

AUTUMN 2011



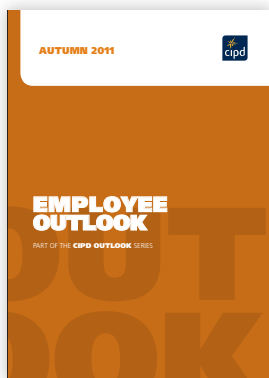
LABOUR MARKET OUTLOOK

PART OF THE **CIPD OUTLOOK** SERIES

CIPD OUTLOOK SERIES

The *Labour Market Outlook* is part of the CIPD Outlook series, which also includes the *Employee Outlook* and the *HR Outlook*. Drawing on a range of perspectives (and with the opportunity to compare data across our regular surveys), this triad of research enables the CIPD to offer unique insight and commentary on workplace issues in the UK.

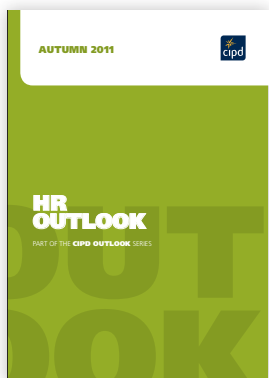
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Summary

The quarterly CIPD *Labour Market Outlook* (LMO) provides a set of forward-looking labour market indicators, highlighting employers' recruitment, redundancy and pay intentions. The survey is based on 1,021 HR professionals, some of whom are drawn from the CIPD's membership of more than 135,000 HR professionals. For the purpose of this report we have referred to these respondents as LMO employers.

The latest report shows that the labour market will continue to weaken in the next three months. The LMO net employment balance score (that is, the overall effect of recruiting new staff and making redundancies) has fallen from -1% to -3% since the summer quarter. This is the second successive quarterly fall and the lowest net balance since last winter.

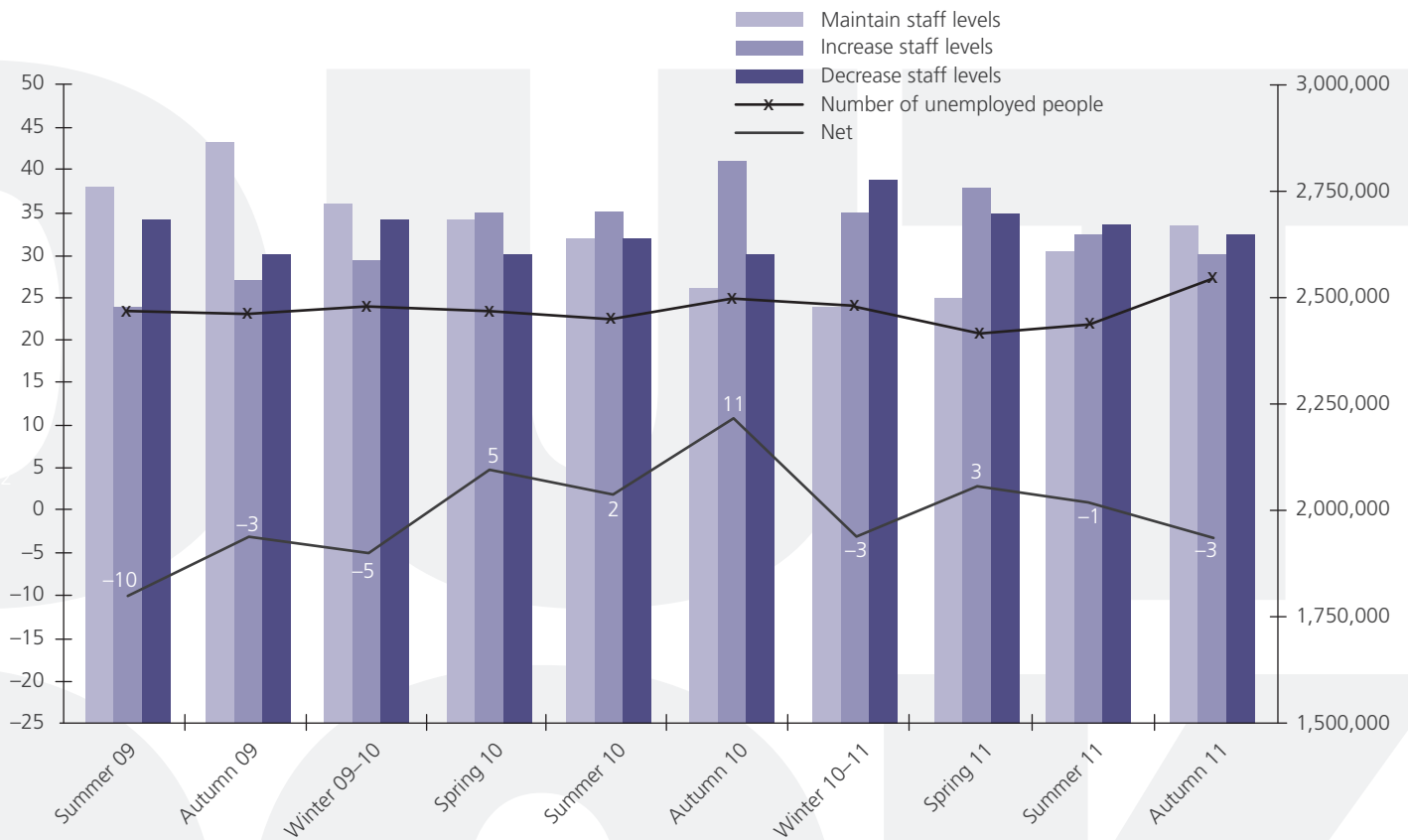
As indicated in recent LMO reports, the private sector is showing a strongly positive but steadily falling net employment balance (+20%) while the public sector is showing a strongly negative net balance (-50%). The LMO survey thus suggests a continuation of the trend that has emerged in official statistics during the course of 2011, with the rate of growth in private sector jobs slowing and becoming insufficient to offset public sector job losses. Therefore, although there is nothing in the LMO survey findings to suggest that a marked fall in private sector employment is imminent, it is nonetheless likely that unemployment will continue to rise for the time being.

Recruitment, retention and redundancy outlook

Employment prospects are set to weaken further. This quarter's net employment balance score – which measures the difference between the proportion of employers who

expect to increase staff levels and those who expect to decrease staff levels in the fourth quarter of 2011 – has fallen to -3% (Figure 1).

