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LABOUR MARKET CONTINUES TO STRENGTHEN

The latest ONS data cover the period from April to June 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 in the labour market, with employment increasing, unemployment decreasing, and vacancies reaching a record high. Real time Pay-As-You-Earn data for July 2021 also showed that the number of payrolled employees increased once again, up by 182,000 in July 2021 to 28.9 million. However, payrolls remain, 201,000 below levels seen before the pandemic, underscoring that a significant degree of slack remains in the labour market.

Encouragingly, the redundancy rate has decreased on the quarter and has returned to pre-pandemic levels. While these are encouraging signs of demand returning and employers creating jobs, anecdote from our members also suggests that employers are concerned that staff shortages are stalling their ability to grow and support the country's wider economic recovery. The role that furloughed employees and the existing degree of slack in the labour market will play in addressing these labour shortages is unclear at present.

Recent changes to self-isolation mean that firms can at last continue to operate more normally, even if short-term absences remain a concern for sectors reliant on younger workers awaiting their second vaccine. But a wider test and release scheme must be implemented so that self-isolation remains properly targeted at those who risk spreading the virus. Longer-term, business must continue to invest in the skills and automation that will underpin future growth. The government can also help by ensuring that the qualifications it funds include those in short supply and removing barriers hampering firms' ability to recruit overseas workers.

Employment rises and number of vacancies reaches record high in further sign of recovery...

- The official measure of employment shows an increase of 95,000 in the three months to June 2021, compared with the previous quarter, but was 329,000

down on the same period a year earlier. The employment rate rose by 0.2% points to stand at 75.1%.

- Male employment increased (+66,000) over the quarter to June, and female employment increased by 29,000. On the year, male employment decreased by 253,000 and female employment decreased by 75,000.
- Most age groups saw a rise in employment, with those aged 16 to 24 years old seeing the largest increase (+89,000) over the quarter, followed by those aged 50-64 years old (+30,000). Those aged 65+ years old saw the biggest decrease in employment (-20,000).
- The number of self-employed remained broadly unchanged (-1,000) in the three months to June. The number of people working part-time increased by 54,000 on the quarter.
- Experimental Pay-As-You-Earn (PAYE) data (which do not suffer from distortions arising from the classification of furloughed employees) show that

Exhibit 1 Vacancies (000s)

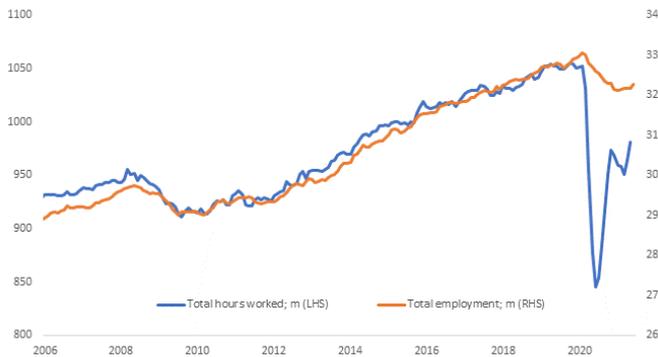


Source: ONS August 2021 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.1%	32,276	+95,000 (+0.3%)	-329,000 (-1.0%)
Unemployment** (ILO)	4.7%	1,600	-53,000 (-3.2%)	+193,000 (+13.7%)
Youth unemployment (16-24)	13.2%	530	-12,000 (-2.2%)	+28,000 (+5.5%)

Source: ONS August 2021 labour market statistics, April to June 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 August 2021 labour market statistics

the number of payrolled employees has increased once again. Payrolls increased by 182,000 in July 2021 to 28.9 million but are still 201,000 below the level before the pandemic.

- With the three months to June seeing the relaxation of most coronavirus restrictions, the total number of hours worked increased on the quarter, but it still remains below pre-pandemic levels.
- In a further sign of recovering labour demand, there were an estimated 953,000 vacancies in the quarter to May, a quarterly increase of 290,000. The number of vacancies is now 168,500 above pre-pandemic levels, and at a record high.

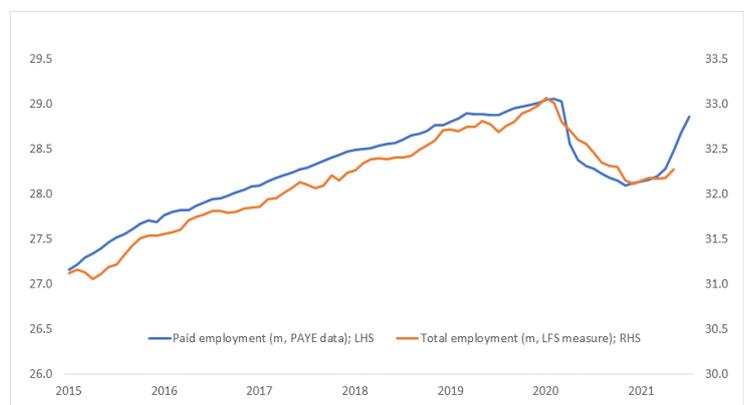
...while unemployment and redundancies fall

