CIPD

Championing better work and working lives

LABOUR MARKET OUTLOOK

VIEWS FROM EMPLOYERS

Summer 2022

The CIPD is the professional body for HR and people development. The registered charity champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has almost 160,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Report

Labour Market Outlook

Summer 2022

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1 Foreword from the CIPD

The quarterly CIPD *Labour Market Outlook* provides an early indication of future changes to the labour market around recruitment, redundancy and pay intentions. This quarter's findings are based on a survey of more than 2,000 employers.

Recruitment is incredibly difficult right now, and the forward-looking indicators in this report suggest it will remain so in the following quarter. The hiring boom has not yet peaked. In last quarter's report, the most popular response to recruitment and retention difficulties was to raise wages. We are seeing some of the highest pay awards in recent history but this may not be repeatable every year. Employers are now more likely to say they plan to upskill existing staff in response to recruitment and retention difficulties. This is a positive step, as recent years have seen a decline in employer investment in training. Reform of the apprenticeship levy could help by aligning incentives and allowing organisations to spend the levy on training that suits their business's needs.

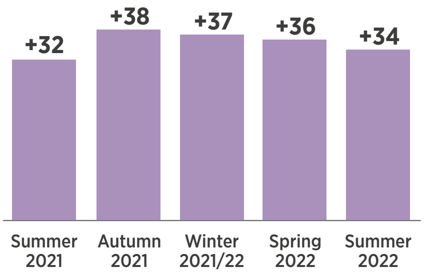
In the battle to secure the labour supply needed to meet demand, retention is as important as recruitment. While official statistics now put the redundancy rate at a record low, this report suggests redundancies will stay low in the following quarter. Whether by holding on to staff or training them, employers are alleviating skills shortages by focusing on their existing workforce.

The Bank of England recently forecasted a recession. How does this tally with this report's assertion that the hiring boom will remain strong in the following quarter? Well, the economy is not forecast to enter recession in the third quarter of this year (which this report relates to) but the fourth quarter, and the Bank's report notes that 'Unemployment only starts to rise above its current level from mid-2023'. Unemployment is a lagging indicator. Of course there is also the possibility that, in the Bank's words 'The labour market may respond more rapidly to slowing demand'. The forward looking indicators in upcoming labour market outlook reports may give us an idea of how resilient the labour market is.

Jonathan Boys, CIPD Labour Market Economist

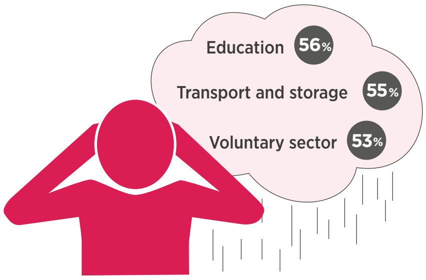
2 Key points

- The net employment balance – which measures the difference between employers expecting to increase staff levels and those expecting to decrease staff levels in the next three months – remained high at +34. This continues to exceed pre-pandemic levels, pointing to strong employment intentions.



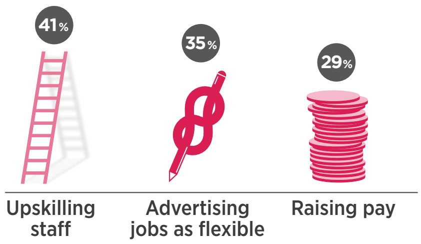
Net employment score recovery

- 47% of employers have hard-to-fill vacancies. These are most common in education (56%), transport and storage (55%), and the voluntary sector (53%).



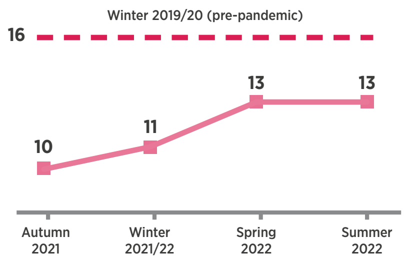
Sectors hardest hit by hard-to-fill vacancies

- The top response planned by employers to recruitment and retention difficulties is to upskill existing staff (41%), followed by advertising more jobs as being flexible (35%). Raising wages comes in third at 29%.



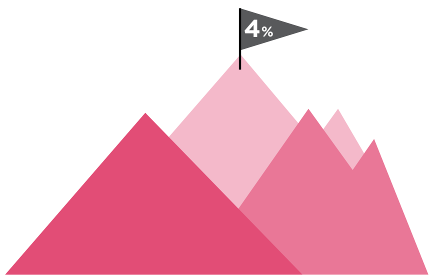
Top responses to recruitment and retention difficulties

- The proportion of employers planning on making redundancies is below pre-pandemic levels at 13%. Employers' focus on retention and training demonstrates their desire to get more from their existing employers in the face of recruitment challenges.



