CIPD

Championing better work and working lives

LABOUR MARKET OUTLOOK

VIEWS FROM EMPLOYERS

Summer 2021

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 150,000 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 2021

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1 Foreword from the CIPD

The quarterly CIPD *Labour Market Outlook* aims to provide 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.

There was a time when we could gauge the extent of the economy's reopening by the furlough statistics. At one point, almost 9 million people (about 28% of those employed) were on furlough.[1] Employers could quickly adjust to changes in demand by bringing workers on or off furlough, and they did. We saw dramatic drops in the numbers furloughed with the easing of COVID-19-related restrictions and similarly sensational rises as restrictions were re-imposed. However, the latest surveying by the Office for National Statistics (ONS) shows that in late June 2021, approximately 5% of the workforce was on furlough, the lowest proportion since the Coronavirus Job Retention Scheme began.[2] The ability to flex the workforce using furlough is gradually waning and, in response, recruitment is picking up.

This report shows that employers are pulling out all the stops to get the workforce they need to meet demand. Having mostly exhausted the massive contingent workforce that existed on furlough, they are now opening recruitment as well as focusing on retention by reducing redundancies. Encouragingly the most popular response to hard-to-fill vacancies is to focus on upskilling existing staff.

It is worth reflecting on just how dire things seemed this time last year when many of the metrics in this report reached their lowest ebb. Economic forecasts made for grim reading, but with the relatively successful vaccine rollout and the roaring success of furlough in saving jobs and maintaining capacity in the economy, forecasts have been revised. Successive revisions to unemployment forecasts have seen the peak squashed down from a figure in similar territory to the post-financial crisis (a painful 7.5% in the Office for Budget Responsibility's November 2020 forecasts)[3] to a much more modest 5.5% (Bank of England's May 2021 forecasts).[4] The Bank of England is expecting the economy to be back to its pre-pandemic size by the end of this year.

The expectations of employers for the following three months as laid out in this report confirm these forecasts. Employers expect a swift summer reopening and return to normality. Anxiety about mass job losses has been replaced with the opposite fear for employers – namely, an inability to recruit enough of the right staff. The median employers' expectation of basic pay settlements has held at the 2% level reached last quarter, after four consecutive quarters at 1%. Some sectors could see higher figures still if recruitment difficulties persist.

Jonathan Boys, CIPD Labour Market Economist

1 HMRC. (2021) *Coronavirus Job Retention Scheme statistics: 1 July 2021*. London: HM Revenue & Customs.
2 ONS. (2021) *Business insights and impact on the UK economy: 15 July 2021*. London: Office for National Statistics.
3 OBR. (2020) *Economic and fiscal outlook – November 2020*. London: Office for Budget Responsibility.
4 Monetary Policy Committee. (2021) *Monetary policy report: May 2021*. London: Bank of England.

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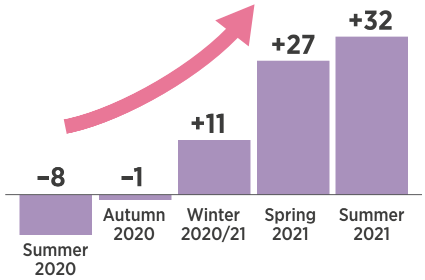
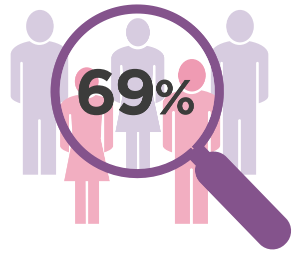
2 Key points

- 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 – has risen for the fourth consecutive quarter. At +32, it has reached its highest level since tracking began.



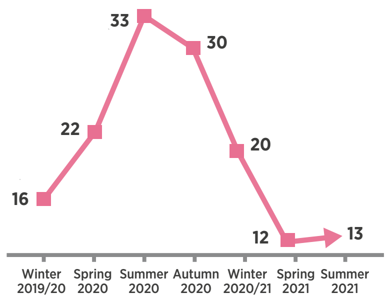
Net employment score recovery

- Recruitment is driving the balance upwards. The proportion of employers planning to recruit in the three months to September 2021 has risen again to 69%.



Recruitment continues to rise

- The percentage of employers looking to make redundancies has settled around 13%. This forward-looking figure suggests that the end of furlough will be a relatively smooth transition with minimal job losses.

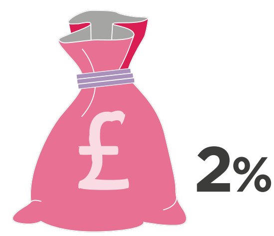


% of employers to make redundancies

- 51% of employers in the hospitality/arts/entertainment industry report hard-to-fill vacancies compared with 39% for all employers.

Hard-to-fill vacancies in hospitality

- After dropping to 1% growth for four consecutive quarters during the pandemic, median basic pay settlements have held at the 2% pre-pandemic level reached last quarter.



