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Insights into the Current Labour Market: What Small Business Owners Should Know

The latest data from the Office for National Statistics (ONS) for the period from January to March 2024 offers valuable insights into the labour market. Here's a simplified breakdown:

	Rate	Number (000s)	Change on quarter (%change)	Change on year (%change)
Employment (000s, aged 16 - 64)	74.5%	32,997	-1,787,000 (-0.5%)	-204,000 (-0.6%)
Unemployment (000s, aged 16+)	4.3%	1,486	+166,000 (+12.6%)	+103,000 (+7.4%)
Economically inactive (000s, aged 16 to 24)	13%	539	+57,000 (+11.8%)	+32,000 (+6.3%)
Redundancy Rate (000's aged 16+)	3.1%	90	-26,000 (-0.9%)	+7,000 (+2.0%)

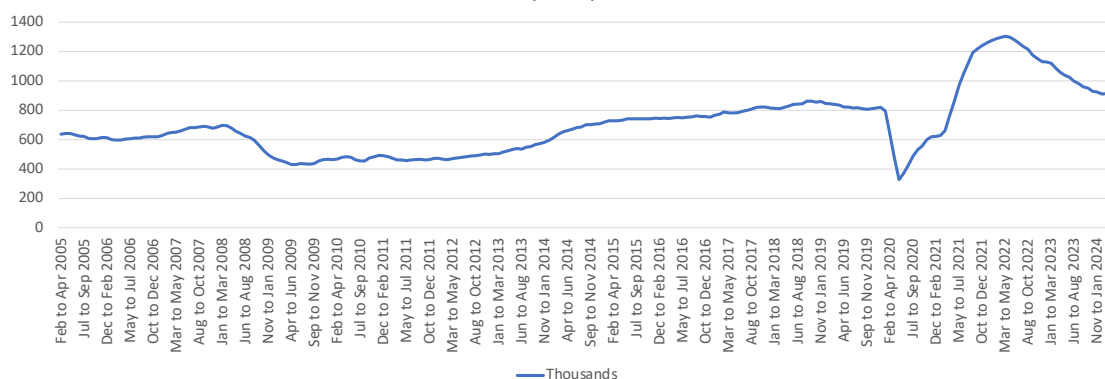
Source: Labour Force Survey from the Office for National Statistics

1. Overall Trends:

- **Steady Scenario:** The labour market remains tight overall, with a gradual softening trend.
- **Employment Decline:** January to March estimates 74.5% of population currently employed. This is a decrease of 0.6% on the previous quarter.
- **Economic Inactivity:** There's a slight increase in economic inactivity, with the unemployment rate higher, at 4.3%, than estimates from a year ago. The redundancy rate has softened on the quarter but still slightly higher than the rate a year ago.
- **Vacancies:** Job openings continue to decline, down 26,000 on the quarter, but remain above pre-pandemic levels.

The estimated number of vacancies fell on the quarter to 898,000

Number of vacancies in the UK, seasonally adjusted, February to April 2005 to February to April 2024



Source: Vacancy Survey from the Office for National Statistics

2. Payroll Observations:

- **Employee Numbers:** Payrolled employee figures have seen a decrease, reaching 30.2 million in April 2024. This is a increase of 129,000 over 12months but there was a decrease of 0.3% or 85,000 on March 2024.
- **Median pay growth:** The rate of median pay growth is lower in 2024 than previous year and is more level than the erratic increases seen in 2023. 10% of employees earn less than £782 per month and 90% earn less than £5,449 per month and 1% earning over £15,525 per month.

The rate of growth in median pay is lower in 2024 than the high rates seen through 2023



- **Economic Inactivity Rate 22.1%:** The rate of economic inactivity has risen, largest increases seen in the 50 - 64 and 16 - 24 age groups. The annual increase has been driven by increases in long- term sick, which has been increasing across all age groups, and students.

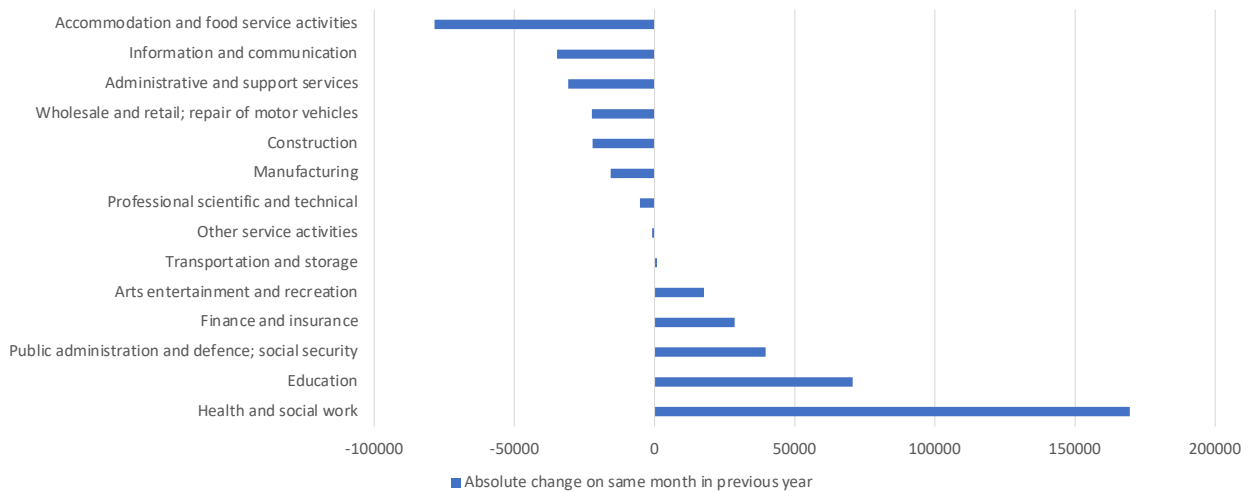
3. Challenges for Small Businesses:

