UK Resourcing Market Insight Summary September 2023

About this report

The September 2023 UK Resourcing - Market Insight Summary (produced quarterly) provides forward-looking labour market data and analysis on employers' recruitment, redundancy and pay intentions and reviews the data from publicly available sources to supply a snapshot of the current recruitment market.

The key sources of information are: CIPD ([1]), Office for National Statistics (ONS) ([2]), APSCo (Association of Professional Staffing Companies) ([3]), and Indeed ([4])

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 Summer: 2023
([2]) ONS - Labour Market Overview, UK: August 2023
([3]) APSCo – Recruitment trends snapshot August 2023
([4]) Indeed – August 2023 UK Labour market update

Foreword

Our latest Market Insight Report shows a modest downwards shift in recruitment intentions, potentially in response to the continued salary pressures, and more organisations are looking to potentially make redundancies.

Job vacancy numbers continue to fall; however, organisations are still reporting increased numbers of hard-to-fill vacancies. Organisations report the increased hard-to-fill roles are due to wage expectations and lack of skills availability. Organisations report balancing the need to increase the responsibility of employees, without there potentially being consequences, for example, increased number of sick days or increased turnover.

The CIPD's Labour Market Outlook report, included research around the increased number of counteroffers organisations are offering employees to keep them in the business. Over 64% of organisations would look to counteroffer, putting prospective employers in a frustrating position. It is clear, now more than ever, that employee experience is paramount. Counteroffers are a short-term solution and if employees stay instead of moving to a new employer, evidence is showing that they're looking to move on within 12 months. Prospective employers need to focus on delivering a great candidate experience and really understanding a candidates' motivators to ensure conversations are focused beyond salary and benefits. Engaging through the onboarding process is also essential, along with approaching the conversation around counteroffers directly.

Interestingly the employment rate has taken a dip; alongside an increase in the number of people unemployed for up to 6 months, which is the largest increase since August to October 2022. This increase, alongside the labour market flows data, suggests that it is taking longer for those leaving economic inactivity to find work than in recent periods.

Questions to solve the skills gap include: Are organisations really doing enough to attract the talent they need? Are we thinking about diversifying our criteria to widen the potential talent pool?

With salaries on the increase, alongside hard-to-fill vacancies and organisations willing to counteroffer their talent to stay, organisations are having to work harder than ever to attract the talent they need.

Louise Shaw, Managing Director, Omni

Executive Summary

1. Recruitment Intentions

Recruitment intentions stay above pre-pandemic levels; however, they are continuing to fall following the peak of autumn 2021.

Similarly, to our last quarterly report in June 2023, CIPD research finds that recruitment intentions continue to remain positive across most sectors. 73% of employers intend to recruit in the next 3 months, a slight increase on our last report, with those in the public sector (83%) at the top, closely followed by voluntary sector (76%) and the private sector (70%). Both the private sector and voluntary sector have seen an increase from the previous quarter.

The Construction industry remains at the top of the list with the highest net employment balance of +44, slightly down from the previous quarter; however, the biggest change and largest drop in recruitment intentions are within 2 industries, public administration and other public sector, which have fallen from a net employment balance of +15 in the previous quarter to just +2 this quarter.

Overall, the net employment balance stays steady at + 28, up 1 from the previous quarter.

2. Redundancies

The number of people reporting redundancies has risen from the previous quarter.

Overall, 19% of employers report planning to make redundancies, a slight increase from 17% the previous quarter. As with recruitment intentions, the notable shift, according to the CIPD, is the rise in expected redundancies in the public sector, from 12% to 20%. This could be a direct response to the noted highest increase in pay for the public sector reported in the previous quarter.

In April to June 2023, the number of people reporting redundancy in the three months prior to interview increased by 0.9 per thousand employees compared with the previous quarter, to 3.8 per thousand.

Executive Summary

3. Job Vacancies

The number of job vacancies decreased for the 13th consecutive period (quarter) down by 6.0% from February to April 2023, however, remain above pre-coronavirus levels.

Vacancies fell by 66,000 (from February - April 2023 to May – July 2023), with numbers decreasing in 13 out of the 18 industry sectors reported by ONS, down to a total of 1,020,000 vacancies. The industries showing the largest falls were professional scientific & technical activities and administrative and support services which fell by 13.2% and 12.7% respectively.

Indeed report employers added 187,000 new jobs in August, but downward revisions to June and July's data resulted in the three-month average gains dropping to 150,00.

APSCo Recruitment Trends report also showed an 8% month on month decrease in vacancies and 25% year on year. Contract vacancies were up 1% month on month but down 27% year on year.

According to the CIPD, 44% of employers have hard-to-fill vacancies which is a slight increase from our earlier report at 42%. Public sector employers are still struggling to find the employees they need, with half (50%) reporting hard-to-fill vacancies. 46% of employers in the voluntary sector have hard-to-fill vacancies, as do a similar proportion (43%) in the private sector.

Education is still at the top of the list of industries reporting hard-to-fill vacancies at 56%. With the second place now going to Transport and Storage at 54%, replacing Healthcare which is now in 5th place.

Indeed are also reporting a decrease in the number of roles stating "remote or hybrid working" over the period June to August 2023. A fall from 16.3% to 14.6, prompting Indeed to state "candidates no longer hold all the power".

Executive Summary

4. Labour Supply

April to June 2023 shows a decrease in the employment rate by 0.1% to 75.7% and a decrease of the same value of economic inactivity to 20.9%.

The UK unemployment rate was estimated at 4.2%, 0.3% higher than the previous quarter and 0.2% above pre-coronavirus pandemic levels.

Economic inactivity continues to be driven by those aged between 50 and 64 years of age; and interestingly, according to ONS, job-to-job flows have fallen from their recent peak, further evidence that there is less movement in the market than previous quarters.

The number of full-time employees decreased during the latest quarter but is still above pre-coronavirus pandemic levels. Part-time employees had generally been decreasing since the beginning of 2022; however, they saw an increase during the latest quarter. The number of self-employed workers fell in the first year of the coronavirus pandemic, and both full-time and part-time self-employed workers decreased in the latest quarter.

Indeed are also reporting a decrease in the number of roles stating "remote or hybrid working" over the period June to August 2023. A fall from 16.3% to 14.6, prompting Indeed to state "candidates no longer hold all the power".

ONS also report for July 2023 the number of pay-rolled employees rose by 1.9% compared to July 2022.

5. Pay

1 in 5 employers say the increases in National Minimum Wage (NMW) and National Living Wage (NLW) have largely affected their wage bill.

Overall early estimates for July 2023 show that median monthly pay increased by 7.8% compared with July 2022, and increased by 22.3% compared with February 2020.

According to the CIPD Summer Outlook, there is a median expected basic pay increase of 5% in the upcoming quarter. This increase is consistent with the previous two quarters and is still the highest median expected basic pay increase since 2012. Expected pay awards in the private sector have remained at 5% for the previous four quarters. The figure for the public sector has risen from 3.3% last quarter to 4% this quarter.

ONS report average weekly earnings for total pay was £651 and for regular pay was £607, an increase of £9 for both from the previous quarter.

Key Points

64%

Counteroffers

64% of organisations state they will counteroffer

7.8%

Median pay

7.8% increase in median pay - up from 7.4% in the last quarter

0.1%

Employment rate

Employment has taken a slight dip to 75.7% - the first time since 2020

1,020,000

Number of vacancies

Reported between May to July 2023, down 66,000 from previous quarter

Recruitment intentions

Transport and storage - now number 2 on the list of industries with positive recruitment intentions

Redundancies

Rise in expected redundancies within the public sector, from 12% to 20%

Detailed Analysis

1. Recruitment Intentions

Recruitment intentions stay above pre-pandemic levels; however, they are continuing to fall following the peak of autumn 2021.

Similarly, to our last quarterly report in June 2023, the CIPD finds that recruitment intentions continue to remain positive across most sectors. **73% of employers intend to recruit** in the next 3 months, a slight increase on the earlier report with those in the public sector (83%) at the top, closely followed by voluntary sector (76%) and the private sector (70%). Both the private sector and voluntary sector have increased on the previous quarter.

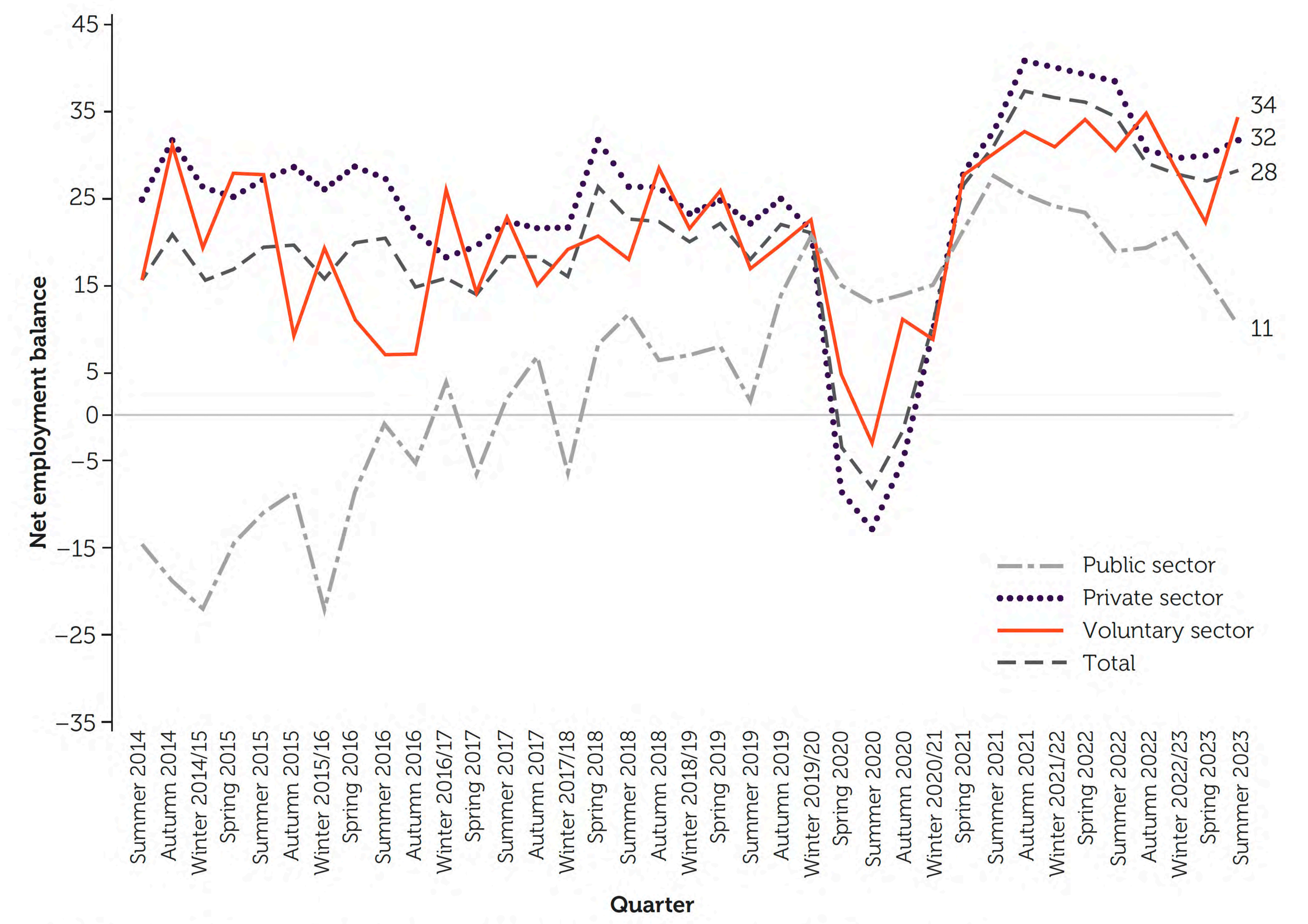
The Construction industry remains at the top of the list with the highest net employment balance of +44, slightly down from the previous quarter; however, the biggest change and largest drop in recruitment intentions are within 2 industries, public administration and other public sector, which have fallen from a net employment balance of +15 in the previous quarter to just +2 this quarter.

Overall, the **net employment balance** stays steady at **+28**, up 1 from the previous quarter.

