talent is everything

State of the UK Labour Market
Insight Summary
July 2022

About Omni

Omni is a Resourcing Transformation Specialist with one clear purpose – to help change the way organisations resource for the better.

We work with organisations to help them improve their resourcing effectiveness. With three business streams – Recruitment, Talent Consultancy and Talent Development we create competitive advantage for clients so that they stand out in how they engage and retain talent.

Recruitment

Experts in delivering brand-led recruitment services including RPO, MSP, Exec Search and Assessment.

Tech enabled solutions enhancing candidate experience and process efficiency.

Talent Consultancy

Helping organisations to understand & improve their resourcing effectiveness through a range of strategic consultancy services.

Talent Development

Supporting organisations to attract, nurture and develop talent. Our services include Recruitment and Management training, Coaching and 360 assessment.

End-to-End Solutions

As award-winning thought leaders and the official partner to the CIPD for the production of its annual Resourcing & Talent Planning Survey which engages over 1,000 HR professionals in the UK, we provide insight from both public and private sector businesses into the challenges facing Talent Acquisition Teams, and the best practice being developed to overcome these.

About this report

The July 2022 State of UK Resourcing - Market Insight Summary provides labour market data and analysis on employers' recruitment intentions, job vacancies, labour supply and pay trends, using data from public sources to provide a snapshot of the current recruitment market. The key sources of information used to develop the report include: CIPD - Labour Market Outlook Spring: 2022, Office for National Statistics (ONS) Labour Market Overview, UK: June 2022 and the Recruitment and Employment Confederation (REC) – Jobs Outlook June 22.

We hope this summary report is of both interest and value and welcome any feedback to support future editions – enquiries@omnirms.com

Executive Summary

1. Recruitment Intentions

Intentions to recruit in the near future are high but the rate of increase may be waning.

Recruitment intentions are high and appear to be on an upward trajectory across the board with the public sector demonstrating the strongest intent to recruit. Sectors demonstrating the strongest intentions to increase are: construction, communication, hospitality and entertainment and business services. Conversely, intentions to take on temporary labour has decreased, suggesting the need for flexibility in the workforce is lowering.

Omni foresees the demand for talent across the board will remain high for the foreseeable, although the rate of increase in demand may begin to slow. Talk of a broader economic slowdown suggested in part by the spike in oil prices which has historically foreshadowed economic weakness, may be prudent for employers to take heed of in terms of potential future demand. With hiring and retention a continuing challenge, a focus on effective employer branding, attraction, selection and onboarding along with internal mobility, development and retention, are all reported to be the main priorities of talent professionals in the UK.

2. Job Vacancies

Record numbers of vacancies but rate of increase may be slowing.

As with last quarter, the CIPD reports almost half of employers have hard to fill vacancies, two-thirds of employers anticipate problems in filling vacancies over the next 6 months and under one third anticipating these problems to be 'significant'. Those sectors that are reporting finding it hardest to fill vacancies include: healthcare, the voluntary sector and education.

ONS reports the number of vacancies in the UK hit a new record high of 1.3 million in the quarter to May, although they too suggest that the rate of growth continues to slow, falling for the 10th consecutive period. The ratio of vacancies to every 100 employee jobs maintained a record high of 4.3 in the quarter to May 2022, with the majority of sectors displaying record high ratios. The largest increases in vacancy numbers were in professional, scientific and technical activities, and accommodation and food activities.

3. Labour Supply

A tight labour market requires employers to identify effective strategies to both recruit and retain talent.

The ONS reports a continuing recovery in the labour market with a quarterly increase in the employment rate estimated at 75.6%, 0.2% higher than the previous three-month period and decreases in unemployment estimated at 3.8%, 0.2% lower than the previous three-month period. The economic inactivity rate also showed a decrease estimated at 21.3%, 0.1% lower than the previous three-month period.

The CIPD report highlights employers are responding to the tighter labour supply by increasing wages, providing more flexible working, upskilling existing employees and focussing more on wellbeing. The current top focal point has been increasing wages, however, it is also highlighted that employers will reduce attention on increasing wages and put greater emphasis on employee wellbeing and improved flexible working arrangements in the future.

Analysis by Indeed Hiring Lab indicates that the biggest falls in relative job seeker interest have been in lower-paid sectors e.g. cleaning, warehousing, construction and hospitality. Falling relative jobseeker interest indicates the supply of workers has not kept pace with resurgent demand. More broadly, Hiring Lab surveys find job search lacks urgency for many workers.

Overall, the picture remains one of a tight labour market, in which organisations need to do more to both attract and retain talent.

4. Pay

Median pay increasing at a faster rate than historical average, however, planned increases appear to be below the rate of inflation.

The analysis around pay reflects the tight and competitive labour market, with the CIPD reporting that 44% of organisations are planning to increase pay. However, the expected increase in basic pay stands at 3% for the private and voluntary sectors which is below inflation which is anticipated to peak at over 9.1% (a new 40 year high). The public sector has risen from 1% in the last quarter to 2% this quarter. That said, the bonuses and people switching jobs for an increase suggest that median earnings are likely to increase more than this metric suggests.

The ONS identifies that median monthly pay for May 2022 had increased by 5.4% when compared to the same period the previous year and the rate of growth is now higher than the average growth before March 2020. The wholesale and retail sector saw the fastest growth in median pay, the slowest was in the arts and entertainment sector, although this remained positive.

Detailed Analysis

1. Recruitment Intentions

The CIPD identifies that recruitment intentions continue to be high and appear to be on an upward trajectory across the board with the public sector demonstrating the strongest intent to recruit. According to the CIPD, the sectors demonstrating the strongest intentions to increase are: construction, communication, hospitality and entertainment and business services.

These high intentions are reinforced by REC that suggests, up to May, employers' intentions to hire permanent employees in the short term increased. They also highlight intentions to take on temporary labour decreased, suggesting the need for flexibility in the workforce is lowering.

1.1 CIPD Analysis

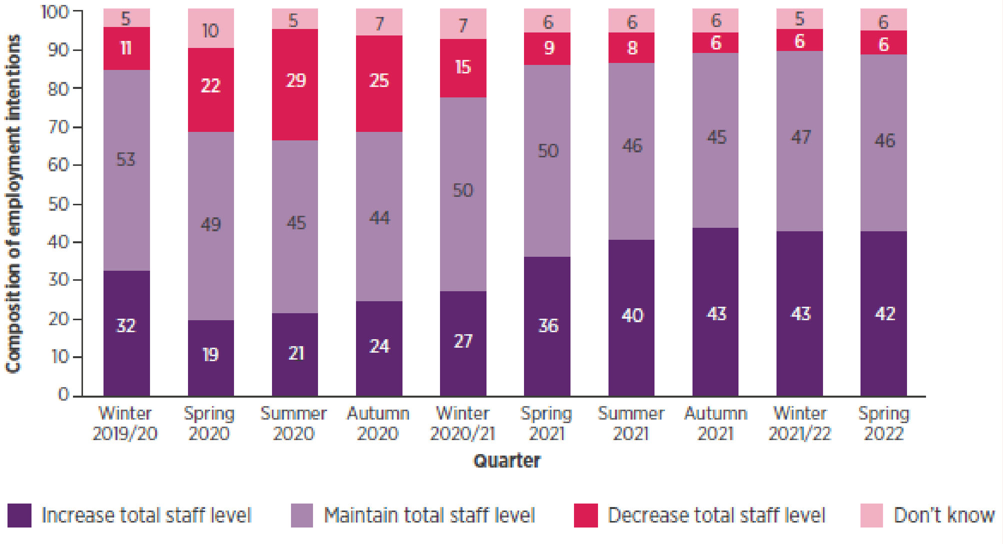
The net employment balance – which measures the difference between employers expecting to increase staff levels in the next three months and those expecting to decrease staff levels – remained steady at +36, after reaching +37 last quarter. This remains high relative to the pre-pandemic time series. Net employment intentions remain the strongest in the private sector at +39. Although lower in the voluntary (+34) and public sectors (+23), the figures are still positive, suggesting that the UK will continue to see employment gains across the board.

