

CIPD

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LABOUR
MARKET

OUTLOOK

VIEWS FROM
EMPLOYERS

Autumn 2021

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 160,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Report

Labour Market Outlook

Autumn 2021

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1 Foreword from the CIPD

The quarterly CIPD *Labour Market Outlook* aims to provide 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 1,000 employers.

In a continuation of recent trends, the latest report offers encouraging signs that the rate of growth in the jobs market may accelerate further in the final quarter of 2021. Compared with the summer 2021 report, hiring intentions have risen modestly and redundancy intentions have fallen slightly. This is despite the recent closure of the Coronavirus Job Retention Scheme (CJRS).

The report's net employment intentions balance captures the sum of this activity. The net balance increased to +38 for the fourth quarter of 2021, which compares with +32 for the third quarter of 2021. This is the highest figure since the survey was first conducted using its current methods in the winter 2012/13 report. This is mainly due to a strong jobs recovery in the private sector, with net employment intentions rising to +41 from +33.

According to this report, the rapid expansion in hiring activity has coincided with a fall in labour supply over the past three months for low-skilled vacancies. On average, employers received a median number of 16 applicants for the last low-skilled vacancy they tried to fill compared with 20 applicants in the summer 2021 report.

As a result, the incidence of recruitment difficulties has increased since the previous report. Almost half (46%) of employers that currently have vacancies report recruitment difficulties, which compares with 39% for the third quarter of 2021. And the expectation among the majority of employers is that these difficulties will worsen over the next six months.

On the upside, it seems that employers are doing a better job of sourcing labour in response to rising labour shortages by adopting a wide range of tactics – most notably raising wages. It is also encouraging to see that improving job quality and upskilling will be at the forefront of employers' future responses to recruitment difficulties alongside increasing wages.

The report's findings suggest that rising pay pressures are somewhat concentrated among hard-to-fill vacancies. However, basic pay award intentions for the next year continue to pick up in the private sector, up to 2.5% from 2.2%.

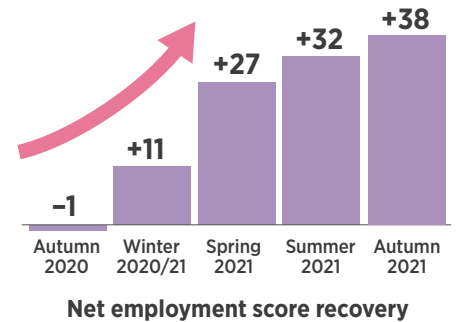


Overall, therefore, the report's findings suggest that the jobs recovery is strengthening, which is having a positive ripple effect on pay for some workers in the private sector. However, on the downside, the survey findings confirm the reported fall in labour supply, which could potentially act as a brake on employment growth in the near term.

Gerwyn Davies, CIPD Senior Labour Market Adviser

2 Key points

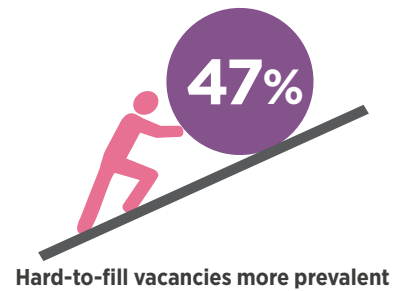
- The net employment balance – which measures the difference between employers expecting to increase staff levels in the next three months and those expecting to decrease staff levels – has risen yet again. At +38, it has reached its highest level since tracking began.



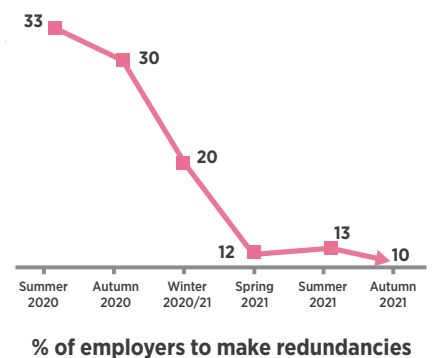
- Encouragingly, employers are responding to recruitment challenges through positive action such as raising wages (47%), upskilling staff (44%), hiring more apprentices (27%) and improving job quality (20%).



- Recruitment difficulties have increased. The proportion of employers with hard-to-fill vacancies jumped from 39% to 47% this quarter. Meanwhile, the median number of applicants for low-skilled vacancies has dropped from 20 to 16.



- The percentage of employers looking to make redundancies has fallen to 10%, which compares with 13% three months ago.



