

SPRING 2011



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LABOUR MARKET OUTLOOK

PART OF THE **CIPD OUTLOOK** SERIES

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Summary

The quarterly CIPD/KPMG *Labour Market Outlook* (LMO) provides a set of forward-looking labour market indicators, highlighting employers' recruitment, redundancy, migration and pay intentions. The survey is based on 391 HR professionals, who are mainly drawn from the CIPD's membership of more than 135,000 HR professionals.

The latest report suggests a slight improvement in employment prospects in the second quarter of 2011. The report's **net employment intentions** balance,¹ which looks at employment intentions for the second quarter of 2011, has improved to +3 from -3 during the last quarter. This follows a quarterly increase of 143,000 in the number of people in employment according to the official Labour

Force Survey (LFS) in the three months to February 2011. As indicated in previous *Labour Market Outlook* reports, the private sector is continuing to grow (+32) while employment prospects in the public sector continue to deteriorate (-52).

Compared with three months ago, pay expectations have also picked up. The expected average pay settlement in the 12 months to February 2012 has risen to 1.7% from 1.3% over the past three months.

The overall labour market outlook therefore appears to show a modest pick-up in the second quarter of 2011. However, near-term and medium-term employment prospects remain uncertain and subdued compared with pre-recession levels.

¹ This represents the difference between the proportion of employers that intend to increase total staffing levels and those that intend to decrease total staffing levels in the second quarter of 2011.

Recruitment, retention and redundancy outlook

Employment prospects have improved slightly during the past three months. This quarter's net employment balance – 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 second quarter of 2011 – has risen to +3 from –3 in the past three months.

Figure 1: Correlation between ONS unemployment statistics and LMO data
(Base spring 2011: All planning to recruit and/or make redundancies in the next three months: 303)

