CIPD

LABOUR MARKET

OUTLOOK

VIEWS FROM EMPLOYERS

Spring 2024

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

Spring 2024

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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. The findings are based on a survey of more than 2,000 employers.

Reflecting the latest developments, official data shows all the main employment indicators changing. The employment rate has fallen, while inactivity and unemployment have risen above the rates they were 12 months ago. However, the continuing uncertainty around the reliability of these figures is becoming problematic for policy-makers as we await results from the new Labour Force Survey.

The big picture shows that despite the labour market reverting to somewhat of a post-COVID normality, there continues to be a high level of vacancies by historic standards. Our data reveals a cross-sector fall in the net employment balance (our main barometer for employment intentions). The overall score remains well above zero but has continued on a downward trajectory. There could be further falls in both turnover and therefore vacancy levels in 2024 based on this trend.

The overall view, however, hides the fact that the net employment balance is simmering just above zero in the public sector. Part of the reason is that public sector employers are currently twice as likely as those in the private sector to decrease total staff levels in the next three months. Cash-poor councils and civil service streamlining could be a contributing factor.

One strategy employers can use to reduce their workforce is natural attrition. However, employers relying on this should be aware that the post-pandemic frenzy of job changes is over, with more employees looking to stay put.

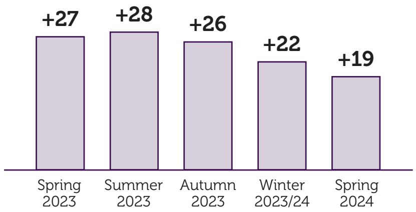
Expected pay awards for the next 12 months remain unchanged on last quarter. The gap between public and private pay awards persists. Currently, the rate of inflation, which has fallen to a healthier 3.2%, sits between these two figures. This discrepancy means it may become more difficult to retain public sector staff in the coming months.

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

James Cockett,
CIPD Labour Market Economist

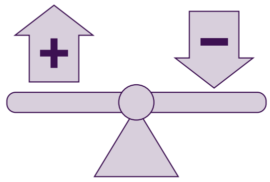
2 Key points

- 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 but has continued its downward path from +22 last quarter to +19 this quarter.



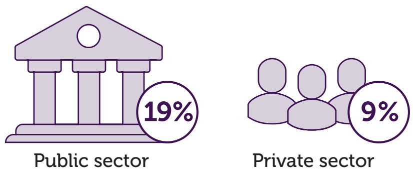
Net employment balance edges down to pre-pandemic levels

- Over half (55%) of employers are looking to maintain their current staff level. This is the highest proportion since winter 2016/17.



More employers keeping staff level steady

- Public sector employers are twice as likely as their private sector counterparts to decrease their total staff level in the next three months (19% v 9%).

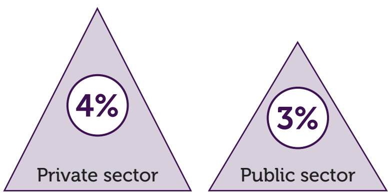


Public sector employers twice as likely to reduce staff levels

- Thirty-seven per cent of employers surveyed have hard-to-fill vacancies. Hard-to-fill vacancies are significantly higher in the public sector (52%) than the private sector (33%).

Hard-to-fill vacancies remain prevalent

- The median expected basic pay increase remains at 4% for the second consecutive quarter. Expected pay awards in the next 12 months are lower in the public sector (3%) compared with the private sector (4%).



Expected pay awards higher in private sector

1 2 3 4 5 6 7

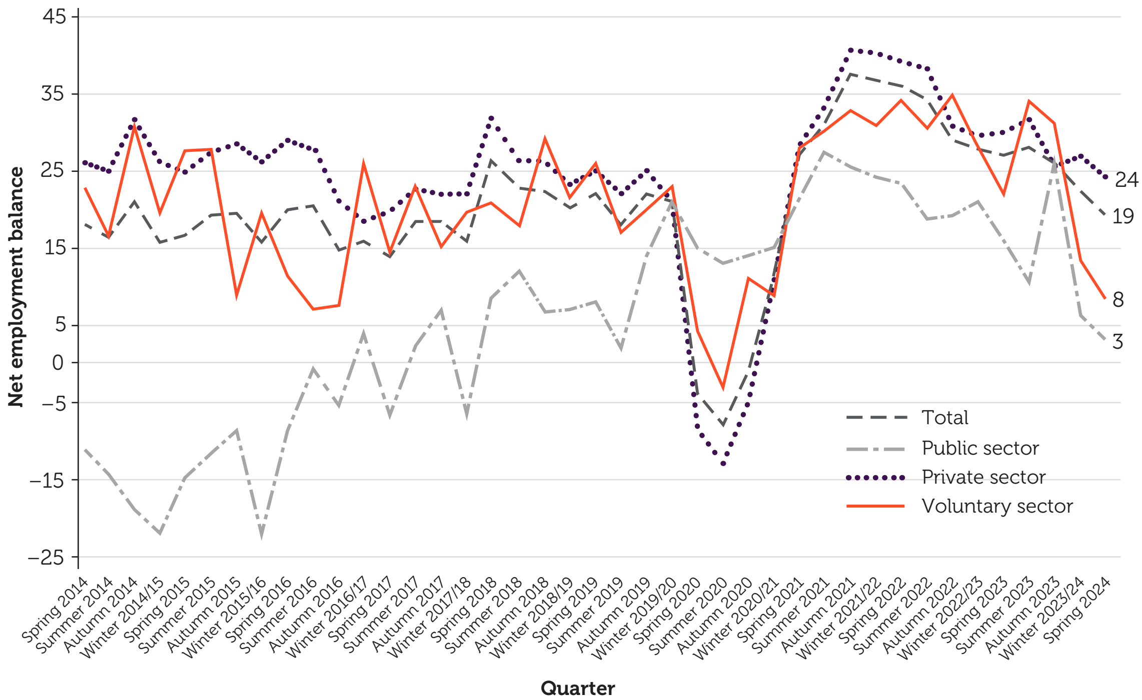
3 Recruitment and redundancy outlook

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 but has continued its downward path from +22 last quarter to +19 this quarter.