Overall median basic pay settlements

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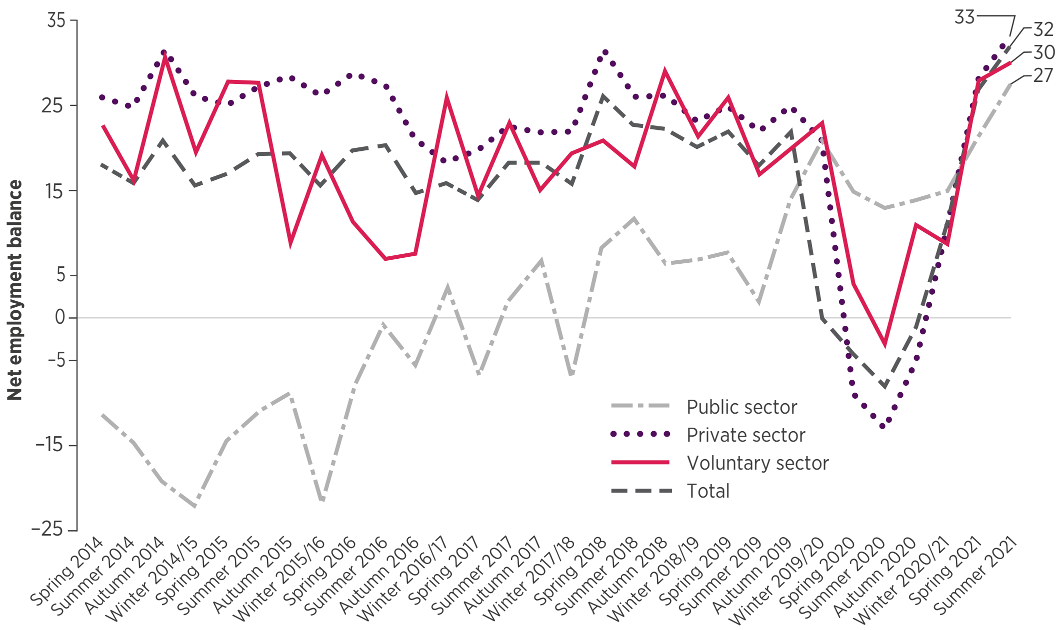
3 Recruitment and redundancy outlook

The net employment balance measures the difference between the proportion of employers that expect recruitment and redundancies to increase staff levels and those that expect to decrease staff levels in the second quarter of 2021. With the onset of COVID-19 in 2020, the balance plunged into negative territory, but the recovery in employer confidence since has been dramatic (Figure 1). For the third consecutive quarter, the balance is positive. In fact, the balance grew from +27 in spring 2021 to +32 in summer 2021.

The net employment balance is +33 in the private sector, +30 in the voluntary sector and +27 in the public sector (see Figure 1).

Figure 1: Net employment balance



Base: summer 2021, all employers (total: n=2,042; private: n=1,473; public: n=352; voluntary: n=217)

The balance has been driven up by a higher proportion of employers looking to increase their staff levels (Figure 2). This is mirrored in official statistics, with vacancies registering 10% above pre-pandemic levels in the latest release.[5] Like our employment balance, vacancies are to an extent forward-looking due to lead times in recruitment. Meanwhile, official statistics are also showing that redundancies have settled back to pre-pandemic levels.[6] At previous stages of the pandemic, employers have been able to flex the workforce to meet demand by taking employees on and off furlough, resulting in dramatic changes to numbers furloughed in response to easing of restrictions. This is becoming more difficult to do as the proportion of the workforce on furlough decreases, meaning that active recruitment is having to work harder.

5 ONS. (2021) *Vacancies and jobs in the UK: July 2021*. London: Office for National Statistics.
6 ONS. (2021) *Employment in the UK: July 2021*. London: Office for National Statistics.

