CIPD

LABOUR MARKET

OUTLOOK

VIEWS FROM EMPLOYERS

Autumn 2023

The CIPD has been championing better work and working lives for over 100 years. It helps organisations thrive by focusing on their people, supporting our economies and societies. It's the professional body for HR, L&D, OD and all people professionals – experts in people, work and change. With over 160,000 members globally – and a growing community using its research, insights and learning – it gives trusted advice and offers independent thought leadership. It's a leading voice in the call for good work that creates value for everyone.

Report

Labour Market Outlook

Autumn 2023

Contents

1 Foreword from the CIPD

The quarterly CIPD *Labour Market Outlook* (LMO) 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.

For over two years, our *Labour Market Outlook* data has shown discrepancies in future pay awards between the public and private sector. This quarter, the gap has closed and future pay intentions in both sectors are aligned. With headline inflation easing somewhat, and some public sector employees benefitting from additional pay rises in the past year, we may avoid another winter of discontent. This quarter we also report that net employment intentions are equal in the private and public sector, with the public sector closing the gap that has appeared since early 2021.

Hard-to-fill vacancies are still common – this is forcing employers to look ahead at ways to improve their productivity and efficiency to negate the need to fill certain roles. Productivity in the UK has stagnated since the 2008 recession, with an average annual growth of 0.3%. Our recent report on productivity and people management found that by 2022, UK productivity was 22% lower than it would have been if the pre-crisis growth rate had been maintained.

Some employers were hoping the rise in remote working may have led to rises in productivity in some industries, but the evidence so far is mixed. Our *Flexible and hybrid working practices in 2023* report found two-fifths (38%) of organisations say that more home/hybrid working has increased their organisation's productivity/efficiency. However, 13% say it has decreased.

Since then, one of the most significant disruptors to ways of working has been the rise of generative AI. Generative AI (such as ChatGPT) creates new content from existing patterns of data, like text, images, voice and video. Our findings this quarter show employers see increasing productivity and efficiency as a potential benefit to using generative AI, including among employers who have banned its use.

Economists estimate the impact of generative AI on productivity could be substantial. From my experience, using generative AI allows time for new, and in many instances, more interesting tasks. Despite some concerns, employers surveyed believe the employment impact of implementing generative AI will be neutral.
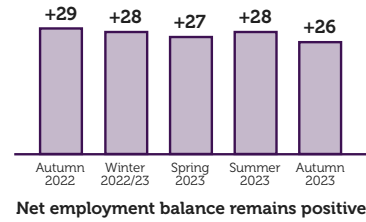
Earlier in the month, the UK Government held an AI Safety Summit bringing together key countries, technology organisations, academia and civil society, to gain a shared understanding of the risks posed by AI and the need for action. We find that organisations that have banned its use have mainly done so due to privacy and security concerns. The outcomes of the summit and subsequent work should be of interest to employers as they navigate this relatively unknown plain.

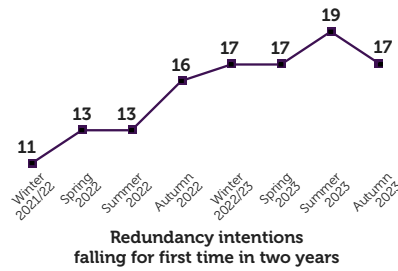**James Cockett, CIPD Labour Market Economist**

Read on for our latest labour market data and analysis on employers' recruitment, redundancy and pay intentions this autumn.

2 Key points

- 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 – remains positive at +26. Net employment intentions are equal in the private and public sector.

+29 +28 +27 +28 +26

Autumn 2022 | Winter 2022/23 | Spring 2023 | Summer 2023 | Autumn 2023

Net employment balance remains positive

- Redundancy intentions have fallen for the first time since winter 2021/22. Seventeen per cent of employers are planning to make redundancies in the three months to December 2023.

11 13 13 16 17 17 19 17

Winter 2021/22 | Spring 2022 | Summer 2022 | Autumn 2022 | Winter 2022/23 | Spring 2023 | Summer 2023 | Autumn 2023

**Redundancy intentions falling for first time in two years**

- Forty-one per cent of employers surveyed have hard-to-fill vacancies. Hard-to-fill vacancies remain a problem for the public sector, with half (51%) reporting having them. The level of employers in the private sector reporting hard-to-fill vacancies is lower at 38%.

VACANT

Hard-to-fill vacancies prevalent in public sector

- The median expected basic pay increase remains at 5% for the fourth consecutive quarter. Expected pay awards in the public sector now match the private sector, both at 5% – the highest ever for the public sector in our time series.

5% Public sector **5%** Private sector

Expected pay in public sector now matches private sector
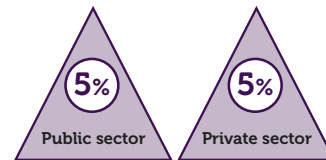
- Despite a high level of uncertainty (37% of employers don't know), organisations see implementing the use of generative AI as more of an opportunity (41%) than a risk (23%). Two in five (40%) employers see increased productivity and efficiency as an organisational benefit to using generative AI.

Generative AI seen as an opportunity to increase productivity

- Thirty-six per cent of employers see privacy and security concerns as the main drawback for implementing generative AI in their workplace. This particularly evident among employers who have banned its use.

**Privacy and security concerns to using generative AI**

Key points

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 – remains positive at +26. Net employment intentions are equal in the private and public sector, with the public sector closing the gap that has appeared since early 2021.

UK net employment balance remains stable

**Figure 1: Net employment balance, by broad sector**
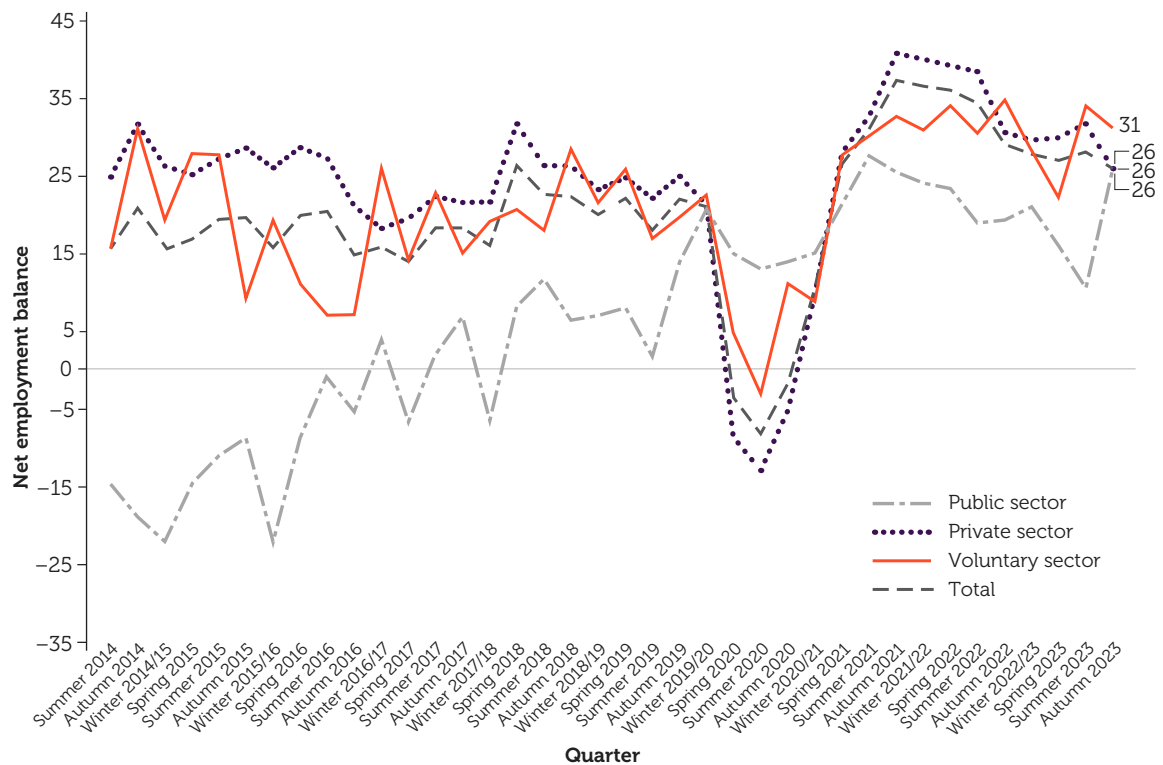
Base: autumn 2023, all employers (total: n=2,004; private: n=1,504; public: n=353; voluntary: n=147).

