CIPD
Championing better work and working lives

LABOUR MARKET OUTLOOK

VIEWS FROM EMPLOYERS

Autumn 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

Autumn 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.

With every new release of data, we are looking to see if the jobs boom has peaked. This quarter's LMO suggests the answer is no. Employers plan to increase headcount in the three months until the end of December. Securing enough talent remains a pressing concern for the profession.

Naturally the difficulty in securing talent is feeding into pay. This is perhaps the biggest story of this report, but it is a story of two halves. On the one hand, we are seeing the highest expected pay awards since the LMO's current time series began in 2012. The private sector is expecting a median basic pay increase of 5%. However, with CPI inflation currently running at 10.1% in the year to September, most people are facing a real-terms pay cut. As a result, the cost-of-living crisis is one of the biggest challenges facing the HR profession today, which is why we've included a focus section on the cost of living in this quarter's questionnaire.

The UK will likely enter a downturn soon, at which point we can expect the net employment balance to fall, perhaps turning negative. This will present a new set of challenges to employers. However, many labour market indicators, including unemployment, are lagging indicators. This means that they will start to change after the downturn hits. With this in mind, it could be some time before recruitment and retention pressures ease.

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

Jonathan Boys, CIPD Labour Market Economist

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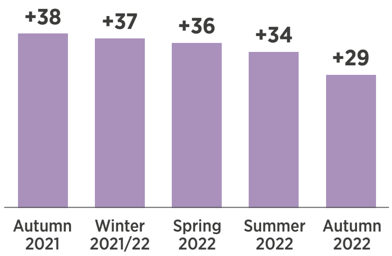
2 Key points

- 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 positive at +29, which was down from +34 last quarter. This continues to exceed pre-pandemic levels, pointing to strong employment intentions.

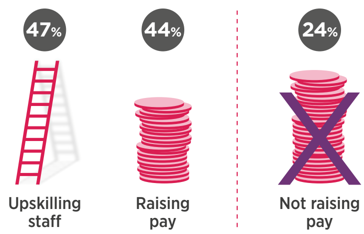


Net employment score recovery

- 46% of recruiting employers have hard-to-fill vacancies. These are most common in transport and storage (60%), voluntary (56%) and healthcare (55%).

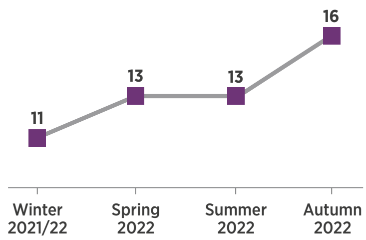
High level of hard-to-fill vacancies persists

- The top response to hard-to-fill vacancies has been to upskill existing staff (47%), followed by raising pay (44%), which is up from 29% in the previous quarter. However, fewer employers plan to raise wages in the future in response to hard-to-fill vacancies (24%).



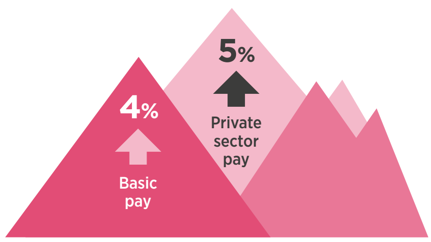
Top responses to hard-to-fill vacancies

- Redundancy intentions remain low but are increasing. 16% of employers are planning to make redundancies in the three months to December 2022, which is up from 13% last quarter.



% of employers to make redundancies

- The median expected basic pay increase stands at 4% in total. Expected pay awards in the private sector have risen to a median of 5%, which is the highest of any sector recorded by the LMO since 2012.



Median expected basic pay increases

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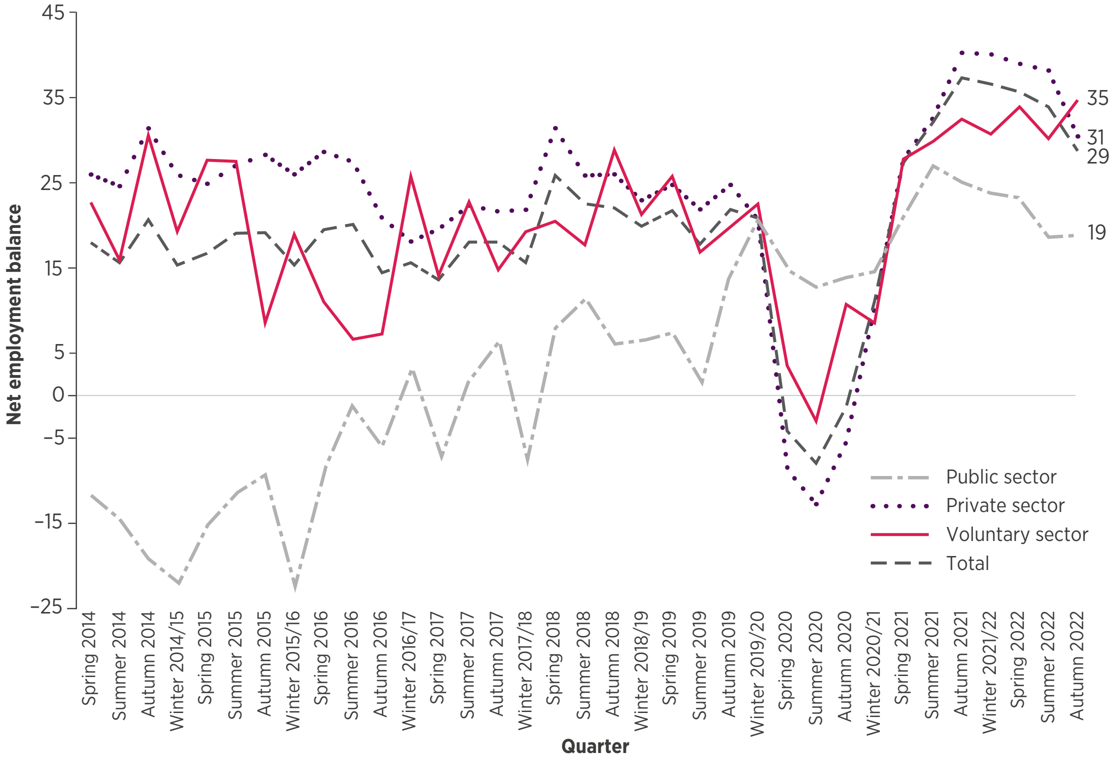
Recommendations for employers and people practitioners

- Focus on your existing workforce. Offer training to upskill or reskill staff to fill your skill 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.
- 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 assessing the impact of any changes to ensure that they are working as intended.
- If your organisation is going through a difficult financial time, consider all your options before making staff redundant – redundancies should be a last resort. As an employer, it's important that you prove that you've explored other cost-cutting measures first, such as redeploying staff or reducing working hours. This will help you avoid unfair dismissal claims.