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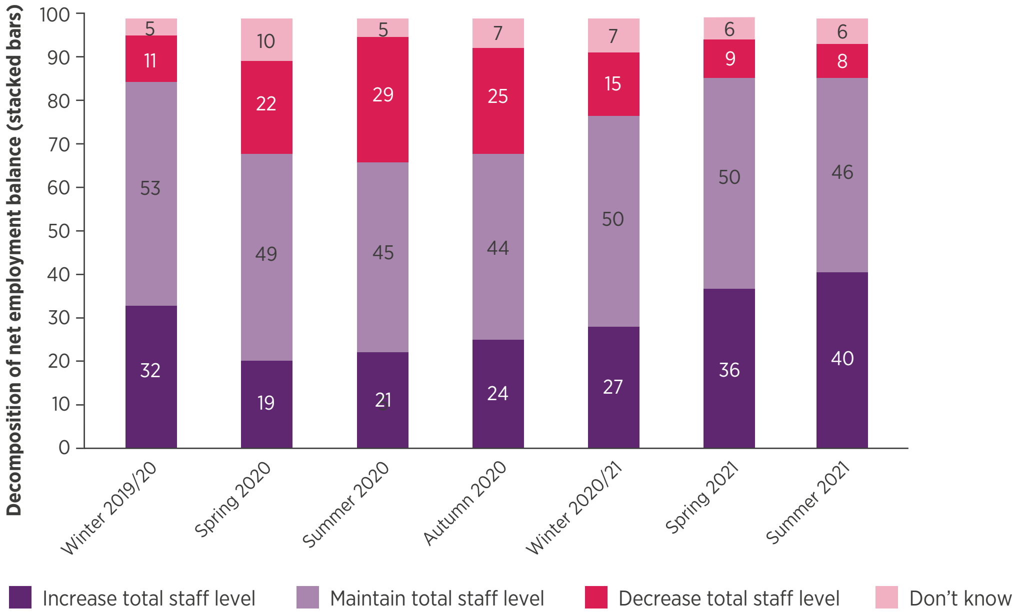
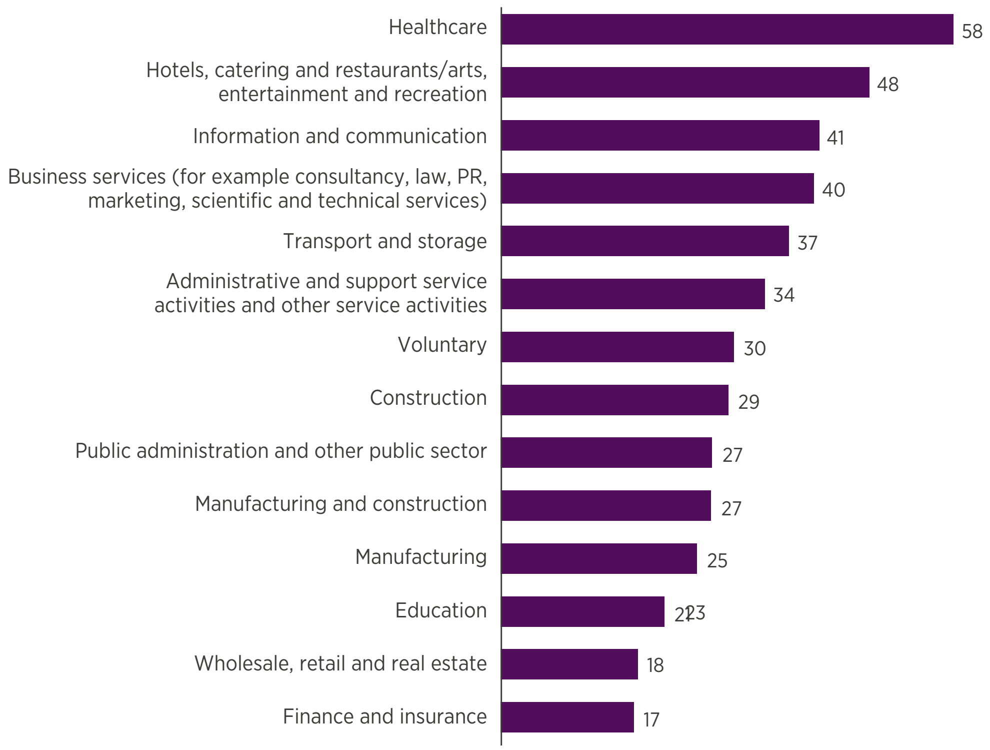
Figure 2: Composition of employment intentions in the quarter immediately before, and quarters since, the onset of COVID-19 (%)



Base: summer 2021, all employers (n=2,042)

The net employment balance remains positive for all industries but is particularly high in healthcare (+58), hospitality/arts/entertainment (+48) and IT (+41) (Figure 3).

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



Base: For breakdown of base sizes, see Table 3.

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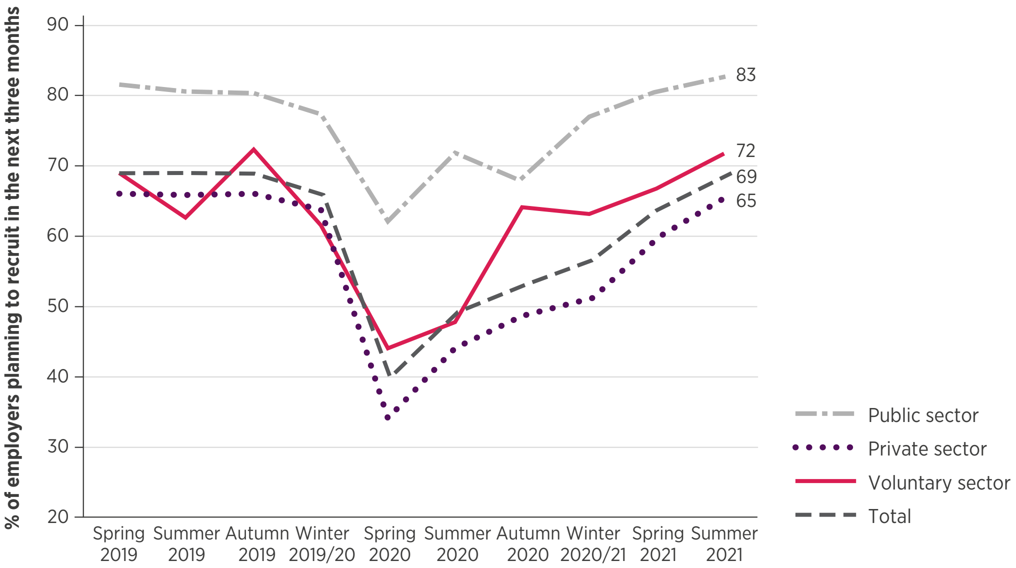
Recruitment intentions

The proportion of employers planning to recruit in the three months to September 2021 has risen again to 69% (Figure 4).