The positive net employment balance is driven by employers looking to hire staff (35%), with very few looking to decrease total staff levels (9%). This is unchanged from previous quarters (see Figure 2). Half (51%) look to maintain their current staff level.

UK net employment intentions remain unchanged

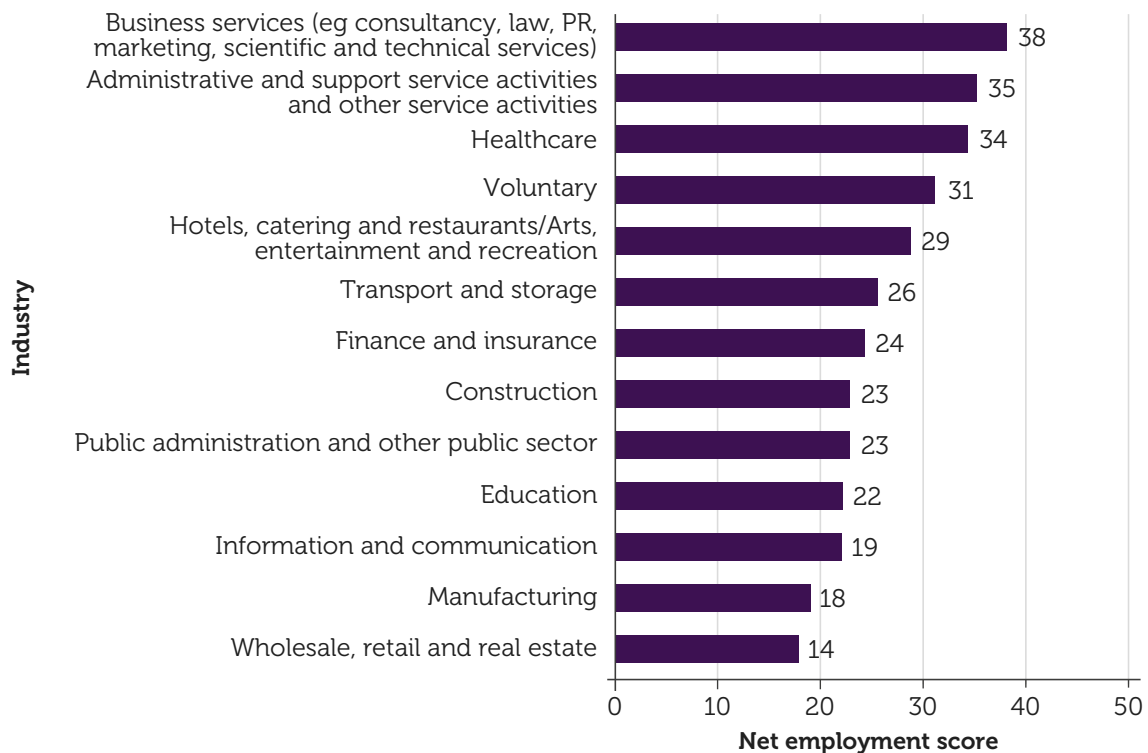**Figure 2: Composition of employment intentions (%)**
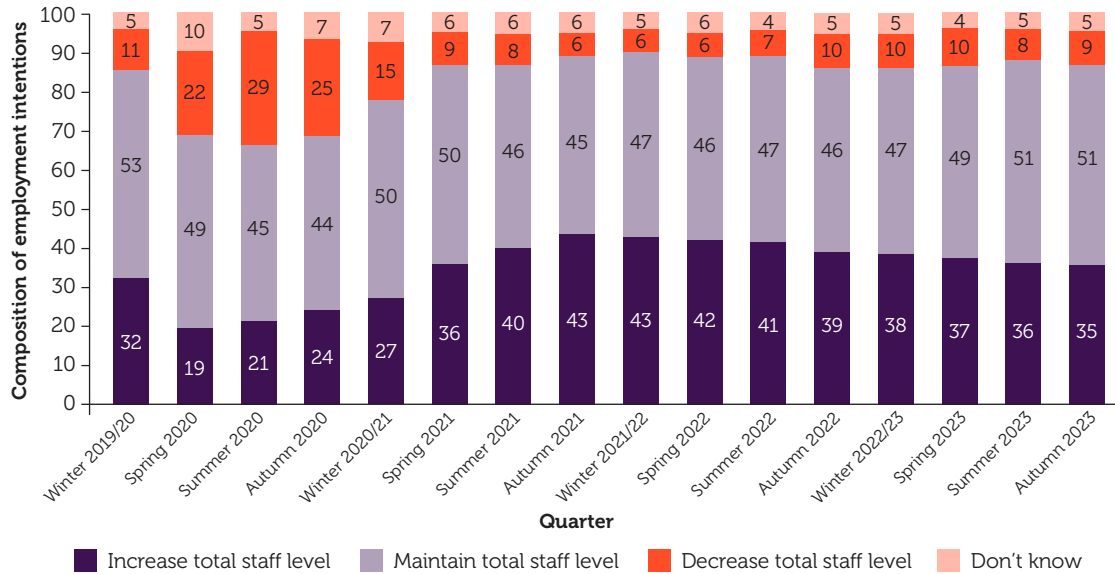
Base: autumn 2023, all employers (total: n=2,004).

Employment intentions continue to be positive in all industries (see Figure 3). The public administration and other public sector has recovered from its dip to just +2 last quarter, to +23 this quarter. Wholesale, retail and real estate has the lowest net employment this quarter at +14.

UK net employment balance positive in all industries

Figure 3: Net employment balance, by industry (%)

| Industry	Net employment score
Business services (eg consultancy, law, PR, marketing, scientific and technical services)	38
Administrative and support service activities and other service activities	35
Healthcare	34
Voluntary	31
Hotels, catering and restaurants/Arts, entertainment and recreation	29
Transport and storage	26
Finance and insurance	24
Construction	23
Public administration and other public sector	23
Education	22
Information and communication	19
Manufacturing	18
Wholesale, retail and real estate	14

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

Recruitment

Seven in 10 (69%) employers plan to recruit in the next three months. Recruitment intentions remain highest in the public sector (85%), followed by the voluntary sector (75%). The level of firms in the private sector that plan to recruit in the next three months has fallen from 70% last quarter to 65% this quarter (see Figure 4); this is a seasonal trend also experienced this time last year.

