CIPD

LABOUR MARKET

OUTLOOK

VIEWS FROM EMPLOYERS

Autumn 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

Autumn 2024

Contents

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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 UK labour market around recruitment, redundancy and pay intentions. The findings are based on a survey of more than 2,000 employers.

This quarter, overall expected pay awards for the next 12 months remain at 3%. In the public sector however, pay expectations have risen to 4%. This is likely to be due to the Chancellor's announcement to accept the pay review bodies' recommendations of 4.75–6% pay rises for much of the public sector in July. Our data aligns with this, showing that the median pay award expected to be offered in the public sector over the next three months is 5%.

Private sector expected pay awards remain at 3%, close to the latest data for inflation as measured by the Consumer Prices Index, including owner-occupiers' housing costs (CPIH), at 2.6%. Real pay growth is now falling as the gap between pay awards and inflation shrinks.

A post-election bounce-back in confidence in the public sector is also somewhat evident in the net employment balance, our composite indicator for employment intentions. This had fallen into negative territory (–1) for the first time since winter 2017/18 last quarter, meaning more employers were looking to decrease than increase staff levels. However, this quarter the figure has returned to positive territory at +6.

However, private sector confidence is likely to be dampened in the coming months by the announcements in the Budget Statement regarding an increase in the rate of employer National Insurance contributions from 13.8% to 15% and a reduction in the secondary threshold to £5,000. This is the level at which employer NICs starts being levied on employers.

While public sector employers will be able to use some of the £70bn increase in government spending over the next few years to afford this, other employers will have to foot the bill themselves. The most likely impact, especially in the short term, will be lower budgets for pay rises and higher prices for consumers. Profits are also expected to take a hit.

Although smaller firms may see partial compensation from changes to the Employment Allowance, measures to strengthen employment rights outlined in the Employment Rights Bill are likely to have a disproportionate cost to SMEs. These measures include removing the lower earning limits and the waiting period for Statutory Sick Pay (SSP), the day-one right to unfair dismissal, as well as changes to zero-hours contracts. Higher implementation costs, as well as more informal employment practices means the overall impact of the reforms will be more burdensome.

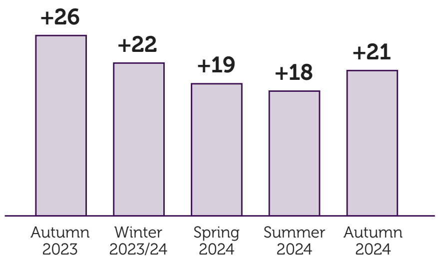
As a result, meaningful consultation with employers is needed as more details emerge on the proposed, wide-ranging changes to legislation to ensure they can be implemented without increasing the costs and risks of hiring and managing new staff, especially in light of the measures announced in the Budget.

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

James Cockett, CIPD Senior Labour Market Economist

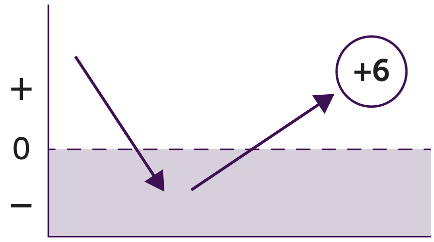
2 Key points

- The net employment balance – the difference between employers expecting to increase staff levels in the next three months and those expecting to decrease – increased from +18 last quarter to +21 this quarter.



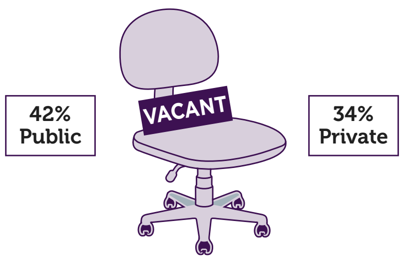
Net employment balance

- The net employment balance in the public sector has returned to positive territory (+6), meaning that more employers in the public sector are looking to increase than decrease staff levels in the next three months. It had fallen to –1 last quarter, the lowest level since winter 2017/18.



Public sector employment confidence returns to positive

- Among employers surveyed, 36% have hard-to-fill vacancies. These vacancies are significantly higher in the public (42%) than the private sector (34%).



Hard-to-fill vacancies remain higher in the public sector

- The median expected basic pay increase remains at 3%. Expected pay awards in the next 12 months are also stable in the private and voluntary sectors (both at 3%).

Median basic pay increase remains at 3%

- Pay expectations have risen in the public sector to 4% over the next 12 months (from 2.5% last quarter). The median pay award expected to be offered in the public sector over the next three months is even higher at 5%.

Expected pay rises in the public sector to 4%

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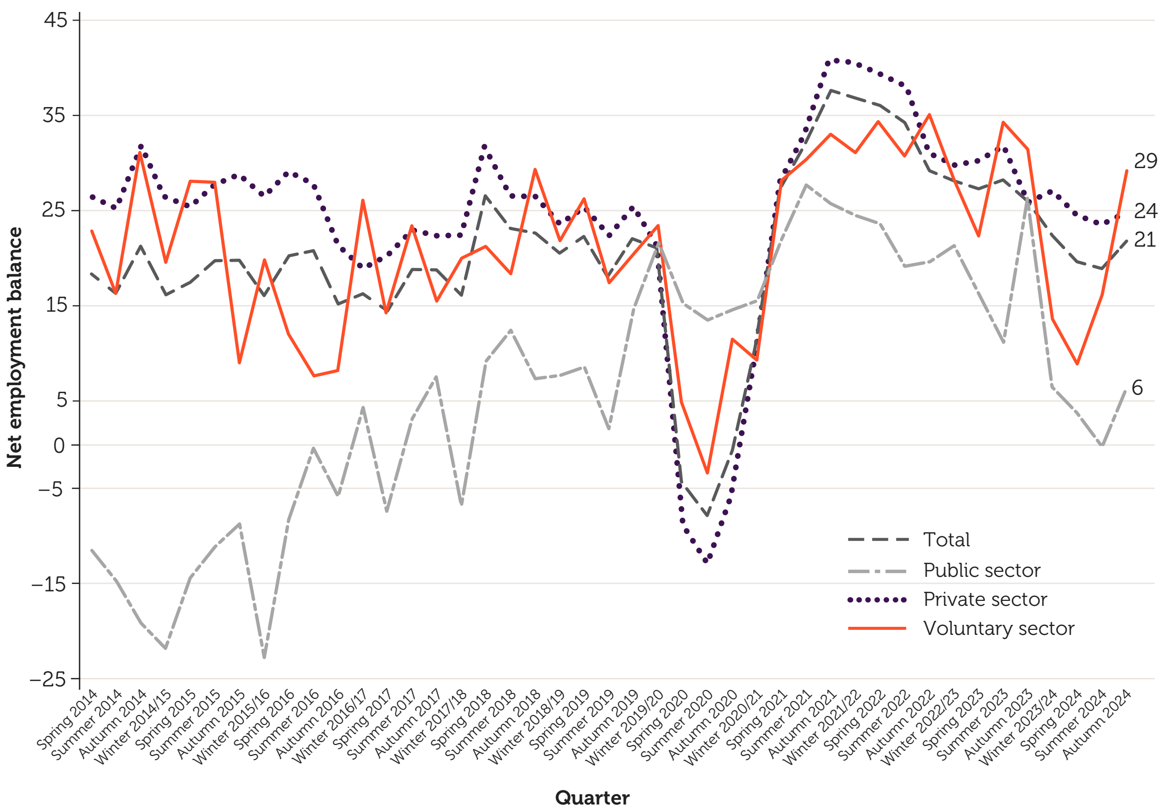
3 Recruitment and redundancy outlook

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 has increased from +18 last quarter to +21 this quarter. This represents the largest increase since autumn 2021.

