

Labour Market Statistics, June 2024

11 June 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 February-April 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 May 2024, and the Wages and Salaries Survey to April 2024.

This month also sees the publication of quarterly **Workforce Jobs (WFJ)** data, which measures the number of jobs in the economy using various employer surveys and the LFS. The latest WFJ data covers the quarter January to March 2024.

Summary

This has been a pretty dismal five years in the labour market, and today's jobs figures confirm that this Parliament has seen the weakest employment growth since 1979-1983, alongside the largest increase in 'economic inactivity' in a single Parliament since comparable records began in 1971. The latest data is even worse than the poor figures that we have seen over the last couple of months, with the employment rate falling again, to its lowest since 2017; economic inactivity now higher than it was in the depths of the pandemic; and unemployment edging up slightly (but remaining low by historic standards).

The ONS have cautioned again not to read too much into short term changes given lower response rates to the Labour Force Survey, and recent analysis by the Bank of England also casts further doubt on the population estimates being used in the LFS. This means that the LFS may be under-stating *levels* of activity/ inactivity although this would not affect the estimates of *rates* – and estimates of rates are equally bad, with the proportion

of people aged 16 and over who are outside the labour force now at its highest since 1998. As with previous months, this is being driven in particular by more older people out of work, fewer young people in work, and more people off work with long-term health conditions across all age groups.

This contraction in the labour force is reversing a trend of near-continual growth between the mid-1990s and 2020, which in turn had been the main driver of economic growth over the last twenty years. However with employment growth stalling, economic growth has stalled too. This is being reported today as signs that the economy is ‘cooling’ but we continue to take the view that it is the labour market that is holding back economic growth, not the other way round. This is evident in the fact that short-term unemployment is not rising, redundancies are flat, vacancies have levelled off at around 900 thousand unfilled jobs, and earnings are growing by around 6% year on year.

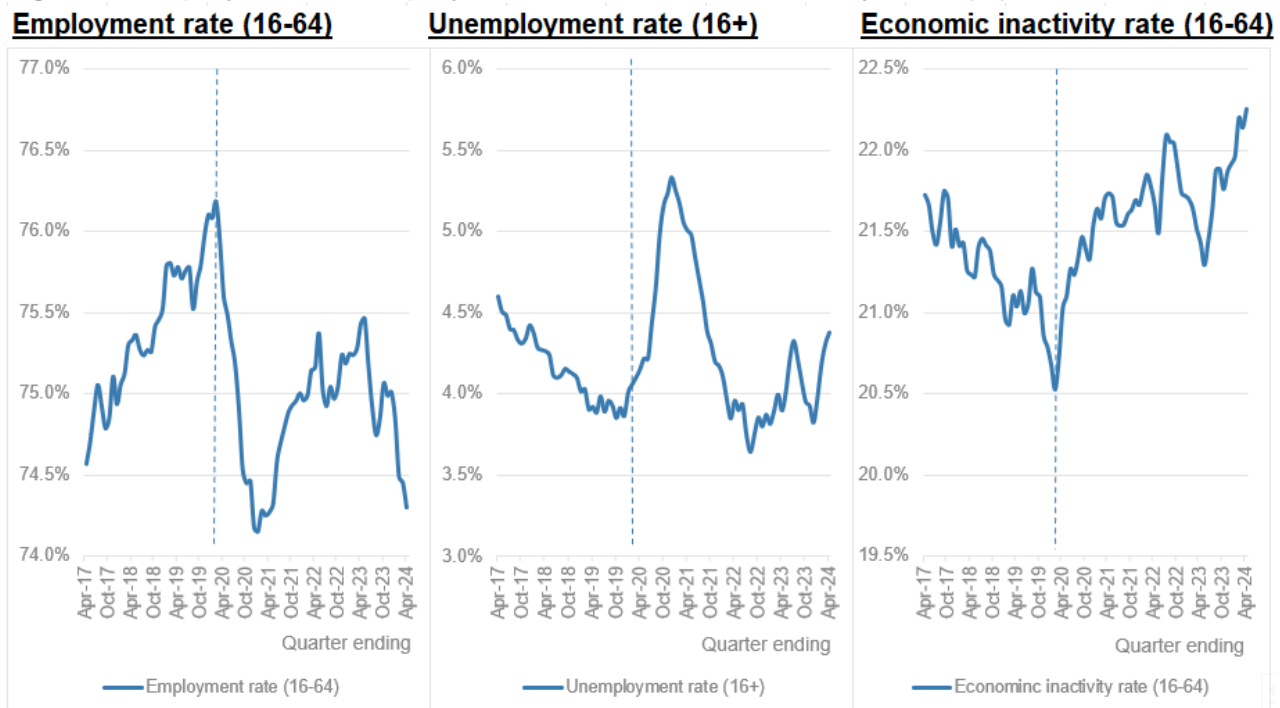
So in our view, it is our ‘supply side’ policies that need reform – on employment support, skills, health, support for employers, transport and more. We have [set out five priorities](#) on employment support specifically, drawing on our Commission on the Future of Employment Support, and will publish fuller proposals after the general election. The good news in all of this though is that it is not a lack of demand that is holding us back – so if in future we can get more of this right then there is no reason why the next Parliament should not be better than the last.

Employment, unemployment and economic inactivity all appear to be getting worse

After a couple of very weak months of employment data, today’s figures are even worse. The employment rate has fallen again, to 74.3% – down by 1.1 percentage points on a year ago and close to the low point it reached during the Covid-19 pandemic (74.1%). Excluding lockdowns, this is the lowest employment rate since 2017. Economic inactivity is now higher than its post-Covid peak at 22.3%, up by 0.9 points on this time last year. This is the highest rate since 2015. Unemployment has also risen over the last year, by 0.5 percentage points to 4.4%. This remains well below where it was in the aftermath of the pandemic and remains low by historic standards. Figure 1 below sets out these three main indicators over the last seven years.

The ONS has again urged users not to read too much into short-term movements in these data, given falling response rates to the LFS over the last few years. This will particularly affect short-term estimates of unemployment, as sample sizes of people who are unemployed will be particularly small. Nonetheless the LFS remains a large-scale and reliable survey, and in the last quarter covered over 50 thousand individuals in 23 thousand households (with the number of respondents increasing, as set out in [more detail here](#)).

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

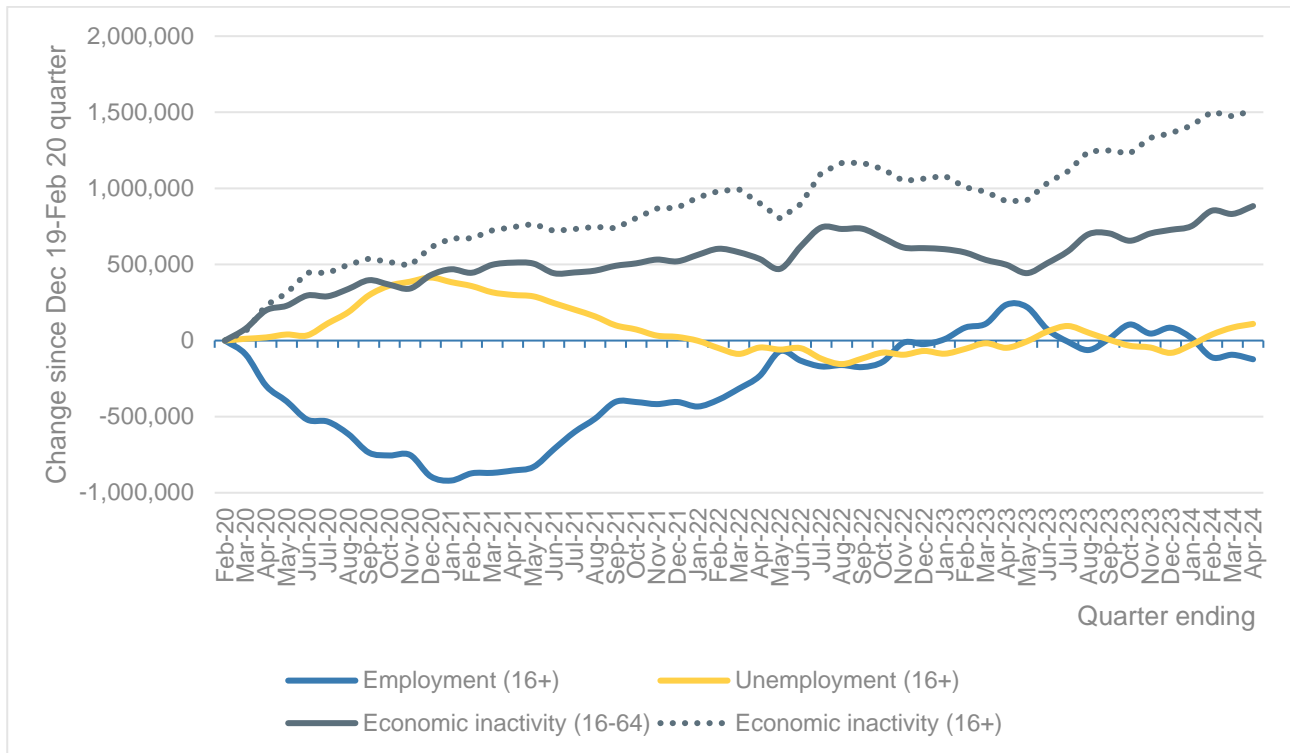


Source: Labour Force Survey. Vertical dotted line indicates start of first Covid-19 lockdown.

