

Crisis? What crisis?

Responding to change in the labour market

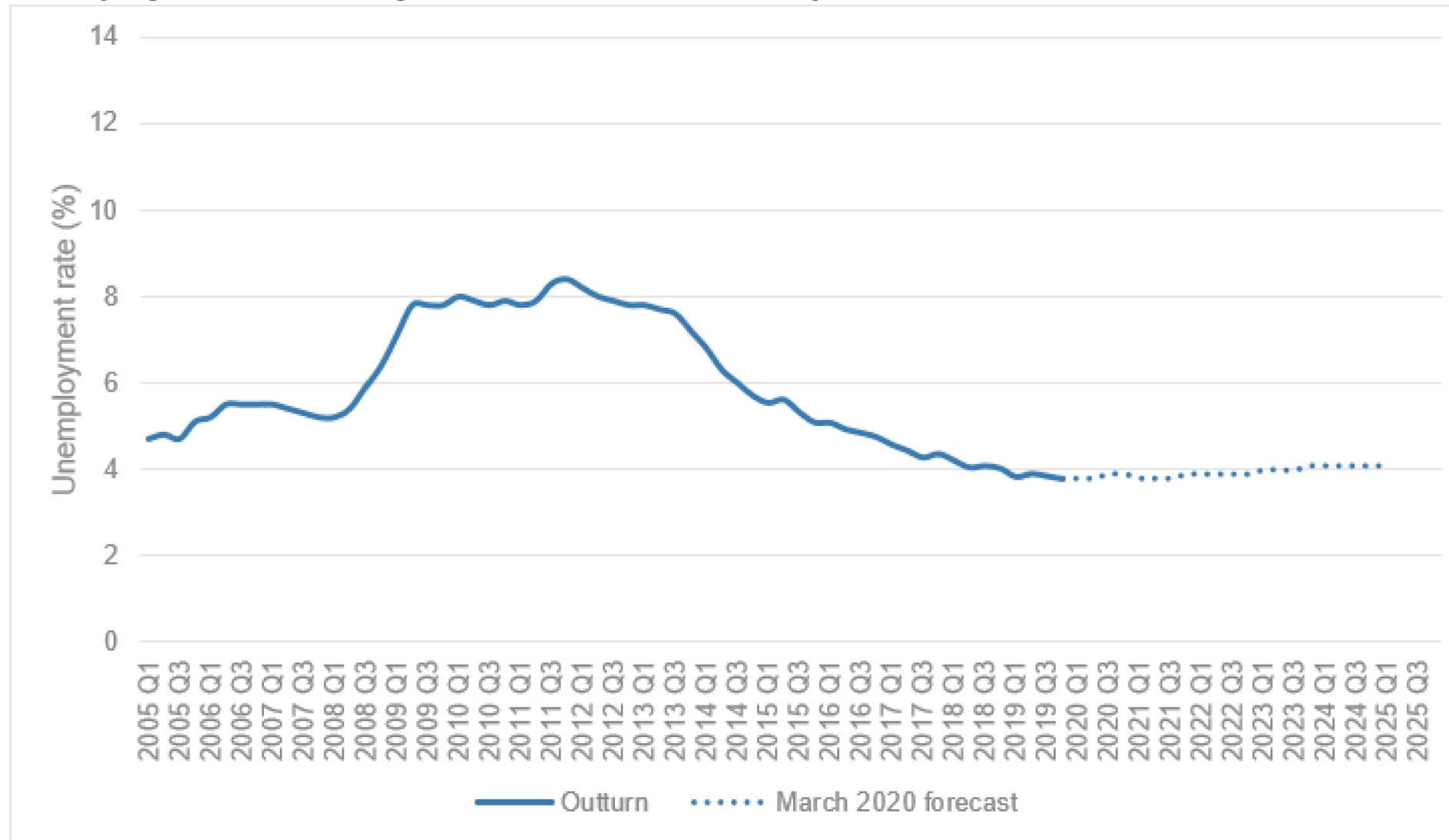
Tony Wilson

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The good news first: We avoided an *unemployment crisis*...

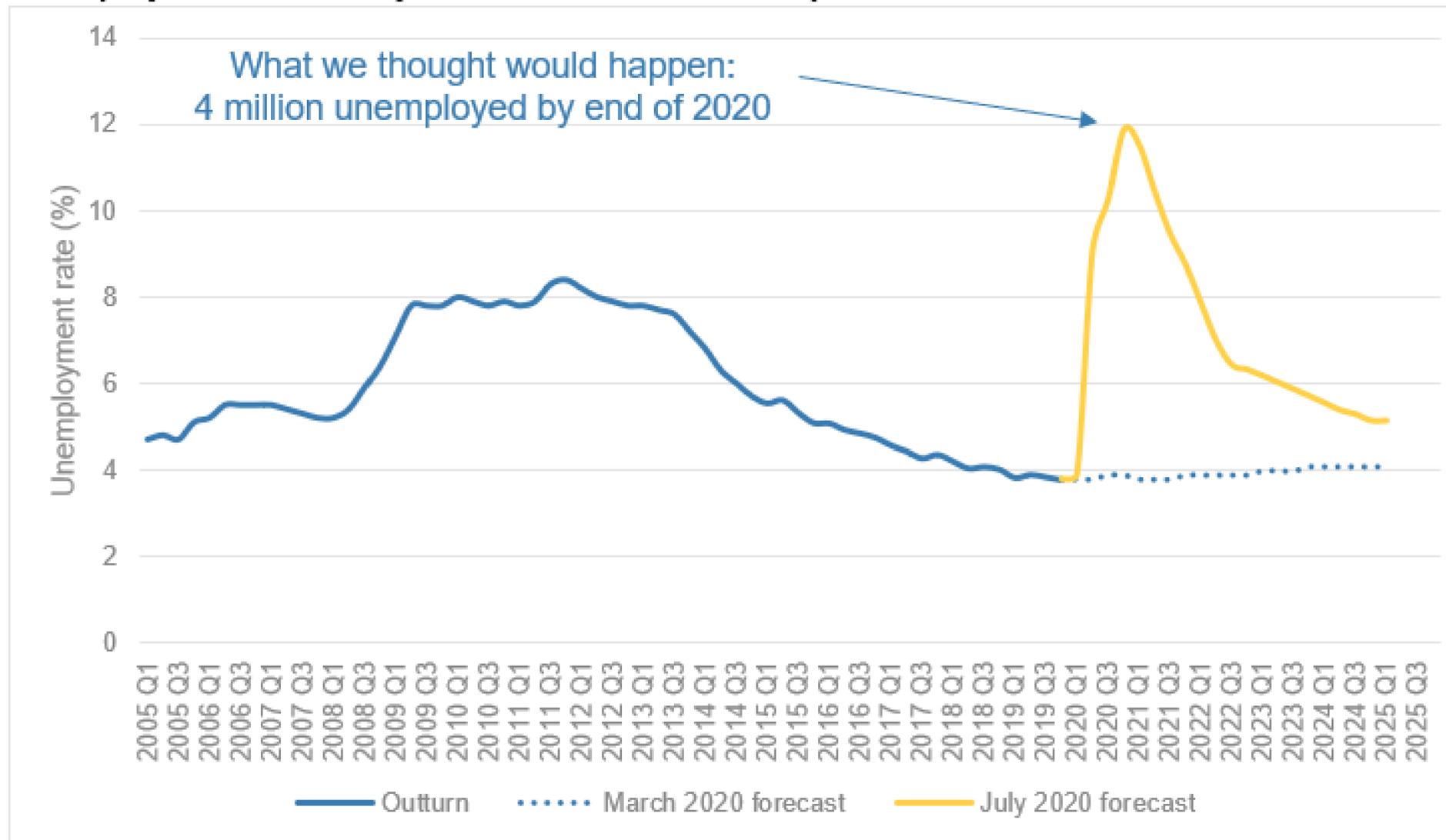
Unemployment rate – July 2020 forecast and subsequent outturn



Source: Labour Force Survey, Office for Budget Responsibility

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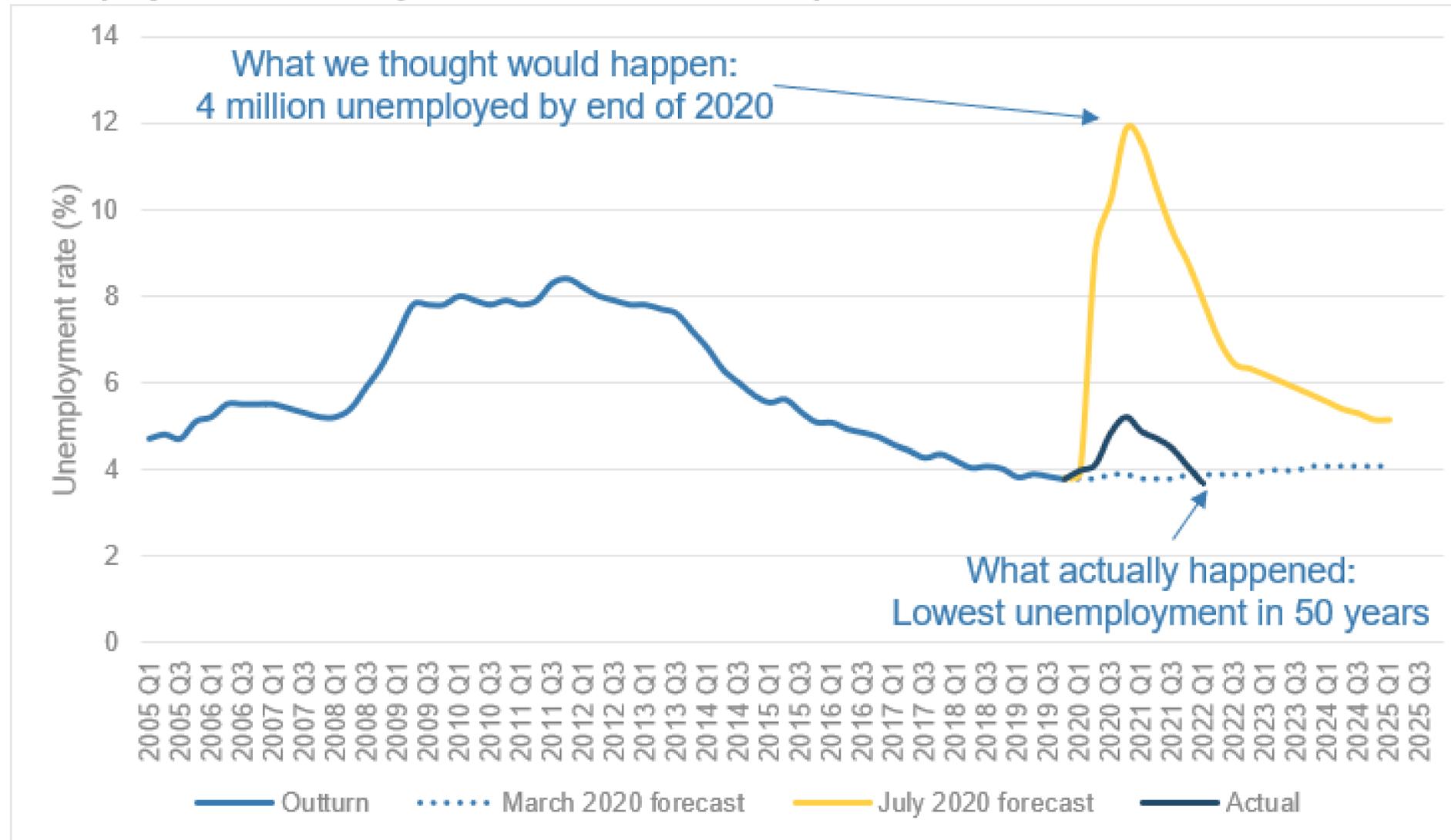
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**But the recovery has been short-lived
Now facing three, linked challenges:**

