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UK inflation ticks up in December

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UK inflation surprisingly increased in December according to data published by the Office for National Statistics (ONS). Consumer Price Index (CPI) inflation ticked up to 4.0% in December 2023 from 3.9% in November (Figure 1). This was the first time the rate had increased since February 2023 and had not been expected by most commentators.

The ONS observed that "the largest upward contribution to the monthly change in … CPI annual rates came from alcohol and tobacco while the largest downward contribution came from food and non-alcoholic beverages". Though it further observed that the increase in the annual rate of alcohol and tobacco inflation was "largely the result of the increase in tobacco duty, after the government announced higher taxes in their autumn statement".

Of the components of inflation most were steady or increasing or only saw a marginal fall such as goods inflation which fell from 2.0% in November to 1.9% in December. However, services inflation increased slightly (from 6.3% in November to 6.4% in December) and the core inflation rate (which excludes volatile energy, food, alcohol and tobacco) stayed steady at 5.1%. These also remain higher than CPI inflation and markedly higher than the Bank of England's target of 2% inflation. Still analysts expect inflation to drop in the coming months in part due to a forecasted fall in the energy price cap that is expected in April.

Also in this issue

Datastore

The main economic indicators for London are available to download from the London Datastore.

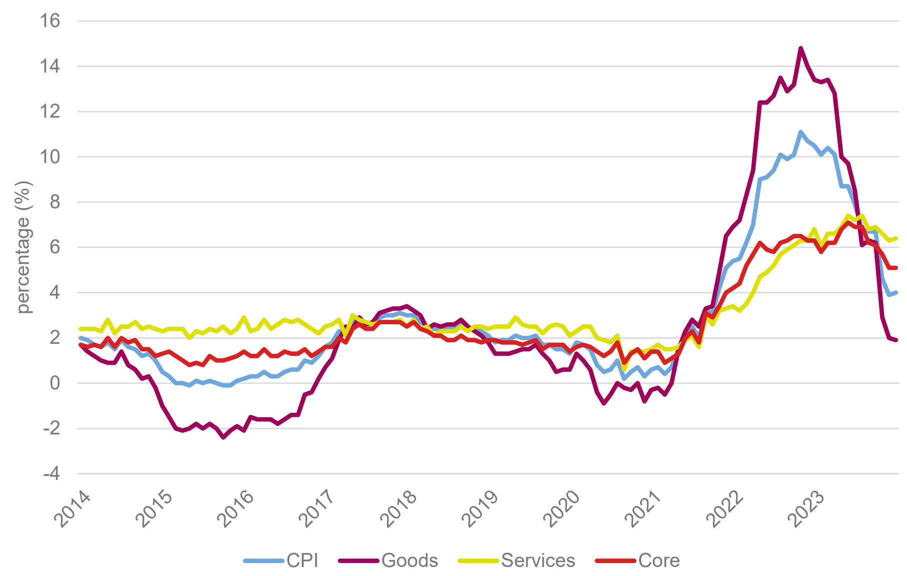


Figure 1: CPI, goods, services and core inflation, December 2013 – December 2023

Source: ONS

UK GDP grew in November

In more positive economic news the ONS estimates that UK GDP returned to growth in November. After falling by 0.3% in October UK GDP is estimated to have then grown by 0.3% in November (Figure 2). Despite this monthly growth GDP in the three months to November 2023 fell by 0.2%. Still, output in both services and production grew by 0.4% and 0.3% respectively, with services growth contributing the most to the growth in UK GDP. However, it should be noted that output in construction fell by 0.2% in November.

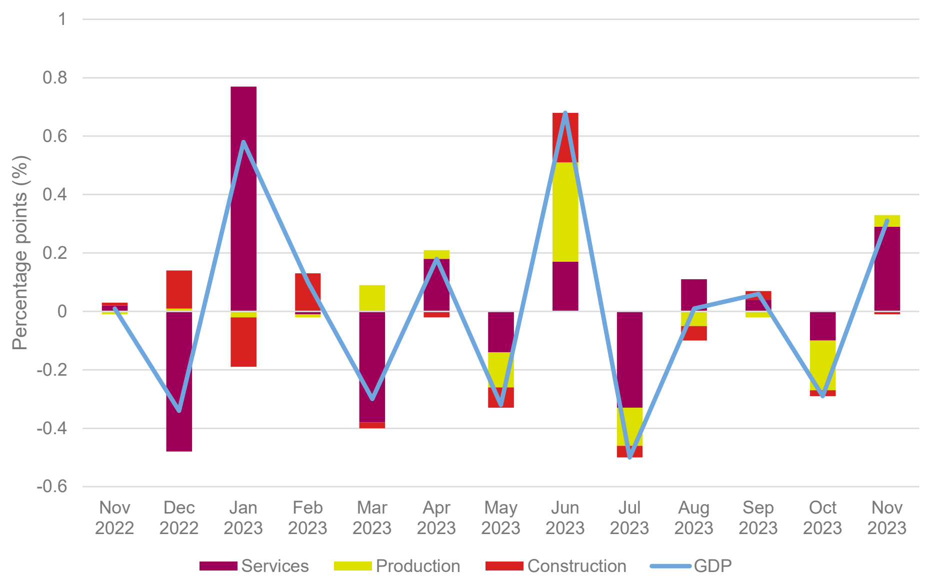


Figure 2: Contributions to monthly UK GDP growth, November 2022 to November 2023

Source: ONS

Looking at the last month of 2023 the picture is less optimistic. Data from the ONS showed that retail sales in Great Britain fell more than expected between November and December 2023. The fall was 3.2% compared to a rise of 1.4% in the previous month. Further, although a fall had been expected by most economists, this was greater than most had anticipated but may have been affected by consumers bringing forward spending to take advantage of deals such as Black Friday. This picture of a poor retail performance was also supported by data from the British Retail Consortium (BRC) which, although increasing, showed sluggish growth in retail sales in December. The data showed that sales grew by an annual rate of 1.7% in December, lower than the 2.7% seen in November and below the 12-month average of 3.6%. Commenting on the figures Helen Dickinson, chief executive of the BRC said that "weak consumer confidence continued to hold back spending".

The Q3 2023 Quarterly Economic Survey (QES) from the British Chambers of Commerce (BCC) also had mixed results for the end of 2023. It found that "most firms report no increase to sales, cash flow, or investment". However, it also noted that business confidence was improving with David Bharier, Head of Research at the BCC observing that "the latest QES results show steadily growing confidence among UK SMEs, particularly compared to this time last year, when the UK was beset by a significant energy price shock and political instability". Of concern for surveyed businesses, the report found that inflation remained "the top external factor of concern for the majority of respondents (58%), though this has declined significantly from the peak of 84% in Q3 2022".