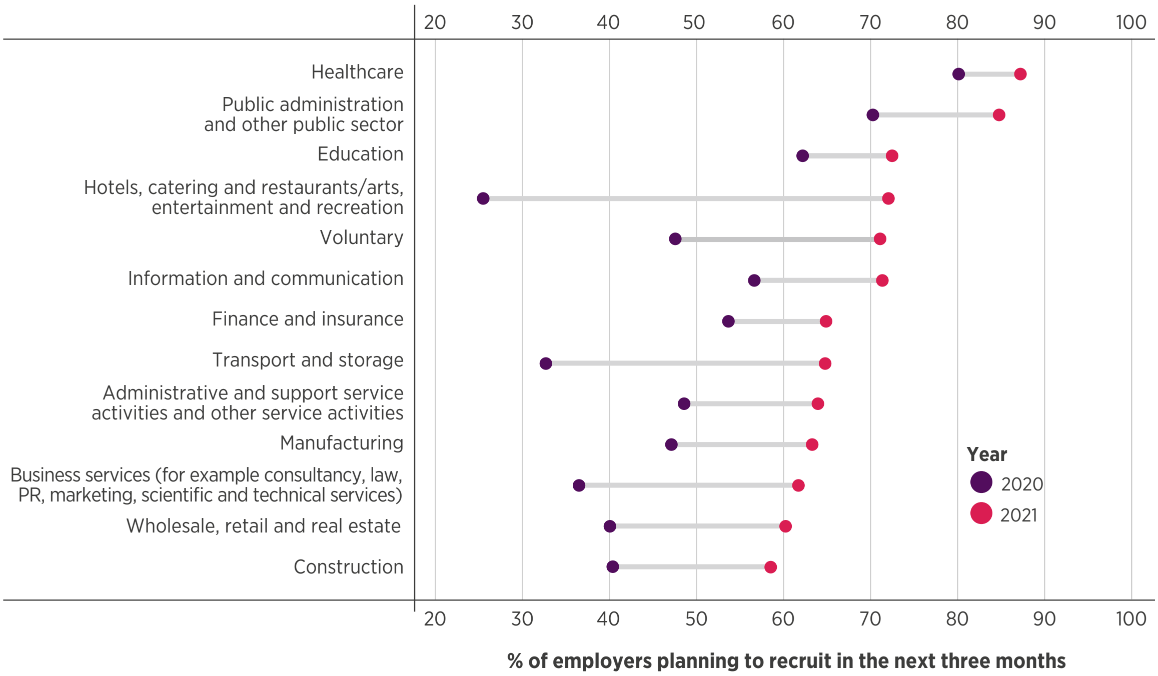
Figure 4: Recruitment intentions, by broad sector (%)



Base: summer 2021, all employers (total: n=2,042; private: n=1,473; public: n=352; voluntary: n=217)

The change in fortunes for some of the most heavily affected sectors is dramatic, with hospitality/arts/entertainment moving from 26% of employers looking to hire in summer 2020 to 72% looking to hire in 2021 (Figure 5). Transport and storage is the industry with the second biggest range, from 33% of employers looking to recruit in summer 2020 to 65% in summer 2021. Both these industries have been heavily affected by the pandemic and immigration changes as a result of Brexit.

Figure 5: Recruitment intentions, by industry, summer quarters 2020 and 2021 (%)



Base: For breakdown of base sizes, see Table 3.

