omni

talent is everything

State of UK Resourcing
Market Insight Summary
November 2022

Changing the way organisations resource for the better

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

We work with organisations to improve their resourcing effectiveness, enabling them to stand out from their competitors in how they engage and retain talent.

We are multi-award-winning thought leaders and the official partner to the CIPD for the production of its annual Resourcing & Talent Planning Survey, providing detailed insight from UK organisations into the challenges of talent acquisition & retention and the best practice being developed to overcome these. This network means that Omni has insight into labour market dynamics across a broad range of professions and locations; insight that will help inform any approach to talent attraction and pipelining for the organisations we support.

Comprising three business streams – Recruitment, Talent Consultancy and Talent Development Omni delivers competitive advantage to its clients, across both permanent and contingent talent markets.

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** -------------------------->

About this report

The November 2022 State of UK Resourcing - Market Insight Summary provides forward-looking labour market data and analysis on employers' recruitment, redundancy and pay intentions and reviews the data from publicly available sources to provide a snapshot of the current recruitment market.

The key sources of information are: CIPD [1], Office for National Statistics (ONS) [2], Recruitment and Employment Confederation (REC) [3].

The report considers the following areas:

1. Recruitment Intentions
2. Job Vacancies
3. Labour Supply
4. Pay

Key References

(1) CIPD - Labour Market Outlook Autumn: 2022
(2) ONS - Labour Market Overview, UK: November 2022
(3) REC – JobsOutlook October 2022

Executive Summary

What a difference a quarter makes, we're on our third Prime Minister since our last quarterly State of UK Resourcing Summary. The signals from the market data continue to tell us that the UK talent market is hugely competitive. High inflation appears to be impacting both business confidence and wage demands. However, there may be signs that demand side factors are beginning to relent.

1. Recruitment Intentions

Recruitment intentions remain historically high, but overall business confidence in the UK economy is at a record low.

The CIPD identifies that recruitment intentions continue to remain high but the net employment balance (the difference between employers expecting to increase vs those expecting to decrease staff levels in the next 3 months) is starting to soften. It is likely that the UK will continue to see increased employment. Information and communication, Healthcare and Construction are demonstrating the biggest relative demand.

However, REC's analysis suggests that business confidence in the UK economy has fallen to a new record low and there has been a corresponding decrease in the confidence in making hiring and investment decisions and there has been a quarter on quarter decline in the intention to hire temporary staff in the short term.

2. Job Vacancies

The labour market remains challenging but the high number of vacancies in the UK is decreasing, with economic pressures appearing to impact recruitment decisions.

According to the CIPD, 46% of employers have hard-to-fill vacancies which is slightly down from last quarter (47%). Transport and storage is the sector in which employers are most likely to report hard to fill vacancies, followed by voluntary. Healthcare has risen to third in the 'hard to fill' rankings, up from 8th last quarter.

ONS reports the number of vacancies in the UK was 1,225,000 for the quarter, a decrease of 46,000 on the previous quarter, and quarterly growth fell for the fourth consecutive period. Education and Construction have seen the largest quarterly increases in vacancies, whereas Information & Communication and Accommodation & Food Services have seen the largest falls in vacancies.

The continued fall in the number of vacancies has coincided with an increasing number of respondents citing economic pressures as a factor in decisions to hold back on recruitment, however, the labour market remains challenging.

3. Labour Supply

The high employment rate is static quarter on quarter as the labour supply remains a challenge for UK employers.

The ONS shows a quarter on quarter decrease in unemployment, an increase in the economic inactivity rate and the employment rate is largely unchanged from the previous quarter. The number of unemployed people per vacancy is at 1.0, unchanged from the previous quarter.

The CIPD reports that the top responses to mitigating recruitment and retention difficulties have been to upskill existing staff (47%), followed by raising pay (44%).

4. Pay

Pay continues to increase at a high rate, consistent with the tight and competitive labour market. But these significant increases are not keeping up with inflation.

Pay is increasing at a high rate, but lower than the level of inflation (11.1%). The private sector is increasing at a higher rate (5%) than the public sector (3%).

The CIPD indicates that over one third of employers, that are considering a pay review, are expecting to increase pay. The median expected increase in base pay is 4% across all sectors, which is the highest since the CIPD began recording the data in 2012. The private sector is expecting a 5% median increase, whereas the public sector is anticipating a 3% increase.

More organisations report that they have already increased pay to mitigate recruitment and retention issues (44%), than report that they intend to do so in the future (24%) suggesting that the majority of pay uplifts may have already taken place.

The ONS' October figures demonstrate a 6% year on year increase in median monthly pay. Median pay increased most in the Finance and Insurance sector (10%) and least in Accommodation & Food Services (1%)

Detailed Analysis

1. Recruitment Intentions

Recruitment intentions remain historically high, but overall business confidence in the UK economy is at a record low.

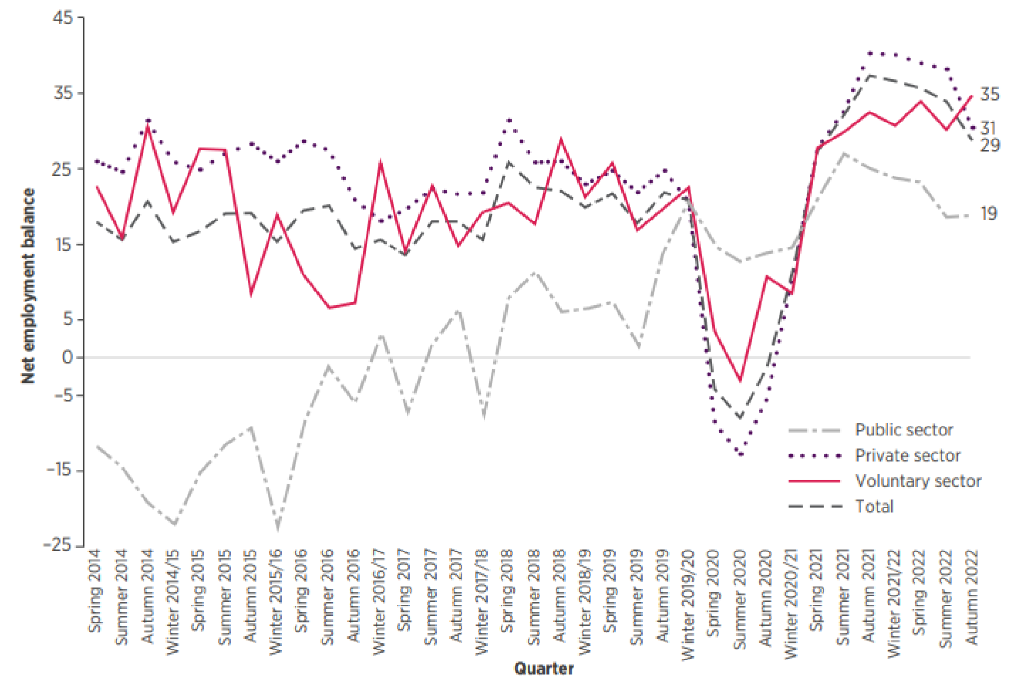
The CIPD identifies that recruitment intentions continue to remain high but the net employment balance (the difference between employers expecting to increase vs those expecting to decrease staff levels in the next 3 months) is starting to soften. It is likely that the UK will continue to see increased employment. Information and communication, Healthcare and Construction are demonstrating the biggest relative demand.

