JobsOutlook

Industry Research Unit

REC Monthly Employer Tracking Survey

November 2011

Produced in association with:

BIS Department for Business Innovation & Skills

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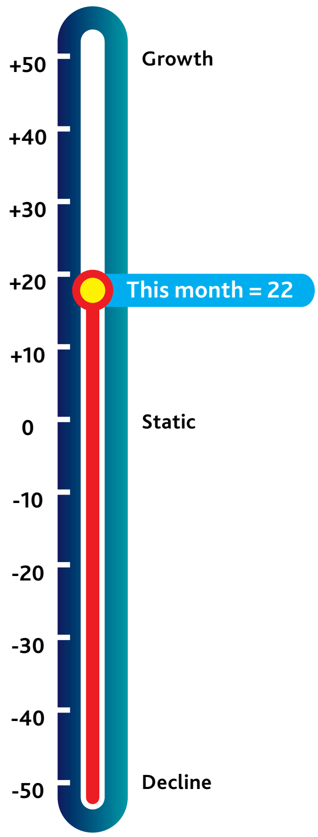
IMPELLAM GROUP

Jobs market stabilises with strong seasonal demand for agency staffing in spite of AWR

Summary

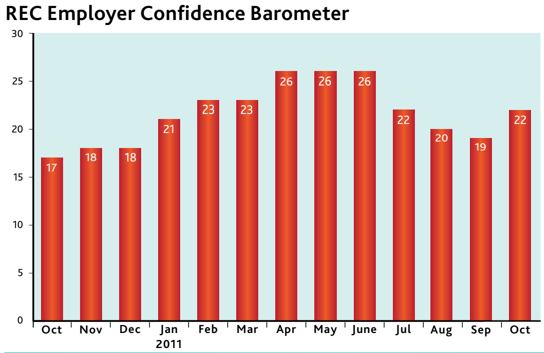
- Demand for temporary agency workers 7% higher than last year
- Long term outlook for permanent hires up significantly
- 46% of employers make changes since AWR implementation
- Overall business and consumer confidence remains fragile
- Public sector employers seem clearer where cuts will bite
- Demand for Technical & Engineering staff expected to expand, leading to skill shortages

The REC Jobs Barometer

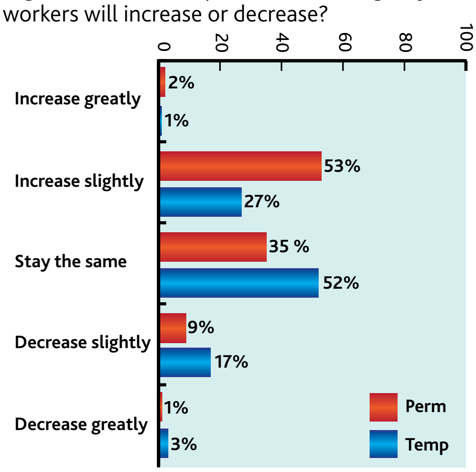


A steady improvement in employer confidence has been noted in past reports. In October, employers seem to have become reconciled to economic uncertainty and taken amore robust view of their workforce plans.

REC Employer Confidence Barometer



In the next 3 months, do you think that your organization's use of permanent **and** agency workers will increase or decrease?



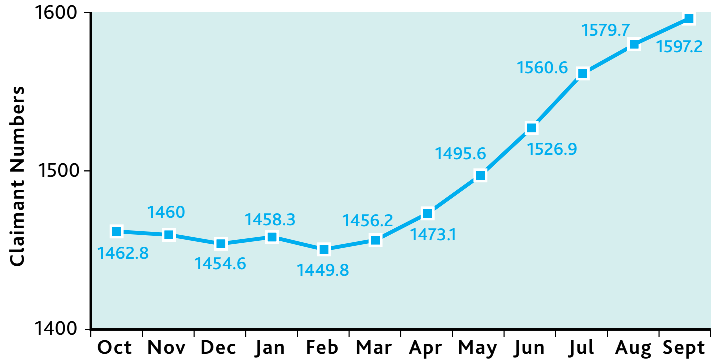
Note: The Confidence Barometer is calculated from the answers to the questions relating to future expectations. Responses are weighted on the basis of confidence and the results combined to show the balance of opinion among employers.

