



LABOUR
MARKET

OUTLOOK

VIEWS FROM
EMPLOYERS

Autumn 2020

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

Autumn 2020

Contents

1 Foreword from the CIPD	2
2 Foreword from the Adecco Group UK and Ireland	3
3 Key points	4
4 Recruitment and redundancy outlook	5
5 Recruitment intentions	9
6 Redundancy intentions	11
7 Pay outlook	12
8 Survey method	14

1 Foreword from the CIPD

The jobs market is still uncertain, but the rate of decline is showing signs of levelling off, according to the CIPD/the Adecco Group UK and Ireland *Labour Market Outlook* (LMO), a national survey of more than 1,000 employers.

The report shows a clear improvement in net employment intentions.¹ Although it remains in the red, at -1, it is still seven percentage points higher than the last quarter, when it plummeted to a record low of -8 (see Figure 1). The modest improvement in employment intentions is due to a marginal fall in redundancy activity and a modest rise in recruitment activity.

Nonetheless, intentions to make redundancies remain elevated – with around three in ten (30%) of employers planning to make redundancies in the three months to December 2020, down from 33% of employers in the summer report. In addition, employers anticipating making redundancies in the next three months are expecting to cut a lower proportion of their workforce compared with the summer report. The volume of redundancy intentions in this quarter's survey represents on average 16% of the workforce, down four percentage points compared with the last quarter (19%). Encouragingly, around half (47%) of organisations planning to make redundancies over the next three months indicated that it would affect 10% or less of their workforce, up six percentage points (41% of organisations) compared with the previous quarter. As in the previous recession, this survey also highlights ample evidence that employers are adopting a variety of tactics to stave off or minimise redundancies, especially in terms of wage flexibility and recruitment freezes.

Meanwhile, recruitment intentions have risen for the second consecutive quarter but continue to lag well below pre-pandemic levels. As in the summer report, relatively strong labour demand in the public sector is only partly offsetting weaker demand in the private sector.

Despite these modest improvements, it should be noted that considerable uncertainty remains about the overall prospects for employment, which remain weak. This is partly due to the timing of the fieldwork, which both preceded the recent re-introduction of restrictions in large parts of the UK and overlapped with the Government's [Winter Plan](#) announcement. More recently, the Government has announced an extension to the furlough scheme and further lockdown measures in England, following the introduction of similar restrictions in Scotland, Wales and Northern Ireland.

A potential consequence of weaker employment growth is a looser labour market. The survey data suggests that the weaker employment growth over the past six months has led to a noticeable increase in the number of applicants for vacancies across all skill levels compared with previous reports. Interestingly, there is a considerable difference between the high mean figure and the median, indicating a skewing of the mean by specific instances where hundreds or thousands of applicants were chasing the same role. Given the media tendency to cover these stories, this finding could have important implications for our understanding of the extent to which labour supply has increased since the onset of the pandemic.

This backdrop will continue to weigh down on pay, with the survey showing basic pay expectations among employers for the 12 months to September 2021 at 1%. This is partly due

¹ This is measured by the difference of employers who intend to increase staffing levels from those who intend to decrease staffing levels in the three months from September 2020.

to a relatively large proportion (51%) of private sector employers planning to freeze wages during this period. This is also weighing on basic pay growth expectations in the private sector, which have fallen from 0.8% to 0% during the past three months. Additionally, many other employers are unsure of their future intentions.



Overall, notwithstanding the considerable uncertainty, the survey data suggests that the jobs fallout is a more modest one compared with the previous quarter, which might indicate that the worst of the jobs cull might be over in the short term. If this proves to be the case, the recent record quarterly increase in redundancies² might become less dramatic in the short term alongside modest improvements to hiring confidence levels.

Gerwyn Davies, CIPD Senior Labour Market Analyst

2 Foreword from the Adecco Group UK and Ireland

It's been eight months since the media declared 'life put on hold' as a result of lockdown measures in response to the global pandemic. However, despite daily life changing beyond recognition for many of us, the UK's labour market has certainly not been put on hold according to the data in our autumn CIPD and the Adecco Group UK and Ireland *Labour Market Outlook* report.

Having witnessed the shockwaves of COVID-19 through our summer report, our autumn report shows a slowing of downward trends. The key figure, that of net employment intentions, still remains negative at -1, and with significant variation by industry, but it's a promising improvement on the summer figure of -8. The peaks and troughs in the charts speak for themselves in terms of the challenges that employers have been faced with over the past 12 months.

Although there are positive signs in this autumn outlook, the report reflects the uncertainty that businesses are still facing. The majority (59%) are unable to comment on their pay reviews and some (7%) could not say whether they will be increasing or decreasing staff levels over the next quarter. With more restrictions recently announced by the Government, along with changes to support schemes, it remains difficult for organisations to navigate a clear path forward.

A positive that I took from this report is the variety of tactics that employers are continuing to use to reduce redundancies, including the furlough scheme and redeployment. I am a strong believer in reskilling, and it would be a boost to the UK workforce if redeployment (which 12% of employers are already planning to use) is used by more employers with a focus on learning and upskilling.

Although redundancy intentions have decreased slightly over the quarter, 30% of organisations expect to make some redundancies over the next three months. This paired with an increase in labour supply, meaning more applicants per role, creates additional

² ONS [Labour market overview](#), UK Statistical bulletins.



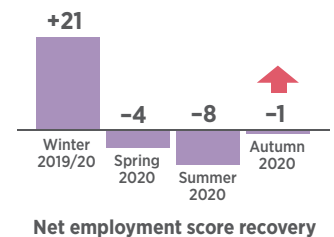
hurdles for jobseekers and especially to those entering the workforce for the first time. Therefore, against the backdrop of 2020 and in the current labour market, job candidates and new career starters will need as much support as possible from the Government and organisations, in order to help them on their way into employment.

