



Changes in the UK labour market

Comparing May 2022 with pre-pandemic 2019

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Key points:

The workforce

We have in particular compared the labour market data for March-May 2022 with Q3 of 2019, which was the peak pre-pandemic quarter for UK GDP. GDP in Q1 2022 was 0.6% higher than in Q3 2019, due wholly to increased government consumption and investment.

- The **post-16 population** has increased by 463,000, but that for the 16-64 age group by just 119,000.
- Within the 16-64 age group, there has been a small decrease in the number of **economically active** people, but for the whole 16+ group, there has been an increase of 89,000. There is a significant gender divide, with the number of economically active women up 232,000, while the number of active men is down by 143,000. A similar gender pattern exists for the 16-64 group.
- The overall number of **economically inactive** is up by 132,000 for the 16-64 age group. The age cohort 50-64 has however seen a much higher level of withdrawal from the labour market since the pandemic, with an increase of 249,000 in the inactive. Of this, women comprise 106,000, and men 143,000.
- There are major changes in the **reasons given for economic inactivity**; a major one is an increase of around 300,000 due to illness, of which 267,000 relates to long-term sickness.
- For the whole 16+ population, the number in of **those in employment** of some kind was 32.753 million on Q3 2019, and 32.863 million in March-May 2022. An increase of 110,000.
- For the 16-64 age group, the increase in **those in employment** is just 15,000. Looking at the 50-64 age cohort, the number in employment rose by 32,000, while the group's population is up 280,000.
- A strong feature of the current labour market data is the rise in number of those in **full-time employment** (whether employees or self-

employed), up by 473,000. The number of **part-timers** has decreased over the period by 363,000.

- One of the major changes is the balance between those who are employees and those who are self-employed. The number of **employees** was 824,000 higher in 2022, while the number of **self-employed** was 706,000 lower. Most notably, the number of **full-time employees** has increased by 1.103 million, while the number of **full-time self-employed** is 641,000 lower, a fall of 18%.
- The report looks at **changes in workforce jobs by industry** between 2019 and 2022. The main reductions have been in wholesale & retail etc., manufacturing, agriculture, and other services. The main increases are in human health, public administration, professional scientific & technical, and admin & support services.
- In relation to **changes in public and private sector employment**, there has been an increase of 322,000 in the public sector, and a fall of 426,000 in the private sector. Over half of the increase in the public sector is due to a rise of 168,000 in NHS employment since 2019, followed by 85,000 more working in public administration (of which 60,000 in the civil service).

Nominal and real pay

- Average **total nominal pay** of employees in May 2022 across the whole economy was 12.2% higher than in May 2019. Within this, Manufacturing sector pay was just 7% higher, wholesale/retail etc. sector 8.8%, public sector 9%, whilst Finance and business sector pay has risen by 16.9%.
- Over the course of the 21st century since since May 2000, nominal wages across the whole economy have risen by 93%, in the public sector by 90%, in manufacturing by 82%, but in finance & business by 110%.
- Nominal wages in the finance & business sector are now 16.9% higher than 3 years ago. This sector has consistently gained, in absolute and relative terms, over the whole of the 21st century. Since May 2000, nominal pay is up by 93%, but in the finance & business sector by 110%.
- Turning to **total real pay** (i.e. pay after allowing for CPI price inflation), we note that weekly earnings in May 2022 were £501 compared with £499 in May 2019 – and compared to £516 in May 2018
- Real pay was 4.5% lower in May 2022 than in the same month in 2021

Introduction

In order to see how the UK economy is faring, we have been comparing recent ONS data with – in particular - the data for the third quarter (Q3) of 2019, which was the pre-pandemic ‘peak GDP’ quarter. In overall GDP terms, in Q1 GDP was (according to ONS’s first estimate), 0.6% higher than in Q3 2019. As we have [pointed out](#),

“this is entirely down to increased government consumption and investment, mainly health-related. But for this real-terms increase, the economy (measured in GDP) would be some 2% smaller now...”

We await the Q2 2022 GDP figures for the UK – in the Eurozone, France and Italy both showed modest increases in Q2 over Q1, while Germany stood still.

