

Labour Market Statistics, July 2024

18 July 2024

This briefing note sets out analysis of the Labour Market Statistics published this morning. The analysis presents **Labour Force Survey (LFS)** data, which is the main household survey that collects official figures on employment, unemployment and 'economic inactivity' (the term used to describe where people are either not looking and/ or not available for work). Note that LFS data was reweighted in February, and for some time series the new weights are only available for autumn 2022 onwards. This is indicated in footnotes where applicable (and by a broken line in graphs).

Today's LFS data covers the period to March-May 2024. The briefing also includes findings from the **ONS Vacancy Survey**, which collects employer data on open vacancies; and from the **Monthly Wages and Salaries Survey**, which collects pay data from businesses in order to estimate Average Weekly Earnings (AWE). The Vacancy Survey includes data up to June 2024, and the Wages and Salaries Survey to May 2024.

Summary

Today sees publication of the first jobs data since the election, and lays bare the scale of the challenges facing the new Labour government. Employment remains in the doldrums – down by more than one percentage point over the last year – while 'economic inactivity' (which describes those people who are not looking and/ or not available for work) is at its highest in a decade. Unemployment meanwhile continues to tick up, reaching 4.4%. All told, there are now half a million more people out of work than there were this time last year, driven in particular by more people outside of the labour force entirely.

This month's briefing looks in more detail at the make-up of this group, and shows that four fifths of the growth over the last year is explained by more men out of work, particularly due to long-term ill health and non-working students, and especially men aged under 50. That being said, women continue to be far more likely than men to be out of work (around a quarter of all women aged under 65 compared with one fifth of men) so recent trends have narrowed rather than eliminated these gaps.

More broadly, while it remains our view that problems with our supply side labour market policies are holding back economic growth, there are some signs in today's data of a softening in labour demand. In particular, short-term unemployment appears to be edging

up, while today's vacancy figures are disappointing – with a further fall of 30 thousand over the last quarter, bringing them to their lowest level in three years. Nonetheless, they remain significantly higher than pre-pandemic and redundancies remain close to their lowest on record. The labour market is continuing to produce jobs and we can do far better at helping people and employers to fill them.

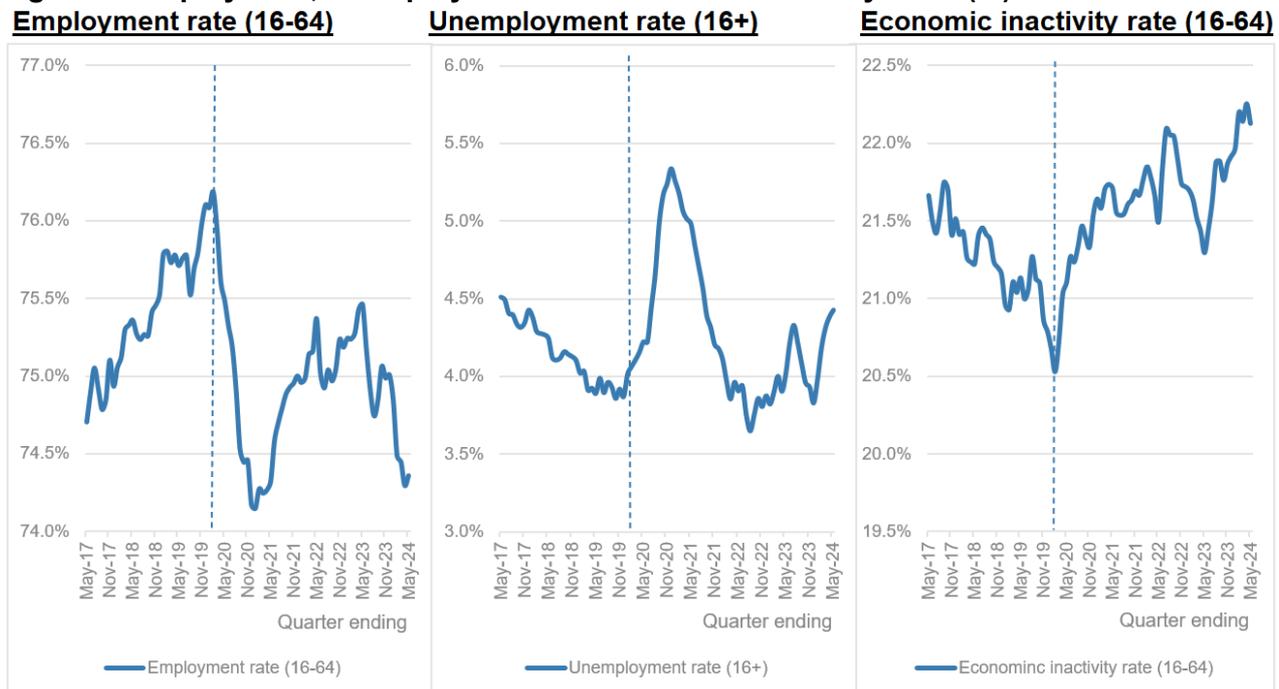
More positively, data on pay growth remains fairly strong – at above 5% year on year, and with 'real' pay above 2% as inflation eases – and shorter-term measures of pay growth suggest that if anything it may improve further in the coming months.

Looking ahead, the government is right to have prioritised economic growth in its first few weeks and to be looking to 'take the brakes off Britain'. There are few areas where this applies more than in the labour market: if we are to get back to sustained growth then we need to help more people to get back into work. The government's early announcements in this space are welcome, and particularly plans for a new Jobs and Careers Service and for a focus locally on joining up employment, skills and health support. However we also need to move quickly to address the cliff-edges in funding that the last government has left, particularly with the main employment support for disabled people due to end in October and limited progress in the replacement 'Universal Support' programme. In our view, the priority must be to deploy this money more pragmatically and flexibly, to ensure that more people who are out of work and want to work can get access to the help that they need.

The labour market is still in the doldrums, with half a million more people out of work than a year ago

Headline figures for employment, unemployment and economic inactivity are largely unchanged on those published last month, with the employment rate down by 1.1 percentage points on this time last year at 74.1%, unemployment up by 0.4 points to 4.4% and economic inactivity up by 0.8 points to 22.1%. All three indicators then have gone in the wrong direction. Employment is back close to where it was in the depths of the pandemic, economic inactivity is at its highest in nearly a decade, and unemployment remains low by historic standards but continues to rise. Figure 1 below sets this out.