UK recruitment intentions highest in the public sector

Figure 4: Recruitment intentions, by broad sector (%)
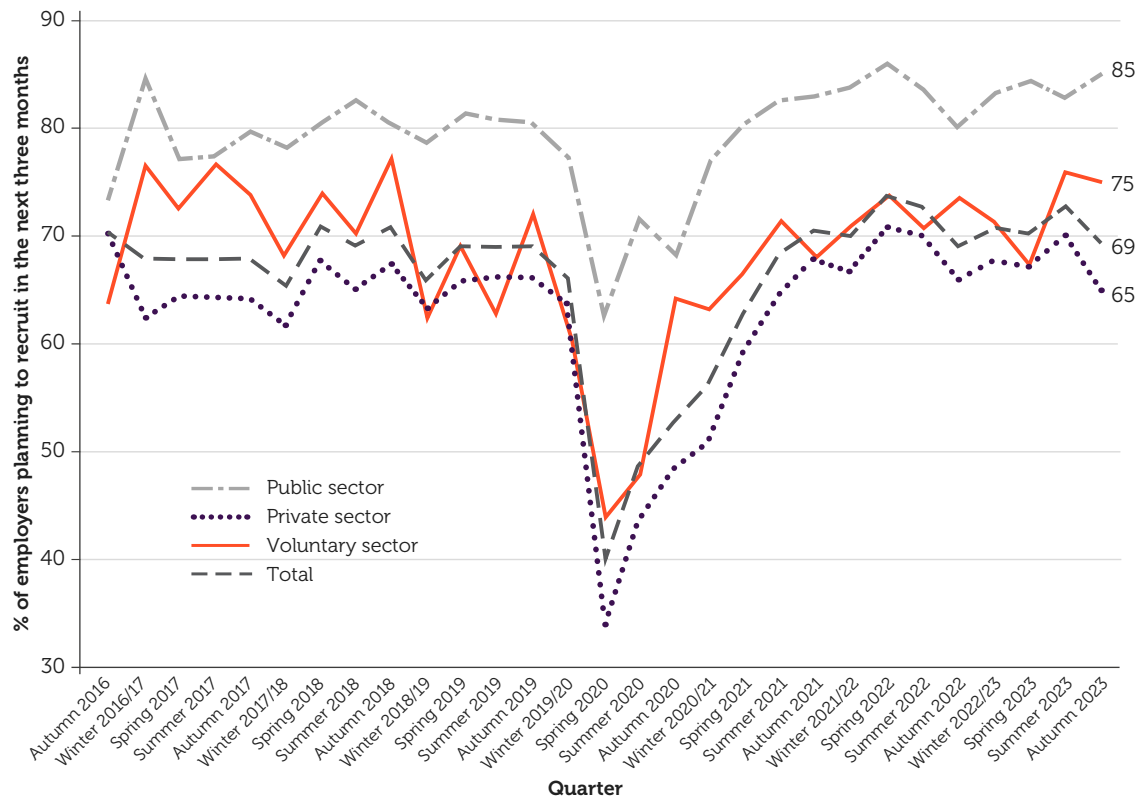
Base: autumn 2023, all employers (total: n=2,004; private: n=1,504; public: n=353; voluntary: n=147).

Redundancies

Redundancy intentions have fallen for the first time since winter 2021/22. Overall, 17% of employers are planning to make redundancies in the three months to December 2023 (see Figure 5). Redundancy intentions have remained stable in the private sector throughout 2023.

UK redundancy intentions have fallen slightly this quarter

Figure 5: Redundancy intentions, by broad sector (%)
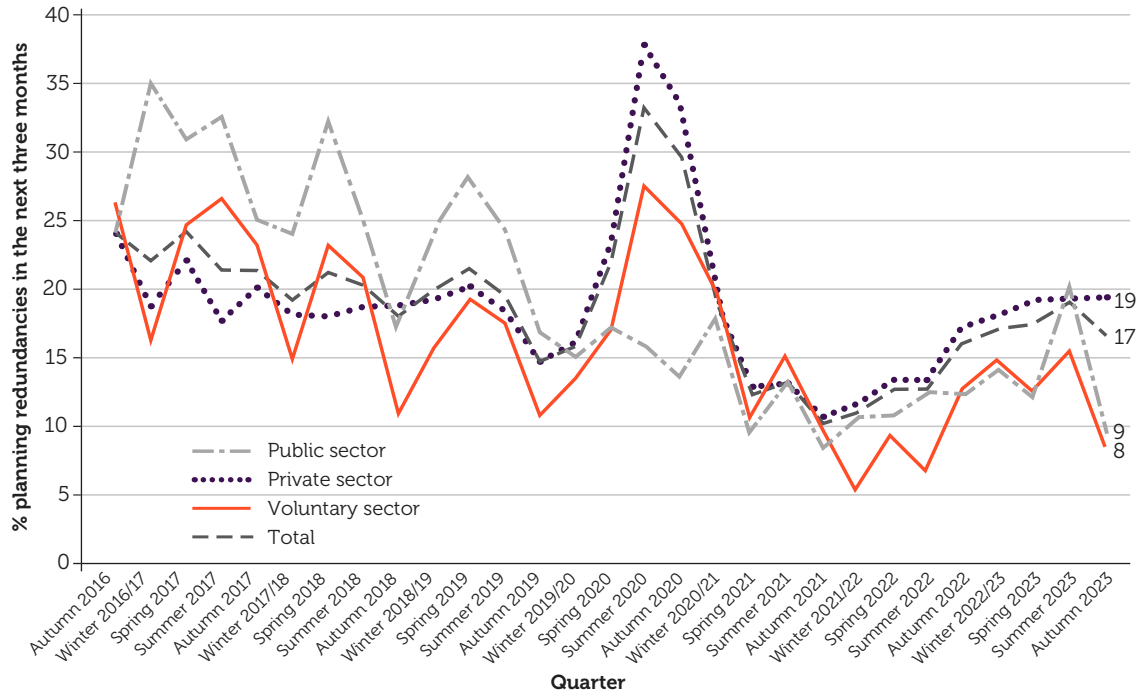
Base: autumn 2023, all employers (total: n=2,004; private: n=1,504; public: n=353; voluntary: n=147).

Further reading and practical guidance

- CIPD | **Recruitment**

  Explore our wide range of best practice recruitment resources and gain the knowledge to benefit your organisation.
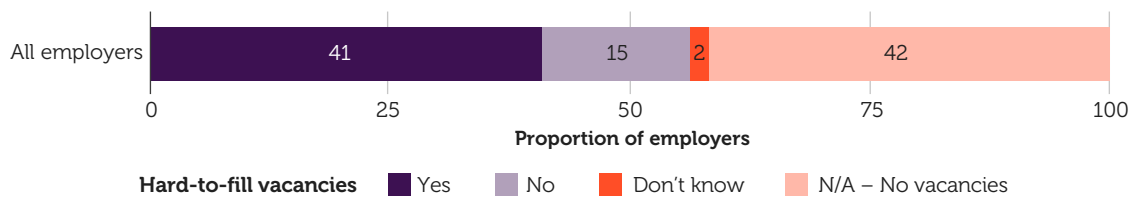
- CIPD | **Redundancy**

  Learn how to manage redundancies effectively in your organisation with a selection of practical resources and insights.

4 Job vacancies

Forty-one per cent of employers surveyed have hard-to-fill vacancies (see Figure 6). Vacancies remain a problem for the public sector, with half (51%) reporting hard-to-fill vacancies, unchanged on previous quarters. The level of employers in the private sector with hard-to-fill vacancies is significantly lower at 38%.

UK employers continue to have hard-to-fill vacancies

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

Category	Yes	No	Don't know	N/A – No vacancies
All employers	41	15	2	42

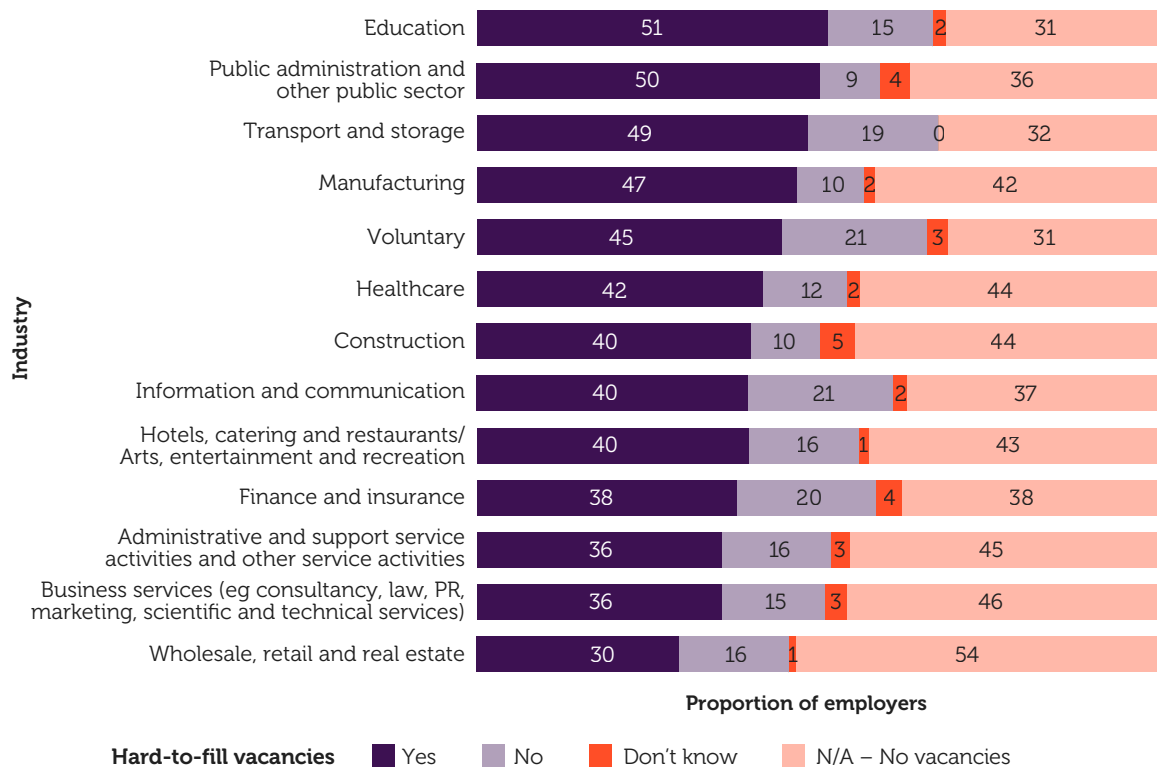Hard-to-fill vacancies: ■ Yes ■ No ■ Don't know ■ N/A – No vacancies

