JobsOutlook

Industry Research Unit

REC Monthly Employer Tracking Survey

August 2010

Summary

- Business confidence has stabilized but not converted into hiring intention, reflected in a falling REC Confidence Barometer.
- A rising redundancy rate illustrates employer determination to maintain control over workforce costs.
- Forecasts for use of both permanent and agency workers over the medium to long term are more optimistic.
- Weakening consumer confidence remains a concern.
- ONS data shows that the use of all temporary workers increased by 70,000 between March and May.
- 20% of public sector organisations still feel that the recently announced cuts will have little or no impact on them.

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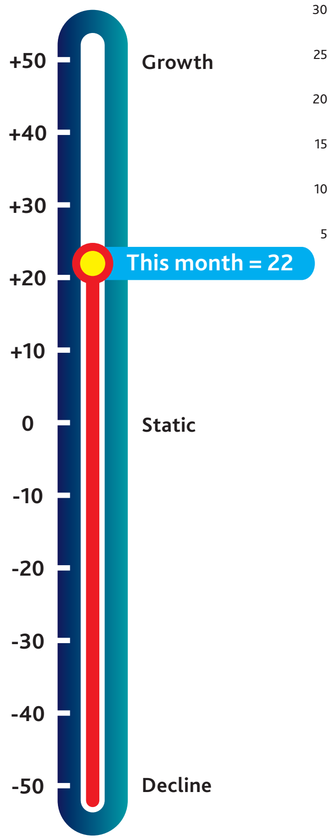
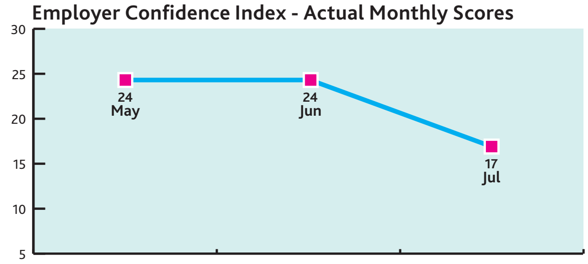
Weak outlook for jobs growth in next quarter as employer expectations polarize

The REC Confidence Barometer

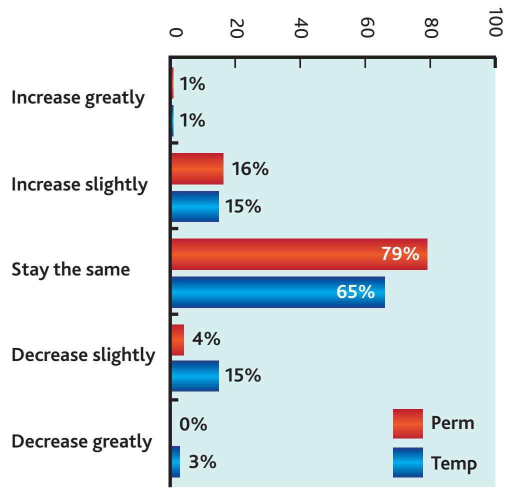
The Confidence Barometer fell to 22 from 25, after 5 successive months of improvement, reflecting continued uncertainty about the economy and increased polarisation between the private and public sectors.



Employer Confidence Index - Actual Monthly Scores



In the next 3 months, do you think that your organisation'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.

Recruitment & Employment Confederation

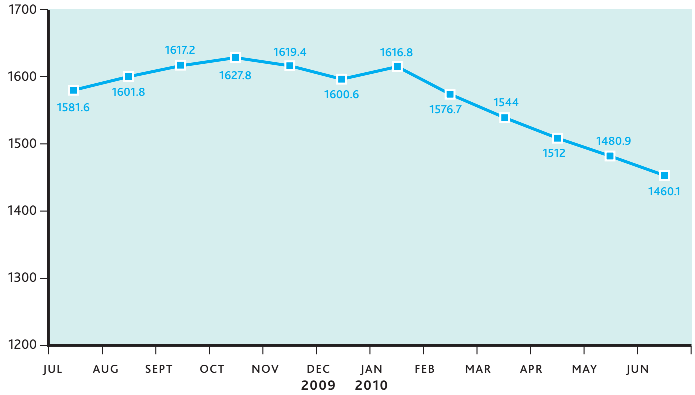
JobsOutlook August 2010

Labour Dashboard

Claimant Numbers

A fall in the claimant count data released in July has been widely welcomed as a positive sign of impending economic recovery. The number of claimants fell by 20,000 to a level slightly above that of March 2009.