All sectors have experienced similar percentage point falls in the most recent quarter. The net employment balance is highest in the private sector at +24. It is, however, much lower in the public sector at just +3 – the lowest it has been since summer 2019.

Net employment balance nearing zero in the public sector

Figure 1: Net employment balance, by broad sector



Base: spring 2024, all employers (total: n=2,009; private: n=1,507; public: n=372; voluntary: n=130).

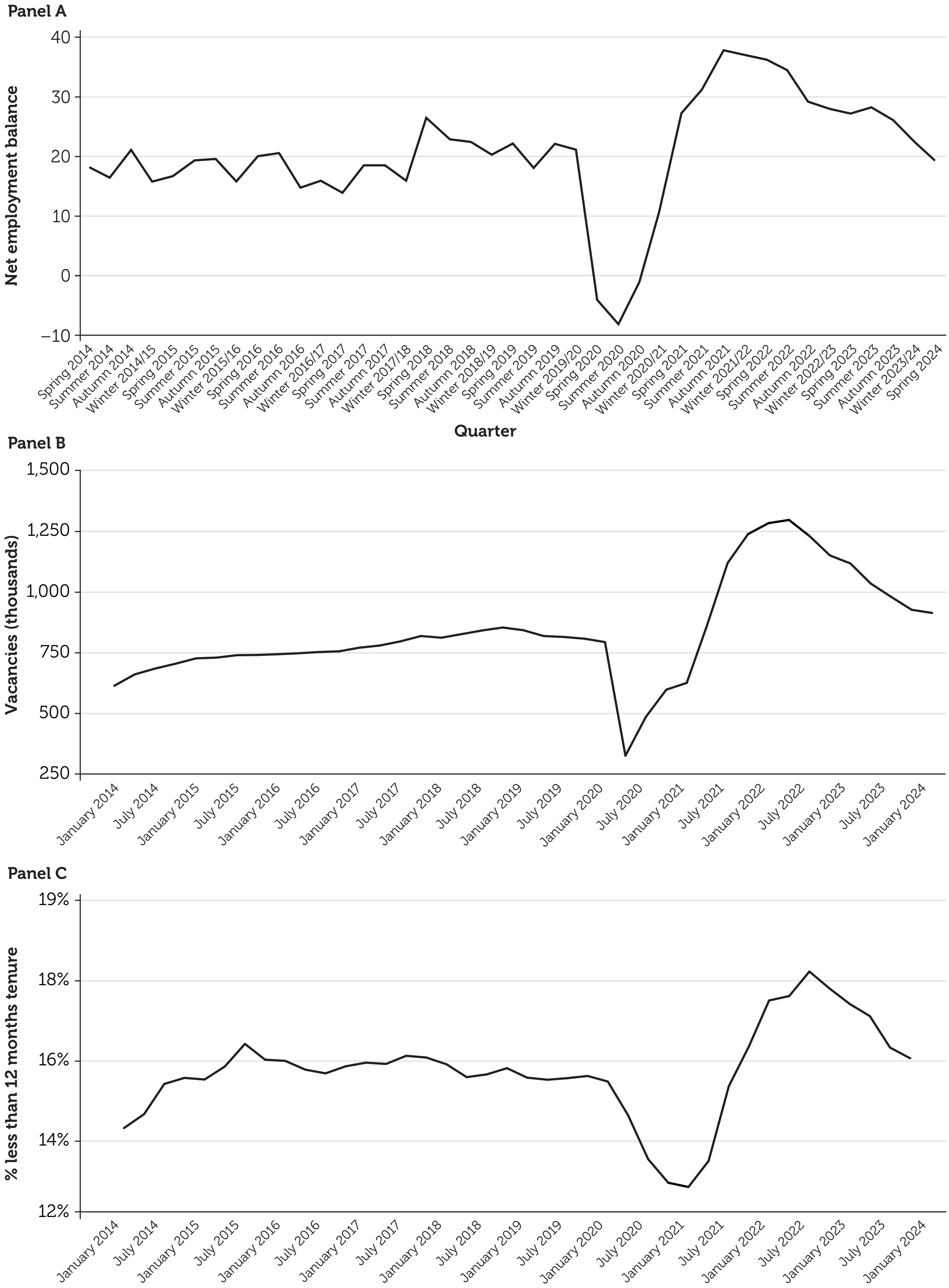
Isolating the total net employment balance and comparing this with two other labour market indicators shows a remarkably similar trend.

During the pandemic, employees stayed put and turnover rates fell (Figure 2, Panel C). Furlough had a big role to play in this. When the economy reopened, there was a large bounce back. People started to move jobs. Turnover rates increased and vacancy levels rose in response to the hot recruitment market (Figure 2, Panel B). We are now entering a period of normalisation, as the trend returns to pre-pandemic levels. The danger is that HR teams could be caught off guard if they are responding to the attrition rates of the last year instead of looking forward to lower attrition this year. This phenomenon has been reported in several management consultancies.

Given the net employment balance (Figure 2, Panel A) is a forward-looking indicator, based on recent trends there could be further falls in both vacancy and turnover levels in 2024 as workforces stabilise to a new normal.

