The labour market in 2023 (and beyond)

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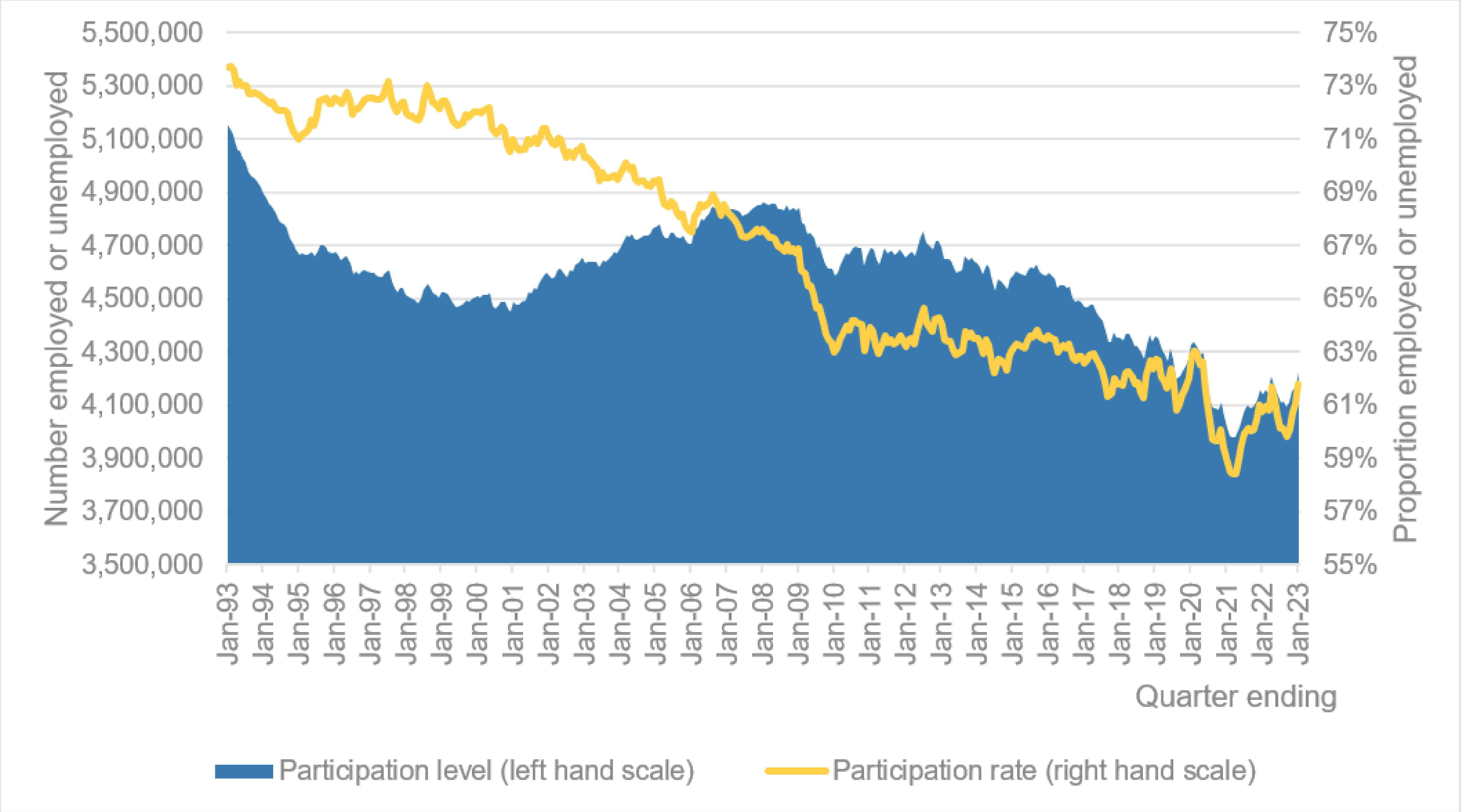
Time flies?

- Huge changes in the labour **force** and the labour **market**
- **On the labour force**: much debate has focused on who's *left* the labour force since covid, but the real story is that people *haven't been joining it*:
  - Fewer young people
  - Lower migration
  - More older people – in general, and out of work
  - More with long-term health conditions, staying out of work longer
- All of these are permanent, structural changes – not (just) covid
- **On the labour market**:
  - More high-skilled and fewer low-skilled jobs – demand and supply
  - Combined with rapid advances in technology
  - Which has potential to be transformational, but will widen inequalities

1. Fewer young people

600k fewer young people in labour force than a decade ago

The size of the youth labour force: the number (blue) and percentage (yellow) of young people either employed or unemployed