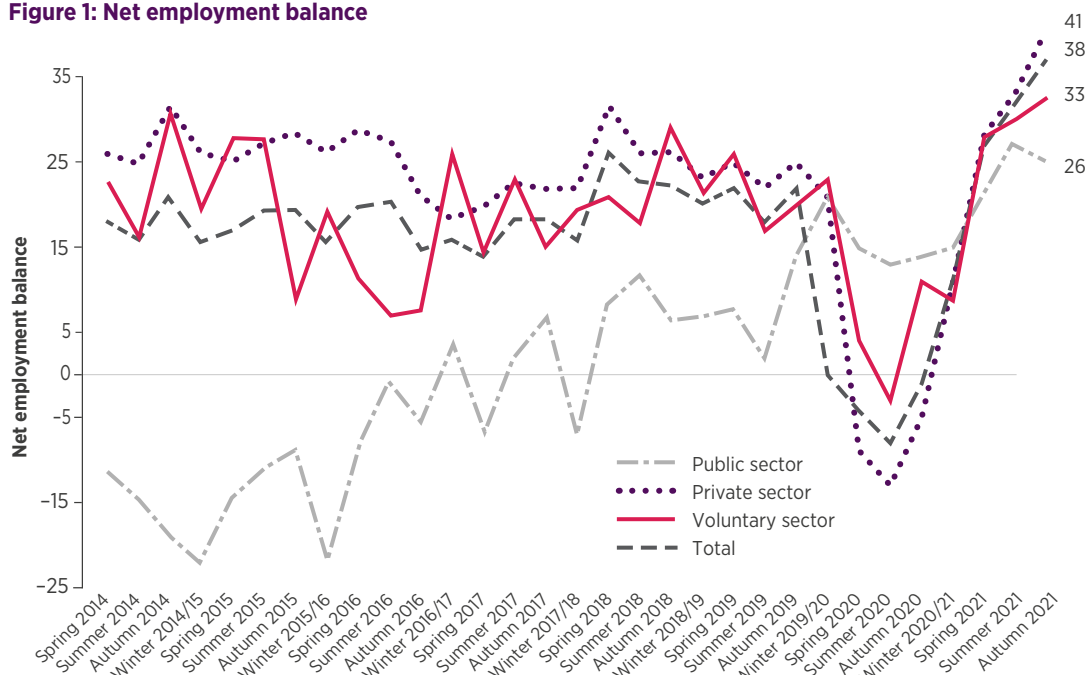
- Median basic pay settlement expectations are unchanged at 2% compared with three months ago. However, median basic pay expectations have risen to 2.5% from 2.2% during the same period in the private sector.



3 Recruitment and redundancy outlook

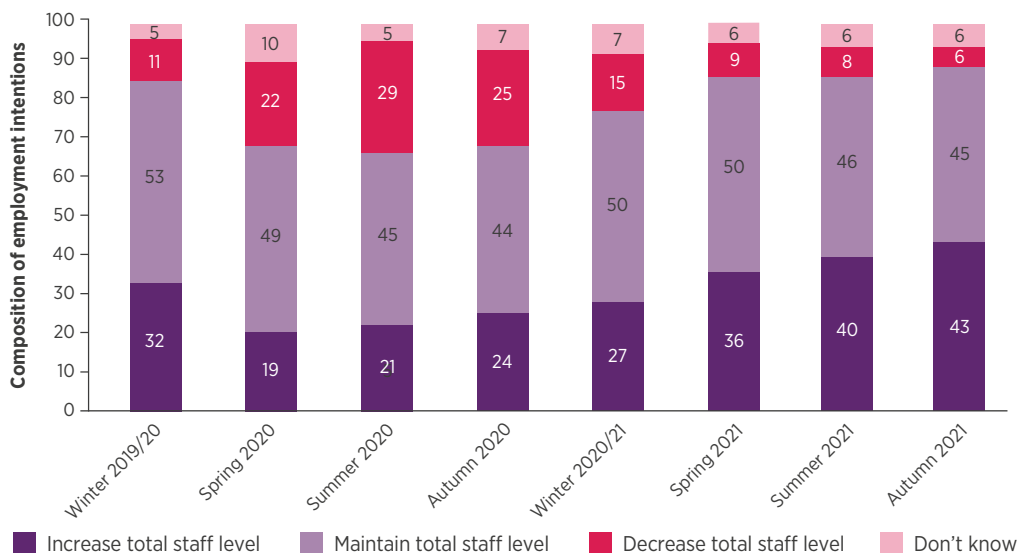
The net balance increased to +38 for the fourth quarter of 2021, which compares with +32 for the third quarter of 2021. This is the highest figure since the survey was conducted using its current methods in the winter 2012/13 report. This is mainly due to a strong jobs recovery in the private sector, with net employment intentions rising to +41 from +33. The balance shows that the employment outlook looks more optimistic in the private sector than both the public sector and the voluntary sector. The balance for the voluntary sector is +33 and +26 for the public sector.