However, REC's analysis suggests that business confidence in the UK economy has fallen to a new record low and there has been a corresponding decrease in the confidence in making hiring and investment decisions and there has been a quarter on quarter decline in the intention to hire temporary staff in the short term.

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 – decreased from +34 in the last quarter to +29. This remains positive and high relative to the pre-pandemic time series. However, the net employment balance is starting to soften from its peak in autumn 2021. Net employment intentions are strongest in the voluntary sector at +35. The private (+31) and public sectors (+19) both have positive figures, suggesting that the UK will continue to see employment gains across the board (see Figure 1).

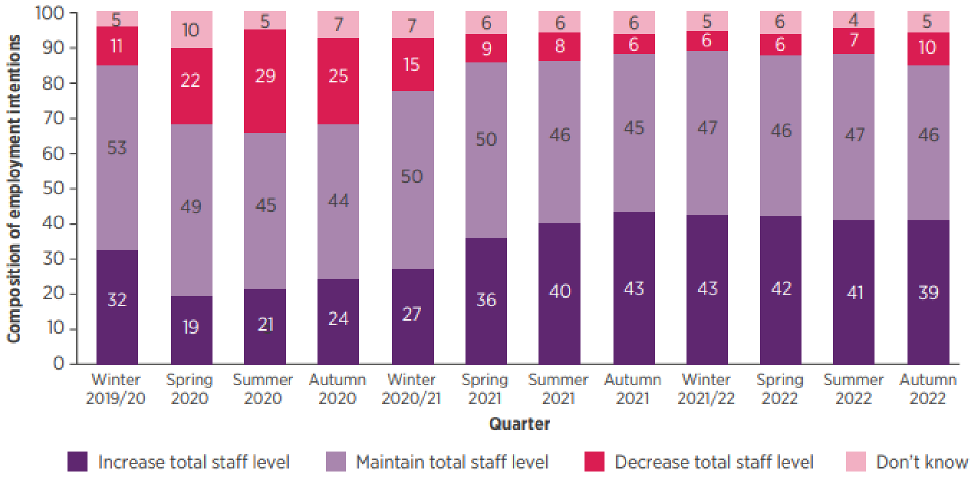
Figure 1: Net Employment Balance



Base: autumn 2022, all employers (total: n=2,018; private: n=1,515; public: n=359; voluntary: n=144).

In a continuation of the trend seen in previous quarters, the positive net employment balance is being driven largely by employers looking to hire staff (39%), with very few looking to decrease total staff levels (10%) (see Figure 2).

Figure 2: Composition of employment intentions (%)

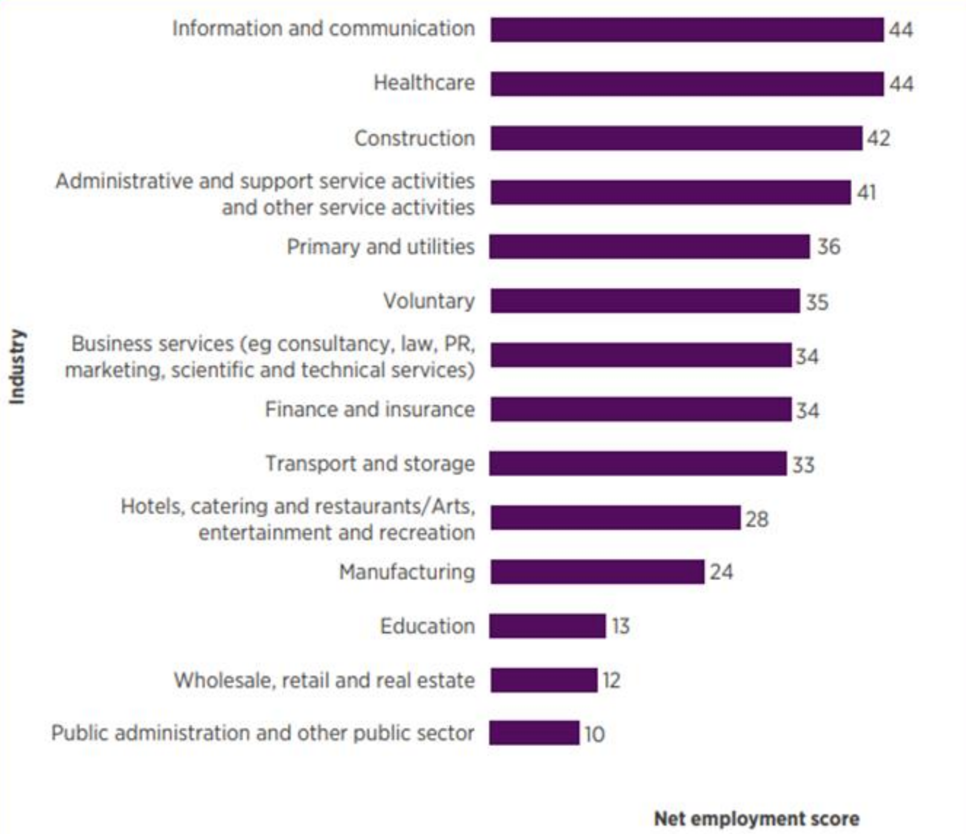


Quarter	Increase total staff level	Maintain total staff level	Decrease total staff level	Don't know
Winter 2019/20	32	53	11	5
Spring 2020	19	49	22	10
Summer 2020	21	45	29	5
Autumn 2020	24	44	25	7
Winter 2020/21	27	50	15	7
Spring 2021	36	50	9	6
Summer 2021	40	46	8	6
Autumn 2021	43	45	6	6
Winter 2021/22	43	47	6	5
Spring 2022	42	46	6	6
Summer 2022	41	47	7	4
Autumn 2022	39	46	10	5

Base: autumn 2022, all employers (n=2,018).

Employment intentions remain positive across industries but are particularly high in Information and communication (+44), Healthcare (+44) and Construction (+42) (see Figure 3).