World economy forecast to experience weakest half decade in 30 years

A subdued economic outlook is not just seen in the UK as shown by the latest economic forecast from the World Bank. The World Bank forecast in January in its Global Economic Prospects report that global growth would "slow for the third year in a row—from 2.6% last year to 2.4% in 2024, almost three-quarters of a percentage point below the average of the 2010s". Global trade growth this year is also expected to be only half the average seen in the decade before the pandemic. Commenting on the forecast, Indermit Gill, the World Bank's Chief Economist and Senior Vice President said "without a major course correction, the 2020s will go down as a decade of wasted opportunity". The report also warned that the conflict between Hamas and Israel "has sharply heightened geopolitical risks", while disruption to shipping routes through the Red Sea has increased inflationary bottlenecks.

Elsewhere Gita Gopinath, the first deputy managing director of the International Monetary Fund (IMF) warned markets to not expect interest rate cuts too soon. In an interview in Davos she said "based on the data we have seen, we would expect rate cuts to be in the second half, not in the first half" of the year. This came as other financial leaders also tried to dampen expectations of imminent rate cuts. So for instance the president of the European Central Bank, Christine Lagarde, has indicated that rate cuts would not be likely until the summer but that she would "have to be reserved" on her judgement of the timing of the cut.

Overseas visitors spending drops in the UK

The Financial Times (FT) recently undertook analysis looking at non-EU visitor spending in the UK in the period prior to and after the scrapping of VAT free shopping post Brexit in 2021. This analysis found that in 2021 non-EU visitor spend stood at £1,612 per capita up from £1,036 in 2020 after Covid bans on flights were lifted. It then observed however that "in 2022, as visitor numbers approached pre-pandemic levels, the figure decreased to £1,346 — or 17 per cent — and maintained a declining trend for the first six months of 2023". The analysis noted that this trend was not seen in other European countries with spending rising in Italy and Spain over the period and remaining flat in France in 2022 before then rising. More analysis on the impact on London of the end of VAT free shopping can be found in the supplement to the September 2023 edition of London's Economy Today.

London sees strong growth in services exports

The Resolution Foundation has been looking at UK services exports in new research published this month. This found that services accounted for 56% of all UK exports in Q3 2023 compared to 30% in 1997. They also noted that London's services exports had grown strongly recently, with the capital's services exports increasing by 47% between 2016 and 2021 to reach a value of £152.2 billion. Given this fast growth London's share of all UK services exports had increased from 38% to 46% between those years. Looking at the causes of this big growth in the capital's services exports the Resolution Foundation observes that "the biggest export growth was seen in [information and communication services] (up 15 per cent between 2016 and 2021), and professional services (up 12 per cent), rather than banking (up 8 per cent)".

Gross disposable income in London more than £10k less than it could have been

The Centre for Cities has published a report in January looking at the performance of UK cities since 2010. In its Cities Outlook 2024 report it observed that "no part of the UK has escaped the impact of the flatlining of the UK economy since 2010". While looking at the capital the report found that "gross disposable income growth per head was £13,590 lower in London than it would have been if it had grown in line with 1998-2010 trends". Although it should be noted that London was the only analysed city that saw disposable income grow more than the national average. Beyond this the report further observed that "London's productivity slowdown since 2008 is a big factor in the wider national malaise" and thus argued that "to get the UK economy firing again the next government must overcome the reluctance to support London". In order to boost growth going forward the report argued that the next government should stick with the levelling up agenda, pass "fiscal powers to London, Greater Manchester and the West Midlands, while addressing funding challenges faced by local government" and reform the planning system.

AI could affect 40% of jobs globally

Looking further ahead the IMF recently produced analysis on the possible impact of artificial intelligence (AI) on the future of work. It found that 40% of global employment is exposed to AI. It noted that unlike in previous periods of automation high skilled jobs could be highly impacted, so, in advanced economies it thinks that 60% of jobs are exposed to AI. It further observed that "advanced economies face greater risks from AI—but also more opportunities to leverage its benefits—compared with emerging market and developing economies". Of the 60% of advanced economy jobs exposed it thinks that around half "may benefit from AI integration, enhancing productivity", while the other half are at risk of replacement. The IMF also warned that AI may negatively impact inequality with Kristalina Georgieva, the IMF's managing director, saying "in most scenarios, AI will likely worsen overall inequality".

London and the UK face some challenges moving into the new year

There was continued signs of a slackening in the London labour market at the end of the year. Thus, early estimates from the count of payrolled employees from HMRC's Pay As You Earn (PAYE) RTI dataset, which offers a timely measure of labour market trends, indicate that there were around 4.3 million payrolled employees living in London in December 2023, a decrease of around 2,610, or 0.1%, on the previous month. Although this was an increase of 41,000, or 1.0%, on the previous year. Looking at the claimant count, which is a measure of people claiming benefits principally for the reason of being unemployed, it shows that in December 2023 there were 306,000 people claiming unemployment-related benefits in London - equal to a claimant unemployment rate (as a proportion of residents aged 16 to 64) of 5.1%. The number of claimants in London has increased by 20,900, or 7.3%, on the year, compared to an increase of 31,800, or 2.1%, in the UK overall. The indicators section of this publication looks at further measures of the labour market.

Beyond the labour market and taking a more national view, some councils are facing very large debt levels. As reported in previous editions of London's Economy Today, a number of councils have issued section 114 notices meaning effectively they have gone bust. However, this may be the tip of problems faced by councils as new BBC analysis has shown that UK councils owe a combined £97.8bn to lenders, equivalent to around £1,400 per person. It should however be noted that the picture between councils varies widely with around 10% of councils having no debt at all.

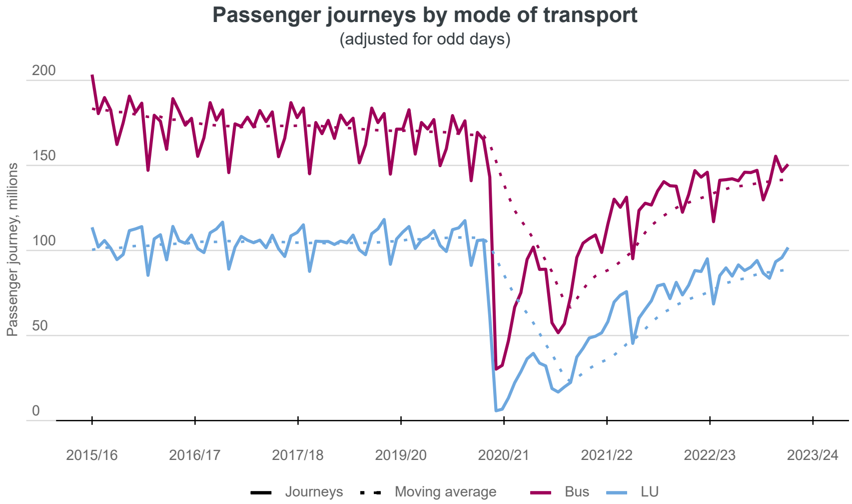
The UK is also expected to implement post Brexit border checks on goods entering the country from the EU from 31 January, which may also put pressure on British supply chains. These checks have been postponed five times and it is possible that the move to this new system may cause some disruption as the system is implemented. GLA Economics will continue to monitor these challenges over the coming months in our analysis and publications, which can be found on our publications page and on the London Datastore.