Labour Dashboard

Claimant Numbers

Since the number of claimants began to rise in March, 141,000 people have been added to the total, a rise of just under 10%. This trend began to slow down in September, however, with the rate of increase falling even as 20,000 more people joined that total.

As employers become more confident there may be more improvement to come. Even so, at best the number may flatten and a reduction seems likely to be some months away, in 2012 at the earliest.

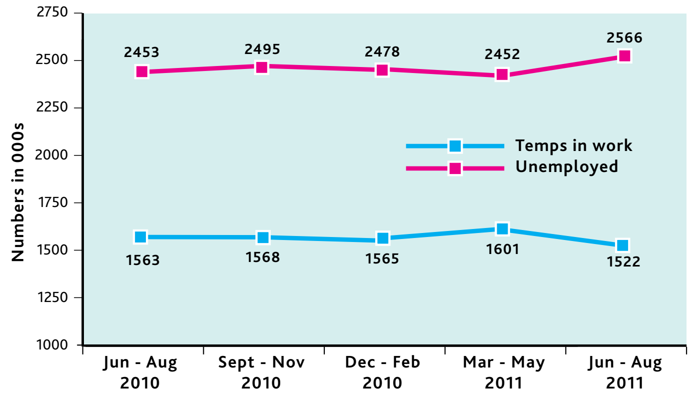


Source: Labour Market Statistics. September 2011.

Unemployment and temporary working

The most recent unemployment and temporary working data released by the Office of National Statistics relates to the period June – August this year. Those summer months were a low period in the employment market, as noted in previous editions of this report so it is no surprise that they show adverse shifts in numbers.

The rise in the number of unemployed, which was 66,000 above the 2.5m mark, caused widespread comment. The unusual down shift in temporary working was not noted yet it is more surprising in some ways. Employers are well used to the flexible workforce and so might have made full use of it at that time.

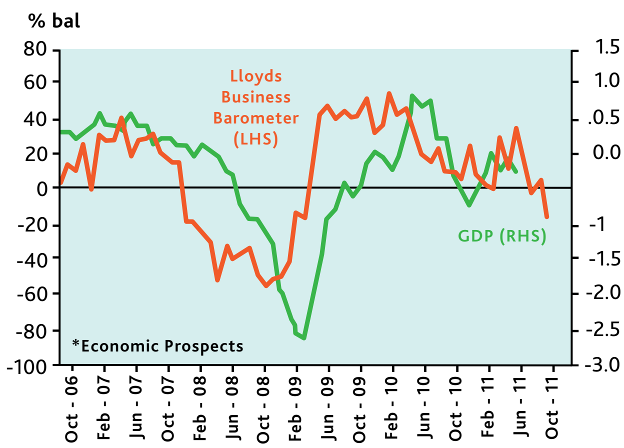


Source: Labour Market Statistics. September 2011.

Business Barometer

A broad view of confidence among business owners and managers is produced by Lloyds Bank Corporate Markets division. This measure looks at economic prospects, as opposed to the focus on employment which comes from the REC barometer.

Lloyds Bank's barometer pointed out that general confidence in the outlook is falling despite a brief uplift in the last month. Although there are better signs elsewhere, these variable indications are symptomatic of uncertainty; few observers can make confident predictions at the current time.



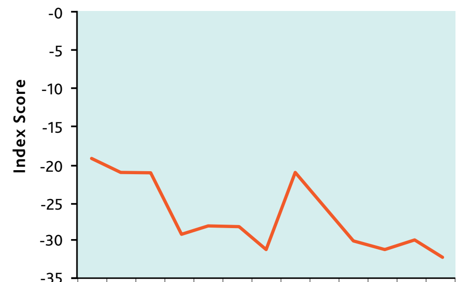
Source: LBCM/BDRC Continental, ONS.

Consumer Confidence Index

Consumers were no more optimistic about economic prospects in October than were most employers. The Gfk Consumer Confidence index dropped another 2 points to end at -32, well below the score this time last year.

