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LABOUR MARKET CONTINUES STRONG RECOVERY, BUT REAL PAY FALLS

The latest ONS data covers the period from September to November 2021, providing a snapshot of labour market activity as the UK economy opened up.

The latest data show continued signs of recovery in the labour market, with employment increasing, unemployment decreasing, and vacancies at a new record high. Real time Pay-As-You-Earn data for December 2021 showed that the number of payrolled employees increased once again, up by 184,000 to 29.5 million. The uptick in employment was driven mainly by part-time workers.

Nominal pay growth remains strong by pre-pandemic norms, but is declining across all sectors. Rising inflation has pushed real wages down and incomes are likely to be squeezed further in the months ahead due to ongoing price rises and upcoming tax changes. To break this cycle and deliver sustainably rising living standards, the UK needs a plan to unleash business investment and raise ambitions for growth through a more productive workforce.

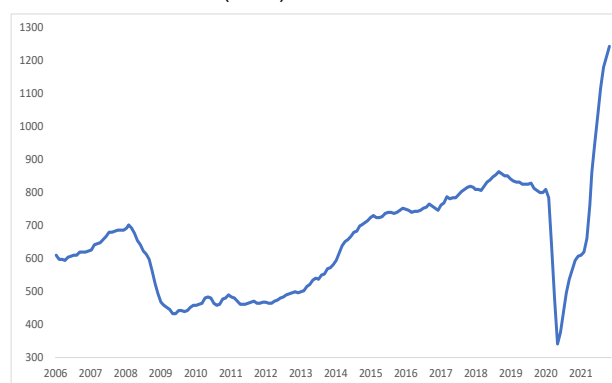
Employment rises and the number of vacancies reaches a new record high...

- The official measure of employment shows an increase of 60,000 in the three months to November 2021, compared with the previous quarter, and an increase of 171,000 on the same period a year ago. The employment rate rose by 0.2% points compared with the previous quarter, to 75.5%.
- Male employment increased (+17,000) over the quarter to November, and female employment also increased (+43,000). On the year, male employment increased by 105,000 and female employment increased by 66,000.
- Most age groups saw a rise in employment, with those aged 16 to 24 years old seeing the largest increase (+65,000) over the quarter, followed by

those aged 25-34 years old (+34,000) and 35-49 years old (+12,000). Those aged 50-64 years old were the only age group to see a decrease in employment for the second month in a row (-39,000).

- The number of people working part-time significantly increased again (+109,000) in the three months to November, and is up by 107,000 on the year. The number of people working full-time decreased (-50,000) on the quarter but remains up by 64,000 on the year. The number of self-employed people decreased on the previous quarter (-54,000) and is down 217,000 on the year.
- Experimental Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has increased once again and now exceeds its February 2020 level (by +409,000). Payrolls increased in November 2021 to 29.5 million.
- In a further sign of recovering labour demand, there were an estimated 1.24 million vacancies in the three months to October to December, a quarterly increase of 128,000 and a new record high. This is

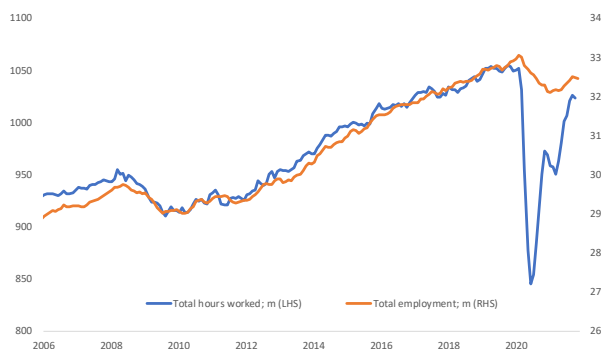
Exhibit 1 Vacancies (000s)



Source: ONS January 2022 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.5%	32,475	+60,000 (+0.2%)	+171,000 (+0.5%)
Unemployment** (ILO)	4.1%	1,382	-128,000 (-8.5%)	-356,000 (-20.5%)
Youth unemployment (16-24)	11.2%	453,000	-45,000 (-9.1%)	-137,000 (-23.2%)

Source: ONS January 2022 labour market statistics, September to November 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 January 2022 labour market statistics

the fifth consecutive month that the three-month vacancy average has stood at over one million. The number of vacancies is now 462,000 above pre-pandemic levels.

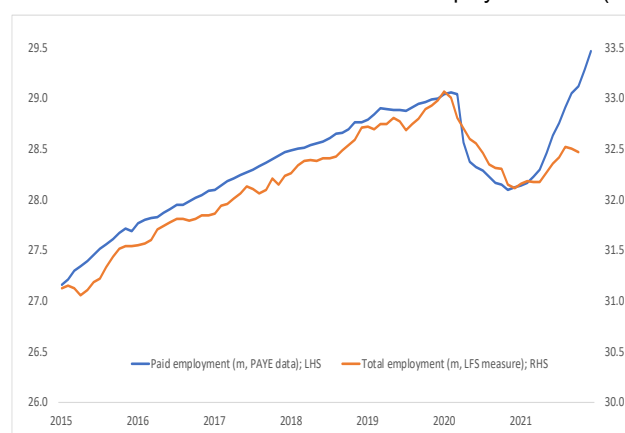
- 12 of the 18 industry sectors are showing record highs, but the rate of growth in vacancy numbers continues to slow. The largest number of jobs available are in the health and social care (206,000) and the accommodation and food service industry (168,000).
- The total number of hours worked decreased on the quarter to 1,018.7m, a 0.3% decrease on the quarter but still up on the year by 4.7%.