Figure 1: Net Employment Balance

Base: spring 2022, all employers (total: n=2,023; private: n=1,477; public: n=354; voluntary: n=192).

In a continuation of the trend seen in previous quarters, the positive net employment balance is being driven largely by employers looking to hire employees, with very few looking to decrease total employee levels (Figure 2).

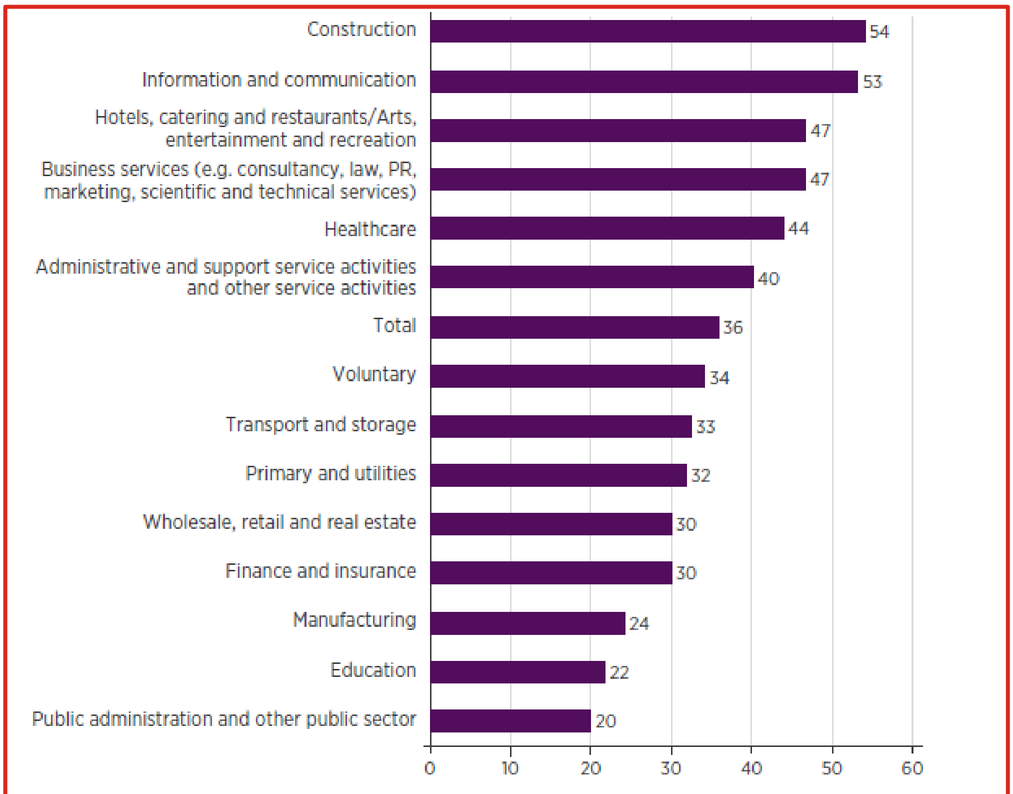
Figure 2: Composition of employment intentions (%)



Base: spring 2022, all employers (n=2,023).

Employment intentions remain positive across industries but are particularly high in construction (+54), information and communication (+53), hospitality/arts and entertainment (+47) and business services (+47) (Figure 3).

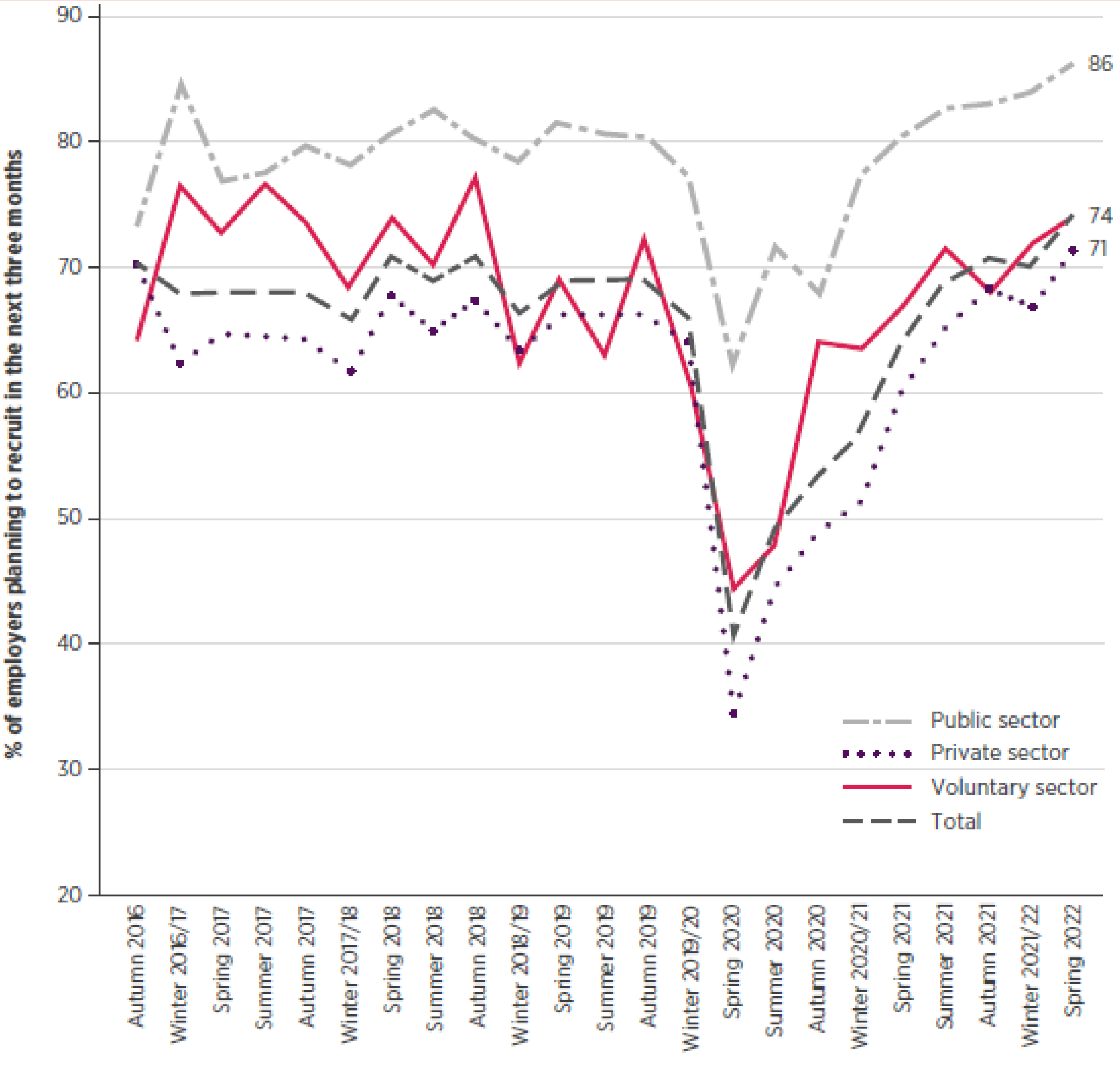
Figure 3: Net employment balance, by industry (%)



Base: Industries with base sizes less than 40 have been excluded. The base sizes for 'Transport and storage', and 'Primary and utilities' (40) are under 50 and therefore figures for these industries are indicative only. For a breakdown of base sizes, see Table 3.