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

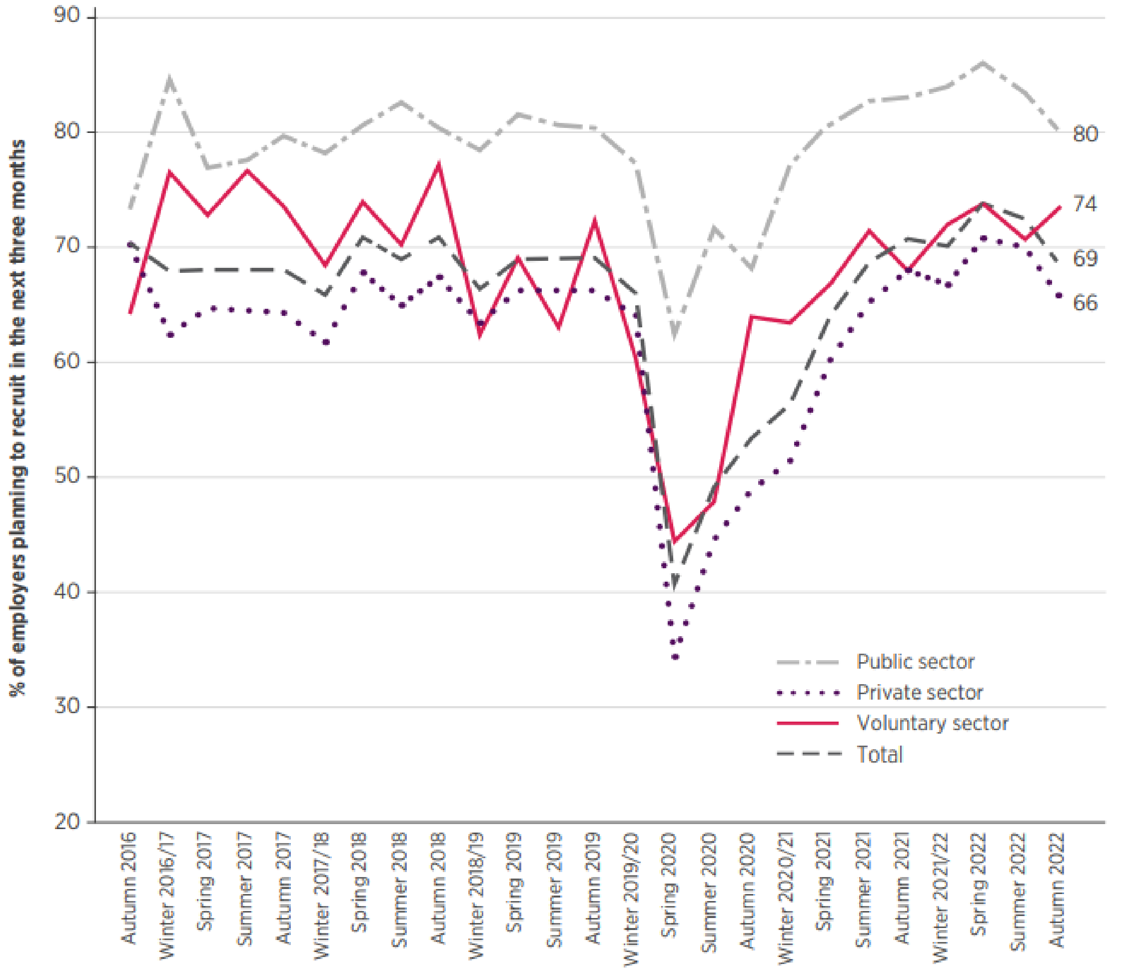


Industry	Net employment score
Information and communication	44
Healthcare	44
Construction	42
Administrative and support service activities and other service activities	41
Primary and utilities	36
Voluntary	35
Business services (eg consultancy, law, PR, marketing, scientific and technical services)	34
Finance and insurance	34
Transport and storage	33
Hotels, catering and restaurants/Arts, entertainment and recreation	28
Manufacturing	24
Education	13
Wholesale, retail and real estate	12
Public administration and other public sector	10

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

Recruitment intentions are above pre-pandemic levels. Seven out of ten (69%) employers surveyed indicated that they plan to recruit in the next three months. Recruitment intentions remain highest in the public sector (80%), followed by the voluntary sector (74%) and the private sector (66%) (see Figure4).

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



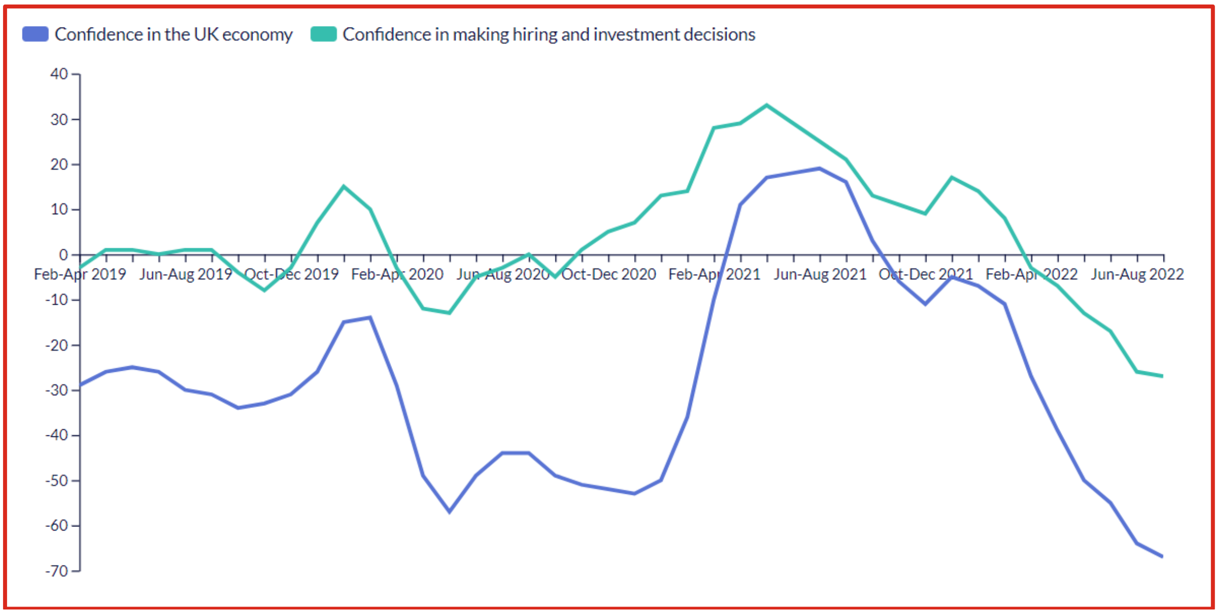
Base: autumn 2022, all employers (total: n=2,018; private: n=1,515; public: n=359; voluntary: n=144).

1.2 REC Analysis

In July-September 2022, business confidence in the UK economy fell by a further 3% from the previous rolling quarter to net: -67, a new record low. However, employers in September (net: -69) were more optimistic than in August (net: -71).

Employers' confidence in making hiring and investment decisions fell slightly to net: -27. Similarly, there was a slight uptick in September to net: -26 from net: -31 in August (see Figure 5).

Figure 5: Employer confidence trends



The latest JobsOutlook also highlights that although in July-September employers' intentions to hire permanent staff in the short term remained buoyant at net +17, the intention to hire temporary agency workers in the short term declined by 9% to net +6.

2. Job Vacancies

The labour market remains challenging but the number of vacancies in the UK is decreasing, with economic pressures appearing to impact recruitment decisions.

According to the CIPD, 46% of employers have hard-to-fill vacancies which is slightly down from last quarter (47%). Transport and Storage is the sector in which employers are most likely to report hard to fill vacancies, followed by voluntary. Healthcare has risen to the third in the 'hard to fill' rankings, up from 8th last quarter.

ONS reports the number of vacancies in the UK was 1,225,000 for the quarter, a decrease of 46,000 on the previous quarter and quarterly growth fell for the fourth consecutive period. Education and construction have seen the largest quarterly increases in vacancies, whereas Information & Communication and Accommodation & Food Services have seen the largest falls in vacancies.