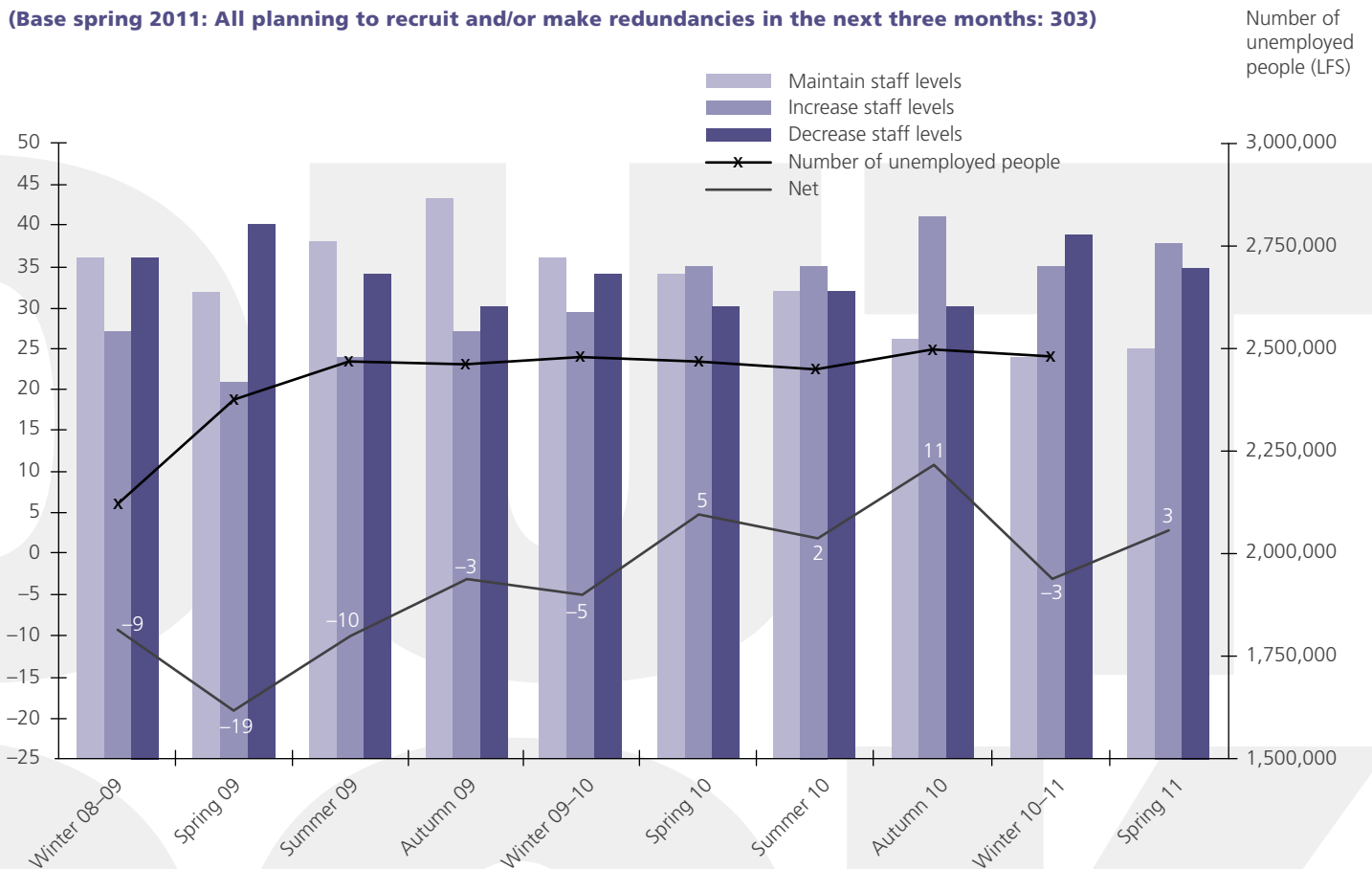