While the employment *rate* has continued to fall, employment *levels* have been broadly flat over recent months – with the difference explained by the fact that the population has continued to grow. This is shown in Figure 2 below, with the level of employment edging down in recent months (to around 120 thousand below where it was on the eve of the pandemic), unemployment edging up slightly (to 110 thousand higher) and economic inactivity increasing much more strongly – up by 880 thousand for those aged 16-64 and by 1.51 million when those aged over 65 are included.

It should be noted however that these estimates of levels are less certain than estimates of rates set out above, due to uncertainties around the size of the population. This was discussed by the Bank of England in last month’s [Monetary Policy Report](#) (Box 4) which explains that while ONS population estimates (to 2022) have been updated for the Census, data from 2022 onwards does not take account of revised population projections. Their analysis suggests that using new projections could increase the population estimate by around one percentage point, which would be equivalent to around 300 thousand more people in work than current estimates (and 100 thousand more people out of work). Things should become clearer when the ONS next update and reweight the LFS data.

Figure 2: Change in levels of employment, unemployment and economic inactivity since start of Covid-19 pandemic (December 2019-February 2020 quarter)



Source: Labour Force Survey

This Parliament has seen the weakest jobs figures since 1979-1983

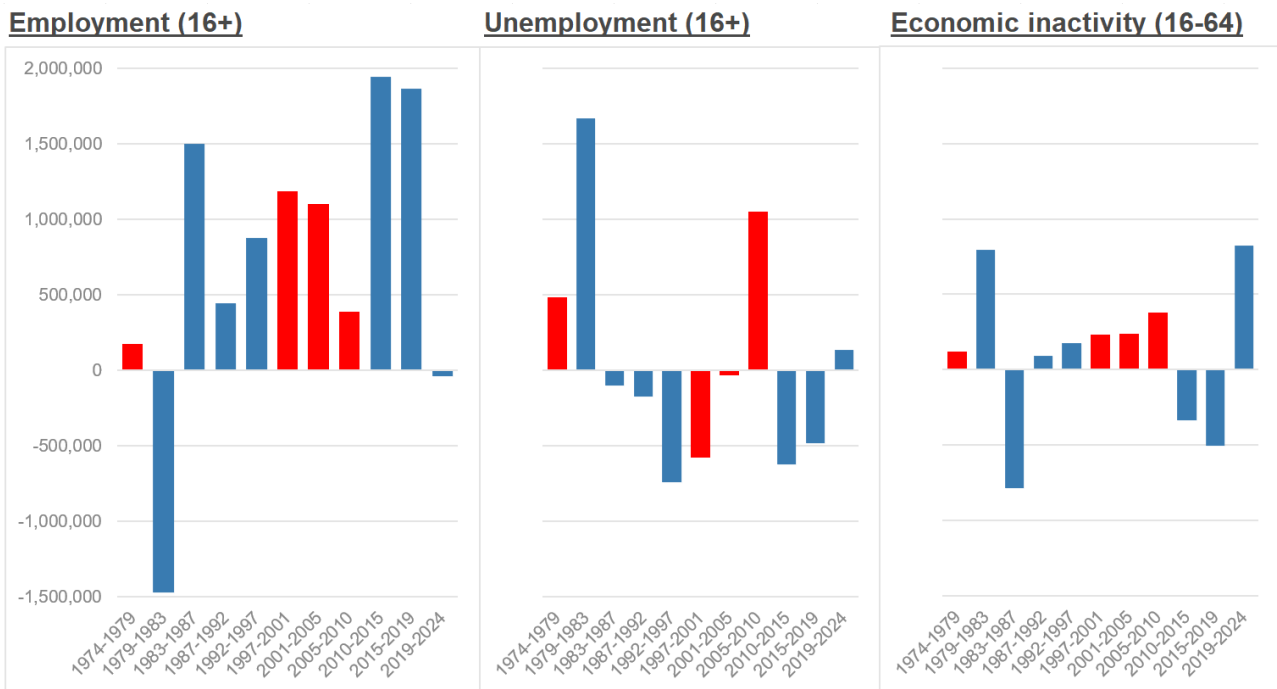
With this being the last Labour Market Statistics before the general election, we have set out in Figure 3 below a comparison of employment, unemployment and economic inactivity changes by Parliament going back to 1974-1979 (the first full Parliament for which this data was available). Note that for these purposes we have combined the 2015-17 and 2017-19 short Parliaments.

This shows that the Parliament that has just ended was the first since 1979-1983 to have seen employment decline – falling by an estimated 40 thousand. As noted above however, there is some uncertainty around estimates of levels since 2022 so this figure could well be understated. Even if it were to be revised up however, it would likely still have seen the weakest employment growth of any Parliament in four decades. By comparison, employment grew by 3.8 million between 2010 and 2019, and by 2.7 million between 1997 and 2010 (which also included the impact of the Great Financial Crisis).

The graph also shows that unemployment edged up slightly in the last Parliament, but that economic inactivity increased significantly, by around 820 thousand. This is the largest increase over a Parliament since this dataset began, and as noted if the LFS data is subsequently revised up then this increase may have been even larger. More broadly,

this graph illustrates that the key difference between this Parliament and Parliaments that have seen previous economic shocks is that in previous crises falls in employment (or weaker growth) have largely translated into higher unemployment, whereas this time it has almost all translated into higher economic inactivity – i.e. fewer people in the labour force at all.

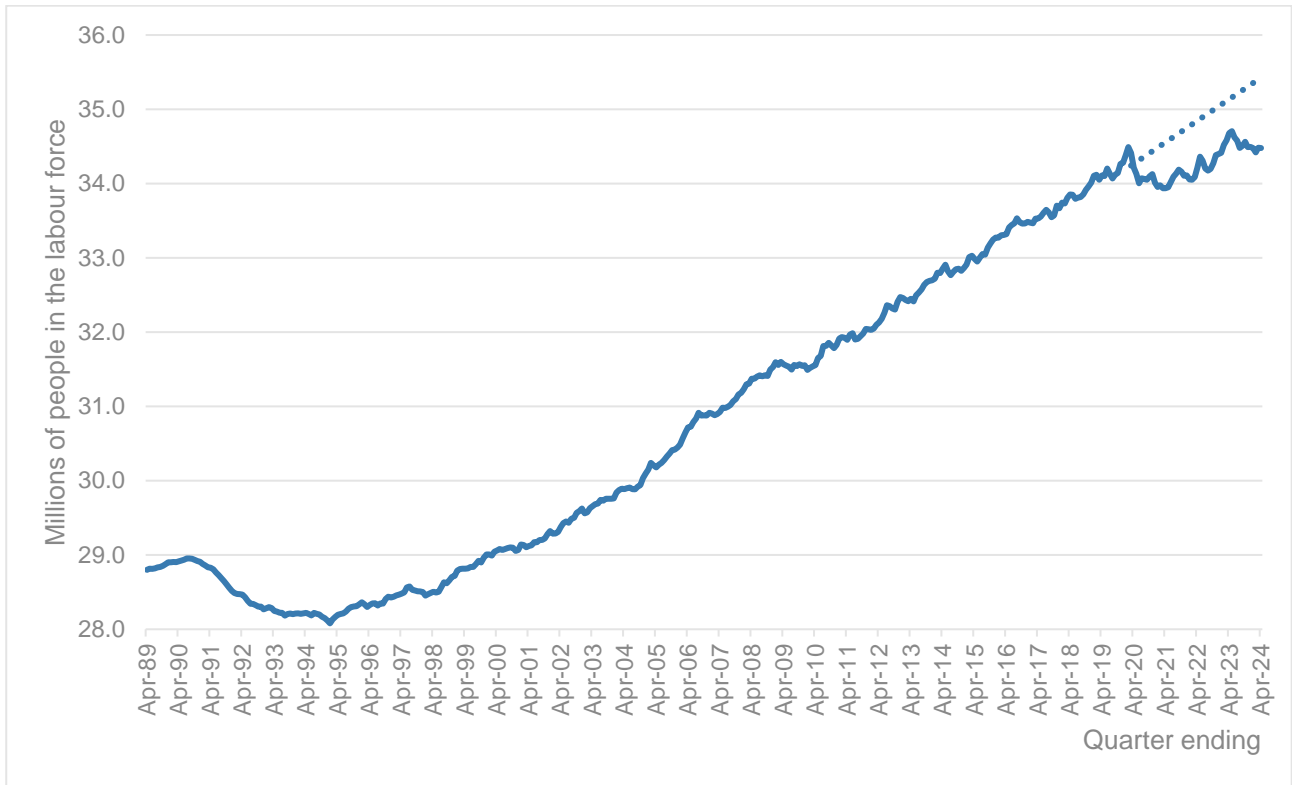
Figure 3: Changes in levels of employment, unemployment and economic inactivity by Parliamentary term, 1974 to 2024



Source: Labour Force Survey. Note that the 2015-2017 and 2017-2019 terms have been combined.