In the meantime, we have the UK labour market figures from ONS covering their most recent 3 month period of March to May 2022, and we have tracked the most recent data against those for Q3 2019.

Please note that we are comparing 3 month periods, and in some cases monthly periods, over time, and quarterly and monthly data may be volatile. Thus, the reader should not take the figures in this report as definitive; however, we are confident that (with this caveat) they fairly represent, in broad terms, the underlying trends and developments over time.

The overall 16+ population

The overall UK 16+ population is estimated to have increased by 463,000. However, this mainly reflects more people reaching retirement age; the figures for those between 16 – 64 has increased by just 119,000.

The economically active - headline

For the whole 16+ population, the number of those **economically active** (broadly, those in some form of employment plus those unemployed, i.e. seeking work) is now 89,000 higher than pre-pandemic, while for the 16-64 age group, the number of economically active is marginally down, by 13,000.

The total number of economically active women is higher in 2022 by 232,000, while the number of economically active men is down by 143,000. For the 16-64 age group, the number of women is up by 183,000, but this is offset by a decline of 196,000 in the number of active men.

The economically inactive

Much current debate about the state of the labour market focuses on the increased number of those deemed ‘**economically inactive**’. Overall, the increase from Q3 2019 is 374,000.

It is no surprise that, with the increasing numbers of those 65+ , the number of economically inactive in this group is significantly higher, by 242,000.

The economically inactive number of the 16-64 age group is up by 132,000. Within this net increase of 132,000, there are important differences by age group. The 16-17 cohort saw 'inactivity' increase by 54,000, which may reflect more staying on in education. The 18-24 cohort saw, by contrast, a decrease in inactivity of 98,000, and those aged 25-34 also saw a decrease in inactivity, by 23,000. So overall, among younger people of working age, the level - and rate - of *inactivity* has declined. (The level of activity has however increased less, due to falling populations in these groups – see below).

The age cohort 50-64 has however seen a much higher level of withdrawal from the labour market since the pandemic, with an increase of 249,000 in the inactive. Of this, women comprise 106,000, and men 143,000. The overall population of this cohort has increased by 280,000, so there is still also a small increase in those economically active. The rate of inactivity has risen from 25.5% to 26.8%. The level of inactivity has not changed significantly over the last year.

Reasons for economic inactivity

Among the 16-64 age group, we can see some major changes in the reasons given for being 'economically inactive'. There has been a big fall in the numbers giving 'looking after the home' as reason (down 278,000). The number saying they want a job has fallen by 157,000, while those saying they do not want a job has risen by a large 289,000. Against that, the number giving retirement as their reason has risen by much less, 68,000. The number of students who are inactive has fallen by a modest 25,000.

There has also been much discussion whether the health impact of the pandemic (both long COVID and other illnesses) is a major factor among the 50+ age group. The number giving long-term sickness as their reason has sharply risen by 267,000, (from 2.054 million to 2.321 million), and those with temporary illness also up by 36,000. Thus the increase in activity due to illness is now over 300,000 above the pre-pandemic level, which appears to be strong *prima facie* evidence for the 'post-COVID impact' thesis.

The economically active

As noted above, this category includes those in employment (including the self-employed) plus those unemployed (actively seeking work). In fact, the number of unemployed is remarkably similar to that seen in Q3 2019, with the March to May figures down 21,000 for the whole 16+ population, and 29,000 down for the 16-64 age group. The biggest fall in unemployment is in the 18-24 cohort (-71,000), which however also shows the highest decline in total population. This report therefore focuses mainly, in this section, on those in employment.

We should note, however, that the number of economically active overall in March-May 2022 is just 89,000 more than in Q3 2019, despite a population rise of 463,000. The increase in those 'active' is wholly among the 65+ group – the number of 'economically active' in the 16-64 group has fallen by 13,000 (while the 'inactive' increased by 132,000).

Those in employment

For the whole 16+ population, the number in employment of some kind was 32.753 million on Q3 2019, and 32.863 million in March-May 2022. An increase of 110,000.