Alex Fleming, Country Head and President of Staffing and Solutions, the Adecco Group UK and Ireland

3 Key points

Recruitment and redundancies

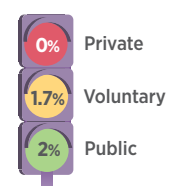
- The net employment intentions figure for Q4 2020 has risen to -1 from -8 in the summer 2020 report. This is due to both a modest fall in redundancy intentions, down from 33% to 30%, and a slight uptick in recruitment intentions. The improvement has been driven by the private sector (-5), which saw an eight percentage point increase since the summer report.
- There is a large variation across sectors in terms of the net employment score. Employment confidence is highest in healthcare (+36) and education (+10) and lowest in manufacturing (-27), finance and insurance (-18), and hospitality (-14).
- Mirroring the official data, recruitment intentions among UK employers surveyed have edged up since the past quarter. More than half (53%) of employers responding to the autumn survey are planning to recruit in Q4 2020, up four percentage points from the summer but down 16 percentage points from the same quarter last year (69%).
- In addition, redundancy intentions have decreased slightly over the quarter. Three in ten (30%) organisations expect to make some redundancies in the next three months (representing on average 16% of the workforce), down three points from the summer quarter. This is still well above the historical average for the LMO redundancy measure.
- Labour supply has increased since the onset of the pandemic for low-skilled roles (up from 20 to 25 applicants), medium-skilled roles (up from 10 to 15 applicants) and high-skilled roles (up from 7 to 10 applicants) compared with the summer report.
- Key tactics used by employers to stave off or minimise redundancies to date include temporary lay-offs/furlough staff (41%), redeployment (37%), recruitment freezes (32%), freezing or delaying wage increases (29%), cutting bonuses (29%) and terminating temporary worker or agency worker contracts (27%).



Tactics to minimise redundancies

Pay

- Median basic pay increase expectations for the next 12 months are 1%, unchanged from the summer quarter. Pay expectations in the private sector are 0%, compared with 0.8% three months earlier. More than half (51%) of private sector firms expect to freeze pay over the next 12 months. By comparison, pay expectations are higher in both the public sector (2%) and voluntary sector (1.7%).
- Just over seven in ten (73%) of employers surveyed intend to review wages in the next 12 months. Three in ten (27%) intend to postpone their pay decision this year, broadly consistent with 29% in the spring quarter.



Pay rise expectations (sector)

4 Recruitment and redundancy outlook

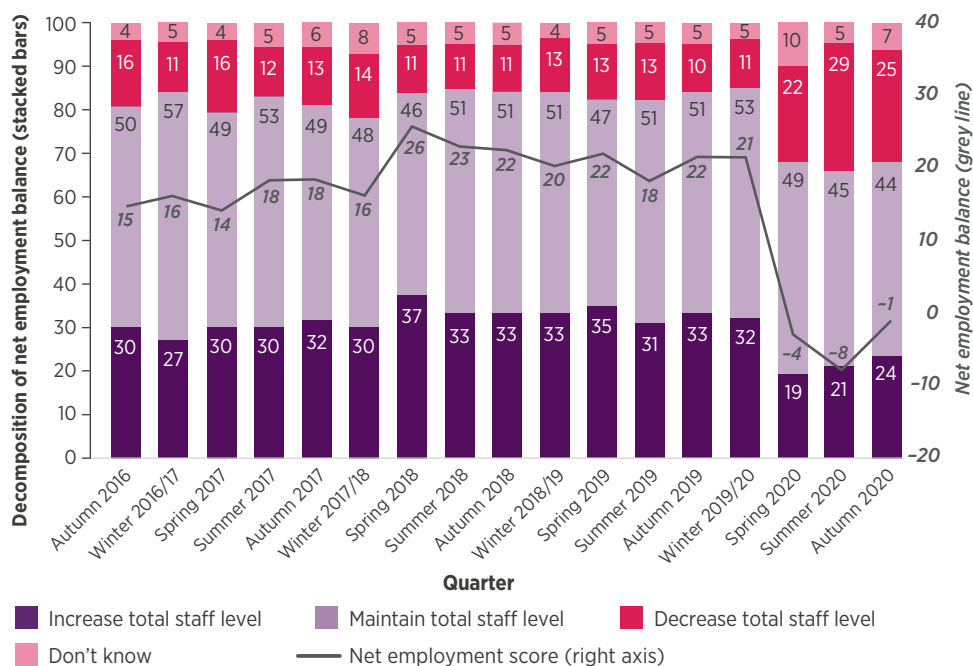
What is the short-term employment outlook?

This quarter’s net employment balance figure for the whole economy, which measures the difference between the proportion of employers who expect to increase staff levels and those who expect to decrease staff levels, is -1. This is an improvement from the previous quarter (-8) and the highest score since the onset of the pandemic. However, it is down 22 percentage points from the winter 2019/20 quarter.

When asked what the overall effect of recruitment and redundancies will be in this quarter of 2020, 44% of organisations surveyed say they will maintain total staff levels. Around a quarter (24%) plan to increase staff levels, while 25% expect a decrease – down four percentage points since summer 2020.

Additionally, there has been a modest increase in the proportion of those who could not give an answer as to whether they plan to increase or decrease staff levels, up from 5% in the summer quarter to 7% in this report.

Figure 1: Decomposition of net employment balance over time



Base: autumn 2020, all employers (n=1,006).