1. A weak employment recovery – fewer people in the labour force
2. Labour and skills shortages – across economy, driven by fewer in work, industrial change and competition/ turnover
3. A costs of living crisis that is going to get a lot worse

1. Participation: employment recovery stalling, economic 'inactivity' rising

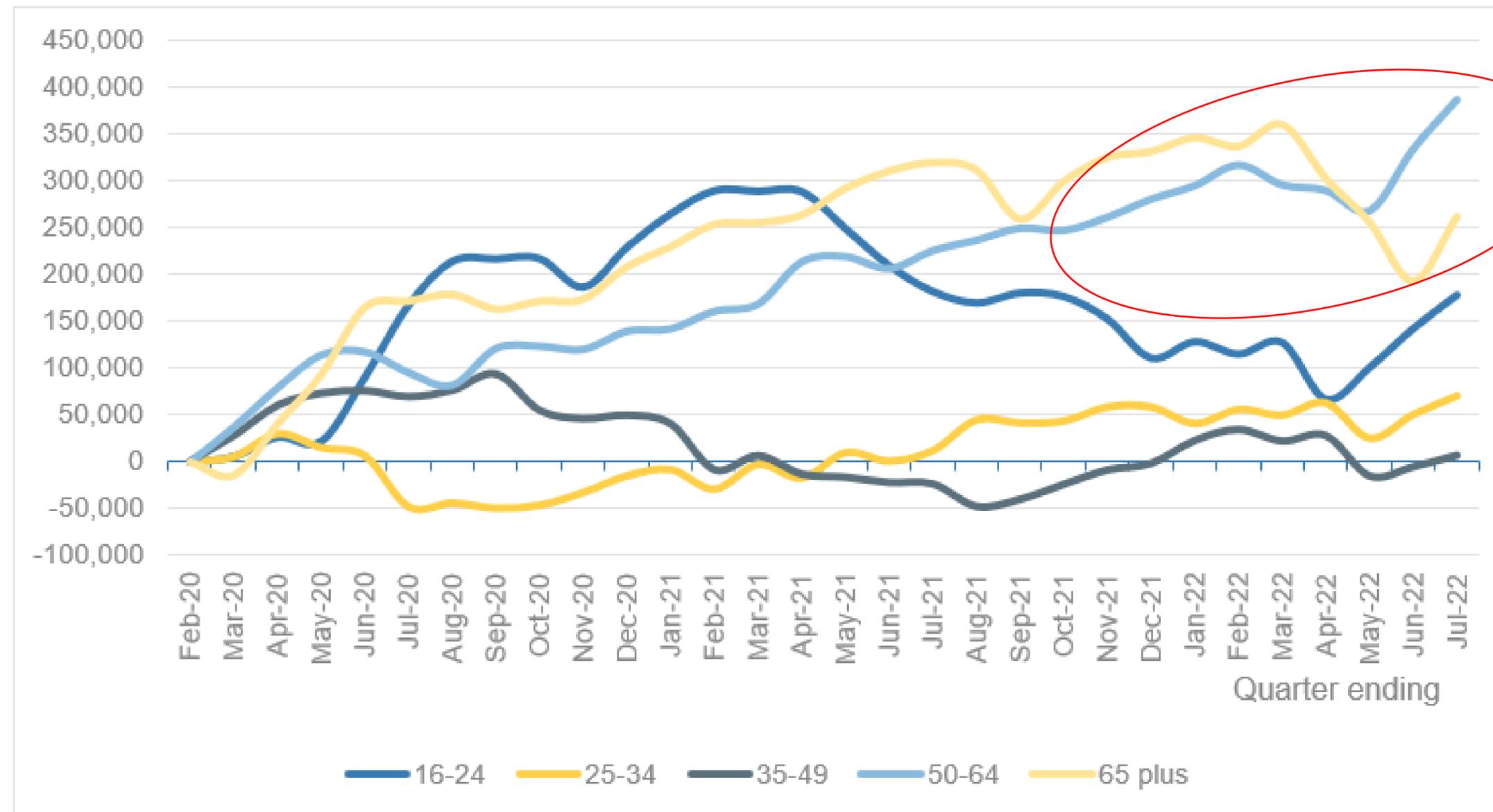
Employment, unemployment and economic inactivity rates (16-64) – quarterly average with single-month estimates



Source: Labour Force Survey

Fuelled by rising 'economic inactivity' among older people...

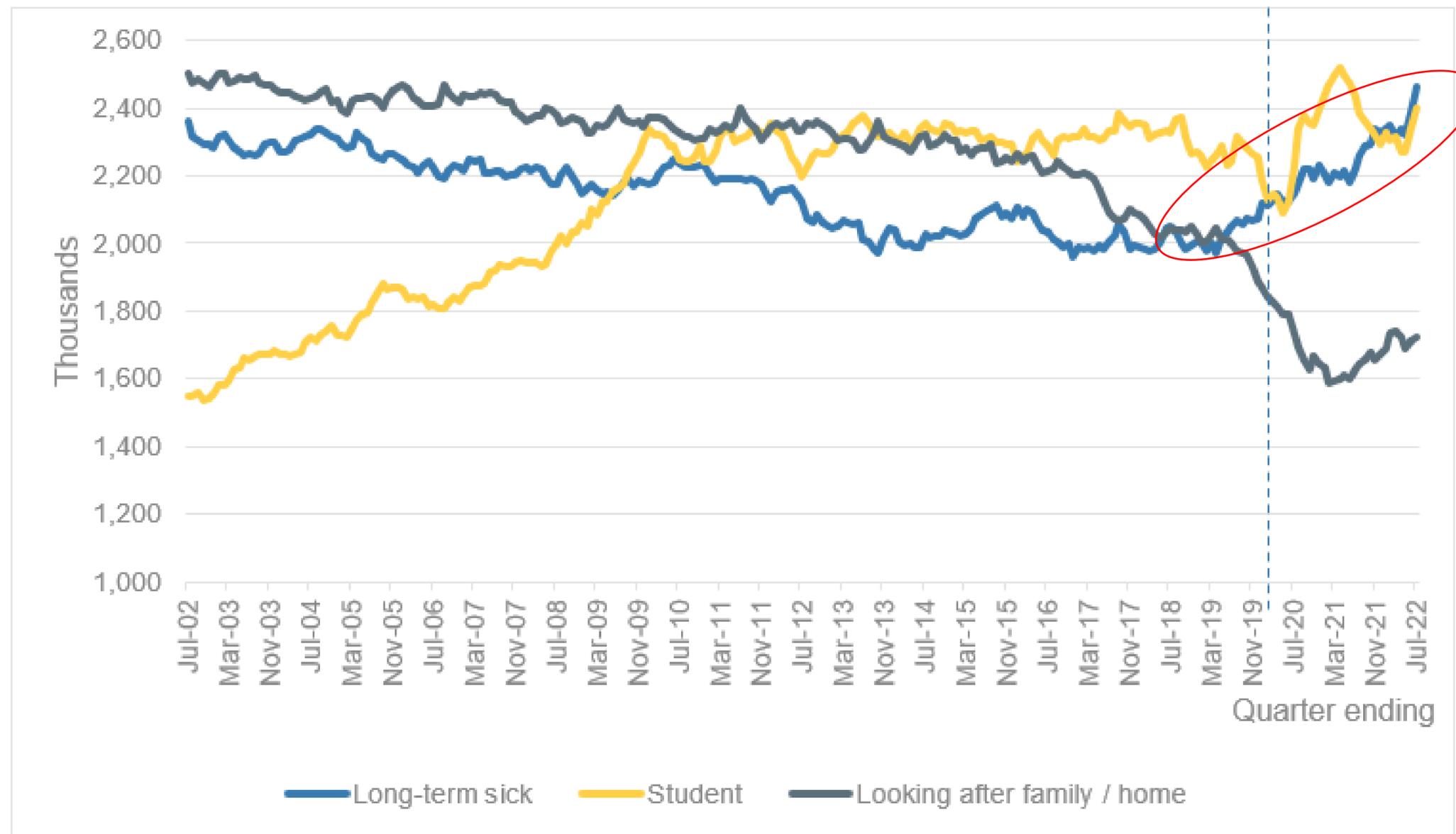
Change in economic inactivity by age, since start of Covid-19 pandemic



Source: Labour Force Survey

... and worrying rises in those out of work due to ill health (waiting lists, MH, 'Long Covid'..?)

