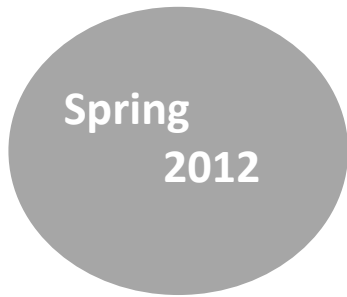
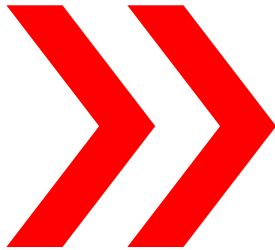




**Labour
Outlook**



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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 1,006 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 are positive for the first time in more than a year. This follows a series of recent LMO reports, which have pointed to a slow, painful rise in unemployment during the past year. 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 second quarter of 2012 – has increased to +6 from –8 in the winter 2011–12 survey. This is the highest net balance score since autumn 2010. The large swing is likely to reflect an improvement in business confidence in the general economic situation in the three months to March 2012, but also shows that quarterly changes to the labour market may be more volatile in 2012 than in 2011. Indeed, the report's 12-month employment balance (+3) paints a less positive picture, perhaps reflecting the more uncertain economic and employment outlook in the year ahead.

Private sector firms are driving much of the predicted upturn in employment prospects, with the net employment balance improving to +25 in the three months to June 2012. In the previous three quarters, the net balance for private sector firms, while positive, had fallen. In particular, the net employment balance has improved for the manufacturing and production sector from +1 to +19 in the previous three months, which reflects the rise in confidence reported in various surveys of manufacturing employers.

Employment prospects have also improved for public sector employers, albeit from a very low base. While the number of people employed in the public sector looks set to continue to fall (–32), the scale of the fall is less than in recent quarters. Indeed, the net employment balance for the public sector is at its least negative since the winter 2009–10 report, with fewer public sector employers reporting that they plan to make redundancies. Around a third of public sector employers (32%) plan to make redundancies in the three months to June 2012, down from nearly half (49%) in the previous quarter. The figures offer a degree of encouragement for public sector employment, but with the Office for Budget Responsibility (OBR) projecting 30,000 public sector jobs to be lost each quarter between 2012 and 2017, there will still be significant challenges ahead.



Despite the projected recovery in near-term employment prospects, wage settlements look set to remain weak. Excluding bonuses, the average wage settlement has fallen to 1.5% from 1.7% during the past three months. The main reason behind the fall is a sharp decrease in the number of public sector employers reporting that their average basic pay will increase in the 12 months to March 2013. Public sector organisations' predictions of average pay increases of 0.3% will continue to lag behind those in the private (2.2%) and voluntary sectors (1.7%).

Overall, the data suggest that employment prospects will improve in all sectors of the economy in the second quarter of 2012, which will increase hopes that private sector employment growth will in the short term outstrip falls in public sector employment. However, the medium-term projections, which look unusually uncertain, suggest that this situation may not be sustained for the remainder of 2012. In contrast, pay prospects, which remained remarkably stable during the past year, look set to continue at their current low levels for the rest of the year.

