

## WAGE GROWTH REMAINS STRONG WHILE ECONOMIC INACTIVITY AND VACANCIES CONTINUE TO FALL

The latest ONS data cover the period from March to May 2023 and show a labour market that remains tight but continues to cool down, with the employment and unemployment rates both increasing and economic inactivity and vacancies both falling. Real time Pay-As-You-Earn data for June 2023 showed that the number of payrolled employees decreased by 9,000 to 30 million.

The economic inactivity rate decreased by 0.4% on the quarter, to 20.8% in the period from March to May 2023. The decrease was largely driven by those inactive for other reasons, those looking after family or a home, and those who are retired. Economic inactivity due to long-term sickness reaches a record high – and stands at 2.55 million, representing nearly 3 in 10 of those economically inactive.

The number of vacancies continues to fall – with 85,000 fewer vacancies on the quarter to 1,034,000. Vacancies fell for the twelfth consecutive period but remain higher than pre-pandemic levels. Growth in regular pay was 7.3% in the quarter March to May 2023, remaining strong. The causes of record wage growth are contested, but what it matters to the Bank of England when setting interest rates is that pay increases are being funded by higher prices, not productivity. Breaking this cycle requires action by government, not just higher interest rates. Steps like urgently completing the review of the Shortage Occupations List in the immigration system will ease the most acute shortages. An ambitious tax roadmap is also key to unlocking business investment in people, innovation and capital. Meanwhile, businesses must continue to focus on increasing flexible working to get more people into work.

### Employment rate increases and the number of vacancies continues to fall...

- The official measure of employment shows an increase of 102,000 in the three months to May 2023, compared with the previous quarter, and an increase of 190,000 on the same period a year ago. The employment rate has increased by 0.2% and is now at 76%.
- Male employment increased by 83,000 on the quarter to May 2023, while female employment went up by 19,000 in the same period. On the year, male

employment increased by 176,000 and female employment increased by 14,000.

- Two age groups saw an increase in employment levels, those aged 50-64 and those aged 35-49 (+65,000 and +57,000 respectively). The other two age groups saw a decrease in employment levels – those aged 16-24 years old and those aged 25-34 (-15,000 and -8,000 respectively).
- The number of employees working full-time decreased (-15,000), while the total number of employees working part-time increased significantly by 109,000. The number of self-employed people working full time increased by 35,000 while the number of self-employed working part-time decreased by 29,000.
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees decreased by 9,000 and stands at 30 million.
- There were an estimated 1.03 million vacancies in the three months to June 2023, a decrease of 85,000 compared to the last quarter. There are 265,000 fewer vacancies now than a year ago.
- The largest number of jobs available are in Human Health and Social Care (187,000) sector, the Wholesale and Retail trade; repair of motor vehicles and cycles sector (138,000) and the Accommodation and Food service activities sector (129,000).

Exhibit 1 Vacancies (000s)

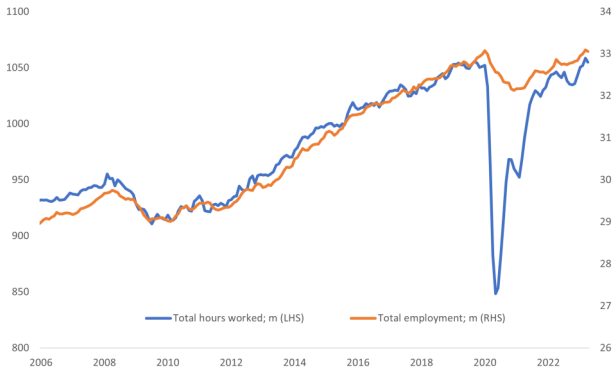


Source: ONS July 2023 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	76%	33,053	+102,000 (+0.3%)	+190,000 (+0.6%)
Unemployment** (ILO)	4.0%	1,370	+77,000 (+6.0%)	+85,000 (6.6%)
Youth unemployment (16-24)	11.4%	482	+23,000 (+5.0%)	+48,000 (+11.1%)

Source: ONS July 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 July 2023 labour market statistics

- The total number of hours worked increased on the quarter to 1.054 million, up by 4.5%. Positively, the number of working days lost because of labour disputes decreased to 128,000, the lowest it has been since July 2022.

**...while the unemployment rate increases**

- Official data show that, in the three months to May 2023, unemployment levels increased by 77,000 to stand at 1.37 million. The unemployment rate increased by 0.2% in the last quarter and stands at 4%. There are 85,000 more unemployed people than in the same period a year ago.
- The redundancy rate increased by 0.2% in the quarter to May 2023 and stands at 3.3%.
- The number of those who are economically inactive significantly decreased (-141,000) compared to the previous quarter, with 97,000 fewer people economically inactive now than the same time last year. The inactivity rate is now 20.8%. The main reason for becoming economically inactive is due to long-term sickness, which is now at a record high at 2.55 million. Of the 8.7 million economically inactive, 1.7 million say they want a job.

**The private sector continues to see strong wage growth**

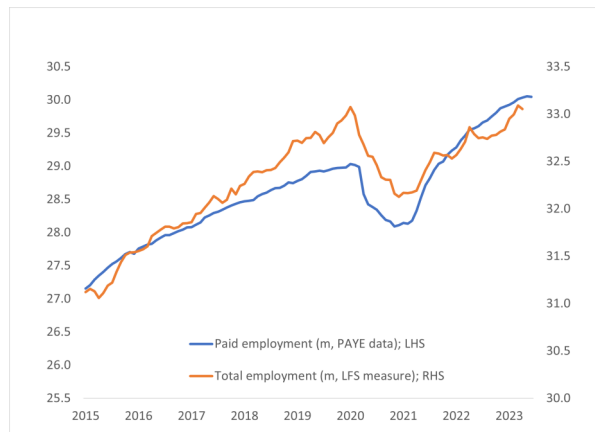
- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 7.3% on the year in the three months to May 2023 (the less volatile three-month rolling basis).
- In the three months to May, nominal regular pay growth stood at 7.7% in the private sector (up by 0.1% from April 2023). In the public sector, nominal pay growth stood at 5.8% (up by 0.1% from the previous quarter).