There has been a small change in employer confidence in most sectors with the previous set of data collected in the lead up to 4 July (the date of the UK General Election). Some confidence seems to have returned to the public sector, where the net employment balance is +6. Last quarter the net employment balance in the public sector was below zero (–1). The now positive net employment balance means more employers are looking to increase than decrease staff levels in the next three months in the public sector. The net employment balance in the private sector stands at +24 this quarter.

Net employment balance with largest increase since autumn 2021

Figure 1: Net employment balance, by broad sector

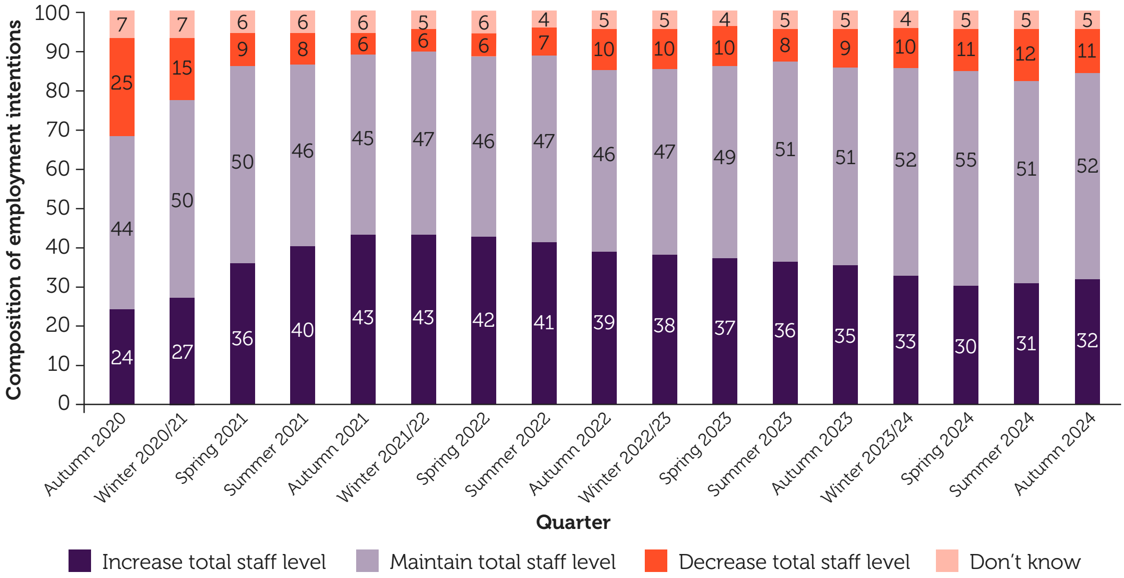


Base: autumn 2024, all employers (total: n=2,018; private: n=1,513; public: n=352; voluntary: n=153).

Overall, the positive net employment balance is driven by more employers looking to increase their total staff level (32%) than those decreasing their total staff level (11%) (Figure 2).

Rate of employers looking to increase staffing levels stable

Figure 2: Composition of employment intentions (%)

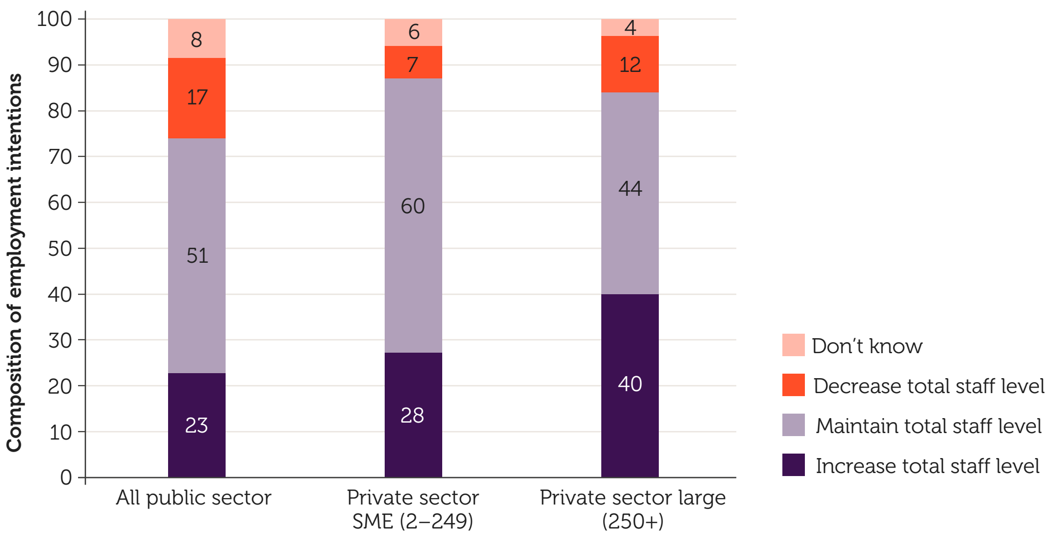


Base: autumn 2024, all employers (total: n=2,018).

The breakdown in Figure 3 shows that there is a different picture among public sector, SMEs and large private sector employers. Employers in the public sector are the least likely to increase staff levels (23%), and most likely to decrease staff levels (17%), hence the low net employment balance. Meanwhile, most SMEs (60%) are looking to maintain current staff levels, with only 7% aiming to decrease staff. Large private sector employers plan to increase total staff levels in the next three months in the highest proportion at 40%, with 44% planning to maintain staff levels and 12% planning to decrease them.

Large private sector employers most likely to increase staff levels

Figure 3: Composition of employment intentions, by public sector, SME and large employers (%)



Base: autumn 2024 (public: n=352; private sector SME: n=925; private sector large (250+): n=588).

