

JobsOutlook



REC Monthly Employer Tracking Survey

February 2011

Summary

- The REC Confidence Index rose again to match the score of a year ago.
- While consumer confidence fell, employers are more optimistic on jobs.
- One in five employers expect to use (22%) more agency workers in Q1 2011. In January 2010 just 11% expected an increase.
- One in three expect to use more agency staff in 2011.
- Headcount freezes have reduced significantly but the number of employers making staff redundant is up.
- The impact of the austerity measures becomes clearer to hiring managers in the public and private sector.

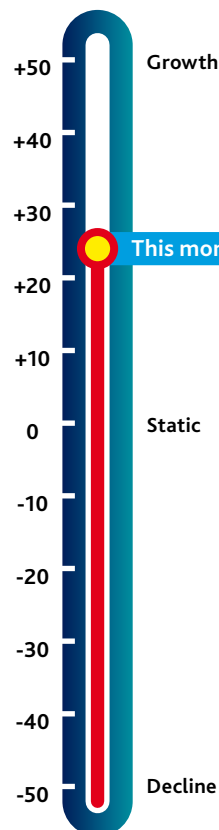
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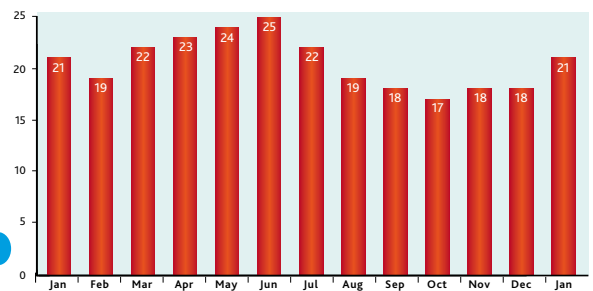
Employer confidence rises, boosting prospects for jobs growth in 2011

The REC Confidence Barometer

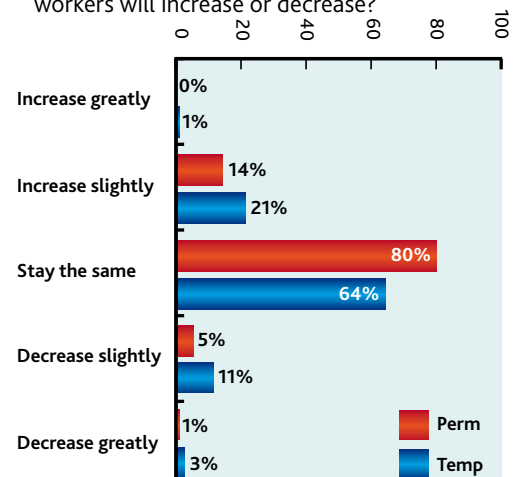
▶ Despite the gloomy reports of a fall in GDP in the last quarter of 2010, among the employers tracked by the REC survey confidence in the future of employment has been gently rising. January saw the rolling average score reach 21, nearing the high of Spring 2010.



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.

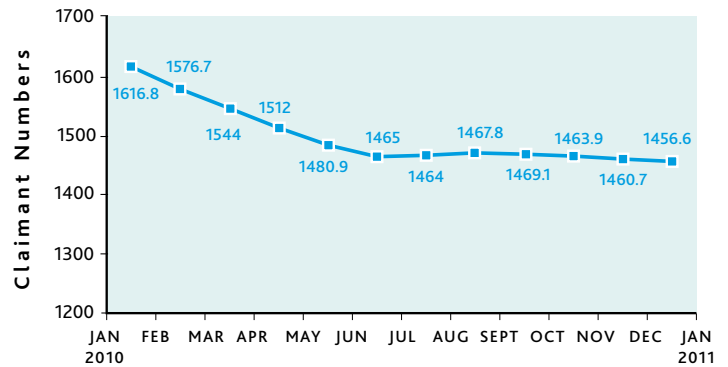
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Recruitment & Employment Confederation

▶ Claimant Numbers

For the third successive month the total number of claimants came down, once again by a small margin of around 4,000 people. Compared to a year ago, the current total is lower by just over 160,000, a 10% fall over the year.