For the 16-64 age group, the increase in those in employment is just 15,000. Most notably within the age groups, for the 50-64 age cohort, the number in employment rose by 32,000, while the total population of this group went up by 280,000. The biggest fall in employment is in the 25-34 cohort, but this more closely follows the demographic picture (population decline, 37,000)

Unemployment

The rate of unemployment is almost unchanged in March-May 2022 from that in Q3 2019, at 3.8%. In numbers, for the whole 16+ group, in 2019 it was 1.206 million, and in 2022 a little lower at 1.285 million, i.e. 21,000 fewer. For the 16-64 group, there are 29,000 fewer unemployed.

Full-time and part-time employment

The strongest 'good news' story on the current labour market data is the rise in full-time employment (the numbers here are all for the whole 16+ age group).

In Q3 2019, there were 24.213 million in full-time employment, while the latest 2022 data shows 24.686 million – an increase of 473,000. The number of part-time workers has decreased, also by a large but lesser margin. Here, the decline is from 8.540 million (2019) to 8.177 million (2022), a fall of 363,000.

Employees and self-employed

One of the major changes between 2019 and 2022 is the balance between those who are employees (under a contract of employment) and those who categorise themselves as self-employed. In brief, the overall total in employment rose by 110,000 over the 2019 to 2022 period in question, but the number of **employees** was 824,000 higher in 2022, while the number of **self-employed** was 706,000 lower. (The ONS figures cover the whole 16+ workforce).

We have not to date seen persuasive evidence as to the main reasons for a change of this scale, which may however reflect an increased desire for security on the part of workers, as well as stronger employers' needs for employees. (We also pose the question whether court limitations on the definition of self-employment in the so-called 'gig economy' may be a partial cause).

Most notably, the number of **full-time employees** has increased by a big 1.103 million, while the number of **full-time self-employed** is 641,000 lower, a fall of 18% from Q3 2019.

The number of **part-time employees** is down 280,000, while the number of **part-time self-employed** is down 65,000, which is just 4.5%.

In sum, the main shift since 2019 is from full-time self-employment to full-time employee status working.

Changes in workforce jobs, by industry

Every 3 months, the ONS provides figures for changes in workforce jobs per industrial category. The latest data is for March 2022. We have compared these data with September 2019, i.e. within Q3 2019.

The following shows where there has been a change of at least 50,000 in an industry's workforce jobs over this 2.5 year period. (Of course, some sectors are far larger than others, but the absolute numbers are of more interest here than percentage changes). First the main 'losers':

- Agriculture, forestry & fishing: -74,000
- Manufacturing: -86,000
- Construction: -52,000
- Wholesale & retail trade etc.: -193,000
- Financial & insurance: -62,000
- Arts, entertainment, recreation: -67,000
- Other services: -102,000

And the main 'gainers':

- Information & communication: +56,000
- Professional, scientific & technical: +91,000
- Admin & support service: +136,000
- Public admin, defence & social security: +113,000
- Education: +80,000
- Human health & social work: +161,000

In total, the number of jobs shown was almost the same in both periods (in March 2022, just 13,000 lower than in September 2019, according to these data). But the number of service industry jobs (as a whole) was 191,000 greater.

Changes in public and private sector employment

Here, the ONS data is also given every 3 months, and we have again compared September 2019 with the latest data which is for March 2022. There have been significant changes in classification of certain employers (e.g. Royal Mail), so ONS also gives data for public and private sectors excluding the effects of reclassifications.

	Public sector (millions)	Private sector (millions)	Public (excluding reclassification)	Private (excluding reclassification)
Sept 2019	5.418	27.383	5.330	27.471
March 2022	5.740	26.967	5.598	27.109
<i>Difference</i>	<i>+0.322</i>	<i>-0.416</i>	<i>+0.268</i>	<i>-0.362</i>

The key point here is that on either basis, in March 2022 the private sector was employing fewer people, and the public sector more. The following show the main changes in the public sector employment by 'industry':

	NHS (000)	Public admin (000)	Of which civil service	Education	Police (including civilians)
Sept 2019	1710	1056	451	1491	252
March 2022	1878	1141	511	1505	273
Difference	+168	+85	+60	+14	+21

In summary, in March 2022 the public sector workforce was higher than in September 2019, mainly due to increased employment in the NHS 'industry'. Most of that NHS increase had taken place by March 2021, i.e. during the pandemic peak, with a further increase of 39,000 in the year March 2021 to 2022.

