

THE LABOUR MARKET SOFTENS

“Recent trends show that while salary growth remains steady, the demand for new staff is beginning to decline. This shift indicates that employers are becoming more cautious in their hiring strategies, balancing the need for competitive wages with a more measured approach to recruitment.

“As businesses adjust to changing economic conditions, the job market is evolving, with sustained wage growth but a slower pace of new hiring. In response, companies must increasingly invest in employee retention programmes and upskilling initiatives to maximise the productivity of their existing workforce.”

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

The latest ONS data covers the period from May to July 2024. The UK employment rate (for people aged 16 to 64 years) was estimated at 74.8% in May to July 2024, below estimates of a year ago, but increased in the latest quarter. The UK unemployment rate (for people aged 16 years and over) was estimated at 4.1% in May to July 2024, below estimates of a year ago, and decreased in the latest quarter. The UK economic inactivity rate (for people aged 16 to 64 years) was estimated at 21.9% in May to July 2024, above estimates of a year ago, but decreased in the latest quarter.

In June to August 2024, the estimated number of vacancies in the UK decreased by 42,000 on the quarter to 857,000. Vacancies decreased on the quarter for the 26th consecutive period but are still above pre-coronavirus (COVID-19) pandemic levels.

Annual growth in employees' average regular earnings (excluding bonuses) in Great Britain was 5.1% in May to July 2024, and annual growth in total earnings (including bonuses) was 4.0%. This total annual growth is affected by the NHS and civil service one-off payments made in June and July 2023. Annual growth in real terms (adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH)) for regular pay was 2.2% in May to July 2024, and for total pay was 1.1%. Estimates for payrolled employees in the UK decreased by 6,000 (0.0%)

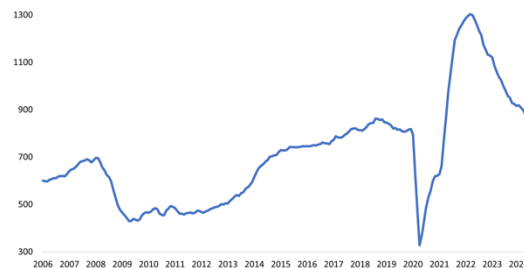
between June and July 2024 but rose by 203,000 (0.7%) between July 2023 and July 2024.

The early estimate of payrolled employees for August 2024 decreased by 59,000 (negative 0.2%) on the month but increased by 122,000 (0.4%) on the year, to 30.3 million. The August 2024 estimate should be treated as a provisional estimate and is likely to be revised when more data are received next month.

The labour market continues to send mixed signals with a continued softening of hiring intentions and vacancies, but easing pay pressures and a small decrease in long-term sickness for the fourth month in a row. Tackling economic inactivity is one of the big challenges in our labour market, and will be crucial to securing sustainable growth. At the Budget, the government can build on this momentum by making it easier for employers to play their part in keeping employees healthy and preventing them from becoming sick in the first place. That includes making Employee Assistance Programmes (EAPs) fully tax-free benefits and relaxing rules on tax relief for employer-funded medical treatment.

Please note: Increased volatility of LFS estimates, resulting from smaller achieved sample sizes, means that estimates of quarterly change should be treated with additional caution.

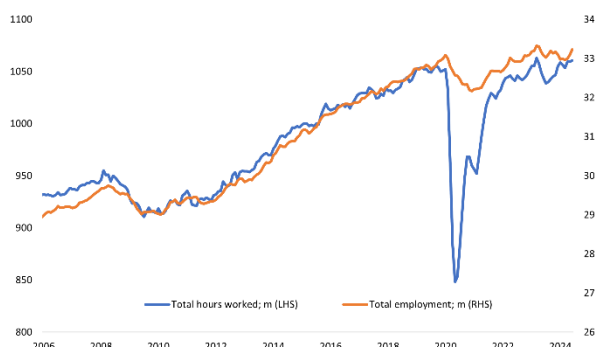
Exhibit 1 Vacancies (000s)



Source: ONS September 2024 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment	74.8%	33,232	+265,000 (+0.8%)	+150,000(+0.5%)
Unemployment	4.1%	1,437	-74,000 (-4.9%)	-60,000 (-4%)
Youth unemployment (16-24)	14.2%	598	+28,000 (+4.9%)	+52,000 (+9.5%)

Exhibit 2 Employment vs actual weekly hours worked (millions)



Source: ONS September 2024 labour market statistics

Vacancies continue to steadily decline...

