CIPD

Championing better work and working lives

LABOUR MARKET OUTLOOK

VIEWS FROM EMPLOYERS

Spring 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 more than 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

Spring 2022

Contents

1
2
3
4
5
6

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.

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 – remains high at +36. While employers are expecting to increase staff numbers, whether they will be able to is another story.

Recruitment difficulties remain, with 45% of employers saying they have hard-to-fill vacancies. The most popular response to address this has been to raise wages. In this report we also reveal how employers have responded in other ways – from offering a wider range of benefits to attract and retain workers, to upskilling and training the existing workforce. This is important because the findings suggest that employers may be reaching a limit in terms of raising pay in response to recruitment and retention challenges. Fewer employers plan to do this in the future than have done this in the past. Even in terms of using other means to improve their employee value propositions, it would appear more employers have come to the bottom of their bag of ideas – 16% of employers have said they plan to do nothing more to address those difficulties.

There are differences between the public and private sector. The public sector has less flexibility to respond to recruitment and retention challenges with increases to pay and other benefits arrangements. Yet, the public sector has much higher hiring intentions than the private sector. This means that, in time, it could become increasingly difficult for the public sector to compete for talent.

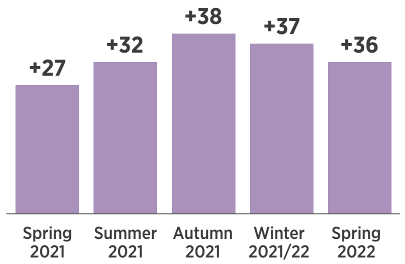
With vacancies at record highs, recruitment is garnering much attention at present. Retention may be less prominent but it is no less important. The findings in this report underscore the ongoing need for employers to keep their existing workforce engaged and motivated, and to attract new staff in different ways, particularly if increasing pay has already been explored.

Jonathan Boys, CIPD Labour Market Economist

1
2
3
4
5
6

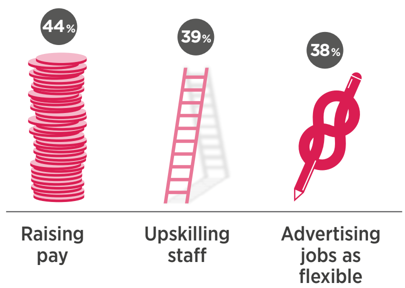
2 Key points

- 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 +36, after reaching +37 last quarter. This continues to exceed pre-pandemic levels, pointing to strong employment intentions.



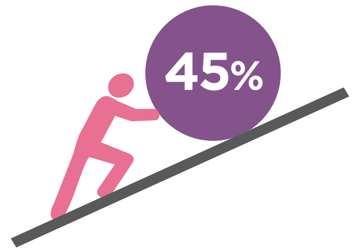
Net employment score recovery

- Employers have responded to recruitment challenges by raising pay (44%), upskilling existing staff (39%) and advertising more jobs as flexible (38%). However, employers may have reached a limit to how much further they can go on pay: only 27% anticipate raising pay to address recruitment challenges in the next six months.



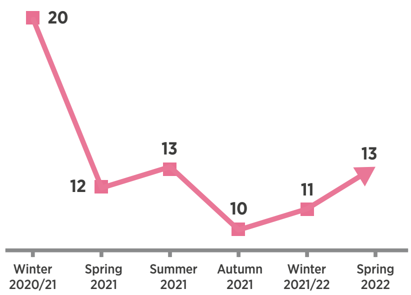
Top employer responses to hiring difficulties

- Forty-five per cent of employers have hard-to-fill vacancies. These are most common in healthcare (54%), the voluntary sector (49%) and education (49%).



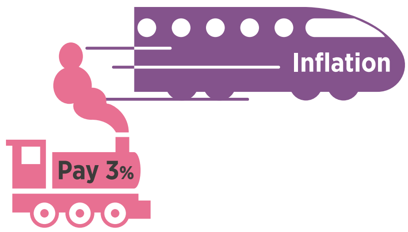
High level of hard-to-fill vacancies persists

- Several statistics in this report point towards the increasing importance of retention in meeting staffing needs. Just 6% of employers plan to decrease staff levels in the next quarter. Relative to historical levels, redundancy intentions among employers remain low at 13%. This figure stood at 33% in summer 2020 and 16% prior to the pandemic. Action is increasingly focused on the existing workforce, including upskilling and introducing more flexible working arrangements.



% of employers to make redundancies

- In a continuation of the trend seen in the last quarter, employers expect median basic pay awards to be 3%. This is the highest recorded since this report started in its current form in winter 2012/13. Despite this, it is still falling well short of forecast increases to inflation.



