



**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.

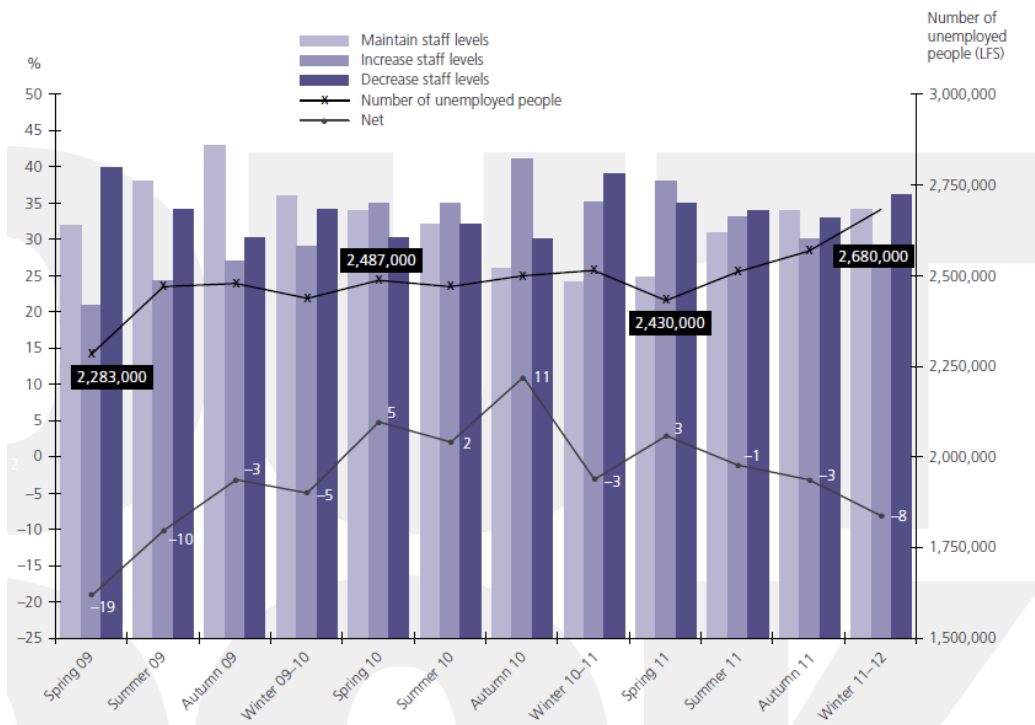


According to the CIPD survey, employment prospects are set to deteriorate further in the first quarter of 2012. This quarter's net employment balance – which measures the difference between the proportion of employers who expect to increase staff levels and those who expect to decrease staff levels in the first quarter of 2012 – has fallen to –8 (details below).

This is the worst net balance score since spring 2009. This compares with an average of –1 over the past 12 months, which has reflected the modest falls in employment and rises in unemployment during the past year .

Correlation between LFS unemployment statistics² and LMO data

Winter 2011–12, all LMO employers likely to recruit or make redundancies in the next quarter



² 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 unemployment figure for winter is taken from the ONS estimates for three months to November 2011. Hence, the figure for unemployed people in winter 2011–12 needs to be treated with caution as it only covers the first month of the winter quarter