Figure 1: Employment, unemployment and economic inactivity rates (%)

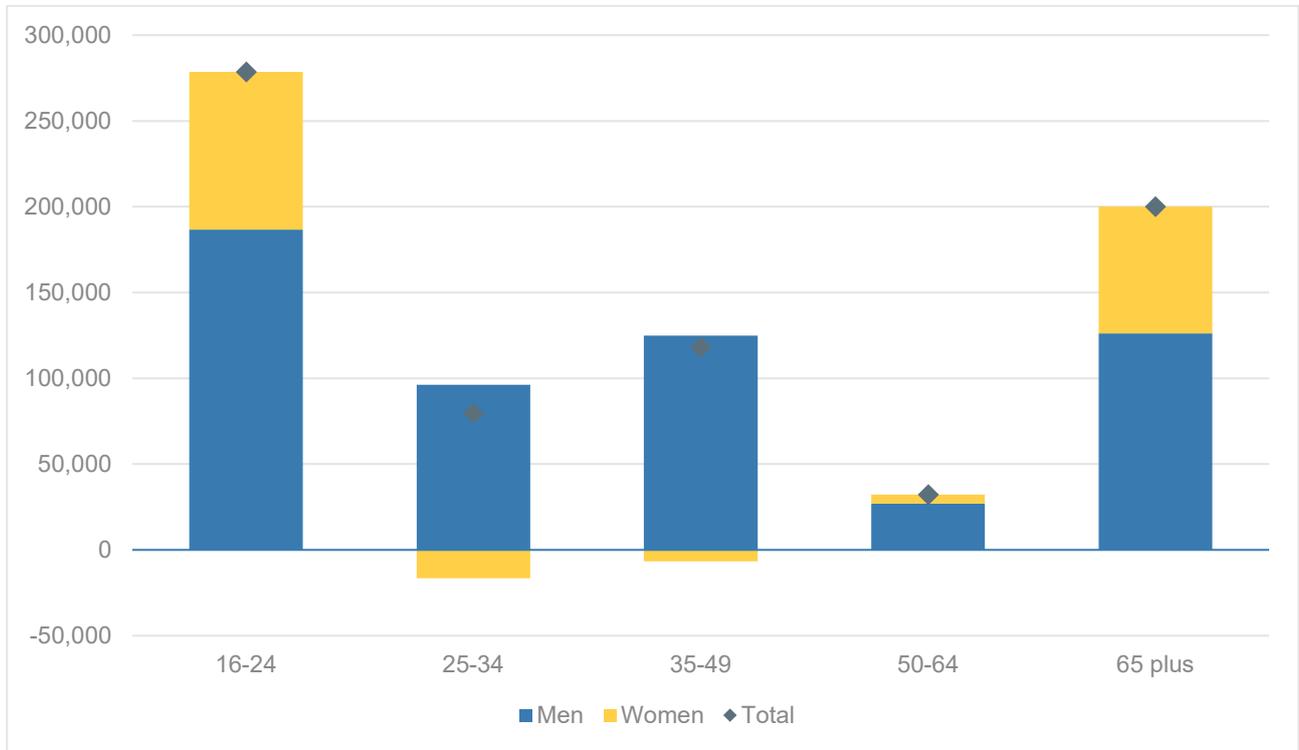


Source: Labour Force Survey. Vertical dotted line indicates start of first Covid-19 lockdown.

These changes in headline rates translate into very significant annual changes in levels too. The total number of people aged between 16 and 64 who are out of work has risen by 510 thousand over the last year, with unemployment up by 120 thousand and economic inactivity up by 390 thousand, rising to 700 thousand more people out of work if those aged 65 and over are included. Over the same period, the number of people in employment has fallen by 300 thousand. It should be noted however that as we set out [last month](#), the population estimates being used in the LFS appear to significantly underestimate the size of the population (which may affect the magnitude of these changes but should not affect the rates of change).

Given the size of these annual changes, we have included additional analysis this month of how these break down by age, gender and the main reasons for being out of work. Figure 2 below starts by showing the total change in worklessness (employed plus unemployed) by age group and gender. It should be noted that women are a lot more likely to be out of work than men – 6.1 million women aged 16-64 (a quarter of the population) compared with 4.8 million men (a fifth) – and this is particularly the case between the ages of 25 and 49 (with women roughly twice as likely to be out of work). Nonetheless, Figure 2 shows that over the last year these gaps have narrowed – with worklessness increasing across all age groups for men (by 560 thousand in total) and by ‘just’ 145 thousand for women. For those aged 25-49, worklessness has fallen marginally for women and risen significantly for men – leading to net growth of around 200 thousand.

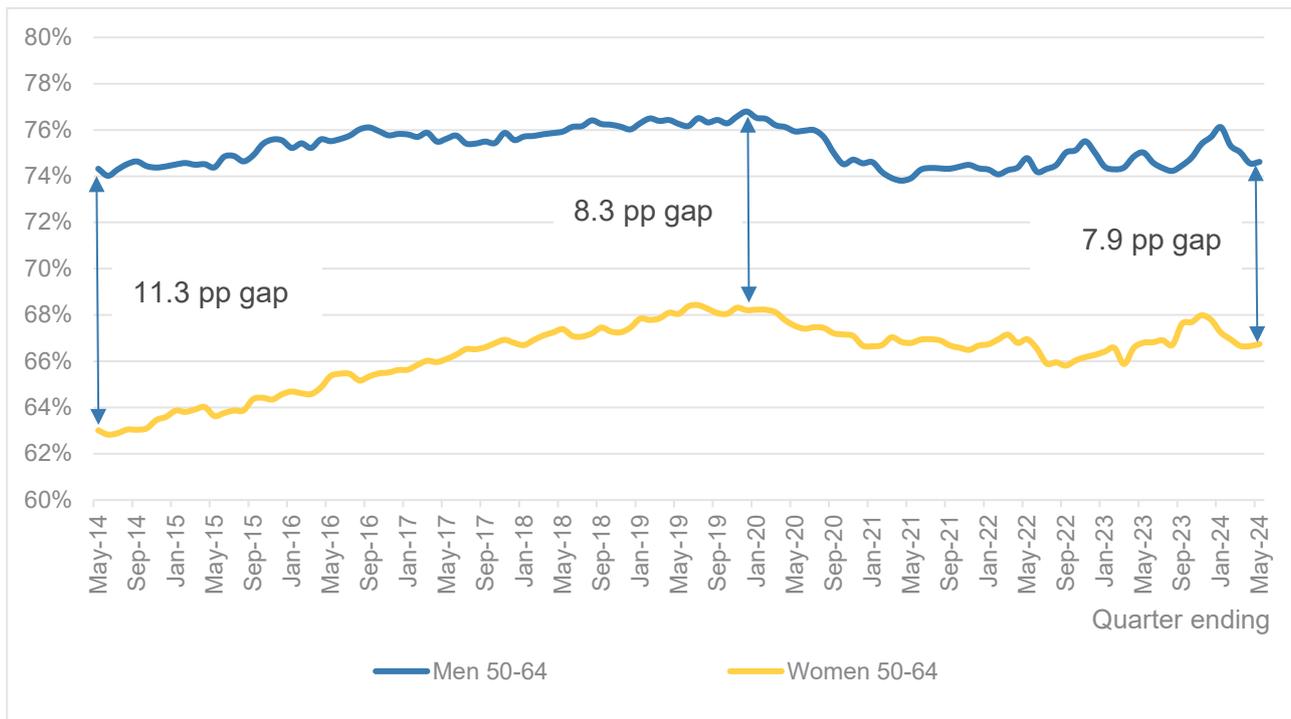
Figure 2: Change in worklessness (unemployed plus economic inactivity) over last year by age and gender



Source: Labour Force Survey

For people aged 50-64, worklessness has risen only marginally over the last year (and employment has fallen only marginally too). However this is perhaps less good news than it might seem, given that the employment rate for older people had been rising for decades prior to the pandemic and particularly for women. Older people have driven the jobs boom this century – accounting for three quarters of all employment growth since the year 2000. The reversal of this trend, and the absence of any signs of recovery, is one of the most important developments since the pandemic. We can see this clearly in Figure 3 below, which shows employment rates for men (blue) and women (yellow) aged between 50 and 64 over the last decade. Both were growing, and the employment ‘gap’ closing – from 11 percentage points a decade ago to eight points on the eve of the pandemic. Since then, both have fallen and the gap has remained stubbornly wide.