Net employment balance similar to vacancy and turnover trends

Figure 2: Net employment balance (Panel A), vacancy (Panel B) and turnover (Panel C) trends since 2014

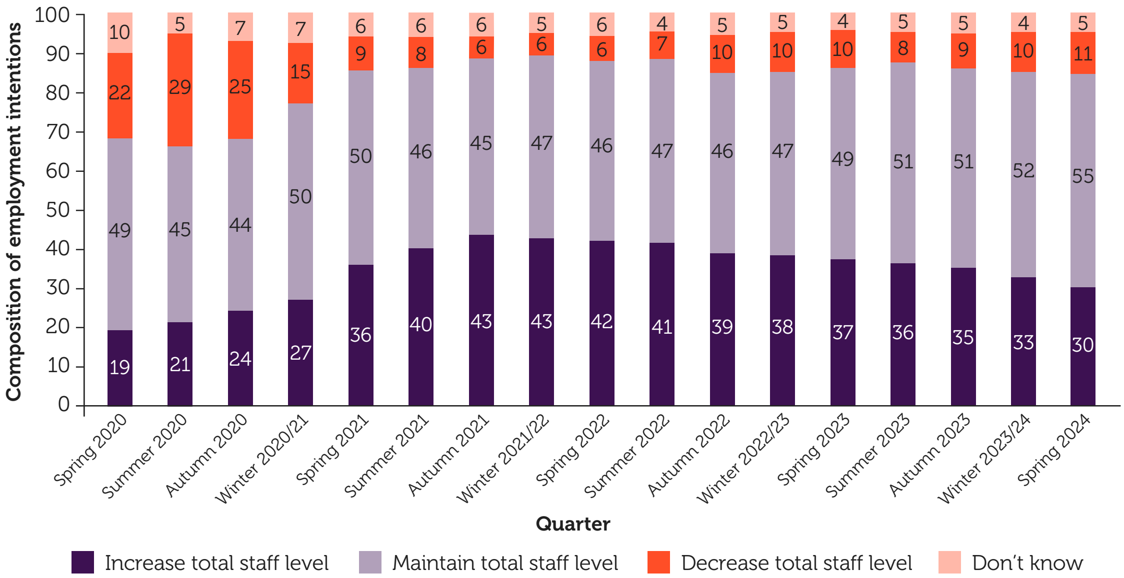


Source: Panel A – CIPD *Labour Market Outlook*; Panel B – ONS Vacancy Survey; Panel C –UK Labour Force Survey.

The positive net employment balance is driven by more employers looking to increase their total staff level (30%) than those decreasing their total staff level (11%) (Figure 3), though the former has fallen for 10 consecutive quarters. Over half (55%) of employers are looking to maintain their current staff level – the highest proportion since winter 2016/17.

More employers looking to maintain their current staffing level

Figure 3: Composition of employment intentions (%)



Base: spring 2024, all employers (total: n=2,009).

Public sector employers are twice as likely as their private sector counterparts to decrease their total staff level in the next three months (19% v 9%). While a similar proportion of employers in each plan to maintain current staff levels, private sector employers plan to increase total staff levels at a higher rate (33%) than public sector employers (23%) (Figure 4).

Public sector twice as likely to decrease total staff levels in next three months

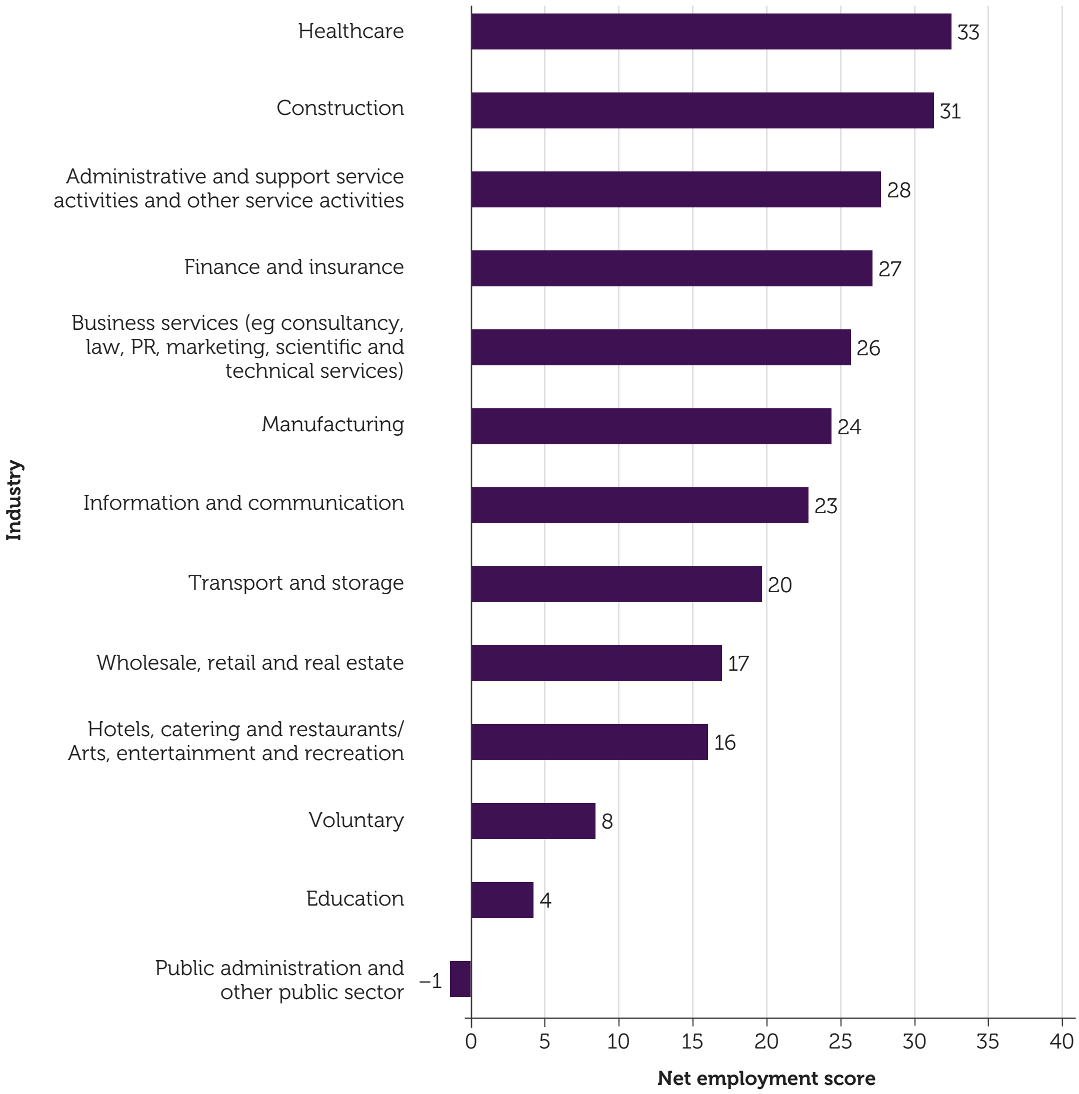
Figure 4: Composition of employment intentions, by broad sector (%)