Lower JSA claimant numbers are not the full picture in relation to benefit dependency. Employment Minister Chris Grayling commented that "While there are fewer people on Jobseeker's Allowance this month, the numbers claiming other benefits remains stubbornly high, and many of these people have been dependent on benefits for years". The new Work Programme to be launched in 2011 will address this issue.

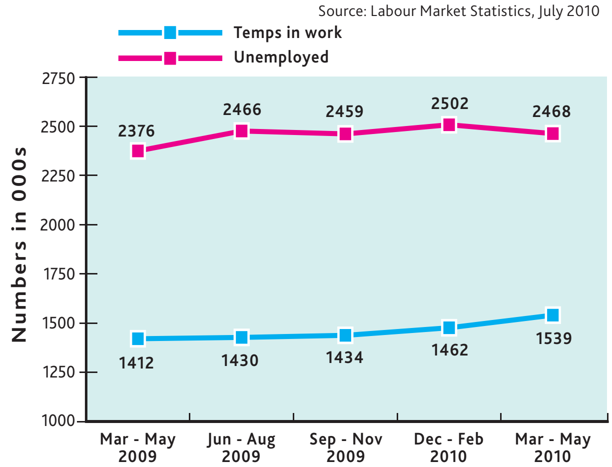


Source: Labour Market Statistics, July 2010

Unemployment and temporary working

Defying the most pessimistic predictions of a further rise, the number of unemployed fell back again in the March – May period. Government ministers warned against any assumption that this improvement would avoid the tough action they have planned.

Many of the new jobs are part time, a cause for concern among some commentators as the number of full-time employees fell by 22,000 to 18.20m. A sharp rise also took place in the number of temporary staff as more than 70,000 new roles were recorded. These roles allow individuals to gain an earned income and employers to maintain flexible workforce planning while the economic outlook remains uncertain.

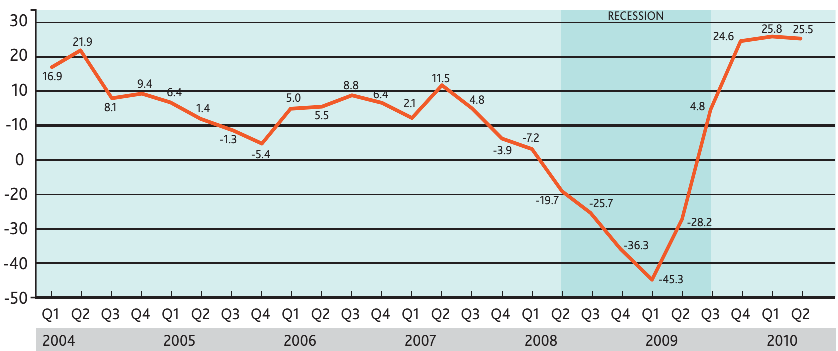


Business Barometer

The Institute of Chartered Accountants in England & Wales (ICAEW) has updated its business confidence index for the second quarter of 2010. It notes that on this evidence the UK seems likely to avoid a 'double dip' recession.

After rising for three quarters the index stabilised in Q2 at a higher level than any seen in the last five years. The index is based on a composite calculation which includes the view of more than half (58%) of businesses polled that prospects next year will be better than those of the last year.