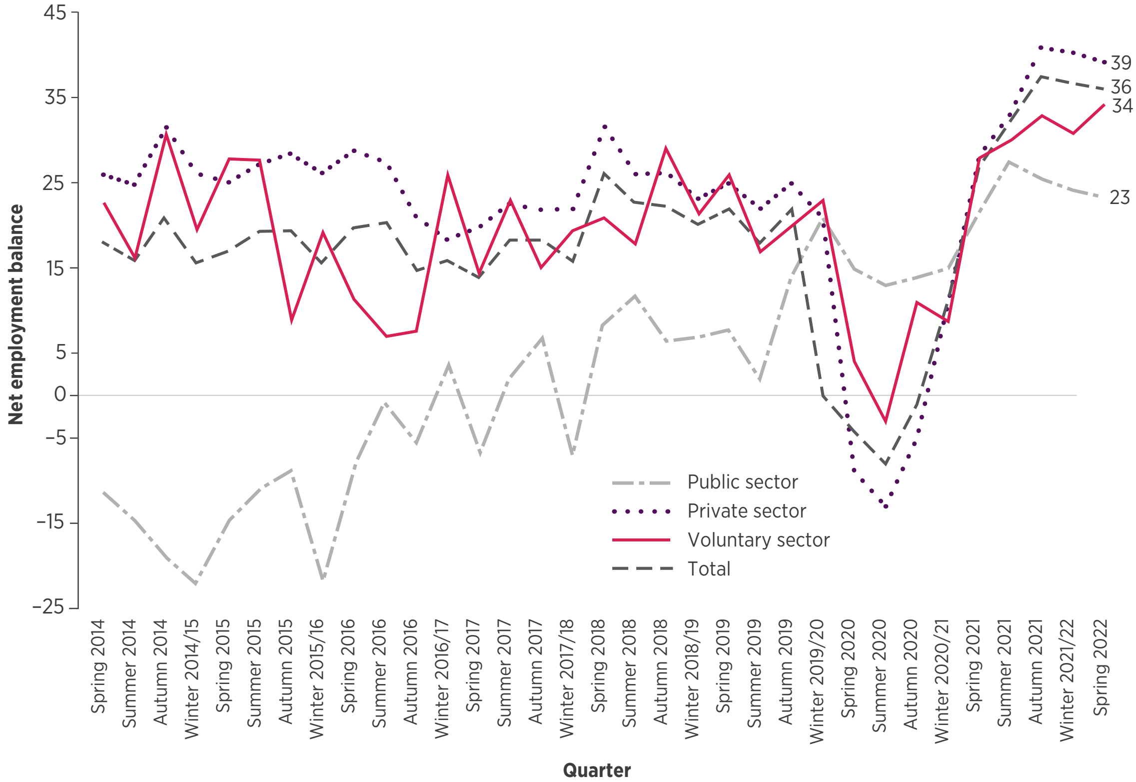
Pay expectations lag behind inflation

1
2
3
4
5
6

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 +36, after reaching +37 last quarter. This remains high relative to the pre-pandemic time series. Net employment intentions remain the strongest in the private sector at +39. Although lower in the voluntary (+34) and public sectors (+23), the figures are still positive, suggesting that the UK will continue to see employment gains across the board.

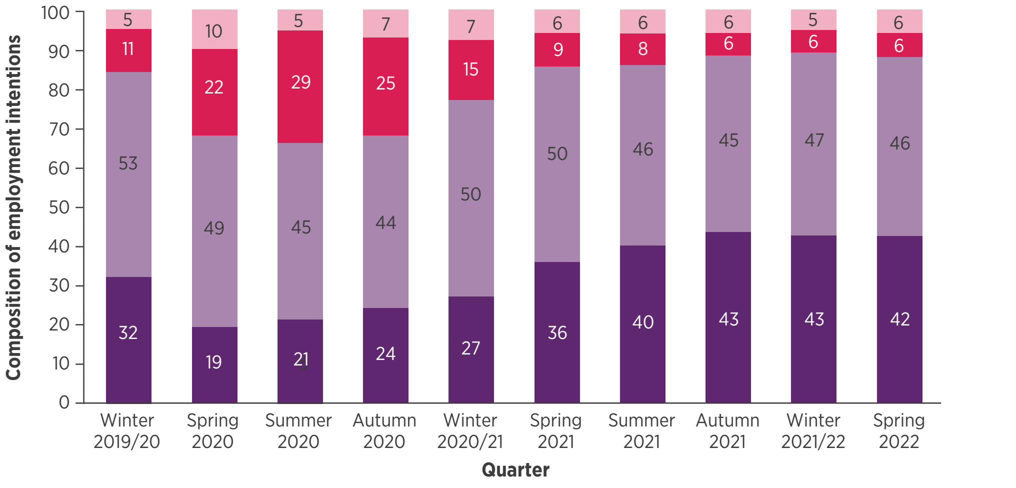
Figure 1: Net employment balance



Base: spring 2022, all employers (total: n=2,023; private: n=1,477; public: n=354; voluntary: n=192).

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).

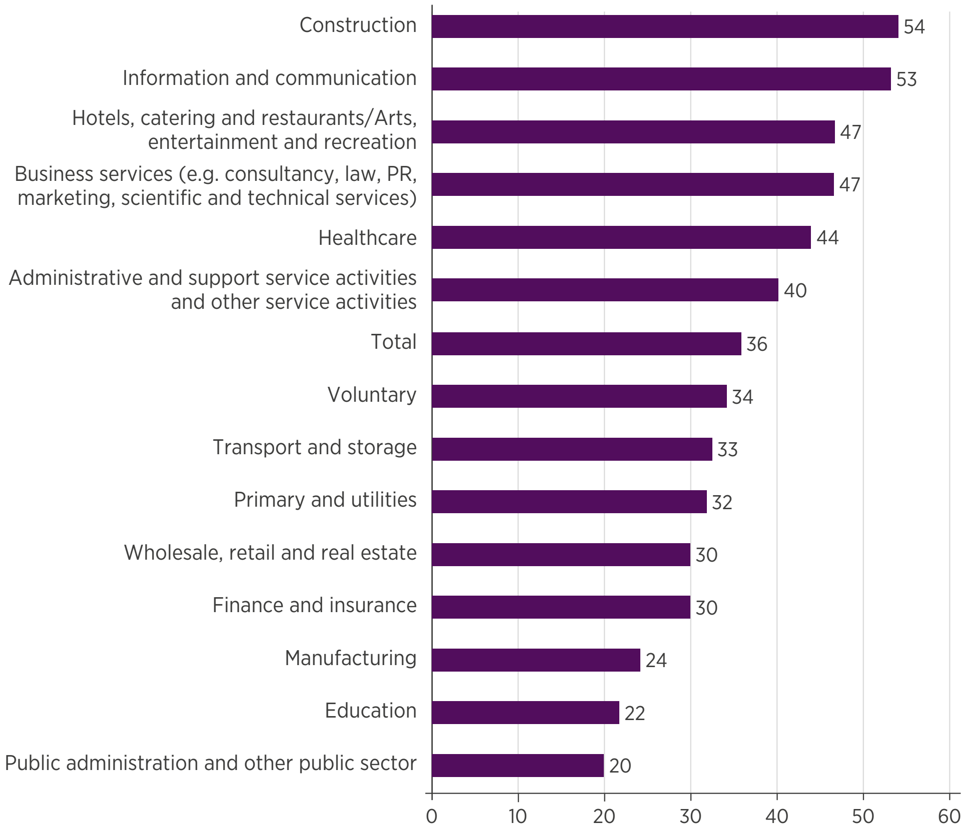
Figure 2: Composition of employment intentions (%)



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

Employment intentions remain positive across industries but are particularly high in construction (+54), information and communication (+53), hospitality/arts and entertainment (+47) and business services (+47) (Figure 3).