Figure 3: Employment rates for men and women aged 50-64

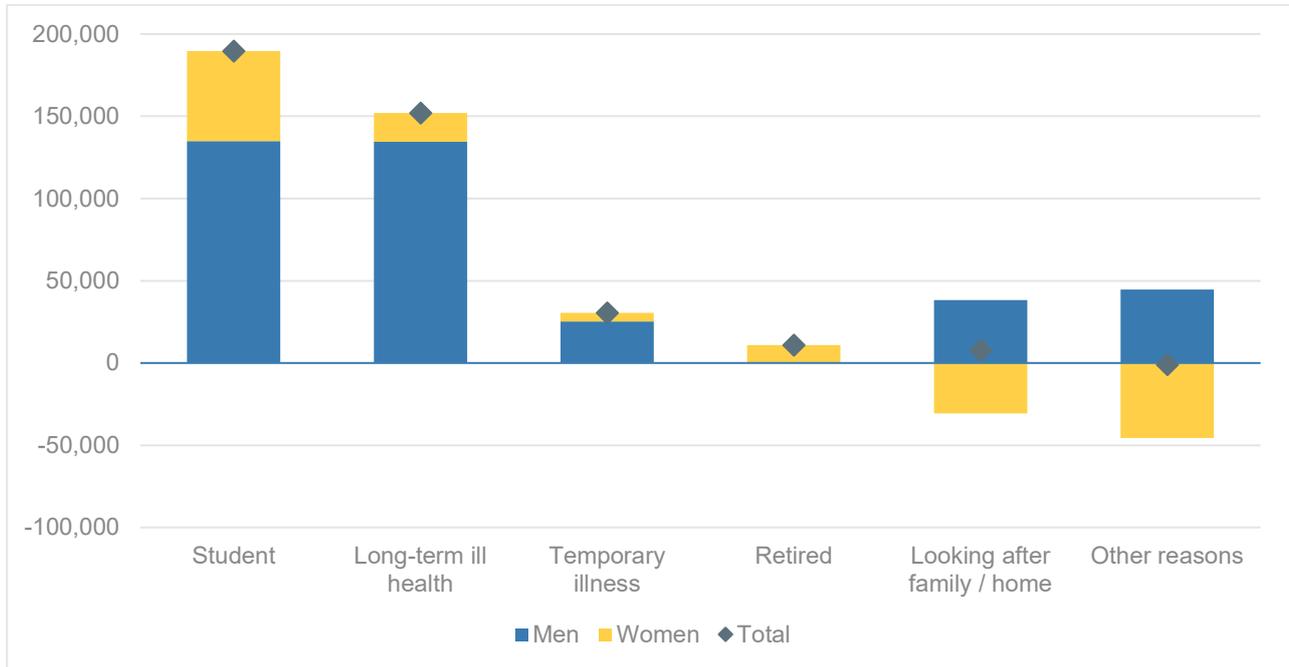


Source: Labour Force Survey.

The broad trends by age set out in Figure 2 reflect in part differences in the reasons why people are outside the labour force (i.e. economically inactive – we do not have equivalent data for those who are unemployed). This is shown in Figure 4 below, again setting out annual changes by gender. This shows that economic inactivity is growing across nearly all categories for men, while it is flat or falling in most categories for women. Recent growth in economic inactivity due to ill health in particular seems to be being almost entirely driven by men, while growth in the number of economically inactive students is also mainly explained by more men (the proportions here are similar to those for the 16-24 group, but lower – which suggests that young people are also represented in growth in other categories, for example ill health).

It is also interesting to note that the number of people outside the labour force due to caring responsibilities has fallen for women (by 30 thousand, which is an important contributor to falling worklessness for women aged between 25 and 49) but has risen for men (by 40 thousand).

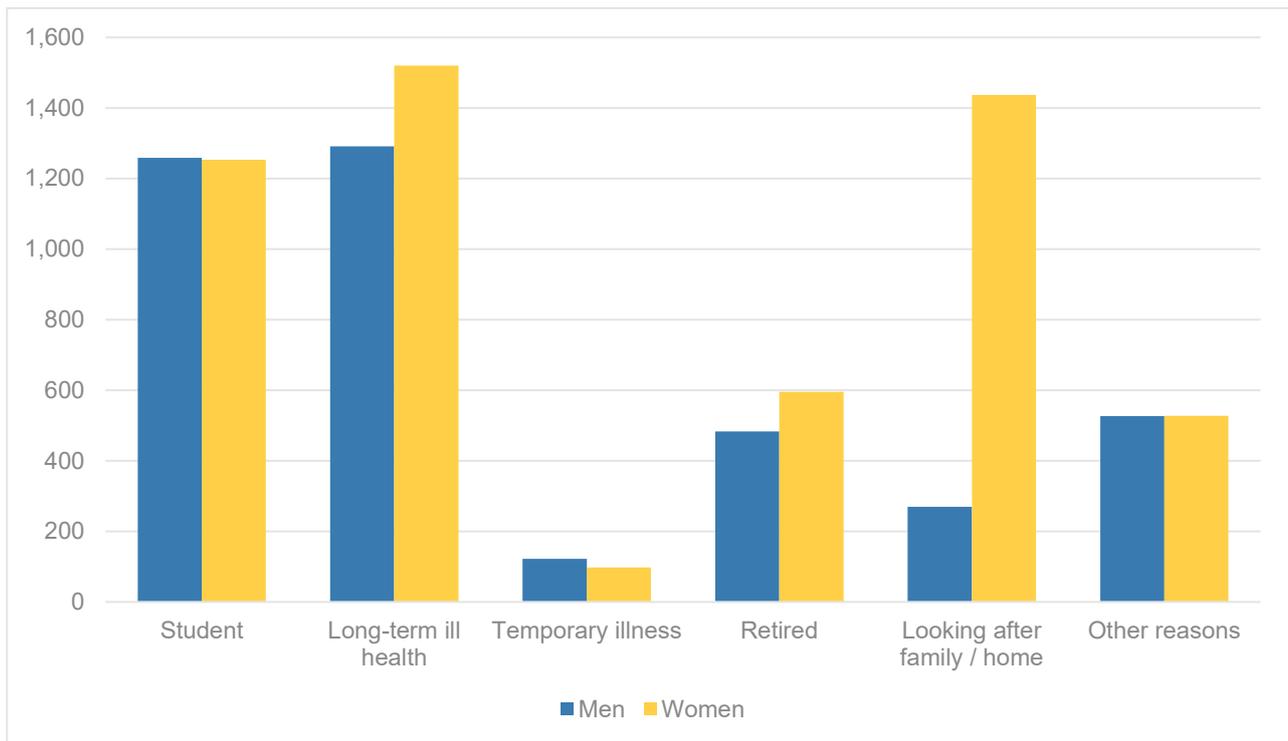
Figure 4: Change in economic inactivity over last year by main reason given and gender



Source: Labour Force Survey

However, to reiterate, women are more likely to be out of work than men – and the changes over the last year are narrowing these gaps (by around 400 thousand) rather than eliminating them. Figure 5 below sets this out more clearly, and shows in particular that women are far more likely than men (five times more likely) to be outside the labour force due to caring responsibilities, and more likely to be off work due to ill health or early retirement. Recent trends though have closed the gap for students and for those off work for ‘other reasons’ (which includes people who say that they do not need to work or who are waiting for a job to start).