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 – decreased to +29. This remains positive and high relative to the pre-pandemic time series. However, the net employment balance is starting to soften from its peak in autumn 2021. Net employment intentions are strongest in the voluntary sector at +35. The private (+31) and public sectors (+19) both have positive figures, suggesting that the UK will continue to see employment gains across the board.

Figure 1: Net employment balance



Base: autumn 2022, all employers (total: n=2,018; private: n=1,515; public: n=359; voluntary: n=144).

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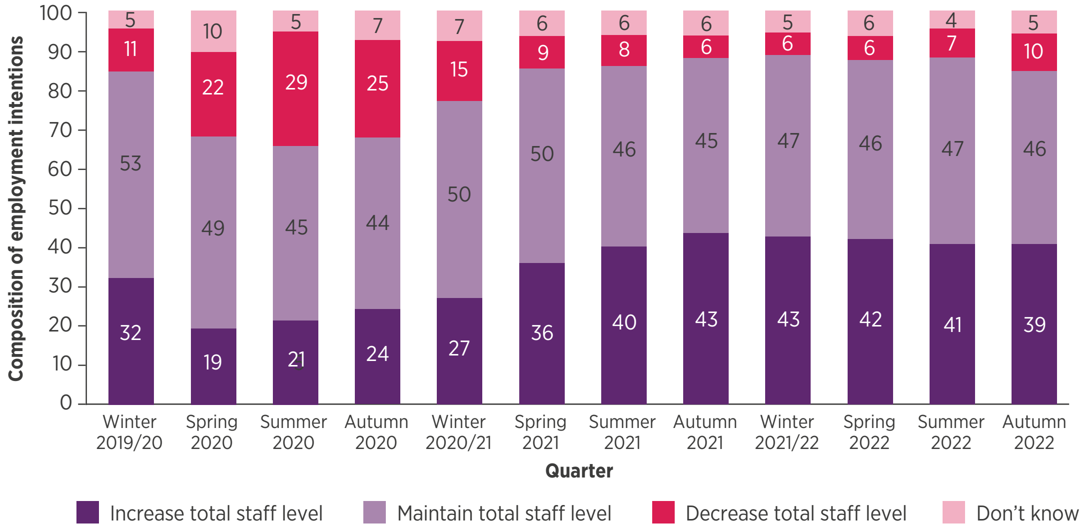
In a continuation of the trend seen in previous quarters, the positive net employment balance is being driven largely by employers looking to hire staff (39%), with very few looking to decrease total staff levels (10%) (see Figure 2).

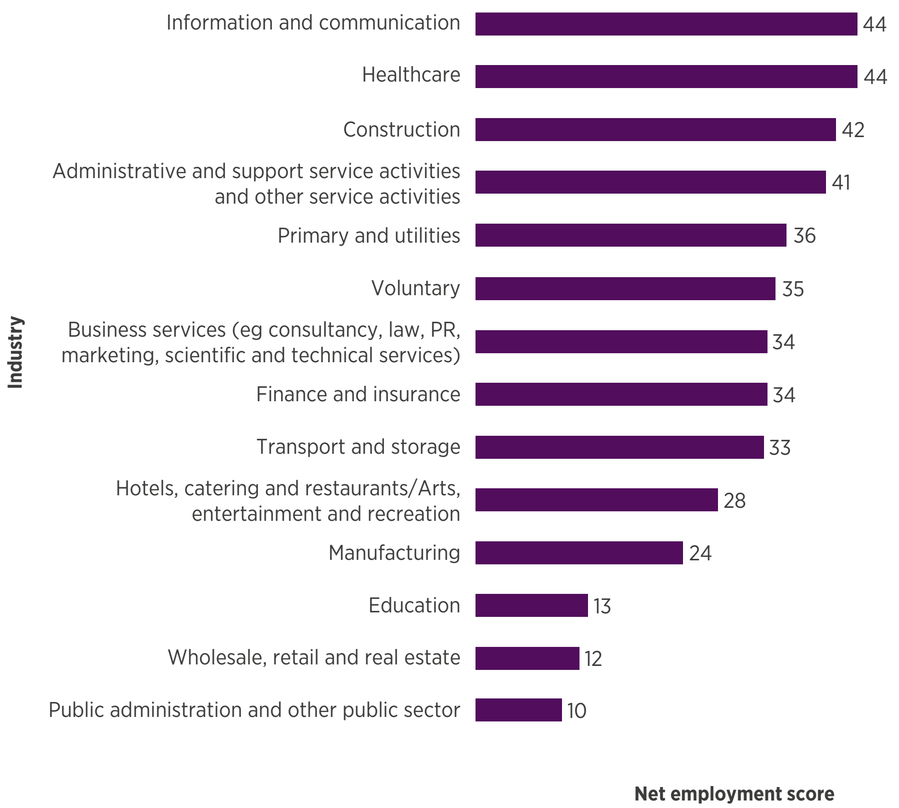
Figure 2: Composition of employment intentions (%)



Base: autumn 2022, all employers (n=2,018).

Employment intentions remain positive across industries but are particularly high in information and communication (+44), healthcare (+44) and construction (+42) (see Figure 3).

Figure 3: 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.

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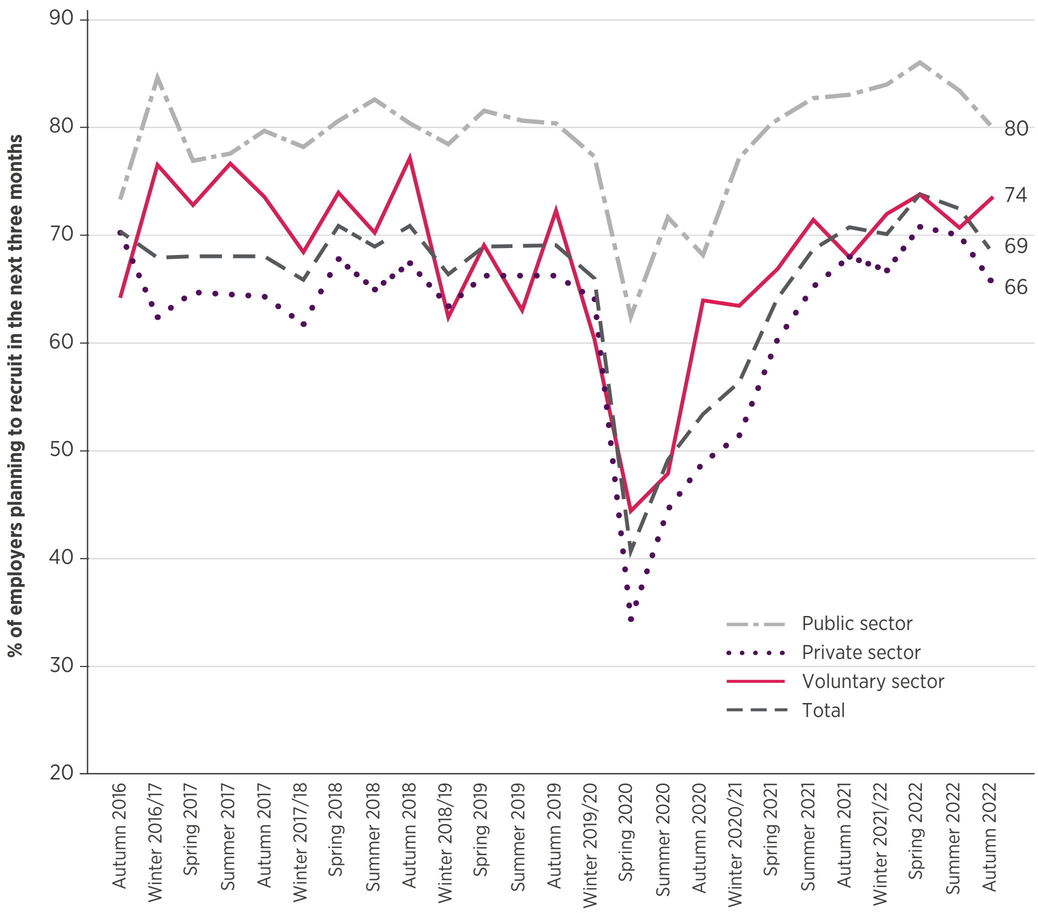
Recruitment