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 – is still stable at +28. Net employment intentions stay steady in the private sector at +32, up from +30 in Omni's previous quarterly report. However, they have fallen in the public sector in the most recent quarter, from +16 to +11, and have risen in the voluntary sector (from +22 to +34). (Figure 1)

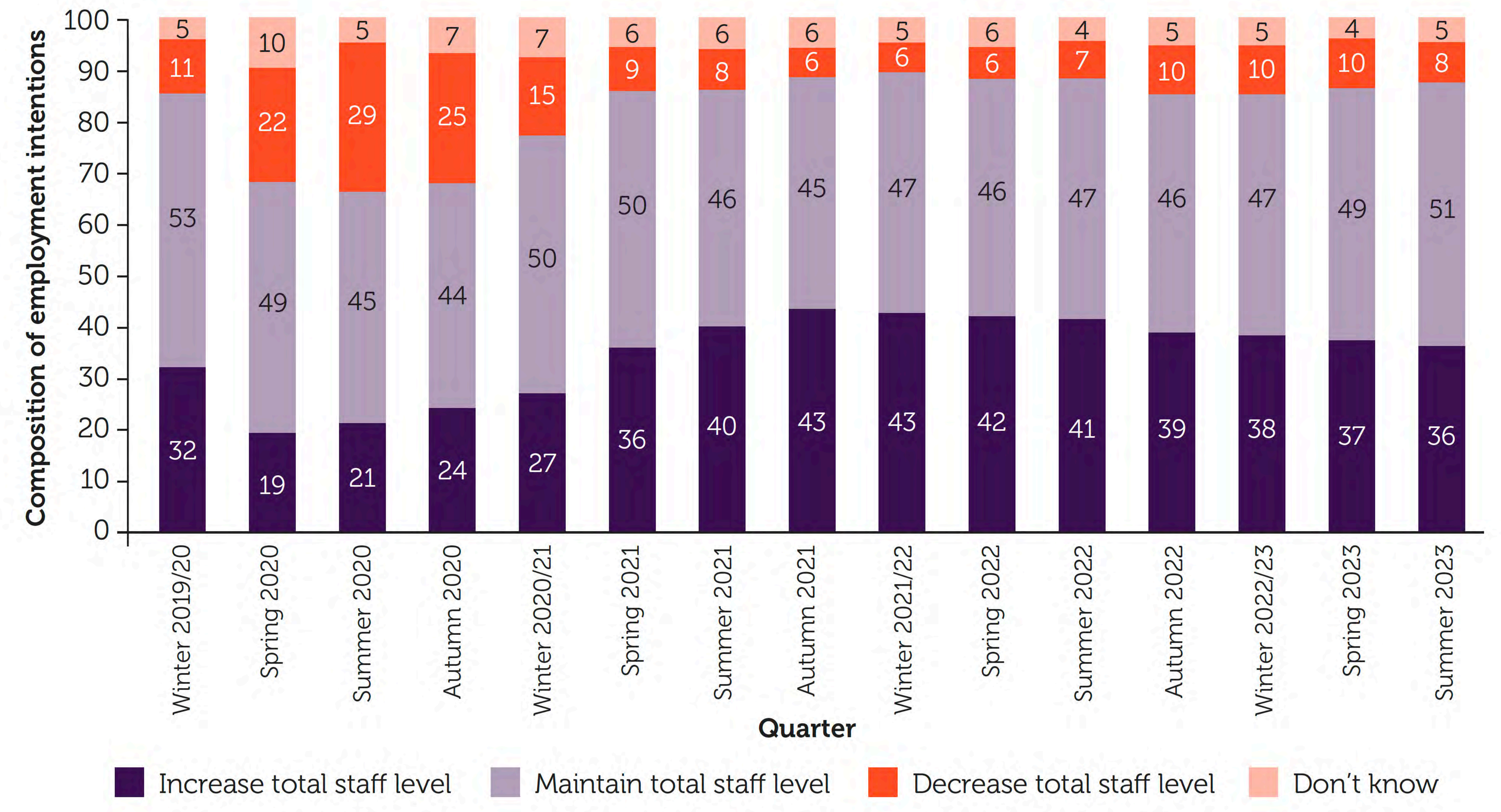
Figure 1: Net Employment Balance



Base: summer 2023, all employers (total: n=2,003; private: n=1,486; public: n=362; voluntary: n=155).

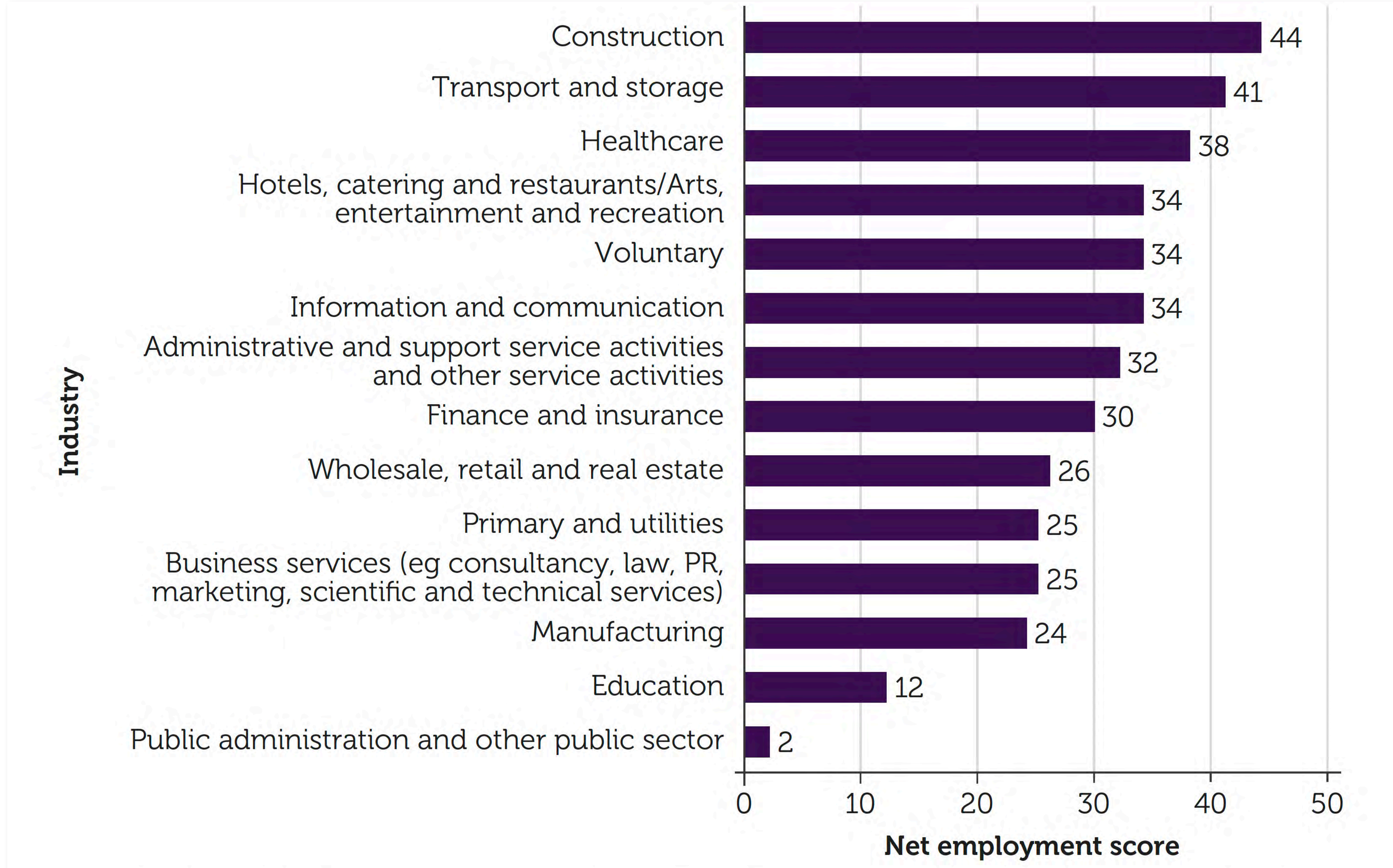
The positive net employment balance is driven by employers looking to hire staff (36% - down slightly from 37% the previous quarter), with very few looking to decrease total staff levels (8%). This is unchanged from previous quarters (see Figure 2).

Figure 2: Composition of employment intentions (%)



Base: summer 2023, all employers (total: n=2,003).

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



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

Employment intentions stay positive in all industries (see Figure 3), but two industries stand out. The net employment balance in public administration and other public sector has fallen from +15 in the previous quarter to just +2 in summer 2023. 17% of employers in this sector plan to decrease staff levels over the next three months, which is markedly higher than many other industries. Education is the other industry with a weaker employment outlook – 13% of employers in this sector plan to decrease staff levels over the next three months, above usual trends. This could be driven by several factors including the increase in pay to existing employees, which may be causing these industries to rethink recruitment intentions.

Construction is still at the top of list at 44% although down from the previous quarter at 50%. Transport and Storage has moved to 2nd place from 5th on the previous quarter and Healthcare remains at number 3.

Short-term recruitment intentions continue to be above pre-pandemic levels. Almost three-quarters (73% - up from 70% the previous quarter) of employers plan to recruit in the next three months. Recruitment intentions are still highest in the public sector (83%), despite a decrease in the net employment balance, followed by the voluntary sector (76%) and the private sector (70%) (see Figure 4).

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

Base: summer 2023, all employers (total: n=2,003; private: n=1,486; public: n=362; voluntary: n=155).

2. Redundancies

The number of people reporting redundancies has risen from the previous quarter.

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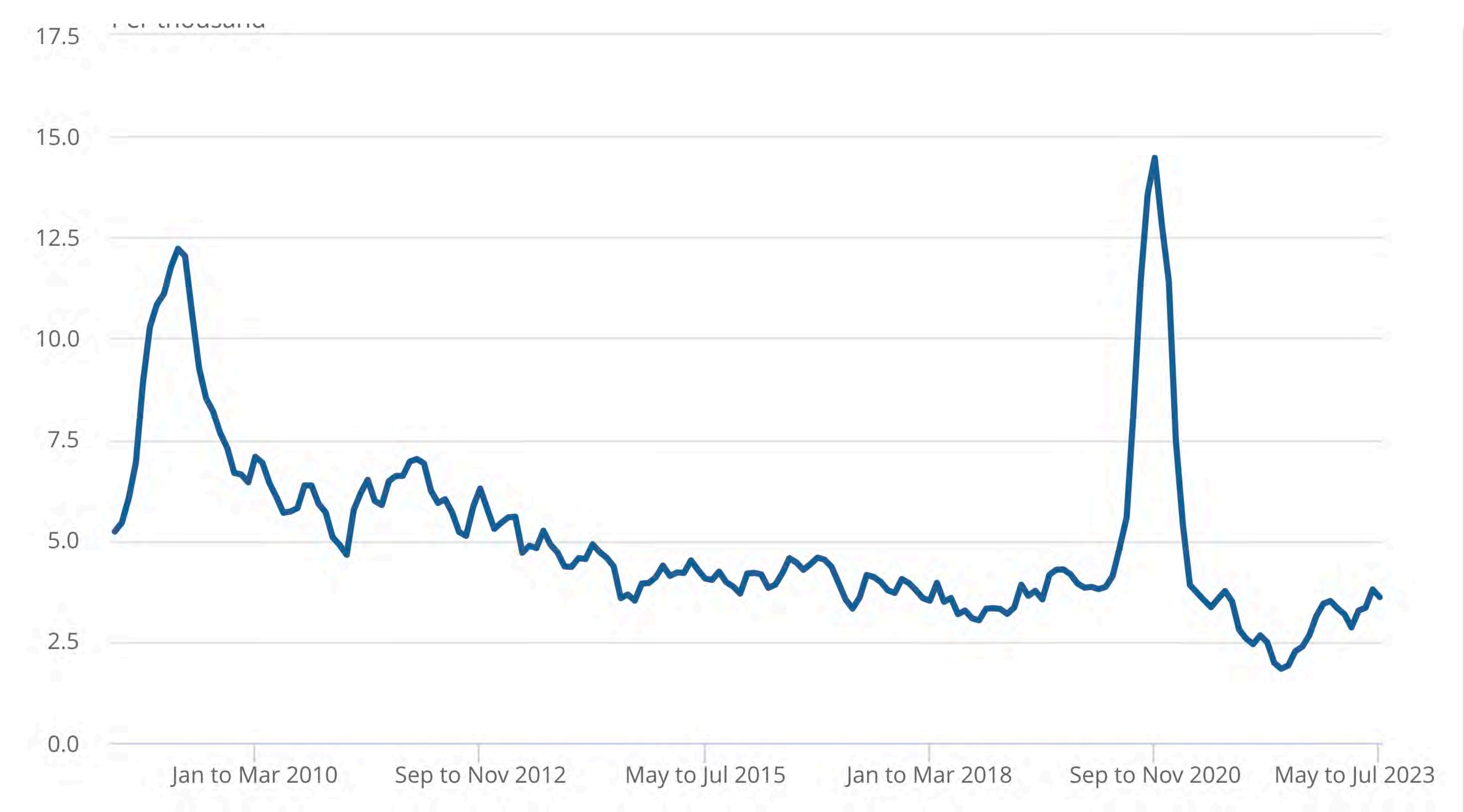
In April to June 2023, the number of people reporting redundancy in the three months prior to interview increased by 0.9 per thousand employees compared with the previous quarter, to 3.8 per thousand.

