



**Labour
Outlook**



**Summer
2012**



The quarterly CIPD *Labour Market Outlook* (LMO) provides a set of forward-looking labour market indicators, highlighting employers' recruitment and redundancy intentions. The CIPD survey is based on responses from 1,004 HR professionals, many of whom are drawn from the CIPD's membership of more than 135,000 professionals.

The latest report shows that near-term employment prospects, which became positive in the first quarter of 2012, look set to remain positive into the third quarter. This quarter's net employment balance – which measures the difference between the proportion of employers who expect to increase staff levels over those who expect to decrease staff levels in the third quarter of 2012 – has decreased slightly to +5 from +6 in the spring 2012 report.

The report's 12-month employment balance (+3) paints a less positive picture, perhaps reflecting the uncertainty in employers' minds about the state of the economy. Private sector firms continue to drive much of the upturn in employment prospects, with the net employment balance improving to +26 in the three months to June 2012 from +25 in the previous report. In contrast, the number of people employed in the public sector will continue to fall (-36), which represents a modest deterioration compared with the previous quarter.

However, the report's findings suggest that the continued overall resilience of the labour market may owe more to employers' desire to hold on to key skills than confidence. Fewer firms plan to make redundancies despite the latest official figures showing a fall of 0.7% in GDP, according to the ONS's preliminary estimate for Q2 2012. Almost a third of private sector firms say that they have maintained staff levels higher than is required by their level of output or service delivery in the 12 months to June 2012. The main reason for holding on to labour is to maintain the skills base within the organisation. This suggests that there is a significant degree of spare capacity within companies, which may partly explain why productivity levels are currently falling. However, with a number of firms reporting that they will be forced to make redundancies if demand does not pick up in the near to medium term, this situation may change.

Another factor in the continuing health of the labour market may be the participation by employers in the myriad government-supported employment and training programmes. As the most recent figures from the ONS *Labour Market Statistics* showed, the number of people on such programmes has increased by almost 50% during the last quarter.

Despite the modest recovery in employment growth, wage settlements look set to remain weak. Excluding bonuses, the average wage settlement has increased slightly to 1.6% from 1.5% during the past three months. Mirroring the official ONS pay data, the LMO report's pay projections have remained stubbornly low during the last year, and the latest LMO figures suggest that this situation will continue into 2013. Public sector organisations' predictions of average pay increases of 0.2% will continue to lag even further behind those in the private sector (2.5%) compared with the previous three months.