Base: autumn 2023, all employers (total: n=2,004).

Figure 7 shows hard-to-fill vacancies persist across the economy. Half of employers in education (51%) and public administration and other public sector (50%) report hard-to-fill vacancies. Forty-two per cent of employers in healthcare also report hard-to-fill vacancies.

Hard-to-fill vacancies most prevalent among employers in education

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

Industry	Yes	No	Don't know	N/A – No vacancies
Education	51	15	2	31
Public administration and other public sector	50	9	4	36
Transport and storage	49	19	0	32
Manufacturing	47	10	2	42
Voluntary	45	21	3	31
Healthcare	42	12	2	44
Construction	40	10	5	44
Information and communication	40	21	2	37
Hotels, catering and restaurants/ Arts, entertainment and recreation	40	16	1	43
Finance and insurance	38	20	4	38
Administrative and support service activities and other service activities	36	16	3	45
Business services (eg consultancy, law, PR, marketing, scientific and technical services)	36	15	3	46
Wholesale, retail and real estate	30	16	1	54

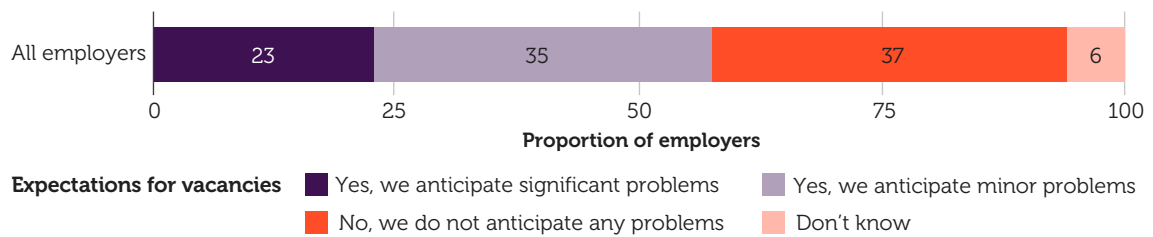Hard-to-fill vacancies: ■ Yes ■ No ■ Don't know ■ N/A – No vacancies

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

Our data indicates there may be a further fall in vacancies over the coming months. The level of employers who anticipate significant problems in filling vacancies has fallen from 27% last quarter to 23% this quarter. A further 35% still anticipate minor problems (Figure 8).

As with previous quarters, a higher proportion of public sector employers (42%) anticipate significant problems in filling roles than private sector (19%) and voluntary sector (20%) employers.

One in four UK employers anticipate significant problems in filling roles

**Figure 8: Expectation for vacancies in the next six months (%)**

Base: autumn 2023, all employers (total: n=2,004).

As in previous *Labour Market Outlook* reports, healthcare (43%), education (37%), and public administration and other public sector (37%) are all anticipating significant problems in filling vacancies in the next six months.

Problems in filling vacancies most prevalent in the UK's public sector

**Figure 9: Expectation for vacancies in the next six months, by industry (%)**
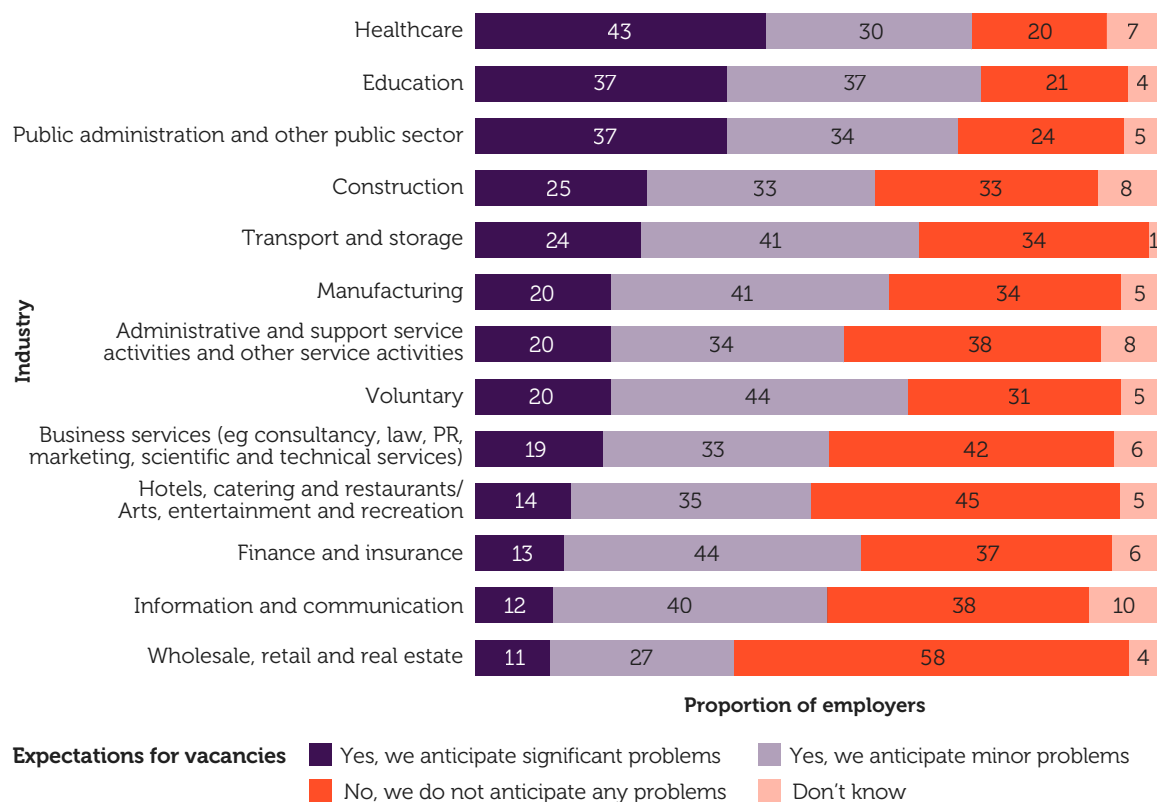
Base: industries with base sizes less than 50 have been excluded. For a breakdown of base sizes, see Table 3.

Plans for automation rising to address hard-to-fill vacancies

An increasing number of employers plan to use automation to address their hard-to-fill vacancies. This quarter, 24% of respondents said their organisations are introducing or increasing automation to address them, almost twice (13%) the level in summer 2022. This increase could be attributed to the rise of generative AI, discussed later in the report.

