

# THE LABOUR MARKET CONTINUES TO COOL

**"The new government has a clear mandate to boost business growth and prosperity. Labour's industrial strategy should balance taking care of workers with offering adaptable work options, supporting economic growth without a one-size-fits-all approach.**

**"Adaptable work options are especially important in sectors like health, social care and education. The government can improve service efficiency by bringing together public sector employers, unions and agencies to solve procurement challenges."**

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

This month's labour market figures continue to show signs of gradual cooling, with the number of vacancies still falling and unemployment rising. The UK employment rate (for people aged 16 to 64 years) was estimated at 74.4% in March to May 2024, below estimates of a year ago, and decreased in the latest quarter. The UK unemployment rate (for people aged 16 years and over) was estimated at 4.4% in March to May 2024, above estimates of a year ago, and increased in the latest quarter. The UK economic inactivity rate for people aged 16 to 64 years was estimated at 22.1% in March to May 2024, above estimates of a year ago, but decreased in the latest quarter.

In April to June 2024, the estimated number of vacancies in the UK decreased by 30,000 on the quarter to 889,000. Vacancies decreased on the quarter for the 24th consecutive period but are still above pre-coronavirus (COVID-19) pandemic levels.

Estimates for payrolled employees in the UK increased by 54,000 (0.2%) between April and May 2024, and rose by 265,000 (0.9%) between May 2023 and May 2024. Annual growth in employees' average regular earnings (excluding bonuses) in Great Britain was 5.7% in March to May 2024, and annual growth in total earnings (including bonuses) was 5.7%. Annual growth in real terms (adjusted for inflation using the Consumer Prices Index including owner occupiers'

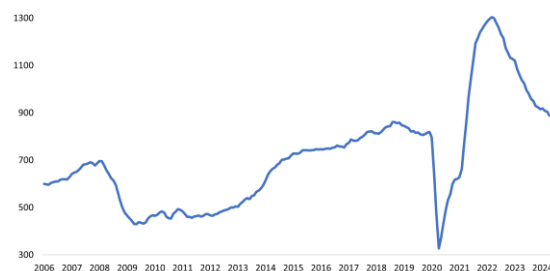
housing costs (CPIH)) for regular pay was 2.5% in March to May 2024, and for total pay was 2.2%.

While pay growth remaining strong owing to the difficulties employers face when hiring provides some short-term relief to consumers, there are tentative signs of pay growth easing as the labour market continues to cool and expectations for inflation are falling.

Pay growth remaining relatively strong is a reminder that the Employment Rights Bill comes at a time when businesses already face significant employment cost pressures that are weighing on investment and pushing up prices. Businesses have a strong incentive to invest in productivity but the cost pressures they face are squeezing their budgets to do so. The government will need to carefully monitor the extent to which this makes delivering economic growth harder.

*Please note: Short-term movements vary across different measures of employment. Recent months saw decreases in estimates of employment from the Labour Force Survey (LFS) and increases in estimates of payrolled employees from HMRC's Real Time Information (RTI) data. These different series measure slightly different concepts and cover different time periods, with divergent trends possible for individual data points. In these instances, longer term comparisons offer more stability.*

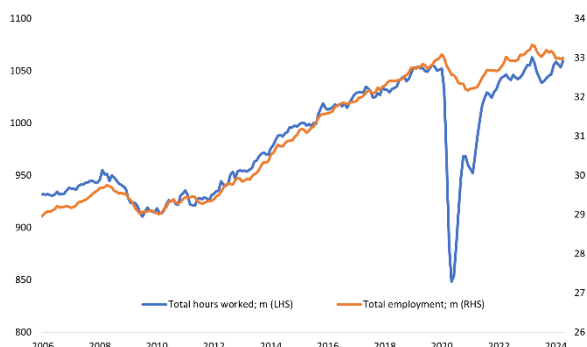
**Exhibit 1** Vacancies (000s)



Source: ONS July 2024 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	74.4%	32,999	+19,000 (+0.1%)	-312,000(-0.9%)
Unemployment** (ILO)	4.4%	1,528	+88,000 (+6.1%)	+133,000 (+9.5%)
Youth unemployment (16-24)	13.9%	586	+64,000 (+12.3%)	+92,000 (+18.6%)

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



Source: ONS July 2024 labour market statistics

### Vacancies continue to fall...

- The official measure of employment shows an increase of 19,000 in the three months to May 2024, compared with the previous quarter and a decrease of 312,000 on the same period a year ago. The employment rate is down on the quarter (-0.1%) and also down on the year (-1.1%) standing at 74.4%. This is below pre-pandemic rates.
- Male employment decreased by 87,000 on the quarter to May 2024, while female employment decreased by increased by 106,000 in the same period. On the year, male employment decreased by 349,000 and female employment increased by 38,000. The age with the greatest increase in employment level on the quarter was the 16 to 24 age group (+79,000).
- The number of employees working full-time decreased (-25,000) while the total number of employees working part-time increased (23,000). The number of self-employed people working full-time increased (41,000) and the number of self-employed people working part-time decreased (-27,000).
- Estimates for payrolled employees in the UK increased by 54,000 (0.2%) between April and May 2024, and rose by 265,000 (0.9%) between May 2023 and May 2024.
- There are 889,000 vacancies in the economy, which is 30,000 fewer than in the previous quarter. There are 151,000 fewer vacancies now than a year ago. Vacancies decreased on the quarter for the 24th consecutive period but are still above pre-coronavirus (COVID-19) pandemic levels.
- Vacancies are more concentrated in fewer sectors. The largest number of jobs available are in health and social care (162,000), the wholesale and retail trade, repair of motor vehicles and cycles sector (107,000) and hospitality (101,000).
- 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 sector (4.0), hospitality (3.8) and health and social care (3.6) sectors.
- There were an estimated 49,000 working days lost because of labour disputes across the UK in May 2024.

