CIPD

LABOUR MARKET

OUTLOOK

VIEWS FROM EMPLOYERS

Winter 2023–24

The CIPD has been championing better work and working lives for over 100 years. It helps organisations thrive by focusing on their people, supporting our economies and societies. It's the professional body for HR, L&D, OD and all people professionals – experts in people, work and change. With over 160,000 members globally – and a growing community using its research, insights and learning – it gives trusted advice and offers independent thought leadership. It's a leading voice in the call for good work that creates value for everyone.

Report

Labour Market Outlook

Winter 2023–24

Contents

1 Foreword from the CIPD

The quarterly CIPD *Labour Market Outlook* (LMO) provides 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 2,000 employers.

This quarter, we see the tide turning on pay. For over a year, expected basic pay awards for the upcoming 12 months have been at 5%. This quarter, they have fallen to 4%, matching the level of CPI inflation reported in the 12 months to December 2023. Public sector expected pay awards have fallen further from 5% last quarter to 3% this quarter. As inflation continues its descent in 2024, expected pay awards will likely follow suit.

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 fallen sharply in the public sector to +6, the lowest it has been since summer 2019. Many local authorities have strained finances but statutory obligations to deliver services and therefore have the difficult task of balancing delivery with cutting costs. This quarter we find that public sector employers are twice as likely to be planning to decrease staff levels in the next three months as employers in the private sector.

Decreasing staff levels appears to be higher on the agenda in 2024, in response to the higher wage costs experienced over the past couple of years. This is evident in both the public and private sector, combined with a turn away from continuing to absorb costs, or in the case of the private sector, reduced profits during the period of high inflation.

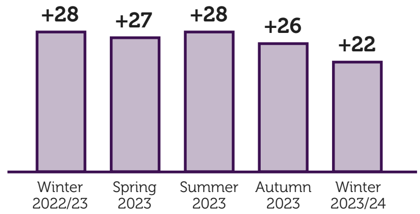
Labour market tightness appears to be reducing, with the ONS reporting that vacancies have fallen for the 18th consecutive month, despite the number remaining above pre-pandemic levels. Our data indicates that there will be further easing in the coming months, as fewer employers are expecting significant problems filling vacancies going forward. Hiring freezes also seem more apparent, particularly among SMEs, as we enter the new year.

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

James Cockett,
CIPD Labour Market Economist

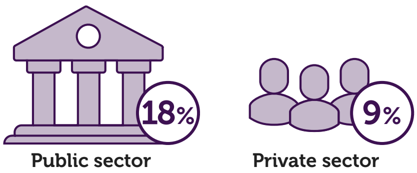
2 Key points

- 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 – remains positive but has fallen from +26 last quarter to +22 this quarter.



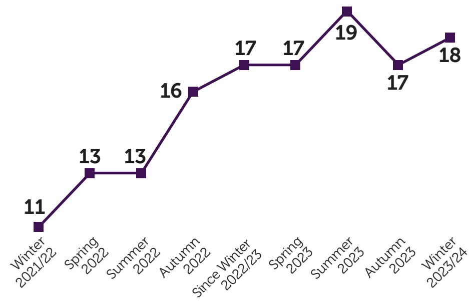
Net employment balance remains positive

- Nine per cent of private sector employers plan to decrease staff levels in the next three months. The rate is twice as high in the public sector, where 18% of employers plan to decrease staff levels in the next three months.



Public sector employers twice as likely to reduce staff levels

- Overall, 18% of employers are planning to make redundancies in the three months to March 2024.

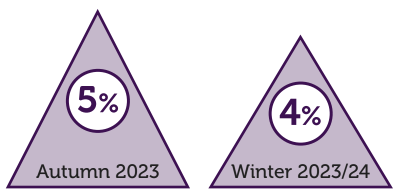


Redundancy intentions remain stable

- Thirty-eight per cent of employers surveyed have hard-to-fill vacancies. Hard-to-fill vacancies are significantly higher in the public sector (51%) than the private sector (34%).

Hard-to-fill vacancies remain prevalent

- The median expected basic pay increase has fallen from 5% last quarter to 4% this quarter. Expected pay awards in the public sector fell further than in the private sector to 3%.



Expected pay awards fall below peak for the first time in a year

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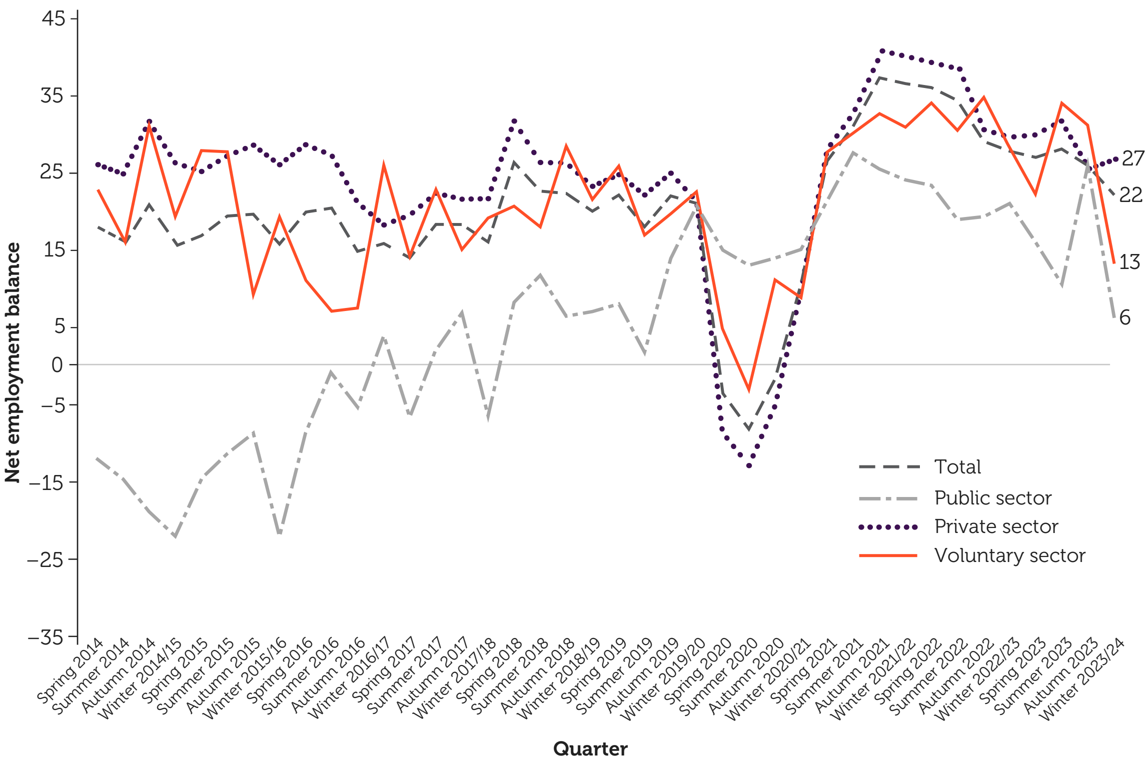
3 Recruitment and redundancy outlook