2.1 ONS Analysis (August 2023 report)

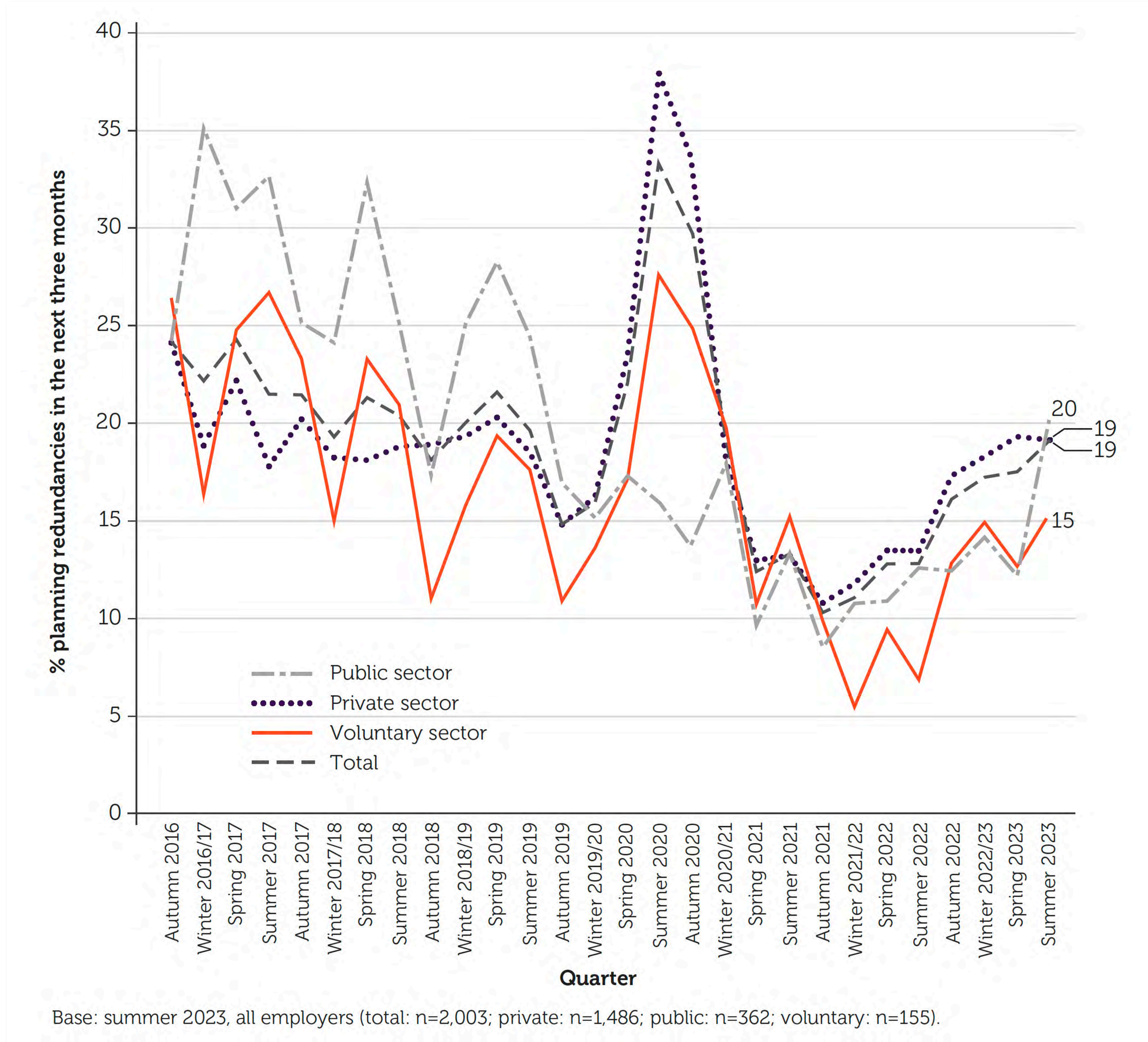
In April to June 2023, the number of people reporting redundancy in the three months prior to interview increased by 0.9 per thousand employees compared with the previous quarter, to 3.8 per thousand employees.

Figure 5: UK redundancy rate, people aged 16 and over seasonally adjusted between January to March 2010 and May to July 2023



2.2 CIPD Analysis

Figure 6: Redundancy intentions, by broad sector (%)



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According to the CIPD, 44% of employers have hard-to-fill vacancies which is a slight increase from the earlier report at 42%. Public sector employers are still struggling to find the employees they need, with half (50%) reporting hard-to-fill vacancies. 46% of employers in the voluntary sector have hard-to-fill vacancies, as do a similar proportion (43%) in the private sector.

Education is still at the top of the list of industries reporting hard-to-fill vacancies at 56%. With the second place now going to Transport and Storage at 54%, replacing Healthcare which is now in 5th place.

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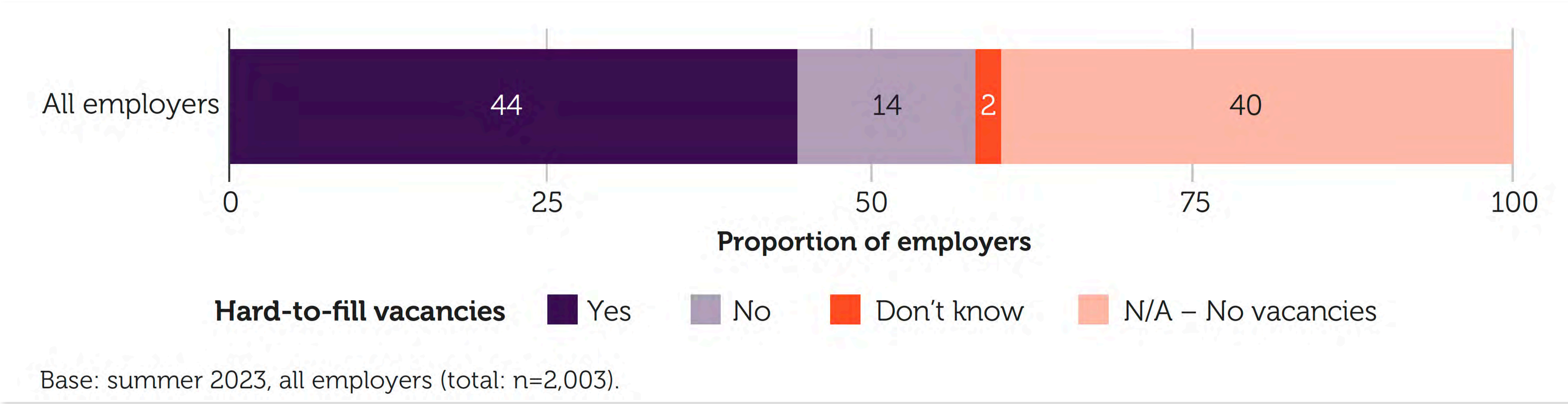
3.1 CIPD Analysis

44% of employers surveyed have hard-to-fill vacancies (see Figure 7). Public sector employers are still struggling to find the employees they need, with half (50%) reporting hard-to-fill vacancies. 46% of employers in the voluntary sector have hard-to-fill vacancies, as do a similar proportion (43%) in the private sector.

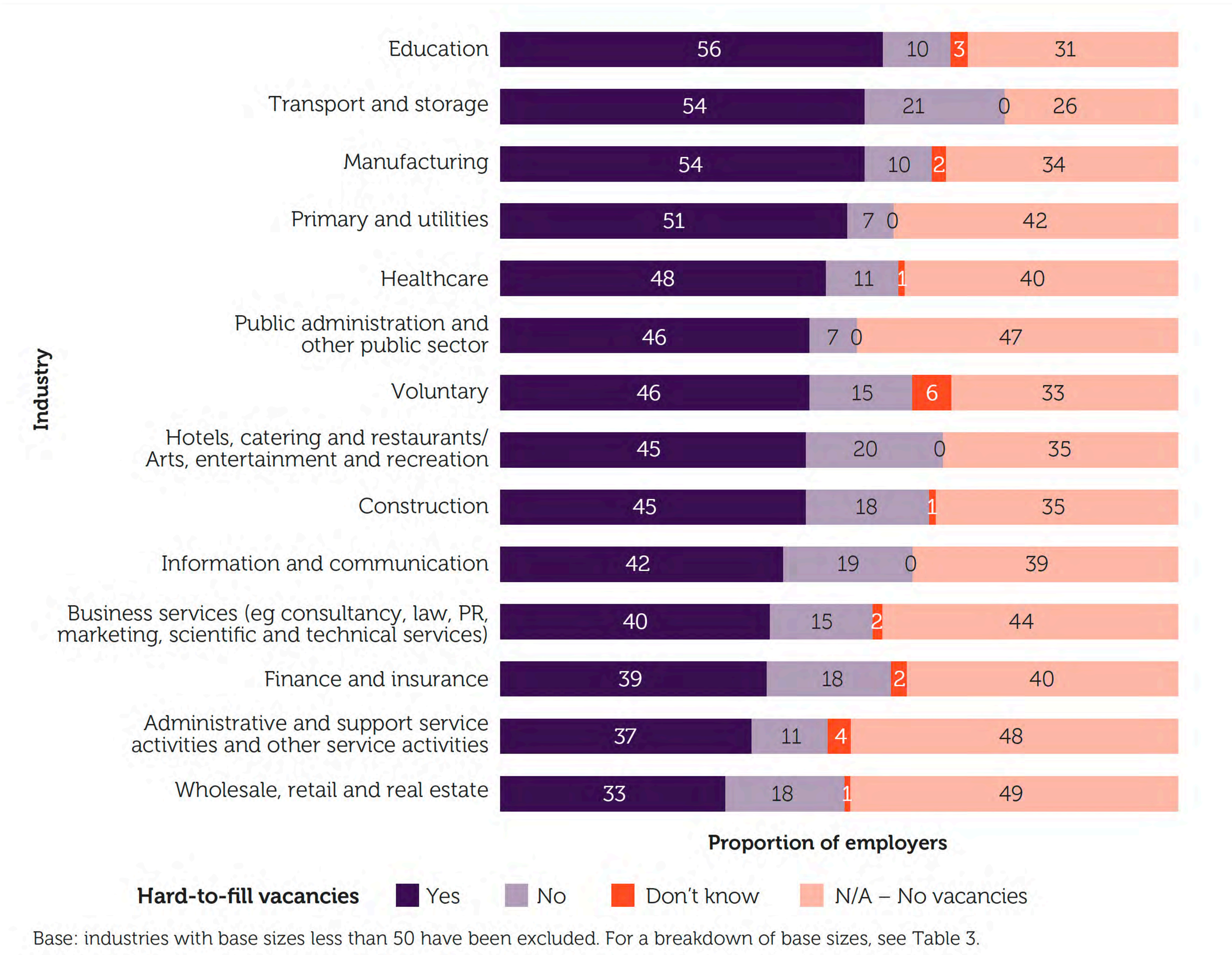
Figure 7: Employers with hard-to-fill vacancies (%)



Hard-to-fill vacancies are most prevalent among employers in education (56%) and transport & storage (54%). Manufacturing and primary & utilities take the 3rd and 4th spot respectively, replacing public administration & other public sector and finance & insurance.

With transport and storage increasing in both intentions to recruit and acknowledging these roles are hard-to-fill, the focus for employers needs to be on workforce planning early and nurturing external and internal talent.

Figure 8: Employers with hard-to-fill vacancies, by Industry (%)



In the next six months, 27% of all employers predict significant problems in filling vacancies, and a further 36% expect minor problems. A higher level of public sector employers (43%) anticipate significant problems in filling roles than private sector (24%) and voluntary sector (21%) employers. This is an interesting point to note, considering reports are also showing those in the public sector are planning to decrease employee levels, which may make it more difficult to recruit into these hard-to-fill roles.