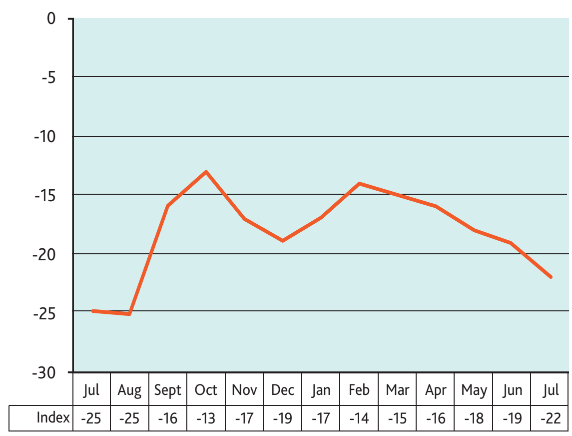
All sectors other than banking/finance expected to increase employment in the next 12 months compared to last year. The jobs growth will be occurring among small and medium sized organisations in contrast to the largest employers which expect further reductions.



Consumer Confidence Index

While business confidence has been sustained, less positive views seem to be spreading among the wider public. The GfK NOP Consumer Confidence Index continued a five month falling trend as it dropped three more points in July to -22, barely above the low point of 2009.

The renewed confidence consumers began to feel towards the end of 2009 has now faded away. They are more concerned about their personal financial situation for the last year although remaining stable in their confidence on this measure for the coming year. A small item of better news was an improvement in the index for major purchase intentions from -24 to -16. Consumers may be factoring in the expected VAT increases or responding to the sales season.

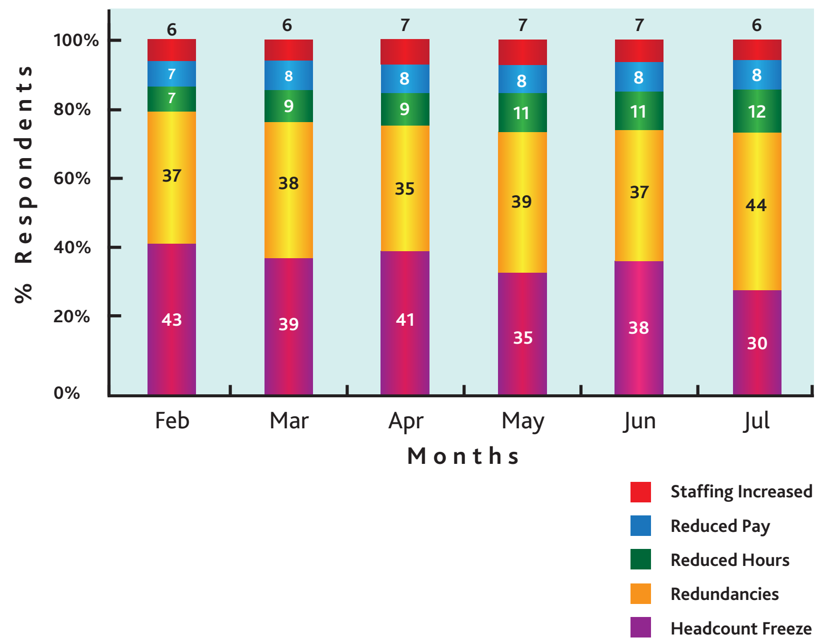


Permanent Hires

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

A dramatic change is appearing in the responses from employers this month. As confidence has slipped, so the proportion reporting that redundancies have been made has risen from 37% to 44% of employers. It is important to bear in mind that this is a look backwards at the impact of recession, not a forecast (covered by the following questions).

These figures suggest the post election worries are starting to bite. As the annual planning round begins in many organisations, so a tougher sense of the continuing economic challenge may be prevailing. It is no longer a case of 'wait and see'.



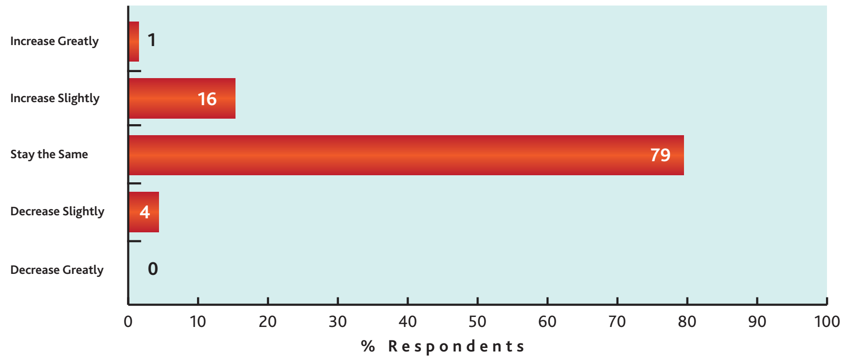
Base: Respondents who have been affected a bit or much by economic changes, multiple response. July 2010.

