talent is everything

# UK Resourcing
# Market Insight Summary
# March 2023

# 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 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 March 2023 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)], APSCo [(3)], Indeed [(4)], REC[(5)],

The report considers the following areas:

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

Key References

(1) CIPD - Labour Market Outlook Winter: 2022 – 2023
(2) ONS - Labour Market Overview, UK: February 2023
(3) APSCo – Recruitment trends snapshot January 2023
(4) Indeed – January 2023 UK Labour market update
(5) REC – Report on jobs

# Executive Summary

## 1. Recruitment Intentions

**Recruitment intentions remain historically high, however economic uncertainty and cost pressures are starting to impact organisations' hiring and retention plans and priorities for the future.**

Similarly, to our last report, the CIPD identifies that recruitment intentions continue to remain high compared to pre-pandemic levels 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 softening from its peak in late 2021.

Employment intentions remain high across most industry sectors with Healthcare reporting the highest net employment balance (+50); with a less positive outlook for the IT sector, which is reporting a decrease (-23) in the net employment balance (from +44 to +21).

In line with these findings, APSCo report an increase in permanent and contractor job postings towards the end of December, suggesting a drive in recruitment in the new year.

## 2. Redundancies

**Tech company layoffs have been dominating the headlines, but redundancy intentions remain low and below pre-pandemic levels.**

Although redundancy levels remain low, they have been increasing slightly in the last several quarters and increased in the last quarter again. In October to December 2022, the number of people reporting redundancy in the three months before interview increased by 0.8 per thousand employees compared with the previous three-month period, to 3.5 per thousand employees.

However, there are fewer signs of mass redundancies across the wider economy, with respondents from the CIPD survey indicating that only 17% of employers are planning to make redundancies in the three months to March 2023. This is not dissimilar to pre-pandemic levels of 20% in spring 2019.

## 3. Job Vacancies

**The number of vacancies decreased for the seventh consecutive quarter, but vacancy numbers overall remain historically high.**

The drop in vacancies and job postings is no surprise with the Christmas period always slowing down for recruitment. However, this may also be a reflection of economic uncertainty, with CIPD survey respondents citing economic pressures as a factor in holding back on recruitment.

That being said, APSCo reported an increase of 19% in job postings towards the end of December, suggesting that the new year may show slightly increased activity.

According to the CIPD, over half of employers (57%), have hard-to-fill vacancies, an increase on last quarter (46%). Primary and Utilities (82%) are reporting the highest amount of hard to fill vacancies, with Healthcare and Education not far behind with 78% and 77% respectively.

ONS reports the number of vacancies in November 2022 to January 2023 fell by 76,000 on the quarter to 1,134,000, which is the seventh consecutive quarterly fall since May to July 2022. Although job vacancies have dropped, they are still 338,000 above January to March 2020 pre-coronavirus levels.

## 4. Labour Supply

**The high employment rate has increased slightly with the ratio of unemployed people to vacancies at 1.1, (from 1.0 the previous quarter) signifying a continued pressure on the recruitment industry.**

According to the ONS, the UK employment rate was estimated at 75.6% in October – December 2022, 0.2% higher than the previous three-month period and 0.9% lower than before the coronavirus (COVID-19) pandemic. That being said, the unemployment rate, whilst it remains very low at 3.7%, has increased slightly up from its recent trough of 3.5%.

In the last quarterly report, the CIPD indicated that the top responses to mitigating recruitment and retention difficulties has been to upskill existing staff (47%), followed by raising pay (44%). However, there has since been a 12% decrease in the number of organisations considering raising pay to overcome labour and skills shortages.

Education and healthcare are two industries with the highest level of hard-to-fill vacancies. In response, employers in these industries have increased the duties of existing staff (43% and 40% respectively), above the level for all employers. It is not surprising, then that the strikes of late have not only centred around pay but also the working conditions and high workload within these industries.

The REC reports permanent staff appointments fell for the fourth month in a row, with organisations instead relying on temporary workers to fill vacancies. Temp billings rose at the quickest rate since September, albeit mildly overall.

## 5. Pay

**The tight labour market continues to drive growth in pay at a steady rate, however, accounting for inflation over the year, wages fell by 2.5% for regular pay (excluding bonuses), one of the biggest declines since records began (ONS February report).**

According to the January CIPD report, the median expected basic pay increase stands at 5% for all employers, up from 4% in the previous quarter. Unsurprisingly the private sector (5%) has seen much faster growth than the public sector (fall from 3% to 2% from previous quarter). Neither are particularly positive in comparison with the current rate of inflation, which stands at 10.5% and the failure to keep pace with the cost of living continues to fuel strained industrial relations. ONS figures showed that there were 843,000 working days lost to strikes in December 2022, the highest number in more than 10 years.

The CIPD indicates that of those employers planning a pay review, an increase in pay is the most common response at 37%. A similar proportion (35%) think it is hard to tell (dependent on organisational performance), and one in five (19%) do not know. Seven per cent expect a pay freeze and only 1% expect a decrease.

However, according to the February ONS report, early estimates for January 2023 indicate that median monthly pay was £2,187, which is an increase of 6.8% compared with the same period of the previous year.

# Key Points

843,000

**Days lost to labour disputes**
43,000 in December.

6.8%

**Median pay**
Up 6.8% in January compared to the previous year

0.2%

**Employment rate**
0.2% quarterly increase, largely driven by women (re)entering the workforce.

1,134,000

**Number of Vacancies**
Number of vacancies reported between November 2022 and January 2023, 338,000 above pre-coronavirus levels.

82%
Primary and Utilities

78%
Healthcare

77%
Education

67%
Public Sector

**Industries reporting hard-to-fill vacancies**
The top 3 are closely linked to nationalised or post-nationalised industries (utilities, health, education) and the 4th is the public sector. At a time of a cost of living crisis, the industries with, arguably, the highest levels of social impact are finding the talent markets most challenging.

# Detailed Analysis

## 1. Recruitment Intentions

**Recruitment intentions remain historically high, however economic uncertainty and cost pressures are starting to impact organisations' hiring and retention plans and priorities for the future.**

Similarly, to our last report, the CIPD identifies that recruitment intentions continue to remain high compared to pre-pandemic levels 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 softening from its peak in late 2021.

