

Monthly

Workforce Barometer

Recruiters' Edition, May 2021



Contents

Page 3 - Commentary

Page 4 - Changes in Demand

Page 15 - Changes in Supply

Page 19 – Labour Market Statistics

Self-employed worker cull plays out in anticipated sectors

Welcome to the May 2021 edition of the FCSA's *Workforce Barometer* in which we continue to seek to provide data and insights to support members with issues relating to the current pandemic. With output in the Employment Activities sector 9.4% lower than in February 2020, this month's report includes the latest data on the economic impact of the pandemic and insights on how it, and the other forces of change we are experiencing, are impacting UK plc.'s use of contingent workers.

As anticipated, the run in to the change in the IR35 protocols in the private sector – further exacerbated by the loss of almost half a million non-UK nationals from the workforce as a result of both Brexit and the pandemic - resulted in heavy losses of self-employed workers from key sectors.

Whilst the average across all sectors was a YoY deterioration of 13% in self-employed numbers, the losses within key sectors such as Business Admin & Support Services, Transportation & Storage and Info & Comms exceeded 20%.

The quarter also yielded a blow to both the Education and Human Health & Social Care markets, losing 50k self-employed workers from their workforces each. Sadly, none of this is a surprise – but the scale of the loss of self-employed workers from key sectors is of great concern, not least because we know that many workers will have been lured into new schemes promising to mitigate the reduction in disposable earnings.

The only bright spot in Q1 was in the Finance and Insurance sector, where numbers rose 8% YoY. This was the sector most notably impacted in the run in to the false start in 2020, when the rug was pulled on the reforms at the last minute but where the damage had already been done. A year later, there is potential that the sector has found the ways and means to welcome self-employed workers back rather than refuse to engage with them. Here's hoping other key sectors learn these ways and means too over the coming months.

Phil Pluck, CEO FCSA

Changes in Demand

73% of the 13% decline in self-employed in Q1 occurred in six sectors

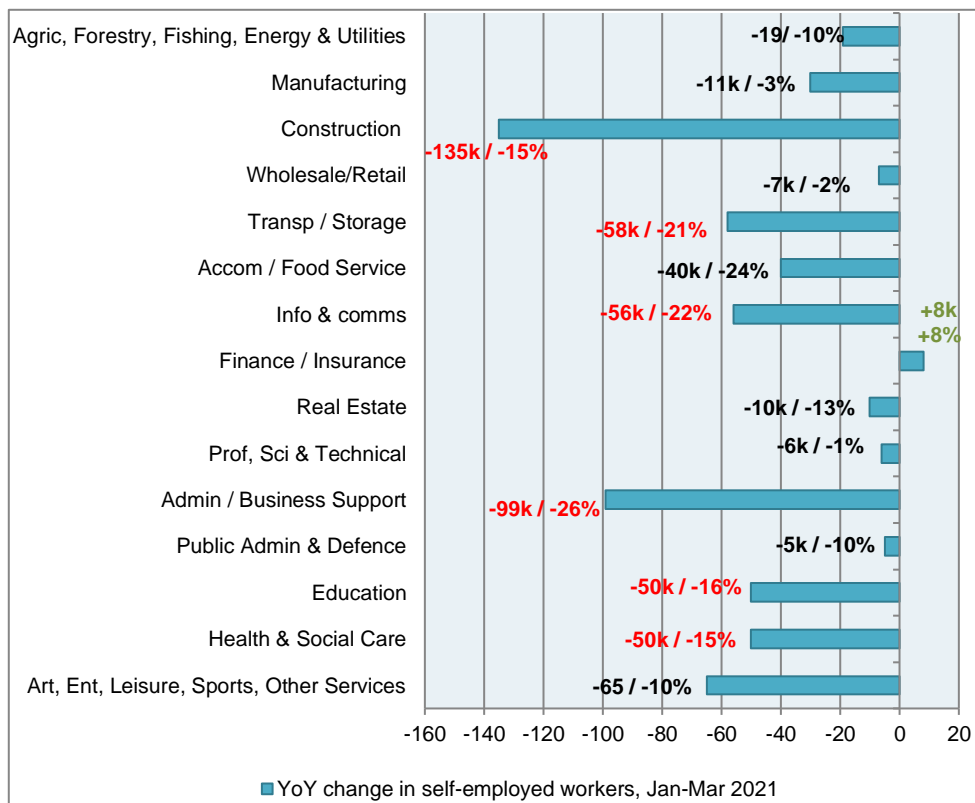
By Q1 2021, self-employed numbers had fallen by 13% (617k), YoY. By way of changes within the underpinning sectoral profile, 73% (448k) of the lost self-employed workers occurred within just six sectors. By sector, the number of self-employed working in:

- **Construction** fell by 13% (-135k)
- **Business Administration and Support Services** fell by 26% (-99k)
- **Transportation and Storage** fell by 21% (-58k)
- **Info & Comms** fell by 22% (-56k)
- **Education** fell by 16% (-50k)
- **Human Health & Social Care** fell by 15% (-50k)

The changes are largely where anticipated, as a combined result of Brexit (loss of non-UK nationals from the workforce) and the change in IR35 protocols in the private sector.

In contrast, there was a YoY increase in just one sector - Finance & Insurance - where numbers rose by 8% (8k).

Figure 1. YoY change in the number of self-employed jobs, Q1 2020-2021



Changes in Demand

Temporary worker profile continues to move to FTC

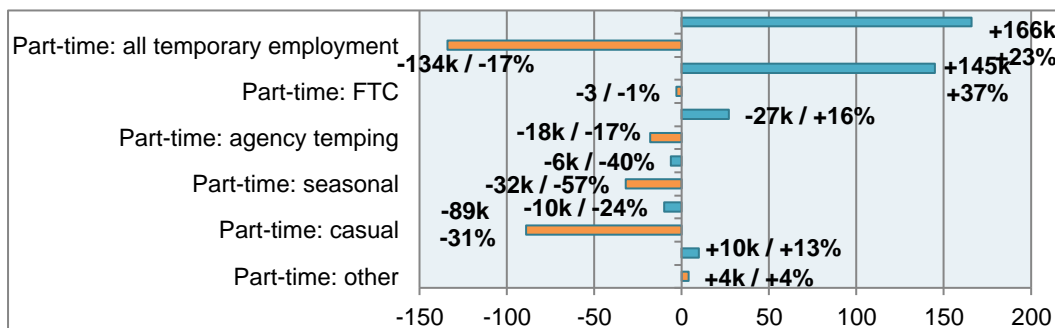
Self-categorised temporary employment is comprised of five formal classifications of means of engagement, including agency working, which is recorded as one of the smallest subcomponents. It is likely that many similarly engaged workers (and notably those employed by service providers) are also included within some of the other categories, however, whereas FTC engagement will largely be with the hirer.

Looking at the change in the profile of temporary employment between January-March 2020 and the same period this year – a comparison with the quarter just prior to the first national lockdown – there were some notable shifts in engagement status. Overall, temporary employment rose by 1.7% (+25k) YoY. Amongst the 1,524 of the 1,544k temporary workers who identified the nature of their temporary work this quarter:

- FTC numbers increased by 23% (+142k) YoY
- In contrast, agency temping rose by 3% (10k)
- Seasonal work fell by 53% (-38k)
- Casual work declined by 30% (-98k)
- Other forms of temporary employment increased by 7% (+15k)

What has also been very noticeable is a shift towards a greater proportion of full-time temporary working. As part-time temporary employment declined by 17% (134k) YoY, full-time temporary work increased by 23% (166k). As seen above, however, this shift was largely in the form of a move to FTC work.

Figure 2. YoY change in temporary employment numbers, by category (000s), Jan-Mar 2020



Source: FCSA analysis of ONS data

Changes in Demand

UK output rose by 2.1% in Mar 2021, but remained 5.9% below pre-pandemic levels

UK output improved by 2.1% in March 2021, yet it remained 5.9% below February 2020 levels. Whilst the Services sector – historically generating 80% of UK output - remained 7.2% below pre-pandemic levels, a 5.8% month-on-month (MoM) surge in Construction output rendered it 2.4% above February 2020 levels.

