CIPD

Championing better work and working lives

LABOUR MARKET OUTLOOK

VIEWS FROM EMPLOYERS

Autumn 2015

The CIPD is the professional body for HR and people development. The not-for-profit organisation 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 140,000 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.

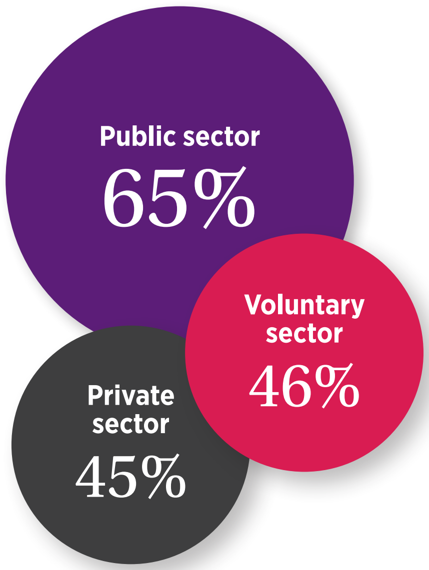
Contents

Acknowledgements

The *Labour Market Outlook* is administered by YouGov and we are grateful to Ian Neale and Laura Piggott at YouGov for advice on the use of the survey data in this report. The CIPD is also grateful to all the respondents who gave their time to contribute to this survey.

Any errors that remain are entirely the CIPD's responsibility.

Foreword



Hard-to-fill vacancies affect a higher proportion of public sector organisations (65%) than the voluntary sector (46%) and private sector employers (45%).

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 responses from 1,037 employers, many of whom are drawn from the CIPD's membership of around 140,000 HR and development professionals.

The latest report shows that near-term employment prospects remain well above the survey's historic average. The net employment balance for the fourth quarter of 2015 – which measures the difference between the proportion of employers who expect to increase staff levels and those who expect to decrease staff levels – is +28, slightly below the estimate of +29 in the previous quarter (Figure 1). Confidence continues to be greatest in the private sector (+41) with private services leading the way (+42).

The proportion of employers experiencing recruitment difficulties has increased gradually over the past year across the three major sectors of the UK economy. Hard-to-fill vacancies affect a higher proportion of public sector organisations (65%) than voluntary sector (46%) and private sector employers (45%). Almost half (49%) of employers have hiring difficulties. However, the findings do not suggest that the UK economy is facing a widespread skills shortage problem. On average, employers are finding just over a tenth (15%) of all current vacancies difficult to fill. The private sector has a modestly higher proportion of hard-to-fill vacancies (16%) than the public sector (11%). The most popular responses to hard to fill vacancies include upskilling the existing workforce (48%), hiring apprentices (27%) and recruiting migrant workers (23%). However, the report finds that the public sector perceives that there is a more limited range of options and resources available to them when compared with private sector employers. Private sector employers with recruitment difficulties are more likely to say that they are creating more job opportunities for young people, investing more in training and increasing salaries to help fill their vacancies. Despite this, recruitment difficulties are still prevalent in some sectors. Focusing on organisations reporting recruitment difficulties, the proportion of hard-to-fill vacancies is greatest in the manufacturing and production sector (24%), which includes industries such as construction and utilities, and private sector services (24%), which covers industries such as finance and retail.

In contrast, pay restraint means the scope for increasing salaries anywhere in the public sector is extremely limited. Training budgets are under severe pressure, especially in public administration and defence (which covers central and local government, police and fire services and the armed forces), which means upskilling is less likely to be an option. Public sector employers are more likely to say they intend to recruit UK graduates in response to recruitment difficulties than private sector employers. This probably reflects the skills mix in the public sector as well as the strong brand reputation that many public sector graduate schemes have traditionally enjoyed – although it raises the question of whether pay and development prospects will be sufficiently attractive to retain graduates. Almost four in ten employers have seen cuts to their training budgets over the past two years, and this trend looks set to continue in the year ahead.

As documented in previous reports, employers continue to benefit from an increase in labour supply, particularly from younger workers and migrant workers. This is reflected in the latest ONS figures, which show that the employment rate for 18–24-year-olds rose to a seven-year high alongside a record number of migrant workers in employment. The annual increase in the number of migrant workers in employment is particularly sharp among EUA8 migrants from countries such as Poland and Lithuania (12%) and EUA2 countries (19%), which include Romania and Bulgaria. This may partly explain why the number of applicants per vacancy remains broadly unchanged compared with the same period a year ago.

A combination of all these factors may partly explain why wage inflation has still not risen to pre-recession levels in line with employment levels. According to LMO employers, the median basic pay award in the 12 months to September 2015 remains unchanged at 2% compared with the summer report. Meanwhile, the average basic pay increase also remains unchanged at 2.3%. The trend is also broadly consistent with the official statistics, which have shown little variation over recent months. According to the most recent official pay statistics, basic pay rose by 2.8% in the 12 months to August 2015, the same as the annual rise reported three months ago.

Overall, in a continuation of recent trends, the data suggest that the labour market will continue to strengthen in the fourth quarter of 2015. The results suggest recruitment difficulties may continue to increase, albeit modestly, but any negative impact looks set to be limited by employers' desire to take on more younger workers and train staff against the backdrop of a steady labour supply. This looks set to contain pay pressures for the vast majority of employers.

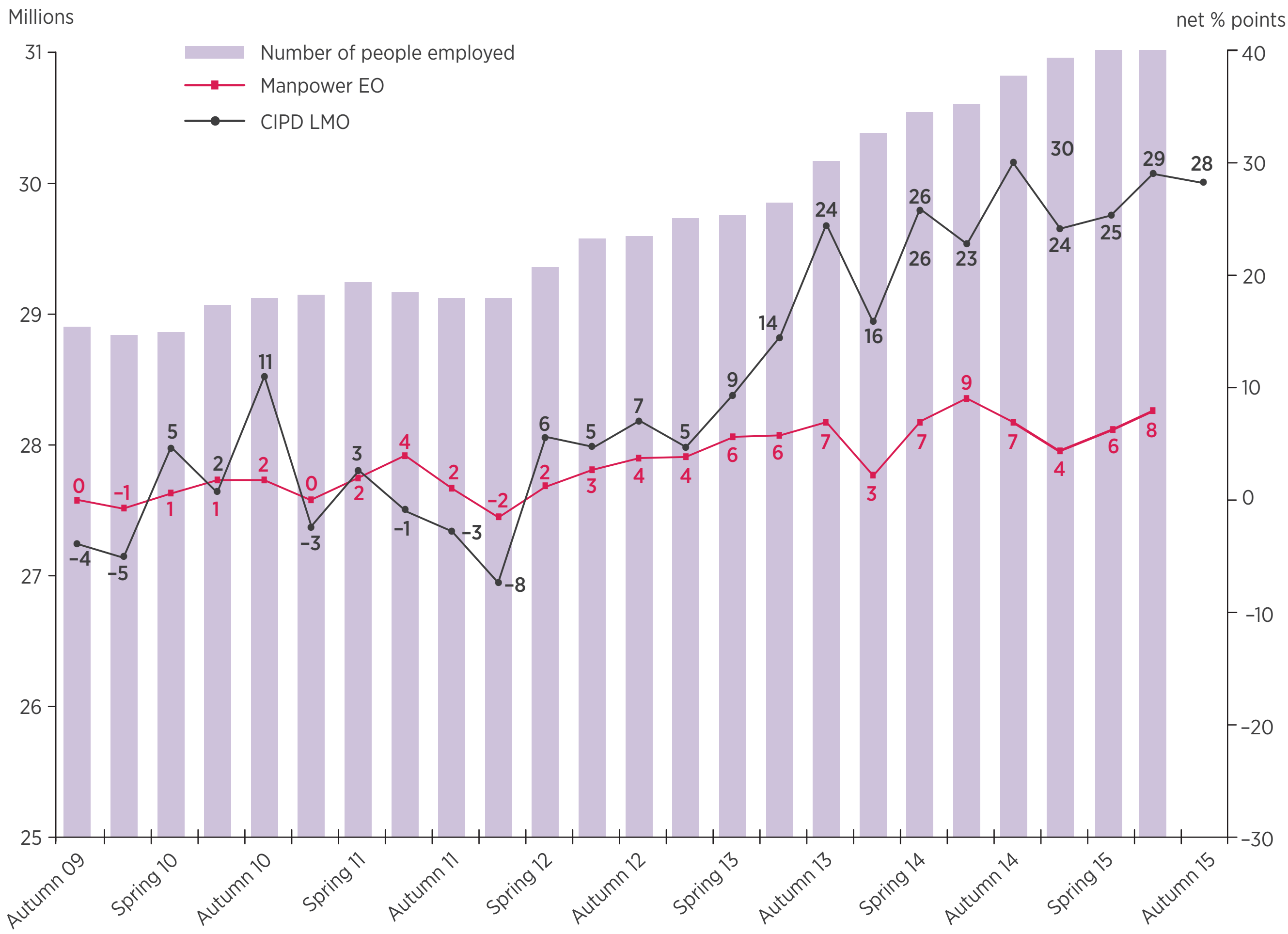
1 Recruitment and redundancy outlook

What is the short-term employment outlook?

This section focuses on the recruitment and redundancy intentions of LMO employers in the fourth quarter of 2015. This latest report suggests that employment confidence for the short term remains strong.

This quarter's net employment balance – which measures the difference between the proportion of employers who expect to increase staff levels in Q4 2015 and those who

Figure 1 **Correlation between LFS employment levels and LMO data[1] (%)**



Base: Autumn 2015, all employers planning to recruit or make redundancies in Q4 2015 (n=758)

How to interpret Figure 1

Figure 1 displays the LMO's net employment balance (black line) alongside Manpower's 'Net Employment Outlook' indicator (red line). The purple columns display the total number of people in employment according to the monthly ONS Labour Market Statistics time series data. The latest ONS figures cover the three months to May 2015.