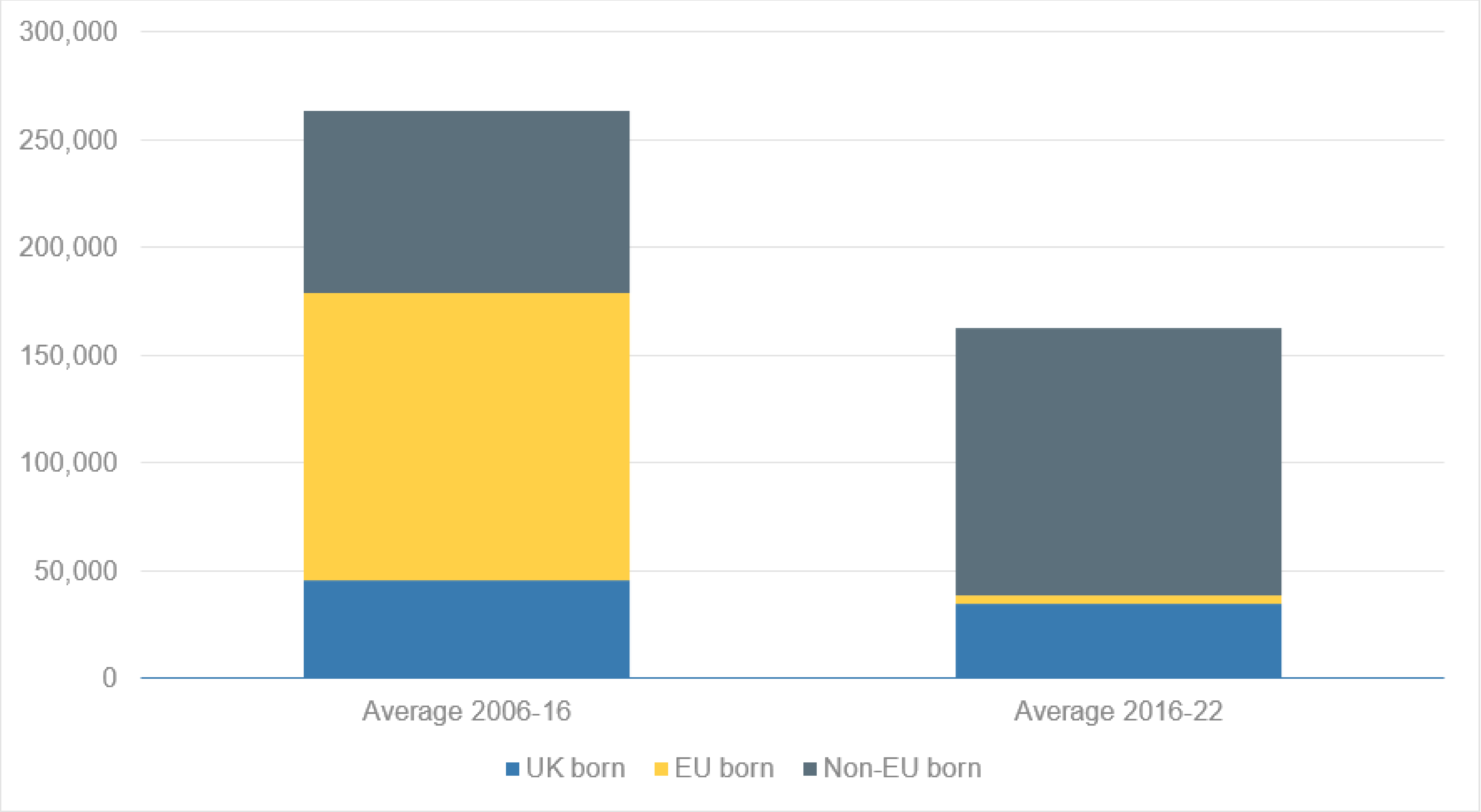


Source: Labour Force Survey

2. Lower migration

Growth in non-UK-born workforce 90k lower per year since 2016

Average annual growth in employment by place of birth – 2006-2016 and 2016-22

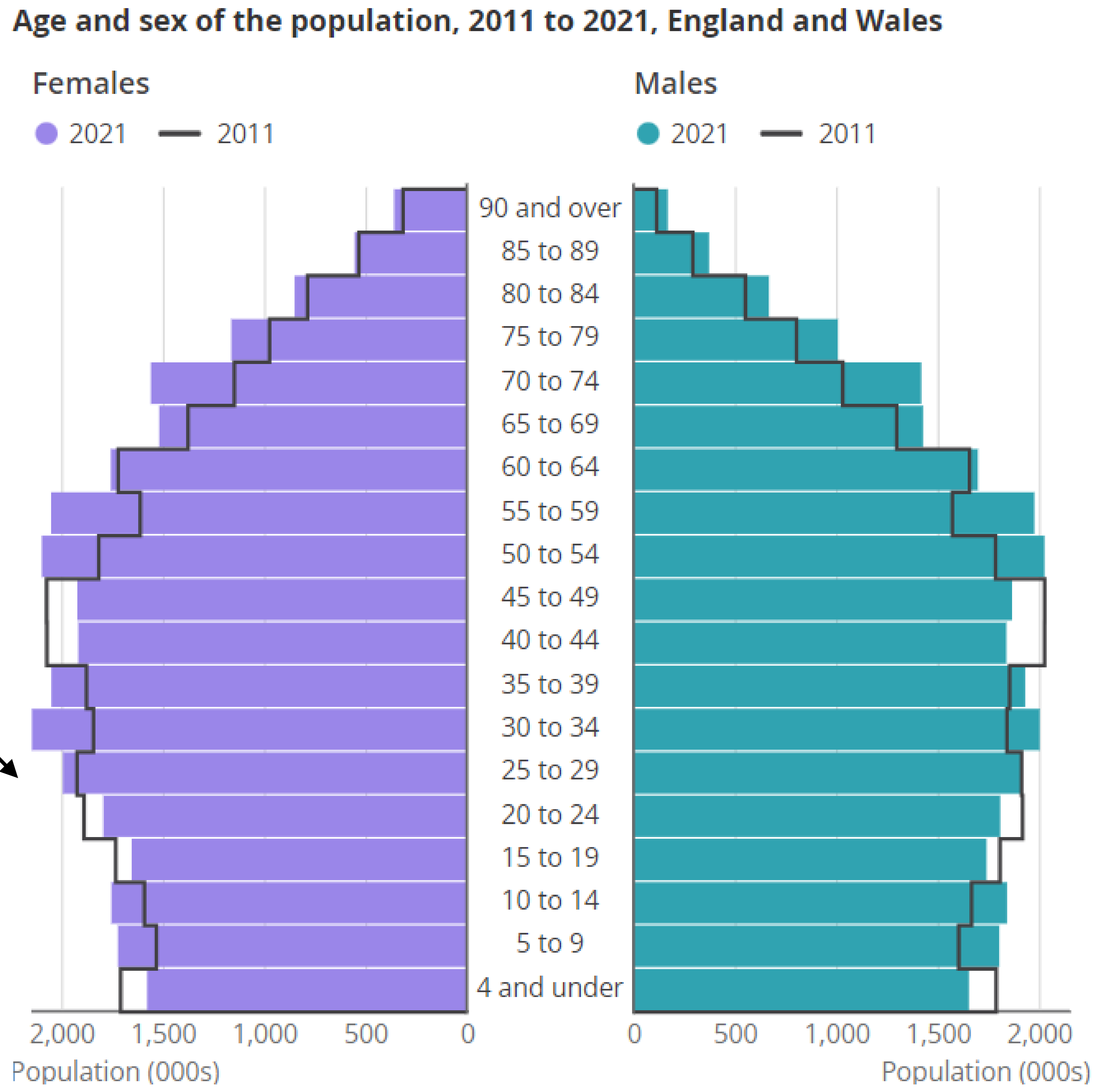


Source: Labour Force Survey

3. Ageing workforce

Boomer ‘bulge’ are moving through their fifties and in to their sixties

A million more people in their fifties than in their twenties…



Source: Office for National Statistics - Census 2021