Economic indicators

The underlying trend in passenger journeys on London public transport remains very marginally upward

- 252.4 million passenger journeys were registered between 12 November and 9 December 2023, 10.2 million more than in the previous period. 242.2 million passenger journeys were registered between 15 October and 11 November 2023.
- In the latest period, 101.8 million of all journeys were underground journeys and 150.7 million were bus journeys.
- The 13-period-moving average in the total number of passenger journeys rose from 229.7 million in the previous period to 230.6 million in the latest period.

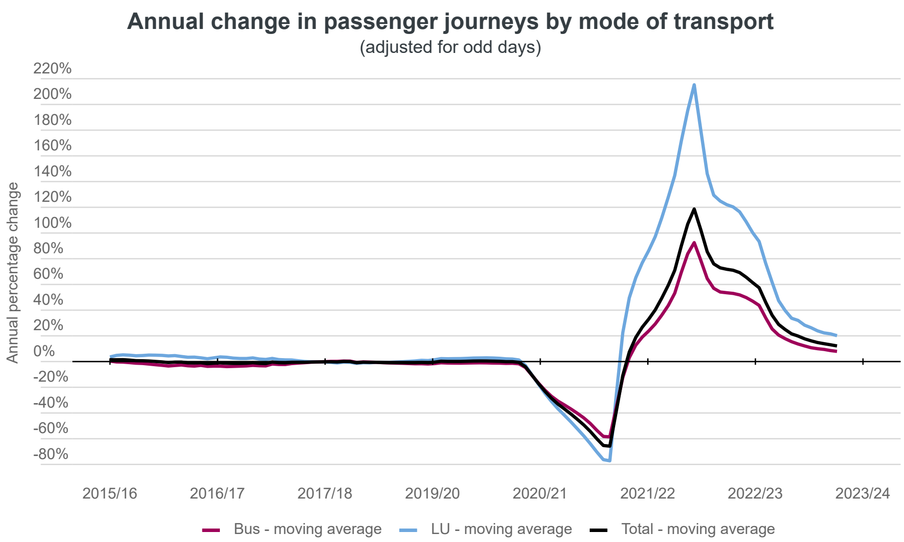
Source: Transport for London
Latest release: January 2024, Next release: February 2024



Annual growth in passenger journeys remains positive, if slowing

- The 13-period moving average annual growth rate in the total number of passenger journeys was 12.2% between 12 November and 9 December 2023, down from 13.1% between 15 October and 11 November 2023.
- The moving average annual growth rate of bus journeys decreased from 8.6% to 7.9% between the above-mentioned periods.
- Likewise, the moving annual average of underground passenger journeys decreased from 21.6% to 20.1% between those periods.

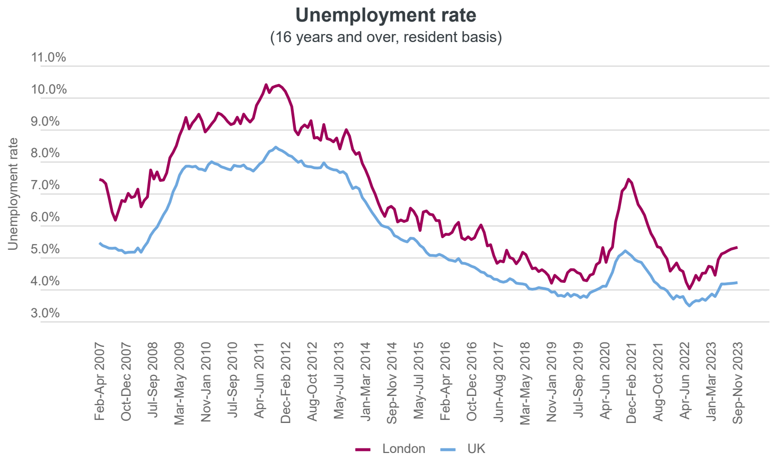
Source: Transport for London
Latest release: January 2024, Next release: February 2024



London’s unemployment rate has been rising slowly, but remains low

- Around 268,000 residents 16 years and over were unemployed in London in September - November 2023.
- The unemployment rate in London was 5.3% in that period, remaining 0.1 percentage point higher than in the previous quarter.
- The UK’s unemployment remained steady at 4.2% in August - October 2023 and September - November 2023.
- London’s labour market remains a conundrum. Evidence from a range of sources is that labour demand is weakening, although the estimated pace and degree of the weakening varies across data sources. The data reported here shows an earlier and stronger weakening than other sources, perhaps partly reflecting the underlying volatility due to comparatively small sample sizes in this data.
- Due to declining survey response rates, the estimates incorporate data from administrative data sources, and are classified as experimental statistics.

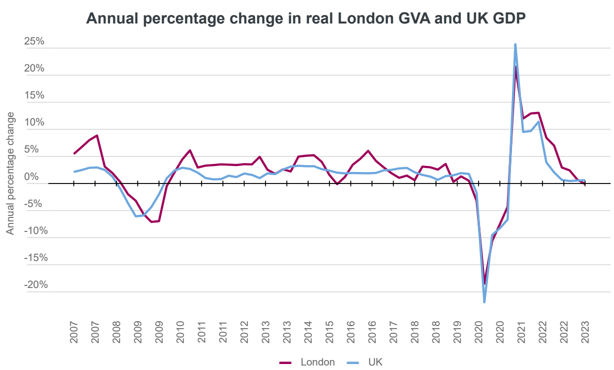
Source: ONS Labour Force Survey Latest release: January 2024, Next release: February 2024



London’s economy had surpassed pre-pandemic levels of output by Q3 2021, and growth has been slowing through 2022 and 2023

- By Q3 2023 London’s GVA was 7.7% above its pre-pandemic level (Q4 2019), and UK GDP was 1.8% higher.
- London’s real GVA rose by 0.1% in Q3 2023 - compared with Q2 2023 - after falling by 0.4% in the previous quarter. The UK’s real GDP growth rate remained unchanged in Q3 2023 – compared with Q2 2023 - after increasing by 0.2% in the previous quarter.
- While GDP and GVA are different measures in output their trends have been comparable. UK GDP estimates incorporate a broader range of data than GVA estimates, and so is more robust.
- London’s real GVA quarterly estimates for the period Q1 1999 to Q4 2012, and from Q1 2020 onwards have been produced by GLA Economics. Estimates for the intervening period are outturn data from the ONS, which has not published up-to-date quarterly estimates for London’s real GVA for the other periods.
- The ONS has upwardly revised UK GDP figures from 2020 onwards. GLA Economics has re-estimated ONS London data on a comparable basis, and produced its own estimate of growth for Q2 and Q3 of 2023.

