CIPD

LABOUR MARKET

OUTLOOK

VIEWS FROM EMPLOYERS

Spring 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 almost 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 2023

Contents

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.

Spring! The season of hope and new beginnings. But let's not get too excited, shall we? The UK looks to have narrowly avoided a recession, but with food prices rising by 20% the macroeconomic picture isn't particularly bright even as the days become longer. Our analysis shows that public sector employers are heeding calls for higher wages, as expected pay awards for the coming 12 months have risen in the public sector to their highest level since tracking began in 2012. However, as with official data, despite a narrowing public versus private sector pay rise differential, the gap remains.

Many employees are feeling the pinch of these real wage losses, yet few employers have dedicated financial wellbeing policies to support them. Even among those that do have a policy, not all have allocated a budget to support it. The absence of a policy is more prevalent in the private sector, especially among SMEs. Surprisingly, two in five employers have no intention of introducing a financial wellbeing policy.

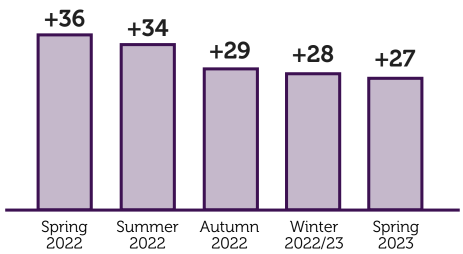
Employers still wish to increase staffing levels and hard-to-fill vacancies remain rife, with healthcare and education feeling this pain the strongest. Looking ahead, many employers anticipate significant problems filling vacancies over the next six months suggesting the situation is unlikely to change anytime soon, a bitter pill for employers to swallow. Like previous Labour Market Outlook reports, employers plan to respond by upskilling existing staff, raising wages, and increasing the duties of existing staff. However, job quality is also a critical factor for employees, and employers are noting this for the future. Job quality can be improved in many dimensions – employers say this will come from improving career progression, the training and development of people managers and offering a wider range of flexible working arrangements.

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

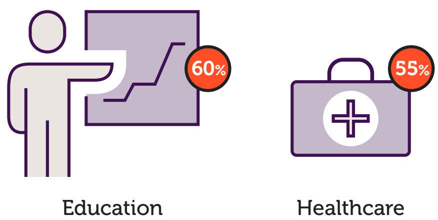
2 Key points

- 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 – remained stable at +27. This remains above the pre-pandemic level.



Net employment balance remains stable

- Two in five of employers (42%) have hard-to-fill vacancies. These are most prevalent among employers in education (60%) and healthcare (55%). Both industries anticipate significant problems filling their hard-to-fill vacancies in the next six months (42% and 44%).

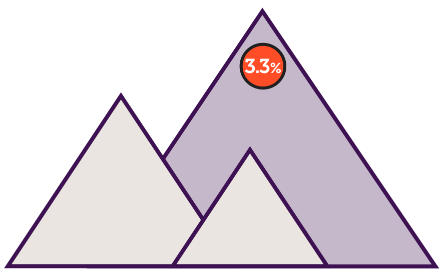


Industries with highest levels of hard-to-fill vacancies

- Half of employers with hard-to-fill vacancies have responded by upskilling more existing staff (50%) and raising wages (48%) in the past six months. In future, the level of employers who wish to focus on improving job quality (35%) is higher than the rate who currently do (30%).

Top responses to hard-to-fill vacancies

- The median expected basic pay increase stands at 5%, unchanged on the quarter. Expected pay awards in the public sector have risen to 3.3%, up from 2% in the previous quarter. This is the highest public sector expected pay increase in the LMO time series.



Public sector pay at new peak

- Only two in five employers (42%) have a financial wellbeing policy, either standalone or as part of a wider employee health and wellbeing strategy (31%). Two in five (39%) employers also do not have a financial wellbeing policy and do not plan to introduce one. This is worse among SMEs where the level is three in five (60%).

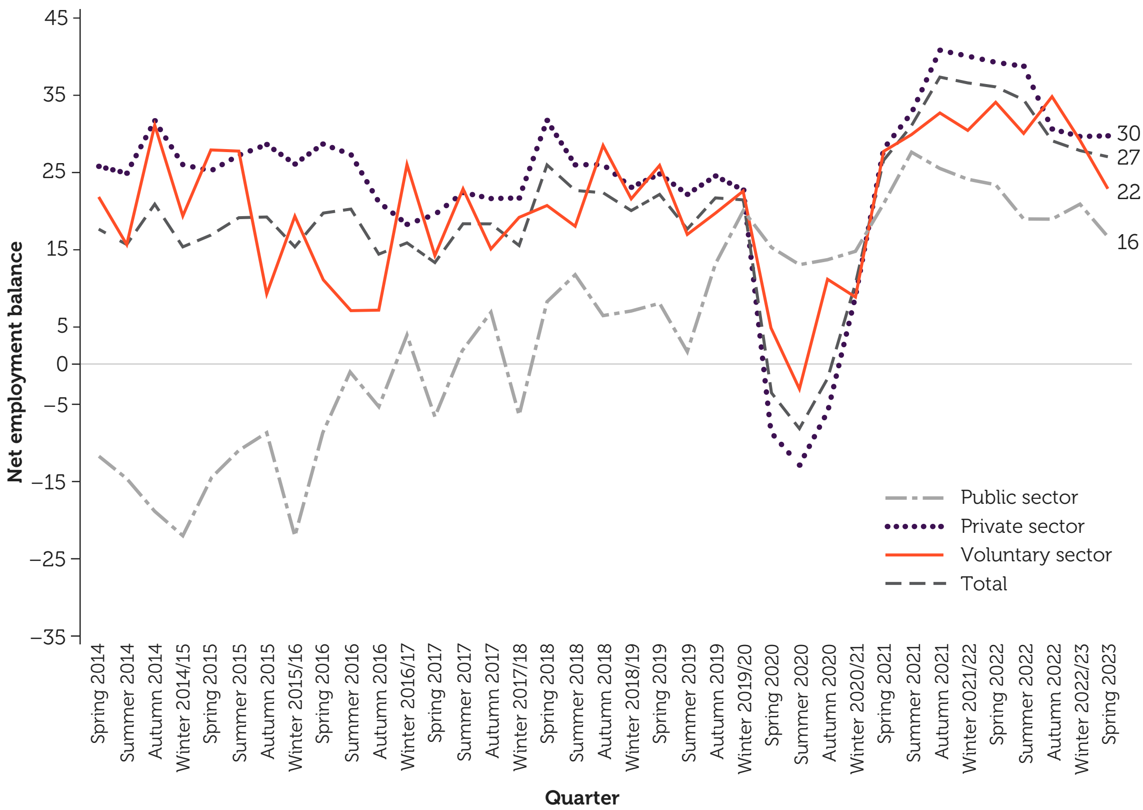
Only 42% have a financial wellbeing policy

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 – remained stable at +27. The total net employment balance remains above the level experienced in the pre-pandemic time series. It is, however, still falling slightly from the peak in autumn 2021. Net employment intentions continue to be strongest in the private sector at +30. The voluntary (+22) and public sectors (+16), continue to have positive figures, indicating that the UK will continue to see employment gains.