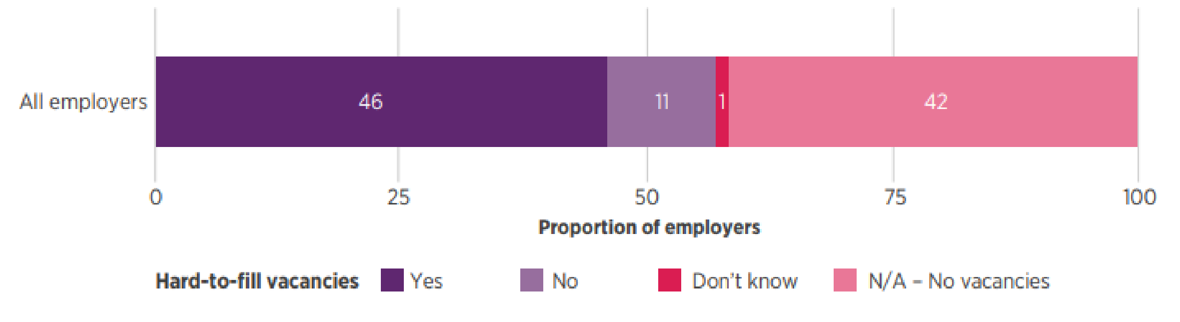
The continued fall in the number of vacancies has coincided with an increasing number of respondents citing economic pressures as a factor in decisions to hold back on recruitment, however, the labour market remains challenging with the current ratio of unemployed people to vacancies is 1.0 which is unchanged from last quarter.

2.1 CIPD Analysis

46% of employers have hard-to-fill vacancies (see Figure 6) which is slightly down from last quarter (47%).

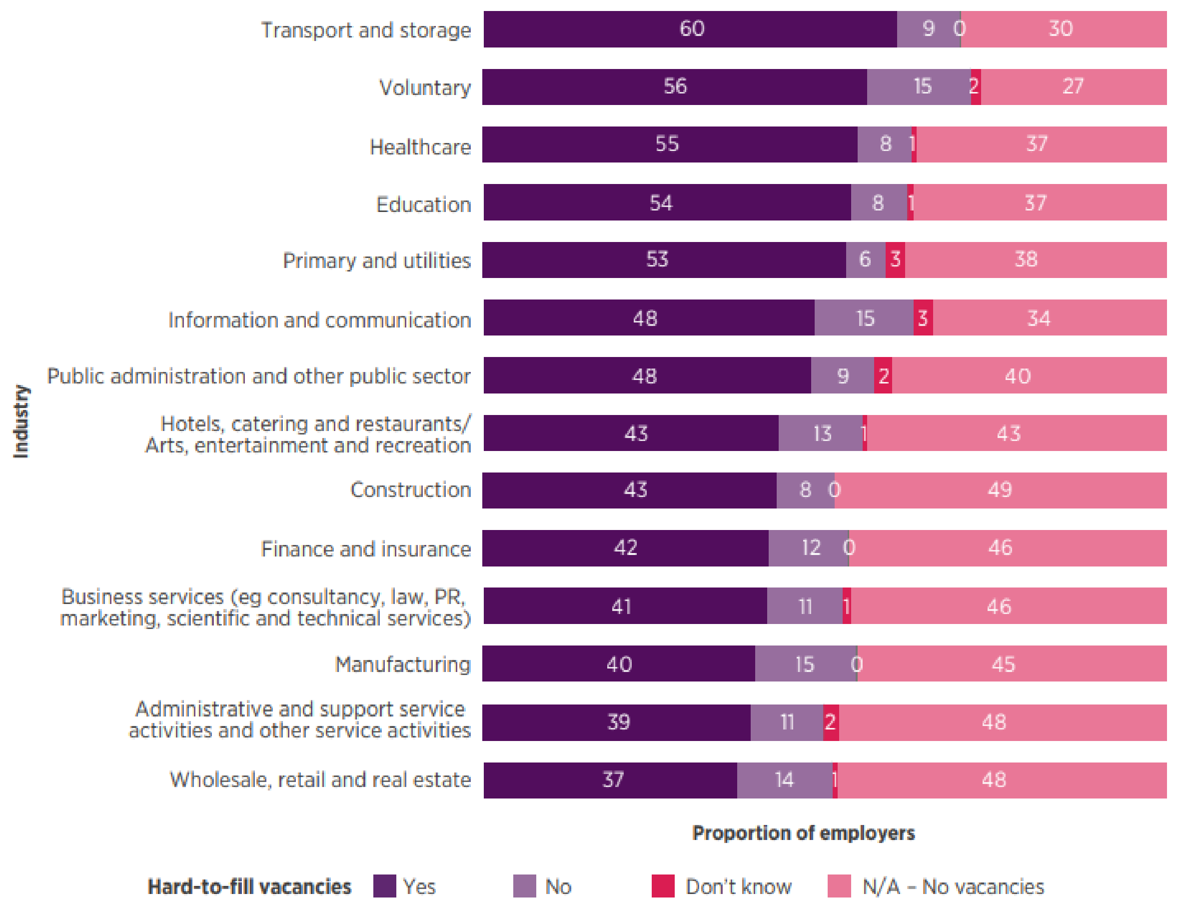
When looking only at employers with vacancies, this figure rises to three-quarters (78%). Hard-to-fill vacancies are most common in Education (56%), Transport and storage (55%), and the Voluntary sector (53%) (Figure 7). Hard-to-fill vacancies are most common in Transport and storage (60%), Voluntary (56%) and Healthcare (55%) (see Figure 7).

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



Base: autumn 2022, all employers (n=2,018).

Figure 7: 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.

2.2 ONS Analysis

The number of job vacancies in August to October 2022 was 1,225,000, which is a decrease of 46,000 from May to July 2022. Quarterly growth fell for the fourth consecutive period to negative 3.6% in August to October 2022.

In August to October 2022, vacancies were 429,000 (54%) above the January to March 2020 pre-coronavirus (COVID-19) level but only 32,000 (2.7%) above the level of a year ago.

In July to September 2022, the number of unemployed people per vacancy was at 1.0, which is unchanged from the previous quarter and indicative of a tight labour market.