Recruitment intentions are above pre-pandemic levels. Seven out of ten (69%) employers surveyed indicated that they plan to recruit in the next three months (see Figure 4). Recruitment intentions remain highest in the public sector (80%), followed by the voluntary sector (74%) and the private sector (66%) (see Figure 4).

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

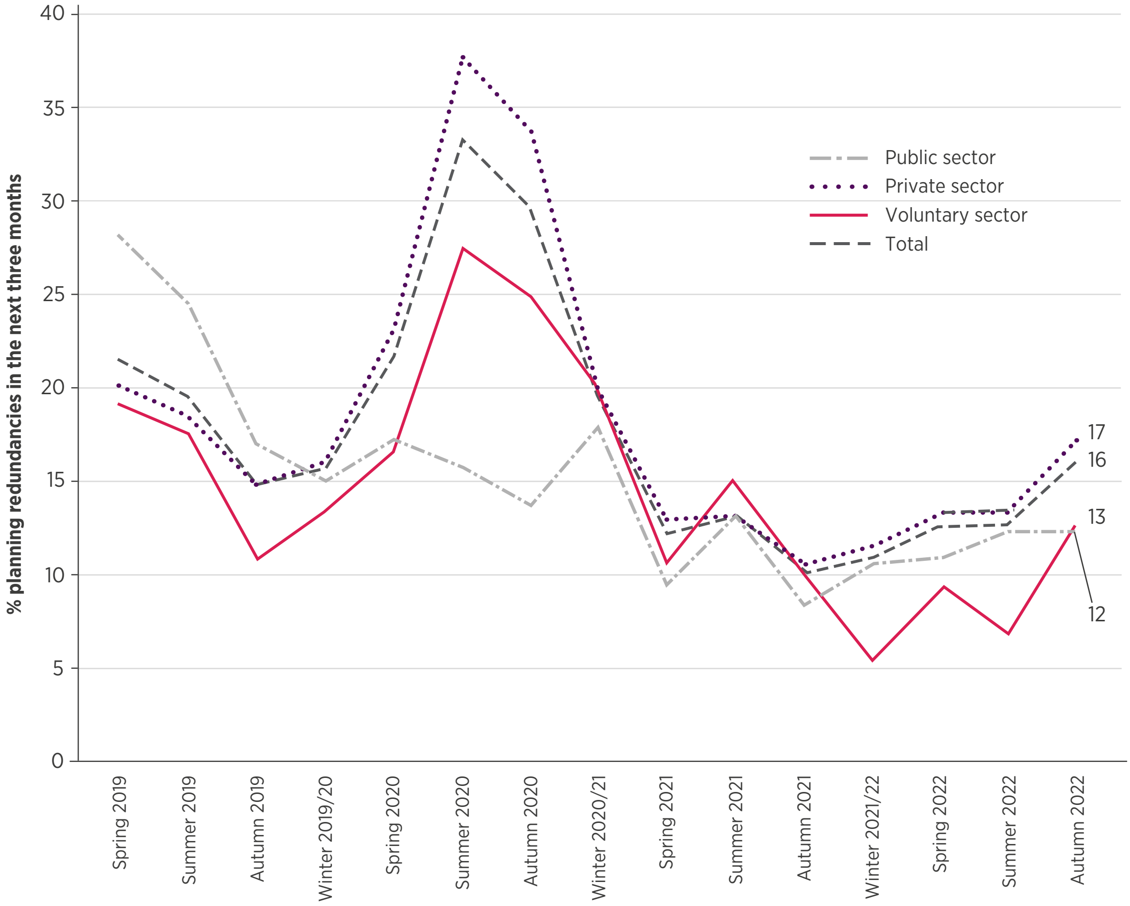


Base: autumn 2022, all employers (total: n=2,018; private: n=1,515; public: n=359; voluntary: n=144).

Redundancies

Redundancy intentions remain low but have been trending up. Only 16% of employers are planning to make redundancies in the three months to December 2022 (see Figure 5).

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



Base: autumn 2022, all employers (total: n=2,018; private: n=1,515; public: n=359; voluntary: n=144).

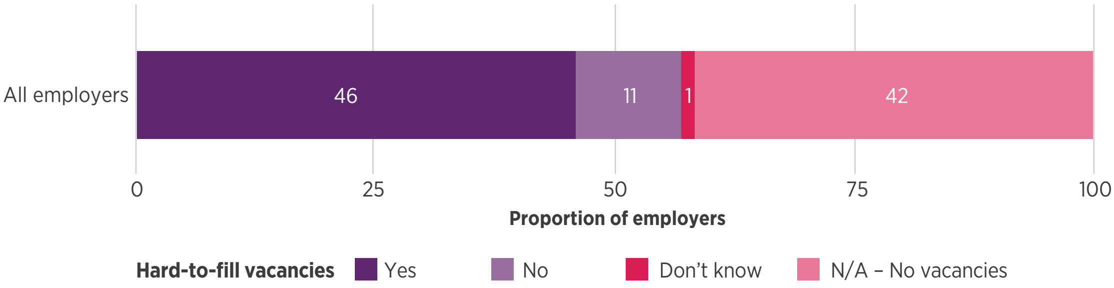
Further reading and practical guidance

- CIPD | Recruitment and induction
  Guidance on good-practice recruitment and induction processes, from work placements and internships to internal recruitment and secondments.
- CIPD | Guide on managing the redundancy process
  Step-by-step advice for employers on managing the redundancy process, including how to assess whether redundancy is necessary.
- CIPD | Age-inclusive recruitment
  A guide setting out five key actions to help you become a more age-inclusive employer.