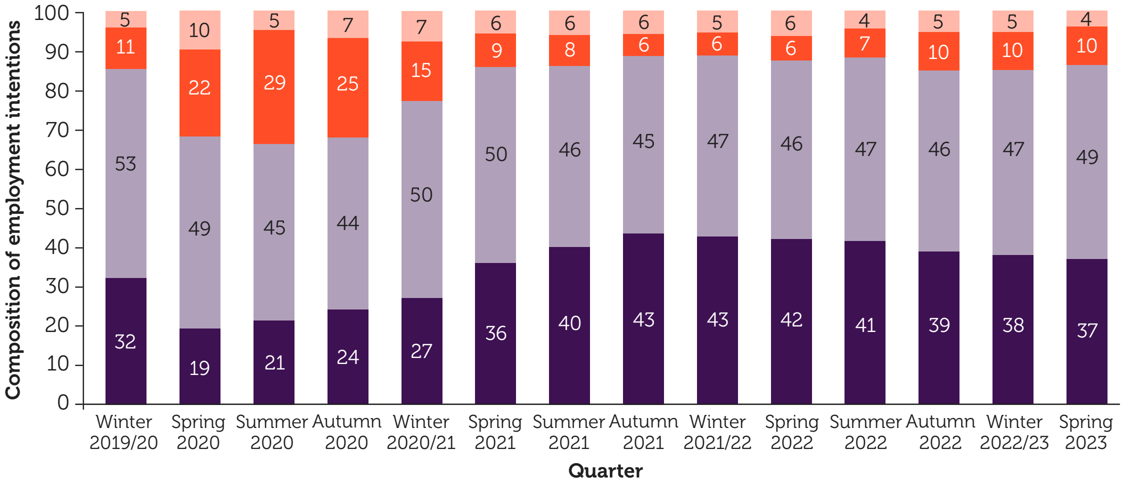
Figure 1: Net employment balance



Base: spring 2023, all employers (total: n=2,019; private: n=1,508; public: n=365; voluntary: n=146).

The positive net employment balance is being driven largely by employers looking to hire staff (37%), with very few looking to decrease total staff levels (10%). This is largely unchanged from previous quarters (Figure 2).

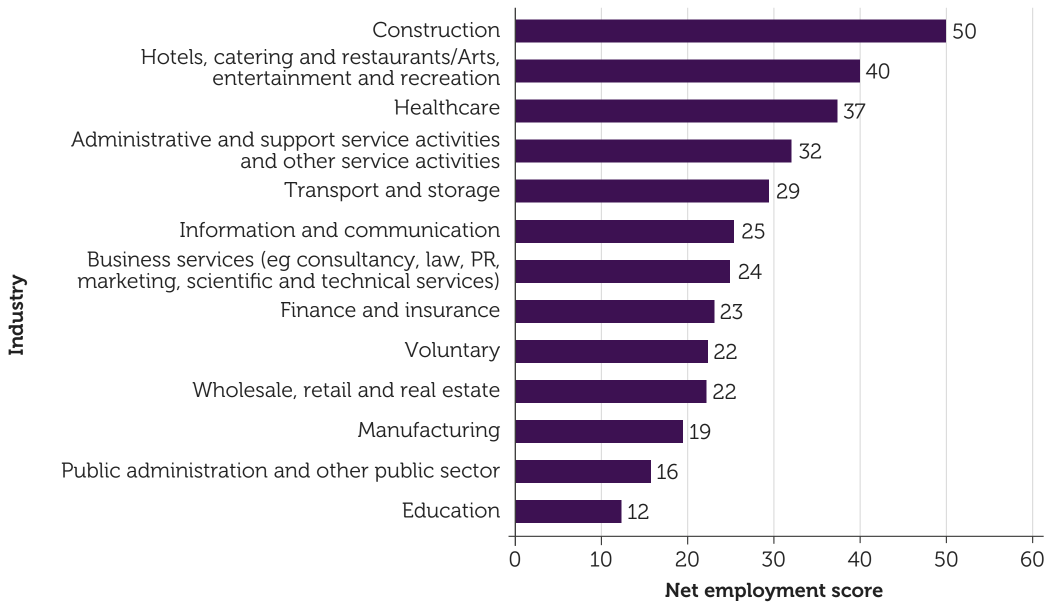
Figure 2: Composition of employment intentions (%)



Base: spring 2023, all employers (n=2,019).

As with the winter Labour Market Outlook, employment intentions remain positive in all industries (see Figure 3). Construction has the highest net employment balance (+50). This is driven by the 53% of construction employers who plan to increase their staff levels in the next three months. This may be in part stimulated by the addition of several construction occupations such as bricklayers, roofers, carpenters and plasterers to the Shortage Occupation List (SOL).[1] Employers recruiting for occupations on the SOL are able to access a wider pool of suitable workers due to more favourable migration arrangements (including a reduced salary threshold). The CIPD has recently called for government to regularly review and where necessary extend the SOL to address skill and labour shortages and prevent them from damaging economic growth or key services[2].

Figure 3: Net employment balance, by industry



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

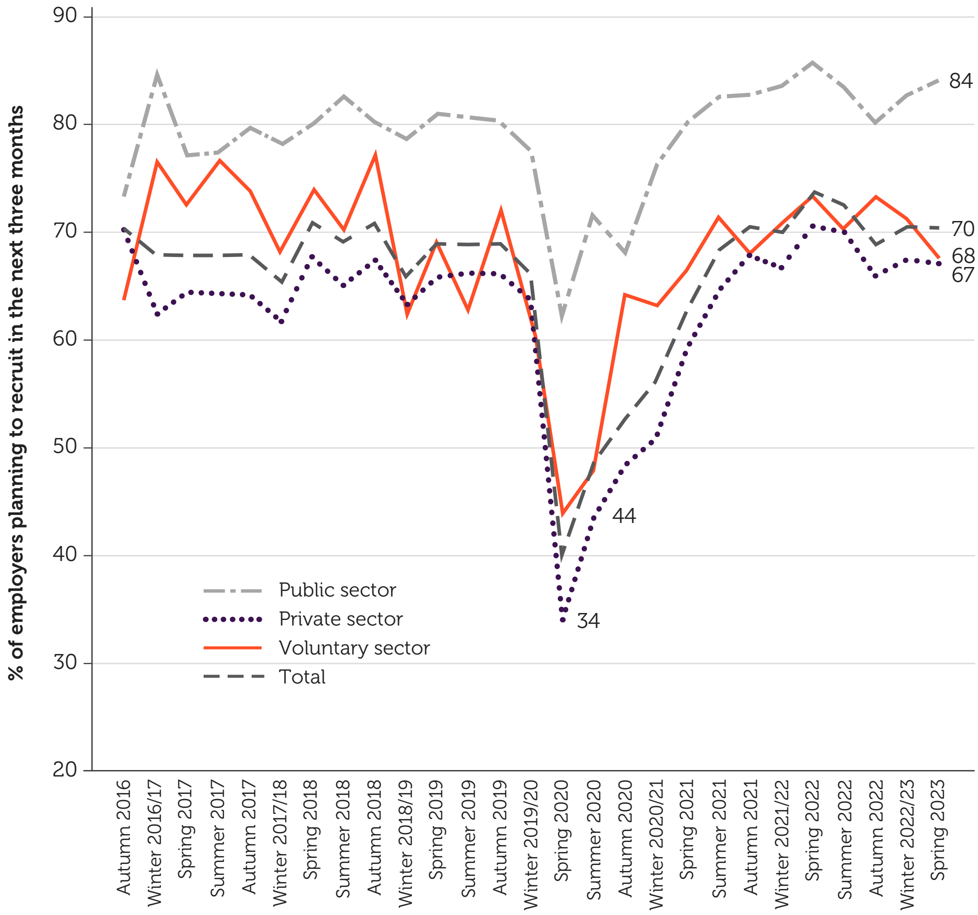
[1] gov.uk/government/publications/construction-and-hospitality-shortage-review/construction-and-hospitality-shortage-review-accessible#section-5-occupational-analysis-and-recommendations

[2] https://www.cipd.org/uk/views-and-insights/thought-leadership/insight/uk-labour-supply/

Recruitment

Recruitment intentions are above pre-pandemic levels. Seven out of 10 (70%) employers surveyed indicated that they plan to recruit in the next three months. Recruitment intentions remain highest in the public sector (84%), followed by the voluntary sector (68%) and the private sector (67%) (Figure 4).