Figure 1: Correlation between LFS unemployment statistics¹ and LMO data
Base: All LMO employers likely to recruit or make redundancies in the next quarter (n=661)

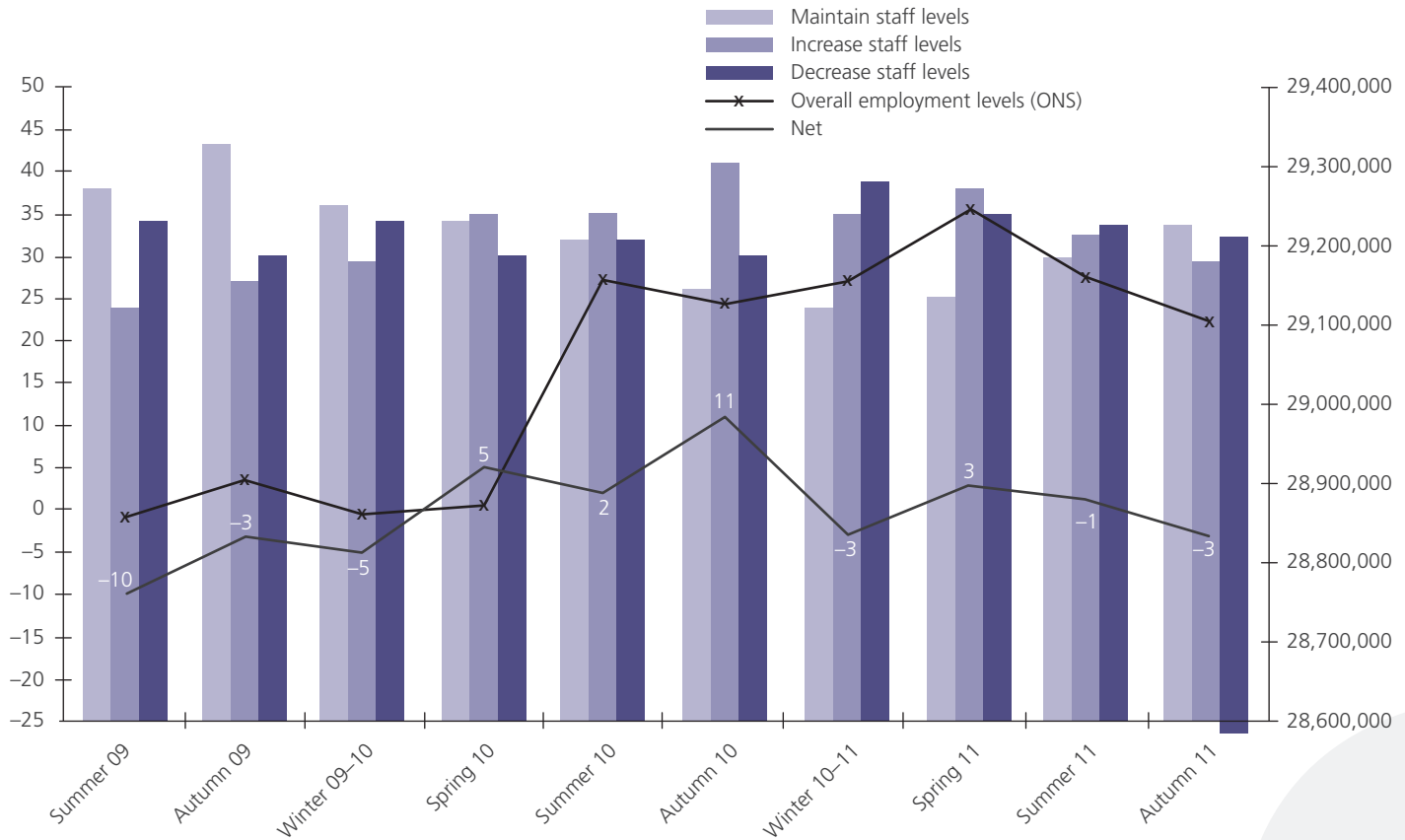


¹ Labour Force Survey data taken at quarterly intervals based on GB population aged 16+: spring (February–April), summer (May–July), autumn (August–October), winter (November–January).

Please note the unemployment figure for autumn is taken from the ONS estimates for three months to August 2011, not LFS data. Hence, the figure for unemployed people in autumn 2011 needs to be treated with caution as it only covers the first month of the autumn quarter.

Figure 2: Correlation between LFS employment levels and LMO data²

Base: All LMO employers likely to recruit or make redundancies in the next quarter (n=661)



This is the weakest net balance score since last winter, the apparent deterioration in the overall demand for labour reflecting the recent trend in official employment data (Figure 2).

The net employment balance score remains strongly positive in the private sector (+20%), though down from +23% in the previous quarter (Figure 3). However, the net employment balance is very strongly negative in the public sector (-50%). The voluntary sector net employment balance is unchanged from the previous quarter (+7%).

Looking further ahead, the private sector net employment balance score for the next 12 months has increased from +19% to +24% since the previous quarter (Figure 4). The corresponding net employment balance score for the voluntary sector is also positive but has decreased from +13% to +9%. The 12-month net employment balance for the public sector is very strongly negative (-57%).

²Labour Force Survey data taken at quarterly intervals based on GB population aged 16+: spring (February–April), summer (May–July), autumn (August–October), winter (November–January). Please note the unemployment figure for autumn is taken from the ONS estimates for three months to August 2011, not LFS data. Hence, the figure for unemployed people in autumn 2011 needs to be treated with caution as it only covers the first month of the autumn quarter.

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Figure 3: Overall effect of recruiting new staff and/or making redundancies in next three months (%)
Base: Autumn 2011 all likely to recruit or make redundancies in the next three months: overall (n=661), private sector (n=384), public sector (n=194) and voluntary sector (n=83)