Base: spring 2024, all employers (total: n=2,009; private: n=1,507; public: n=372; voluntary: n=130).

Employment intentions remain negative (–1) among public administration and other public sector employers this quarter (they were –2 in winter 2023/24). This means more are looking to decrease than increase staff levels in the next three months. Employment intentions continue to be positive in all other industries (see Figure 5), but have generally fallen across the board. Education and the voluntary sector are both now below 10.

Net employment balance negative in public administration and other public sector

Figure 5: Net employment balance, by industry (%)



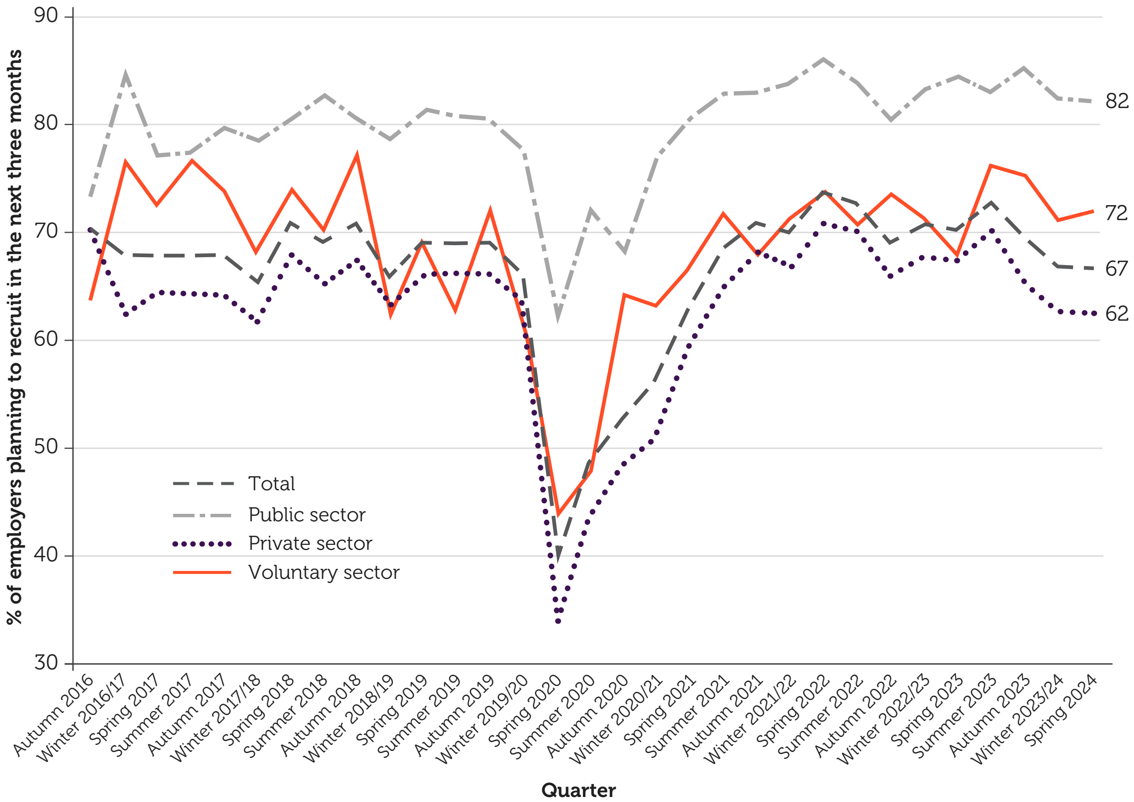
Base: industries with base sizes less than 50 have been excluded. For a breakdown of base sizes, see Table 3.

Recruitment

Two-thirds (67%) of employers plan to recruit in the next three months. Recruitment intentions remain highest in the public sector (82%), followed by the voluntary sector (72%). The percentage of employers in the private sector that plan to recruit in the next three months is 62% (see Figure 6). All sectors are largely unchanged on the previous quarter.

Recruitment intentions highest in the public sector

Figure 6: Recruitment intentions, by broad sector (%)



