CIPD

LABOUR MARKET

OUTLOOK

VIEWS FROM EMPLOYERS

Summer 2024

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 over 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

Summer 2024

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1 Foreword from the CIPD

The quarterly CIPD *Labour Market Outlook* (LMO) provides 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.

This quarter, expected pay awards for the next 12 months have fallen to 3%, down from 4% last quarter. They have fallen across all sectors, with the gap in future pay awards between public and private sectors persisting. The potential reason for the fall is that we have now reached stable inflation levels, with the latest data showing the Consumer Prices Index (CPI) at 2%. The average private sector pay award is expected to be 3% in the coming 12 months, compared with 2.5% in the public sector. However, the new UK Government has since accepted recommendations from independent pay review bodies and confirmed above-inflation pay rises of 4.75%–6% for a large proportion of the public sector workforce.

The net employment balance, our composite indicator for employment intentions, has fallen into negative territory (–1) in the public sector for the first time since winter 2017/18. This means more employers in the sector are looking to decrease than increase staff levels in the next three months. The net employment balance in the healthcare sector remains high at +26, so it is in education (+2) and other areas of the public sector (–8) where the anticipated shrinking of staff levels come from. The survey was conducted during the election period in the UK, amid Conservative plans to cut the civil service to fund defence. With Labour, who had strongly opposed the cuts, now in power, could some of these negative figures be short-lived?

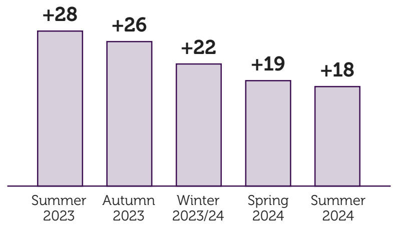
The new government's plans for its first 100 days in office are likely to have an impact on employer sentiment, with transformative proposals on employment rights in its 'New Deal for Working People'. Businesses, lobby groups and workers will hope to be consulted on topics such as zero-hours contracts, fire and rehire practices, worker status, redundancy rights, and flexible working. The list is comprehensive. The CIPD aims to be at the forefront of representing HR professionals and employers on these matters to policy-makers. The actions taken in the next three months are likely to have ramifications on the UK labour market for months and years to come.

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

James Cockett,
Senior Labour Market Economist

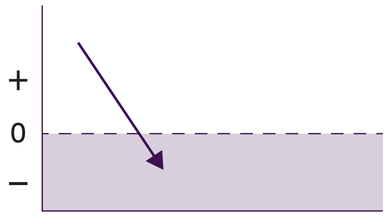
2 Key points

- The net employment balance – the difference between employers expecting to increase staff levels in the next three months and those expecting to decrease – edged down slightly to +18 this quarter.



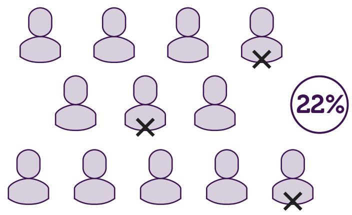
Net employment balance falls slightly

- The net employment balance in the public sector has fallen to –1, meaning that more employers in the public sector are looking to decrease than increase staff levels in the next three months.



Public sector employment confidence below zero

- Over a fifth of public sector employers (22%) are looking to decrease staff levels in the next three months.



Over a fifth of public sector plan to shrink staff

- Among employers surveyed, 37% have hard-to-fill vacancies. These vacancies are significantly higher in the public (48%) than the private sector (34%).

Hard-to-fill vacancies remain prevalent

- The median expected basic pay increase has fallen to 3% (from 4% last quarter). Expected pay awards in the next 12 months remain lower in the public sector (2.5%) compared with the private sector (3%). However, the new UK Government has since confirmed above-inflation pay rises of 4.75%–6% for a large proportion of the public sector workforce.

Median expected pay drops to 3%

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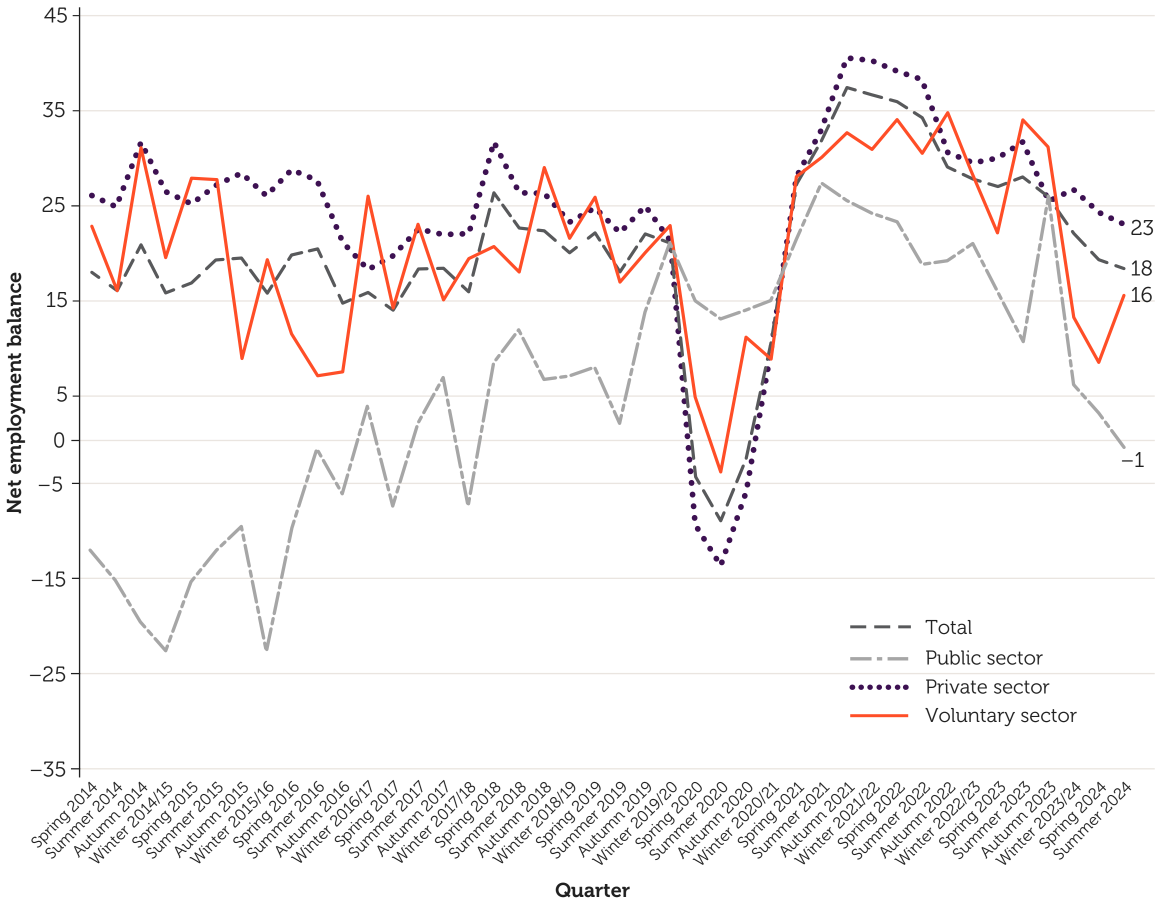
3 Recruitment and redundancy outlook