Recruitment intentions are above pre-pandemic levels and appear to be on an upward trajectory across the board. Almost three-quarters (74%) of employers surveyed indicated that they plan to recruit in the next three months (Figure 4). Recruitment intentions remain highest in the public sector (86%), followed by the voluntary sector (74%) and the private sector (71%) (Figure 4).

Figure 4: Recruitment intentions, by broad sector (%)



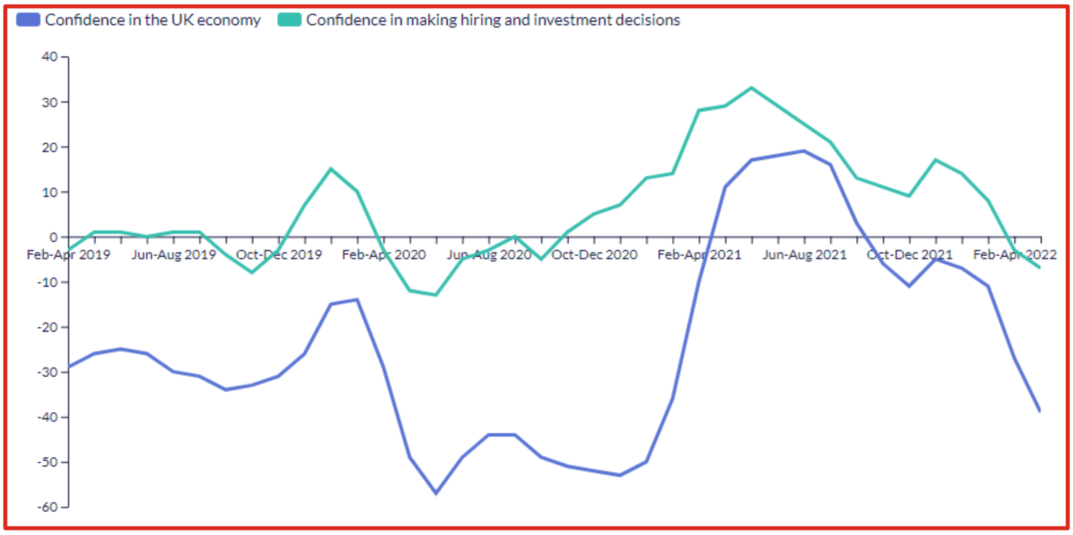
Base: spring 2022, all employers (total: n=2,023; private: n=1,477; public: n=354; voluntary: n=192).

1.2 REC Analysis

In March-May 2022, business confidence in the UK economy fell by 12% from the previous rolling quarter to net: -39. This was driven by a decline in the sentiment in both April and May (net: -46 and net: -44 respectively).

Employers' confidence in making hiring and investment decisions fell by 4%, to net: -7. This is the fourth consecutive rolling quarter where the sentiment declined and the second that it was in negative territory.

Figure 5: Employer confidence trends



The latest JobsOutlook also highlights that hiring intentions for temporary workers in the medium term declined by 6% to net: +9 in this rolling quarter.

2. Job Vacancies

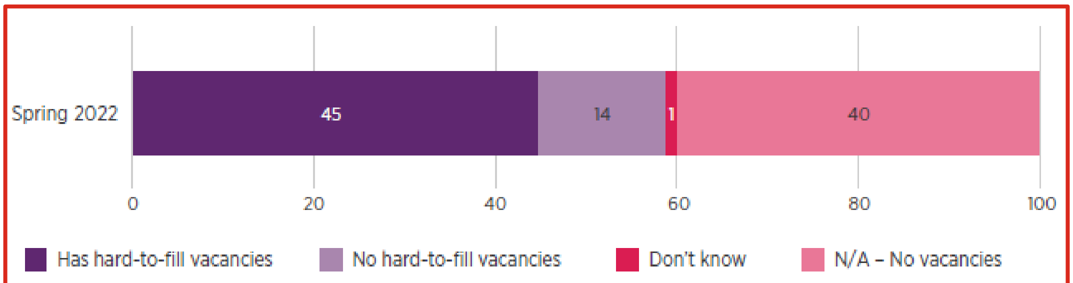
According to the CIPD, almost half of employers have hard to fill vacancies, which is similar to last quarter. Almost two-thirds of employers anticipate problems in filling vacancies over the next 6 months, with just under one third anticipating these problems to be 'significant'. Those sectors that are reporting finding it hardest to fill vacancies include: healthcare, the voluntary sector and education.

ONS reports the number of vacancies in the UK hit a new record high of 1.3 million in the quarter to May, although they too suggest that the rate of growth continues to slow, falling for the 10th consecutive period. The ratio of vacancies to every 100 employee jobs maintained a record high of 4.3 in the quarter to May 2022, with the majority of sectors displaying record high ratios. The largest increases in vacancy numbers were in professional, scientific and technical activities, and accommodation and food activities.