Figure 3. UK monthly Index: Mar 2007 – 2021

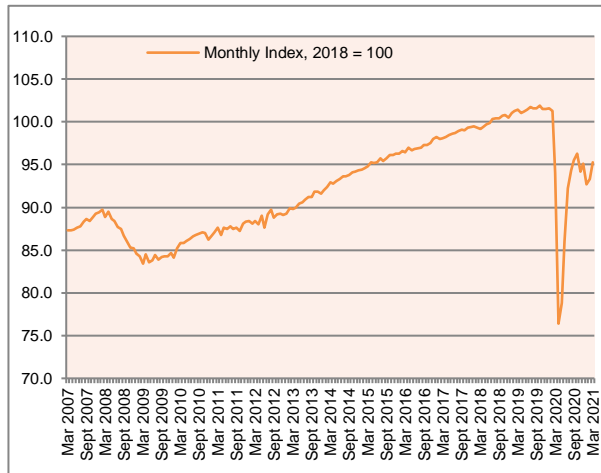
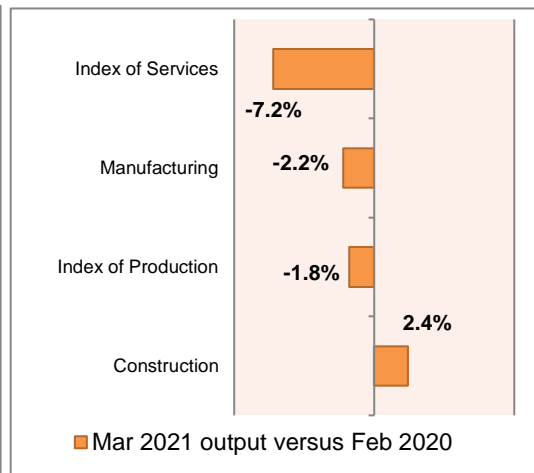


Figure 4. Mar 2021 versus Feb 20 output



Source: FCSA analysis of ONS data

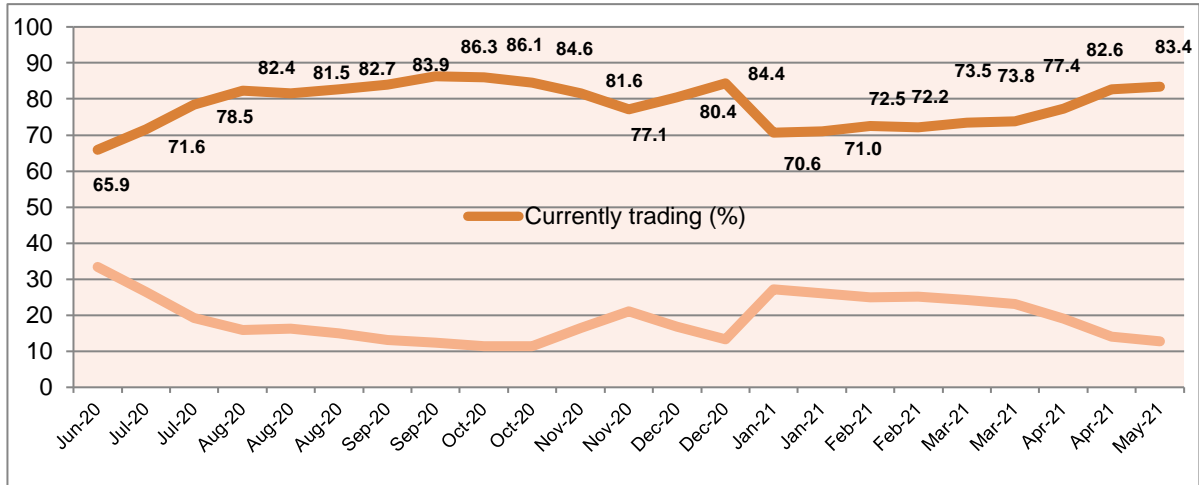
In relation to the Services industry, just 12 of the 51 underlying service sectors had returned to pre-COVID levels, or growth, by February (incl. Accounting, Book-keeping & Auditing). Output in the Employment Activities sector was 9.4% lower in March 2021 than in February 2020.

Ongoing economic impacts of the pandemic

Eighty-three per cent of UK businesses were operating in the period 3-16 May 2021 – just shy of the peak trading activity experienced in October 2020. By size of enterprise, 83% of micro businesses were trading, compared with 93% of businesses with 250 or more employees.

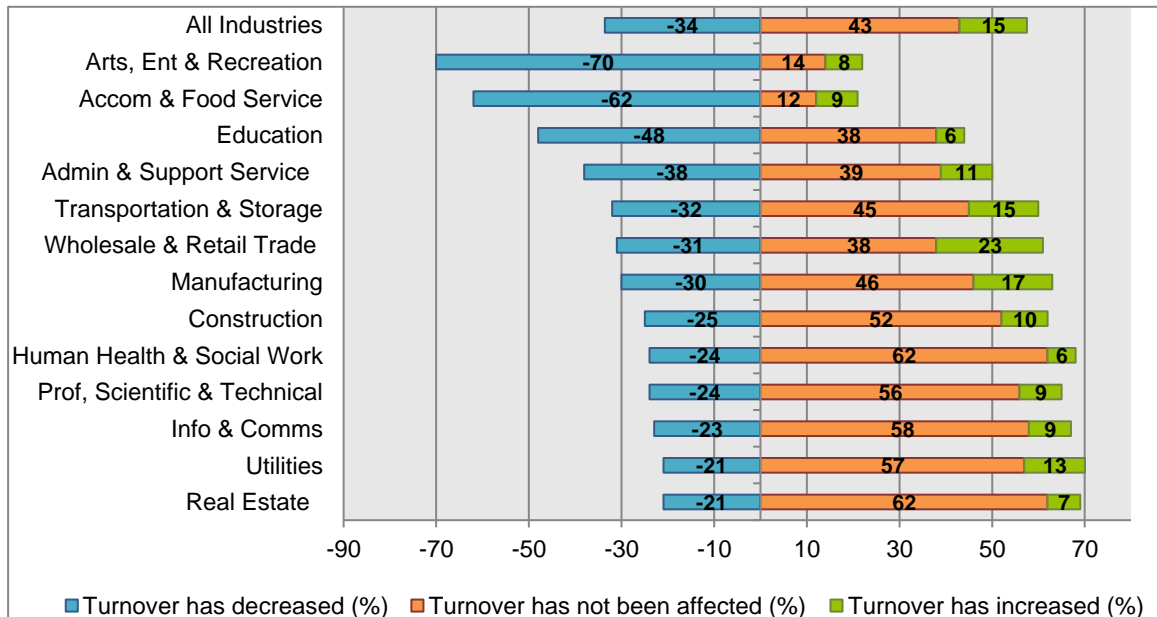
Changes in Demand

Figure 5. The proportion of UK businesses (%) that were trading or had temporary closed / paused trading: Jun 2020 – May 2021



By way of the impact on company turnover, the tide continues to turn. Whilst 34% of UK businesses reported that turnover was lower than normally anticipated at this time of year, 15% stated that it was higher (net: -19%). This was a marked improvement of previous months. Wholesale/Retail (23%) and Manufacturing (17%) had the highest proportions with positive revenues.

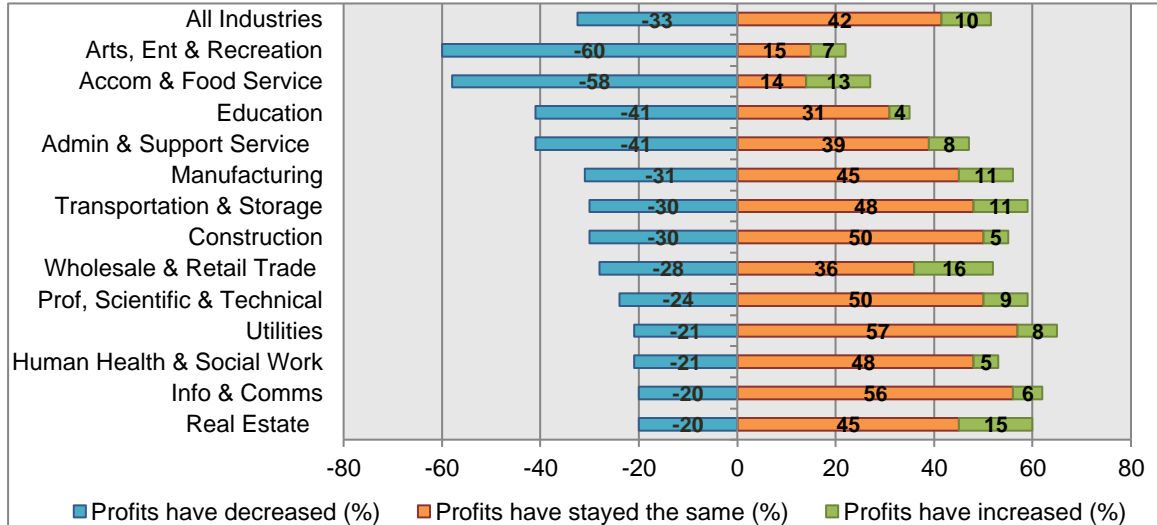
Figure 6. Turnover was lower than prior year: percentage of enterprises, 19 April-2 May 2021



Source for both: FCSA analysis of ONS data

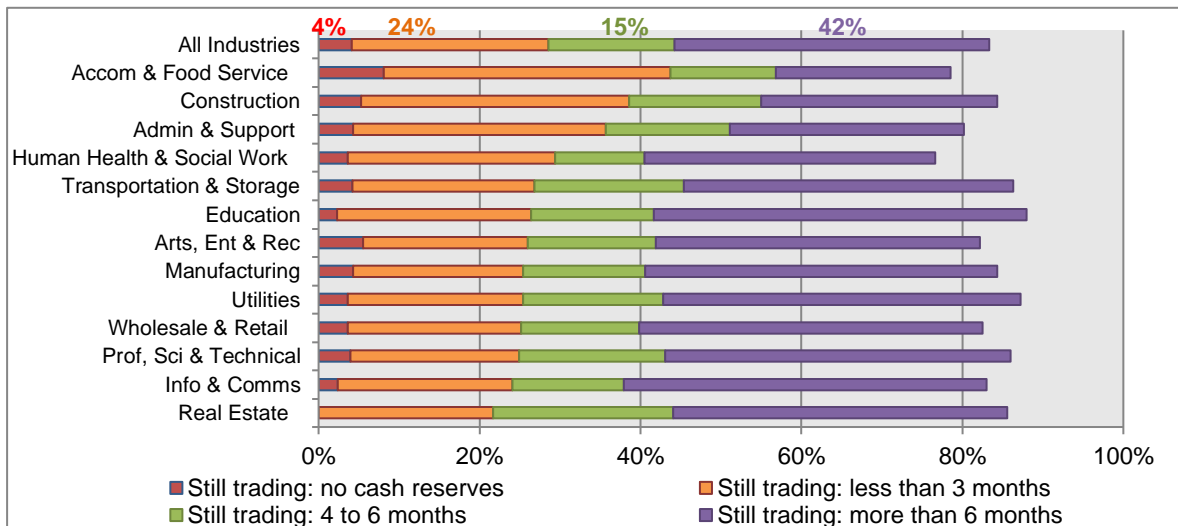
Whilst a similar proportion of businesses reported lower profits (32.5%) than last year, proportionally fewer reported higher profit levels (10.0%) – net: 23%. As with turnover, Wholesale & Retail has the highest proportion of enterprise with increased profits (16%).