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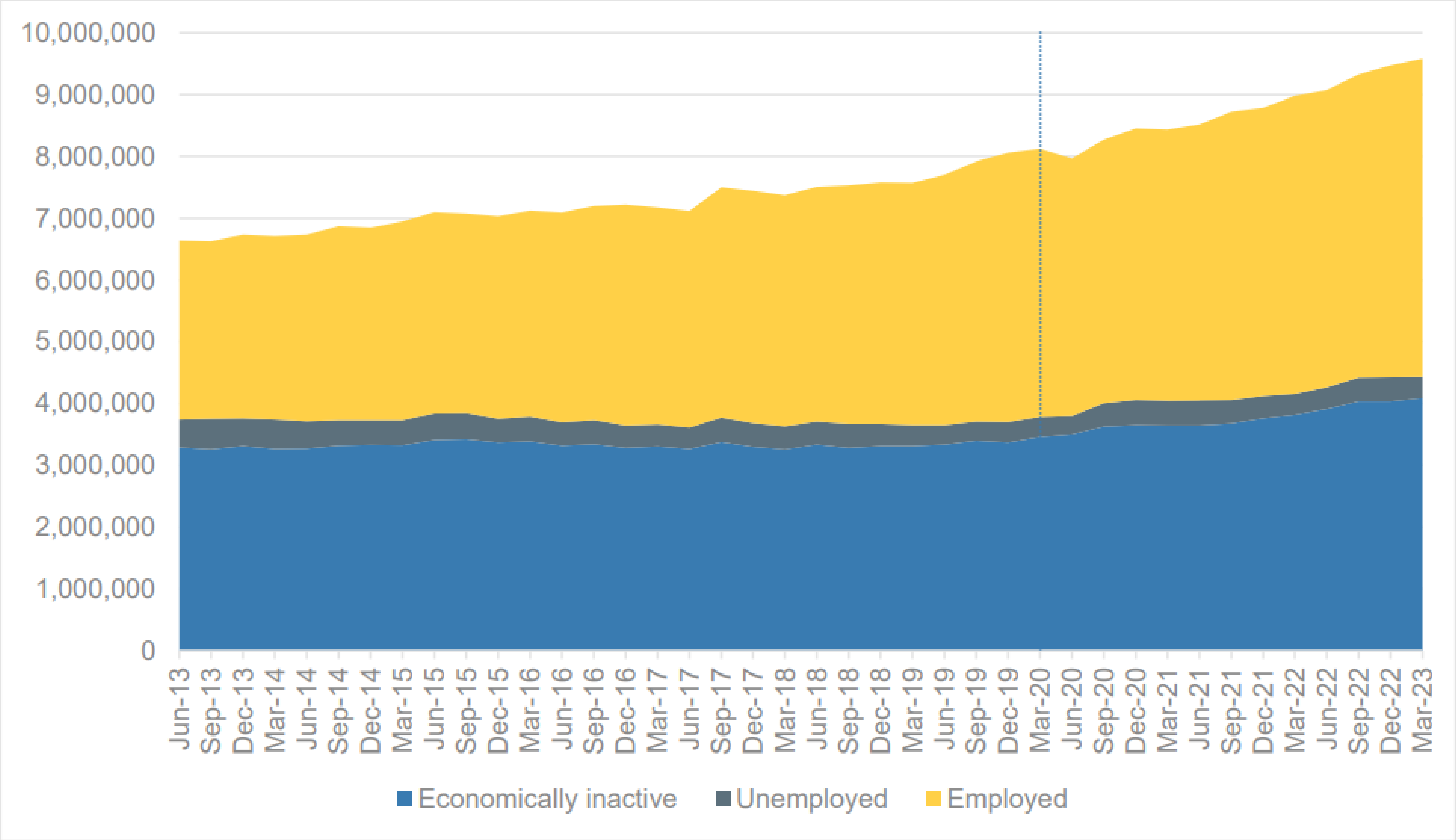
4. More people with work-limiting conditions

Long-run trend, but with economic inactivity rising faster post-pandemic

Figure 5: Employment, unemployment and economic inactivity levels for disabled people

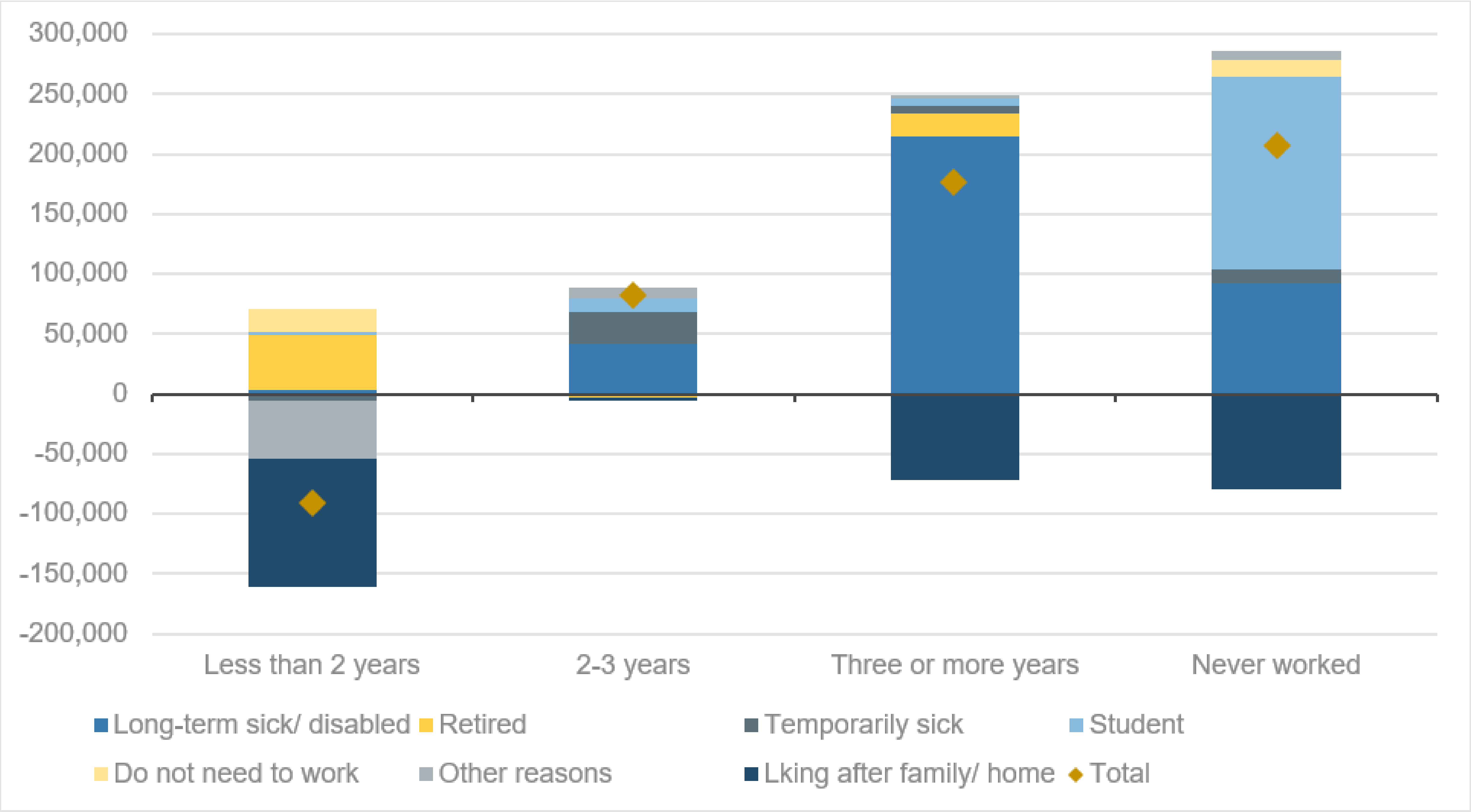


Source: Labour Force Survey

Which is explained by long-term worklessness

Virtually all growth among those who last worked 3+ years ago (or never)