Figure 5: Main reason for economic inactivity by gender

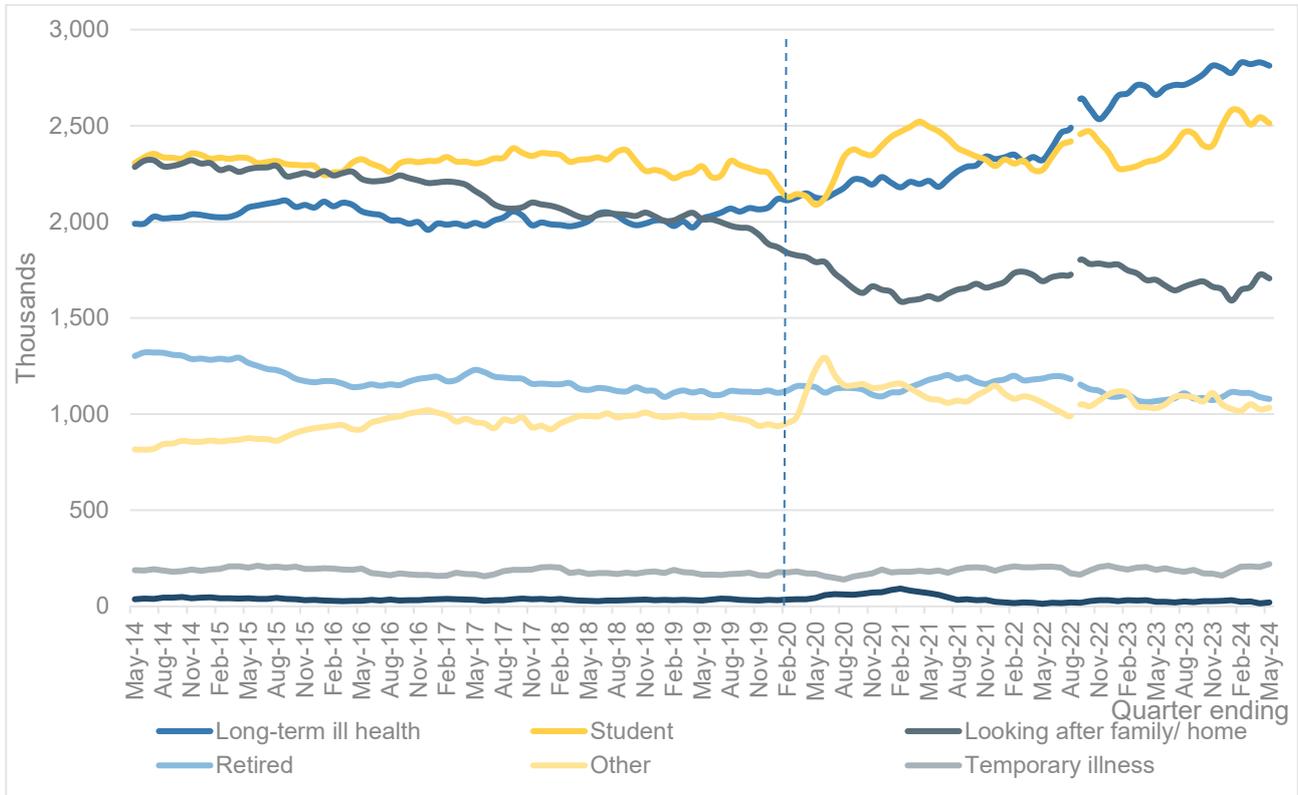


Source: Labour Force Survey

There are signs that worklessness due to long-term ill health may be levelling off, but at its highest ever level

As noted, and discussed in previous briefings, growth in economic inactivity has been driven in particular by more people off work due to long-term health conditions and more non-working students and. Figure 6 below illustrates this (blue and yellow respectively) with both at their highest ever levels (2.8 million and 2.5 million). There are signs that these may both now be starting to level off, but while this is positive news, history tells us that worklessness due to ill health in particular rises far faster than it falls. Economic inactivity for other reasons is broadly flat, but as set out above there are some differences in trends beneath these for men and women.

Figure 6: Economic inactivity by main reason given



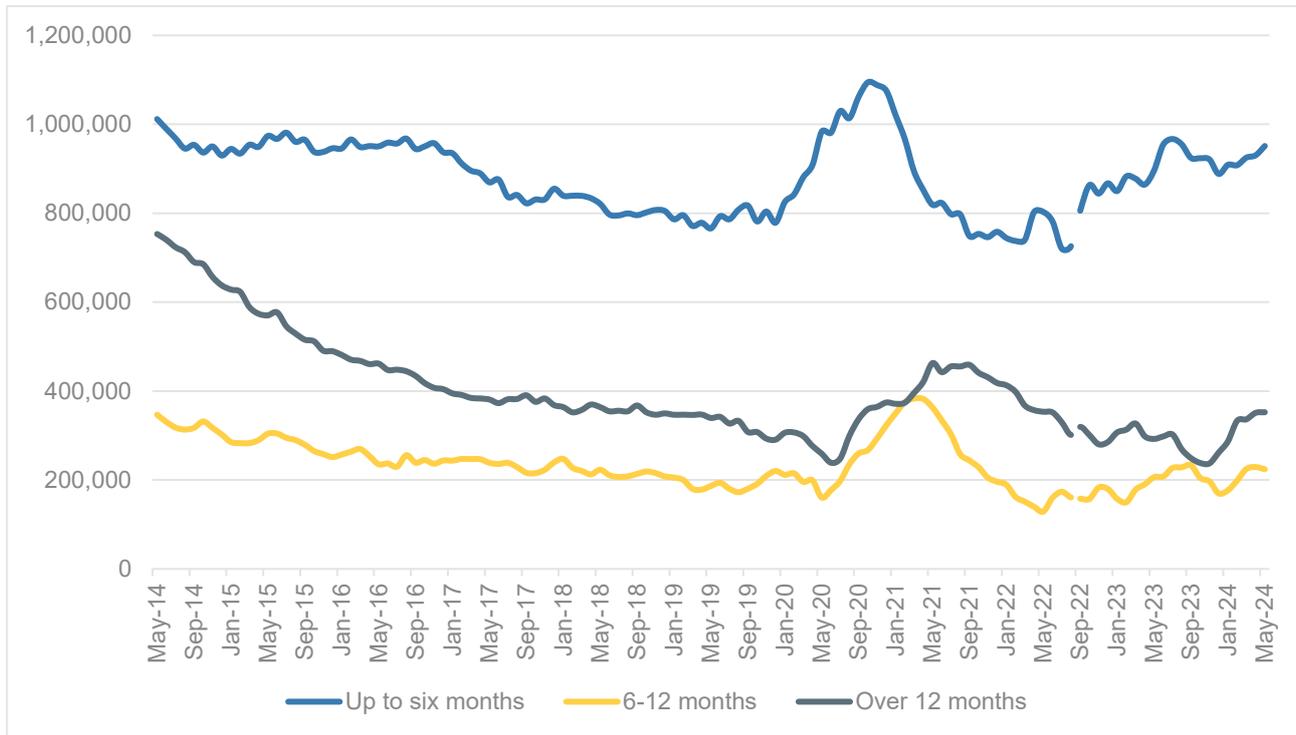
Source: Labour Force Survey. Note that data from July to September 2022 onward has been reweighted, causing a step change discontinuity.