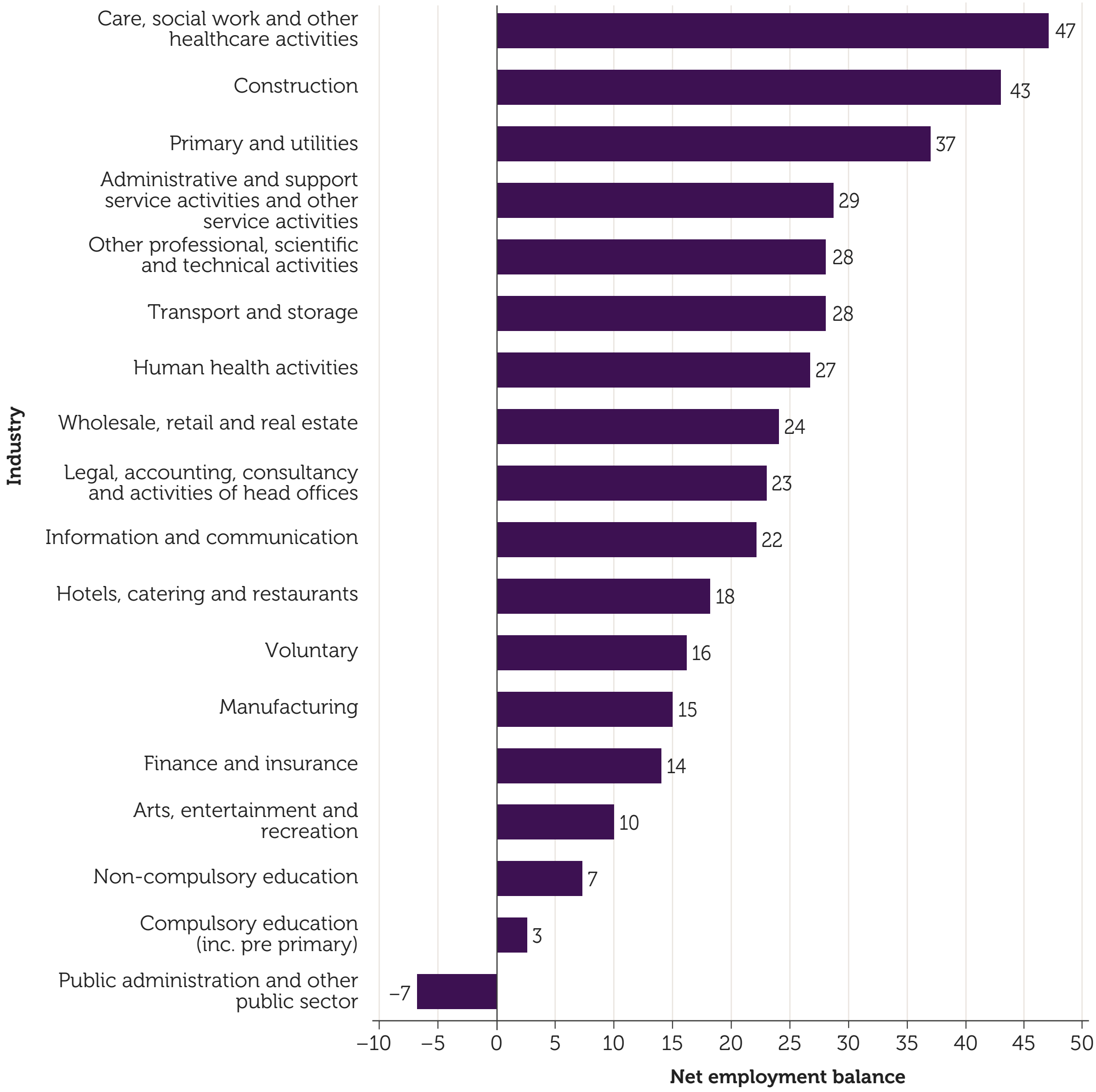
The net employment balance remains below zero (-7) among public administration and other public sector employers.

There is a low net employment balance in both education categories. It is +3 among employers in compulsory education, this includes primary and secondary education, and +7 among non-compulsory education which includes vocational and higher education institutions.

The net employment balance is highest (+47) among employers in care, social work and other healthcare activities (this excludes healthcare activities in hospitals, GPs and dental settings). There has been a sharp decline in applications for visas for those who wish to work in care because of the restrictions on bringing dependants imposed in March 2024, meaning recruitment challenges in this sector are particularly strong. It is also high in construction (+43) where virtually no employers are looking to decrease their total staff levels (1%).

Net employment balance negative in public administration and other public sector

Figure 4: Net employment balance, by industry (%)



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

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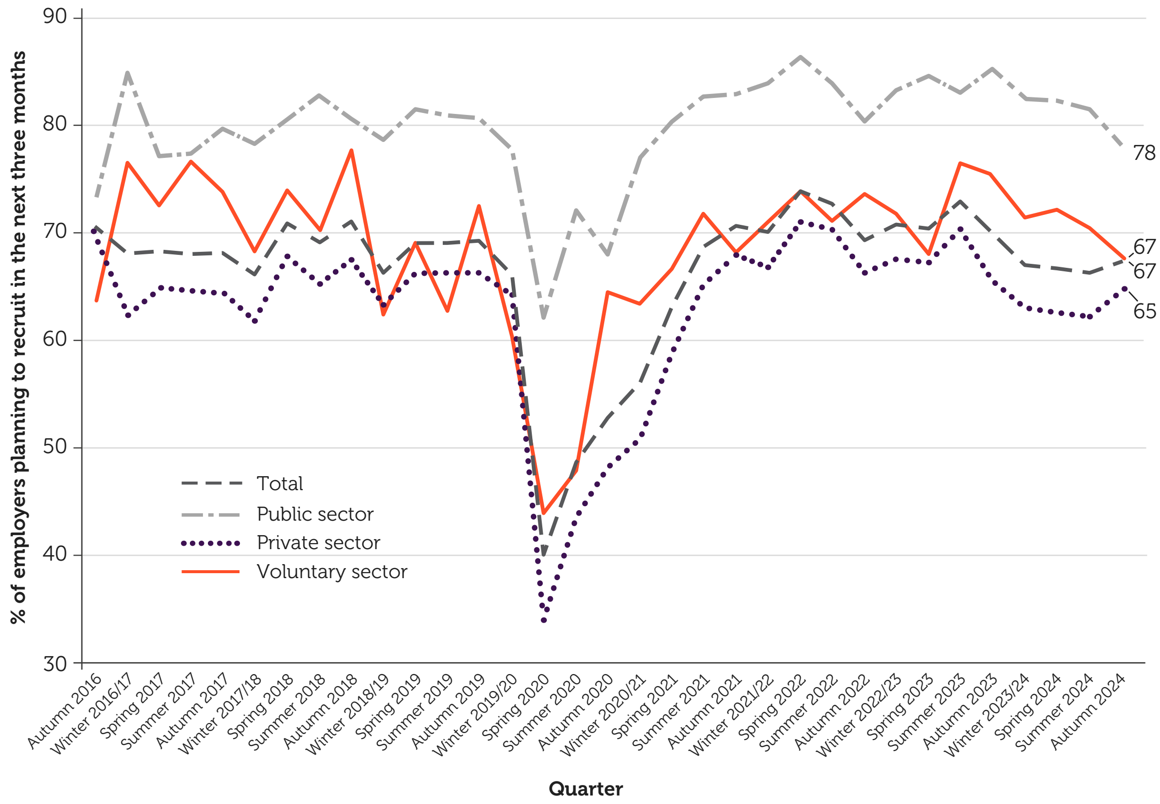
Recruitment

Two-thirds (67%) of employers plan to recruit in the next three months. Recruitment intentions remain highest in the public sector (78%). The percentage of employers in the private sector that plan to recruit in the next three months is 65% (Figure 5).

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. This could be because the public sector has much higher rates of hard-to-fill vacancies (42% v 34% in the private sector) and are more likely to anticipate significant problems filling future vacancies (30% v 17% in the private sector). So while public sector employers may intend to hire, they are anticipating significant recruitment difficulties.