4 Job vacancies

Forty-six per cent of employers have hard-to-fill vacancies (see Figure 6), similar to the last quarter (47%).

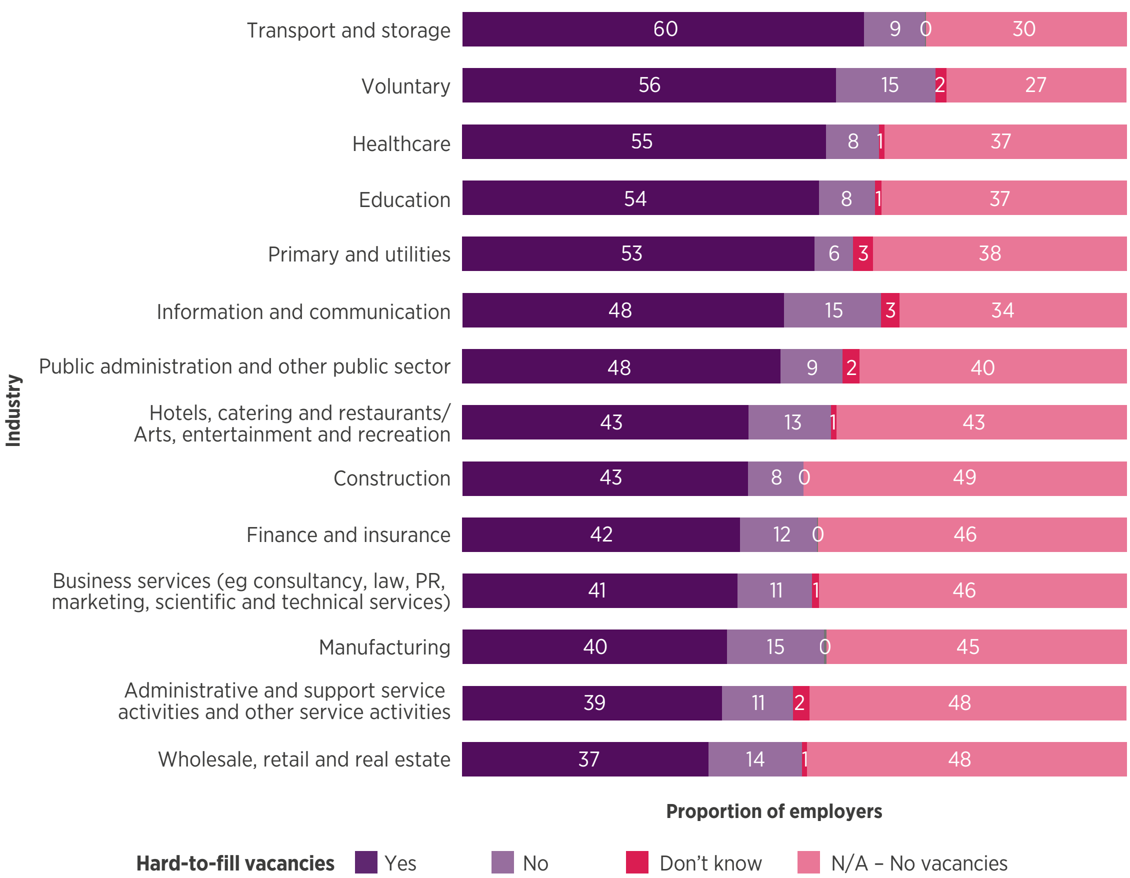
Figure 6: Employers with hard-to-fill vacancies (%)



Base: autumn 2022, all employers (n=2,018).

Hard-to-fill vacancies are most common in transport and storage (60%), voluntary (56%) and healthcare (55%) (see Figure 7).

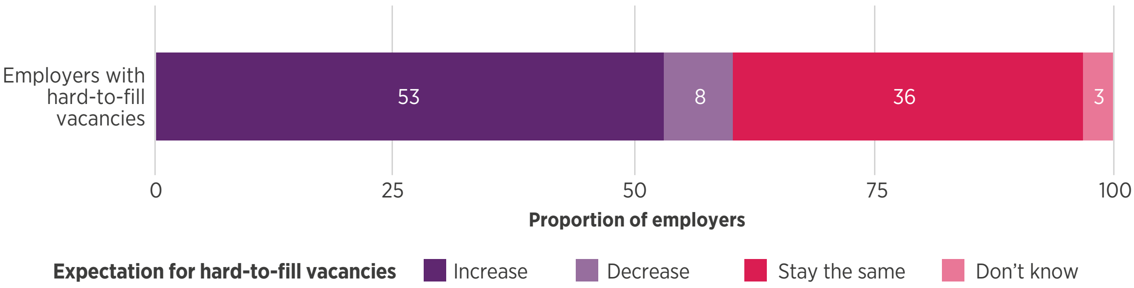
Figure 7: Employers with hard-to-fill vacancies, by industry (%)



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

Of those employers with hard-to-fill vacancies, more expect the number of hard-to-fill vacancies to increase in the next month (56%) than expect the number to decrease (36%) (see Figure 8).

Figure 8: Expectation for hard-to-fill vacancies in the next six months (%)

