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## LABOUR MARKET SEES STRONG RECOVERY

The latest ONS data covers the period from July to September 2021, providing a snapshot of labour market activity during the reopening of the economy.

The latest data show continued signs of recovery in the labour market, with employment increasing, unemployment decreasing, and vacancies at a new record high. Young people who were particularly affected by the pandemic saw a continued increase in the employment rate and decrease in the unemployment and inactivity rates. Real time Pay-As-You-Earn data for October 2021 also showed that the number of payrolled employees increased once again, up by 160,000 to 29.3 million. The uptick in employment was driven by a record high net flow from unemployment to employment.

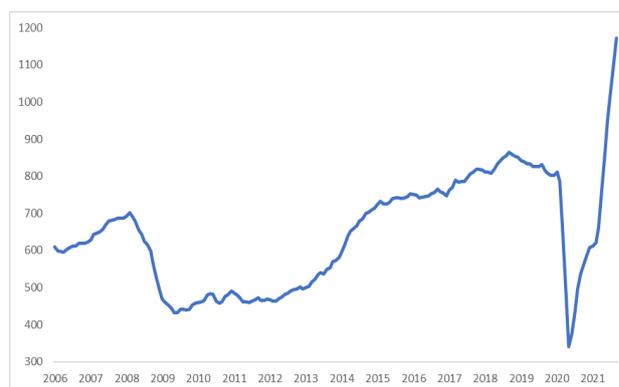
Pay growth is still comparatively high now than it was in the same period last year, but all sectors are seeing the growth rate slow and decline. Ongoing supply chain issues, labour shortages and record high vacancies are putting a break on growth. Government and business must work together to tackle these challenges and formulate solutions at speed. This means an increase in investment in reskilling, automation and improved pay and conditions to ensure sustainable growth for a high-wage, high-skill, high-investment, high-productivity economy.

### Employment rises and the number of vacancies reaches a new record high...

- The official measure of employment shows a significant increase of 153,000 in the three months to September 2021, compared with the previous quarter, an increase of 118,000 on the same period a year ago. The employment rate rose by 0.4% points to 75.4%.
- Male employment increased (+171,000) over the quarter to September, and female employment increased by 76,000. On the year, male employment increased by 110,000 and female employment increased by 63,000.

- Most age groups saw a rise in employment, with those aged 16 to 24 years old seeing the largest increase (+88,000) over the quarter, followed by those aged 35-49 years old (+78,000) and 25-34 years old (+7,000). Those aged 50-64 years old were the only age group to see a decrease in employment (-21,000).
- The number of people working part-time significantly increased (+208,000) in the three months to September. The number of people working full-time also increased (+39,000). The number of self-employed people remained at similar levels to the previous quarter (-2,000).
- Experimental Pay-As-You-Earn (PAYE) data (which do not suffer from distortions arising from the classification of furloughed employees) show that the number of payrolled employees has increased once again and now exceeds its February 2020 level (by +160,000). Payrolls increased in September 2021 to 29.3 million.
- In a further sign of recovering labour demand, there were an estimated 1,172,000 vacancies in August-

Exhibit 1 Vacancies (000s)



Source: ONS November 2021 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.4%	32,416	+235,000 (+0.7%)	-49,000 (-0.2%)
Unemployment** (ILO)	4.3%	1,510	-126,000 (-7.7%)	-33,000 (-2.2%)
Youth unemployment (16-24)	11.7%	475,000	-55,000 (-10.4%)	-131,000 (-21.6%)

Source: ONS November 2021 labour market statistics, July to September 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 November 2021 labour market statistics

October, a quarterly increase of 222,000 and a new record high. The number of vacancies is now 338,000 above pre-pandemic levels. 15 of the 18 industry sectors are showing record highs: the largest increase in jobs was seen in the accommodation and food service industry, which rose by 122,000 (5.5%).

- The total number of hours worked increased on the quarter to 1 billion, an 11.8% increase on the year.

### ...while unemployment and redundancies fall

- Official data show that, in the three months to September 2021, unemployment decreased by 151,000 to stand at 1.41 million. The unemployment rate stood at 4.3%, a decrease of 0.5% points on the previous quarter. There are 206,000 fewer unemployed people than in the same period a year ago.
- Redundancies remained at a similar level compared to the previous quarter (+5,000) but still remain up by 213,000 on the year. This means that the redundancy rate stands at 3.7 per thousand employees, a lower rate than 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 stayed the same compared to the previous quarter (+6,000), with more people economically inactive now than the same time last year (+29,000). The inactivity rate remains at 21.1% - up by 0.1% points on the previous quarter.