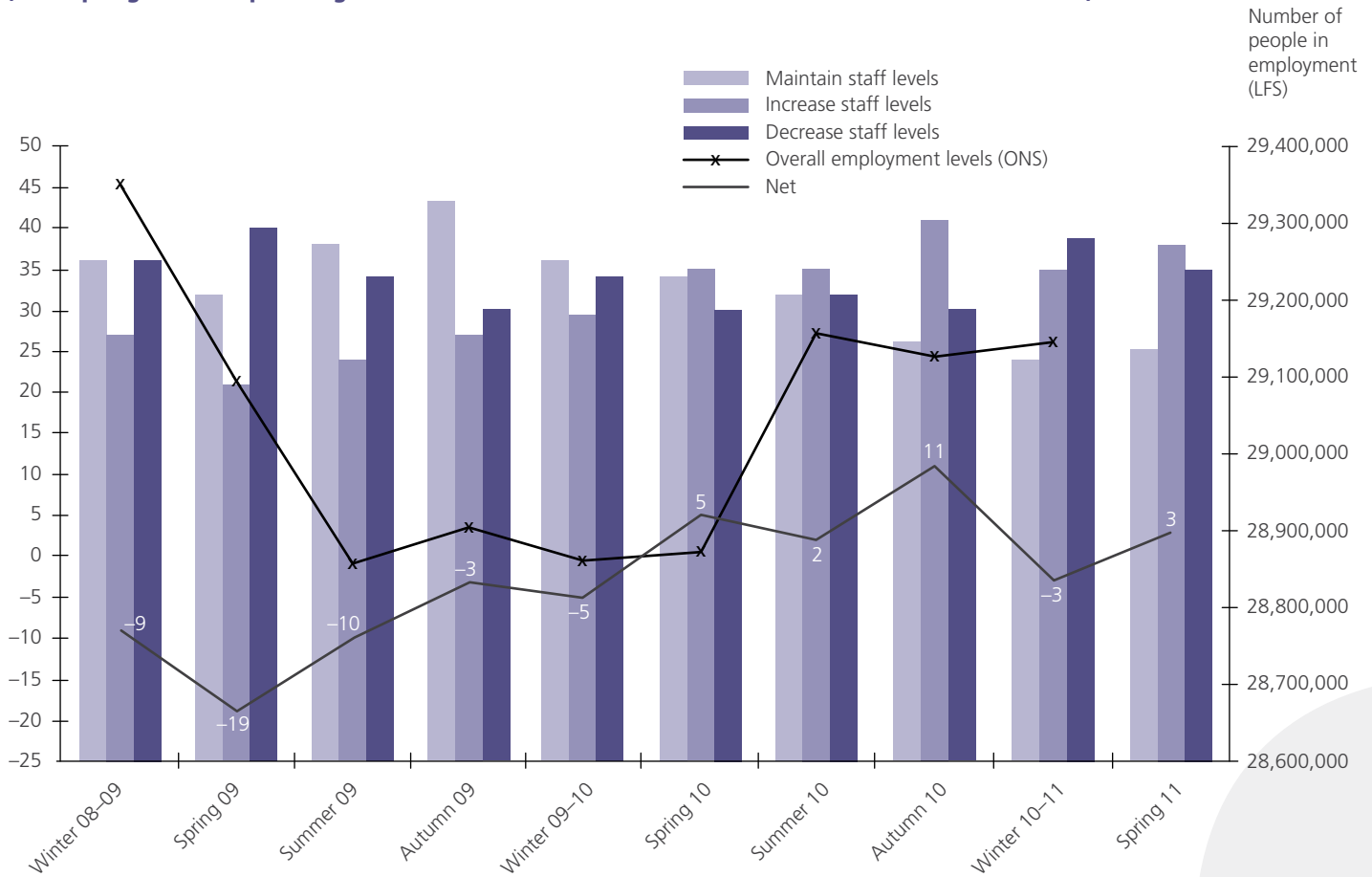