As we have set out previously, these relative falls in labour force participation matter because the UK economy has largely relied on an expanding labour pool to drive economic growth (i.e. more people working more hours, rather than people producing more output from those hours – with productivity growth stagnant since the mid 2000s). This is illustrated in Figure 4 below, which shows the size of the labour force (the number of people either employed or unemployed) since the 1990s, with the dotted line illustrating the pre-pandemic path. This shows that through thick and thin, the labour force has grown at a pretty constant rate since the mid 1990s, adding around a million people every four years. In the last four years however, it has not grown at all – and if anything it may be starting to contract (although as noted the 2023 figures could be revised up when new population estimates are incorporated).

Figure 4: Level of economic activity – actual and if pre-crisis trend had continued



Source: Labour Force Survey and IES estimates

Figure 5 below then sets out the percentage point changes in *rates* by Parliament for employment, unemployment and economic inactivity, again going back to 1974. This is shown in the same way as for Figure 3 above, but removes the impact of changes in population (and any volatility around more recent estimates). This is a similar picture to Figure 3 but shows that once population is taken account of, the fall in employment over this Parliament is slightly lower than we saw during the 2005-10 Parliament as a result of the Great Financial Crisis, while the rise in economic inactivity is still slightly higher than we saw in the Parliament that spanned the early 1980s recession.

Figure 5: Percentage point change in employment, unemployment and economic inactivity rates by Parliamentary term, 1974 to 2024



Source: Labour Force Survey. Note that the 2015-2017 and 2017-2019 terms have been combined.

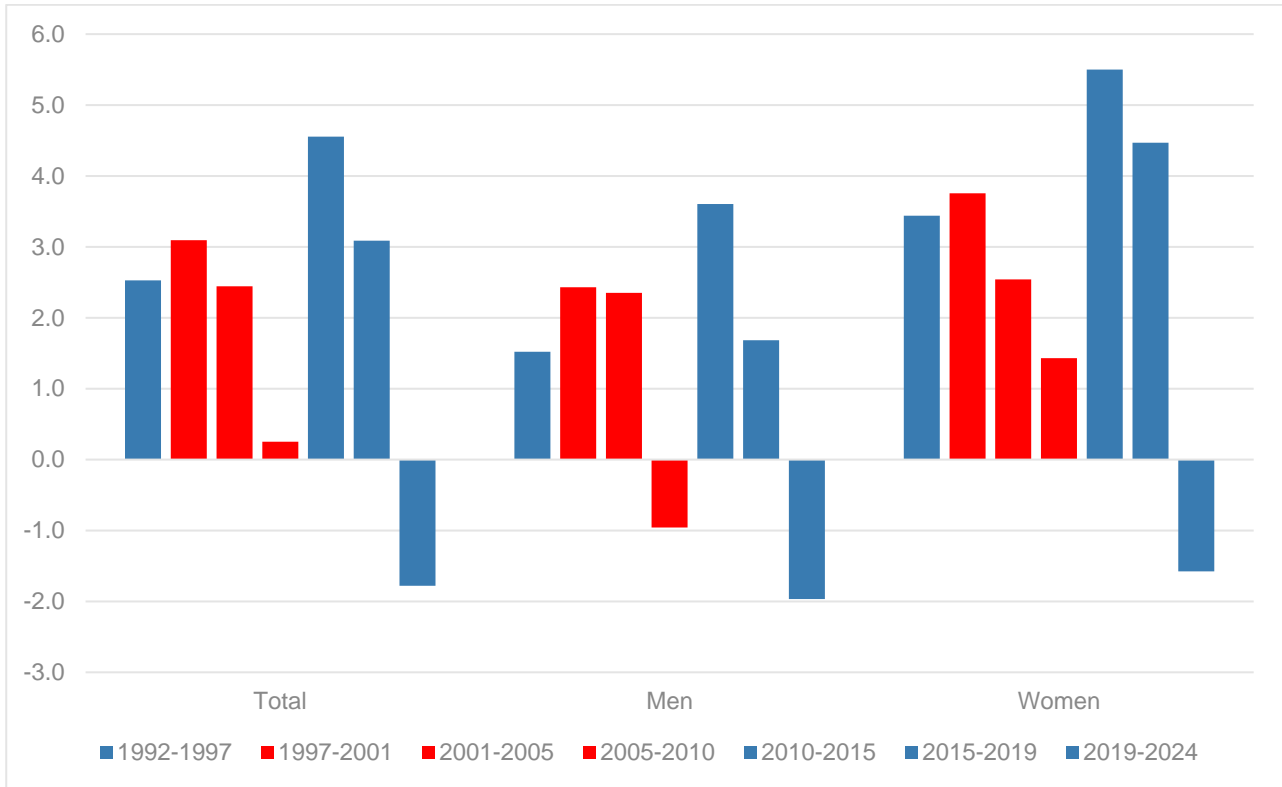
Higher worklessness continues to be driven by older and younger people, and more with long-term ill health

As we have set out in [previous briefings](#), the growth in worklessness continues to be primarily a result of more older people out of work, fewer young people in work, and more people off with long-term health conditions.

Taking these in turn, higher worklessness among older people in part reflects a significant growth in the population aged between 50-64 (up by around half a million over the last Parliament alone) but also by a lower likelihood of older people being in work. And while an ageing population has been a feature of the last few decades, this is the first time that this has translated into higher worklessness rather than higher employment. This is set out in Figure 6 below, which shows the percentage point change in employment rates for people aged 50-64, again by Parliament, and also broken down for men and women. This data is only available back to 1992 so only covers the period since then.

This shows that this Parliament has been the only time that the employment rate for people aged 50-64 has fallen, declining by nearly two percentage points over five years. By contrast, it rose by nearly eight percentage points between 2010 and 2019, and by nearly six points between 1997 and 2010. Employment growth has been driven in particular by more older women in work – reflecting wider social and economic changes – but has fallen for both women and men over the last five years.

