

### UNEMPLOYMENT AND INACTIVITY RISE WHILE PAY PLATEAUS

The latest ONS data covers the period from January to March 2024 and shows a largely unchanged labour market that remains tight overall but continues to slowly soften. UK employment is down on both the year and the quarter, while economic inactivity has slightly increased. The unemployment rate is above estimates of a year ago and up in the latest quarter. Vacancies continue to fall but are still above pre-pandemic levels. Real time Pay-As-You-Earn data for March 2024 shows that the number of payrolled employees decreased by 67,000 on the February figure – with 30.3 million in the labour market.

The economic inactivity rate (22.2%) is higher than estimates a year ago and is up in the latest quarter. The increase is largely due to a rise in the number of students. Those inactive due to long-term sickness has increased slightly this quarter, following a steadily rising trend despite policy interventions aimed to reduce it.

The number of vacancies continues to fall – with 13,000 fewer vacancies on the quarter to 916,000. This is the 21<sup>st</sup> consecutive period in which vacancies have fallen but are still above pre-pandemic levels.

Growth in regular pay was 6.0% on the quarter to February 2024 – down from 6.1% in the previous period. In real terms, annual growth, real pay rose on the year by 1.9%.

There continue to be signs that the labour market is softening, the UK's labour market looks increasingly two-speed. Unemployment is rising and inactivity persists. Meanwhile there remain a heightened number of jobs that employers can't fill, causing pay to rise faster than compatible with significantly cutting interest rates. This highlights the importance of improving access to training, particularly reforming the failed apprenticeship levy.

**Please note: this release follows the reintroduction of Labour Force Survey data two months ago, which now includes the latest population information. The ONS continues to advise that increased volatility of Labour Force Survey estimates, resulting from smaller achieved sample sizes, means that estimates of quarterly change should be treated with additional caution.**

#### Employment rate decreases and vacancies continue to fall...

- The official measure of employment shows a decrease of 156,000 in the three months to February 2024, compared with the previous quarter and a decrease of 195,000 on the same period a year ago. The employment rate is down on the quarter (-0.5%) and also down on the year (-0.8%) standing at 74.5%. This is below pre-pandemic rates.
- Male employment decreased by 81,000 on the quarter to February 2024, while female employment decreased by 75,000 in the same period. On the year, male employment decreased by 158,000 and female employment decreased by 38,000. The only age group to see an increase in employment levels were those aged 35-49 (+92,000) while those aged 16-24, 25-34 and 50-64 all saw a decrease in employment levels (-114,000, -82,000 and -74,000 respectively).
- The number of employees working full-time increased (68,000) while the total number of employees working part-time by 124,000. The number of self-employed people working full-time decreased by 28,000 and the number of self-employed people working part-time decreased by 54,000.

Exhibit 1 Vacancies (000s)

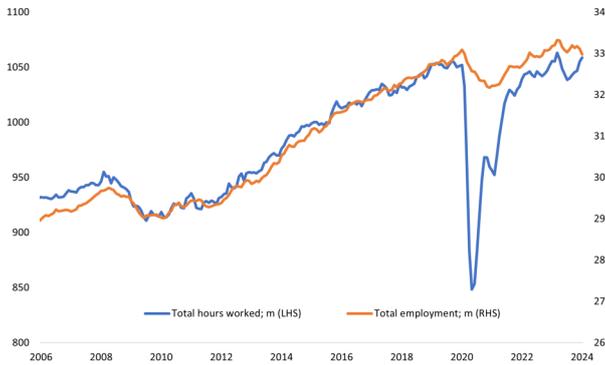


Source: ONS April 2024 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	74.5%	32,980	-156,000 (-0.5%)	-195,000 (-0.6%)
Unemployment** (ILO)	4.2%	1,440	+85,000 (+6.3%)	+94,000 (+7.0%)
Youth unemployment (16-24)	12.8%	522	-	+34,000 (+7.0%)