2.1 CIPD Analysis

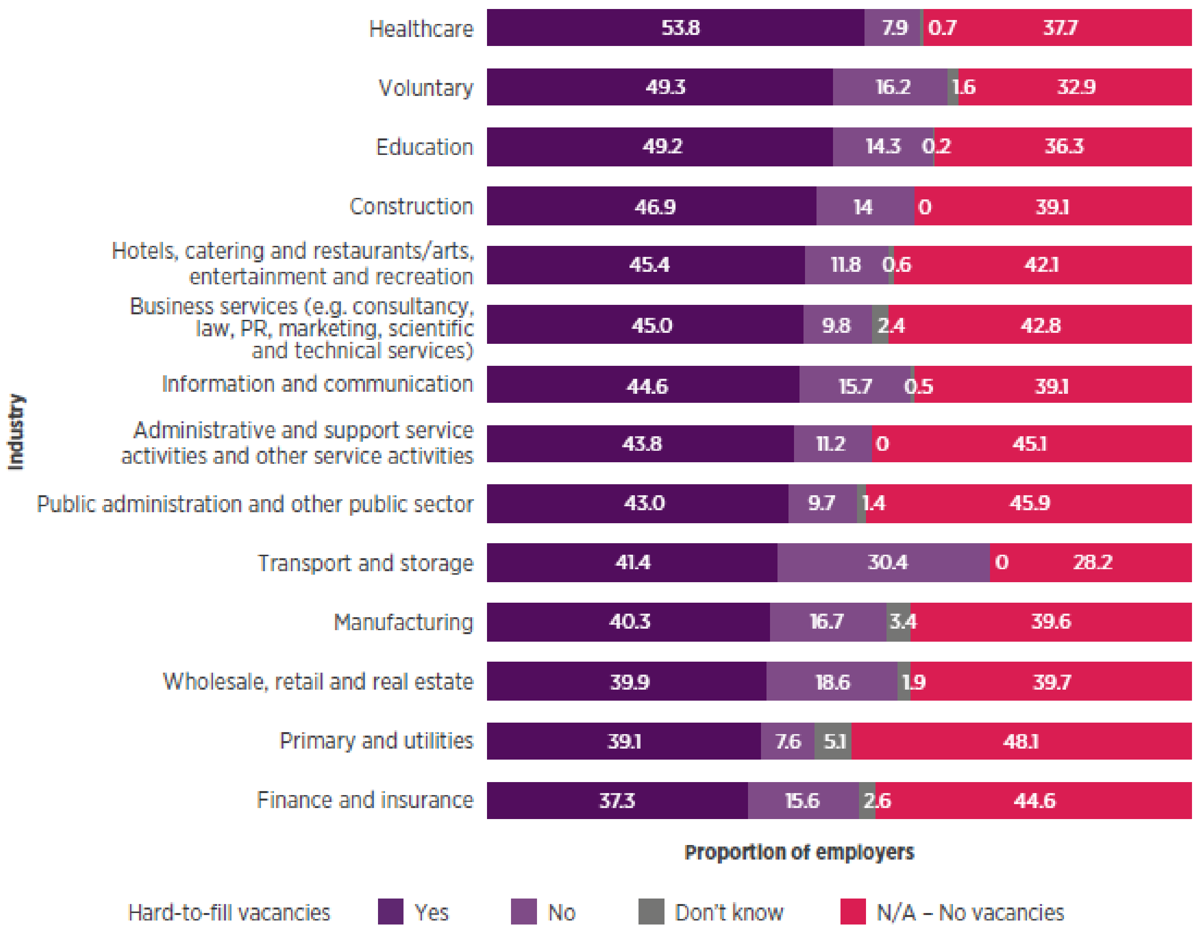
45% of employers have hard-to-fill vacancies (Figure 6), which is similar to the last quarter (46%). When looking only at employers with vacancies, this figure rises to three-quarters (76%). Hard-to-fill vacancies are most common in healthcare (54%), the voluntary sector (49%) and education (49%) (Figure 7). Looking forward, almost two-thirds of employers (64%) anticipate problems filling vacancies over the next six months and one third (33%) expect these problems to be significant.

Figure 6: Employers with hard-to-fill vacancies (%)



Base: spring 2022, all employers (n=2,023).

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



Base: Industries with base sizes less than 40 have been excluded. The base sizes for 'Transport and storage', and 'Primary and utilities' (40) are under 50 and therefore figures for these industries are indicative only. For a breakdown of base sizes, see Table 3.

2.2 ONS Analysis

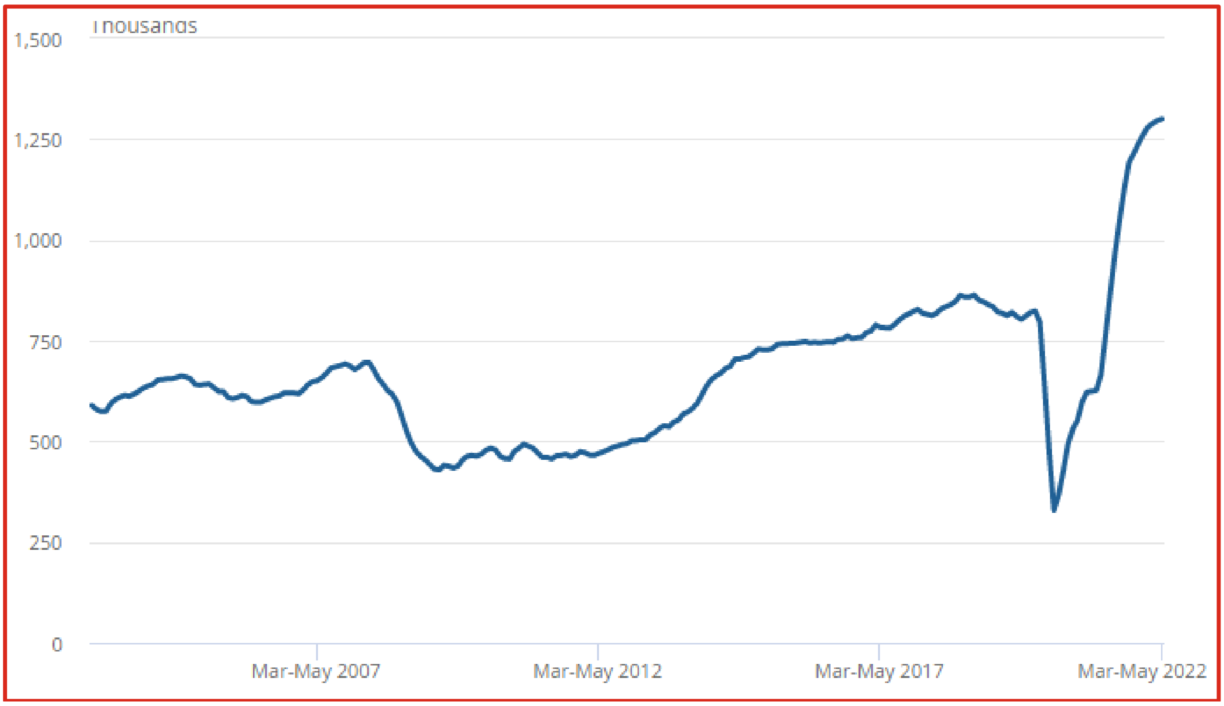
The number of job vacancies in March to May 2022 rose to a new record of 1,300,000; an increase of 20,000 from the previous quarter, and an increase of 503,900 from the pre-coronavirus (COVID-19) pandemic level in January to March 2020.

In March to May 2022, the quarterly rate of growth continued to slow down, falling for the 10th consecutive period to 1.6%.

The ratio of vacancies to every 100 employee jobs maintained a record high of 4.3 in March to May 2022, with 7 of the 18 industry sectors displaying record high ratios.

The total number of workforce jobs in the UK in March 2022 rose to an estimated 35.6 million, which, despite being 57,000 below pre-coronavirus December 2019 levels, displayed a record quarterly increase of nearly 412,000.