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 – remains positive but has continued its downward path from +19 last quarter to +18 this quarter.

The main story this quarter is that the net employment balance in the public sector is now below zero (–1). This means more employers are looking to decrease than increase staff levels in the next three months. This is the lowest level since winter 2017/18. The net employment balance remains highest in the private sector at +23 and does not differ between SMEs and larger private sector organisations. It has increased to +16 in the voluntary sector this quarter.

Net employment balance below zero in the public sector

Figure 1: Net employment balance, by broad sector

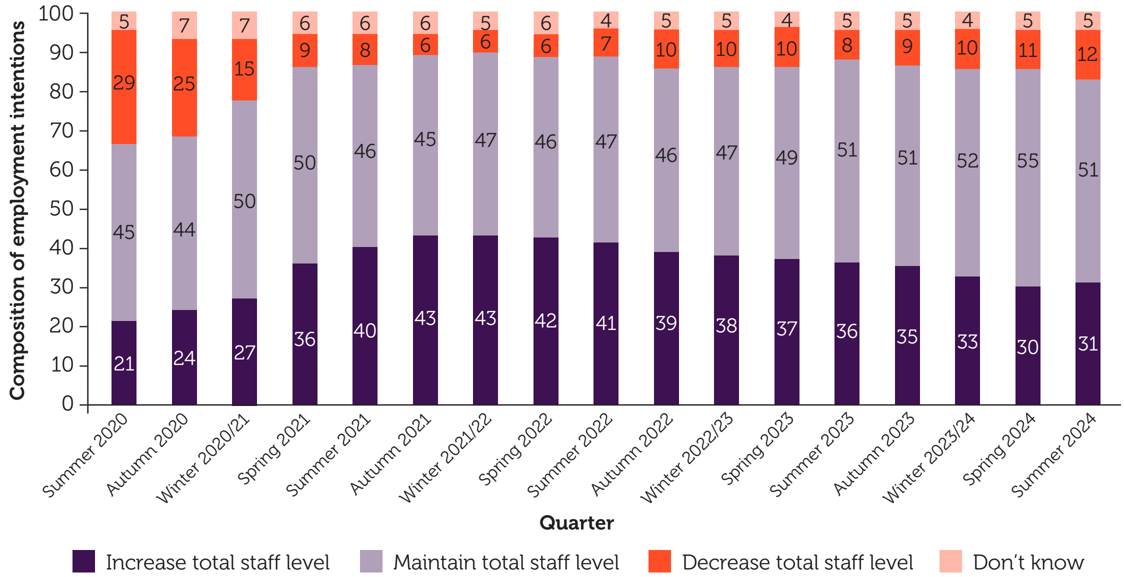


Base: summer 2024, all employers (total: n=2,032; private: n=1,538; public: n=347; voluntary: n=147).

Overall, the positive net employment balance is driven by more employers looking to increase their total staff level (31%) than those decreasing their total staff level (12%) (Figure 2). This latter figure is the highest since winter 2020/21.

Rate of employers looking to increase staffing levels stable

Figure 2: Composition of employment intentions (%)



Base: summer 2024, all employers (n=2,032).

As in recent quarters, public sector employers remain twice as likely as their private sector counterparts to plan to decrease their total staff level in the next three months (22% v 10%). The negative net employment balance in the public sector is a result of this figure being higher than the 21% who wish to increase their total staff levels. Meanwhile, a third (33%) of private sector employers plan to increase total staff levels in the next three months (Figure 3).

Public sector twice as likely to decrease total staff levels in next three months