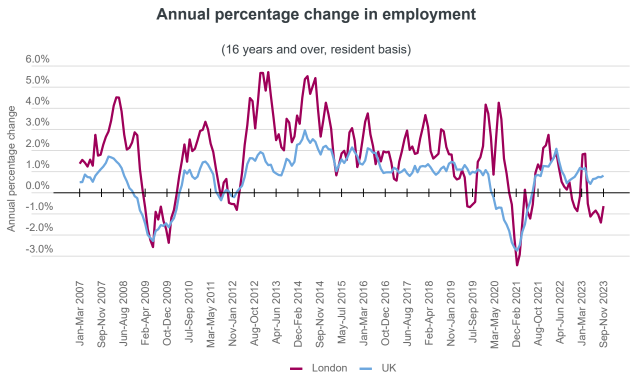
Source: ONS and GLA Economics calculations
Latest release: December 2023, Next release: May 2024



London's employment fell year-on-year in the quarter to November 2023

- Around 4.8 million London residents over 16 years old were in employment during the three-month period of September - November 2023.
- The employment rate fell by 0.6% in the year to this quarter, a smaller decrease than the 0.8% drop in the quarter leading up to August.
- The UK's employment grew by 0.8% year-on-year in the most recent quarter, marginally quicker than the rate of 0.7% in the previous quarter.
- London's labour market remains a conundrum. Evidence from a range of sources is that labour demand is weakening, although the estimated pace and degree of the weakening varies across data sources. The data reported here shows an earlier and stronger weakening than other sources, perhaps partly reflecting the underlying volatility due to comparatively small sample sizes in this data.
- Due to declining survey response rates, the estimates incorporate data from administrative data sources, and are classified as experimental statistics.

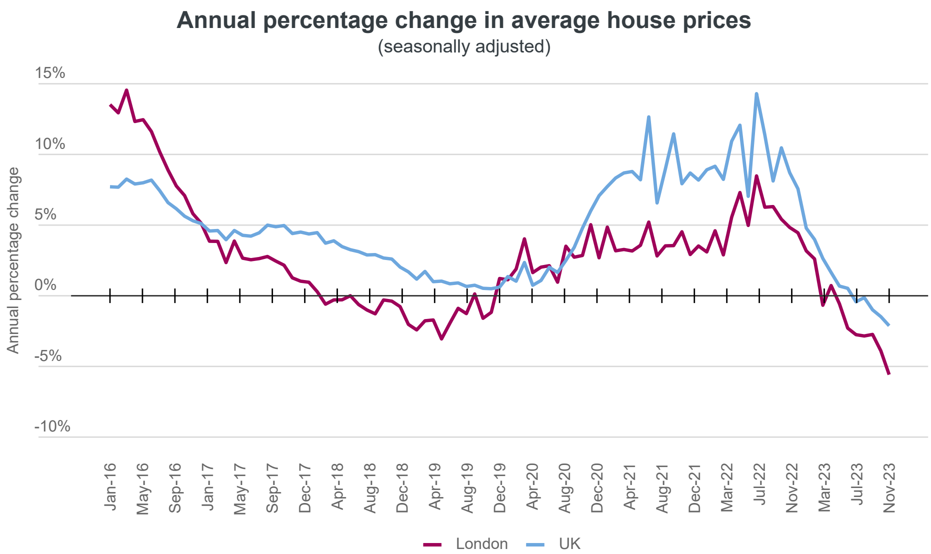
Source: ONS Labour Force Survey Latest release: January 2024, Next release: February 2024



On an annual basis house prices fell in London in November

- In November 2023, the average house price in London was £503,000 while in the UK it was £281,000.
- Average house prices in London fell by 5.6% year-on-year in November, greater than the fall of 3.9% in October.
- Average house prices in the UK fell by 2.1% on an annual basis in November, a larger change than the fall of 1.5% in the year to October.

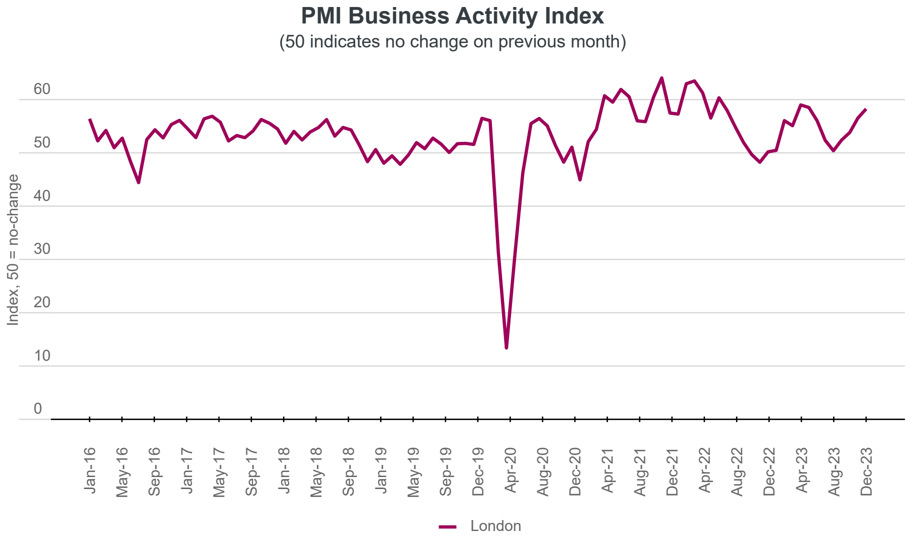
Source: Land Registry and ONS
Latest release: January 2024, Next release: February 2024



In December 2023, the sentiment of London’s PMI business activity index remained positive and increased slightly

- The business activity PMI index for London private firms increased from 56.5 in November to 58.2 in December.
- The Purchasing Managers’ Index (PMI) survey shows the monthly business trends at private sector firms. Index readings above 50 suggest a month-on-month increase in activity on average across firms, while readings below 50 indicate a decrease.

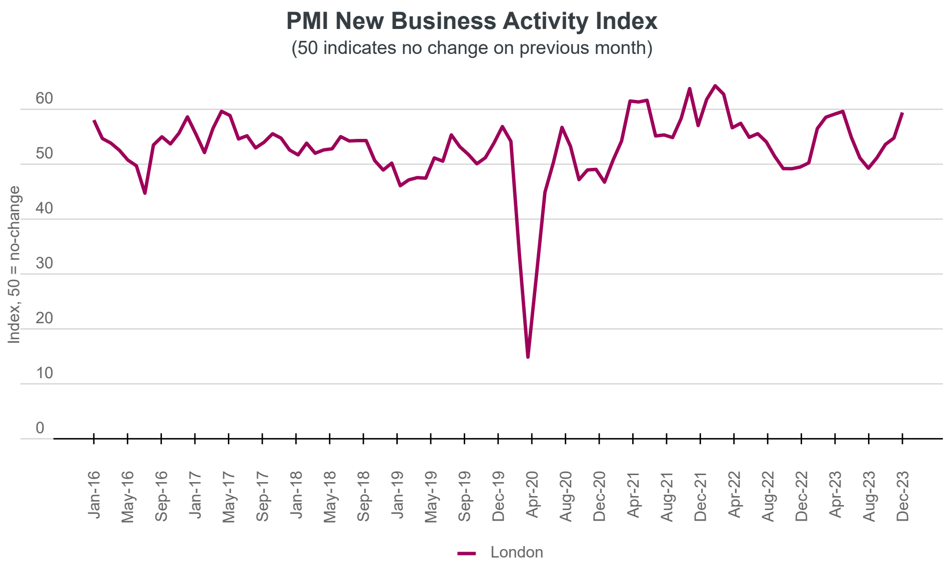
Source: IHS Markit for NatWest
Latest release: January 2024, Next release: February 2024



In December 2023, the sentiment of London’s PMI new business activity remained positive and increased

- The PMI new business index in London increased from 54.8 in November to 59.4 in December.
- An index reading above 50.0 indicates an increase in new orders on average across firms from the previous month.