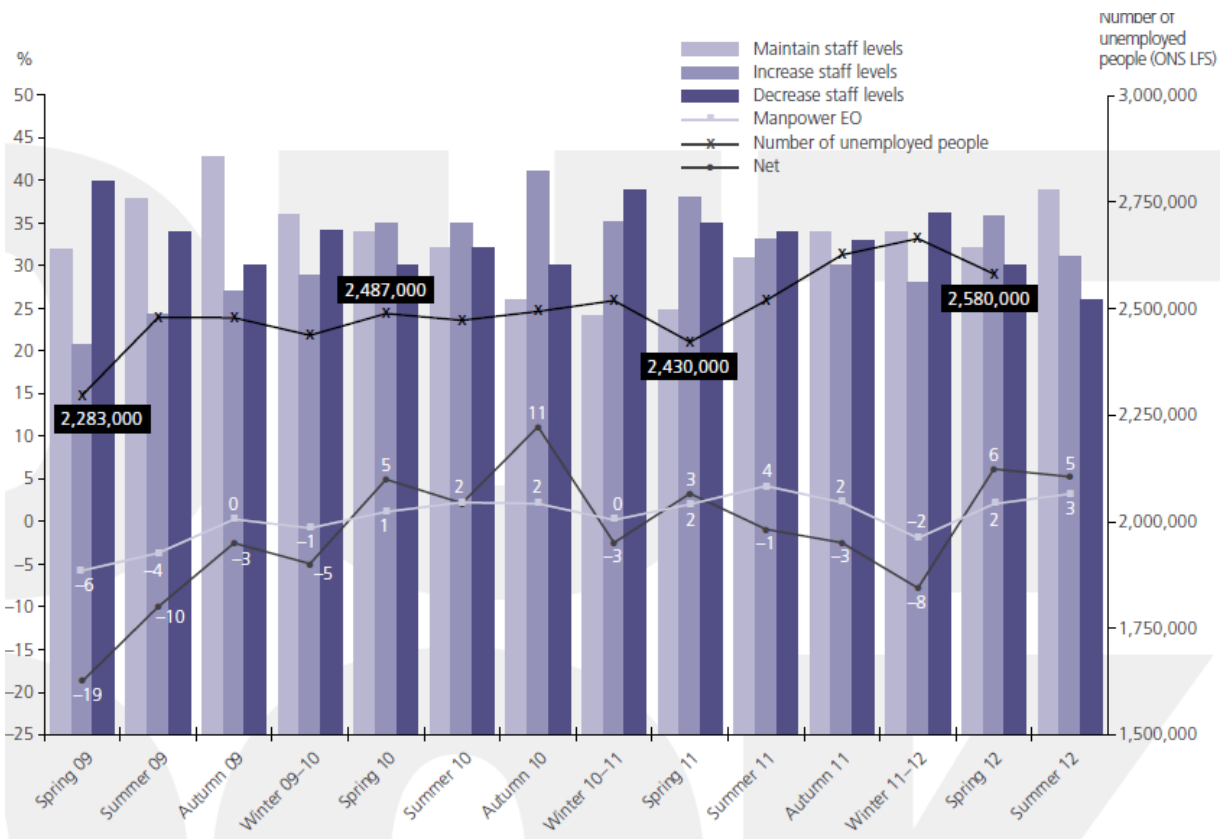
Employment Intentions



The latest CIPD report suggests that employers will continue to shrug off the news that the UK economy shrank further into recession in the third quarter of 2012 by increasing staff levels in the third quarter. 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 2012 – has decreased to +5 from +6 in the spring 2012 survey. On the upside, the proportion of LMO employers who predict that they will decrease staff levels has continued to fall, down from 30% in the previous quarter to 26% in this quarter. On the downside, the proportion of LMO employers who predict an increase in staff levels has reduced to 31% in this quarter from 36% in the spring 2012 report. However, the overall resilience in the labour market has been underpinned by a large increase in the proportion of employers who report that they will maintain staff levels in the third quarter of 2012.

Correlation between LFS unemployment statistics and LMO data

Summer 2012, all LMO employers likely to recruit or make redundancies in the next quarter



Employment Intentions

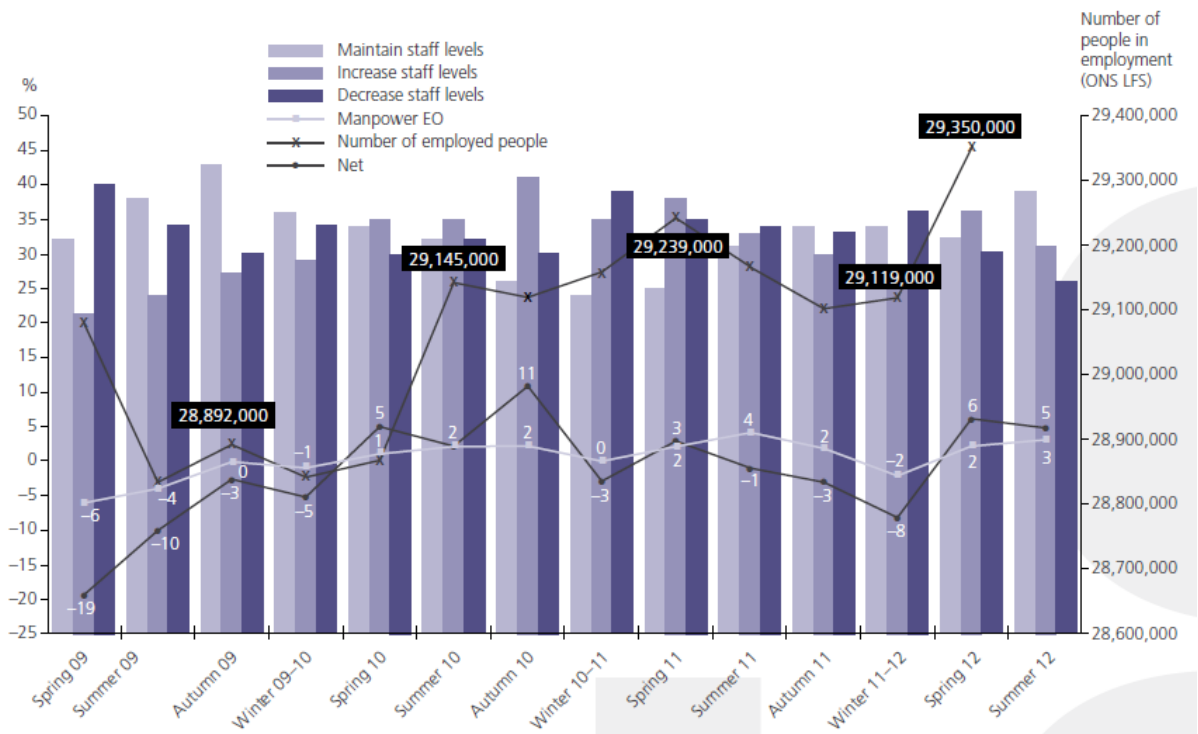


The previous LMO forecast that employment prospects would improve in the early part of 2012. Reflecting these projections, unemployment has fallen and employment levels have risen in the three months to May 2012 according to official figures produced by the Office for National Statistics (ONS) .

