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LABOUR MARKET CONTINUES TO RECOVER

The latest ONS data cover the period from March to May 2021, providing a snapshot of labour market activity during the gradual reopening of the economy out of lockdown.

The latest data show further signs of recovery with employment increasing, unemployment decreasing, and vacancies exceeding pre-pandemic levels. Real time Pay-As-You-Earn data for May 2021 indicates the number of payroll employees has increased once again, up by 356,000 in June 2021 to 28.9 million. Payrolls remain, however, 206,000 below levels seen before the pandemic. But for the first time since the beginning of the pandemic, the number of payroll employees in some regions is now above pre-pandemic (February 2020) levels. These include North East, North West, East Midlands and Northern Ireland. The redundancy rate has decreased on the quarter and has returned to pre-pandemic levels.

These are all further signs of demand returning and employers creating jobs. Yet businesses' ability to meet this demand, and support the recovery, is being challenged by staff shortages. As COVID cases rise, firms are facing the double difficulty of hiring workers and more employees self-isolating. In the short-term, aligning planned changes to self-isolation to the reopening and including a test and release mechanism will help. To ease acute shortages the government should also immediately update its shortage occupation lists to include jobs ranging from butchers and bricklayers to welders. In the longer term, firms must continue to strengthen inclusion while investing in skills and automation. Meanwhile, government can help by ensuring that the qualifications it funds include those in short supply.

Employment and number of vacancies rise in further sign of recovery...

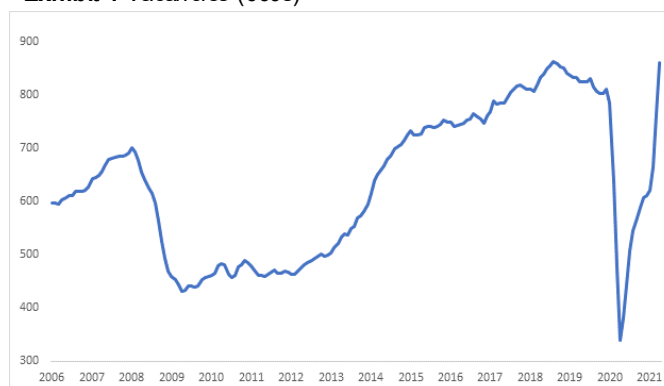
As part of continuing work to improve Labour Force Survey estimates, which have been affected by the pandemic, a new weighting methodology has been implemented for periods from January to March 2020 that updates the UK, EU and non-EU born population estimates. The impact on headline measures of rates is relatively small but there is a larger impact on estimates of levels and changes in levels

(ONS, 2021. Impact of reweighting on Labour Force Survey key indicators).

Using the new weighting methodology, indicative estimates suggest UK unemployment and economic inactivity rates are higher by up to 0.1 and 0.2 percentage points respectively compared with previous estimates, with employment rates lower by up to 0.3 percentage points by the end of 2020.

- The official measure of employment shows an increase of 25,000 in the three months to May 2021, compared with the previous quarter, but was 526,000 down on the same period a year earlier. The employment rate rose by 0.1% points to stand at 74.8%.
- Male employment increased (+65,000) over the quarter to May, while female employment decreased by 40,000. On the year, male employment decreased by 354,000 while female employment decreased by 171,000.
- Almost all age groups saw a rise in employment, with those aged 16 to 24 years old seeing the largest increase (+57,000) over the quarter, followed by those aged 50-64 years old (+31,000). Those

Exhibit 1 Vacancies (000s)

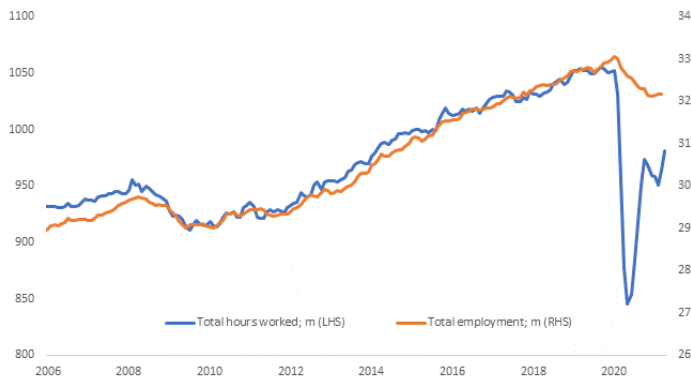


Source: ONS July 2021 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	74.8%	32,180	+25,000 (+0.1%)	-526,000 (-1.6%)
Unemployment** (ILO)	4.8%	1,637	-68,000 (-4.0%)	+222,000 (+15.7%)
Youth unemployment (16-24)	13.2%	539	-42,000 (-7.2%)	+46,000 (+9.3%)