The most important measures at this stage could be those for personal finances. How well off do people think they are, and how much money do they think they will have? These thoughts must drive spending behaviour.

The index for personal financial is 11 points lower than last year but has not moved month on month. Views on the year ahead have also stayed the same even though it is 8 points worse than a year ago. October may yet prove to be a turning point for the consumer, therefore.



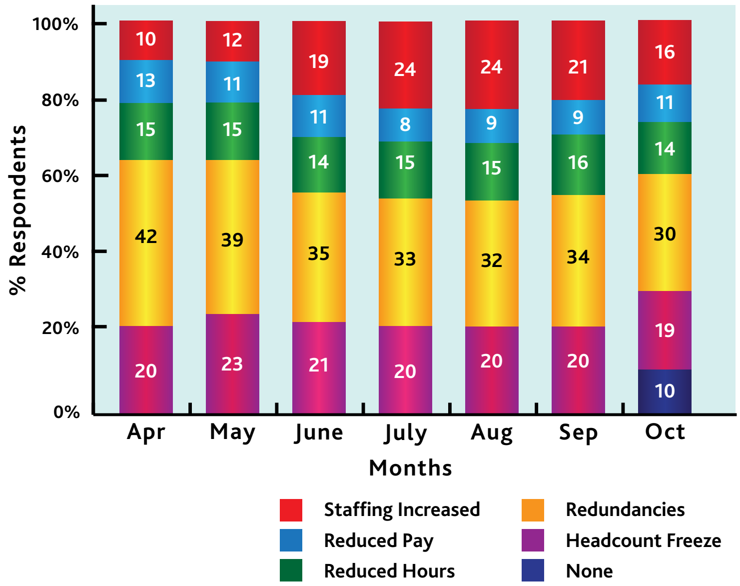
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Index	-19	-21	-21	-29	-28	-28	-31	-21	-25	-30	-31	-30	-32

Permanent Hires

What changes have you made to your workforce in the past year?

Growth in staffing was relatively strong in the first half of 2011 but mid-summer saw that change. The trend continued in October as the proportion of employers adding new people fell to 16%.

The employment market has not yet taken a turn for the worse; static seems the best term to use. The survey shows redundancies and short time working down on the previous month, with pay cuts the only workforce cost management method increasing. Perhaps employers are opting to keep staff while seeking to share the risk of weak demand.

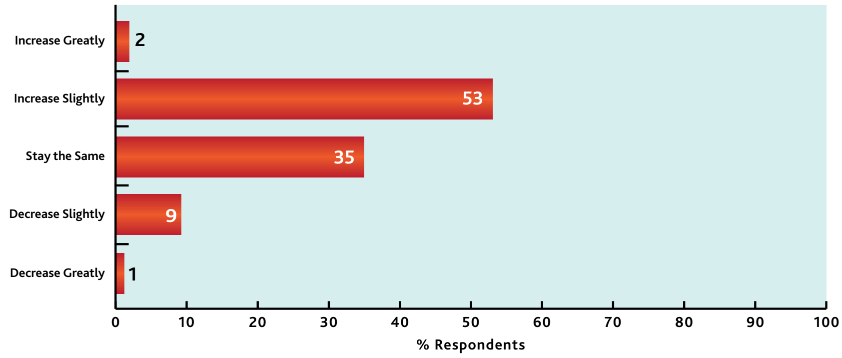


Base: Respondents who have been affected a bit or much by economic changes, multiple response.October 2011.

	August	September	October	TREND
HEADCOUNT FREEZE	20%	20%	19%	▼
REDUNDANCIES	32%	34%	30%	▼
REDUCED HOURS	15%	16%	14%	▼
REDUCED PAY	9%	9%	11%	▲
STAFFING INCREASED	24%	21%	16%	▼
NONE	0%	0%	10%	▲

In the next 3 months, do you think that your organisation's permanent workforce will increase or decrease?

The employer view of Q4 2011 is more optimistic for the permanent workforce. Just over half expect to see an increase (a slight one, at any rate). Only one in ten anticipate a decline in their permanent staffing, which is good news for employment.