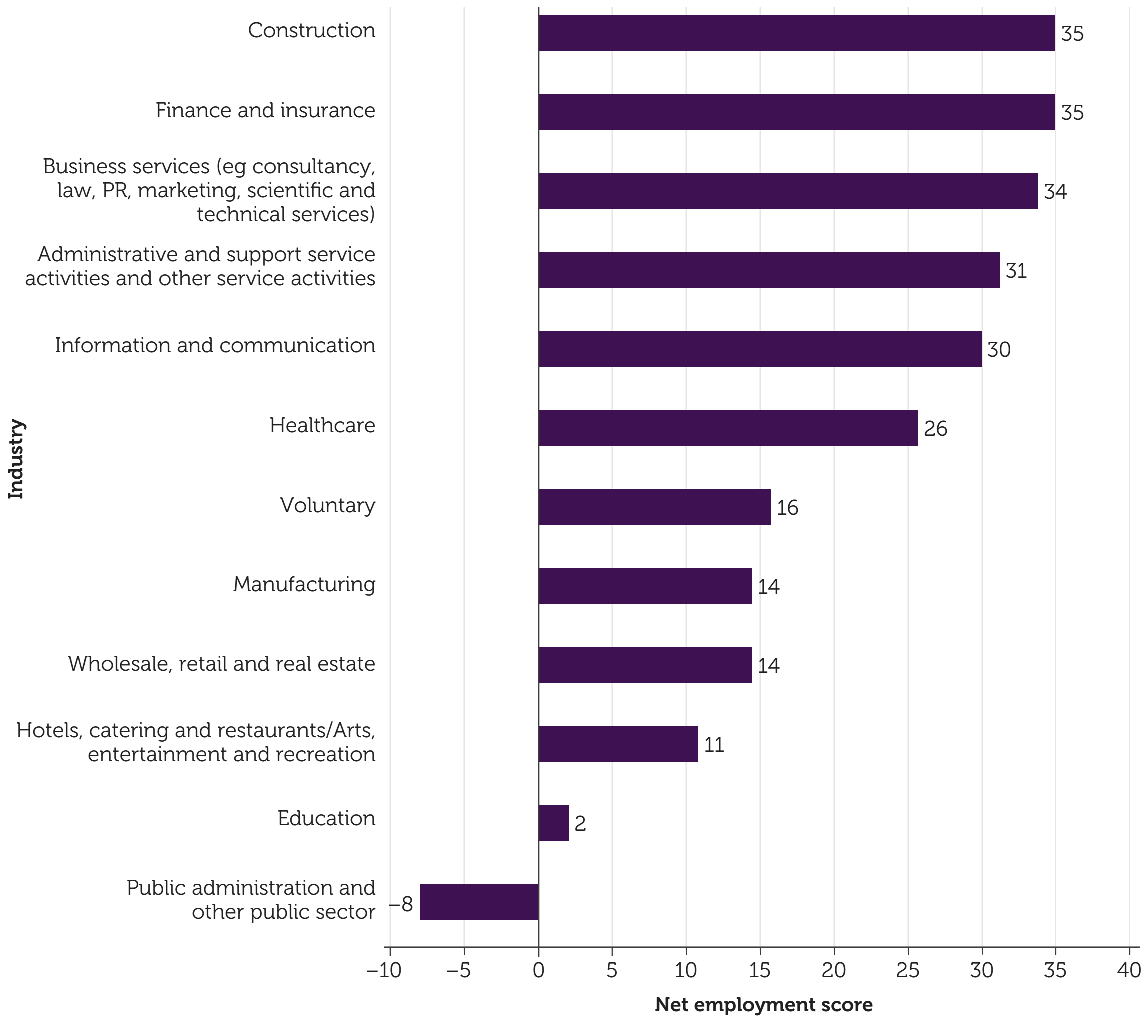
Figure 3: Composition of employment intentions, by broad sector (%)

Base: summer 2024, all employers (total: n=2,032; private: n=1,538; public: n=347; voluntary: n=147).

The net employment balance has fallen well below zero (–8) among public administration and other public sector employers this quarter (the score was –1 last quarter). The net employment balance in education is also low at just +2, but employment intentions continue to be more positive in all other industries (see Figure 4).

Net employment balance negative in public administration and other public sector

Figure 4: 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.

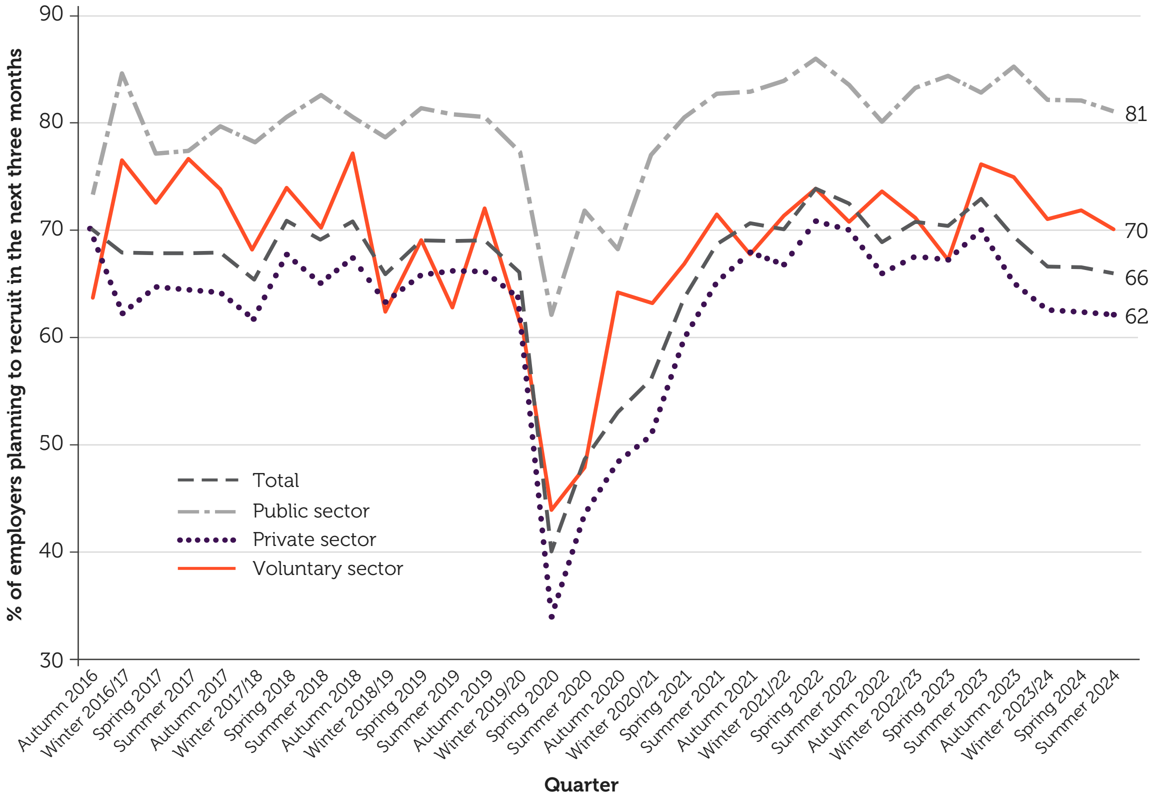
Recruitment

Two-thirds (66%) of employers plan to recruit in the next three months. Recruitment intentions remain highest in the public sector (81%), followed by the voluntary sector (70%). The percentage of employers in the private sector that plan to recruit in the next three months is 62% (Figure 5). All sectors are largely unchanged on the previous two quarters.