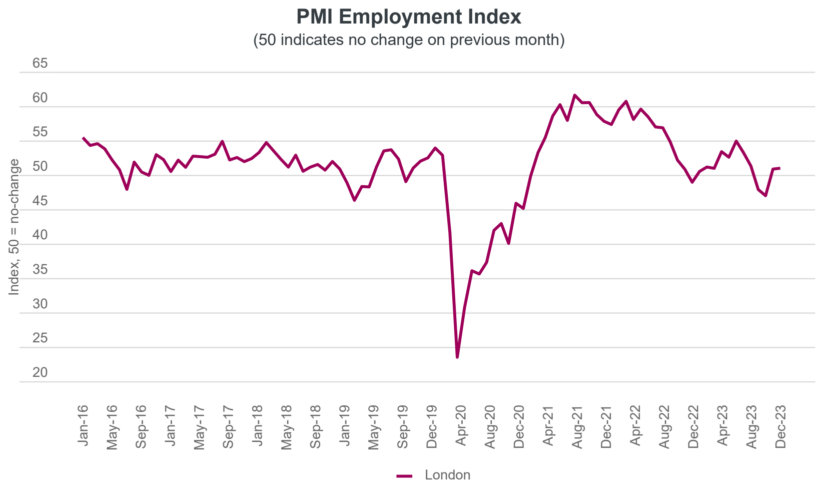
Source: IHS Markit for NatWest
Latest release: January 2024, Next release: February 2024



In December 2023, the sentiment of the PMI employment index in London remained positive and increased slightly

- The Employment Index for London increased from 50.9 in November to 51.1 in December.
- The PMI Employment Index shows the net balance of private sector firms of the monthly change in employment prospects. Readings above 50.0 suggests an increase, whereas a reading below 50.0 indicates a decrease in employment prospects from the previous month.

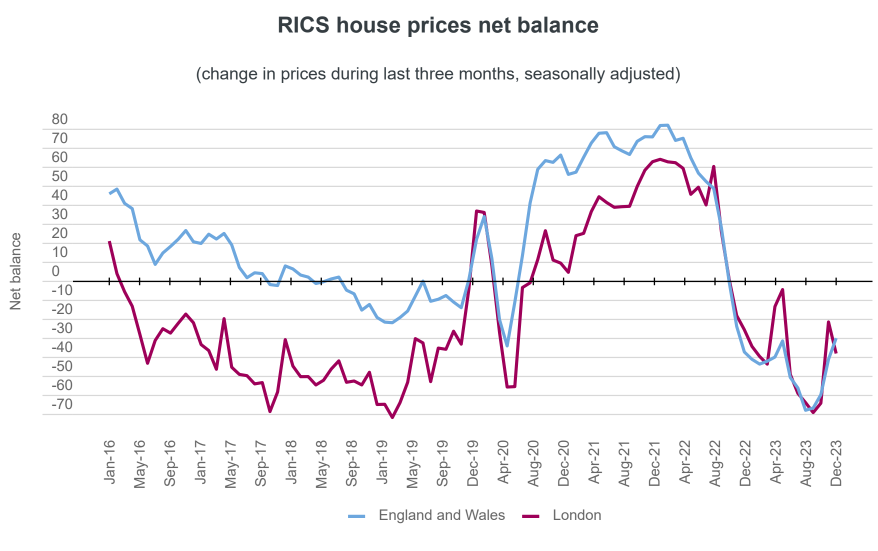
Source: IHS Markit for NatWest
Latest release: January 2024, Next release: February 2024



More property surveyors in London reported house price falls in December 2023

- In December, more property surveyors in London reported falling prices than rising prices. The net balance index was -38 and in November 2023 it was -21.
- For England and Wales, the RICS house prices net balance index improved from -41 in November to -30 in December.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

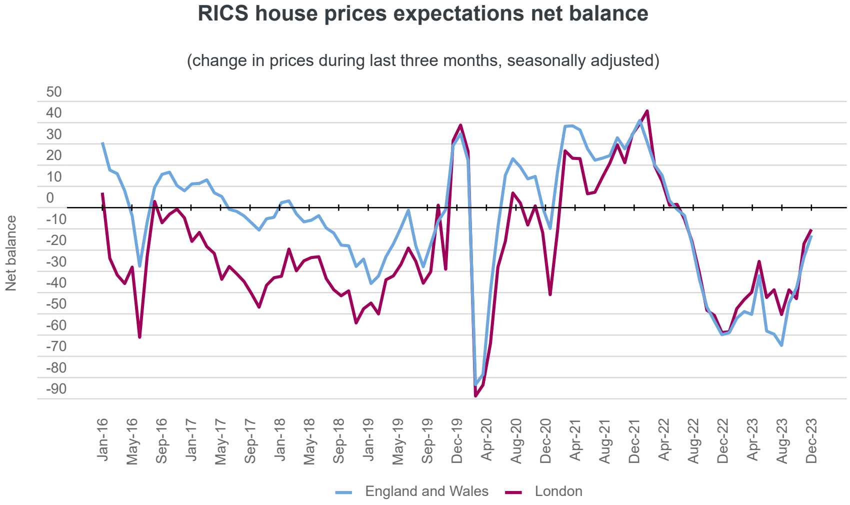
Source: Royal Institution of Chartered Surveyors
Latest release: January 2024, Next release: February 2024



In December 2023, fewer property surveyors had negative expectations for house prices in London over the next three months

- The net balance of house prices expectations in London was -10 in December, up from -17 in November.
- The index for England and Wales was -13 in December, and was at -23 in November.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