Figure 7. Profits were lower than prior year: percentage of enterprises, 19 Apr-2 May 2021



Despite CJRS, SEISS and other scheme funds and rates exemptions, 27.7% of businesses that were currently trading, as at 3 – 16 May, had either no (4.0%) or less than 3 months’ cash reserves (23.7%). Amongst those who have temporarily stopped trading, the situation is even more challenging: more than four in ten (42.8%) had no (10.2%) or less than three months cash reserves (32.6%). This highlights the challenges that many key sectors will have in restarting

Figure 8. Cash reserves of enterprises still trading: 3-16 May 2021



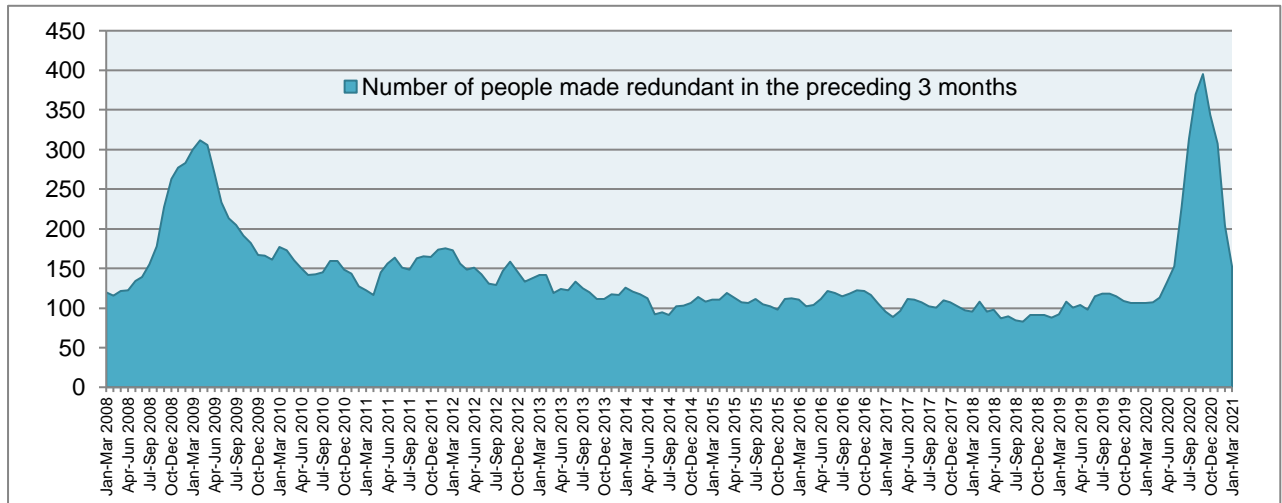
Source: FCSA analysis of ONS data

Changes in Demand

Redundancies continue to be abated as furloughing, once again, protects workers

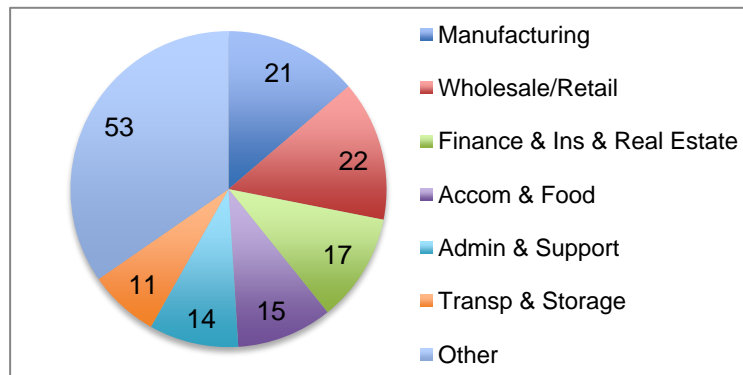
The dramatic quarterly rise in the numbers being made redundant witnessed in 2020 – despite furloughing – compares starkly to the picture in 2009 when the last economic downturn hit. Having reached its near-time peak of 395k in September-November 2020, the number of redundancies has continually declined, reaching a level of 153k across the three months to January-March 2021.

Figure 9. Redundancies in the preceding 3-month period, Jan-Mar 2008-2021 (000s)



An analysis of redundancies by sector in the first quarter of the year shows that the 65% of all layoffs were within 6 industries. This compares to 59% of all redundancies made by these six sectors in the three months to September-November 2021 (the peak period of layoffs) and 60% in the three months to June-August (the impact of Lockdown 1) – suggesting that these are the industries that continue to being most impacted by the pandemic.

Figure 10. Number of redundancies by sector, Jan-Mar 2021 (000s)

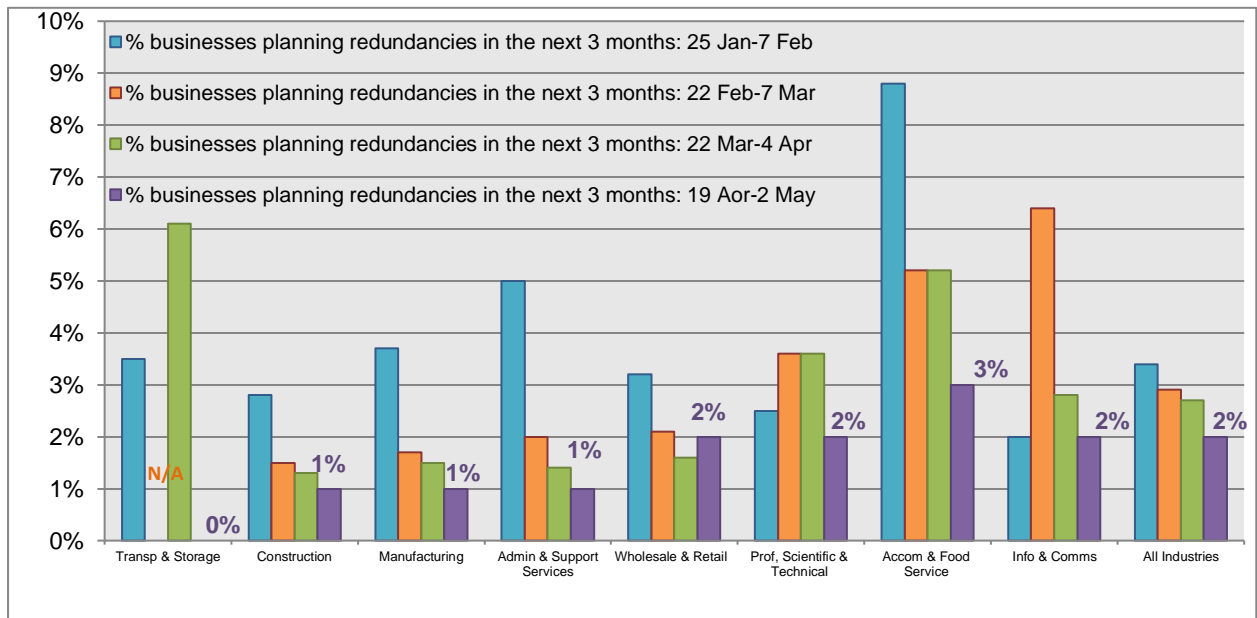


Source for both: FCSA analysis of ONS data

Changes in Demand

As to future expectations – with employers now aware of the fact that the CJRS will run until the end of September, rather than April as formerly announced - a comparison of sentiment pre and post Budget showed a significant change in intentions relating to future redundancies. **Just 1.8% of UK enterprises suggested that they would be making redundancies in the next three months, when surveyed between 19 April - 2 May 2021.**

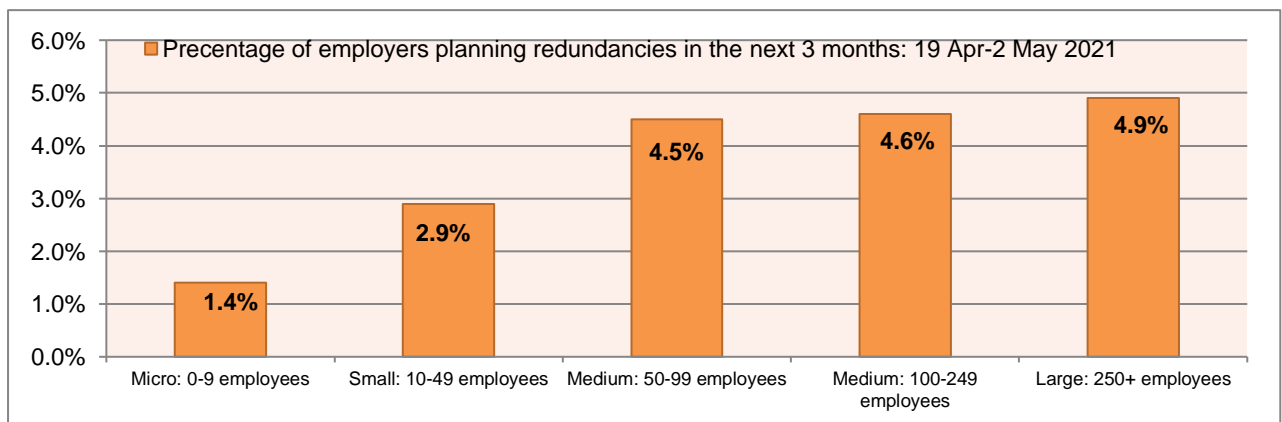
Figure 11. Employers (%) planning redundancies in the next 3 months



Source for both: FCSA analysis of ONS data

Amongst all those enterprises (still trading or temporarily paused from trading) that are planning to make redundancies in the next 3 months, the proportions increase notably with organisational size – those with the potential to make layoffs of scale.