Figure 8: Number of vacancies in the UK, seasonally adjusted August to October 2003 to August to October 2022

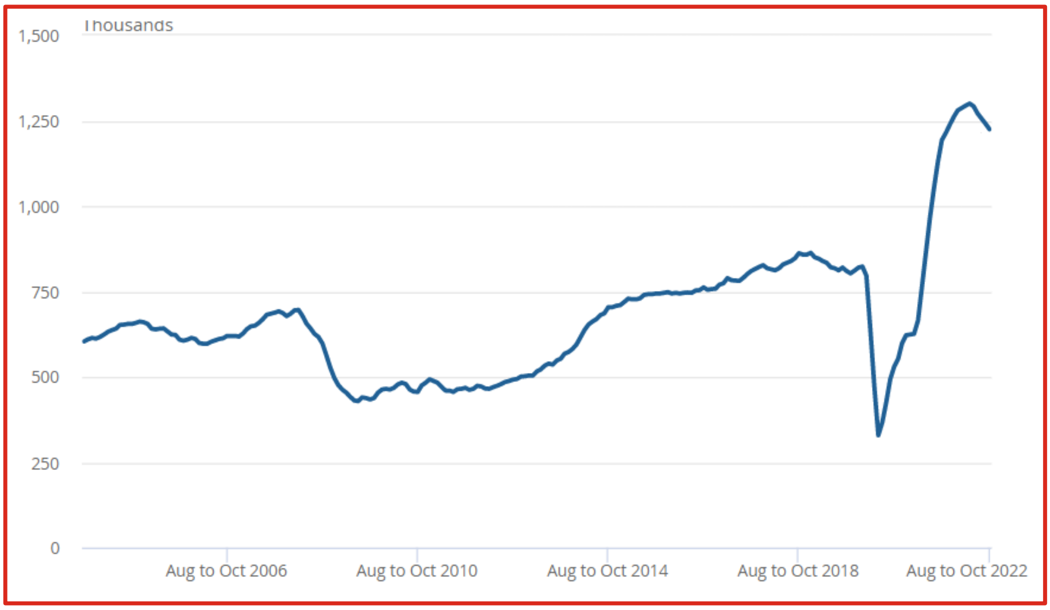
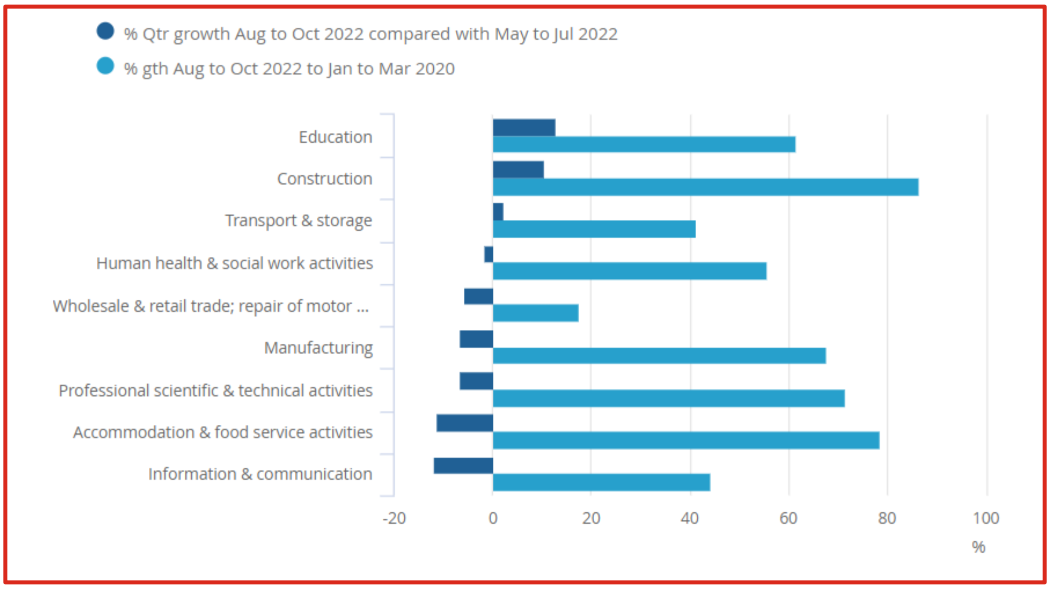


Figure 9: August to October 2022 three-month average vacancies in the UK, quarterly growth from May to July 2022 and percentage growth from pre-coronavirus (COVID-19) pandemic January to March 2020



The overall quarterly growth rate fell to negative 3.6% in August to October 2022, with the rate of growth falling in 12 of the 18 industry sectors. Information and communication, and Accommodation and food service activities were the lowest at negative 11.9% and negative 11.3%, respectively.

August to October 2022 was the fourth consecutive period to show a quarterly fall in the number of vacancies, decreasing by 46,000. The industry sectors displaying the largest falls in vacancy numbers were Accommodation and food service activities, down 19,000, plus Professional, scientific and technical activities, and Wholesale and retail trade; repair of motor vehicles and motorcycles, both down by 9,000 on the quarter. Education and Construction had the largest increases, up by 9,000 and 5,000 on the quarter, respectively.

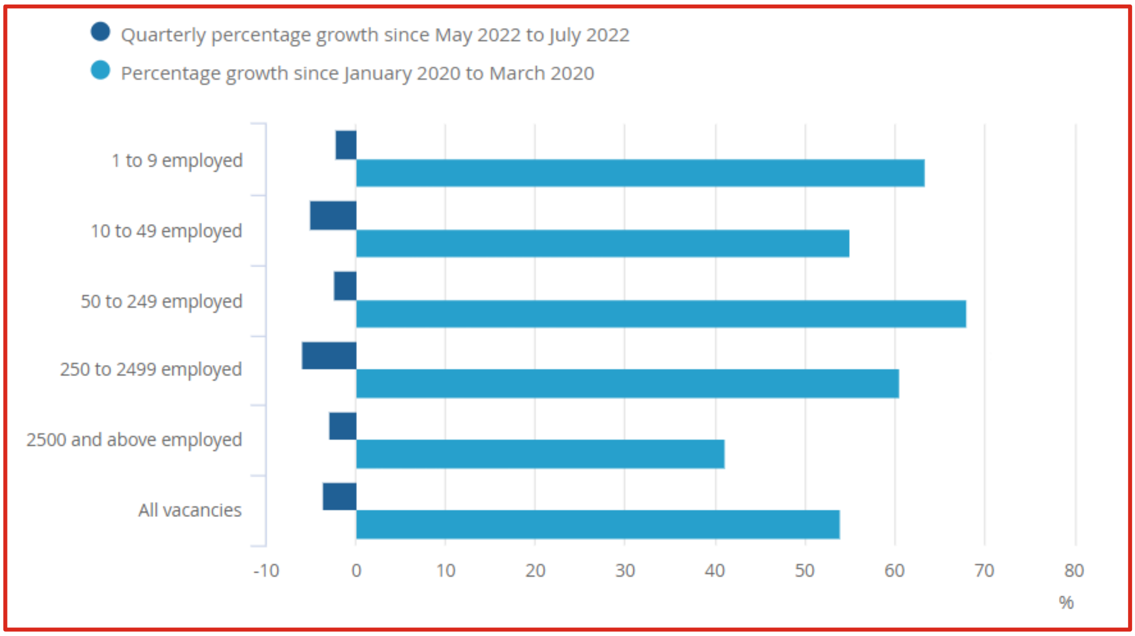
The continued fall in the number of vacancies has coincided with an increasing number of respondents citing economic pressures as a factor in decisions to hold back on recruitment.

In August to October 2022, the total number of vacancies was 429,000 (54%) above the January to March 2020 pre-coronavirus (COVID-19) pandemic level, with the largest increase in human health and social work, which was up 76,000. When comparing with the same time last year, total vacancies increased by 32,000 (2.7%), with human health and social work again showing the largest growth of 21,000 (11.1%).

