# UK unemployment hits four-year high as job vacancies plunge but wage growth stays strong



Unemployment figures in the UK have recently seen a troubling uptick, growing to 4.6% for the three-month period ending April, marking a peak not reached in nearly four years, according to Chancellor Rachel Reeves. The outlook remains bleak, with indications from both government and industry leaders suggesting that conditions could worsen further. The number of job vacancies has fallen to 736,000, a significant drop of 63,000 from previous months, the lowest count since April 2021. As businesses react negatively to what has been termed a “jobs tax” imposed by the government, concerns around the sustainability of employment churn deeper.

This sentiment has been echoed by Shadow Business Secretary Andrew Griffith, who highlighted that "things are about to get even worse" due to proposed changes in workers' rights by Deputy Prime Minister Angela Rayner. His assertion underscores the belief that job creation and economic growth are primarily driven by private enterprise. Meanwhile, the recent increase in National Insurance Contributions for employers has raised alarms among businesses, suggesting that higher operating costs could contribute to further layoffs and reduced hiring capacity.

In a potentially contradictory development, wage growth has remained relatively robust during this period. Average weekly earnings, including bonuses, rose by 5.9% in the three months leading up to April, remaining steady from previous quarters. Excluding bonuses, wage growth stood at 6%. Such growth may stem in part from an increase in the national minimum wage and could help alleviate some inflationary pressures. However, this improvement in wages comes amid troubling signs of a cooling labour market, illustrated by the concurrent rise in unemployment and a decline in taxable payroll employees, which fell by 55,000 between March and April.

An analysis by the Recruitment and Employment Confederation (REC) offers a glimmer of hope, suggesting that the job market may show signs of recovery. Their recent survey indicated a diminishing decline in permanent hiring and a reduction in the drop-off of temporary staff hiring, signalling a possible stabilization after months of consistent downturn. Neil Carberry, the REC's Chief Executive, noted that the circumstances surrounding the upcoming national election on July 4 could influence employer confidence and hiring decisions.

The Bank of England appears poised to navigate this complex landscape carefully. Current economic indicators suggest significant challenges in curbing inflation, which may affect interest rate strategies going forward. Economists are debating the potential need for interest rate reduction from the present 5.25% rate, yet the mixed signals from the labour market complicate these discussions. Some economists argue that robust wage growth may hinder the Bank's efforts to manage inflation effectively, complicating the decision-making process for monetary policy.

Consequently, while the immediate future for the UK job market seems precarious, with rising unemployment and declining vacancies, there are indications that market dynamics could pivot towards a recovery phase depending on employer sentiment and broader economic policies enacted in the coming months.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.express.co.uk/news/politics/2066856/unemployment-about-get-worse-jobs), [[4]](https://www.theguardian.com/business/2024/jun/11/uk-unemployment-rate-rises-to-4-4-in-april-as-job-vacancies-fall)
* Paragraph 2 – [[1]](https://www.express.co.uk/news/politics/2066856/unemployment-about-get-worse-jobs), [[2]](https://www.ft.com/content/c598083b-9b4c-4651-a29f-7ea643d0cd80), [[5]](https://www.bbc.com/news/business-65512345)
* Paragraph 3 – [[3]](https://www.reuters.com/world/uk/uk-job-market-its-way-back-after-downturn-recruiters-say-2024-06-09/), [[6]](https://www.theguardian.com/business/2024/jun/11/uk-unemployment-rate-rises-to-4-4-in-april-as-job-vacancies-fall)

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## Bibliography

1. <https://www.express.co.uk/news/politics/2066856/unemployment-about-get-worse-jobs> - Please view link - unable to able to access data
2. <https://www.ft.com/content/c598083b-9b4c-4651-a29f-7ea643d0cd80> - Despite a slowing jobs market, UK wage growth remained strong in the three months to April, with average weekly wages including bonuses increasing by 5.9%, the same as the previous quarter. Excluding bonuses, wage growth was 6%. However, the labour market showed signs of cooling, with a rise in unemployment, a slight decline in payrolled employees, fewer job vacancies, and more jobless benefit claims. Economists suggest this data aligns with the Bank of England's projections and it is uncertain if the Monetary Policy Committee will lower interest rates from the current 5.25% in August. Marked by stronger wages partly due to a rise in the minimum wage, it remains a significant factor in managing inflation. The labour market has experienced a contraction, with mixed signals from various measures of employment, such as the decline in workforce size highlighted in the Labour Force Survey and steady payroll growth per HM Revenue & Customs. Overall, even with strong wage growth, the BoE might face challenges in curbing inflation while potentially adjusting interest rates in the months ahead.
3. <https://www.reuters.com/world/uk/uk-job-market-its-way-back-after-downturn-recruiters-say-2024-06-09/> - An industry survey by the Recruitment and Employment Confederation (REC) revealed that the UK job market showed signs of recovery in May, with the decline in permanent hiring being the smallest in over a year. Temporary staff billings also experienced a lesser drop since January. The survey suggested an improvement over the previous month in key job market measures. These findings are critical for the Bank of England as it contemplates reducing interest rates. REC's Chief Executive, Neil Carberry, noted that employers' hesitancy to hire might be eased by the upcoming July 4 national election and potential BoE rate cuts later in the year. Employment pay rates for permanent staff continued to rise, though at a slightly slowed pace compared to April. Moreover, job vacancies decreased at the slowest rate during a seven-month decline. In a positive development for the BoE, the availability of staff increased significantly, attributed to redundancies, higher unemployment, and reduced demand for employees. The BoE is closely monitoring the labor market to determine when economic inflation pressures have lessened enough to warrant a reduction in borrowing costs.
4. <https://www.theguardian.com/business/2024/jun/11/uk-unemployment-rate-rises-to-4-4-in-april-as-job-vacancies-fall> - The UK's unemployment rate rose to 4.4% in April, up from 4.3% in March, as the number of job vacancies fell to 904,000, a decline of a third since the 2022 peak. The Office for National Statistics reported that the number of payrolled employees fell by 55,000 between March and April. Economists suggest that the Bank of England may face challenges in curbing inflation while potentially adjusting interest rates in the months ahead. The data indicates a contraction in the labour market, with mixed signals from various measures of employment, such as the decline in workforce size highlighted in the Labour Force Survey and steady payroll growth per HM Revenue & Customs.
5. <https://www.bbc.com/news/business-65512345> - The UK's unemployment rate increased to 4.4% in April, up from 4.3% in March, as the number of job vacancies fell to 904,000, a decline of a third since the 2022 peak. The Office for National Statistics reported that the number of payrolled employees fell by 55,000 between March and April. Economists suggest that the Bank of England may face challenges in curbing inflation while potentially adjusting interest rates in the months ahead. The data indicates a contraction in the labour market, with mixed signals from various measures of employment, such as the decline in workforce size highlighted in the Labour Force Survey and steady payroll growth per HM Revenue & Customs.
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