Figure 12. Employers (%) planning redundancies in the next 3 months (19 Apr–2 May 2021)



Source: FCSA analysis of ONS data

Changes in Demand

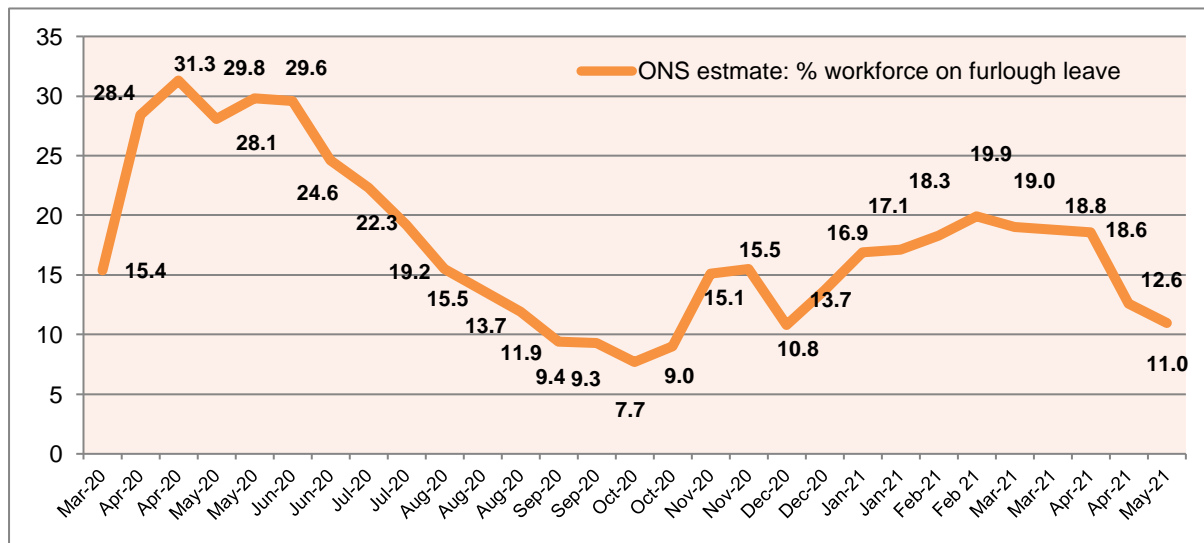
Furlough numbers remained high in March, including within sectors not impacted by enforced closure

In their *Economic & Fiscal Outlook* report in late November, the OBR forecast that an average of 4.5m workers would be fully or partially furloughed across the period November to March 2021, starting with 5.9m in November, dropping to 3.3m by March. In complete contrast to the forecasts, however:

- The figures started much lower than anticipated (4.04m in November and 3.99m in December, according to revised figures from HMRC).
- Following the move into Lockdown 3 at the end of December, however, revised figures from HMRC evidence that the average was 5.02m across January
- Across February – as predicted by ONS estimates - the numbers remained high, averaging 4.88m across the month, according to revised data from HMRC.
- And in March 2021, the average number across the month fell to 4.38m

Of the 4.19 workers on furlough on 31 March 2021, the majority (2.87m / 68.3%) were on full furlough. And in terms of what subsequently happened to furlough numbers, ONS estimates suggest that they held steady April but have dropped to c.12% since the easing of Lockdown 3.

Figure 13. ONS furlough estimates amongst business not permanently stopped trading, March 2020 – May 2021



Source: FCSA analysis of ONS data

Changes in Demand

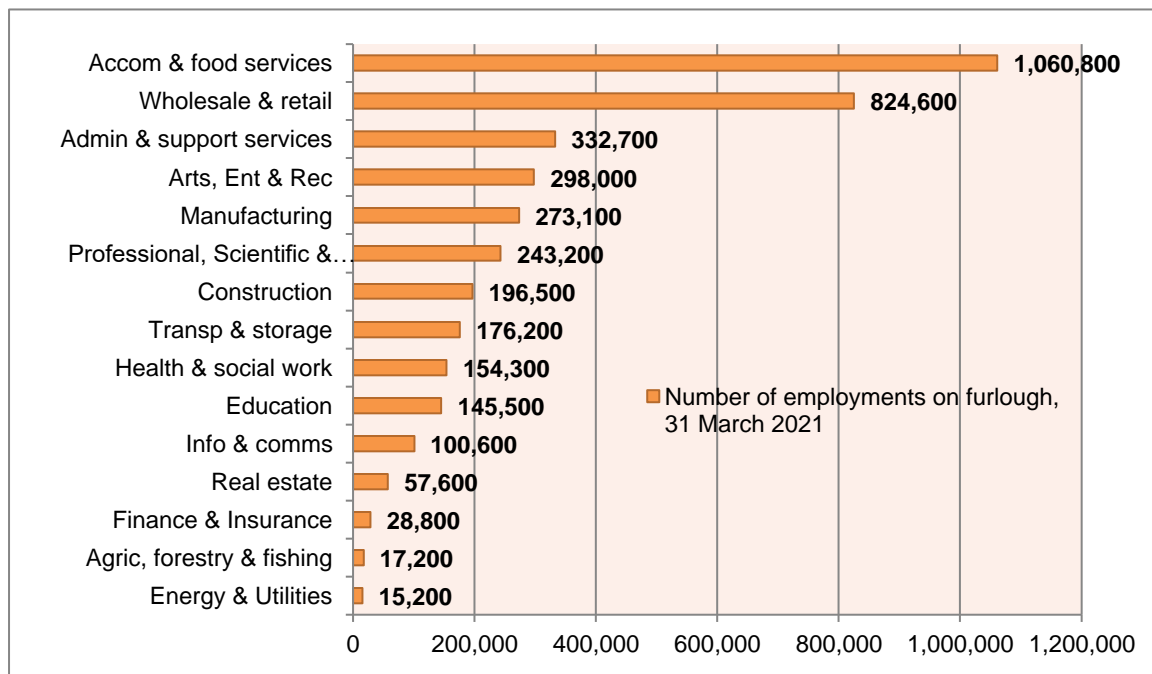
In terms of the journey that the furloughed workers are on as we head towards the currently

scheduled closing of the scheme at the end of September, there are concerns for and from both the businesses that have reopened (as these workers are still not required back at work) and those that remain temporarily closed (and which may never reopen).

As such, the sector profile of those still on furlough at the end of March – and notably, those still furloughed at the end of April, which we will not get visibility of until early June – is crucial in understanding the ramifications of the increasing cost to employers of keeping workers on the scheme and/or what happens when it ends.

Of concern, outside those sectors where high numbers are understandable due to enforced closure, many sectors – including Admin & Support (333k), Manufacturing (273k) and Professional, Scientific & Technical (243k) - still have high numbers on furlough. To set these numbers in context, during the period covering 31 March 2021, just 72.9% of business in Admin & Support, 81.4% of manufacturers and 80.4% of enterprises within the Professional, Scientific & technical sectors were actively trading.

Figure 14. Number of employments on furlough, as at 31 March 2021 (HRMC provisional)



Source: FCSA analysis of HMRC data

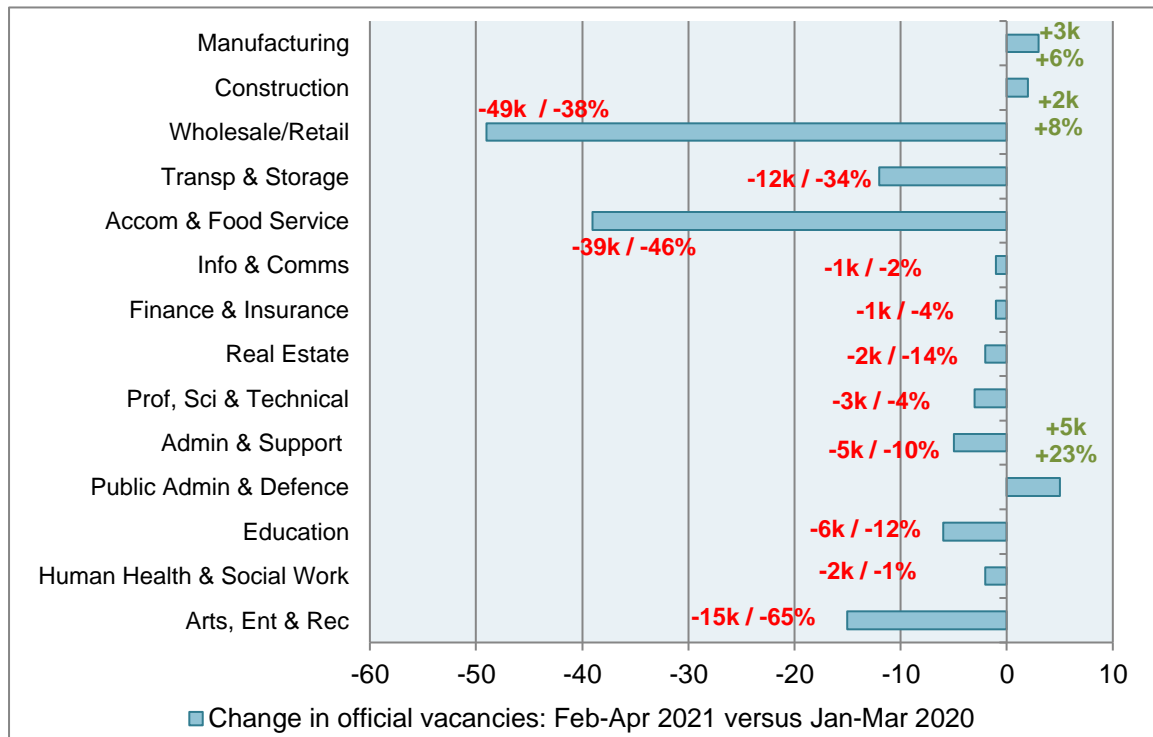
Changes in Demand

Official job vacancies still 16% below pre-pandemic level whilst job ads levels surge