Figure 1: Net employment balance



Base: autumn 2021, all employers (total: n=1,005; private: n=752; public: n=177; voluntary: n=76).

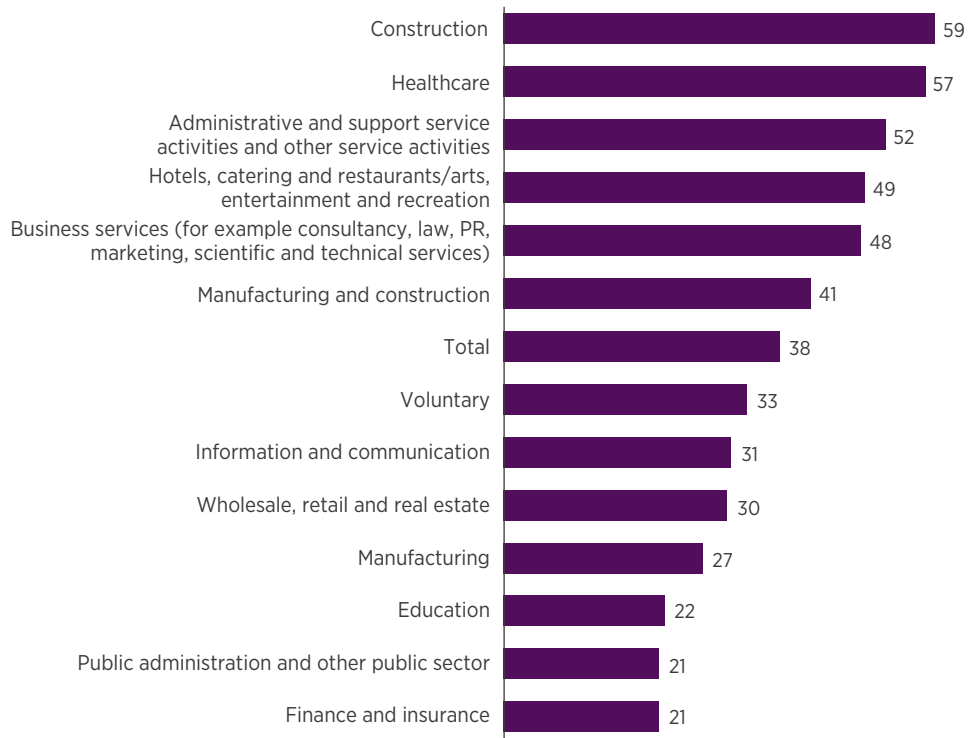
Figure 2: Composition of employment intentions (%)



Base: autumn 2021, all employers (n=1,005).

The rise in employment will be particularly strong in construction (+59), healthcare (+57), administration and support services (+52) and hospitality (+49).

Figure 3: Net employment balance, by industry (%)