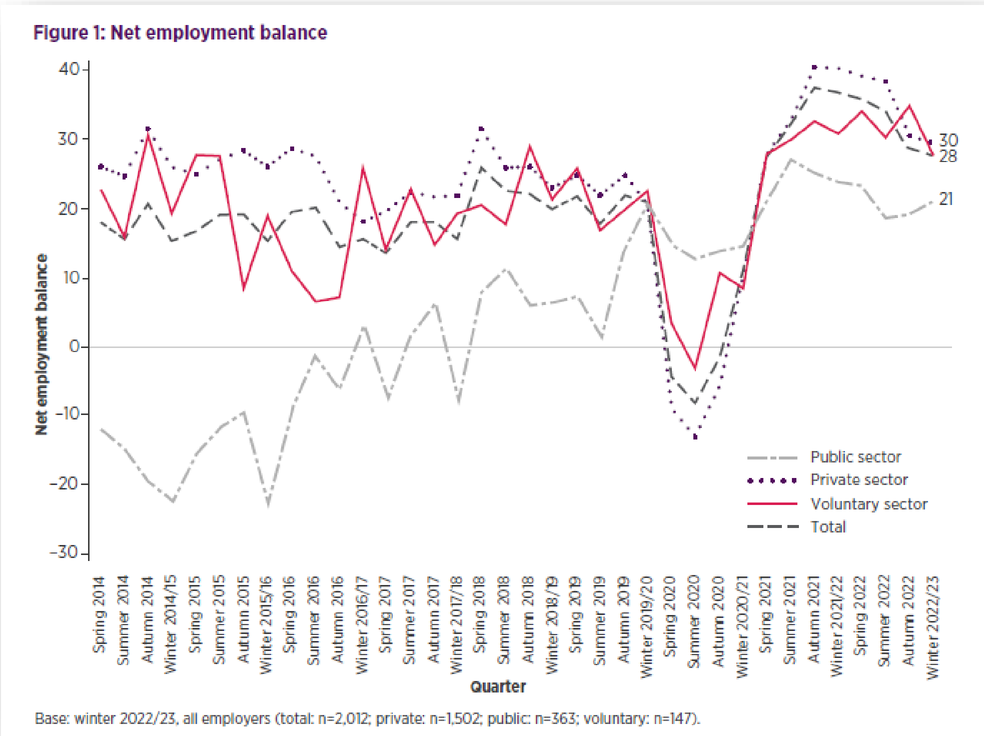
Employment intentions remain high across most industry sectors with Healthcare reporting the highest net employment balance (+50); with a less positive outlook for the IT sector, which is reporting a decrease (-23) in the net employment balance (from +44 to +21).

In line with these findings, APSCo reported an increase in permanent and contractor job postings towards the end of December, suggesting a drive in recruitment in the new year.

### 1.1 CIPD Analysis

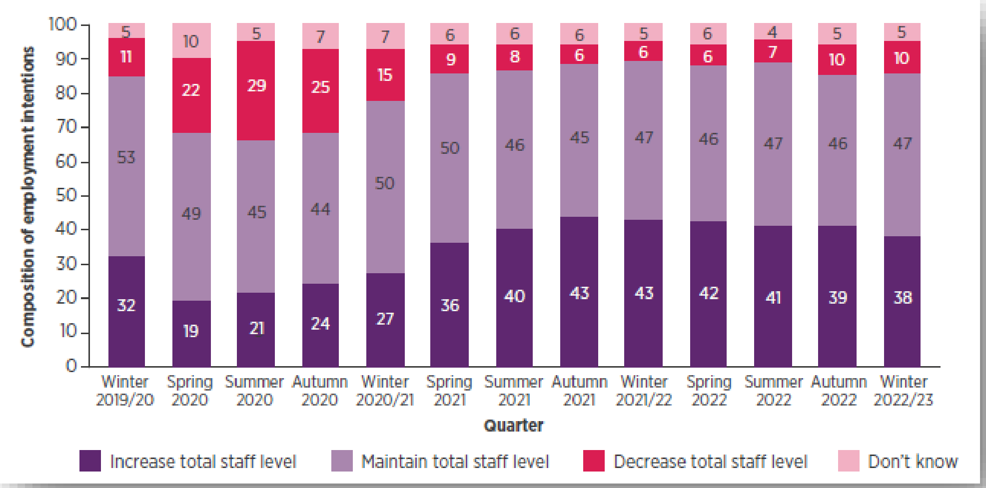
The net employment balance, which measures the difference between employers expecting to increase staff levels in the next three months and those expecting to decrease staff levels, remained steady at +28. This is still positive territory and high relative to the pre-pandemic time series. However, the net employment balance is starting to soften from its peak in autumn 2021. Net employment intentions are strongest in the private sector at +30. The voluntary (+28) and public sectors (+21) both have positive figures, suggesting that the UK will continue to see employment gains across the board.

**Figure 1: Net Employment Balance**



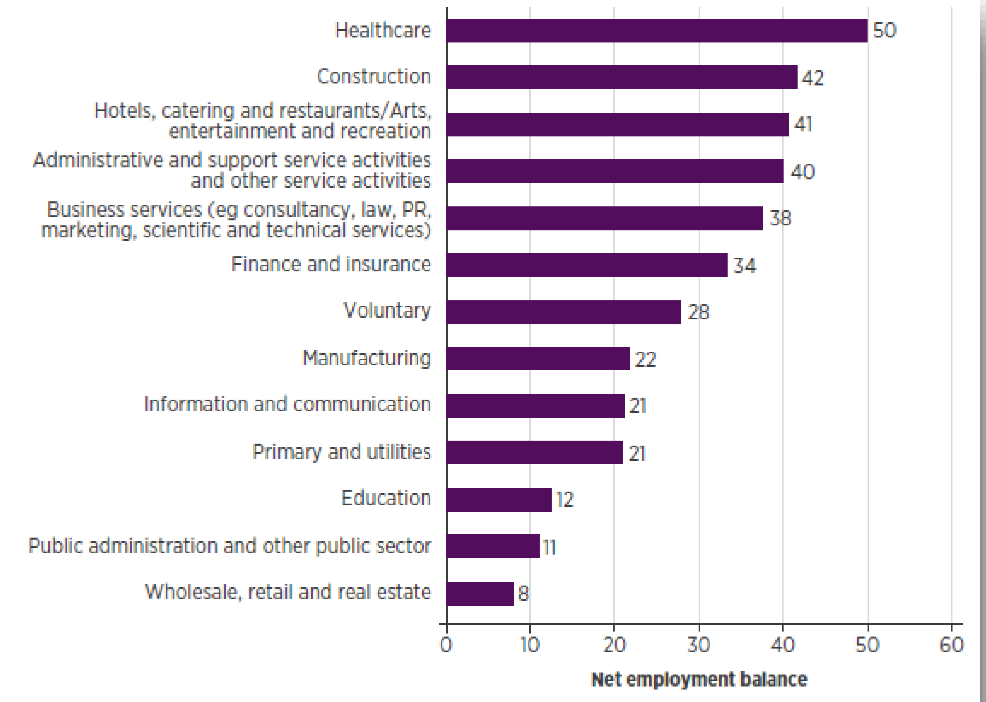
In a continuation of the trend seen in previous quarters, the positive net employment balance is being driven largely by employers looking to hire staff (38%), with very few looking to decrease total staff levels (10%). This is unchanged from the last quarter (see Figure 2).