Unemployment remains low and vacancies high, but there are some signs of softening in the labour market

We have noted in [previous briefings](#) that a range of indicators – on short-term unemployment, vacancies, redundancies and pay – pointed to continued strong demand, and so suggested that our weak labour market was holding back growth rather than the other way round. It remains our view that the problems that we face are more on the supply than demand side, but today’s figures do point to some softening in demand in more recent months.

While we should be cautious about reading too much into short-term changes in the LFS, Figure 7 below – showing unemployment by duration – suggests that short-term unemployment may now be creeping up (the blue line) with longer-term unemployment growing less strongly. This is often an indicator of weaker demand, although it can also reflect other factors like the effectiveness of supply-side measures to help recently unemployed people into work, and/ or more people entering the labour force from economic inactivity (and there are some signs that unemployment among young people outside of full time education is ticking up too, which could also reflect weaker demand, limited access to employment support and/ or more people leaving education).

Figure 7: Unemployment by duration

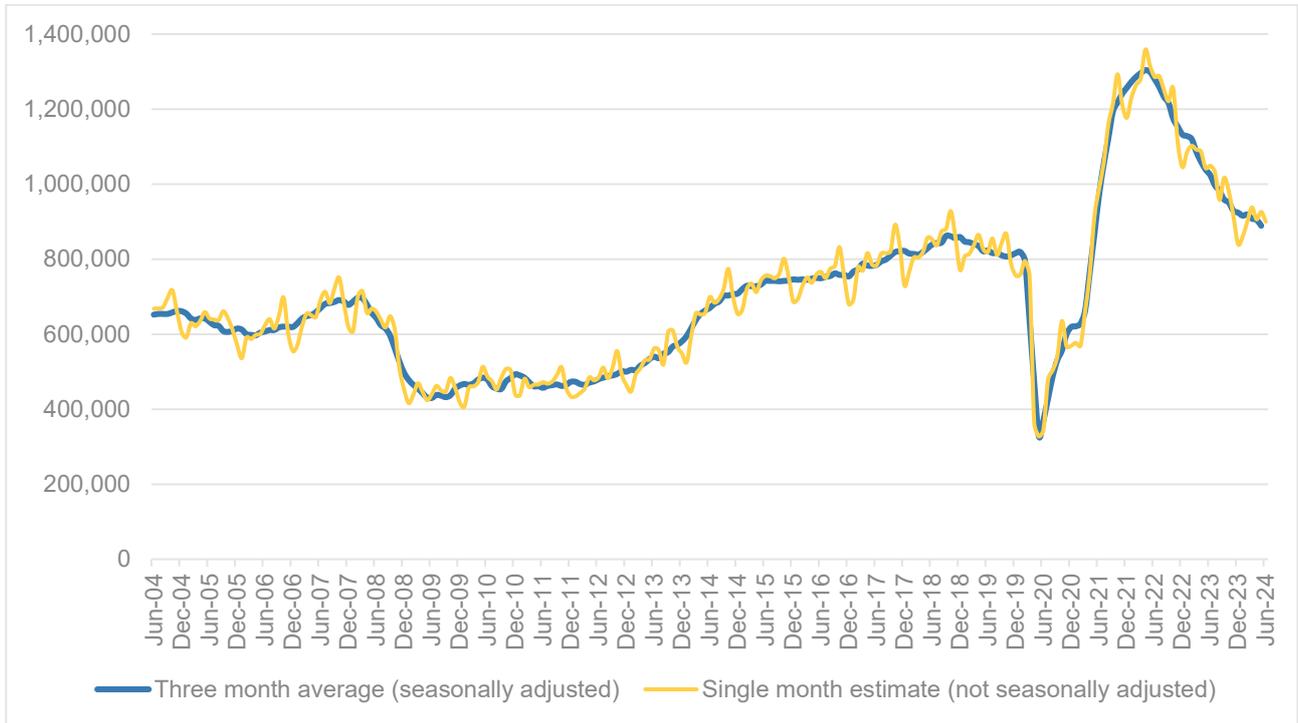


Source: Labour Force Survey. Note that data from July to September 2022 onward has been reweighted, causing a step change discontinuity.

At the same time, today’s vacancy figures were quite disappointing. After a number of months of only very small changes, which had suggested that vacancies were going to level off at around 900 thousand, today’s data saw a quarterly fall of 30 thousand, to 890 thousand – the lowest figure in three years. This is shown in Figure 10 below, with the headline quarterly estimate in blue and latest monthly estimates in yellow (with the latter not seasonally adjusted). Again, this may be consistent with a slight softening in demand, and would be consistent with other online vacancy data and business surveys.

Nonetheless, it remains the case that vacancies are well above pre-pandemic levels and unemployment is close to historic lows. So there is still scope to do far better at helping more people to get back into the labour market and helping employers to fill their jobs.