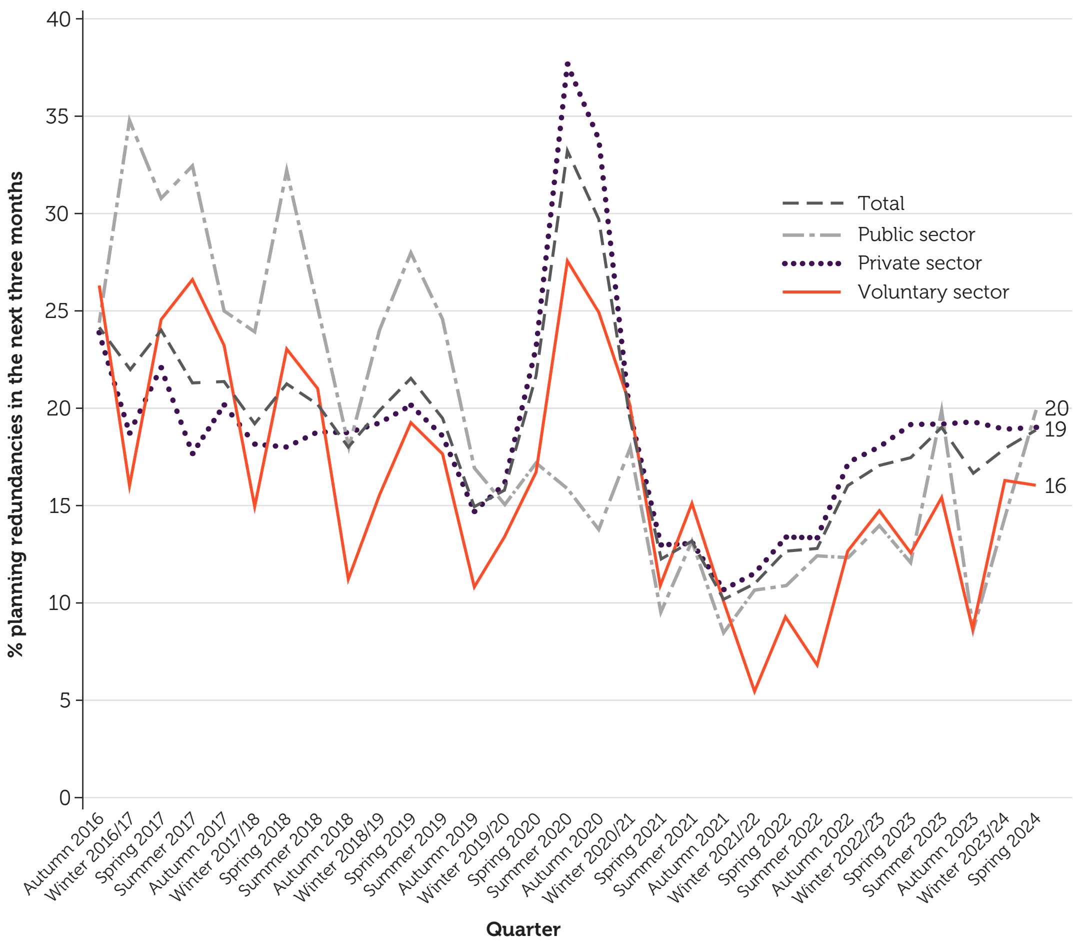
Base: spring 2024, all employers (total: n=2,009; private: n=1,507; public: n=372; voluntary: n=130).

Redundancies

Overall, 19% of employers are planning to make redundancies in the three months to June 2024 (see Figure 7). There is little variation in the rate of redundancies between the public and private sectors.

Redundancy intentions follow usual seasonal patterns

Figure 7: Redundancy intentions, by broad sector (%)



Base: spring 2024, all employers (total: n=2,009; private: n=1,507; public: n=372; voluntary: n=130).

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**

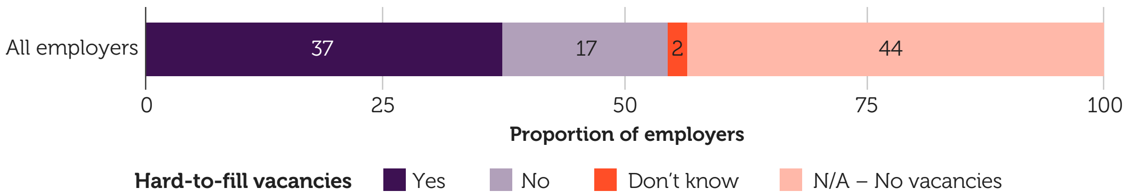
  Learn how to manage redundancies effectively in your organisation with a selection of practical resources and insights.

4 Job vacancies

Thirty-seven per cent of employers surveyed have hard-to-fill vacancies (see Figure 8). Vacancies remain a problem for the public sector, with half (52%) reporting hard-to-fill vacancies, unchanged on previous quarters. The percentage of employers in the private sector with hard-to-fill vacancies is significantly lower at 33%.

Employers continue to have hard-to-fill vacancies

Figure 8: Employers with hard-to-fill vacancies (%)