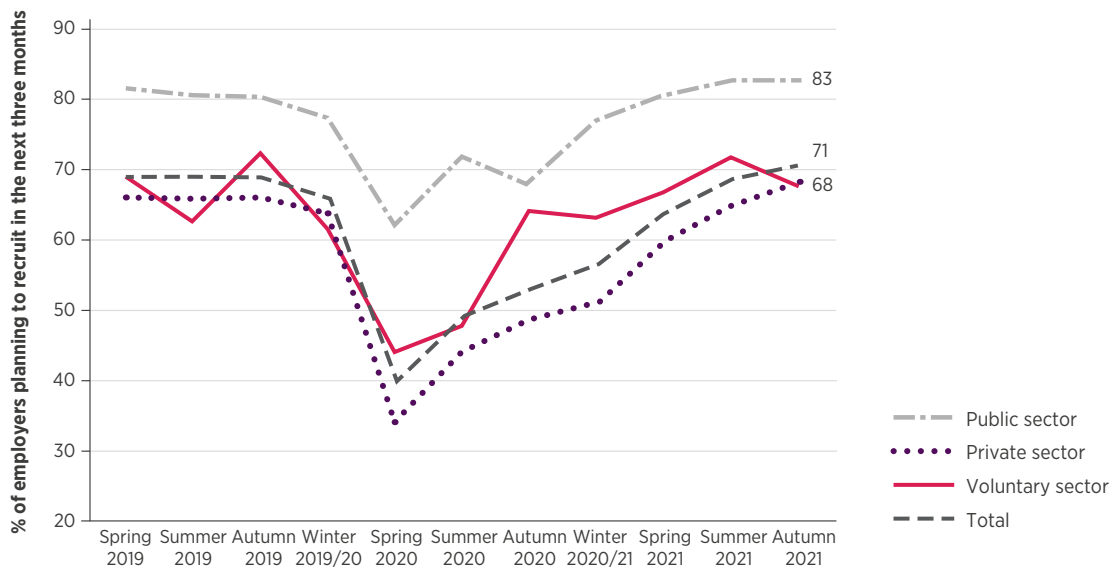


Base: For breakdown of base sizes, see Table 3.

Recruitment growth gathering pace

This quarter’s findings provide further evidence that the UK recruitment market may be picking up, with recruitment intentions reaching their highest levels since the onset of the pandemic. Recruitment intentions among private sector companies have improved to 68% from 65% over the past three months. In contrast, the proportion of voluntary sector employers that plan to hire in the fourth quarter of 2021 has fallen from 72% to 68%. Recruitment intentions remain unchanged in the public sector (83%).

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

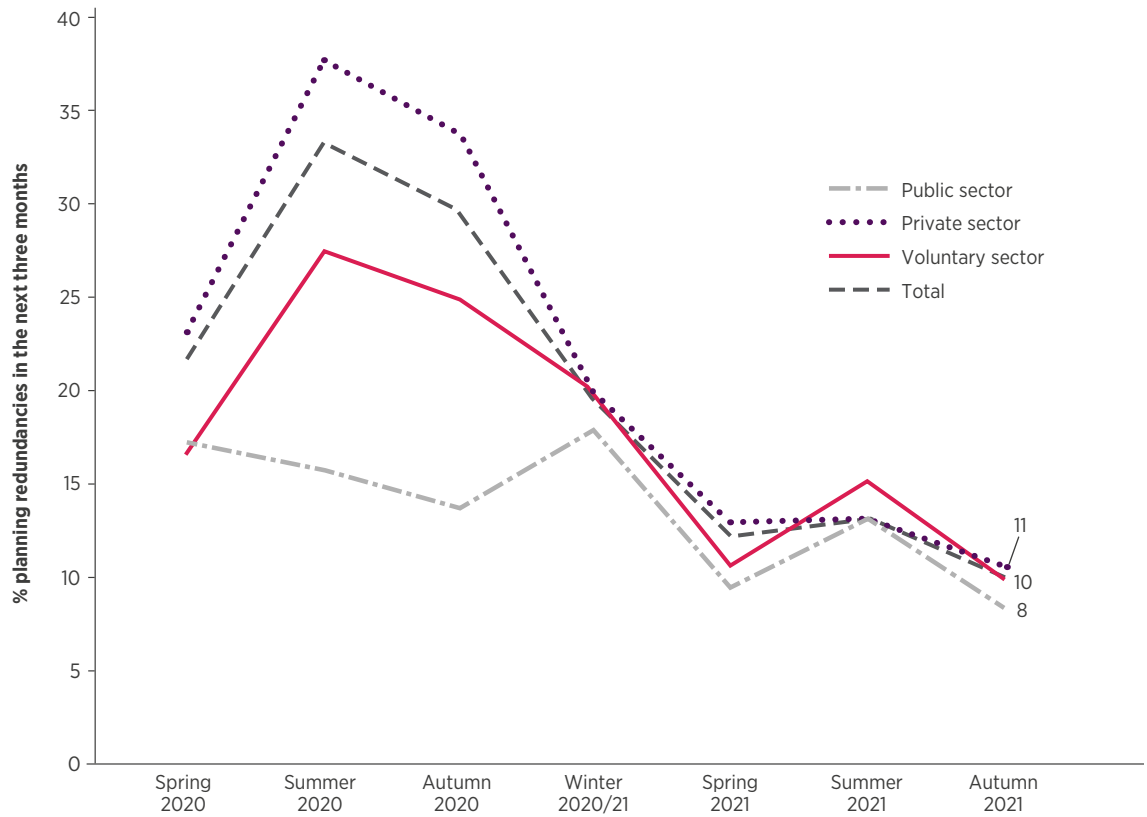


Base: autumn 2021, all employers (total: n=1,005; private: n=752; public: n=177; voluntary: n=76).