	May	June	July	TREND
NONE	0%	0%	0%	▶◀
HEADCOUNT FREEZE	35%	38%	30%	▼
REDUNDANCIES	39%	37%	44%	▲
REDUCED HOURS	11%	11%	12%	▲
STAFFING INCREASED	7%	7%	6%	▼
REDUCED PAY	8%	8%	8%	▶◀

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

Despite shaky confidence, a higher proportion expect a slight increase in permanent employment in the short term. Possibly there has been a crystallization of past plans which have been on hold, with organisations now clearer about their expectations and intentions.

This rolling average over the past three months may not be sustained as the summer progresses and employers may begin to take a harsher view or simply complete their workforce changes and reinstitute constraints.



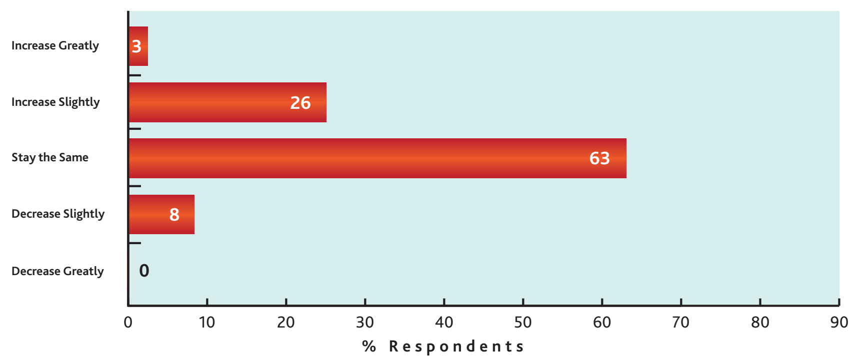
Base: All respondents, single response. July 2010.

FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE JUL - AUG	TREND
EXPECTATIONS – 3 MONTHS (PERM)	17	79	4	+13	+9	▲

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

Employers are also optimistic about the growth of their permanent workforce over the coming year. It is important to note that 26% refer to a slight increase and only 3% anticipate a substantial uplift.

Some reassurance about employment prospects may come from the fact that no employers expect to 'greatly' decrease their permanent workforce. About one in twelve, 8%, expect a slight decrease.



Base: All respondents, single response. July 2010.

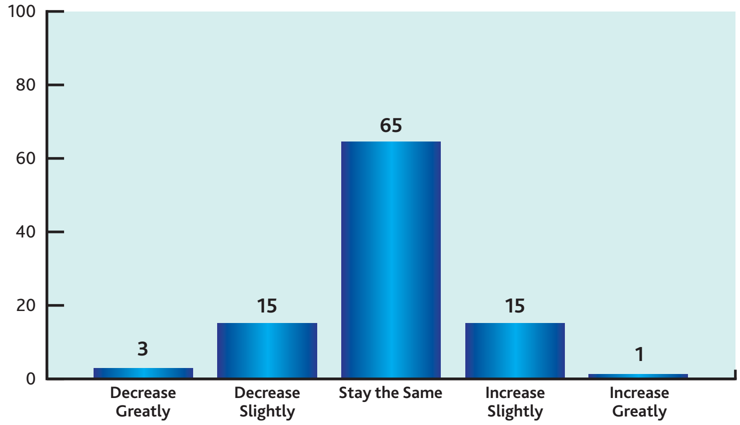
FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE JUL - AUG	TREND
EXPECTATIONS – 12 MONTHS (PERM)	29	63	8	+21	+2	▲

Temporary Agency Workforce

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

The outlook for use of agency staff has stabilised. The underlying data shows a rising proportion of employers stating that the number of agency staff will stay the same.