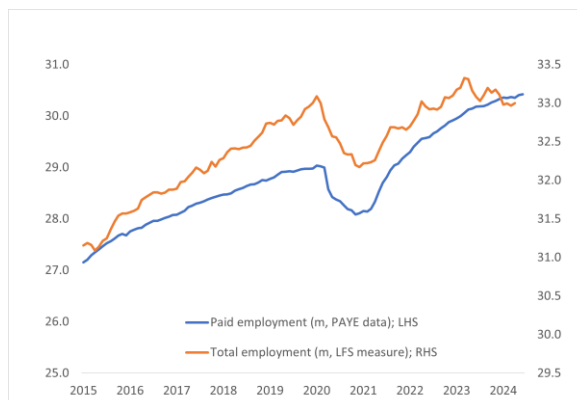
### ...while unemployment increases marginally

- Official data shows that, in the three months to May 2024, unemployment levels increased by 88,000 to stand at 1.528 million. The unemployment rate increased by 0.2% on the last quarter and stands at 4.4%. There are 133,000 more unemployed people in the same period a year ago.
- The redundancy rate decreased by 0.4% on the quarter to May 2024 and stands at 3.4%.
- The number of those who are economically inactive increased by decreased by 21,000 compared to the previous quarter and has increased by 390,000 compared to the same time last year. The inactivity rate is now 22.1%. The quarterly decrease is driven by decrease in the number of people whose reason for their inactivity is that they do not want a job (-122,000). Those inactive due to long-term sickness has marginally decreased on the quarter (-16,000) but remains significantly higher than estimates a year ago (+152,000).

### Earnings growth remains relatively strong, although lower than a few months ago

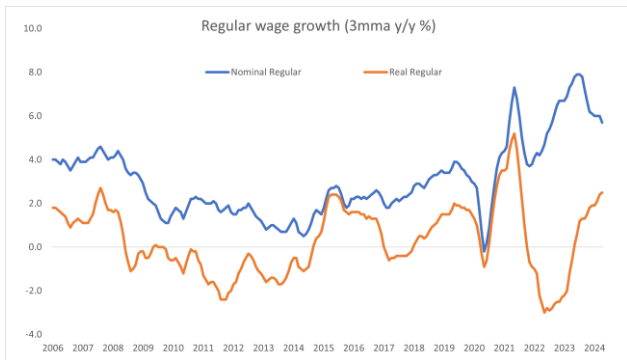
- Nominal pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 5.7% on the year in the three months to May 2024 (the less volatile three-month rolling basis). This is marginally down from 6.0% last month and continues the falling trend that we've seen over the last 3 months, albeit at a very slow pace, indicating that wages are plateauing rather than continuing to fall in line with falling inflation.
- In the three months to May, nominal regular pay growth stood at 5.6% in the private sector, down from the last 3-month average which stood at 5.9%. In the public sector, nominal pay growth stood at 6.4%, unchanged from the last release. Across the different sectors, nominal annual regular pay growth was strongest in finance and business services (6.7%).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) is up on the previous quarter (on the less volatile three-month rolling basis) – and is at 2.5% on the year.

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



Source: ONS July 2024 labour market statistics

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



Source: ONS July 2024 labour market statistics

**Employment levels across regions and nations varied...**

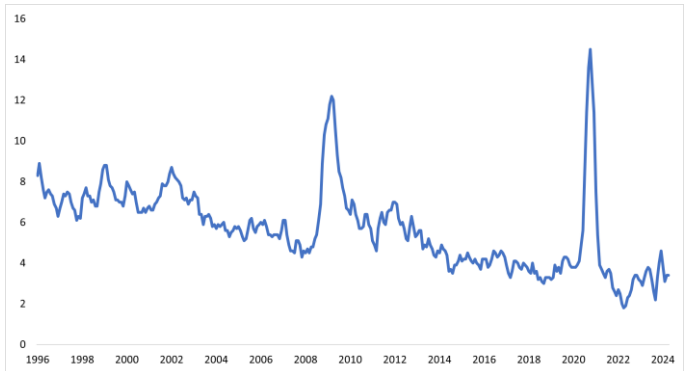
- In the three months to May 2024, employment levels increased in the East Midlands (+48,000), the South West (+27,000), the South East (+21,000), London (+16,000), and the North West (+9,000).
- Employment levels fell in Wales (-23,000), Scotland (-20,000), the North East (-16,000), Yorkshire and the Humber (-16,000), West Midlands (-14,000), Northern Ireland (-7,000) and in the East (-6,000).

**Exhibit 5** Unemployment rate (%)



Source: ONS July 2024 labour market statistics

**Exhibit 6** Redundancy rate (%)



Source: ONS July 2024 labour market statistics

**While unemployment levels also showed a mixed picture across the country**

- In the three months to May 2024, unemployment increased in London (+42,000), Scotland (+22,000), the South West (+18,000), the North East (+16,000), the East (+12,000) and in the West Midlands (+9,000).
- The biggest drop in unemployment was in the North West (-11,000).

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**The next Labour Market Update will be published on 13<sup>th</sup> August.**

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