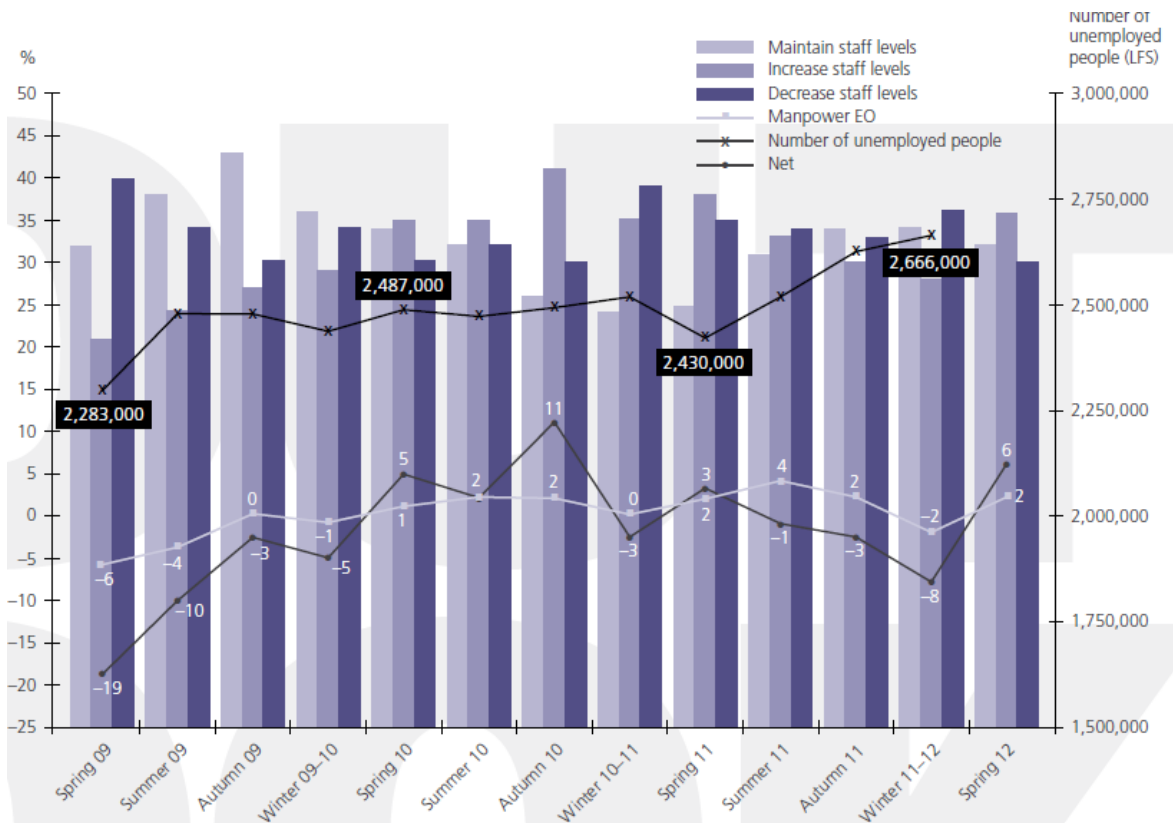
Employment Intentions



According to the CIPD survey, 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 increased to +6 from -8 in the winter 2011-12 survey.

In particular, there has been an improvement in the proportion of LMO employers who report that they will increase their staff levels in the second quarter of 2012, with the proportion increasing to 36% from 28% three months ago. Similarly, the proportion of LMO employers who predict that they will decrease staff levels fell to 30%, down from 36% during the same period.

Correlation between LFS unemployment statistics² and LMO data Spring 2012, all LMO employers likely to recruit or make redundancies in the next quarter