- Across the different sectors, nominal annual regular pay growth was strongest in finance (+9.0% - down by 0.2% points), manufacturing (+7.8% - up by 0.5% points), services (+7.4% - no change from the previous quarter), construction (+6.2% - down by 0.2%) and wholesaling, retailing, hotels and restaurants (+5.2% - no change from the previous quarter).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) has decreased 0.4% points on the previous quarter (on the less volatile three-month rolling basis) – and is at -0.8% 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 -0.7%, up from -0.1% in April 2023.

**Mixed picture in employment levels across regions and nations...**

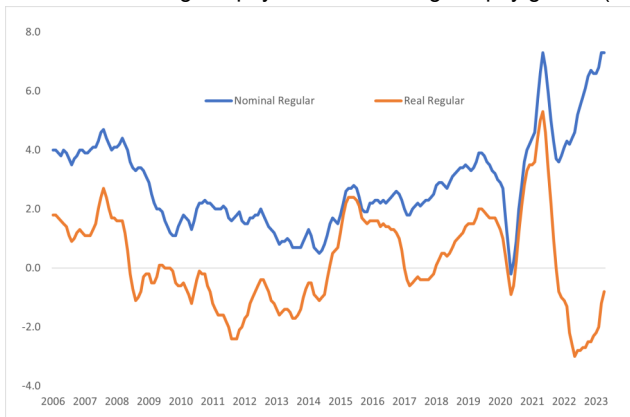
- In the three months to May 2023, employment increased in West Midlands (+80,000), East Midlands (+33,000), North West (+22,000), North East (+19,000), South East (+18,000) and Yorkshire and the Humber (+17,000).
- Employment remained broadly unchanged in Northern Ireland (+5,000) and Wales (-6,000).
- The regions and nations that saw a decline in employment levels were South West (-25,000), London (-22,000), the East (-20,000) and Scotland (-19,000).

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



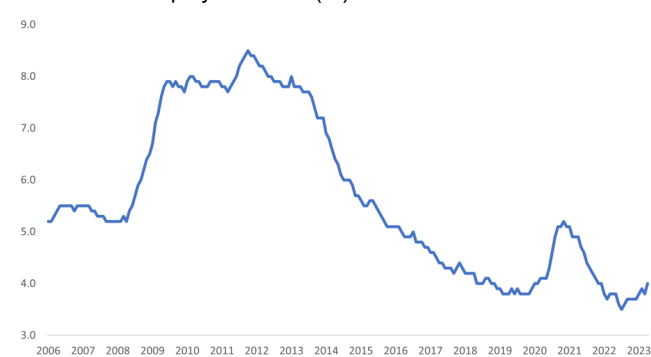
Source: ONS July 2023 labour market statistics

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



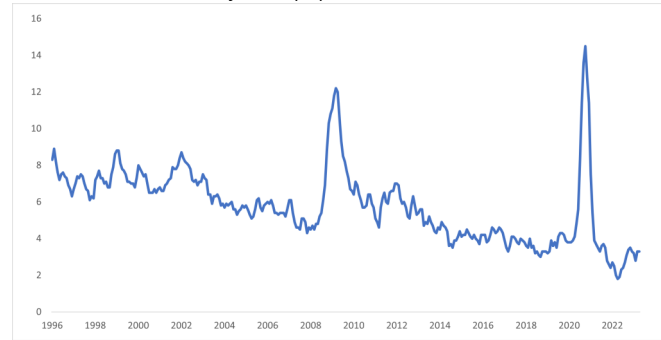
Source: ONS July 2023 labour market statistics

**Exhibit 5** Unemployment rate (%)



Source: ONS July 2023 labour market statistics

**Exhibit 6** Redundancy rate (%)



Source: ONS July 2023 labour market statistics

**...while unemployment levels also varied across the country**

- In the three months to May 2023, unemployment increased in the South West (+27,000), Wales (+24,000), Yorkshire and the Humber (+16,000), West Midlands (+15,000) and the East (+13,000).
- Unemployment levels remained broadly unchanged in London (+10,000) Scotland (+5,000), Northern Ireland (+1,000), East Midlands (-5,000), North East (-8,000) and the North West (-8,000).
- Unemployment levels only decreased in the South East (-11,000).

The next Labour Market Update will be published on **15th August 2023**.



**ABOUT THE SPONSOR**

“Contingent labour requirements are on the increase which indicates organisations are concerned about the economic uncertainty. Despite an increase in candidate availability, it is still challenging for firms to recruit people with the right skills match.

“With live job adverts still higher than this time last year it emphasises just how important it is for businesses to get their talent strategy right and this is where skilled recruiters come in, offering firms helpful insights, market knowledge and support throughout the hiring process.

“Businesses need to be competitive in today’s market and on top of pay, conditions and flexibility firms need to work with recruiters to build a strong employee value proposition that will be attractive to the best talent and keep their business ahead of the curve.”

**Carmen Watson, Chairperson, Pertemps Ltd**

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