- The official measure of employment shows an increase of 265,000 in the three months to July 2024, compared with the previous quarter and an increase of 150,000 on the same period a year ago. The employment rate is up on the quarter (+0.5%) and down on the year (-0.1%) standing at 74.8%. This is below pre-pandemic rates.
- Male employment increased by 91,000 on the quarter to July 2024, while female employment increased by 174,000 in the same period. On the year, male employment decreased by -8,000 and female employment increased by 158,000. All age groups saw an increase in employment levels, with the 16-24 age group seeing a small increase (+4,000) and larger increases in the 25-34 age group (+47,000), the 35-49 aged group (+105,000) and the 50-64 age group (+82,000).
- The number of employees working full-time increased (+302,000) while the total number of employees working part-time decreased (-10,000). The number of self-employed people working full-time decreased (-104,000), whilst the number of self-employed people working part-time increased (+32,000).
- The early estimate of payrolled employees for August 2024 decreased by 59,000 (negative 0.2%) on the month but increased by 122,000 (0.4%) on the year, to 30.3 million. The August 2024 estimate should be treated as a provisional estimate and is likely to be revised when more data are received next month.
- There are 857,000 vacancies in the economy, which is 42,000 fewer than in the previous quarter. There are 143,000 fewer vacancies now than a year ago. Vacancies decreased on the quarter for the 26th consecutive period but are still above pre-coronavirus (COVID-19) pandemic levels.
- Vacancies are becoming more concentrated in fewer sectors. The largest number of jobs available are in Human Health and Social Care sector (154,000), the Motor Industries (107,000) and the Accommodation and Food service activities sector (98,000).
- There are now only two sectors with more than 3.5 vacancies per 100 employees, down from 13 sectors at the peak of shortages in 2022. The most acute shortages

are in the energy (4.0), hospitality (3.7) and health & social care (3.4) sectors.

- There were an estimated 42,000 working days lost because of labour disputes across the UK in July 2024. Most of the strikes were in the health and social work sector.

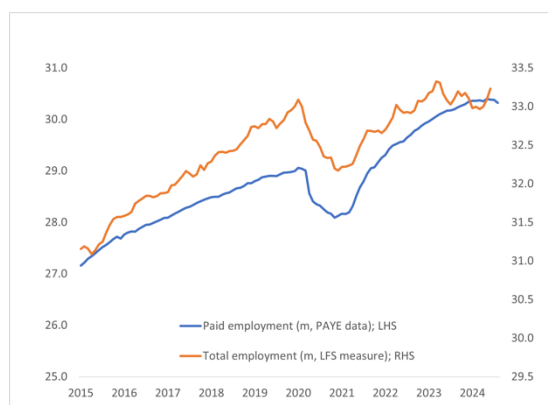
...while the unemployment rate decreases

- In the three months to July 2024, unemployment levels decreased by 74,000 to stand at 1.43 million. The unemployment rate decreased by 0.2% on the last quarter and stands at 4.1%. There are 60,000 fewer unemployed people in the same period a year ago. The redundancy rate decreased by 0.6% in the quarter to July 2024 and stands at 2.9%.
- The number of those who are economically inactive decreased by 136,000 compared to the previous quarter and has increased by 160,000 compared to the same time last year. The inactivity rate is now 21.9%. The quarterly decrease is driven by a decrease in the number of economically inactive students (-103,000). Those inactive due to long-term sickness has slightly decreased on the quarter (-44,000) and but remains significantly higher than estimates a year ago (+73,000).

Pay pressures ease

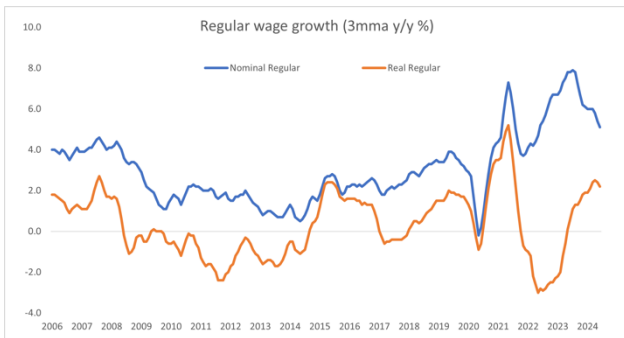
- Nominal pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 5.1% on the year in the three months to July 2024 (the less volatile three-month rolling basis). This is marginally down from 5.4% last month and continues the falling trend that we've seen over the last 3 months but at a very slow pace.
- In the three months to July, nominal regular pay growth stood at 4.9% in the private sector (down by 0.4% from June 2024). In the public sector, nominal pay growth stood at 5.7%.
- Across the different sectors, nominal annual regular pay growth was strongest in Manufacturing (5.9%) and Finance and Business services (5.4%). The weakest nominal annual regular pay growth was in Construction (3.9%). Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) is down on the previous quarter (on the less volatile three-month rolling basis) – and is at 2.2% on the year.