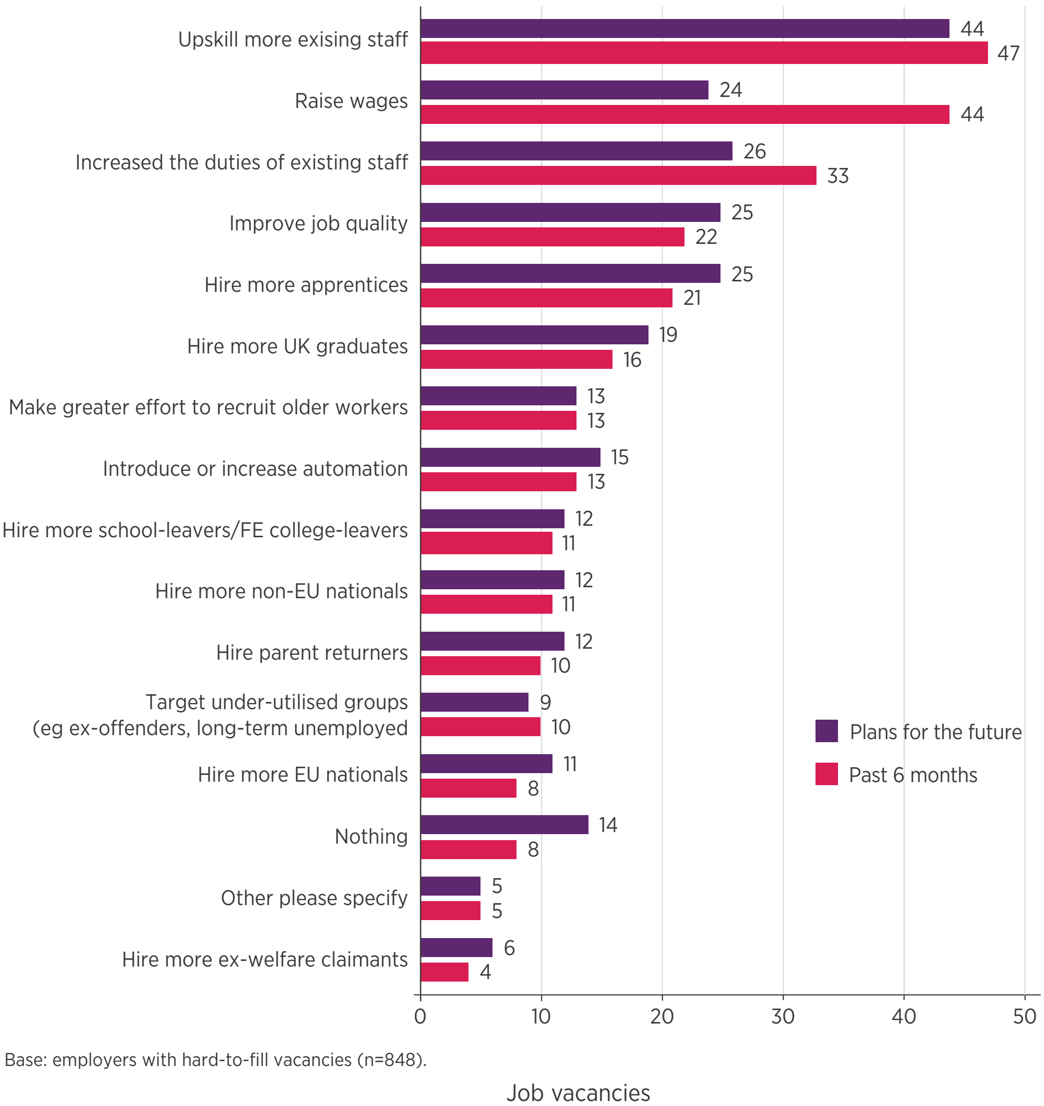


Base: autumn 2022, all employers with hard-to-fill vacancies (n=848).

Employer responses to hard-to-fill vacancies

The top response to hard-to-fill vacancies has been to upskill existing staff (47%), followed by raising pay (44%). However, fewer employers plan to raise wages in the future in response to hard-to-fill vacancies (24%) (see Figure 9).

Figure 9: Employers' planned response to hard-to-fill vacancies (%)



Base: employers with hard-to-fill vacancies (n=848).

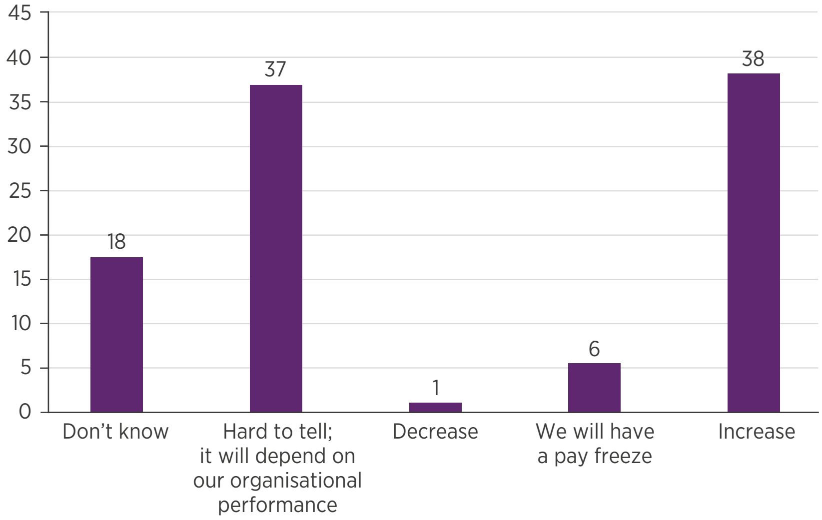
Further reading and practical guidance

- 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 the 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.

5 Pay outlook

Of those employers planning a pay review, an increase in pay is the most popular option at 38%. However, around two in five (37%) think it is hard to tell, and one in five (18%) do not know. Six per cent expect a pay freeze and only 1% expect a decrease (see Figure 10).

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

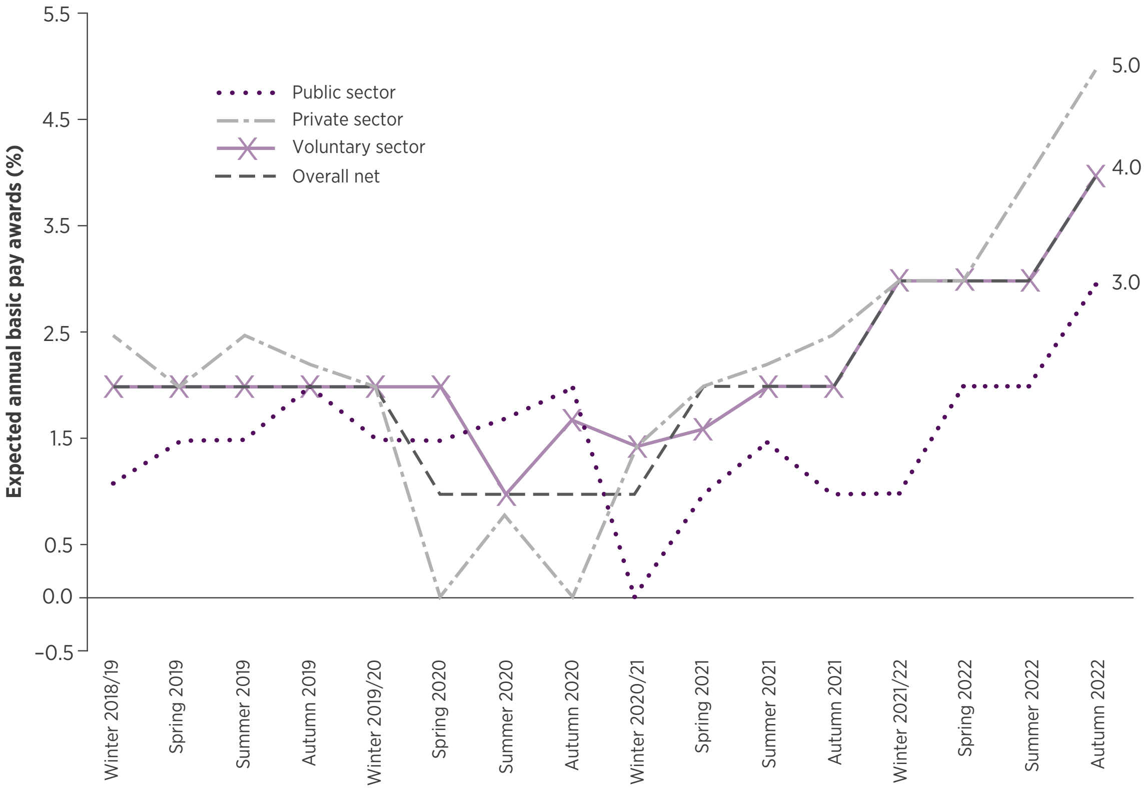


Base: autumn 2022, all employers planning a pay review in the next 12 months (n=1,683).