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

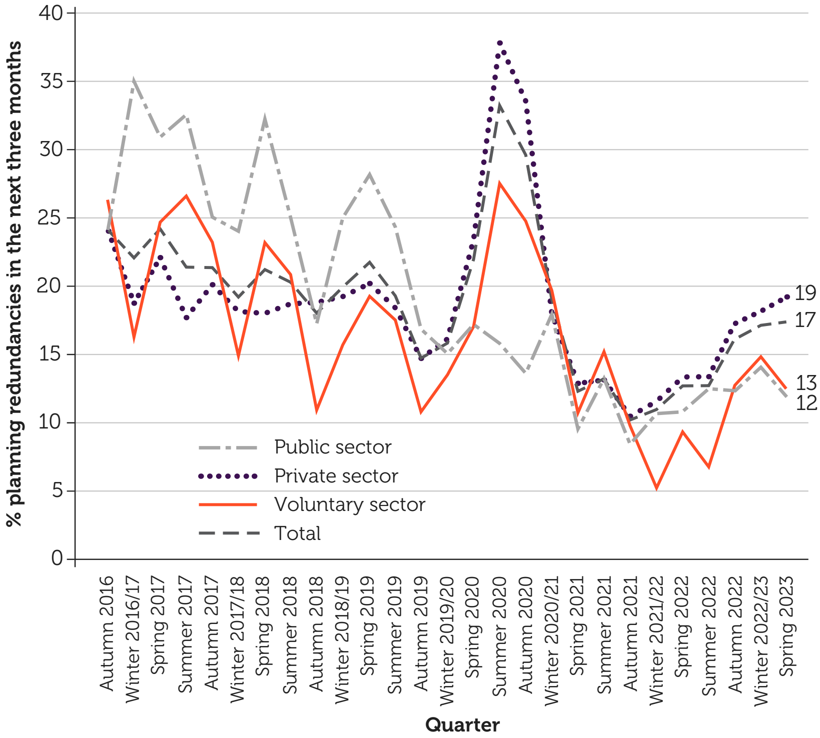


Base: spring 2023, all employers (total: n=2,019; private: n=1,508; public: n=365; voluntary: n=146).

Redundancies

Redundancy intentions remain low in historic terms. As with the previous quarter, just 17% of employers are planning to make redundancies in the three months to June 2023 (Figure 5).

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



Base: spring 2023, all employers (total: n=2,019; private: n=1,508; public: n=365; voluntary: n=146).

Further reading and practical guidance

- CIPD | **Recruitment**

  A look at the main stages of the recruitment and resourcing process, from defining the role to making the appointment.

- CIPD | **Redundancy**

  Learn how to use redundancy as a last resort when all alternative approaches have been considered.

- CIPD | **Fair selection**

  Evidence-based insight and practical recommendations for ensuring fair selection in recruitment and promotion practices.

- CIPD | **Managing the redundancy process**

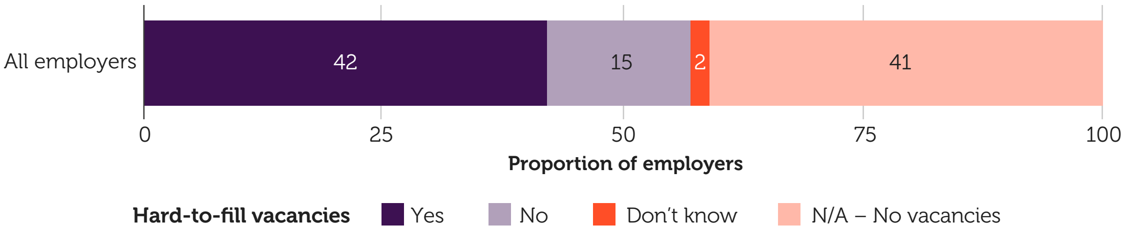
  A guide for employers on managing the redundancy process, including how to assess whether redundancy is necessary.

4 Job vacancies

Two in five employers (42%) surveyed have hard-to-fill vacancies (see Figure 6).

Under-pressure public sector employers are more likely to be struggling to find the staff they need to deliver public services, with more than half (52%) reporting hard-to-fill vacancies. Still, four in ten (40%) private sector employers report the same problem.

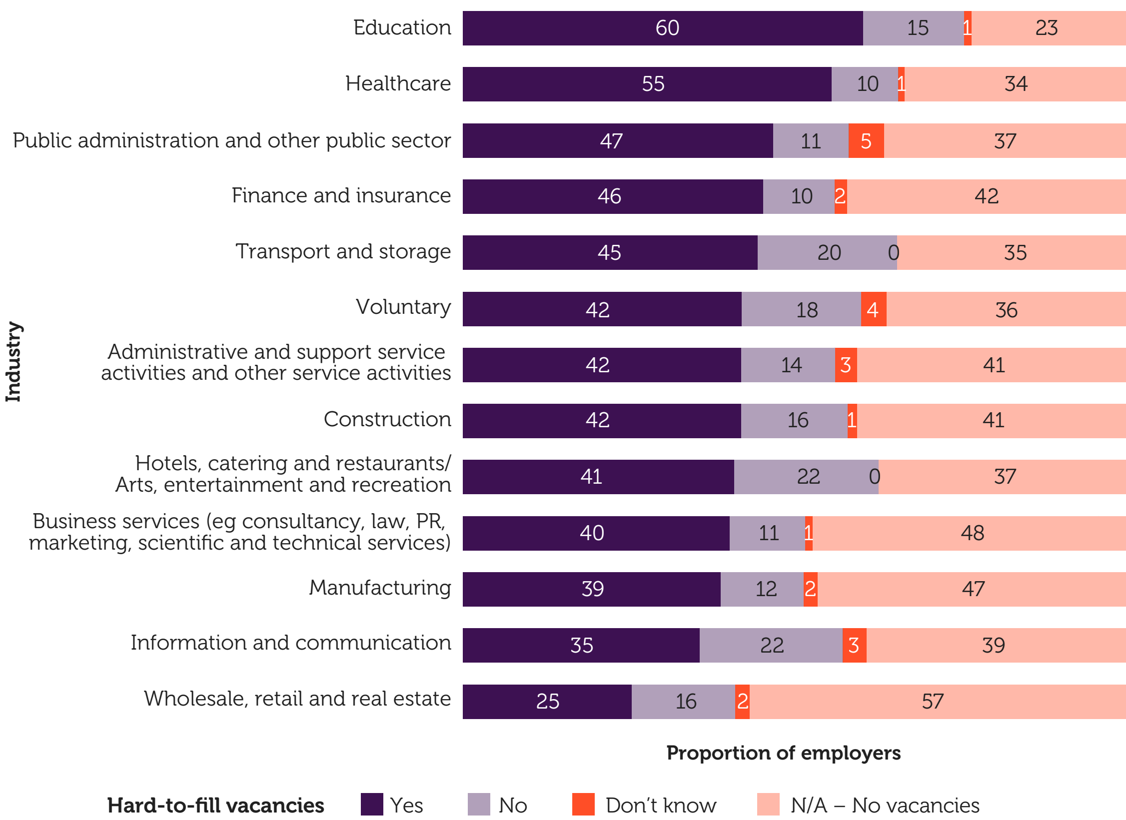
Figure 6: Employers with hard-to-fill vacancies (%)



Base: spring 2023, all employers (n=2,019).