Redundancies

One in ten employers are planning to make redundancies in the three months to December, down from 13% in the previous quarter. A similar proportion remain uncertain, with one in ten (10%) also unsure about whether they will be carrying out redundancies, also down from 13% in the previous quarter. The findings will reassure policy-makers that the closure of the Coronavirus Job Retention Scheme will not lead to large-scale redundancies.

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



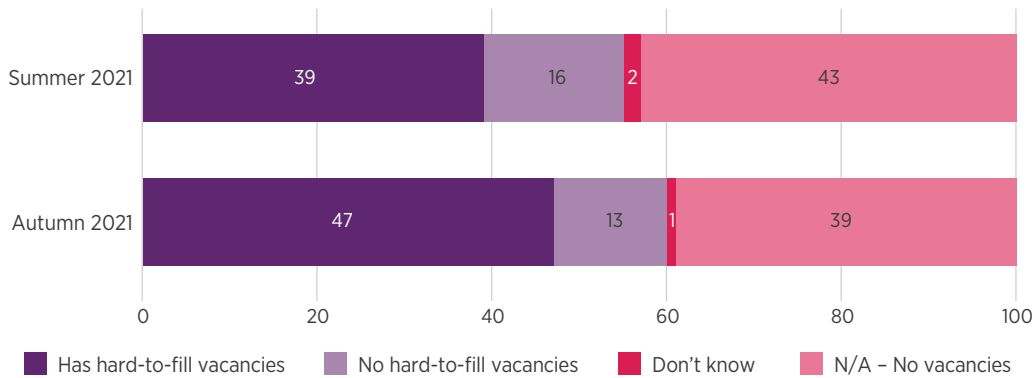
Base: autumn 2021, all employers (total: n=1,005; private: n=752; public: n=177; voluntary: n=76).

4 Job vacancies

This quarter’s findings provide further evidence that recruitment difficulties are increasing.

When looking at the overall population of employers, including those who have not reported any current vacancies, the share of organisations with hard-to-fill vacancies has increased to 47% from 39% in the previous quarter. Recruitment difficulties remain higher in the public sector (54%) than in the private sector (46%) and voluntary sector (46%).

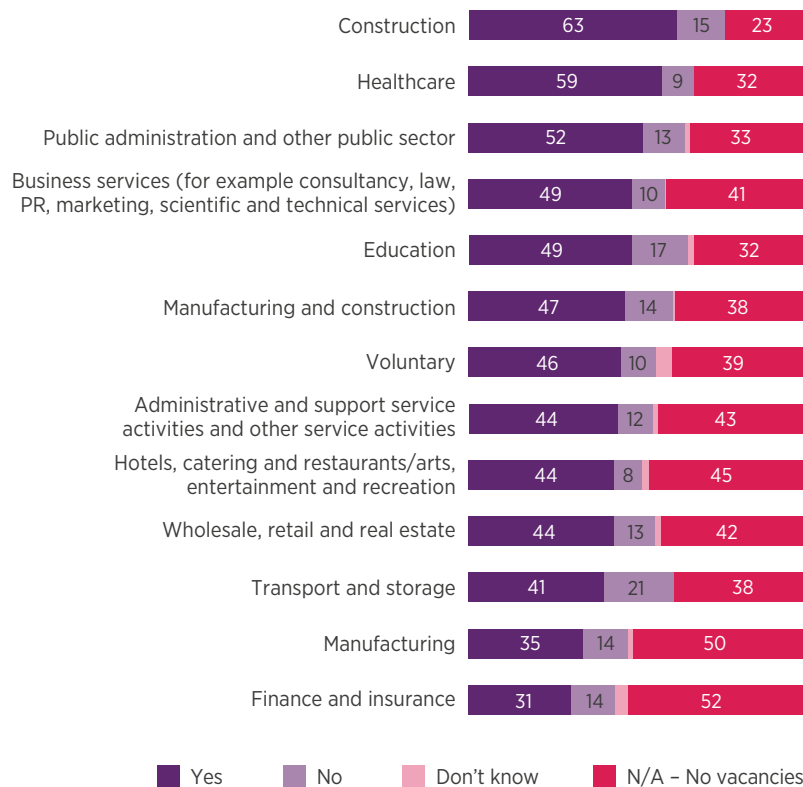
Figure 6: Employers with hard-to-fill vacancies (%)



Base: autumn 2021, all employers (n=1,005).

In terms of industries, hard-to-fill vacancies are most prevalent in construction (63%), healthcare (59%) and public administration and defence (52%) (see Figure 7).