It may seem at odds that the public sector has the highest recruitment intentions yet also the highest likelihood of a decrease in staff levels. However, the public sector has much higher rates of hard-to-fill vacancies (48% v 34% in the private sector) and are more likely to anticipate significant problems filling future vacancies too (38% v 15% in the private sector). Therefore, while public sector employers may intend to hire, they are anticipating significant recruitment difficulties. Combined with the level of redundancies planned, the expected net effect on workforce size is negative.

Recruitment intentions highest in the public sector

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



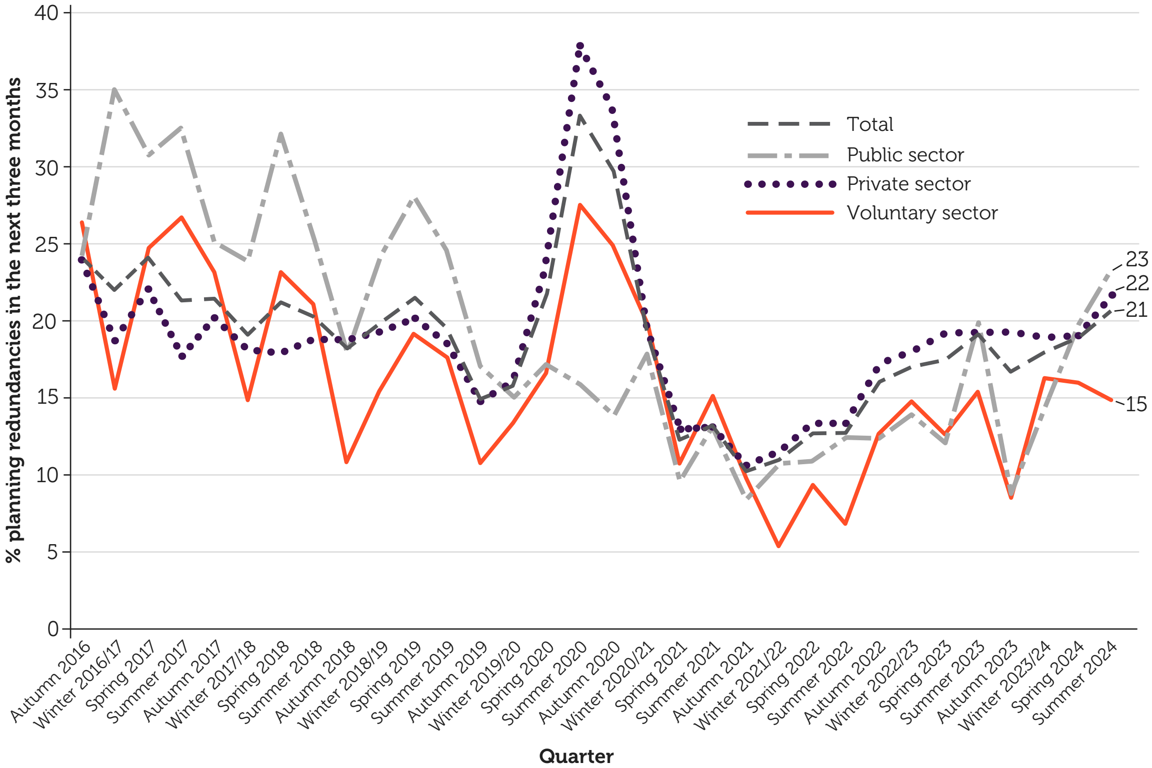
Base: summer 2024, all employers (total: n=2,032; private: n=1,538; public: n=347; voluntary: n=147).

Redundancies

Overall, 21% of employers are planning to make redundancies in the three months to September 2024 (see Figure 6). There is little variation in the expected rate of redundancies between the public and private sectors.

Redundancy intentions follow usual seasonal patterns

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



Base: summer 2024, all employers (total: n=2,032; private: n=1,538; public: n=347; voluntary: n=147).

Further reading and practical guidance

- CIPD | **Recruitment**

  Explore our wide range of best practice recruitment resources and gain the knowledge to benefit your organisation.

- CIPD | **Redundancy**

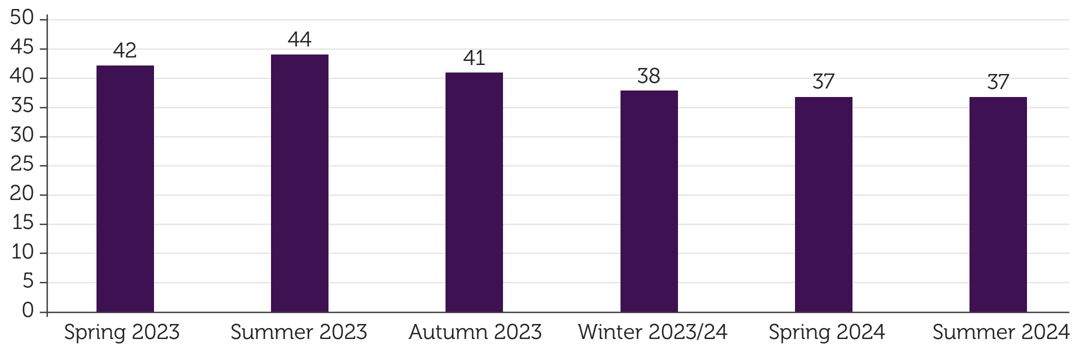
  Learn how to manage redundancies effectively in your organisation with a selection of practical resources and insights.

4 Job vacancies

Official data published in mid-July showed that overall vacancy levels have fallen for 24 consecutive months. Yet, as can be seen in Figure 7, the proportion who continue to have hard-to-fill vacancies is largely unchanged over much of this period. Among the surveyed respondents, 37% had hard-to-fill vacancies in the latest quarter.