When comparing the average number of official vacancies reported by employers across February-April 2021 (657k) to pre-pandemic levels (Q1 2020: 785k), job vacancy numbers remain 16% (128k) lower. Beyond the sectors that will understandably be significantly quieter due to Lockdown 3, Transport & Storage has notably fewer openings – down by 34% (12k) on Jan-March 2020 levels.

By sector, all industries with the exception of Public Admin & Defence, Manufacturing and Construction had fewer openings than the period immediately before the pandemic. **Public Admin & Defence is running a notable 23% above across the same period (Q1) last year.**

Figure 15. Change in official vacancy numbers, Feb-Apr 2021 versus Jan-Mar 2020

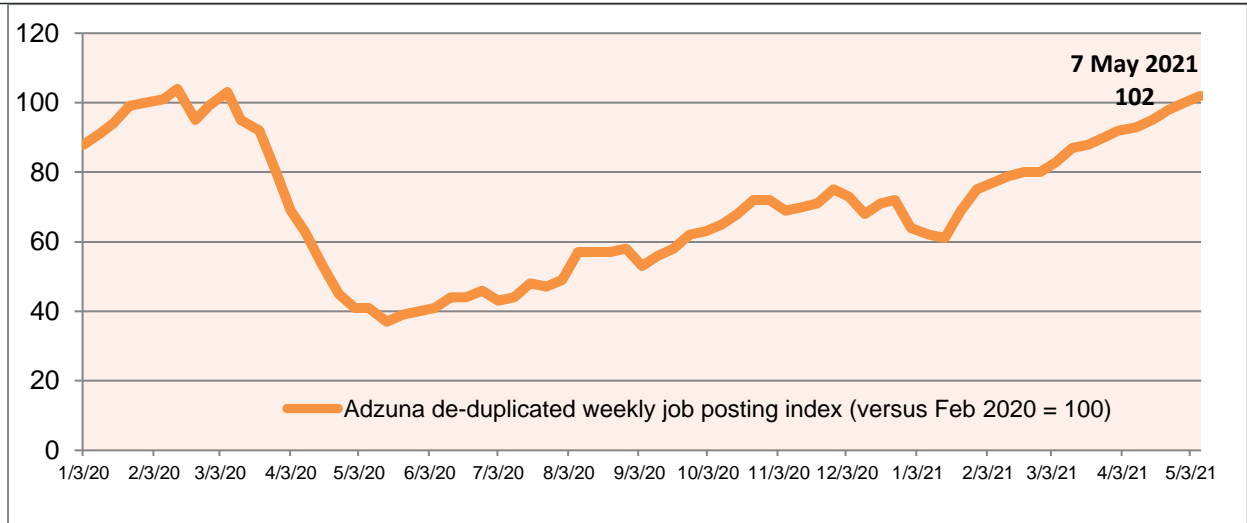


Source: FCSA analysis of ONS data

In the week ending 7 May 2021, data from Adzuna (reported by the ONS) showed that the total number of online job adverts had reached 102% of the average number of job ads in February 2020.

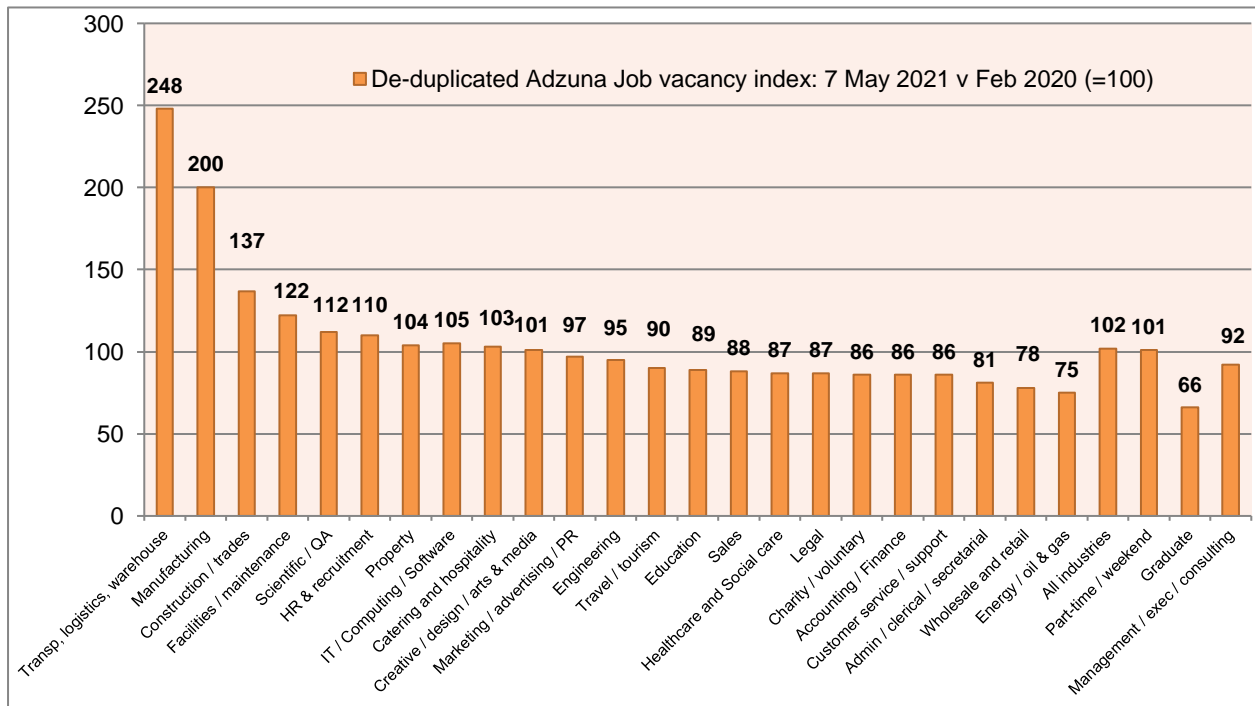
Changes in Demand

Figure 16. Weekly de-duplicated UK job vacancy index, versus average across Feb 2020



Out of the 26 Adzuna sub-categories, just 10 occupational groupings had returned to the average volumes of February 2020, however. When we cross reference this against the output levels and the official vacancy number for these sectors, however, the reason behind why the majority of those sectors are at 100%+ job ad levels compared to Feb 2020 will not be due to a restoration of previous trading levels.

Figure 17. Adzuna de-duplicated Job Ad category index, w/e 7 May 2021 v Feb 2020

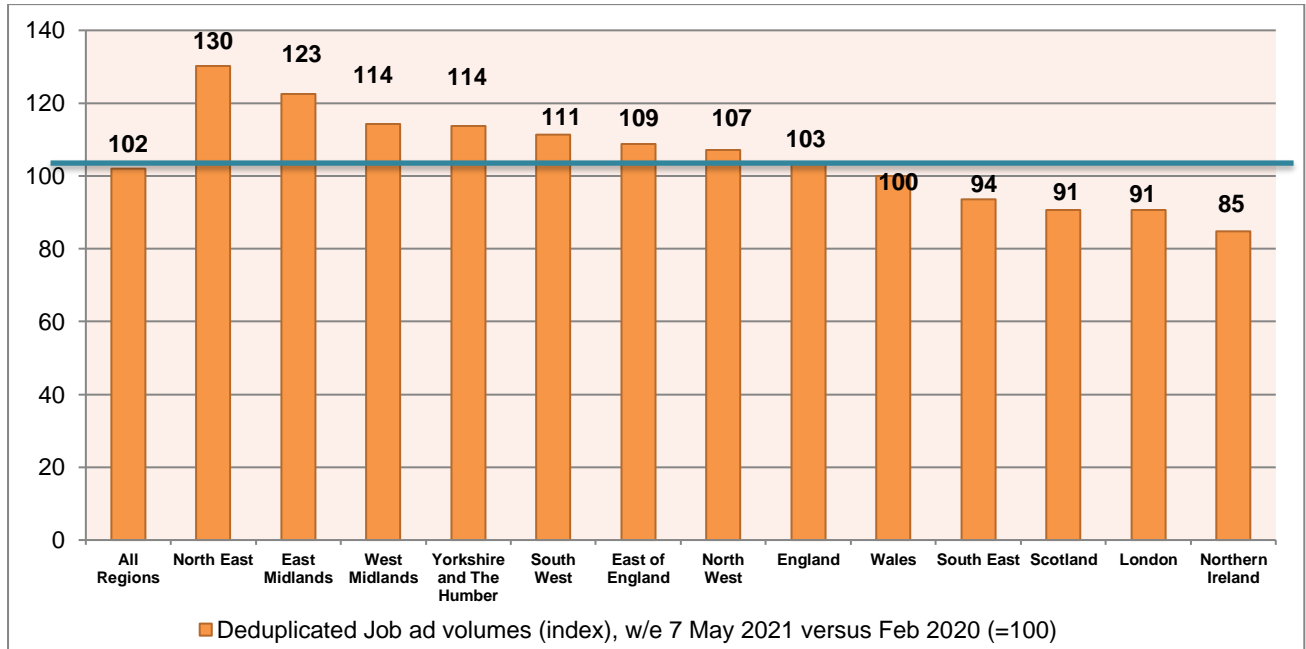


Source for both: Adzuna, reported by ONS

Changes in Demand & Supply

It is more likely that these sectors are facing challenges in filling the vacancies that they have due to two extraordinary factors: furloughing and the loss of EU-nationals from the UK workforce. The sectors with exceptionally high job advertising levels are also those that have a historically high dependency on non-UK national workers. Regionally, rates range from 130% of February 2020 volumes in the North East to 91% in London and 85% in N. Ireland.