### Figure 2: Composition of employment intentions (%)




Employment intentions continue to remain positive across all industries. Healthcare now stands out as the industry with the highest net employment balance (+50). This is driven by 56% of healthcare employers planning to increase their total staff level. On the flip side, the picture is less positive for IT, with the net employment balance falling from +44 in the previous quarter to +21 in the three months to March. This coincides with a number of high-profile tech companies announcing large-scale redundancies over the last few months.

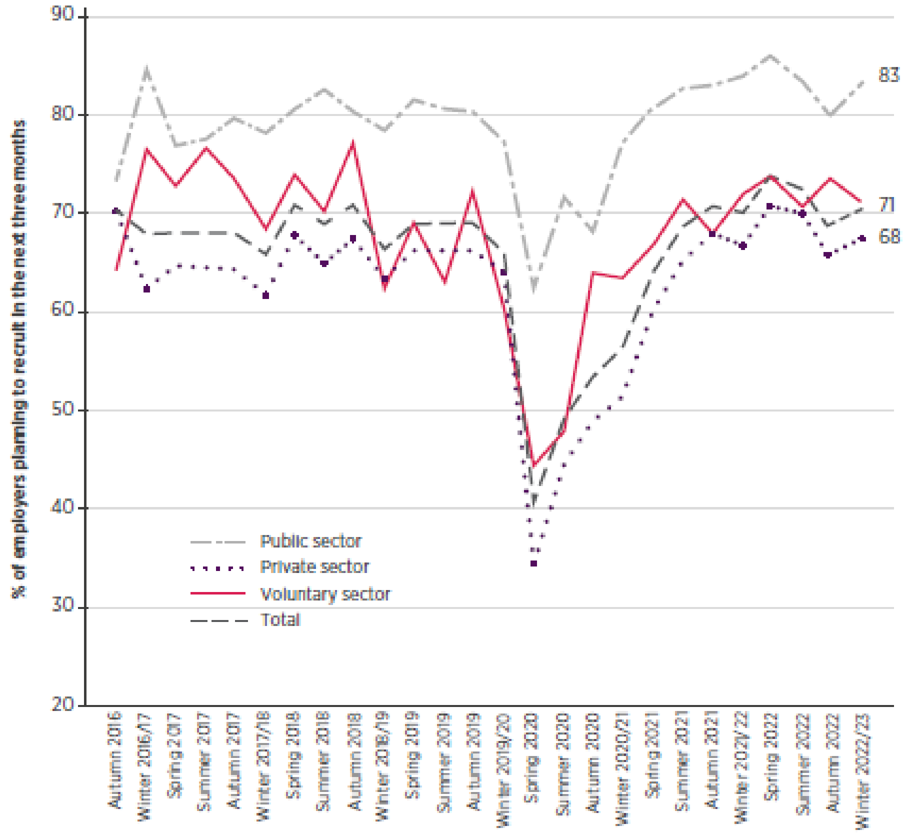
### Figure 3: Net employment balance, by industry (%)




Base: industries with base sizes of 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 10 (71%) employers surveyed indicated that they plan to recruit in the next three months (see Figure 4). Recruitment intentions remain highest in the public sector (83%), followed by the voluntary sector (71%) and the private sector (68%) (see Figure 4). The gap between the public sector and the other broad categories has persisted since the pandemic.

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




Base: winter 2022/23, all employers (total: n=2,012; private: n=1,502; public: n=363; voluntary: n=147).

## 2. Redundancies

**Tech company layoffs have been dominating the headlines, but redundancy intentions remain low and below pre-pandemic levels.**

Although redundancy levels remain low, they have been increasing slightly in the last several quarters and increased in the last quarter again. In October to December 2022, the number of people reporting redundancy in the three months before interview increased by 0.8 per thousand employees compared with the previous three-month period, to 3.5 per thousand employees.

However, there are fewer signs of mass redundancies across the wider economy, with respondents from the CIPD survey, indicating that only 17% of employers are planning to make redundancies in the three months to March 2023. This is not dissimilar to pre-pandemic levels of 20% in spring 2019.

## 2.1 ONS Analysis (February 2023 report)

In October to December 2022, the number of people reporting redundancy in the three months before interview increased by 0.8 per thousand employees compared with the previous three-month period, to 3.5 per thousand employees.

**Figure 5: UK redundancy rate, people aged 16 and over seasonally adjusted between October to December 2007 and October to December 2022**


# 3. Job Vacancies

**The number of vacancies decreased for the seventh consecutive quarter, but vacancy numbers overall remain historically high.**

The drop in vacancies and job postings is no surprise with the Christmas period always slowing down for recruitment. However, this may also be a reflection of economic uncertainty, with CIPD survey respondents citing economic pressures as a factor in holding back on recruitment.

That being said, APSCo reported an increase of 19% in job postings towards the end of December, suggesting that the new year may show slightly increased activity.

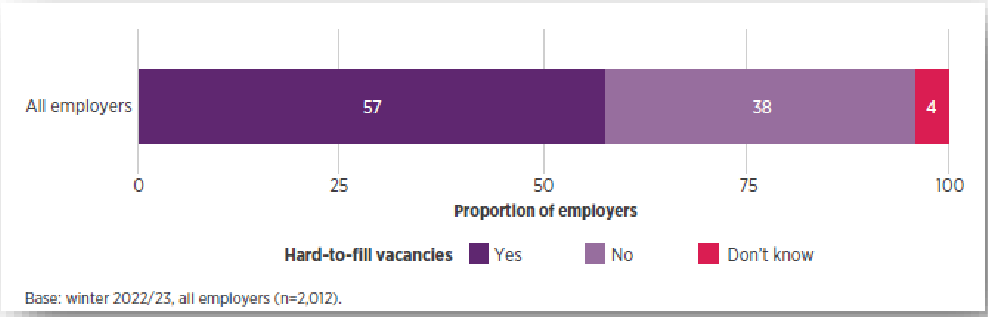
According to the CIPD, over half of employers (57%), have hard-to-fill vacancies, an increase on last quarter (46%). Primary and Utilities (82%) are reporting the highest amount of hard to fill vacancies, with Healthcare and Education not far behind with 78% and 77% respectively.

ONS reports the number of vacancies in November 2022 to January 2023 the fell by 76,000 on the quarter to 1,134,000, which is the seventh consecutive quarterly fall since May to July 2022. Although job vacancies have dropped, they are still 338,000 above January to March 2020 pre-coronavirus (COVID-19) levels.