There is some possibility that the growth in agency filled roles will reduce slightly in the next few months as the balance between growth and decline has shifted slightly. The expectation of both increases and decreases has reduced, with 'no change' becoming a more common response.



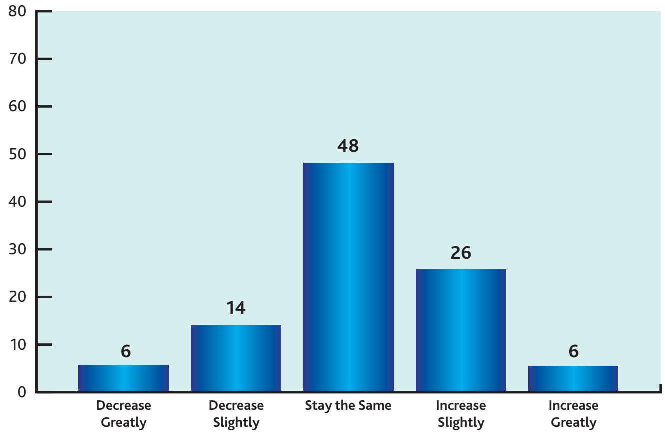
Base: All respondents who use agencies, single response. July 2010.

FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE JUL - AUG	TREND
EXPECTATIONS – 3 MONTHS (TEMP)	17	65	18	-1	-1	▼

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

The 12 month horizon for use of agency staffing provides a more positive view. One in three employers expects to make greater use of agency staff and just under half will be keeping the same number.

Just over one in five expect to cut back greatly and in July that represented 7% of employers. It is possible that this part of the trend in demand will be most significant within the public sector, while private sector employers continue to take up more resource as part of flexible work force planning.



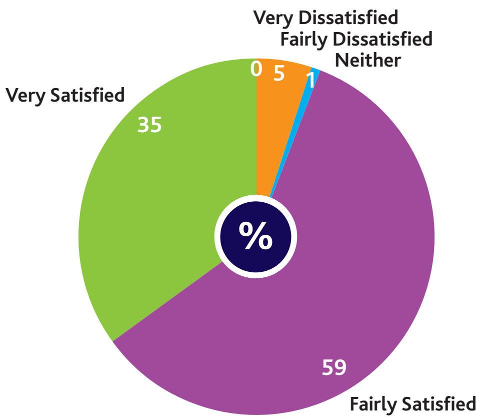
Base: All respondents who use agencies, single response. July 2010.

FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE JUL - AUG	TREND
EXPECTATIONS – 12 MONTHS (TEMP)	31	48	21	+10	+2	▲

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

There was no alteration in the satisfaction agencies have created for their employer clients. The net figure of just under nine out of ten satisfied employers using agencies, was sustained for a second month.

Behind this data however, is a slow drift downwards in the 'Very Satisfied' score which may indicate emerging difficulties in meeting demand for the specific skills that employers are seeking.



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

FACTOR	SATISFIED	NEITHER	DISSATISFIED	NET SATISFACTION	CHANGE JUL -AUG	TREND
SATISFACTION WITH AGENCIES	94	1	5	89	0	▶◀

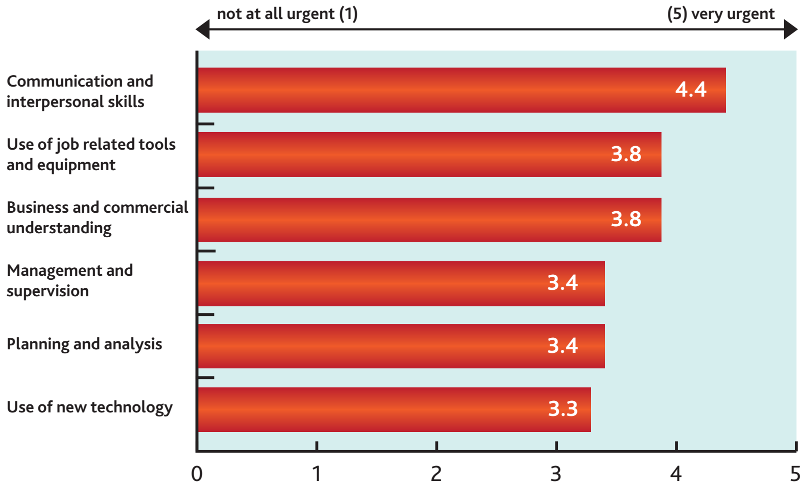
Talent Management

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?