Employment Intentions

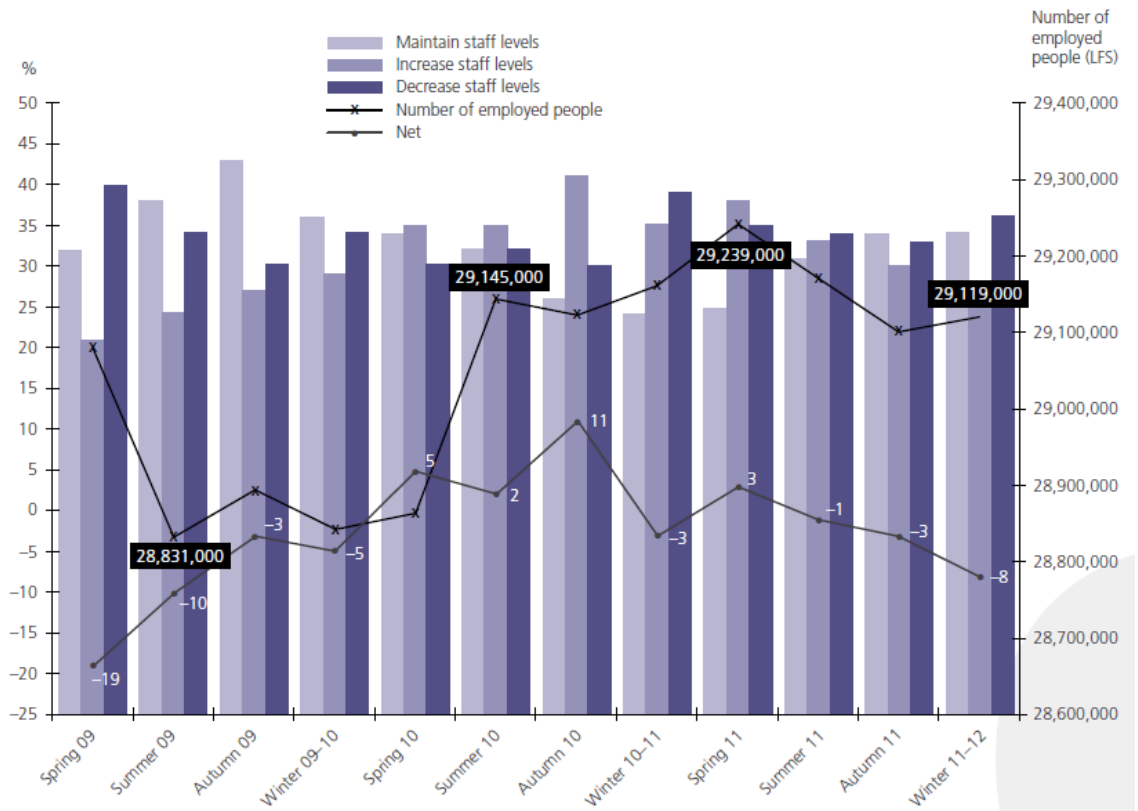


On the upside, the private sector will continue to generate new jobs in the first quarter of 2012 (+10), although the net balance for private sector firms has fallen for the past four consecutive quarters. Indeed, the net balance has fallen from +32 in spring 2011, primarily reflecting the sharp fall in business confidence during the past 12 months. Employment growth has stalled in the manufacturing sector (+1), but remains strong in the services sector (+11).

This is broadly consistent with recent indicators, such as the CIPS/Markit purchasing managers' index reports for manufacturing⁴ and services,⁵ which point to a stagnation in manufacturing activity and an increase in activity