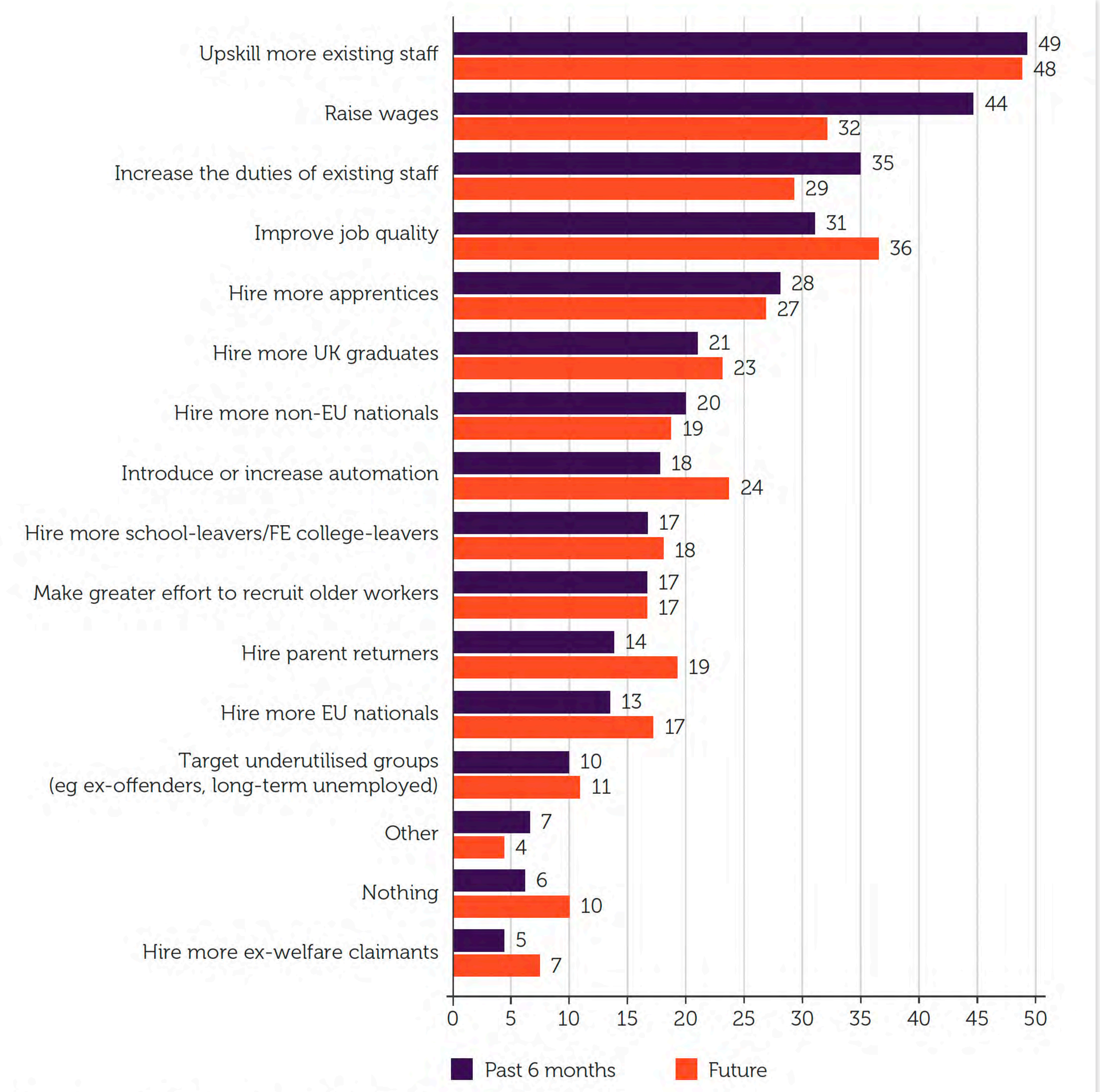
Half (49%) of employers have responded to hard-to-fill vacancies by upskilling their existing employees. As with previous quarters, many employers have had to raise wages (44%) and increase the duties of existing employees (35%) in the past six months. However, in the future, fewer employers plan to raise wages (32%) to increase the duties of existing staff (29%).

Responding to hard-to-fill vacancies by upskilling staff is higher among employers in the public sector (58%) than in the private sector (47%). However, public sector employers are increasing the duties of existing staff at a significantly higher rate (43%) than private sector employers (32%). Comparatively, fewer public sector employers have been raising wages to address hard-to-fill vacancies (21%) compared with the private sector (50%).

A quarter (24%) plan to address hard-to-fill vacancies by introducing or increasing automation in the future, compared with 18% of employers who have done so in the last six months.

Skills shortage vacancies among employers with hard-to-fill vacancies were most common in business services (60%), construction (55%) and finance an insurance (53%).

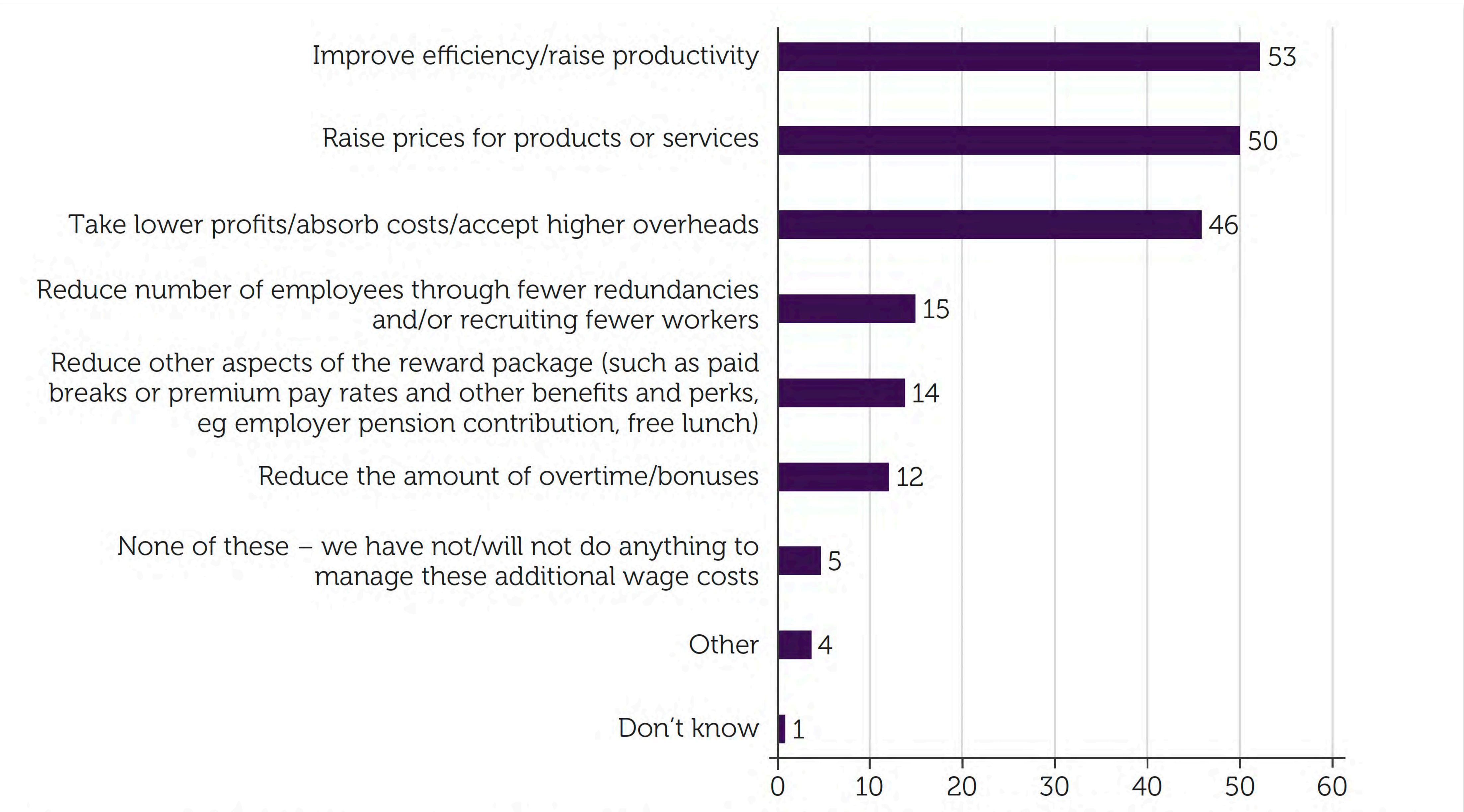
Figure 9: Employers' planned response to hard-to-fill vacancies (%)



Base: summer 2023, all employers with hard-to-fill vacancies (n=817).

Of employers who plan to raise wages in response to hard-to-fill vacancies, half (53%) plan to improve efficiency or raise productivity. A similar level plan to raise prices for products or services (50%) or take lower profits/absorb costs/accept higher overheads (46%).

Figure 10: Employers' planned response to mitigating wage rises in response to hard-to-fill vacancies (%)



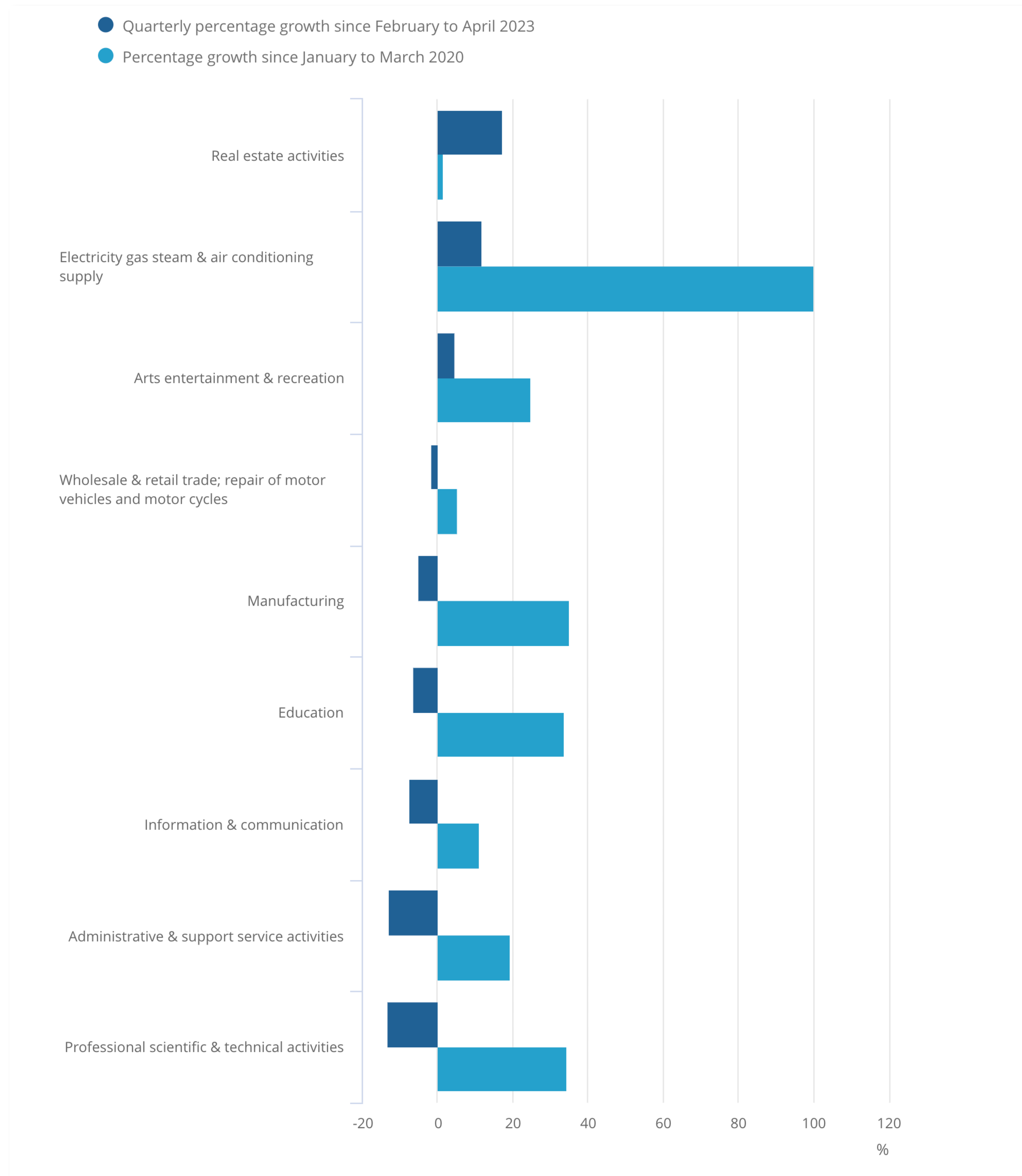
Base: summer 2023, all employers with hard-to-fill vacancies who have already raised, or plan to raise, wages in response (n=410).

3.2 ONS Analysis

In May to July 2023, the estimated number of vacancies fell by 66,000 on the quarter to 1,020,000, the 13th consecutive period to see a quarterly fall since May to July 2022. This figure is down by 6.0% from February to April 2023, with vacancies falling in 13 of the 18 industry categories.

The industries showing the largest falls were professional, scientific and technical activities and administrative and support service activities which fell by 13.2% and 12.7%, respectively. The sectors showing the strongest growth were real estate activities and electricity, gas, steam and air conditioning supply growing by 17.4% and 11.9% respectively. Notably, the combined growth across the five industries where vacancies increased this quarter was only 4,600, with real estate contributing the most with 2,100 vacancies. (Figure 11)

Figure 11: In May to July 2023 the rate of quarterly growth fell in the majority of industry sectors



When comparing May to July 2023 with the same time last year, total vacancies decreased by 256,000 (20%). The largest falls were in accommodation and food service activities and professional, scientific and technical activities, which were down by 47,000 and 38,000, respectively. However, despite persistent falls in the number of vacancies over the last year, the total number of vacancies are still 219,000 above January to March 2020 pre-coronavirus (COVID-19) levels, with human health and social work activities showing the largest increase, at 46,000.