Figure 3: Net employment balance, by industry



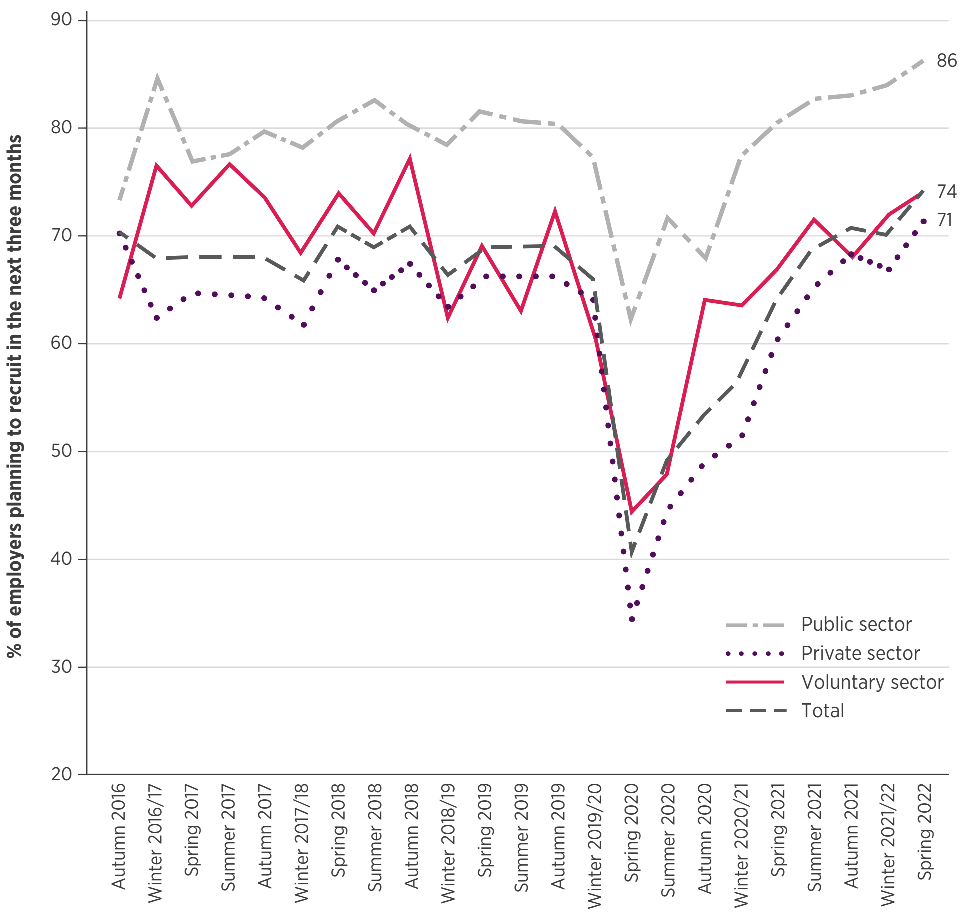
Base: Industries with base sizes less than 40 have been excluded. The base sizes for 'Transport and storage', and 'Primary and utilities' (40) are under 50 and therefore figures for these industries are indicative only. For a breakdown of base sizes, see Table 3.

1
2
3
4
5
6

Recruitment

Recruitment intentions are above pre-pandemic levels and appear to be on an upward trajectory across the board. Almost three-quarters (74%) of employers surveyed indicated that they plan to recruit in the next three months (Figure 4). Recruitment intentions remain highest in the public sector (86%), followed by the voluntary sector (74%) and the private sector (71%) (Figure 4).