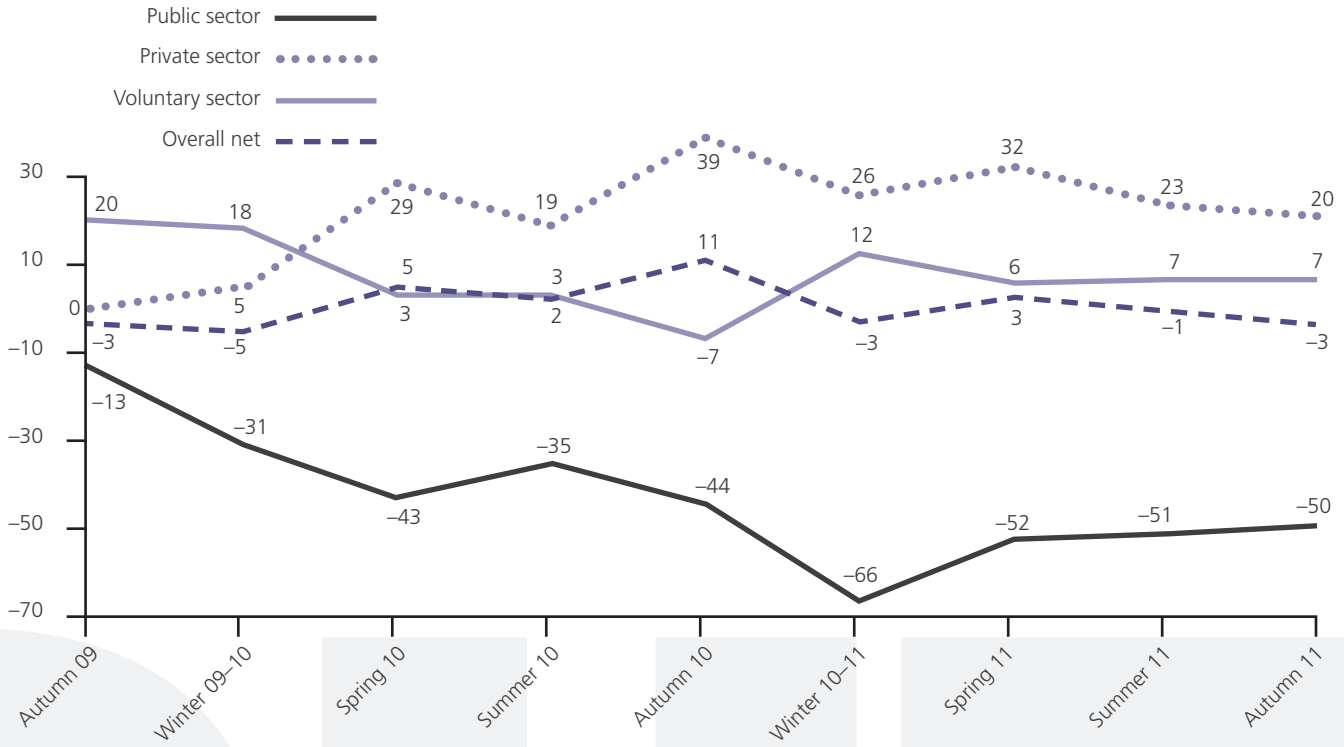
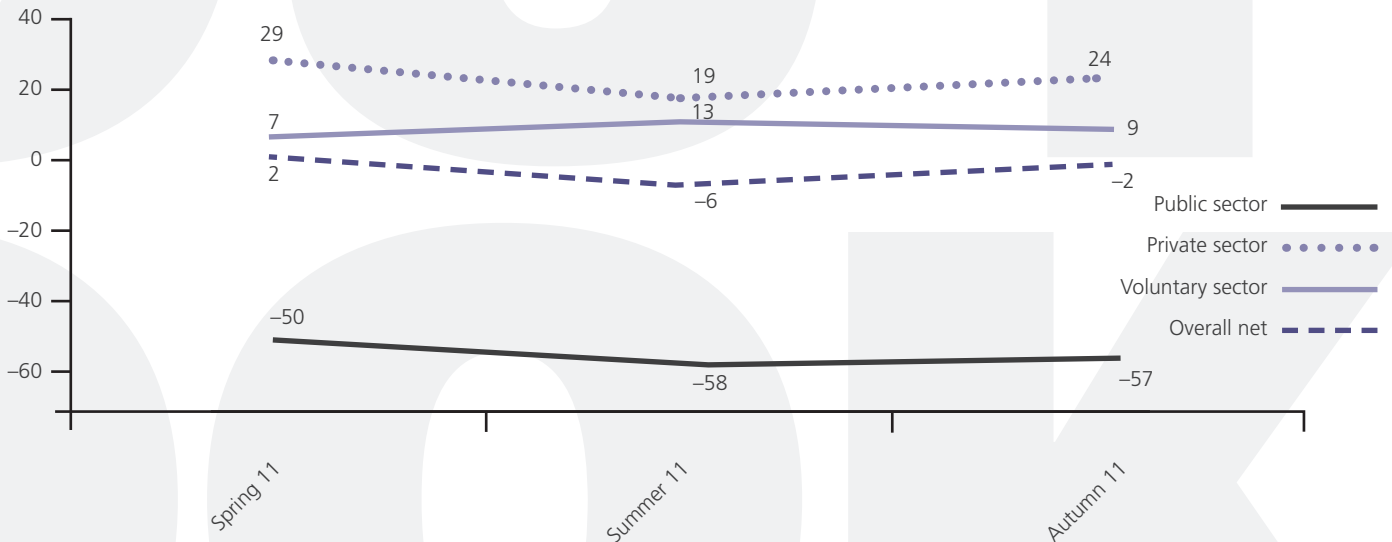


Figure 4: Overall effect of recruiting new staff and/or making redundancies in next 12 months (%)
Base: Autumn 2011 all likely to recruit or make redundancies in the next 12 months: overall n=661, public n=194, private n=384, voluntary n=83

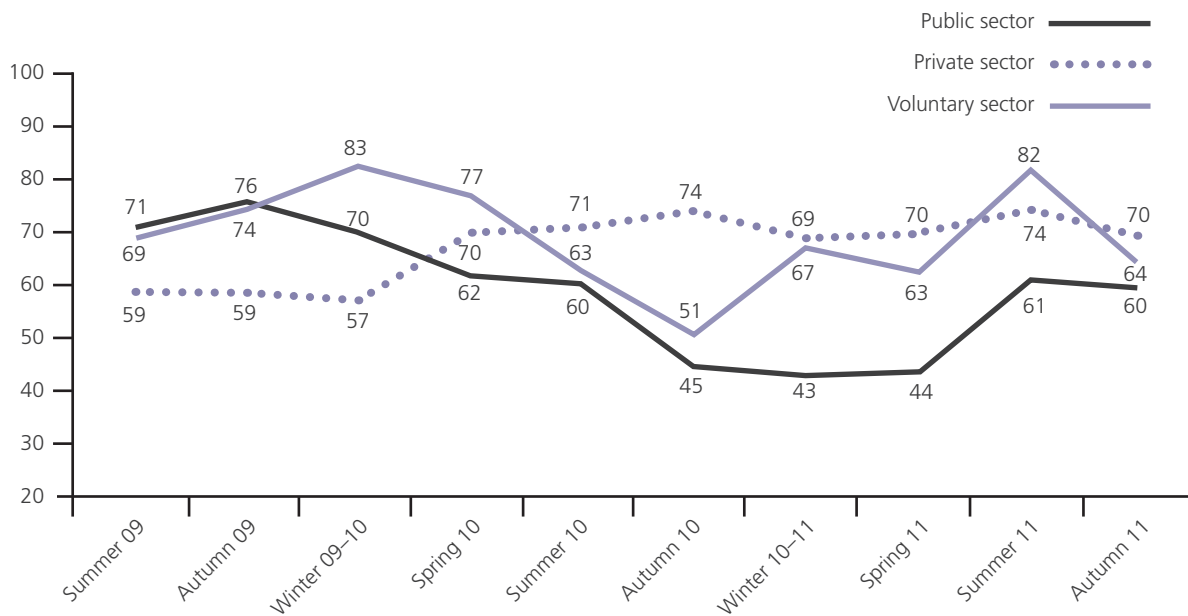


Recruitment intentions

Recruitment intentions overall have fallen significantly since the last quarter (with 66% of employers intending to recruit compared with 71% in the summer), though the fall is mainly the result of much weaker recruitment by LMO employers in the voluntary sector (Figure 5). LMO employers who intend to recruit on average expect 74% of new recruits to be full-time staff and 26% to be part-time staff.