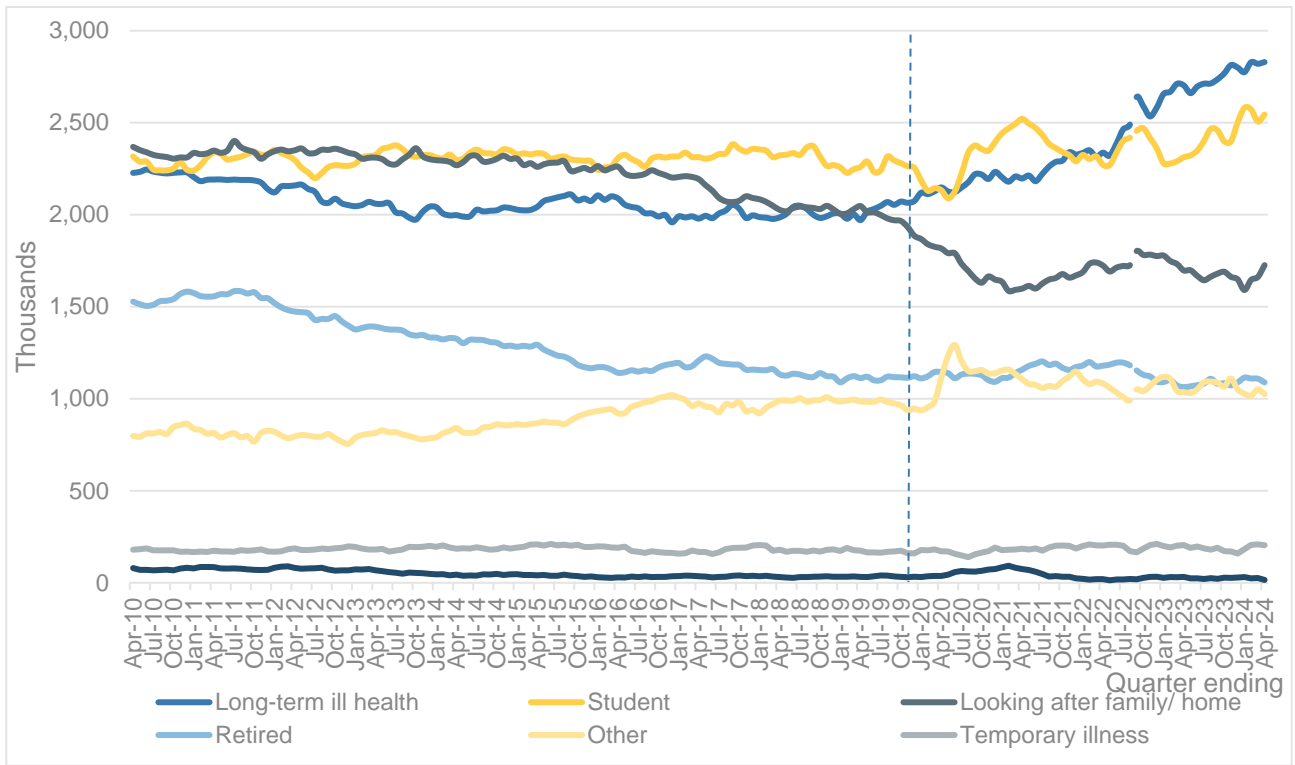
Figure 6: Percentage point change in employment rate for people aged 50-64 by Parliamentary term, 1992 to 2024



Source: Labour Force Survey. Note that the 2015-2017 and 2017-2019 terms have been combined.

Figure 7 below then shows the number of people outside of the labour force by the main reason given. The blue line shows the number off work primarily due to a long-term health condition, and this set a new record today at 2.83 million. This has likely grown by two fifths over the last five years, although changes in the weighting of data in 2022 means that comparisons over a longer period are not precise. This is rising across age groups, with larger proportionate rises among young people, but larger numerical rises among older populations (as older people are more likely to have underlying health conditions). This graph also shows that there are more non-working students than five years ago (yellow line) and more people off work for ‘other’ reasons (the pink line – this includes people who may be waiting for a job to start, or who say that they don’t need a job). Meanwhile the number of people off work because they are looking after their family or home has fallen – reflecting the fact that we are having fewer children, having children later, and often more able to combine work and care.

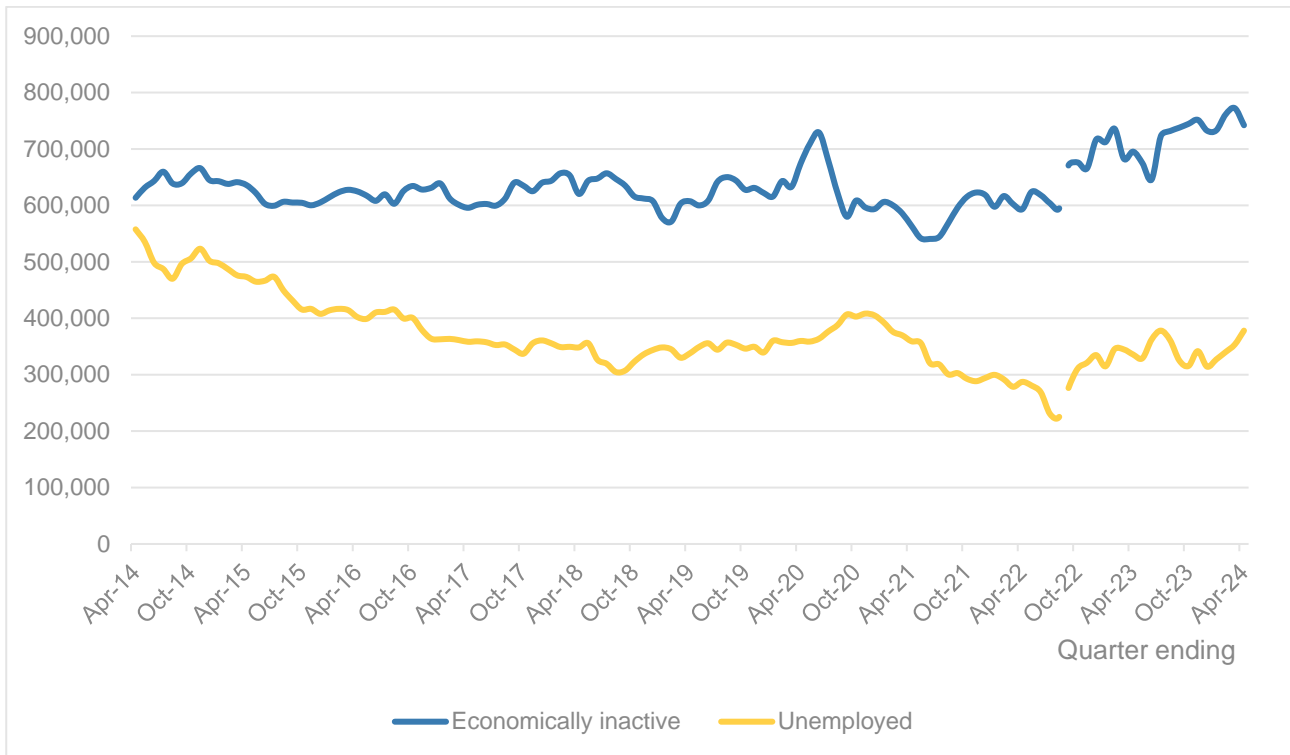
Figure 7: Economic inactivity by main reason given



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

Finally, fewer young people in work is being driven by a combination of more young people in full-time education and increases too in the number of young people neither in full-time education nor work. In recent briefings we have emphasised that this was being driven in particular by more young people outside the labour force entirely (i.e. economically inactive) and that this had reached its highest ever level and rate. However there may also be signs now that unemployment among those outside of full-time education could also be ticking up. These trends are set out in Figure 8 below.

Figure 8: Number of young people not in full-time education or employment, by whether unemployed or economically inactive



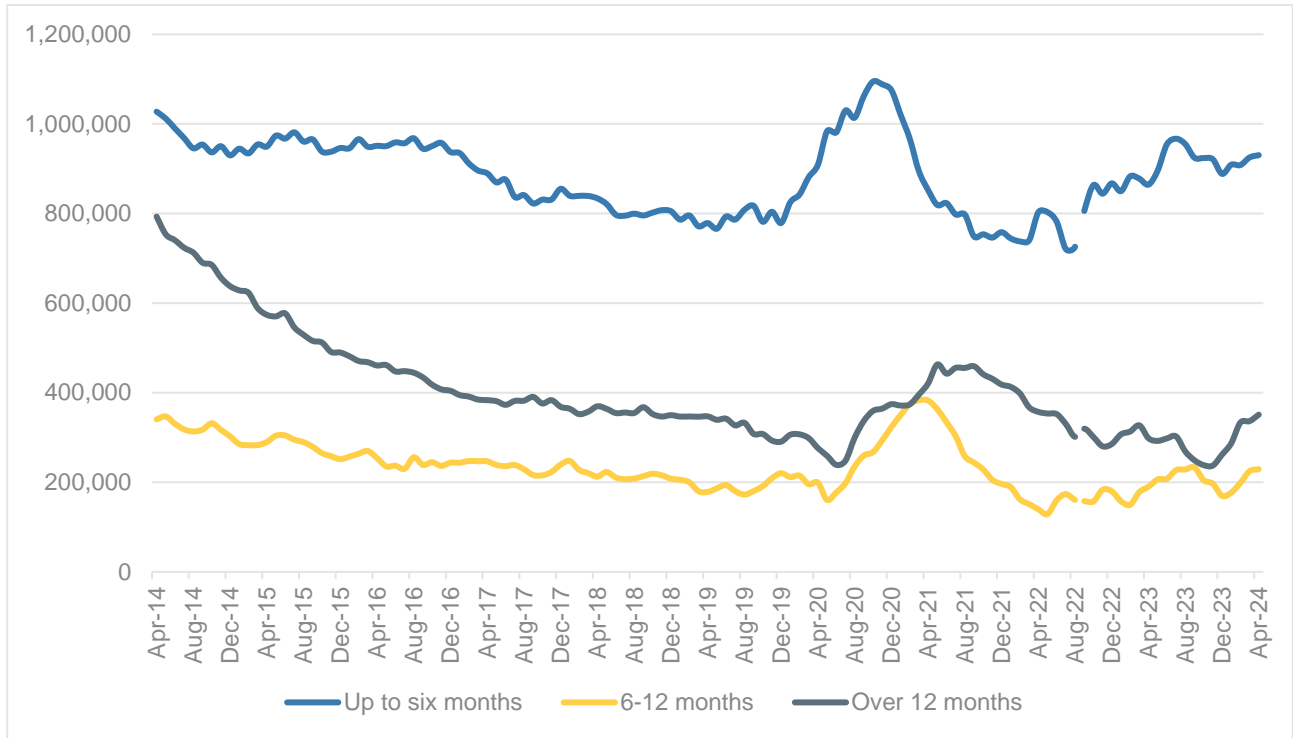
Source: Labour Force Survey. Note that data from July to September 2022 onward has been reweighted, causing a step change discontinuity.