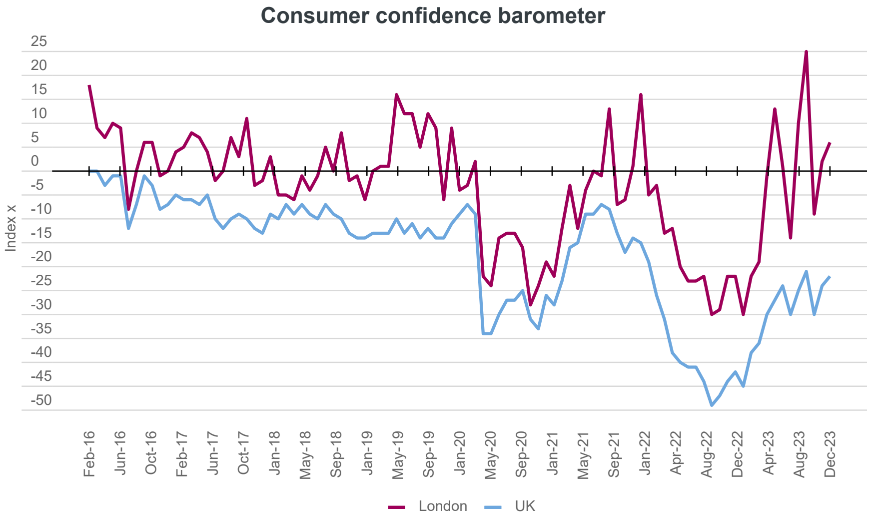
Source: Royal Institution of Chartered Surveyors
Latest release: January 2024, Next release: February 2024



Consumer confidence in London was slightly positive in December 2023

- The consumer confidence index in London increased from 2 in November to 6 in December. It has been volatile month-on-month around zero since the Spring.
- The sentiment for the UK increased slightly from -24 to -22 over the two months. The UK has not seen a positive index score since January 2016.
- The GfK index of consumer confidence reflects people's views on their financial position and the general economy over the past year and in the next 12 months. A score above zero suggests positive opinions; a score below zero indicates negative sentiment.

Source: GfK
Latest release: December 2023, Next release: January 2024



Changes to UK Immigration Policy: Impacts & Implications for London

By **Adam Yousef**, Head of GLA Economics

On December 4, 2023, Home Secretary James Cleverly announced a series of changes to the UK's immigration policy (although the timing at which some of these changes come into effect was subsequently modified). These changes are intended to reduce net migration into the UK, which the most recent immigration statistics (according to the Office for National Statistics (ONS)) show has reached 745,000 people in 2022. The changes aim at reducing net migration.

Measures announced by the Home Secretary included:

- Increasing the salary threshold for skilled migrants coming to the UK for work from £26,200 to £38,700 (those coming on the Health and Care visa route will be exempted from this increase, and so will those on national pay scales (for example, teachers)),
- Ending the 20% going rate salary discount for shortage occupations and replacing the Shortage Occupation List with a new Immigration Salary List, which will retain a general threshold discount,
- Increasing the minimum income required (to £38,700 from £18,600) for British citizens and those settled in the UK to bring in dependants to join them,
- Increasing the Immigration Health Surcharge (IHS) by 66% - from £624 to £1,035 per annum per migrant, and
- Preventing overseas care workers from bringing their dependants to the UK.

Given the substantial nature of the changes, they are likely to impact on various sectors of London's economy and carry implications for the capital's broader economic growth and labour-market outcomes.

Summary of overall impacts

Some of these changes (notably increasing the skilled worker salary threshold and ending the 20% going rate salary discount) are likely to hit sectors that are very important to London's economy - including Hospitality and Construction - as these have a higher share of non-UK national payrolled employees (Figure A1). Health and Social Care also has a higher share of non-UK national payrolled employees, although the impact may be softened by the exemption to the salary threshold on the Health and Care visa route.

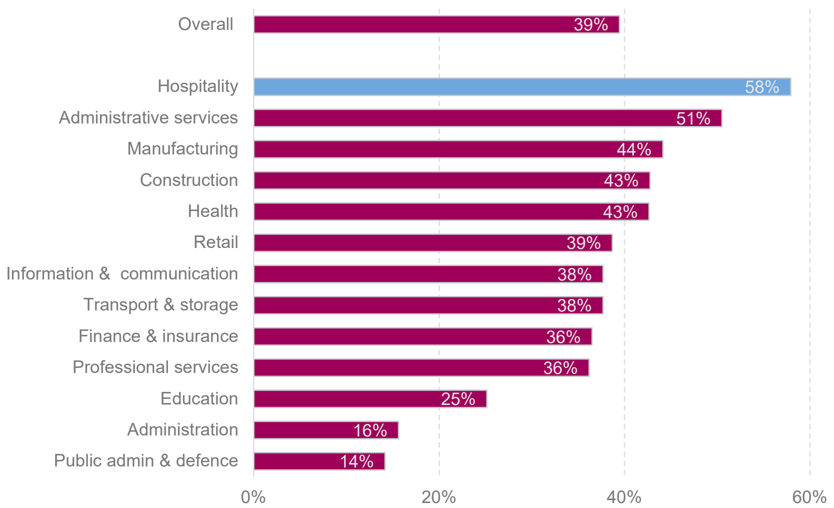


Figure A1: Non-UK national payrolled employments by industry (%)
London residents, December 2022

Source: HMRC PAYE-RT

In particular, data from the 2021 Annual Population Survey would suggest that women, younger job holders, and workers from BAME communities will be disproportionately impacted by these changes. For example:

- In London's Hospitality sector, 38% of workers are aged 16-29, with 48% of them being women and 43% from BAME backgrounds.
- In London's Health and Social Care sector, 71% of job holders are women, 30% are over 50 years old, and nearly half (47%) are from BAME backgrounds.
- London's Construction sector, meanwhile, is less diverse (only 21% of job holders are from BAME backgrounds).

Overall, there are over 1,000,000 jobs in these sectors in London, of which around 47% (at least 500,000) are held by non-UK nationals.

The changes proposed (as a whole) are likely to impact all of these individuals to varying degrees. For example, all of them will be facing higher IHS fees unless they already secured indefinite leave to remain (ILR). Moreover, as many non-nationals have protected characteristics and either earn far less than the revised skilled worker threshold of £38,700 or are dependents of individuals who do not meet that threshold, they risk losing the right to remain in the UK.

Initial reactions from NGOs and business representatives

The impacts of this announcement extend beyond the economic, and several organisations have immediately reacted to the different measures.