A quarter of LMO employers (24%) do not expect to recruit staff into any roles in the next 12 months, this proportion being much higher in the public sector (30%) than the private sector (21%). Where recruitment is expected, demand will be relatively strong for a number of job roles, notably business development staff (19%), accounting and finance staff (19%), administrative staff (16%) and sales and marketing staff (16%, Figure 6).

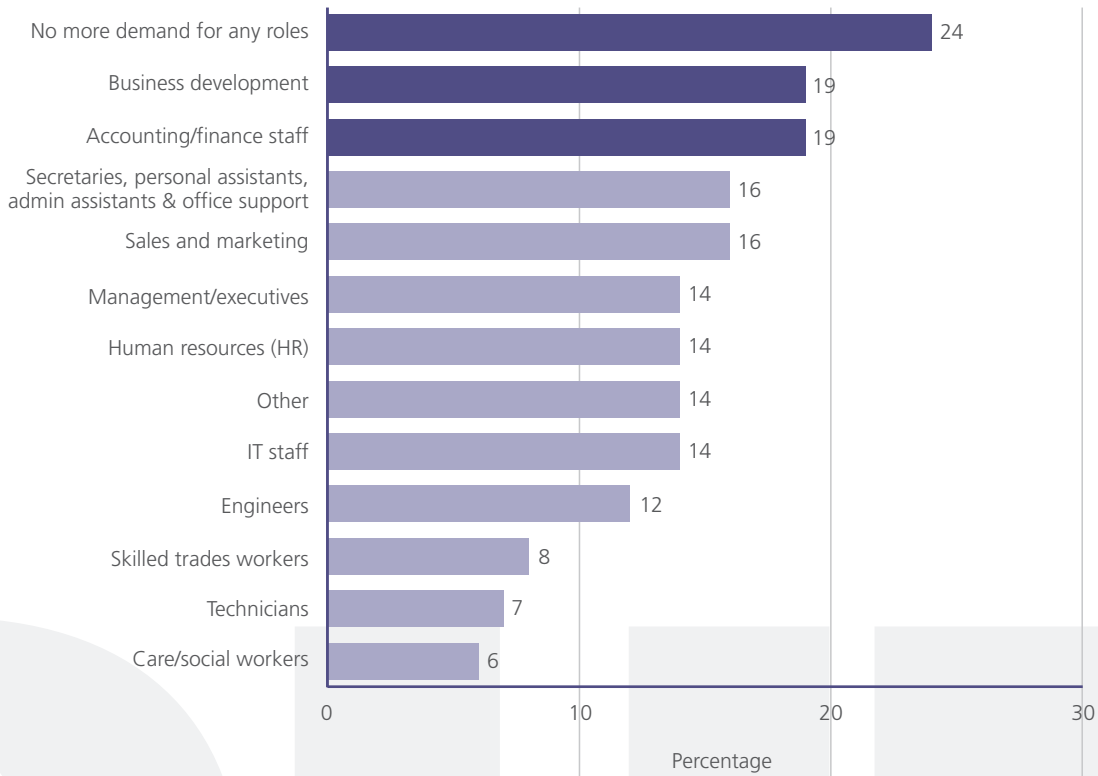
Figure 5: Recruitment intentions, by sector (%)
Base: Autumn 2011: public n=296, private n=601, voluntary n=124



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Figure 6: Roles in more demand within organisations in the next 12 months (%)

Base: All LMO employers (n=1,021) *Only responses over 5% listed



Redundancy intentions

A third of LMO employers expect to make redundancies over the next three months. The proportion is highest in the public sector (48%), though the figure has fallen in all three broad sector categories since the summer (Figure 7). However, there has been an increase in redundancy intentions in manufacturing and production (Table 1).

Figure 7: Redundancy intentions, by sector (%)
Base: Autumn 2011: public n=296, private n=601, voluntary n=124

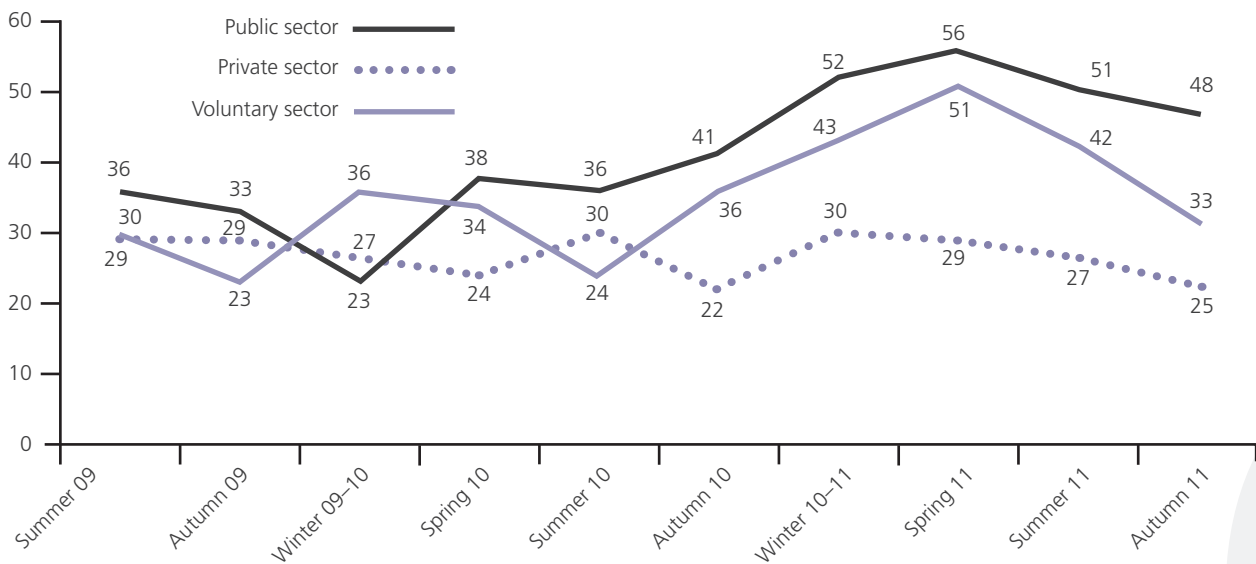


Table 1: Redundancy intentions, by industry (%)