Figure 18. Adzuna de-duplicated regional Job Ad index: w/e 7 May 2021 v Feb 2020



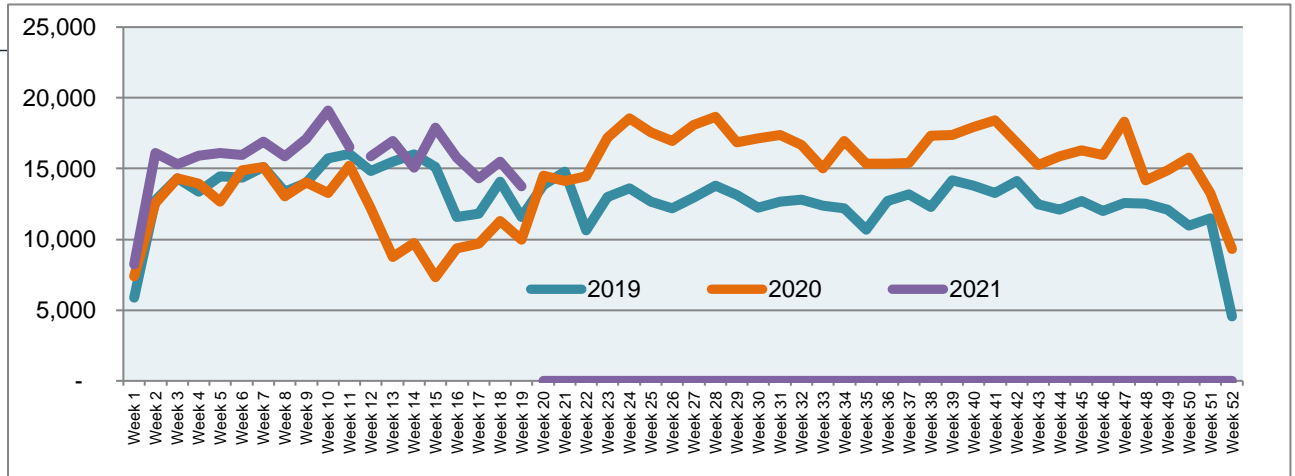
Source: Adzuna, reported by ONS

Company incorporations and dissolutions remain high

In the week ending 7 May 2021, there were a total of 13,768 company incorporations – a figure 37.8% higher than in the same week in 2020 (19,989), which was in the midst of the first lockdown, and 19.1% higher than the same week in 2019. Having trended below prior-year figures since late February 2020, incorporation numbers jumped in early May - around the time of the announcement of the Bounce Back Loan Scheme - and have since remained higher than the previous year.

Changes in Supply

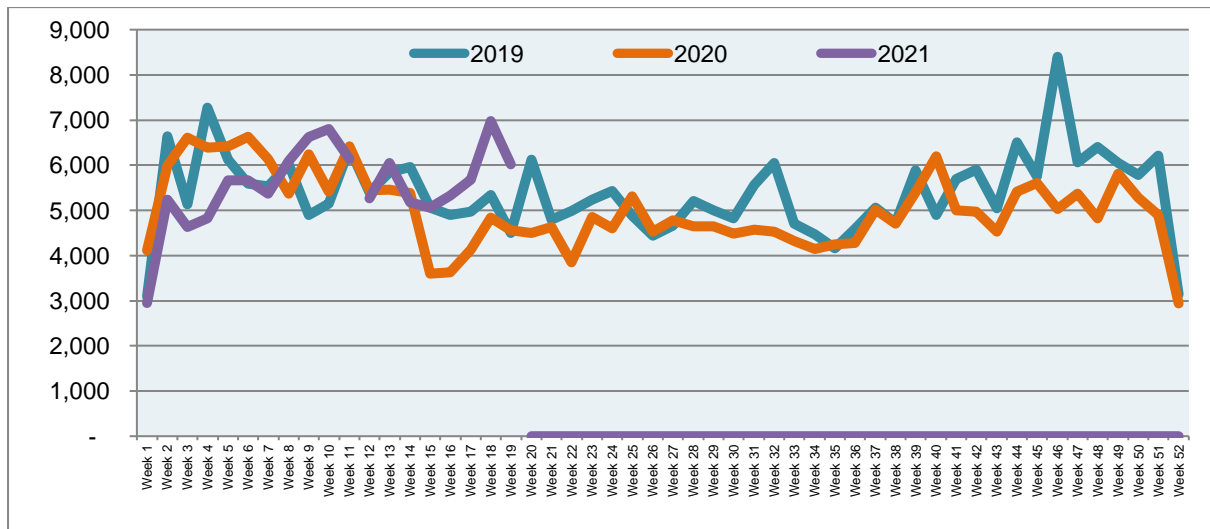
Figures 19. Number of weekly incorporations, Jan 2019 – May 2021



Source: FCSA analysis of Companies House data

In contrast, the number of dissolutions was kept artificially low by the temporary suspension of strike-offs/dissolutions on 2 April (through to 10 September), since which time they have started to increase but continue to trend below prior year figures. And notably, by w/e 7 May 2021, at 6,019, they were 32.2% higher than in the same week in 2020 (4,552) and 33.7% higher than in the same week in 2019.

Figures 20. Number of weekly dissolutions, Jan 2019 – May 2021

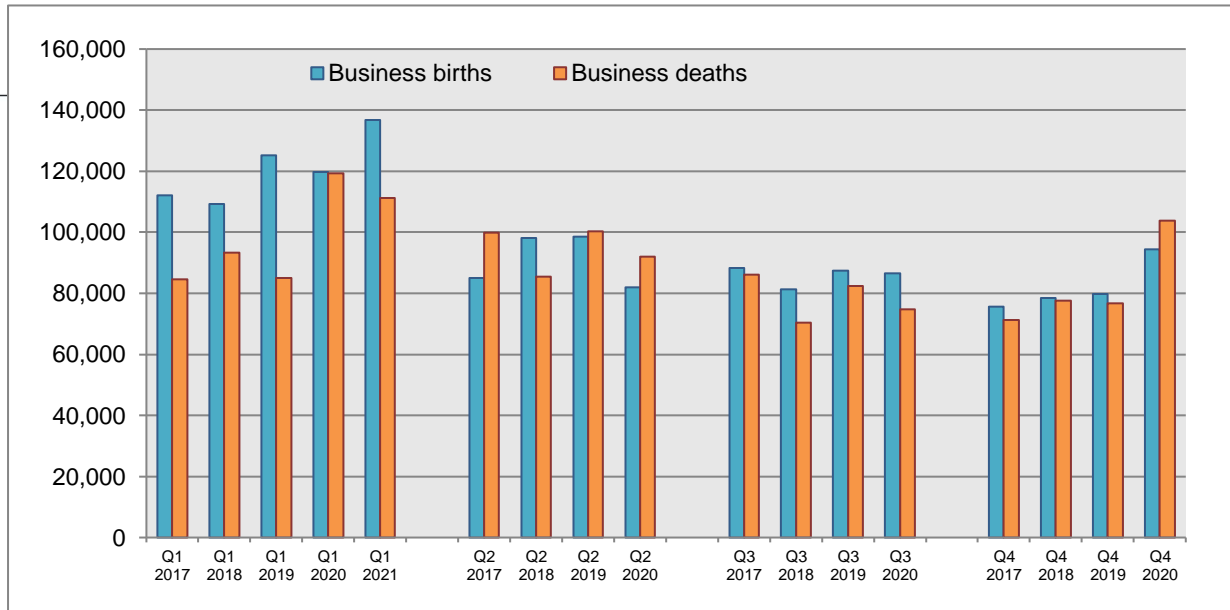


Source: FCSA analysis of Companies House data

By way of an early indication of the nature of business births and closures in Q1 2021, the UK experienced the highest quarterly number of business births in five years and the second highest number of business deaths, surpassed only by Q1 2020, over the same period.

Changes in Supply

Figure 21. Number of business births and deaths by quarter, 2017-2021



Source: FCSA analysis of Companies House data

As to the sectoral profile of business births in Q1 2021, six in ten (60%) were within sectors where there is high potential that the businesses were providing services to other enterprises. The likelihood of this being the case is strongest within Finance & Insurance, where the indicative average employee counts of new businesses formed within the sector across 2017-20 was 1.7, compared to the all industry average of 3.0.