Change in economic inactivity by duration and reason given, 2019 to Q2 2022

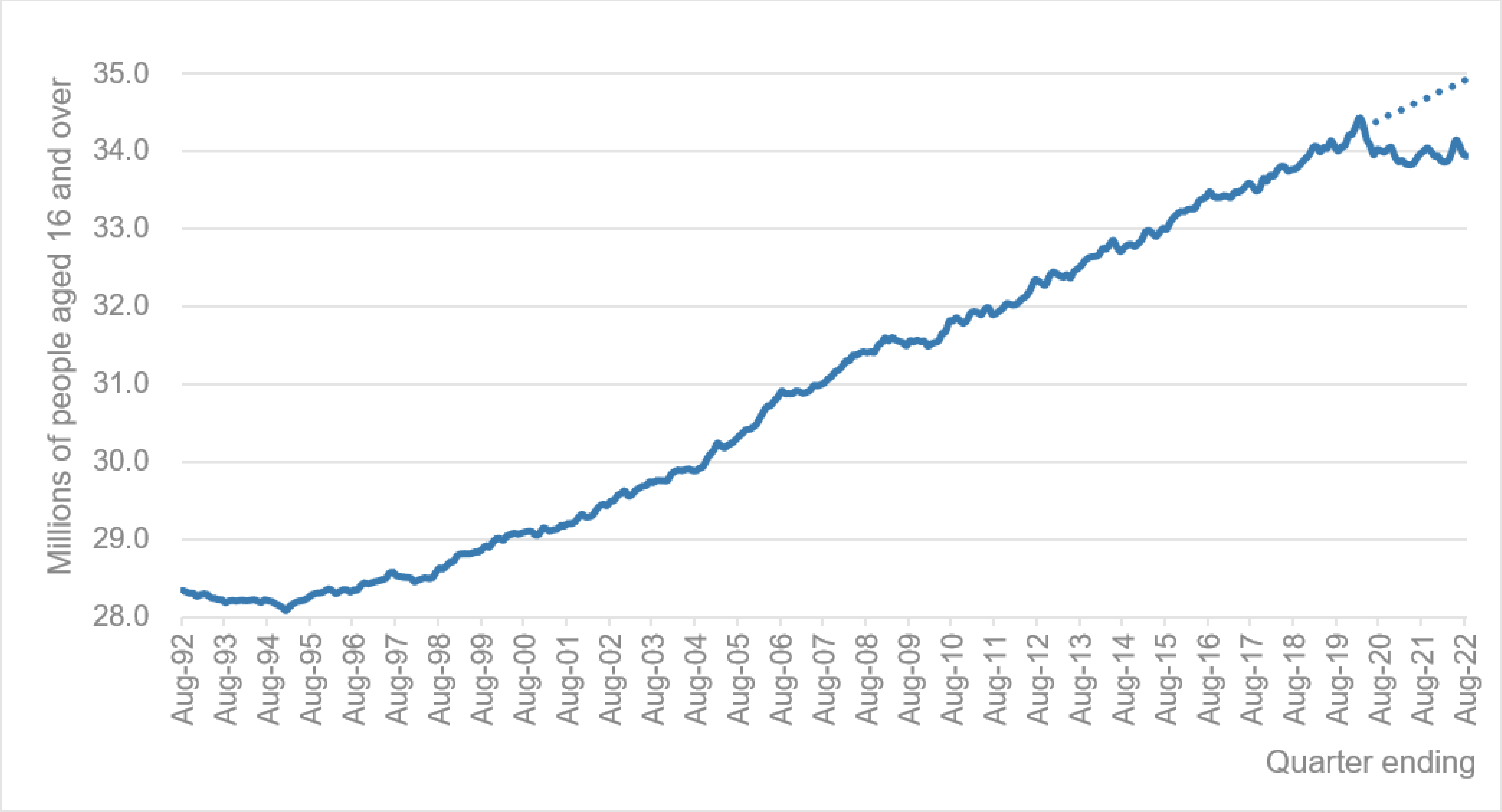


Source: IES analysis of Labour Force Survey. Data is for any reason given by respondents, not just the main reason, so total changes in reasons will be greater than changes in number of people.

Put together, a 'missing million' in the UK

For thirty years, through thick and thin, labour supply has grown (until now)

Size of labour force (employed plus unemployed): pre-crisis trend and outturn



Source: Labour Force Survey and IES estimates

Meanwhile, labour market change is accelerating

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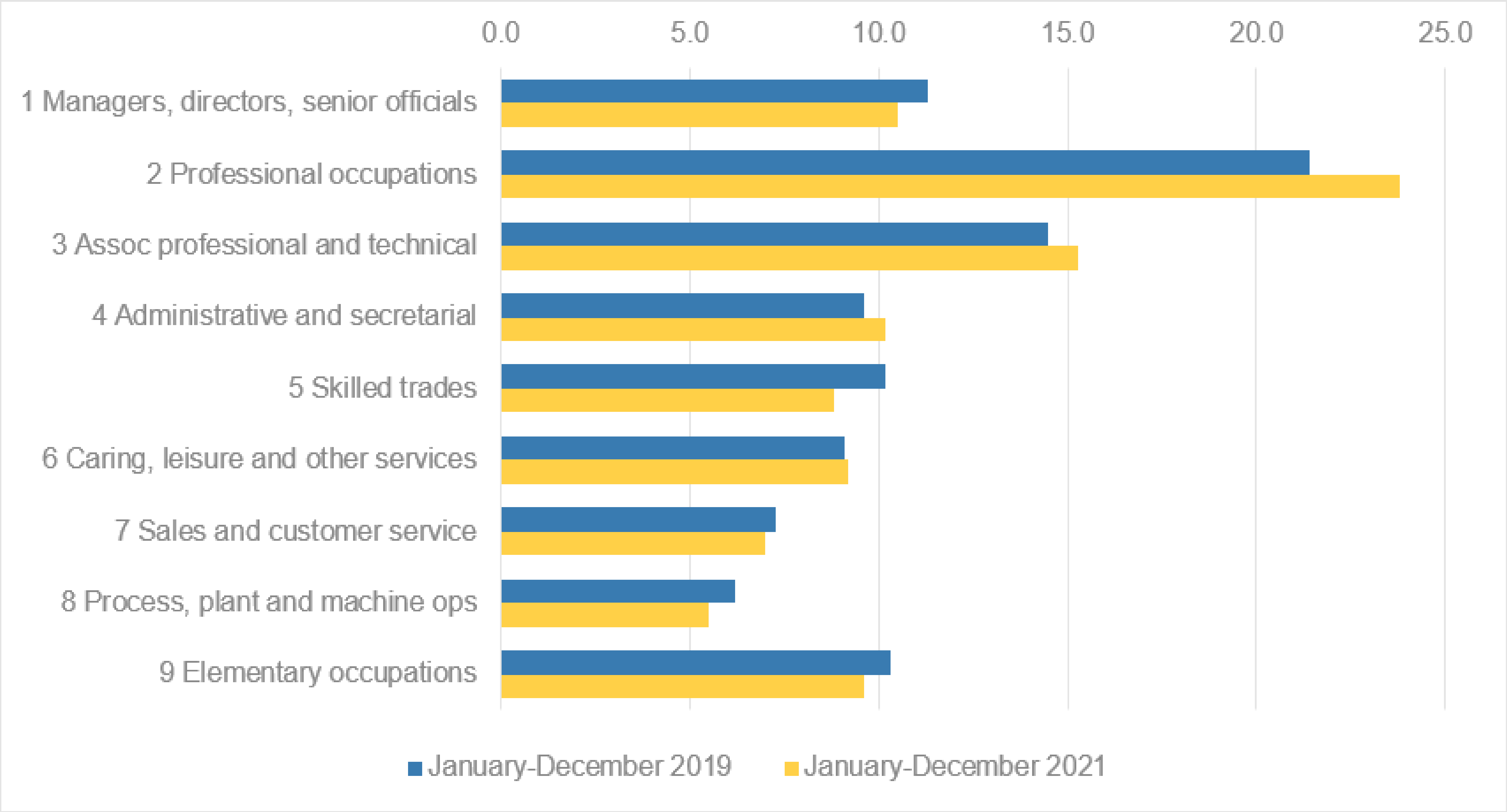
Half of all jobs now ‘high skilled’, one in five ‘low skilled’