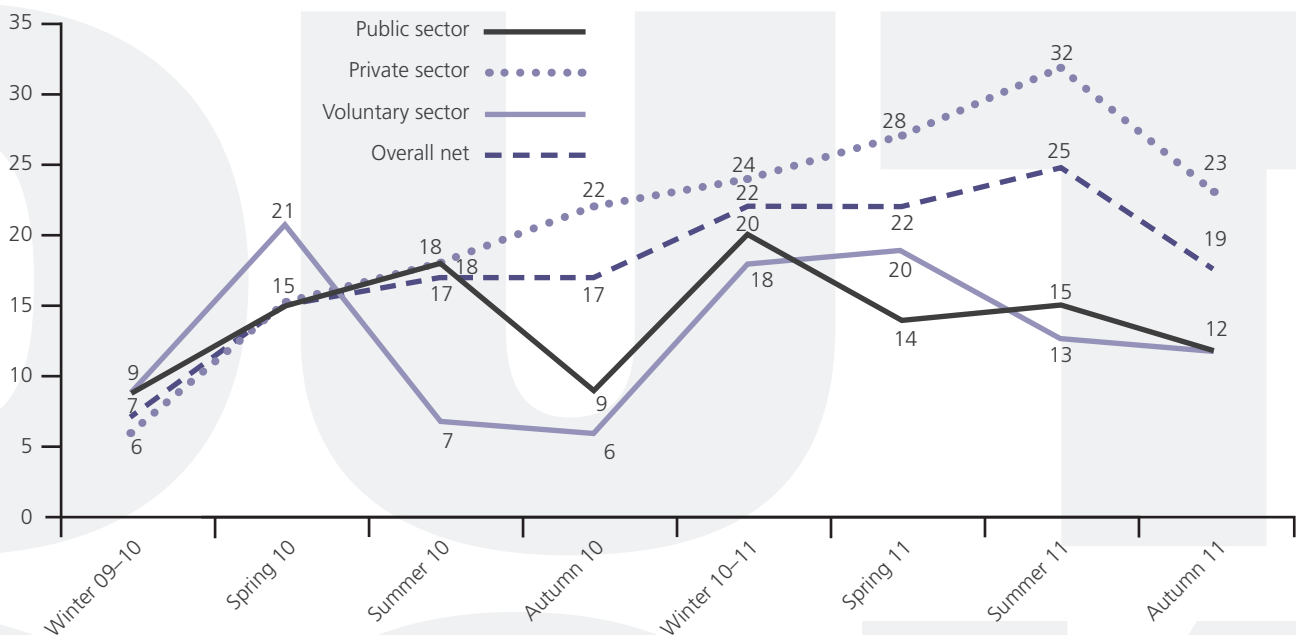
	Autumn 11	Summer 11	% difference
Public administration and defence (n=133)	64	65	-1
Voluntary and not-for-profit (n=118)	35	40	-5
Manufacturing and production (n=154)	34	31	3
Healthcare (n=81)	32	34	-2
Education (n=107)	27	51	-24
Private sector services (n=428)	24	25	-1

Migration outlook

The proportion of LMO employers who are planning to recruit EU and non-EU migrant workers in the next three months (19%) is lower than the last two quarters (summer 2011 at 25% and spring 2011 at 22%). This is the lowest figure since autumn 2010, the subsequent fall being particularly marked in the private sector (Figure 8).

Seventeen per cent of LMO employers are planning to recruit EU migrant workers, with one in ten intending to recruit non-EU workers. Among those planning to recruit migrant workers, 36% are planning to do so from overseas and/or 73% from migrant workers already based in the UK. Around one in six (15%) are not sure where they will recruit migrant workers from.

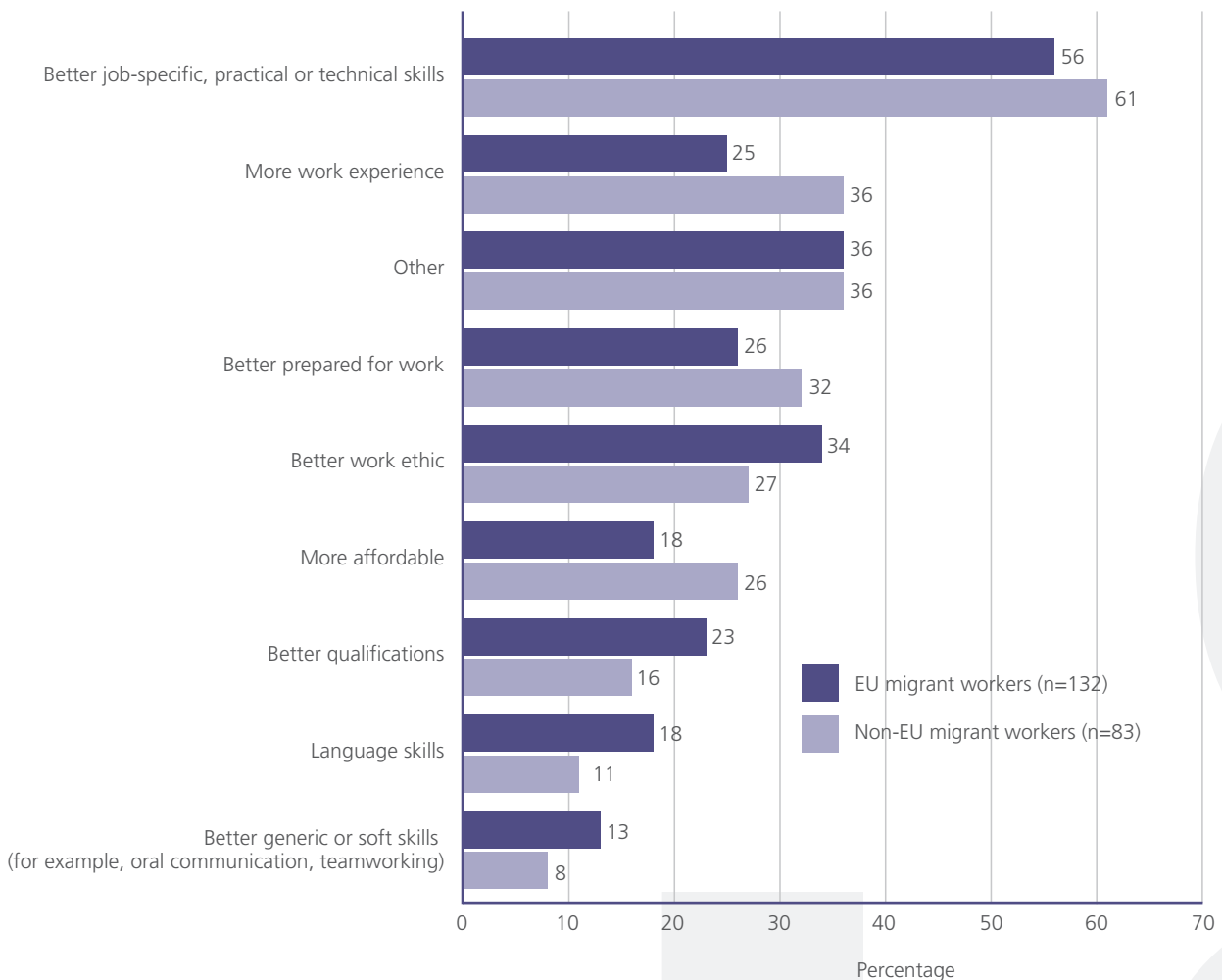
Figure 8: Proportion of organisations planning to recruit migrant workers (%)
Base: Autumn 2011: public n=296, private n=601, voluntary n=124



When asked what areas non-EU migrant workers would be recruited into, 18% said HR followed by IT staff (15%), management/executives (14%) and researchers (14%). For EU workers, the areas stated were technicians (15%), caretakers/cleaners (12%) and sales and marketing (12%).

