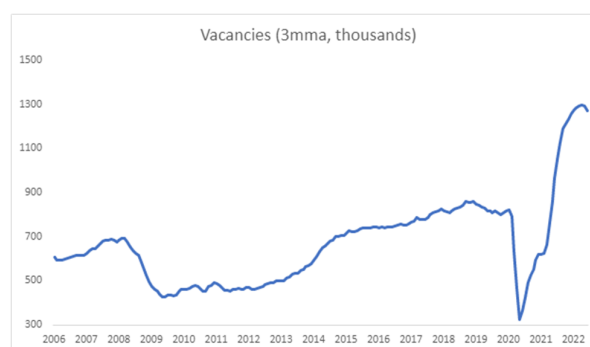
Furthermore, real regular pay growth is still in negative territory, with the three-month average close to the lowest it has been since records began at -2.8%. Skills and labour shortages and high vacancies are putting a break on growth and business investment, while inflation still remains very high. This culmination of challenges is putting a strain on households and dampening business optimism for the months ahead. The Government should make the skills and immigration systems responsive to shortages by updating the Shortage Occupations List, the courses eligible as part of the Lifetime Skills Guarantee, and reforming the Apprenticeship Levy to unlock business investment in the full range of skills the economy needs.

Employment rate and number of vacancies both fall...

- The official measure of employment shows an increase of 40,000 in the three months to July 2022, compared with the previous quarter, and an increase of 337,000 on the same period a year ago. Despite this increase, the employment rate has decreased by 0.2% percentage points to 75.4%.
- Male employment increased (+58,000) over the quarter to July, while female employment also increased (+60,000). On the year, male employment increased by 95,000 and female employment increased by 99,000.

- Only those aged 35-49-year-old saw an increase in employment levels over the quarter (+47,000).
- Those aged 50-64 saw the largest decrease in employment levels (-43,000), followed by those aged 25-34 (-15,000) and those aged 18-24 (-14,000).
- The number of people working full-time increased (+16,000), while the total number of employees working part-time also increased (+23,000).
- The number of self-employed people working full time increased (27,000), while the total number of self-employed people working part-time decreased (-12,000).
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has increased once again by 71,000 and is now at a record high at 29.7 million.

Exhibit 1 - Vacancies (000s)

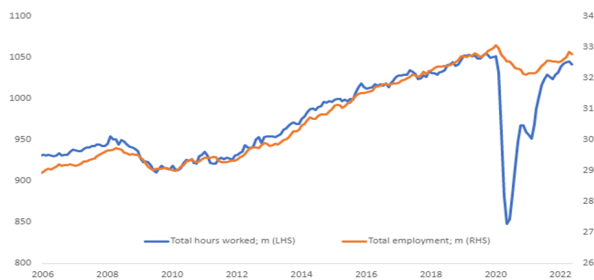


Source: ONS September 2022 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.4%	32,746	+40,000 (0.1%)	+337,000 (+1.0%)
Unemployment** (ILO)	3.6%	1,224	-76,000 (-5.8%)	-332,000 (-21.4%)
Youth unemployment (16-24)	10.0%	372,000	-83,000 (-10%)	-150,000 (-3.6%)

Source: ONS September 2022 labour market statistics, May 2022 to July 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 September 2022 labour market statistics

- There were an estimated 1.26 million vacancies in the three months from May 2022 to July 2022, a decrease of 34,000 and the second consecutive quarterly fall.
- 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 (219,000) and the Accommodation and food services activities (168,000).
- The total number of hours worked decreased on the quarter to 1.041 million, a -0.3% decrease on the quarter but still up on the year by 2.3%. 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 July 2022, unemployment decreased by 76,000 to stand at 1.22 million. The unemployment rate stood at 3.6%, a decrease of 0.2% points on the previous quarter, the lowest it has been since 1974. There are 332,000 fewer unemployed people than in the same period a year ago.
- The number of redundancies increased on the previous quarter (+8,000) but is down by 29,000 on the year. This means that the redundancy rate is at 2.3 per thousand employees.
- The number of those who are economically inactive increased significantly (+194,000) compared to the previous quarter, with 246,000 more people economically inactive now than the same time last year. The inactivity rate is now at 21.7%, and the inactivity level at 9 million, the highest level since August 2015.

Wage growth continues to fall behind inflation

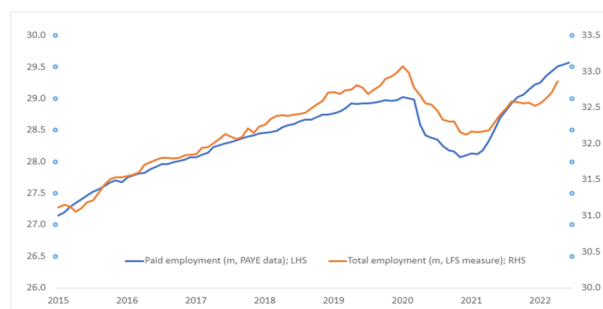
- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 5.2% on the year in the three months to July 2022 (the less volatile three-month rolling basis).