in the services sector. Employment levels also look set to grow in the voluntary sector (+20), although this figure should be treated with caution due to the small sample size.

Correlation between LFS employment levels and LMO data

Winter 2011–12, 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 unemployment figure for winter is taken from the ONS estimates for three months to November 2011. Hence, the figure for unemployed people in winter 2011–12 needs to be treated with caution as it only covers the first month of the winter quarter.

⁴ Purchasing Managers Index Report for Manufacturing, CIPS/Markit, (January 2012).

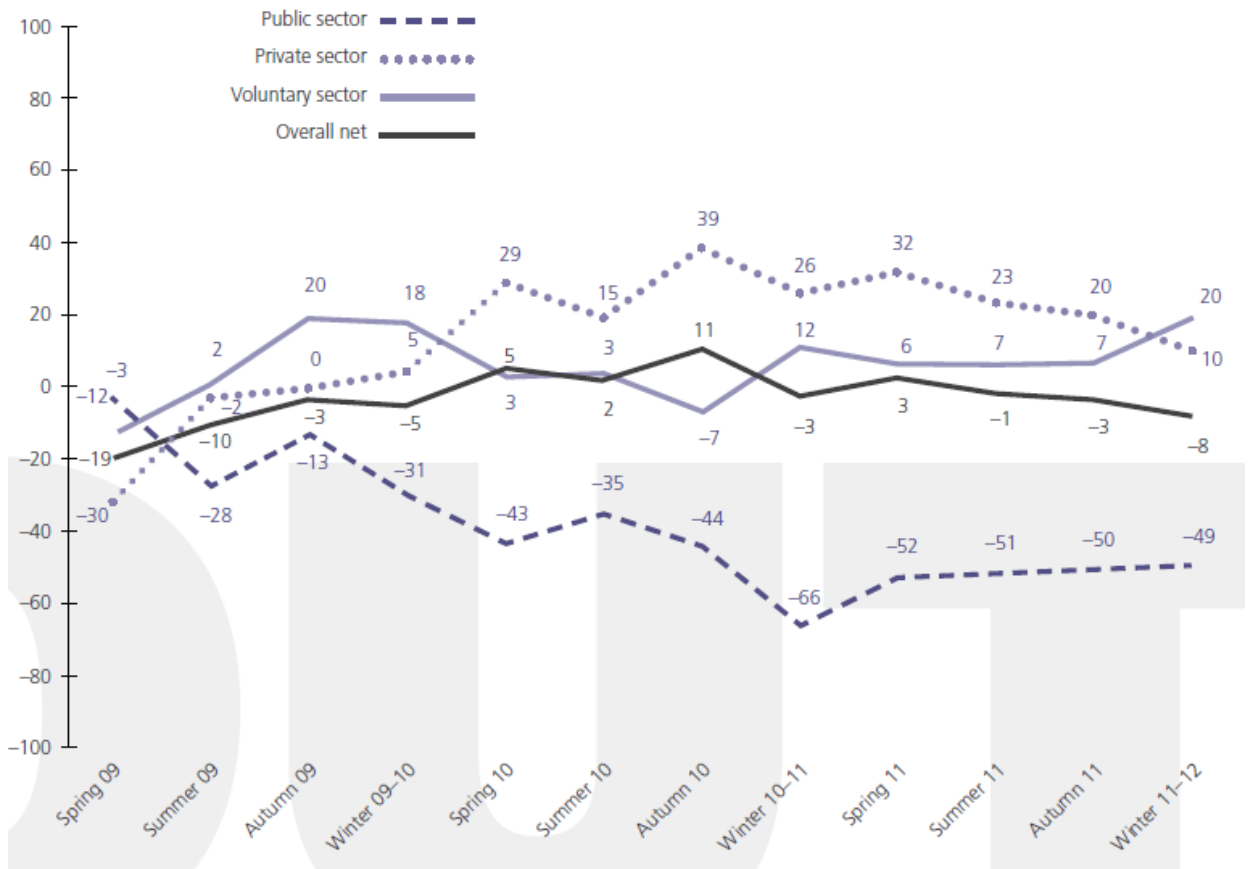
⁵ Purchasing Managers Index Report for Services, CIPS/Markit, (January 2012).