LMO employers seem more likely to recruit non-EU migrant workers because of their work experience and because they are more affordable (36% and 25% compared with 26% and 18% respectively). EU migrant workers tend to be recruited more for their better work ethic (34%), better qualifications (23%) and language skills (18%, Figure 9).

Figure 9: Reasons to recruit migrant workers (%)
Base: Employers who plan to recruit migrant workers



Skills outlook

Forty-two per cent of LMO employers currently have vacancies that they are finding hard to fill. This figure rises to 70% among those who say they intend to recruit migrant workers in the next three months. Manufacturing and production and healthcare are the sectors reporting greatest difficulty in filling vacancies (Table 2).

Similar proportions of employers from the private and public sectors report having vacancies that are hard to fill (44% private sector, 39% public sector). Two-thirds (69%) of LMO employers with vacancies that are hard to fill say this is because of a lack of skills. This equates to a mean average of 49% of vacancies (or 50% median average). Vacancies for engineering staff and management/executive staff are cited as the most difficult to fill (Figure 10).

Table 2: Proportion with vacancies that are hard to fill, by industry (%)

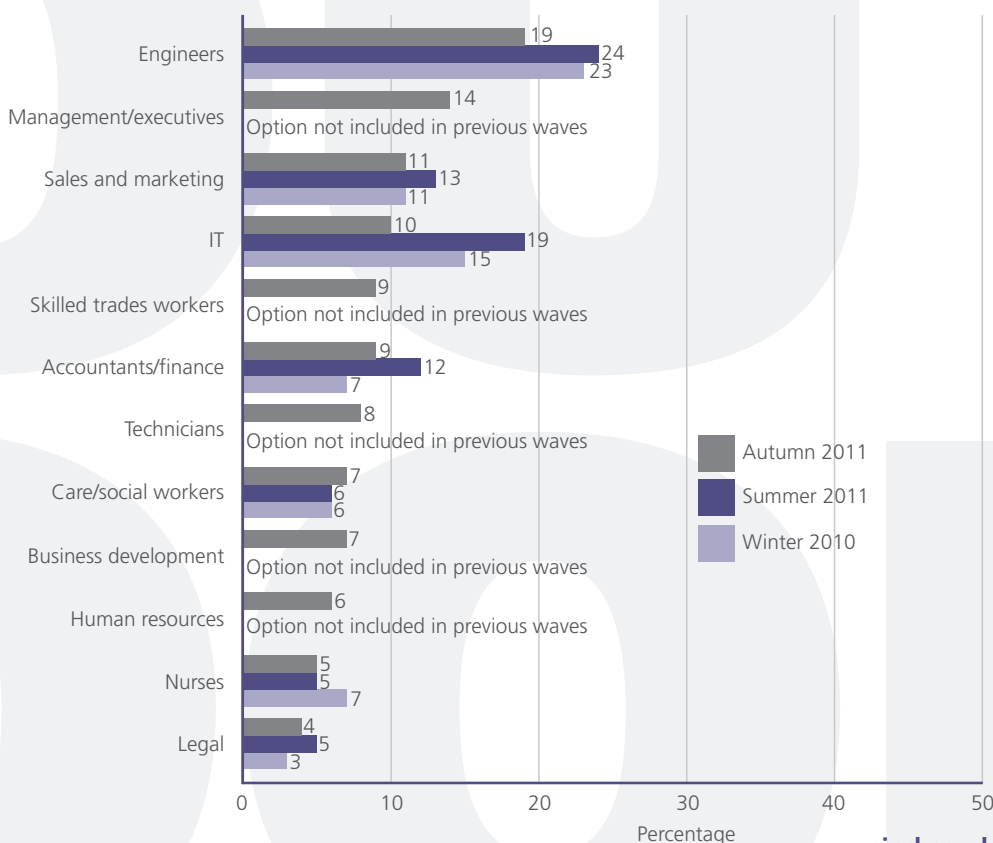
	Autumn 11	Summer 11	% difference
Manufacturing and production (n=154)	56	55	1
Public administration and defence (n=133)	40	49	-9
Private sector services (n=428)	40	46	-6
Healthcare (n=81)	56	46	10
Voluntary and not-for-profit sectors (n=118)	33	35	-2
Education (n=107)	26	26	0

Healthcare figures need to be treated with caution due to a small base size in summer 2011

Figure 10: Vacancies that are hard to fill (%)

Base: Employers with vacancies that are hard to fill, n=334

*Only responses over 5% listed



Pay outlook

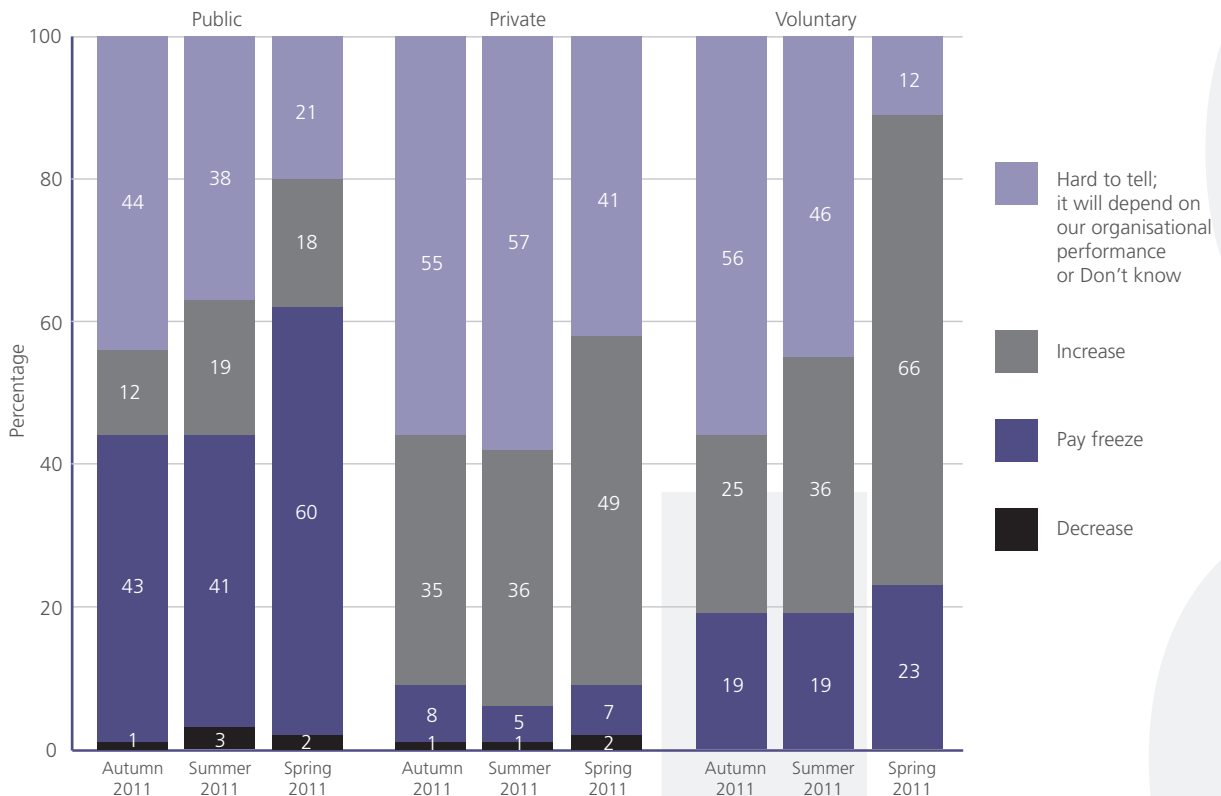
More than three-quarters (77%) of LMO employers are planning a pay review by August 2012. Almost a quarter (23%) intend to postpone their pay review, 5% by between one and six months and 18% by between seven and twelve months.