The net employment balance – which measures the difference between employers expecting to increase staff levels in the next three months and those expecting to decrease staff levels – remains positive but has fallen from +26 last quarter to +22 this quarter – the lowest overall level since winter 2020/21. This is because net employment intentions have fallen in the public sector to +6, the lowest level in the public sector since summer 2019. They remain strong at +27 in the private sector.

UK net employment balance low in the public sector

Figure 1: Net employment balance, by broad sector



Base: winter 2023/24, all employers (total: n=2,006; private: n=1,499; public: n=355; voluntary: n=152).

The positive net employment balance is driven by employers looking to hire staff (33%), with one in 10 (10%) looking to decrease total staff levels. Half (52%) look to maintain their current staff level.

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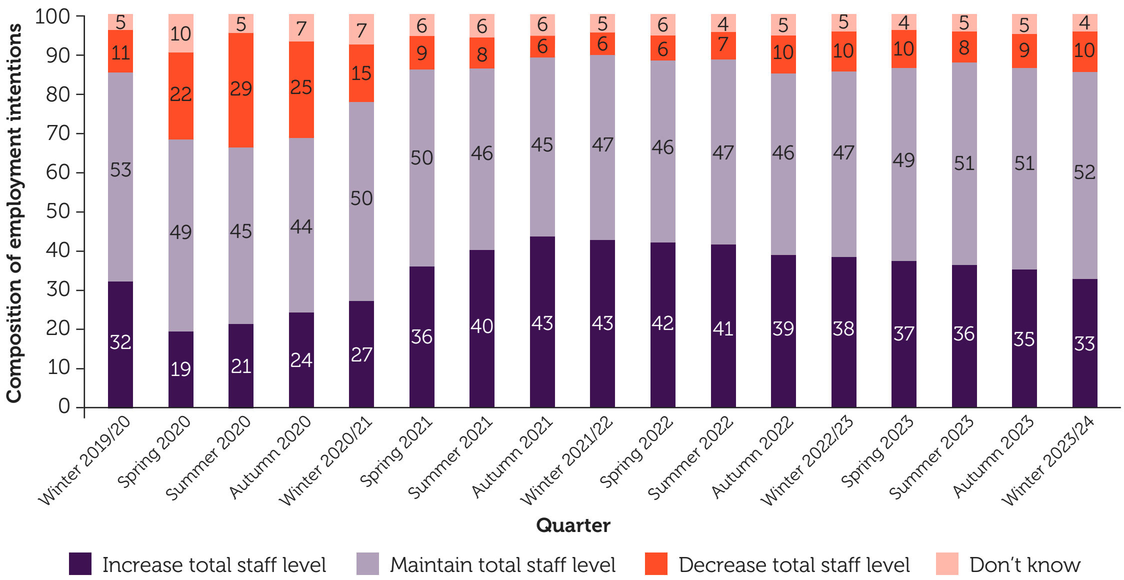
One in 10 UK employers looking to decrease staff levels

Figure 2: Composition of employment intentions (%)

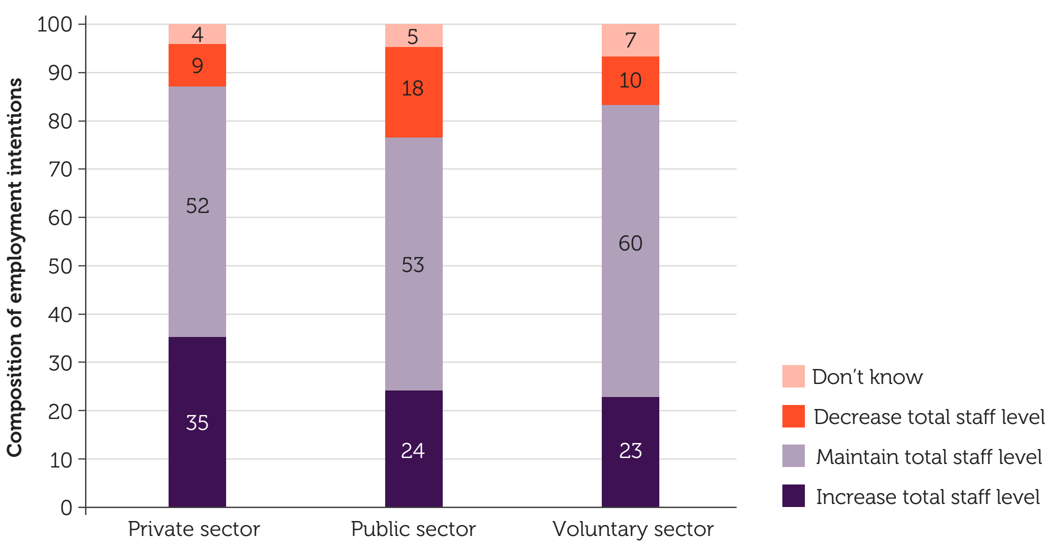


Base: winter 2023/24, all employers (total: n=2,006).