Employment Intentions



On the downside, the number of people employed in the public sector continues to fall (-49), although the scale of the fall is less than in recent quarters. Employment prospects have fallen in public administration and defence, which includes the civil service and the armed forces, which is down from -60 to -65.

Overall effect of recruiting new staff and/or making redundancies next three months
Winter 2011-12, all likely to recruit or make redundancies in the next quarter
Overall, private sector, public sector and voluntary sector



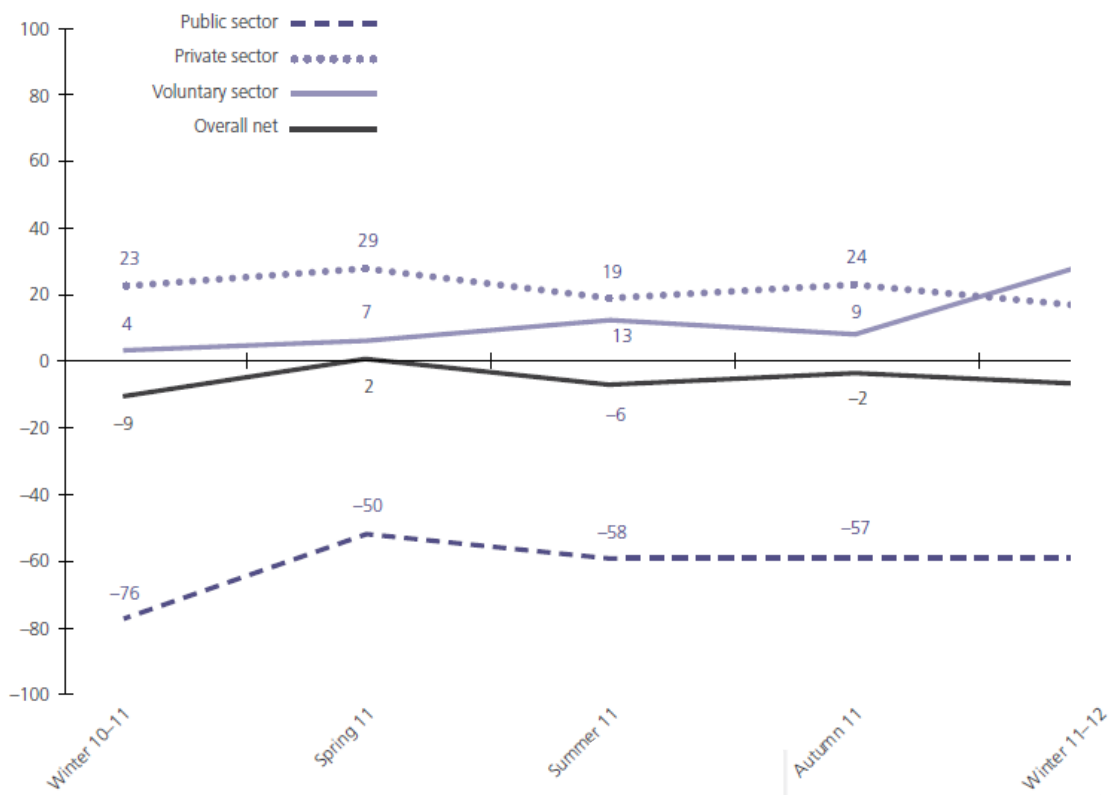
Employment Intentions



The results also point to a further widening of the north–south divide. The net employment balance for the south of England has improved modestly to –1 from –4 in the past three months. London is the only region to register a positive score (+3). In contrast, employment prospects in the north of England have fallen to –20 from –17 over the same period. This follows the most recent official LFS unemployment statistics – which show that the north-east of England and the north-west of England have seen the largest unemployment increases during the past year.

Looking further ahead, the employment balance score for the UK in the 12 months to March 2012 has fallen to –6 from –2 in the autumn of 2011, which again primarily reflects a fall in confidence in the private sector.

Overall effect of recruiting new staff and/or making redundancies for next 12 months Winter 2011–12, all likely to recruit or make redundancies in the next 12 months

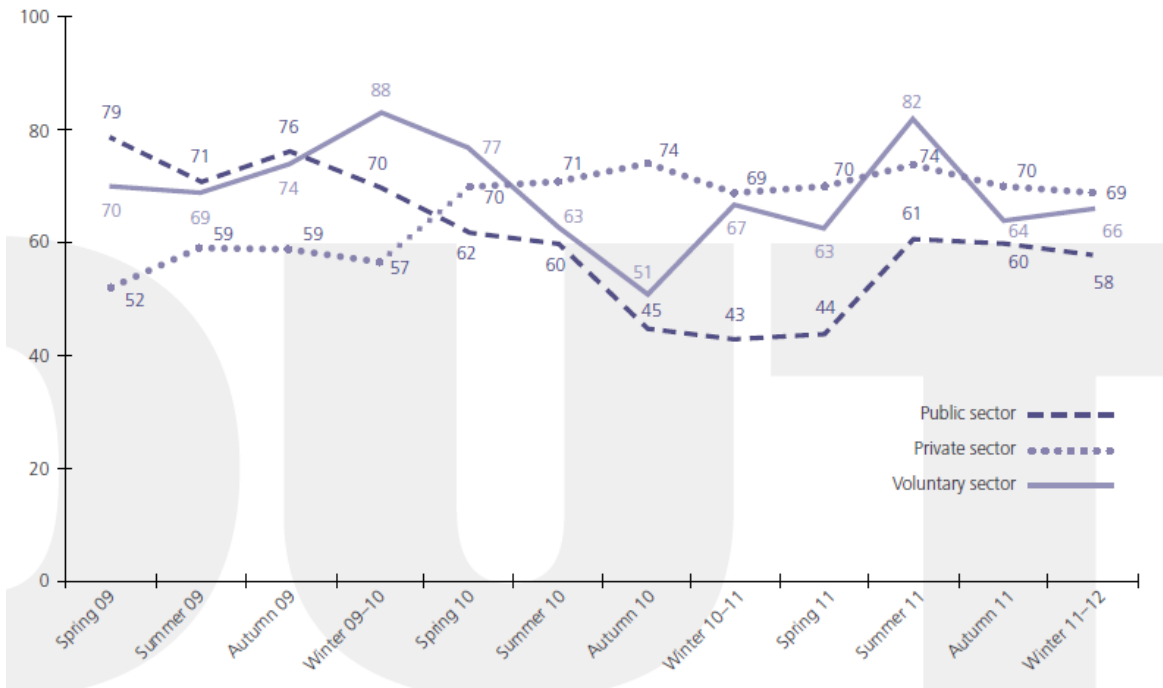




For the second consecutive quarter, recruitment intentions have fallen modestly, with fewer than two-thirds of employers (65%) planning to hire this quarter. Hiring intentions for the next three months are strongest in the finance, insurance and real estate sector.

Recruitment intentions by sector

Winter 2011–12, all LMO employers, public n, private , voluntary



However, six out of ten LMO employers are not planning to create any new roles in the next three months. Where recruitment is expected, demand will be relatively strong for a number of job roles, notably management or executives (23%), sales and marketing (21%) and business development (16%).