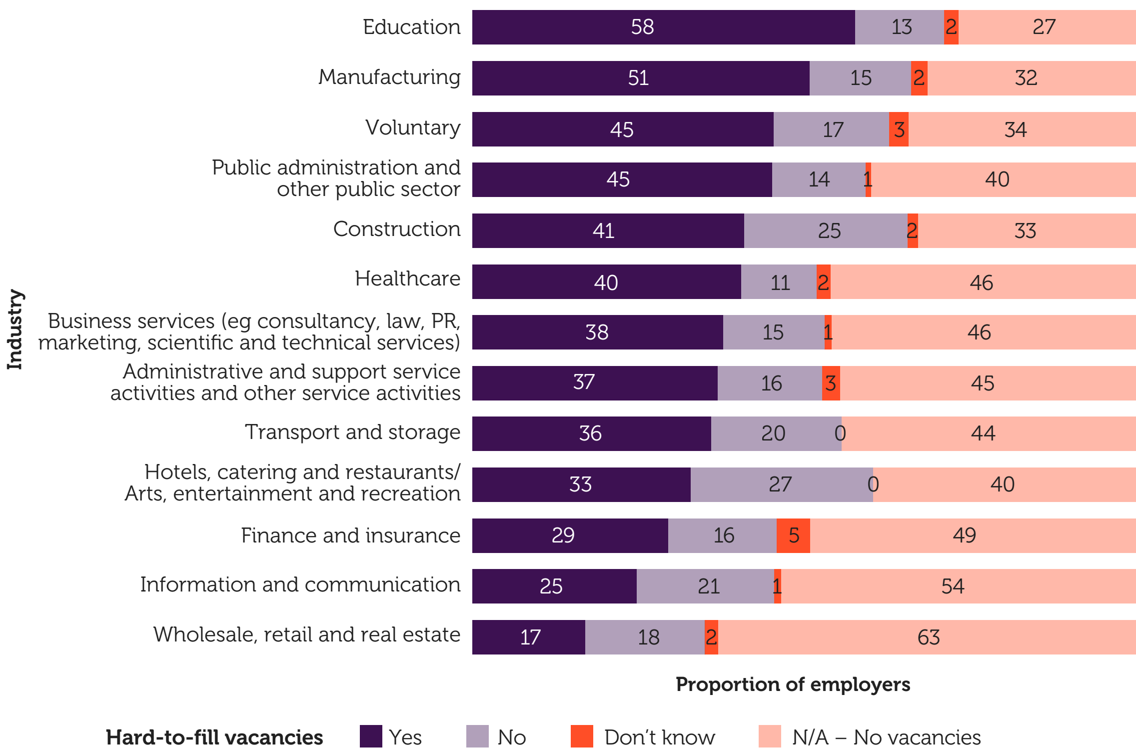


Base: spring 2024, all employers (total: n=2,009).

Figure 9 shows how hard-to-fill vacancies vary across industries in the economy. Almost three in five employers (58%) in education report having hard-to-fill vacancies. A recent report by the National Foundation for Educational Research indicated the increasing severity of teacher under-supply in England. Initial teacher training recruitment was below target in almost every secondary subject, and teacher leaving rates also increased in 2021/22. Last year 44% more teachers said they intended to leave teaching than in the previous year, suggesting high outflow from the industry. Nearly all (94%) of the teachers who were considering leaving cited high workload as a reason.

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

Figure 9: Employers with hard-to-fill vacancies, by industry (%)

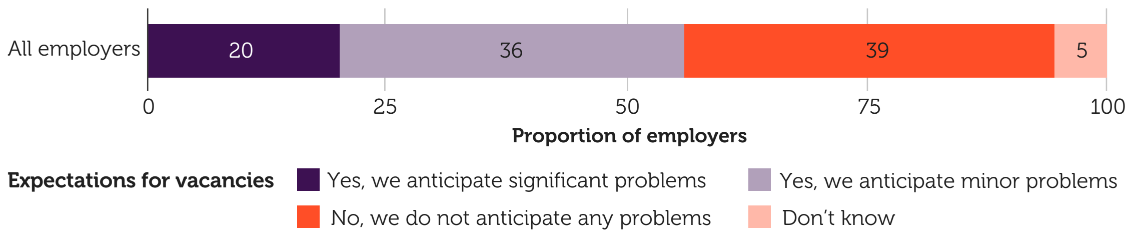


Base: industries with base sizes less than 50 have been excluded. For a breakdown of base sizes, see Table 3.

One in five employers (20%) anticipate significant problems in filling vacancies in the next six months. This is comparable with last quarter, when it was 21% of employers.

One in five employers anticipate significant problems filling roles

Figure 10: Expectation for vacancies in the next six months (%)

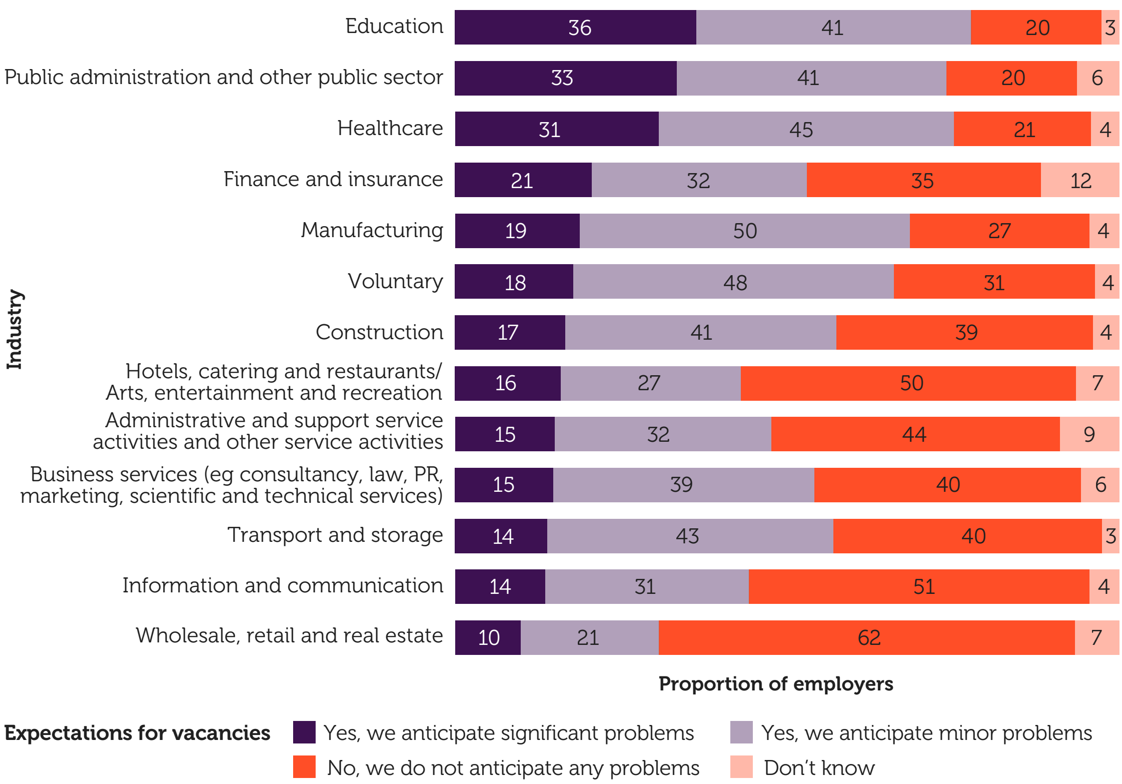


Base: spring 2024, all employers (total: n=2,009).