Figure 2 disguises an important sectoral divide. Public sector employers are twice as likely as their private sector counterparts to decrease their total staff level in the next three months (18% v 9%). And while a similar proportion of employers in each plan to maintain current staff levels, private sector employers plan to increase total staff levels (35%) at a higher rate than the public sector (24%).

Public sector employers twice as likely to decrease total staff levels in next three months

Figure 3: Composition of employment intentions, by broad sector (%)



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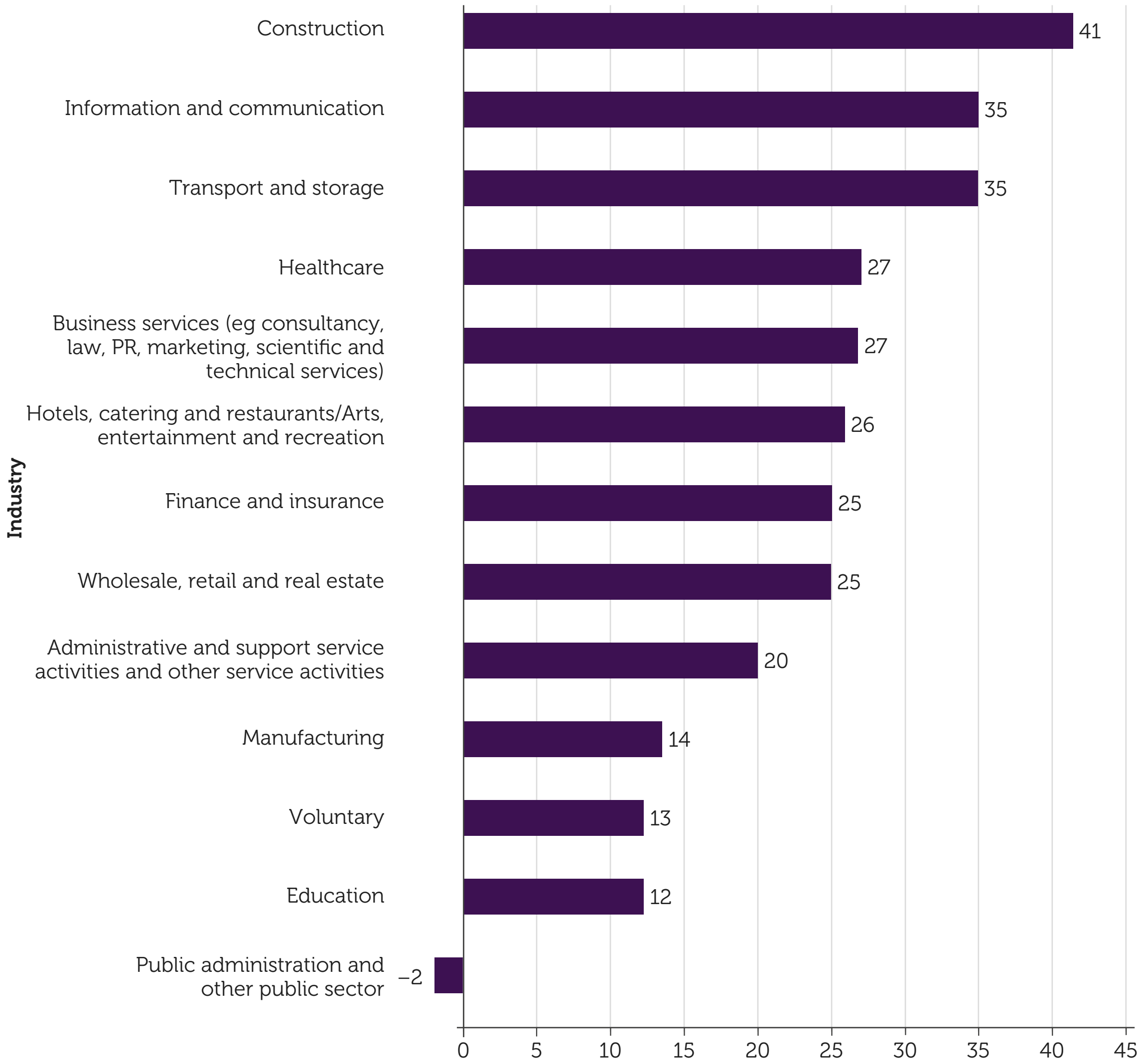
In fact, employment intentions are negative (–2) in the public administration and other public sector this quarter. This means more employers are looking to decrease staff than increase staff in the next three months. In summer 2023, the figure for this sector was just +2, meaning this figure is not an anomaly. Employment intentions continue to be positive in all other industries (see Figure 4).