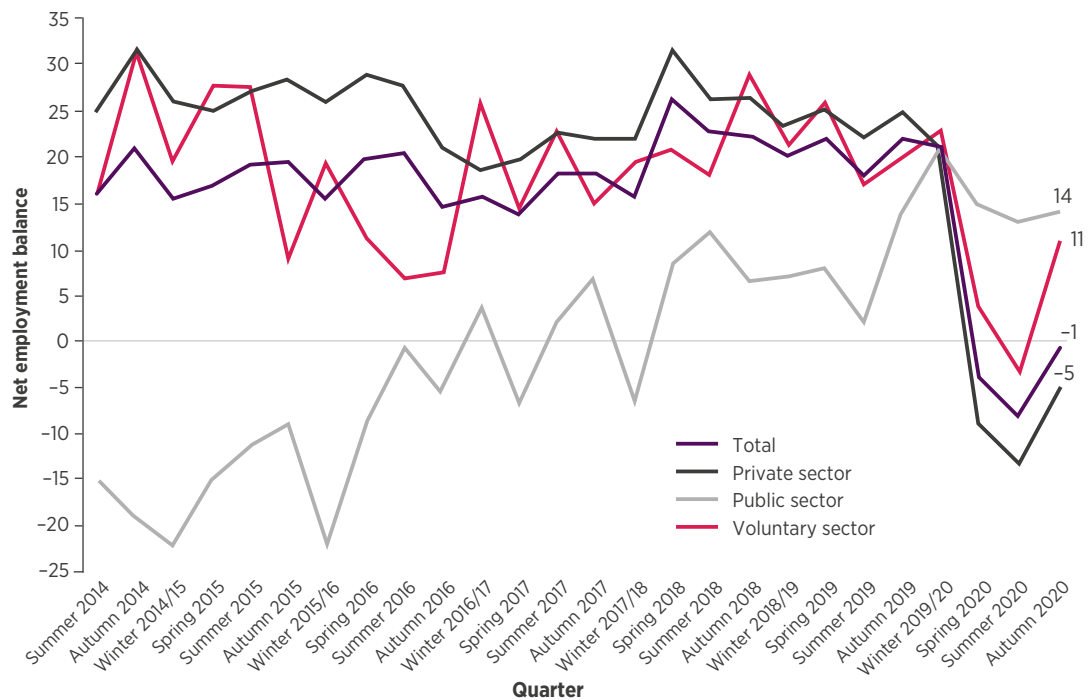
How to interpret Figure 1

The net employment balance is an indicator of employment confidence. It takes the difference between the proportion of employers who expect to increase staff levels and those who expect to decrease staff levels. Figure 1 contains the net employment balance over time to show how employment confidence has changed. It also shows what is responsible for this change, be it more firms increasing, decreasing, or maintaining staff levels.

The increase in net employment intentions is largely due to a growth in confidence in both the voluntary and private sectors. The net employment intentions figure for the private sector is -5, an eight percentage point increase from -13 in the summer report. Meanwhile, the employment outlook in the voluntary sector has increased by 14 percentage points, from -3 to +11 during the same period.

Around three in ten (28%) private sector employers say their intention is to decrease staff levels, down from 33% in the summer report. This is significantly higher than the proportions that expect to decrease staff levels in both the public (15%) and voluntary sectors (11%). The net employment intention for the public sector is +14 – roughly in line with the +13 recorded in the summer quarter.

Figure 2: Overall effect of increasing or decreasing staff over the next three months, by sector

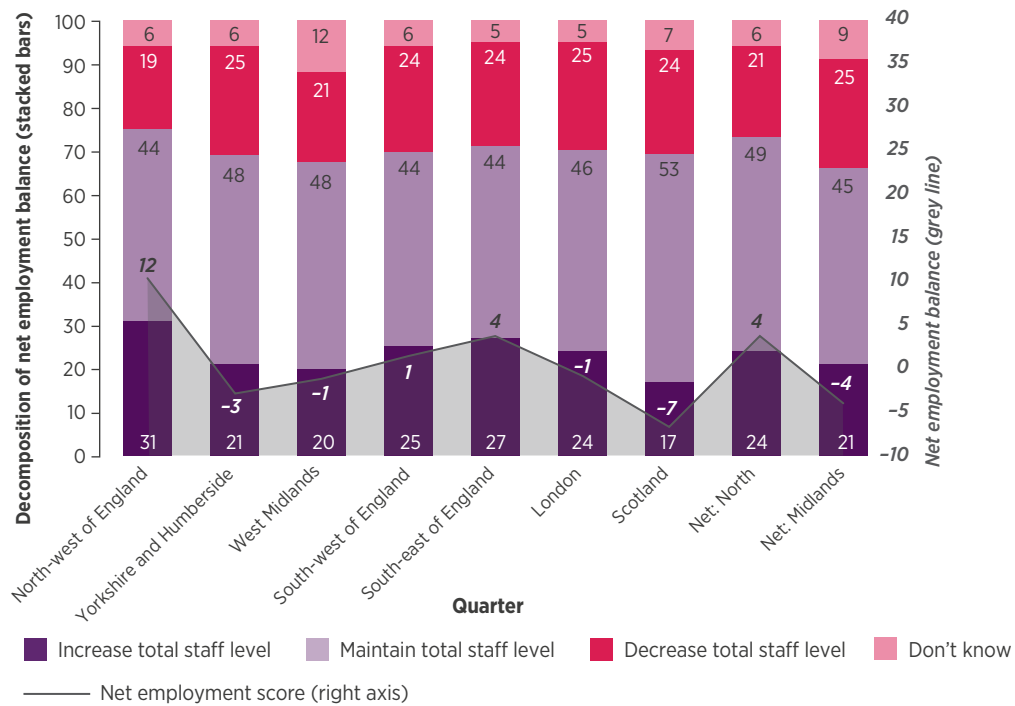


Base: autumn 2020, all employers (n=1,006; private: n=755; public: n=177; voluntary: n=74).