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



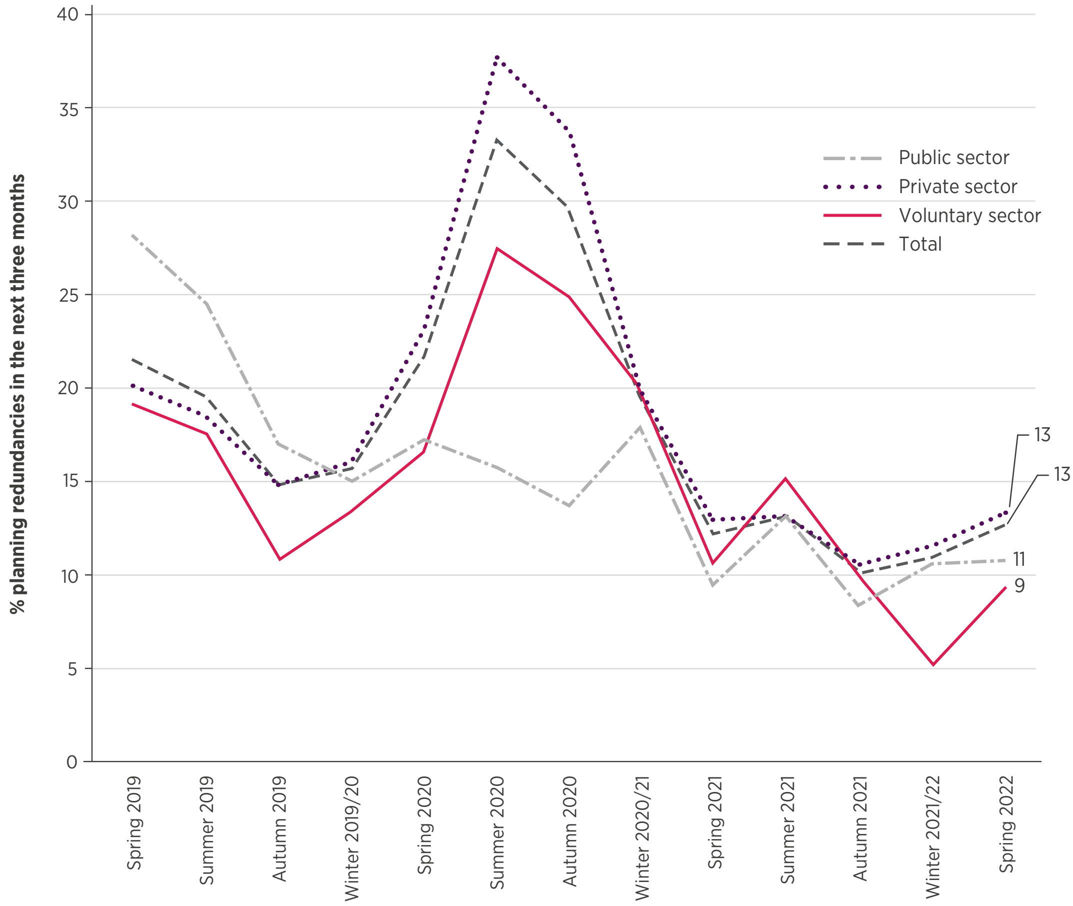
Base: spring 2022, all employers (total: n=2,023; private: n=1,477; public: n=354; voluntary: n=192).

1
2
3
4
5
6

Redundancies

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

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



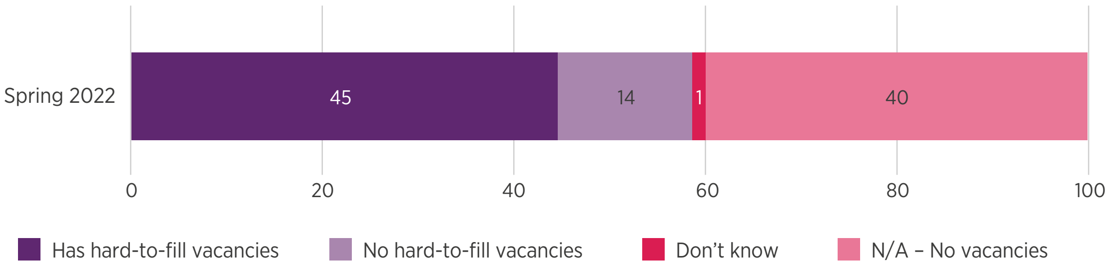
Base: spring 2022, all employers (total: n=2,023; private: n=1,477; public: n=354; voluntary: n=192).

1
2
3
4
5
6

4 Job vacancies

Forty-five per cent of employers have hard-to-fill vacancies (Figure 6), which is similar to the last quarter (46%). When looking only at employers with vacancies, this figure rises to three-quarters (76%).

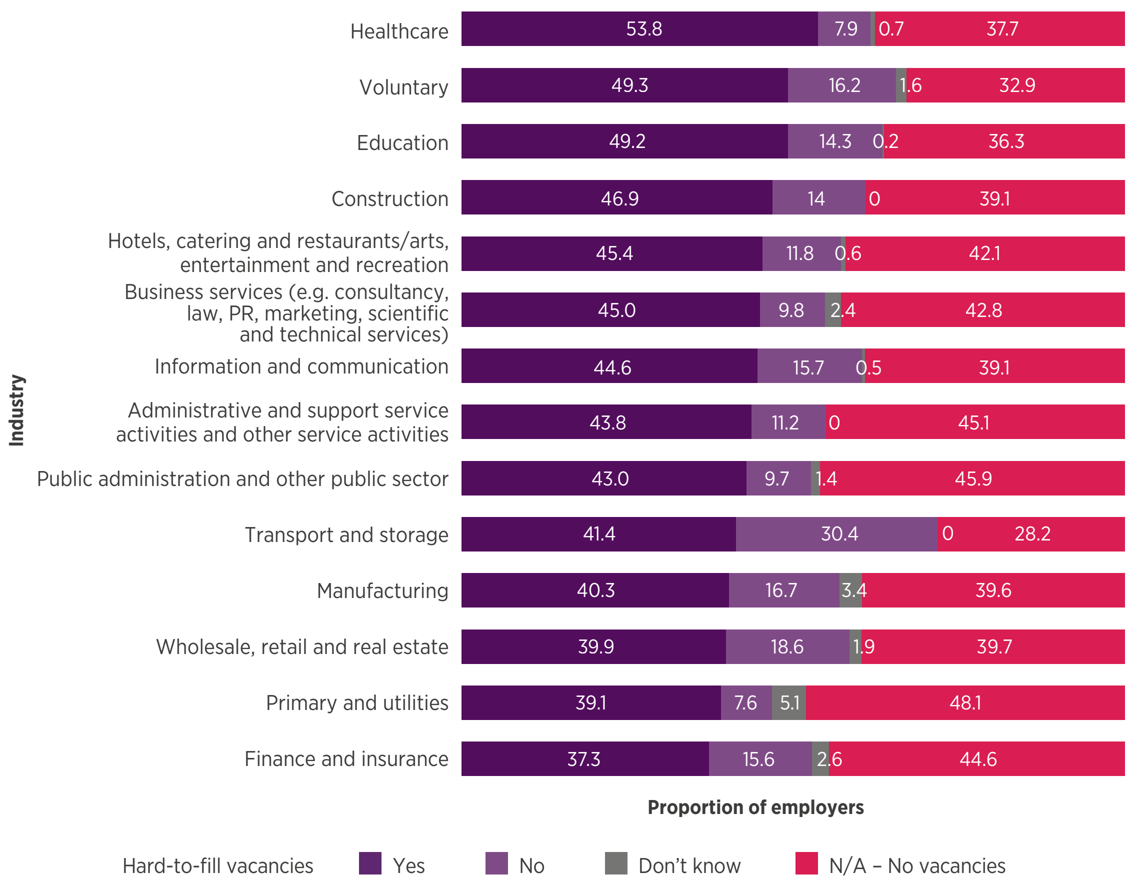
Figure 6: Employers with hard-to-fill vacancies (%)