UK net employment balance negative in public administration and other public sector

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



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

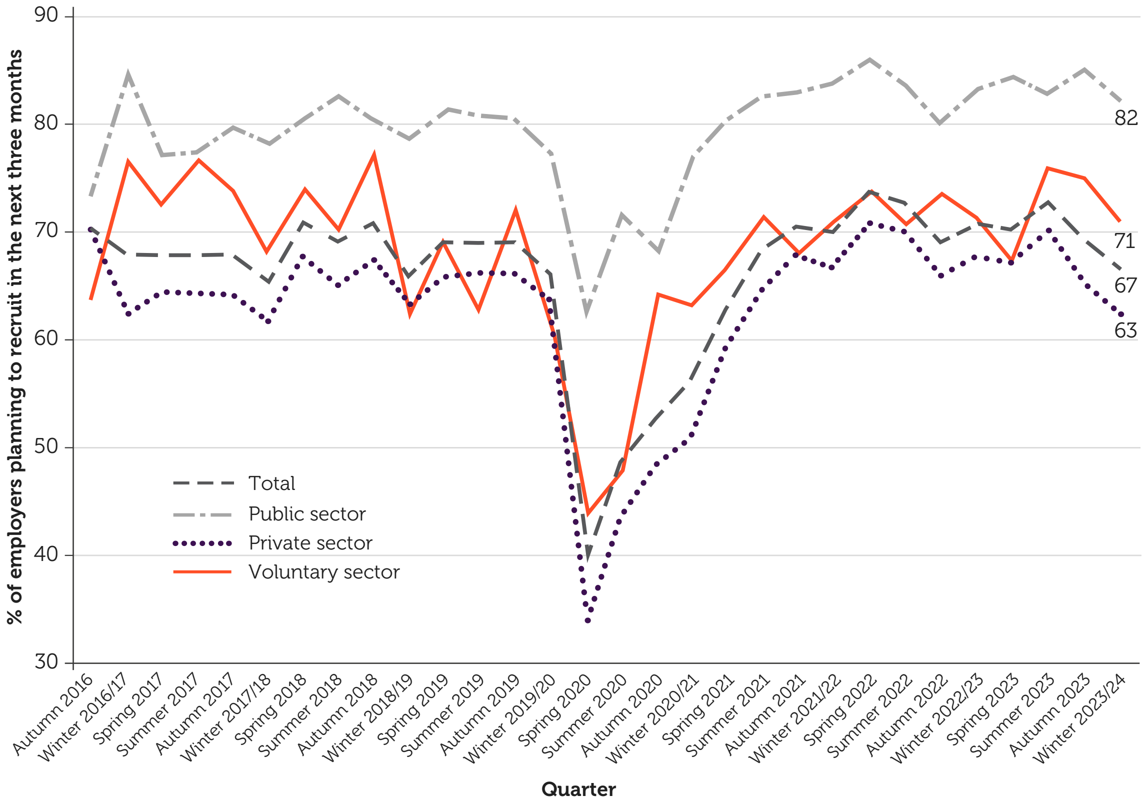
Recruitment

Two-thirds (67%) of employers plan to recruit in the next three months. Recruitment intentions remain highest in the public sector (82%), followed by the voluntary sector (71%). The level of firms in the private sector that plan to recruit in the next three months is 63% (see Figure 5). All sectors have exhibited a small but similar fall this quarter.

The net employment balance falling while recruitment intentions are highest in the public sector seems contradictory. The issue is that 'recruitment intentions', as shown in Figure 5, are not the same as the overall impact of staffing changes, as shown in Figure 2. This means employers are recruiting but expect to have problems filling the roles, hence the drop in net employment balance.

UK recruitment intentions highest in the public sector

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



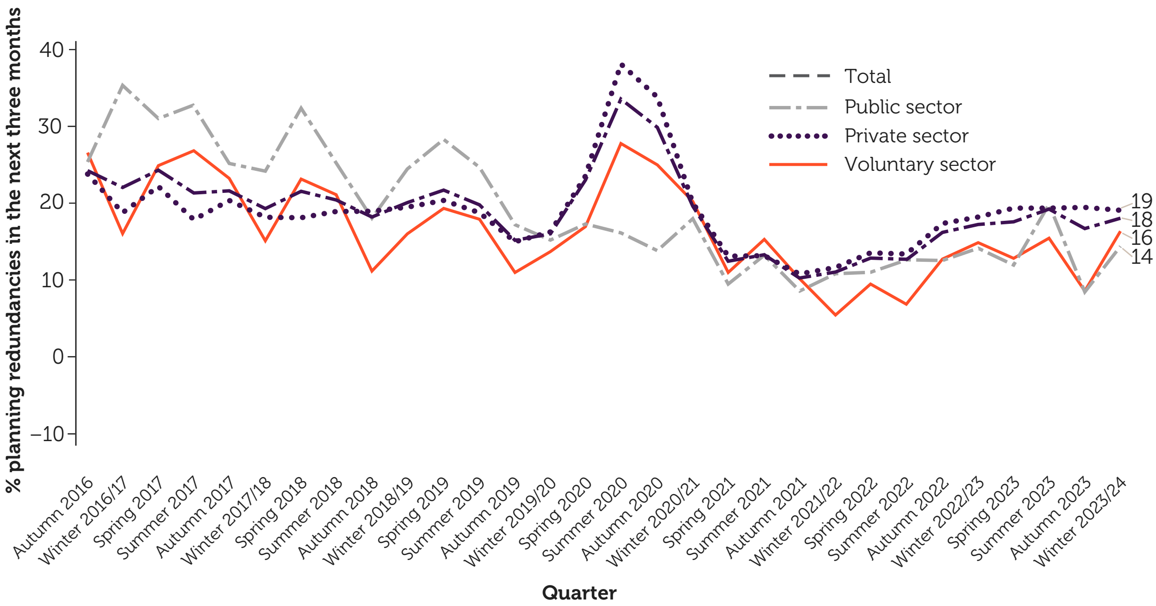
Base: winter 2023/24, all employers (total: n=2,006; private: n=1,499; public: n=355; voluntary: n=152).