In April to June 2023 the number of unemployed people per vacancy was at 1.4, up from 1.2 in the previous quarter. While this ratio is still low by historical standards, this quarterly increase suggests a slight easing of recent tightness in the labour market. This follows consecutive falls in vacancy numbers and increases in the number of unemployed people.

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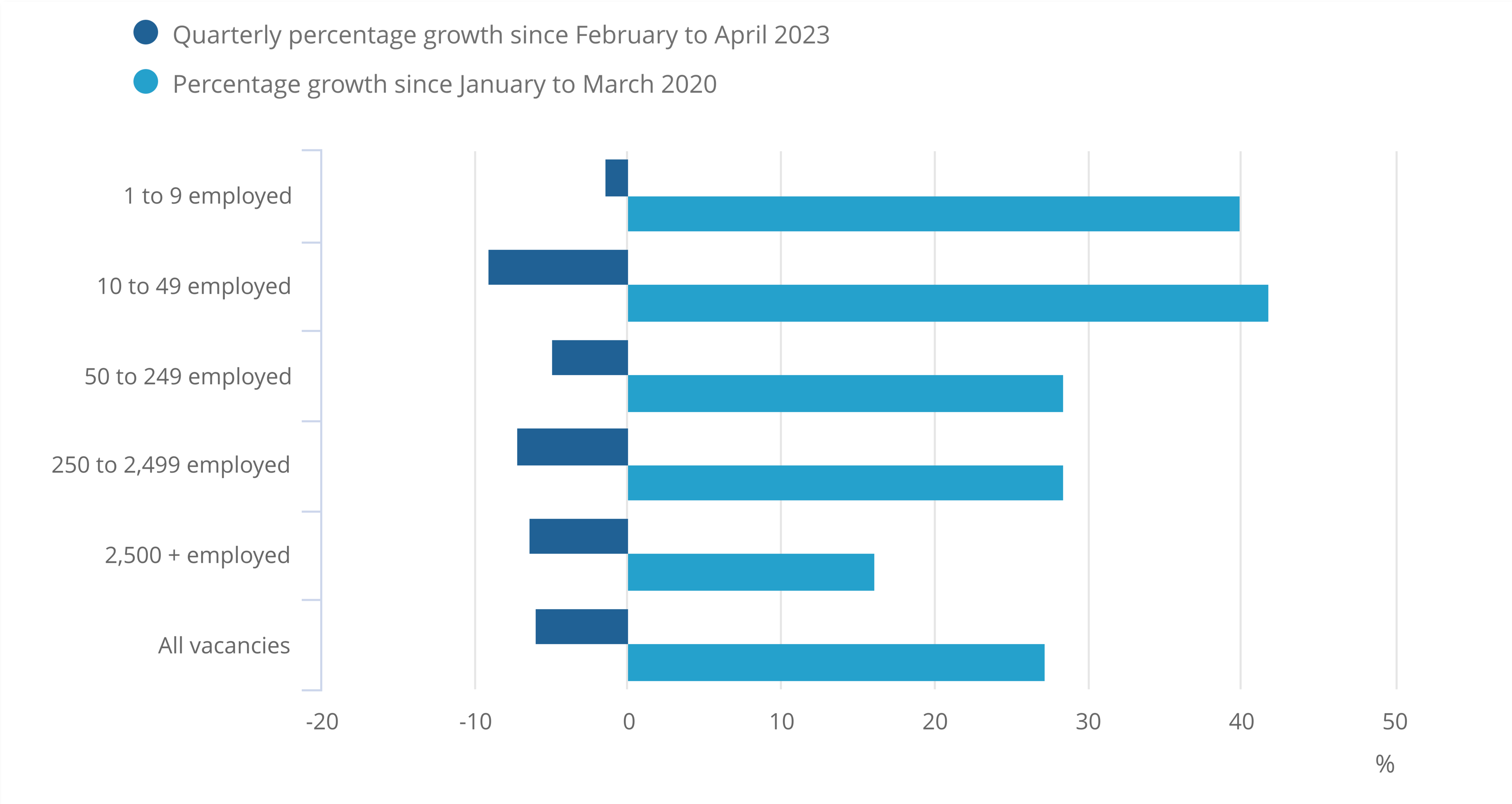
Figure 12: May - July 2023 three-month average vacancies in the UK, quarterly growth from November 2022 to January 2023 and growth from pre-coronavirus (COVID-19) pandemic levels in January to March 2020



ONS estimates stay the same as the previous quarter with updates coming through in a few weeks: the number of workforce jobs for December 2022 was a record high of 36.4 million, an increase of 211,000 jobs since September 2022 and an increase of 744,000 since December 2019.

The total number of jobs includes both employee jobs and self-employment jobs, with both components increasing in the quarter to December 2022. Employee jobs in December 2022 were at a record high of nearly 32 million, 1.25 million above their December 2019 pre-coronavirus (COVID-19) pandemic level. However, this rate of growth has not been seen in the self-employment jobs, which remain 536,000 below December 2019 levels.

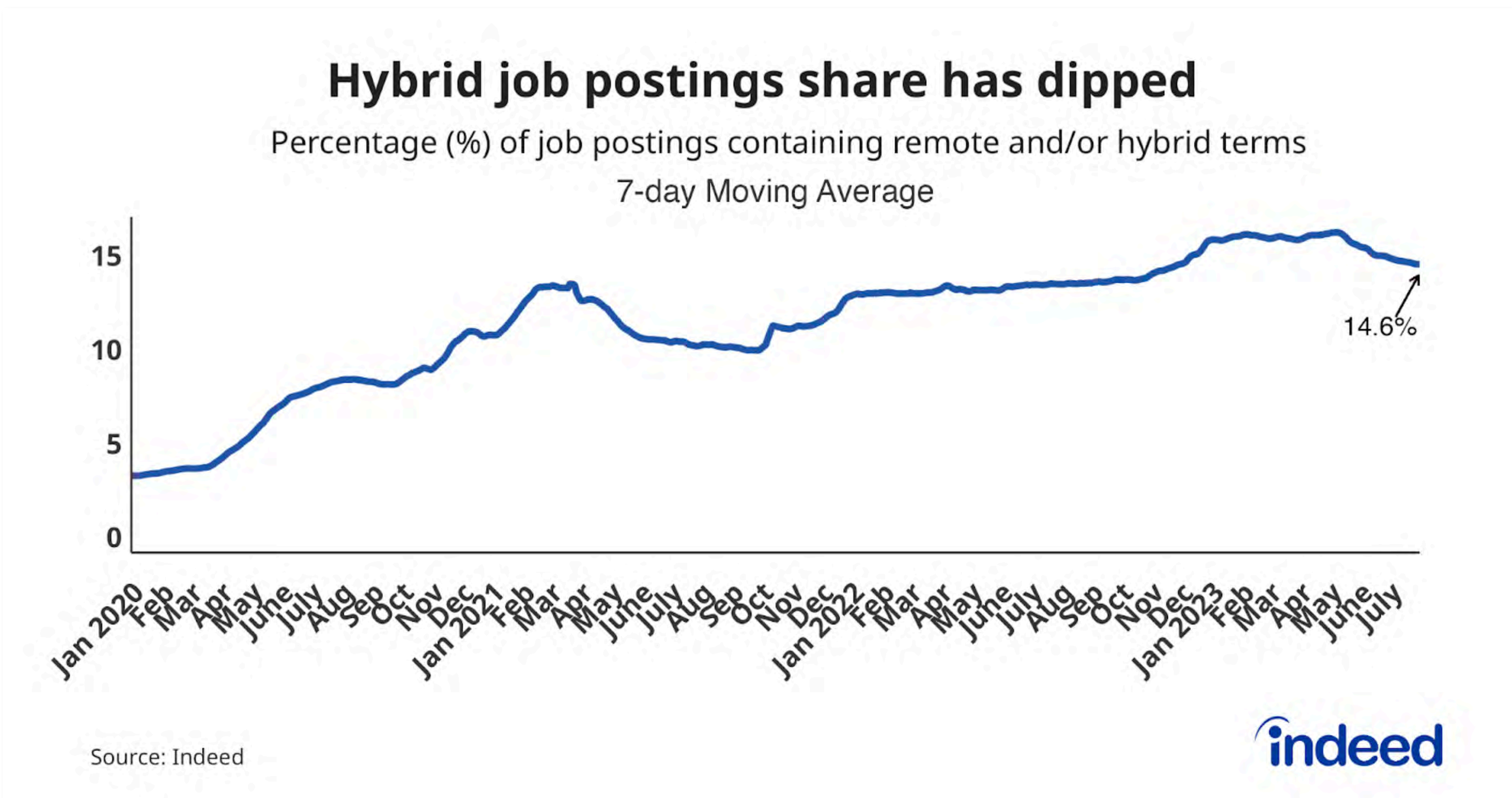
The growth in employee jobs up to December 2022 can also be seen in the number of pay-rolled employees.

Across industries the recovery has varied, with 9 of the 20 the sectors still below their pre-pandemic levels in December 2022. The sectors showing a substantial number of job losses (wholesale and retail trade; repair of motor vehicles and motorcycles, and construction) have been offset by large gains in the sectors human health and social work; professional, scientific and technical activities; and transport and storage.

3.3 Indeed Analysis

Indeed data shows the share of job postings mentioning remote or hybrid terms appears to have topped out and has fallen from 16.3% to 14.6% over the past three months. That could be a sign of employers being less likely to accommodate worker preferences amid a labour market that, while still tight, is less challenging from a recruitment perspective than a few months ago.

Figure 13: Job postings on Indeed, UK.



4. Labour Supply

April to June 2023 shows a decrease in the employment rate by 0.1% to 75.7% and a decrease of the same value of economic inactivity to 20.9%.

The UK unemployment rate was estimated at 4.2%, 0.3% higher than the previous quarter and 0.2% above pre-coronavirus pandemic levels.

Economic inactivity continues to be driven by those aged between 50 and 64 years of age; and interestingly, according to ONS, job-to-job flows have fallen from their recent peak, further evidence that there is less movement in the market than previous quarters.

The number of full-time employees decreased during the latest quarter but is still above pre-coronavirus pandemic levels. Part-time employees had generally been decreasing since the beginning of 2022; however, they saw an increase during the latest quarter. The number of self-employed workers fell in the first year of the coronavirus pandemic, and both full-time and part-time self-employed workers decreased in the latest quarter.

ONS also report for July 2023 the number of pay-rolled employees rose by 1.9% compared to July 2022.

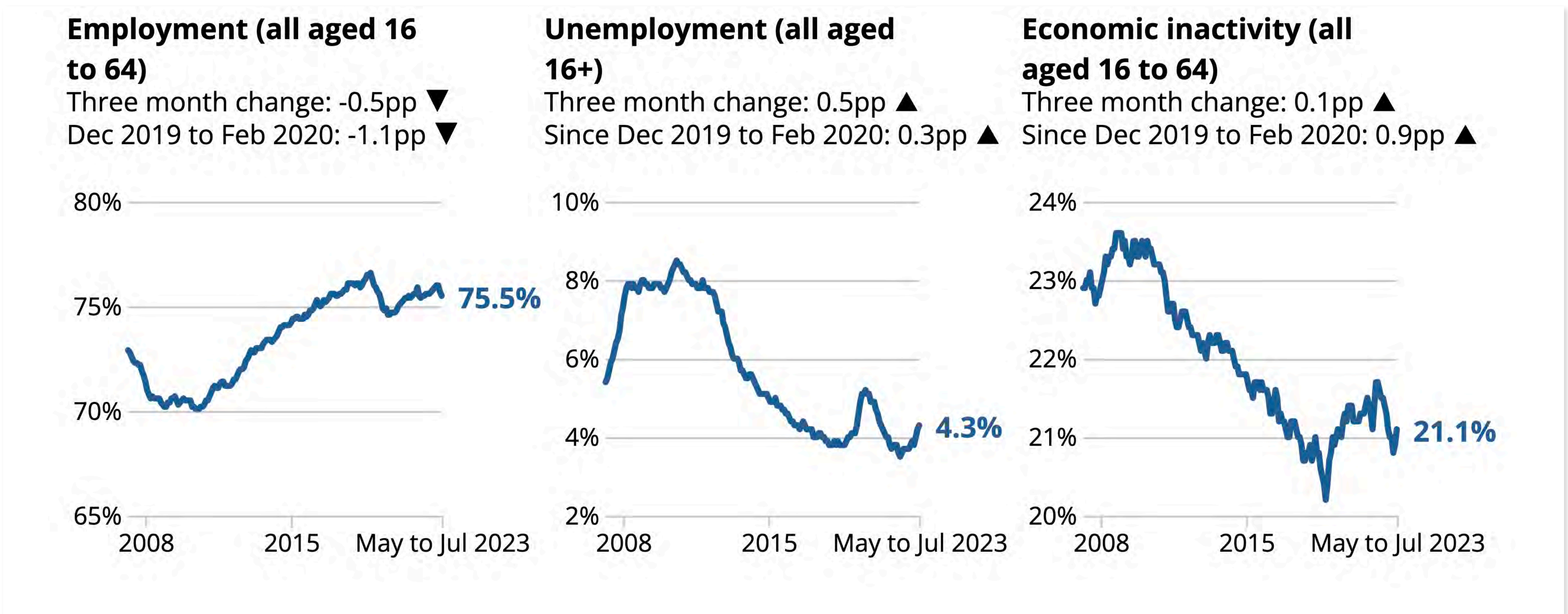
4.1 ONS Analysis (August report)

Estimates for April to June 2023 show decreases in the employment and economic inactivity rates compared with the previous quarter (January to March 2023), while the unemployment rate increased.