UK employers anticipate growth in several roles in the first quarter of 2012, most notably managers, IT, sales and marketing, business development and secretaries and PAs. This is consistent with other research, such as the UKCES's *Working Futures 2010–2020* report, which suggests that *'there is expected to be a continued trend of employment growth in higher skilled, white collar occupations, including managers, professionals and associate professional roles'*.



New roles being created in the next THREE months (%)
Winter 2011–12, all LMO employers planning to create new roles



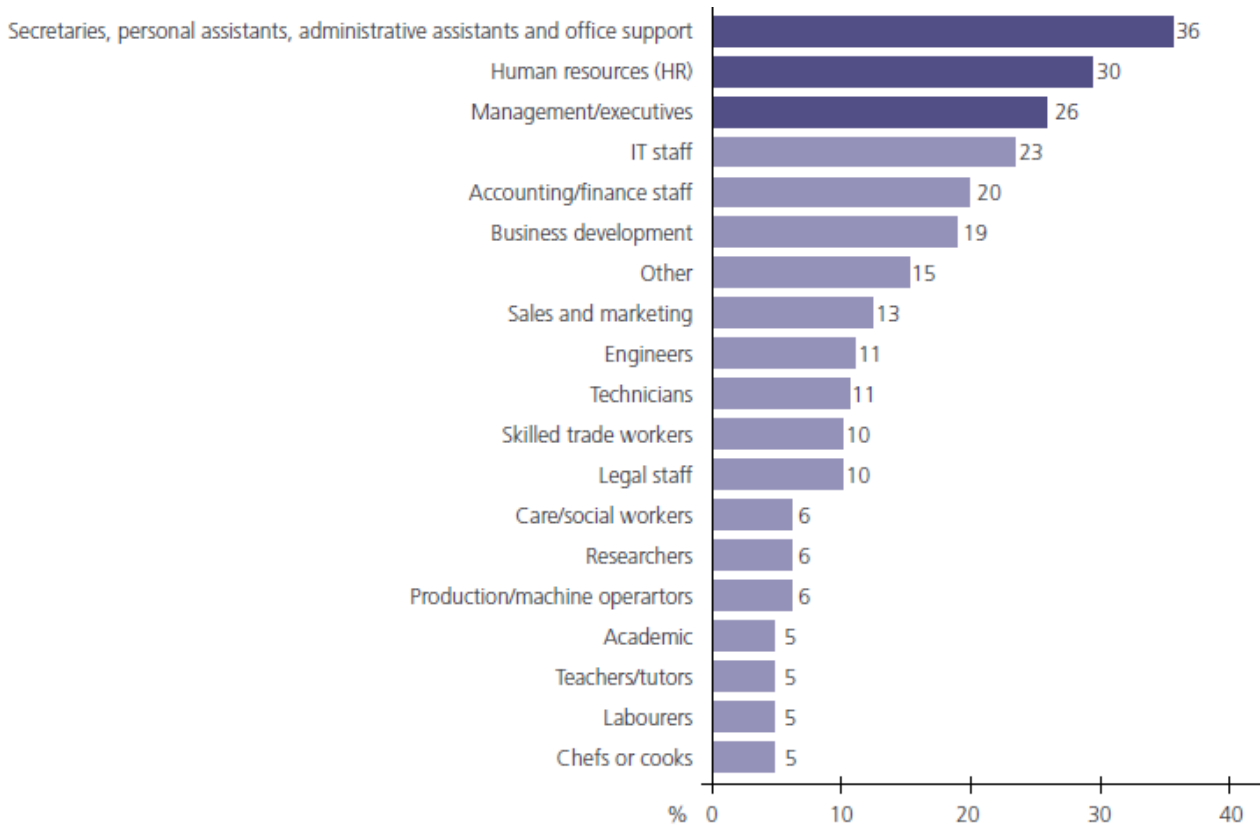
Looking ahead to the next five years, LMO employers anticipate an increase in demand for roles in business and development roles (28%), sales and marketing (24%) and IT staff (20%). Customer service agents/staff, consultants, project managers and software developers also featured highly in the range of 'other' roles. Just over half (54%) stated that they anticipate an increase in demand for certain types of role over the next five years.

In reviewing the last two years, almost half (47%) of LMO employers felt that they had been prevented from creating new roles over and above existing levels. Among those employers, the main reasons include access to finance (54%) and skill shortages (21%).

Back-office functions appear to have borne the brunt of these restrictions. Of those employers who have been prevented from creating new roles, more than a third (36%) have been prevented from creating PA or secretarial roles. Other roles include HR (30%), management/executives (26%), IT (23%) and accounting and finance (20%).



Roles employers have been prevented from creating in the last two years (%)
Winter 2011–12, all LMO employers that have been prevented from creating new roles





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