Redundancies

Overall, 18% of employers are planning to make redundancies in the three months to March 2024 (see Figure 6). The level of employers planning to make redundances in the next three months has remained at a similar level overall, and in the private sector since winter 2022/23.

UK redundancy intentions follow usual seasonal patterns

Figure 6: Redundancy intentions, by broad sector (%)



Base: winter 2023/24, all employers (total: n=2,006; private: n=1,499; public: n=355; voluntary: n=152).

Further reading and practical guidance

- CIPD | **Recruitment**

  Explore our wide range of best practice recruitment resources and gain the knowledge to benefit your organisation.

- CIPD | **Redundancy**

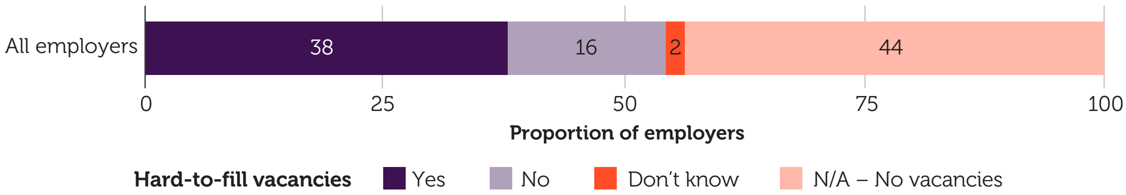
  Learn how to manage redundancies effectively in your organisation with a selection of practical resources and insights.

4 Job vacancies

Thirty-eight per cent of employers surveyed have hard-to-fill vacancies (see Figure 7). Vacancies remain a problem for the public sector, with half (51%) reporting hard-to-fill vacancies, unchanged on previous quarters. The level of employers in the private sector with hard-to-fill vacancies is significantly lower at 34%.

UK employers continue to have hard-to-fill vacancies

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

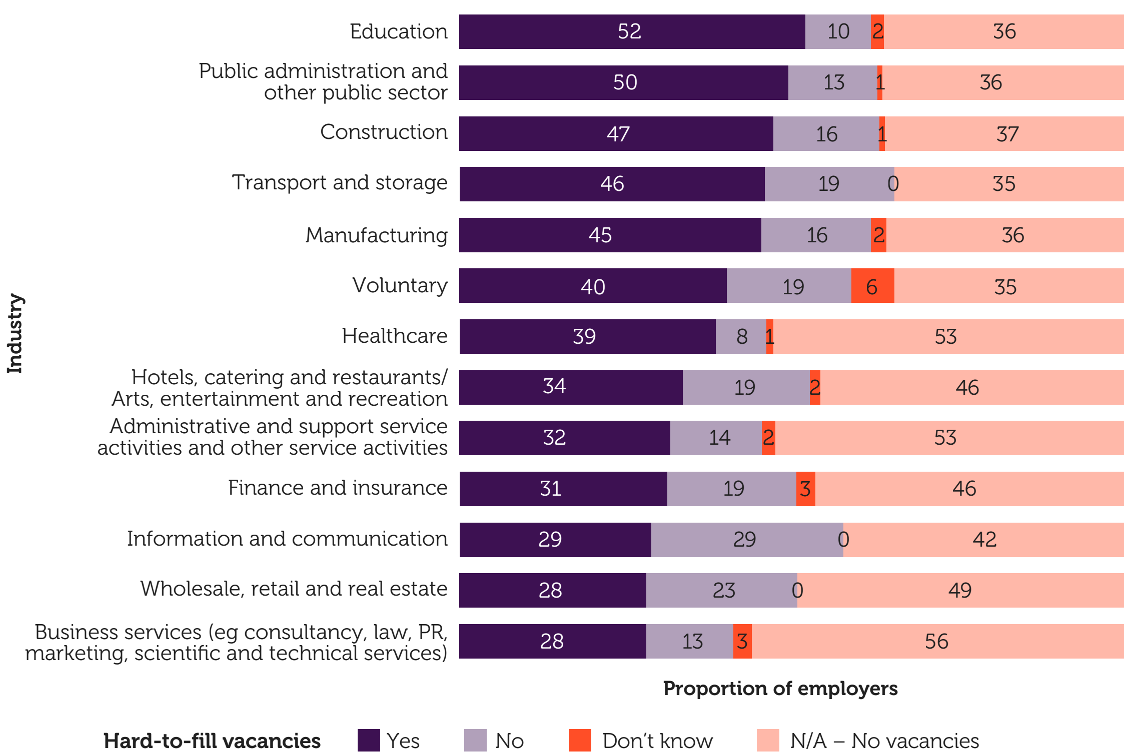


Base: winter 2023/24, all employers (total: n=2,006).

Figure 8 shows hard-to-fill vacancies persist across the economy. Half of employers in education (52%) and public administration and other public sector (50%) report hard-to-fill vacancies. Thirty-nine per cent of employers in healthcare also report hard-to-fill vacancies.

Hard-to-fill vacancies most prevalent among employers in education

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



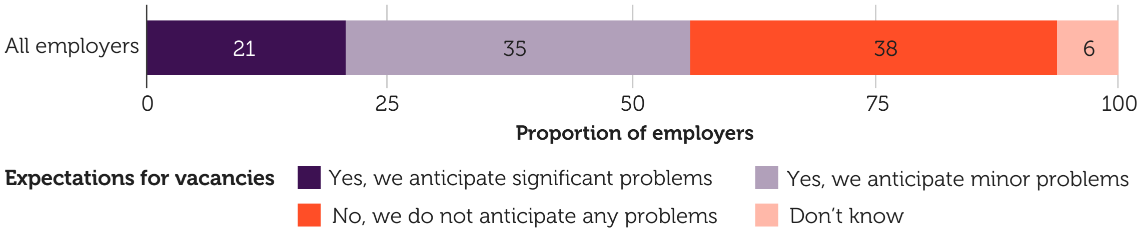
Base: industries with base sizes less than 50 have been excluded. For a breakdown of base sizes, see Table 3.