The UK employment rate was estimated at 75.7%, 0.1% lower than the previous quarter and 0.8% lower than before the coronavirus (COVID-19) pandemic (December 2019 to February 2020). The UK unemployment rate was estimated at 4.2%, 0.3% higher than the previous quarter and 0.2% above pre-coronavirus pandemic levels.

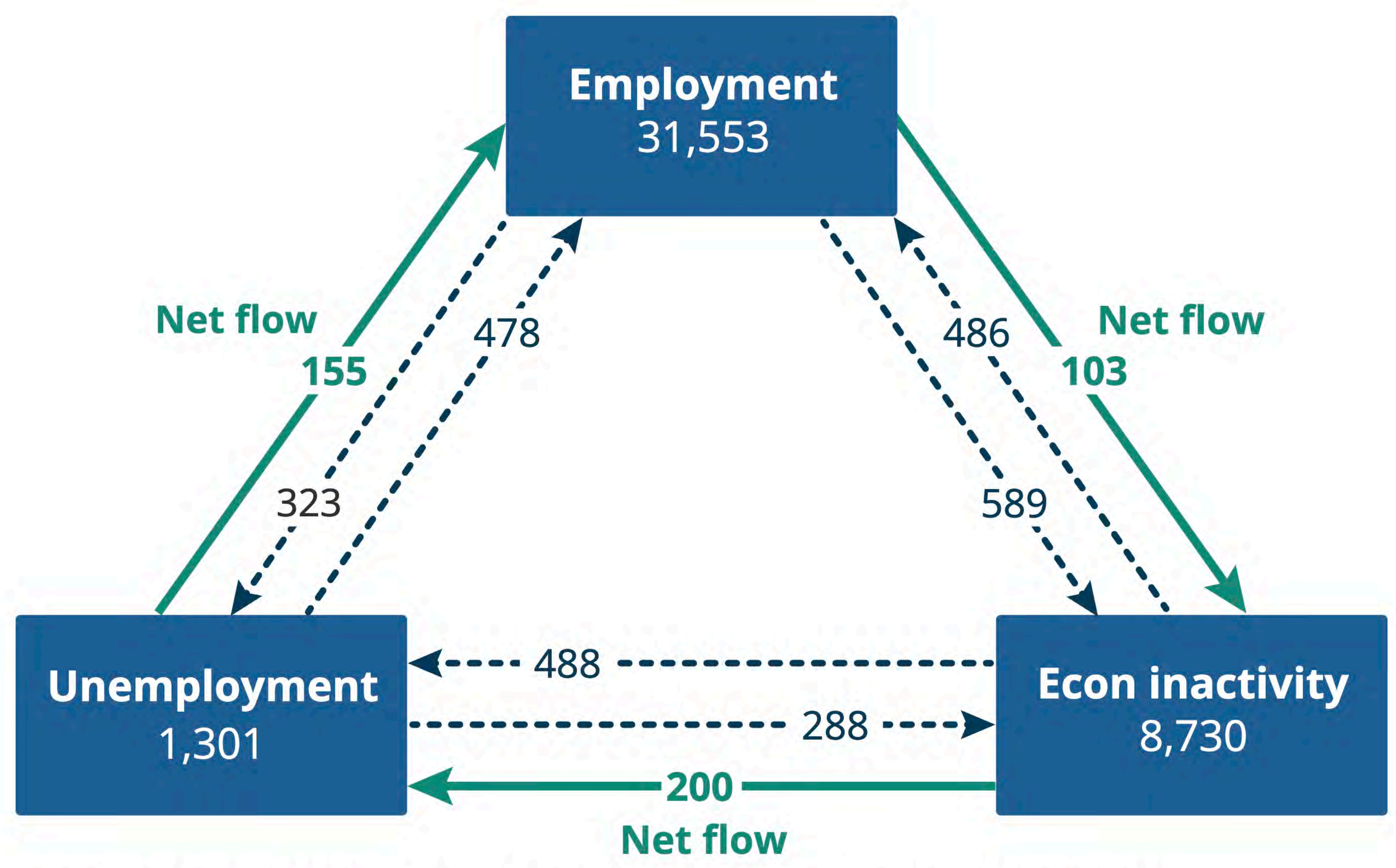
The UK economic inactivity rate was estimated at 20.9%, 0.1% lower than the previous quarter and 0.7% higher than before the coronavirus pandemic. January to March 2023 estimates show increases in the employment rate and the flows estimates show that, between January to March 2023 and April to June 2023, the net movement from employment to economic inactivity was the largest since October to December 2020 (Figure 15). This was driven by fewer people moving from economic inactivity into employment. Those moving out of economic inactivity largely moved into unemployment, with the largest net movement from economic inactivity into unemployment since July to September 2020. This suggests it is taking longer for those leaving economic inactivity to find jobs in this period compared with recent periods.

Figure 14: UK employment, unemployment, and economic inactivity rates, seasonally adjusted, between May to July 2008 and May to July 2023



Additionally, job-to-job flows have fallen from their recent peak. While they continue to be driven by resignations, job-to-job flows because of redundancies have increased to the highest level since October to December 2022.

Figure 15: UK flows between employment, unemployment, and economic inactivity, people aged 16 to 64 years, seasonally adjusted, January to March 2023 and April to June 2023



Source: Labour Force Survey from the Office for National Statistics

Following an increase in the employment rate since early 2012, the rate decreased from the start of the coronavirus (COVID-19) pandemic. There has largely been an increase since the end of 2020, **however in the latest quarter, employment rate decreased and still is below pre-coronavirus pandemic levels.**

The number of full-time employees decreased during the latest quarter but is still above pre-coronavirus pandemic levels. Part-time employees had generally been decreasing since the beginning of 2022; however, they saw an increase during the latest quarter. The number of self-employed workers fell in the first year of the coronavirus pandemic, and both full-time and part-time self-employed workers decreased in the latest quarter.

The number of people in employment with second jobs fell in the first stages of the coronavirus pandemic, but steadily increased thereafter. In the latest quarter, however, the number fell to 1.17 million (3.6% of people in employment).

The unemployment rate had generally been falling from late 2013 until the start of the coronavirus (COVID-19) pandemic. Thereafter it increased until the end of 2020 but had returned to pre-coronavirus pandemic rates. However, the unemployment rate has increased in the latest quarter, with the largest quarterly increase since August to October 2021.

In the latest quarter, the number of people unemployed for up to 6 months increased, with the largest increase since August to October 2022. This increase, alongside the labour market flows data, suggests that it is taking longer for those leaving economic inactivity to find work than in recent periods. Those unemployed for between 6 and 12 months also increased, while those unemployed for over 12 months decreased.

Since comparable records began in 1971, the economic inactivity rate had generally been falling; however, it increased during the coronavirus (COVID-19) pandemic. It decreased in April to June 2023 compared with the previous quarter.

The decrease in economic inactivity during the latest quarter (April to June 2023) was largely driven by those inactive because they were looking after family or home. Meanwhile, those inactive because they were **long-term sick increased to a record high**, and those inactive because they were students also increased.

Early estimates for July 2023 show that there were 30.2 million pay-rolled employees, a rise of 1.9% compared with the same period of the previous year. This is a rise of 578,000 people over the 12-month period. Compared with the previous month, the number of pay-rolled employees increased by 0.3% in July 2023, which is equivalent to 97,000 people.

Early estimates for July 2023 show that there were 30.2 million pay-rolled employees, a rise of 1.9% compared with the same period of the previous year. This is a rise of 578,000 people over the 12-month period. Compared with the previous month, the number of pay-rolled employees increased by 0.3% in July 2023, which is equivalent to 97,000 people.

At the start of 2021, growth rates began to recover, and remained high as the labour market continued to recover from the effects of the pandemic. From April 2022, the annual growth rate has been falling. Through 2022, this fall would have been partially caused by the comparison against the increase in employee numbers from March 2021, which levelled off as we no longer compared against this higher baseline. However, growth rates continued to fall into 2023.

Regional overview
For the three months ending June 2023, the highest employment rate estimate in the UK was for the Southeast (79.1%) and the lowest was for Northern Ireland (71.4%).

The Northeast saw the largest increase in the employment rate compared with the same period last year, increasing by 3.3%, with Scotland seeing the largest decrease of 1.2%.

For the three months ending June 2023, the highest unemployment rate estimate in the UK was for the West Midlands (5.2%) and the lowest was for Northern Ireland (2.7%).

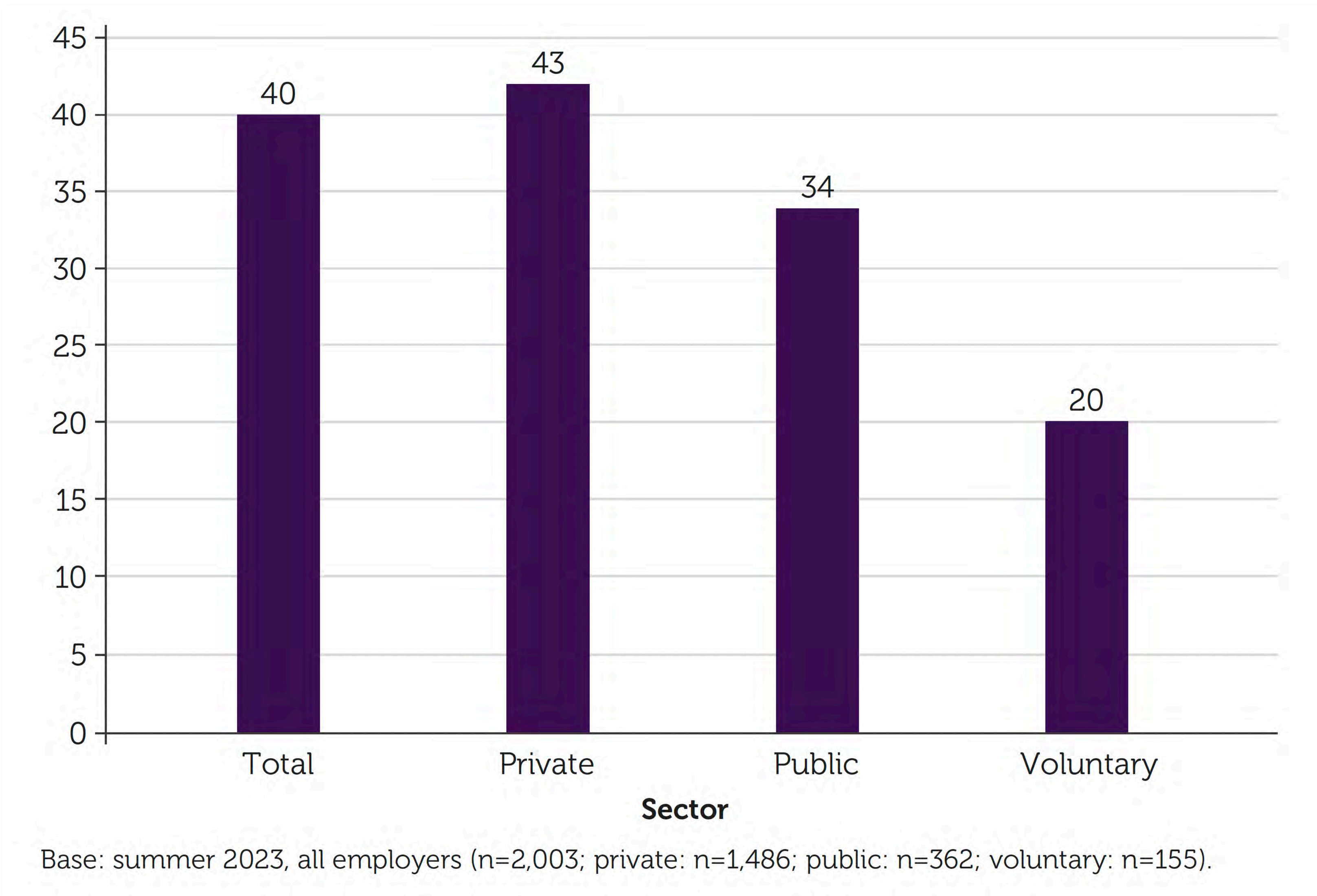
4.2 CIPD Analysis (August report)

The CIPD, as part of their Summer Outlook Report, highlighted some interesting stats about counter offers.