Employers continue to have hard-to-fill vacancies

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

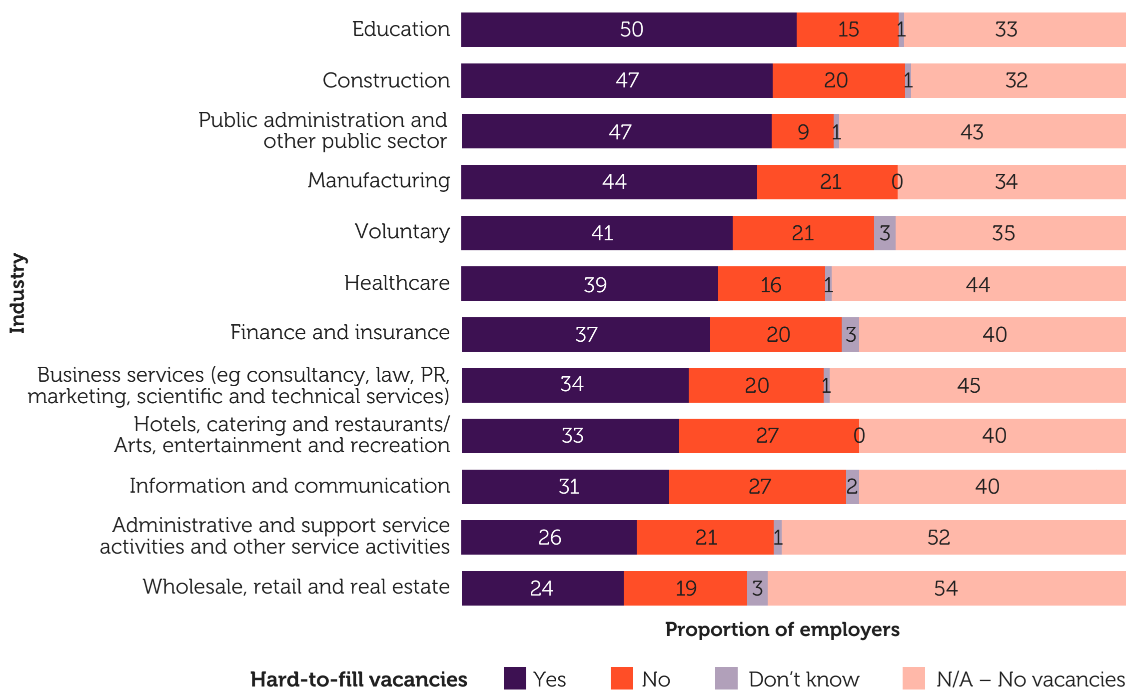


Base: summer 2024, all employers (n=2,032).

Figure 8 shows how prevalent hard-to-fill vacancies are across industries. Half of employers in education report having hard-to-fill vacancies. A similar proportion (47%) in construction as well as public administration and other public sector also report hard-to-fill vacancies.

Hard-to-fill vacancies most prevalent among employers in education

Figure 8: 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.

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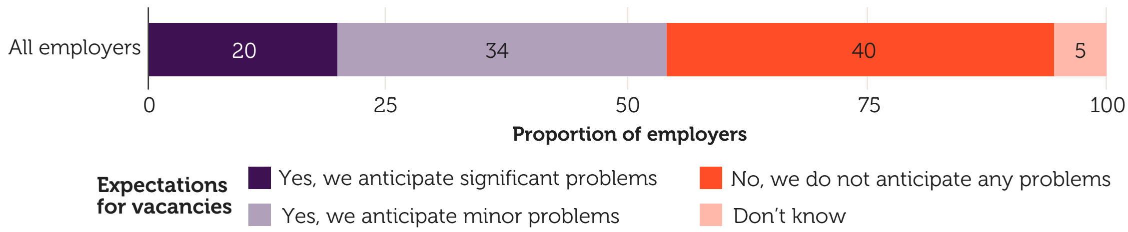
As in the previous quarter, one in five employers are anticipating significant problems in filling vacancies in the next six months.

One in five employers anticipate significant problems filling roles

Figure 9: Expectation for vacancies in the next six months (%)

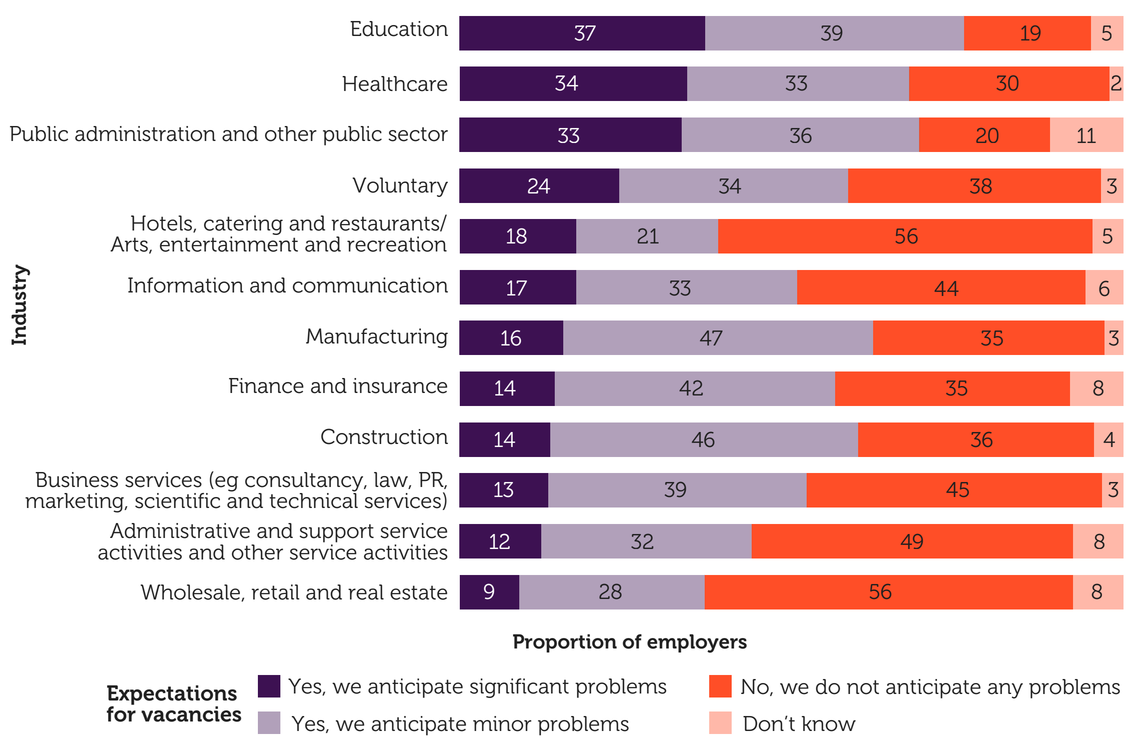


Base: summer 2024, all employers (n=2,032).