Regional and national trends

The employment intentions figure for the Midlands is now -4, an improvement from -11 in summer, while the net balance for Scotland is -7, up from -17 in the summer quarter. By contrast, staffing levels look set to increase in the north-west of England (+12), an increase from +4 in summer 2020.

Figure 3: Overall effect of increasing or decreasing staff over the next three months, by region, summer 2020

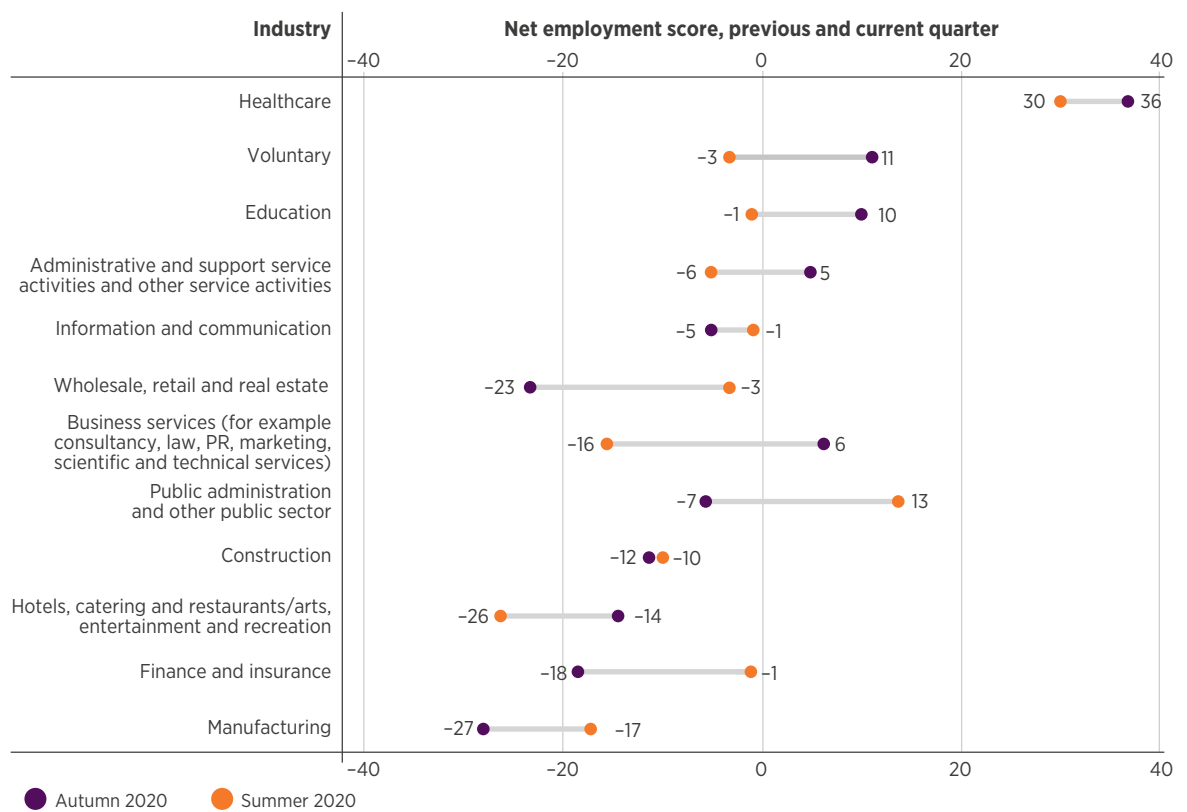


Base: all bases > 50. For breakdown of base sizes, see Table 4.

Industry trends

Despite improvements across almost all industries, the workforce looks set to shrink in the majority of sectors, most notably in manufacturing (-27), finance and insurance (-18), hospitality (-14) and construction (-12). Employers in healthcare (+36), voluntary sector (+11) and education (+10) are the only industries that will see staffing levels increase in the three months from September 2020.