A growing level of UK employers plan to automate to tackle shortages

Figure 10: Organisations that plan to introduce or increase automation to address hard-to-fill vacancies (%)
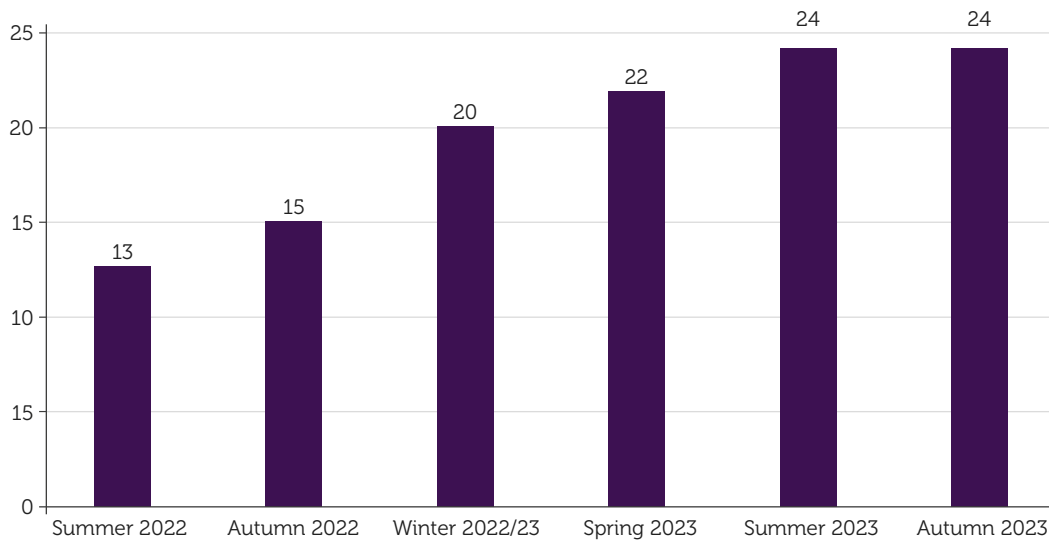
Base: all employers with hard-to-fill vacancies (summer 2022: n=895; autumn 2022: n=925; winter 2022/23: n=1,113; spring 2023: n=826; summer 2023: n=817; autumn 2023: n=765).

Further reading and practical guidance

- CIPD | **Employer brand**

  An attractive employer brand helps organisations compete effectively in the labour market. Read our factsheet for insights on how to develop an attractive employer brand.

- CIPD | **Technology use in recruitment and workforce planning**

  Guidance on how technology can be leveraged to plug skills gaps and address hard-to-fill vacancies.

- CIPD | **Employing overseas workers in the UK**

  Explore our wide range of best practice recruitment resources and gain the knowledge to benefit your organisation.

5 Pay outlook

For employers looking to increase, decrease or freeze pay in the next 12 months, for the fourth consecutive quarter, we see a median expected basic pay increase of 5%.

This remains the highest median expected basic pay increase in the LMO time series (dating back to 2012). Expected pay awards in the public sector now match the private sector, both at 5%. This quarter the pay award in the public sector is the highest level ever in our time series (see Figure 11). It has now been at this rate for the private sector for over a year.

It should be noted that the average basic pay award covered in this analysis is only one pay component of pay growth. Many people will also benefit from incremental progression or promotion, bonuses or a pay bump when switching jobs. As we will discuss, cost-of-living pay rises and supplements, as well as counteroffers, also play a part in wider pay growth.

Expected UK pay awards reach 5% in the public sector

Figure 11: Median basic pay increase expectations – median employer
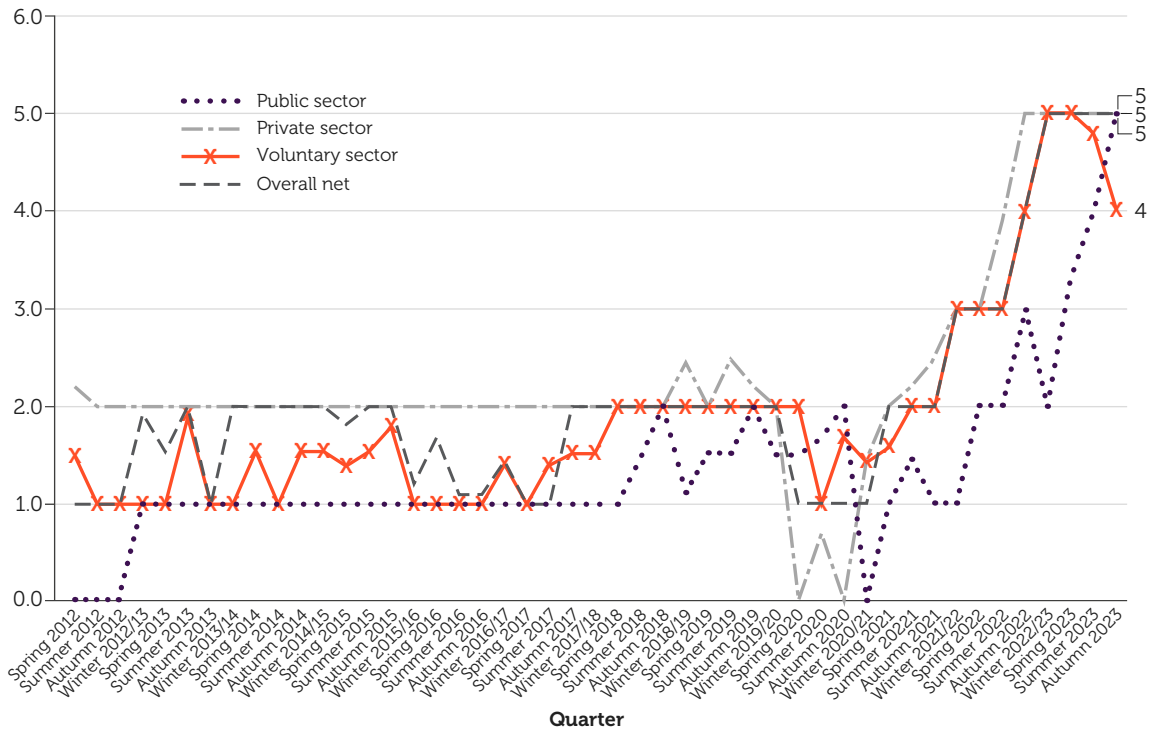
Base: autumn 2023, all employers expecting and able to estimate a pay award (n=768; private: n=585; public: n=160; voluntary: n=56).

### Cost of living feeding into future pay awards
The continued cost-of-living crisis is playing a substantial role in the outlook on pay. Twenty-eight per cent of organisations plan to increase wages over the next 12 months, to reduce the impact of the cost-of-living crisis on its employees. In addition, 11% plan to give bonuses/allowances/lump sums to cover the increases in the cost of living.

Additional pay awards common in the past year
Additional pay rises outside of usual (often annual) pay cycles are common. In the past 12 months, over a third (36%) of organisations have made additional pay rises outside their original pay cycle. A further 39% have previously offered additional pay rises, but not in the past 12 months.