Most of this improvement took place in the first half of the year, before the Coalition's austerity measures began. A similar improvement in 2011 seems very unlikely as government policies continue to reduce public sector employment.

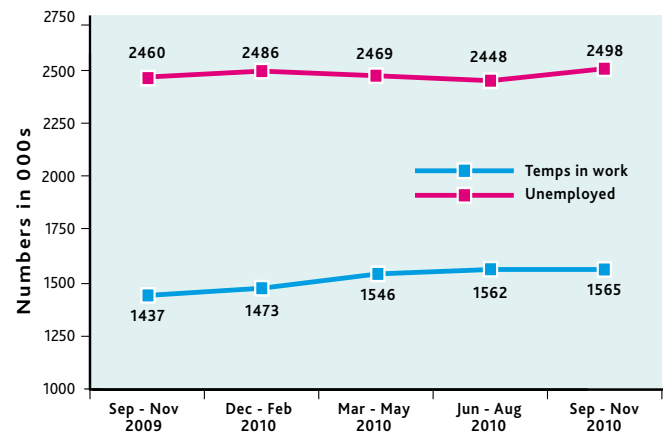


Source: Labour Market Statistics, January 2011

▶ Unemployment and temporary working

The unemployment measure for September – November 2010 rose, reversing the direction of the previous three months. At just under 2.5m in this period it was not the highest recorded figure but there is little sign of improvement.

The number of all temporary staff in work has come down from the peak figure of 1.585m seen in the previous data from the Office of National Statistics. Coming out of the summer seasonal peak, and with some caution among employers, this trend is not surprising. The use of temporary staff remains at a historically high level with 133,000 more temporary workers in the UK than a year ago.

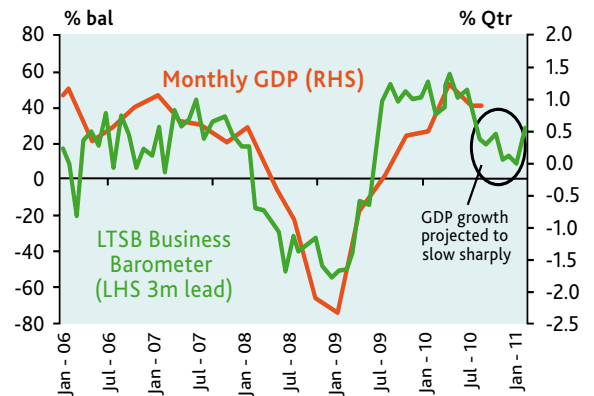


Source: Labour Market Statistics, May 2009

▶ Business Barometer

The GDP predictions made by Lloyds in its Business Barometer seem to have been broadly proven to be accurate by the latest GDP measures. Lloyds takes its forecast from the softening in construction and in service sectors that took place later in 2010. The multiplier of poor weather has added to the underlying trend.

The weather can have a disastrous effect on businesses where time is money – hotels and leisure facilities, for example. In other sectors it may only postpone spend, so the impact could be partly made up in the next quarter. This impact might go some way to explain the resilience of employer confidence this month.



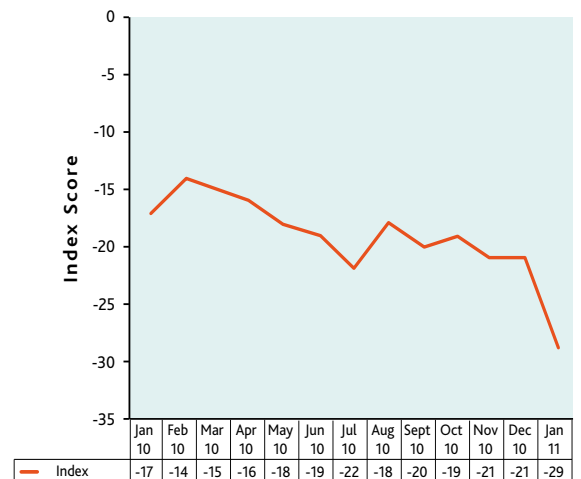
Source: Lloyds TSB Corporate Markets, Business Barometer, May 2009

▶ Consumer Confidence Index

In stark contrast to the rising confidence of employers is the reported loss of confidence among consumers. The GfK NOP Consumer Confidence Index dropped eight points in January to -29. The agency noted that this was the lowest figure since March 2009, when it was -30. Such a dramatic month-on-month change has not been seen since 1994.