% of employers to make redundancies

- The median expected basic pay increase stands at 3% in total. Expected pay awards in the private sector have risen to a median of 4%, which is the highest dating back to 2012.



Private sector pay at new peak

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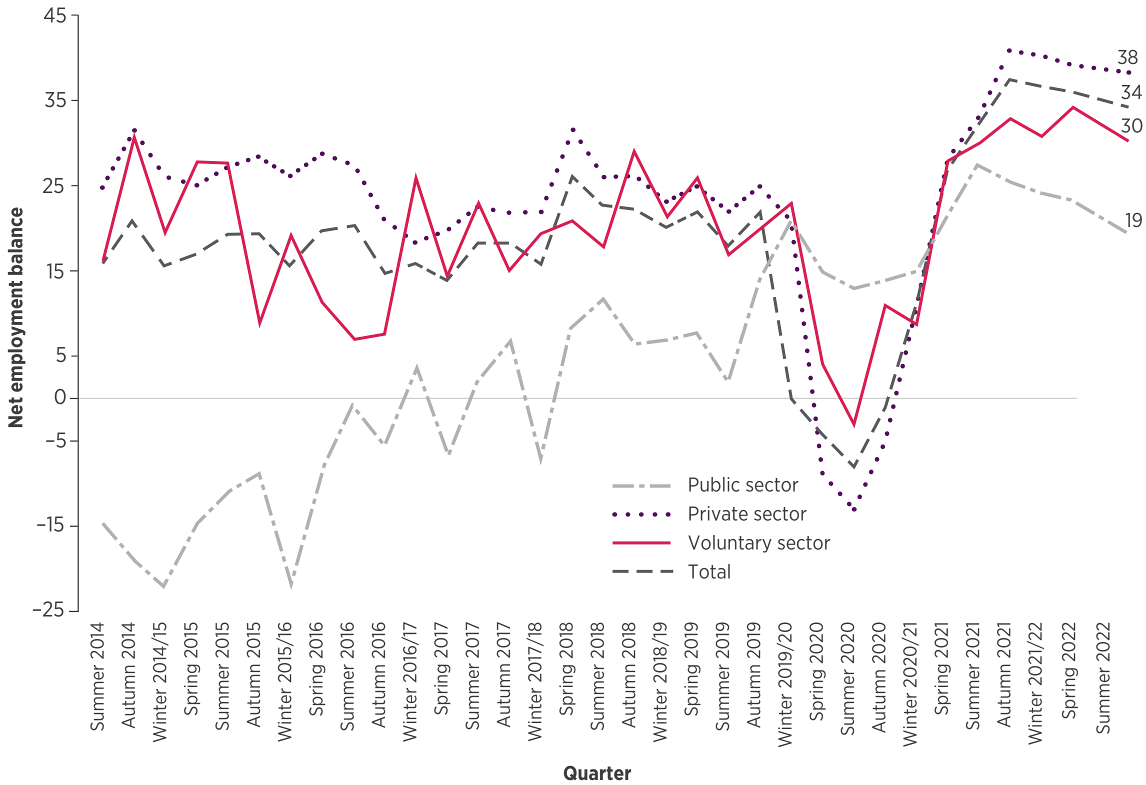
Recommendations for employers and people practitioners

- Focus on your existing workforce. Offer training to upskill or reskill staff to fill your skills gaps and to help support employee engagement and retention. Consider using internal secondments, both as a means of providing development opportunities and as a way of redeploying your workforce to your greatest areas of need.
- Take time to review your employee value proposition to ensure the benefits of working for you are relevant for employees or prospective employees and that these are clearly communicated. This could include career development opportunities, flexible working and ESG (Environmental, Social and Governance) initiatives.
- Be flexible in developing or revising your reward packages. Pay rises are not the only option. Particularly at this time, consider benefits that may help to alleviate living costs, such as health and wellbeing support.

3 Recruitment and redundancy outlook

The net employment balance – which measures the difference between employers expecting to increase staff levels in the next three months and those expecting to decrease staff levels – remained steady at +34. This remains high relative to the pre-pandemic time series. Net employment intentions remain the strongest in the private sector at +38. Although lower in the voluntary (+30) and public sectors (+19), the figures are still positive, suggesting that the UK will continue to see employment gains across the board.

