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EMPLOYMENT RATE CONTINUES TO RISE BUT PAY GROWTH REMAINS BELOW INFLATION

The latest ONS data covers the period from November 2021 to January 2022, providing a snapshot of labour market activity during a period in which the Omicron variant was the dominant Covid-19 variant in the UK.

The latest data show continued signs of recovery in the labour market, with employment increasing, unemployment decreasing, and vacancies at a new record high. Real time Pay-As-You-Earn data for January 2022 showed that the number of payrolled employees increased once again, up by 275,000 to a record 29.7 million, in part due to an increase in full time employees. However, due to an increase in the rate of those who are economically inactive, the total number of workers in the labour market has decreased overall.

Furthermore, pay growth is declining across all sectors. Ongoing supply chain issues, labour shortages and record high vacancies are putting a break on growth. Rising inflation means that businesses are facing multiple headwinds as they struggle to fill vacancies. To break this cycle and deliver sustainably rising living standards, the UK requires action that includes addressing skills and labour shortages.

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

- The official measure of employment shows a decrease of 12,000 in the three months to January 2022, compared with the previous quarter, but still an increase of 380,000 on the same period a year ago. The employment rate rose by 0.1% points compared with the previous quarter to 75.6%.
- Male employment decreased (-20,000) over the quarter to January, but female employment increased (+7,000). On the year, male employment increased by 225,000 and female employment increased by 154,000.

- Only those aged 16 to 24 years old saw a significant increase in employment (+63,000) over the quarter. The 25-34 year old age group (+8,000) and the 50-64 year old age group (-8,000) did not see employment figures change significantly.
- Those aged 35-49 years old were the only age group to see a decrease in employment (-31,000).
- The number of people working full-time decreased overall by -17,000. While the number of employees working full-time increased significantly (+56,000), the number of self-employed people working full time decreased by a greater amount (-79,000), which led to the overall decrease in full-time workers in the three months to January 2022.
- The number of people working part-time remained relatively unchanged in the three months to January (+5,000). The number of self-employed people decreased significantly (-89,000), the majority of which were full-time workers.
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has increased once

Exhibit 1 Vacancies (000s)



Source: ONS March 2022 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.6%	32,493	-12,000 (0.0%)	+380,000 (+1.2%)
Unemployment** (ILO)	3.9%	1,336	-88,000 (-6.2%)	-402,000 (-23.1%)
Youth unemployment (16-24)	11.0%	457,000	-2,000 (-0.4%)	-129,000 (-28.2%)

Source: ONS March 2022 labour market statistics, November 2021 to January 2022 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 March 2022 labour market statistics

again by 275,000 and is now at a record high at 29.7 million.

- In a further sign of recovering labour demand, there were an estimated 1.3 million vacancies in the three months to December 2021 to February 2022, a quarterly increase of 105,000 and a new record high. This is the seventh consecutive month that the three-month vacancy average has stands at over one million.
- 10 of the 18 industry sectors are showing record high vacancies, but the rate of growth in vacancy numbers continues to slow. The largest number of jobs available are in Human health and social care (210,000) and the accommodation and food service industry (177,000).
- The total number of hours worked increased on the quarter to 1,029,100,000, a 0.5% increase on the quarter and still up on the year by 4.7%.

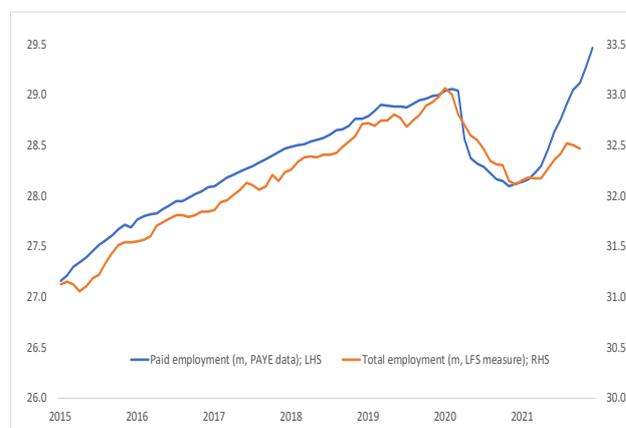
...while unemployment and redundancy rate continue to fall

- Official data show that, in the three months to January 2022, unemployment decreased by 88,000 to stand at 1.3 million. The unemployment rate stood at 3.9%, a decrease of 0.2% points on the previous quarter. There are 402,000 fewer unemployed people than in the same period a year ago.
- Redundancies decreased on the previous quarter (-29,000) and is down by 250,000 on the year. This means that the redundancy rate is at 2.4 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 increased by 44,000 compared to the previous quarter, with 10,000 more people economically now than the same time last year. The inactivity rate slightly increased for the fourth quarter in a row to at 21.3% - up by 0.1% points on the previous quarter.