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

Hard-to-fill vacancies are most common in healthcare (54%), the voluntary sector (49%) and education (49%) (Figure 7).

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

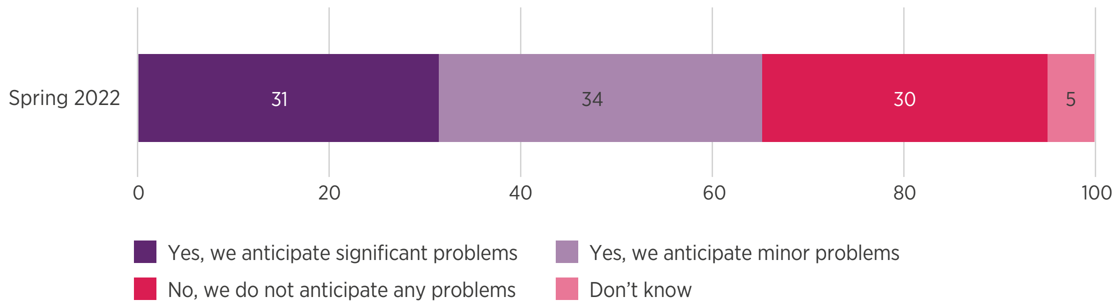


Base: Industries with base sizes less than 40 have been excluded. The base sizes for 'Transport and storage', and 'Primary and utilities' (40) are under 50 and therefore figures for these industries are indicative only. For a breakdown of base sizes, see Table 3.

1
2
3
4
5
6

Looking forward, almost two-thirds of employers (65%) anticipate problems filling vacancies over the next six months and three in ten (31%) expect these problems to be significant (Figure 8).

Figure 8: Over the next six months, does your organisation anticipate problems filling vacancies? (%)

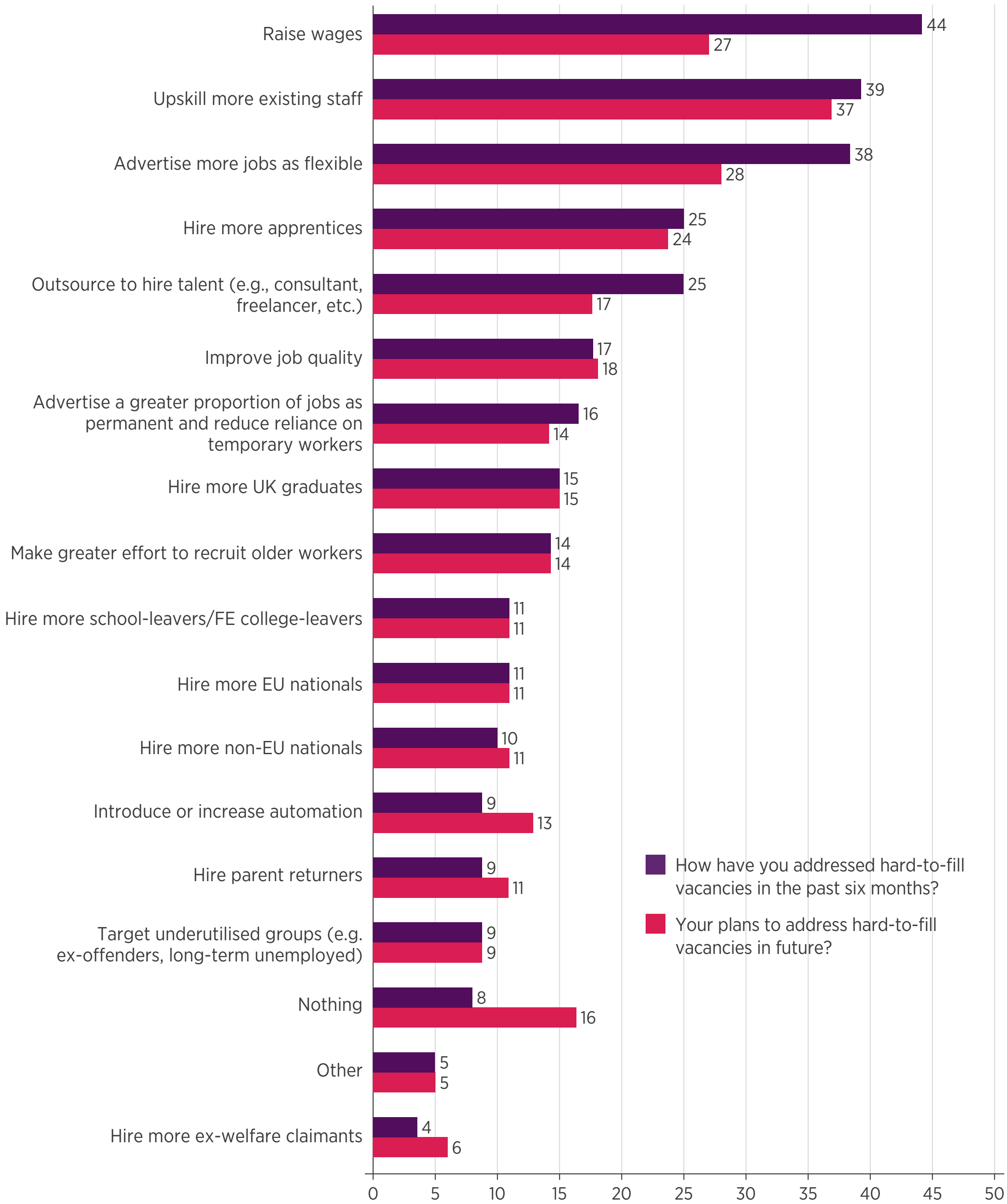


Base: spring 2022, all employers (n=2,023).