Over a third of UK employers have given additional pay rises in the past year

Figure 12: Organisations that have made additional pay rises (%)

- Yes, in the past 12 months
- No, not in the past 12 months
- No, we have never made additional pay awards
- Don't know
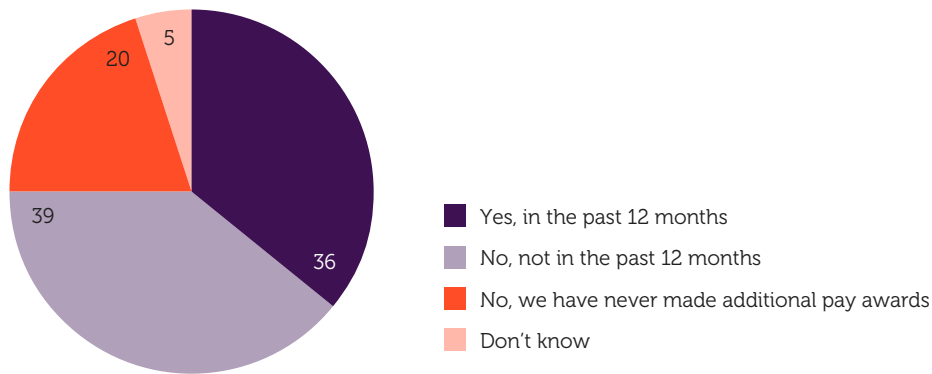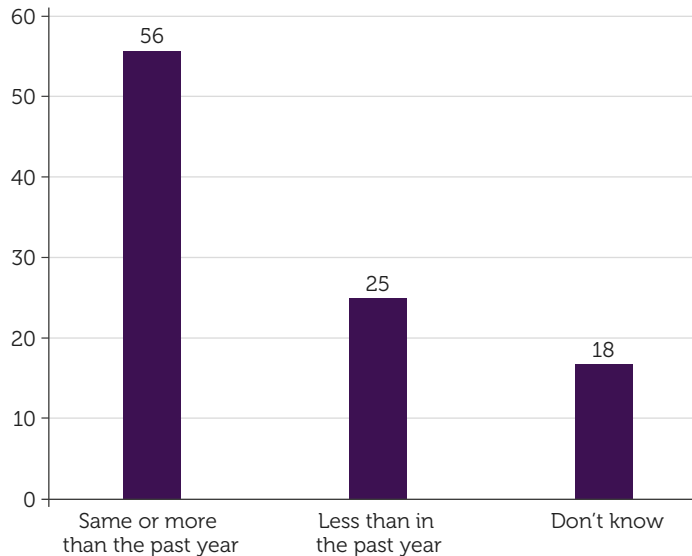
Base: autumn 2023, all employers (total: n=2,004).

A third (34%) of these additional pay rises covered all staff, with a further 18% covering 76–99% of staff or 50–75% of staff. Only 14% of these additional wage rises covered less than a quarter of the workforce.

Employers are still anticipating additional pay rises
Among those who offered additional pay rises last year, over half (56%) anticipate offering either the same amount or more in the next year. Twenty-five per cent plan to offer less in the next 12 months, while 18% don't know.

Many UK employers who gave additional pay rises plan to do so again

Figure 13: Employers who anticipate offering additional pay rises in the coming 12 months among employers who offered them in the previous 12 months (%)

Base: autumn 2023, all employers who have offered additional pay rises outside pay cycle in last 12 months (total: n=686).

Feeding into overall wage inflation is also the practice of counteroffers, whereby an employer offers an employee an improved salary in response to a job offer elsewhere. Fifty-seven per cent of employers who have previously offered counteroffers anticipate offering the same number next year. Eighteen per cent anticipate offering more than in the past year.

Further reading and practical guidance

- CIPD | **Pay structures and pay progression**

  Understand the purpose of pay structures and pay progression, including common ways for structuring pay and managing pay progression.

- CIPD | **Pay fairness and pay reporting**

  Find out what fair pay can mean, what pay information UK employers must disclose by law, and the opportunities pay narratives bring.

- CIPD | **Is pay transparency good for business?**

  Listen to our podcast exploring the benefits, pitfalls and challenges of increasing pay transparency and the broader impact on global organisations.

- CIPD | *Labour Market Outlook* **summer 2023**

  Read the summer 2023 report for a deep dive into the practice of counteroffers.

6 Generative AI

This quarter, our focus section looks at how organisations are reacting and adapting to the explosion of generative AI due to the emergence of ChatGPT and other generative AI tools over the past year or so. Generative AI creates new content from existing patterns of data, like text, images, voice and video. Generative AI tools can deliver fast and personalised outputs at scale. They're easy to use, widely accessible and are often free.

Guidance on the use of generative AI at work is limited

We find that just 16% of organisations have a formal policy or guidance for employees on using generative AI at work. A further one in five employers (20%) currently have no policies or guidance in place but plan to introduce them. Half of employers (52%) do not have any policies or guidance or plan to introduce them.

Few UK employers have a generative AI policy

Figure 14: Formal policies or guidance for employees on using generative AI at work (%)
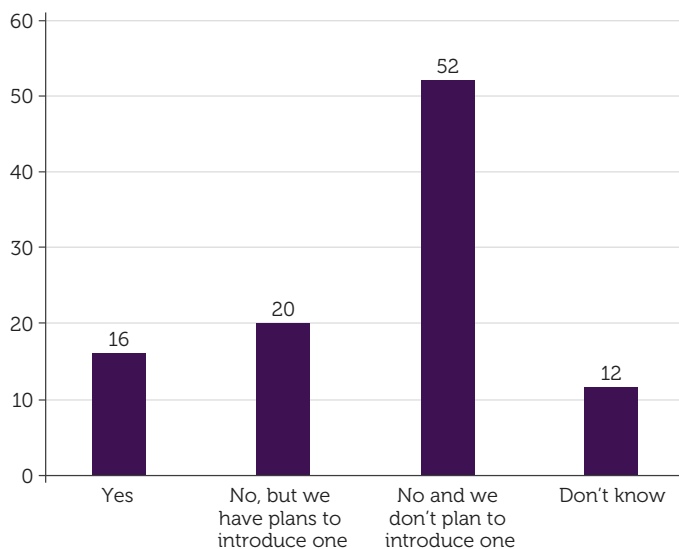
Base: autumn 2023, all employers (total: n=2,004).

Existing policies and guidance are more common in the private sector (18%) than the public sector (12%). Uncertainty is high in the public sector, with a quarter of employers (24%) unaware of whether formal policies or guidance for employees on using generative AI exists in their organisation.

Large private sector employers are more likely to have a formal policy or guidance (27%) than SMEs (6%). They are also more likely to have plans to introduce one (23%) compared with smaller businesses (14%).

Unsurprisingly, employers in IT (38%) most commonly have a policy or guidance. Conversely, industries with limited use of IT by many employees, such as hospitality and retail, are less likely to have guidance on generative AI.

Generative AI banned by some employers

Some organisations have gone as a far as to ban the use of generative AI. Eight per cent of employers have currently banned its use, with a further 5% planning to do so in future. One in five (18%) employers do not know at this stage whether or not they will ban the use of generative AI. Sixty-nine per cent of employers have not banned the use of generative AI and do not currently plan to do so.

While employers in the private sector have banned or plan to ban the use of generative AI at a higher rate than the public sector (9% compared with 5%), a third (32%) of public sector employers do not know.

Larger private sector employers are more likely to have banned the use of generative AI than SMEs (12% v 6%).

Employers who have a formal policy or guidance are significantly more likely to have banned the use of generative AI (32% v 4%).

Some UK employers have banned the use of generative AI

Figure 15: Employers who have banned the use of generative AI, by broad sector (%)
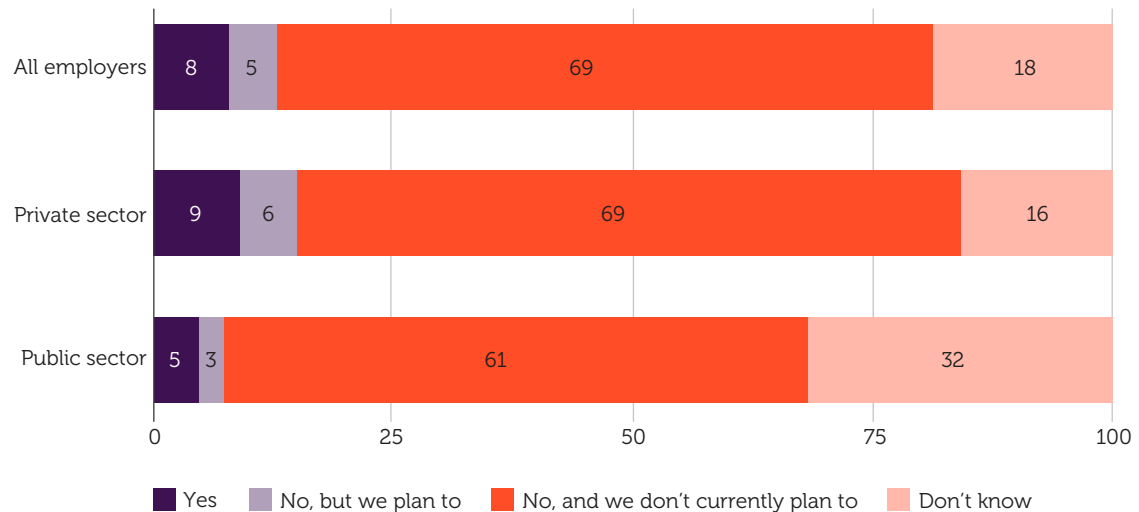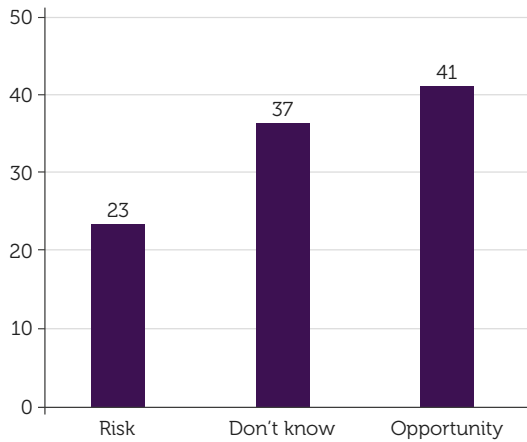