The number of vacancies remains high after a prolonged period of positive growth from July to September 2020 to March to May 2022 and provides the basis for a historically tight labour market. In July to September 2022, the number of unemployed people per vacancy was at 1.0, unchanged from its level in the previous quarter.

For the third consecutive period, there was no quarterly growth in any industry size band.

Figure 10: August to October 2022 three-month average vacancies in the UK, quarterly growth from May to July 2022 and growth from a pre-coronavirus pandemic January to March 2020



3. Labour Supply

The high employment rate is static quarter on quarter as the labour supply remains a challenge for UK employers.

The ONS shows a quarter on quarter decrease in unemployment and an increase in the economic inactivity rate and the employment rate is largely unchanged from the previous quarter. As previously stated, the number of unemployed people per vacancy is at 1.0, unchanged from the previous quarter.

The CIPD reports that the top responses to mitigating recruitment and retention difficulties have been to upskill existing staff (47%), followed by raising pay (44%).

3.1 ONS Analysis

July to September 2022 estimates show a quarter on quarter decrease of 0.2% in the unemployment rate to 3.6% and a largely unchanged employment rate of 75.5%, while the economic inactivity rate increased by 0.2% to 21.6%. Following an increase in the employment rate since early 2012, the rate decreased from the start of the coronavirus pandemic. There has been an increase since the end of 2020; however, the employment rate was largely unchanged during the latest three-month period (see Figure11).

The number of full-time employees decreased during the latest three-month period but is still above pre-pandemic levels. Part-time employees had generally been increasing since the beginning of 2021, showing recovery from the large falls in the early stages of the pandemic; there was, however, a decrease during the latest three-month period. The number of self-employed workers fell in the first year of the coronavirus pandemic and has remained low, although the number has increased during the latest three-month period for both the full-time and part-time self-employed.

Meanwhile, the number of people with second jobs increased slightly during the latest three-month period, up 29,000 to 1.252 million.

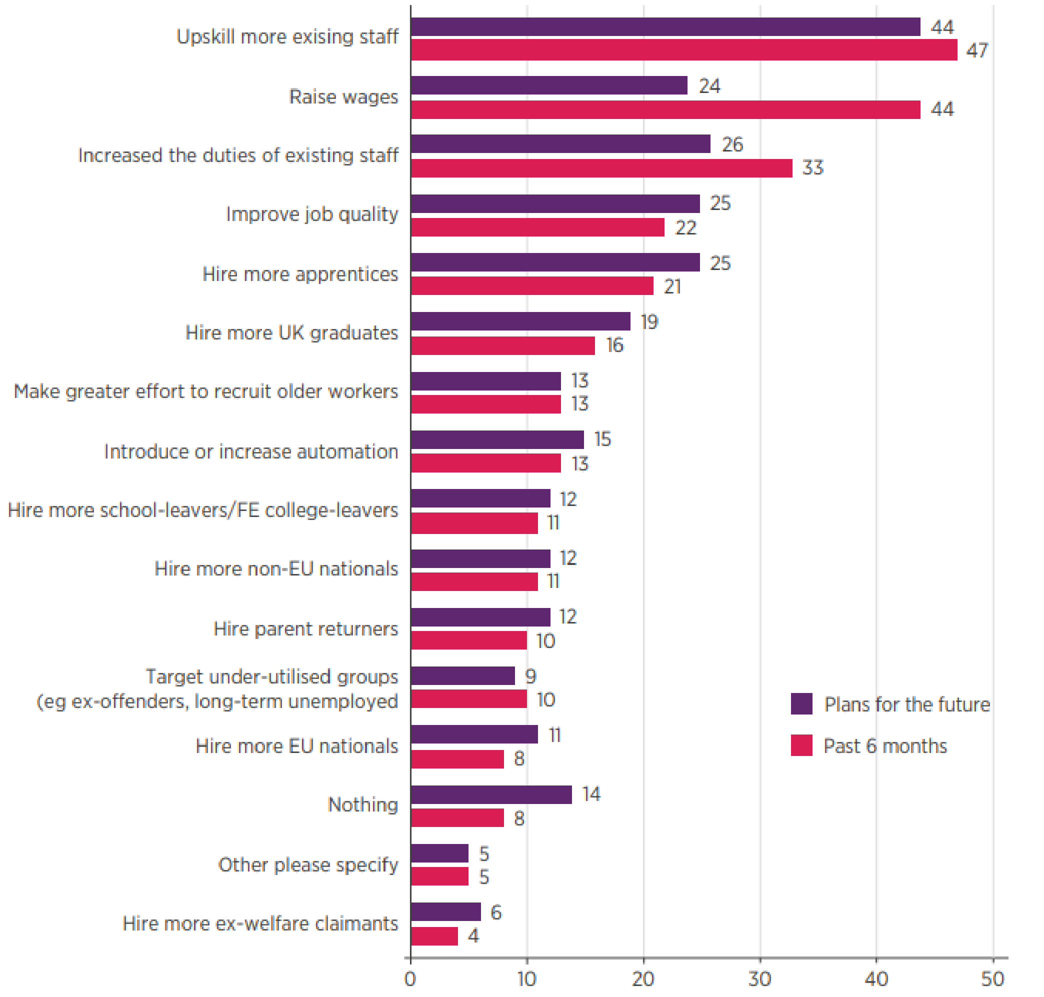
The unemployment rate had generally been falling since late 2013 until the start of the coronavirus pandemic. It increased until the end of 2020 but has now returned to pre-coronavirus pandemic levels. Over the latest three-month period, the unemployment rate decreased. However, single-month unemployment estimates, show an increase in the unemployment rate in September 2022.

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

3.2 CIPD Analysis

The top response to hard-to-fill vacancies has been to upskill existing staff (47%), followed by raising pay (44%) (see Figure 12).

Figure 12: Employers' planned response to recruitment and retention difficulties (%)



Base: employers with hard-to-fill vacancies (n=848).

4. Pay

Pay continues to increase at a high rate, consistent with the tight and competitive labour market. But these significant increases are not keeping up with inflation.

Pay is increasing at a high rate, but at lower than the level of inflation. The private sector is increasing at a higher rate (5%) than the public sector (3%).

The CIPD indicates that over one third of employers that are considering a pay review, expecting to increase pay. The median expected increase in base pay is 4% across all sectors, which is the highest since the CIPD began recording the data in 2012. The private sector is expecting a 5% median increase, whereas the public sector is anticipating a 3% increase.