Two-thirds of organisations (64%) give counteroffers, one in five (20%) employers don't, and a further 16% of employers are unsure if they do. This is another sign of the importance of candidate experience and ensuring organisations understand their candidates' real motivations for moving roles. The experience at this point will make the difference between an accepted offer and a decline.

40% of employers have given a counteroffer in the past 12 months. The private sector has used this as a mechanism to keep employees (43%), more than the public (34%) and voluntary (20%) sectors. Just 24% of SMEs have granted a counteroffer in the last 12 months, compared with 58% of large private sector organisations. London is the counteroffer capital of the UK, with 58% of employers based here making counteroffers in the past 12 months.

Figure 16: Employers using counteroffers in the last 12 months, by sector %)

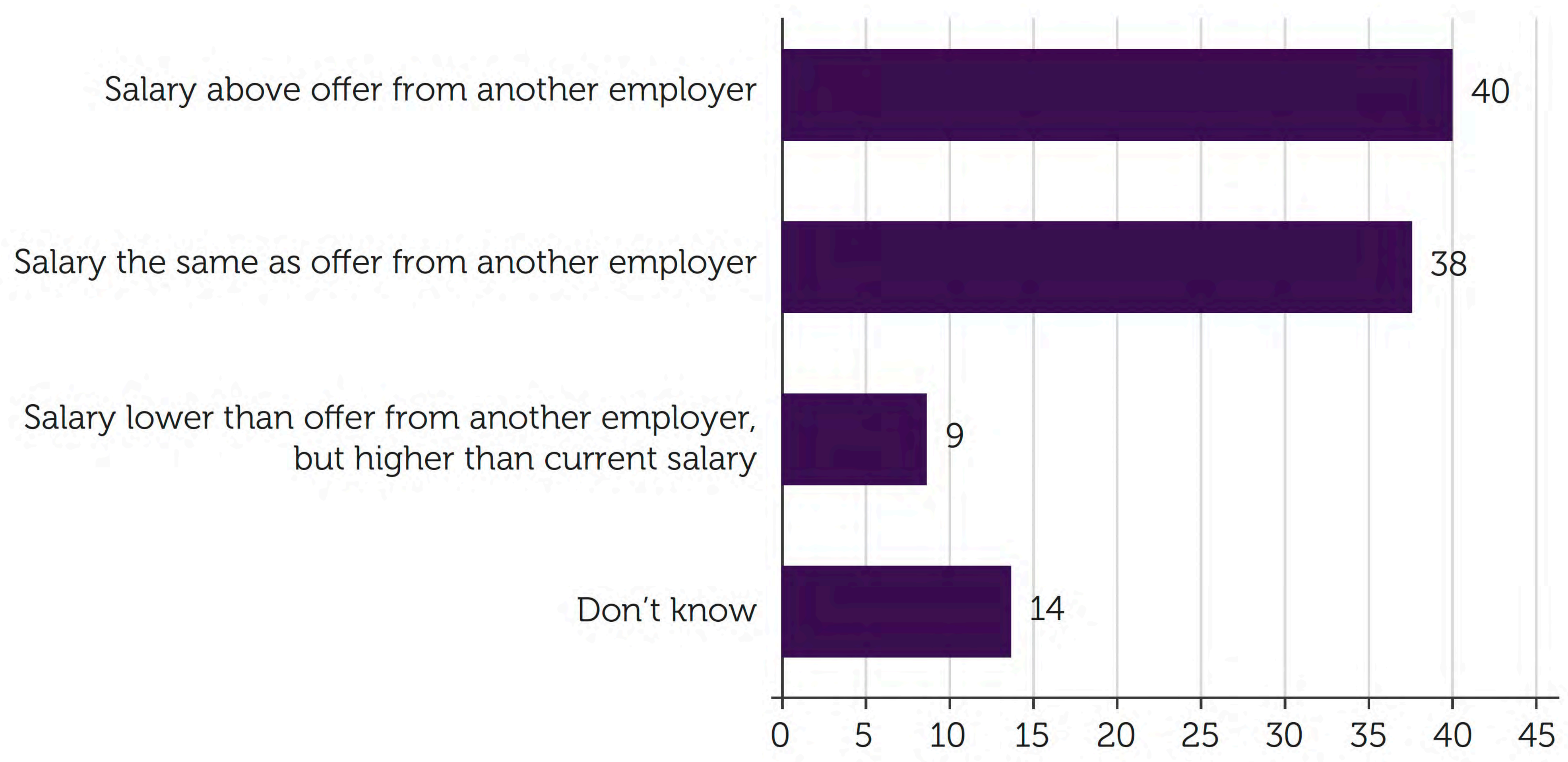


What is clear is that employers are using counter offers more than previous years. Among employers giving counteroffers in the last 12 months, half (51%) have offered a higher number than before, with 40% offering the same level of counteroffers and only 9% offering fewer than previously.

40% of employers who have used counteroffers or plan to in the next 12 months are exceeding offers given by other employers. A similar level (38%) salary-match offers from other employers. Around one in 10 (9%) employers do so, but at a rate below the offer from other employers, but higher than the current salary.

Larger private sector businesses are more likely to offer a salary above the offer of other employers (43%) than SMEs (34%). Those most impacted by the increase in the NMW/ NLW are more likely to match the offer of rival employers (45%) than exceed it (37%).

Figure 17: Value of salary offers in counteroffers (%)



Base: summer 2023, all employers who have used counteroffers or plan to in the next 12 months (total: n=760).

Interestingly counteroffers are seen by employers as more effective than ineffective in keeping employees for 12 months or more. 45% believe it is effective, compared with 29% of employers who believe it is ineffective. This shows the practice may only be valuable as a short-term option, and that employees will move if the wider package (eg workload, autonomy, environment) does not meet their expectations.

Almost all (92%) organisations that have a counteroffer policy say counteroffers are effective. Employers that have been most impacted by the increase in the NMW/NLW say that counteroffers are effective (54%) at keeping staff for 12 months or more.

5. Pay

1 in 5 employers say the increases in National Minimum Wage (NMW) and National Living Wage (NLW) have largely affected their wage bill.

Overall early estimates for July 2023 show that median monthly pay increased by 7.8% compared with July 2022, and increased by 22.3% compared with February 2020.

According to the CIPD Summer Outlook, there is a median expected basic pay increase of 5% in the upcoming quarter. This increase is consistent with the previous two quarters and is still the highest median expected basic pay increase since 2012. Expected pay awards in the private sector have remained at 5% for the previous four quarters. The figure for the public sector has risen from 3.3% last quarter to 4% this quarter.

ONS report average weekly earnings for total pay was £651 and for regular pay was £607, an increase of £9 for both from the previous quarter.

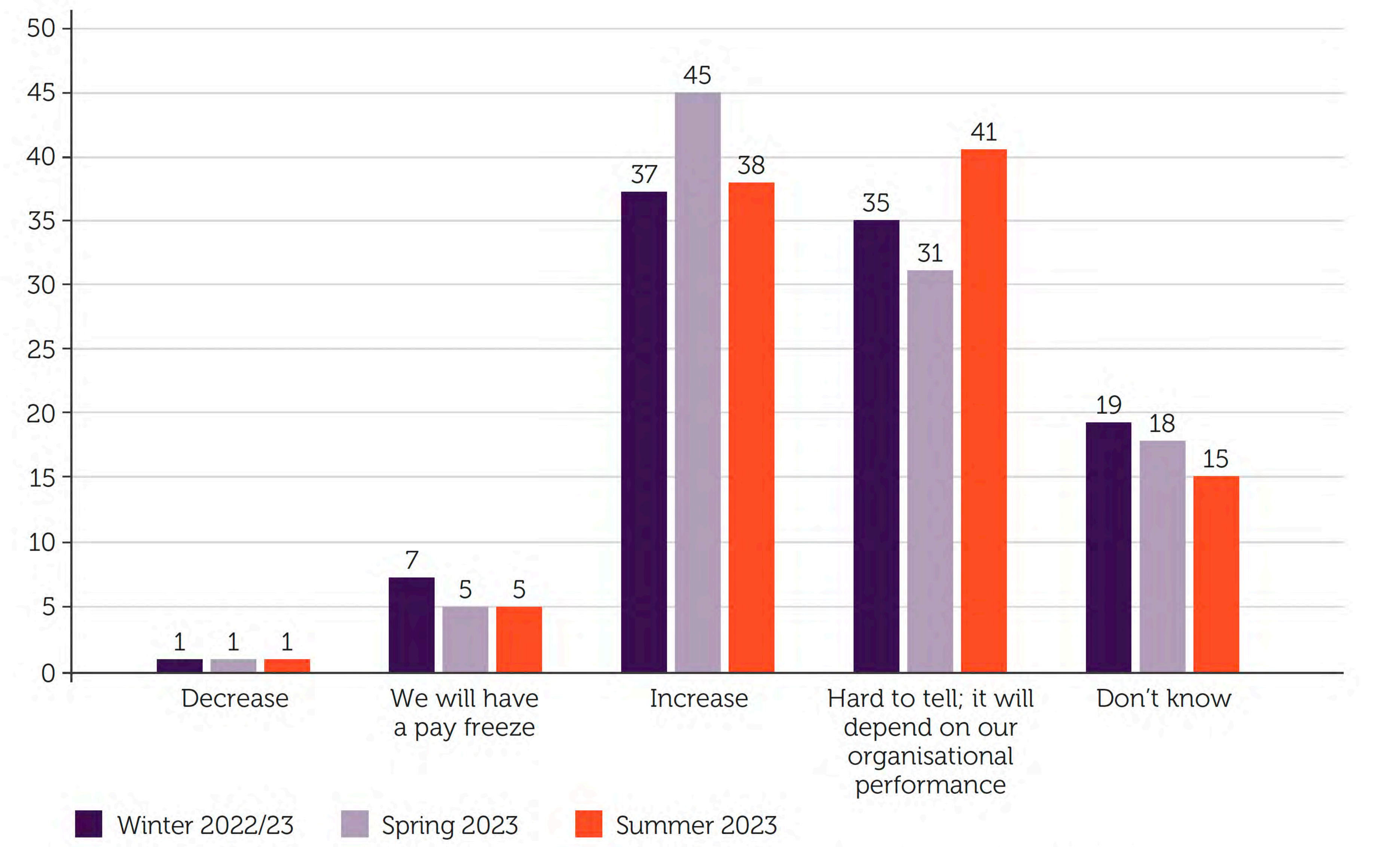
5.1 CIPD Analysis

There has been a shift in the last quarter among employers planning a pay review in the next 12 months. The level of employers who say it is hard to tell and will depend on their organisational performance has increased from 31% last quarter to 41% this quarter. This reflects uncertainty among employers' confidence in economic prospects and the effects of earlier larger wage increases.

38% of employers planning a pay review expected their pay to increase, compared to 45% from the previous quarter. 15% don't know. 5% expect a pay freeze, and only 1% expect a decrease, the same as the last quarter.

These findings correlate with 44% of employer's response to hard-to-fill being to increase wages.

Figure 18: Employers' expected direction of pay award (%)



Base: all employers planning a pay review in the next 12 months (winter 2022/23: n=1,714; spring 2023: n=1,742; summer 2023: n=1,740).

Following the rise in the NMW in April 2023, there has been significant mandatory wage growth among the lowest paid. The rate rises included a 9.7% increase in the NLW (aged 23+), from £9.50 per hour to £10.42, the equivalent of more than £1,600 extra per year before tax for someone working full-time.