Hard-to-fill vacancies are most prevalent among employers in education (60%) and healthcare (55%).

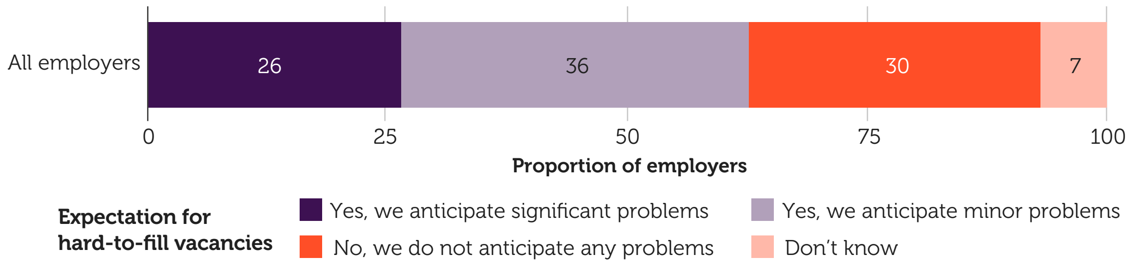
Figure 7: Employers with hard-to-fill vacancies, by industry (%)



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

In the next six months, 26% of all employers anticipate significant problems in filling hard-to-fill vacancies, down slightly from 29% in the previous quarter, with a further 36% anticipating minor problems (Figure 8). Significant problems are anticipated more by public sector employers (45%) compared to those in the private (23%) and voluntary sectors (19%).

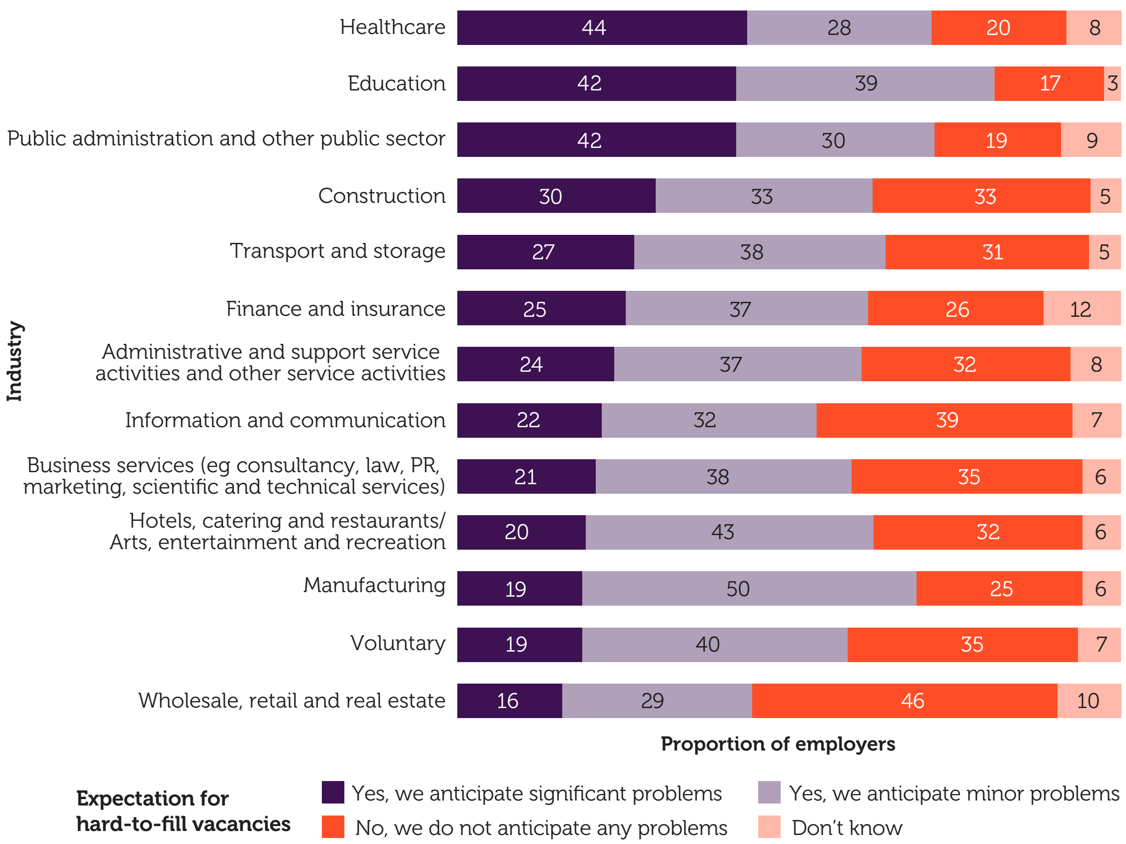
Figure 8: Expectation for hard-to-fill vacancies in the next six months (%)



Base: spring 2023, all employers (n=2,019).

Figure 9 shows that healthcare (44%), education (42%) and public administration and other public sector (42%) are all anticipating significant problems in their hard-to-fill vacancies in the next six months. This is largely unchanged from the previous quarter, indicating no let-up in the recruitment challenges these industries have faced.

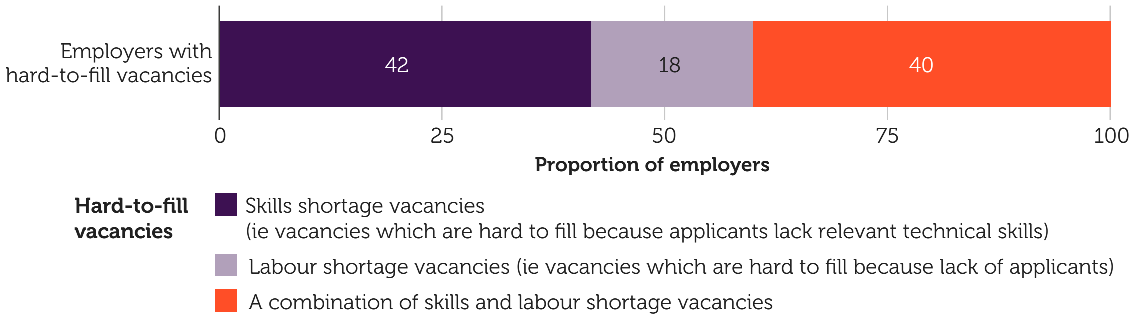
Figure 9: Expectation for hard-to-fill vacancies in the next six months by industry (%)



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

Of employers with hard-to-fill vacancies, 42% had skills shortage vacancies, whereby applicants for advertised roles lack the technical skills required. Eighteen per cent had labour shortage vacancies, whereby there were a lack of applicants for hard-to-fill roles. Many employers also had a combination of skills and labour shortage vacancies (40%).