Proportion of all those in work employed by broad occupation group, 2019 and 2021



Source: Annual Population Survey

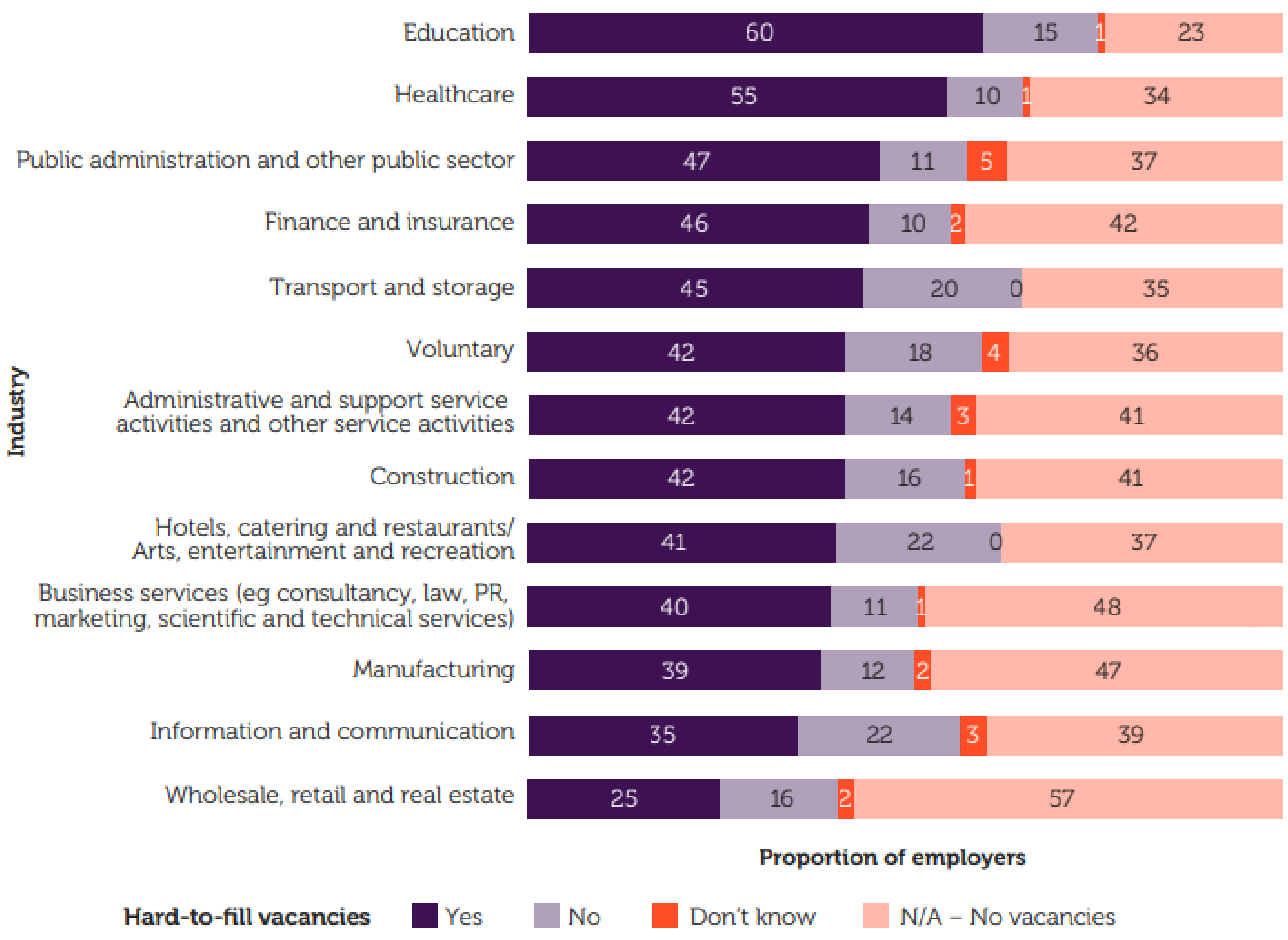
The robots are coming – and they're bearing gifts

In meantime, labour shortages persist

CIPD Employment Outlook (Spring 20223) finds issues across economy

- Two fifths of firms have ‘hard to fill’ vacancies
- A quarter of employers anticipate significant problems filling jobs
- Two fifths of hard to fill vacancies due to skills shortages; one fifth due to labour shortages; two fifths due to both
- Firms mainly responding by raising wages or increasing workloads…
- … Some signs that more now focusing on wider recruitment and job design

Figure 7: Employers with hard-to-fill vacancies, by industry (%)