Uncertainty is higher within the private sector as to what the pay review will entail. Forty-three per cent say it is hard to tell what their pay review will consist of and that it will depend on their organisation's performance, while 13% simply do not know.

LMO employers who predict a pay review between June and August 2012 are far more likely to say it is hard to tell what it will entail compared with those who expect a review between September and November 2011 (44% compared with 19%).

Among LMO employers planning to have a pay review before August 2012, there is an average expected increase of 1.48% in their basic pay settlement (excluding bonuses, incremental increases, overtime and impact of re-grading exercises, Figure 12). This represents a minor decrease from the 1.56% reported in spring 2011 but is similar to what was reported in the summer quarter (1.45%).

Figure 11: Likelihood to have a pay increase, decrease or pay freeze (%)
Base: LMO employers who are not postponing a pay settlement (public n=184, private n=457, voluntary n=86)



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Along with 'ability to pay', 'inflation' and 'productivity and performance' remain important determinants of pay increases,

though 'recruitment and retention' has decreased in importance since the summer quarter (Figure 13).

Figure 12: Average predicted annual pay awards (mean), by sector (%)

Base: All planning to have a pay review before August 2012 (all n=356, public n=107, private n=211, voluntary n=38)

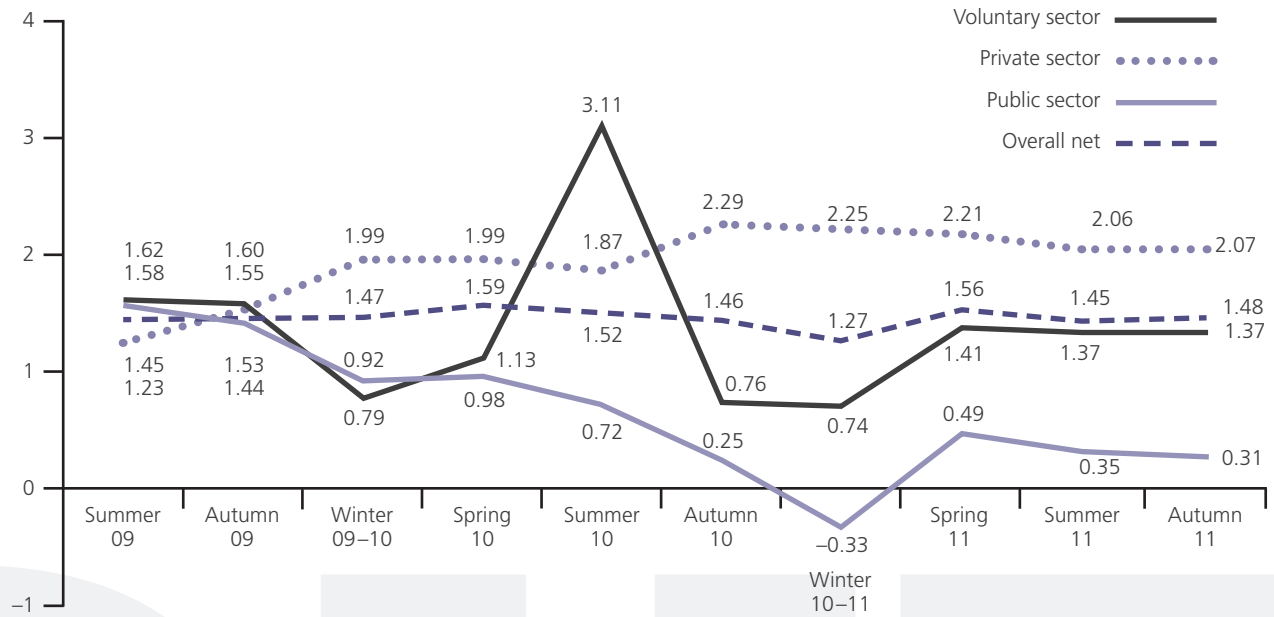
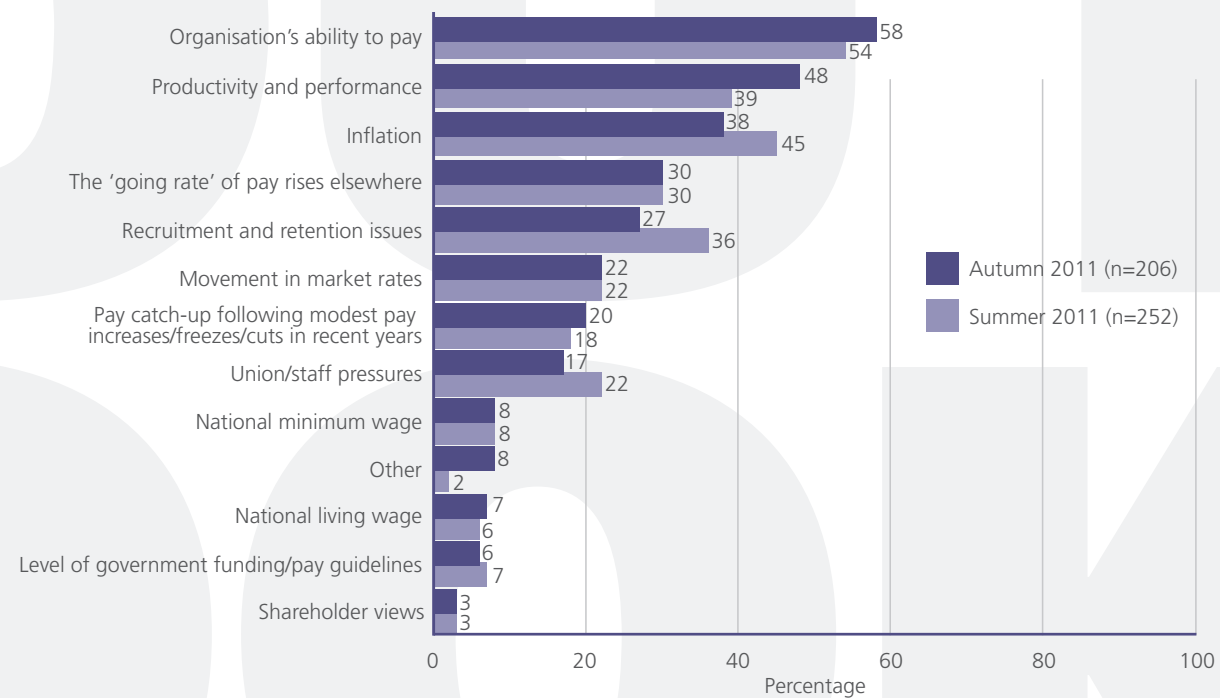