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



Base: for breakdown of base sizes, see Table 3.

Looking ahead to the next six months, a majority of employers (58%) say that they expect recruitment difficulties to worsen. Expectations of worsening recruitment difficulties are higher in the private sector (60%) than in both the public sector (53%) and the voluntary sector (55%).

Labour supply

The analysis also considers the number of applications employers received for the last low-skilled, medium-skilled and high-skilled vacancy they filled. Overall, the survey data indicates that the supply of labour for low-skilled roles is more constrained than in the previous report, but remains unchanged for medium- and high-skilled roles. Where employers last filled a low-skilled vacancy, they received a median number of 16 applicants for that role, which compares with 20 applicants in summer 2021.

On average, employers received a median number of ten applications for the last medium-skilled role that was advertised. This compares with ten applicants in the summer 2021 report. The supply of applicants for high-skilled roles is also unchanged compared with summer 2021, with a median number of five applicants registering an interest for high-skilled roles.

Employer responses to recruitment difficulties

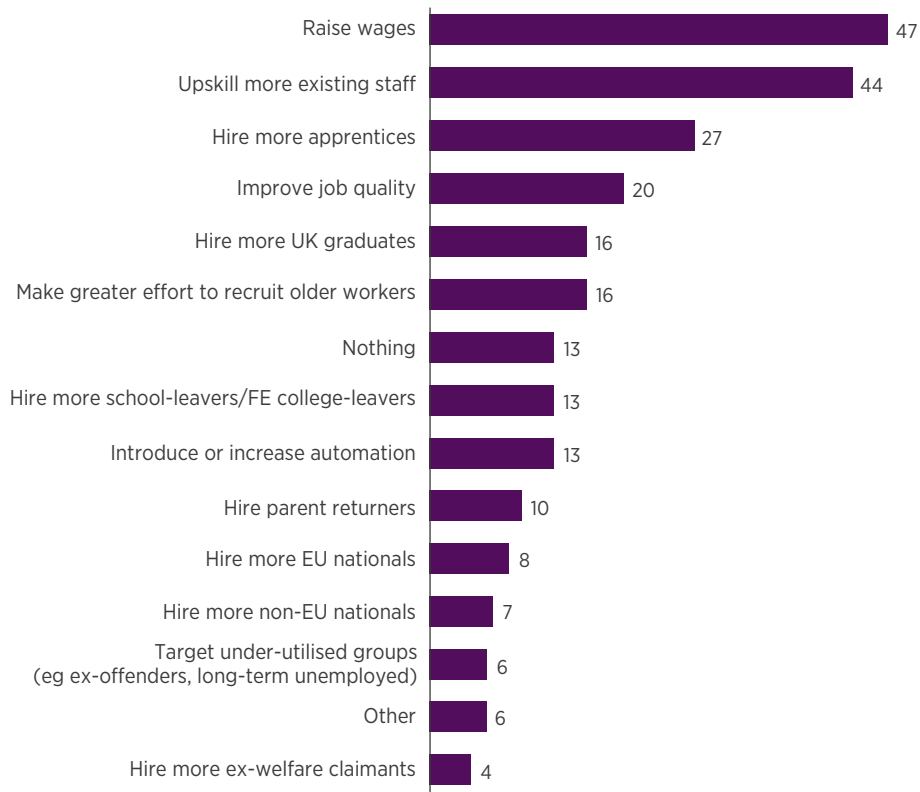
As Figure 8 illustrates, a majority of employers that are currently experiencing recruitment difficulties have taken steps to tackle them, especially in terms of raising wages. Almost half (47%) of employers said they have raised wages over the past six months to help offset hard-to-fill vacancies. Consistent with recent media reports of wage increases across low-paying industries, the industries most likely to have increased wages are retail (72%), hospitality (72%) and construction (69%).

When asked about the coverage of wage increases, more than a third (38%) of establishments say that they have restricted raising wages for hard-to-fill roles only, which compares with more than six in ten (61%) employers who say that higher wages have extended to other staff.

Other popular employer responses to hiring difficulties include upskilling (44%), hiring more apprentices (27%), improving job quality (20%) and recruiting more UK graduates (16%). Interestingly, the proportion of establishments that have increased apprenticeship numbers is particularly high in public administration (64%), hospitality (39%), transport and storage (36%) and construction (35%).