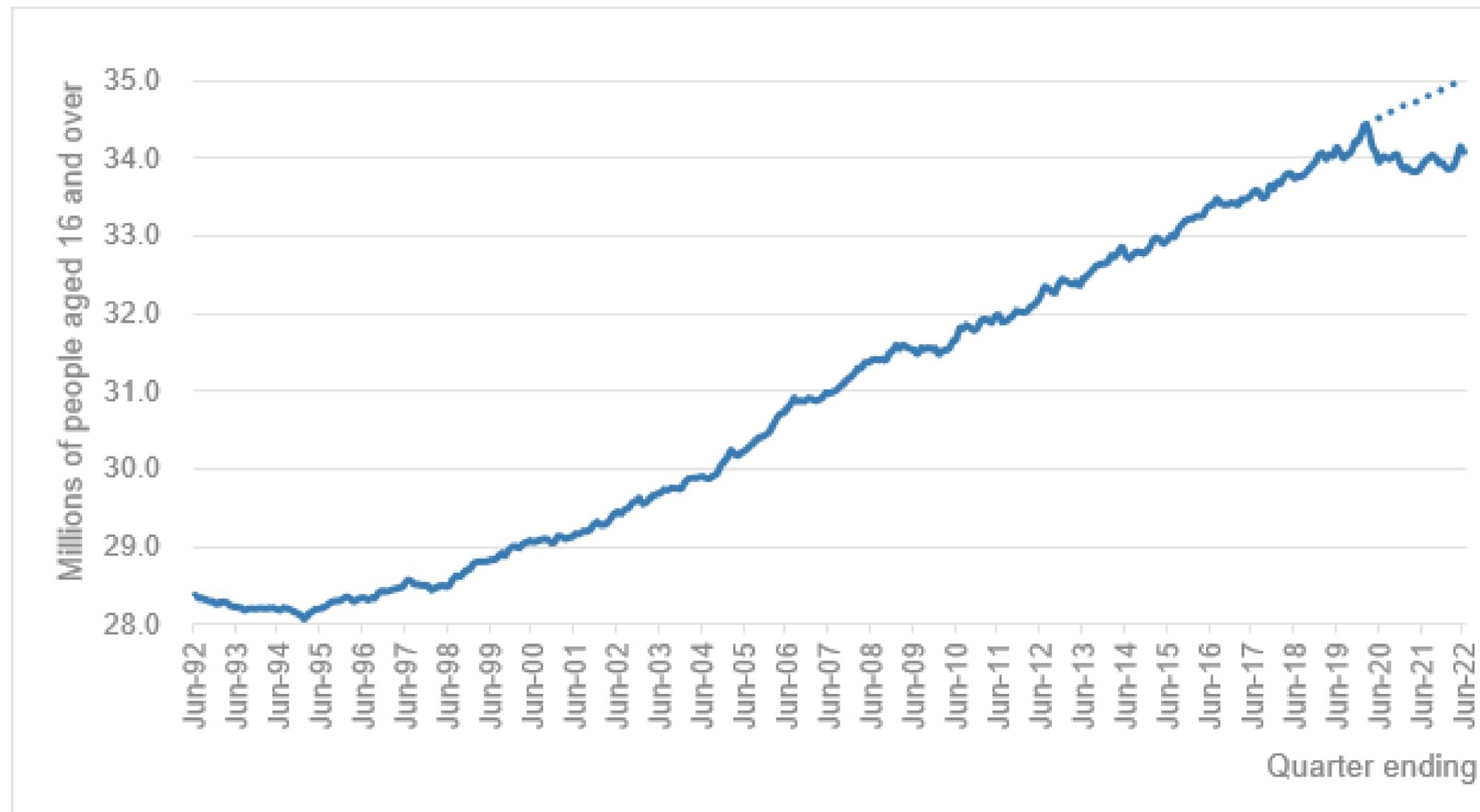
Levels of economic inactivity for the three main reasons given, 2002-present



Source: Labour Force Survey

Compared with pre-crisis trend, nearly a million fewer in labour force

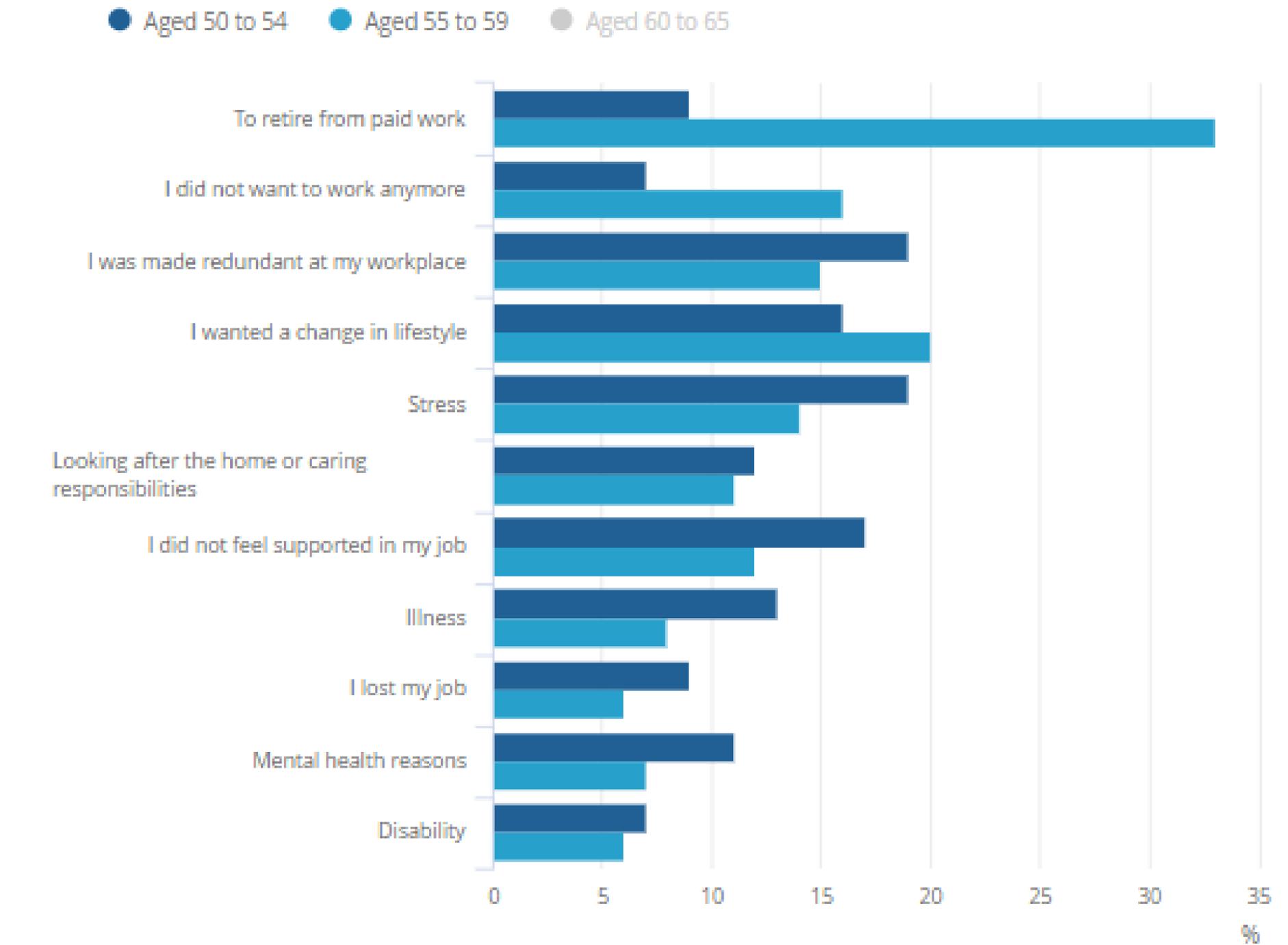
Size of labour force (employed plus unemployed): pre-crisis trend and outturn



Source: Labour Force Survey and IES estimates

For older people who have left work, (only) a quarter of those in 50s say they've retired

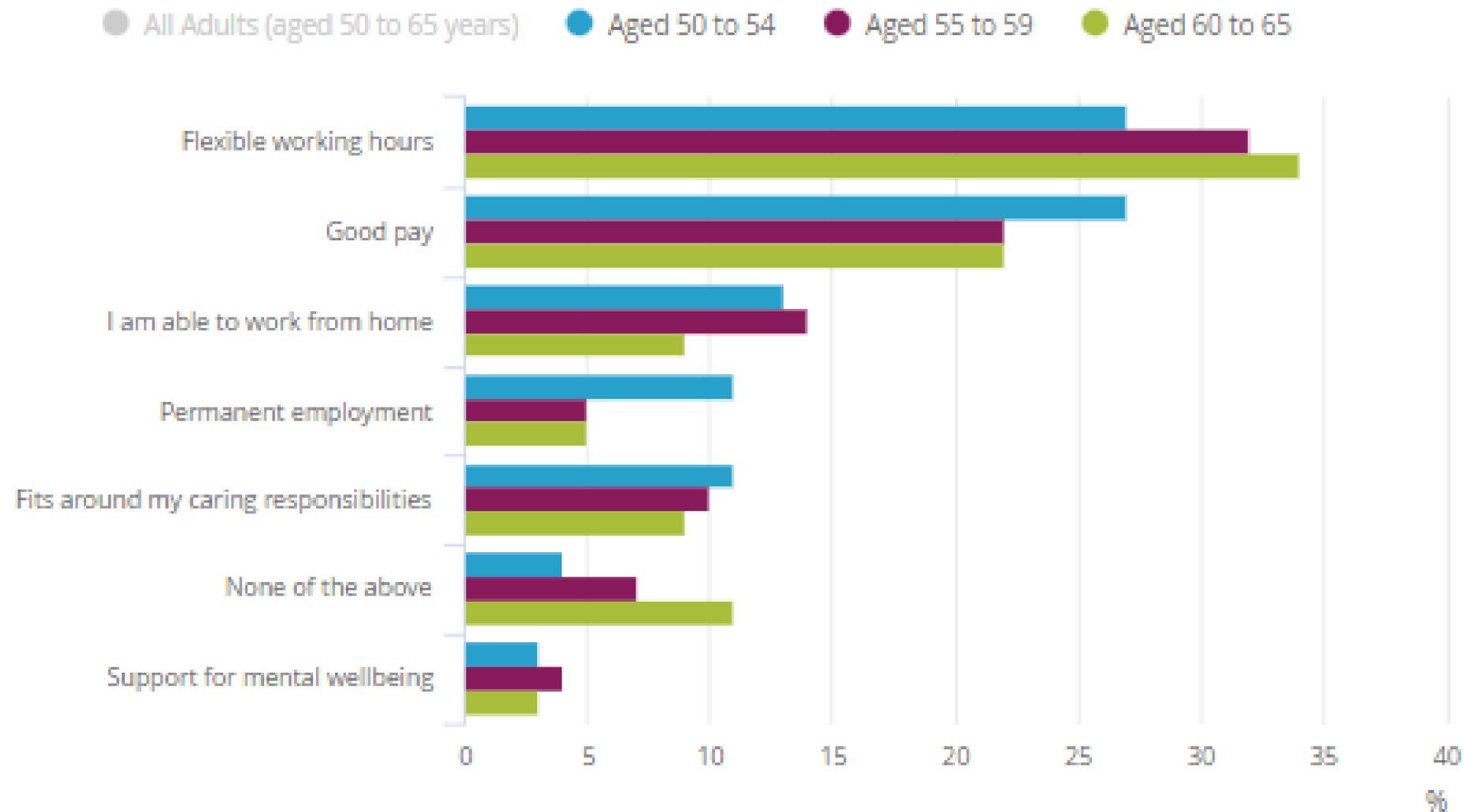
Reasons for leaving paid work by age group, Great Britain, 10 to 29 August 2022