Figure 1: Net employment balance



Base: summer 2022, all employers (total: n=2,000; private: n=1,473; public: n=361; voluntary: n=166).

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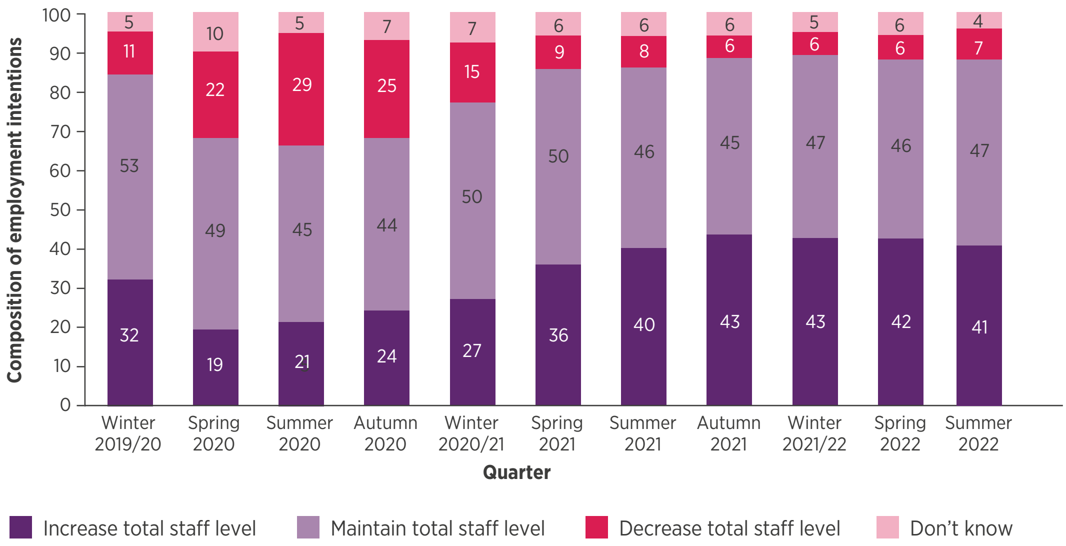
In a continuation of the trend seen in previous quarters, the positive net employment balance is being driven largely by employers looking to hire staff, with very few looking to decrease total staff levels (Figure 2).

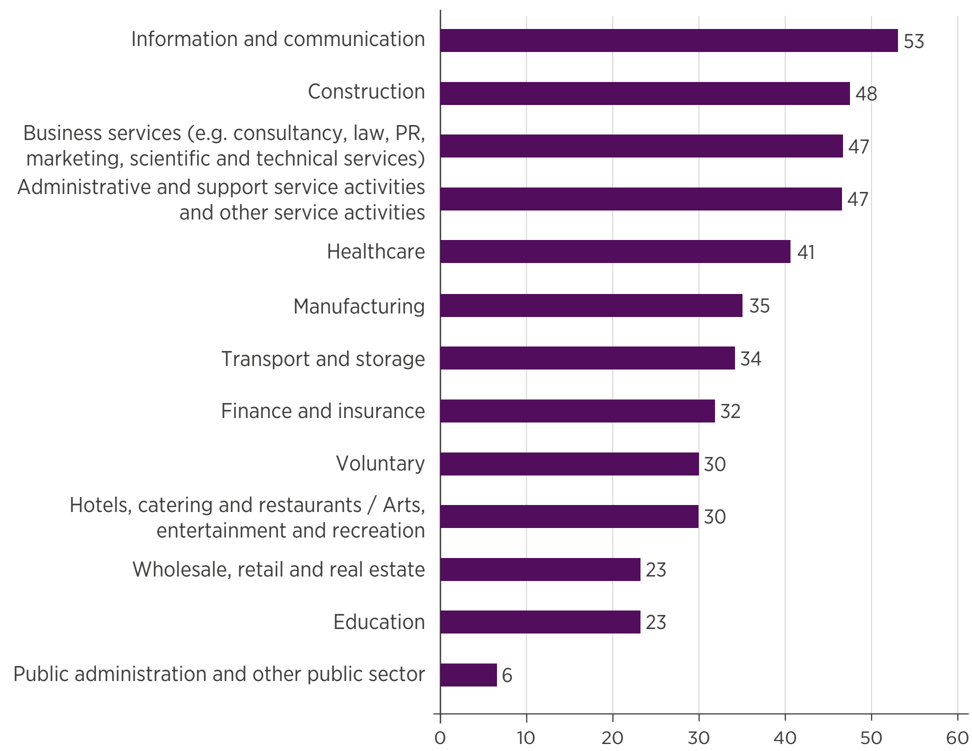
Figure 2: Composition of employment intentions (%)



Base: summer 2022, all employers (n=2,000).