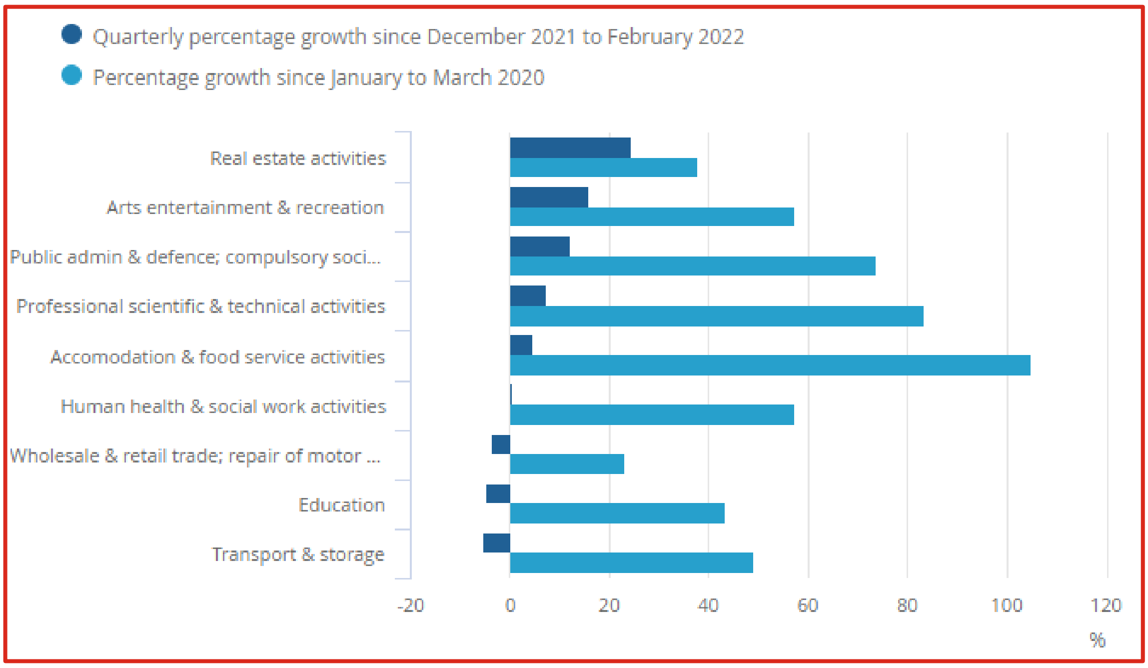
Figure 8: Number of vacancies in the UK, seasonally adjusted March to May 2003 to March to May 2022



In March to May 2022, quarterly vacancy growth fell to 1.6% from 5.4% last quarter. Despite the quarterly growth rate decreasing for 10 consecutive periods, it remains positive and displays the most sustained period of positive growth since the end of 2015.

The three-month growth rate slowed in March to May 2022 but remained positive for most industries.

Figure 9: March to May 2022 three-month average vacancies in the UK, quarterly growth from December 2021 to February 2022 and percentage growth from pre-pandemic January to March 2020



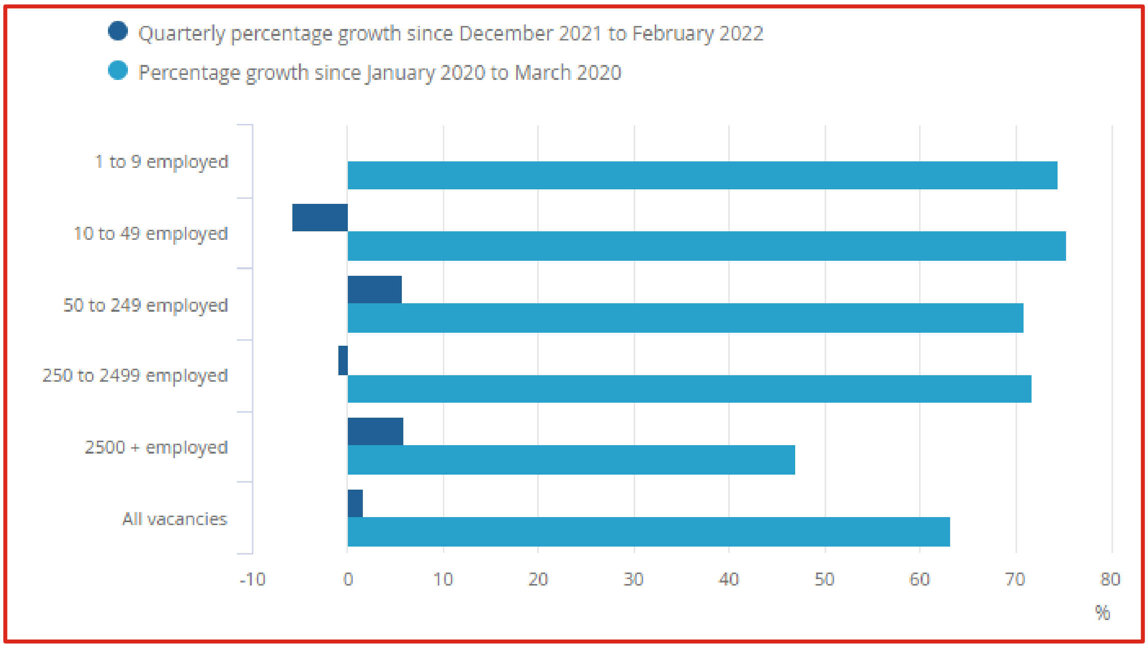
The rate of overall quarterly growth continues to slow, and at 1.6% is at its lowest since June to August 2020. Most industry sectors showed positive growth, with the highest seen in real estate activities (24.5%) and arts, entertainment and recreation (16.1%).

In March to May 2022, the quarterly growth remained positive with the number of vacancies continuing to rise in 12 of the 18 industry sectors. On the quarter, vacancies increased by 20,000, with the largest increases in professional, scientific and technical activities (9,200), and accommodation and food activities (7,900). March to May 2022 saw all industries above their January to March 2020 pre-coronavirus (COVID-19) levels. The largest increase was in accommodation and food service activities, up 89,100 (104.8%), and human health and social work, up 78,400 (57.5%).

The number of unemployed people to every vacancy remained at a record low of 1.0 in February to April 2022, with the number of unemployed people rising slightly above the number of vacancies.

The 2500+ company employed band illustrated in Figure 10 below had the highest rate (5.9%) of quarterly growth in March to May 2022.

Figure 10: March to May 2022 three-month average vacancies in the UK, three-month percentage growth from December 2021 to February 2022 and growth from a pre-coronavirus January to March 2020



3. Labour Supply

The ONS reports a continuing recovery in the labour market with a quarterly increase in the employment rate estimated at 75.6%, 0.2% higher than the previous three-month period and decreases in unemployment estimated at 3.8%, 0.2% lower than the previous three-month period. The economic inactivity rate also showed a decrease estimated at 21.3%, 0.1% lower than the previous three-month period.

The CIPD report highlights employers are responding to the tighter labour supply by increasing wages, providing more flexible working, upskilling existing employees and focussing more on wellbeing. The current top focal point has been increasing wages; however it is also highlighted that employers will reduce attention on increasing wages and put greater emphasis on employee wellbeing and improved flexible working arrangements in the future.

Analysis by Indeed Hiring Lab indicates that the biggest falls in relative job seeker interest has been in lower-paid sectors e.g. cleaning, warehousing, construction and hospitality. Falling relative jobseeker interest indicates the supply of workers has not kept pace with resurgent demand. More broadly, Hiring Lab surveys find job search lacks urgency for many workers.

Overall, the picture is of a tight labour market, one in which organisations need to do more to both attract and retain talent.

3.1 ONS Analysis

February to April 2022 estimates show an increase in the employment rate and decreases in the unemployment and economic inactivity rates compared with the previous three-month period (November 2021 to January 2022).