Source: Office for National Statistics (ONS) - Over 50s Lifestyle Study (OLS)

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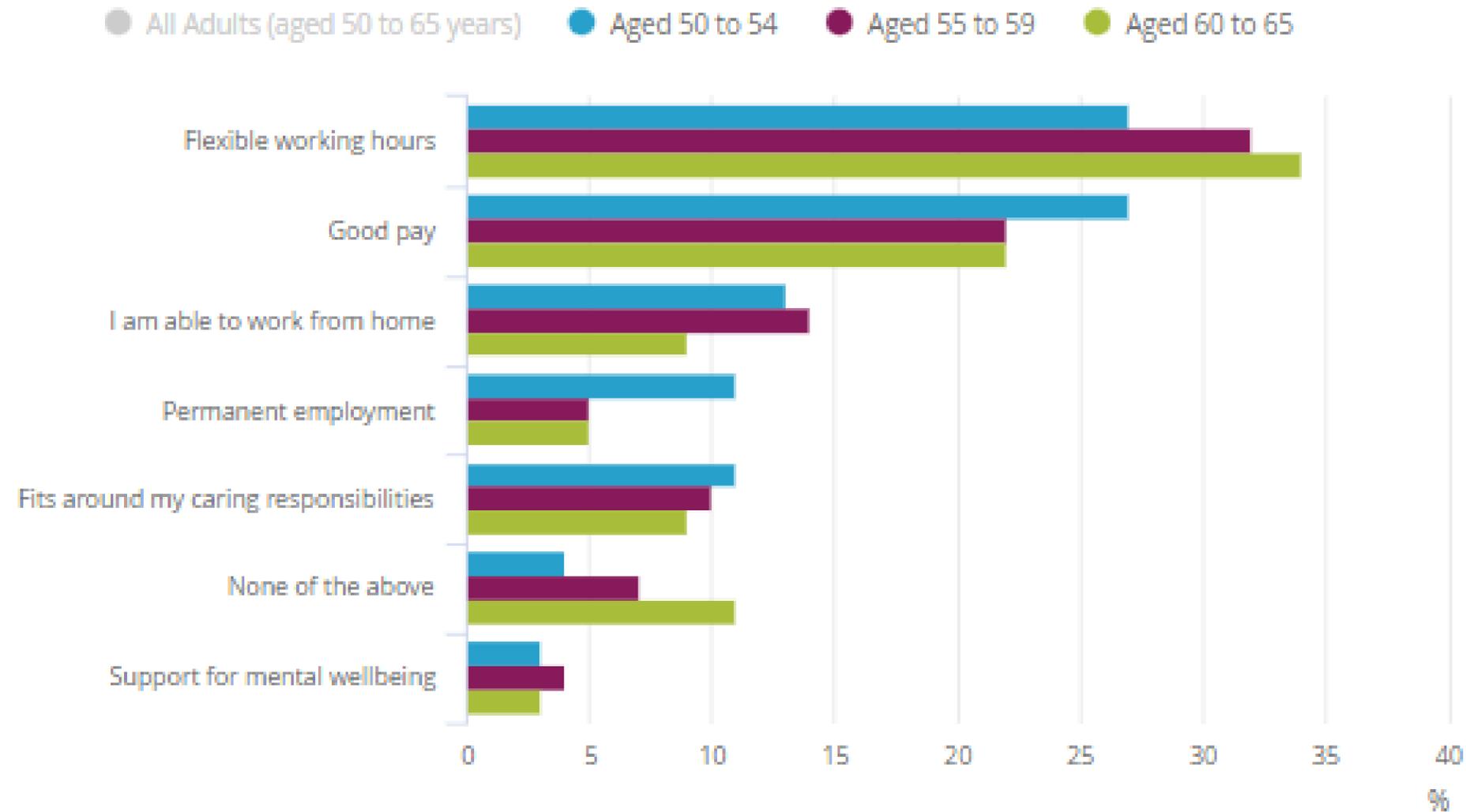
Most important factors when choosing a paid job by age group, Great Britain, 10 to 29 August 2022



Source: Office for National Statistics (ONS) - Over 50s Lifestyle Study (OLS)

Three quarters of people in 50s would consider return, for a job that suited them

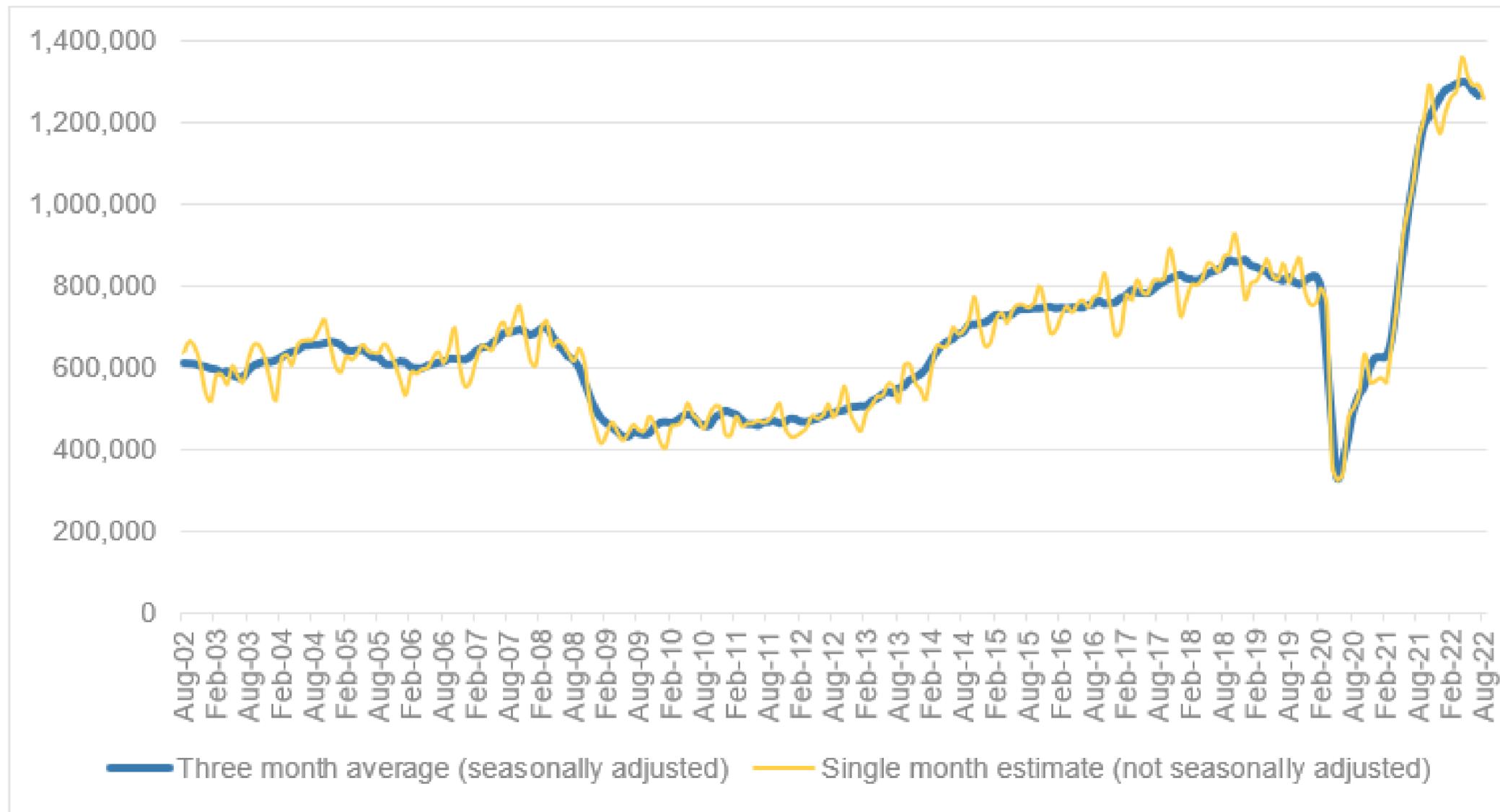
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2. Shortages: Still record vacancies – and double where we were a year ago