Employment intentions remain positive across industries but are particularly high in information and communication (+53), construction (+48), business services (+47), and admin and support services (+47) (Figure 3).

Figure 3: Net employment balance, by industry



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

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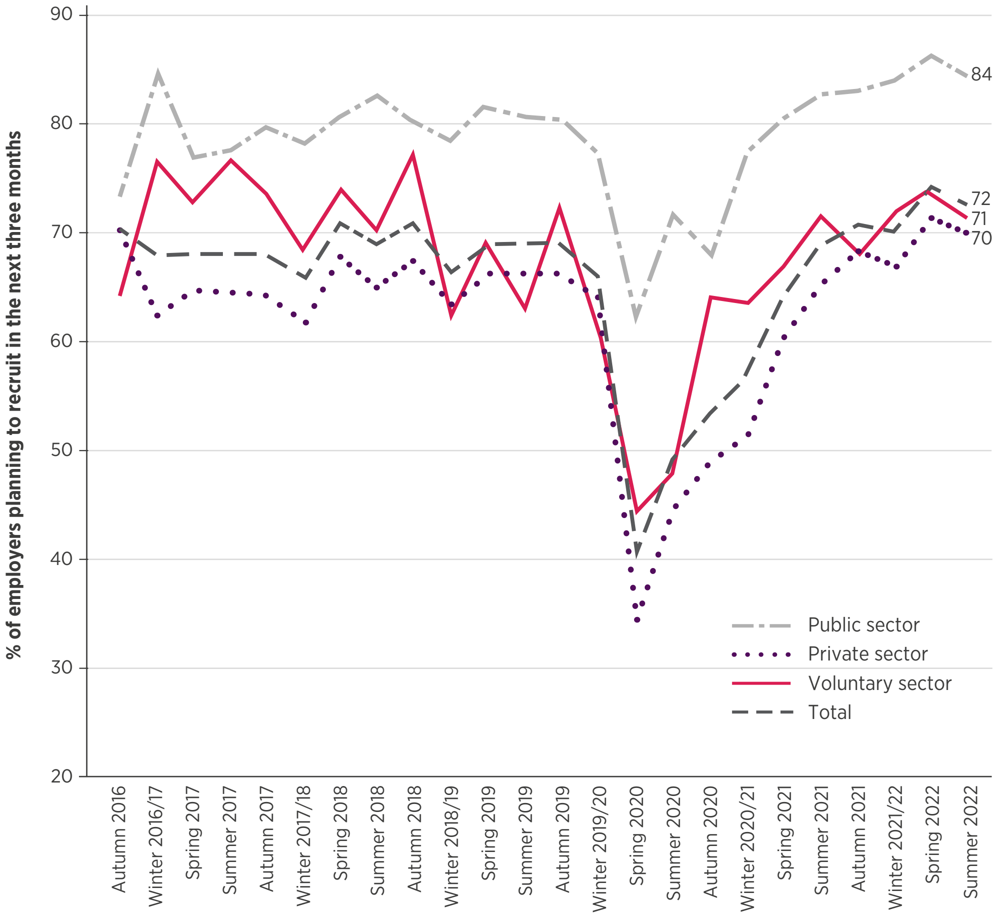
Recruitment

Recruitment intentions are above pre-pandemic levels. Seven out of ten (72%) employers surveyed indicated that they plan to recruit in the next three months (Figure 4). Recruitment intentions remain highest in the public sector (84%), followed by the voluntary sector (71%) and the private sector (70%) (Figure 4).

Figure 4: Recruitment intentions, by broad sector (%)



Base: summer 2022, all employers (total: n=2,000; private: n=1,473; public: n=361; voluntary: n=166).

