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## NUMBER OF VACANCIES CONTINUES TO EASE WHILE PAY GROWTH CAN'T KEEP UP WITH INFLATION

The latest ONS data cover the period from December to February 2023 and show a labour market that continues to soften, with the employment rate increasing, unemployment remaining low, and economic inactivity and vacancies both falling. The timeliest estimate of payrolled employees for March 2023 shows another monthly increase, up by 31,000 to 30 million.

The economic inactivity rate decreased by 0.4% on the quarter, to 21.1% in December 2022 to February 2023. The decrease in economic inactivity was largely driven by people aged 16 to 24 years. However, economic inactivity due to long-term sickness continues to rise – and stands now at 2.5 million, representing nearly 3 in 10 of those economically inactive.

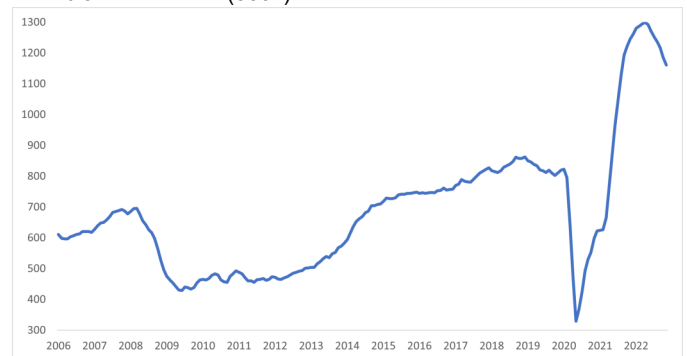
On the other hand, vacancies fell by 47,000 on the quarter to 1,105,000. Vacancies fell on the quarter for the ninth consecutive period but remain higher than pre-pandemic levels. Lastly, there were 348,000 working days lost because of labour disputes in February 2023, up from 210,000 in January 2023. Over three-fifths of the strikes in February were in the education sector.

### Employment rate increases as number of vacancies continues to fall...

- The official measure of employment shows an increase of 169,000 in the three months to February 2023, compared with the previous quarter, and an increase of 384,000 on the same period a year ago. The employment rate has increased by 0.2% and is now at 75.8%.
- Both male and female employment increased (+143,000 and +27,000 respectively) over the quarter to February. On the year, male employment increased by 253,000 and female employment increased by 130,000.
- Those aged 16-24 saw the largest increase in employment levels over the quarter (+84,000), with the 35-49-year-old age group also seeing a rise this quarter (+33,000).

- Employment levels for the 25-34-year-old group remained unchanged (+8,000). The 50-64-year-old group was the only one that saw a decrease in employment levels (-33,000).
- The number of employees working full-time decreased significantly (-93,000), while the total number of employees working part-time increased significantly (+111,000). Both the number of self-employed people working full time and part-time increased (+75,000 and +59,000 respectively).
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has increased by 31,000 and is now at a record high at 30 million.
- There were an estimated 1.10 million vacancies in the three months to March 2023, a decrease of 47,000 compared to the last quarter.
- The largest number of jobs available are in Human Health and Social Care (200,000), the Wholesale and Retail trade; repair of motor vehicles and cycles sector (142,000) and the Accommodation and Food service activities (139,000).

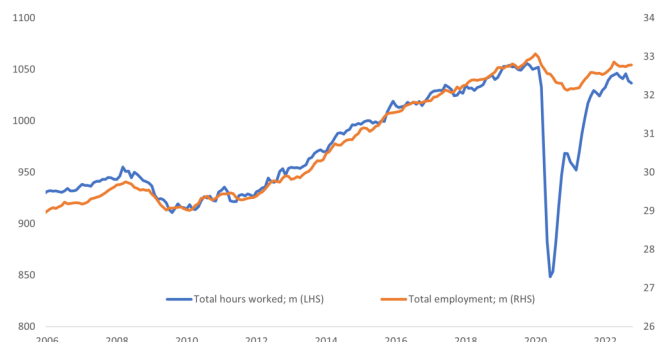
**Exhibit 1** Vacancies (000s)



Source: ONS April 2023 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.8%	32,950	+169,000 (0.5%)	+384,000 (1.2%)
Unemployment** (ILO)	3.8%	1,293	+49,000 (+3.9%)	-5,000 (-0.4%)
Youth unemployment (16-24)	10.8%	459	-1,000	-6,000

Source: ONS April 2023 labour market statistics, \*Rate for those aged 16-64 \*\*Rate for those aged 16 and over

**Exhibit 2** Employment vs actual weekly hours worked (millions)

Source: ONS April 2023 labour market statistics

- The total number of hours worked increased on the quarter to 1.050 million, and it is now at pre-pandemic levels. However, there were 348,000 working days lost because of labour disputes in February 2023, up from 210,000 in January 2023.