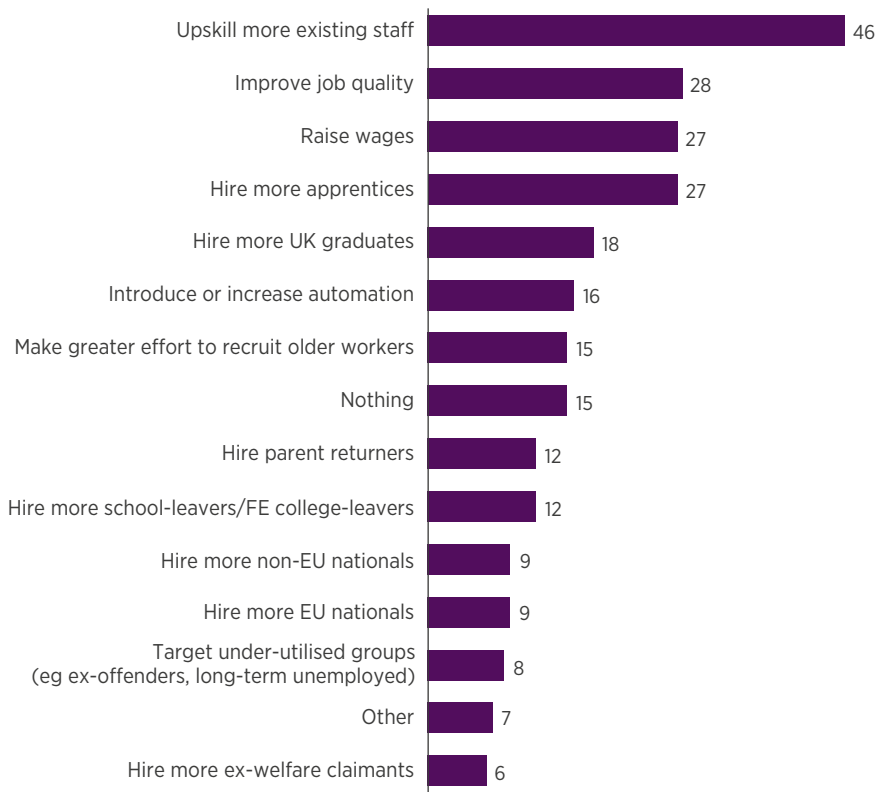
Overall, these findings suggest that employers have got better at sourcing labour in response to rising labour shortages through a variety of tactics.

Figure 8: Employer actions to alleviate hard-to-fill vacancies in the past six months (%)



Base: autumn 2021 (n=453).

Figure 9: Employer responses to recruitment difficulties over the next six months (%)



Base: autumn 2021 (n=453).

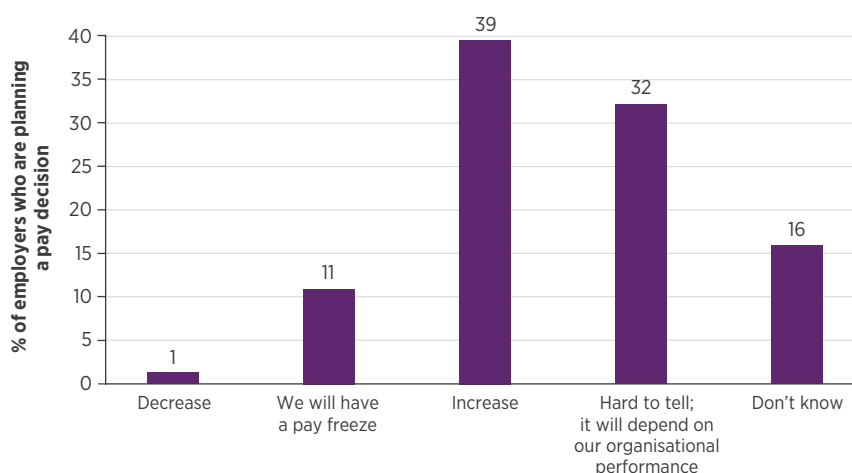
Looking ahead, upskilling remains at the forefront of organisations' approaches to tackling recruitment difficulties. Almost half (46%) of employers said they plan to upskill existing staff to help offset hard-to-fill vacancies. Public sector organisations (50%) are more likely than private sector organisations (45%) to be planning to upskill existing staff to address hard-to-fill vacancies.

Other popular employer responses include improving job quality (28%), hiring more apprentices (27%), raising wages (27%), recruiting more UK graduates (18%) and introducing or increasing automation (15%).

5 Pay outlook

Over four-fifths (84%) of employers are planning a pay review in the 12 months to September 2022. Among these employers, around four in ten (39%) expect basic pay to increase, which is significantly higher than in the summer quarter (33%). Eleven per cent expect a pay freeze and just 1% expect a decrease.