The median expected basic pay increase stands at 4% for all employers, the highest overall net figure in the LMO's current time series dating back to 2012. Expected pay awards in the private sector have risen to a median of 5%, which again is the highest of any sector in the time series. The figure stands at 4% for the voluntary sector, and the public sector rises to 3% this quarter (see Figure 11).

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 11: Median basic pay increase expectations – median employer



Base: autumn 2022, all employers expecting and able to estimate a pay award (n=752; private: n=535; public: n=160; voluntary: n=57).

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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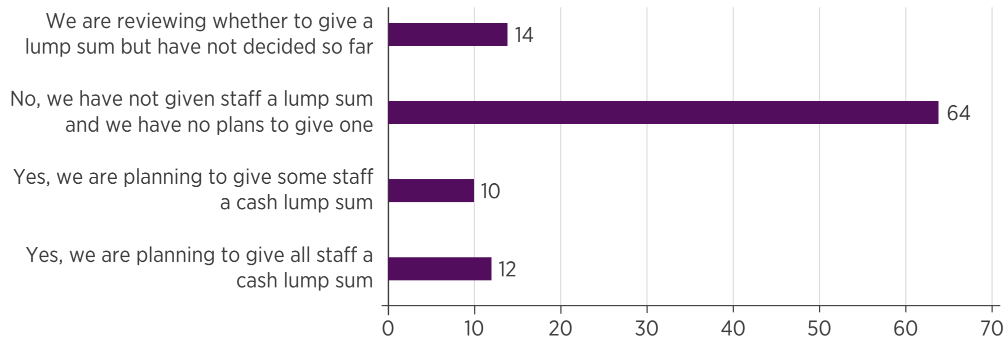
6 Cost-of-living outlook

The majority of employers have not given and do not plan to give staff a lump sum (64%). Twelve per cent plan to give all staff a lump sum, while a further 10% plan to give some staff a lump sum (see Figure 12).

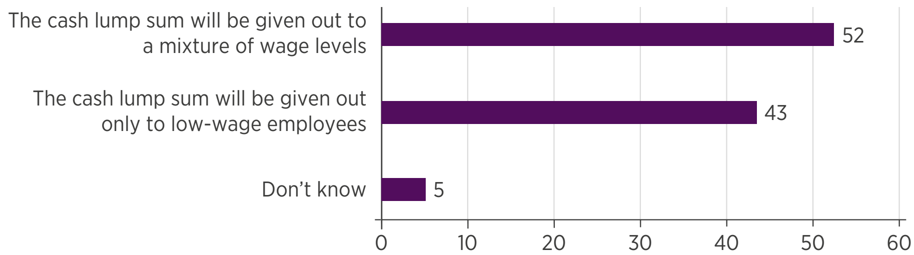
Figure 12: Employers planning to give a lump sum in response to cost-of-living strains (%)



Base: autumn 2022, all employers (n=2,018).

Of those employers giving a cash lump sum to only certain staff, 43% are giving it only to low-wage employees (see Figure 13).

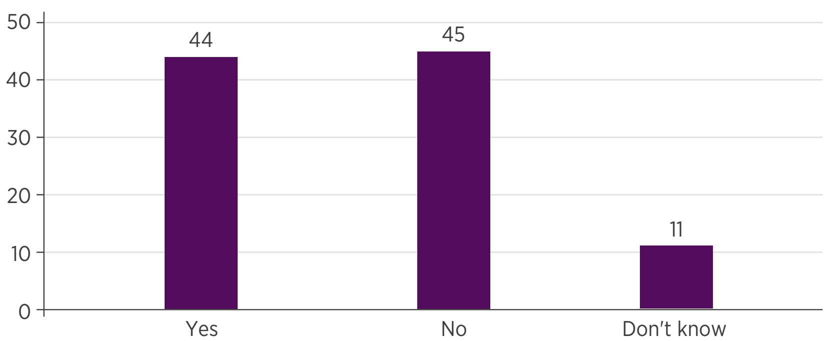
Figure 13: Which employees will receive the cash lump sum (%)



Base: autumn 2022, all employers offering a cash lump sum to only some staff (n=196).

A large proportion of employers (44%) have reviewed the overall benefits on offer as a result of financial pressures faced by employees (see Figure 14).

Figure 14: In the last 12 months, have benefits overall been reviewed at your organisation in light of potential additional financial pressures faced by employees? (%)



Base: autumn 2022, all employers (n=2,018).

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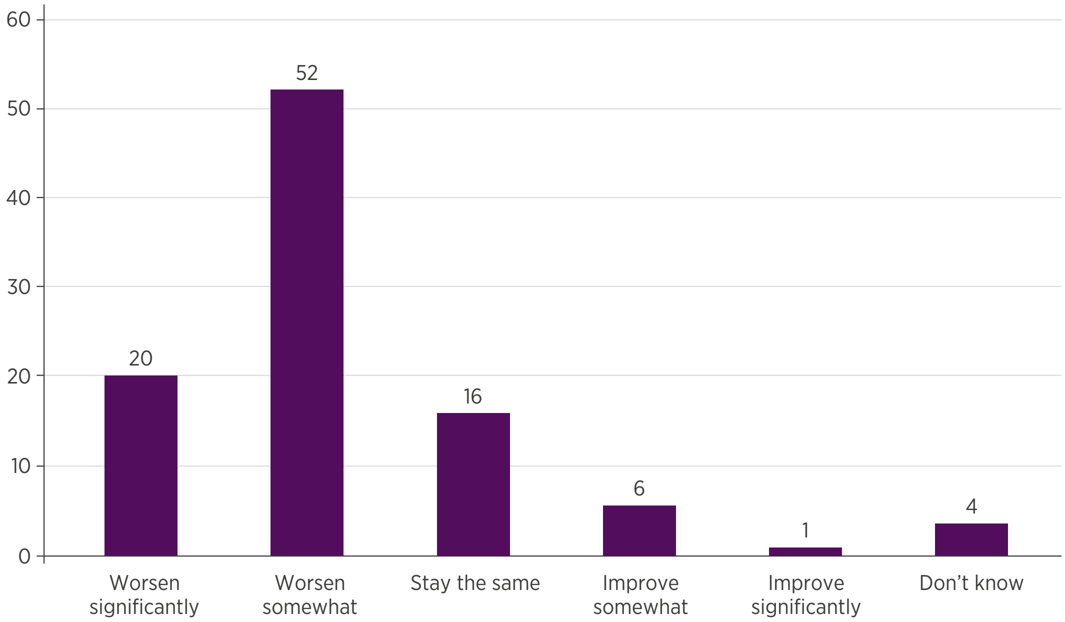
A net 72% of employers expect their employees' financial situation to worsen over the next 12 months (see Figure 15).