Rises in unemployment appear to be mainly due to long-term unemployment, rather than a cooling market

The rise in unemployment among young people outside of full-time education could be taken as a sign that the economy is ‘cooling’, and much reporting of the jobs data today has used that word. However it remains our view that it is weaknesses in the labour market that are holding back economic growth rather than the other way around. In particular, as we have said previously, if the economy were cooling then we would expect to see rises in unemployment being mainly driven by increases in shorter-term unemployment. However as Figure 9 below shows, short-term unemployment (the blue line) appears to be broadly flat – albeit higher than it was immediately before the pandemic. The increases in unemployment appear to be being driven by those who have been unemployed for longer periods (and particularly for a year or more, shown in the black line).

So taken together, higher unemployment among young people outside of full-time education, a higher (but broadly flat) level of short-term unemployment, and rises in longer-term unemployment are all more consistent with problems in matching unemployed people to jobs and/ or helping to address disadvantages that they may face in the labour market – so problems with our supply side policies rather than demand.

Figure 9: Unemployment by duration

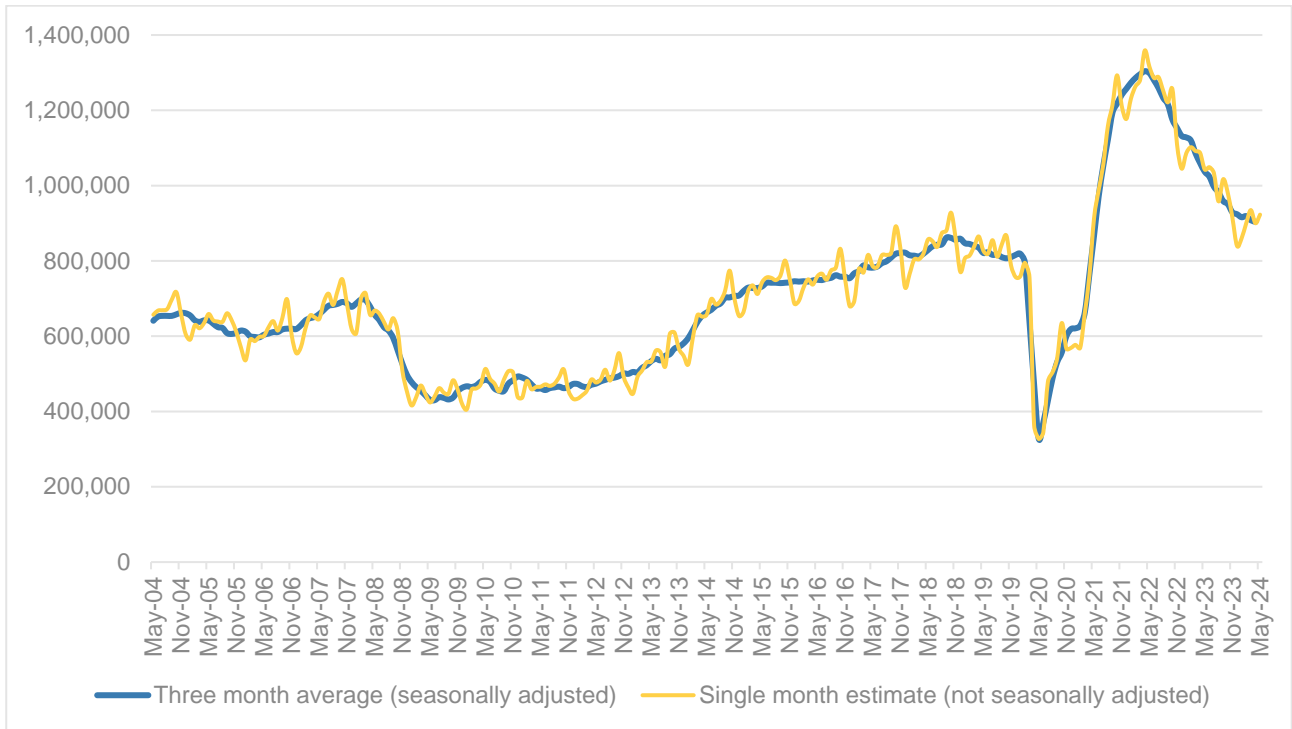


Source: Labour Force Survey. Note that data from July to September 2022 onward has been reweighted, causing a step change discontinuity.

In more signs that demand is holding up, vacancies continue to level off while redundancies are low

There is further evidence that demand remains fairly strong in the latest data on vacancies and redundancies. On vacancies, these are continuing to level off at around 900 thousand, so well above their pre-pandemic levels (of around 800 thousand) but below the exceptionally high levels they reached after the Covid-19 lockdowns ended. 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).

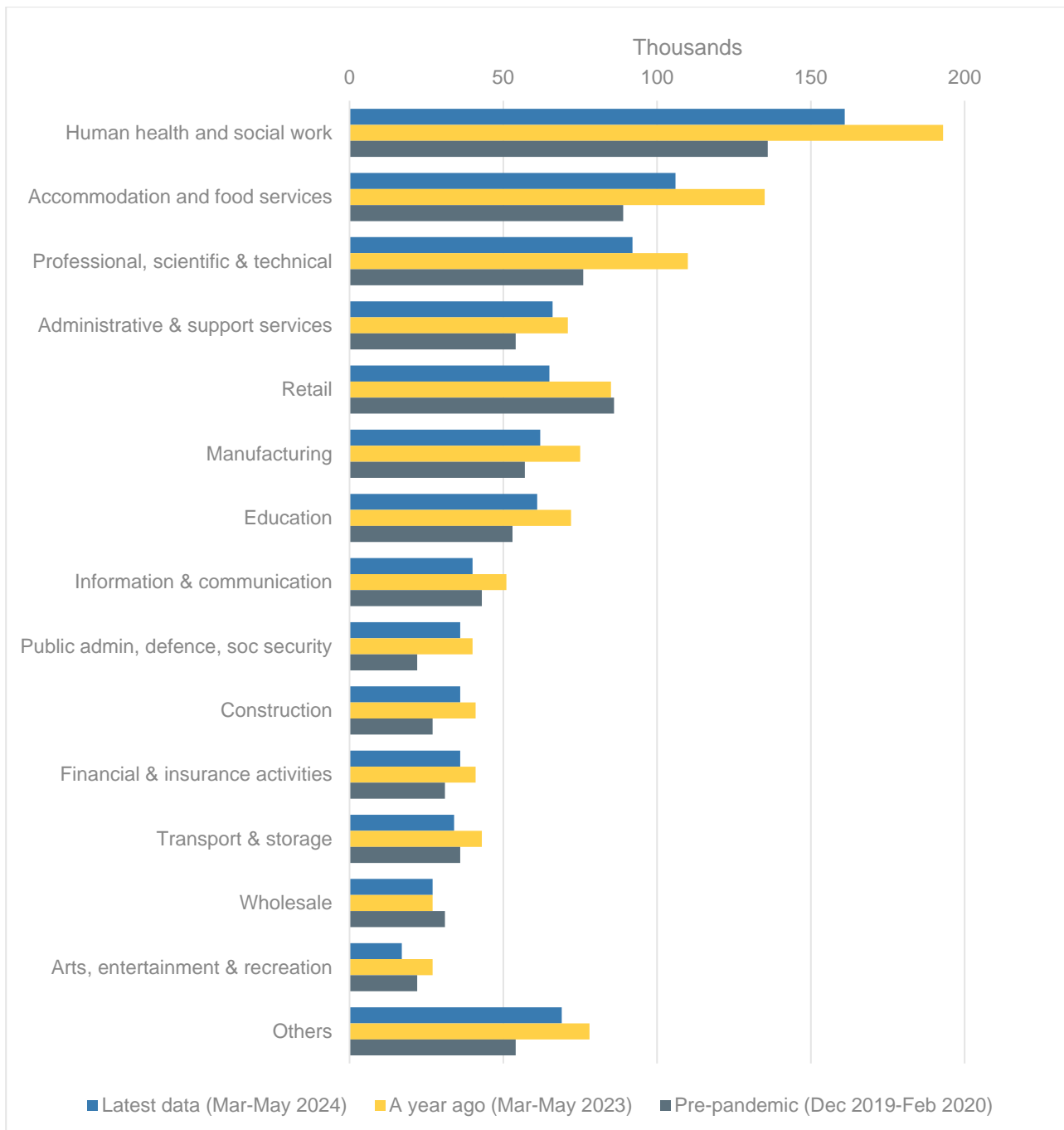
Figure 10: Vacancies – quarterly and single-month estimates



Source: ONS Vacancy Survey

Figure 11 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 are 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.