## 3.1 CIPD Analysis

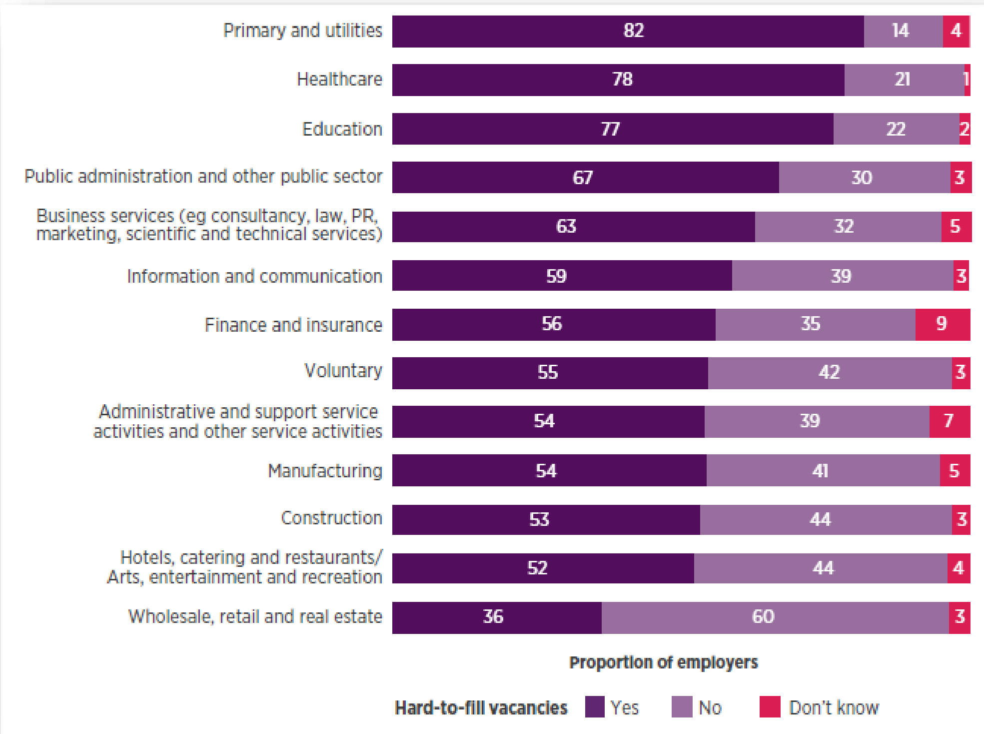
Over half of employers (57%) have hard-to-fill vacancies (see Figure 6), with fewer than one in 20 (4%) stating they are unsure if this is the case for them.

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




Hard-to-fill vacancies are most common in primary and utilities (82%), healthcare (78%) and education (77%) (see Figure 7).

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




Of employers with hard-to-fill vacancies, 40% had skills shortage vacancies, whereby applicants for advertised roles lack the technical skills required. 21% had labour shortage vacancies, whereby there was a lack of applicants for hard-to-fill roles. Many employers also had a combination of skills and labour shortage vacancies (39%).

Skills shortage vacancies among employers with hard-to-fill vacancies were most common in primary and utilities (77%), with approximately six in ten employers facing the same issue in manufacturing, finance and insurance, business services and IT.

Labour shortage vacancies were most prevalent in hospitality (39%) and education (36%). Labour shortages in education are likely to be a story of two halves. Teacher training levels, in particular those in secondary education, are falling remarkably short of expectations, leading to a stark lack of new entrants into the profession. In higher education, a fall in the number of EU staff is contributing to labour shortages in the industry.

## 3.2 ONS Analysis

The number of vacancies in November 2022 to January 2023 was 1,134,000, which is a decrease of 76,000 from August to October 2022. Quarterly growth fell for the seventh consecutive period to negative 6.3% in November 2022 to January 2023, with vacancies falling in 16 out of the 18 industry sectors.

In November 2022 to January 2023, total vacancies were down by 135,000 from the level of a year ago, although they remained 338,000 above their pre-coronavirus (COVID-19) January to March 2020 levels.

In October to December 2022, the number of unemployed people per vacancy was at 1.1, up slightly from 1.0 in the previous quarter.

**Figure 8: Number of vacancies in the UK, seasonally adjusted November 2003 to January 2004 to November 2022 to January 2023**

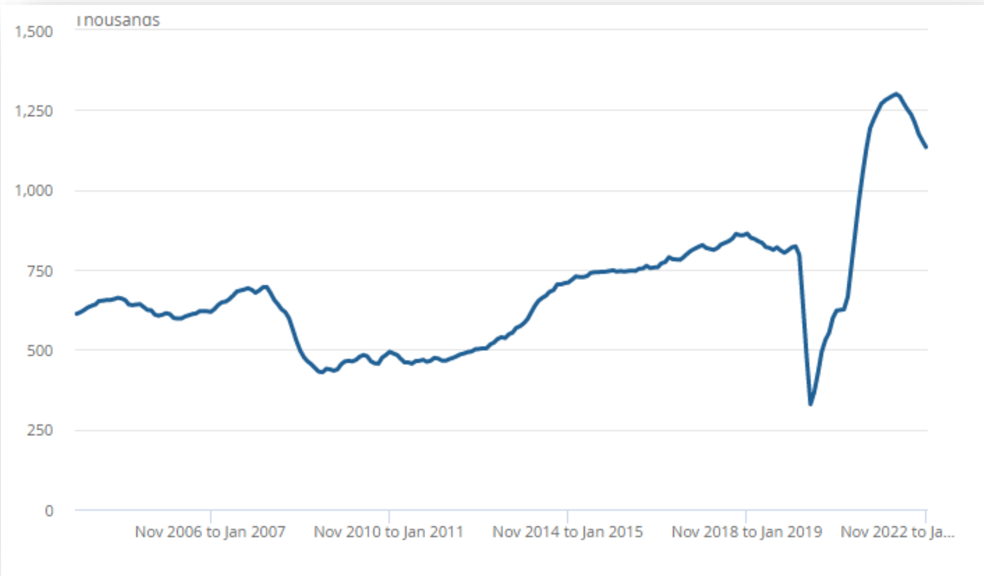
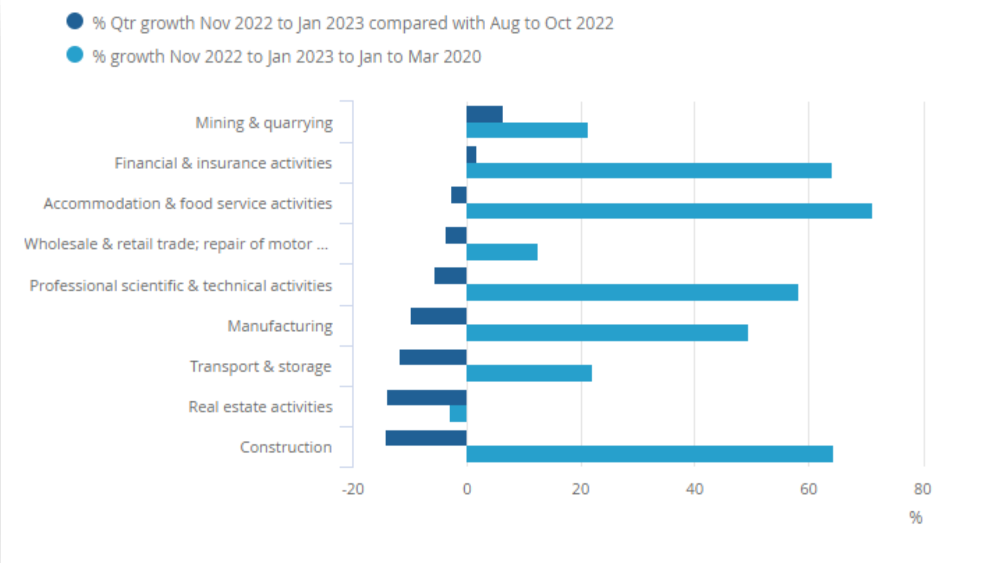