Figure 2: Correlation between LFS employment levels (ONS) and LMO report
(Base spring 2011: All planning to recruit and/or make redundancies in the next three months: 303)

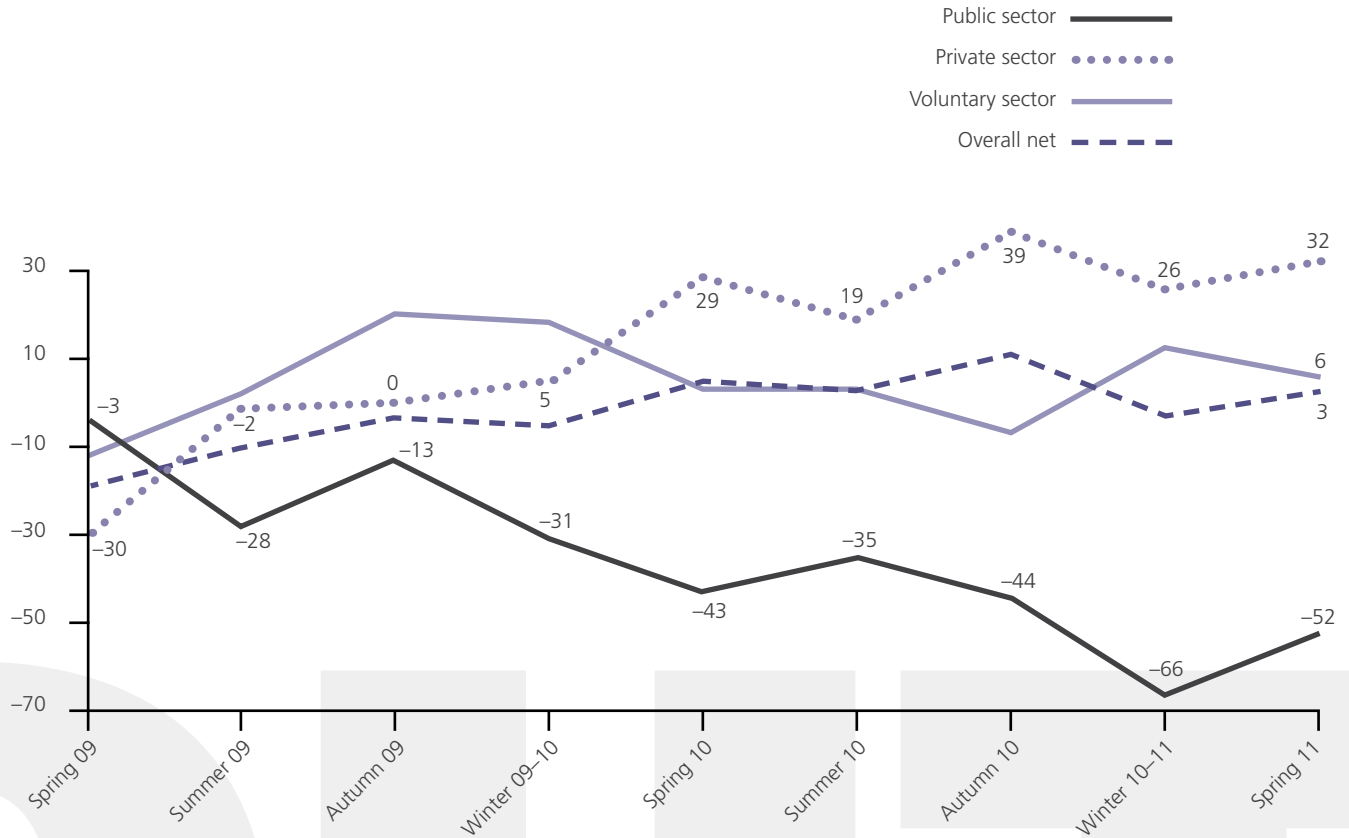


On the upside, the private sector will continue to generate new jobs in the second quarter of 2011 (+32), with the manufacturing sector the most buoyant (+40). On the downside, near-term employment prospects in the public sector remain very weak (-52). However, overall employment prospects remain below pre-recession levels.

Further, medium-term employment prospects remain weaker than the LMO report's near-term projections. In a continuation of recent trends, the net employment balance for the 12 months to February 2012 remains in negative territory at -3.

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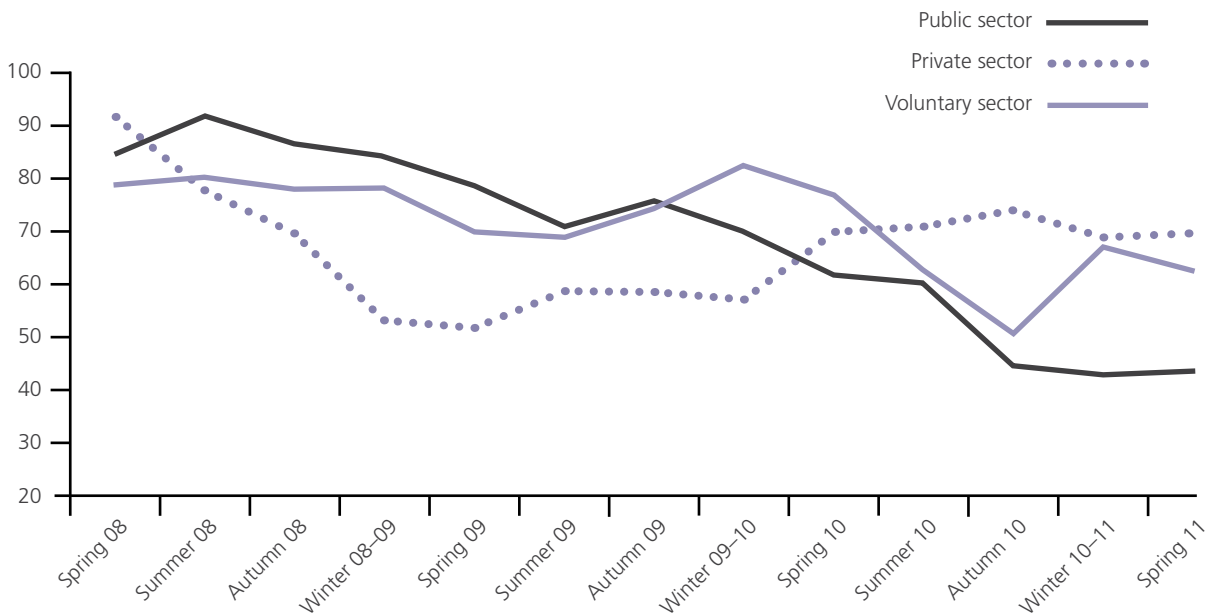
Figure 3: Overall effect of recruiting new staff and/or making redundancies
 (Base spring 2011: overall 391, public 122, private 241, voluntary/not-for-profit 27)



Recruitment intentions remain low

The number of organisations planning to recruit employees during the next three months (62%) remains consistent with previous LMO forecasts. Seven in ten private sector companies (70%) and almost two-thirds (63%) of voluntary organisations expect to recruit in the second quarter of 2011. Around two in five public sector organisations (44%) plan to hire over the same period.

Figure 4: Recruitment intentions by business sector
 (Base spring 2011: overall 391, public 122, private 241, voluntary/not-for-profit 27)



Redundancy intentions by business sector

According to the LMO survey, the second quarter of 2011 may see a high number of redundancies across all sectors of the economy. The number of organisations planning to make redundancies has risen to its highest level (39%) since the survey began in 2004. More than half (56%) of public sector employers are planning to make redundancies.