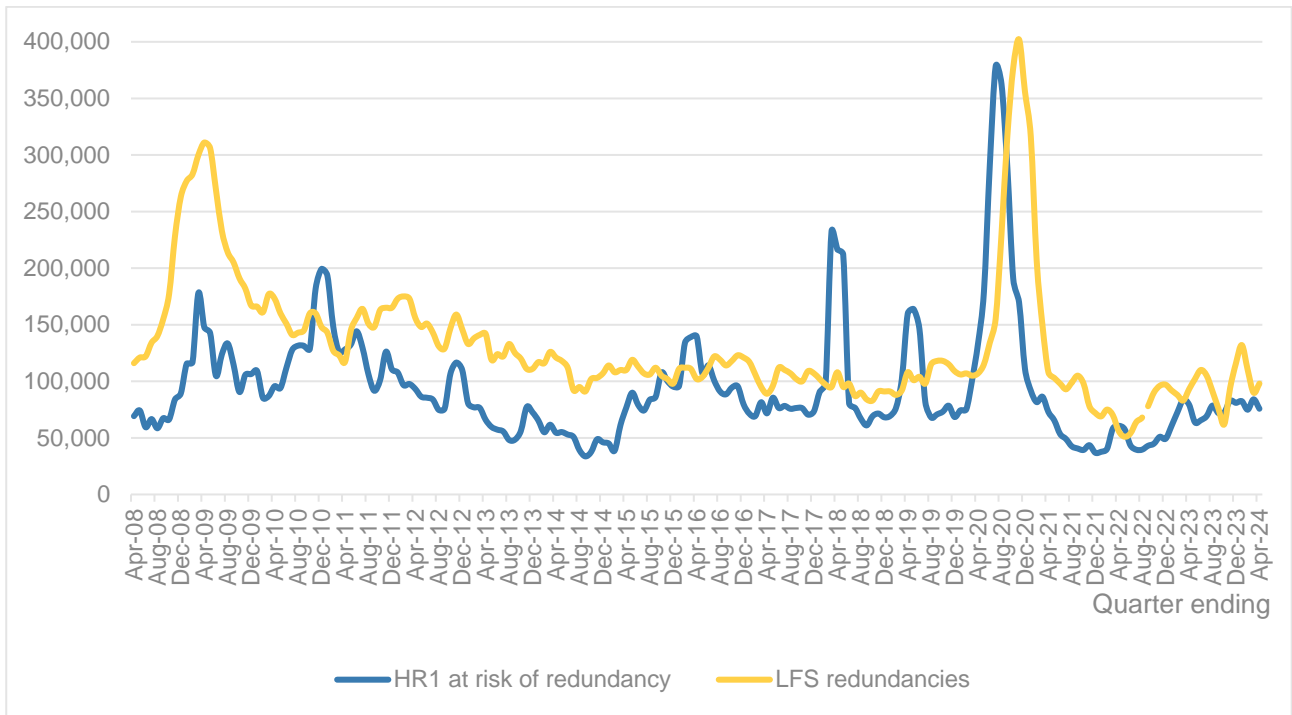
Figure 11: Vacancies by industry: latest data (Mar-May 2024), a year ago (Mar-May 2023) and pre-pandemic (Dec 2019-Feb 2020)



Source: ONS Vacancy Survey

Redundancy figures also remain very low by historic standards, which again does not suggest that the economy is significantly cooling. Figure 12 below 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 the HR1 data is more reliable and also a good leading indicator for future redundancies. Both are broadly flat and in line with pre-pandemic levels.

Figure 12: Quarterly number of employees notified as at risk of redundancy (HR1 forms) and reporting having been made redundant (Labour Force Survey)

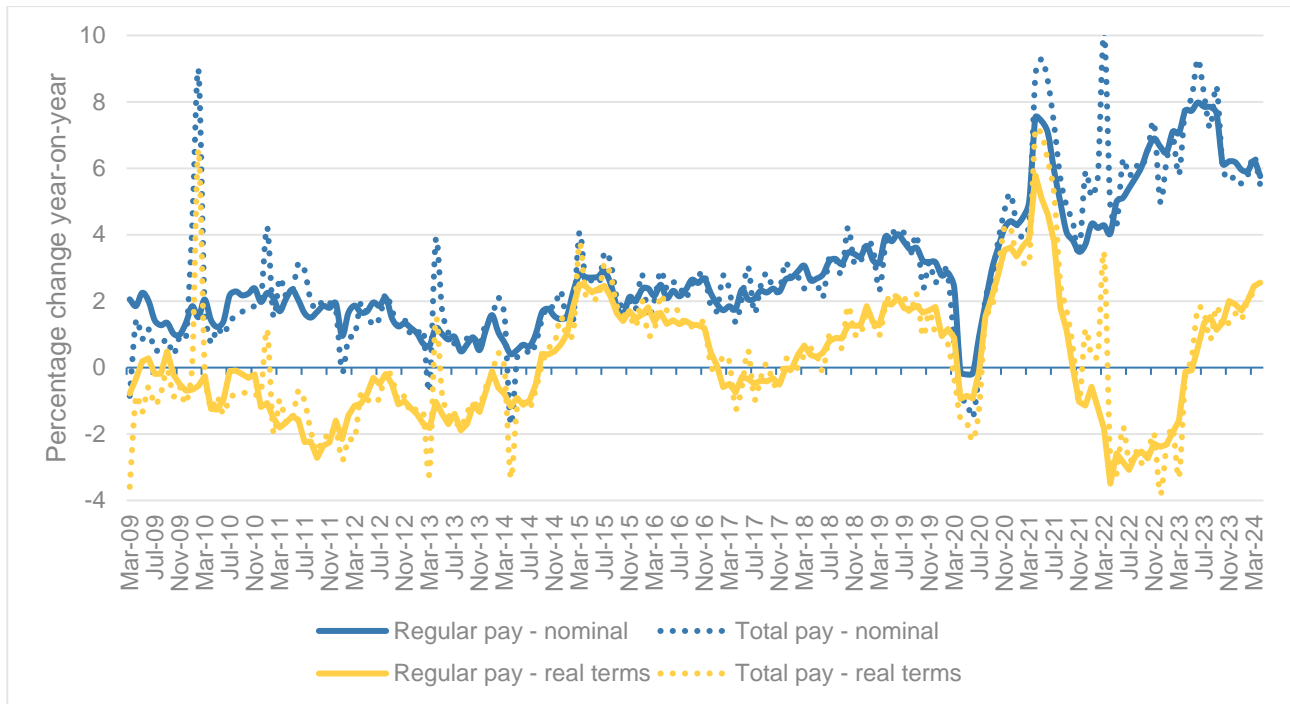


Source: IES analysis of Insolvency Service and Labour Force Survey data. Note that data from July to September 2022 onward has been reweighted, causing a step change discontinuity.

Pay growth remains strong at around 6%, with ‘real’ pay growing at its fastest rate since 2015 as inflation falls

There is better news today in the latest data on pay growth, which has seen regular pay (excluding bonuses and arrears) continue to rise strongly – up by 5.8% between April 2023 and April 2024. With inflation now falling back, ‘real terms’ pay is also rising more strongly now too, up by 2.6% over the last year. Excluding the post-pandemic period (when pay growth figures were distorted by temporary lay-offs and furloughs), this is the highest growth in real-terms pay in nearly a decade. Figure 13 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).