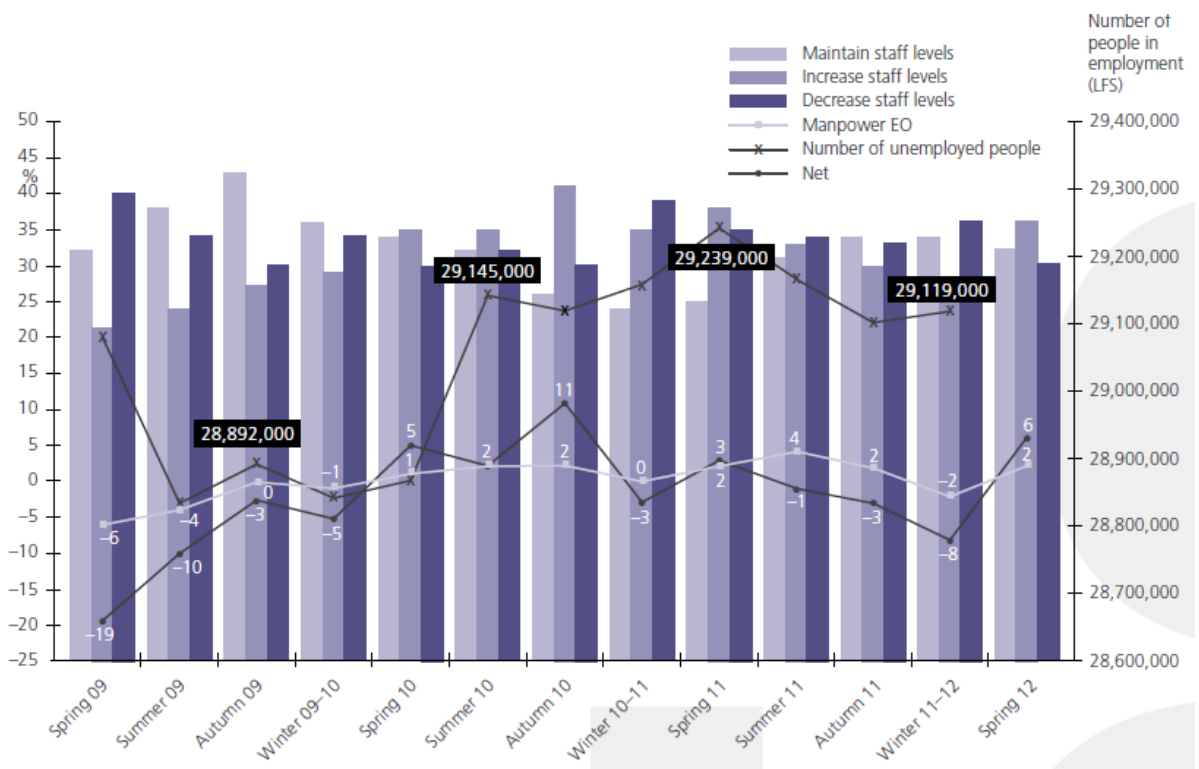


Labour Force Survey data taken at quarterly intervals based on GB population aged 16+. Spring (February–April), summer (May–July), autumn (August–October), winter (November–January). Please note the latest employment figure is taken from the ONS estimates for three months to January 2012. In the next edition of the LMO the spring 2012 unemployment figure will be added to show the correlation between the forecast change and the actual change.



The latest figures follow a series of LMO projections, which forecasted that employment prospects would worsen gradually in the 12 months to April 2012. Reflecting these projections, unemployment has largely continued to rise during the past year 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 8.3%, up 0.3% compared with the same period in 2011. Mirroring this trend, employment levels have also fallen, although the most recent data point to a tentative recovery in employment growth.

Correlation between LFS employment levels and LMO data
Spring 2012, all LMO employers likely to recruit or make redundancies in the next quarter



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 latest employment figure is taken from the ONS estimates for three months to January 2012. In the next edition of the LMO the spring 2012 unemployment figure will be added to show the correlation between the forecast change and the actual change.

Employment Intentions



Private sector firms are driving the predicted upturn in employment prospects (+25). As discussed in previous LMO reports, the net balance for private sector firms, while positive, has continued to fall during the past year. However, the latest figure restores employment prospects in the private sector to levels seen in the spring 2011 report. In particular, employment prospects have improved in the manufacturing and production sector, up from +1 to +19. This is broadly consistent with recent international and national indicators, such as the CIPS/Markit Purchasing Managers' Index Report for the UK manufacturing sector,³ which showed that it grew at its fastest pace for ten months in March 2012. Employment levels are also projected to grow in the private services sector, up from +11 in the previous report to +24 in this quarter. Consistent with that, the CIPS/Markit Purchasing Managers' Index Report for Services suggested that growth in the service sector accelerated in March 2012.

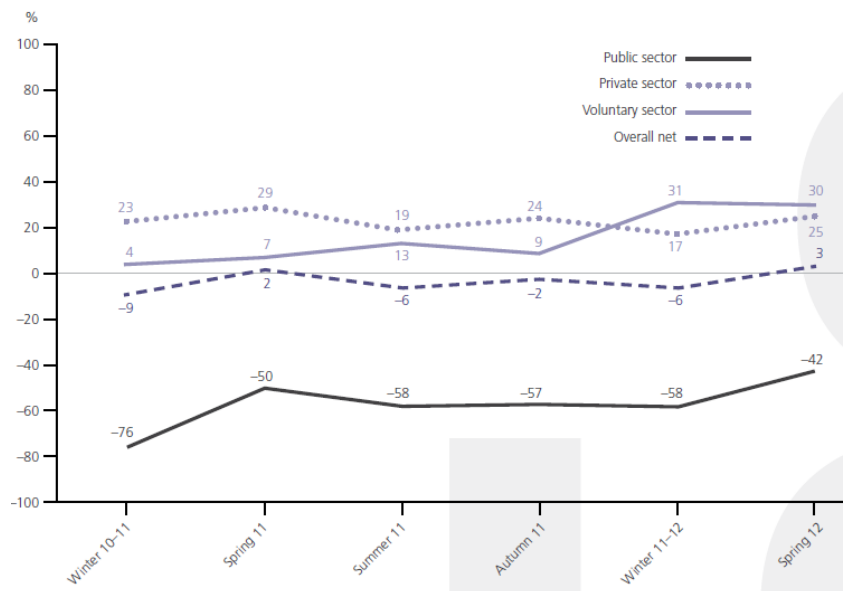
Similarly, employment prospects are positive in the voluntary sector, with the net employment balance rising to +26 from +20. However, on the downside, the number of people employed in the public sector will continue to fall (-32), although the scale of the fall is significantly less than in recent quarters. Indeed, the public sector net employment intentions balance is at its most positive level since the winter 2009-10 CIPD report.