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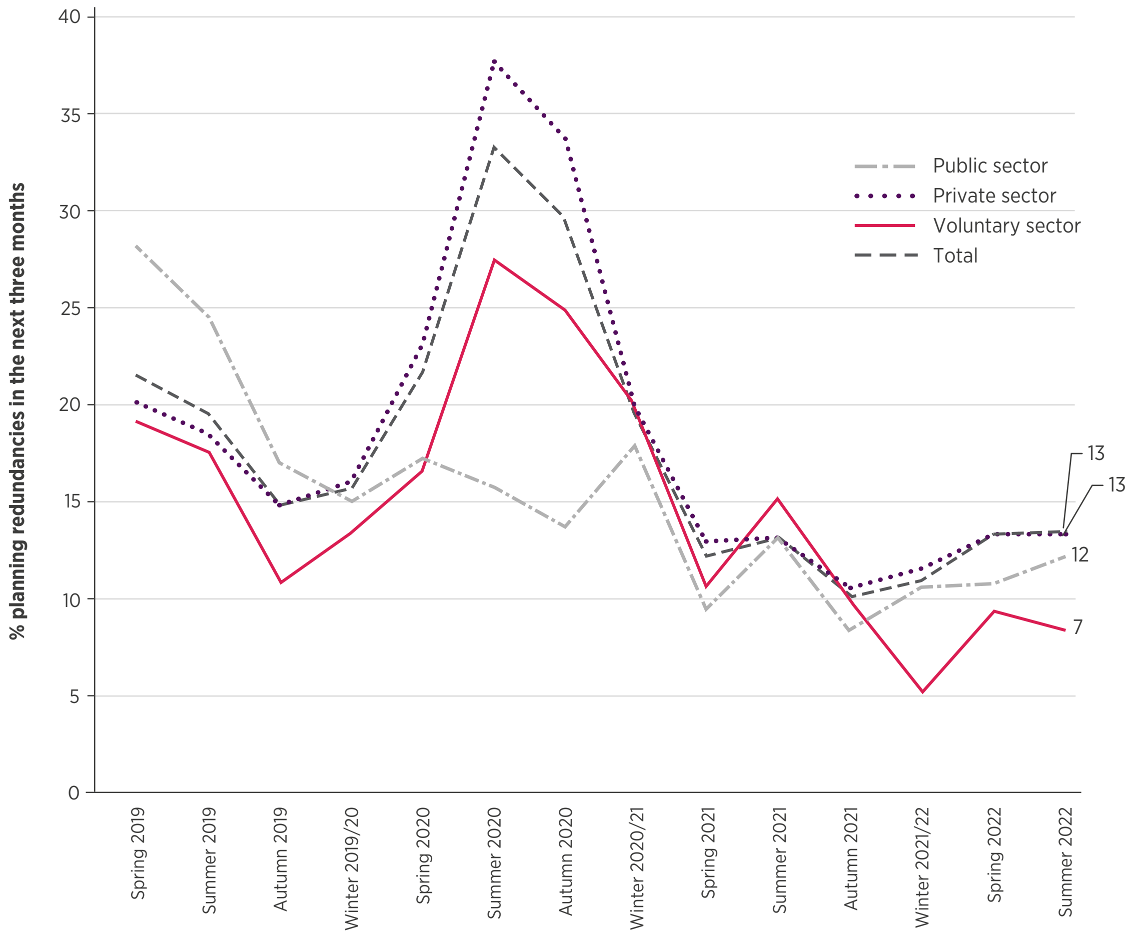
Redundancies

Redundancy intentions have been low for six consecutive quarters now after peaking during the pandemic. Only 13% of employers are planning to make redundancies in the three months to September 2022. This is further evidence that, in a tight labour market, employers are focusing on keeping their existing staff as much as recruiting new ones (Figure 5).

Figure 5: Redundancy intentions, by broad sector (%)



Base: summer 2022, all employers (total: n=2,000; private: n=1,473; public: n=361; voluntary: n=166).

Further reading and practical guidance

- CIPD Recruitment and induction
  Guidance on good-practice recruitment and induction processes, from work placements and internships to internal recruitment and secondments.
- CIPD Redundancy
  Resources on termination of employment, voluntary redundancy, redundancy pay, redundancy counselling, outplacement, selection for redundancy, downsizing, and redeployment.