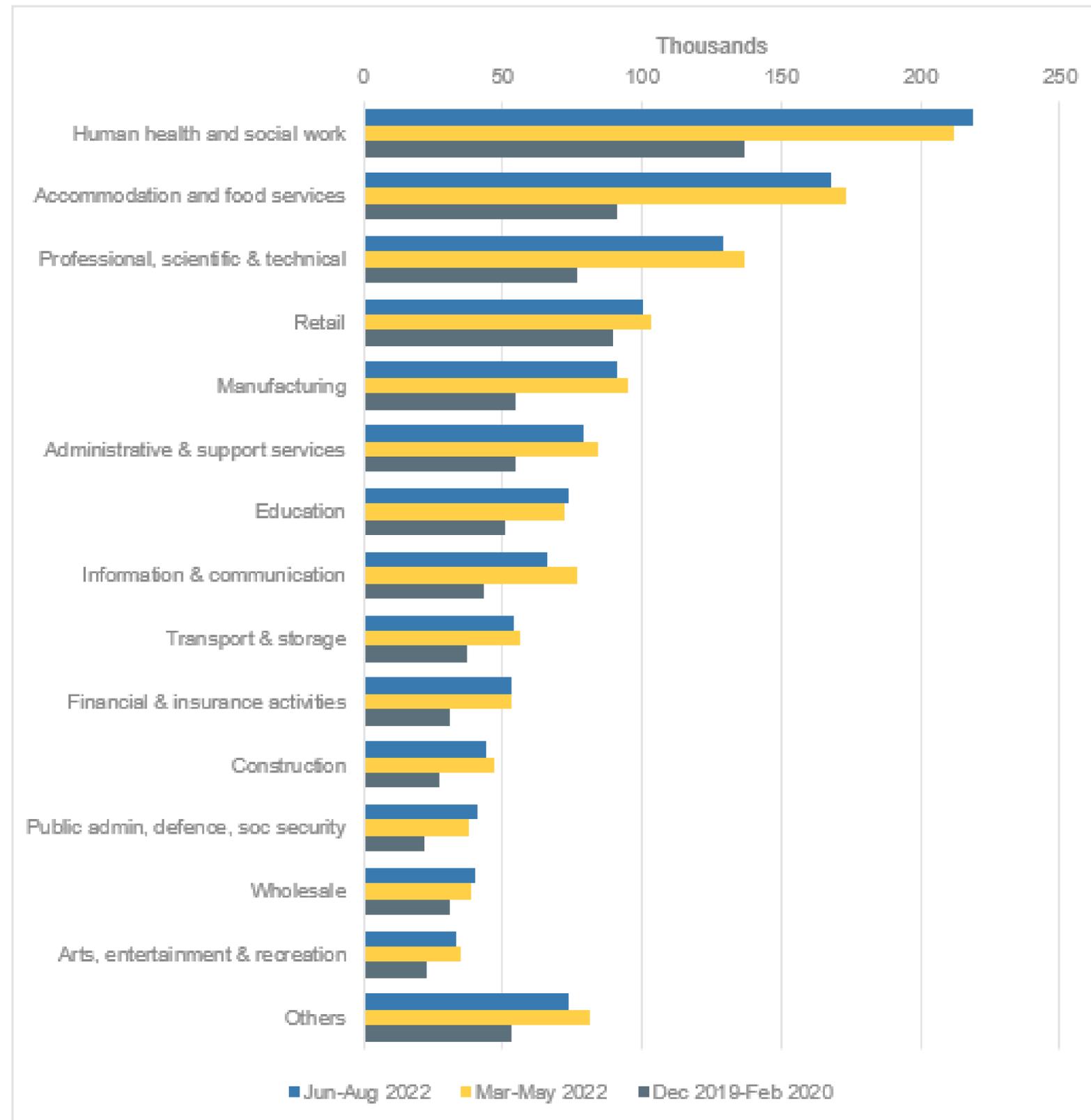
Vacancies – quarterly and single-month estimates



Source: ONS Vacancy Survey

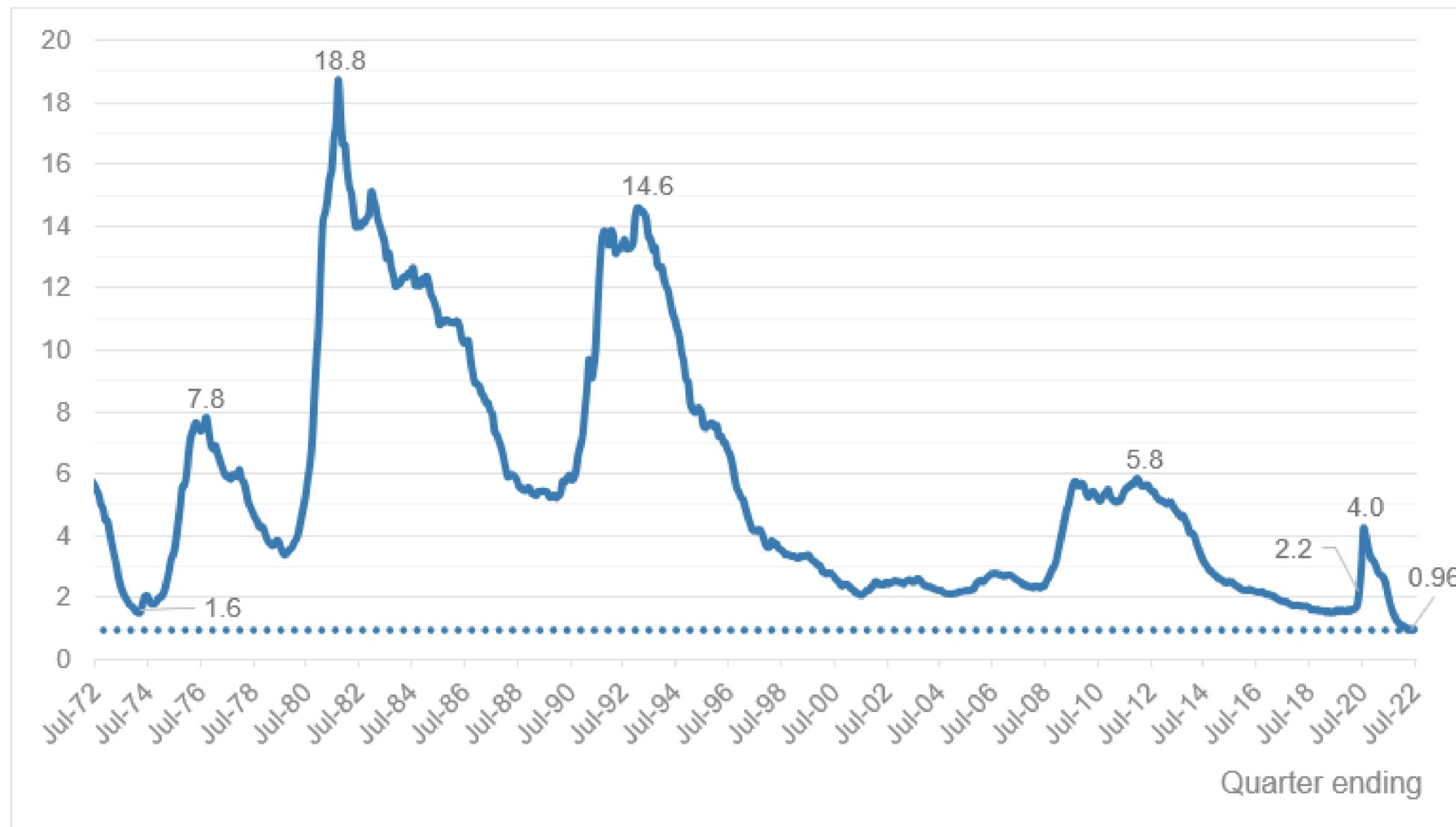
... With vacancies above pre-crisis across all parts of the economy, every industry...

Vacancies by industry, pre-crisis, latest data and previous quarter



Meaning for first time in our lifetimes, as many vacancies than there are jobseekers

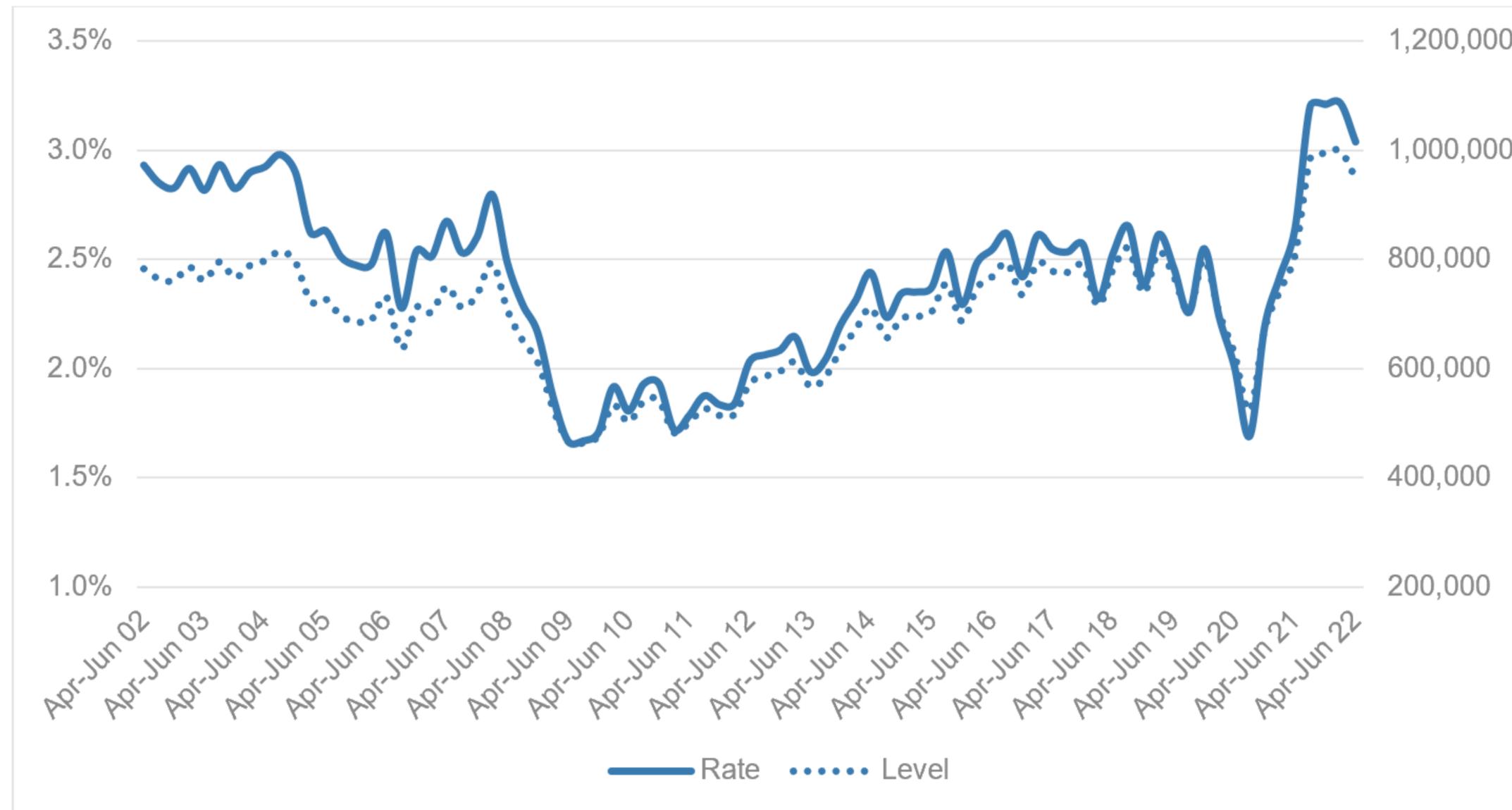
Unemployed people per vacancy (exc. Agriculture, forestry and fishing)