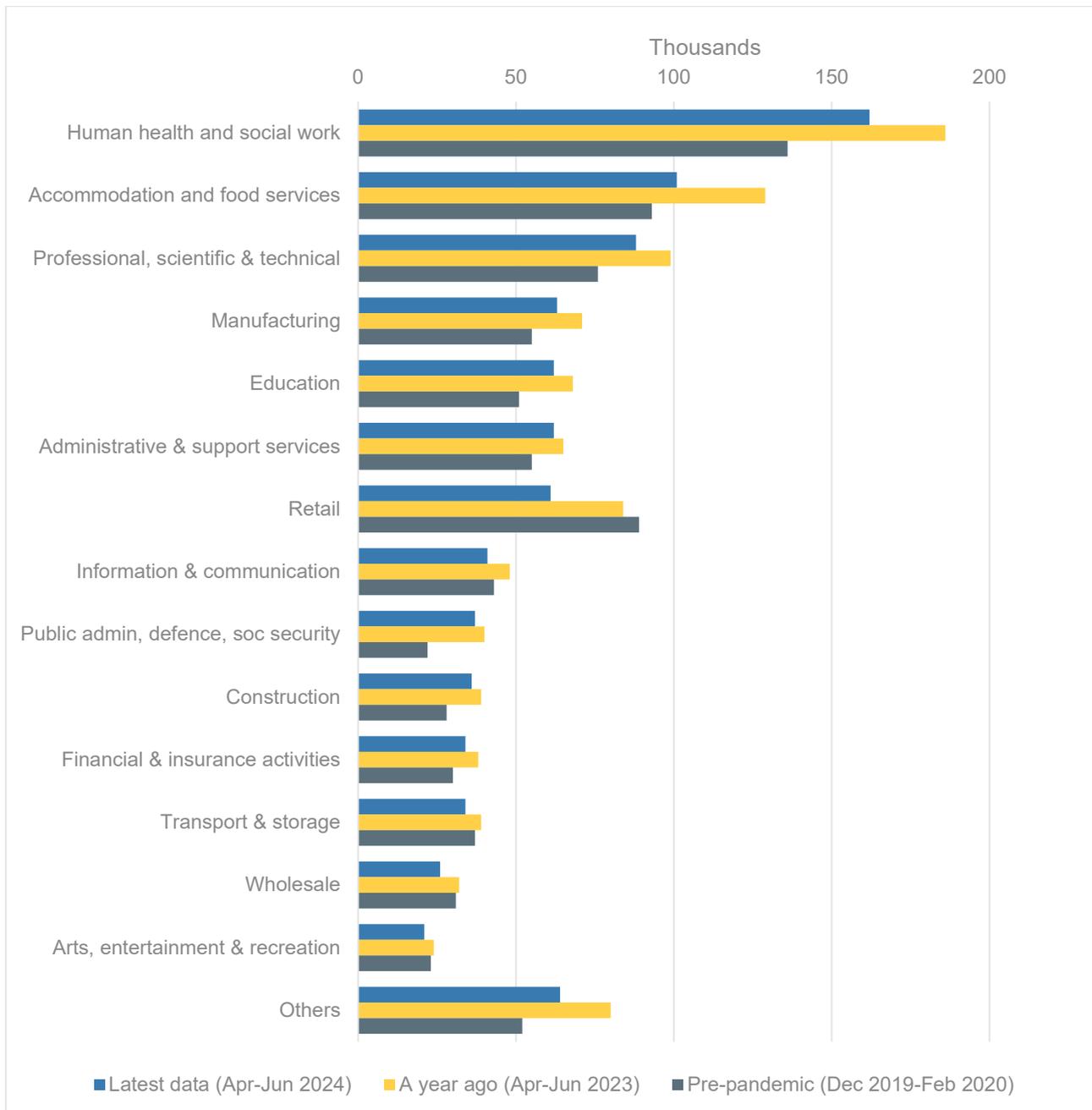
Figure 8: Vacancies – quarterly and single-month estimates



Source: ONS Vacancy Survey

Figure 9 below then shows vacancies by industry, comparing the latest estimates (blue) with those for the same time a year ago (yellow) and before the pandemic began (black). Vacancies remain down across the economy over the last year, with the largest proportionate falls in hospitality (accommodation and food services), retail and the arts, entertainment and recreation. Vacancies in retail/ wholesale, transport and storage, information and communication, and the arts/ recreation are all lower than pre-pandemic, with retail in particular in prolonged decline. At the same time, vacancies in a number of white collar industries (in particular professional services, education, administration and support) and vacancies in construction are only marginally down on last year.

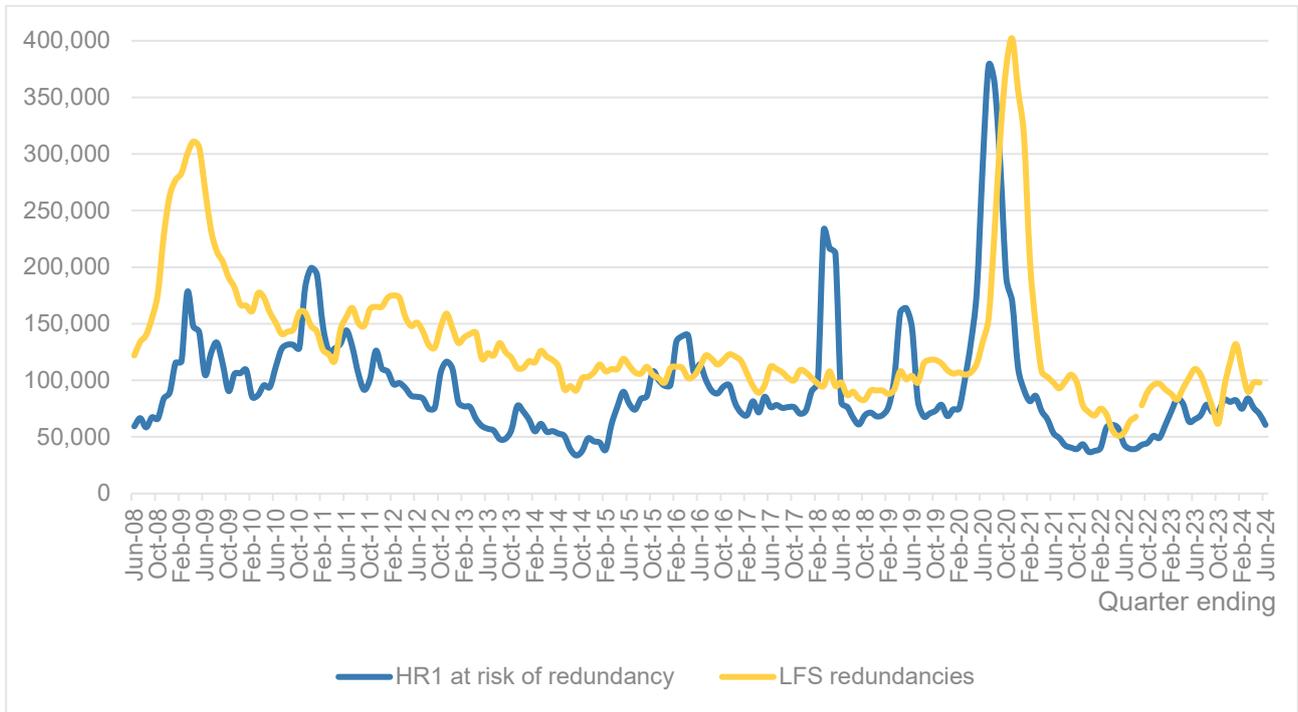
Figure 9: Vacancies by industry: latest data (Apr-Jun 2024), a year ago (Apr-Jun 2023) and pre-pandemic (Dec 2019-Feb 2020)



Source: ONS Vacancy Survey

Finally, redundancy figures continue to remain very low by historic standards, which provides further reassurance that we have not seen any significant slowdown in the economy. Figure 10 shows estimates for the number of people made redundant (in yellow, from the Labour Force Survey) and the number of jobs at risk of redundancy in future (in blue, from ‘HR1’ forms notified to the Insolvency Service). The LFS data is particularly volatile given the very small numbers affected but suggests a flat trend that is close to historic lows. HR1 data meanwhile if anything appears to be edging down.