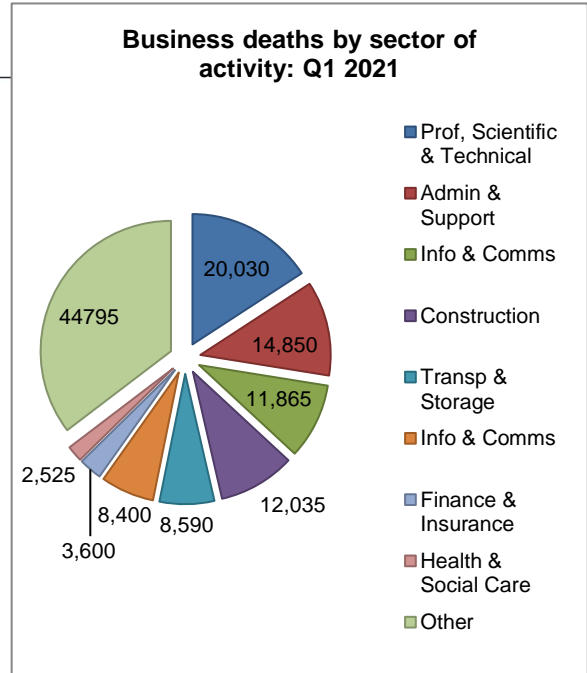
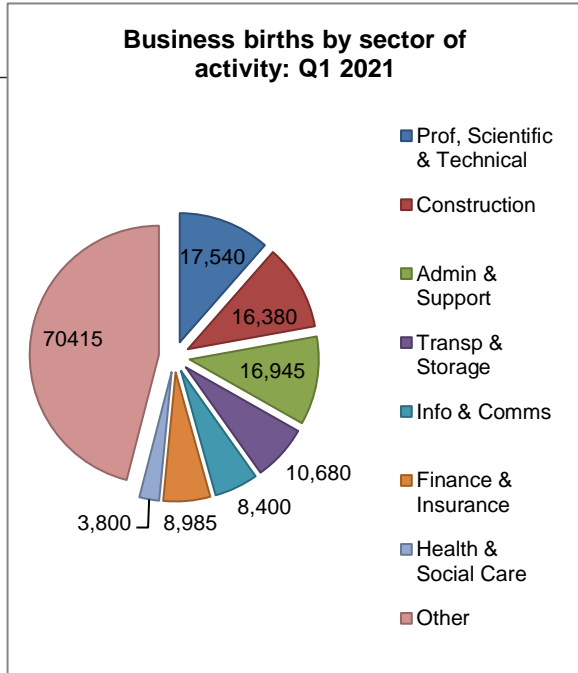
When looking at business deaths, three quarters (74%) were in sectors where many freelancers operate. Notably the indicative average employee count of the business deaths within Info & Comms was 1.6 across 2017-20, whilst within Professional, Scientific, and Technical industries it was 1.8. This compared an all-sector average of 2.6.

Moreover, HMRC notes:

“Businesses closing in Quarter 1 2021 were smaller than those closing in Quarter 1 of 2017 to 2020. The average size by employment of a business closing in Quarter 1 2021 was 2.7 employees; this was around 20% smaller than the average size of a business closing in Quarter 1 of 2017 to 2020.”

Changes in Supply

Figures 22 and 23. Business births & deaths, by sector: Q1 2021



Source for both: FCSA analysis of Companies House data

UK Labour Market Statistics

Furloughing continues to shield workers

The UK employment rate (the proportion of people aged from 16 to 64 who were in work) was 75.2% in January-March 2021 - 1.1 percentage points lower than the same period last year and 0.2 percentage points up on the previous quarter (October-December 2020). This equated to 32,476k people in work, in 34,417 jobs (in December 2020 – the latest available data - down 1,241k (3.5%) from 35,658k jobs in December 2019).

Figure 24. UK workforce composition, Jan-Mar 2021, and quarterly/annual changes

Category	Number (000)	% of all in employment	Change on previous quarter	Change from a year earlier
All in employment	32,476	100%	+84k	-529k
Employees	28,021	86.3%	+126k	+142k
(of which) Zero Hours contract employees	978 (Q4 2020)	3.0% (3.5% of all employees) (Q4 2020)	+21k	+4k
(of which) Temporary employees	1,533	4.7% (5.5% all employees)	-31k	+25k
Self-employed	4,331	13.3%	-44k	-617k

Source: FCSA analysis of ONS Labour Force Survey data

With the **total workforce** increasing by 84k, rolling quarter-on-quarter, the balance was achieved by **248k (1.0%) more people working full-time and 165k (2.1%) fewer officially part-time workers.**

Year-on-Year, the balance of 529k fewer people in the workforce resulted from **857k (9.9%) fewer people in part-time jobs and 328k (1.3%) more in full-time work.** The workforce numbers include a significant number of people registered as employed, however – likely to include many of the UK’s 978k Zero Hours Contract workers - but receiving no hours or money.

UK Labour Market Statistics

Self-employment down 617k (13%), YoY, whilst temp up 25k (2%)

From a contingent worker perspective, **self-employment fell 44k (1.0%) QoQ. The self-employment rate is now 13.3%. Temporary employment – in all its guises – also fell by 31k (2.0%), QoQ. The temp rate for the quarter was 4.7%.**

Year-on-year, temporary employment rose by 25k (1.7%), although this was largely courtesy of a rise in FTC working, which increased by 24.1% (149k) YoY. In contrast, **self-employed numbers were 12.5% (617k) lower than a year earlier.**

4.8% (1.62m) unemployment: sharp rises amongst older workers

The unemployment rate was 4.8% in January-March 2021, compared to 5.0% last rolling quarter and 4.0% in the same period last year. At 1,623k, this represented a 121k (6.9%) decrease on the previous quarter but was 258k (18.9%) higher than the same period a year earlier:

Figure 25. Unemployment numbers and rates, by age band, Jan-Mar 2021

Category	Number (000)	Unemployment rate	Change on previous quarter	Change from a year earlier
16–17 year olds	89k	30.1%	+7k	-18k
18-24 year olds	447k	12.0%	-60k	+31k
25-49 year olds	677k	3.5%	-53k	+138k
50+ year olds	411k	3.7%	-15k	+107k

UK Labour Market Statistics

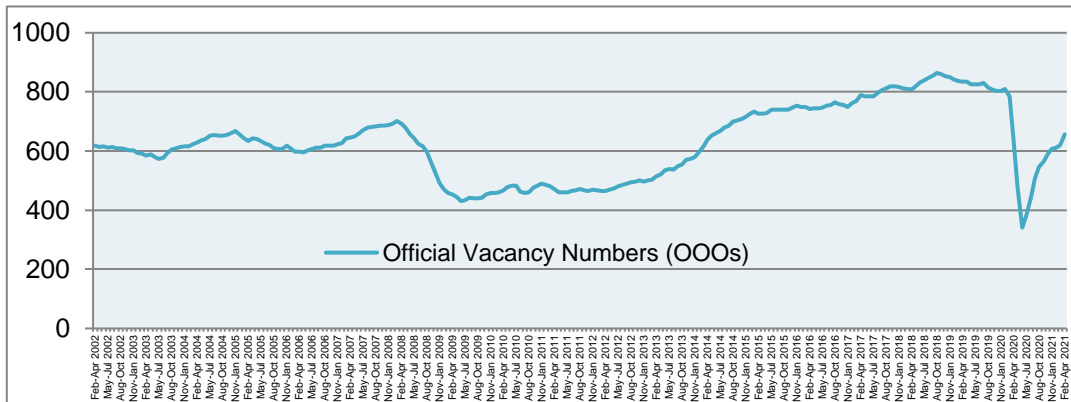
Low & no pay claimants 537k (26%) up on April 2020

At 2,629k, the provisional Claimant Count in April 2021 was 15k (0.6%) lower than the previous month but 537k (25.7%) higher than a year earlier.

Vacancy levels up 8% QoQ and 3% YoY

There was an average of **657k job vacancies open across February-April 2021** – the highest level since the pre-pandemic period (January-March 2020). In addition to rising by 48k (8.0%), QoQ, they were 20k (3.1%) higher than in the same period last year.

Figure 26. Official vacancy numbers, Feb-April 2002-2021



Source for both: FCSA analysis of ONS data

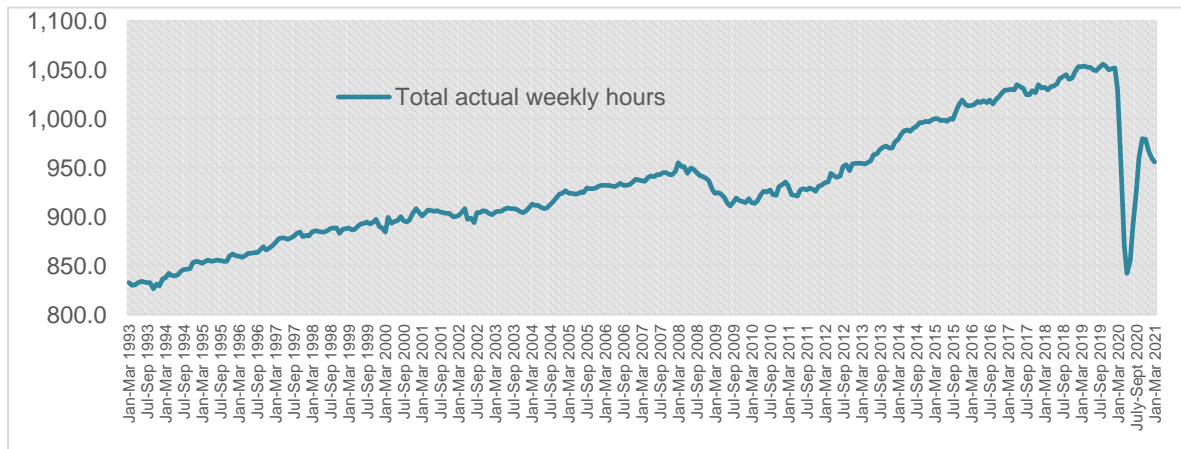
UK workers working 9.0% fewer hours than 2 years ago

Having tumbled once the pandemic took hold, the number of hours worked by UK workers started to recover. Between October-December and January-March 2021, however, the total actual weekly hours worked by those in employment fell again, by 22.6m, or 2.3%, to 956.2m hours. Over the same period, average actual weekly hours fell by 0.8 hours to 29.4.