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

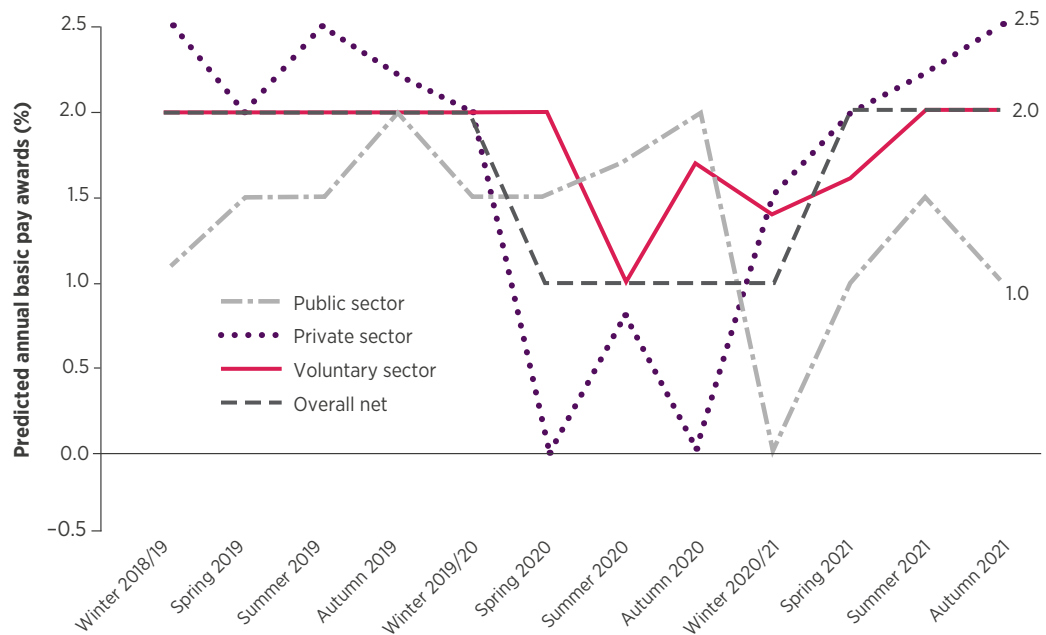


Base: autumn 2021, all employers planning a pay review in the next 12 months (n=829).

Continuing the trend from previous reports, pay settlement expectations in the private sector have risen from 2.2% to 2.5%. The pay outlook for private sector workers over the coming 12 months is brighter than the outlook for public sector workers. By contrast, basic median pay award expectations in the public sector in the 12 months to September 2022 have fallen to 1% from 1.5% in the summer report. Some caution should be applied in the interpretation of this data because the fieldwork took place before the Chancellor's more recent announcement that public sector workers will see pay rises over the next three years.¹ Overall, employers say that the median basic pay increase in their organisation (excluding bonuses) in the 12 months to September 2022 will be 2%, which is the same as the summer 2021 report.

¹ HM Treasury. (2021) *Autumn Budget and Spending Review 2021*.

Figure 11: Median basic pay increase expectations – median employer



Base: autumn 2021, all employers expecting an increase (n=316; private: n=230; public: n=57; voluntary: n=29).

6 Survey method

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 1,005 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 20 September and 11 October 2021. 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 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	150
10-49	192
50-99	71
100-249	108
250-499	109
500-999	78
1,000 or more	297
Total	1,005

Table 2: Breakdown of sample, by sector

Sector	Count
Private sector	752
Public sector	177
Third/voluntary sector	76
Total	1,005

Table 3: Breakdown of sample, by industry

Industry	Count
Voluntary	76
Manufacturing and production	161
Manufacturing	88
Construction	53
Primary and utilities	20
Education	112
Healthcare	62
Private sector services	522
Wholesale, retail and real estate	71
Transport and storage	24
Information and communication	47
Finance and insurance	83
Business services (for example consultancy, law, PR, marketing, scientific and technical services)	133
Hotels, catering and restaurants/Arts, entertainment and recreation	68
Administrative and support service activities and other service activities	96
Police and armed forces	10
Total	1,005

Table 4: Breakdown of sample, by region

Region	Count
North-east of England	27
East Midlands	61
West Midlands	70
Scotland	59
London	169
South-west of England	65
East of England	43
Wales	40
South-east of England	119
North-west of England	71
Yorkshire and Humberside	49
Northern Ireland	20
Operations in all of the UK	212



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