Source: ONS September 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 2024 labour market statistics

- Pay-As-You-Earn data shows that the number of payrolled employees for March 2024 decreased by 67,000 on the month but increased by 204,000 on the year to 30.3 million. Although it should be treated as a provisional estimate and is likely to be revised when more data is received next month.
- There are 916,000 vacancies in the economy – 13,000 fewer than in the previous quarter. There are 204,000 fewer vacancies now than a year ago. This is the 21<sup>st</sup> consecutive period that vacancies have fallen but they are still above pre-pandemic levels. This is the longest series of falls in vacancy estimates recorded.
- Vacancies are becoming more concentrated in fewer sectors. The largest number of jobs available are in Human Health and Social Care sector (159,000), the Wholesale and Retail trade, repair of motor vehicles and cycles sector (117,000) and the Accommodation and Food service activities sector (108,000).
- There are now only four 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 (4.7), hospitality (4.1) and motor trades (4.1) and health & social care (3.5) sectors.
- There were 106,000 working days lost because of labour disputes across the UK in February 2024. The majority of strikes were in the health and social work industry.

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

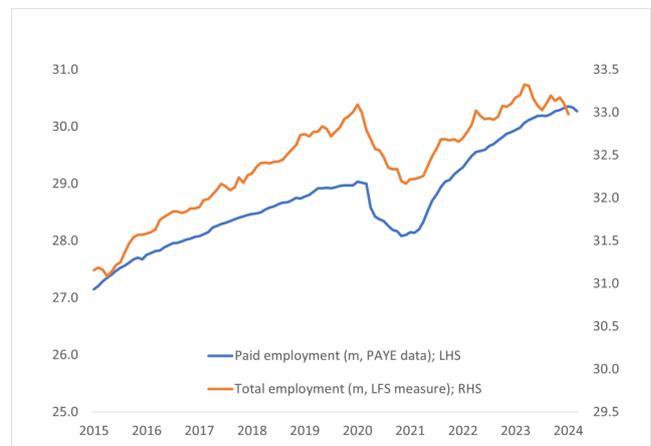
- Official data shows that, in the three months to February 2024, unemployment levels increased by 85,000 to stand at 1.44 million. The unemployment rate increased by 0.3% on the last quarter and stands at 4.2%. There are 94,000 more unemployed people in the same period a year ago.

- The redundancy rate increased by 0.6% in the quarter to February 2024 and stands at 3.9%. The number of those who are economically inactive increased by 150,000 compared to the previous quarter and has increased by 275,000 compared to the same time last year. The inactivity rate is now 22.2%. The increase is driven by the number of students (+174,000 on the latest quarter). Those inactive due to long-term sickness has slightly increased on the quarter (+16,000) and is significantly higher than estimates a year ago (+160,000).

**Pay growth softens slightly, but shows signs of plateauing**

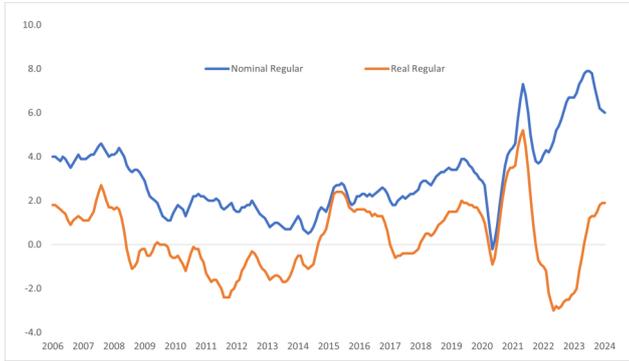
- Nominal pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 6.0% on the year in the three months to February 2024 (the less volatile three-month rolling basis). This is marginally down from 6.1% last month and continues the falling trend that we've seen over the last 3 months but at a very slow pace, indicating that wages are plateauing rather than continuing to fall in line with falling inflation.
- It remains to be seen whether, or at what level, the unemployment rate further moderates wage settlements to a level compatible with the Bank of England's 2% inflation target. They estimate that pay growth would need to fall to closer to 3%, so whether pay growth continues to plateau or begins to slow again will be a key factor in setting interest rates.
- In the three months to February, nominal regular pay growth stood at 6.0% in the private sector (down by