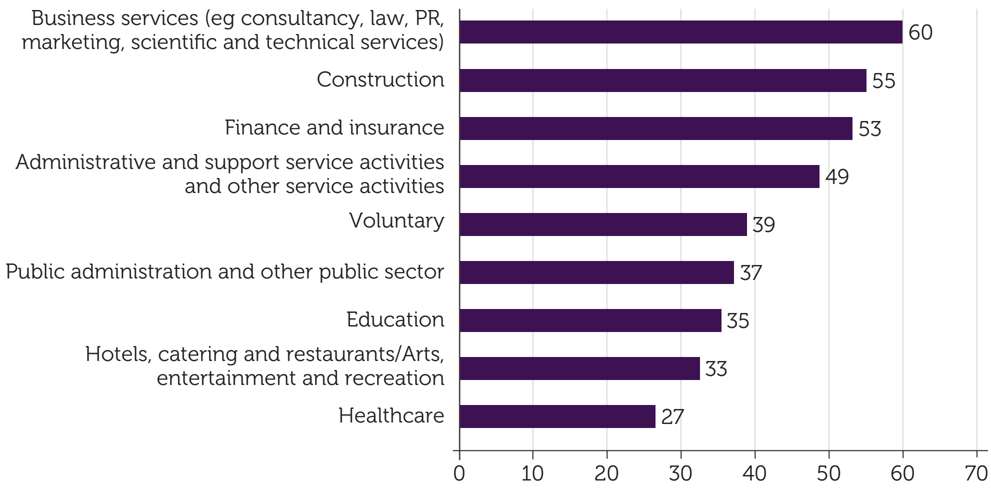
Figure 10: Type of vacancies in hard-to-fill roles (%)



Base: spring 2023, all employers with hard-to-fill vacancies (n=826).

Figure 11 shows over half of employers in business services (60%), construction (55%) and finance and insurance (53%) that have hard-to-fill vacancies have skills shortage vacancies.

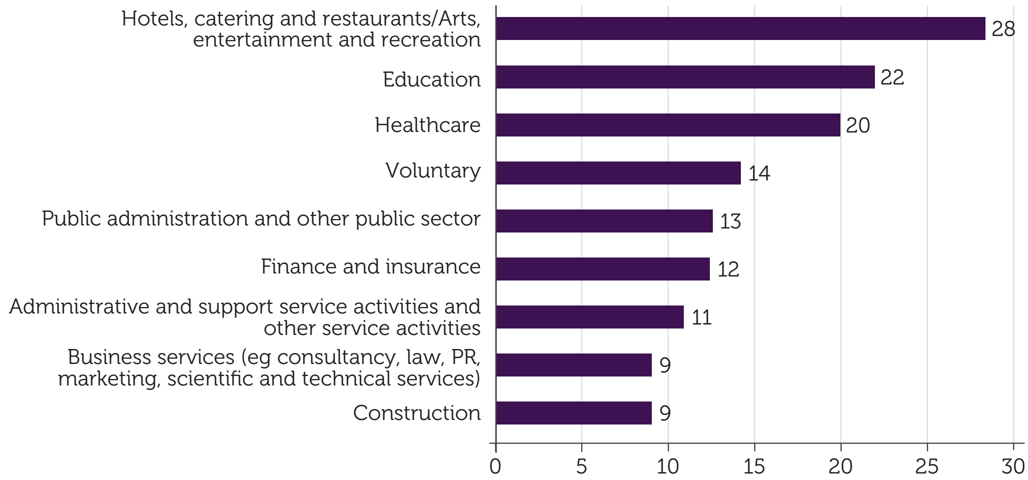
Figure 11: Skills shortage vacancies of employers with hard-to-fill roles (%)



Base: industries with hard-to-fill vacancies, that have a base size of less than 50, have been excluded.
For a breakdown of base sizes, see Table 3

Labour shortages are more prominent in hospitality (28%), education (22%) and healthcare (20%) – employers with hard-to-fill vacancies in these industries note issues due to a lack of applicants.

Figure 12: Labour shortage vacancies of employers with hard-to-fill roles (%)



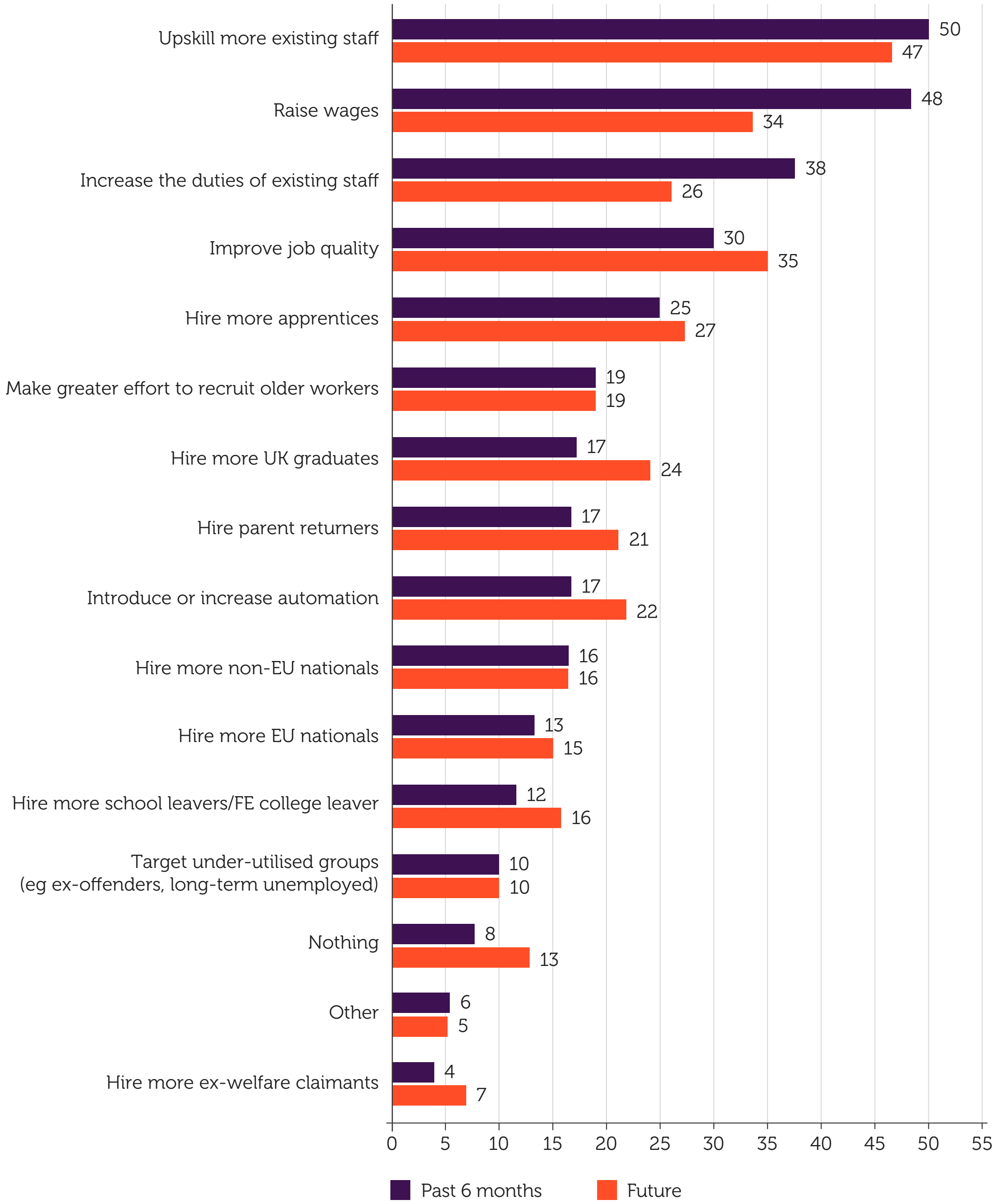
Base: industries with hard-to-fill vacancies, that have a base size of less than 50, have been excluded.
For a breakdown of base sizes, see Table 3.