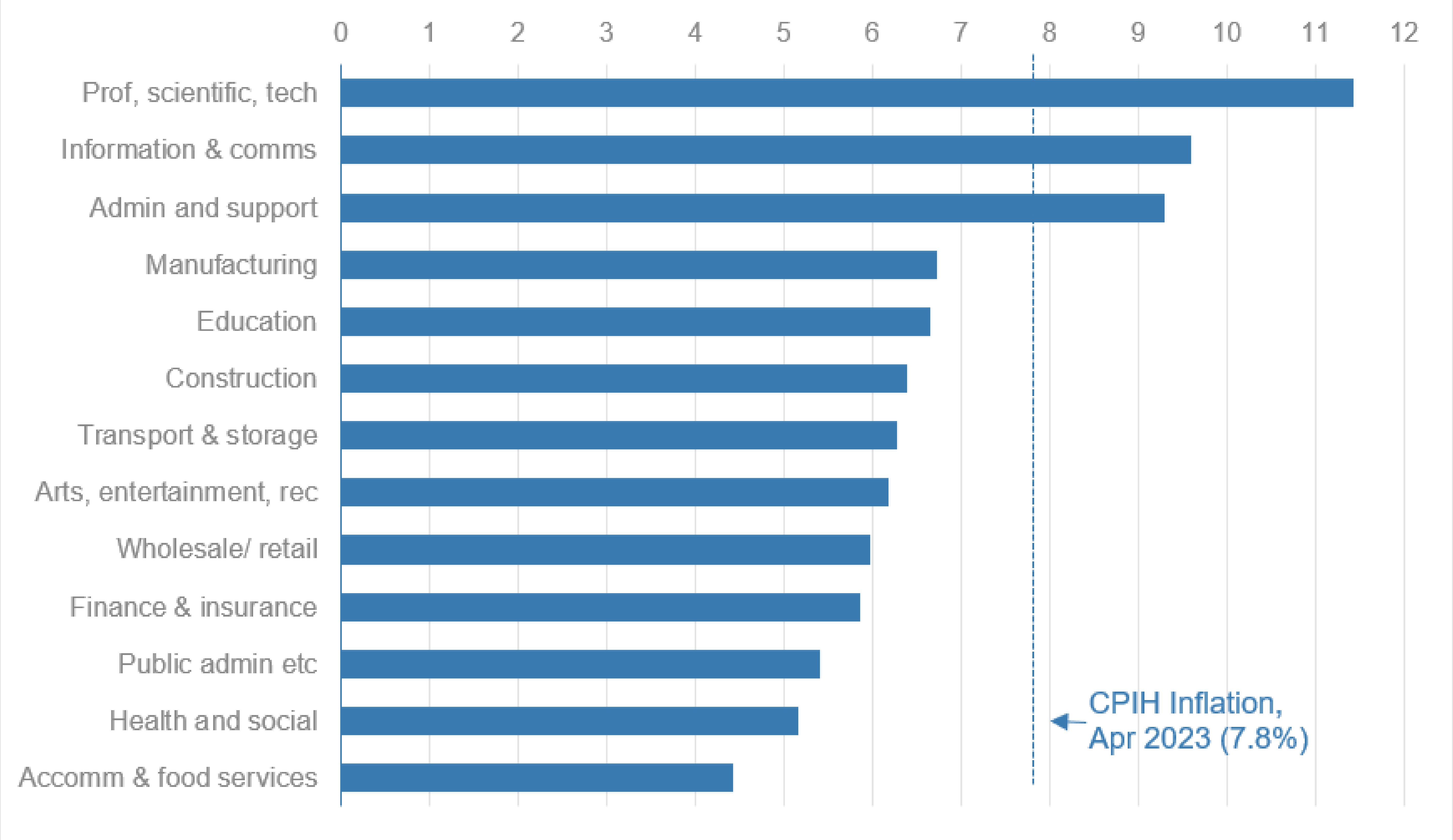


Base: industries with base sizes less than 50 have been excluded. For a breakdown of base sizes, see Table 3.

Contributing to record wage growth

Up nearly 8% year on year, and more than 10% in many professions

Year-on-year change in regular pay by industry, nominal terms

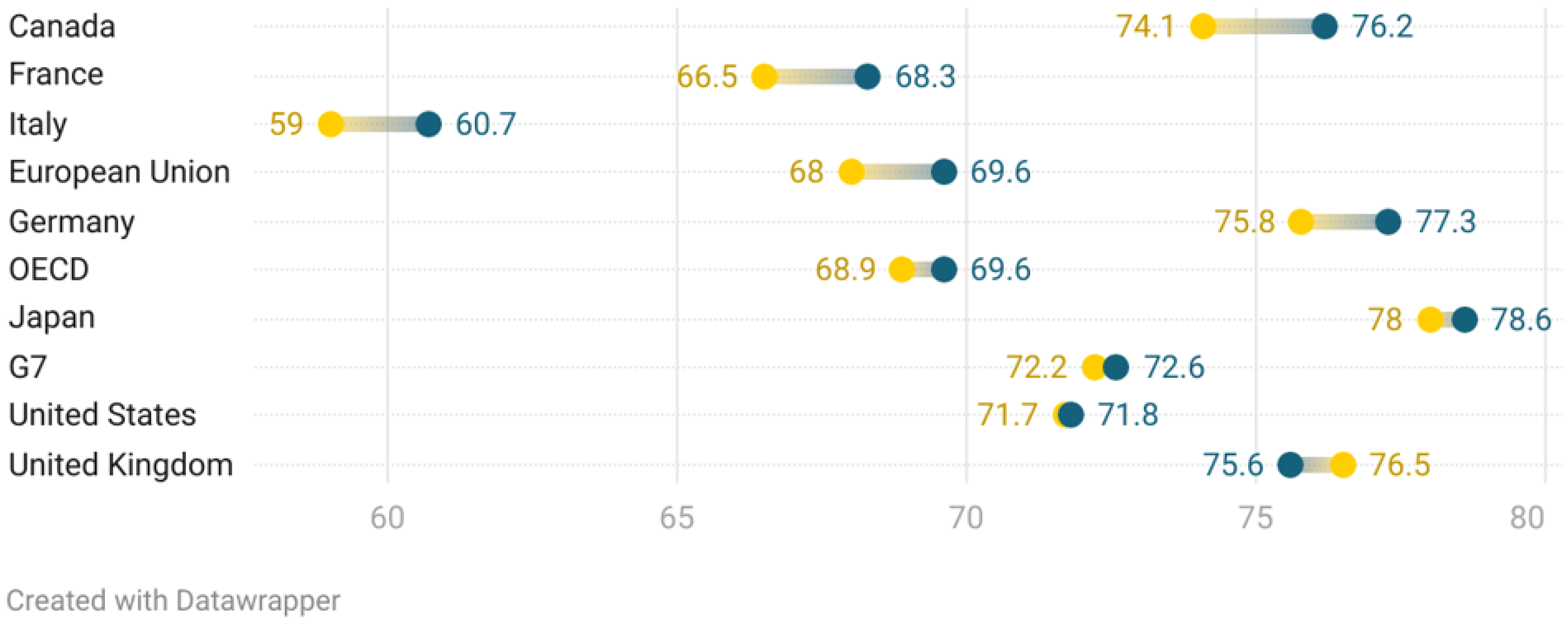


Source: ONS Monthly Wages and Salaries Survey. Pay growth is average of published single-month estimates of year-on-year growth in pay excluding bonuses and arrears for December 2022-February 2023 (not seasonally adjusted).

This is a global labour market crunch

But UK is only major economy with employment still below pre-pandemic

Employment rates (15-64) in Q4 2019 (yellow) and latest (blue)



Source: OECD Stat. Data for Canada and United States is Q1 2023; all other data is Q4 2022