Wage growth continues to fall behind inflation

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) stood at 3.8% on the year in the three months to January 2022 (the less volatile three-month rolling basis), up by 0.1% points from December 2021.
- In the three months to January, nominal regular pay growth stood at 4.1% in the private sector (up by 0.2% points on December) and at 2.5% in the public sector, down by 0.2% points on December).
- Across the different sectors, nominal annual regular pay growth was strongest in finance (+6.1% - down by 6.6% points) and services (+4.1% - same as the previous quarter), followed by wholesaling, retailing & hospitality (+4.8% - up by 1.1% points), construction (+2.3% - up by 0.2% points) and manufacturing (+2.2% - down by 0.3% points).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) dropped by -0.3% on the quarter (on the less volatile three-month rolling basis) – and is now at -1.0% on the year and the lowest since July 2014.
- Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) dropped to -0.7%, up slightly from -1.1% in December.

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

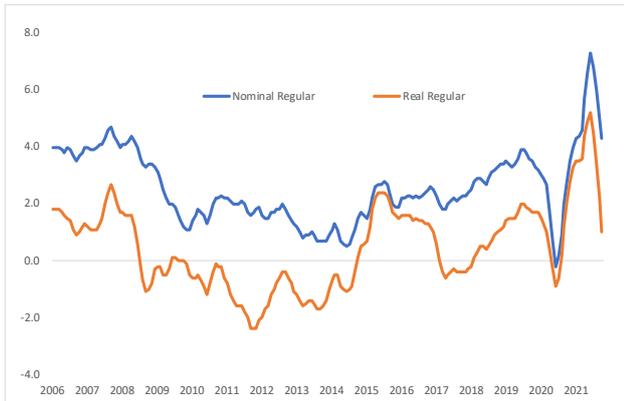


Source: ONS March 2022 labour market statistics

The regions and nations saw a mixed bag in employment levels...

- In the three months to January 2022, employment increased in the West Midlands (+43,000), the East Midlands (+27,000) and in London (+20,000).
- Employment remained broadly unchanged in Northern Ireland (-6,000), Wales (-5,000), Scotland (+1,000), the South West (+2,000), and the North East (+7,000).
- The regions or nations that saw a drop in employment level was the North West (-27,000), the

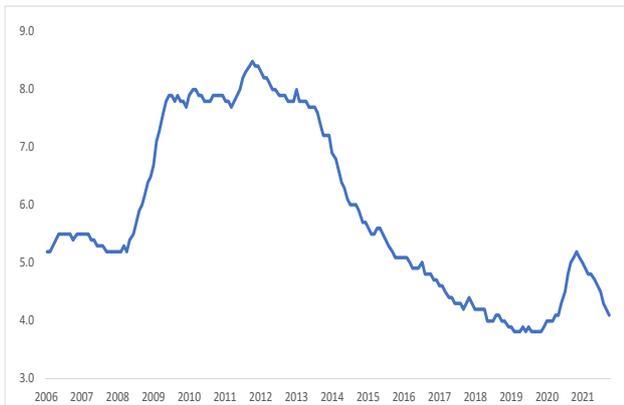
Exhibit 4 Real regular pay and nominal regular pay growth (%) 3-month average



Source: ONS March 2022 labour market statistics

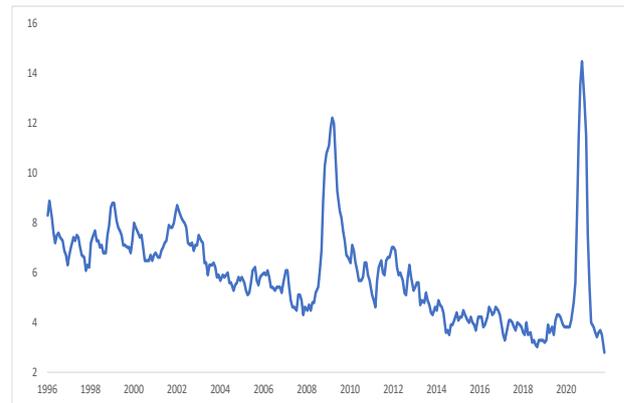
South East (-26,000), East (-25,000) and Yorkshire and the Humber (-24,000).

Exhibit 5 Unemployment rate (%)



Source: ONS March 2022 labour market statistics

Exhibit 6 Redundancy rate (%)



Source: ONS March 2022 labour market statistics

...while unemployment decreased in most regions and nations

- In the three months to January 2022, unemployment decreased in the East Midlands (-26,000), London (-21,000), the South East (-13,000) and Wales (-11,000).
- Unemployment levels remained broadly unchanged in Scotland (-9,000), Northern Ireland (-8,000), the West Midlands (-8,000) the South West (-6,000), Yorkshire and the Humber (-5,000), the East (-3,000), the North West (+3,000), and the North East (+3,000).
- No region or nation saw an increase in unemployment.

The next labour market update will be published on **12 April 2022.**



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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

"Recruiters have witnessed a further increase in hiring activity during January, with permanent staff appointments expanding, while temp billings remain steady.

"The current hiring activity shows the rising pressure on clients to deliver despite the challenges of the Omicron variant. Businesses need to work collaboratively with recruitment partners to access the available talent and adapt their longer-term strategies."

Carmen Watson, Chairperson, Pertemps Network Group

Pertemps Network Group is one of the UK's largest privately owned recruitment agencies. It has a turnover in excess of £900m and offers immediate and strategic solutions to clients across both the public and private sector. It is made up of:

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