Recruitment intentions highest in the public sector

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



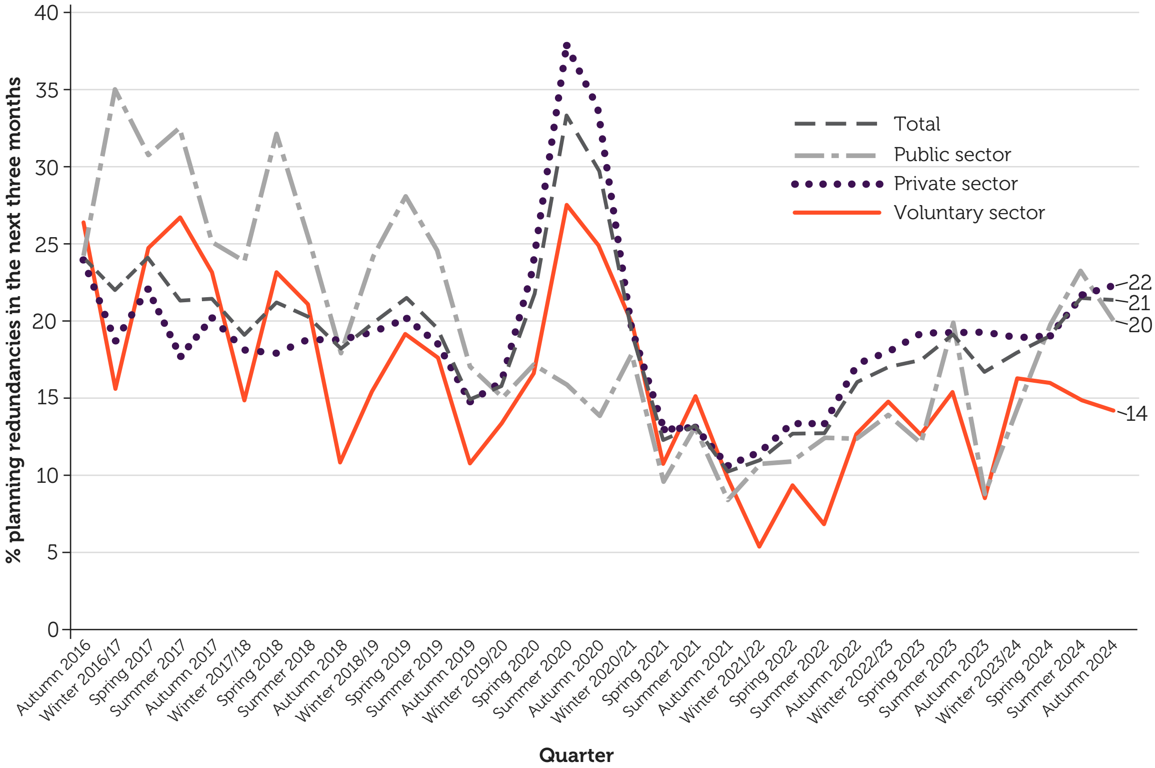
Base: autumn 2024, all employers (total: n=2,018; private: n=1,513; public: n=352; voluntary: n=153).

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: autumn 2024, all employers (total: n=2,018; private: n=1,513; public: n=352; voluntary: n=153).

Inclusive recruitment

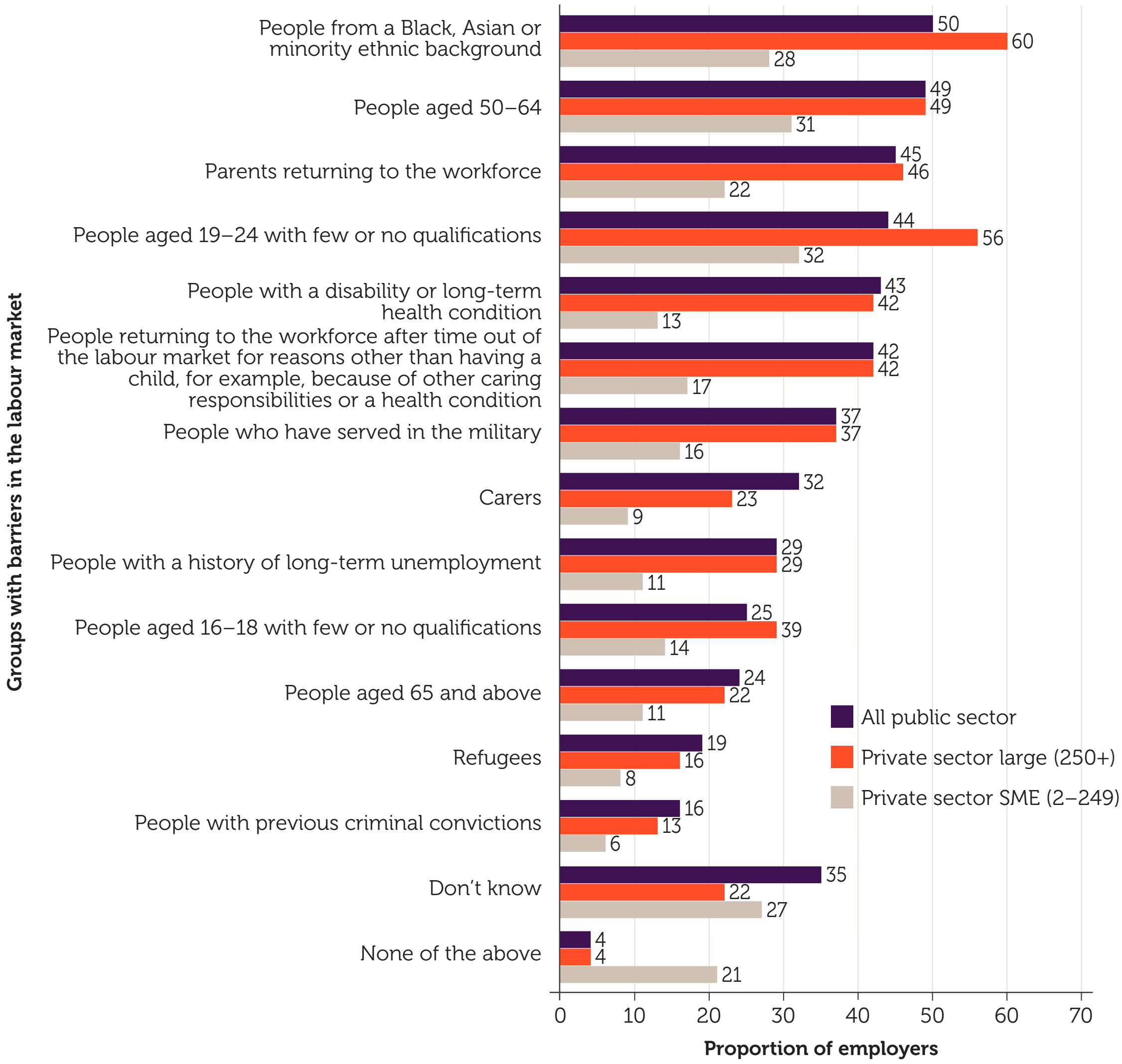
We find that small private sector employers are less likely to hire groups who may be at a disadvantage in the labour market over the next three years (see Figure 7). To a certain extent this is to be expected. Smaller employers will of course recruit less. But one in five private sector SMEs (21%) say they are not planning nor are likely to recruit any of these groups within this timeframe, compared with only 4% of large private sector and public sector employers.