**Figure 9: November 2022 to January 2023 three-month average vacancies in the UK, quarterly growth from August to October 2022 and percentage growth from pre-coronavirus (COVID-19) pandemic January to March 2020**

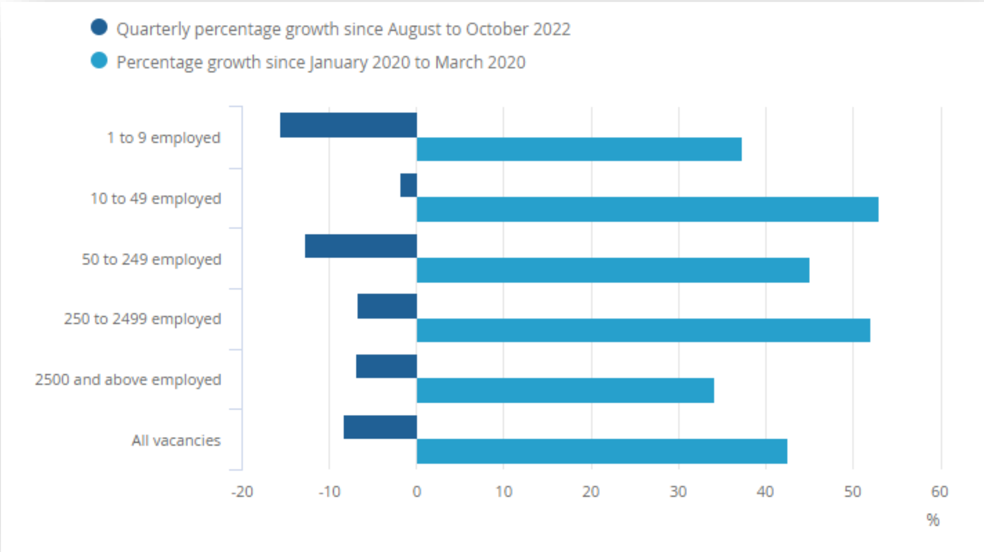



The industries showing the largest falls in vacancy growth were construction, and real estate activities, at negative 14.2% and negative 13.9% respectively.

The fall in the number of vacancies reflects uncertainty across industries, as survey respondents continue to cite economic pressures as a factor in holding back on recruitment.

When comparing November 2022 to January 2023 with the same time last year, total vacancies decreased by 135,000 (10.6%), with the largest fall in accommodation and food service activities, which was down by 26,000. However, the total number of vacancies remains 338,000 above January to March 2020 pre-coronavirus (COVID-19) levels, with human health and social work activities showing the largest increase, at 70,000.

**Figure 10: November 2022 to January 2023 three-month average vacancies in the UK, quarterly growth from August to October 2022, and growth from a pre-coronavirus (COVID-19) pandemic January to March 2020**



# 4. Labour Supply

**The high employment rate has increased slightly with the ratio of unemployed people to vacancies at 1.1, (from 1.0 the previous quarter) signifying a continued pressure on the recruitment industry.**

According to the ONS, the UK employment rate was estimated at 75.6% in October – December 2022 and the unemployment rate, whilst it remains very low at 3.7%, has increased slightly up from its recent trough of 3.5%.

In the last quarterly report, the CIPD indicated that the top responses to mitigating recruitment and retention difficulties have been to upskill existing staff (47%), followed by raising pay (44%). However, there has since been a 12% decrease in the number of organisations considering raising pay to overcome labour and skills shortages.

Education and healthcare are two industries with the highest level of hard-to-fill vacancies. In response, employers in these industries have increased the duties of existing staff (43% and 40% respectively), above the level for all employers. It is not surprising, then that the strikes of late have not only centred around pay but also the working conditions and high workload within these industries.

The REC reports permanent staff appointments fell for the fourth month in a row, with organisations instead relying on temporary workers to fill vacancies. Temp billings rose at the quickest rate since September, albeit mildly overall.

## 4.1 ONS Analysis (February report)

October to December 2022 estimates show an increase in the employment and unemployment rates compared with the previous three-month period (July to September 2022) and a decrease in the economic inactivity rate.

The UK employment rate was estimated at 75.6% in October – December 2022, 0.2% higher than the previous three-month period and 0.9% lower than before the coronavirus (COVID-19) pandemic. The UK unemployment rate was estimated at 3.7%, 0.1% higher than the previous three-month period and 0.2% below pre-coronavirus levels. In the latest three-month period, the number of people unemployed for up to six months increased, driven by those aged 16 to 24 years. The UK economic inactivity rate was estimated at 21.4%, 0.3% lower than the previous three-month period and 1.2% higher than before the pandemic.