- **Recruitment Struggles:** Many small businesses are facing challenges in hiring, with a persistent shortage of skilled workers leading to rising wages.
- **Two-Speed Labour Market:** While unemployment is on the rise, there's still a significant number of unfilled job vacancies, particularly in sectors like energy, hospitality, and healthcare.
- **Importance of Training:** Improving access to training, especially by reforming initiatives like the Apprenticeship Levy, is crucial to addressing skill shortages.

4. Notable Changes:

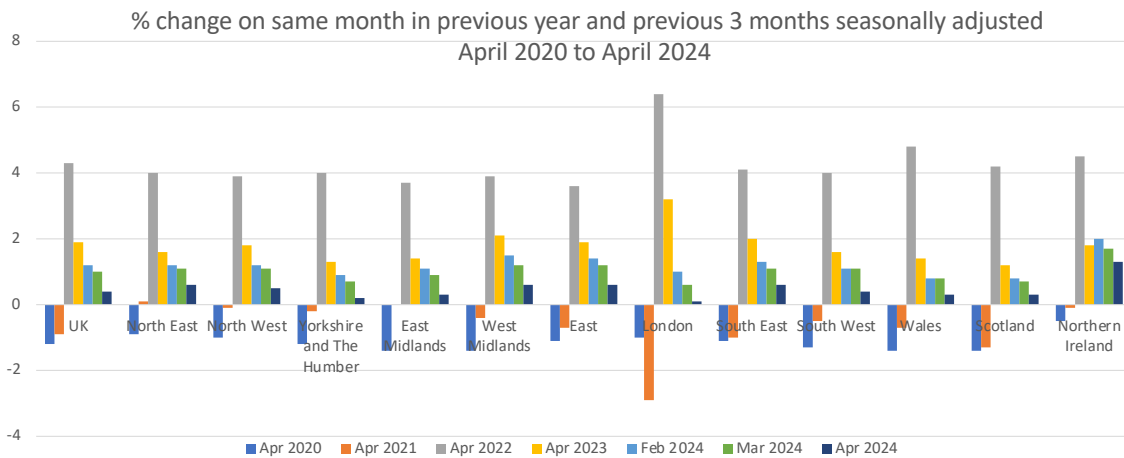
- Employment Trends:** London and N. Ireland experienced higher growth than the UK average while the North East and Scotland experienced lower than average growth. The hospitality sector saw the largest decrease and the Health and Social Work sector continued to grow.

Payrolled employees, absolute change on April 2023 seasonally adjusted, UK April 2024



- Unemployment Patterns:** Similarly, unemployment rates fluctuate across regions, with all showing decrease.

Regional employee growth fell across the UK over 2020 & 2021, but subsequently recovered across all regions.



Source: PAYE Real Time Information for HMRC

In summary, while the labour market shows signs of softening, challenges persist for small businesses in recruitment and skill shortages. Addressing these challenges requires collaborative efforts between businesses and policymakers to enhance training opportunities and support economic recovery.

Carmen Watson, Chair of Pertemps Network Group, said: “This month’s update shows that the job market is adjusting to economic changes. Job openings are stable, even though things have slowed down. The future looks promising with a possible increase in demand, offering some hope despite the uncertainties.

“However, pay growth is slowing down gradually, which could be tough for industries hit by recent policy changes. It’s important for policymakers to focus on practical strategies, address skill gaps, and simplify regulations to support long-term, sustainable growth.”

Jane Gratton, Deputy Director Public Policy at the British Chambers of Commerce, responds to the latest labour market data:

“Employers across the UK will welcome further signs that the labour market is cooling, but more must be done to ensure they can access the skills they need.

“Today’s data chimes with the picture we’re hearing from businesses. [Our latest survey](#) showed recruitment conditions eased in Q1 with fewer firms facing difficulties hiring.

“But significant challenges and pressures remain. Competition for skills, increased wage costs and high interest rates continue to ramp up pressure on businesses and act as a drag on investment and growth.

“More needs to be done to stabilise costs and bring people back into the workforce. While flexible and inclusive workplaces can help employers attract and retain skilled people, businesses will need support to increase their investment in workplace training if we are to tackle ongoing skills shortages.

“We need to see action from politicians to break down the barriers to work for everyone. The number of people outside the workforce because of health issues remains a particular concern.

“Getting the strong economic growth we all want to see will only be possible when the skills and workplace challenges are resolved.”

More detail on the latest ONS labour market data can be found [here](#).



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