The latest Labour Force Survey (LFS) measure of unemployment shows that unemployment currently stands at 8.1%, down 0.2% compared with the previous quarter. The total number of unemployed people decreased by 65,000 over the quarter to reach 2.58 million. Employment levels have also started to increase, with the latest official statistics showing an increase of 181,000 in the numbers in employment .

Correlation between LFS employment levels and LMO data

Summer 2012, all LMO employers likely to recruit or make redundancies in the next quarter



Employment Intentions

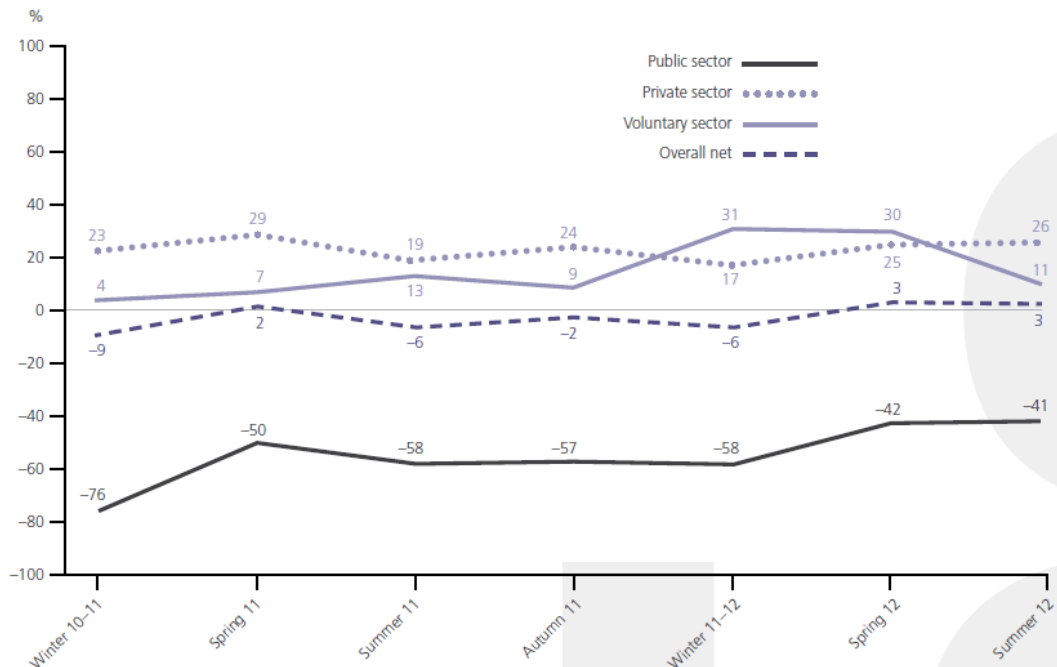


Private sector firms are continuing to drive the upturn in employment prospects, with the net employment score increasing to +26 in this quarter from +25 in the spring report. This continued optimism within the private sector means that the net employment score is at its highest for private sector firms since spring 2011.

Employment prospects have especially improved in the manufacturing and production sector, up from +19 to +32. This is somewhat consistent with recent indicators, such as the Markit/CIPS Purchasing Managers' Index report for manufacturing, which showed that the pace of decline in the UK manufacturing sector eased in June. In contrast, employment prospects in the private services sector remain positive, but have fallen modestly from +24 in the previous report to +21 in this quarter. Meanwhile, the number of people employed in the public sector will continue to fall (-36). Most worryingly, NHS employers (-33) now seem equally pessimistic about their employment prospects as the rest of the public sector.

The employment outlook for the English regions continues to highlight a north-south divide, although the gap has narrowed since the previous report. The net employment balance in the north of England has improved to -11 from -17 in the previous quarter, but still lags behind the positive employment outlook in the south of England (+16) and London (+12 down from +21 in the previous quarter). The combined London and south-east employment balance stands at +15. This is consistent with the official statistics, which continue to suggest that employment prospects in London and the south-east are better than in the rest of the country. Looking further ahead, the employment balance score for the UK in the 12 months to June 2013 has remained static at +3. The scores have remained broadly unchanged in the public sector (-42) and in the private sector (+25).

Overall effect of recruiting new staff and/or making redundancies for next 12 months
Base: summer 2012, all likely to recruit or make redundancies in the next 12 months
Overall, private sector, public sector and voluntary sector.