Despite the overall projected recovery in near-term employment growth, the data point to a further widening of the north-south divide, as indicated in previous reports. The net employment balance for the south of England (+10) and London (+21) contrasts with the north of England (-17). Perhaps reflecting the upturn in the manufacturing sector, employer optimism is highest in the Midlands (+32), up from -5 in the winter CIPD 2011-12 report. Looking further ahead, the employment balance score for the UK in the 12 months to March 2012 has also improved to +3 from -6 in the winter CIPD 2011-12 survey. Confidence levels have risen in all three sectors of the economy, especially the public sector, where the net employment intentions balance has improved to -42 from -58 during the previous three months.

Overall effect of recruiting new staff and/or making redundancies during the next 12 months.

Base: Spring 2012, all likely to recruit or make redundancies in the next 12 months.

Overall, private sector, public sector and voluntary sector.



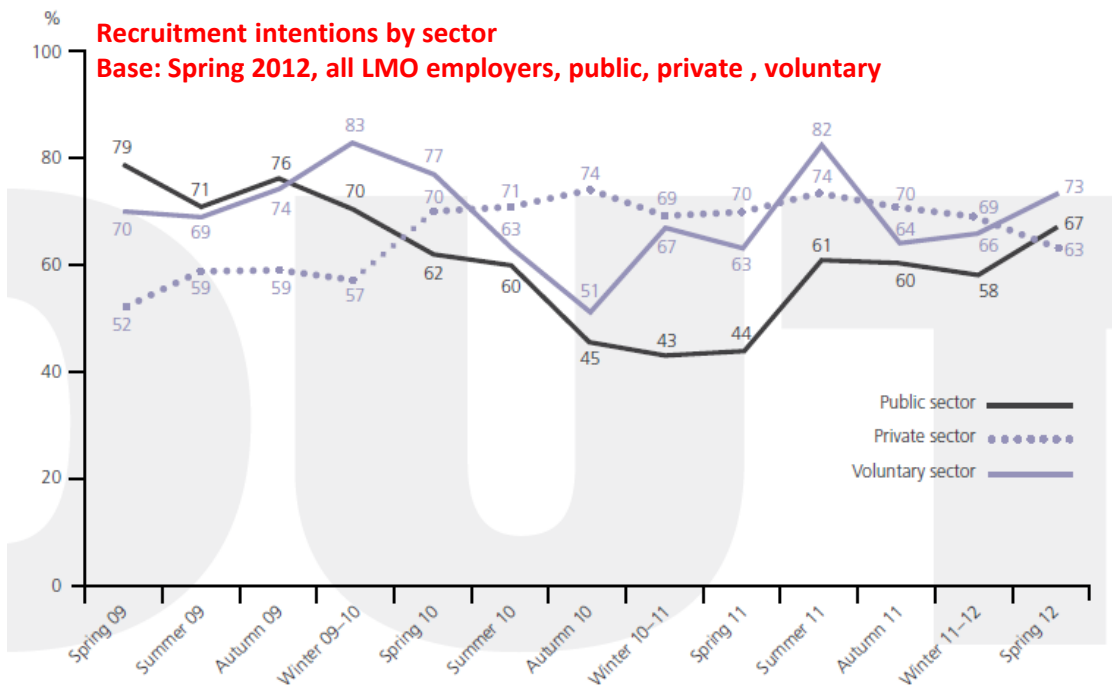
Recruitment Intentions



Recruitment intentions among LMO employers have remained broadly stable since the winter 2011–12 report. Nearly two-thirds of employers (65%) plan to hire this quarter. Hiring intentions for the next three months are strongest in the finance, insurance and real estate sector (74% planning to hire) and the voluntary and not-for-profit sectors (77%).