Base: autumn 2023, all employers (total: n=2,004; private: n=1,504; public: n=353).

Implementing generative AI more of an opportunity than risk, but uncertainty is high

While there is a high level of uncertainty (37% of employers don't know), organisations see implementing the use of generative AI as more of an opportunity (41%) than a risk (23%).

More UK employers see generative AI use as an opportunity than a risk

Figure 16: Generative AI – more of an opportunity or risk? (%)

Base: autumn 2023, all employers (total: n=2,004).

Large private sector organisations see implementing generative AI as more of an opportunity than small private sector organisations (48% v 35%).

Despite some organisations banning the use of generative AI, 34% of this group still see implementing the use of generative AI in their organisation as more of an opportunity than a risk.

Employment impacts of generative AI are neutral

Overall, organisations estimate the effect on employment due to the introduction of generative AI to be neutral. Most organisations (53%) implementing generative AI expect no change in the number of full-time staff employed by their organisation as a result. While a small number of organisations expect a fall in staff numbers over this horizon, this is offset by organisations that plan to increase staff due to their implementation of generative AI.

Most UK employers expect no change to headcount due to generative AI

Figure 17: Impact of generative AI on the number of full-time staff over the next five years (%)
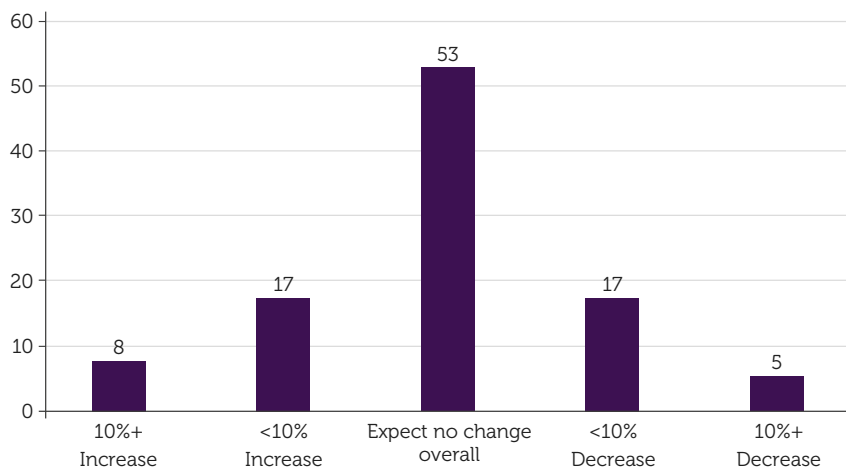
Base: autumn 2023, all employers able to estimate the employment impact of generative AI (total: n=1,034).

Increased productivity seen as the biggest benefit to using generative AI

A KPMG report assessing the impact of generative AI found the adoption of generative AI could add 1.2% to the level of UK productivity. The report estimated 2.5% of all tasks could be performed by generative AI. And while one in 10 jobs may have more than 5% of their tasks affected, another 60% of jobs could face little to no direct effect from generative AI.

Our report finds that two in five (40%) employers see increased productivity and efficiency as a potential organisational benefit to using generative AI. Cost savings, likely as a result of the increased efficiency, were seen by one in three employers (32%) as an organisational benefit of using AI.

One in five (20%) employers also saw enhanced decision-making and increased customer satisfaction as an organisational benefit of using AI.

Surprisingly it is organisations that have banned the use of AI that see enhanced decision-making (33% v 22%) and increased customer satisfaction (36% v 21%) as potential benefits of using generative AI at a greater rate than those that have not banned its use.

UK employers expect generative AI to increase productivity and efficiency

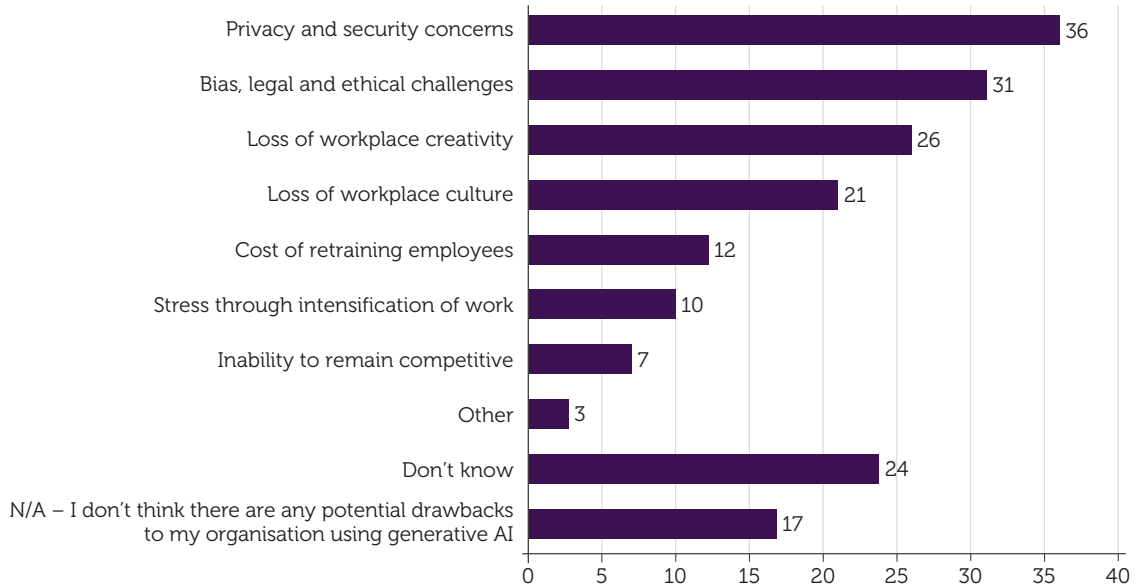**Figure 18: Potential benefits to using generative AI (%)**
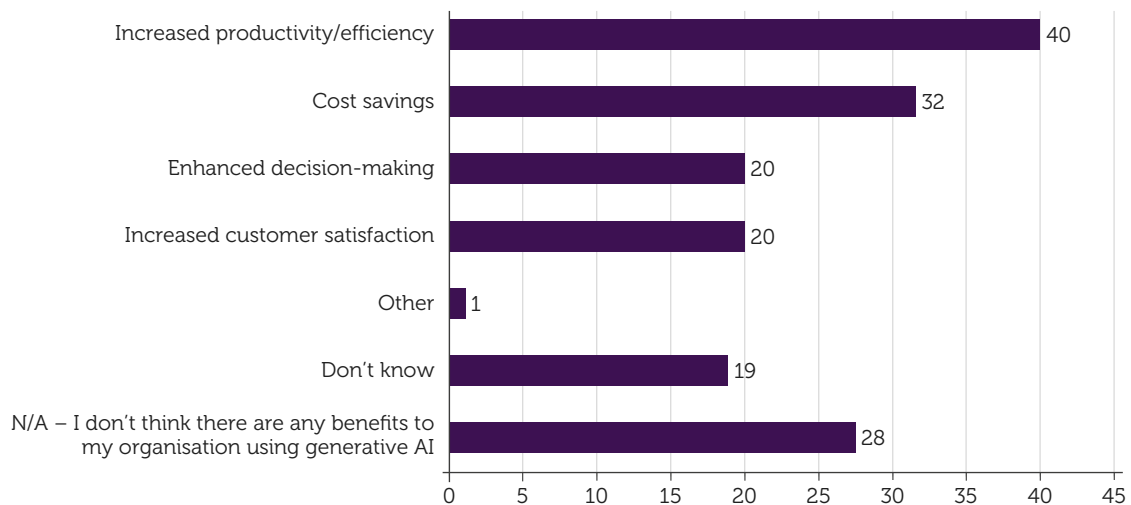
Base: autumn 2023, all employers (total: n=2,004).