Figure 13: Main cause of the expected increase in salaries (%)

Base: All expecting a pay increase



Offshoring outlook

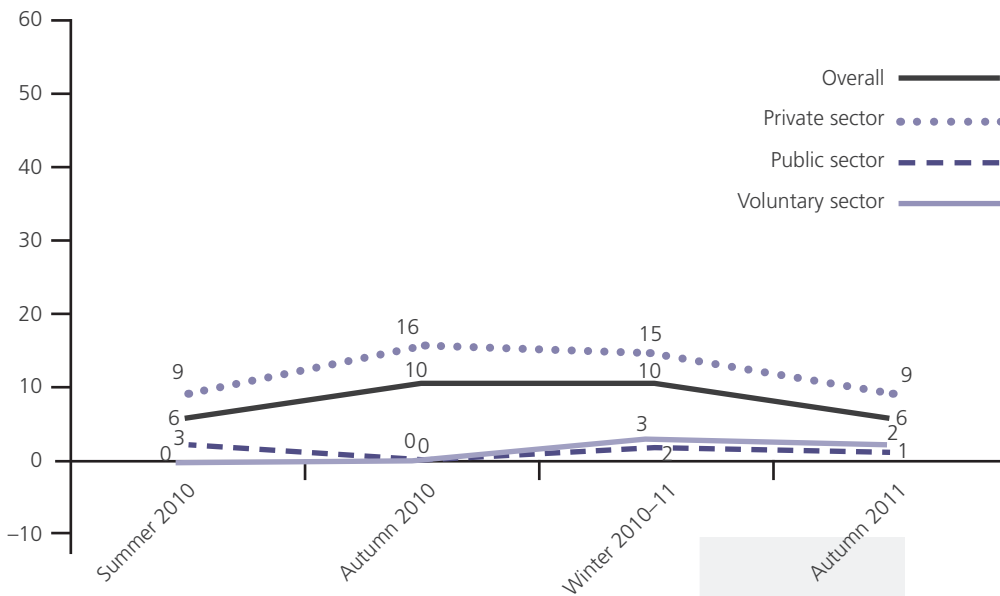
The proportion of LMO employers intending to offshore UK jobs to other parts of the world has decreased from 10% to 6% in the past year, though it continues to be more popular with private sector organisations than those in the public and voluntary sectors. However, the private sector has seen the largest fall in offshoring intentions, down from 16% in autumn 2010 to 9% in autumn 2011 (Figure 14).

Among those LMO employers intending to offshore jobs in the next 12 months, 65% intend to offshore to Asia, a third to Europe and 13% to Africa. Half of LMO employers intend

to offshore to India, a quarter (24%) to Eastern Europe and 19% to Asia excluding India and China. Relatively fewer employers intend to offshore to North America (7%), the Middle East (8%) and the rest of Africa (excluding South Africa, 8%)³.

The functions most likely to be offshored are finance and accounts (cited by 51% of LMO employers) followed by IT support (39%) and production/operations (29%). Functions less likely to be offshored are legal services (4%), research and development (6%) and customer services (13%)⁴.

Figure 14: Proportion planning to offshore (%)
Base: All LMO employers autumn 2011 (overall n=1,021, private n=601, public n=296, voluntary n=124)



³ Figures within this paragraph need to be treated with caution due to small base sizes.

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Research methodology

On behalf of the CIPD, YouGov undertook this twelfth wave of the quarterly tracking study looking into views of senior HR professionals.

HR professionals were defined as currently working in the roles below and are referred to throughout the report as LMO employers:

- director
- senior executive/group role
- head of functional area
- HR business partner
- manager
- senior officer
- consultant.

The survey was conducted online using the following sample sources:

- a sample from the CIPD membership database consisting of approximately 135,000 members
- YouGov panel of 1,500 senior HR professionals
- an open survey advertised through the CIPD magazine *People Management* and a weekly newsletter.

Fieldwork was carried out between 31 August and 10 October 2011 and is weighted to be representative of industry in the UK in relation to organisation size, sector and type of business.

The findings are primarily analysed by sector and type of business. Where patterns emerge, the findings are further analysed by the size of company and region.

Within the report net scores have been used to display results. Net scores are calculated by subtracting the percentage of respondents who say something positive from the percentage who say something negative. They measure the strength of the direction of feeling and therefore give a more accurate assessment than simple agreement scores.

Respondent profile

(weighted by sector, industry and organisation size)

Respondents by business sector (%)

	Spring 11	Summer 11	Autumn 11
Private	62	62	62
Public	31	31	31
Voluntary/not-for-profit	7	7	7

Respondents by business type (%)

	Spring 11	Summer 11	Autumn 11
MANUFACTURING AND PRODUCTION	14	14	14
Agriculture, forestry and fishing	0	0	0
Manufacturing	9	9	9
Construction	2	2	3
Mining and extraction	0	1	0
Energy and water supply	1	1	1
EDUCATION	6	5	5
Primary and secondary schools	1	2	1
Further and higher education	4	3	4
HEALTHCARE	8	8	8
NHS	5	6	5
Other private healthcare	3	2	3
VOLUNTARY AND NOT-FOR-PROFIT SECTORS	6	6	6
PRIVATE SECTOR SERVICES	52	51	52
Hotels, catering and leisure	2	2	2
IT industry	3	3	3
Transport and communications (including media)	4	4	4
Consultancy services	15	14	15
Finance, insurance and real estate	9	9	9
Wholesale and retail trade	7	6	7
Other business services	12	12	12
PUBLIC ADMINISTRATION AND DEFENCE	16	16	16
Public administration – central government	5	6	5
Public administration – local government, including fire services	8	7	8
Armed forces	1	1	1
Quango	2	2	2

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Region/nation to which response relates (%)

	Spring 11	Summer 11	Autumn 11
North	11	15	14
North-west of England	4	6	7
North-east of England	3	4	4
Yorkshire and Humberside	4	5	4
Midlands	9	12	13
West Midlands	5	3	5
East Midlands	2	4	5
Eastern England	2	4	4
South	34	33	33
London	16	14	15
South-west of England	6	7	7
South-east of England	11	13	11
Scotland	10	7	6
Wales	4	4	3
Northern Ireland	4	2	2
Channel Islands	0	0	0
All of UK	28	27	28

Respondents by employer size (%)

Number of employees	Spring 11	Summer 11	Autumn 11
1-9	13	13	13
10-49	6	6	6
50-99	5	5	5
100-249	13	11	11
250-499	5	7	8
500-999	9	9	9
1,000-4,999	19	19	19
5,000-9,999	10	10	10
10,000-19,999	7	7	7
20,000 or more	13	13	13



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