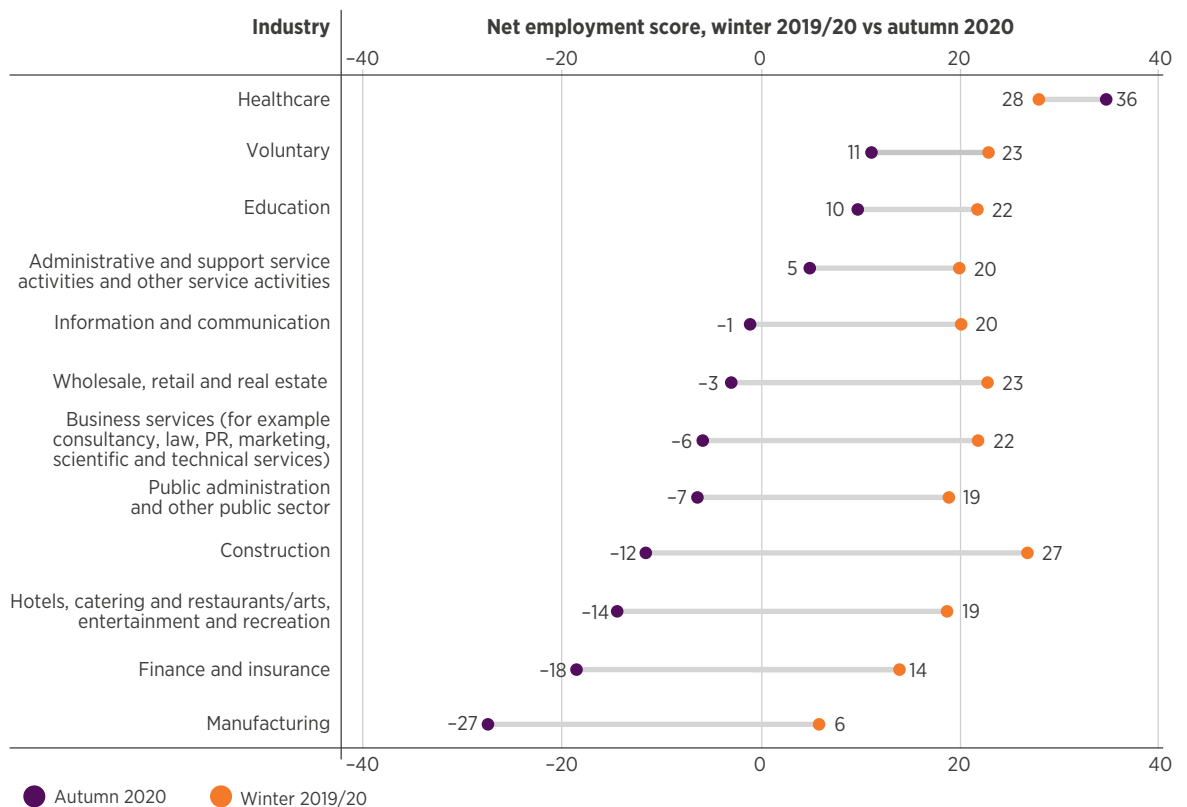
Figure 4: Net employment score, by industry, previous and current quarter (%)



Base: all bases > 50. For breakdown of base sizes, see Table 3.

Note: the sample size is too small for transport and storage, primary and utilities, and police and armed forces.

Figure 5: Net employment score, by industry, winter 2019/20 and autumn 2020 (%)



Base: all bases > 50. For breakdown of base sizes, see Table 3.

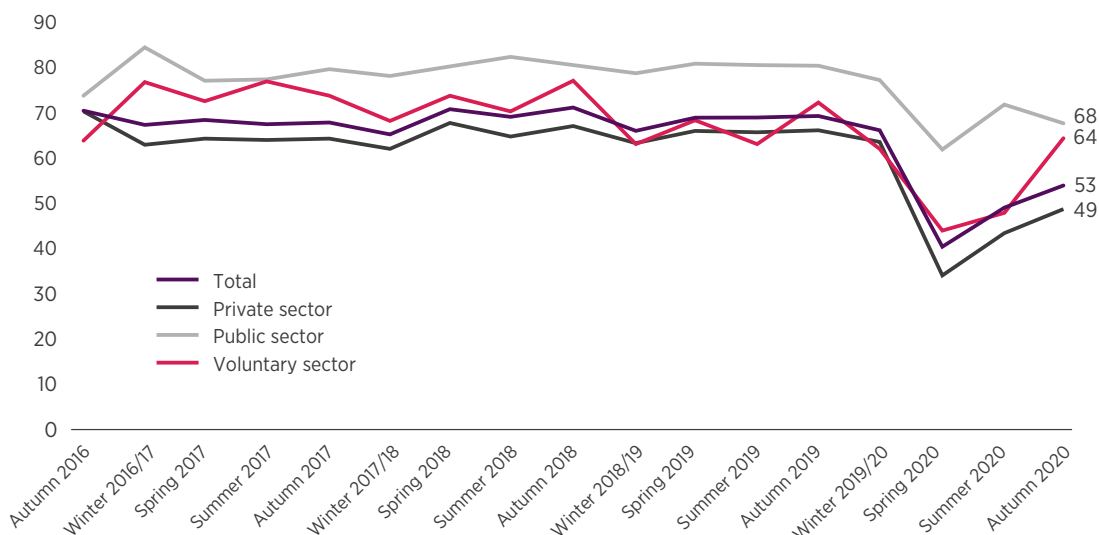
Note: the sample size is too small for primary and utilities and police and armed forces.

Employment intentions are still much higher in smaller organisations. Employers with 250 staff or less will increase staffing levels (+7) in the final quarter of 2020. In contrast, the workforce looks set to shrink in large organisations (-6) (250+ employees) despite an eight percentage point improvement since the last quarter.

5 Recruitment intentions

Recruitment intentions among UK employers surveyed have increased modestly for the second consecutive quarter, following a sharp fall in the spring report. Over half of employers (53%) in the autumn survey are planning to recruit in the next three months of 2020, up four percentage points from the summer report, but down 16 percentage points from the same quarter last year (69%). Recruitment intentions are therefore still lagging well below the levels seen in recent years.

Figure 6: Trended recruitment intentions (%)



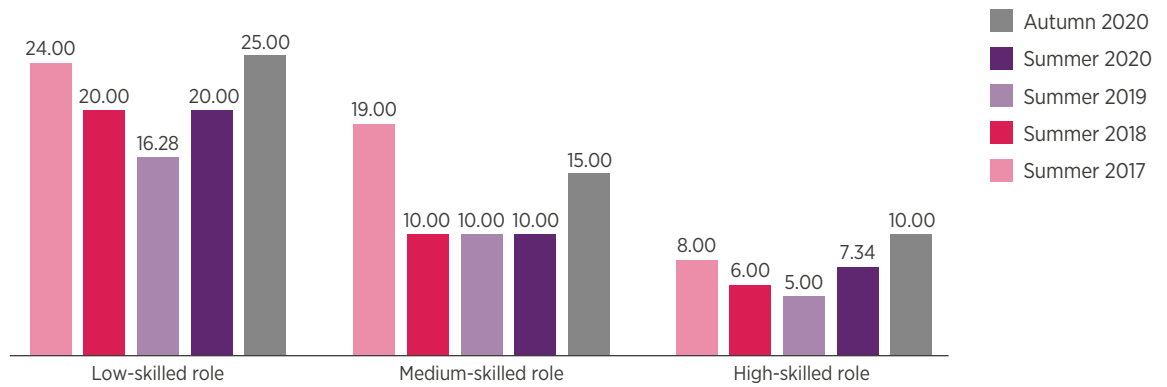
Base: autumn 2020, all employers (n=1,006; private: n=755; public: n=177; voluntary: n=74).