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



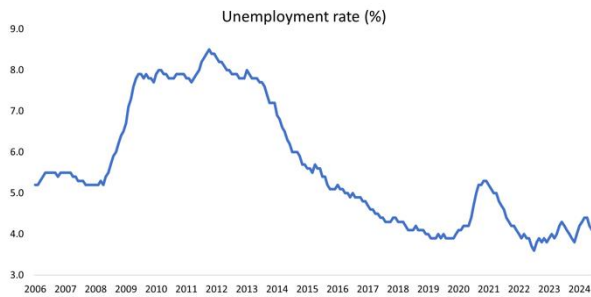
Source: ONS September 2024 labour market statistics

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



Source: ONS September 2024 labour market statistics

Exhibit 5 Unemployment rate (%)



Source: ONS September 2024 labour market statistics

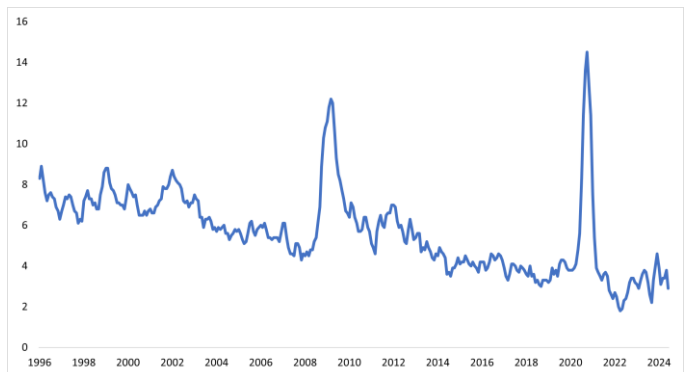
A mixed picture in employment levels across regions and nations...

- In the three months to July 2024, employment levels increased most significantly in London (+104,000), the East (+53,000) and the South West (+42,000). Of the devolved nations, Scotland saw the greatest increase in employment (+62,000).
- Regionally, employment levels fell most significantly in the East Midlands (-19,000). In the devolved nations, employment levels fell in Northern Ireland (-4,000).

...while unemployment levels also varied across the regions and nations

- In the three months to July 2024, unemployment increased most significantly in London (+25,000) and the North East (+18,000).
- Unemployment decreased most significantly in the North West (-24,000) and the East Midlands (-20,000).
- Of the devolved nations, unemployment levels decreased most significantly in Scotland (-11,000).

Exhibit 6 Redundancy rate (%)



Source: ONS September 2024 labour market statistics



Working with a recruitment specialist to supply workers can improve your organisation's efficiency and productivity – and reduce costs.

The rhetoric that agencies cost more is not true, in many cases.

We've developed the Pertemps Iceberg Challenge to show that what you pay to direct employees is just the tip of the iceberg, with significant additional employment costs lurking out of sight. Working with an agency, there are no hidden costs.

Contact us at hello@pertemps.co.uk or **0808 164 1152** to take the Iceberg Challenge and see how Pertemps can start saving you money on your people costs.

About the Sponsor

Pertemps Network Group is the largest privately owned recruitment agency. It has a turnover in excess of £1bn and offers immediate and strategic solutions to clients across both the public and private sector.

It is made up of:

Pertemps Ltd – established in 1961 with over 100 branches, operating across a multitude of sectors and supplying diverse roles. The company also specialises in business process outsourcing delivered using a wide range of solutions such as Master Vendor, Neutral Vendor and Recruitment Process Outsourcing.

Network Group – offering expertise across specialist recruitment sectors including IT, legal, finance, healthcare, education, medical, construction, manufacturing, security, and engineering.

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The CBI serves as the catalyst between industry and government to drive positive change, speaking for businesses of all sizes and sectors across the whole economy, in every UK region and nation, ensuring sustainable growth for the benefit of society. Our voice represents 170,000 businesses. This includes over 1,100 corporate members, plus nearly 150 trade associations. Our corporate members alone employ over 2.3 million private sector workers.

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