Employer responses to hard-to-fill vacancies

Half of employers have responded to having hard-to-fill vacancies by upskilling more existing staff (50%) and raising wages (48%) in the past six months. As with previous quarters, many employers have had to increase the duties of existing staff (38%) to cover the gaps left by unfilled roles. In future, employers wish to focus on improving job quality (35%) at a higher rate than they do currently (30%), possibly to mitigate the effects of higher workloads.

The level of employers responding to hard-to-fill vacancies in the past six months by upskilling staff is modestly similar between public sector (55%) and private sector (49%) employers. However, public sector employers are increasing the duties of existing staff at a significantly higher rate (48%) than private sector employers (34%). Whilst at the same time notably fewer public sector employers have been improving job quality (21%) compared to the private sector (32%).

Figure 13: Employers' planned response to hard-to-fill vacancies (%)

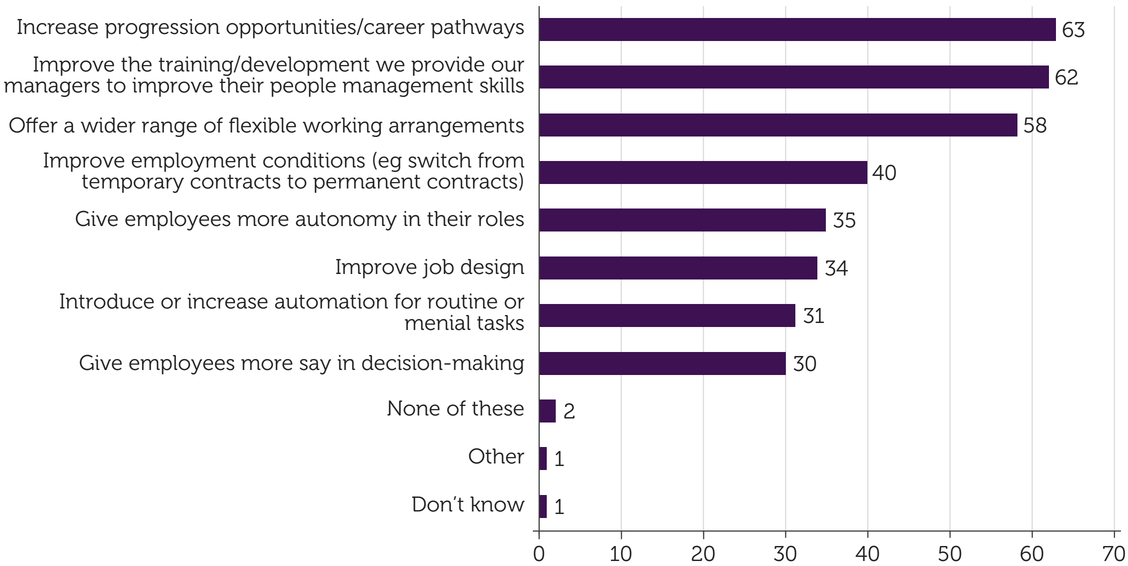


Base: spring 2023, all employers with hard-to-fill vacancies (n=826).

Employers who said they've improved job quality, or plan to do so in the future, were asked how. Three in five employers plan to increase progression opportunities/ career pathways (63%) or improve the training/development they provide managers to improve their people management skills (62%). A similar level plan to offer a wider range of flexible working arrangements (58%) in response to hard-to-fill vacancies.

Flexible working is sought by many employees in different forms; employers should stipulate that jobs can be done flexibly in job adverts, attracting more candidates who are looking for flexible roles. This is not limited to homeworking. Employers should consider inequality of access to flexible working in all job roles.

Figure 14: Employers' planned response to improve job quality (%)



Base: spring 2023, all employers who have or plan to improve job quality in response to hard-to-fill vacancies (n=347).

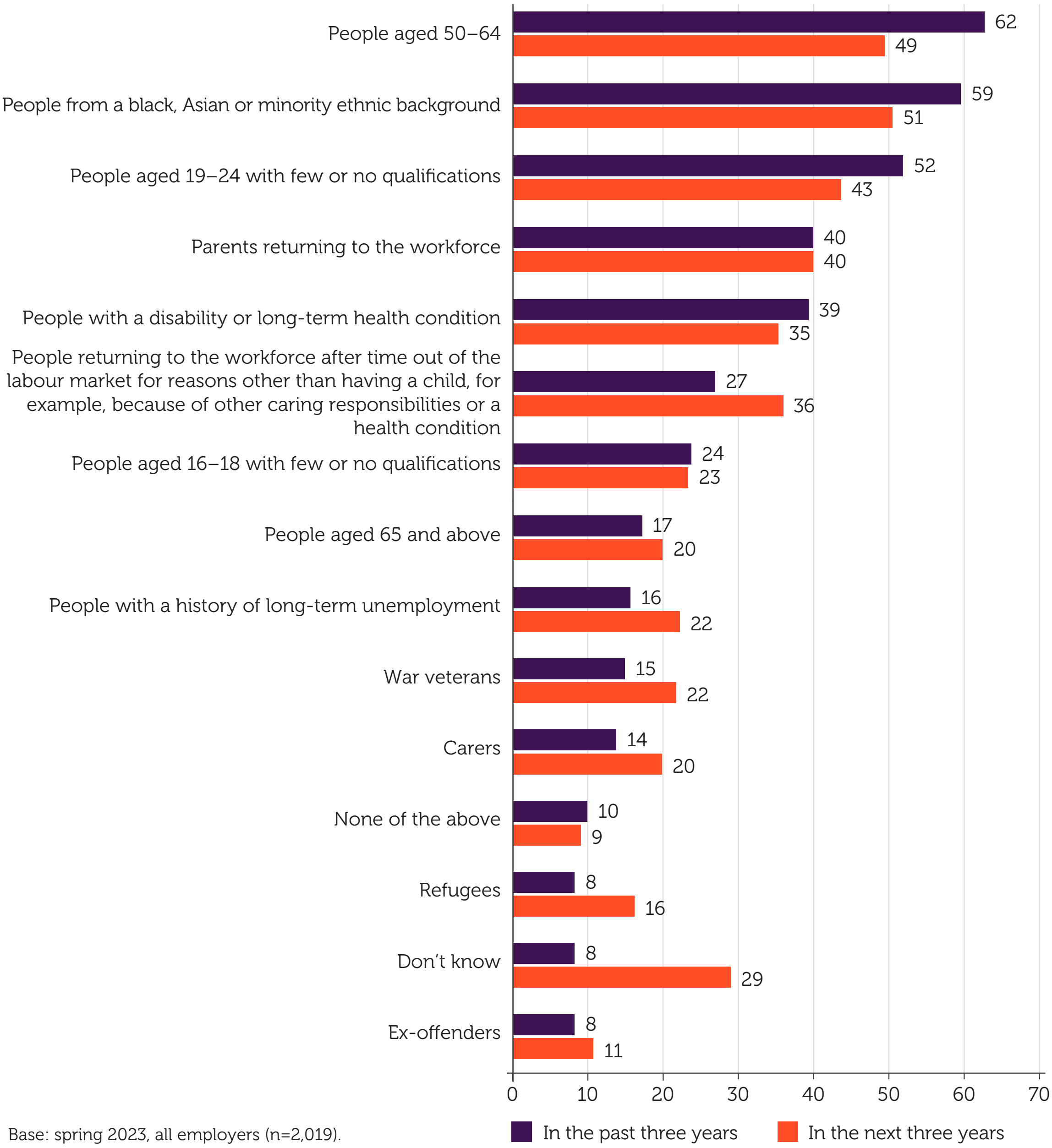
Employer hiring intentions of groups with barriers to work

In the last three years, around six in 10 employers hired someone aged 50–64 (62%) or someone with an ethnic minority background (59%). Fifty-two per cent of employers also hired someone aged 19–24 with few or no qualifications.