Employer responses to recruitment difficulties

In all, 44% of employers with hard-to-fill vacancies indicated that they had raised wages in response in the previous six months. However, looking forward, just 27% of employers with hard-to-fill vacancies indicated that they would respond by raising wages in the future. It may be that employers are reaching the limit of this strategy. Encouragingly, 39% of employers have focused on upskilling more existing staff and 38% have started advertising more jobs as flexible (Figure 9). Eight per cent of employers did nothing to alleviate hard-to-fill vacancies in the past six months. Looking forward, this rises to 16% who expect to do nothing in the future. This might suggest that many employers are out of new ideas to help them address recruitment challenges.

Figure 9: Employer actions to alleviate hard-to-fill vacancies, past response and future plans (%)



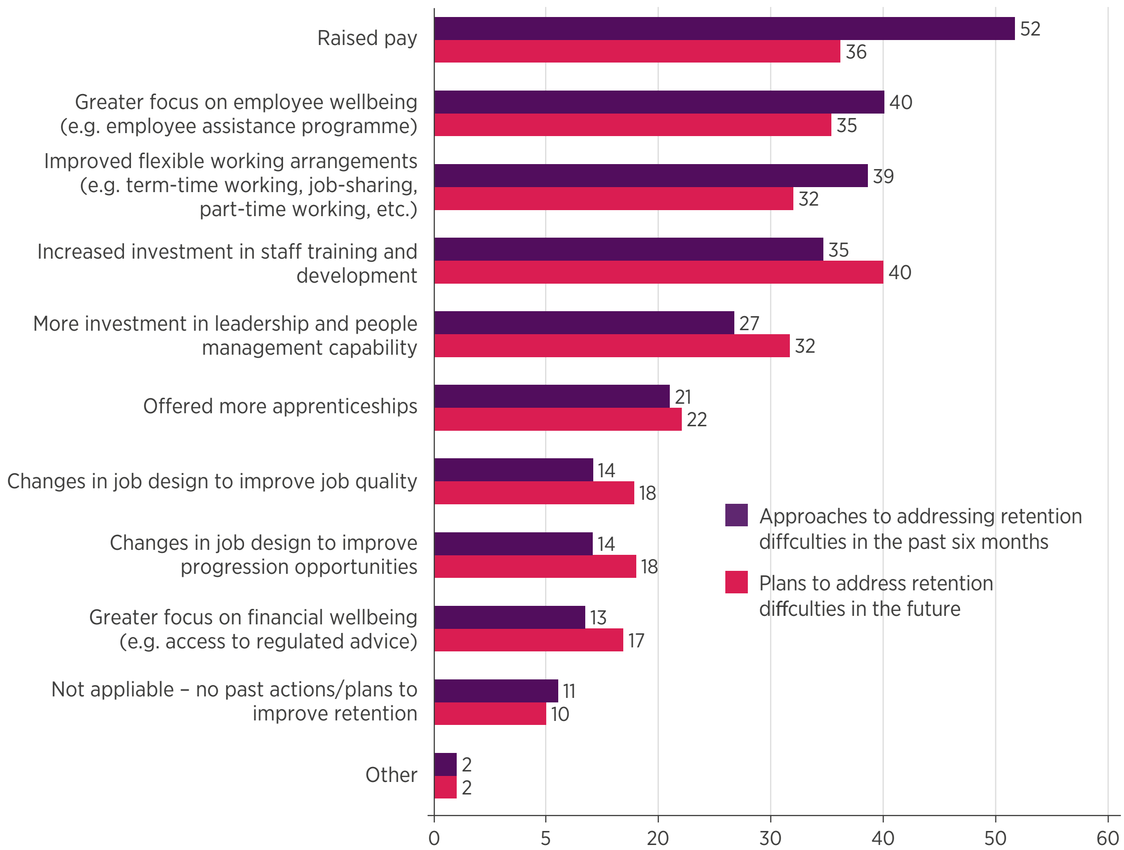
Base: spring 2022, employers with hard-to-fill vacancies (n=827).

1
2
3
4
5
6

Employer responses to retention difficulties

Employers' top response to retention difficulties was the same as their top response to recruitment difficulties: to raise pay (52%). Again, there is a difference between what employers have done in the past and what they plan to do in the future, with just 36% saying they will raise pay in response to retention difficulties in the future. Forty per cent of employers with retention difficulties have put a greater focus on employee wellbeing and 39% have improved flexible working arrangements (Figure 10).

Figure 10: Employer responses to retention difficulties, past response and future plans (%)



Base: spring 2022, employers with retention difficulties (n=739).