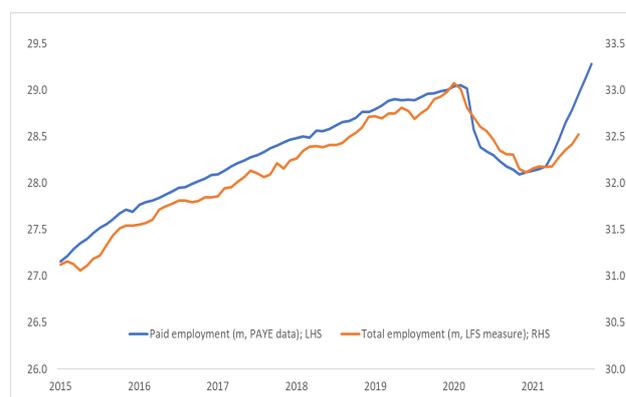
### Pay growth remained high in the three months to September

- Annual growth in employee pay increased in September, partly reflecting the compositional effect of 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 4.9% on the year in the three months to September 2021 (the less volatile three-month rolling basis), down by 1.1% points from August 2021.
- In the three months to September, nominal regular pay growth stood at 5.5% in the private sector (down by 1.3% points on August) and at 2.4% in the public sector (down by 0.2% points on August).
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+7.9% - down by 1.3% points) and construction (+5.6% - down by 2.6% points), followed by services (+5.2% - down by 1.0% points), wholesaling, retailing & hospitality (4.7% - down by 1.1% points) and manufacturing (+3.3% - down by 1.1% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 2.2% on a year ago (on the less volatile three-month rolling basis) – down by 1.2% points from August 2021.

### Employment increased in most regions and nations...

- In the three months to August 2021, employment increased in the South West (+88,000), the East (+47,000), London (+44,000), the South East and North West (+27,000), and Scotland (+26,000).
- Employment remained broadly unchanged in Wales (+7,000), East Midlands (+6,000), Yorkshire and The Humber (no change), the West Midlands (-2,000), and Northern Ireland (-5,000).
- The only region that saw a drop in employment level was the North East (-17,000).

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

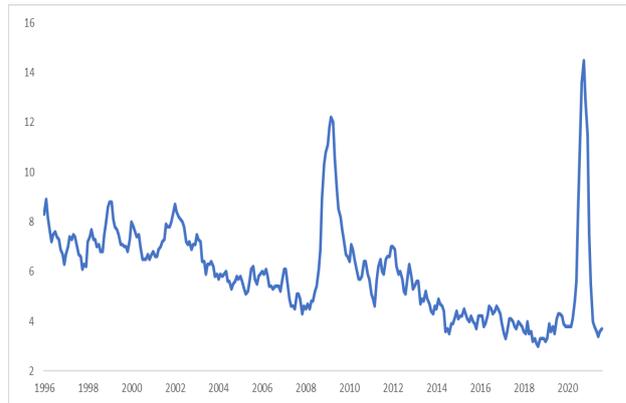
Source: ONS November 2021 labour market statistics

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



Source: ONS November 2021 labour market statistics

**Exhibit 6** Redundancy rate (%)



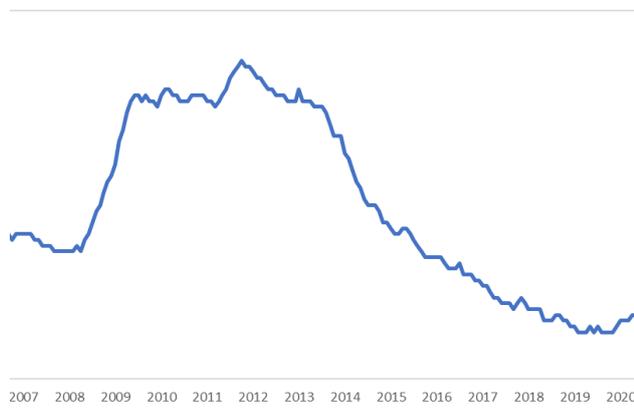
Source: ONS November 2021 labour market statistics

**...while unemployment decreased or remained at similar levels to the previous quarter**

- In the three months to September, unemployment decreased in London (-38,000), the South East (-30,000), the North West (-19,000) the East (-17,000) and Yorkshire and the Humber (-13,000).

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

**Exhibit 5** Unemployment rate (%)



Source: ONS November 2021 labour market statistics

- Unemployment levels remained broadly unchanged in North East (-10,000), the East Midlands and the South West (-6,000), the West Midlands and Scotland (-5,000), Wales (-4,000) and in Northern Ireland (+2,000).



For further information or a copy in large text format, please contact:

Yusuf Ali-Hassan  
Policy Adviser  
M: 44 (0)7469 155238  
E: Yusuf.Ali-Hassan@cbi.org.uk

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"This month's update signalled a further marked rise in hiring activity at the start of the final quarter of the year, which is really positive as we head towards the end of the year and is much better than could have been predicted.

"A strong demand for staff, most notably in permanent placements, emphasises the need for employers to work closely with recruiters to ensure they have access to the best available talent at a time when candidate supply remains tight."

**Carmen Watson, Chairperson, Pertemps Network Group**

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For further information about Pertemps Network Group, please contact:

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