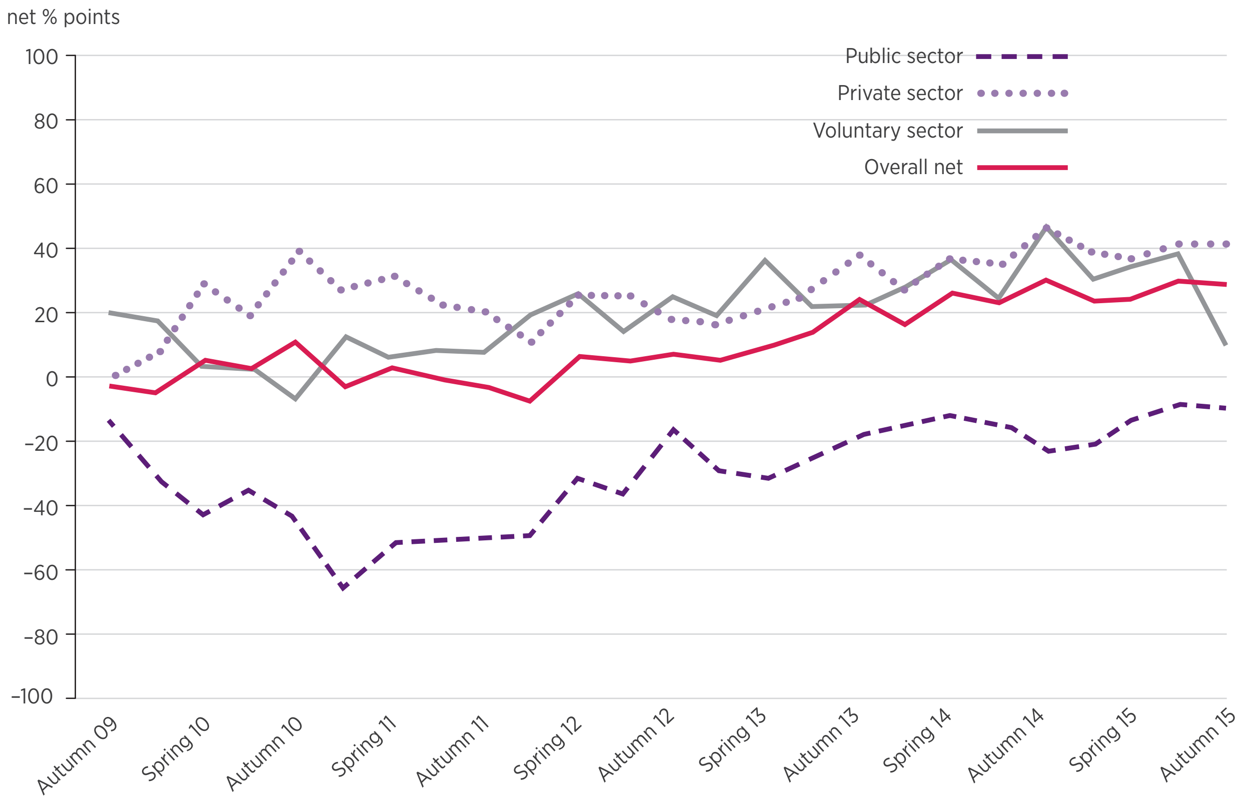
1 Labour Force Survey data taken at quarterly intervals based on GB population aged 16+. Spring (February – April), Summer (May – July), Autumn (September – November), Winter (November – January).

expect to decrease staff levels – has fallen to +28 from +29 since the LMO summer report. Employers' confidence levels remain well above the survey's post-recession average.

In addition, employment intentions in the private sector (+41) and public sector (–8) remain broadly consistent with recent LMO reports. The employment outlook looks less positive in the voluntary sector in this autumn report (+14) compared with the summer report (+38), but the smaller sample means that voluntary sector data tend to be more volatile from quater to quarter than those for the public and private sectors.

The sectoral employment pattern also remains largely unchanged since the previous report. Employment intentions remain buoyant in services (+42) and manufacturing and production (+39).

Figure 2 **Overall effect of recruitment and redundancy intentions in the three months to December 2015 (by sector) (%)**



Base: Autumn 2015, all employers planning to recruit or make redundancies in Q4 2015 (n=758)

Table 1: **Net employment intentions for the next three months, by industry**

Sector	Autumn 2015	Summer 2015	% point change
Private sector services (n=285)	+42	+42	–
Manufacturing and production (n=80)	+39	+40	–1
Education (n=73)	+14	+12	+2
Public administration and defence (n=80)	–35	–29	–6
Healthcare (n=64)	+25	+18	+7

Base: Autumn 2015, all likely to recruit or make redundancies in the next quarter (n=758)

Employers planning to hire staff in Q4 2015

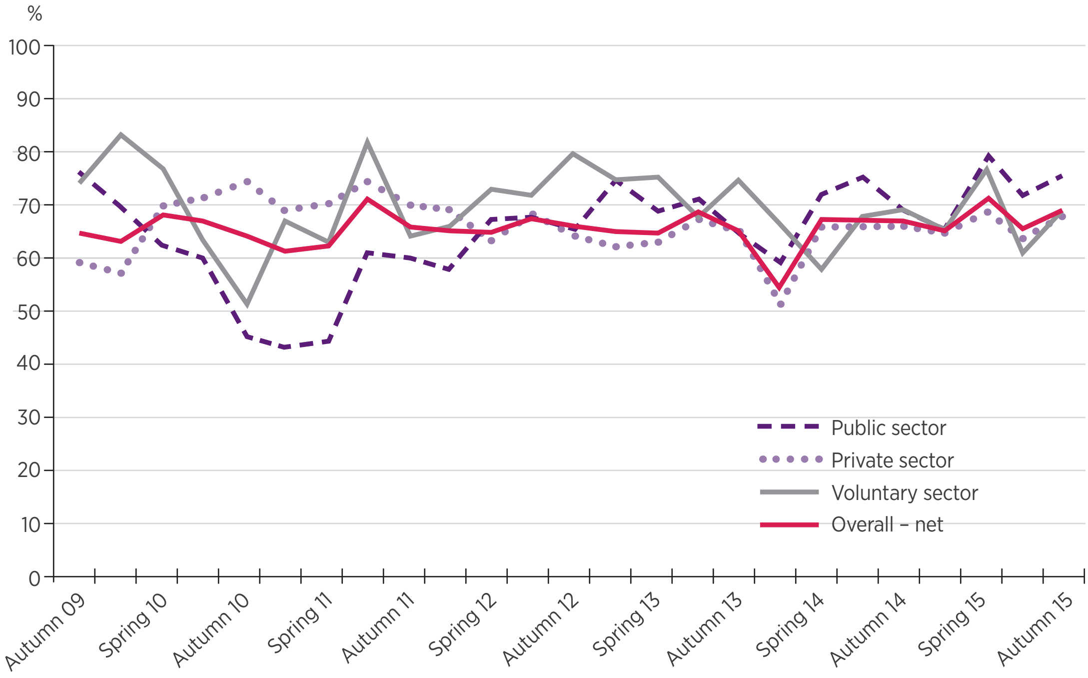
69%

Q4 recruitment intentions

The proportion of employers that plan to hire staff in Q4 2015 has increased modestly since the previous report. More than two-thirds (69%) of employers plan to hire staff in Q4 2015. Three-quarters (75%) of public sector employers plan to hire staff during the same period, compared with more than two-thirds of private sector employers (68%) and voluntary sector employers (69%).

The differences between sectors are the results of differences in the size of distribution of organisations: the public sector contains few micro and small employers who, at any point in time, are less likely to be recruiting than organisations with hundreds or thousands of employees. Among organisations with 1,000 or more employees, 89% of private sector employers are looking to recruit compared with 79% in the public sector.

Figure 3 Recruitment intentions, by sector (%)

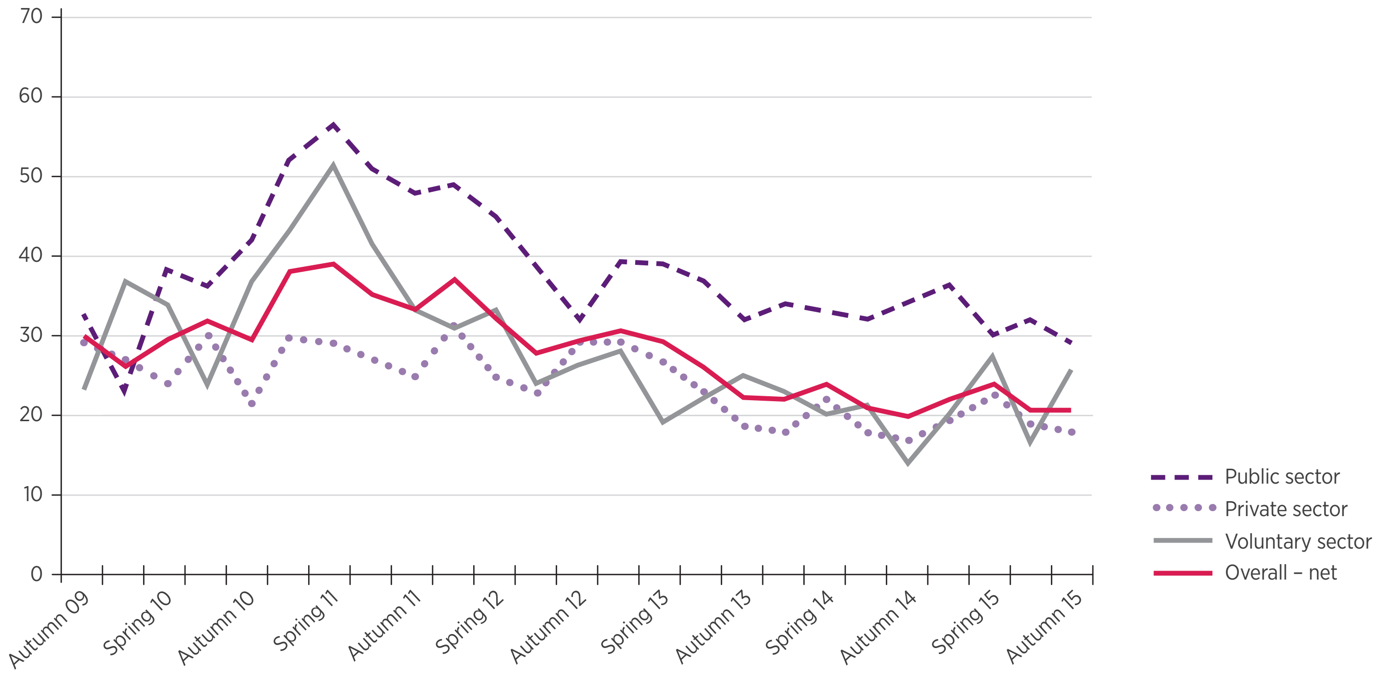


Base: Autumn 2015, all employers (n=1,037), private sector (n=754), public sector (n=217), voluntary sector (n=66)