**Figure 11: UK employment, unemployment, and economic inactivity rates, seasonally adjusted, between October to December 2007 and October to December 2022**

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

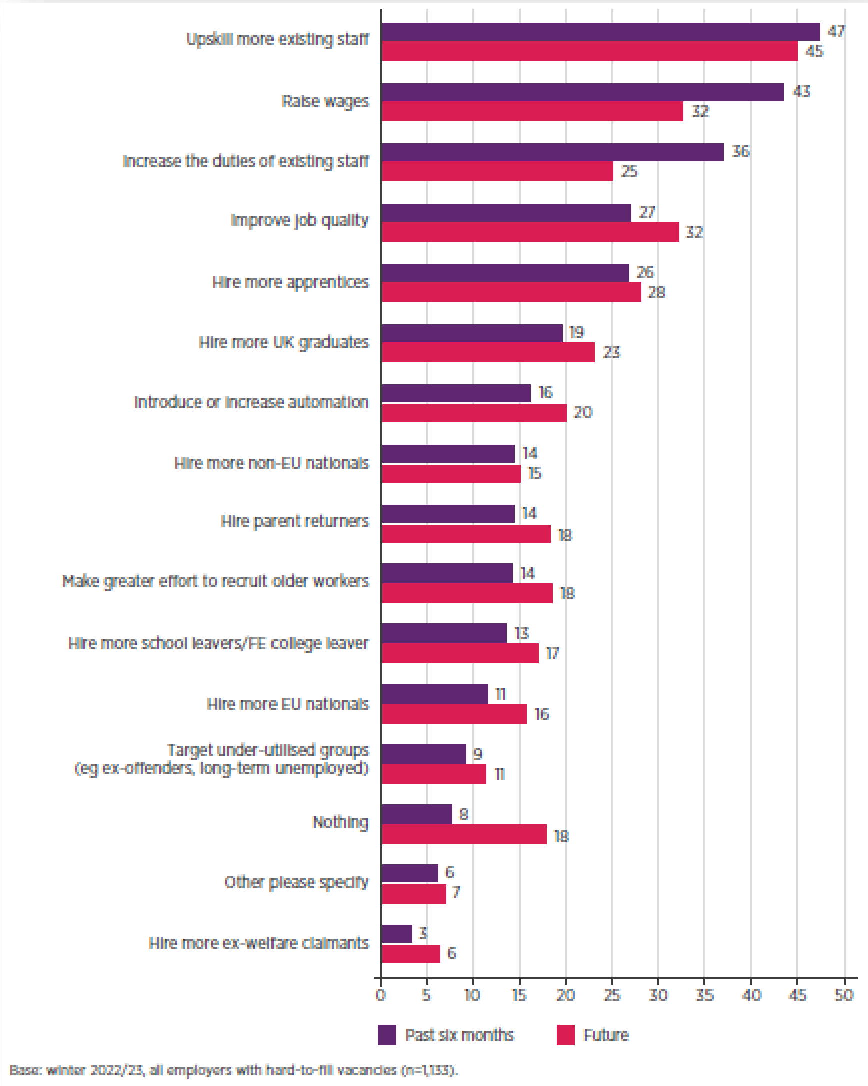
In the latest three-month period, the increase in the employment rate was largely driven by women while the increase in the unemployment rate was largely driven by men. The decrease in the economic inactivity rate in the latest three-month period were driven by both men and women.

The number of full-time employees decreased during the latest three-month period but is still above pre-coronavirus levels. The number of part-time employees had generally been decreasing since the beginning of 2022; however, they saw the largest increase since September to November 2021 during the latest three-month period. The number of self-employed workers fell in the first year of the pandemic and, while the full-time self-employed have remained low, the part-time self-employed increased during the latest three-month period.

## 4.2 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 hard to fill vacancies (%)**



Education and healthcare are two industries with the highest level of hard-to-fill vacancies. In response, employers in these industries have increased the duties of existing staff (43% and 40% respectively), above the level for all employers. There is no surprise then, that the strikes of late have not only centred around pay but also the working conditions and high workload within these industries.

### 4.3 Indeed Analysis

Indeed's January 2023 outlook report, cited a rising popularity of search terms around part-time, weekend or night work suggesting that cost-of-living pressures may be prompting more people to look for second jobs. Another noteworthy trend is the popularity of searches for jobs offering visa sponsorship.

Since the beginning of the pandemic, there has been a drop in labour force participation among older workers, which has been a key driver of staffing shortages, with economic inactivity (people neither in employment nor actively seeking work) among 50-64s standing more than 300,000 above pre-pandemic levels. That's a reversal of the trend we saw in the years leading up to the pandemic, when older workers' labour force participation was on the rise.

That said, recent figures indicate that some of these people have started to return to the labour market. Encouraging older people to return to the workforce has become a priority for the government. Cost-of-living pressures may be prompting some early retirees to rethink their plans, but high rates of outright homeownership and low debt among that demographic means many are insulated from rising interest rates. If financial cushions mean many older people aren't forced to work, the onus is on employers to make work attractive to this group by offering incentives: greater flexibility, for example.

## 5. Pay

**The tight labour market continues to drive growth in pay at a steady rate, however, accounting for inflation over the year, wages fell by 2.5% for regular pay (excluding bonuses), one of the biggest declines since records began (ONS February report).**

According to the January CIPD report, the median expected basic pay increase stands at 5% for all employers, up from 4% in the previous quarter. Unsurprisingly the private sector (5%) has seen much faster growth than the public sector (fall from 3% to 2% from previous quarter). Neither are particularly positive in comparison with the current rate of inflation, which stands at 10.5% and the failure to keep pace with the cost of living continues to fuel strained industrial relations. ONS figures showed that there were 843,000 working days lost to strikes in December 2022, the highest number in more than 10 years.

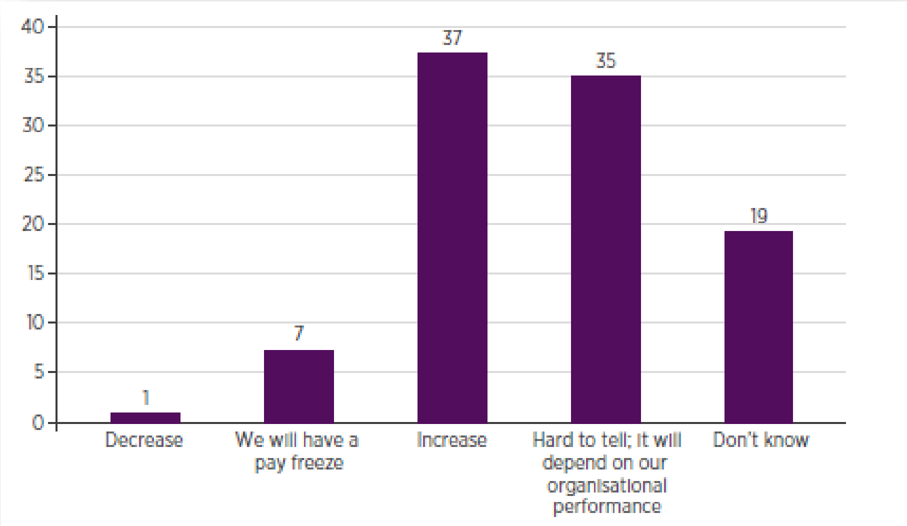
The CIPD indicates that of those employers planning a pay review, an increase in pay is the most common response at 37%. A similar proportion (35%) think it is hard to tell (dependent on organisational performance), and one in five (19%) do not know. 7% expect a pay freeze and only 1% expect a decrease.

