

JobsOutlook



REC Monthly Employer Tracking Survey

February 2010

Summary

- Business confidence continues to rise, with more employers anticipating that permanent workforces will increase long term.
- Consumer confidence has settled after rising for some months. Most consumers seem to be more focused on paying debt than spending.
- The temporary workforce in the UK remains stable.
- The importance of most skill areas has risen, suggesting that employers are turning their attention again to performance as well as costs.
- The transfer of staff from temporary to permanent roles has remained at the same level as in the previous month.

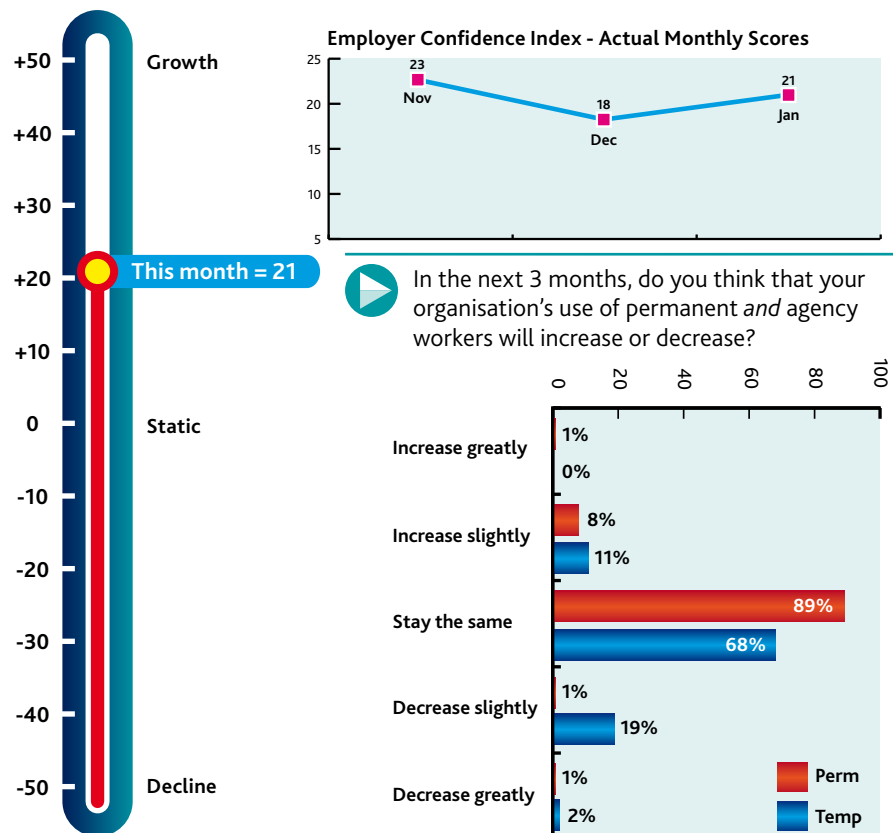
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2010 will see the UK jobs market return to growth say employers

The REC Confidence Barometer

▶ The Barometer stood at 21 in January, moving up another point following the one point rise in the previous month. The Barometer has climbed steadily from a low score of 12 last summer.



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.

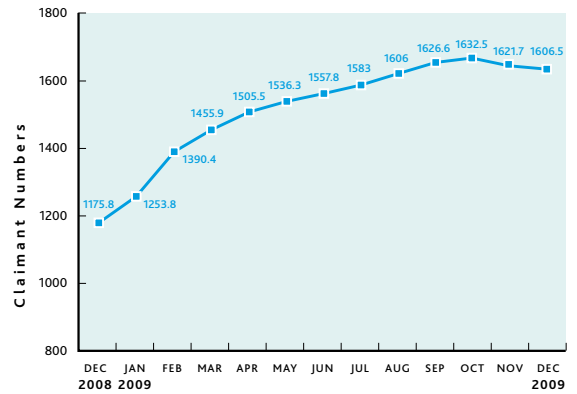
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Recruitment & Employment Confederation