Meanwhile, around three in ten private sector firms intend to make redundancies during the same period (29%). Almost one in ten (7%) workers will be made redundant among those organisations that are planning cuts to the workforce. Almost two-thirds (65%) of redundancies are expected to be compulsory.

Figure 5: Redundancy intentions by business sector (% yes)
(Base spring 2011: overall 391, private 241, public 122, voluntary/not-for-profit 27)

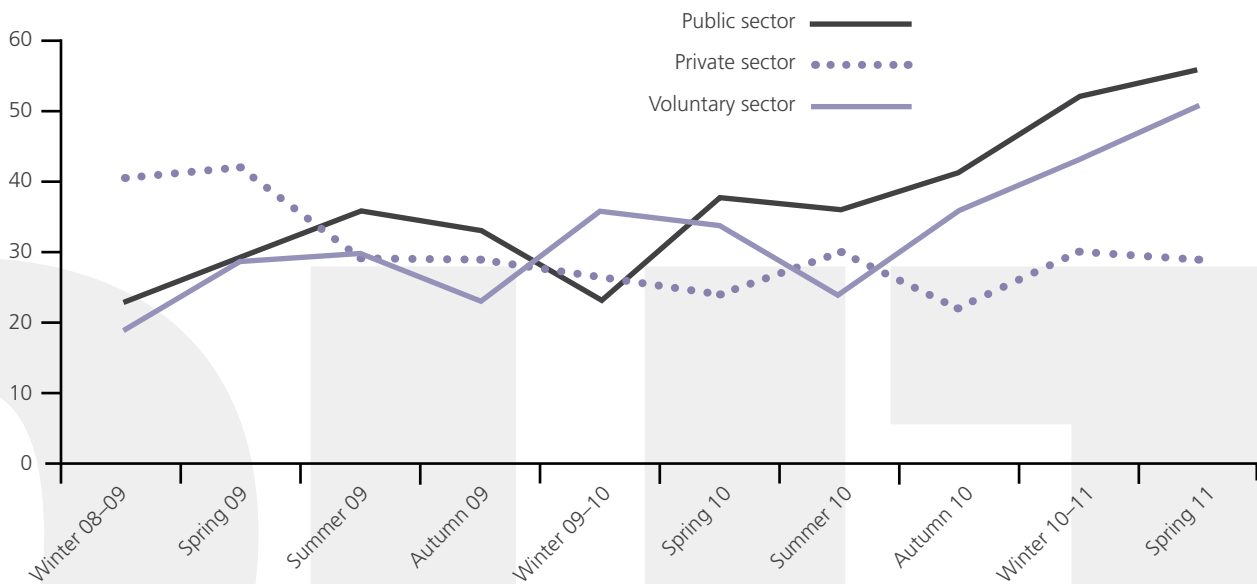


Table 1: Proportion of organisations planning to make any redundancies in the next three months (% yes)
(Base spring 2011: overall 391)

	Spring 11	Winter 10-11	% difference
Manufacturing and production (54)	34	27	-7
Private sector services (202)	31	31	0
Healthcare (30)	37	38	-1
Voluntary and not-for-profit sectors (22)	45	40	5
Education (22)	63	30	33
Public administration and defence (62)	69	63	6