However, according to the February ONS report, early estimates for January 2023 indicate that median monthly pay was £2,187, which is an increase of 6.8% compared with the same period of the previous year.

## 5.1 CIPD Analysis

Of those employers planning a pay review, an increase in pay is the most common response at 37%. A similar proportion (35%) think it is hard to tell, and one in five (19%) do not know. 7% expect a pay freeze and only 1% expect a decrease (see Figure 13).

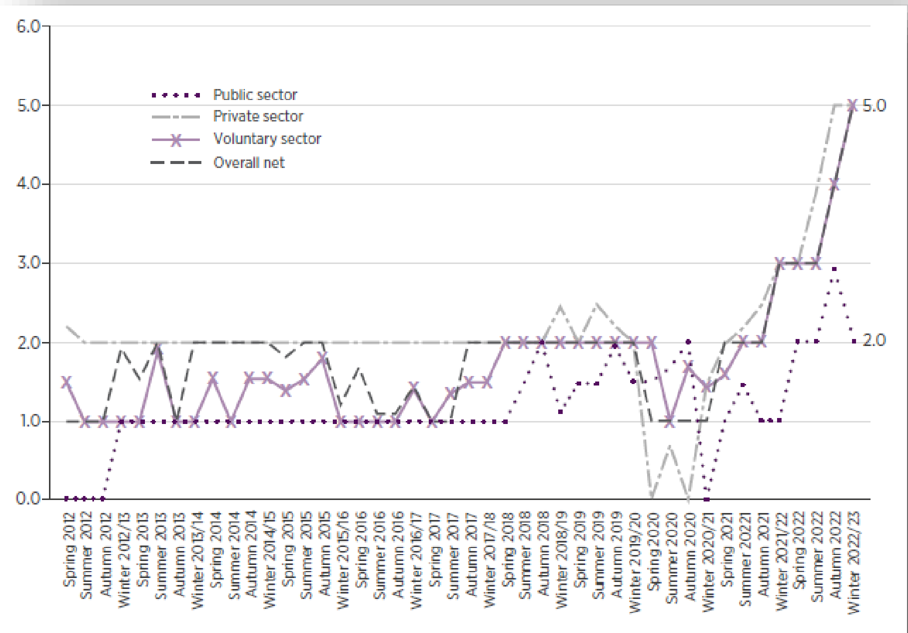
**Figure 13: Employers' expected direction of pay award (%)**




Base: winter 2022/23, all employers planning a pay review in the next 12 months (n=1,714).

The median expected basic pay increase stands at 5% for all employers, the highest overall net figure in the labour market outlook's current time series dating back to 2012. This is up from 4% in the previous quarter. Expected pay awards in both the private sector and voluntary sector also stand at 5%, with the remaining at the same level as the previous quarter. The figure for the public sector has fallen to 2%, down from 3% in the previous quarter. Both are stark in comparison with the current rate of CPI inflation, which stands at 10.5% (see Figure 14).

**Figure 14: Median basic pay increase expectations – median employer**

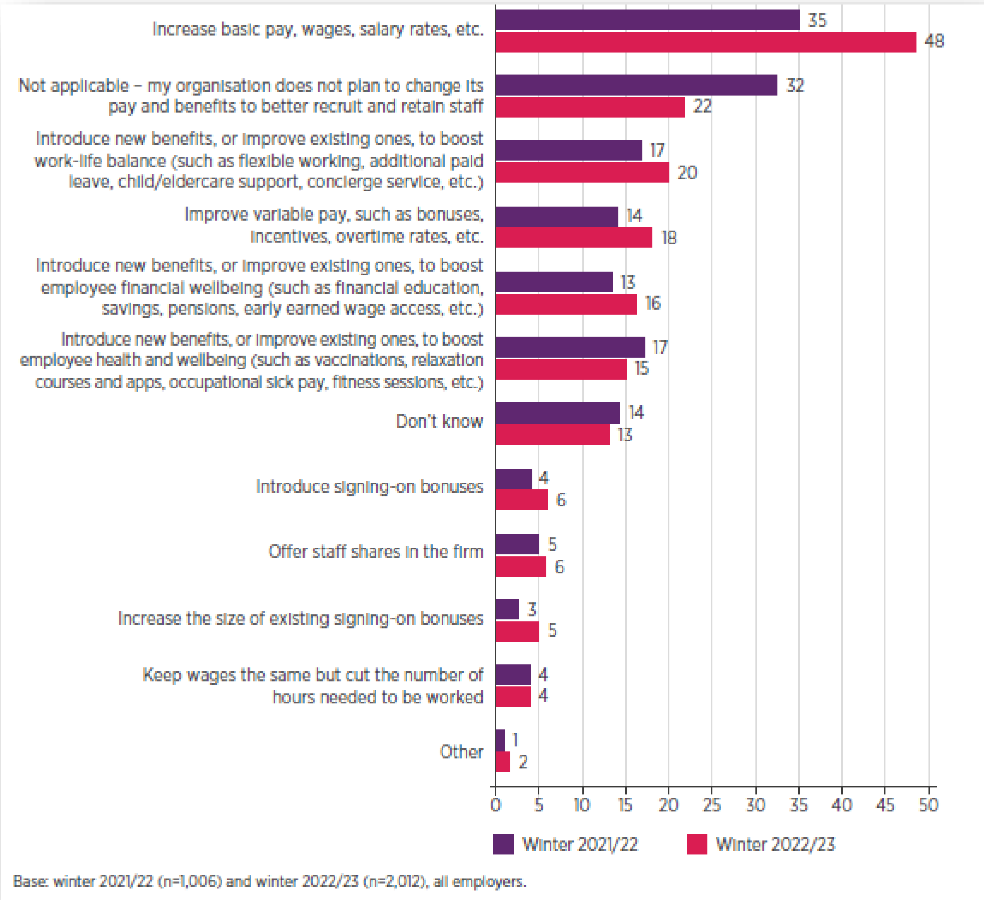



Base: winter 2022/23, all employers expecting and able to estimate a pay award (n=786; private: n=582; public: n=130; voluntary: n=74).

NOTE: 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.

One year ago, 35% of employers said they plan to raise pay in order to better recruit and retain staff. Now half (48%) of employers plan to do so, as the jostle for talent continues. A third (32%) of organisations last year were not planning to change their pay and benefits to recruit and retain staff; this has now fallen to just one in five employers (22%).