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



Source: ONS April 2024 labour market statistics

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



Source: ONS April 2024 labour market statistics

0.1% from January 2024). In the public sector, nominal pay growth stood at 6.1% - up from 6.0% in the previous quarter.

- Across the different sectors, nominal annual regular pay growth was strongest in Manufacturing (+6.9%, unchanged from the previous quarter), Finance and business services (+6.8%, up by 0.1%), Wholesaling, retailing, hotels and restaurants (+6.4%, down by 0.7%), Services (+6.1%, down by 0.1%) and construction (+3.1%, down by 0.1%).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) is unchanged on the previous quarter (on the less volatile three-month rolling basis) – and is at 1.9% on the year.
- Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) is at 1.6%, up by 0.1% in January 2024.

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

- In the three months to February 2024, employment levels increased in London (+73,000), Northern Ireland (+16,000) and Scotland (+11,000).
- Employment levels fell in the North West (-66,000), Wales (-42,000) the South West (-34,000), Yorkshire and the Humber (-33,000), the East Midlands (-22,000), the West Midlands (-17,000), the East (-16,000) the North East (-15,000), the South East (-13,000).

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

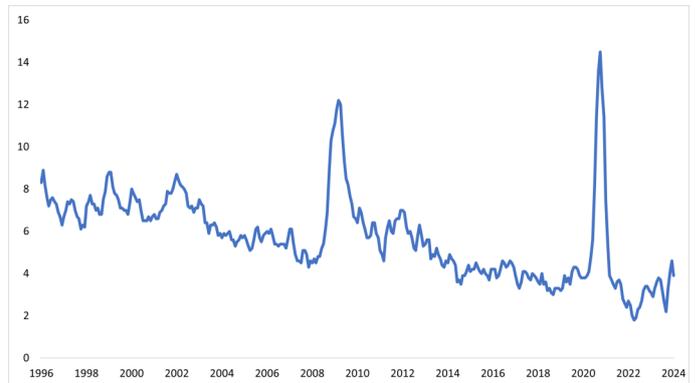
- In the three months to February 2024, unemployment increased in the South East (+31,000), the West Midlands (+27,000), the East Midlands (+20,000) and the South West (+13,000).
- Unemployment remains broadly unchanged in Yorkshire and the Humber (+9,000), Wales (+7000), the North West (+6,000), the North East (-9,000), Northern Ireland (-1,300), London (-2,000) and the East (-1,000).
- Unemployment levels decreased in Scotland (-11,000).

**Exhibit 5** Unemployment rate (%)



Source: ONS April 2024 labour market statistics

**Exhibit 6** Redundancy rate (%)



Source: ONS April 2023 labour market statistics



The next Labour Market Update will be published on **14th May 2024**.

#### ABOUT THE SPONSOR

*“Our latest update shows some challenges, with a decline in recruitment activity and a slowdown in permanent staff appointments due to economic uncertainties and ongoing freezes in hiring.*

*“However, it’s encouraging to see that starting pay levels are increasing to attract better candidates, though the growth rates are slower than before. Despite these challenges, there’s a positive note as candidate supply is increasing, which could lead to more opportunities for job seekers in the near future.”*

#### **Carmen Watson, Chairperson, Pertemps Ltd**

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James Wilde  
PR and Communications Manager  
T: 01676 525250  
E: [james.wilde@pertemps.co.uk](mailto:james.wilde@pertemps.co.uk)  
W: [www.pertemps.co.uk](http://www.pertemps.co.uk)