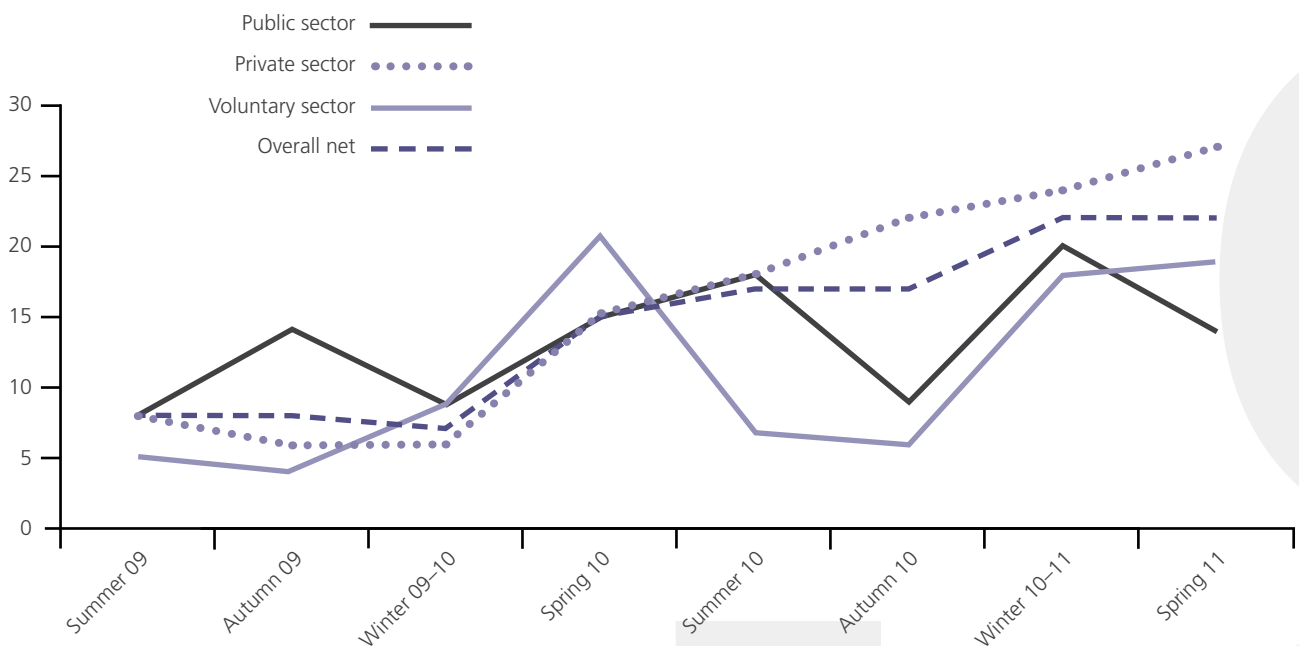
Source: Ipsos MORI

Migration outlook

Hiring intentions for migrant workers for the second quarter of 2011 is broadly unchanged compared with the winter 2010–11 report (22%). Consistent with overall recruitment intentions, private sector employers are (27%) more likely to recruit migrant workers than voluntary (19%) or public (14%) sector organisations. Fourteen per cent of LMO employers plan to recruit EU migrant workers in the second quarter of 2011, while around one in ten (9%) employers intend to recruit non-

EU workers. Of those organisations that are recruiting non-EU migrant workers, over a third (36%) say they are actively planning to recruit non-EU workers that are based in their host country. One in six (16%) employers believes they have been restricted from recruiting non-EU workers as a result of the temporary cap on non-EU migrant workers. A fifth (21%) of private sector firms have been prevented from recruiting migrant workers according to the study.

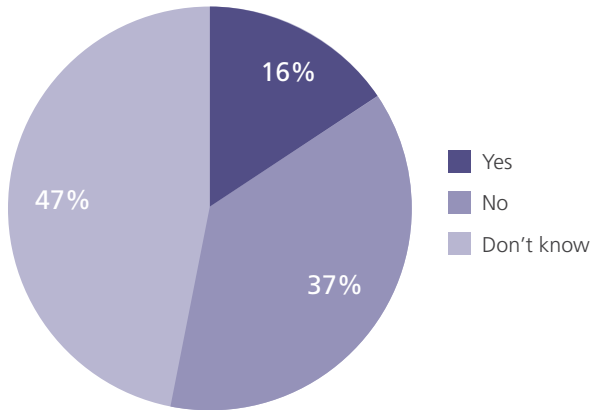
Figure 6: Proportion of organisations planning to recruit migrant workers during the next three months (%)



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Figure 7: Proportion of organisations that have been prevented from recruiting more non-EU workers as a result of the temporary cap (%)

(Base: 35 British adults, fieldwork dates 1 March – 6 April 2011)



	Private	Public	Voluntary
Yes	21	0	13
No	38	36	22
Don't know	42	64	65

Source: Ipsos MORI

Of those organisations that are planning to recruit migrant workers in the second quarter of 2011, the most common

roles are engineering (21%), accountants/finance (18%) and IT (18%).