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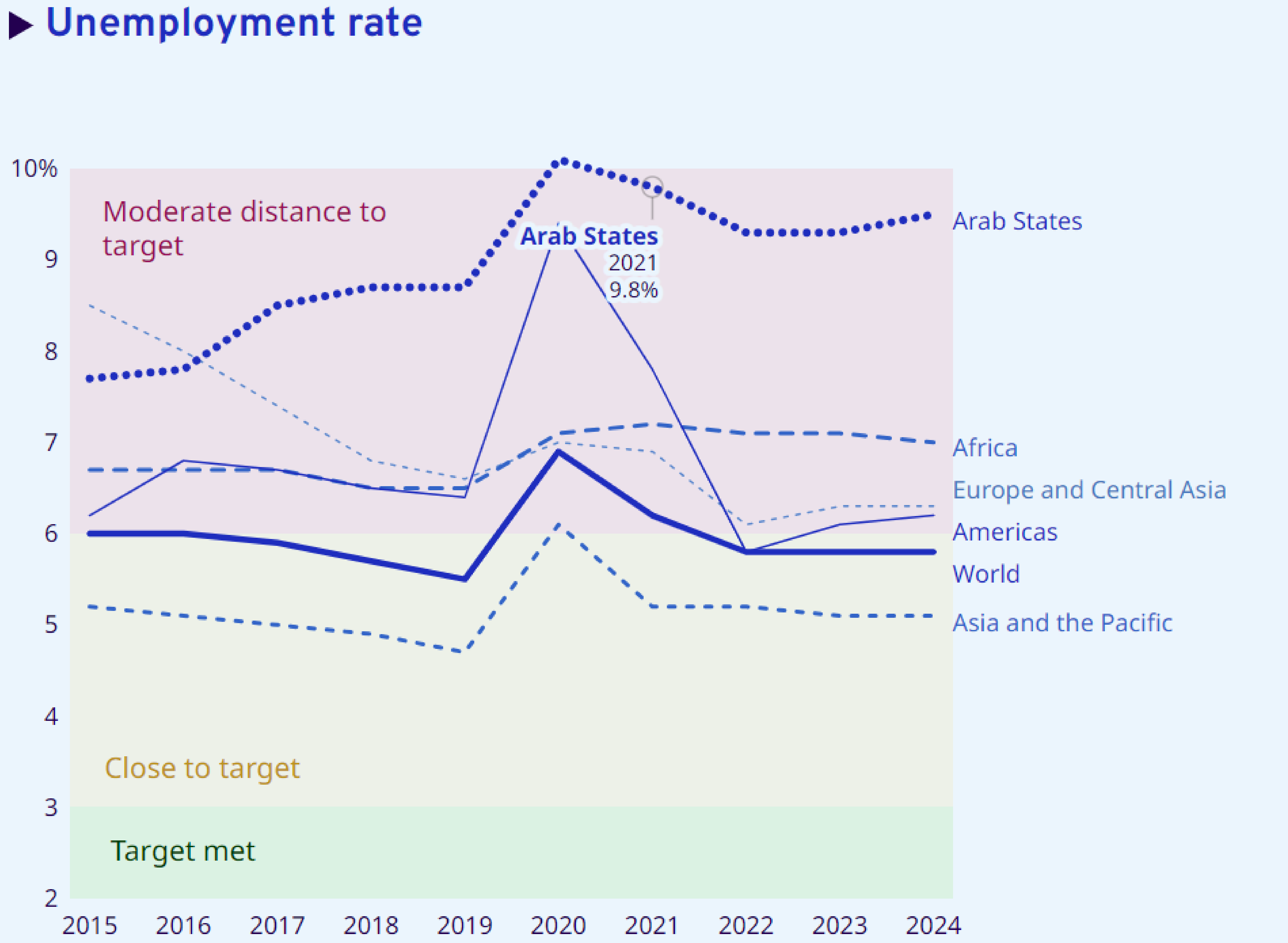
However – not quite a global recovery…

Signs high income countries doing better



The target unemployment rate of 3 per cent is based on the UNSD threshold described in the SDG progress chart technical note. The color coding indicates the distance to this target.

Source: ILO Modelled Estimates database, ILOSTAT • Get the data

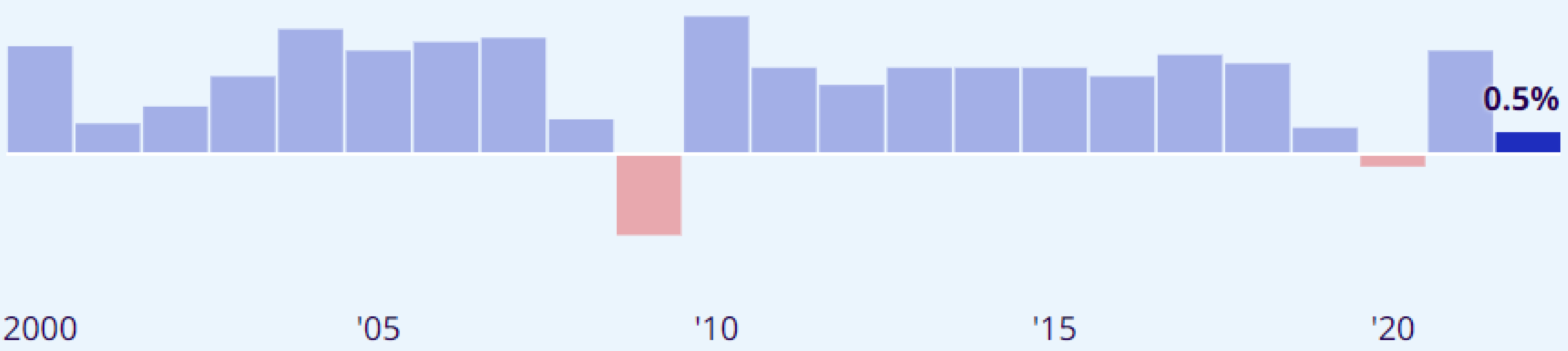
And higher employment ≠ better living standards

Productivity growth has slowed across the world

▶ **Labour productivity growth**

Based on Gross Domestic Product per employed person in constant 2015 US$

World



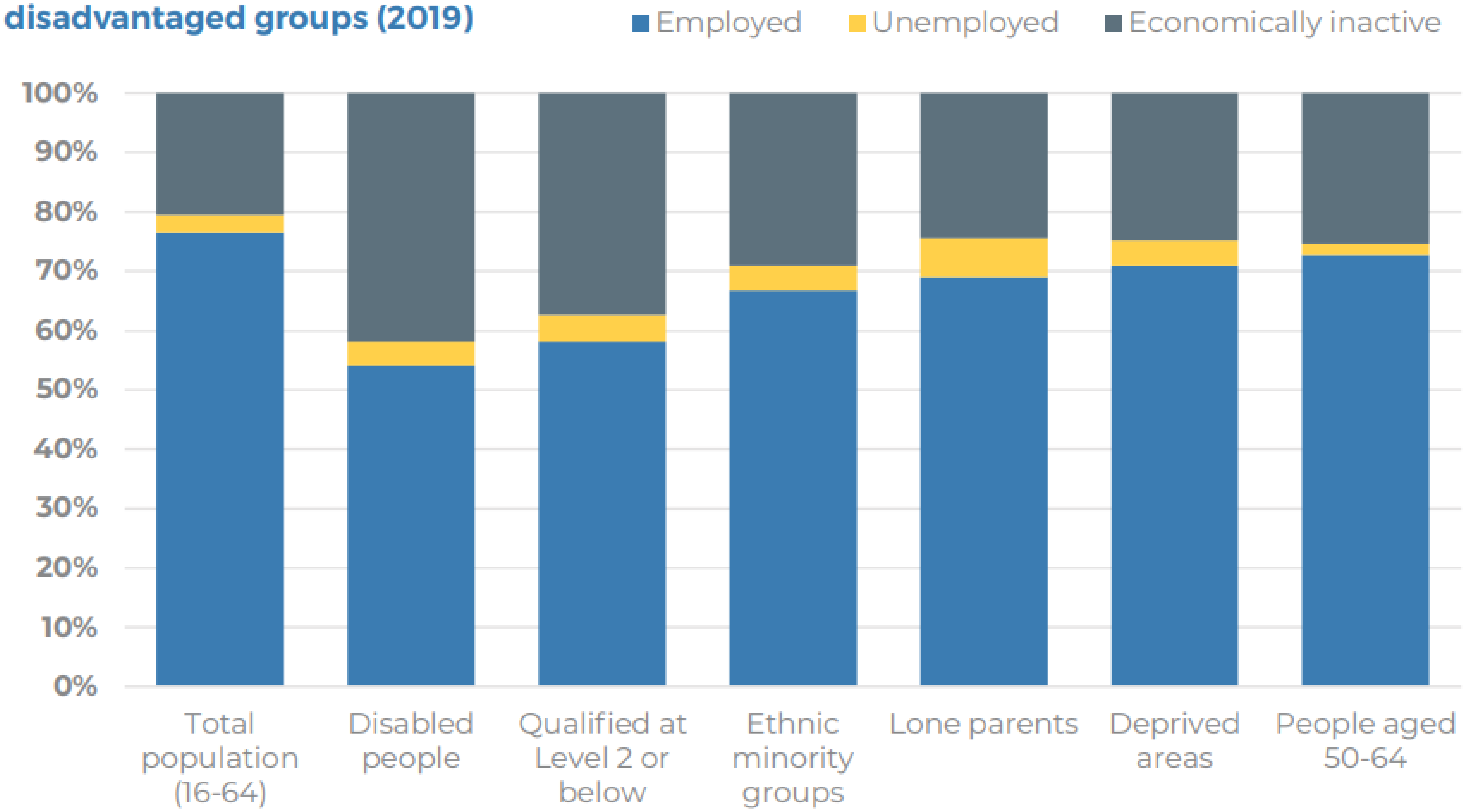
Source: ILO Modelled Estimates database, ILOSTAT • Get the data