For example, Reunite Families UK (RFUK) supports and advocates for couples and families affected by the UK spouse/family visa rules. They issued the following statement:

"British Family Values" just took a nosedive today...By doubling the minimum income threshold to an amount that around 75% of this country do not earn. It seems being a family here is only valued if you are wealthy

#priceonlove #haveaheart #CostOfLovingCrisis The situations and feelings being expressed by our members is truly heart-breaking. [source]

The Migration Observatory also issued the following in response:

"The decision to raise the family income threshold to £38,700 is the biggest surprise of the day, and one of the parts of the package announced today that could have the most significant impacts on individuals. This threshold determines whether British citizens can bring a foreign partner to live with them in the UK, and the level has been more than doubled. Family migration makes up a small share of the total, but those who are affected by it can be affected very significantly. The largest impacts will fall on lower-income British citizens, and particularly women and younger people who tend to earn lower wages"

There have also been early reactions from business representatives. For example:

''At a time when businesses in London and across the country are struggling with acute skills shortages, raising the salary threshold at which workers can be recruited from abroad would make it much harder for firms to access the talent they need to drive growth. The Government should put the economics before the politics by working with businesses on building an immigration system which is flexible, fair and responsive, while also implementing long-term measures that help to boost the domestic pipeline of talent like reforming the apprenticeship levy" - **Mark Hilton**, Policy Delivery Director, BusinessLDN

Meanwhile, **Kate Nicolls**, the Chief Executive of UKHospitality, said this:

"The Government seem to be running out of answers to fix the UK's long-running labour market shortages. These changes will further shrink the talent pool that the entire economy will be recruiting from, and only worsen the shortages hospitality businesses are facing. There were 8,500 hospitality visas issued last year, which helped bring in talented chefs and managers of the future. Around 95% of those would no longer be eligible under these plans, despite being offered competitive salaries. We urgently need to see an immigration system that is fit-for-purpose and reflects both the needs of business and the labour market."

Sector-by-sector estimated impacts

Hospitality

The number of newly posted online job advertisements for the hospitality industry continues to be at an elevated level relative to pre-pandemic levels (Figure A2); restricting the entry of migrants is likely to exacerbate this, for a sector that is worth at least £25bn annually to London's economy and one that is inextricably linked to other sectors with an even larger economic size such as wholesale and retail trade.

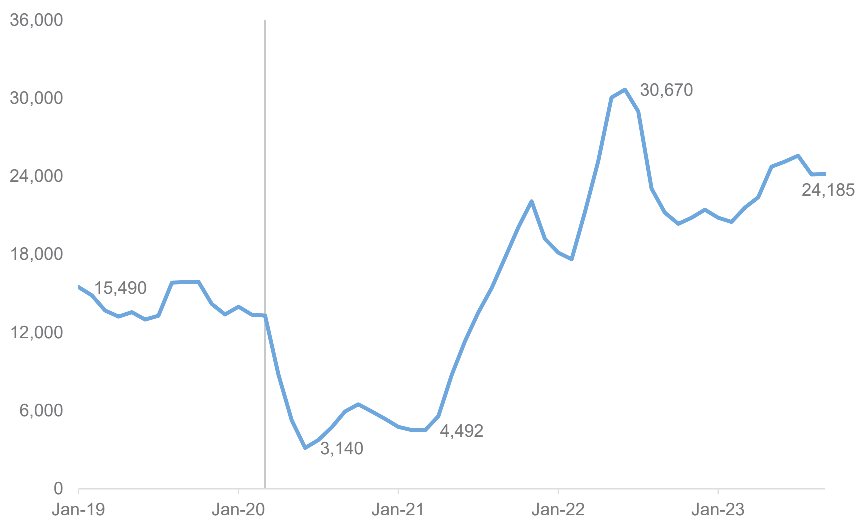


Figure A2: Online job postings for top 10 occupations in Hospitality in London
3-month moving average, January 2019 - September 2023

Source: Lightcast
Note: Based on new unique postings for top 10 occupations in sector in terms of number of jobs, not seasonally adjusted. Grey line coincides with start of COVID lockdowns

Non-UK nationals comprise 58% of London's hospitality workforce. This indicates the importance of these workers to employment in a sector that already experiences substantial labour tightness. Raising the salary threshold, increasing the Health Surcharge, and making it difficult for UK nationals to bring their non-UK spouses to the country is likely to impact approximately 250,000 hospitality workers in London.

Arts, Entertainment and Recreation (AER)

People born outside of the UK make a large contribution to employment in the AER sector in London. In 2021, around two out of five (38.5%) jobs in the creative industries sector in London were held by workers born outside the UK (25.2% from non-EU countries and 13.3% from EU countries). This compares to 17% of the sector's workforce in the rest of the UK (Figure A3). Meanwhile, there are just under 13,000 online job postings in the creative industry sector in London at present (Figure A4).

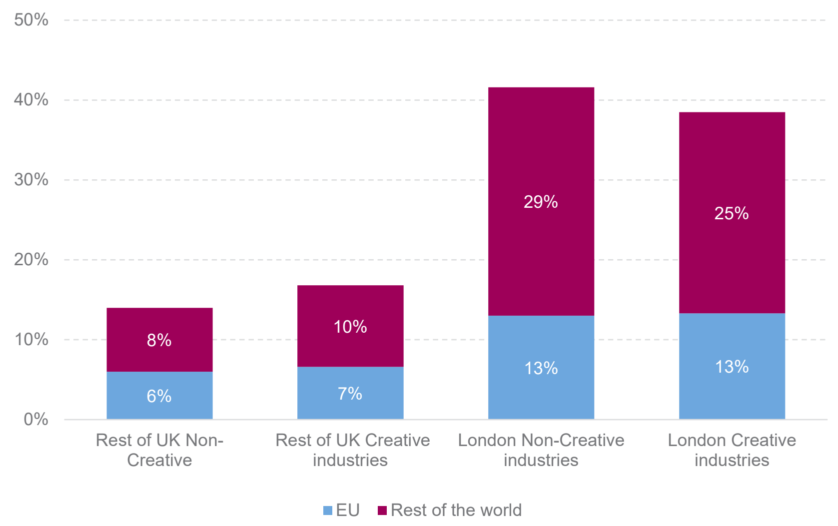


Figure A3: Job holders by country of birth London and the UK creative and non-creative sector (2021)

Source: ONS, Annual Population Survey (APS)

Figure A4: Online job postings for top 10 creative industries occupations in London
3-month moving average, January 2018-September 2023

Source: Lightcast
Note: based on new unique postings for top 10 occupations in sector in terms of number of jobs. Grey line coincides with start of COVID lockdowns

There are just under 40,000 non-UK nationals working in London's AER (including creative industries) and they are likely to be impacted by the changes, with many earning below the £38,700 revised threshold (given that the median salary for this sector currently stands at under £24,000; see Table A1 in the appendix).

Construction

Non-UK nationals also constitute around 40% of employees in London's construction industry. The proposed changes are estimated to impact approximately 60,000 workers accordingly.