Source: ONS Labour Force Survey and Vacancy Survey

Fuelled by low participation – but also by really high turnover and job moves

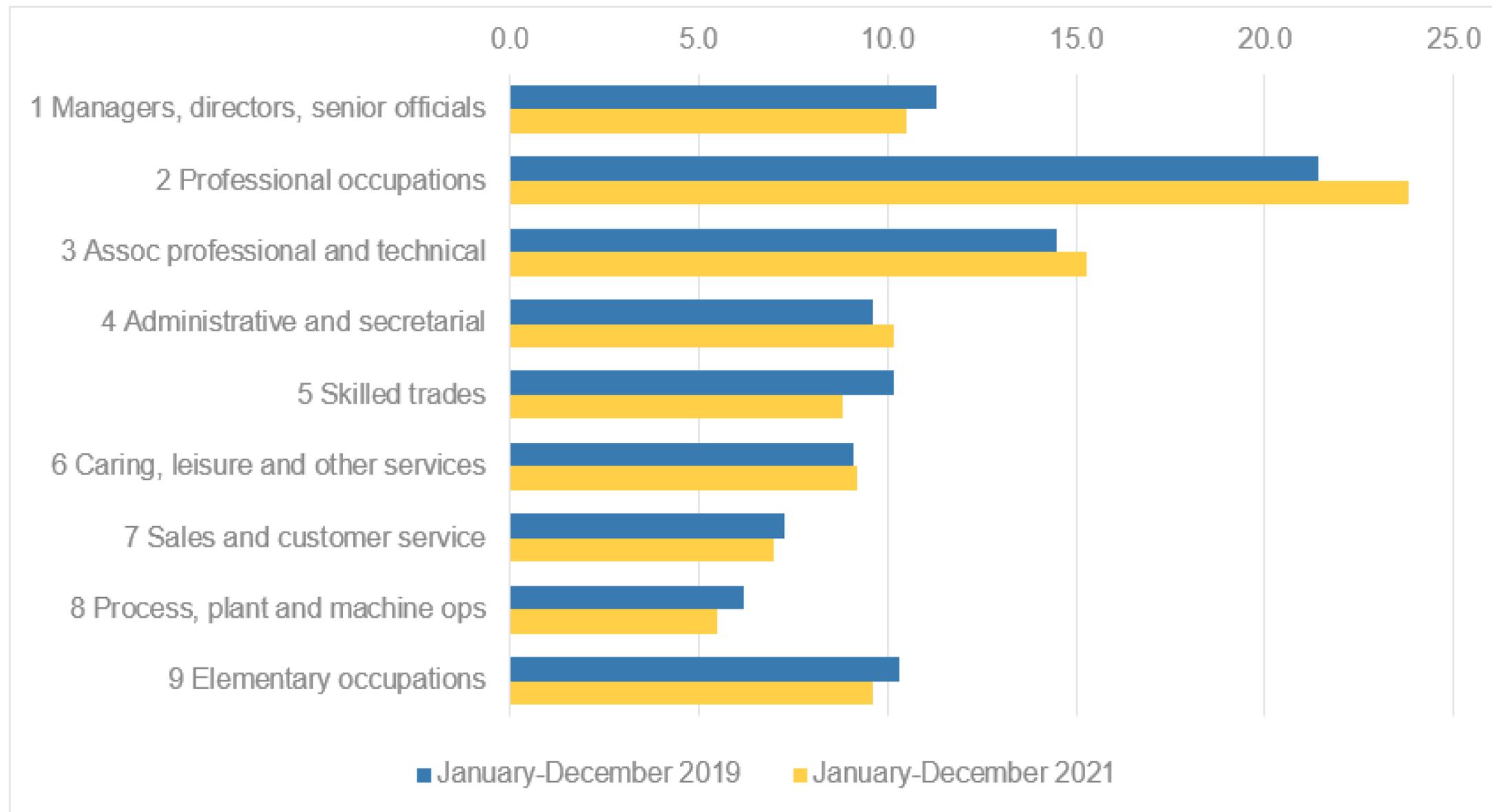
Job-to-job moves by quarter –rate (proportion of all of those in work) and level



Source: Longitudinal Labour Force Survey. Estimates are for those aged 16-69.

With growth too in higher skilled work – shortages in skills, not just labour

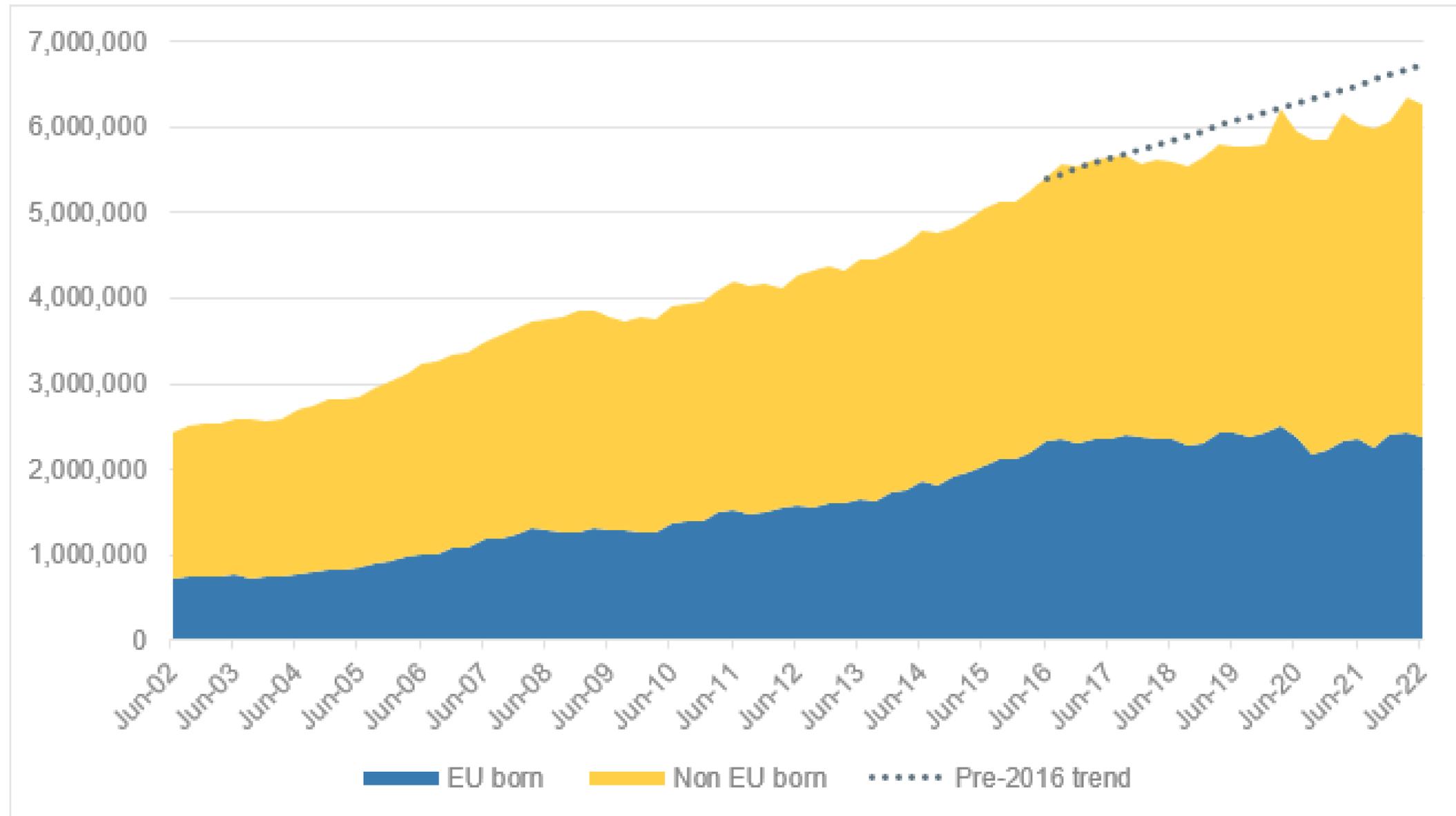
Proportion of all those in work employed by broad occupation group, 2019 and 2021



Source: Annual Population Survey

Lower migration a driver too – half a million fewer non-UK workers than pre-2016 trend

Non-UK born employment – actual and if pre-2016 referendum trend had continued

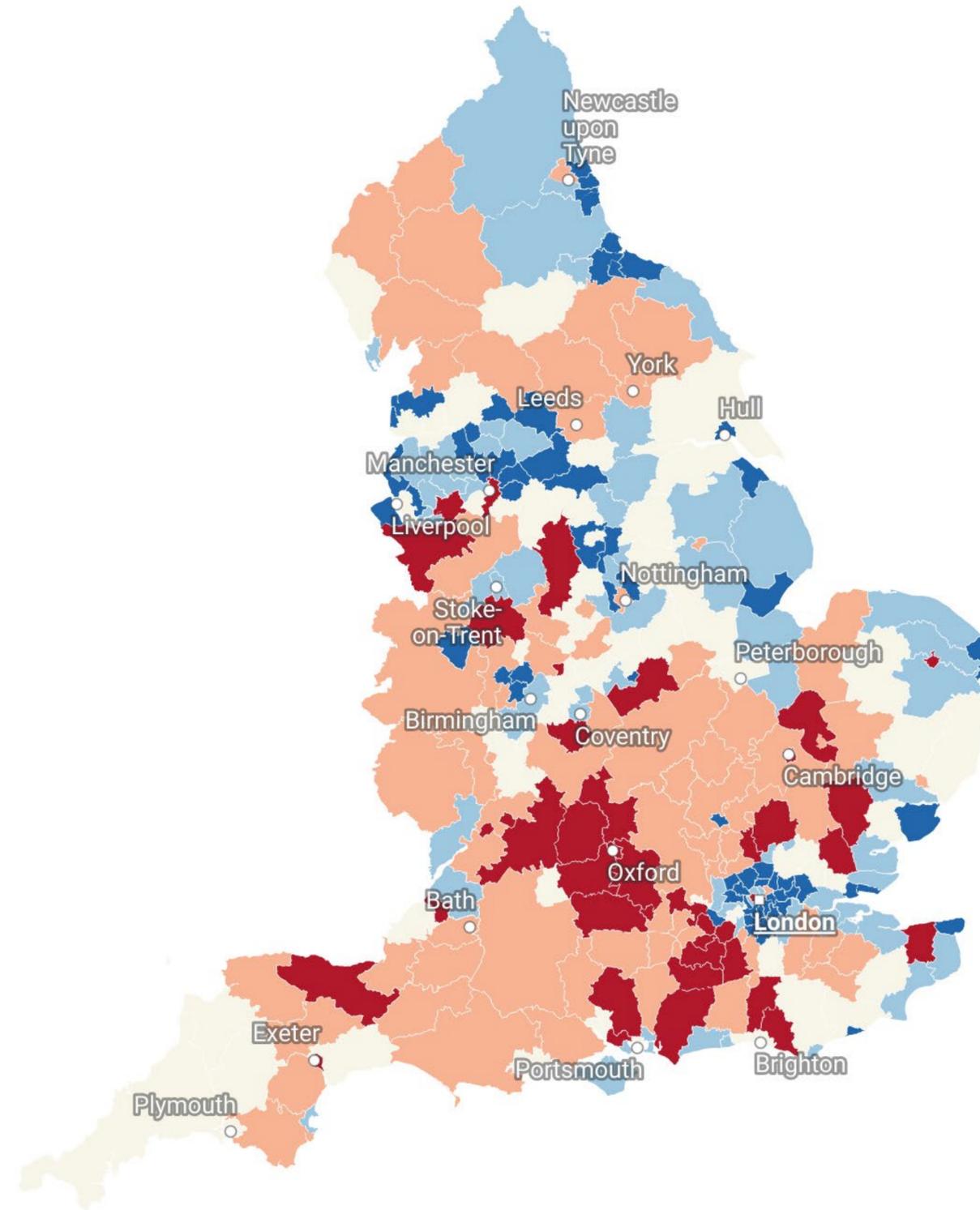


Source: Labour Force Survey

This picture varies across England – some labour markets tighter than others...