**Figure 15: Planned actions with regards to pay and benefits to better recruit and retain staff in the next 12 months**

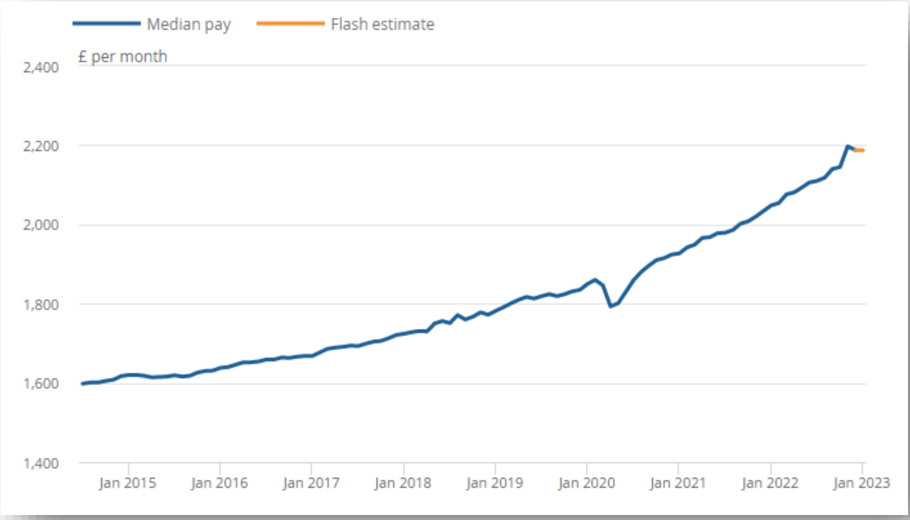



## 5.2 ONS Analysis

Early estimates for January 2023 indicate that median monthly pay was £2,187, which is an increase of 6.8% compared with the same period of the previous year (Figure 16).

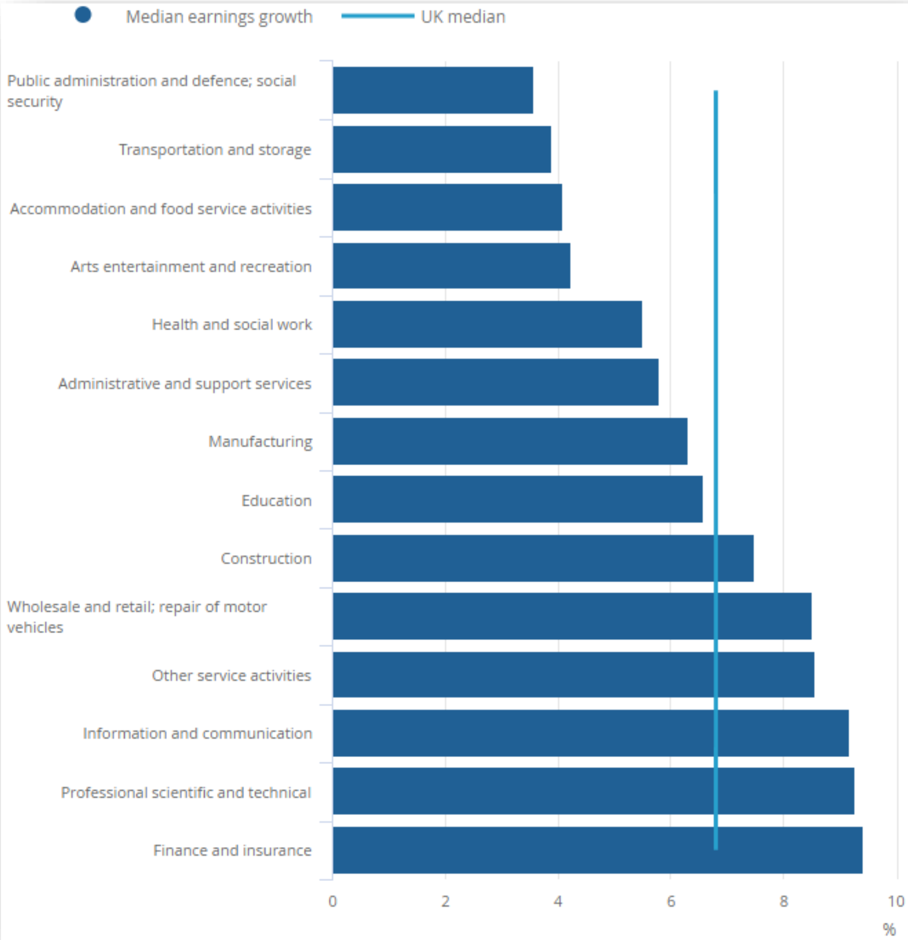
While the general trend of pay growth is dominated by those continually employed, the mean pay of people entering the labour market (referred to as inflows) tends to be around 40% lower than the mean pay for those continually employed. This means that inflows into payrolled employment tend to bring down average pay and average pay growth. As inflows were relatively low between June and December 2020, this reduced the downward pressure on pay growth, which in turn increased median pay growth.

**Figure 16: Median pay per month, seasonally adjusted, UK, July 2014 to January 2023**




The increase in payrolled employees between January 2022 and January 2023 was largest in the health and social work sector (a rise of 143,000 employees) and smallest in the wholesale and retail sector (a fall of 11,000 employees). Compared with the same month in the previous year, median pay grew fastest in the finance and insurance sector (positive 9.4%) and slowest in the public administration sector (positive 3.6%).

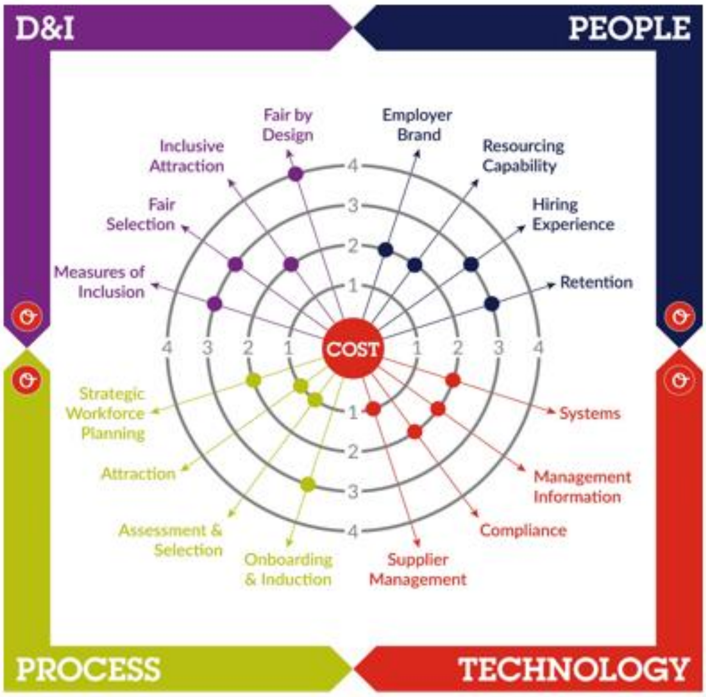
**Figure 17: Percentage change on same month in previous year, seasonally adjusted, UK, January 2023**



# 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

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