Anticipated problems with hard-to-fill vacancies have remained higher in public-sector-dominated industries for several quarters. This quarter, 37% of employers in education, 34% in healthcare, and 33% in public administration and other public sector industries are anticipating significant problems in filling vacancies in the next six months.

Problems in filling vacancies expected in the public sector

Figure 10: Expectation for vacancies in the next six months, by industry (%)



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

Employer responses to hard-to-fill vacancies

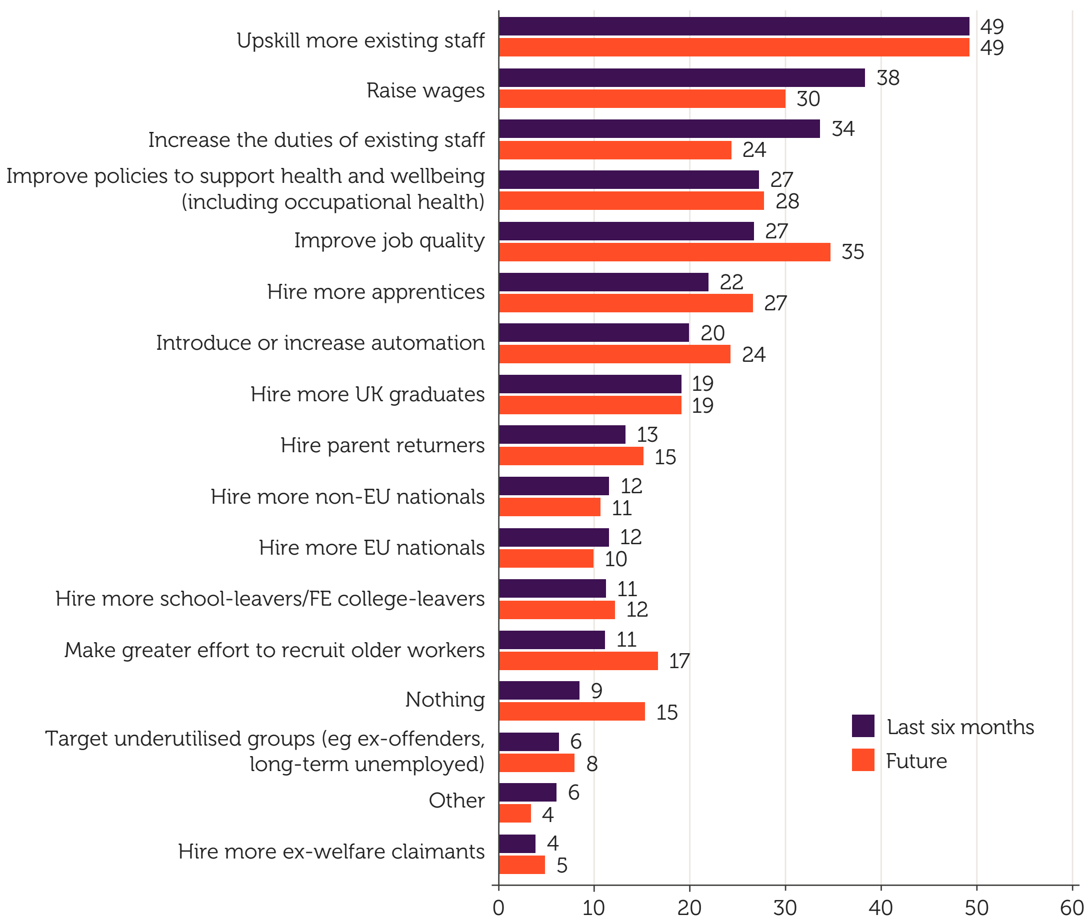
Half of employers with hard-to-fill vacancies have responded to this in the past six months by upskilling more existing staff (49%). Raising wages (38%) and increasing the duties of existing staff (34%) were also common responses. However, the proportion of those raising wages has dropped from 12 months ago. In the last six months, 27% chose to improve policies to support health and wellbeing as a measure.

In the future, employers with hard-to-fill vacancies wish to address this by focusing on improving job quality (35%) at a higher rate than they do currently (27%), possibly to mitigate the effects of higher workloads. A higher proportion of employers also plan to hire more apprentices (27%) than have done so in the last six months (22%), which could be brought about by potential apprenticeship levy reform. The figure is driven more by the public sector, where a third (34%) of employers plan to hire more apprentices, compared with 24% in the private sector.

More employers are planning to introduce or increase automation to address hard-to-fill vacancies in future (24%) than have done so in the last six months (20%). In the last six months, this had been more common among private sector employers than public (23% v 15%). But this difference disappears when it comes to looking ahead to the future. Raising wages is the only planned action more common in future in the private (34%) than the public sector (23%).

Employers look to apprentices to fill hard-to-fill vacancies

Figure 11: Employers' planned response to hard-to-fill vacancies (%)



Base: summer 2024, all employers with hard-to-fill vacancies (n=723).