Unemployed people per vacancy

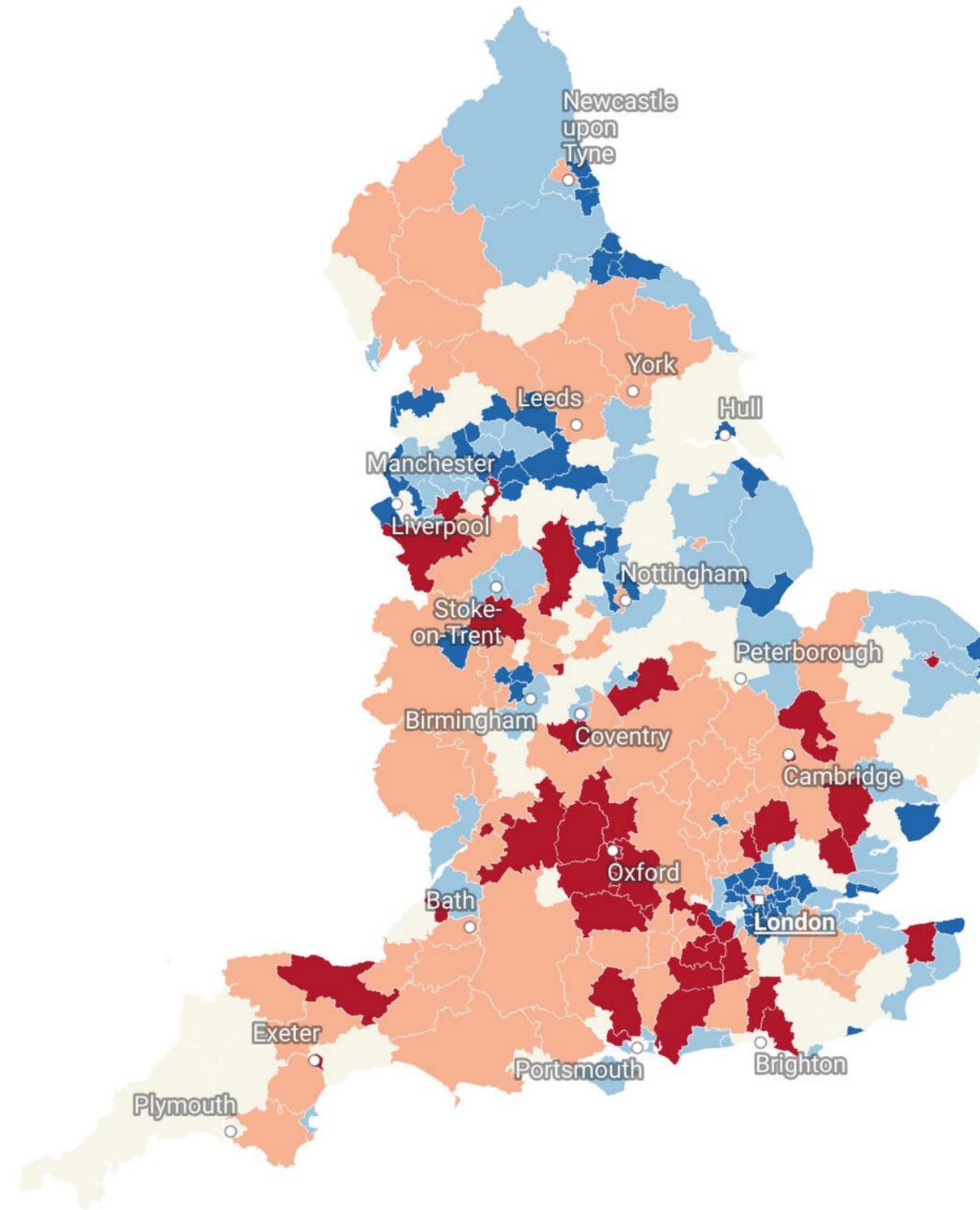
Number of unemployed people per vacancy.



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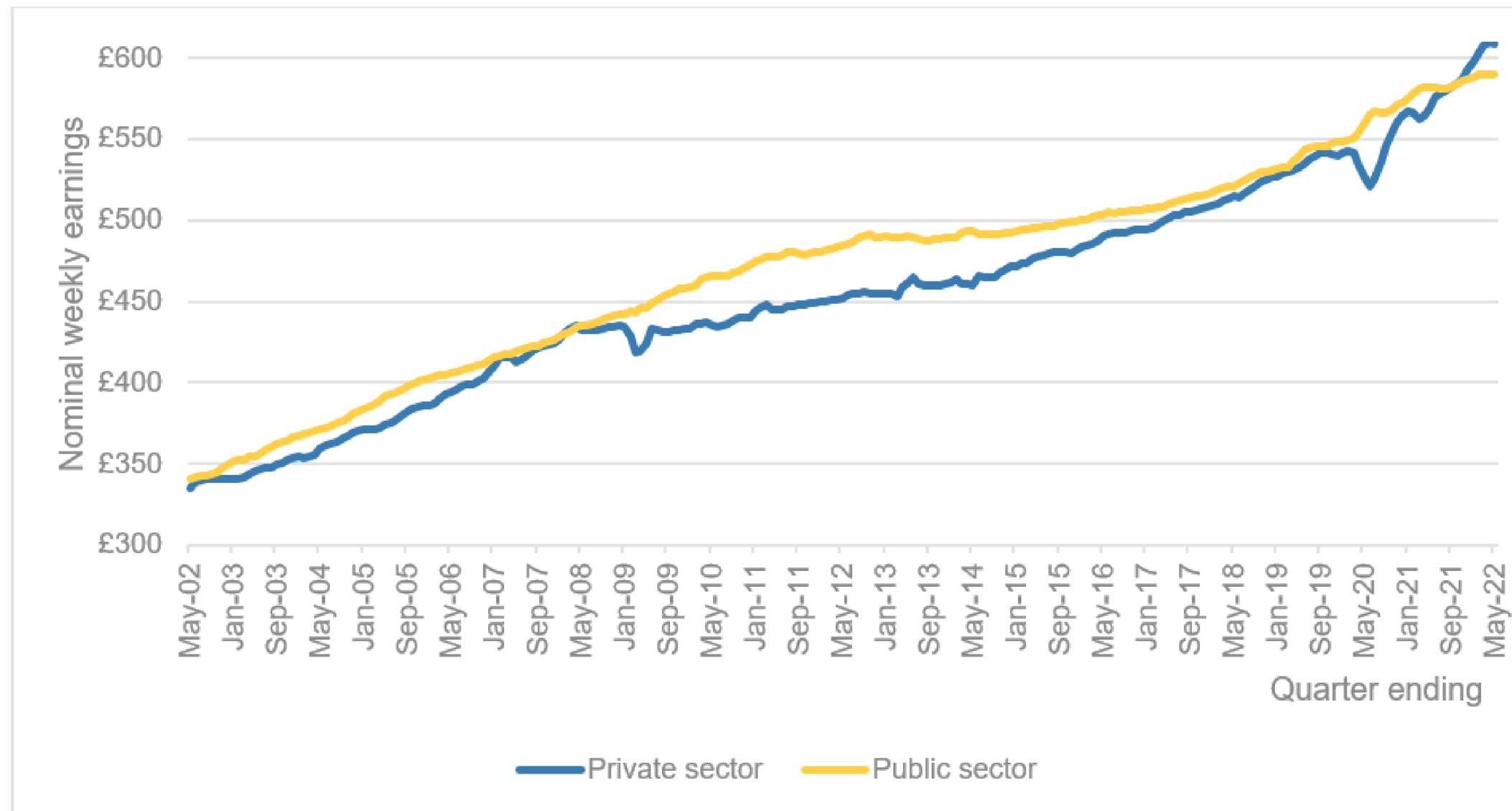
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Number of unemployed people per vacancy.



Shortages are reflected in strong (nominal) pay growth in the private sector...