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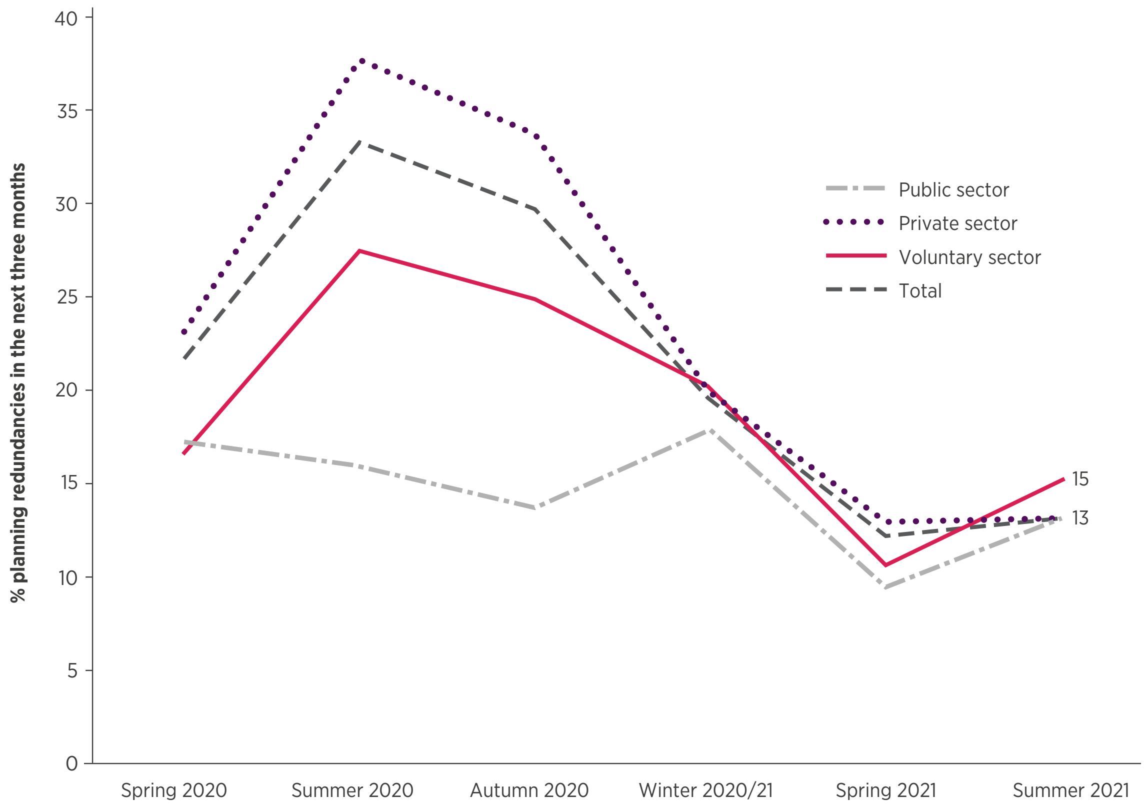
Redundancies

The percentage of employers looking to make redundancies has settled around 13% in total and for both the public and private sectors (Figure 6). This is in stark contrast to the total figure of 33% in summer 2020.

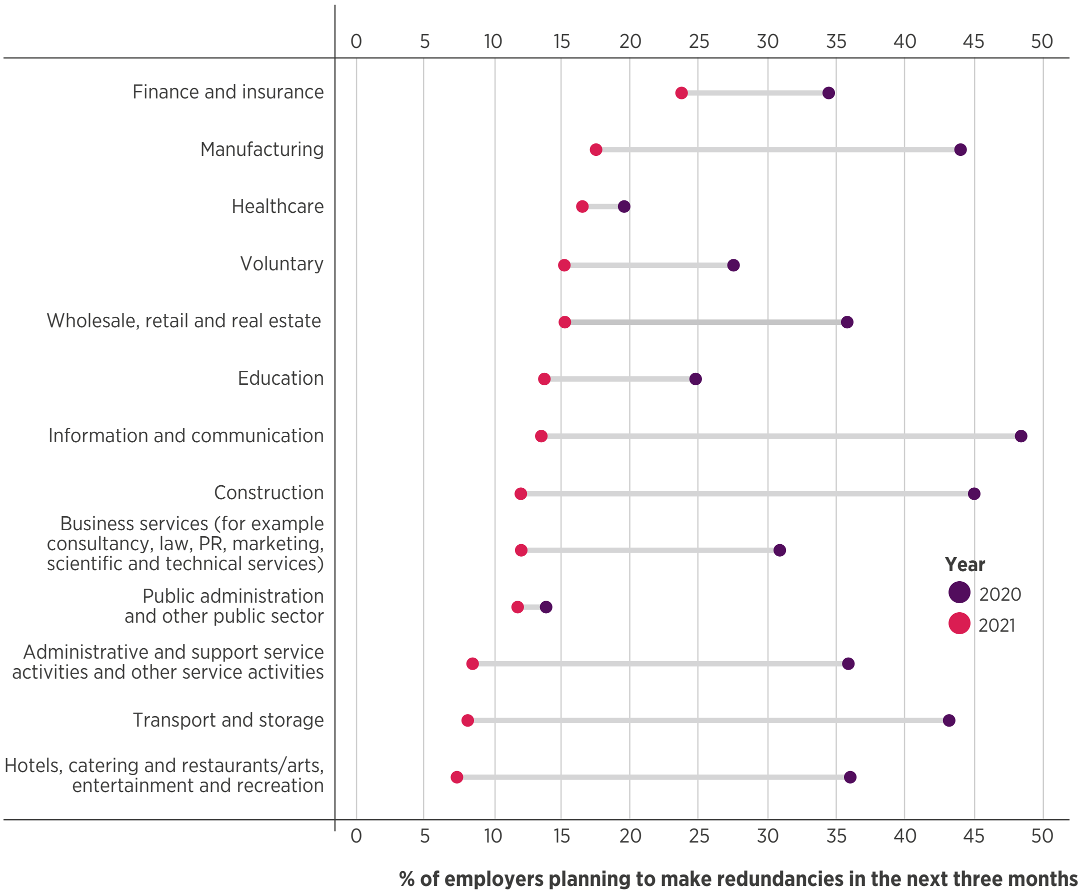
Figure 6: Redundancy intentions, by broad sector (%)



Base: summer 2021, all employers (total: n=2,042; private: n=1,473; public: n=352; voluntary: n=217)

Unsurprisingly it is hospitality/arts/entertainment with the lowest percentage of employers looking to make redundancies (7%), closely followed by transport and storage (8%) (Figure 7). Employers are not just looking to recruitment to ameliorate staffing difficulties. Workforce size depends on flows in and out, and so employers are also focusing on retention and cutting back on redundancies. While the range between summer 2020 and summer 2021 is large for most industries, figures in healthcare and the public sector have moved the least because their workforce needs have remained more consistent throughout the pandemic.