Q4 redundancy intentions

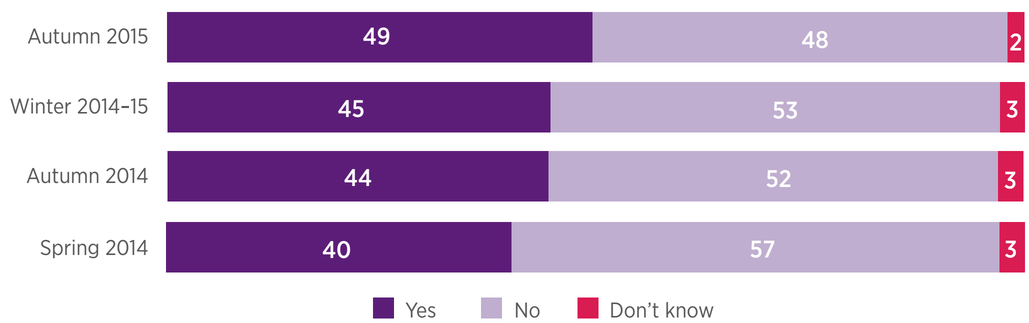
At the same time, redundancy intentions remain very low by the survey's historical average. Around one in five employers (21%) plan to carry out redundancies in the fourth quarter of 2015. It is perhaps no surprise that redundancy intentions are highest in the public sector (29%), compared with the voluntary sector (26%) and the private sector (18%). This applies even if allowance is made for the different size distribution of public sector employers. Among organisations with 1,000 or more employees, 29% of private sector employers and 37% of public sector employers plan to make redundancies. Consistent with various survey indicators, the proportion of manufacturing and production employers that plan to make redundancies has risen to 25% from 17%. At the same time, the proportion of employers in the services sector planning cuts has fallen to 16% from 19%.

Figure 4 Redundancy intentions, by sector (%)



Base: Autumn 2015, all LMO employers (n=1,037), public sector (n=217), private sector (n=754), voluntary sector (n=66)

Figure 5 Recruitment difficulties (%)



Base: Autumn 2015, all employers (n=1,037), private sector (n=754), public sector (n=217), voluntary sector (n=66)

Recruitment pressures rising

Consistent with other survey indicators (Markit 2015, Bank of England 2015), recruitment difficulties have risen gradually over the past year. Overall, around half (49%) of employers report that they are having difficulty filling vacancies, compared with 44% during the same period in 2014. These difficulties are more prevalent in the public sector (65%) than in the voluntary sector (46%) and private sector (45%), with particularly high rates of difficulty reported in public administration (70%) and healthcare (72%), where the problem is common to both public sector employers in the NHS and private sector employers (which include residential social care).

On average, 15% of all vacancies are hard to fill (Figure 6). The proportion of hard-to-fill vacancies is higher in the private sector (16%) than in the public sector (11%). Almost one in five (19%) vacancies in the voluntary sector are difficult to fill. Additionally, almost a third (31%) of all hard-to-fill vacancies are skills shortage vacancies.

Focusing on organisations reporting recruitment difficulties, the proportion of hard-to-fill vacancies is greatest in the manufacturing and production sector (24%), which includes industries such as construction and utilities, and private sector services (24%), which covers industries such as finance and retail.

Consistent with previous LMO reports and other survey indicators, IT/software development staff, engineers and managers or executives remain the most difficult roles to fill. However, at the same time, a recent report suggested that computing and IT graduates had the highest unemployment rate six months after graduation, according to recent research (Prospects 2015). The range of occupations, some of which include low-skilled roles such as retail assistants, underlines that for some employers, the problem is finding any suitable labour on the terms being offered, rather than a shortage of specialised skills.

Figure 6 Average proportion of total vacancies proving difficult to fill (among employers assumed to have at least one vacancy) (%)

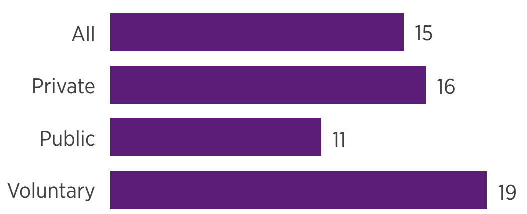
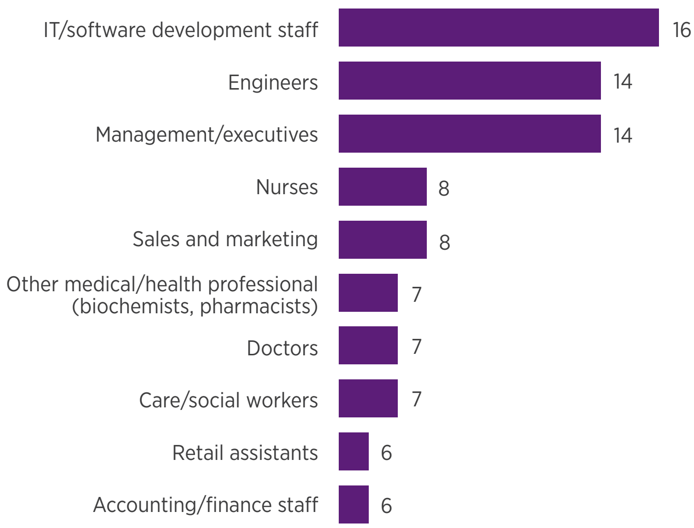


Figure 7 Average proportion of total vacancies proving difficult to fill (among employers who have hard-to-fill vacancies) (%)

*Caution: due to low base size, findings are to be interpreted as directional

Figure 8 Top ten roles employers are having difficulty filling (%)



Base: Autumn 2015, all employers with hard-to-fill vacancies (n=513)

Despite the gradual increase in recruitment difficulties, the number of applicants applying for roles is broadly consistent with previous reports. A median number of 25 applicants apply for each low-skilled vacancy according to LMO employers, compared with 15 applicants for medium-skilled vacancies and eight for high-skilled vacancies. On average, just over a third (38%) of applicants were suitable for all types of vacancy.

Employers' response to recruitment difficulties

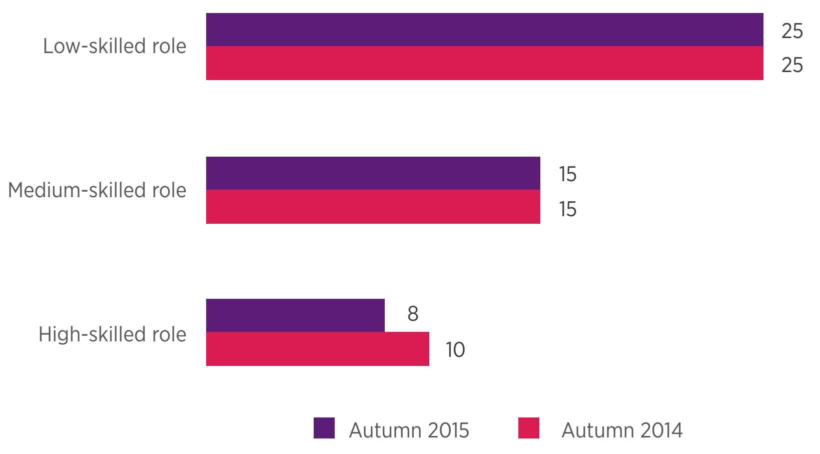
Upskilling staff remains the most popular response to recruitment difficulties among LMO employers. Other popular responses include hiring apprentices (27%) and raising starting salaries for occupations that employers are having difficulty recruiting for (22%). These responses are more prevalent in the private sector, where exactly half of all private sector employers (50%) plan to upskill their existing workers and more than a quarter plan to hire apprentices (28%) or raise starting salaries for hard-to-fill vacancies (26%) (Figure 11).

However, public sector employers are more likely to say they intend to recruit more UK graduates (22% compared with 14% of private sector employers) and make greater efforts to retain older workers (18% compared with 16% in the private sector).

Additionally, almost a quarter of employers (23%) plan to hire migrant workers that are either based in the UK or based in their home countries. It is perhaps no surprise to see that the most popular route for hiring migrant workers is to hire EU nationals that are already based in the UK (14%). Both public and private sector employers are equally likely to be pursuing this option.

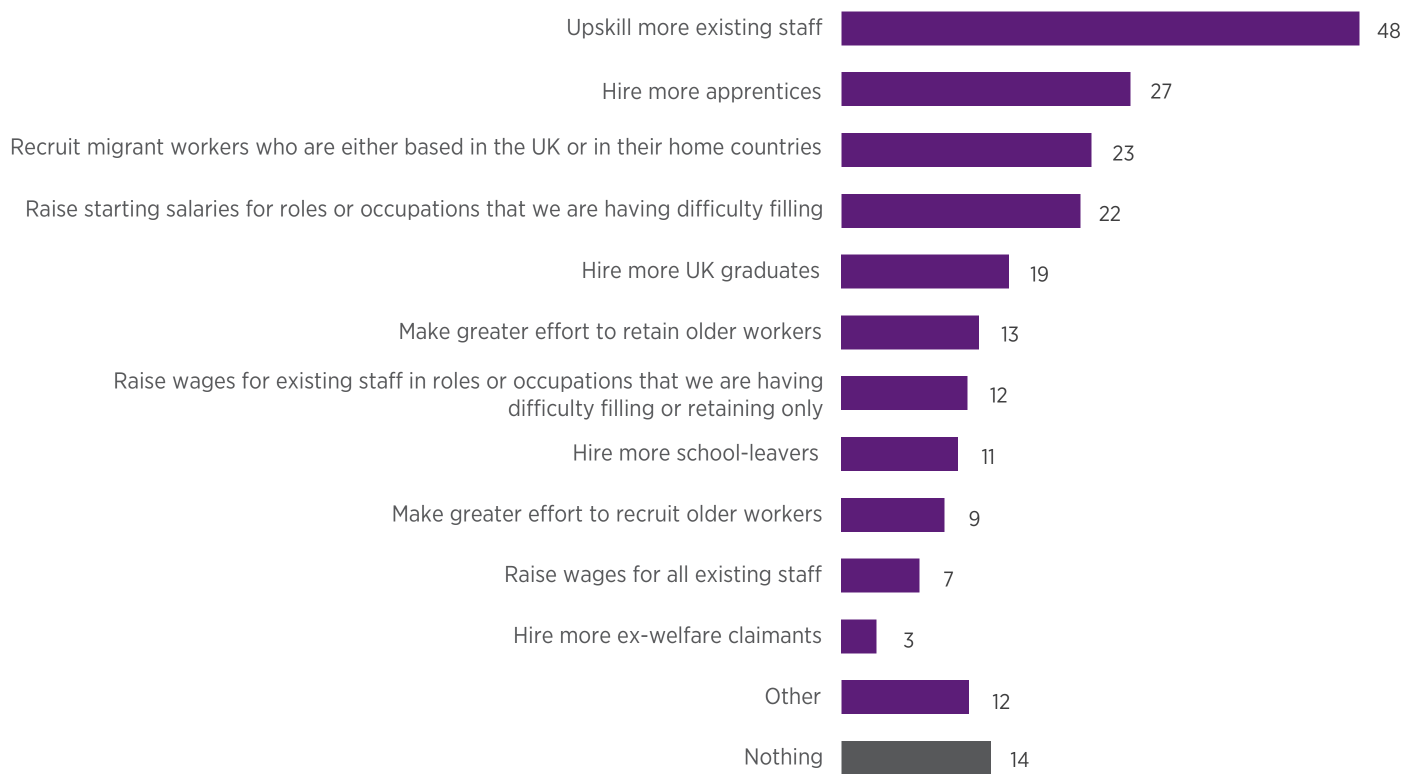
Some employers are raising starting salaries for low-skilled and high-skilled roles to address their labour shortages. These include IT/software development professionals (19%), sales and marketing professionals (13%), managers or executives (11%), chefs (11%) and factory workers (10%).