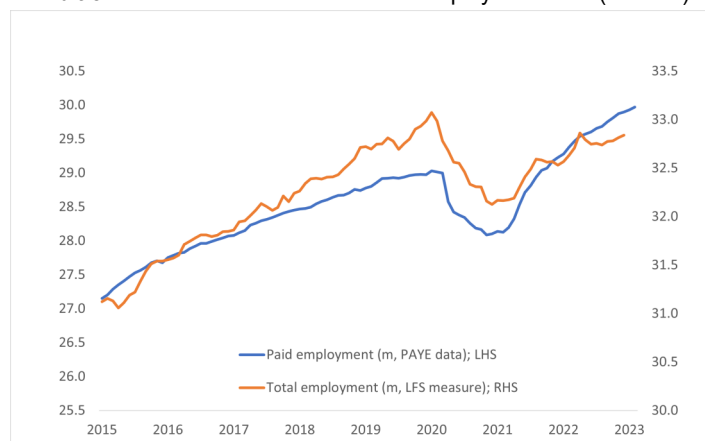
### ...while the unemployment rate slightly increases

- Official data show that, in the three months to February 2023, unemployment levels increased by 49,000 to stand at 1.29 million. The unemployment rate increased by 0.1% in the last quarter and stands now at 3.8%. There are 5,000 fewer unemployed people than in the same period a year ago.
- The number of redundancies remained the same as the previous quarter (-7,000) but is up by 15,000 on the year. The redundancy rate is at 3.2 per thousand employees, a decrease of -0.3% from the previous quarter.
- The number of those who are economically inactive significantly decreased (-153,000) compared to the previous quarter, with 100,000 fewer people economically inactive now than the same time last year. The inactivity rate is now at 21.1%. 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 (2.17 million). Of the 8.8 million economically inactive, 1.7 million say they want a job, an increase of 58,000 on the previous quarter.

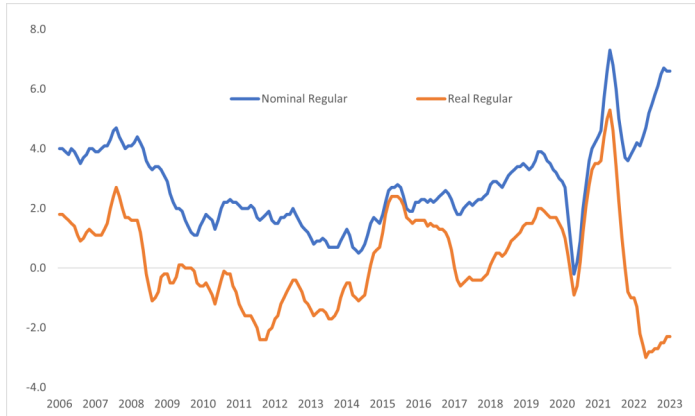
### The private sector sees strong wage growth but it continues to fall behind inflation

- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 6.6% on the year in the three months to February 2023 (the less volatile three-month rolling basis).

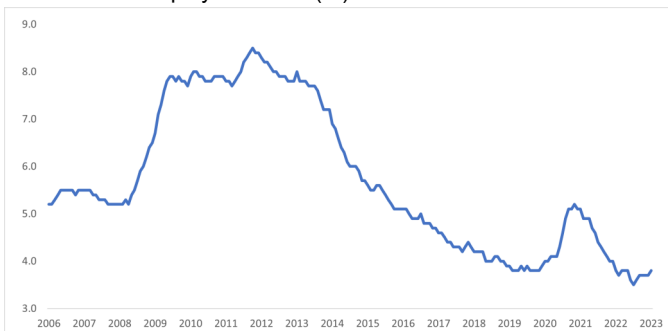
- In the three months to February, nominal regular pay growth stood at 6.9% in the private sector (down by 0.1% points in January 2023).
- In the public sector, nominal pay growth stood at 5.3%, the highest pay growth since December 2005.
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+8.3% - up by 0.5% points), services (6.8% - down by 0.1% points), construction (+6.2% - up by 0.2%), manufacturing (5.8% - up by 0.4% points), and wholesaling, retailing, hotels and restaurants (+4.9% - down by 0.4% points).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) remains unchanged 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 -2.0%, down from -2.4% in January 2023.

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

Source: ONS April 2023 labour market statistics

**Exhibit 4** Real regular pay and nominal regular pay growth (%)

Source: ONS April 2023 labour market statistics

**Exhibit 5** Unemployment rate (%)

Source: ONS April 2023 labour market statistics

- The regions and nations that saw a decline in employment levels were West Midlands (-19,000) and Scotland (-18,000).

### ...while unemployment levels saw a mixed bag across the country

- In the three months to February 2023, unemployment increased in the East (+26,000), London (+25,000) and the South East (+14,000).
- Unemployment levels remained broadly unchanged in the West Midlands (+10,000), the South West (+4,000), the East Midlands (+2,000), Wales (+1,000), Northern Ireland (-3,000), the North East (-5,000) and Scotland (-9,000).
- Unemployment levels only decreased in Yorkshire and the Humber (-16,000).

**Exhibit 6** Redundancy rate (%)

Source: ONS April 2023 labour market statistics

### Employment levels increased across regions...

- In the three months to February 2023, employment increased in the South East (+76,000), London (+35,000), the North East (+33,000), Yorkshire and the Humber (+26,000), the North West (+22,000), and the East (+16,000).
- Employment remained broadly unchanged in Northern Ireland (+6,000), the East Midlands (+5,000), the South West (-4,000) and Wales (-10,000).

The next labour market update will be published on **16th May 2023**.



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#### ABOUT THE SPONSOR

"With a slight easing of candidate availability, both employment and the unemployment rate remain broadly unchanged, with vacancies easing but only marginally with pay falling behind inflation.

"But with the economic uncertainty and current skills shortage, employers are still hesitant around hiring. While the recent Spring Budget showed support for workers, it was a missed opportunity to provide help for businesses to upskill their people, and to reskill those who are economically inactive and want to return to work."

#### Carmen Watson, Chairperson, Pertemps Ltd

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