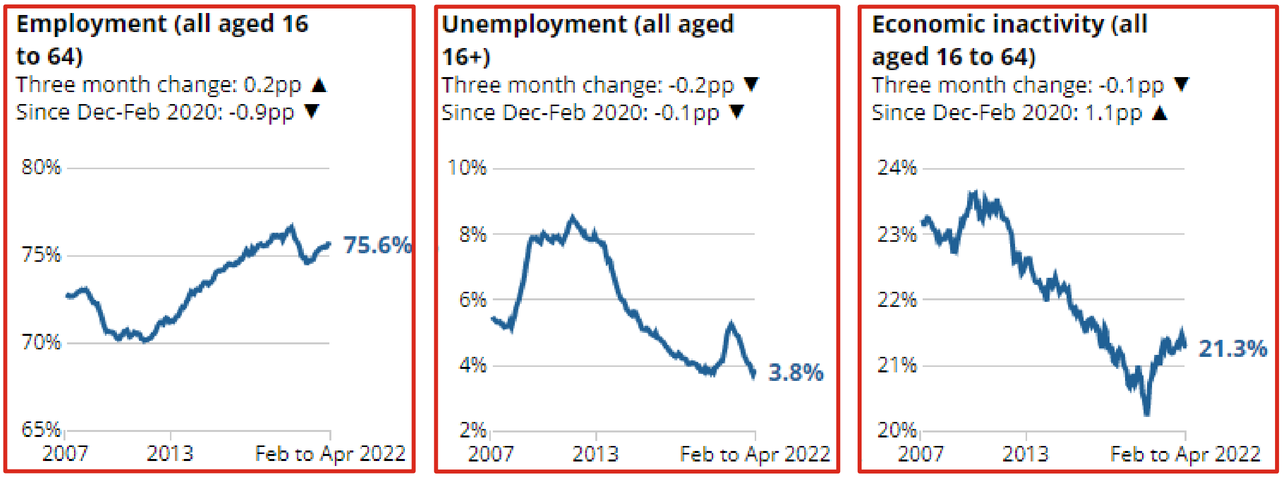
The UK employment rate was estimated at 75.6%, 0.2% higher than the previous three-month period but 0.9% lower than before the coronavirus pandemic (December 2019 to February 2020).

During the first year of the coronavirus (COVID-19) pandemic, there was a decrease in the employment rate and increases in the economic inactivity and unemployment rates for both men and women. However, the unemployment rate for both men and women has now returned to levels similar to those seen before the coronavirus pandemic (Figure 11).

During the latest three-month period (February to April 2022), the increase in the employment rate and the decrease in the unemployment rate were largely driven by men, while the unemployment rate for women was largely unchanged. The economic inactivity rates for both men and women decreased.

The UK unemployment rate was estimated at 3.8%, 0.2% lower than the previous three-month period, and 0.1% below pre-coronavirus pandemic levels. The UK economic inactivity rate was estimated at 21.3%, 0.1% lower than the previous three-month period, but 1.1% higher than before the coronavirus pandemic.

Figure 11: UK employment, unemployment, and economic inactivity rates, seasonally adjusted, between February to April 2007 and February to April 2022

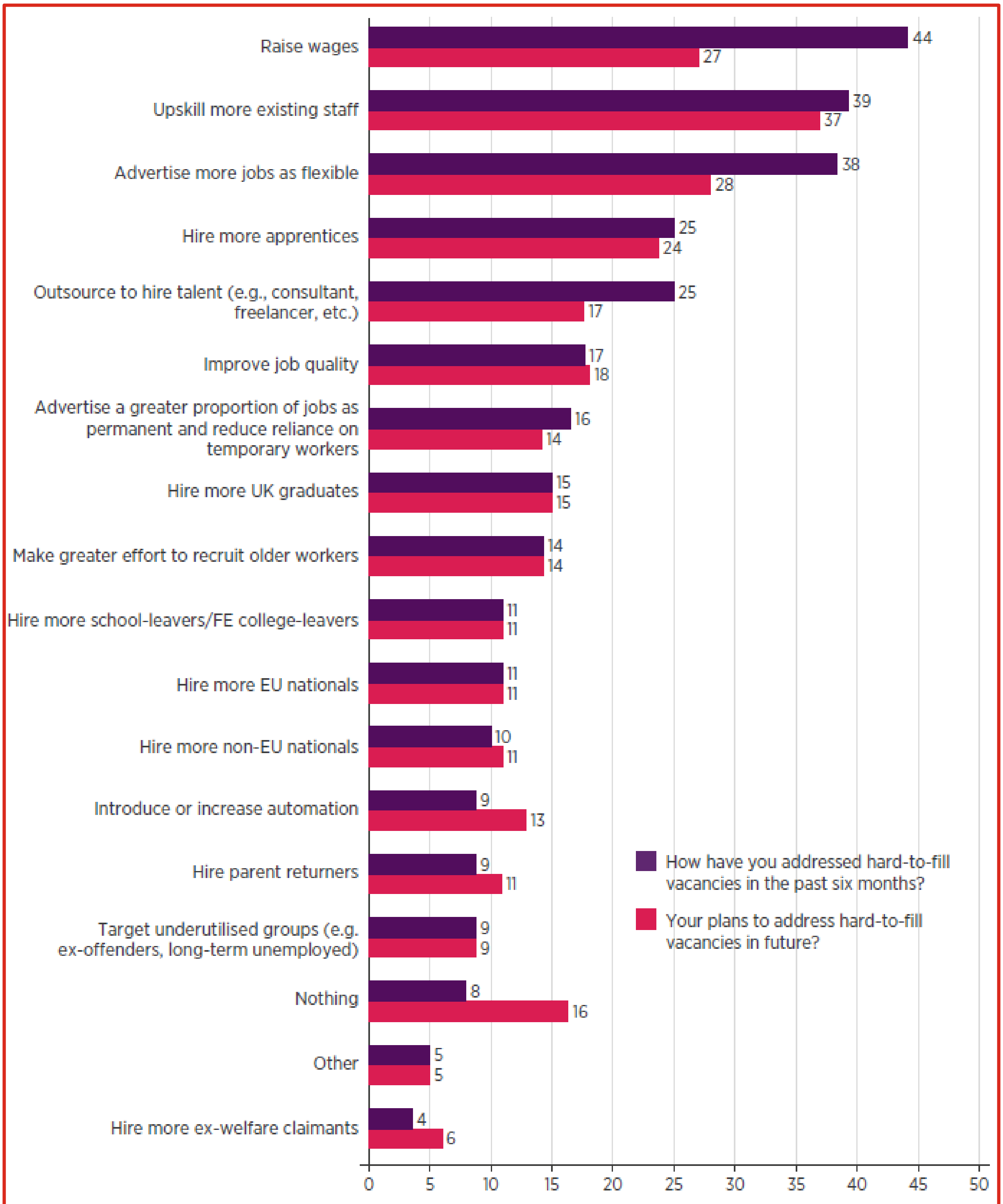


Total hours worked increased compared with the previous three-month period but are still just below pre-coronavirus (COVID-19) pandemic levels.