Use of new technology slid to the bottom of the scale for employers in July, while communications and interpersonal skills held on to the top place in the table.

In stressful times, the ability to get on with the rest of the team is no doubt critical, although this is also a reminder of the constant concern employers have about basic communication skills amongst school leavers and graduates.

SKILLS IN DEMAND FOR PERM STAFF	SCORE	TREND
COMMUNICATION & INTERPERSONAL SKILLS	4.4	▲
USE OF JOB RELATED TOOLS & EQUIPMENT	3.8	▲
BUSINESS & COMMERCIAL UNDERSTANDING	3.7	▶◀
PLANNING & ANALYSIS	3.4	▲
MANAGEMENT & SUPERVISION	3.4	▲
USE OF NEW TECHNOLOGY	3.3	▶◀



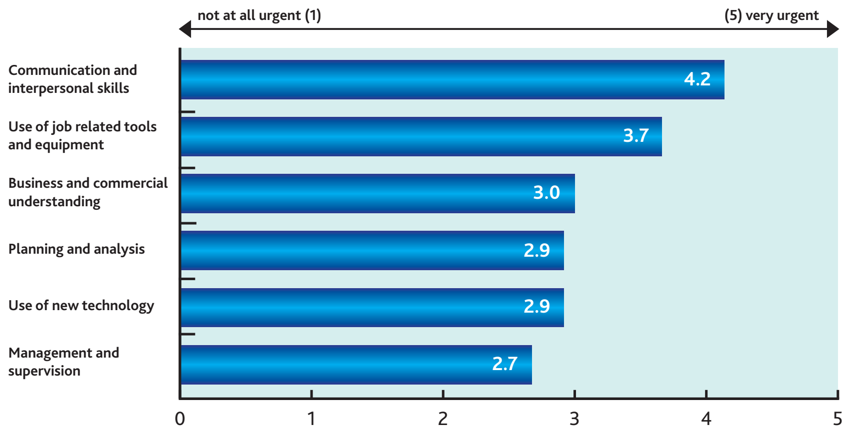
Base: All respondents, single response. July 2010.

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?

Communication skills are only slightly less important among temporary staff, and have edged up in the last month to reinforce that point.

Business and commercial understanding, plus management and supervision skills, have also seen an increase in the importance ranking. Although lying behind use of job related tools, this change is a reminder that many temporary staff play significant roles in organising and management to deliver business benefit.

SKILLS IN DEMAND FOR TEMP STAFF	SCORE	TREND
COMMUNICATION & INTERPERSONAL SKILLS	4.2	▲
USE OF JOB RELATED TOOLS & EQUIPMENT	3.7	▶◀
BUSINESS & COMMERCIAL UNDERSTANDING	3.0	▲
USE OF NEW TECHNOLOGY	2.9	▶◀
PLANNING & ANALYSIS	2.9	▶◀
MANAGEMENT & SUPERVISION	2.7	▲

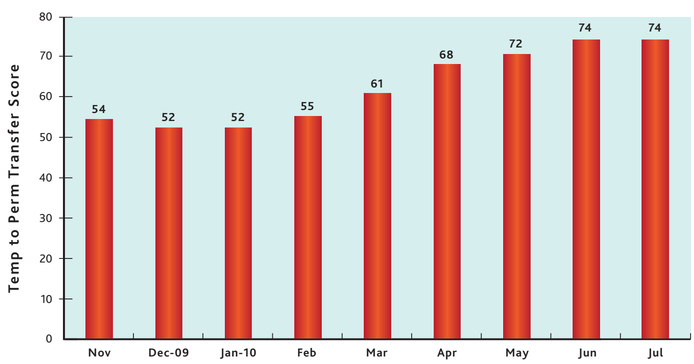


Base: Respondents who use agencies and have a skills shortage, single response. July 2010.