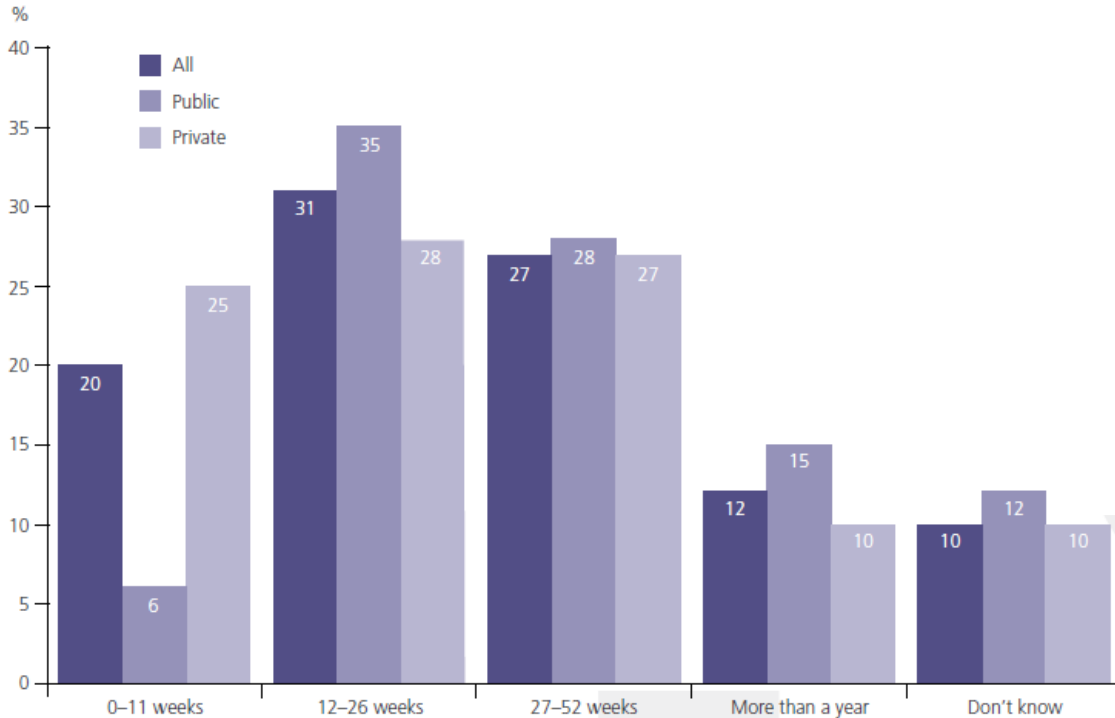
Employment of temporary workers



The use of temporary workers is also high, with 78% of employers reporting that they currently employ temporary workers. Just under three-quarters (74%) of private sector firms employ temporary workers.

Manufacturing and production companies (86%) are more likely to employ temporary workers than the services sector (72%) and the public sector (85%). A fifth (20%) of employers report that they employ temporary workers for a period of less than 12 weeks.

Interestingly, more than a quarter of employers in the construction industry and the hotels, catering and leisure industries say they employ temporary workers for a period of less than 12 weeks. Temporary workers are more typically employed for periods of 12–26 weeks (31%) and 27–52 weeks (27%).





Entry level employment

Around one in three (36%) LMO employers expect there to be fewer entry-level jobs at their organisation in ten years' time. A further 45% do not think they will have fewer entry level jobs and 17% do not know if this will be the case. LMO employers in the public sector are significantly more likely than their private sector counterparts to say that the number of entry-level positions will fall over the next ten years. Half (50%) of public organisations report this, compared with 31% of private sector organisations. LMO employers predict that HR and administrative roles will be most affected. The top five occupations predicted to have fewer entry-level jobs are:

- human resources – 47%
- secretaries, personal assistants, administrative assistants and office staff - 44%
- management/executive – 39%
- accounting/finance – 38%
- IT staff – 26%

Employers in public administration and defence (67%) and the NHS (42%) are most likely to report that there will be fewer entry-level jobs at their organisation in the next ten years. Meanwhile, a majority of public sector employers say that they will be taking on fewer entry-level managers, Pas or secretaries and HR professionals.

Redundancy Intentions

Mirroring the official statistics, the proportion of LMO employers planning to make redundancies in the three months to September 2012 has continued to decrease, falling to 28% from 32% in the previous three months. The proportion of public sector employers planning to make redundancies has fallen again to 39% from 45% in the previous report, the second consecutive quarter where redundancy intentions have fallen.

In contrast the proportion of private sector services firms that plan to make redundancies has fallen again to 23% from 25% in the previous quarter. Similarly, the number of voluntary sector organisations planning redundancies has also decreased (24% from 33%).



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