The labour market in this sector also remains incredibly tight, as can be seen from the online job postings data (Figure A5) - something that is very likely to be exacerbated by the reduced flow of foreign workers. Moreover, the percentage of non-EU nationals working in the sector continued to increase since the COVID-19 pandemic, as the share of EU nationals in payrolled employment in the industry dropped from mid-2021 onwards (Figure A6)

Figure A5: Online job postings for top 10 construction occupations

3-month moving average, London, January 2018-September 2023

Source: Lightcast
Note: based on new unique postings for top 10 occupations in sector in terms of number of jobs. Grey line corresponds with start of COVID lockdowns

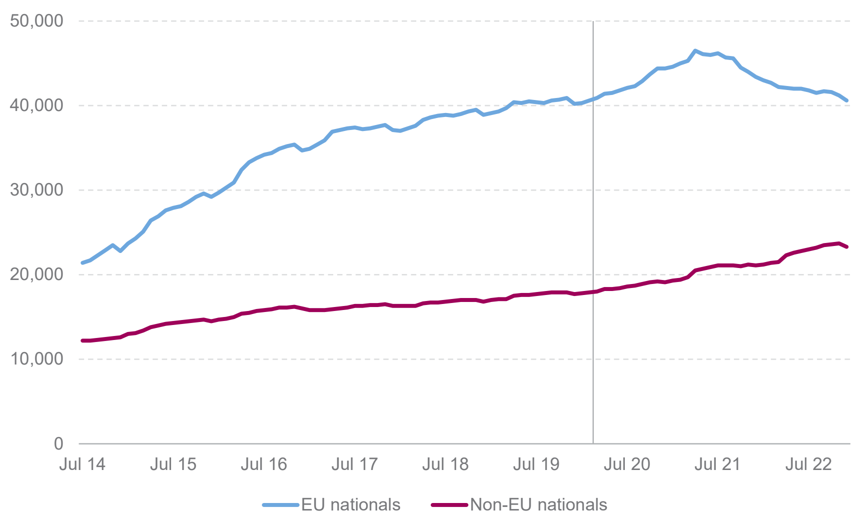


Figure A6: Construction payrolled employment by nationality

London residents, July 2014-December 2022

Source: HMRC PAYE-RTI (not seasonally adjusted) and Migrant Worker Scan
Note: Grey line corresponds to start of COVID lockdowns in early 2020

Further, we see that the median worker in the industry earns just under £25,000 (Table A1). Therefore, foreign workers are less likely to meet the new salary threshold, meaning that the industry is likely to experience greater tightness at a time when London's economy is slowing down. Therefore, the sector will economically contract, with reverberations across London's broader GVA growth.

Health and social care

Non-UK workers account for more than two out of five jobs in this sector in London (43%). Of those non-UK nationals working in the sector, non-EU nationals make up the largest share of employees, with numbers growing strongly in recent years following Brexit (Figure A7).

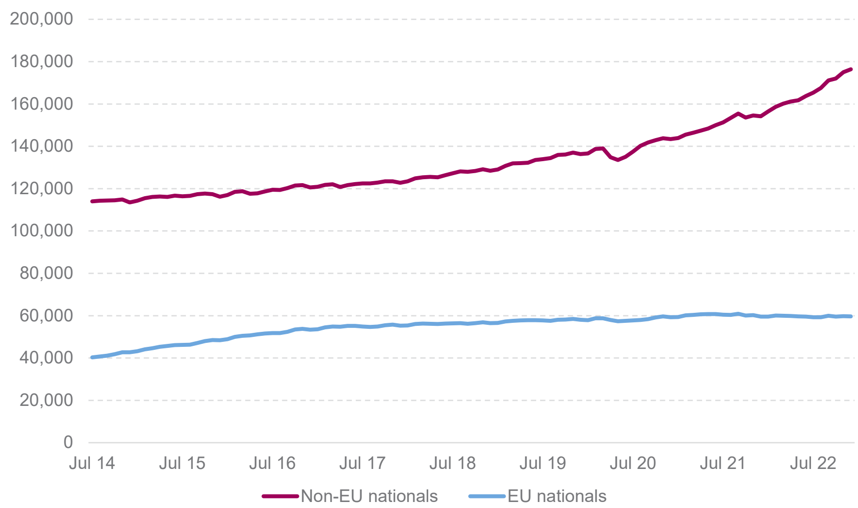


Figure A7: Health and social care payrolled employments by nationality
London residents, July 2014-December 2022

Source: HMRC PAYE-RTI (not seasonally adjusted) and Migrant Worker Scan

The number of online postings for jobs in key health and social care roles remains high, close to 2018 levels (Figure A8).

Figure A8: Online job postings for top 10 health and social care occupations in London
3-month moving average, January 2018 - September 2023

Source: Lightcast; grey vertical line corresponds to start of COVID lockdowns
Note: not seasonally adjusted and based on new unique postings for top 10 occupations in sector in terms of number of jobs. March 2020 indicated by dotted line.

The announced changes are expected to impact at least 200,000 non-UK nationals working in London's health and social care sector. While the median employee wage in this sector is higher than in the previously listed sectors (£32,134), it still falls short of the new threshold for skilled worker visas (Table A1). That said, non-UK nationals working in the sector won't be affected by the salary threshold increase as they would be exempt; they would, however, be impacted by other changes (e.g., their inability to bring dependants to the UK).

Final thoughts

In summary, while it would be difficult to isolate the exact effect of each of the changes announced by the Home Secretary on a given sector of London's economy, it is evident that collectively, these changes are expected to make recruitment and retention of non-UK employees more difficult. This is likely to affect sectors that have an over-representation of non-UK employees, which also happen to be crucial to London's economy and its standing as a global, 24-hour city.

As the changes are expected to affect hundreds of thousands of employees, they could reinforce existing shortages that have been reported in sectors such as hospitality, retail, and construction. In turn, this is likely to carry considerable implications for London's economic growth and labour market outcomes.

Appendix

Table A1. Number of employees and earnings by sector, London residents

London industry	Payrolled employees (12-month average)	Median employee wage (annual basis, 12-month average)
Households and Extraterritorial	23,184	£19,086
Accommodation and food service activities	403,431	£19,449
Wholesale and retail; repair of motor vehicles	531,208	£22,270
Arts, entertainment and recreation	96,526	£23,308
Other service activities	93,998	£23,639
Agriculture, forestry and fishing	3,667	£23,778
Construction	147,545	£24,892
Administrative and support services	448,081	£26,018
Real estate	89,284	£31,617
Manufacturing	108,273	£31,975
Health and social care	499,400	£32,134
Education	396,439	£32,296
Water supply, sewerage and waste	14,016	£35,644
Transportation and storage	170,826	£35,681
Public administration and defence; social security	147,477	£41,553
Professional, scientific and technical	540,378	£45,322
Information and communication	334,105	£52,331
Energy production and supply	7,073	£55,874
Finance and insurance	264,138	£79,313
Mining and quarrying	1,802	£87,690

Source: HMRC PAYE-RTI

Note: The table shows an annual median salary for London sectors taken from the latest RTI PAYE dataset. Note that average median salary is multiplied by 12 to get annual equivalent.

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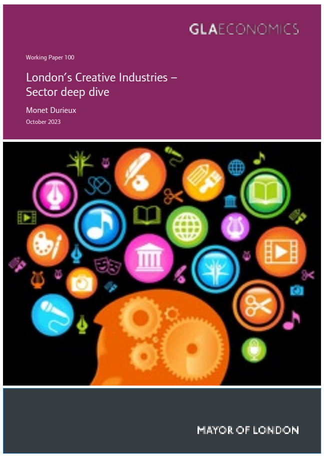

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