Labour Dashboard

▶ Claimant Numbers

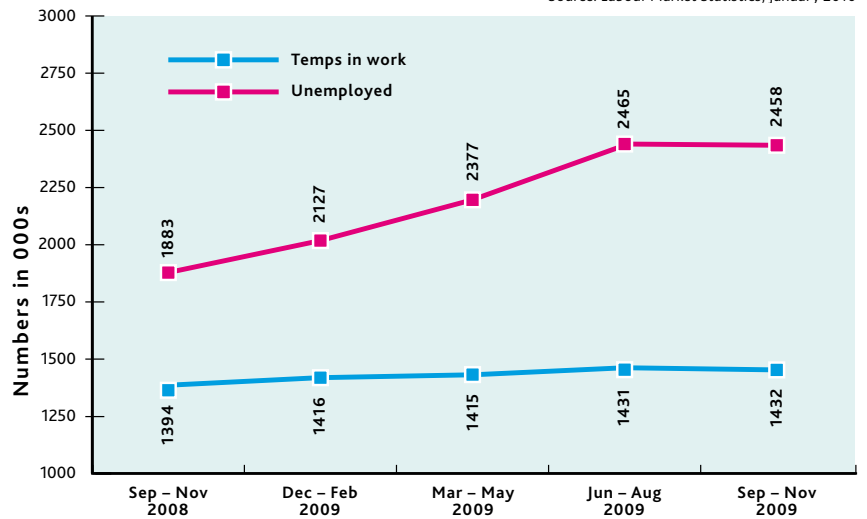
A second monthly drop in claimant numbers is good news for the job market. The total has fallen to the level seen in August 2009. As long as general economic reports continue to indicate some growth, it seems likely that claimant numbers will continue on this downward trend. There is less discussion of the double dip recession theory which may mean the consensus is now that it will not occur.



▶ Unemployment and temporary working

The trend in unemployment is also positive this month, with the first small reduction registered. The number of unemployed fell by just 7,000 to the end of November 2009. Although this data is subject to later revision, the growing confidence among employers and the improvement in the economy point towards further short term improvement.

The impact of the election later in the year may yet bring the trend up again if the new government does in fact look for major headcount reductions across the public sector. Recent announcements by the Tories that they would not introduce immediate job cuts suggest an awareness of the impact on votes from civil servants rather than any clear economic planning. The number of temporary workers in work has remained static.



▶ LTSB Business Barometer

Confidence trackers for the corporate world have been unsteady in the last few months, projecting uncertainty about business prospects across the UK. A recent report from Begbie Traynor, the insolvency specialist found that there had been a quarter on quarter rise of 6% in the number of companies experiencing severe financial difficulty at the end of 2009. A total of 140,000 businesses were affected.

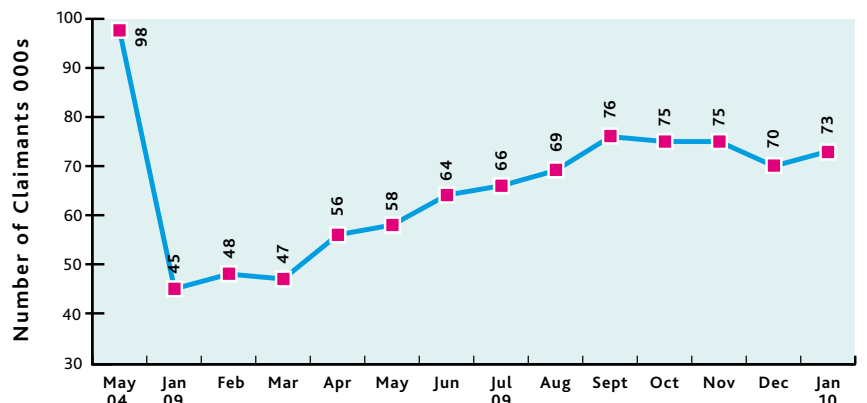
Lloyds TSB notes that UK firms have cut back on working hours rather than employment on the basis of the data shown in the chart. Its current view is that further rises in unemployment can still be expected, however. A knock-on effect will be limited wage inflation, keeping rises at less than half the average of the last ten years.



▶ Nationwide Consumer Index

The concerns of the corporate world about recovery are reflected – perhaps even caused in part – by consumer caution. Nationwide's index of consumer confidence moved up again, to 73, without returning to last year's peak of 76.

This number is still a great improvement on the low of 45 but more positive economic news and real signs of job and income growth will probably be needed before the majority of consumers respond.