Just 13% of SMEs say they plan to hire those with a disability or long-term health condition, compared with 42% of those from large private sector businesses. This is despite 10.2 million people of working age (16 to 64) reporting they are disabled or have a long-term health condition, representing one in four in this age group. In the same vein just 17% of SMEs are expected to hire people returning to the workforce after time out of the labour market for reasons other than having a child for example, because of other caring responsibilities or a health condition. And only 22% are likely to hire parent returners in the next three years, half the rate of larger private and public sector employers.

Public sector employers are more likely to hire carers in the next three years than large private sector employers (32% v 23%), but less likely to hire young people aged 19 to 24 with few or no qualifications (44% v 56%).

SMEs less inclusive in recruitment plans

Figure 7: Groups with barriers in the labour market (%)



Base: autumn 2024, all employers (public: n=352; large private: n=588; SME: n=925).

Further reading and practical guidance

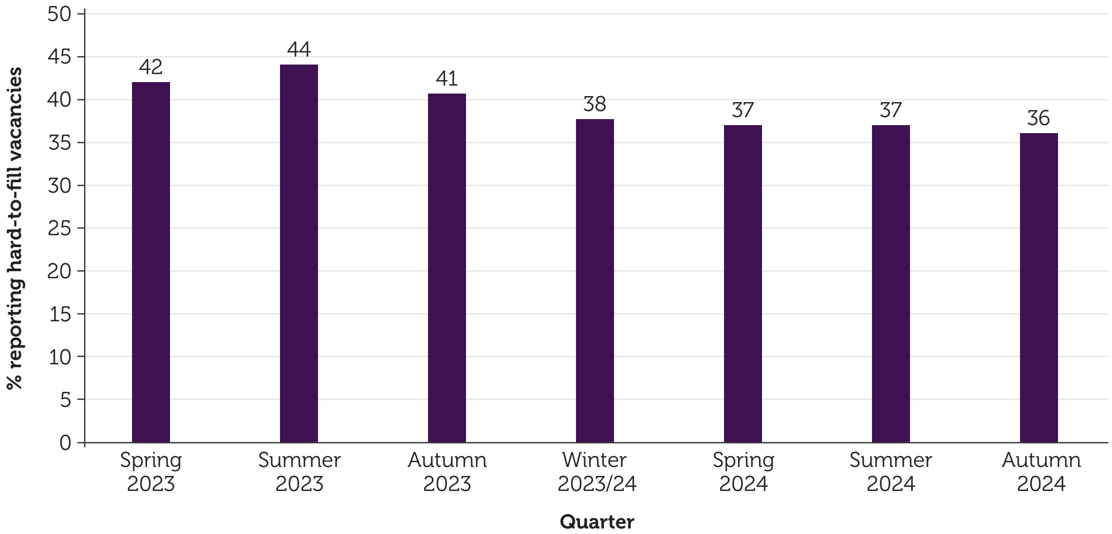
- CIPD | **Recruitment**
  Explore our wide range of best practice recruitment resources and gain the knowledge to benefit your organisation.
- CIPD | **Redundancy**
  Learn how to manage redundancies effectively in your organisation with a selection of practical resources and insights.
- CIPD | **Inclusive recruitment**
  A step-by-step guide for employers to ensure fair processes are set up to attract a more diverse talent pool.
- CIPD | **Equality, diversity and inclusion in the workplace**
  Understand how to best incorporate crucial EDI strategies and policies in the workplace.

4 Job vacancies

Official data published in mid-October showed that overall vacancy levels have fallen for 27 consecutive months. Yet, as can be seen in Figure 8, the proportion who continue to have hard-to-fill vacancies is largely unchanged over much of this period. Among the surveyed respondents, 36% had hard-to-fill vacancies in the latest quarter.

Employers continue to have hard-to-fill vacancies

Figure 8: Employers with hard-to-fill vacancies (%)



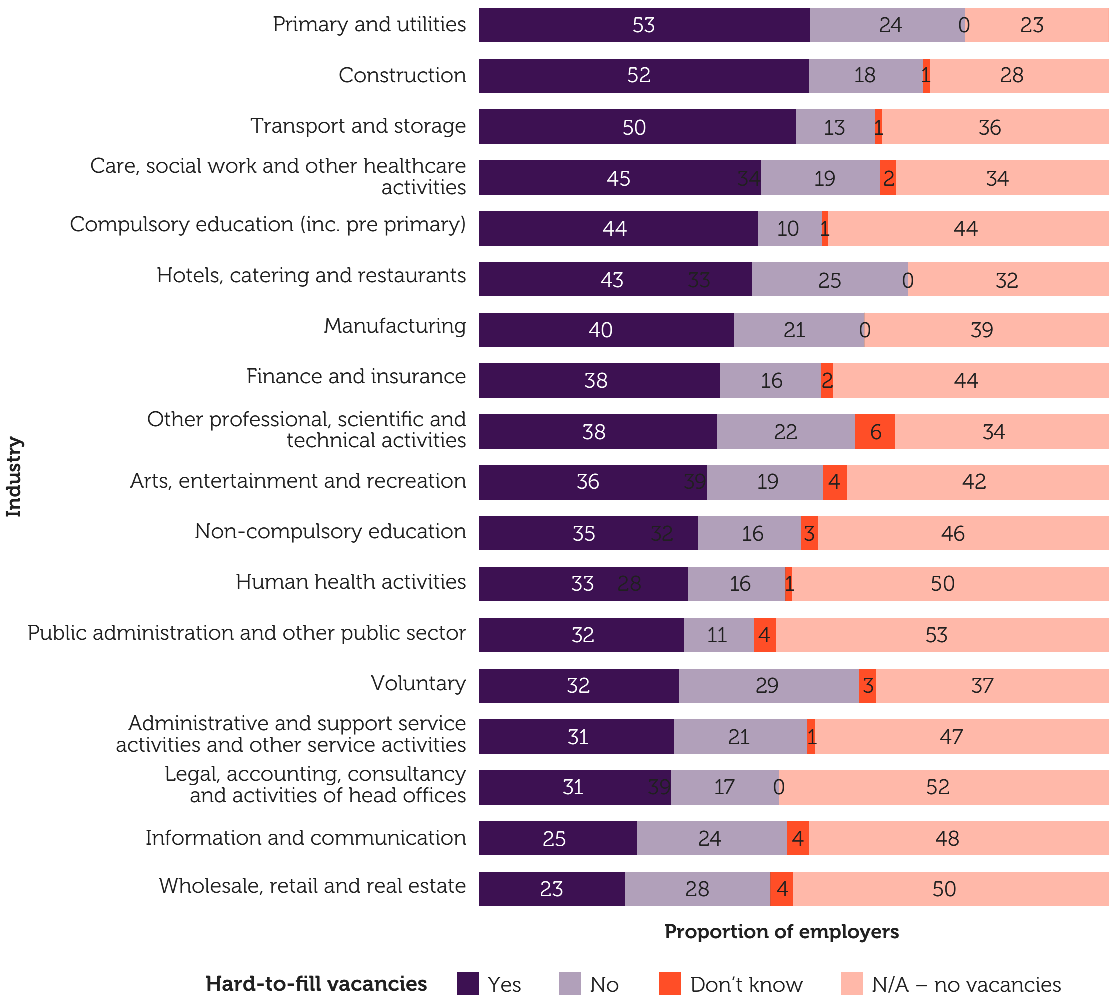
Base: autumn 2024, all employers (total: n=2,018).