Source: ONS July 2021 labour market statistics, March to May 2021 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 July 2021 labour market statistics

aged 25-34 years old saw a significant decrease in employment (-75,000).

- With the relaxation of many coronavirus restrictions, the total number of hours worked increased on the quarter, but it still remains below pre-pandemic levels.
- Experimental Pay-As-You-Earn (PAYE) data show that the number of payroll employees has increased once again. Payrolls increased by 356,000 in June 2021 to 28.9 million, but are still 206,000 below the level before the pandemic. But some regions are now above pre-pandemic levels - for the first time since the beginning of the pandemic. These regions include North East, North West, East Midlands and Northern Ireland.
- The number of self-employed increased by 24,000 in the three months to May. The number of people working part-time fell significantly, by 78,000 on the quarter.
- For April to June 2021, there were an estimated 862,000 vacancies, a quarterly increase of 241,000. The number of vacancies is now 77,500 above pre-pandemic levels. All but one industry saw quarterly increases in the number of vacancies.

...while unemployment and redundancies fall

- Official data show that, in the three months to May 2021, unemployment decreased significantly, falling by 68,000 to stand at 1.63 million. On a year-on-year basis, the number of unemployed people increased by 222,000. The unemployment rate stood at 4.8%, a decrease of 0.2% points on the previous quarter.
- Redundancies decreased by 105,000 on the quarter and by 11,000 on the year. This means that the

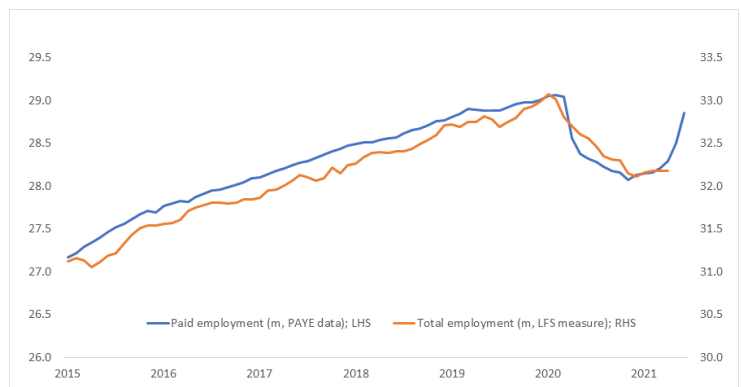
redundancy rate now stands at 3.8 per thousand, a return to pre-pandemic levels.

- The number of those who are economically inactive has increased on the previous quarter (+38,000) and on the year (+197,000). The inactivity rate now stands at 21.3% - up by 0.1% point on the previous quarter.