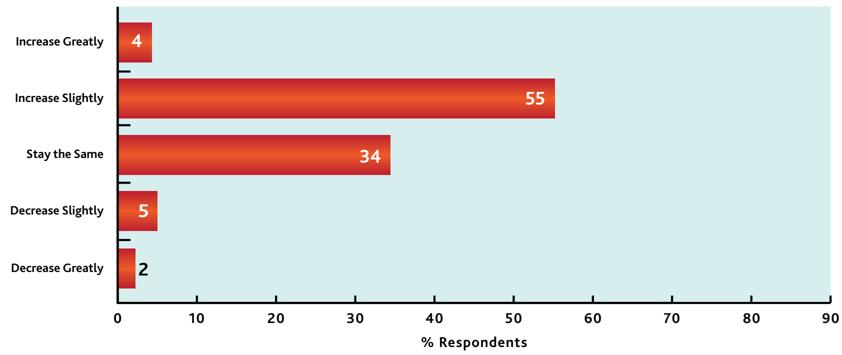


Base: All respondents, single response. October 2011.

FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE SEPTEMBER - OCTOBER	TREND
EXPECTATIONS – 3 MONTHS (PERM)	55	35	10	+44	+5	▲

In the next 12 months, do you think that your organisation's permanent workforce will increase or decrease?

Taking a longer perspective does not in fact lead to very much more optimism than the short term view. In this forecast, employers changed their verdict more dramatically compared to the previous month, shifting the net score on employment growth up by 20 points. Expectations, or ambitions, for 2012 seem to be improving.



Base: All respondents, single response. October 2011.

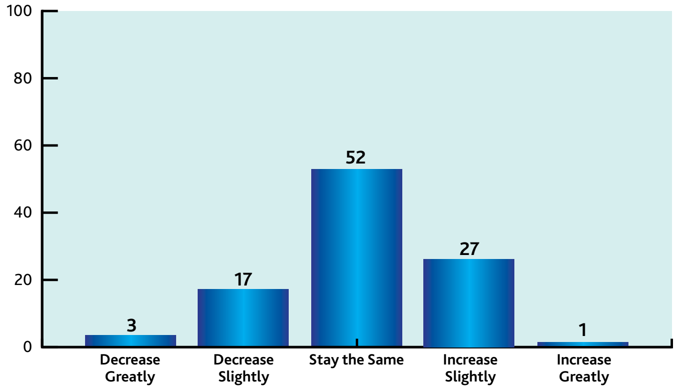
FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE SEPTEMBER - OCTOBER	TREND
EXPECTATIONS – 12 MONTHS (PERM)	59	34	7	+52	+20	▲

Temporary Agency Workforce

In the next 3 months, do you think that your organisation's use of agency workers will increase or decrease?

It is challenging to gauge employer comments about the use of agency staffing with the new regulations coming into force so recently. How they are being applied is not yet clear.

There was some seasonal uplift in employer forecasts for use of agency staffing in the last quarter of the year; although about half of the respondents seem to have played it safe and stuck with 'no change' (Same) as their response.

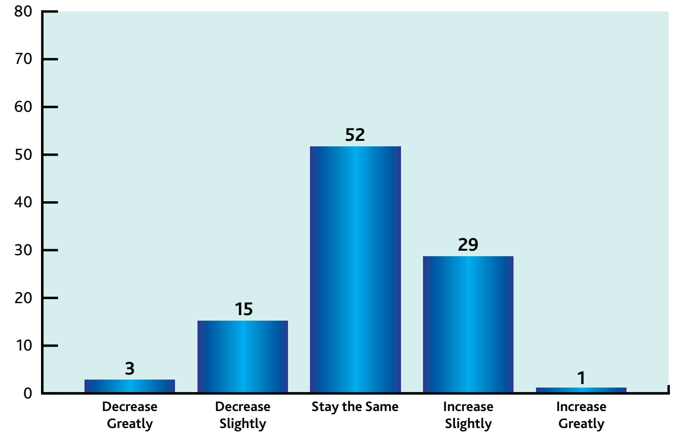


Base: All respondents who use agencies, single response. October 2011.

FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE SEPTEMBER - OCTOBER	TREND
EXPECTATIONS – 3 MONTHS (TEMP)	28	52	20	+8	+5	▲

In the next 4 - 12 months, do you think that your organisation's use of agency workers will increase or decrease?

As with permanent staff over the longer term, so with temporary staffing. Most employers were taking the middle road and forecasting that usage will be the same in 2012 as now. A few more (about a third) expect some increase, giving a net positive view. There was relatively little change versus the previous month, with some underlying improvement indicated by the trend.

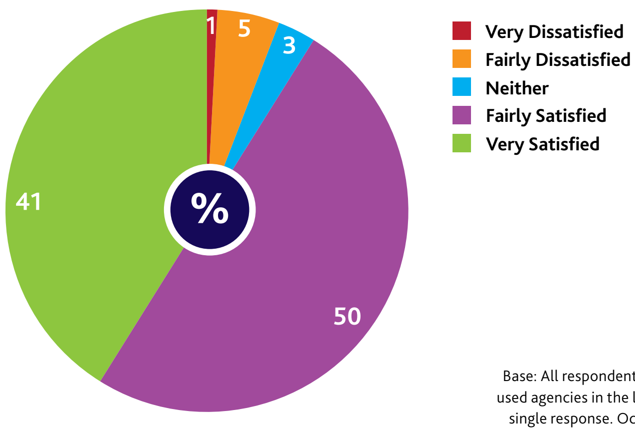


Base: All respondents who use agencies, single response. October 2011.

FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE SEPTEMBER - OCTOBER	TREND
EXPECTATIONS – 12 MONTHS (TEMP)	30	52	18	+13	+6	▲

How satisfied are you overall with the agencies you have used in the last 2 years?

A slight shift down in satisfaction with agencies in October continues the trend of the last month. Despite this shift over nine out of ten agencies meet the needs of their clients.



Base: All respondents who have used agencies in the last 2 years, single response. October 2011.

FACTOR	SATISFIED	NEITHER	DISSATISFIED	NET SATISFACTION	CHANGE SEPTEMBER - OCTOBER	TREND
SATISFACTION WITH AGENCIES	91	3	6	85	-2	▼

Sector Analysis

Which sectors are likely to see the greatest demand for agency and permanent staff over the next 12 months?

Demand patterns for staffing by sector adjusted in October, perhaps reflecting a seasonal pattern. In Temporary and Contract, demand was expected to grow in the Industrial, Technology and Account & Financial sectors. Education and Nursing & Healthcare remained the weakest.

On the Permanent side, strong sectors are Engineering & Technical, Sales & Retail and Technology. Interestingly, in this part of the market, Nursing & Healthcare were predicted to see an improvement both in the short and medium to long term.

TEMPORARY & CONTRACT STAFFING

	ENGINEERING & TECHNICAL		SALES & RETAIL		INDUSTRIAL		TECHNOLOGY		PROFESSIONAL, MANAGERIAL		ACCOUNTING & FINANCIAL SERVICES		OFFICE PROFESSIONALS		HOSPITALITY		MEDICAL, NURSING & SOCIAL CARE		EDUCATION	
	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS
TREND	▶◀	▲	▲	▲	▲	▲	▲	▲	▼	▼	▲	▲	▲	▲	▲	▶◀	▲	▲	▼	▲
NOV	+15	+50	+110	+65	+45	+30	+50	+55	+10	+20	+30	+50	-75	-10	+25	+40	-20	-30	-50	-30
OCTOBER	+15	+30	+90	+50	-20	-15	+20	+15	+25	+40	-15	+5	-115	-55	+10	+40	-40	-45	-35	-45

The sector scores are based on employers' hiring expectations over the short and medium term. The scores are calculated from the net increase or decrease, averaged over 3 months. Individual responses are scored proportionate to the amount of expected change and aggregated to give a net value for each Sector.