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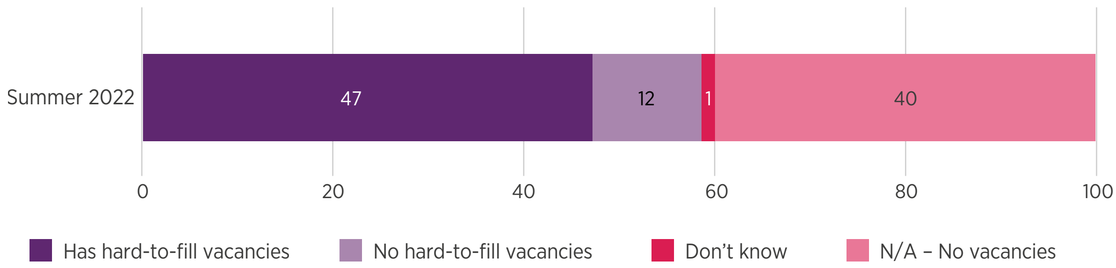
4 Job vacancies

Forty-seven per cent of employers have hard-to-fill vacancies (Figure 6), which is a slight rise from last quarter (45%). When looking only at employers with vacancies, this figure rises to three-quarters (78%).

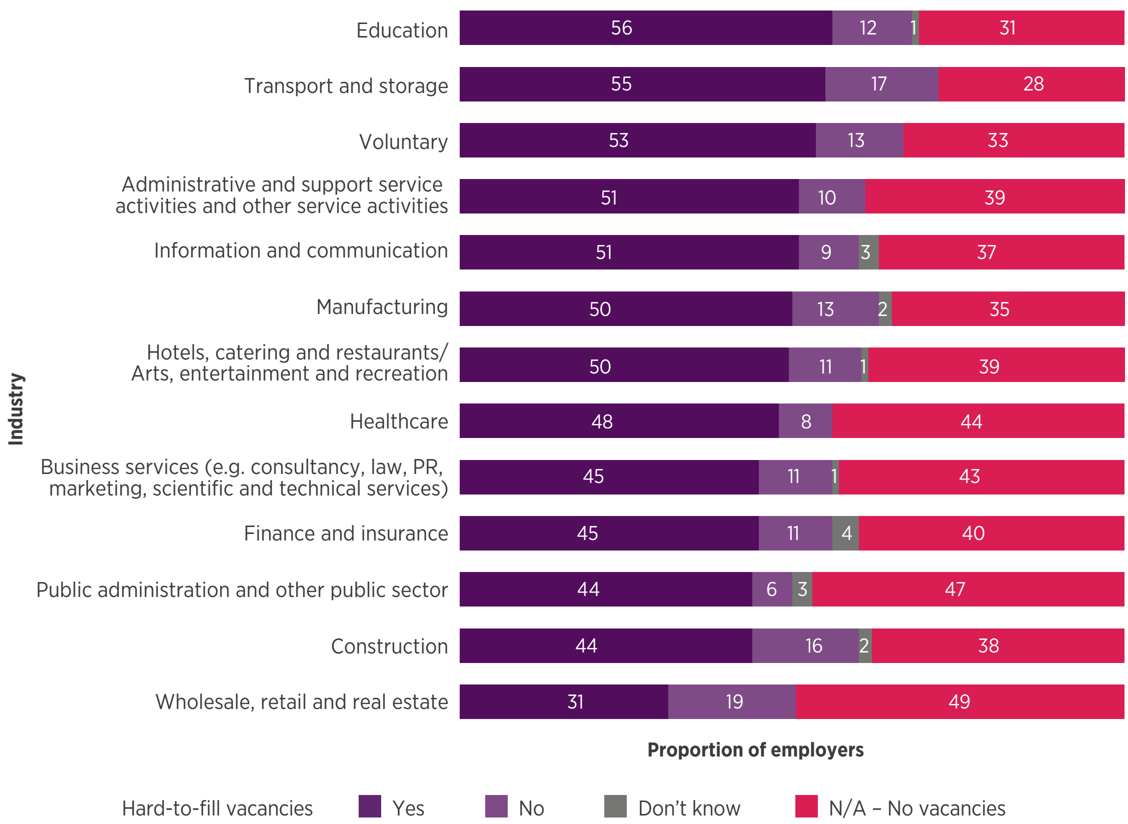
Figure 6: Employers with hard-to-fill vacancies (%)



Base: summer 2022, all employers (n=2,023).

Hard-to-fill vacancies are most common in education (56%), transport and storage (55%), and the voluntary sector (53%) (Figure 7).

