

Supported by



## REAL PAY GROWTH CONTINUES TO DISAPPOINT LEADING TO A SQUEEZE ON PAY PACKETS

The latest ONS data covers the period from March 2022 to May 2022 and shows a continued tightening of the labour market, with employment increasing, unemployment and economic inactivity decreasing, and vacancies still at record high levels. Real time Pay-As-You-Earn data for June 2022 showed that the number of payrolled employees increased, up by 31,000, to a record 29.6 million. This was mainly spearheaded by the number of full-time employees, which has reached a record high over the previous quarter.

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 record 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.

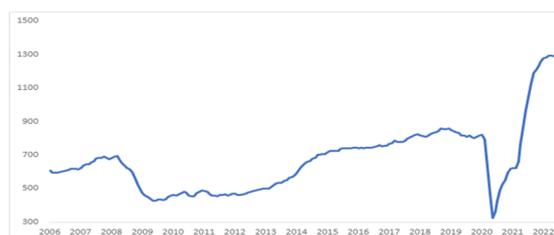
### Employment rises and vacancies remain at record high levels...

- The official measure of employment shows an increase of 296,000 in the three months to May 2022, compared with the previous quarter, and an increase of 671,000 on the same period a year ago. The employment rate has increased by 0.4% percentage points to 75.9%.
- Male employment increased (+161,000) over the quarter to May, while female employment also increased (+135,000). On the year, male

employment increased by 389,000 and female employment increased by 282,000.

- Those aged 35-49-year-old saw the largest increase in employment levels over the quarter (+82,000) followed by those aged 50-64 (+57,000) and 16 to 24 (+53,000),
- Those aged 25-34 saw no notable change in employment levels (-9,000).
- The number of people working full-time increased (+175,000), while the total number of employees working part-time also increased (+122,000).
- The number of self-employed people working full time decreased (-53,000), while the total number of self-employed people working part-time increased (+59,000).
- Pay-As-You-Earn (PAYE) data show that the number of payrolled employees has increased once again by 31,000 and is now at a record high at 29.6 million.

Exhibit 1 Vacancies (000s)

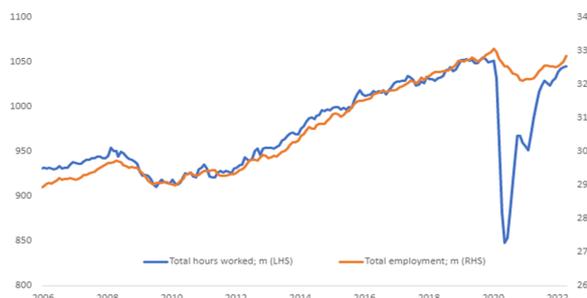


Source: ONS July 2022 labour market statistics

| Headline figures           | Rate  | Number (000s) | Change on quarter (% change) | Change on year (% change) |
|----------------------------|-------|---------------|------------------------------|---------------------------|
| Employment* (ILO)          | 75.9% | 32,678        | +296,000 (0.9%)              | +671,000 (+2.1%)          |
| Unemployment** (ILO)       | 3.8%  | 1,285         | -12,000 (-0.1%)              | -360,000 (-21.9%)         |
| Youth unemployment (16-24) | 10.4% | 451,000       | -31,000 (-6.8%)              | -107,000 (-23.7%)         |

Source: ONS July 2022 labour market statistics, March 2022 to May 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 July 2022 labour market statistics

- In a further sign of a tightening labour demand, there were an estimated 1.3 million vacancies in the three months from April 2022 to June 2022, but the rate of growth in vacancies continued to slow down.
- 7 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 (214,000) and the Accommodation and food services activities (176,000).
- The total number of hours worked increased on the quarter to 1.045 million, a 0.6% increase on the quarter and up on the year by 5.9%. However, this is still below pre-pandemic levels.

### ...while the unemployment and redundancy rate continue to fall

- Official data show that, in the three months to May 2022, unemployment decreased by 12,000 to stand at 1.3 million. The unemployment rate stood at 3.8%, a decrease of 0.1% points on the previous quarter. There are 360,000 fewer unemployed people than in the same period a year ago.
- Redundancies decreased slightly on the previous quarter (-23,000) and is down by 52,000 on the year. This means that the redundancy rate is at 1.8 per thousand employees, the lowest rate since records began.
- The number of those who are economically inactive decreased (-144,000) compared to the previous quarter, with 83,000 less people economically inactive now than the same time last year. The inactivity rate is now at 21.1% - down by 0.4% points on the previous quarter. This has been driven mainly by people who were previously not looking for a job but now are.