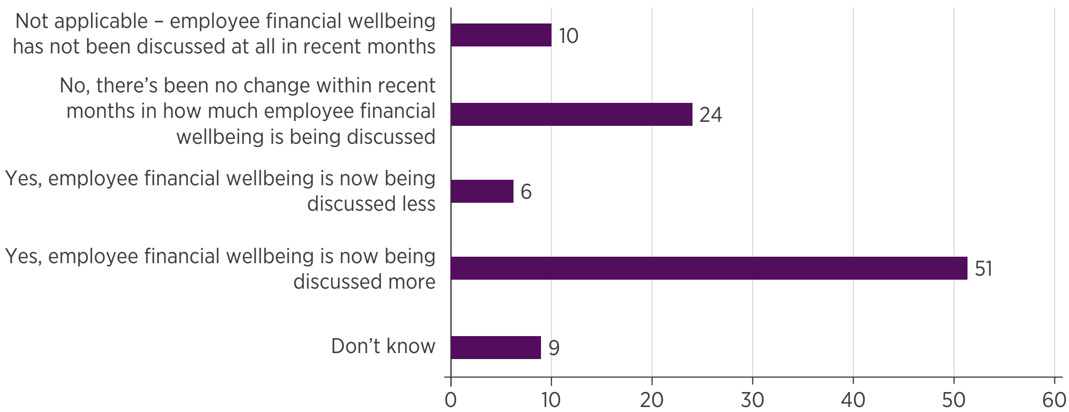
Figure 15: Overall, thinking about your employees' financial situation over the next 12 months, do you expect this to improve, stay the same or worsen in comparison with now? (%)



Base: autumn 2022, all employers (n=2,018).

Over half (51%) of employers are now discussing financial wellbeing more in relation to rising household energy costs (see Figure 16).

Figure 16: To the best of your knowledge, has there been any change within recent months in how much employee financial wellbeing is being discussed by senior management within your organisation in relation to rising household energy costs? (%)



Base: autumn 2022, all employers (n=2,018).

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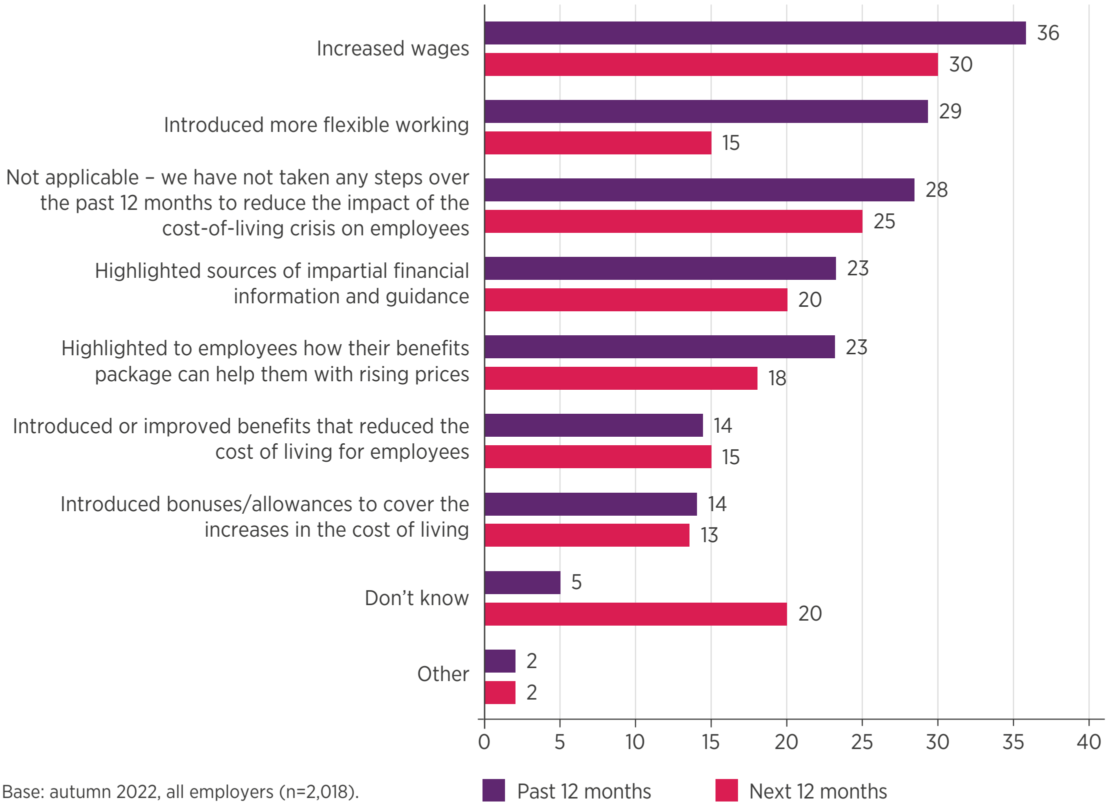
To alleviate the cost-of-living crisis, in the last 12 months 36% of employers have increased wages and 29% have introduced more flexible working. Twenty-eight per cent of employers have not taken any steps (see Figure 17).

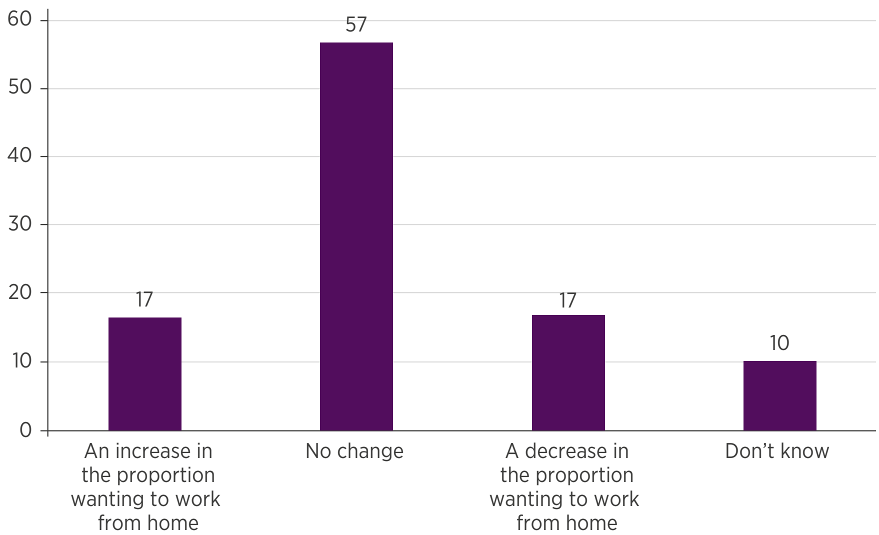
Figure 17: Steps taken/planned to alleviate cost-of-living crisis (%)



Base: autumn 2022, all employers (n=2,018).