Figure 9 Number of applicants per vacancy (median number of applications received for most recent vacancy – by skill level)



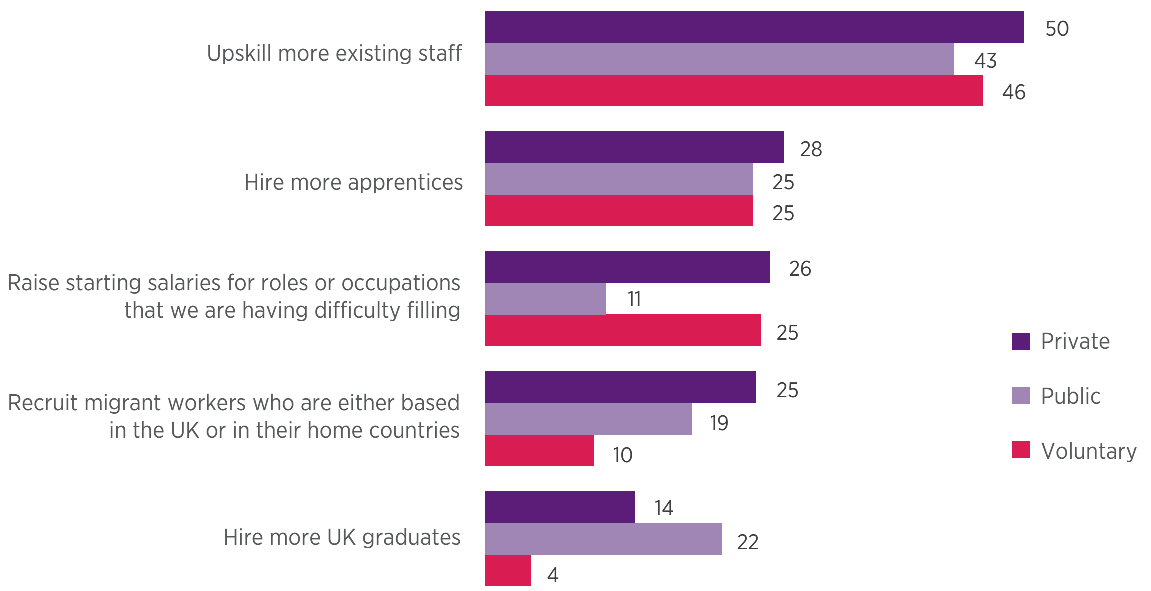
Base: Autumn 2015, all employers who recruited for a low-skilled vacancy (n=513), a medium-skilled vacancy (n=457) or a high-skilled vacancy (n=432)

Figure 10 **Employer responses to recruitment difficulties (%)**



Base: Autumn 2015, all employers with hard-to-fill vacancies (n=511)

Figure 11 **Employer responses to recruitment difficulties, by sector (%)**



Base: Autumn 2015, all employers with hard-to-fill vacancies (n=511)

2 Skills outlook

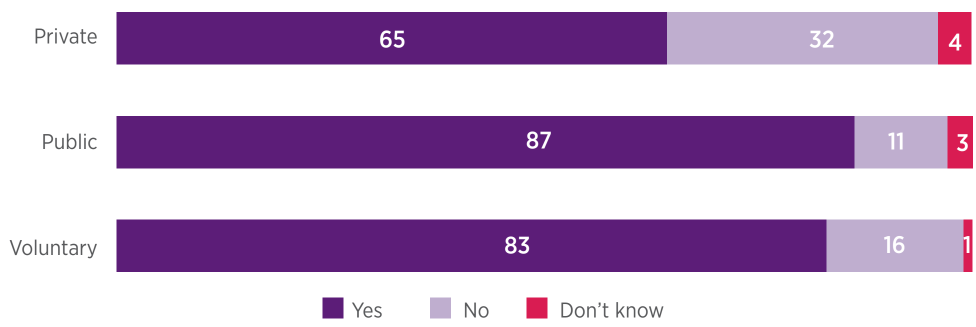
Training budgets

Overall, seven in ten (70%) employers have a training budget. The proportion of employers that have a budget is higher in the public sector (87%) than in the voluntary sector (83%) and private sector (65%). Large organisations are much more likely to have formalised budgets: the proportion of SMEs, with up to 249 employees, is 49%, whereas the proportion in larger organisations is 85%. The proportion of employers that have a training budget is higher among establishments that employ migrants (78%), adopt a premium-quality strategy (72%) and those that report hard-to-fill vacancies (80%).

Training investment trends

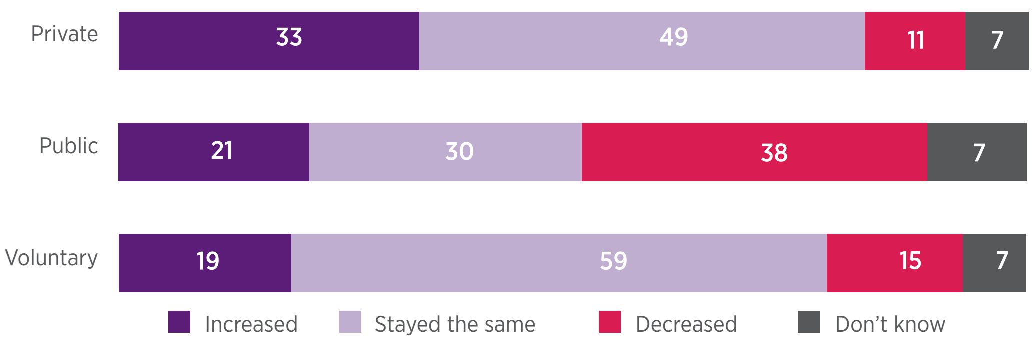
Overall, almost a third (30%) of employers report that they increased their training budgets in the two years to September 2015, compared with less than one in five (17%) employers who report that they have decreased them during the same period. The share of establishments that have decreased their budgets is much higher in the public sector (38%) than in the voluntary sector (15%) and the private sector (11%). Meanwhile, the proportion of employers that have increased their investment is much higher in the private sector (33%) than in the public sector (21%) and voluntary sector (19%). Almost half (46%) of employers in public administration and defence and a third (33%) of employers in education had spent less on training.

Figure 12 **Proportion of employers with a formalised training budget (%)**



Base: Autumn 2015, all employers (n=1,037), private sector (n=754), public sector (n=217), voluntary sector (n=66)

Figure 13 **Training budget expenditure over past 24 months (%)**



Base: Autumn 2015, all employers (n=1,037), private sector (n=754), public sector (n=217), voluntary sector (n=66)

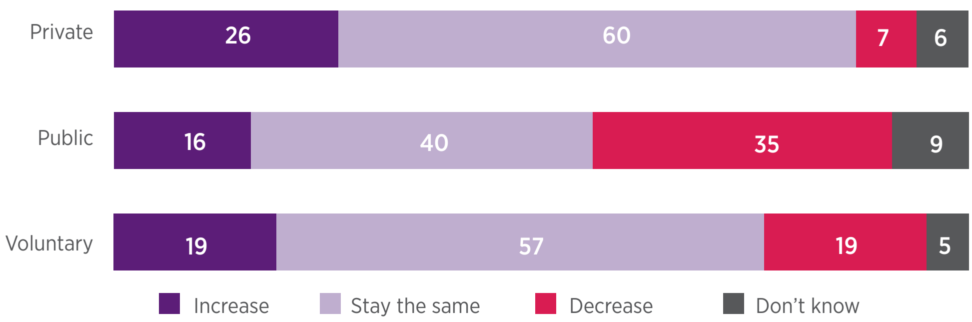
Additionally, the proportion of employers that have increased their training budget during the same period is higher among those organisations that report hard-to-fill vacancies (38%), those that employ migrants (33%) and those that adopt a premium-quality strategy (36%).

Consistent with other findings contained in this report, the proportion of employers that plan to increase their investment in training in the 12 months to September 2016 (24%) is higher than the share that plan to decrease it (14%). However, the contrast between the private, voluntary and public sector is stark. More than a quarter (26%) of private sector employers plan to increase their budgets compared with 7% that intend to decrease it. At the same time, 16% of public sector employers plan to increase their investment compared with 35% that plan a cut. In public administration and defence – which covers central and local government and the armed forces – 40% of all employers have reduced their training expenditure in the last 12 months *and* plan to reduce it again in the coming 12 months. The proportion of employers planning to increase their training investment is higher among those that report hard-to-fill vacancies (30%), have a premium-quality strategy (28%) and employ migrants (26%).

To reflect the shift to more cost-effective training methods in recent years, such as coaching and mentoring (CIPD 2015), the report also explores overall levels of learning and development activity in the two years to September 2015. This measure shows less divergence between the different sectors in relation to training investment in learning and development (L&D).

Overall, more than one in three employers (38%) say that they have increased the total amount of L&D activity in their organisation in the two years to September 2015 compared with 45% who have maintained their L&D investment and 12% who report falling L&D activity. In the private sector, 41% of employers have expanded L&D activity and just 8% are doing less than two years previously. The figures are much more finely balanced in the public sector, where a similar proportion of public sector employers say they have increased their learning and development activities (29%) during the same period as the number who say that levels of activity have fallen (27%).

