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REAL PAY GROWTH CONTINUES TO FALL AMID WORSENING COST OF LIVING CRISIS

The latest ONS data covers the period from April to June 2022 and shows a labour market that has signs of plateauing, with the employment rate decreasing, unemployment increasing, economic inactivity remaining the same overall and vacancies falling for the first time in two years. Real time Pay-As-You-Earn data for July 2022 showed that the number of payrolled employees increased, up by 73,000 to a record 29.7 million.

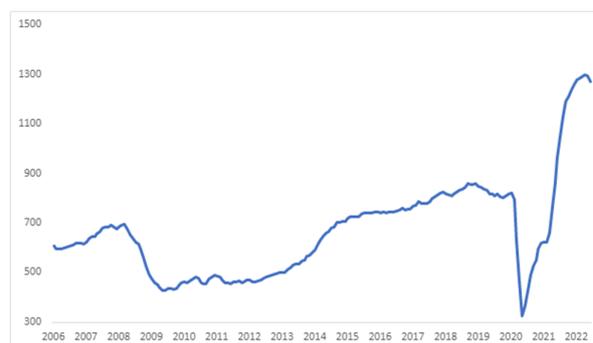
Furthermore, real regular pay growth continues to fall, with the three-month average the lowest it has been since records began. Skills and labour shortages and high vacancies are putting a break on growth and business investment, while inflation reaches a 40-year peak. This culmination of challenges is putting a strain on households and dampening business optimism for the months ahead. The Government should make the skills and immigration systems responsive to shortages by updating the Shortage Occupations List, the courses eligible for the Lifetime Skills Guarantee, and reforming the Apprenticeship Levy to unlock business investment in the full range of skills the economy needs.

Employment rate decreases and vacancy growth falls...

- The official measure of employment shows an increase of 160,000 in the three months to June 2022, compared with the previous quarter, and an increase of 489,000 on the same period a year ago. Despite this increase, the employment rate has decreased by 0.1 percentage points to 75.5%.
- Male employment increased (+118,000) over the quarter to June, while female employment also increased (+42,000). On the year, male employment increased by 325,000 and female employment increased by 164,000.

- Only those aged 35-49-year-old saw an increase in employment levels over the quarter (+47,000).
- Those aged 18-24 saw no notable change in employment levels (+1,000). Those aged 50-64 saw the largest decrease in employment levels (-35,000), followed by those aged 25-34 (-26,000).
- The number of people working full-time increased (+95,000), while the total number of employees working part-time also increased (+65,000).
- The number of self-employed people working full time decreased (-65,000), while the total number of self-employed people working part-time increased (+75,000).
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has increased once again by 73,000 and is now at a record high at 29.7 million.

Exhibit 1 Vacancies (000s)



Source: ONS August 2022 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.5%	32,792	+160,000 (0.6%)	+489,000 (+1.5%)
Unemployment** (ILO)	3.8%	1,294	+35,000 (+0.1%)	-206,000 (-19.1%)
Youth unemployment (16-24)	10.4%	429,000	-8,000 (-0.2%)	+86,000 (+2.0%)

Source: ONS August 2022 labour market statistics, April 2022 to June 2022 data *Rate for those aged 16-64 **Rate for those aged 16 and over

Exhibit 2 Employment vs actual weekly hours worked



Source: ONS August 2022 labour market statistics

- There were an estimated 1.27 million vacancies in the three months from June 2022 to August 2022, a decrease of 19,800 and the first quarterly fall we have seen since August 2020.
- 4 of the 18 industry sectors are showing record high vacancies, down from a high of 12 earlier in the year, with the rate of growth in vacancy numbers continuing to slow. The largest number of jobs available are in Human health and social care (221,000) and the Accommodation and food services activities (173,000).
- The total number of hours worked decreased on the quarter to 1.043 million, a -0.8% decrease on the quarter but still up on the year by 3.9%. This is still below pre-pandemic levels.

...while unemployment rises and redundancy rate is the lowest since records began

- Official data show that, in the three months to June 2022, unemployment increased by 35,000 to stand at 1.29 million. The unemployment rate stood at 3.8%, an increase of 0.1% points on the previous quarter. There are 306,000 fewer unemployed people than in the same period a year ago.
- Redundancies decreased slightly on the previous quarter (-16,000) and is down by 44,000 on the year. This means that the redundancy rate is at 1.9 per thousand employees, the lowest rate since records began.
- The number of those who are economically inactive decreased slightly (-26,000) compared to the previous quarter, with 127,000 more people economically inactive now than the same time last year. The inactivity rate remains at 21.4%.