Figure 9 shows how prevalent hard-to-fill vacancies are across different industries. Half of employers in primary and utilities, construction, transport and storage all have hard-to-fill vacancies. More than two in five employers in care, social work and other healthcare activities, compulsory education and hospitality also have roles that they are struggling to find candidates for.

Construction is almost a sole outlier when it comes to vacancies. These have risen by almost 15% over the past year, despite a 15% fall across the economy. According to official data, real estate is the only other industry where vacancies have risen in the past year.

Hard-to-fill vacancies most prevalent among employers in many non-service industries

Figure 9: Employers with hard-to-fill vacancies, by industry (%)

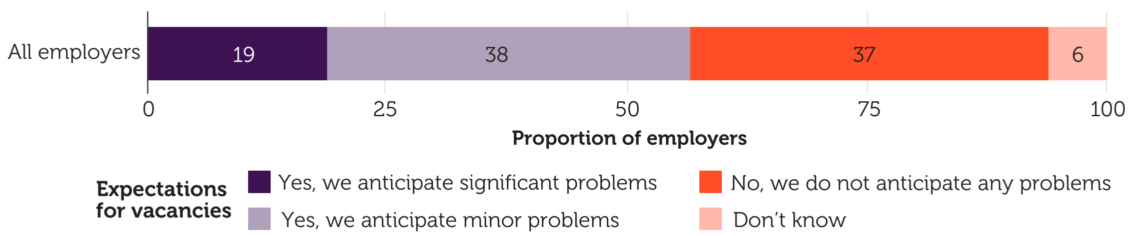


Base: Industries with base sizes of fewer than 50 have been excluded. For a breakdown of base sizes, see Table 3.

Currently, 19% of employers are anticipating significant problems in filling vacancies in the next six months. (Figure 10)

One in five employers anticipate significant problems filling roles

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



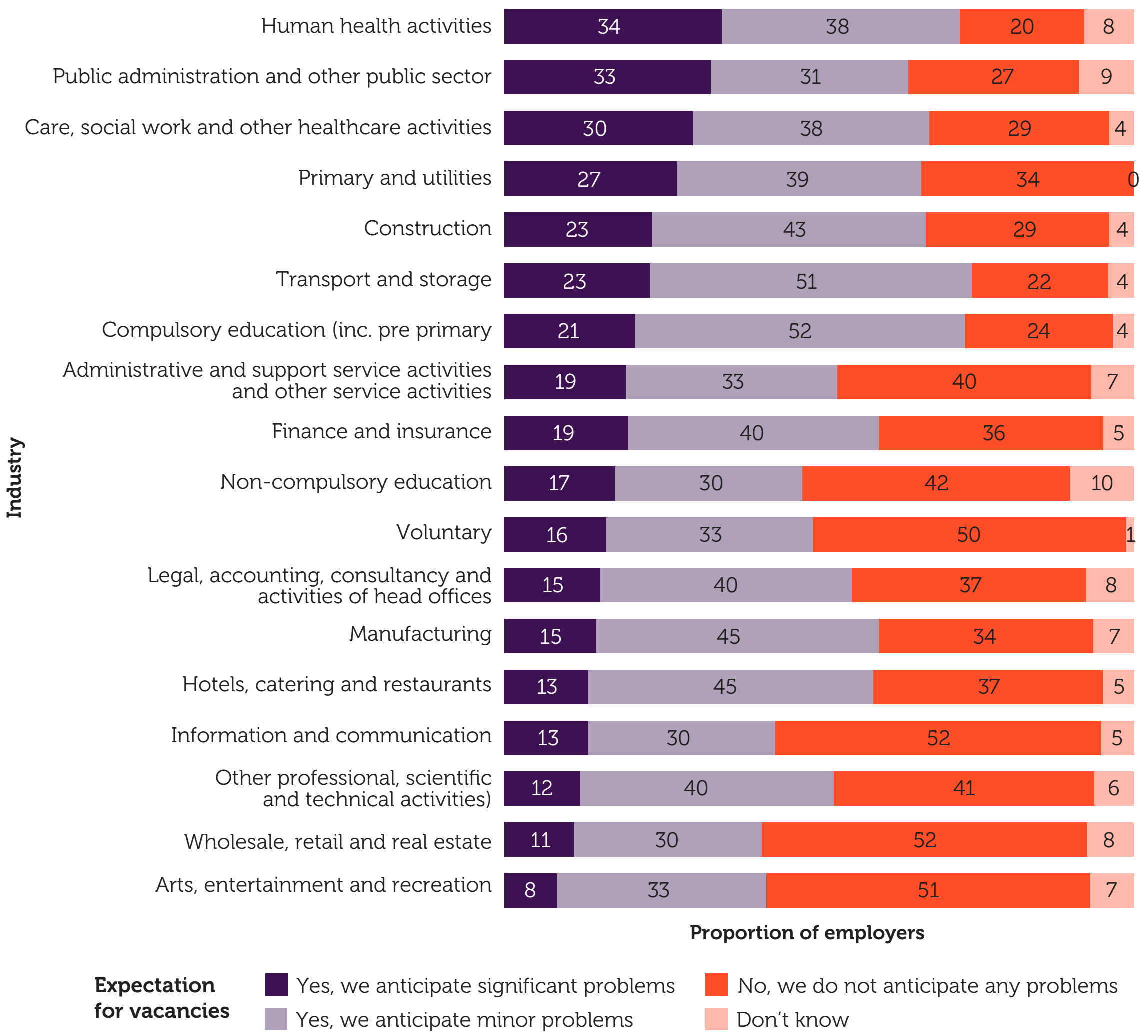
Base: autumn 2024, all employers (total: n=2,018).

Anticipated problems with hard-to-fill vacancies have remained higher in public-sector-dominated industries for the past couple of years. This quarter, 34% of employers in human health activities (widely known as healthcare), and 33% in public administration and other public sector industries are anticipating significant problems in filling vacancies in the next six months. Thirty percent of employers in care, social work and other healthcare activities are also expecting significant problems in the coming months.

This quarter, the proportion of employers anticipating significant problems filling vacancies in the next six months in compulsory education (21%) and non-compulsory education (17%) is much lower than previously. Last quarter, when these two industries were combined, 37% of employers anticipated significant problems in filling vacancies in the next six months.

Problems in filling vacancies most prevalent in the public sector

Figure 11: Expectation for vacancies in the next six months, by industry (%)



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

Further reading and practical guidance

- CIPD | **Resourcing and talent planning**
  Explore our trend analysis and benchmarking data on recruitment, retention and talent management to inform your HR practice and decision-making.
- CIPD | **How to choose the right technology for your business**
  Practical 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 remains at 3% this quarter, after falling to this level in the previous quarter. By contrast, the rate had held at a historic high of 5% between winter 2022/23 and autumn 2023, before falling to 4% in winter 2023/24 and spring 2024.