Figure 14 **Training budget projections for the 12 months to September 2016 (%)**



Base: Autumn 2015, all employers (n=1,037), private sector (n=754), public sector (n=217), voluntary sector (n=66)

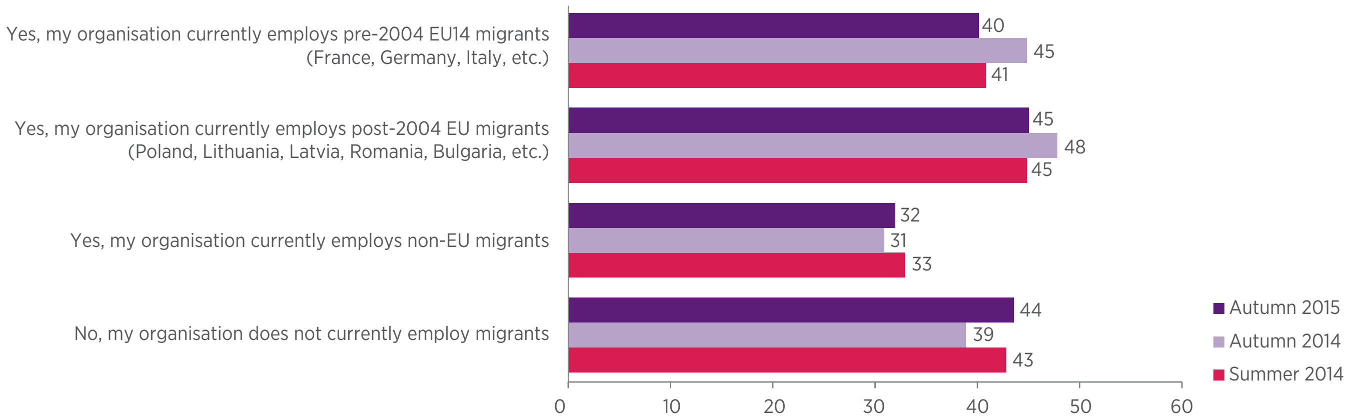
3 Migration outlook

The proportion of employers that employ EU migrants and non-EU migrants has remained broadly consistent over the past year. Currently, around two-fifths of employers post-2004 employ EU14 migrants (40%) and EU migrants from EU2 (Romania and Bulgaria) and EU8 countries (Poland, Lithuania, and so on) (45%). Meanwhile, around a third of employers say they employ non-EU migrants (32%).

Intentions to recruit migrant workers remain robust

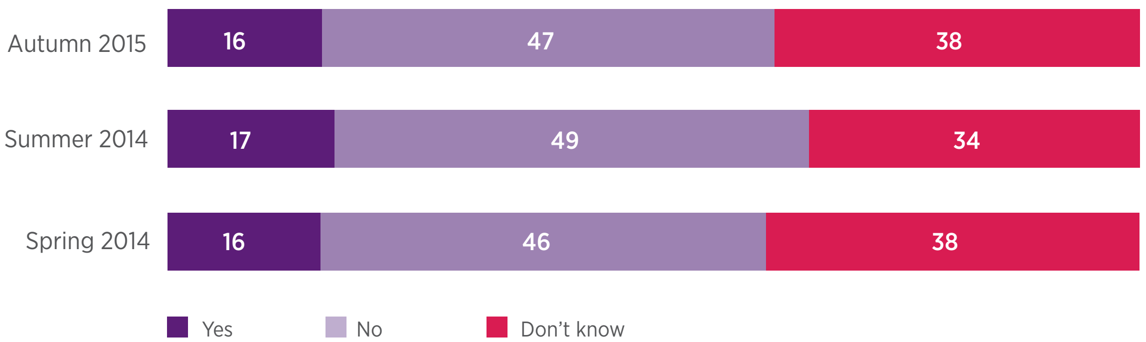
As in previous reports, almost a fifth (16%) of employers intend to recruit migrant workers in Q4 2015. Plans to hire migrant workers are higher in the public sector (22%) than in the private sector (15%) and voluntary sectors (6%).

Figure 15 **Proportion of employers that employ migrant workers (%)**



Base: Autumn 2015, all employers (n=1,037), private sector (n=754), public sector (n=217), voluntary sector (n=66)

Figure 16 **Migrant worker hiring intentions (%)**

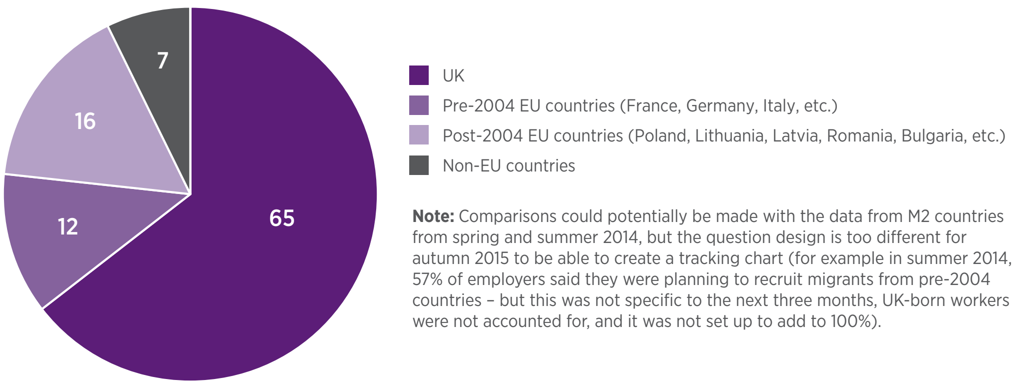


Base: Autumn 2015, all employers (n=1,037), private sector (n=754), public sector (n=217), voluntary sector (n=66)

Consistent with the official statistics, which show a sharp increase in the number of EU8 and EU2 migrants in employment in the UK over the past year, the share of migrants in UK establishments may increase further in the near term. Overall, three in ten new recruits will be migrants over the next three months according to LMO employers.

The most commonly mentioned reason for employers was that migrants are available, with almost a fifth of employers (19%) identifying difficulty with 'attracting UK-born applicants to fill unskilled or semi-skilled roles'. This may reflect the roles where a disproportionately high number of EU migrants are employed. Around a third of organisations that

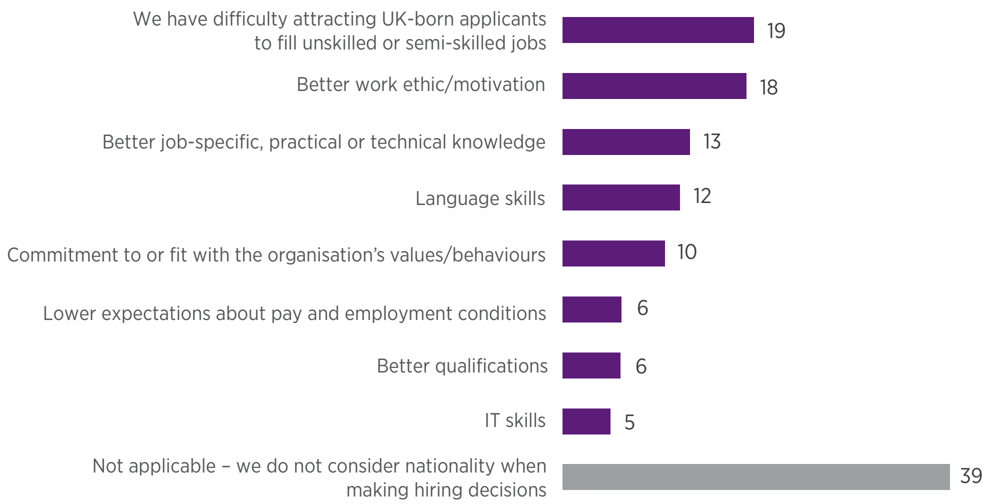
Figure 17 **Nationality of new recruits (%)**



Note: Comparisons could potentially be made with the data from M2 countries from spring and summer 2014, but the question design is too different for autumn 2015 to be able to create a tracking chart (for example in summer 2014, 57% of employers said they were planning to recruit migrants from pre-2004 countries – but this was not specific to the next three months, UK-born workers were not accounted for, and it was not set up to add to 100%).

Base: Autumn 2015, all employers (n=1,037), private sector (n=754), public sector (n=217), voluntary sector (n=66)

Figure 18 **Top eight reasons for employing EU migrants (%)**



Base: Autumn 2015, all employers that employ EU migrants (n=540) employ EU migrants say that EU migrants are more likely to be factory workers (33%), compared with 16% that cite kitchen assistants and 14% that identify retail assistants.

Additionally, other popular reasons for employing EU migrants include better work ethic or motivation (18%), better job-specific, practical or technical knowledge (13%) and language skills (12%). Almost four in ten are unable to identify a reason for employing non-EU workers.

A difficulty attracting UK-born applicants emerges as the most popular reason for employing non-EU migrants (15%). In addition, other popular reasons include work ethic (9%) and better job-specific, practical or technical knowledge skills (8%) and better qualifications (7%).

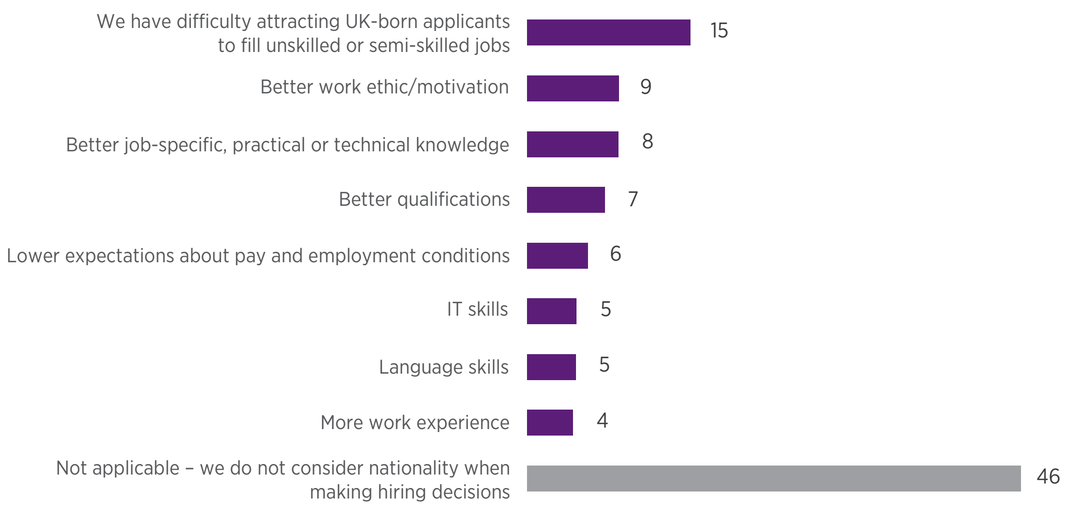
Against the backdrop of the Government's current interest in cutting the number of non-EU workers that can enter the UK to live and work, the report explored the different routes used to recruit non-EU migrant workers and the value they bring to UK organisations.