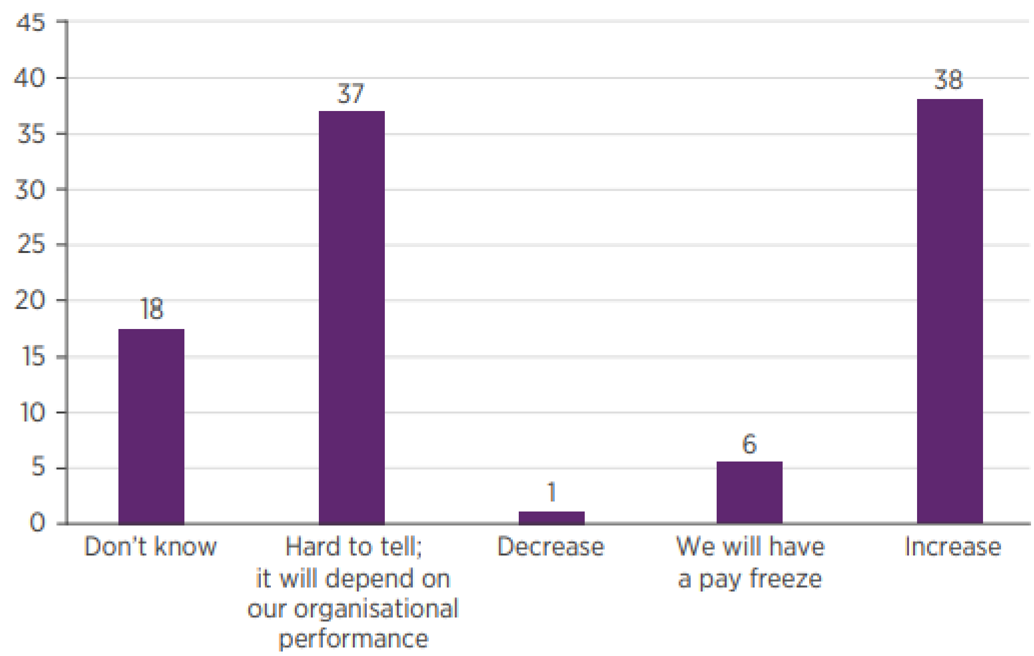
More organisations report that they have already increased pay to mitigate recruitment and retention issues (44%), than report that they intend to do so in the future (24%) suggesting that the majority of pay uplifts may have already taken place.

The ONS' October figures demonstrate a 6% year on year increase in median monthly pay. Median pay increased most in the Finance and insurance sector (10%) and least in Accommodation & food services (1%)

4.1 CIPD Analysis

Of those employers planning a pay review, an increase in pay is the most popular option at 38%. However, around two in five (37%) think it is hard to tell, and one in five (18%) do not know. 6% expect a pay freeze and only 1% expect a decrease (see Figure 13).

Figure 13: Employers' expected direction of pay award (%)

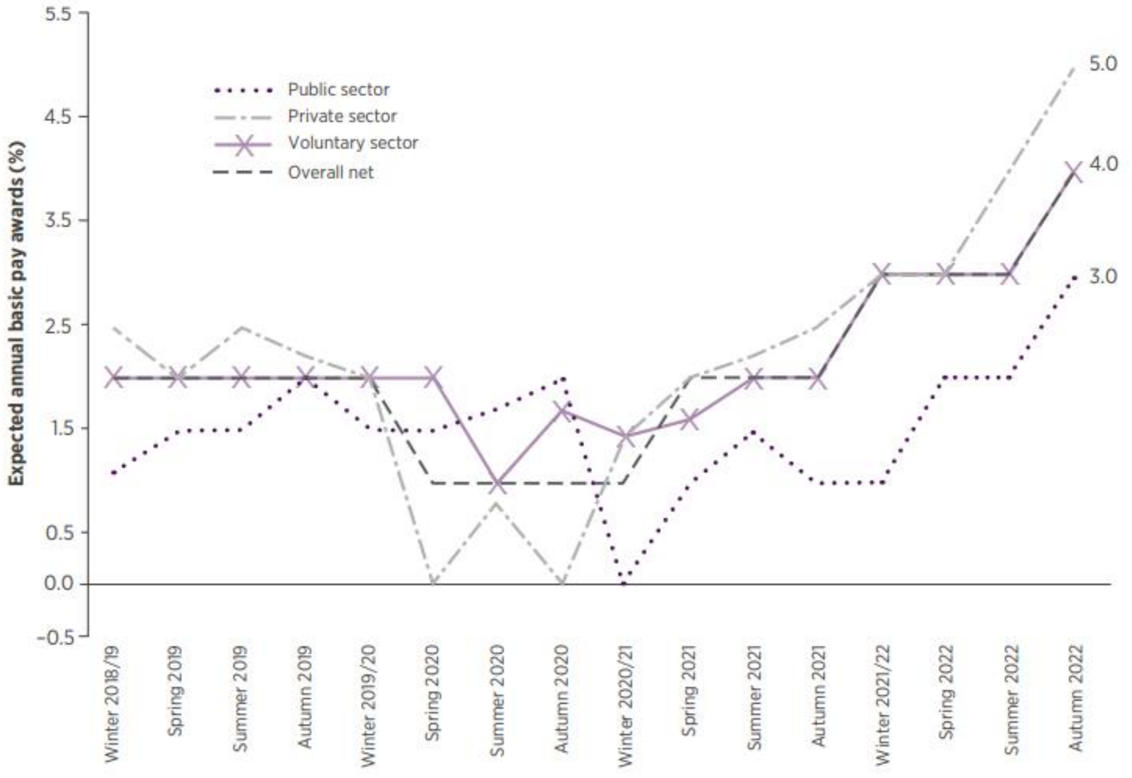


Base: autumn 2022, all employers planning a pay review in the next 12 months (n=1,683).

The median expected basic pay increase stands at 4% for all employers, the highest overall net figure in the CIPD's Labour Market Overview's current time series dating back to 2012. Expected pay awards in the private sector have risen to a median of 5%, which again is the highest of any sector in the time series. The figure stands at 4% for the voluntary sector, and the public sector rises to 3% this quarter (see Figure 14).

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 14: Median basic pay increase expectations – median employer



Base: autumn 2022, all employers expecting and able to estimate a pay award (n=752; private: n=535; public: n=160; voluntary: n=57).

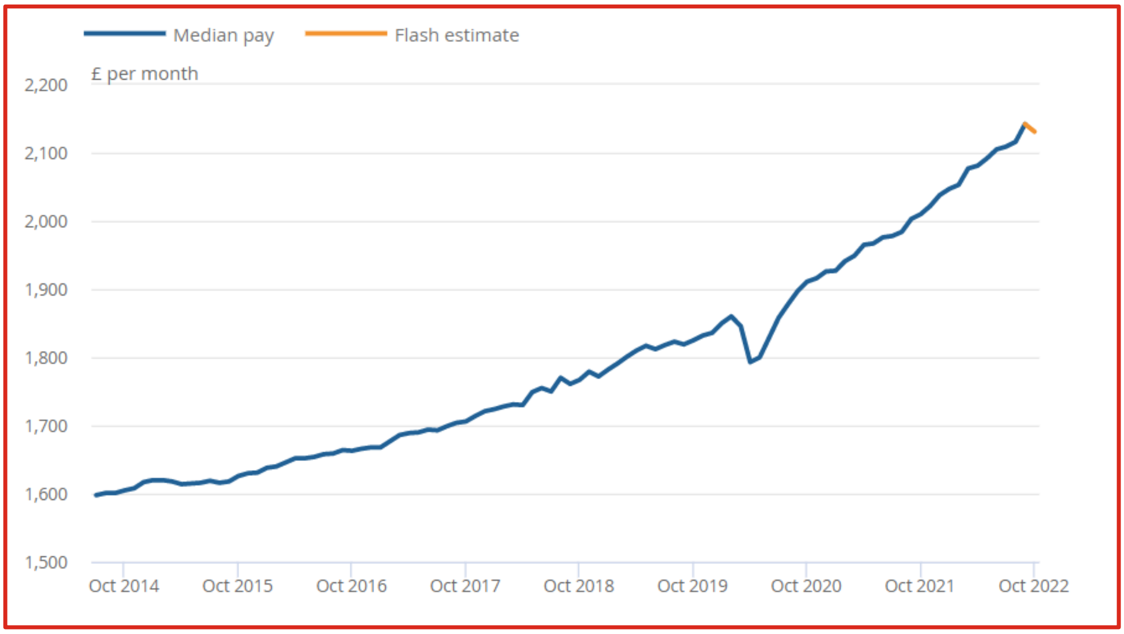
Considering the data from the CIPD in Figure 12 (Employers' planned response to recruitment and retention difficulties), we can see that although 44% have said that they have increased wages to mitigate recruitment and retention difficulties, fewer employers plan to raise wages in the future (24%) which may suggest that many of the increases have now taken place.