Table 2: Roles that migrant workers are recruited for (%)

Base: All those who are recruiting migrant workers (Overall: 85, private: 64, public: 17, voluntary/not-for-profit: 5)

		Private	Public	Voluntary
Engineering	21	27	–	26
Accounts/finance	18	22	8	–
IT	18	23	–	11
Sales and marketing	6	7	–	11
Doctor	5	1	20	–
Therapist	4	2	11	–
Legal	4	5	–	–
Chefs or cooks	4	5	–	–
Teacher	3	–	8	26
Care worker	2	–	–	31
Psychologist	2	–	11	–
Nursing	1	–	–	11
Audio visual equipment operator	1	1	–	–
Biochemist	1	–	–	26
Retail manager or assistant	0	–	–	–
Pharmacist	0	–	–	–
Social worker	0	–	–	–
Other	63	62	72	39

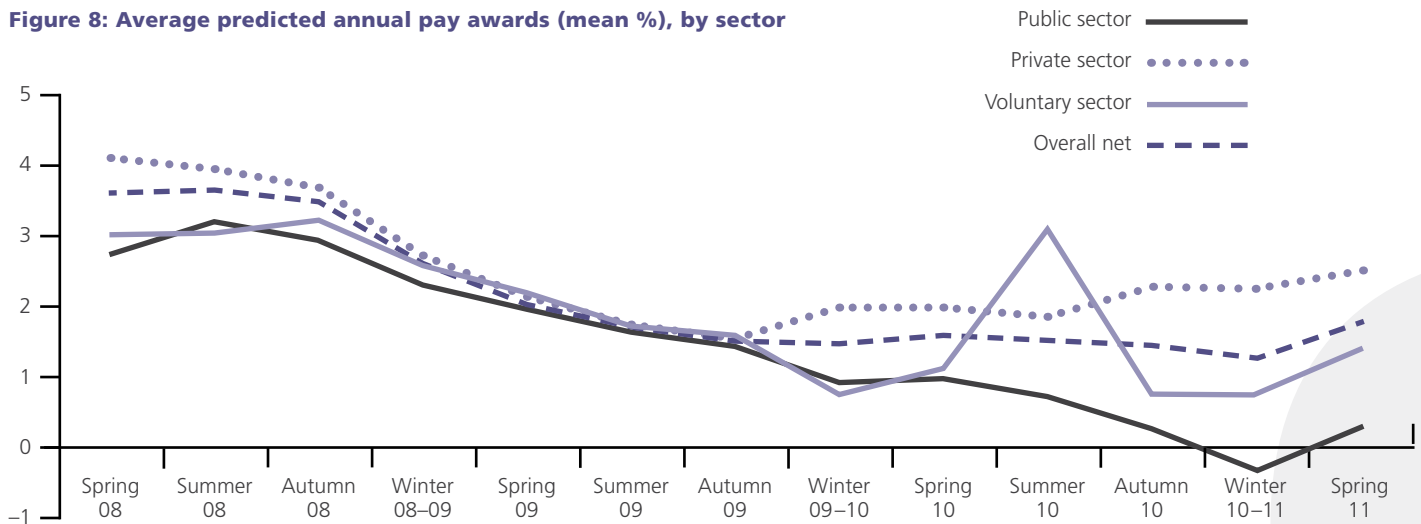
Source: Ipsos MORI

Pay outlook

In the next quarter, LMO employers anticipate an increase of 1.7% in the expected mean basic pay settlement (excluding bonuses) in the 12 months to February 2012. The average pay award predictions in the private sector have ticked up to 2.5%, a rise of 0.2% compared with the the previous two quarters, both at 2.3%. In contrast, the average pay award in the public sector is 0.3% in the 12 months to February 2012. Pay awards in the voluntary sector look set to increase by 1.4%.

Overall, just over two-fifths (43%) expect to increase their organisation's average pay, while almost one in four (23%) expect to have a pay freeze take place. Less than a fifth (16%) of public sector organisations are planning to increase pay, while more than half (59%) are having a pay freeze compared with just 7% in the private sector.

Figure 8: Average predicted annual pay awards (mean %), by sector



When asked about the reasons for increases in salaries, the organisation's ability to pay proved the most popular response with a third of the LMO employers (34%), and this was reflected across all sectors, with 31% of private companies and 29% of public and voluntary employers citing an increased ability to pay.