The report finds that the proportion of employers that use the Tier 2 General route to hire non-EU workers (37%) is much higher than the proportion that use the intra-company transfer scheme (19%). Reflecting the fact that public sector employers generally cannot use the intra-company transfer scheme, a similar proportion of private sector employers use the Tier 2 General route (32%) as the intra-company transfer scheme (27%).

It is perhaps no surprise that a similar ratio of all employers say that the Tier 2 General route delivers more value to their organisation (50%) compared with the intra-company transfer scheme (28%). However, a greater share of private sector employers report that the intra-company scheme makes a more significant contribution to their organisation (42%) than the Tier 2 General route (32%).

The report also asked employers that don't employ non-EU migrants whether they would ideally like to have the opportunity to address a particular recruitment difficulty. Perhaps reflecting the low proportion of employers that have recruitment difficulties relating specifically to skills shortages, fewer than one in five employers (16%) say that they would like to have the opportunity to recruit a non-EU worker.

Figure 19 **Top eight reasons for employing non-EU migrants (%)**



Base: Autumn 2015, all employers that employ non-EU migrants (n=331)

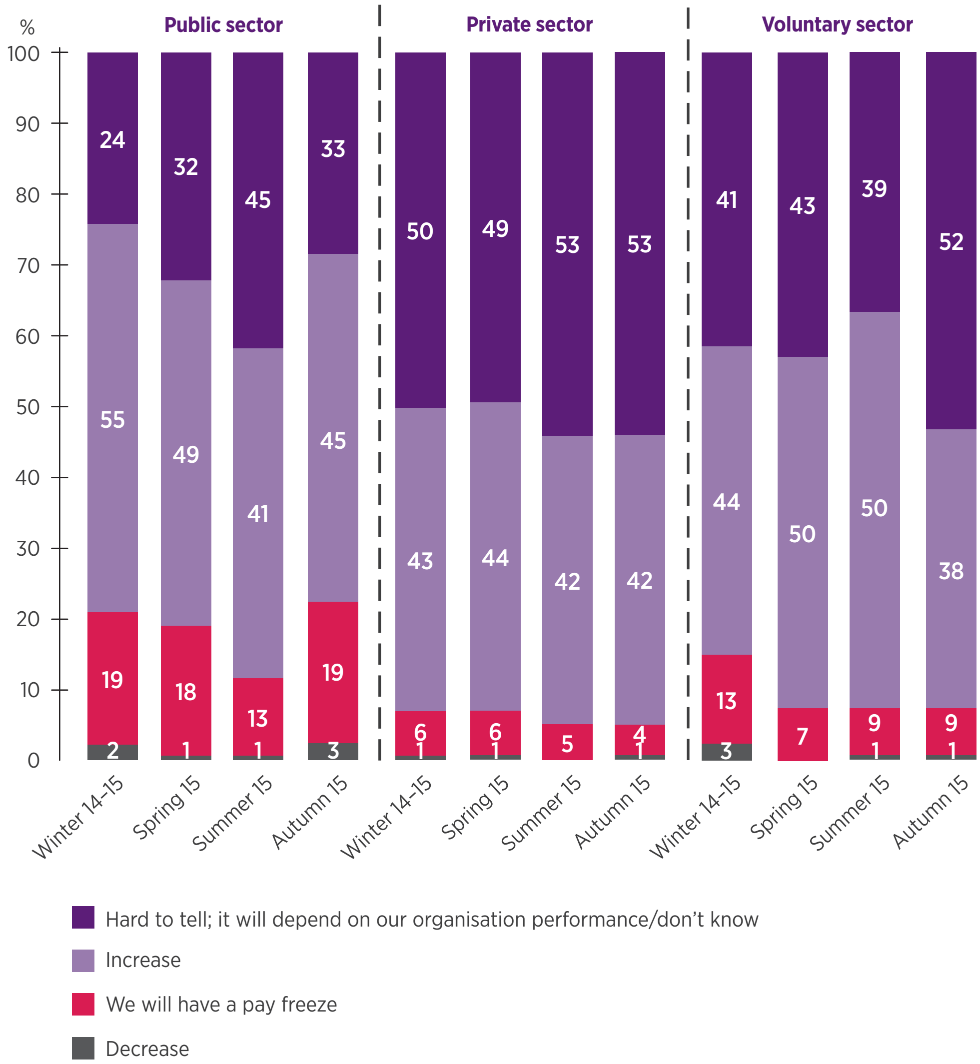
4 Pay outlook

Pay award expectations in the 12 months to September 2016

Five-sixths (84%) of employers are planning to make their next pay decision in the 12 months from September 2015. When asked about their expectations for these forthcoming pay decisions, 49% of employers don't know the size of the pay increase or say it is hard to tell at this stage as it may depend on organisational performance. Very few employers (1%) expect to cut pay and a further 8% expect a pay freeze, which leaves 45% expecting a pay increase.

Public sector employers are more likely than employers in the private or voluntary sectors to feel they are in a position where they can predict the likely direction of their next pay decision (see Figure 20). In the summer Budget, the Chancellor announced a ceiling of 1% on public

Figure 20 Likelihood of a *basic* pay increase, decrease or pay freeze, by sector in the next 12 months (%)

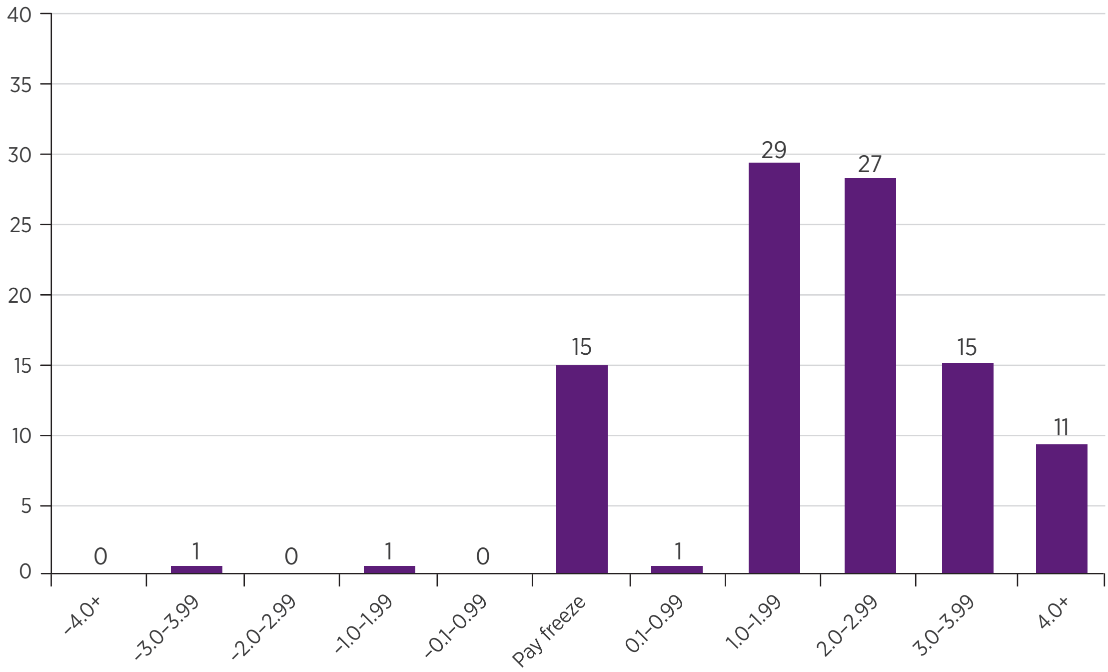


Base: Autumn 2015, all employers (n=1,037), private sector (n=754), public sector (n=217), voluntary sector (n=66)

sector pay increases for the next four years. This, together with the likelihood of further budget cuts in the forthcoming Spending Review, probably accounts for the upturn in the proportion of public sector employers anticipating a pay freeze.

Among the half of employers prepared to give an estimate of the outcome of their next pay decision, there is a roughly 50-50 split between employers anticipating a pay increase of 2% or more and employers anticipating a pay freeze or an increase of up to 2% (see Figure 21).

Figure 21 **Distribution of forward-looking basic pay settlements (%)**



Base: Autumn 2015, all employers that can give a pay award estimate, private sector (n=445), public sector (n=122), voluntary sector (n=26)