Figure 7: Redundancy intentions, summer quarters 2020 and 2021 (%)

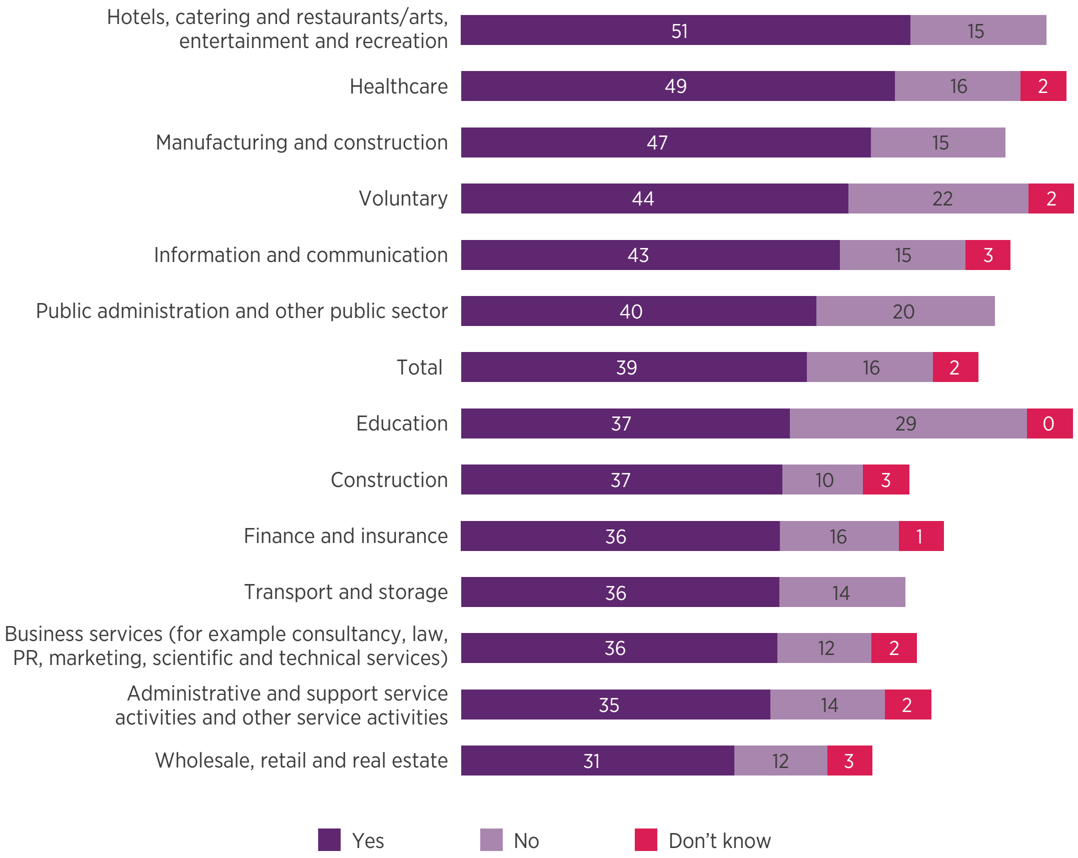


Base: For breakdown of base sizes, see Table 3.

4 Job vacancies

In Figure 8 we consider hard-to-fill vacancies. These are most prevalent in hospitality/arts/entertainment, where 51% of employers had hard-to-fill vacancies, followed by healthcare (49%) and manufacturing (47%).