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

This report noted in the previous issue that the transfer score "could flatten or fall in the next quarter". In fact, it has stayed the same, taking account of the underlying trend that feeds into the rolling average which has been in decline. Fewer temporary staff are moving across into permanent roles, it seems.

The forecast this time is more optimistic, on the other hand, in the light of the employers' own forecasts for workforce growth. Demand for permanent staff as noted elsewhere should benefit those already in temporary positions as they have (presumably) proven their worth.



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

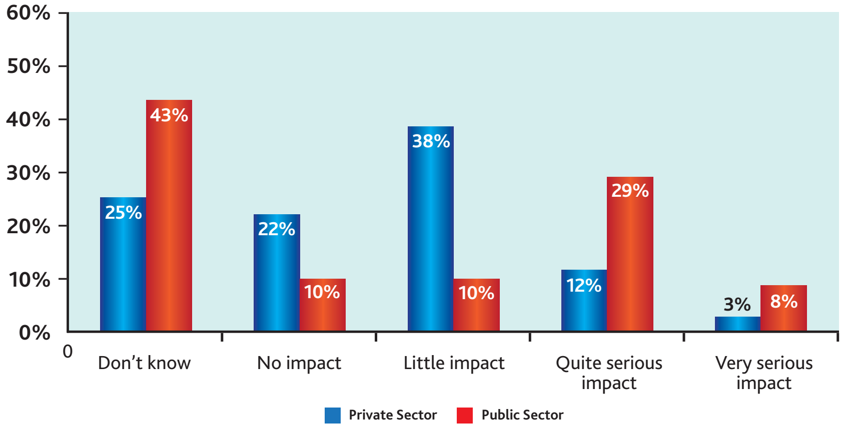
Feature: Impact of Public Sector Cuts

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

The new government's strong stance on deficit reduction has been maintained, yet some of the proposals have been subject to rapid revision after somewhat hasty announcements. It is no surprise that nearly half (43%) of the public sector employers responded 'don't know' to this question. The one third or so (32%) that expect a quite or very serious impact are probably right to do so.

One in four private sector employers are also uncertain about what will happen although 60% expect little or no impact. This could be encouraging as long as re-building the economy depends on private sector job creation.

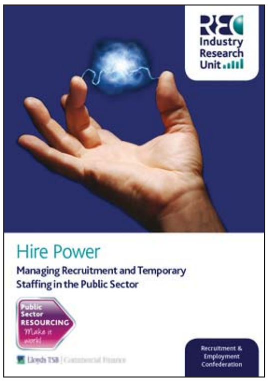
Note that the graph is based on the average of two months responses. This will be updated next month to generate a rolling average for future reports.



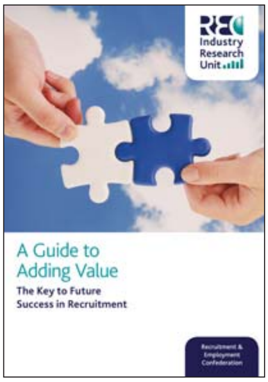
FACTOR	DON'T KNOW	NO IMPACT	LITTLE IMPACT	QUITE SERIOUS IMPACT	VERY SERIOUS IMPACT
PRIVATE SECTOR	25%	22%	38%	12%	3%
PUBLIC SECTOR	43%	10%	10%	29%	8%

Other reports available from the REC

Hire Power



Adding Value



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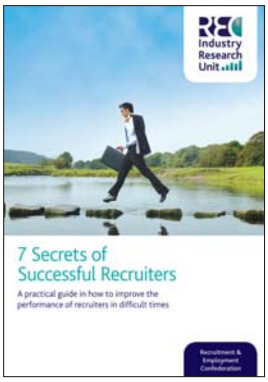

These are available to buy from **www.rec.uk.com/research**

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 £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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