In the public sector, expected pay awards have risen sharply from 2.5% last quarter to 4% this quarter. It has gone from the sector with the lowest median expected pay awards to the highest. It is likely due to Chancellor Rachel Reeves's inflation busting announcement of pay rises for a number of public sectors in late July. This was in part to settle ongoing pay disputes, for example in the NHS. The median expected pay awards for the public sector over the September to December 2024 period is even higher at 5% which aligns with the Pay Review Bodies' recommendations of 4.75% to 6% (see Figure 15), but the median expected pay awards then fall across 2025.

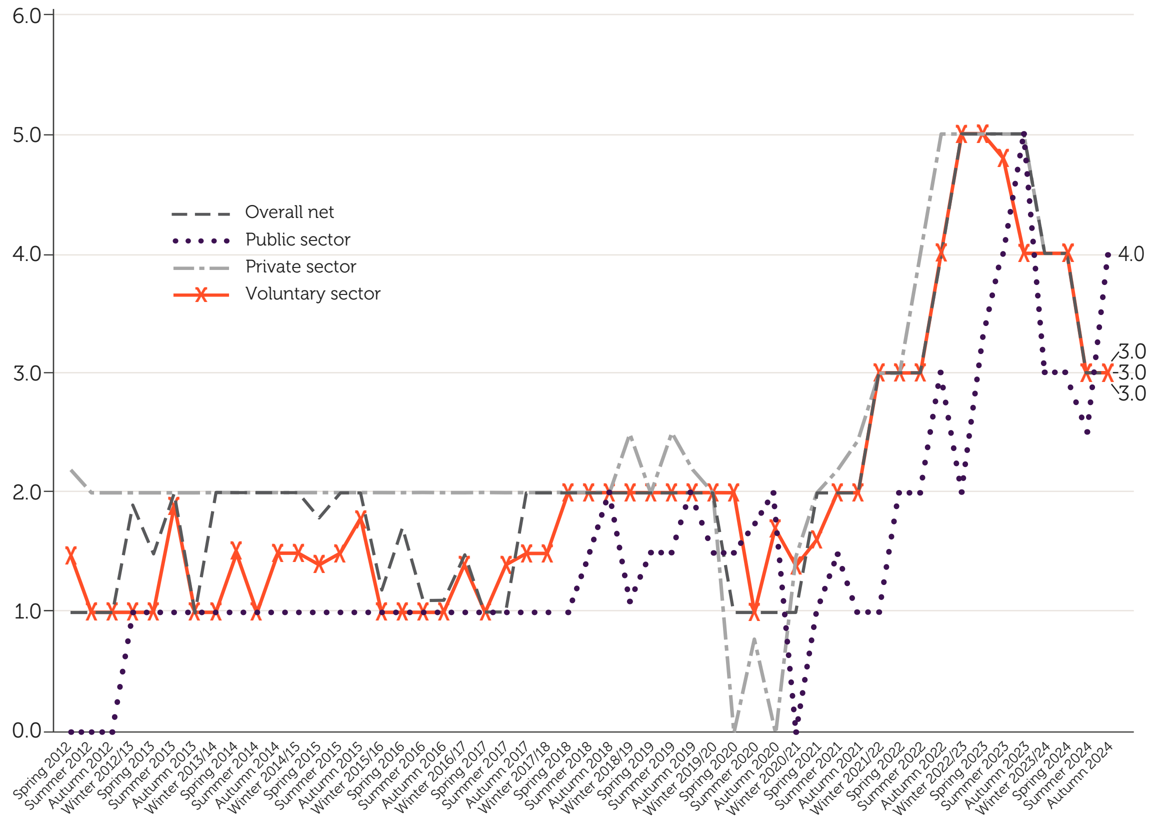
In the private sector, median expected pay awards remain at 3% overall and among both SMEs and larger private sector organisations. This rate is the same in the voluntary sector.

To put the median expected pay awards into context, the Consumer Prices Index including housing costs (or CPIH, the ONS's preferred measure of inflation), currently stands at 2.6%.

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.

Average expected pay awards remain at 3%, but rise to 4% in public sector

Figure 12: Median basic pay increase expectations – median employer



Base: autumn 2024, all employers expecting and able to estimate a pay award in the next 12 months (total: n=805; private: n=560; public: n=174; voluntary: n=71).

Over 60% of public sector pay awards over the next 12 months are expected to be 4% or higher, while it is 42% in the private sector. Pay rises between 3.0% and 3.99% are more common in the private sector (23% v 9%).

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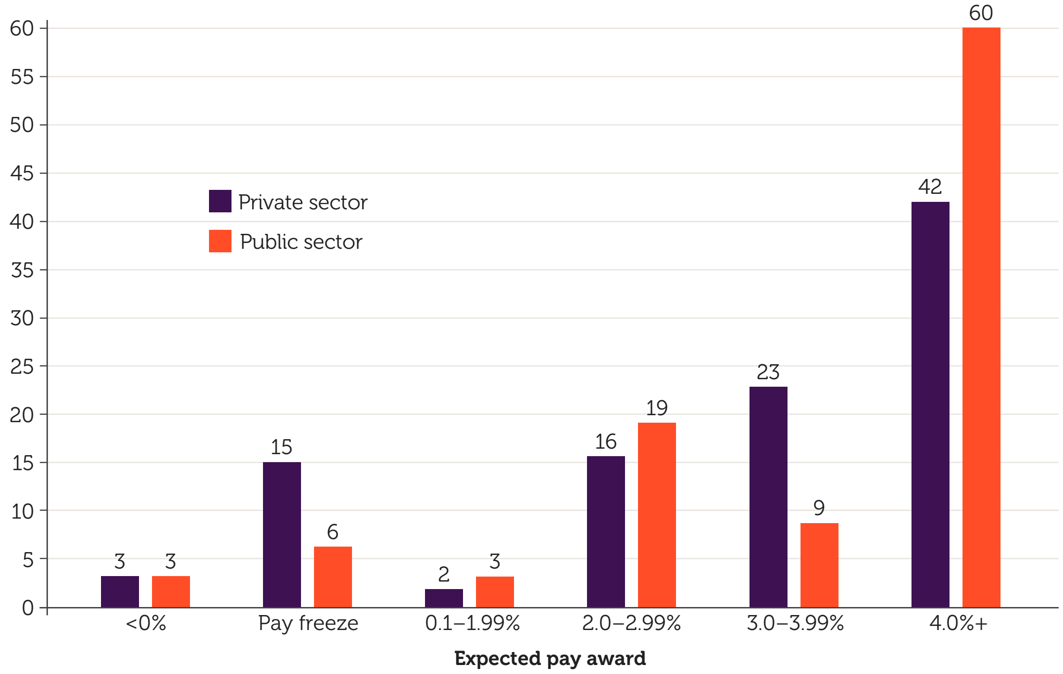
High pay awards more common in public sector