Our data continues to point to falling vacancies in the next six months. The level of employers who anticipate significant problems in filling vacancies has fallen from 29% 12 months ago to 21% this quarter. A further 35% still anticipate minor problems (Figure 9).

As with previous quarters, a higher proportion of public sector employers (40%) expect significant problems in filling roles than private sector (16%) and voluntary sector (20%) employers. Among private sector employers, smaller businesses (fewer than 250 employees) are more likely to not anticipate any problems (57%), compared with larger organisations (31%). This is mainly due to a higher rate of smaller employers who have no vacancies (35% v 7%), pointing to potential hiring freezes among SMEs.

One in five UK employers anticipate significant problems in filling roles

Figure 9: Expectation for vacancies in the next six months (%)

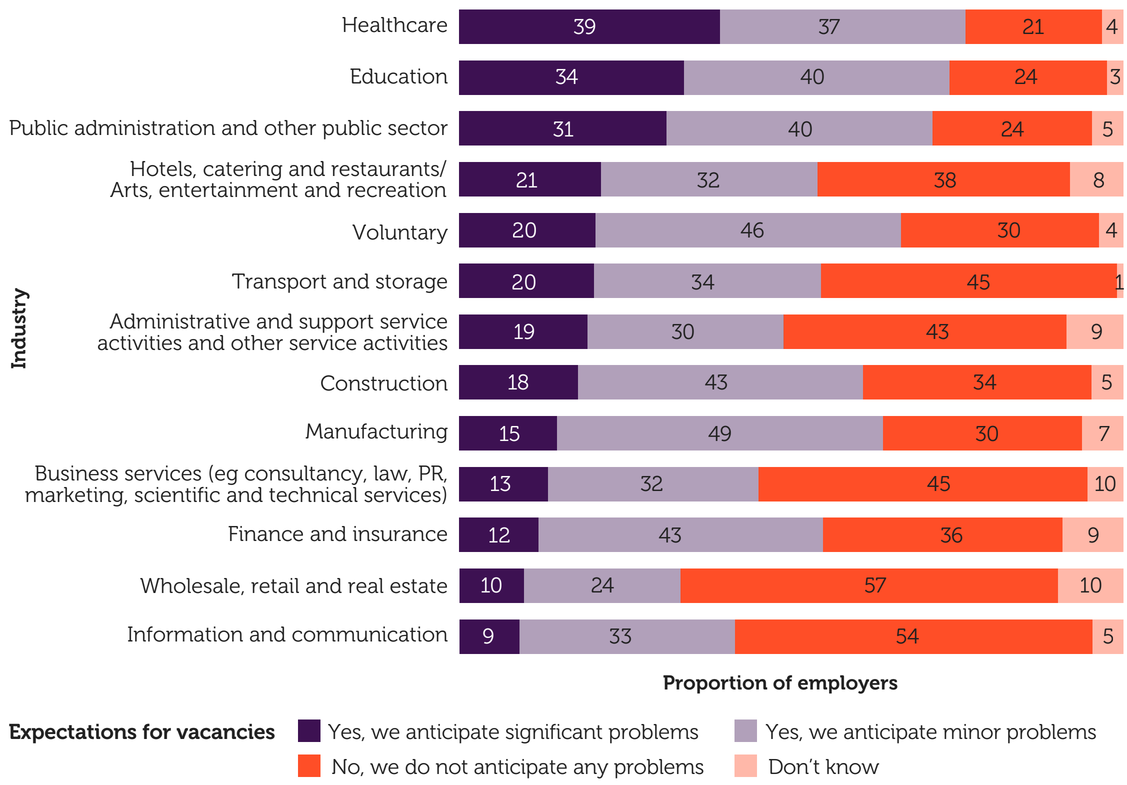


Base: winter 2023/24, all employers (total: n=2,006).

As in previous *Labour Market Outlook* reports, healthcare (39%), education (34%), and public administration and other public sector (31%) are all anticipating significant problems in filling vacancies in the next six months at the highest rate.