- In the three months to July, nominal regular pay growth stood at 6.0% in the private sector (up by 0.5% points on May) and at 2.0% in the public sector – the same as the previous quarter.
- Across the different sectors, nominal annual regular pay growth was strongest in wholesaling, retailing, hotels and restaurants (+7.0% - up by 0.3% points), followed by finance (+5.9% - up by 0.2% points), construction (+5.4% - no increase) and services (5.4% - up by 0.5% points) and manufacturing (4.2% - up by 0.4% points).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) increased by 0.2% on the quarter (on the less volatile three-month rolling basis) – but is still at -2.8% 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 -3.0%, down from -2.8% in June.

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

- In the three months to July 2022, employment increased in Yorkshire and the Humber (+46,000), the East (+38,000), the North West (+28,000), Scotland (+17,000), and the East Midlands (+11,000).
- Employment remained broadly unchanged in Northern Ireland (+1,000) and the North East (-4,000).
- The region or nation that saw a decline in employment levels was the South West (-12,000),

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



Source: ONS September 2022 labour market statistics

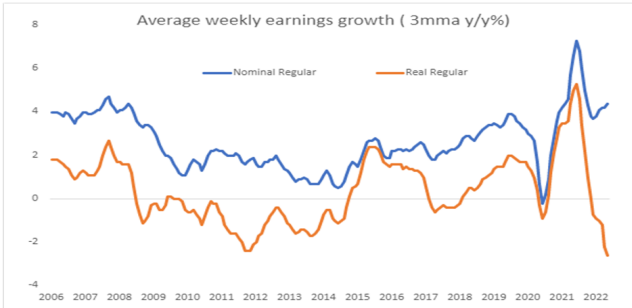
London (-14,000), the West Midlands (-18,000), Wales (-18,000) and the South East (-32,000),

...while unemployment levels remain largely the same

- In the three months to July 2022, unemployment increased in the South East (+23,000) only.
- Unemployment levels remained broadly unchanged in the North East (-7,000), South East (-5,000), South West (-5,000), Wales (-5,000), Yorkshire and the Humber (-3,000), the East

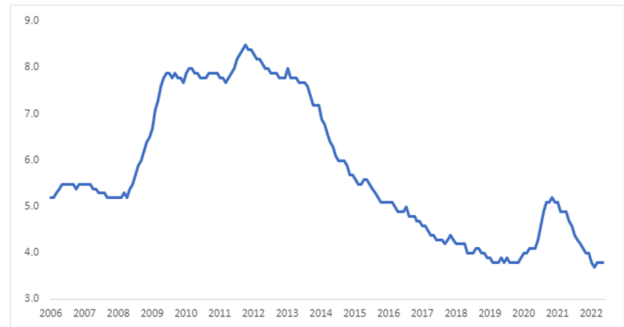
Midlands (+1,000), the West Midlands (+2,000), and Northern Ireland (+2,000).

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



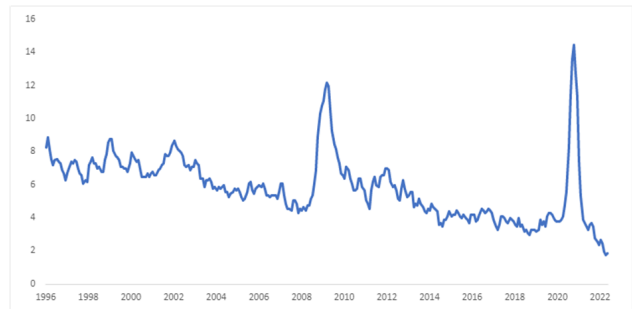
The next labour market update will be published on **11 October 2022**.

Exhibit 5 - Unemployment rate (%)



Source: ONS September 2022 labour market statistics

Exhibit 6 - Redundancy rate (%)



Source: ONS September 2022 labour market statistics



For further information or a copy in large text format, please contact:

Yusuf Ali-Hassan
Policy Adviser
M: 44 (0)7469 155238
E: Yusuf.Ali-Hassan@cbi.org.uk

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ABOUT THE SPONSOR

“Over August, we saw a number of growing placements across temporary and permanent roles. With the continued economic uncertainty, it's vital that investment in people continues in order to weather the storm, by upskilling the available workforce.

“Hiring companies need to work with professional recruiters, to ensure they get the right approach to getting these skills they want, to maintain competitiveness.”

Carmen Watson. Chairperson, Pertemps Network Group

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For further information about Pertemps Network Group, please contact:

James Wilde
PR and Communications Manager
T: 01676 525250
E: james.wilde@pertemps.co.uk
W: www.pertemps.co.uk