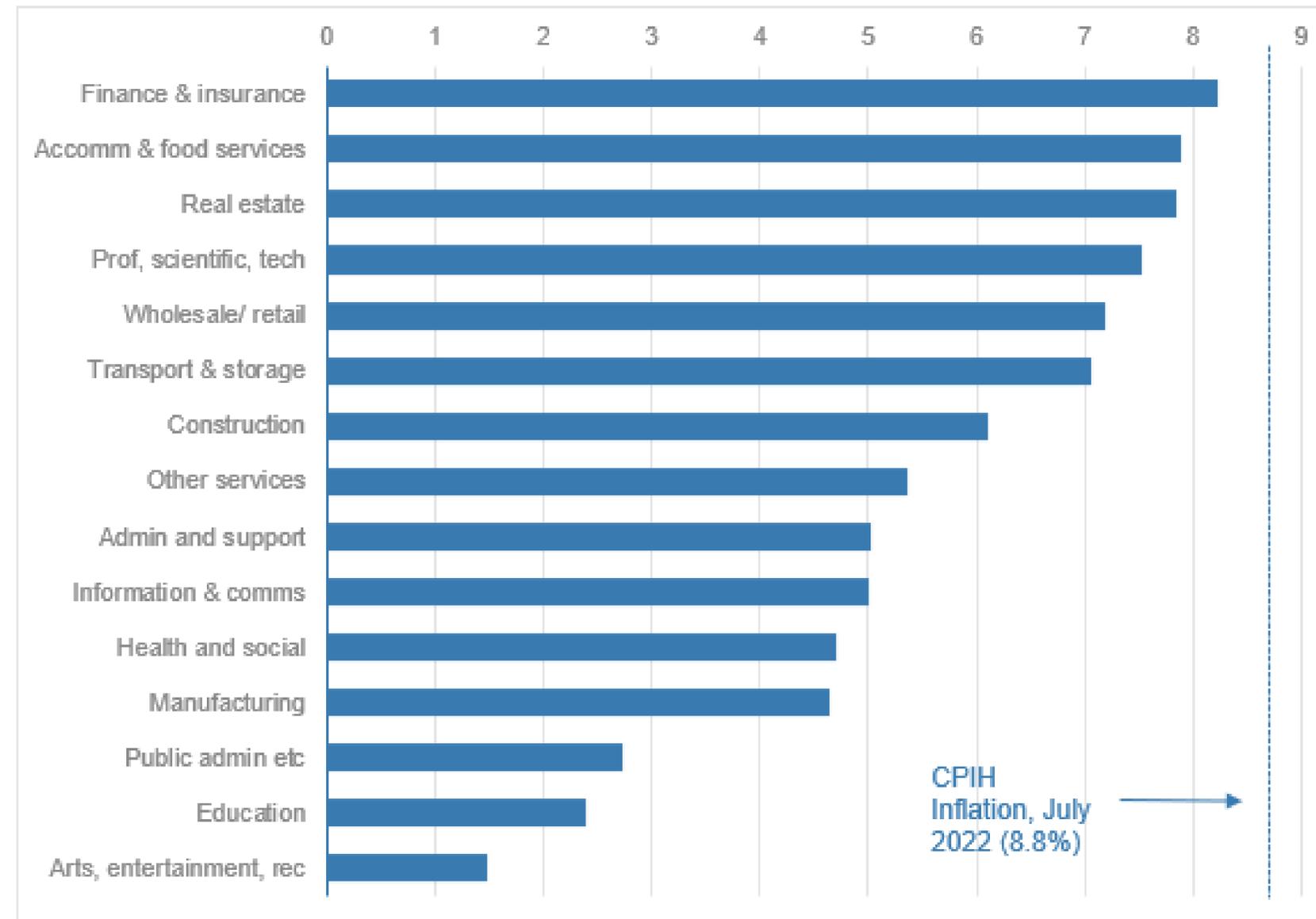
Nominal total weekly pay in the private and public sectors



Source: ONS Monthly Wages and Salaries Survey. Total pay includes bonuses but excludes arrears. Measure shown is rolling three month average of weekly nominal pay (i.e. not adjusted for inflation).

Put public services – education, govt admin, health and care –falling further behind

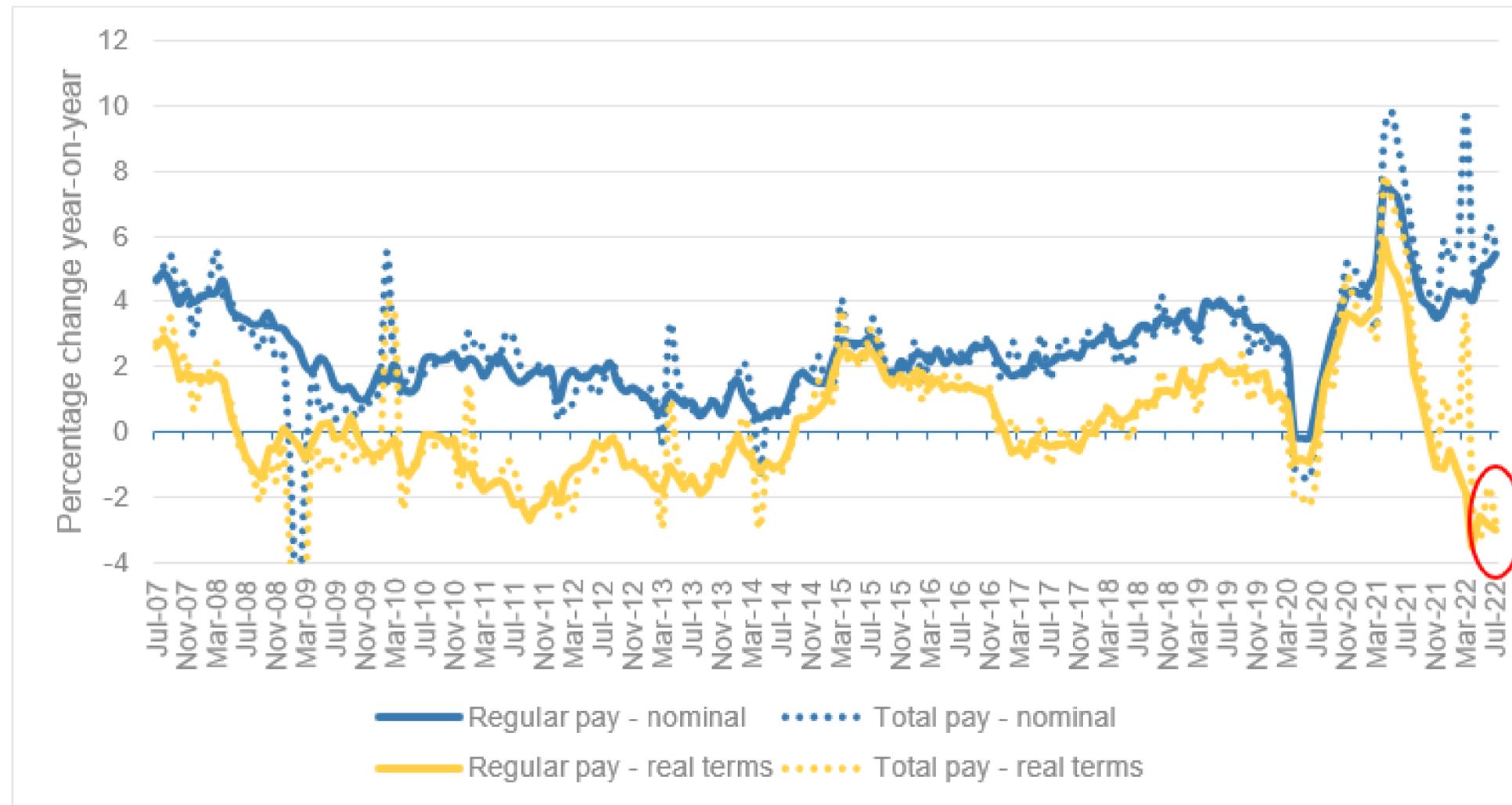
Year-on-year change in total pay by industry, nominal terms



Source: ONS Monthly Wages and Salaries Survey. Pay growth is average of published single-month estimates of year-on-year growth in total pay including bonuses and arrears for May-July 2022 (not seasonally adjusted).

3. Costs of living: Despite high nominal pay growth, 'real' pay being ravaged by inflation

Year-on-year change in regular and total pay – nominal terms and adjusted for inflation (real terms)



Source: ONS Monthly Wages and Salaries Survey. Regular pay excludes bonuses and arrears; measure shown is year-on-year change in single month estimate.

Worrying picture across range of indicators

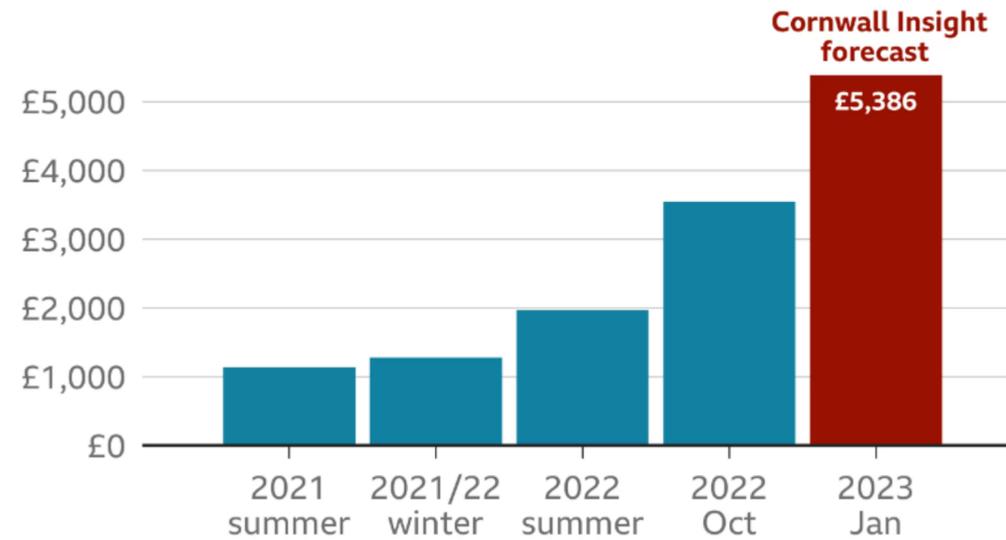
Inflation

Annual % change in consumer prices (HICP)



Energy price cap forecast to rise to £5,386

Annual bill for a typical household on a price capped dual-fuel tariff paying by direct debit



Source: Ofgem/Cornwall Insight, 26 Aug

BBC

GDP decreased in the second quarter of 2022

Real GDP % growth, quarter on previous quarter



Productivity level (GDP per hour)

Index where Q4 2007 level = 100



So what do we do about it?!

Challenges for government and employers:

1. Raising participation in work (tackling disadvantage)
2. Improving how we help people who want jobs to find jobs that want people
3. Help to retrain – the ‘Goldilocks’ problem
4. Focus on employers – to fill jobs, make work better (flexibility, security, inclusive recruitment, workplace practice), upskill
5. Helping people through costs of living crisis – staff, customers, suppliers

What are employers doing?

We're seeing work in four broad areas...

Recruitment

Labour market intelligence, partnerships, reviewing/ streamlining processes and systems

Job design

Improving flexibility, security, line management, induction, support at work (health, wellbeing, skills, tech etc)

Supporting staff

Targeted financial assistance/ loans, talking about poverty and need, help to find local/ national support

Workforce planning

Lost art... Internal and external; 'as is' and future planning; gaps analyses, actions and review

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