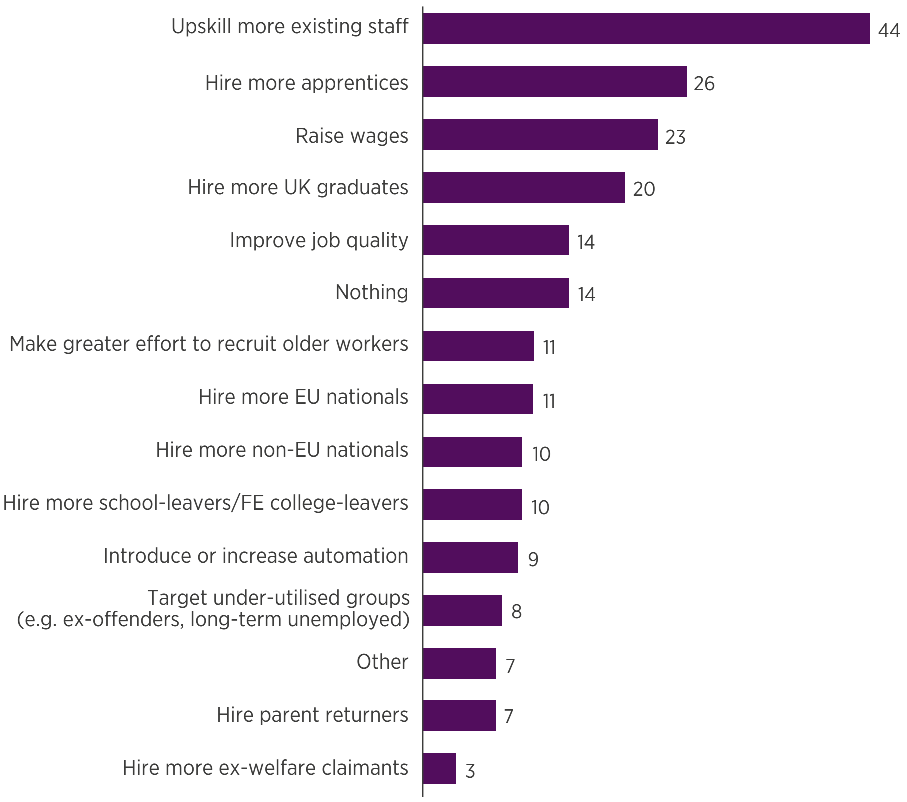
Figure 8: Percentage of employers with hard-to-fill vacancies, by industry (%)



Base: For breakdown of base sizes, see Table 3.

When asked how they would deal with hard-to-fill vacancies, the largest category of response was to upskill more existing staff (44%) followed by hiring more apprentices (26%) (Figure 9).

Figure 9: Employer plans to help alleviate hard-to-fill vacancies (%)

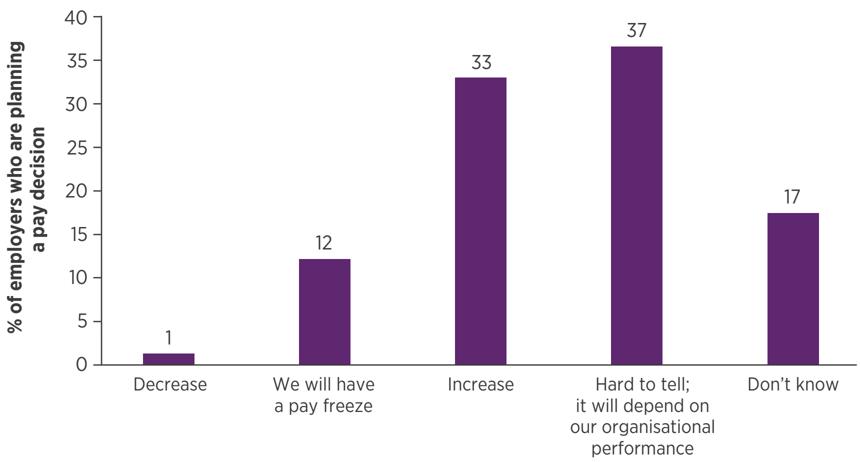


Base: summer 2021, employers with hard-to-fill vacancies (n=710)

5 Pay outlook

Over four-fifths (81%) of employers are planning a pay review in the next 12 months (until June 2022). Among these employers, a third (33%) expect pay to increase, which is significantly lower than spring 2021 (40%). Twelve per cent expect a pay freeze and just 1% expect a decrease. There continue to be high levels of uncertainty, however, with the largest category of response at just under two-fifths (37%) reporting it is hard to tell and will depend on organisational performance (Figure 10).

Figure 10: Employers' expected direction of pay award (%)



Base: summer 2021, all employers planning a pay review in the next 12 months (n=1,585)

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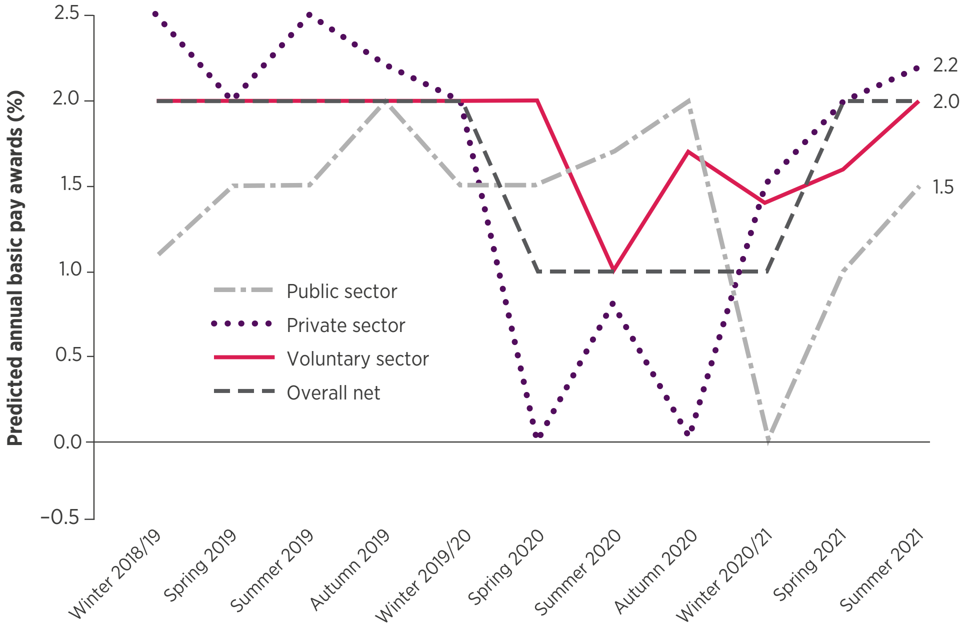
Just over two-fifths (41%) of voluntary sector employers are anticipating an increase this quarter. Meanwhile, 32% in the private sector and 33% in the public sector are expecting an increase.