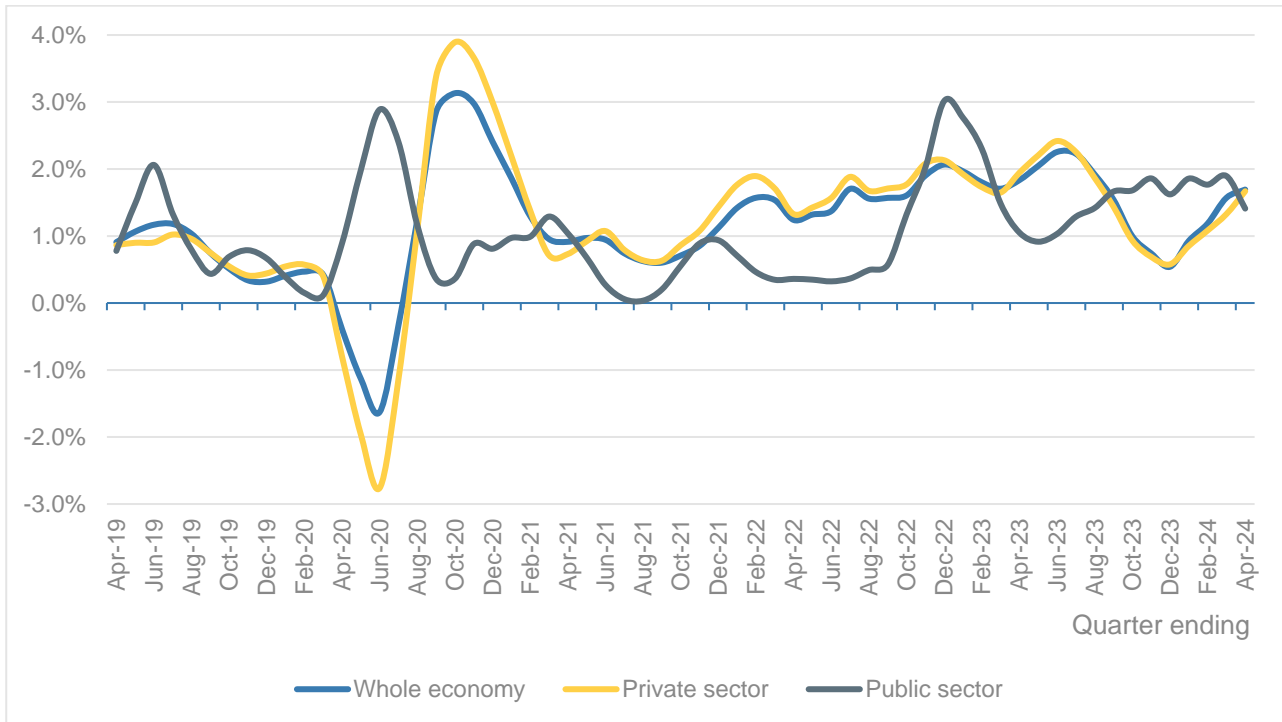
Figure 13: Year-on-year change in regular and total pay – nominal terms and adjusted for inflation (real terms)



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 12 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 February-April with the average for November-January. This shows that overall, pay grew by around 1.7% quarter-on-quarter, so equivalent to nearly 7% a year. Private sector pay growth (in yellow) appears to be increasing while public sector pay growth (in black) has dipped. With inflation remaining low, this means that on pay at least we should continue to see continued positive news over the rest of the summer.

Figure 14: Quarter-on-quarter changes in quarterly average for regular pay

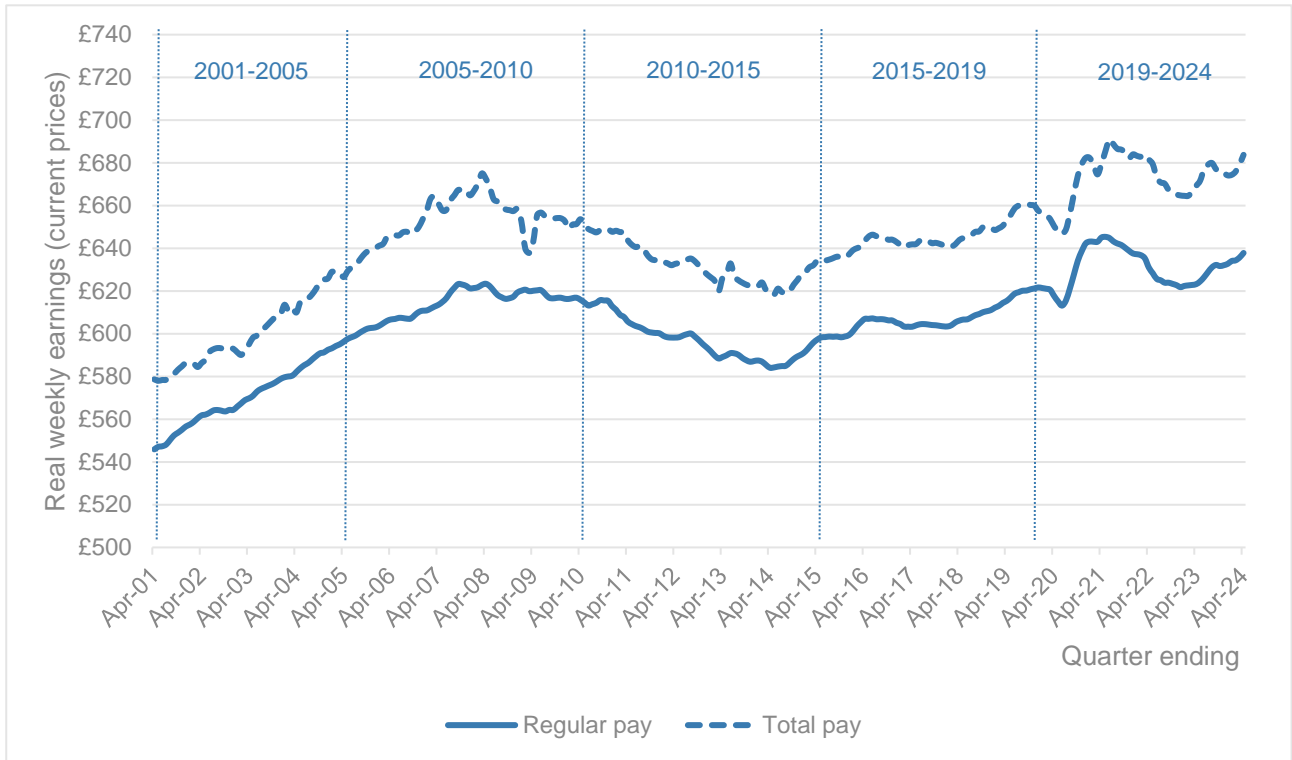


Source: ONS Monthly Wages and Salaries Survey. Measure shown compares average pay in the quarter ending in the month specified, compared with the previous non-overlapping quarter.

As a result of these recent increases, regular pay in real terms is now firmly above its previous peaks (excluding lockdowns etc): £17 a week higher than on the eve of the pandemic, and £15 a week higher than the peak it reached in 2008 on the eve of the financial crisis (both in today’s prices). Figure 15 below illustrates this, with the solid line showing real regular pay and the dotted line real total pay (including bonuses and arrears).

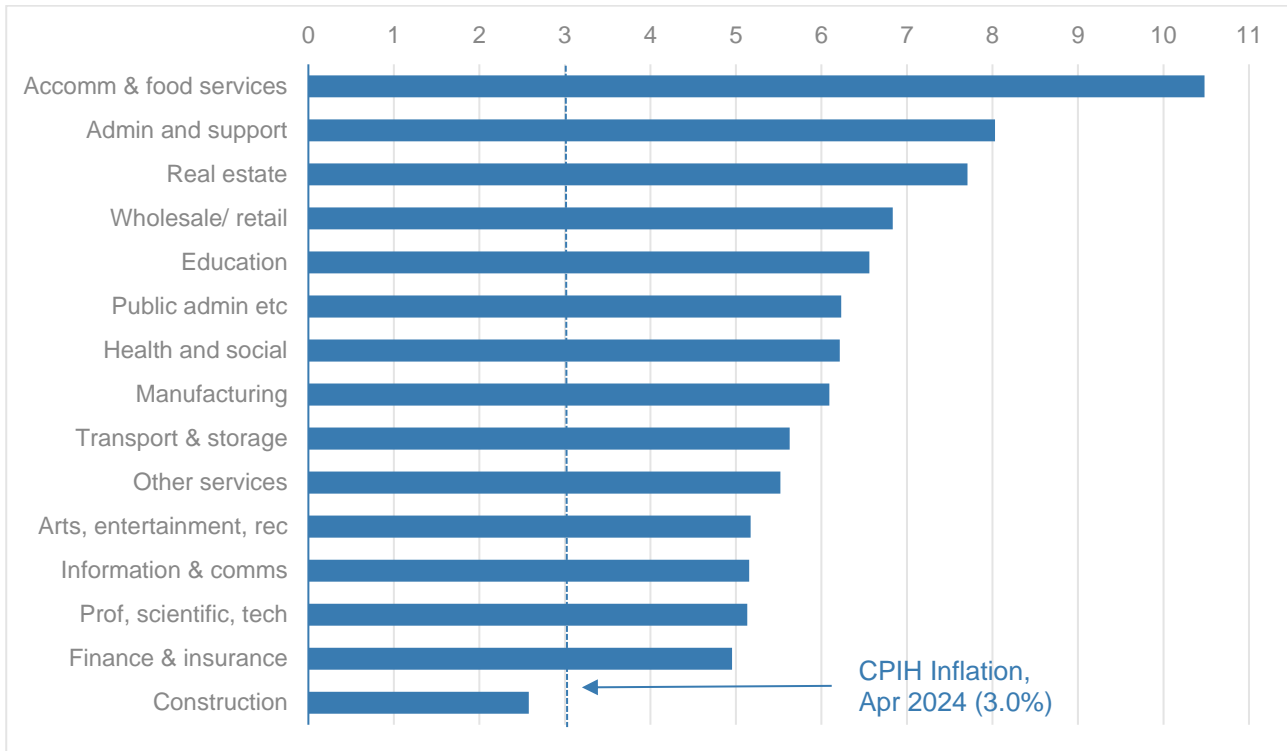
We have also put lines in the figure below to illustrate real terms pay growth across different Parliaments back to 2001. This shows that over the Parliament just ended, real pay grew by around £20 a week – a similar rate of growth to the period 2015-2019 and a welcome reversal of the near-£20 a week falls seen during the Coalition years. However pay growth remains well below the rates that we saw prior to the financial crisis, with average pay in real terms growing by nearly £60 a week in today’s money during the 2001-2005 parliament.