Recruitment in business sectors

As may be expected, recruitment intentions in the private sector (49%) will continue to lag behind the public sector (68%) in the next three months, despite a further improvement since the summer report (44%). Meanwhile, public sector recruitment intentions show a trend much in line with recent reports. Almost two-thirds of voluntary sector respondents (64%) are planning to recruit in the three months from September 2020, which represents an increase of 16 points from the last quarter.

Labour demand varies widely across the business sectors. Recruitment intentions are lowest among manufacturing (35%), hospitality (37%) and business services (45%). Meanwhile, hiring intentions are highest in healthcare (72%) and public administration (66%).

Figure 7: Number of applicants per vacancy



Base: all employers (summer 2017: n=1,139; summer 2018: n=2,001; summer 2019: n=2,104; summer 2020: n=2,009; autumn 2020: n=1,006).

This report also considers the number of applications employers received for the last low-skilled, medium-skilled and high-skilled vacancy they filled since the start of the pandemic. Overall, the survey data indicates that the supply of labour is noticeably less constrained compared with previous years across levels, especially in the public sector, where the figures are modestly higher. Interestingly, there is also a considerable difference between the mean and median measures, indicating that the higher mean figure could be inflated by examples of thousands of applicants chasing vacancies. This is particularly prevalent in the public sector. Given the media tendency to cover these stories, this finding could have important implications for our understanding of the extent to which labour supply has increased since the onset of the pandemic.

Where employers last filled a low-skilled vacancy, they received a median number of 25 applicants for that role, compared with 20 applicants in the summer 2020 report. By comparison, the mean number of applicants employers received for low-skilled roles was 506.

Meanwhile, employers report that the number of applications they received for medium-skilled roles has also increased compared with the summer 2020 report. Employers received a median of 15 applications for the last medium-skilled role that was advertised, up from ten applicants in the summer report. By comparison, the mean number of applicants employers received for medium-skilled roles was 267.

By comparison, labour supply is more constrained for high-skilled roles. Employers received a median of ten applications for the most recent high-skilled role they advertised for, which is again higher than the seven applications they reported receiving in the summer 2020 report. By comparison, the mean number of applicants employers received for high-skilled roles was 56.

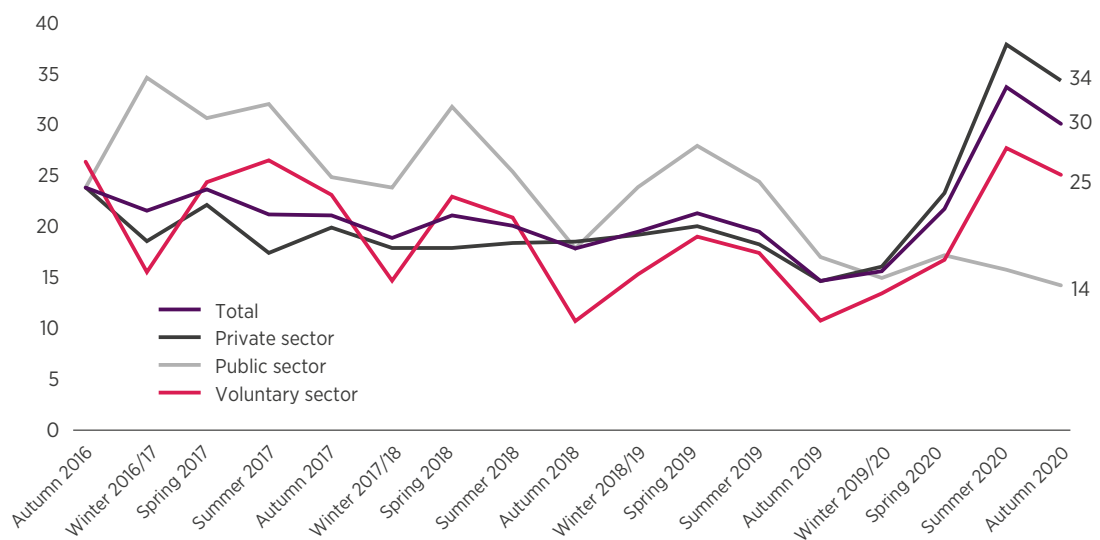
6 Redundancy intentions

Redundancy intentions have stabilised compared with the previous quarter, with three in ten (30%) planning lay-offs over the next quarter, down three percentage points from the summer quarter. There are also indications that the number of staff made redundant is being kept to a minimum.

Encouragingly, almost half (47%) of employers surveyed who expect to make redundancies over the next three months say this would represent 10% or less of their workforce, up from 41% in the summer quarter. In addition, the volume of redundancy intentions in this quarter's survey represents on average 16% of the workforce, which is also down four percentage points compared with the last quarter (19%).

Nonetheless, there continues to be a large amount of uncertainty around redundancy intentions, with just under a fifth (17%) saying they cannot give an opinion on whether they will be making redundancies in the next three months.