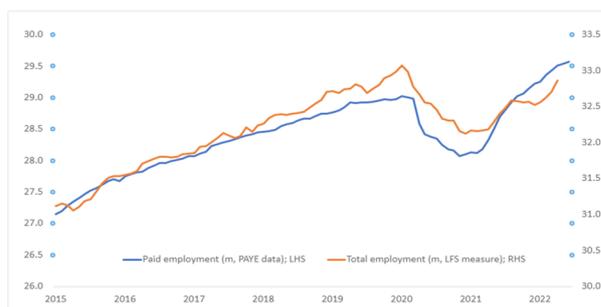
### Wage growth continues to fall behind inflation

- Nominal regular pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 4.3% on the year in the three months to May 2022 (the less volatile three-month rolling basis).
- In the three months to May, nominal regular pay growth stood at 5.0% in the private sector (up by 0.2% points on April) and at 1.8% in the public sector (up by 0.1%).
- Across the different sectors, nominal annual regular pay growth was strongest in wholesaling, retailing, hotels and restaurants (+5.9% - down by 0.2% points), followed by finance (+5.6% - up by 0.1% points), and construction (+5.2% - up by 0.3% points). Both services (+4.5% - up by 0.1% points) and manufacturing (+3.1% - up by 0.4% points) also showed slight increases in nominal annual regular pay.
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) dropped by 0.6% on the quarter (on the less volatile three-month rolling basis) – and is now at -2.8% on the year and the lowest since records began.
- Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) is at -2.9%, up from -3.5% in April.

### Most regions and nations saw upticks in employment levels...

- In the three months to May 2022, employment increased in Yorkshire and the Humber (+69,000),

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

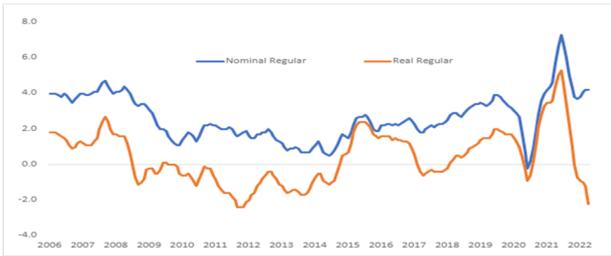


Source: ONS July 2022 labour market statistics

the North West (+55,000), Scotland (+37,000), the South West (+34,000), the East Midlands (+32,000), the South East (+24,000), the East (+21,000), Northern Ireland (+18,000), and the North East (+12,000).

- Employment remained broadly unchanged in Wales (+1,000), the West Midlands (-1,000), and London (-5,000).

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

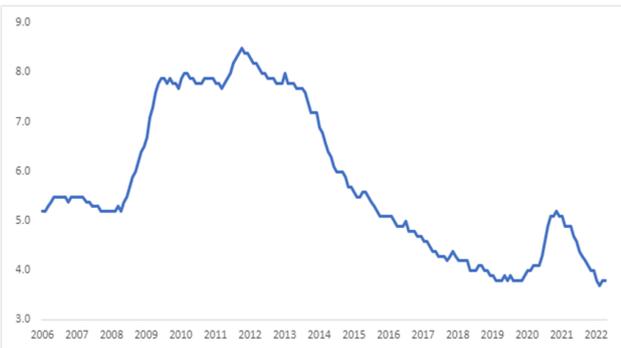


Source: ONS July 2022 labour market statistics

**...while there was more of a mixed bag in unemployment levels**

- In the three months to May 2022, unemployment decreased in the South East (-23,000) and the West Midlands (-21,000).

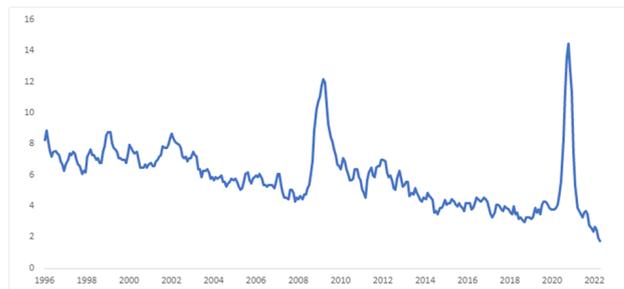
**Exhibit 5** Unemployment rate (%)



Source: ONS July 2022 labour market statistics

- Unemployment levels remained broadly unchanged in the North West (+5,000). Scotland (+3,000), London (+2,000), the South West (-2,000), the North East (-3,000), Northern Ireland (-3,000), and the East Midlands (-8,000).
- The region and nations that saw an increase in unemployment levels was Yorkshire and the Humber (+11,000), Wales (+13,000) and the East (+13,000).

**Exhibit 6** Redundancy rate (%)



Source: ONS July 2022 labour market statistics

The next labour market update will be published on **16 August 2022.**



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

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.

To achieve this, we campaign in the UK, the EU and internationally for a competitive business landscape.

[www.cbi.org.uk](http://www.cbi.org.uk)

 [@cbitweets](https://twitter.com/cbitweets)



#### ABOUT THE SPONSOR

"We're witnessing a trend of more permanent hires and increasing demand for temporary workers. Hospitality, customer service and retail are currently the most in demand jobs.

"With the ongoing labour market shortages, it's time for Government and businesses to think about long-term workforce planning. Together with recruiters, businesses need to prioritise workforce strategy and invest in a skills pipeline, by collaborating with other firms and local education providers."

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

Pertemps Network Group is the largest privately owned recruitment agency. It has a turnover in excess of £1bn and offers immediate and strategic solutions to clients across both the public and private sector. It is made up of:

**Pertemps Ltd** – established in 1961 with over 100

branches, operating across a multitude of sectors and supplying diverse roles. The company also specialises in business process outsourcing delivered using a wide range of solutions such as Master Vendor, Neutral Vendor and Recruitment Process Outsourcing.

**Network Group** – offering expertise across specialist recruitment sectors including IT, legal, finance, healthcare, education, medical, construction, manufacturing, security and engineering.

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)