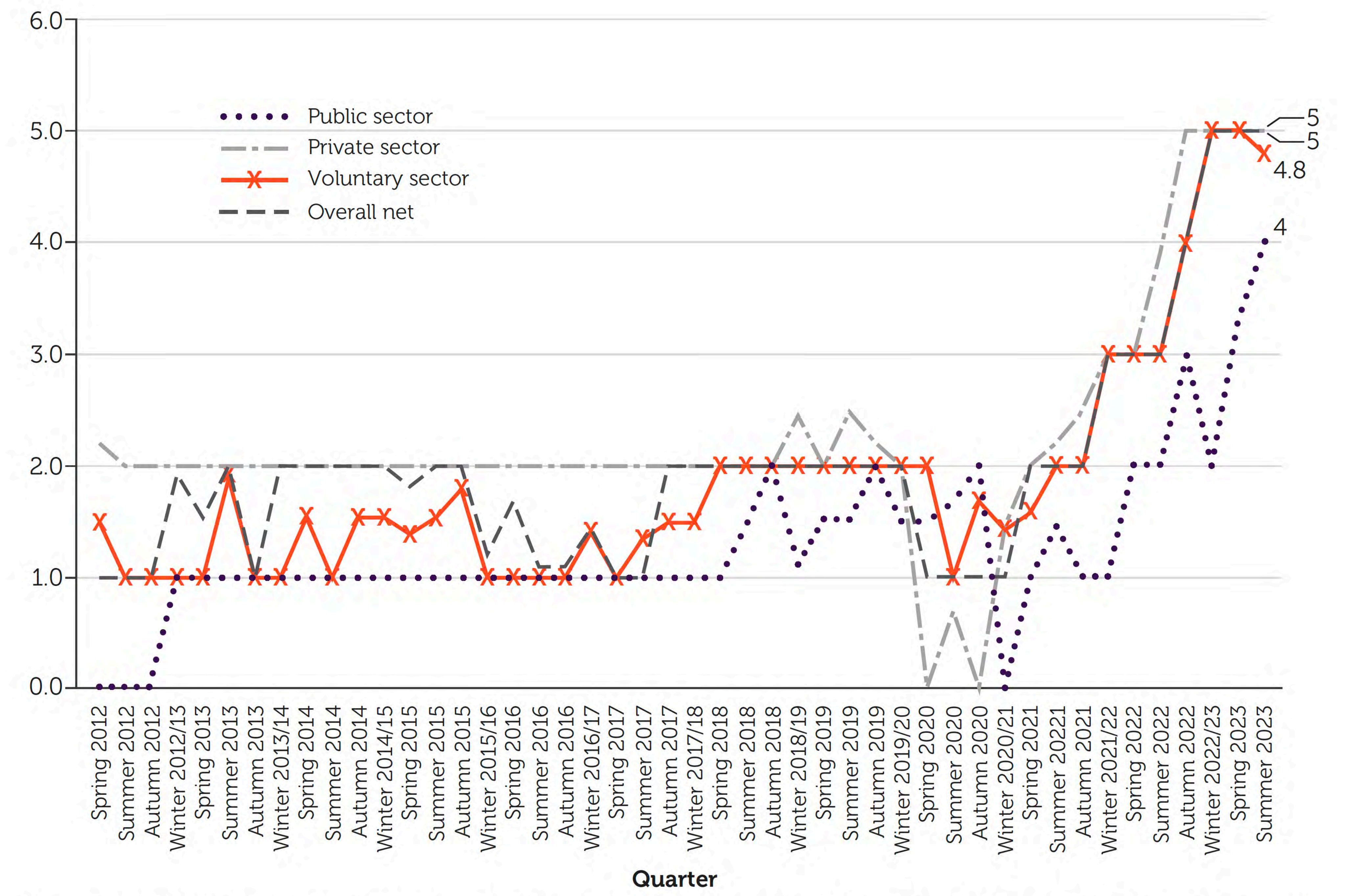
Consequently, one in five employers (18%) say these increases have largely affected their wage bill. A further quarter (24%) say it has affected their wage bill to some extent. Hospitality, for example, has been disproportionately affected by the increase in the NMW/NLW due to the level of lower-paid workers in the industry, with 43% of employers saying it has significantly impacted their wage bill.

The median expected basic pay increase among employers expecting to increase, decrease or freeze pay within the next 12 months stands at **5%**, unchanged on the quarter.

This figure matches last quarter, which was the highest overall net figure in the CIPD's LMO's current time series dating back to 2012.

Expected pay awards in both the private sector and voluntary sector remain at 5%. The figure for the public sector has risen to 4% from 3.3%, from the previous quarter. This is the highest public sector expected pay increase in the LMO time series, which covers the austerity period of lower public sector pay awards.

Figure 19: Median basic pay increase expectations – median employer



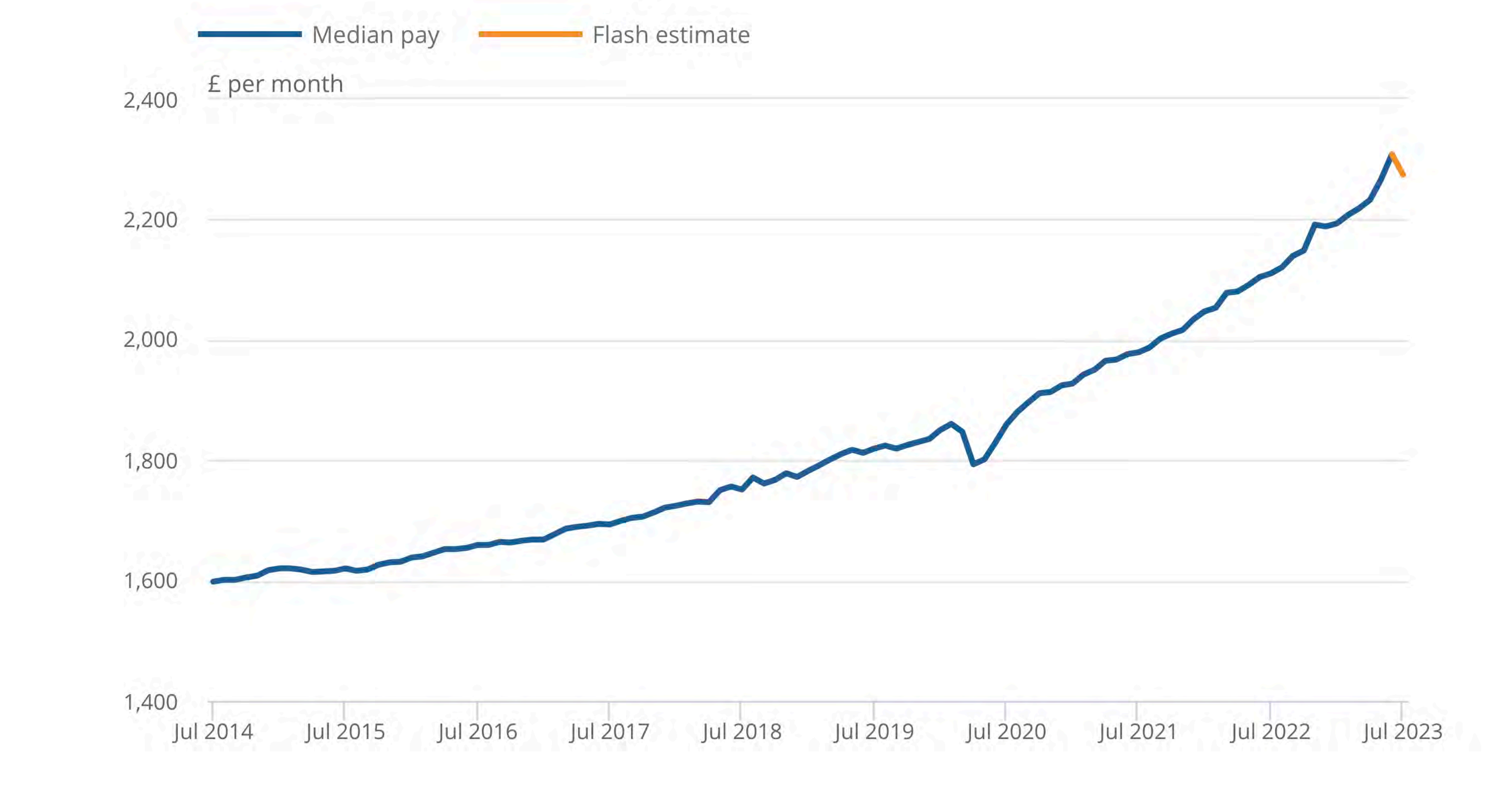
Base: summer 2023, all employers expecting and able to estimate a pay award (n=755; private: n=537; public: n=149; voluntary: n=69).

NOTE: The average basic pay award covered in this analysis is only one part of pay. 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.

5.2 ONS Analysis

Early estimates for July 2023 show that median monthly pay increased by 7.8%, an increase from 7.4% in the previous quarter. These estimates indicate an increase in the monthly median pay from £2,233 the previous quarter to £2,274.

Figure 20: Median pay per month, seasonally adjusted, UK, July 2014 to July 2023



From June 2020, median pay growth has been positive and is now above pre-pandemic (February 2020) levels. The high level of pay growth in April 2021 is attributed to the relatively high median pay in April 2021, combined with the suppressed level of median pay in April 2020 at the start of the pandemic.

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 proud to be a multi-award-winning organisation and the official partner of the CIPD (Chartered Institute of Personnel Development) for the production of the 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.

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.

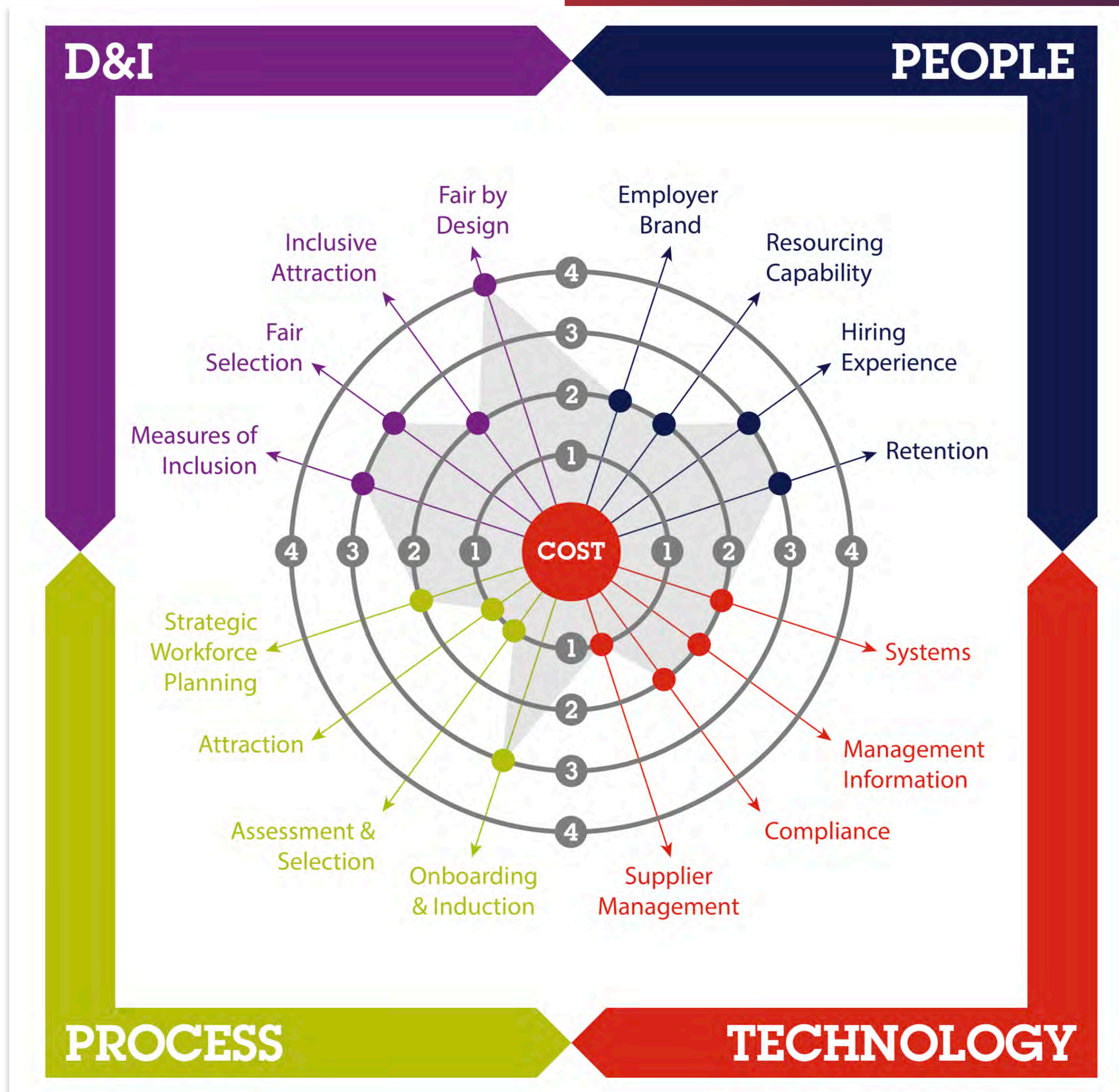
The REA is the ultimate health check for an organisation's resourcing strategy and drives the development of improvement plans, aligning resourcing practice to business success.

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 needed 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 keep 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.



Recruitment

Experts in delivering brand-led recruitment services including RPO, Embedded, Project, MSP, Exec Search and Assessment. Tech enabled solutions enhancing candidate experience and process efficiency.

Talent Consultancy

Helping organisations to better understand and improve their resourcing effectiveness through a range of strategic consultancy services, including workforce planning, market benchmarking and developing recruitment assessment programmes.

Talent Development

Supporting organisations to attract, nurture and develop their talent. Our services include EDI training, recruitment & management training, hiring manager coaching and 360 assessment.

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