PERMANENT STAFFING

	ENGINEERING & TECHNICAL		SALES & RETAIL		INDUSTRIAL		TECHNOLOGY		PROFESSIONAL, MANAGERIAL		ACCOUNTING & FINANCIAL SERVICES		OFFICE PROFESSIONALS		HOSPITALITY		MEDICAL, NURSING & SOCIAL CARE		EDUCATION	
	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS	0-3 MTHS	4-12 MTHS
TREND	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
NOV	+85	+105	+175	+170	+110	+160	+100	+85	+145	+130	+165	+150	+45	+50	+135	+110	+85	+125	+10	+5
OCTOBER	+45	+60	+140	+95	+50	+40	+40	+25	+110	+85	+80	+80	+40	+25	+75	+100	+20	+45	-5	-10

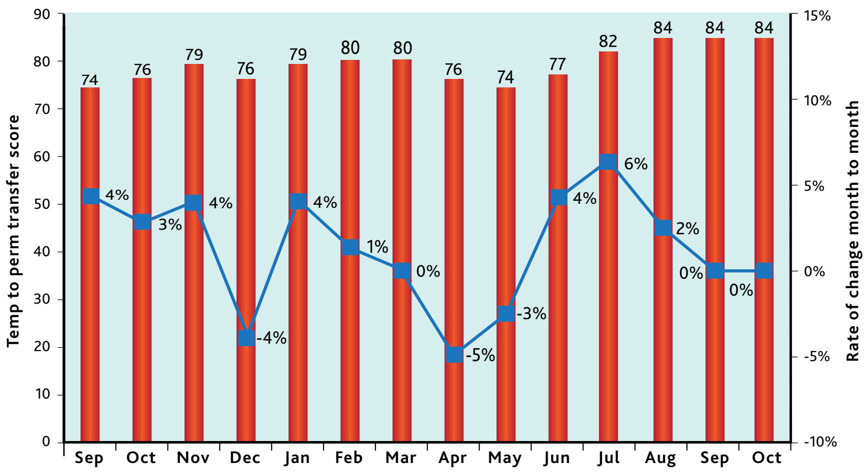
Where do you expect to see a shortage of workers this year?

Technical and Engineering skills took the top spot on both lists for shortages in the coming year, during October. Drivers & Distribution also featured, possibly reflecting the expected demand in the run-up to Christmas when delivery volumes reach their peak.

RANKING	PERMANENT	TEMPORARY
1	TECHNICAL, ENGINEERING - 21%	TECHNICAL, ENGINEERING - 19%
2	OTHER INDUSTRIAL / BLUE COLLAR - 13%	DRIVING & DISTRIBUTION - 16%
3	DRIVING & DISTRIBUTION - 10%	OTHER INDUSTRIAL / BLUE COLLAR - 14%

Approximately what percentage of the temporary workers you use go on to become permanent members of your staff each year?

This report has shown variable indicators in workforce growth trends and evidence of a 'wait and see' attitude among employers. It seems consistent that the temp to perm transfer index should have been unchanged for the third consecutive month in this situation. Fewer employers were expanding their permanent staffing; while the level of temporary staffing was expected top remain the same.



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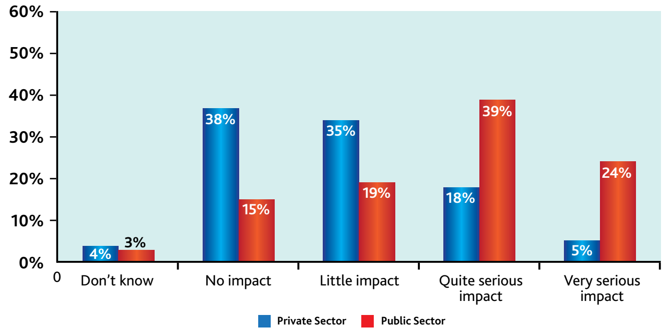
Feature: Impact of Public Sector Cuts

What impact would significant Public Sector spending cuts have on your organisation?

One in four employers in the private sector who responded to this survey in October expect little or no impact from the public sector cuts. There were 5% who thought there could be very serious impact (versus 3% in September).

Among public sector employers a burst of confidence seems to have appeared. Those expecting 'no impact' rose from 6% to 15% perhaps suggestions that there is now greater clarity as to where specific cuts will be implemented.



FACTOR	DON'T KNOW	NO IMPACT	LITTLE IMPACT	QUITE SERIOUS IMPACT	VERY SERIOUS IMPACT
PRIVATE SECTOR	4%	38%	35%	18%	5%
PUBLIC SECTOR	3%	15%	19%	39%	24%

Are you aware that the rules for using agency staff will change in October?