3.2 CIPD Analysis

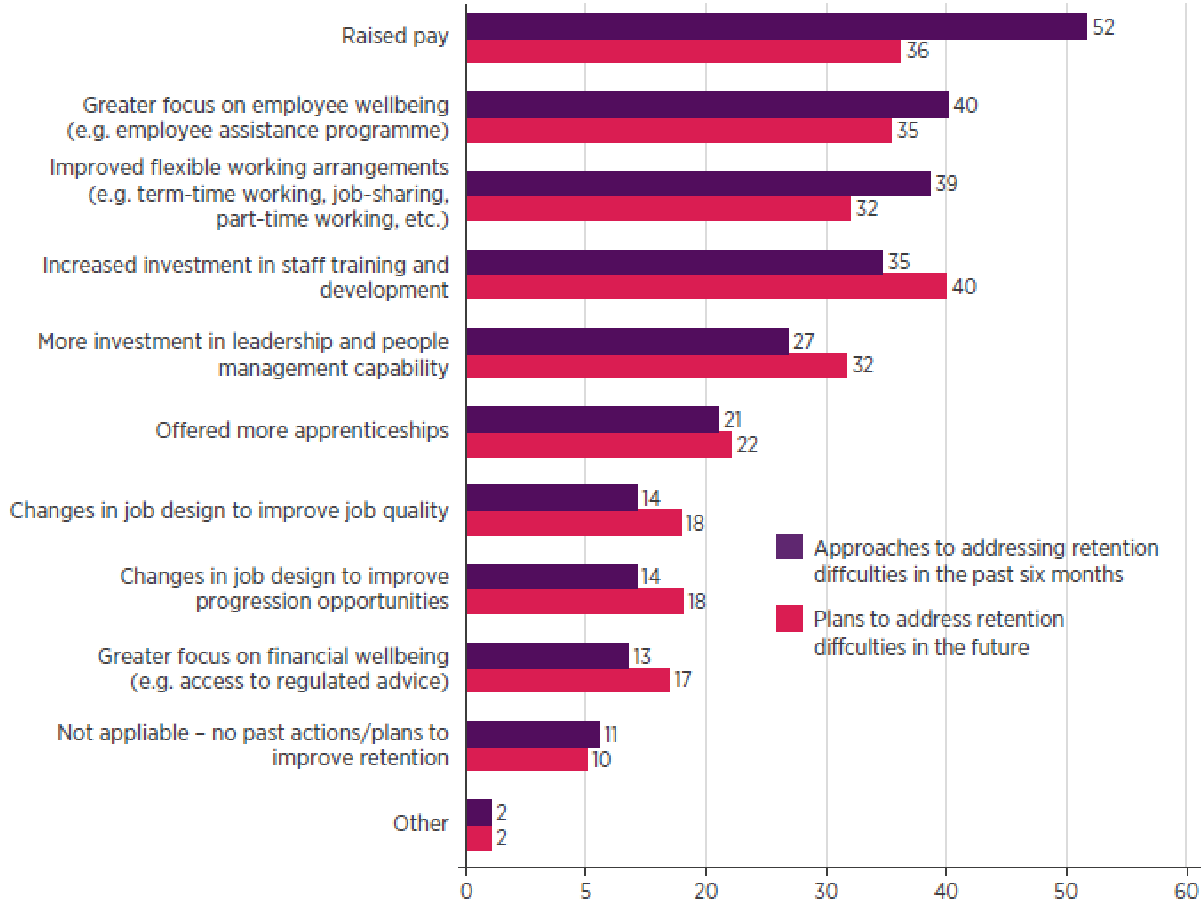
In all, 44% of employers with hard-to-fill vacancies indicated that they had raised wages in response in the previous six months. However, looking forward, just 27% of employers with **hard-to-fill vacancies** indicated that they would respond by **raising salaries** in the future. It may be that employers are reaching the limit of this strategy. Encouragingly, 39% of employers have focused on **upskilling more existing staff** and 38% have started advertising **more jobs as flexible** (Figure 12). 8% of employers did nothing to alleviate hard-to-fill vacancies in the past six months. Looking forward, this rises to 16% who expect to do nothing in the future. This might suggest that many employers are out of new ideas to help them address recruitment challenges.

Figure 12: Employer actions to alleviate hard-to-fill vacancies, past response and future plans (%)



Base: spring 2022, employers with hard-to-fill vacancies (n=827).

Figure 13: Employer responses to retention difficulties, past responses and future plans (%)



Base: spring 2022, employers with retention difficulties (n=739).

4. Pay

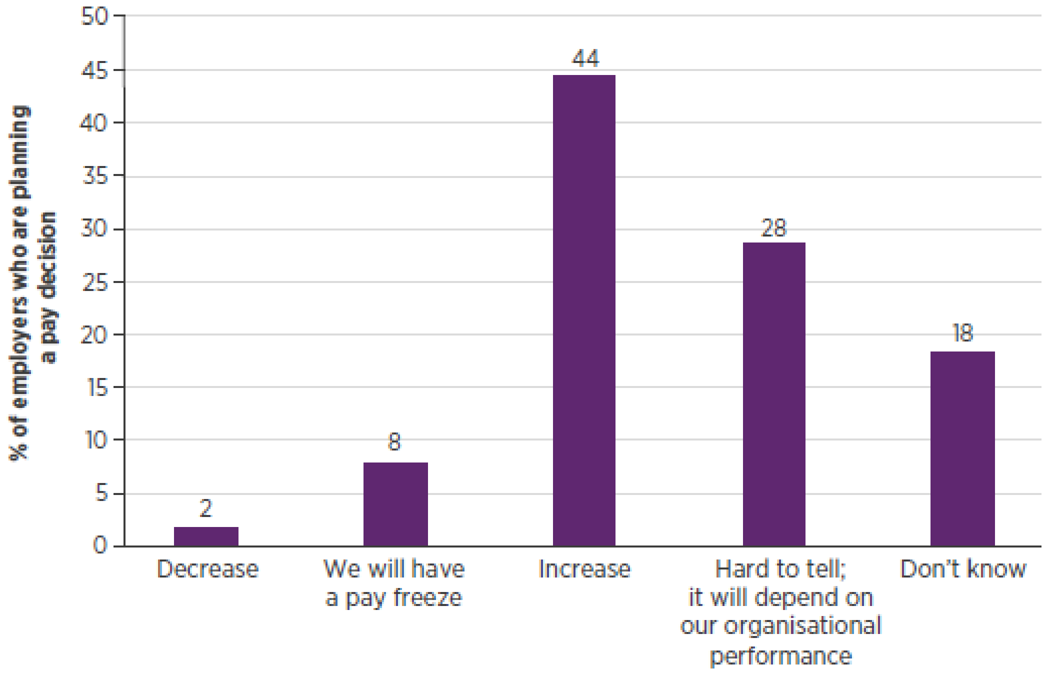
The analysis around pay reflects the tight and competitive labour market, with the CIPD reporting that 44% of organisations are planning to increase pay. However, the expected increase in basic pay stands at 3% for the private and voluntary sectors which is below inflation which is anticipated to peak at over 9.1% (a new 40 year high). The public sector has risen from 1% in the last quarter to 2% this quarter. That said, the bonuses and people switching jobs for an increase suggest that median earnings are likely to increase more than this metric suggests.