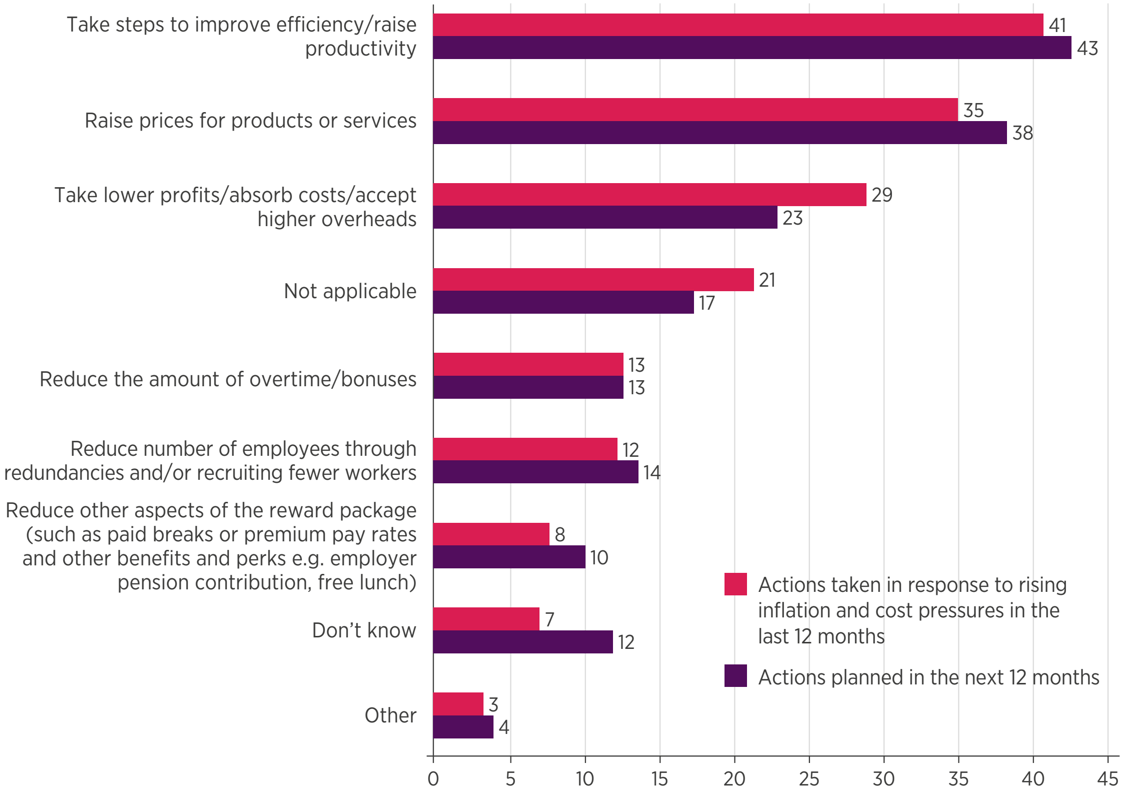
Response to increasing cost pressures

In this quarter, the survey asked questions on employer responses to increasing cost pressures. The key response from employers was to take steps to improve efficiency/ raise productivity (41%). Just over a third (35%) had raised prices for their products and services. Around one in three (29%) employers had absorbed the extra costs.

Looking ahead to the next 12 months, employers expect to use the same means to address costs in similar proportions, though a smaller proportion would absorb the costs themselves (23%).

1
2
3
4
5
6

Figure 11: Employer responses to rising inflation and cost pressures (%)

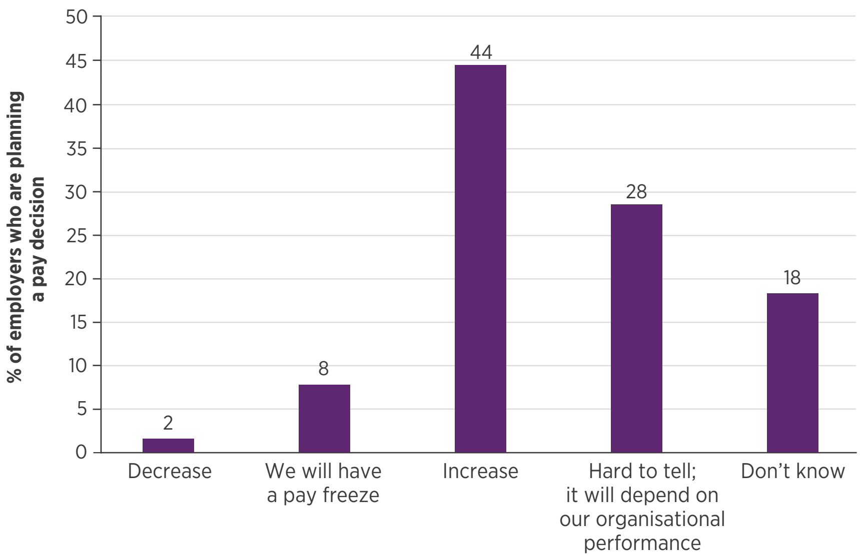


Base: spring 2022, all employers (n=2,023).

5 Pay outlook

Of those employers planning a pay review, an increase in pay is the most popular option at 44%. However, around three in ten (28%) think it is hard to tell, and around a fifth (18%) do not know. Eight per cent expect a pay freeze and only 2% expect a decrease (Figure 12).

Figure 12: Employers' expected direction of pay award (%)



Base: spring 2022, all employers planning a pay review in the next 12 months (n=1,674).

The median expected basic pay increase stands at 3% in total, as it did last quarter, when we reported that this was the highest level we have seen in the *Labour Market Outlook* since 2012. The figure also stands at 3% for the private and voluntary sectors. The public sector has risen from 1% in the last quarter to 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.