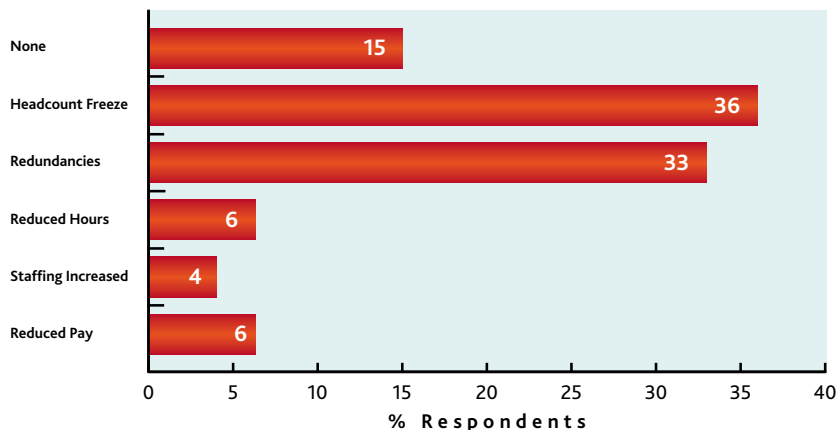
Permanent Hires

▶ What impact have recent economic changes had on your workforce in the UK?

More than 8 out of 10 employers now say that the recession has had an impact on their UK workforce. The proportion has been rising continuously and despite a return to some growth, delayed impact is still clearly evident – as evidenced by the announcements of job cuts in February 2010 by the pharmaceutical industry.

Headcount freezes and redundancies are the most common approach with a third of organisations surveyed having taken up each of those workforce strategies.

	November	December	January	TREND
NONE	43%	34%	15%	▼
HEADCOUNT FREEZE	23%	26%	36%	▲
REDUNDANCIES	20%	26%	33%	▲
REDUCED HOURS	6%	6%	6%	↔
STAFFING INCREASED	4%	4%	4%	↔
REDUCED PAY	3%	5%	6%	▲

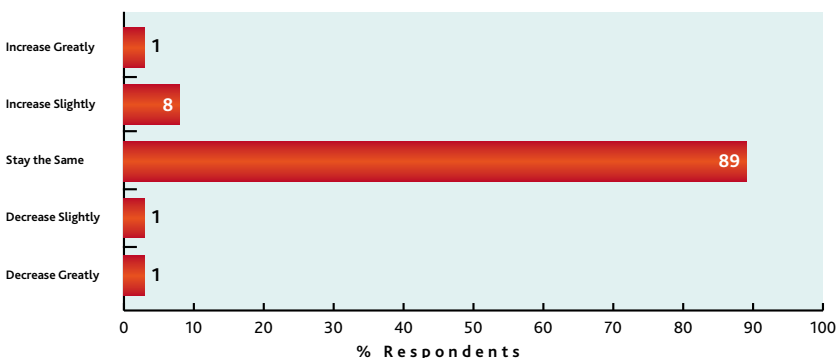


Base: Respondents who have been affected a bit or much by economic changes, multiple response. January 2010.

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

Only 8% of employers expected to see any short term increase in their workforce this month, down from 10% last month. More positively, only 2% expect to cut back, supporting the view that unemployment may continue to fall in Q1 2010.

Overall, 9 out of 10 employers expect their workforce to stay the same size, which may indicate that performance has stabilized even though there are not yet strong signs of an upturn or growth.



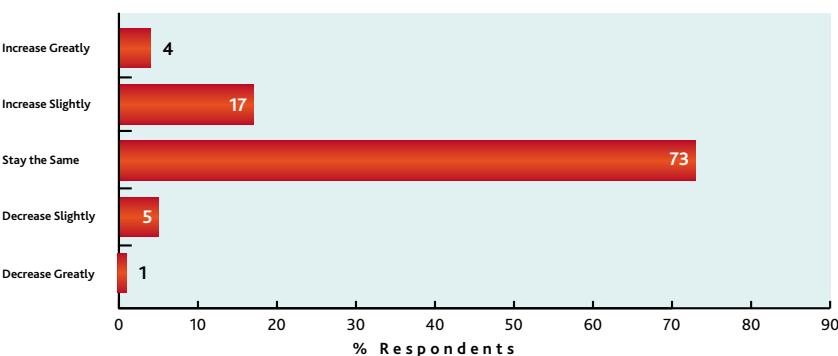
Base: All respondents, single response. January 2010.

FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE DEC - JAN	TREND
EXPECTATIONS - 3 MONTHS (PERM)	9	89	2	+6	-1	▼

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

In the longer term, more employers look to some growth in permanent employment – 21%, up from last month's 19%. There is growing optimism here about the prospects for the year ahead, notwithstanding the impact of the election. Or possibly because of it.

At this level, 1 in 5 employers would be adding jobs to their UK workforce during 2010, creating a net growth in employment over the year based on current perceptions of the economy.



Base: All respondents, single response. January 2010.

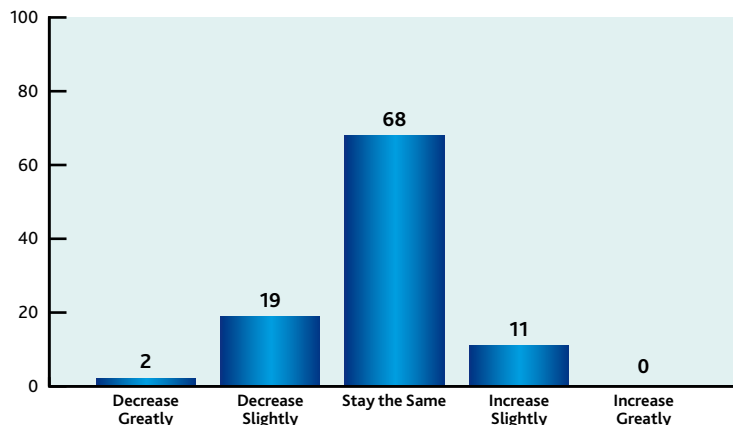
FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE DEC - JAN	TREND
EXPECTATIONS - 12 MONTHS (PERM)	21	73	6	+15	-2	▼

Temporary Agency Workforce

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

It may not come as a surprise that the expectation for higher use of temporary staffing is negative when the view on permanent staffing growth is positive. The static official statistics for Temps In Work (up to November 2009) relate to the view of employers in this survey that over the next three months there will be a net reduction in the temporary workforce.

Two thirds of employers think they will employ the same number of temporary workers while 1 in 5 will cut the volume of workers here.



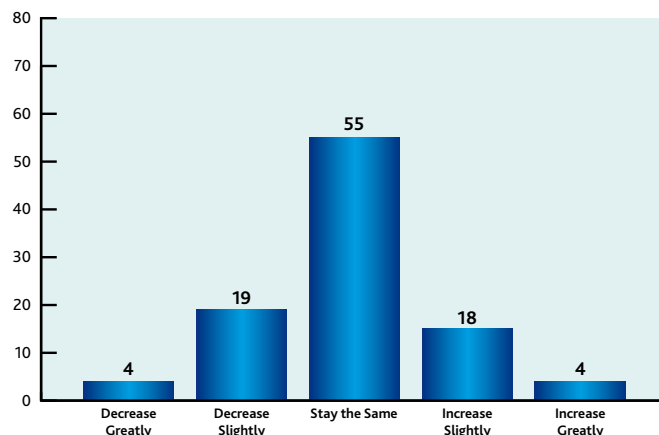
Base: All respondents who use agencies, single response. January 2010.

FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE DEC - JAN	TREND
EXPECTATIONS - 3 MONTHS (TEMP)	11	68	21	-11	-1	▼

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

Longer term use of temporary staffing is more volatile. About 1 in 4 employers predict a cut in staffing while the same proportion anticipate growth – both valid responses to an uncertain economic situation alongside a more optimistic outlook.

The flexibility that temporary and contract staff give to a struggling organisation are as valuable a contribution as the rapid uplift in capacity that a stretched team can gain when business grows more rapidly.



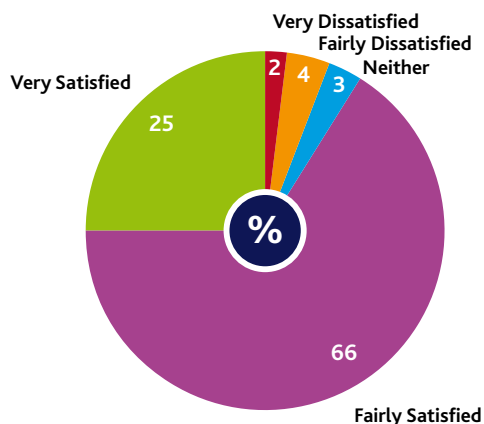
Base: All respondents who use agencies, single response. January 2010.

FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE DEC - JAN	TREND
EXPECTATIONS - 12 MONTHS (TEMP)	22	55	23	-1	+2	▲

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

Agencies continued to satisfy more than 9 out of 10 employers in the last month, showing no change on the performance of the previous period. Satisfaction partly relates to the balance of supply of skills and demand for those same skills, which do not always correspond well.

As the demand for temporary workers falls back, and before the expected growth in the permanent workforce materializes, there may be a better demand and supply situation at a national level, helping agencies to meet the requirements of more employers.



Base: All respondents who have used agencies in the last 2 years, single response. January 2010.

FACTOR	SATISFIED	NEITHER	DISSATISFIED	NET SATISFACTION	CHANGE DEC - JAN	TREND
SATISFACTION WITH AGENCIES	91	3	6	85	0	◀▶

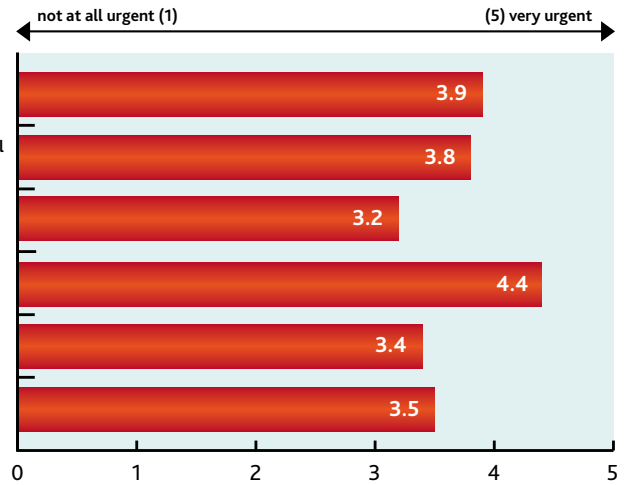
Talent Management

▶ Which of the following skills and capabilities are most urgently needed among the new *permanent* staff that you are, or have been recruiting, in the last year?

Is there a relationship between a positive view on the economy and a sensitivity to workforce skills? It seems a possibility if the hypothesis is that re-building a business calls on stronger skills to deliver the business promise.

A small increase in the importance of all skill areas in the permanent workforce was registered in the last month. The order of priority remained the same, lead off by communication and interpersonal skills, closely followed by the use of job related tools and equipment.

SKILLS IN DEMAND FOR PERM STAFF	SCORE	TREND
COMMUNICATION & INTERPERSONAL SKILLS	4.4	▲
USE OF JOB RELATED TOOLS & EQUIPMENT	3.9	▲
BUSINESS & COMMERCIAL UNDERSTANDING	3.8	▲
PLANNING & ANALYSIS	3.5	▲
USE OF NEW TECHNOLOGY	3.4	▲
MANAGEMENT & SUPERVISION	3.2	▲

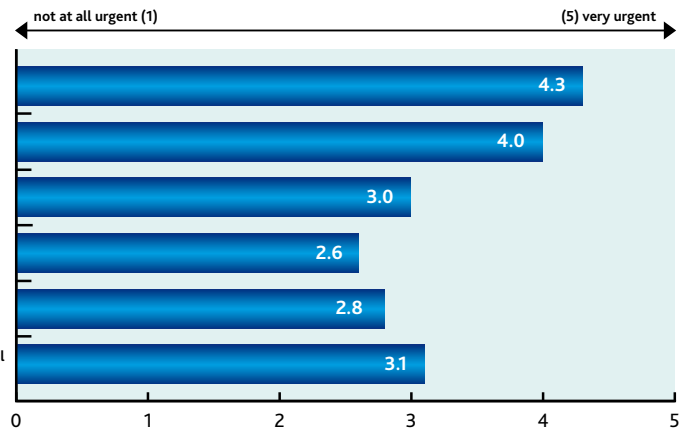


Base: All respondents, single response. January 2010.

▶ Which of the following skills and capabilities are most urgently needed within the *temporary* staff that you are, or have been, recruiting in the last year?

The importance of skills for the temporary workforce nearly matches the trend on the permanent side. Four of the six areas gained in importance. Use of new technology continues to be given greater priority for this workforce than for the permanent, perhaps relating to the need for extra capacity in technology areas.