Wage growth continues to fall behind inflation

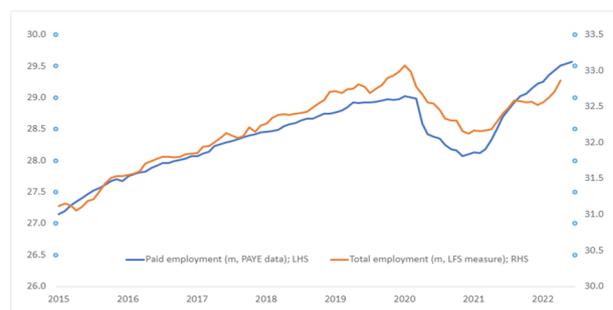
- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 4.7% on the year in the three months to June 2022 (the less volatile three-month rolling basis).

- In the three months to June, nominal regular pay growth stood at 5.4% in the private sector (up by 0.3% points on May) and at 1.8% in the public sector – the same as the previous quarter.
- Across the different sectors, nominal annual regular pay growth was strongest in wholesaling, retailing, hotels and restaurants (+6.7% - up by 0.3% points), followed by finance (+5.6% - up by 0.1% points), and construction (+5.5% - up by 0.2% points). Both services (+4.8% - up by 0.2% points) and manufacturing (+3.8% - up by 0.6% points) also showed increases in nominal annual regular pay.
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) dropped by 0.4% on the quarter (on the less volatile three-month rolling basis) – and is now at -3.0% on the year and the lowest since records began in 2001.
- Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) is at -2.8%, down from -2.6% in May.

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

- In the three months to June 2022, employment increased in the North West (+70,000), Yorkshire and the Humber (+50,000), the East (+34,000), Scotland (+25,000), and London (+15,000).
- Employment remained broadly unchanged in the East Midlands (+9,000), the South East (+1,000), Northern Ireland (+1,000), the South West (no change), the North East (-1,000) and Wales (-7,000).

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



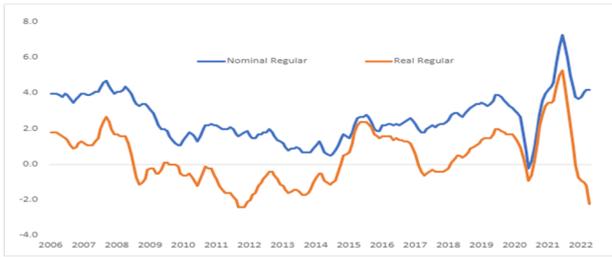
Source: ONS August 2022 labour market statistics

- The only region or nation that saw a decline in employment levels was the West Midlands (-39,000).

...while unemployment levels remain largely the same

- In the three months to June 2022, unemployment increased in the South East (+19,000), Yorkshire and the Humber (+17,000), and Wales (+13,000).

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



Source: ONS August 2022 labour market statistics

- Unemployment levels remained broadly unchanged in Scotland (+2,000), the North East (+2,000), Northern Ireland (+1,000), the West Midlands (+1,000), the East (no change), the South West (-2,000), the East Midlands (-5,000), the North West (-5,000) and London (-6,000).

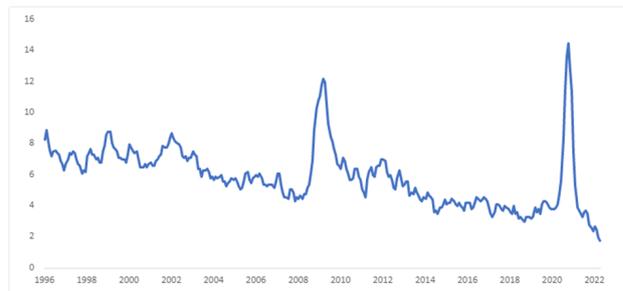
The next labour market update will be published on **14 September 2022**.

Exhibit 5 Unemployment rate (%)



Source: ONS August 2022 labour market statistics

Exhibit 6 Redundancy rate (%)



Source: ONS August 2022 labour market statistics



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“New data within this report shows that despite the economic uncertainty, there's still strength within the job market.

“Employers are having to think more about pay, benefits and learning and development opportunities as the competition for talent continues. Together with recruiters, businesses need to develop a workforce strategy that encompasses skills to create a sustainable labour market.”

Kent Thompson, Managing Director, Pertemps Network Group

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