The ONS identifies that median monthly pay for May 2022 had increased by 5.4% when compared to the same period the previous year and the rate of growth is now higher than the average growth before March 2020. The wholesale and retail sector saw the fastest growth in median pay, the slowest was in the arts and entertainment sector, although this remained positive.

4.1 CIPD Analysis

Of those employers planning a pay review, an increase in pay is the most popular option at 44%. However, around three in ten (28%) think it is hard to tell, and around a fifth (18%) do not know. 8% expect a pay freeze and only 2% expect a decrease (Figure 12).

Figure 15: Employers' expected direction of pay award (%)



Base: spring 2022, all employers planning a pay review in the next 12 months (n=1,674).

The median expected basic pay increase stands at 3% in total, as it did last quarter, when we reported that this was the highest level we have seen in the Labour Market Outlook since 2012. The figure also stands at 3% for the private and voluntary sectors. The public sector has risen from 1% in the last quarter to 2% this quarter. It should be noted that the average basic pay award covered in this analysis is only one pay component. Many people will also benefit from incremental progression, bonuses, or a pay bump when switching jobs. For this reason, growth in median earnings is likely to be higher than this metric suggests.

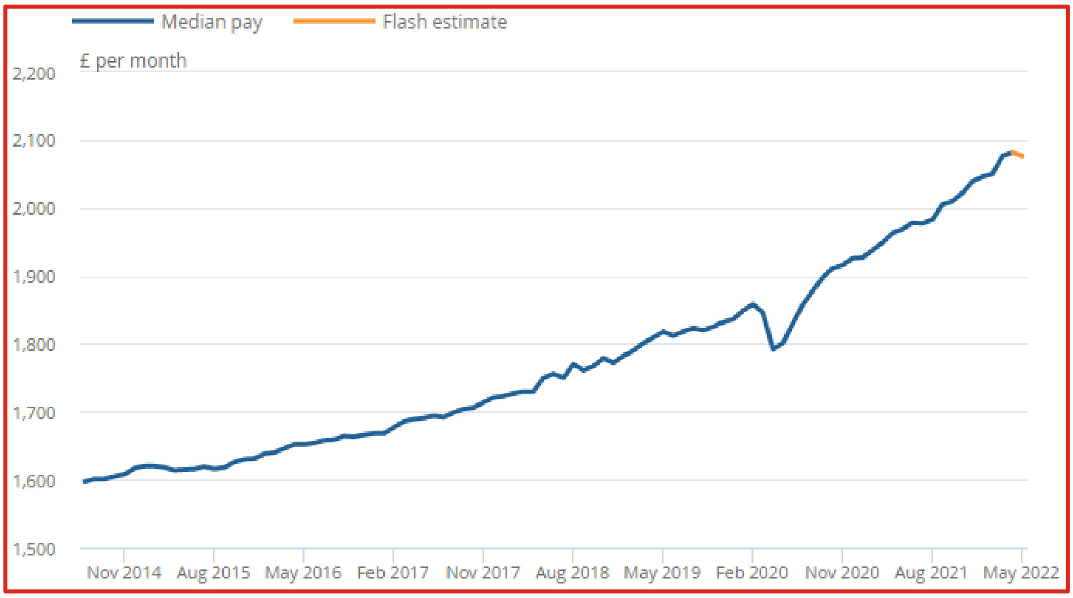
Figure 16: Median basic pay increase expectations – median employer

Base: spring 2022, all employers expecting and able to estimate a pay award (n=869; private: n=600; public: n=171; voluntary: n=98).

4.2 ONS Analysis

Early estimates for May 2022 indicate that median monthly pay was £2,076, an increase of 5.4% compared with the same period of the previous year.

Figure 17: Median pay per month, seasonally adjusted, UK, July 2014 to May 2022

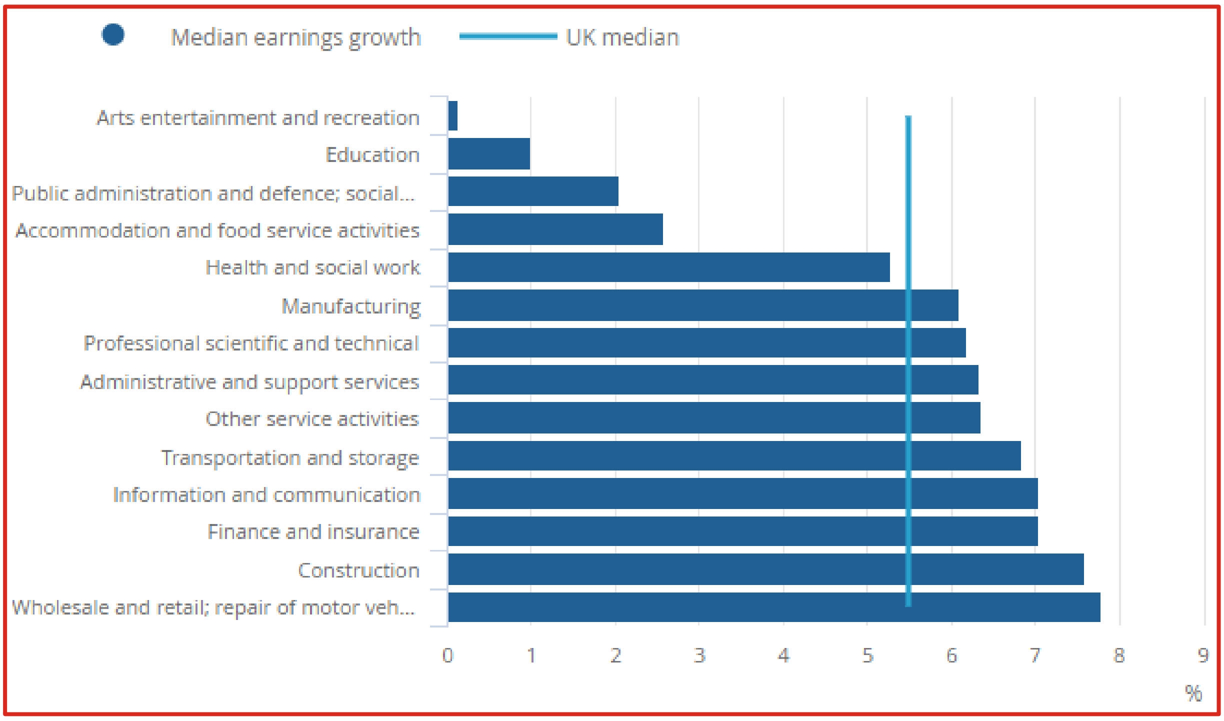


The rate of growth in median pay fell between March and May 2020 but is now higher than the average growth before March 2020.

Figure 18: Percentage change on same month in previous year, seasonally adjusted, UK, July 2015 to May 2022

Compared with the same month in the previous year, median pay grew fastest in the wholesale and retail sector (positive 7.8%, Figure 12) and slowest in the arts and entertainment sector (positive 0.1%)

Figure 19: Percentage change on same month in previous year, seasonally adjusted, UK, May 2022



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Omni Resource Management Solutions Ltd
Charter House
Woodlands Road
Altrincham
WA14 1HF

T: 0161 929 4343
E: enquiries@omnirms.com