

Employers face challenging start to 2025 as pay growth rises

1 year ago



Estimates for payrolled employees in the UK increased by 24,000 (0.1%) between September and October 2024, and rose by 140,000 (0.5%) between October 2023 and October 2024.

Payrolled employees fell by 22,000 (0.1%) over the quarter but rose by 160,000 (0.5%) over the year, when looking at August to October 2024. This is the period comparable with our Labour Force Survey (LFS) estimates.

The early estimate of payrolled employees for November 2024 decreased by 35,000 (0.1%) on the month and increased by 76,000 (0.3%) on the year to 30.4 million. The November 2024 estimate should be treated as a provisional estimate and is likely to be revised when more data are received next month.

Increased volatility of LFS estimates, resulting from smaller achieved sample sizes, means that estimates of change should be treated with additional caution. We recommend using them as part of our suite of labour market indicators, alongside Workforce Jobs (WFJ), Claimant Count data, and Pay As You Earn (PAYE) Real Time Information (RTI) estimates.

The UK employment rate for people aged 16 to 64 years was estimated at 74.9% in August to October 2024. This is largely unchanged on a year ago, but up in the latest quarter.

The UK unemployment rate for people aged 16 years and over was estimated at 4.3% in August to October 2024. This is above estimates of a year ago, and up in the latest quarter.

The UK economic inactivity rate for people aged 16 to 64 years was estimated at 21.7% in August to October 2024. This is below estimates of a year ago, and down in the latest quarter.

The estimated number of workforce jobs was 36.8 million in September 2024, an increase of 73,000 (0.2%) from June 2024. There were increases in both employee jobs and self-employment.

The UK Claimant Count for November 2024 increased both on the month and on the year, to 1.769 million.

The estimated number of vacancies in the UK decreased by 31,000 on the quarter to 818,000 in September to November 2024. Vacancies decreased on the quarter for the 29th consecutive period but are still above pre-coronavirus (COVID-19) pandemic levels.

Annual growth in employees' average earnings for both regular (excluding bonuses) and total earnings (including bonuses) in Great Britain was 5.2% in August to October 2024.

Annual growth in real terms, adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH), was 2.2% for both regular and total pay in August to October 2024.

There were an estimated 42,000 working days lost because of labour disputes across the UK in October 2024.

Responding to the latest ONS labour market figures, James Cockett, senior labour market economist for the CIPD, the professional body for HR and people development, comments:

"Today's figures show high wage levels are persisting and wage growth has risen for the first time in a year. This is evident across the economy as firms continue to grapple for talent. There was no drastic change in employment intentions in the immediate aftermath of the Budget. Vacancies have continued their stable downward trajectory and are now in touching distance of pre-pandemic levels. As we head into 2025, we expect the fall in vacancies to continue with wage growth remaining high in the first few months of the year.

"Employers face tough waters ahead with rising employments costs as a result of the Budget, compounded with a raft of changes in the Employment Rights Bill. The uncertainty around the detail on the Bill means it will be a precarious start to 2025 for many employers. The levers they can pull are limited due to ongoing cost pressures. We can expect rising prices and job losses, as firms plan for the next financial year. We urge the Government not to lose sight of smaller businesses in particular, who are likely to be disproportionately affected by the cumulative impact of these changes, and require more support, advice and guidance in implementing many of the proposals.

"Looking ahead for pay we have a marker in the sand for 2025 with Government departments recommending a 2.8% pay rise for millions of public sector workers. Many employers across the economy will anticipate cost pressures in the coming months, following the changes to National Insurance due to come into effect from April. One consequence is likely to be lower pay growth, later in the year.

"Uncertainty continues to plague the labour market data, which acts a bedrock of evidence-based policy. Revisions included in today's release estimate that employment is over 400k higher than previously thought. The levels of unemployment, employment and inactivity are however broadly holding steady as

we remain in a tight labour market.”