Problems in filling vacancies most prevalent in the UK public sector

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

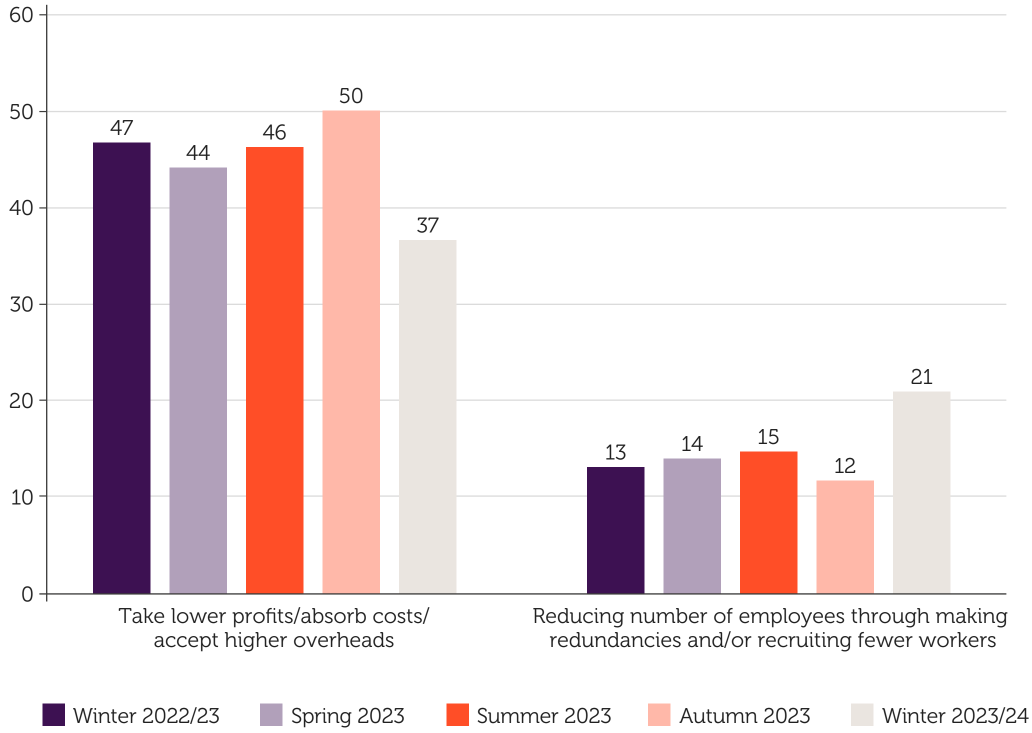


Base: industries with base sizes less than 50 have been excluded. For a breakdown of base sizes, see Table 3.

For over a year, we've tracked the various ways that organisations have planned to deal with additional wage costs. This quarter marked a change in how they responded. As inflation falls, many organisations seem to be seeking profit again. Of those employers who've had to raise wages in the past six months or plan to in response to hard-to-fill vacancies, fewer this quarter (37%) are taking lower profits, absorbing costs or accepting higher overheads, compared with over the past year (44–50%). In addition, the level of employers who are reducing the number of employees through redundancies or recruiting fewer workers has increased to 21%, from 12–15% in previous quarters over the last year.

UK employers no longer absorbing costs, and instead are reducing staff numbers in response to higher wage costs

Figure 11: Ways of managing additional wage costs (selected), by quarter (%)



Base: all employers who have had to raise wages in response to hard-to-fill vacancies (winter 2022/23: 586; spring 2023: 476; summer 2023: 461; autumn 2023: 405; and winter 2023/24: 371.).

Further reading and practical guidance

- CIPD | **Strategic workforce planning guide**

  Our guide to strategic workforce planning can help you plug skills gaps and address hard-to-fill vacancies.

- CIPD | **Employer brand**

  An attractive employer brand helps organisations compete effectively in the labour market. Read our factsheet for insights on how to develop an attractive employer brand.

- CIPD | **Inclusive recruitment for employers guide**

  Read our step-by-step guide for insights on attracting a more diverse talent pool.

5 Pay outlook

For employers looking to increase, decrease or freeze pay in the next 12 months, median expected basic pay increases have fallen from 5% to 4%. It had remained at 5% for over a year, which has been the highest level ever in our time series. This denotes the first fall since spring 2020, as the UK entered the pandemic.

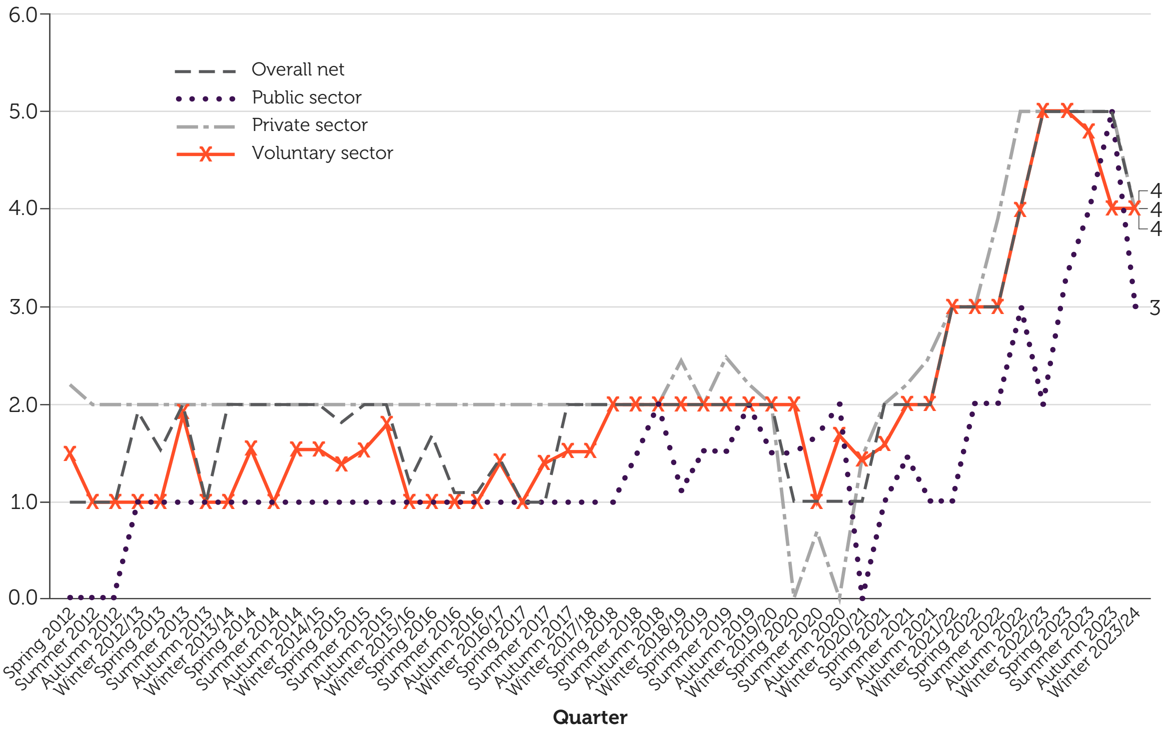
Expected pay awards in the public sector (3%) have again fallen below the rate in the private sector (4%), meaning it may become more difficult to retain public sector staff who could switch to the private sector.