So what do we do about it

We need to think differently about talent pools

Many of those out of work are further from work

Figure 2.1: Employment, unemployment and economic inactivity for selected disadvantaged groups (2019)

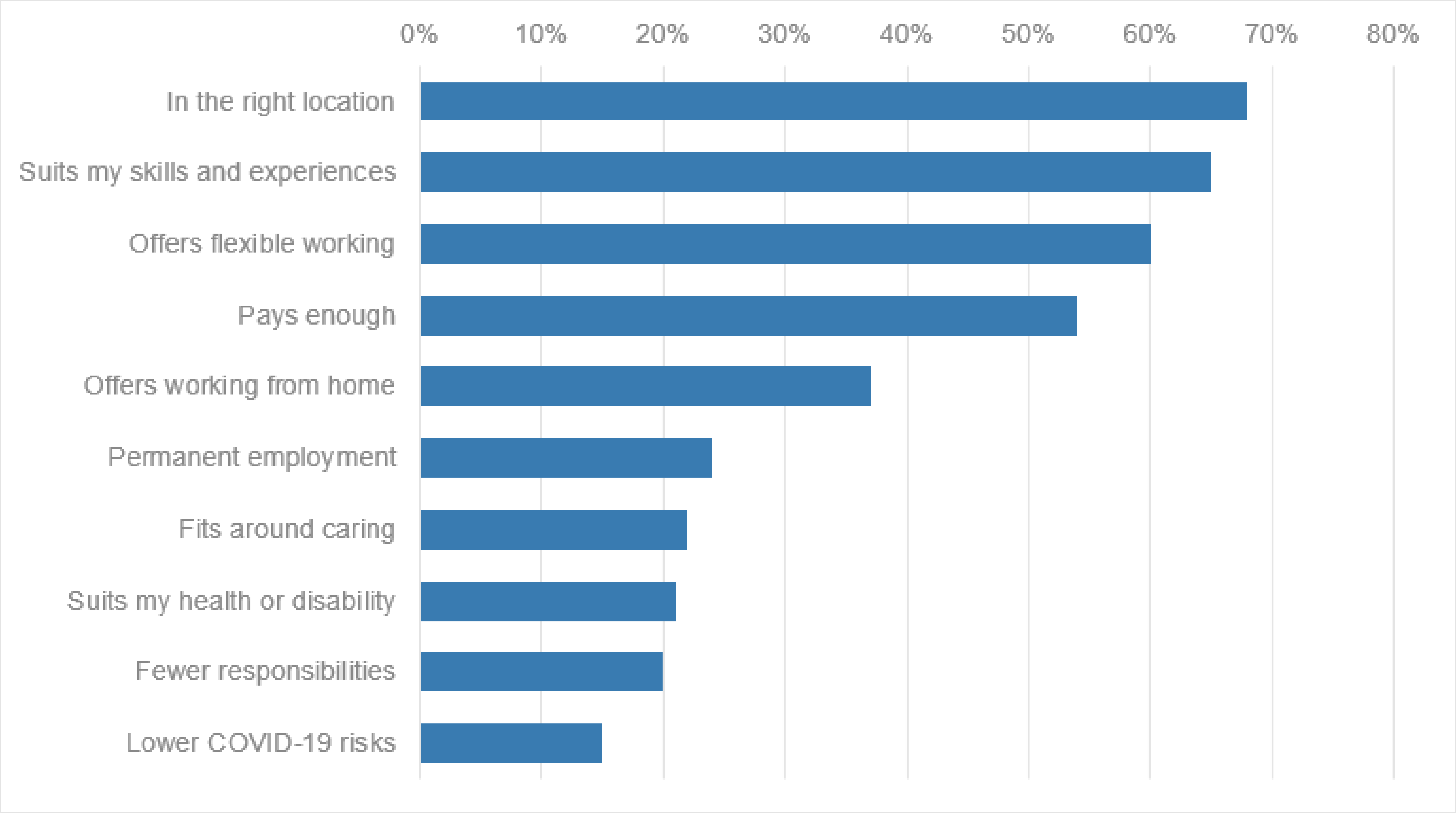


Source: IES analysis of LFS, Annual Population Survey (APS) and Index of Multiple Deprivation (IMD). All gaps use LFS Oct-Dec 2019, except for 'most deprived areas' which uses APS data for Jan-Dec 2019. Deprived areas are defined as the bottom quintile of local authorities on IMD income deprivation measure

And we need to think differently about work

Flexibility and ‘fit’ are key for many of those out of work

What’s important for those in their 50s who have left work and would consider returning



Source: ONS Over-50s Lifestyle Survey, Wave 2 (10-29 August 2022)

Final thoughts – an uncertain future…

… But one where there's practical things that we can all try to do

- **Know our workforces**
  - Job satisfaction, flexibility are golden threads for keeping people in work and helping those out of work
  - Changing attitudes and expectations – identity, relationships, proximity, fairness
  - Eradicate biases – e.g. on progression for part-time, disabled, older and lower paid staff
- **Audit and address the drivers of decent work**
  - Security, relationships, control, fit with skills, workplace support
- **Inclusive recruitment**
  - Making work accessible – costs, flex, induction and training, health support
  - The processes – clear language, simple processes, pace, diversity, unconscious as well as conscious biases
- **Use data better and differently**
  - To do all of the above – where are the issues now, who is leaving, why, what jobs are hard to fill
  - What is going well, not just badly – why do people stay, who progresses

Leadership matters – this is a business imperative, not just a social one

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