Where recruitment is expected, on average employers reported that just over three-quarters (77%) of the roles over the next three months would be full-time. Around a quarter (23%) of roles will be part-time during the same period. Part-time roles are more prevalent in the public sector (31%) than the private sector (18%). These figures are broadly in line with the current make-up of the UK workforce.

However, figures relating to permanent and temporary work suggest that the number of temporary workers may increase in the future. Around a quarter (27%) of new roles will be of a temporary nature, while almost three-quarters (73%) will be subject to permanent contracts. More than a third (35%) of new recruits in the public sector will be on temporary contracts. Official figures show that temporary employees make up just 6% of the workforce.



Redundancy Intentions



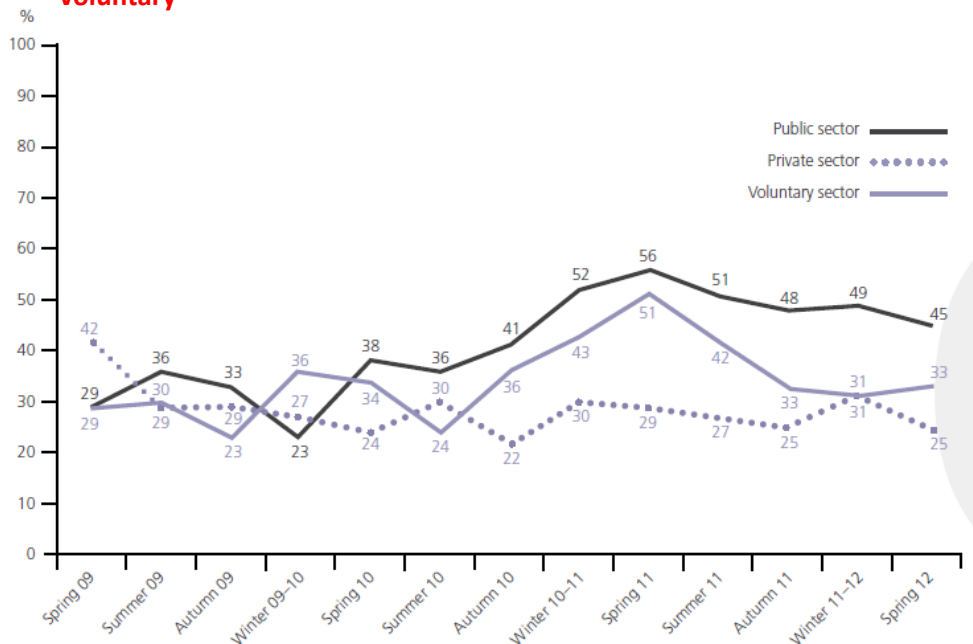
The proportion of LMO employers planning to make redundancies in the three months to June 2012 has decreased to 32% from 37% in the previous three months. On average, where LMO employers are planning to make redundancies, employers report that 60% of these will be compulsory and 40% will be voluntary.

The proportion of public sector employers planning to make redundancies in the next three months has fallen to 45%, compared with nearly half (49%) in the previous report. This is the lowest proportion of public sector employers planning to make redundancies since autumn 2010 (41%).

Similarly, the proportion of private sector services firms that plan to make redundancies has decreased to 25% from 31% in the previous quarter. In contrast, the number of voluntary sector organisations planning redundancies has increased slightly (31% to 33%). Organisations that are planning to make redundancies expect 4% of the workforce on average to be affected.

Employers in the public administration and defence sector, which includes central government and local government employers primarily, are most likely to make redundancies in the second quarter of 2012 (58%). Nevertheless, the proportion of public administration and defence employers planning redundancies has fallen from 70% during the previous three months.

Redundancy intentions by business sector
Base: Spring 2012, all LMO employers, public, private, voluntary





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