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



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

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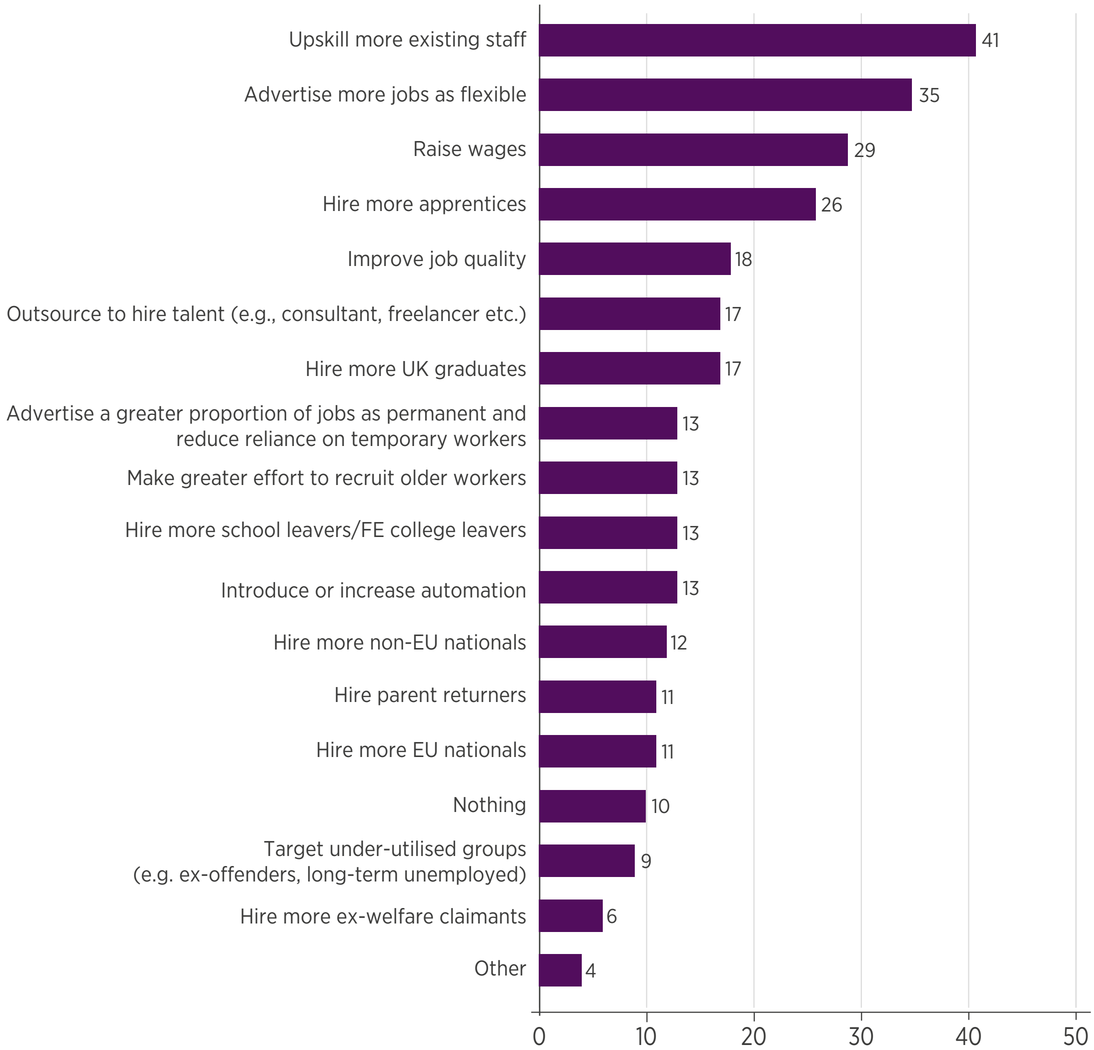
Employer responses to recruitment and retention difficulties

The top response planned by employers to recruitment and retention difficulties is to upskill existing staff (41%), followed by advertising more jobs as being flexible (35%). Raising wages comes in third at 29% (Figure 8).

Figure 8: Employers' planned response to recruitment and retention difficulties (%)



Base: employers with recruitment or retention difficulties (n=895).

Further reading and practical guidance

- CIPD Resourcing and talent planning
  Trend analysis and benchmarking data on recruitment, workforce planning and retention.
- CIPD Addressing skills and labour shortages post-Brexit
  A report calling for intervention and investment from Government and employers to tackle UK skills and labour shortages.
- CIPD Investigating the untapped potential of UK skills
  Insight on skill development at work and practice guidance on countering skills mismatches.
- CIPD Age-inclusive recruitment
  A guide setting out five key actions to help you become a more age-inclusive employer.