Many employers plan to continue to hire from these groups in the next three years; however, they also appear more receptive to hiring those who are returning to the workplace after having time out of the labour market (36%) – for example, because of other caring responsibilities or a health condition. This is important given levels of inactivity as a result of a health condition.

Almost a third (29%) of employers don't know whether they plan to hire from any of the listed groups in the next three years. A higher level of employers also plan to hire people aged 65 and above (20%), people with a history of long-term unemployment (22%), war veterans (22%), carers (20%), refugees (16%) and ex-offenders (11%), than have done so in the past three years.

Figure 15: Employers' hiring intentions of disadvantaged groups (%)



Base: spring 2023, all employers (n=2,019).

Further reading and practical guidance

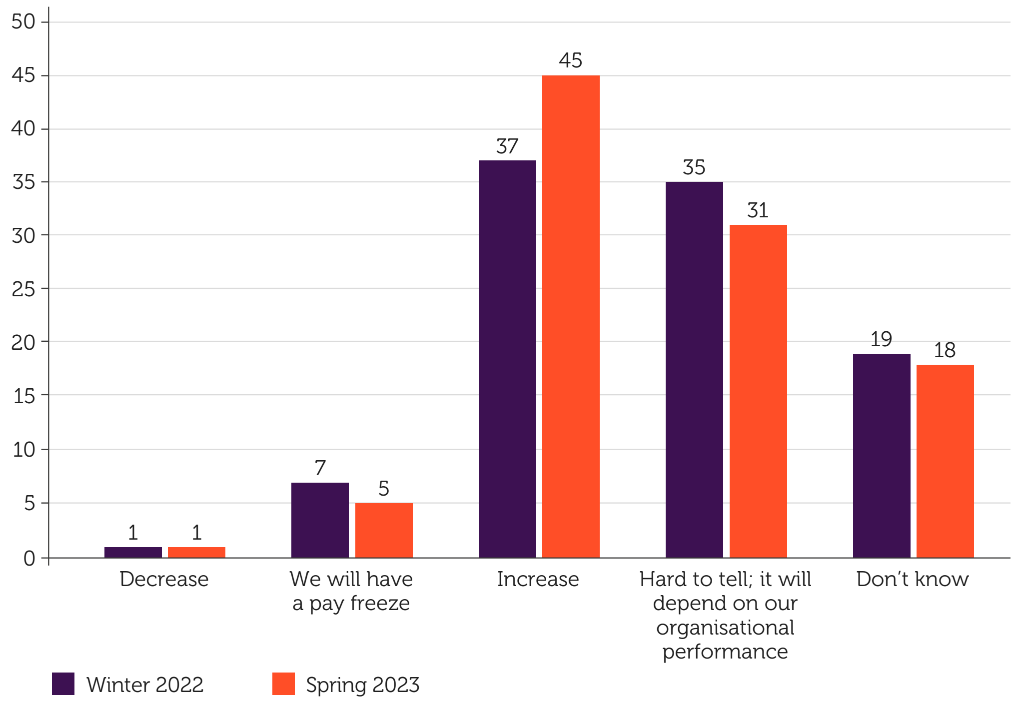
- CIPD | **Inclusive recruitment for employers**
  Master your job adverts and role design with a more inclusive approach to recruitment.
- CIPD | **Skills development**
  Access skills development resources to upskill your employees.
- CIPD | **Resourcing and talent planning report**
  Trend analysis and benchmarking data on recruitment, workforce planning and retention.

5 Pay outlook

Of employers planning a pay review in the next 12 months, an increase in pay is the most common response at 45%. This is higher than the 37% recorded in the previous quarter.

Fewer organisations (31%) think it is hard to tell (dependent on organisational performance), compared with the previous quarter (35%). One in five employers (18%) do not know. Five per cent expect a pay freeze and only 1 per cent expect a decrease (Figure 16).

Figure 16: Employers' expected direction of pay award (%)

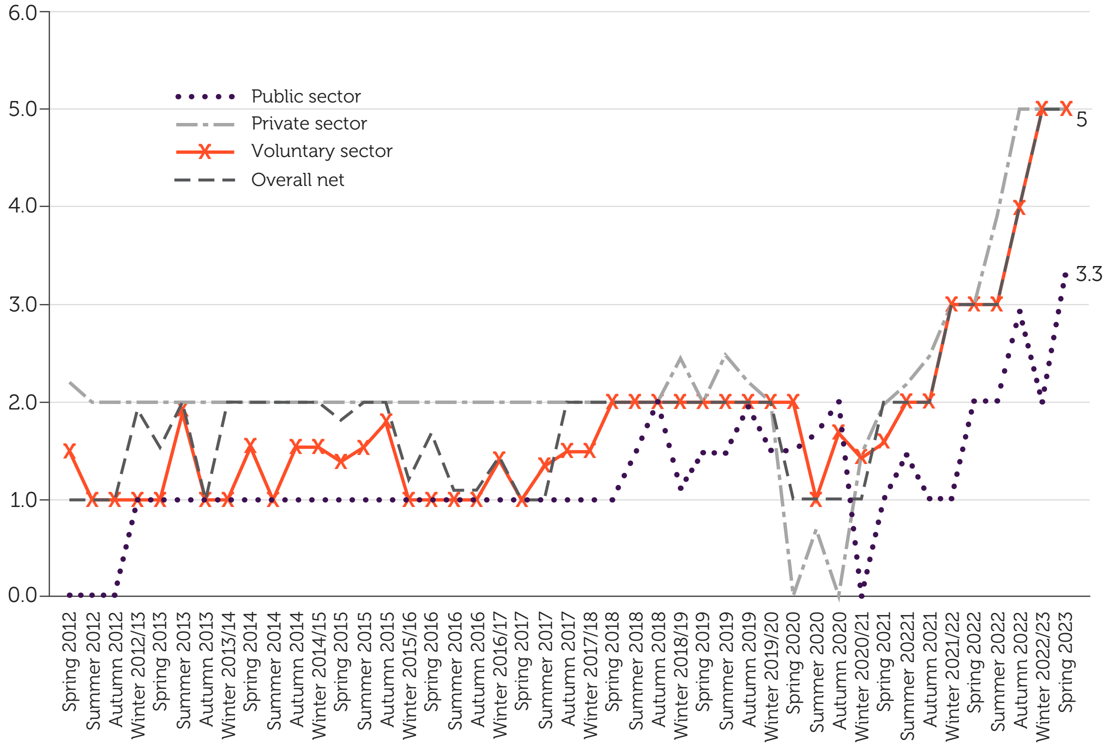


Base: all employers planning a pay review in the next 12 months, winter 2022/23 (n=1,714) and spring 2023 (n=1,742).