The expected median basic pay settlement is 2%, which is consistent with last quarter. However, within the three broad sectors, the private sector has risen to 2.2% from 2% last quarter, while public sector rises to 1.5% (from 0.9%) and voluntary to 2% (from 1.6%) (Figure 11).

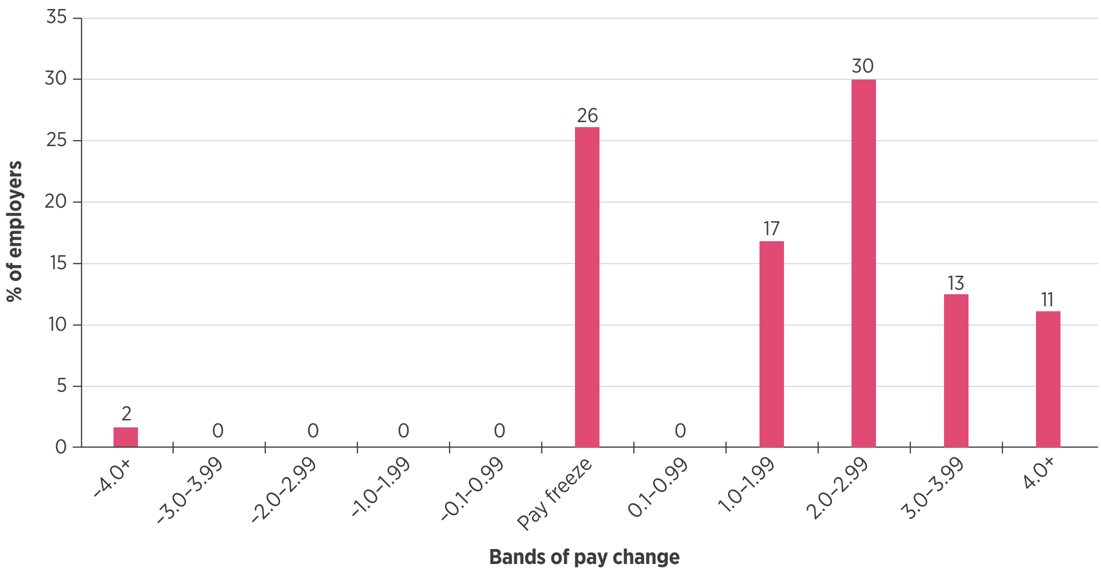
Figure 11: Average basic pay increase – median employer



Base: summer 2021, all employers expecting an increase (n=524; private: n=353; public: n=99; voluntary: n=72)

Figure 12 looks only at those employers that are able to predict the direction of a future pay review (so excludes the 37% who said it is too uncertain to tell right now).

Figure 12: Distribution of forward-looking pay changes (%)



Base: summer 2021, all employers who report an expected increase, decrease or pay freeze in the next 12 months (n=730)

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6 Survey method

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,042 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 16 June and 12 July 2021. 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 2019*. 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	469
10–49	418
50–99	174
100–249	189
250–499	158
500–999	112
1,000 or more	522
Total	**2,042**

Table 2: Breakdown of sample, by sector

Sector	Count
Private sector	1,473
Public sector	352
Third/voluntary sector	217
Total	**2,042**

Table 3: Breakdown of sample, by industry

Industry	Count
Voluntary	217
Manufacturing and production	**310**
Manufacturing	151
Construction	114
Primary and utilities	45
Education	**189**
Healthcare	**139**
Private sector services	**1,028**
Wholesale, retail and real estate	180
Transport and storage	53
Information and communication	104
Finance and insurance	153
Business services (for example consultancy, law, PR, marketing, scientific and technical services)	246
Hotels, catering and restaurants/Arts, entertainment and recreation	108
Administrative and support service activities and other service activities	184
Public administration and defence	**139**
Police and armed forces	18
Total	**2,042**

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Table 4: Breakdown of sample, by region

Region	Count
North-east of England	57
East Midlands	119
West Midlands	108
Scotland	142
London	345
South-west of England	166
East of England	126
Wales	91
South-east of England	279
North-west of England	179
Yorkshire and Humberside	123
Northern Ireland	19

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