Figure 8: Redundancy intentions, by sector (%)



Base: autumn 2020, all employers (n=1,006; private: n=755; public: n=177; voluntary: n=74).

Slowdown starts to bite private and voluntary sectors

Just over a third (34%) of private sector firms report they intend to make job cuts in the next three months, which is broadly consistent with the 38% reported in the summer. For the voluntary sector this stands at 25%, a similar proportion to the summer (28%). By comparison, only 14% of public sector employers plan job cuts over the next quarter, which is broadly consistent with the previous quarters of 2020.

Redundancy intentions in the next three months are highest in manufacturing (47%), followed by finance and insurance (45%), hospitality (41%) and construction (40%). In addition, employers anticipating making redundancies in the next three months are expecting to cut a lower proportion of their workforce compared with the summer report. The volume of redundancy intentions in this quarter's survey represents on average 16% of the workforce, down four percentage points compared with the last quarter (19%).

Encouragingly, around half (47%) of organisations planning to make redundancies over the next three months indicated that it would affect 10% or less of their workforce, up six percentage points (41% of organisations) compared with the previous quarter. As in the previous recession, this survey also highlights ample evidence that employers are adopting a variety of tactics to stave off or minimise redundancies, especially in terms of wage flexibility and recruitment freezes.

Key tactics used by employers to date to stave off or minimise redundancies include temporary lay-offs/furlough staff (41%), redeployment (37%), recruitment freezes (32%), freezing or delaying wage increases (29%), cutting bonuses (29%) and terminating temporary worker or agency worker contracts (27%).

7 Pay outlook

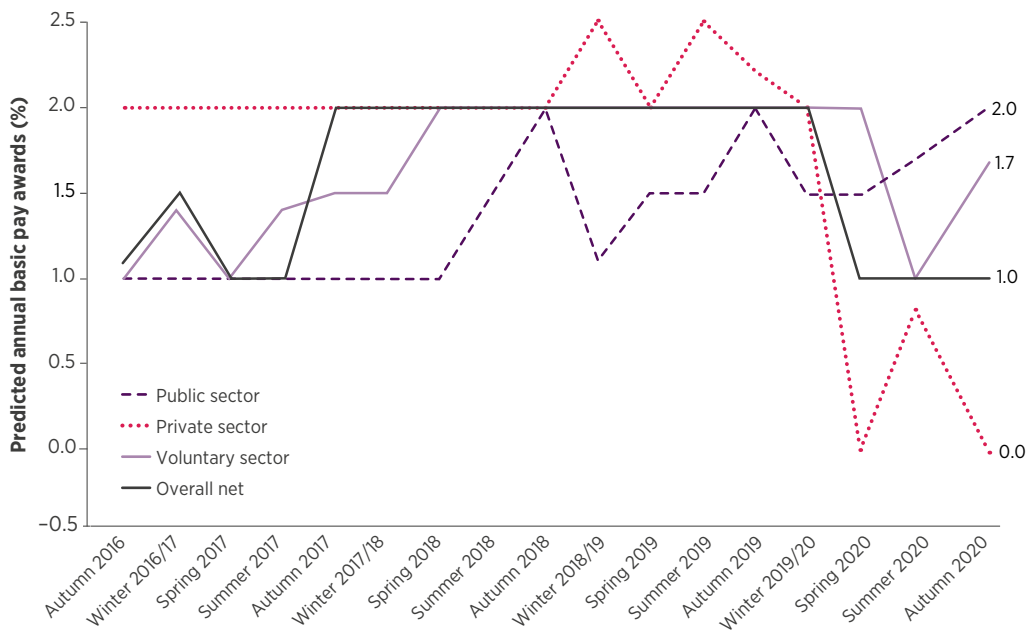
Expected scale of organisational pay reviews

Around seven in ten (73%) employers surveyed intend to review their wages over the next 12 months, with 13% of employers expecting this to be between September and November 2020. However, 27% say they have no intention of carrying out a pay review over the next 12 months, which is broadly consistent with the summer quarter (29%).

In line with the summer report, pay intentions among those employers that plan to carry out a pay review in the 12 months to September 2021 remain low by historical standards. Overall, employers say that the median basic pay increase in their organisation will be 1%, which remains unchanged from the summer quarter. Basic pay (excluding bonuses, increments, overtime and performance-related pay) in the private sector has fallen to 0%, down from 0.8% in the summer quarter. By comparison, public sector employees should expect to receive a median increase of 2.0% at their next pay award. Median basic pay expectations in the voluntary/not-for-profit sector are 1.7%.

This pay data should be treated with a degree of caution because 59% of employers that plan to carry out a pay review over the next 12 months cannot yet specify the outcome of their next pay award.

Figure 9: Employers' predicted annual basic pay awards (median employer), by business sector