This quarter, 36% of employers in education and 33% in public administration and other public sector are anticipating significant problems in filling vacancies in the next six months. The proportion of employers in healthcare expecting significant problems has fallen from 39% last quarter to 31% this quarter.

Problems in filling vacancies most prevalent in the public sector

Figure 11: 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.

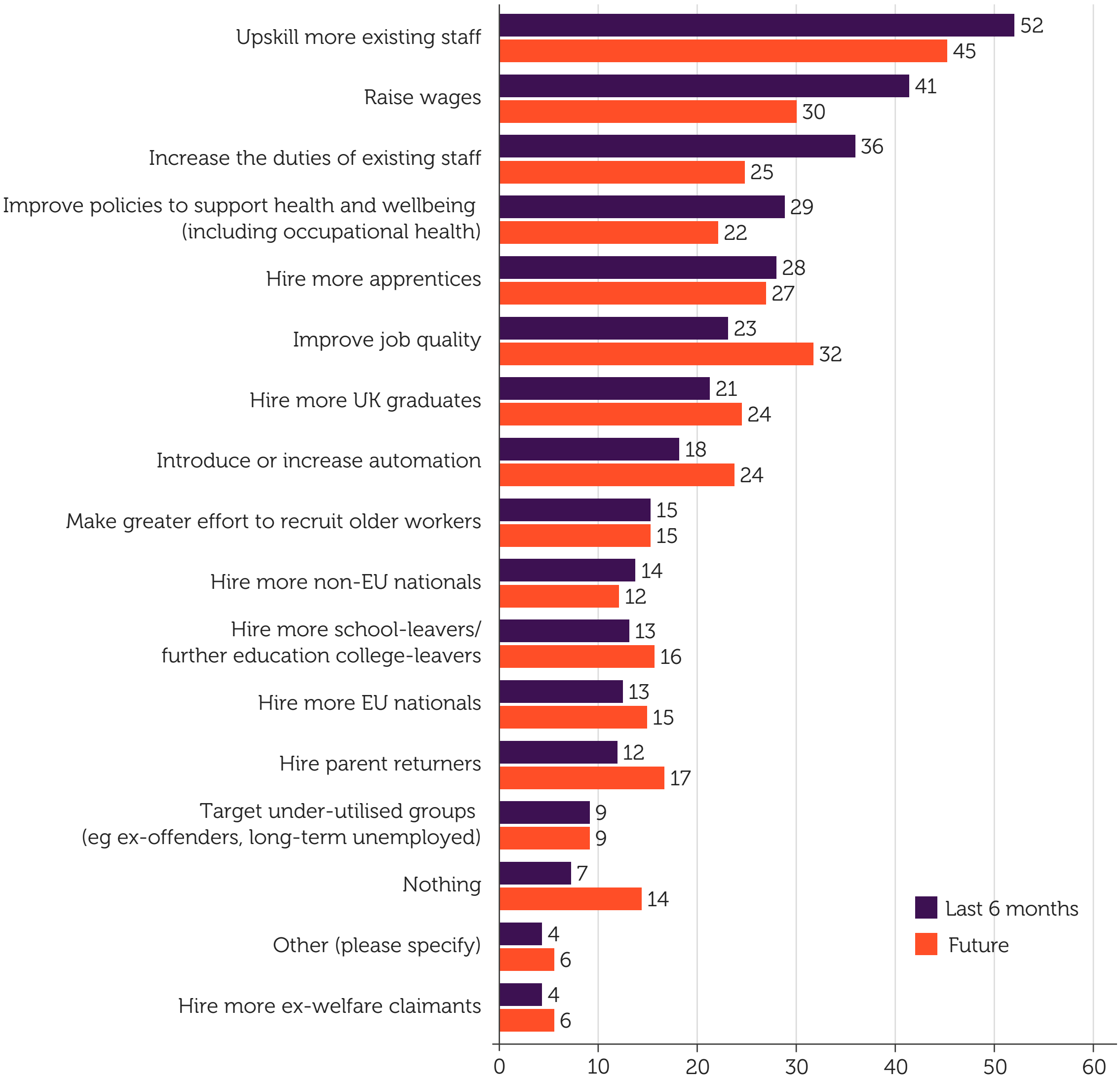
Employer responses to hard-to-fill vacancies

Half of employers have responded to hard-to-fill vacancies in the past six months by upskilling more existing staff (52%). Raising wages (41%) and increasing the duties of existing staff (36%) were also common responses to covering the gaps left by unfilled roles. However, the proportion of those raising wages has dropped from 12 months ago. Three in ten (29%) employers have also improved their policies to support health and wellbeing in the last six months.

In the future, employers wish to focus on improving job quality (32%) to address hard-to-fill vacancies at a higher rate than they do currently (23%), possibly to mitigate the effects of higher workloads. A higher rate of employers also believe they need to introduce or increase automation in future (24%) than have done so in the last six months (18%). Employers plan to take no action (14%) in addressing hard-to-fill vacancies in future at twice the rate than have done so in the past six months (7%).

Responses to address hard-to-fill vacancies

Figure 12: Employers' planned response to hard-to-fill vacancies (%)



Base: spring 2024, all employers with hard-to-fill vacancies (n=718).

Further reading and practical guidance

- CIPD | **Strategic workforce planning guide**
  Our guide to strategic workforce planning can help you plug skills gaps and address hard-to-fill vacancies.
- 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 | **Inclusive recruitment for employers guide**
  Read our step-by-step guide for insights on attracting a more diverse talent pool.

5 Pay outlook

As to employers looking to increase, decrease or freeze pay in the next 12 months, the median expected basic pay increase remains at 4% this quarter. It had stayed at 5% for over a year, which has been the highest level ever in our time series, before falling last quarter.