Scepticism centres around privacy and security concerns

Over a third (36%) of employers see privacy and security concerns as a potential drawback to implementing generative AI in their workplace. Bias, legal and ethical challenges were also seen as potential drawbacks (31%) – and in some cases may be preventing the use of generative AI within organisations. One in four employers (26%) see a loss of workplace creativity as a potential barrier to implementing generative AI. Employers in education (36%) most commonly saw this as a potential drawback. Loss of workplace culture was seen as a drawback to using generative AI by one in five (21%) organisations.

UK employers cautious of the privacy and security risks of using generative AI

Figure 19: Potential drawbacks to using generative AI (%)

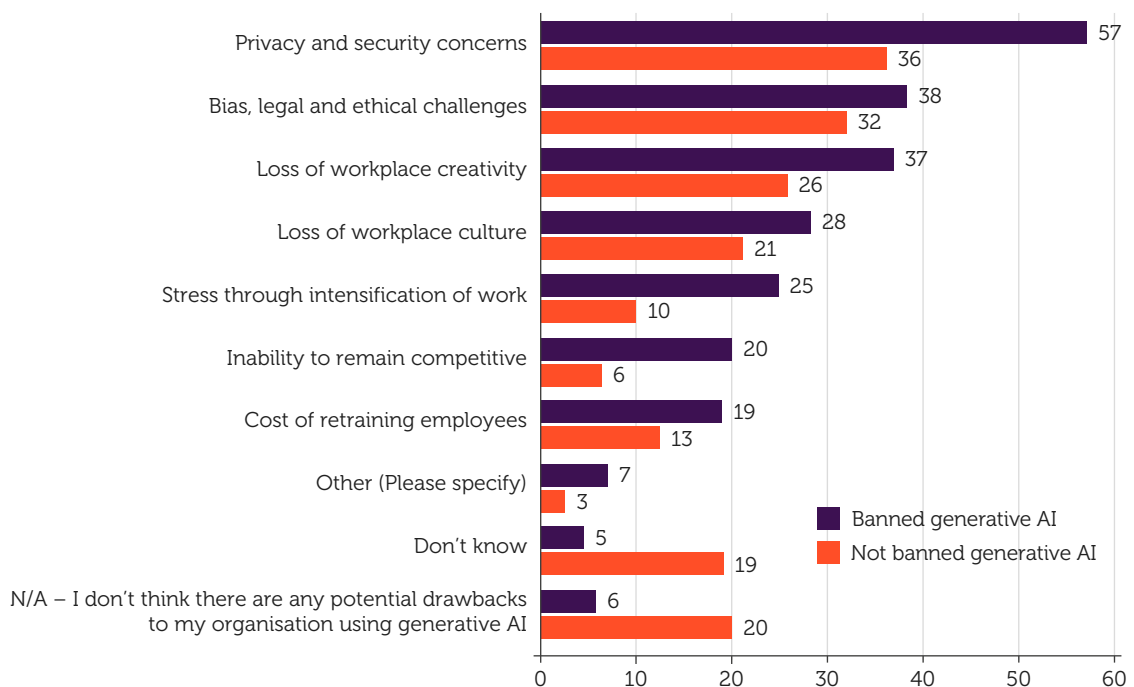| Category	%
Privacy and security concerns	36
Bias, legal and ethical challenges	31
Loss of workplace creativity	26
Loss of workplace culture	21
Cost of retraining employees	12
Stress through intensification of work	10
Inability to remain competitive	7
Other	3
Don't know	24
N/A – I don't think there are any potential drawbacks to my organisation using generative AI	17

Base: autumn 2023, all employers (total: n=2,004).

Privacy and security concerns (57%) stand out among those who have banned the use of generative AI, compared with those who have not (36%). Those who have banned AI see all the factors listed in Figure 20 – apart from bias, and legal and ethical challenges and loss of workplace culture – as drawbacks at a significantly greater rate than those who have not.

UK employers who have banned generative AI use more cautious

Figure 20: Potential drawbacks to using generative AI, by organisations that have banned/not banned its use (%)

Category	Banned generative AI	Not banned generative AI
Privacy and security concerns	57	36
Bias, legal and ethical challenges	38	32
Loss of workplace creativity	37	26
Loss of workplace culture	28	21
Stress through intensification of work	25	10
Inability to remain competitive	20	6
Cost of retraining employees	19	13
Other (Please specify)	7	3
Don't know	5	19
N/A – I don't think there are any potential drawbacks to my organisation using generative AI	6	20

Base: autumn 2023, all employers (banned the use of generative AI: n=166; not banned the use of generative AI: n=1,530).

Generative AI

Further reading and practical guidance

- CIPD | **Preparing your organisation for AI use**
  Guidance on how to prepare a user policy on generative AI for your workplace and how this technology can be used to support HR functions.

- CIPD | **AI in the workplace**
  Browse our resources on the use and impact of artificial intelligence technology in the workplace.

- CIPD | **AI in the workplace: what's ethical?**
  Watch our webinar on the benefits of using AI at work and the ethical and governance issues that come with it.

7 Recommendations for employers and people practitioners

✓ Take a varied approach to addressing your hard-to-fill vacancies. Adopt inclusive recruitment and selection approaches to help broaden your talent pool, and use upskilling opportunities to develop your existing workforce. Our talent management planner can help you with this.

✓ Help alleviate cost-of-living strains in your workforce by providing financial wellbeing support to your employees. Review your approach to reward and financial wellbeing to ensure it supports staff, as well as regularly assess the impact of any changes to ensure that they are working as intended.

✓ Take time to understand the risks and opportunities that generative AI carries for your organisation and your people. Depending on your situation, you may need to extend your existing policies around IT use at work or develop a separate policy on AI (including generative AI) use altogether. There may also be valid reasons not to create a policy on AI use. Our AI in the workplace topic page can help you with this.

8 Survey method

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,004 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 18 September and 8 October 2023. The survey was conducted online. The figures have been weighted and are representative of UK employment by organisation size, sector and industry.

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	360
10–49	414
50–99	155
100–249	229
250–499	160
500–999	169
1,000 or more	517

Table 2: Breakdown of sample, by sector

Sector	Count
Private sector	1,504
Public sector	353
Third/voluntary sector	147

Table 3: Breakdown of sample, by industry

Industry	Count
Manufacturing	164
Construction	114
Primary and utilities	49
Education	219
Healthcare	180
Wholesale, retail and real estate	121
Transport and storage	51
Information and communication	103
Finance and insurance	146
Business services (eg consultancy, law, PR, marketing, scientific and technical services)	269
Hotels, catering and restaurants/Arts, entertainment and recreation	116
Administrative and support service activities and other service activities	204
Public administration and other public sector	104
Police and armed forces	17
Voluntary	147

Table 4: Breakdown of sample, by region

Region	Count
Scotland	111
Wales	63
Northern Ireland	31
Northwest England	143
Northeast England	56
Yorkshire and Humberside	94
West Midlands	126
East Midlands	102
Channel Islands	1
Eastern England	96
London	384
Southwest England	153
Southeast England	222
All of the UK	422

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