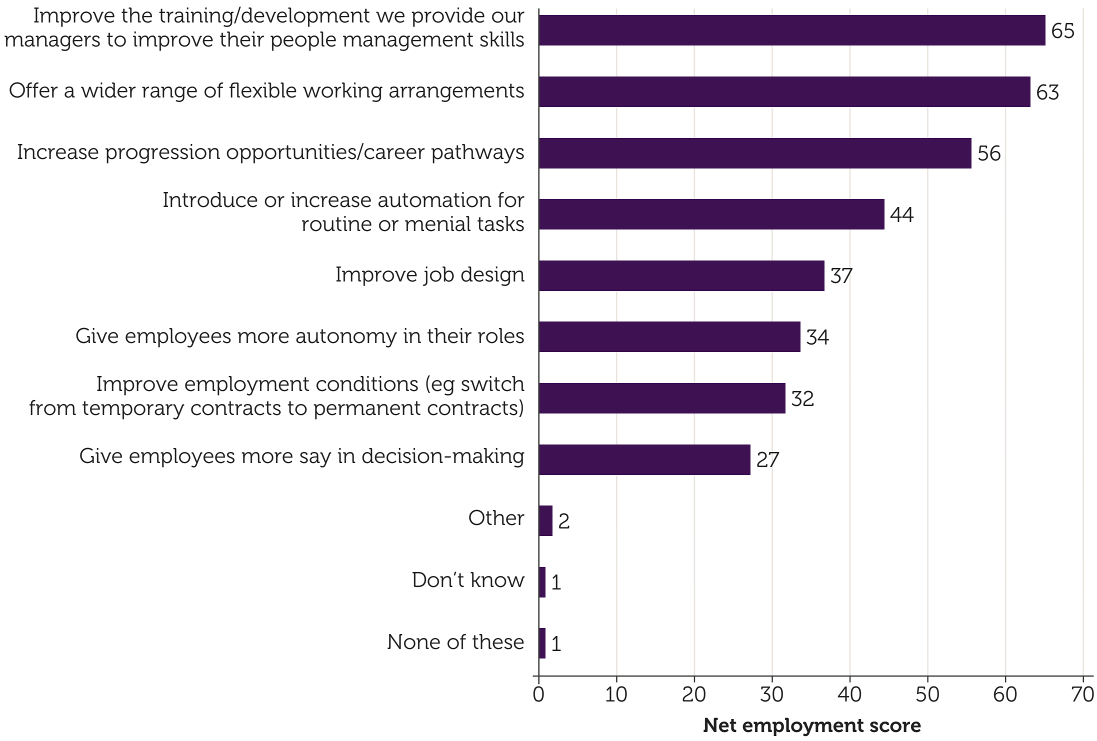
Employer responses to improving job quality

Almost two-thirds (65%) of employers who have improved or plan to improve job quality in response to hard-to-fill vacancies have improved or plan to improve the training/development they provide their managers to improve their people management skills. A similar level (63%) has offered or plans to offer a wider range of flexible working options. Over half (56%) aim to increase progression opportunities and career pathways, with 44% planning to introduce or increase automation for routine or menial tasks.

Improving employment conditions is lower down the pecking order as a factor in improving job quality at 32%.

Improving people management seen as key to improving job quality

Figure 12: Employers' planned response to improve job quality (%)



Base: summer 2024, all employers with hard-to-fill vacancies who have improved or plan to improve job quality (n=285).

Further reading and practical guidance

- CIPD | **CIPD Good Work Index 2024**
  Our annual benchmark of job quality in the UK, giving evidence-based insight on how to improve work and working lives.
- CIPD | **Responsible investment in technology**
  Advice on adopting technology to optimise job quality and business outcomes.
- CIPD | **Support for people managers**
  Resources on how people professionals can help people managers support the health, wellbeing and engagement of their team.

5 Pay outlook

Among employers looking to increase, decrease or freeze pay in the next 12 months, the median expected basic pay increase for the next 12 months has fallen to 3% this quarter. Up until this point, it had been at 4% since winter 2023/24. Before then, it held at a historic high of 5% for over a year. But as can be seen from Figure 13, 3% is still high compared with earlier times.

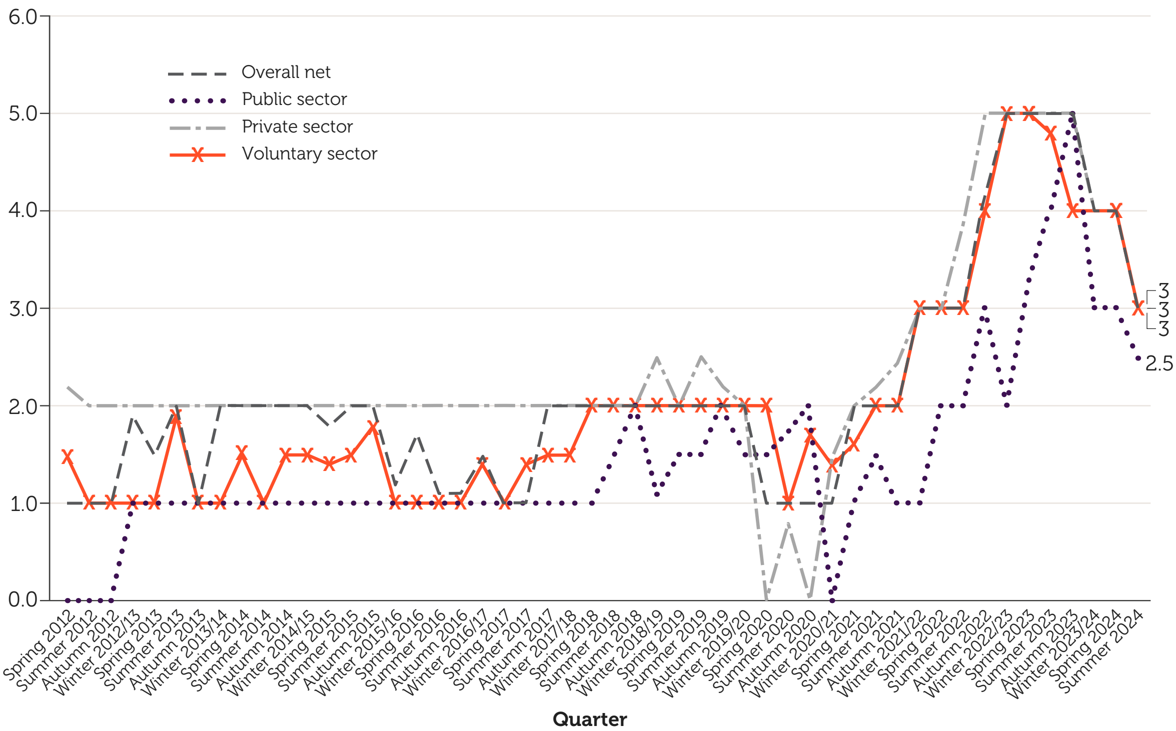
Expected pay awards have fallen in all sectors since last quarter. They fell from 4% to 3% in both the private and voluntary sectors, and from 3% to 2.5% in the public sector. These falls were widely anticipated given that CPI inflation has now reached the Bank of England target of 2%. CPIH, the Office for National Statistics' (ONS) preferred measure of inflation – which takes into account housing costs – stands slightly higher at 2.8%. The new UK Government, however, has since accepted recommendations from independent pay review bodies and confirmed above-inflation pay rises of 4.75%–6% for a large proportion of the public sector workforce.