Actual hours worked per week

In Q3 2019, the estimated weekly working hours across the economy were 1052.6 million. This compares with 1045.8 million hours in March-May 2019, i.e. an increase of 0.7%. Since real GDP is estimated to be about 0.6% higher in Q1 2022 than in Q3 2019, this appears to indicate that labour productivity remains broadly unchanged between the two periods.

Nominal and real pay

The ONS data for average **nominal earnings** cover employees, not the self-employed. It is given on a monthly basis, the latest being for May 2022. It gives the average for the relevant sector, so covers changes in the job mix within sectors, as well as changes in pay for those employed.

For present purposes, we have first looked at average total nominal pay, for employees in the whole economy and for some key sectors, and compared in percentage terms for nominal pay with (a) May 2000, to show the total change over this century, (b) May 2016, i.e. just before the Brexit decision, and (c) with May 2019, in line with the main purpose of this report, to compare with the pre-pandemic period. Here are the figures:

	May 2022 % change from: May 2000	May 2016	May 2019	Ave weekly pay May 2000 £	Ave weekly pay May 2022 £
Whole economy	92.6	21.9	12.2	312	601
Private sector	93.3	22.8	12.9	312	603
Public sector	90	17.3	9	311	591
Finance & business	109.7	26.7	16.9	383	803
Manufacturing	82.3	14	7	362	660
Construction	96.7	22.2	10.7	364	716
Wholesale, retail, hotel, restaurant	88.5	+18	+8.8	209	304

Turning to the **real pay** data (i.e. earnings after allowing for inflation), we have looked at the evolution over time of **real total pay** over the same periods, starting with May 2000, but also including May 2008, which was close to the peak real wage before the worst of the financial crisis hit. We are using the ONS's CPI inflation figures (the ONS itself argues that their CPIH figures are more appropriate, but CPI is used by most analysts as the most relevant measure for consumer inflation). The figures are given for the whole workforce of employees, and not broken down by sector.

2015 £ = base	May 2000	May 2008	May 2016	May 2019	May 2022
Whole economy – wage (£)	430	516	493	499	501
Change from May 2000	-	20%	14.7%	16%	16.5%

We can see from this that, in effect, the entire gain in real pay took place (from these snapshots) in the 8 years from May 2000 to 2008 – the 20% increase in May 2008 over 2000 equates almost exactly to a compounded rate of increase of 2% per year. Since then, the figures have bobbed around, depending on the rate of inflation and nominal pay. April 2021 saw the highest overall real pay figure (£527) since February 2008 (£532), but real pay has never surpassed that 2008 figure. The nadir year for wages in May of any year since then was 2014, with a real pay figure of just £471. The real pay figure for May 2022 is 4.5% down on that for May 2021.

Conclusions

The size of the workforce in March-May 2019 is very similar to that in Q3 before the pandemic. There are however many more employees in full-time work (and fewer part-time), and many fewer full-time self-employed. The total number of weekly hours worked is also quite similar. The number of economically inactive people has grown, mainly in the 65+ group, but also significantly in the 50-64 cohort.

One important change between the two periods has been that a greater number are employed in the public sector in 2022, with the main increase being those now employed in the NHS. The falls in the private sector to date include those in agriculture, manufacturing, and wholesale/retail.

Despite the relatively tight labour market, there is no evidence that wage increases are leading to a wage-price 'spiral'. Real wages (allowing for inflation) are presently below their 2007-08 peak. Across the economy, total nominal wages were 12.9% higher in May 2022 than in May 2019, but in three sectors, the increase is less than 10% - in manufacturing, 'wholesale retail hotel restaurant' and public sector. On the other hand, the 'finance & business' sector has done far better, with wages now 16.9% higher than 3 years ago

It is indeed the finance & business sector that has consistently gained, in absolute and relative terms, over the whole of the 21st century to date. Since May 2000, nominal pay is up by around 93%, but in the finance & business sector by 110%. The average levels of pay in this sector are also far higher than elsewhere in the economy. In May 2000, average 'whole

economy' pay was £312, and £362 for the finance & business sector, a differential of 23%. In May 2022, the respective figures are £601 and £803, and the 'premium' differential has climbed to 34%.



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