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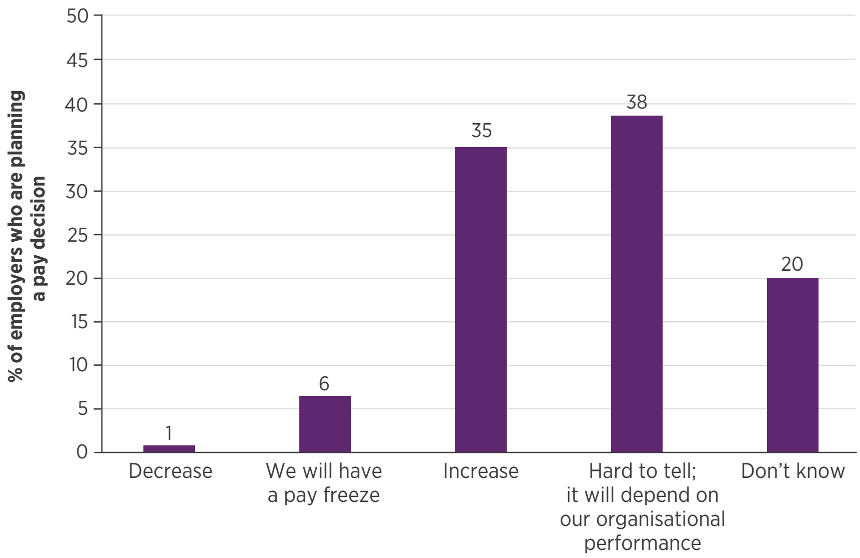
5 Pay outlook

Of those employers planning a pay review, an increase in pay is the most popular option at 35%. However, around two in five (38%) think it is hard to tell, and one in five (20%) do not know. Six per cent expect a pay freeze and only 1% expect a decrease (Figure 9).

Figure 9: Employers' expected direction of pay award (%)



Base: summer 2022, all employers planning a pay review in the next 12 months (n=1,685).

The median expected basic pay increase stands at 3% in total, as it has for the last three quarters. Expected pay awards in the private sector have risen to a median of 4% – this is the highest of any sector dating back to 2012. The figure stands at 3% for the voluntary sector and the public sector remains at 2% this quarter.

It should be noted that the average basic pay award covered in this analysis is only one pay component. Many people will also benefit from incremental progression, bonuses, or a pay bump when switching jobs. For this reason, growth in median earnings is likely to be higher than this metric suggests.

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Figure 10: Median basic pay increase expectations – median employer

Base: summer 2022, all employers expecting and able to estimate a pay award (n=726; private: n=502; public: n=156; voluntary: n=68).

Further reading and practical guidance

- CIPD Employee pay
  Resources on the fundamentals of employee reward and pay, its structure and progression, the UK's minimum wage, bonuses and incentives, and employee attitudes to pay.
- CIPD Employee benefits
  Resources to help you develop your employee benefits to support your organisation's business goals.
- CIPD Reward management survey
  A report exploring the UK benefits landscape and the importance of employee financial wellbeing.
- CIPD Strategic reward and total reward
  A factsheet examining the design and development of a reward strategy, plus guidance on the principles to consider.

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6 Survey method

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,000 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 17 June and 12 July 2022. The survey was carried out online. The figures have been weighted and are representative of UK employment by organisation size and sector.

Weighting

Rim weighting is applied using targets on size and sector drawn from the BEIS *Business Population Estimates for the UK and Regions 2021*. The following tables contain unweighted counts.

Table 1: Breakdown of the sample, by number of employees in the organisation

Employer size band	Count
2–9	376
10–49	390
50–99	178
100–249	213
250–499	186
500–999	130
1,000 or more	527

Table 2: Breakdown of sample, by sector

Sector	Count
Private sector	1,473
Public sector	361
Third/voluntary sector	166

Table 3: Breakdown of sample, by industry

Industry	Count
Manufacturing	174
Construction	118
Primary and utilities	48
Education	203
Healthcare	156
Wholesale, retail and real estate	150
Transport and storage	51
Information and communication	99
Finance and insurance	124
Business services (for example consultancy, law, PR, marketing, scientific and technical services)	244
Hotels, catering and restaurants/Arts, entertainment and recreation	131
Administrative and support service activities and other service activities	192
Public administration and other public sector	122
Police and armed forces	22
Voluntary	166

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Table 4: Breakdown of sample, by region

Region	Count
Scotland	144
Wales	73
Northern Ireland	25
North-west England	166
North-east England	55
Yorkshire and Humberside	121
West Midlands	128
East Midlands	132
Channel Islands	120
Eastern England	318
London	141
South-west England	267
South-east England	310
Operations in all of the UK	426

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