...while unemployment and redundancies rate slows

- Official data show that, in the three months to November 2021, unemployment decreased by 128,000 to stand at 1.38 million. The unemployment rate stood at 4.1%, a decrease of 0.4% points on the previous quarter. There are 356,000 fewer unemployed people than in the same period a year ago.
- Redundancies decreased on the previous quarter (-21,000) and is down by 323,000 on the year. This means that the redundancy rate is at 2.8 per thousand employees, a lower rate than pre-pandemic levels (this compares to a peak in the redundancy rate of 14.5% towards the end of 2020).
- The number of those who are economically inactive increased by 66,000 compared to the previous quarter, with 133,000 more people economically now than the same time last year. The inactivity rate slightly increased for the second quarter in a row to at 21.3% - up by 0.2% points on the previous quarter.

Pay growth slowed in the three months to November

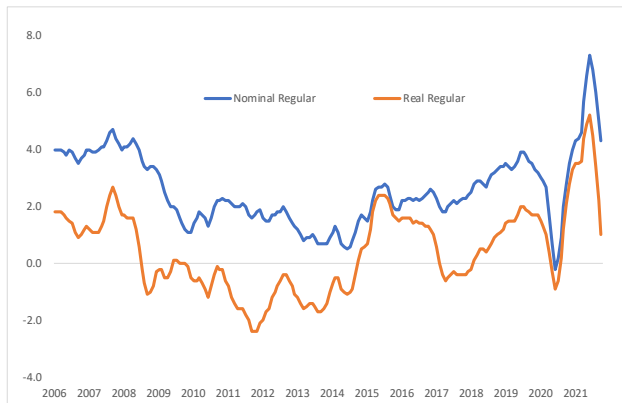
- Annual growth in employee pay eased in November, but is still partly reflecting the compositional effect of the pandemic disproportionately affecting the number of lower-paid employee jobs, and base effects from factors that depressed pay growth last year. As a result, underlying pay growth is likely lower than that outlined below.
- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) stood at 3.8% on the year in the three months to November 2021 (the less volatile three-month rolling basis), down by 0.5% points from October 2021.
- In the three months to November, nominal regular pay growth stood at 4.1% in the private sector (down by 0.6% points on October) and at 2.6% in the public sector, also down by 0.1% points on October).
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+6.5% - down by 0.3% points) and services (+4.1% - down by 0.5% points), followed by wholesaling, retailing & hospitality (+3.8% - down by 0.1% points), construction (+2.9% - down by 1.1% points) and manufacturing (+2.2% - down by 0.4% points).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) dropped by 1.0% on a

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

Source: ONS January 2022 labour market statistics

year ago (on the less volatile three-month rolling basis) – and is now at 0.0%.

- Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) dropped to -1.0%, down from 0.0% in October and is the lowest it has been since July 2014.

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

Source: ONS January 2022 labour market statistics

Exhibit 6 Redundancy rate (%)

Source: ONS January 2022 labour market statistics

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

- In the three months to November 2021, employment increased in the South West (+30,000), Scotland (+30,000), the West Midlands (+28,000), and London (+24,000).

Exhibit 5 Unemployment rate (%)

Source: ONS January 2022 labour market statistics

- Employment remained broadly unchanged in the North West (+3,000), Yorkshire and The Humber (+2,000), the East (-1,000), Northern Ireland (-8,000) and the East Midlands (-10,000).
- The regions or nations that saw a drop in employment level was the North East (-12,000). Wales (-14,000) and the South East (-22,000).

...while unemployment decreased in most regions and nations

- In the three months to November, unemployment decreased in Yorkshire and the Humber (-30,000), the East (-29,000), Scotland (-21,000), the East Midlands (-20,000), London (-20,000), the South West (-12,000) and Wales (-11,000).
- Unemployment levels remained broadly unchanged in Northern Ireland (-9,000), West Midlands (-4,000), the South East (-1,000), and the North East (+6,000).
- The only region that saw unemployment increase was the North West (+24,000).

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



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

The CBI is the UK's premier lobbying organisation, providing a voice for employers at a national and international level. Our mission is to promote the conditions in which businesses of all sizes and sectors in the UK can compete and prosper for the benefit of all.

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"The climate continues to be one laden with opportunities, with vacancies continuing to outstrip candidate numbers, with the last few months of 2021 likely to be reflected in early 2022 figures.

"We are not expecting a sudden change of situation, though we have started to see a slowing of vacancy increases and pay level growth.

"It is vitally important that business work with recruitment partners on long-term attraction and retention strategies. Companies must be offering competitive packages to attract the talent that is out there, not just in terms of salaries but also in terms of benefits and working conditions."

Carmen Watson, Chairperson, Pertemps Network Group

Pertemps Network Group is one of the UK's largest privately owned recruitment agencies. It has a turnover in excess of £900m and offers immediate and strategic

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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