- Official data show that, in the three months to June 2021, unemployment decreased, falling by 53,000 to stand at 1.6 million. The unemployment rate stood at 4.7%, a decrease of 0.2% points on the previous quarter. On a year-on-year basis, the number of unemployed people increased by 193,000.
- Redundancies decreased by 52,000 on the quarter and by 35,000 on the year. This means that the redundancy rate now stands at 3.6 per thousand employees, a return to pre-pandemic levels (this compares to a peak in the redundancy rate of 14.5% towards the end of 2020).
- The number of those who are economically inactive also decreased significantly on the previous quarter (-96,000) but increased on the year (+82,000). The inactivity rate now stands at 21.1% - down by 0.2% points on the previous quarter.

Pay growth picked up further in the three months to June

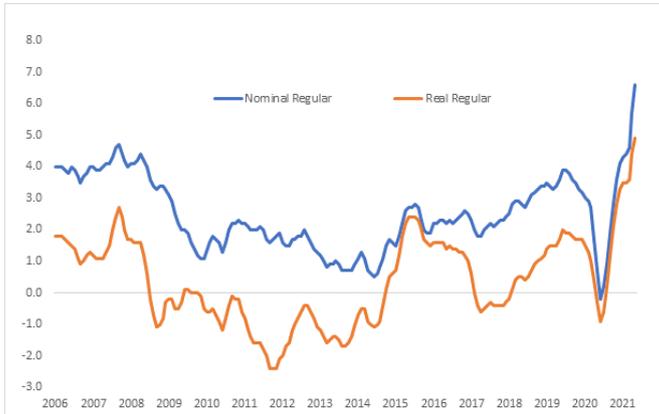
- Annual growth in employee pay increased in June, partly reflecting compositional effects from a disproportionate fall in the number of lower-paid employee jobs, and base effects from factors that depressed pay growth last year. As a result, underlying pay growth is likely much lower than that outlined below.
- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) stood at 7.4% on the year in the three months to June 2021 (the less volatile three-month rolling basis), up by 0.8% points from May 2021.
- In the three months to June, nominal regular pay growth stood at 8.5% in the private sector (up by 1.3% points on May) and at 2.7% in the public sector (down by 1.0% points on May).
- Across the different sectors, nominal annual regular pay growth was strongest in construction (+12.3% - up by 3.3% points) and finance (+10.1% - up by 1.0% points), followed by wholesaling, retailing & hospitality (+8.7% - up by 1.6% points), services (7.3% - up by 0.7% points) and manufacturing (+6.4% - up by 1.1% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 5.2% on a year ago (on the less volatile three-month rolling basis) – up by 0.3% points from May 2021.

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



Source: ONS August 2021 labour market statistics

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



Source: ONS August 2021 labour market statistics

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

- In the three months to June 2021, employment increased in the West Midlands (+52,000), the North West (+28,000), London (+18,000), Yorkshire and The Humber (+16,000) and the East of England (+14,000).
- Employment remained broadly unchanged in the North East (-6,000), South West (-1,000), Wales (-1,000), the East Midlands (+3,000) and Northern Ireland (+10,000).

Exhibit 5 Unemployment rate (%)



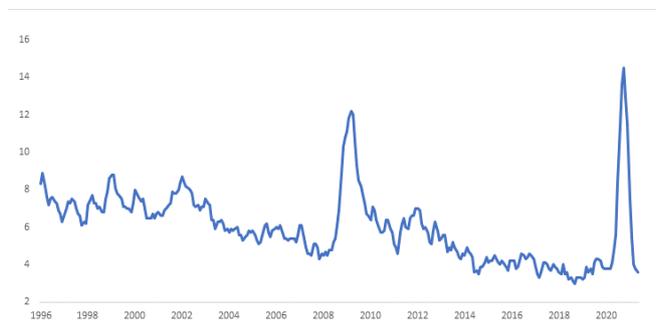
Source: ONS August 2021 labour market statistics

- Employment decreased in the South East (-25,000) and Scotland (-13,000).

...and in unemployment

- In the three months to June, unemployment increased in the South East (+43,000).
- Unemployment remained broadly unchanged in the North West (-9,000), the South West (-6,000), Wales (-6,000), Scotland (-3,000), the North East (0), the East (+1,000), Yorkshire and The Humber (+2,000) and Northern Ireland (+4,000).
- Unemployment decreased in the West Midlands (-31,000), London (-27,000) and the East Midlands (-21,000).

Exhibit 6 Redundancy rate (%)



Source: ONS August 2021 labour market statistics

The next labour market update will be published on **14th September 2021**.



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"The labour market continues to exponentially grow, with the unemployment rate decreasing and the number of employees on company payrolls continuing to rise.

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Carmen Watson, Chairperson, Pertemps Ltd

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