However, the impact of UK's highest inflation in 41 years, 11.1% in the year to October, and the 'cost of living crisis' is a significant factor for many employees seeking to increase their income, either by changing roles or by seeking to negotiate with their current employers, as can be seen in large scale industrial action in many sectors including: hospitals, postal workers, container ports, telecoms, teachers and refuse workers.

4.2 ONS Analysis

Median pay decreased sharply in April 2020 but has returned to the previous trend. Early estimates for October 2022 indicate that median monthly pay was £2,131, an increase of 6.0% compared with the same period of the previous year.

Figure 15: Median pay per month, seasonally adjusted, UK, July 2014 to October 2022



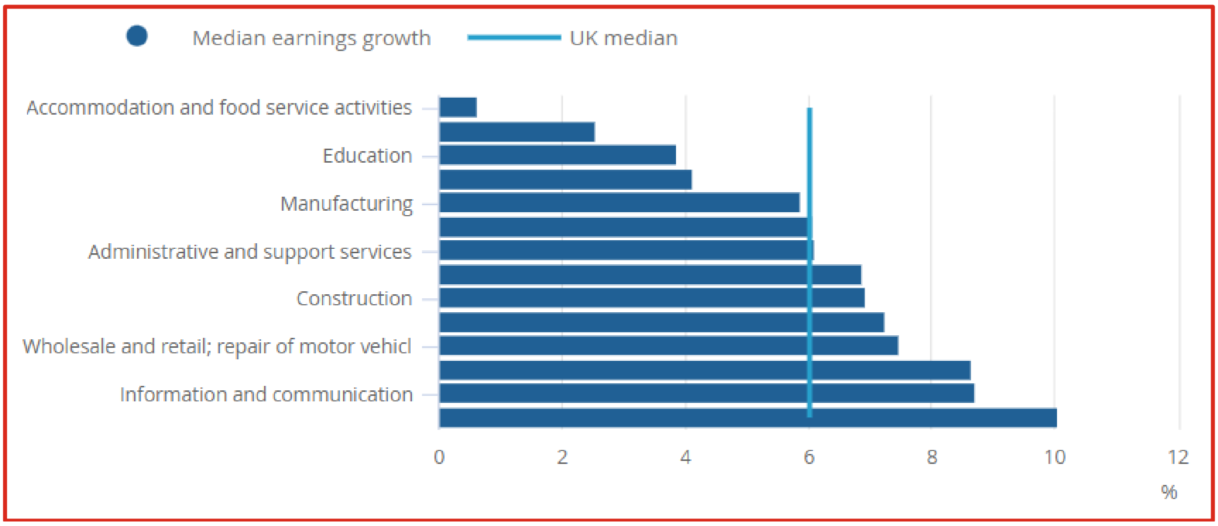
Following a general trend of increasing pay growth between mid-2015 and mid-2018, pay growth tended to fluctuate around 3.6%, until 2020 when it became negative. This coincided with the coronavirus (COVID-19) pandemic and related economic and policy responses. From June 2020 median pay growth has been positive and is now above pre-coronavirus pandemic (February 2020) levels.

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 16: Percentage change on same month in previous year, seasonally adjusted, UK, July 2015 to October 2022

Compared with the same month in the previous year, median pay grew fastest in the Finance and insurance sector (positive 10.0%) and slowest in the Accommodation and food service activities sector (positive 0.6%).

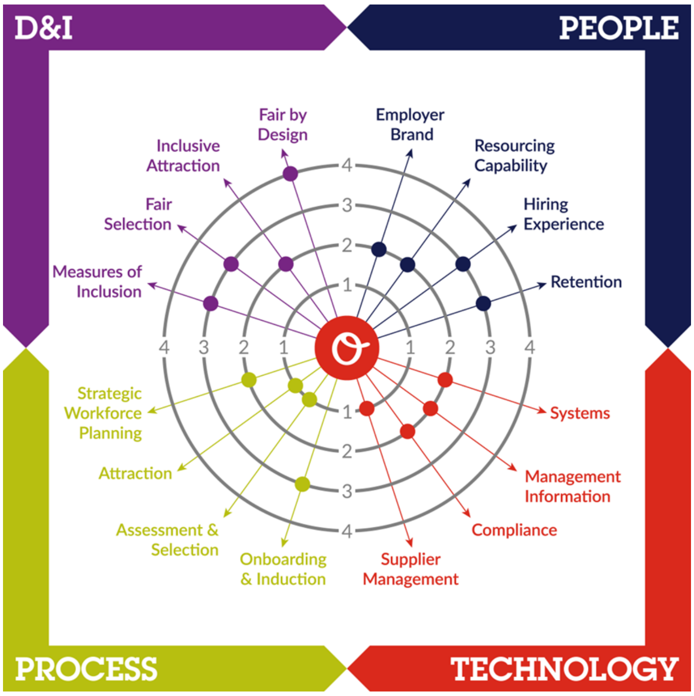
Figure 17: Percentage change on same month in previous year, seasonally adjusted, UK, October 2022



Resourcing Effectiveness Assessment (REA)

Omni's proven framework (the REA) audits an organisation's end-to-end resourcing function and benchmarks results against best practice, derived from our extensive research and our partnership with the CIPD and their annual Resourcing & Talent Planning Survey.

The REA is the ultimate health check for an organisation's resourcing strategy and drives the development of improvement plans, aligning resourcing practice to business success.



Transforming your resourcing strategy, process or culture can be challenging.

Knowing where to start, or what is important to your organisation now and in the future is essential and not all changes and improvements can be made at once if you want them to last. By defining the symptoms and activities associated with each element, organisations can understand their resourcing effectiveness. Not only that, but you can also identify and prioritise the actions required to improve key elements of resourcing, building a roadmap that will see your resourcing maturity progress over time.

The REA will audit where you are now, assess against your own and other industries and then inform, so you can take the necessary action to develop a strategy that will help you attract and retain the talent you need.

To find out more about how Omni's team can support your organisation, get in touch and talk to one of our consultants today.

omni

talent is everything

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

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