Table 3: Main cause of the expected increase in salaries (%)
(Base: 125 British adults, fieldwork dates 1 March – 6 April 2011)

Organisation's ability to pay	34
Productivity and performance	16
Inflation	14
The 'going rate' of pay rises elsewhere	11
Movement in market rates	10
Recruitment and retention issues	6
National Minimum Wage	5
Union/staff pressures	2
Shareholder views	2
Level of government funding/pay guidelines	1

Source: Ipsos MORI

Research methodology

The online survey went out to a range of CIPD members, and 391 usable returns were received, giving a response rate of 2.6%. Respondents answered a series of questions on employment issues, from 1 March – 6 April 2011.

Data since spring 2009 are weighted on the size of organisation, sector of the organisation and industry, according to the LMO membership profile. Comparisons with quarters prior to spring 2009 should therefore be made with caution.

The responses were collated and compiled by Ipsos MORI.

To provide more detail, the results were then reanalysed by the size of the company, sector, region and type of business.

The *Labour Market Outlook* survey was prepared by Ipsos MORI.



Respondent profile

(weighted by sector, industry and organisation size)

Respondents by business sector (%)

	Autumn 10	Winter 10–11	Spring 11
Private	62	62	62
Public	31	31	31
Voluntary/not-for-profit	7	7	7

Respondents by business type (%)

	Autumn 10	Winter 10–11	Spring 11
MANUFACTURING AND PRODUCTION	14	14	14
Agriculture, forestry and fishing	*	0	0
Manufacturing	9	9	9
Construction	2	2	2
Mining and extraction	*	0	*
Energy and water supply	1	1	1
EDUCATION	5	5	6
Primary and secondary schools	1	1	1
Further and higher education	4	4	4
HEALTHCARE	8	8	8
NHS	5	5	5
Other private healthcare	2	3	3
VOLUNTARY AND NOT-FOR-PROFIT SECTORS	6	6	6
PRIVATE SECTOR SERVICES	52	52	52
Hotels, catering and leisure	2	2	2
IT industry	3	3	3
Transport and communications (including media)	4	4	4
Consultancy services	15	15	15
Finance, insurance and real estate	9	9	9
Wholesale and retail trade	7	7	7
Other business services	12	12	12
PUBLIC ADMINISTRATION AND DEFENCE	16	16	16
Public administration – central government	5	5	5
Public administration – local government, including fire services	8	8	8
Armed forces	1	1	1
Quango	2	2	2

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Region/nation to which response relates (%)

	Autumn 10	Winter 10–11	Spring 11
North	12	11	11
North-west of England	5	5	4
North-east of England	1	1	3
Yorkshire and Humberside	5	5	4
Midlands	11	12	9
West Midlands	5	4	5
East Midlands	3	5	2
Eastern England	3	2	2
South	34	33	34
London	11	14	16
South-west of England	6	6	6
South-east of England	17	13	11
Scotland	6	4	10
Wales	2	4	4
Northern Ireland	4	2	4
Channel Islands	*	1	*
All of UK	31	33	28

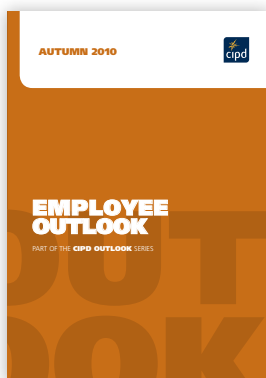
Respondents by employer size (%)

Number of employees	Autumn 10	Winter 10–11	Spring 11
1–9	13	13	13
10–49	6	6	6
50–99	5	5	5
100–249	13	13	13
250–499	5	5	5
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

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.

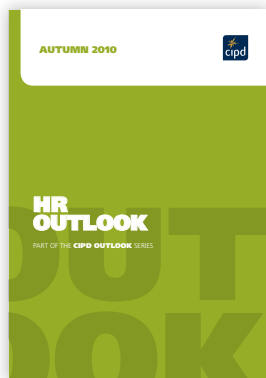
OTHERS IN THE SERIES



EMPLOYEE OUTLOOK

The *Employee Outlook* provides a quarterly update on the attitudes of employees in the UK and the HR challenges facing employers. It regularly covers attitudes towards management, work-life balance, workload and pressure, communication and bullying and harassment.

cipd.co.uk/employeeoutlook



HR OUTLOOK

The *HR Outlook* provides valuable insight and expert commentary on the HR profession. It explores the size and shape of HR functions, comments on the capabilities of HR professionals and outlines emerging trends and future priorities

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