Median pay awards do remain higher among SMEs (5%) than larger private sector organisations (4%); this, combined with the finding that fewer SMEs are hiring, indicates that SMEs appear to be focusing on retention of existing staff as we enter 2024.

It should be noted that the average basic pay award covered in this analysis is only one pay component of pay growth. Many people will also benefit from incremental progression or promotion, bonuses or a pay bump when switching jobs.

Expected UK pay awards fall to 4%

Figure 12: Median basic pay increase expectations – median employer



Base: winter 2023/24, all employers expecting and able to estimate a pay award or pay freeze in the next 12 months (n=835; private: n=661; public: n=134; voluntary: n=73).

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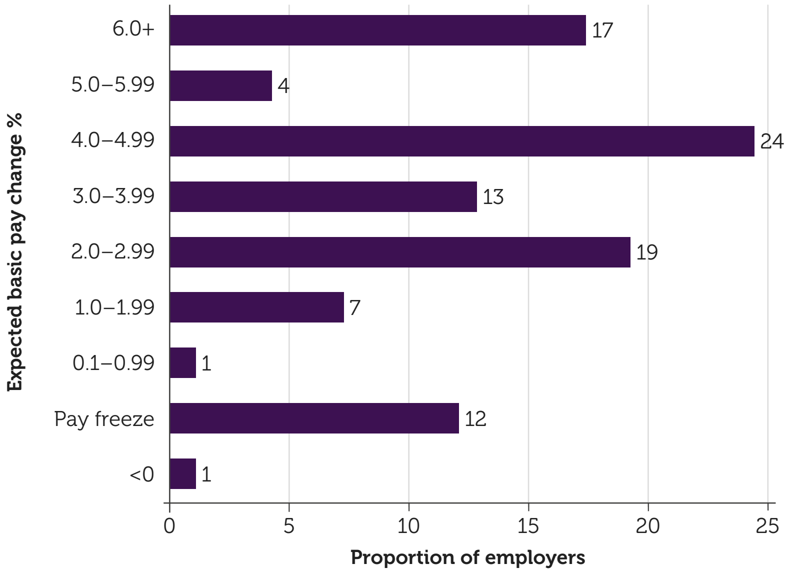
Looking at the distribution of expected pay awards for 2024, we see that a quarter (24%) of organisations plan to increase base pay by 4–4.99%. A further one in five (19%) organisations plan to increase pay by 2–2.99%. Some organisations are planning a pay freeze (12%); however, a larger proportion (17%) are still planning pay rises of above 6% in 2024.

One in four employers planning pay rise of 4–4.99%

Figure 13: Expectations for basic pay changes 2024 (%)



Base: winter 2023/24, all employers expecting and able to estimate a pay award (n=835).

Further reading and practical guidance

- CIPD | **Pay structures and pay progression**
  Understand the purpose of pay structures and pay progression, including common ways for structuring pay and managing pay progression.
- CIPD | **Pay fairness and pay reporting**
  Find out what fair pay can mean, what pay information UK employers must disclose by law, and the opportunities pay narratives bring.
- CIPD | **Is pay transparency good for business?**
  Listen to our podcast exploring the benefits, pitfalls and challenges of increasing pay transparency and the broader impact on global organisations.

6 Recommendations for employers and people practitioners

- ✓ Take a varied approach to addressing your hard-to-fill vacancies. Adopt inclusive recruitment and selection approaches to help broaden your talent pool, and use upskilling opportunities to develop your existing workforce.
- ✓ If your organisation is going through a difficult financial time, explore all your options before considering redundancies. Making people redundant should be a last resort. As an employer, it's important that you can prove you've first looked at alternative cost-saving measures, such as redeploying staff or reducing working hours. As well as saving jobs, this will help you avoid unfair dismissal claims.
- ✓ While price inflation is heading down, workers will still find many things are more expensive than they were last year. That's why it's crucial to have a strategy that explores employee financial wellbeing holistically. For example, target communications that explore how the existing benefits package can help those suffering from financial stress, highlight sources of information and guidance to those with money worries, and target benefits that help deal with the largest living costs, such as accommodation, groceries and energy.

7 Survey method

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,006 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 2 and 22 January 2024. The survey was conducted online. The figures have been weighted and are representative of UK employment by organisation size, sector and industry.

Weighting

Rim weighting is applied using targets on size and sector drawn from the BEIS *Business population estimates for the UK and regions 2021*. 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	354
10–49	405
50–99	147
100–249	232
250–499	184
500–999	150
1,000 or more	534

Table 2: Breakdown of sample, by sector

Sector	Count
Private sector	1,499
Public sector	355
Third/voluntary sector	152

Table 3: Breakdown of sample, by industry

Industry	Count
Manufacturing	174
Construction	133
Primary and utilities	45
Education	249
Healthcare	167
Wholesale, retail and real estate	121
Transport and storage	59
Information and communication	102
Finance and insurance	155
Business services (eg consultancy, law, PR, marketing, scientific and technical services)	244
Hotels, catering and restaurants/Arts, entertainment and recreation	104
Administrative and support service activities and other service activities	188
Public administration and other public sector	101
Police and armed forces	12
Voluntary	152

Table 4: Breakdown of sample, by region

Region	Count
Scotland	131
Wales	50
Northern Ireland	32
Northwest England	153
Northeast England	58
Yorkshire and Humberside	126
West Midlands	111
East Midlands	115
Eastern England	112
London	448
Southwest England	145
Southeast England	208
All of the UK	317

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Incorporated by Royal Charter (RC000758)
Registered as a charity in England and Wales (1079797)
Scotland (SC045154) and Ireland (20100827)

Issued: February 2024 Reference: 8552