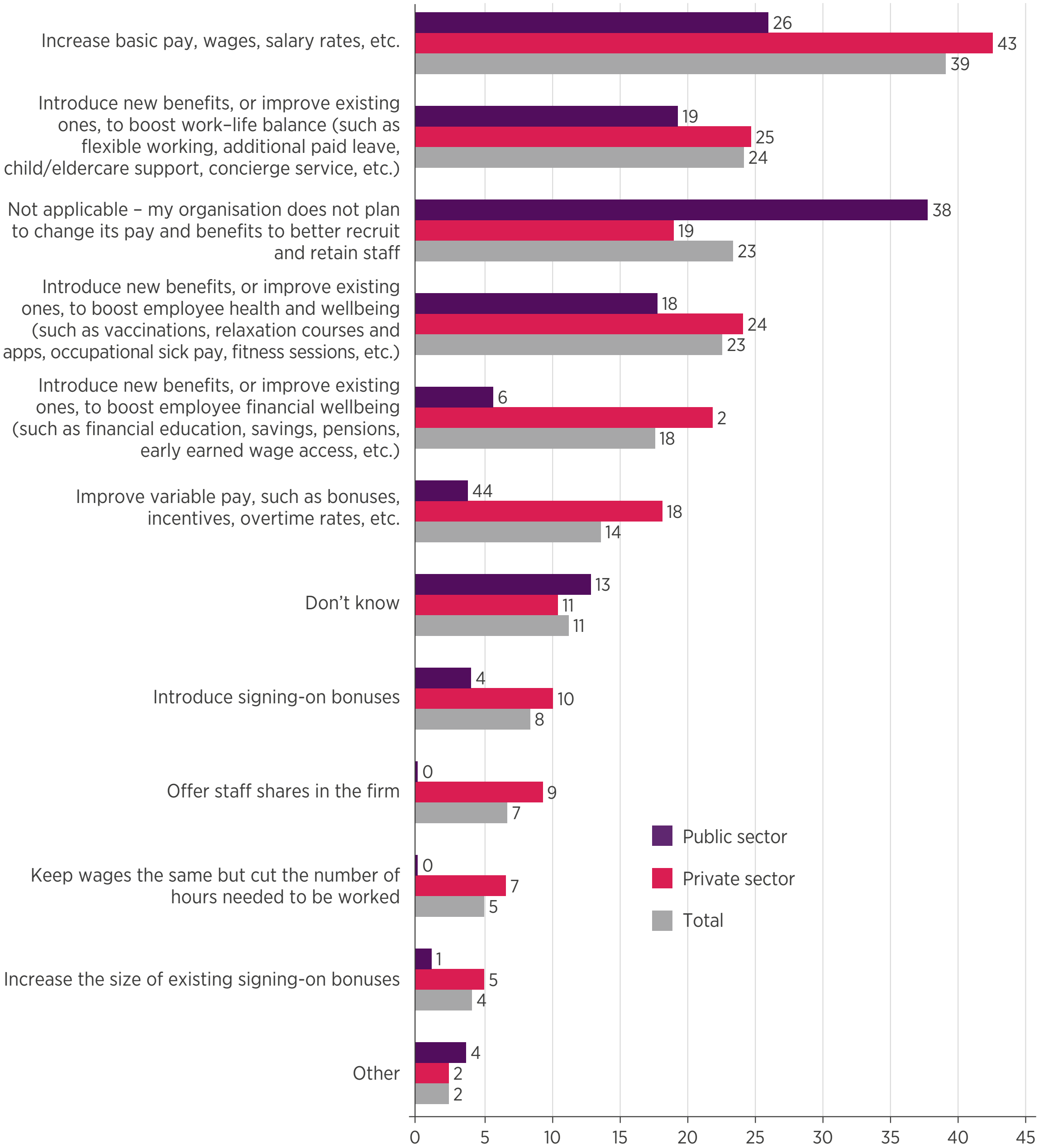
Figure 13: Median basic pay increase expectations – median employer

Base: spring 2022, all employers expecting and able to estimate a pay award (n=869; private: n=600; public: n=171; voluntary: n=98).

In this quarter, the survey asked some questions about changes to pay and the wider benefits offered, in response to recruitment and retention difficulties. Increasing basic pay was the most popular response (39%), but this differed between the private sector (43%) and public sector (26%). Public sector employers are also twice as likely (38%) as the private sector (19%) to say they have no plans to change pay and benefits to better recruit and retain staff. This suggests that public sector employers are much more limited in their ability to tailor remuneration and benefits to changing recruitment and retention pressures (Figure 14). As such, they may need to look at highlighting any alternative benefits and streamlining recruitment processes, for example, to address these challenges.

1
2
3
4
5
6

Figure 14: Changes to pay and benefits planned in the next 12 months in response to recruitment and retention difficulties (%)



Base: spring 2022, all employers with recruitment or retention difficulties (total: n=560; private: n=373; public: n=137).

1
2
3
4
5
6

6 Survey method

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,023 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 22 March and 18 April 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	455
10–49	380
50–99	147
100–249	209
250–499	163
500–999	122
1,000 or more	547

Table 2: Breakdown of sample, by sector

Sector	Count
Private sector	1,477
Public sector	354
Third/voluntary sector	192

Table 3: Breakdown of sample, by industry

Industry	Count
Manufacturing	173
Construction	104
Primary and utilities	40
Education	189
Healthcare	143
Wholesale, retail and real estate	159
Transport and storage	45
Information and communication	108
Finance and insurance	126
Business services (for example consultancy, law, PR, marketing, scientific and technical services)	251
Hotels, catering and restaurants/Arts, entertainment and recreation	133
Administrative and support service activities and other service activities	199
Public administration and other public sector	151
Police and armed forces	10
Voluntary	192

1
2
3
4
5
6

Table 4: Breakdown of sample, by region

Region	Count
Scotland	138
Wales	80
Northern Ireland	25
North-west England	136
North-east England	54
Yorkshire and Humberside	127
West Midlands	120
East Midlands	108
Channel Islands	2
Eastern England	113
London	297
South-west England	133
South-east England	264
Operations in all of the UK	426

Chartered Institute of Personnel and Development
151 The Broadway London SW19 1JQ United Kingdom
T +44 (0)20 8612 6200 **F** +44 (0)20 8612 6201
E cipd@cipd.co.uk **W** cipd.co.uk

Incorporated by Royal Charter
Registered as a charity in England and Wales (1079797)
and Scotland (SC045154)

Issued: May 2022 Reference: 8245