The median expected basic pay increase among employers expecting to increase, decrease or freeze pay within the next 12 months stands at 5% unchanged on the quarter. This figure matches last quarter, which was the highest overall net figure in the LMO's current time series dating back to 2012. Expected pay awards in both the private sector and voluntary sector remain at 5%. The figure for the public sector has risen to 3.3%, up from 2% in the previous quarter (Figure 16). This is the highest public sector expected pay increase in the LMO time series, which covers the austerity period of lower public sector pay awards.

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 17: Median basic pay increase expectations – median employer



Base: spring 2023, all employers expecting and able to estimate a pay award (n=961; private: n=710; public: n=183; voluntary: n=70).

Further reading and practical guidance

- CIPD | **Pay structures and pay progression**
  Unlock some common ways for structuring pay and determining, reviewing and controlling pay progression.
- CIPD | **Is pay transparency good for business?**
  Understand the benefits, pitfalls and challenges of increasing pay transparency and the broader impact on global organisations.
- CIPD | **Pay fairness and pay reporting**
  Find out what fair pay can mean and what pay information UK employers must disclose by law.

6 Financial wellbeing

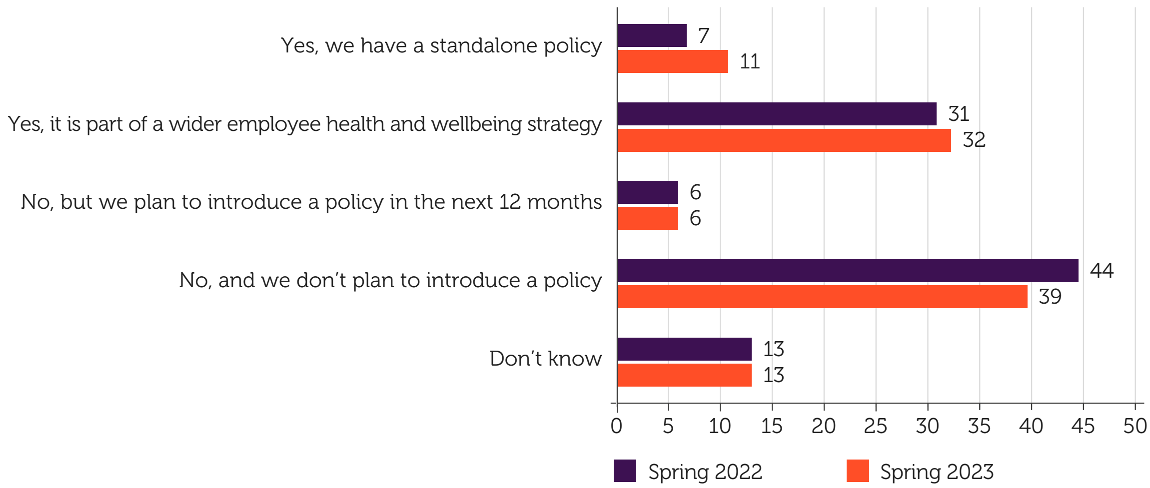
We asked employers whether they have financial wellbeing policies in place to support employees. Just one in 10 (11%) employers have a standalone financial wellbeing policy. Nevertheless, this is slightly higher than 12 months ago (7%).

A similar proportion of employers have a financial wellbeing policy as part of a wider employee health and wellbeing strategy (32%) as with 12 months ago (31%). Despite progress, two in five (39%) employers do not have a financial wellbeing policy and do not plan to introduce one.

Employers in the private (40%) and voluntary (51%) sectors are significantly more likely to not have a financial wellbeing policy or plan to introduce one in the next 12 months compared with employers in the public sector (31%).

Having a standalone financial wellbeing policy is more common among large private sector employers (14%) compared with smaller employers (8%). They are also more likely to have a financial wellbeing policy as part of a wider employee health and wellbeing strategy (43%) compared with smaller employers (17%). Six in 10 (60%) SMEs do not plan to introduce a financial wellbeing policy.

Figure 18: Employer's with a financial wellbeing policy, compared to 12 months ago (%)

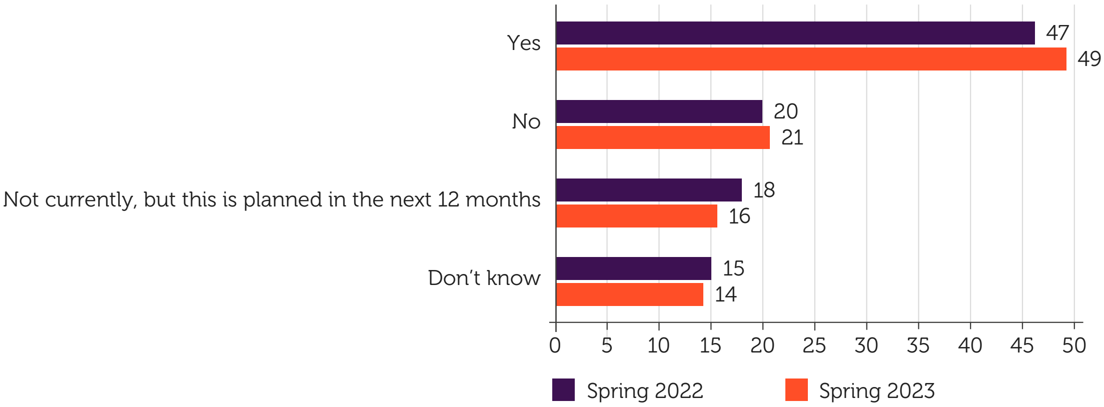


Base: all employers, spring 2022 (n=2,023) and spring 2023 (n=2,019).

Of the employers who have or plan to have some type of policy, fewer than half (49%) are supported by a budget. This is largely unchanged from this time last year.

Fifty-seven per cent of large private sector employers have/will support their policy/ planned policy with a budget compared with just 39% of SMEs.

Figure 19: Employers' financial wellbeing policy is backed up by a budget, compared to 12 months ago (%)



Base: spring 2023, all employers who have, or plans to have, a policy for financial wellbeing of employees (n=915).

Further reading and practical guidance

- CIPD | **Employee financial wellbeing: A practical guide**
  Guidance for HR practitioners and employers to support their employees' financial wellbeing.
- CIPD | **Financial wellbeing: An evidence review**
  Evidence-based insight and practical recommendations for addressing employee financial wellbeing in the workplace.

7 Survey method

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,012 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 21 March and 12 April 2023. 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	362
10–49	401
50–99	157
100–249	203
250–499	170
500–999	171
1,000 or more	555

Table 2: Breakdown of sample, by sector

Sector	Count
Private sector	1,508
Public sector	365
Third/voluntary sector	146

Table 3: Breakdown of sample, by industry

Industry	Count	Count with hard-to-fill vacancies
Manufacturing	178	69
Construction	129	50
Primary and utilities	44	24
Education	204	114
Healthcare	150	79
Wholesale, retail and real estate	144	31
Transport and storage	57	24
Information and communication	87	28
Finance and insurance	160	69
Business services (eg consultancy, law, PR, marketing, scientific and technical services)	250	96
Hotels, catering and restaurants/Arts, entertainment and recreation	131	51
Administrative and support service activities and other service activities	192	71
Public administration and other public sector	127	55
Police and armed forces	20	8
Voluntary	146	57

Table 4: Breakdown of sample, by region

Region	Count
Scotland	117
Wales	49
Northern Ireland	35
Northwest England	158
Northeast England	48
Yorkshire and Humberside	107
West Midlands	134
East Midlands	105
Eastern England	99
London	372
Southwest England	135
Southeast England	234
All of the UK	426

The 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.org/uk

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