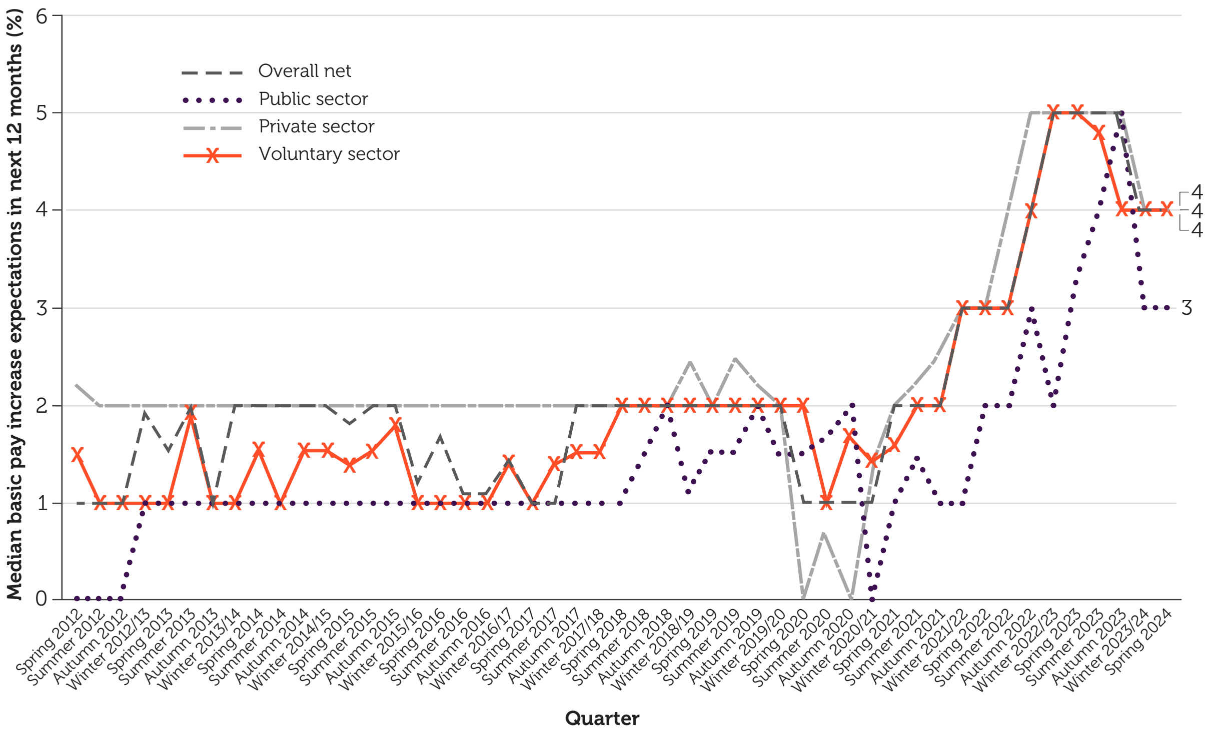
There has been no change in expected pay awards in either the public sector (3%) or the private sector (4%) this quarter. However, this gap between public and private means it may become more difficult to retain public sector staff.

Median pay awards continue to remain higher among SMEs (5%) than larger private sector organisations (4%). Again, this is unchanged on the previous quarter.

It should be noted that the average basic pay award covered in this analysis is only one component of pay growth. Many people will also benefit from incremental progression or promotion, bonuses or a pay bump when switching jobs.

Expected pay awards at 4% in the next 12 months

Figure 13: Median basic pay increase expectations – median employer



Base: spring 2024, all employers expecting and able to estimate a pay award (n=802; private: n=586; public: n=142; voluntary: n=74).

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.

6 Recommendations for employers and people practitioners

✓ Re-examine your approach to addressing hard-to-fill vacancies. Apart from broadening your talent pool through inclusive recruitment and selection approaches, look for ways to increase your employee value proposition (EVP) to make your organisation more appealing to potential candidates.

✓ If you are looking to maintain staff levels, make strategies to improve retention a priority. Again, this can be through increasing your EVP by providing a robust benefits package, development and intentional career opportunities, flexible working arrangements and so on. This may also include aligning your brand with and clearly demonstrating your commitment to fair and transparent policies, sustainable practices and responsible leadership.

✓ While price inflation is heading down, employees may still be struggling with rising living costs. It remains crucial to support employee financial wellbeing. For example, target communications that explore how the existing benefits package can help those suffering from financial stress, highlight sources of information and guidance to those with money worries, and target benefits that help deal with the largest living costs, such as accommodation, groceries and energy.

7 Survey method

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,009 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 26 March and 18 April 2024. 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	370
10–49	407
50–99	180
100–249	245
250–499	144
500–999	151
1,000 or more	512

Table 2: Breakdown of sample, by sector

Sector	Count
Private sector	1,507
Public sector	372
Third/voluntary sector	130

Table 3: Breakdown of sample, by industry

Industry	Count
Manufacturing	163
Construction	149
Primary and utilities	41
Education	249
Healthcare	159
Wholesale, retail and real estate	121
Transport and storage	53
Information and communication	112
Finance and insurance	143
Business services (eg consultancy, law, PR, marketing, scientific and technical services)	224
Hotels, catering and restaurants/Arts, entertainment and recreation	123
Administrative and support service activities and other service activities	212
Public administration and other public sector	110
Police and armed forces	20
Voluntary	130

Table 4: Breakdown of sample, by region

Region	Count
Scotland	119
Wales	59
Northern Ireland	23
Northwest England	177
Northeast England	53
Yorkshire and Humberside	124
West Midlands	131
East Midlands	119
Eastern England	100
London	422
Southwest England	152
Southeast England	250
All of the UK	280

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