YoY comparisons now included the pandemic period, a comparison to the same period in 2019 shows that the total actual hours worked in the UK decreased, however, by 98.0m (9.3%), to 956.2 million - a fall of an average of 2.7 hours per week, across all workers, to 29.4 hours.

UK Labour Market Statistics

Figure 27. UK total actual weekly hours worked (people aged 16+), seasonally adjusted, between Jan-Mar 1993-2021 (000s)



Source for both: FCSA analysis of ONS data

Never, in previous economic downturns, has the average working week been cut so severely. As such, the other barometer to watch is how average working hours rebound amongst full-time, part-time, and all workers. In relation the same period last year (January-March 2020):

- All worker hours were 8.5% lower
- Full-time worker hours were 9.6% lower
- Part-time worker hours were 14.7% lower

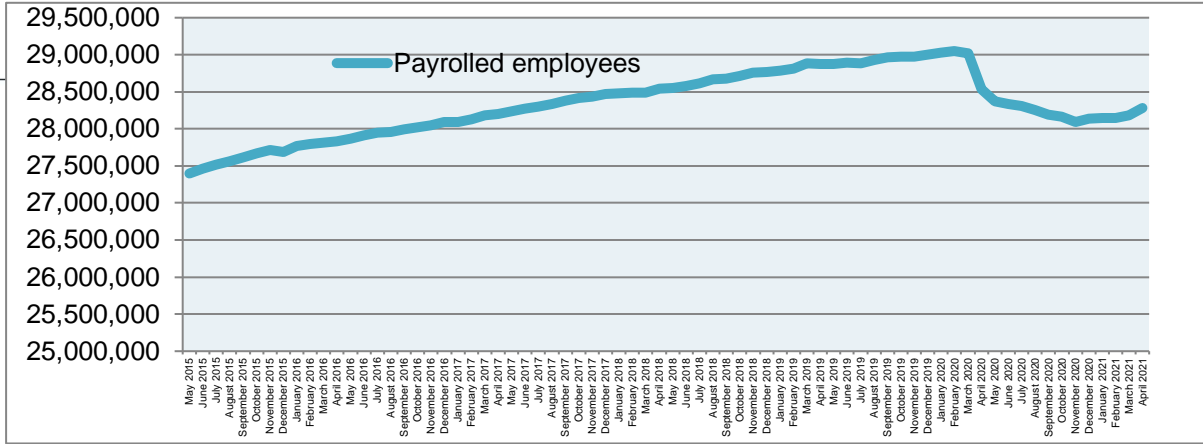
Workers on payroll rise for the fifth consecutive month

HMRC analysis of RTI returns has enabled a flash estimate of the significantly reduced UK payrolls across April 2020 – April 2021.

With a correction to the figure reported last month, which originally showed a renewed downturn, HMRC data evidences that - having tumbled steeply through April and May 2020, and then continued to fall further each month through to November - the number on UK payrolls has now increased for five consecutive months. At 28.2m, numbers remain 253k (0.9%) lower than in April 2020, however – the first full month of Lockdown 1 in the UK.

UK Labour Market Statistics

Figure 28. Paid employees, seasonally adjusted – to May 2015-Apr 2021



In relation to the age profile of the lost payroll workers, HMRC data evidences that those aged 50+ have actually increased YoY. When comparing April 2021 payroll numbers to pre-pandemic (Feb 2021) levels, despite numbers across all age groups being 647k lower, the numbers amongst those aged 50+ were similarly higher.

Figure 29. YoY change in payrolled employees, by age band (seasonally adjusted): Apr 2021

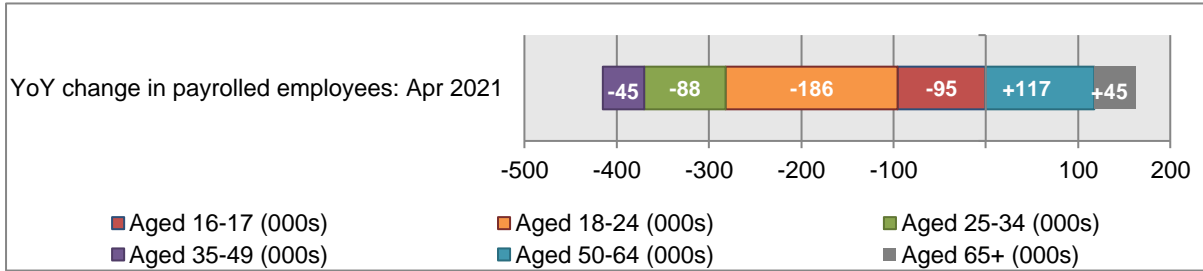


Figure 30. Feb 2020-Apr 2021: change in payrolled employees, by age band



Source for all: FCSA analysis of HMRC data

Regionally, London (-2.7%) remains the outlier, but Scotland (-1.6%) and the South East (-1.2%) also remain worse than the national average. In contrast, payroll numbers in the North East are back to prior year levels.

UK Labour Market Statistics

And from a sectoral perspective, 232% of the 253k balance of decline in the UK payroll

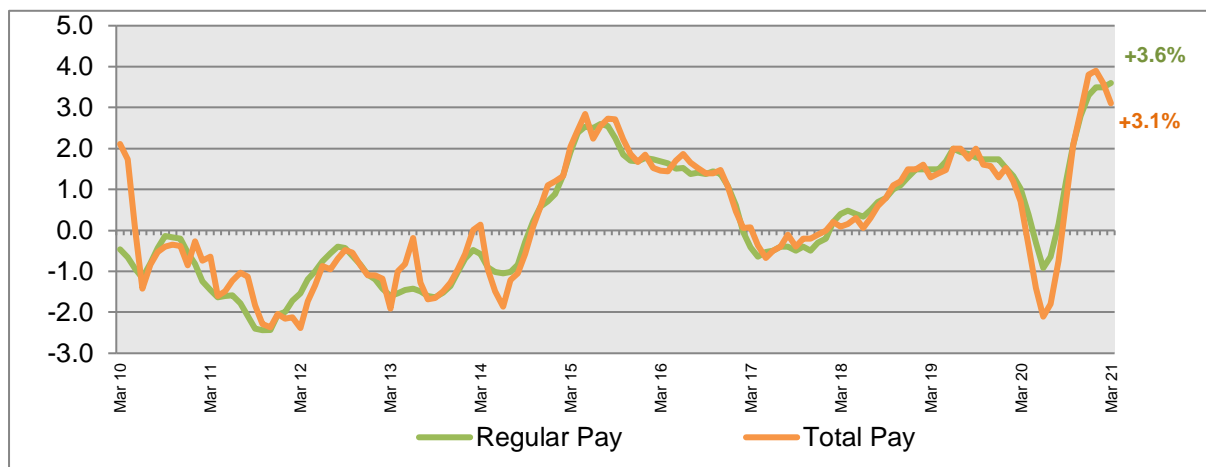
came from just four sectors: 274k from Accommodation & Food Service, 147k from Wholesale & Retail, 80k from Manufacturing and 87k from Arts, Entertainment & Recreation.

In contrast, Admin & Support surged by 126k, Health & Social Work rose by 160k, Public Admin & Defence added 52k whilst there were 41k more on Finance & Insurance sector payrolls than in April 2020.

Real terms pay growth remain high, but ONS continues to caution on the figures

In real-terms (when adjusted for inflation), regular pay growth for GB employees (excluding bonuses) remained positive across the year to January-March 2021, at +3.6% (up from an adjusted 3.5% last rolling quarter). In contrast, real-terms total pay growth declined, rolling quarter-on-quarter, from 3.6% to 3.1%. **For the single month of March, real-terms regular pay increased to 3.9% (from 3.7% in February), whilst real-terms total pay fell to 3.0% (from 3.1%).**

Figure 31. Regular & Total Pay real-terms wage growth, year to Jan-Mar 2010-2021



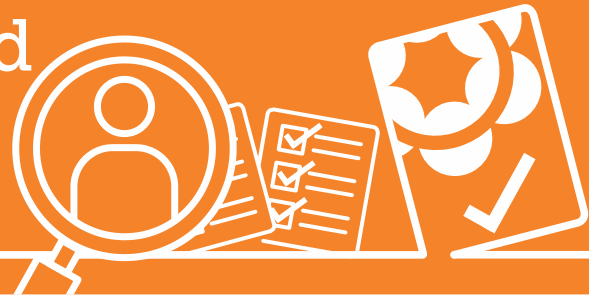
Source: FCSA analysis of ONS data

ONS continues to caution, however, that average pay growth rates have been affected upwards by a fall in the number and proportion of lower-paid jobs compared with before the coronavirus (COVID-19) pandemic.

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