Figure 10: Quarterly number of employees notified as at risk of redundancy (HR1 forms) and reporting having been made redundant (Labour Force Survey)

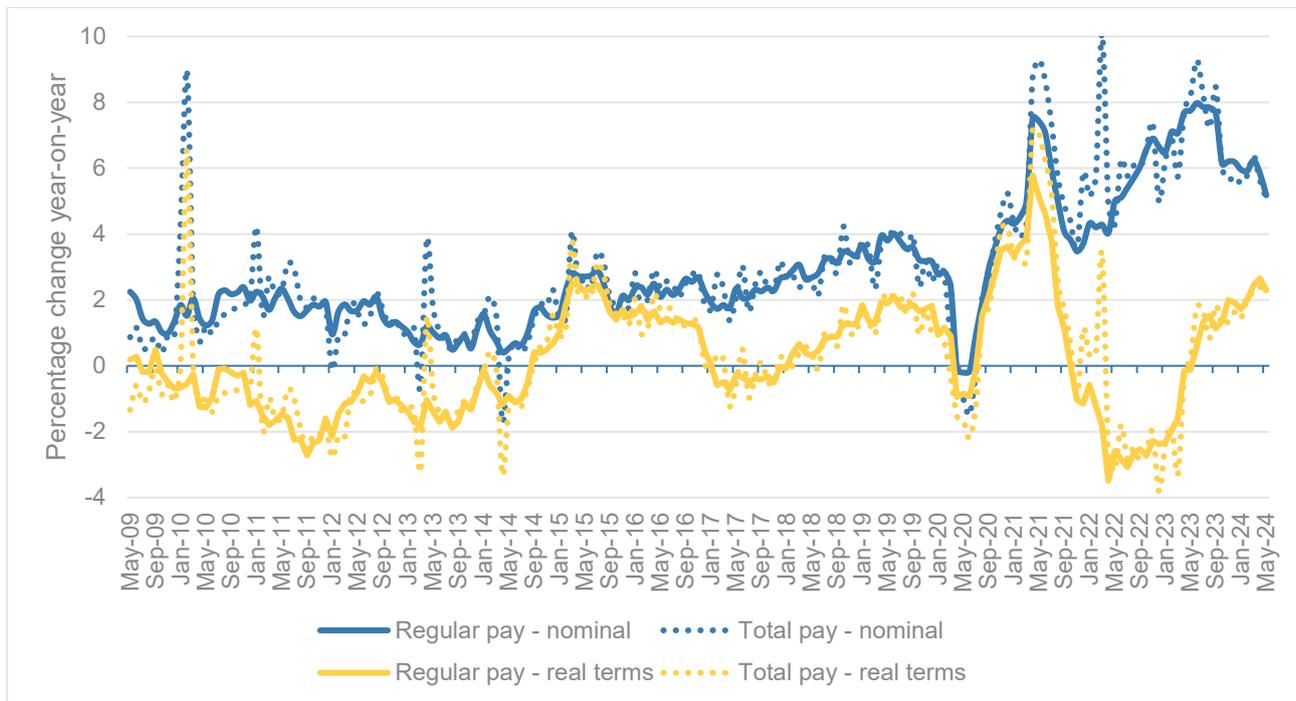


Source: IES analysis of Insolvency Service and Labour Force Survey data. Note that data from July to September 2022 onward has been reweighted, causing a step change discontinuity.

Pay growth remains above 5%, ‘real’ pay growth is continuing to rise, and prospects remain fairly positive

As with recent months, today’s pay figures paint a more positive picture than the labour market data. Regular pay (excluding bonuses and arrears) is up by 5.2% between May 2023 and May 2024, which is a slower rate of growth than we saw last autumn, but with inflation falling back is translating into significant increases in ‘real terms’ pay – up by 2.3% year on year. Figure 11 below sets this out, with nominal pay growth in blue and ‘real’ pay in yellow (solid lines are regular pay, dotted lines are total pay including bonuses and arrears).

Figure 11: Year-on-year change in regular and total pay – nominal terms and adjusted for inflation (real terms)



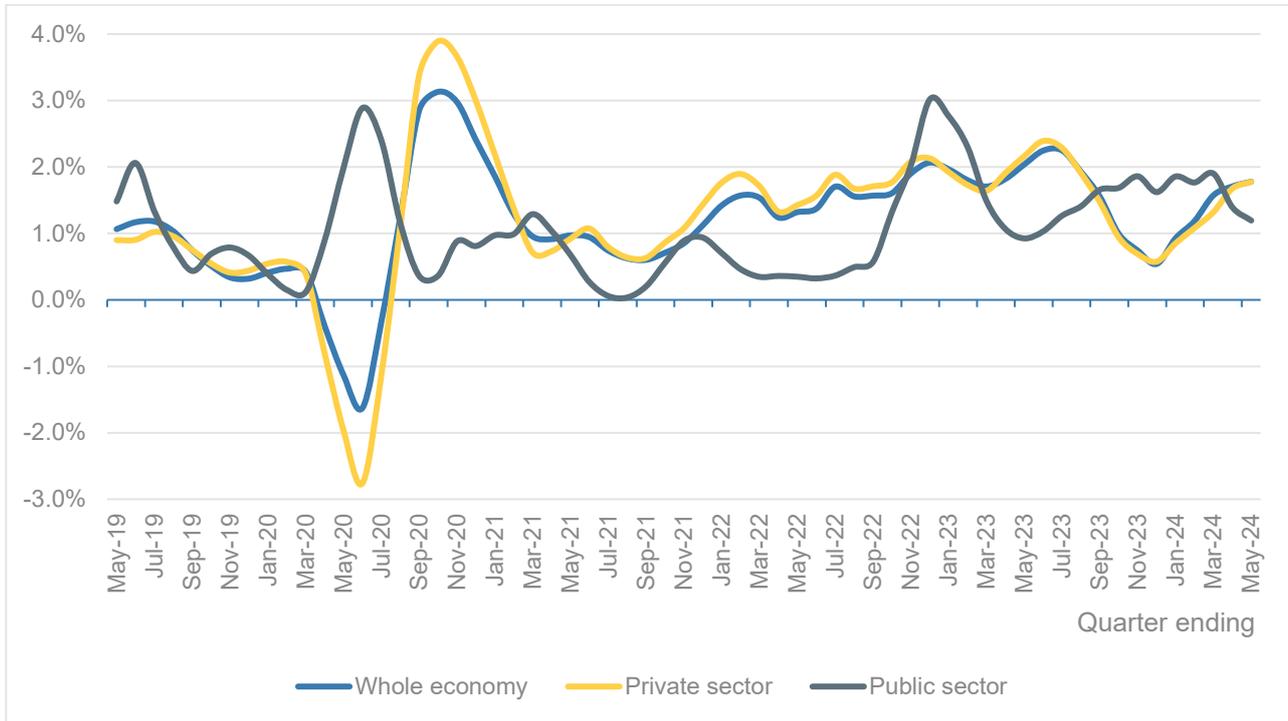
Source: ONS Monthly Wages and Salaries Survey. Regular pay excludes bonuses and arrears; measure shown is year-on-year change in single month estimate.