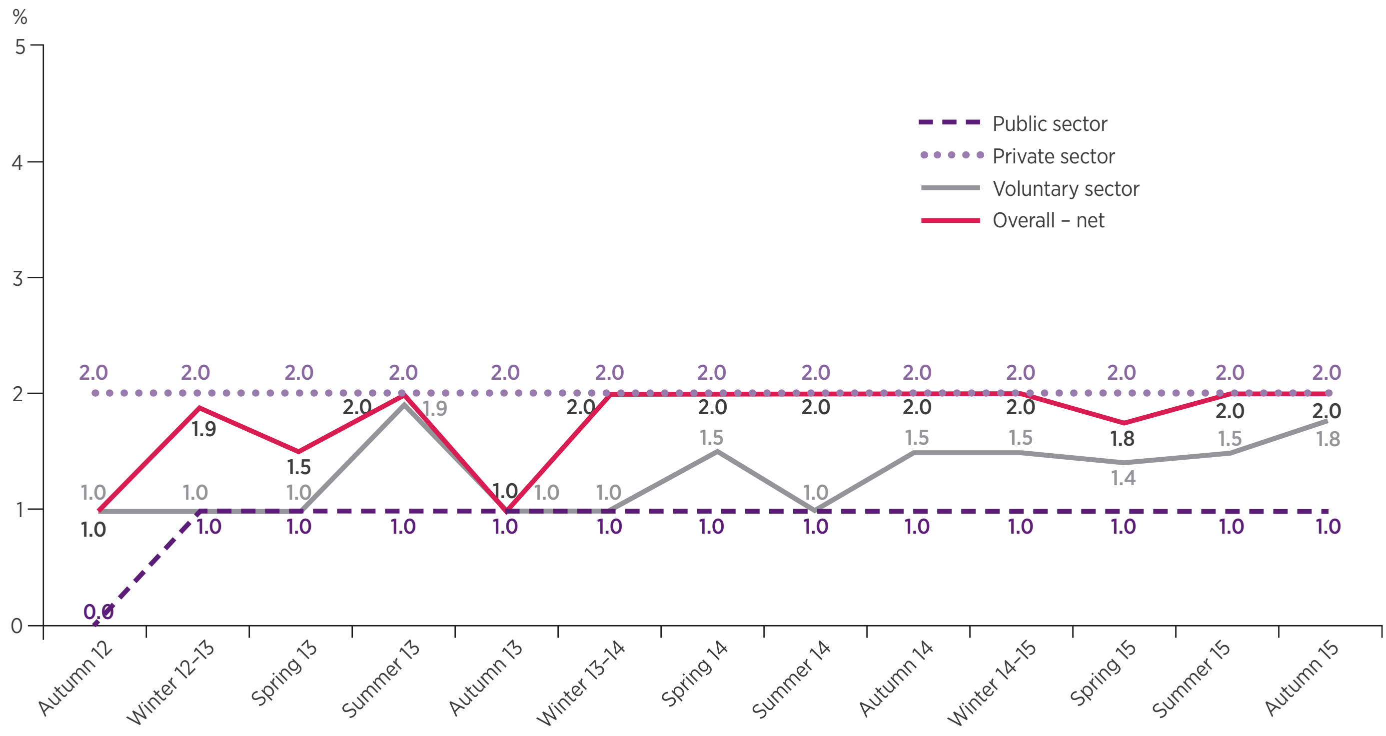
As a result, the median pay change (excluding bonuses) in the coming 12 months remains unchanged at 2% (see Figure 22), as does the mean pay change at 2.3%. The median pay change in the public sector is stable at 1%, in line with the announced pay ceiling. The median figure for the private sector is unchanged at 2%. This picture of stability is consistent with other recent forward-looking commentaries.[2]

Small and medium-sized organisations (those with fewer than 250 employees) have a higher median pay expectation (2%) than larger organisations (1.5%), which may reflect the preponderance of public sector employers among large organisations. Employers with a premium-quality service strategy are also likely to anticipate higher pay increases (median increase of 2%) than employers with a basic or standard approach to quality (median increase of 1%).

Pay awards over the past year

Almost three-quarters (72%) of employers have conducted a pay review within the last year. Of these,

Figure 22 Average predicted annual *basic* pay awards (median), by sector (%)



Base: Autumn 2015, all employers that can give a pay award estimate, private sector (n=445), public sector (n=122), voluntary sector (n=26)

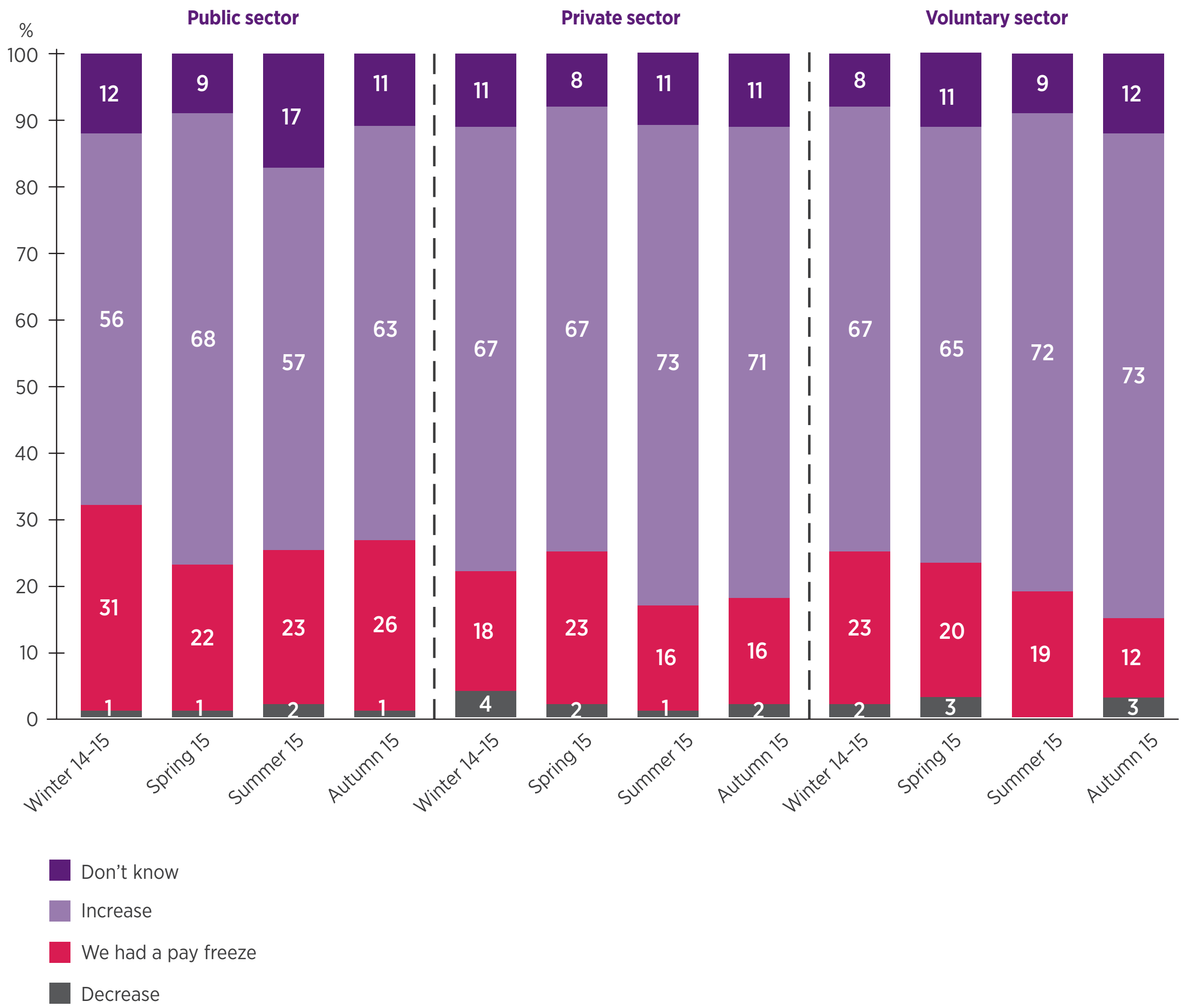
2 For example, the median pay settlement to the end of September 2015 recorded by XpertHR was unchanged at 2%.

70% increased pay, 17% froze pay, 2% cut pay and 11% could not specify an outcome. Public sector employers remain more likely to have frozen pay than employers in the private or voluntary sectors (see Figure 23).

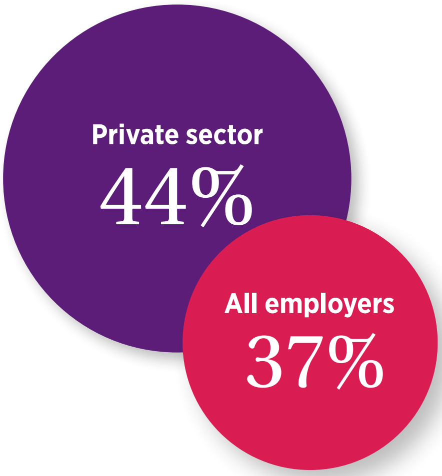
The distribution of backward-looking pay changes is similar to that of the forward-looking pay changes (see Figure 24). The median pay change is the same (2%), although the backward-looking mean (2.9%) is higher than the forward-looking mean (2.3%). This easing of pay changes is found across each of the private, public and voluntary sectors.

Employers are split in approximately equal proportions between those

Figure 23 **Basic pay change as a result of pay reviews over the past 12 months (%)**



Base: Autumn 2015, all employers that gave a basic pay award (n=750), private sector (n=567), public sector (n=140), voluntary sector (n=43)

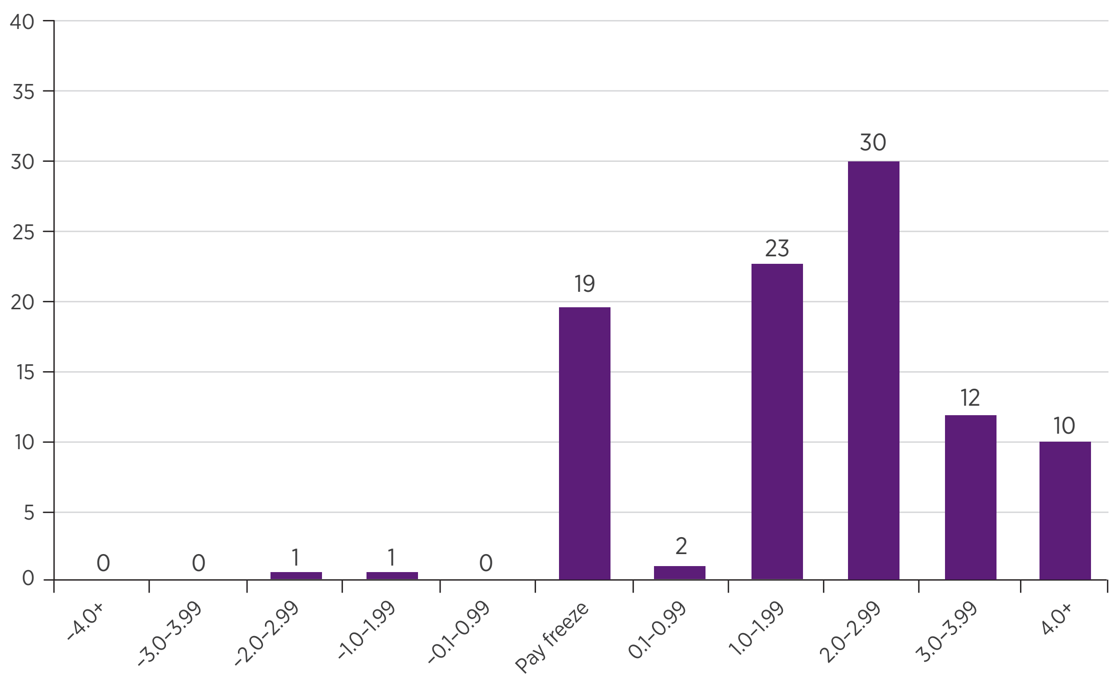


Affordability remains the dominant reason for pay increases of less than 2%, mentioned by 37% of all employers and 44% of private sector employers.

who increased pay by 2% or more – the current inflation target – and those who increased pay by less. Among employers who increased pay by 2% or more, the most common drivers mentioned are an ability to pay more (mentioned by 44% of employers), movements in market rates (mentioned by 32%), improved performance and productivity (mentioned by 25%) and a desire to compensate for past pay restraint (also mentioned by 25%, see Figure 25). Recruitment and retention is mentioned by 22% of employers but anticipated cost pressures arising from sources such as future inflation or the National Minimum Wage or National Living Wage are not prominent in employers' thinking.