Pay growth picked up further in the three months to May

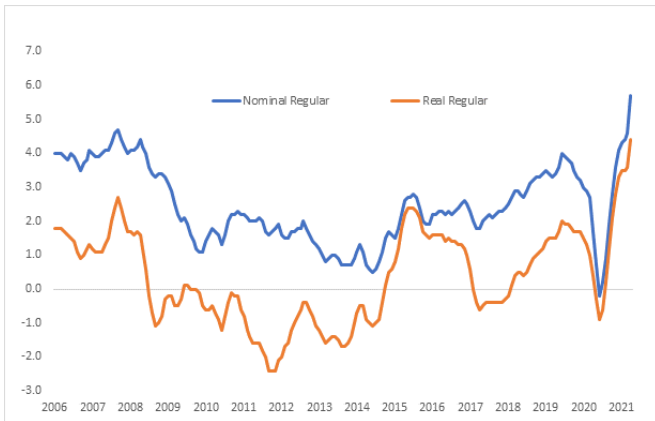
- Annual growth in employee pay increased in May, partly reflecting the compositional effect of a fall in the number and proportion of lower-paid employee jobs, and base effects from last year.
- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) stood at 6.6% on the year in the three months to May 2021 (the less volatile three-month rolling basis), up by 0.9% points from April 2021.
- In the three months to May, nominal regular pay growth stood at 7.2% in the private sector (up by 1.5% points on April) and at 3.7% in the public sector (down by 1.2% points on April).
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+9.1% - up by 1.1% points) and construction (+8.9% - up by 4.2% points), followed by wholesaling, retailing & hospitality (+6.8% - up by 2.1% points), services (6.7% - up by 0.7% points) and manufacturing (+5.3% - up by 1.6% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 4.9% on a year ago (on the less volatile three-month rolling basis) – up by 0.5% points from April 2021.

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



Source: ONS July 2021 labour market statistics

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

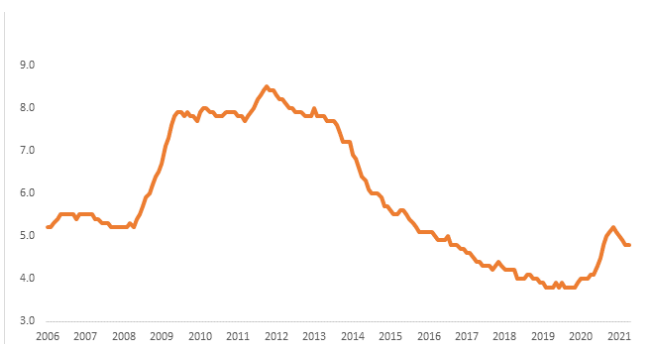


Source: ONS July 2021 labour market statistics

Most regions and nations saw a mixed picture in employment...

- In the three months to May 2021, employment increased in the West Midlands (+32,000), London (+27,000), Yorkshire and The Humber (+24,000) and the North West (+14,000).
- Employment remained broadly unchanged in the South West (-10,000), Wales (-2,000), the North East (-1,000), the East (+2,000), Northern Ireland (+3,000).
- Employment decreased in the South East (-40,000), the East Midlands (-13,000) and Scotland (-12,000).

Exhibit 5 Unemployment rate (%)

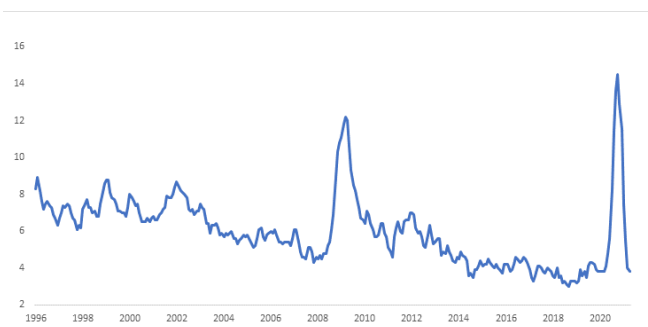


Source: ONS July 2021 labour market statistics

...and in unemployment

- In the three months to May 2021, unemployment increased in the South East (+35,000).
- Unemployment remained broadly unchanged in Scotland (-7,000), Yorkshire and The Humber (-5,000), the West Midlands (-3,000), North East (0), Northern Ireland (+1,000) and the East (+5,000).
- Unemployment decreased in London (-38,000), Wales (-16,000), the North West (-16,000), the East Midlands (-14,000) and the South West (-11,000).

Exhibit 6 Redundancy rate (%)



Source: ONS July 2021 labour market statistics

The next labour market update will be published on **17th August 2021**.



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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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ABOUT THE SPONSOR

"As lockdown measures are eased, recruitment activity has surged, with permanent and contingent vacancies continuing to grow, as greater demand for staff continues.

But while the job market is improving, we are experiencing shortages in sectors, such as hospitality, driving, IT and administration, which requires us and recruitment companies like us, to be creative and innovative to attract and secure candidates from wider talent pools, to avoid slowing our economic recovery."

Carmen Watson, Chairperson, Pertemps Ltd

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