Figure 15: Real weekly earnings – regular pay and total pay (incl. bonuses and arrears)



Source: ONS Monthly Wages and Salaries Survey.

Looking at pay growth by industries, Figure 16 shows that pay is growing faster than inflation across industries except for construction, where as with previous months pay growth remains subdued. Again in common with last month, it appears to be particularly strong in some industries that are historically lower paid – hospitality, retail and administrative and support services – and we can expect to see this to continue to be the case as the effects of the 10% increase in the National Living Wage start to feed through.

Figure 16: 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 Jan-Mar 2024 (not seasonally adjusted).

Increases in ‘Workforce Jobs’ and PAYE data may give weight to the view that the LFS is understating things

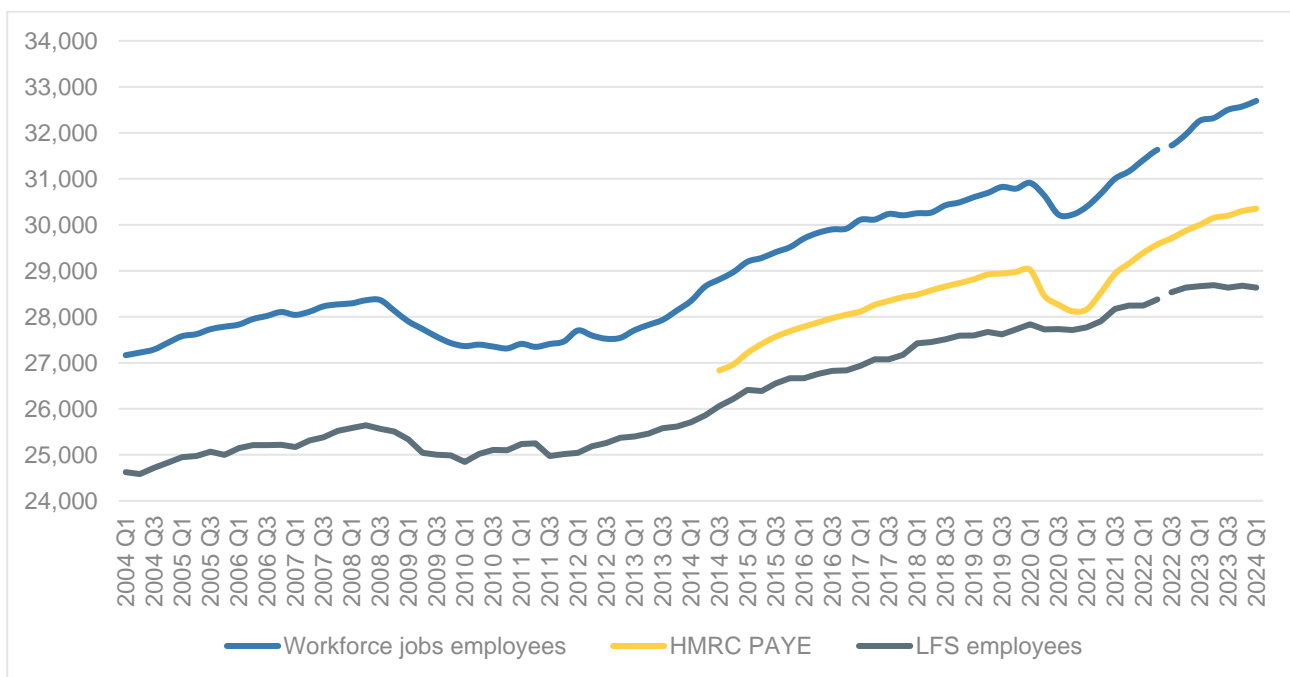
Finally, today also sees the release of the latest quarterly estimates of ‘Workforce Jobs’, which are compiled using returns from a series of employer surveys (in the public and private sector) to estimate employee numbers, with data from the Labour Force Survey on self-employment then added. These estimates are always higher than the estimate of employment in the LFS, as there are more jobs in the economy than there are people employed (partly because a million or so people work two jobs, and partly because of other factors like timing differences). However the gap between the two measures has been growing, and that has continued in today’s release.

The ONS has also today noted at the start [today’s release](#) that there are ‘divergent trends’ in the Workforce Jobs data but also in the payroll data collected by HMRC (so called ‘Pay As You Earn’ data) which are both showing stronger growth in employment levels than the LFS. Figure 17 below shows these three series together – Workforce Jobs, PAYE and LFS – and restricts this to employee numbers to aid comparison (as the PAYE data is employee only, and the self-estimates in the other two datasets are effectively the same data).

The last time that the ONS has formally tried to reconcile these datasets was in [October 2022](#), with another update promised in spring 2023 but still not published. We noted in June 2023 that it was possible that the divergence was due to LFS population estimates being too low, but as we said in our briefing three months ago if anything the gap has got wider since the ONS reweighted its LFS data to reflect Census estimates. The current gap between employee estimates in Workforce Jobs and the LFS stands at 4.2 million, up by nearly a million over the last two years.

As we said at the start of this briefing, the Bank of England pointed out last month that while the population *estimates* for 2022 were updated following the Census, the *projections* for growth beyond 2022 continue to be based on older and lower estimates. If the employment level were to be revised up by (say) 300 thousand, then this would close at least part of the gap between the Workforce Jobs and LFS estimates, but would still leave most of it unexplained.

Figure 17: Number of employees based on Workforce Jobs (blue), Pay As You Earn (yellow) and Labour Force Survey (black) estimates



Source: Workforce Jobs, Pay As You Earn Real Time Information, Labour Force Survey

Conclusion

The last Parliament started with the labour market in remarkably strong shape – with employment at its highest ever, the lowest rate of economic inactivity on record, and unemployment at its lowest since the early 1970s. Five years on however, and things have not only got worse but if anything are still going backwards. The UK has slipped from having the eighth highest employment in the developed world to fifteenth, and has seen a larger contraction in the labour force than in any Parliament since at least the early 1970s.

Reports that this is a result of the economy ‘cooling’ appear to be wide of the mark, with short-term unemployment broadly flat, vacancies levelling off and very high, and redundancies close to historic lows. In our view, the key challenges that we face continue to be more on the ‘supply’ side than ‘demand’ – and in particular around people’s access to appropriate employment, skills and health support, and providing the services to employers to help them to fill jobs (and expecting more from them too). As we said last month, rhetoric around welfare cuts and ‘sicknotes’ will not fix this, but sustained action to improve services and employment support might.

In our [Commission on the Future of Employment Support](#), in partnership with the abrdn Financial Fairness Trust, we are developing proposals particularly around how we can reform our main employment services so that they are focused on employment support rather than benefit compliance; how we can integrate better with careers services, skills and employer support; and how we can commission and deliver services more effectively through local partnerships to better meet wider needs and deliver support closer to people who are outside of the labour force. We have set out in [this article five key priorities](#) for the next Parliament and will publish fuller proposals after the general election.

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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