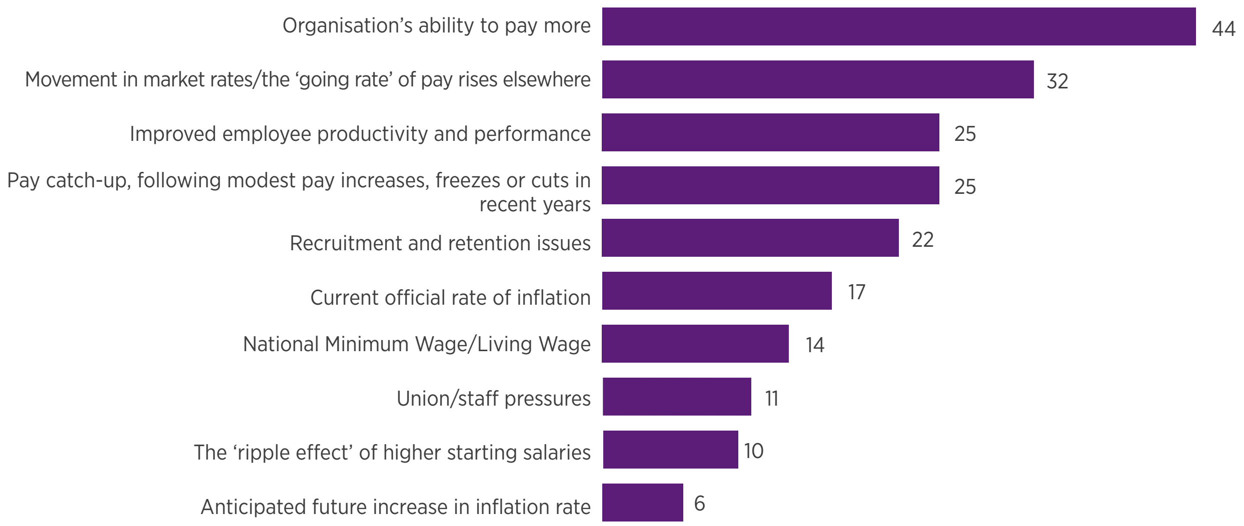
In contrast, affordability remains the dominant reason for pay increases of less than 2%, mentioned by 37% of all employers (see Figure 26) and 44% of private sector employers. Imposed pay restraint is the reason given by 80% of public sector employers who didn't pay 2% or more.

Figure 24 **Distribution of backward-looking basic pay settlements (%)**



Base: Autumn 2015, all employers that gave a basic pay award (n=750), private sector (n=567), public sector (n=140), voluntary sector (n=43)

Figure 25 Top ten reasons for increasing basic pay by 2% or more (%)



Base: Autumn 2015, all employers that awarded a basic pay increase of 2% or more (n=356), private sector (n=318), public sector (n=19), voluntary sector (n=19)

Figure 26 Top ten reasons for increasing basic pay by less than 2% (%)

Base: Autumn 2015, all employers that awarded a basic pay increase of less than 2% (n=313), private sector (n=188), public sector (n=106), voluntary sector (n=19)

Sample and method

Respondent profile

Table 2: **Breakdown of the sample, by sector (%)**

Sector	Autumn 2015	Summer 2015	Spring 2015	Winter 2014–15	Autumn 2014	Summer 2014	Spring 2014
Private	73	73	73	73	73	73	73
Public	21	21	21	21	21	21	21
Voluntary	6	6	6	6	6	6	6
N	**1,037**	**931**	**1,013**	**1,003**	**1,089**	**1,026**	**1,026**

Table 3: **Breakdown of the sample, by number of employees in organisation (%)**

	Autumn 2015	Summer 2015	Spring 2015	Winter 2014–15	Autumn 2014	Summer 2014	Spring 2014
2–9	14	14	14	14	14	14	14
10–49	14	14	14	14	14	14	14
50–99	6	6	6	6	6	6	6
100–249	7	7	7	7	7	7	12
250–499	9	9	8	9	10	8	8
500–999	6	5	6	7	8	7	6
1,000–4,999	8	16	18	15	18	6	14
5,000–9,999	7	8	7	8	8	9	7
10,000–19,999	5	5	5	4	4	4	4
20,000 or more	14	15	15	15	13	17	14
N	**1,037**	**931**	**1,013**	**1,003**	**1,089**	**1,026**	**1,026**

Table 4: **Breakdown of the sample, by industry (%)**

	Autumn 2015	Summer 2015	Spring 2015	Winter 2014–15	Autumn 2014	Summer 2014	Spring 2014
MANUFACTURING AND PRODUCTION	**15**	**15**	**15**	**15**	**15**	**15**	**15**
Agriculture, forestry and fishing	0	0	0	0	0	1	1
Manufacturing	9	9	9	9	9	9	9
Construction	4	4	4	4	4	4	4
Mining and extraction	0	1	1	1	1	0	0
Energy and water supply	1	1	1	1	1	2	1
EDUCATION	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Primary and secondary schools	4	3	3	3	3	3	3
Further and higher education	3	3	3	3	3	4	4
HEALTHCARE	**11**	**11**	**11**	**11**	**11**	**11**	**11**
NHS	7	7	7	7	7	7	7
Other private healthcare	4	5	5	5	5	4	4
PRIVATE SECTOR SERVICES	**52**	**52**	**52**	**52**	**52**	**52**	**52**
Hotels, catering and leisure	8	8	8	8	8	8	8
IT industry	3	2	2	2	2	2	2
Transport and storage	4	4	4	4	4	4	4
Consultancy services	3	3	3	3	3	2	2
Finance, insurance and real estate	5	5	5	5	5	5	5
Wholesale and retail trade	3	4	4	4	4	2	2
Other business services	9	9	9	9	9	–	–
Information and communication	1	1	1	1	1	1	1
Retail	13	12	12	12	12	14	14
Professional, scientific and technical	3	3	3	3	3	3	3
Admin and support service activities	1	1	1	1	1	9	9
PUBLIC ADMINISTRATION AND DEFENCE	**9**	**9**	**9**	**9**	**9**	**9**	**9**
Public administration – central government	3	3	3	3	3	3	3
Public administration – local government, including fire services	5	5	5	5	5	4	4
Armed forces	1	1	1	1	1	1	1
Quango	0	0	0	0	0	0	0

Survey method

The fieldwork for the LMO survey is managed by YouGov Plc. This survey has been conducted using the bespoke YouGov online system, administered to members of the YouGov Plc GB panel who have agreed to take part in surveys and the CIPD membership.

The survey is based on responses from 1,037 HR professionals and employers between 8 and 29 September 2015. All respondents have HR responsibility within their organisation, which may or may not be their sole and primary function within their organisation. The sample is targeted to senior business leaders of senior officer level and above.

An email was sent to each respondent from the YouGov sample, who are selected at random from the base sample according to the sample definition, inviting them to take part in the survey and providing a link to the survey. Each member of the CIPD sample is invited to complete the survey. Respondents are given three weeks to reply and reminder emails are sent to boost response rates (subject to the CIPD's re-contact policy).

The CIPD estimate that fifteen per cent of all current vacancies has been calculated as follows:

1) 48% of all employers do not have any hard-to-fill vacancies.

2) Among this 48%, we have assumed that 62% have at least one vacancy (the incidence determined when asked in Summer 2015).

3) We have re-coded this proportion of employers as '0' in V5, therefore implying that 0% of their vacancies are hard-to-fill – this achieved the overall figure.

4) To calculate the figures by sector, we allocated a value of '0' in V5 proportionally to account for the statistically representative split between private, public and voluntary organisations in the sample (73% private, 21% public and 6% voluntary).

Weighting

The quarterly LMO survey is sampled from the CIPD membership and through the YouGov panel of HR professionals. The data is weighted to be representative of the UK public and private sector business population by size of employer and sector. Rim weighting is applied using targets on size and sector drawn from the *Business Population Estimates for the UK and regions 2012* (available at: https://www.gov.uk/government/statistics/business-population-estimates-for-the-uk-and-regions-2012).

The delivered sample is drawn from across all business sizes and in total 656 unweighted responses were received from small and medium enterprises (SMEs) and 381 from HR professionals within large employers (250+ employees).

References

BANK OF ENGLAND'S AGENTS. (2015) *Agents' summary of business conditions.* October 2015 update. London: Bank of England. Available at: http://www.bankofengland.co.uk/publications/Pages/agentssummary/2015/oct.aspx [Accessed 4 November 2015].

CHARTERED INSTITUTE OF PERSONNEL AND DEVELOPMENT. (2015) *Learning and development 2015.* Survey report. London: CIPD. Available at: http://www.cipd.co.uk/learninganddevelopmentsurvey [Accessed 4 November 2015].

MARKIT ECONOMICS. (2015) *[REC/KPMG] Report on jobs.* Henley-on-Thames: Markit Economics.

OFFICE FOR NATIONAL STATISTICS. (2015) *UK labour market, October 2015*. Statistical bulletin. London: ONS. Available at: http://www.ons.gov.uk/ons/dcp171778_417237.pdf Accessed 4 November 2015].

PROSPECTS/ASSOCIATION OF GRADUATE CAREERS ADVISORY SERVICES. (2015) *What do graduates do?* Manchester: Prospects. Available at: http://www.hecsu.ac.uk/current_projects_what_do_graduates_do.htm [Accessed 4 November 2015].

CIPD
Chartered Institute of Personnel and Development
151 The Broadway London SW19 1JQ United Kingdom
T +44 (0)20 8612 6200 **F** +44 (0)20 8612 6201
E cipd@cipd.co.uk **W** cipd.co.uk
Incorporated by Royal Charter
Registered as a charity in England and Wales (1079797) and Scotland (SC045154)
Issued: November 2015 Reference: 7165