Figure 10 then sets out estimates of quarter-on-quarter pay growth, to give a view of short-term and more recent trends. This compares average regular pay growth over non-overlapping, consecutive quarters, i.e. on the most recent data comparing average pay over March-May with the average for December-February. This shows that overall, pay grew by around 1.8% quarter-on-quarter, so equivalent to just over 7% a year. This is higher than the figure set out above, as this shorter-term view shows that it is weak quarterly pay growth around the turn of the year that is still weighing down the annual estimates. If current trends continue, then annual pay growth will start to pick up strongly as this data drops out of the baseline.

Figure 12 breaks down the quarterly figures into pay growth in the private sector (yellow) and public sector (black). Interestingly this shows that public sector pay is dropping back on the shorter-term measure (also contributing to the fall in headline annual rates), to 1.2% a quarter or 4.8% a year. This reflects in particular the impact of public sector pay deals dropping out of the baseline figures, and if the gap between private and public sector pay growth persists then it will increase pressure for above-inflation rises in the next round of settlements.

All told then, the pay data does point to continued resilience and if anything stronger annual growth over the summer – which should continue to feed through into higher household incomes, but may give more pause for thought for the Bank of England on reducing interest rates (so many households may see those gains being wiped out in higher debt and mortgage repayments).

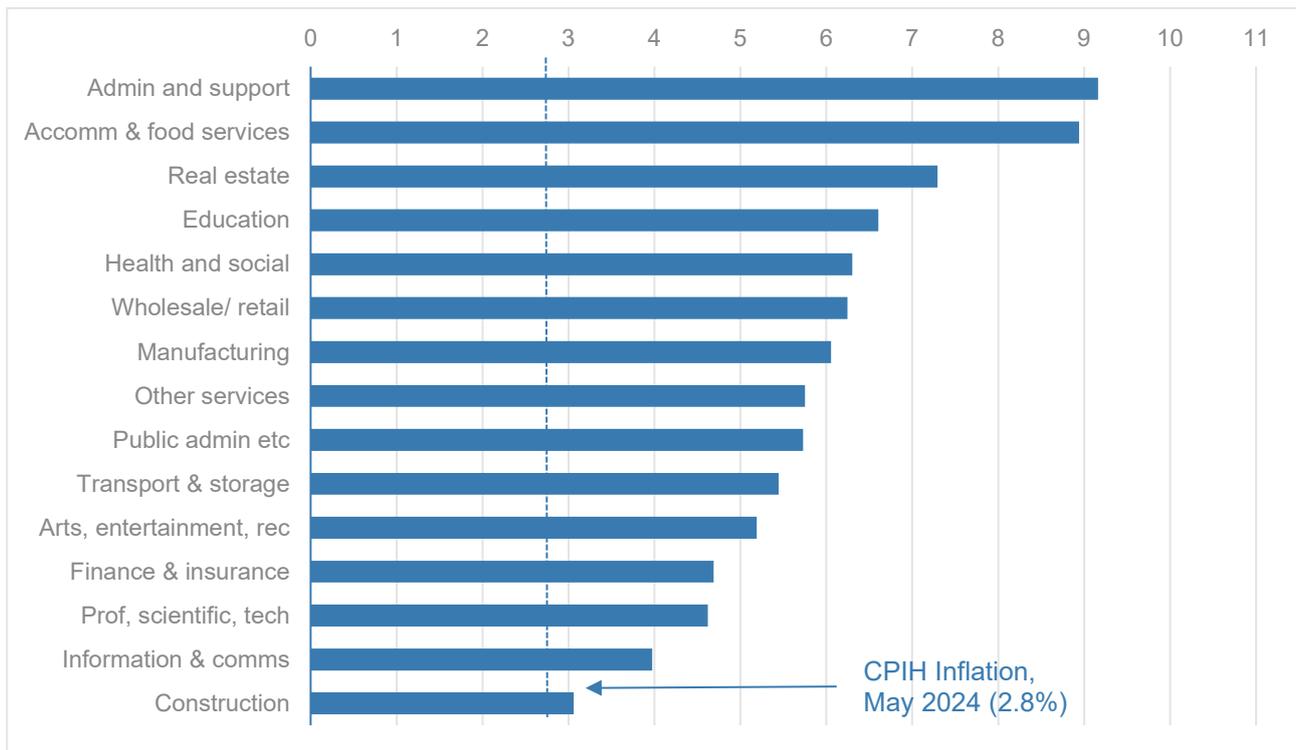
Figure 12: Quarter-on-quarter changes in quarterly average for regular pay



Source: ONS Monthly Wages and Salaries Survey. Measure shown compares average pay in the quarter ending in the month specified, compared with the previous non-overlapping quarter.

Finally, Figure 13 shows pay growth by industry, and for the first time shows that pay is now growing faster than inflation across all industries (although only marginally so for construction). As with previous months, pay growth appears to be particularly strong in some industries that are historically lower paid – hospitality and administrative and support services – which will be in large part reflecting the 10% increase in the National Living Wage that took effect in April. Pay growth in education and health is also high, although as noted this reflects the ongoing impacts on the baseline from pay increases last summer/ autumn.

Figure 13: Year-on-year change in regular 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 pay excluding bonuses and arrears for Mar-May 2024 (not seasonally adjusted).

Conclusion

There are more clouds than silver linings in today’s jobs data, and the new government will have their work cut out in addressing some of the challenges that are set out here. Too many people are out of work, particularly due to long-term health conditions, and there are signs that in the spring at least the labour market was just starting to soften. Nonetheless, demand remains fairly robust overall and will likely strengthen with more economic and political stability. So it remains the case that we need to better reach people out of work, join up across services, and work effectively with employers. This is particularly important because the UK will not get back to sustained growth if we cannot help more people to get back into work and to be more productive at work.

The government’s early announcements in this space are welcome – around reforming Jobcentre Plus to become a genuine Jobs and Careers Service; working locally to integrate employment, health and skills support; reforming the apprenticeship levy to incorporate wider training; and offering a meaningful guarantee of support for young people – and very much echo the [five priorities](#) that we set out during the election. There is scope to go further too, and we will make this case in the forthcoming final report from our [Commission on the Future of Employment Support](#), in partnership with the abrdn Financial Fairness Trust.

In the meantime though, the government also has to move quickly to address the cliff-edges left by their predecessors, particularly with specialist employment support for disabled people and those with health conditions ending in September, delays to the replacement 'Universal Support' programme, and local 'Shared Prosperity Fund' projects due to end in March. The good news is that upwards of £1bn of new money has been committed through Universal Support, but this needs to be deployed more quickly – and in our view more pragmatically and flexibly – in order to ensure that more people who are out of work and want to work can get access to the help that they need.

About IES

The Institute for Employment studies is an independent, apolitical centre of research and consultancy in employment policy and human resource management. It works with employers, government departments, agencies and professional and employee bodies to support sustained improvements in employment policy and practice.

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