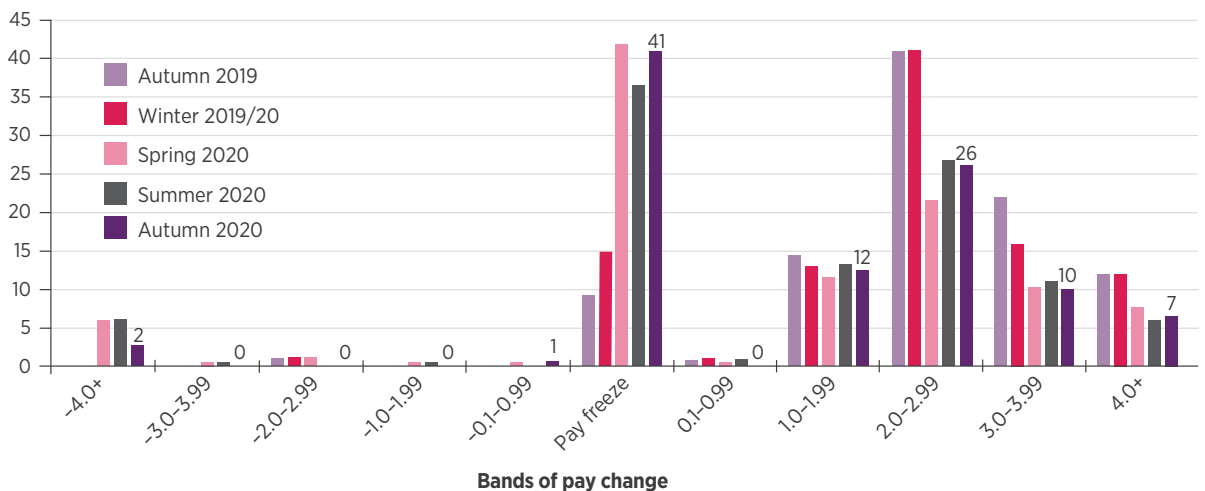


Base: autumn 2020, all employers who report an expected increase, decrease or pay freeze in the next 12 months (total: n=288; private: n=183; public: n=77; voluntary: n=28). (Note: Voluntary sector data is indicative only.)

Overall, among those who report an expected increase, decrease or pay freeze in the next 12 months, the proportion of employers predicting a pay freeze is 41%, roughly in line with the summer quarter (36%). This is largely driven by private sector employers (51%), who are significantly more likely than public sector employers (21%) to report a freeze.

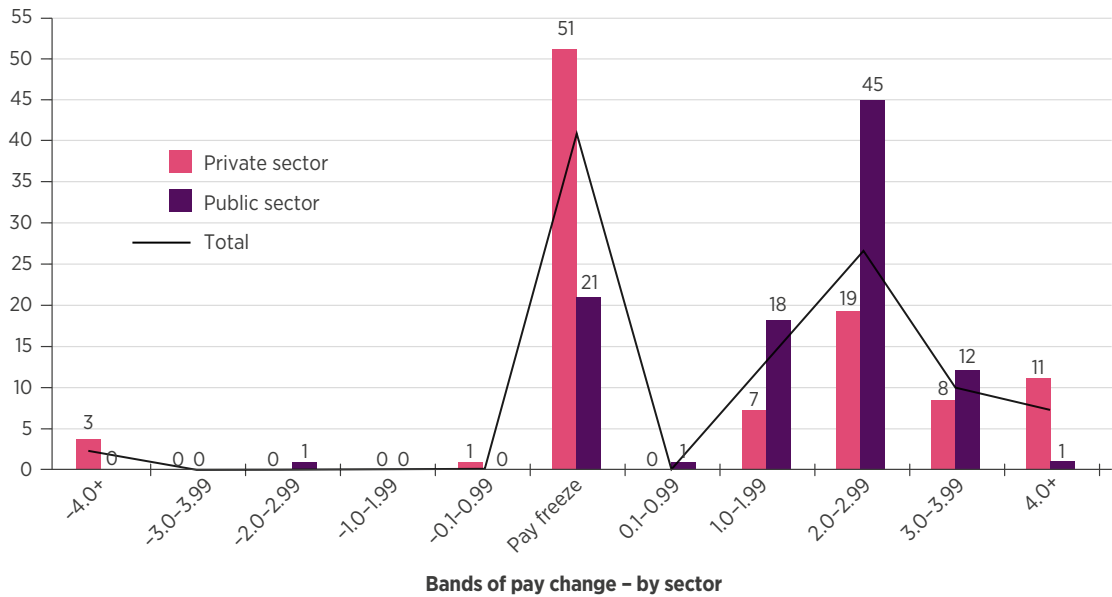
Nonetheless, over four in ten (44%) LMO employers surveyed expect their next pay reviews (excluding bonuses) to be 2% or more, the same proportion as reported in the summer.

Figure 10: Distribution of forward-looking basic pay changes, autumn 2020 (%)



Base: autumn 2020, all employers who report an expected increase, decrease or pay freeze in the next 12 months (n=288).

Figure 11: Distribution of forward-looking basic pay changes, by sector, autumn 2020 (%)



Base: autumn 2020, all employers who report an expected increase, decrease or pay freeze in the next 12 months (total: n=288; private: n=183; public: n=77). (Note: Voluntary sector data base is too low to report on.)

8 Survey method

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1,006 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken 14–30 September. 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 *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	160
10–49	186
50–99	91
100–249	83
250–499	85
500–999	79
1,000 or more	322
Total	1,006

Table 2: Breakdown of sample, by sector

Sector	Count
Private sector	755
Public sector	177
Third/voluntary sector	74
Total	1,006

Table 3: Breakdown of sample, by industry

Industry	Count
Voluntary	74
Manufacturing and production	162
Manufacturing	83
Construction	51
Primary and utilities	28
Education	99
Healthcare	79
Private sector services	529
Wholesale, retail and real estate	72
Transport and storage	30
Information and communication	55
Finance and insurance	101
Business services (for example consultancy, law, PR, marketing, scientific and technical services)	122
Hotels, catering and restaurants/Arts, entertainment and recreation	55
Administrative and support service activities and other service activities	94
Public administration and defence	56
Police and armed forces	7
Total	1,006

Table 4: Breakdown of sample, by region

Region	Count
North-east of England	36
East Midlands	41
West Midlands	60
Scotland	66
London	169
South-west of England	73
East of England	43
Wales	33
South-east of England	128
North-west of England	71
Yorkshire and Humberside	63
Northern Ireland	10



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