Median expected pay awards are at 3% among both SMEs and larger private sector organisations. Expected pay awards had been higher among SMEs over the previous two quarters.

It should be noted that the average basic pay award covered in this analysis is only one component of pay growth. Many people will also benefit from incremental progression or promotion, bonuses or a pay bump when switching jobs.

Expected pay awards have fallen to 3%

Figure 13: Median basic pay increase expectations – median employer



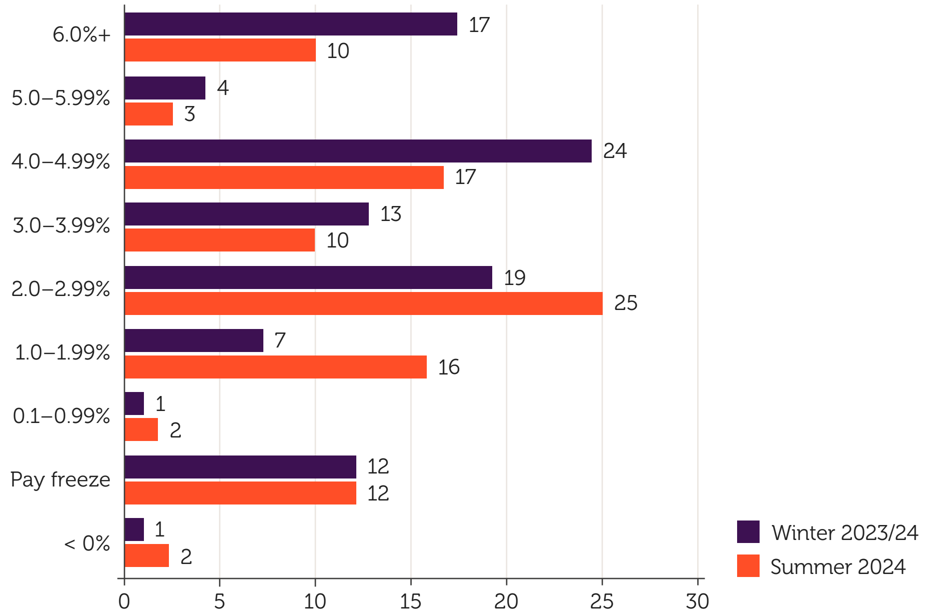
Base: summer 2024, all employers expecting and able to estimate a pay award (total: n=827; private: n=608; public: n=148; voluntary: n=71).

When we last looked at the distribution of expected pay awards for 2024 in the *Labour Market Outlook – Winter 2023/24*, 24% of organisations had planned to increase base pay by 4–4.99% and a further 17% were planning pay rises of above 6% for this year. Six months on and both figures have fallen. Now, only 17% are planning pay rises of 4–4.99% and just 10% are planning a rise of over 6% in the next year.

The most common pay rise anticipated over the next 12 months is now 2–2.99% (25% of employers, compared with 19% six months ago). Up from just 7% six months ago, 16% are now planning a rise of 1–1.99%.

Most common pay rise range now at 2–2.99%

Figure 14: Expectations for basic pay changes in the next 12 months



Base: summer 2024, all employers expecting and able to estimate a pay award (n=827).

Further reading and practical guidance

- CIPD | **Pay structures and pay progression**
  Understand the purpose of pay structures and pay progression, including common ways for structuring pay and managing pay progression.
- CIPD | **Pay fairness and pay reporting**
  Find out what fair pay can mean, what pay information UK employers must disclose by law, and the opportunities pay narratives bring.
- CIPD | **Is pay transparency good for business?**
  Listen to our podcast exploring the benefits, pitfalls and challenges of increasing pay transparency and the broader impact on global organisations.

6 Recommendations for employers and people practitioners

- ✓ As hard-to-fill vacancies persist, employers are increasingly looking at ways to improve job quality, possibly to mitigate the impact of higher workloads. Consider the different aspects of work that will improve the employee experience, including autonomy, career progression, training, voice and work–life balance.
- ✓ Support line managers to improve their people management capabilities. People managers have a pivotal role in the performance, engagement and wellbeing of their teams. A manager's behaviour and the culture they create are among the biggest influences on an employee's experience of work. Apart from formal training, ensure managers are given the time and support with managing their teams and have recourse to mentors or advice, especially in handling difficult situations.
- ✓ If considering increased technology use or automation, be clear about your reasons, communicate appropriately and consult broadly. Consider the impact on your people and how job roles and tasks may change as well as what is needed to support your workforce in any transition. Exercise due diligence in selecting the right technology and provider, with legal obligations and responsibilities firmly in mind.

7 Survey method

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,032 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 17 June and 4 July 2024. The survey was conducted online. The figures have been weighted and are representative of UK employment by organisation size, sector and industry.

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	364
10–49	410
50–99	157
100–249	215
250–499	180
500–999	176
1,000 or more	530

Table 2: Breakdown of sample, by sector

Sector	Count
Private sector	1,538
Public sector	347
Third/voluntary sector	147

Table 3: Breakdown of sample, by industry

Industry	Count
Manufacturing	175
Construction	172
Primary and utilities	47
Education	223
Healthcare	151
Wholesale, retail and real estate	119
Transport and storage	48
Information and communication	123
Finance and insurance	149
Business services (eg consultancy, law, PR, marketing, scientific and technical services)	257
Hotels, catering and restaurants/Arts, entertainment and recreation	96
Administrative and support service activities and other service activities	192
Public administration and other public sector	115
Police and armed forces	18
Voluntary	147

Table 4: Breakdown of sample, by region

Region	Count
Scotland	118
Wales	55
Northern Ireland	23
Northwest England	162
Northeast England	63
Yorkshire and Humberside	104
West Midlands	114
East Midlands	120
Eastern England	115
London	481
Southwest England	143
Southeast England	243
All of the UK	291

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