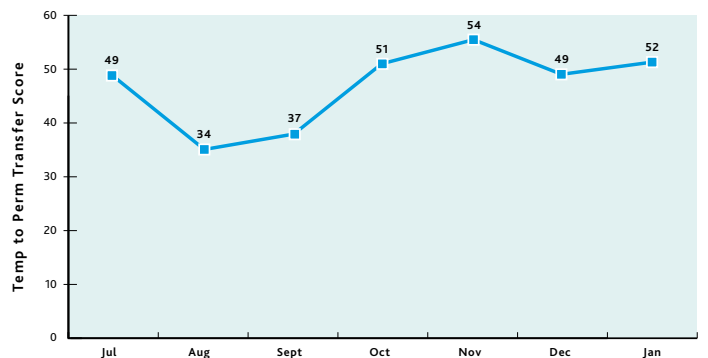
SKILLS IN DEMAND FOR TEMP STAFF	SCORE	TREND
COMMUNICATION & INTERPERSONAL SKILLS	4.3	▲
USE OF JOB RELATED TOOLS & EQUIPMENT	4.0	▲
USE OF NEW TECHNOLOGY	3.0	▲
BUSINESS & COMMERCIAL UNDERSTANDING	3.1	▲
MANAGEMENT & SUPERVISION	2.6	▲
PLANNING & ANALYSIS	2.8	▲



Base: Respondents who use agencies and have a skills shortage, single response. January 2010.

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

The Temporary to Permanent transfer rate has remained constant in the latest month. We speculated in the last report that the rate could drop as the seasonal workers moved back out of the workforce once the Christmas rush was over. This seems not to be the case so far. The next few months could see an increase as demand for permanent workers grows.

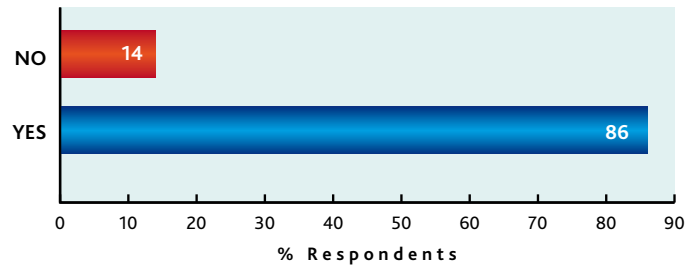


Base: Respondents who use agencies, single response. January 2010.

Feature: Agency Worker Directive

▶ Have you heard of the Agency Workers Directive?

Employer comments on the Agency Workers Directive remain at the same level, with 86% saying they have heard of the Directive. This may be the 'natural' level of awareness for an issue which does not affect many businesses where the use of agency workers is low.

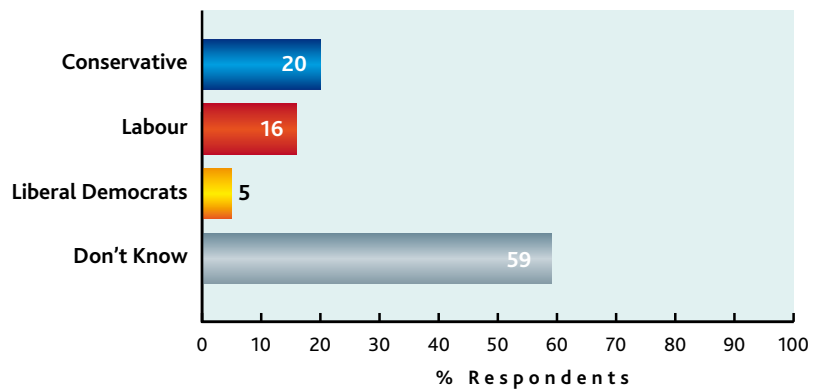


Base: All respondents, single response. January 2010.

▶ Which political party do you think would create most jobs if elected?

This month sees the introduction of a new question to the survey. Employers were asked their views on the potential impact of the new government on employment, and which party will create the most jobs.

The initial responses (in one month only) point towards uncertainty about current policies and their possible impact – most people just don't know. If employment becomes an electoral issue that each party speaks about clearly these responses will become more definite in the coming months.



Base: All respondents, single response. January 2010

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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 £22.5 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.

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

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