Employers believe that the increased costs of heating will have no impact on levels of homeworking, with as many employers saying it is likely to increase as saying it is likely to decrease (17%) (see Figure 18).

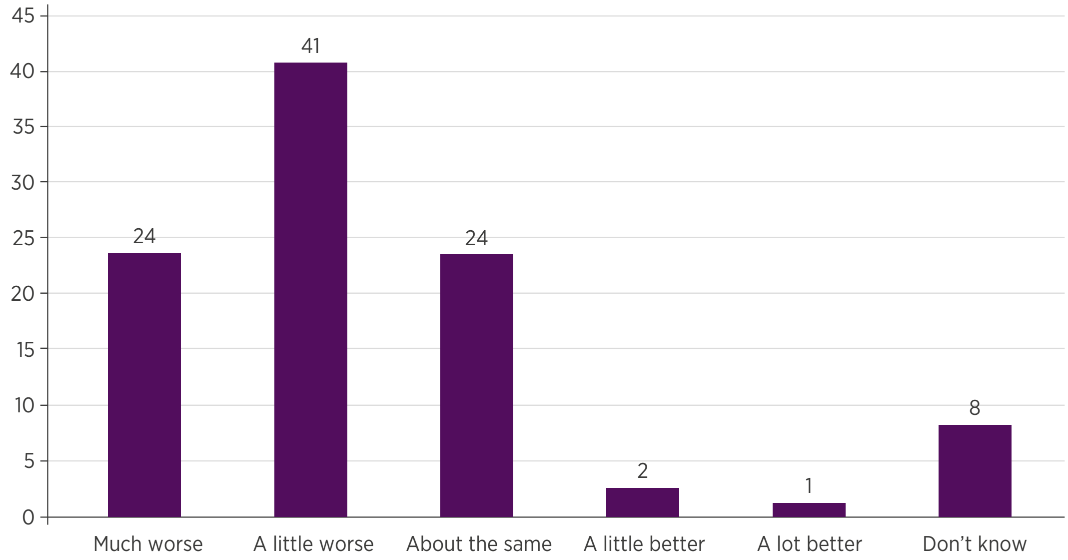
Figure 18: Thinking about the competing costs of heating one's home when working from home versus the cost of commuting when travelling into work, do you expect to see an increase or decrease in the proportion of staff at your organisation wanting to work from home this winter? (%)



Base: autumn 2022, all employers (n=2,018).

A majority of employers (65%) believe that increased energy prices will negatively affect their organisation's profitability (see Figure 19).

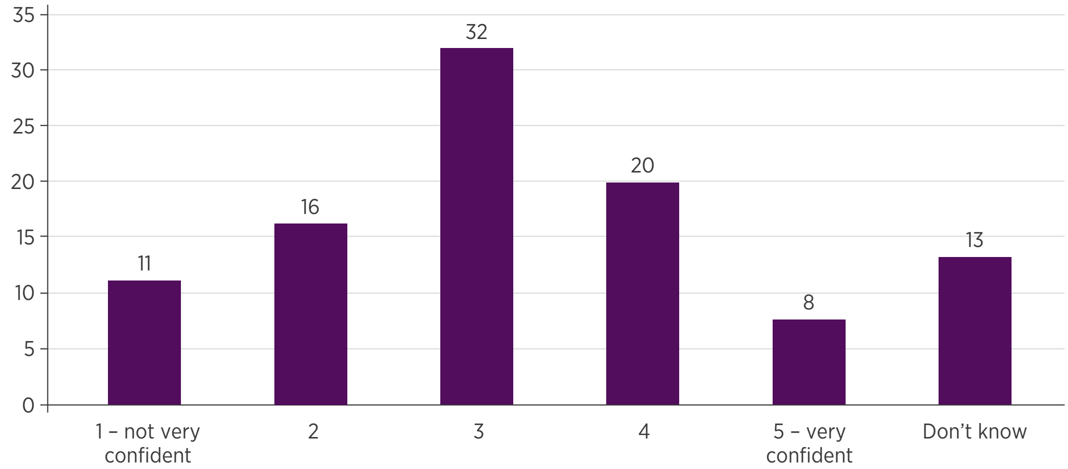
Figure 19: Do you expect the projected increase in energy prices over the next year to make your organisation's profitability? (%)



Base: autumn 2022, all employers (n=2,018).

A similar proportion of employers are confident that they will be able to support their employees' financial wellbeing, as are not confident. Approximately a third are neutral (32%) and 13% do not know (Figure 20).

Figure 20: How confident are you that your organisation will be able to support employees' financial wellbeing over the next 12 months, given that costs are projected to rise for organisations as well? (%)



Base: autumn 2022, all employers (n=2,018).

Further reading and practical guidance

- CIPD | Cost-of-living crisis: How to help your employees
  Financial wellbeing resources and guidance that help employers alleviate poverty placed on their employees by the cost-of-living crisis.

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7 Survey method

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,018 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 16 September and 16 October 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	420
10–49	433
50–99	172
100–249	182
250–499	150
500–999	133
1,000 or more	528

Table 2: Breakdown of sample, by sector

Sector	Count
Private sector	1,515
Public sector	359
Third/voluntary sector	144

Table 3: Breakdown of sample, by industry

Industry	Count
Manufacturing	153
Construction	127
Primary and utilities	54
Education	202
Healthcare	149
Wholesale, retail and real estate	135
Transport and storage	52
Information and communication	107
Finance and insurance	162
Business services (eg consultancy, law, PR, marketing, scientific and technical services)	234
Hotels, catering and restaurants/Arts, entertainment and recreation	141
Administrative and support service activities and other service activities	222
Public administration and other public sector	119
Police and armed forces	17
Voluntary	144

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Table 4: Breakdown of sample, by region

Region	Count
Scotland	126
Wales	63
Northern Ireland	29
North-west England	145
North-east England	62
Yorkshire and Humberside	108
West Midlands	131
East Midlands	124
Channel Islands	1
Eastern England	103
London	318
South-west England	152
South-east England	266
Operations in all of the UK	390

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