Figure 13: Expectations for basic pay changes in the next 12 months, by sector

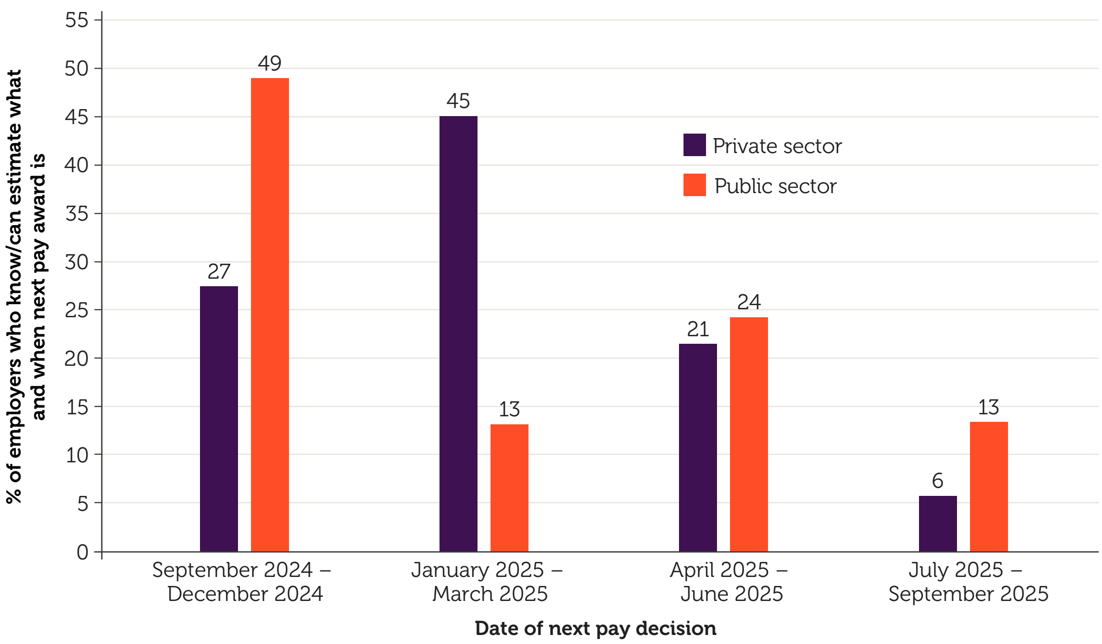


Base: autumn 2024, all employers expecting and able to estimate a pay award in the next 12 months (private: n=560; public: n=174).

Pay rises in the public sector are imminent, with 49% of public sector employers implementing their pay awards in the next three months (from the survey date). Private sector employers are more likely to implement their pay awards in 2025.

Half of public sector pay awards in place by the end of the year

Figure 14: Pay decision date, by sector

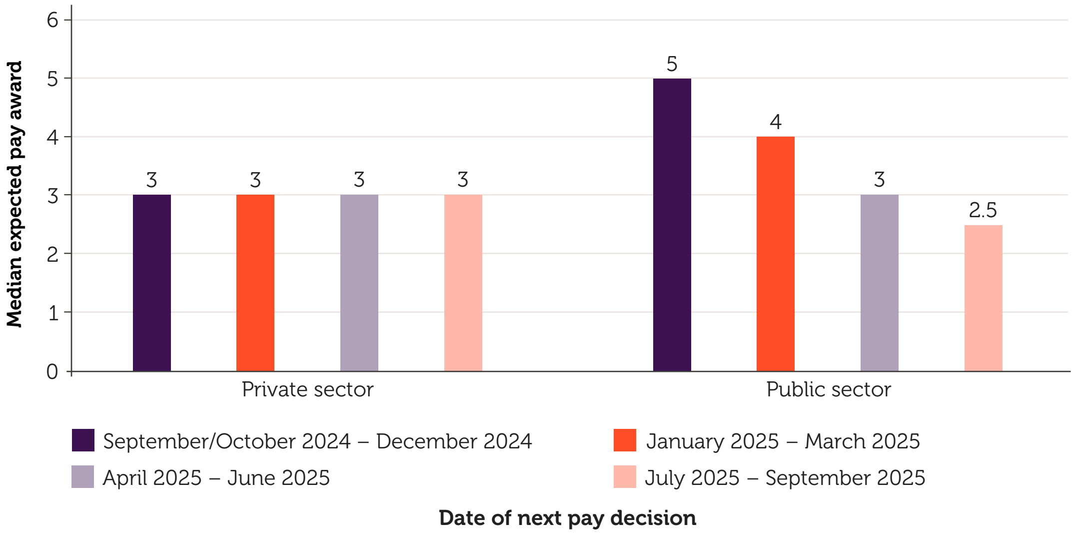


Base: autumn 2024, all employers expecting and able to estimate a pay award (private: n=560; public: n=174).

In the public sector, employers deciding prior to the end of the year expect to offer a median pay rise of 5%. While fewer plan to make a pay decision in January to March next year, they still plan to offer 4%, above the rate for the private sector. However, the median pay rise offered by the public sector is expected to fall across the next 12-month period. Regardless of when private sector employers plan to make their next pay decision over the next 12 months, the median pay award is expected to be 3%.

Public sector pay awards high initially, but expected to fall

Figure 15: Median pay award, by pay decision date, and sector



Base: autumn 2024, all employers expecting and able to estimate a pay award in the next 12 months (private: n=560; public: n=174).

Further reading and practical guidance

- CIPD | **Pay, performance and transparency 2024**
  Understand the factors driving pay decisions in the UK workplace and get recommendations for pay transparency.
- 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 | **After recent claims, where next for equal pay?**
  Explore how you can pay people fairly, while protecting yourself as an employer.

6 Recommendations for employers and people practitioners

- ✓ If pay increases are expected to be smaller next year than they were this year, it will be all the more important to consider other non-pay benefits, such as increased flexibility, health and financial wellbeing support, as well as improving learning and career opportunities. Ensure there is transparency and clear communication around pay.
- ✓ The UK Government's proposed employment law changes to 'Make Work Pay' and measures announced in the Budget could impact businesses' operating margins which in turn could impact pay awards among other things. Employers should note what the changes entail and what the implications are for them in their specific contexts.
- ✓ Use an inclusive recruitment strategy if you are looking to increase staff or to address hard-to-fill vacancies. Ensure that hiring processes reduce the influence of bias and discrimination by applying clear, objective, structured and transparent processes. This will support more equal outcomes and attract a more diverse talent pool, while getting the most suitable candidates.

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 18 September and 9 October 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 2023*. 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	370
10–49	435
50–99	165
100–249	213
250–499	153
500–999	158
1,000 or more	524

Table 2: Breakdown of sample, by sector

Sector	Count
Private sector	1,513
Public sector	352
Third/voluntary sector	153

Table 3: Breakdown of sample, by industry

Industry	Count
Administrative and support service activities and other service activities	227
Arts, entertainment and recreation	76
Care, social work and other healthcare activities	57
Compulsory education (inc. pre primary)	128
Construction	157
Finance and insurance	153
Hotels, catering and restaurants	55
Human health activities	127
Information and communication	98
Legal, accounting, consultancy and activities of head offices	124
Manufacturing	190
Non-compulsory education	108
Other professional, scientific and technical activities	131
Police and armed forces	12
Primary and utilities	50
Public administration and other public sector	93
Transport and storage	52
Voluntary	59
Wholesale, retail and real estate	121

Table 4: Breakdown of sample, by region

Region	Count
Scotland	121
Wales	54
Northern Ireland	29
Northwest England	156
Northeast England	50
Yorkshire and Humberside	96
West Midlands	111
East Midlands	123
Eastern England	102
London	472
Southwest England	141
Southeast England	239
All of the UK	324

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