The survey questions were adjusted as the AWR came into force. Nine out of ten employer respondents were aware of the change, the remainder possibly not being users of agency staff to any great degree.

MONTH	YES	NO	NOT SURE
LAST MONTH	72%	20%	8%
THIS MONTH	87%	9%	4%

Have you made any changes in the use of Agency workers BEFORE October 2011 because of the new AWR rules?

In other new questions, the survey explored the extent of changes made by employers as a result of the AWR. Just under half (44%) had made some changes beforehand.

MONTH	YES	NO	NOT SURE
THIS MONTH	44%	31%	25%

What changes were they?

Prior to implementation, the main changes were to the balance of temporary and permanent staffing together with AWR training for existing employees.

One in ten raised pay for staff beforehand; a higher proportion (15% in October) had increased their use of permanent staff.

MONTH	LAST MONTH	THIS MONTH
HIGHER PAY FOR SOME STAFF	11%	2%
LOWER USE OF TEMPORARY STAFF	28%	25%
MORE USE OF PERMANENT STAFF	18%	15%
TRAINING FOR STAFF ON THE IMPLICATIONS	25%	33%
IN-HOUSE BOOKINGS OF TEMPORARY STAFF, AVOIDING AGENCIES	-	3%
OTHER	17%	22%

Have you made any changes in the use of Agency workers SINCE October 2011 because of the new AWR rules?

Many employers decided to wait until the new regulations arrived, before making any changes. Almost half (46%) of employers have made changes since the new laws came into force (some employers may have made changes before and after implementation).

MONTH	YES	NO	NOT SURE
THIS MONTH	46%	54%	0%

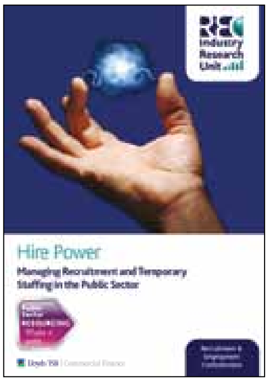
What changes were they?

Staff training has continued post-implementation and the initial findings suggest that some employers have increased their use of in house 'banks' possibly as a short term reaction. More data will be required to validate these changes and monitor how they change over time.

MONTH	THIS MONTH
HIGHER PAY FOR SOME STAFF	0%
LOWER USE OF TEMPORARY STAFF	3%
MORE USE OF PERMANENT STAFF	0%
TRAINING FOR STAFF ON THE IMPLICATIONS	33%
IN-HOUSE BOOKINGS OF TEMPORARY STAFF, AVOIDING AGENCIES	33%
OTHER	31%

Other reports available from the REC

Hire Power



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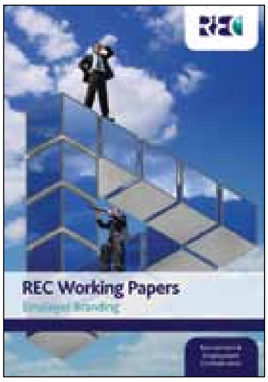

7 Secrets of Successful Managers

Recruitment Industry Trends Survey 2009/10

These are available to buy from
www.rec.uk.com/research

About JobsOutlook

JobsOutlook is based on a monthly survey of employers undertaken by independent market research agency Market Shape. Analysis and commentary is provided by the Cordoba Group, a consultancy specialising in HR, recruitment and organisation management.

The Recruitment and Employment Confederation (REC) is the association for the UK's £19.7 billion private recruitment and staffing industry with over 9,000 corporate and individual members.

Results are based on a sample of 200 employers each month and presented on a three month rolling basis (600 responses). The survey is structured to reflect representation across all sectors and size of organisation that use agencies to meet their temporary, contract and permanent staffing needs.

The REC's Industry Research Unit produces a wide range of publications on all aspects of the recruitment and staffing market.

For further information on JobsOutlook or any other research publication please call on **0207 009 2188** or visit our online bookshop: **www.rec.uk.com/about-recruitment/research/bookshop**

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