However, it is worth noting that while the trend affected all measures, the overall score was primarily driven by just one of them: the major purchases measure, down by twenty two points to -29; thirteen points lower than this time last year.

Meanwhile, consumers responded positively to the question whether 'now is a good time to save' which rose five points to -5, three points lower than a year ago. Spending is an important part of the economic recovery but saving is important too.



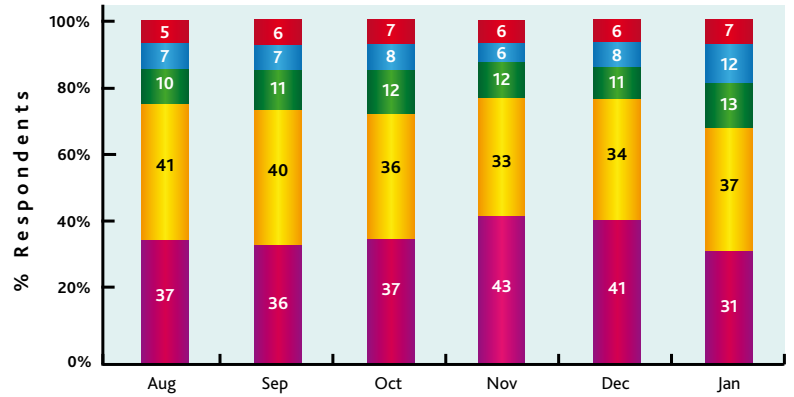
Source: Nationwide Building Society Consumer Confidence Index, May 2009

Permanent Hires

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

The response of employers to the economic situation is examined more closely by this question. It is interesting to note that for the last three months, employers have been moving away from headcount freezes, suggesting that the jobs market has been opening up again as employers look to re-configure resources, perhaps in preparation for growth.

Tight management has continued, nevertheless, with more employers controlling costs through reductions in pay and hours. Redundancies are still taking place among more than a third of employing organisations.



	November	December	January	TREND
NONE	0%	0%	0%	↔
HEADCOUNT FREEZE	43%	41%	31%	▼
REDUNDANCIES	33%	34%	37%	▲
REDUCED HOURS	12%	11%	13%	▲
STAFFING INCREASED	6%	6%	7%	▲
REDUCED PAY	6%	8%	12%	▲

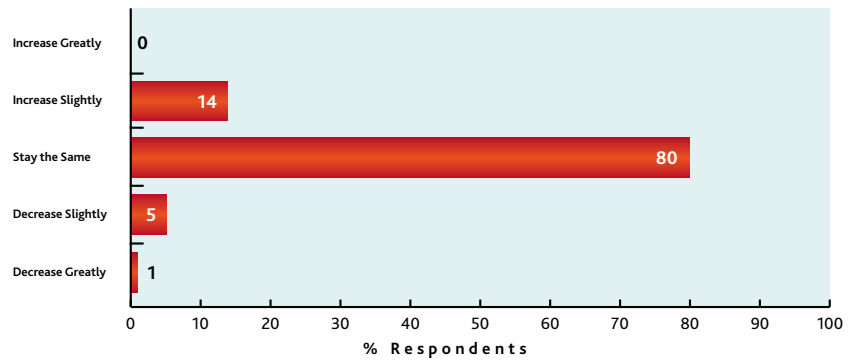
Months

- Staffing Increased
- Redundancies
- Reduced Pay
- Headcount Freeze
- Reduced Hours
- None

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

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

Employers are holding to the level of optimism they expressed at the end of 2010 when considering permanent employment in the next three months. The net balance of those planning increases and decreases is +8%, affecting one in five employing organisations.

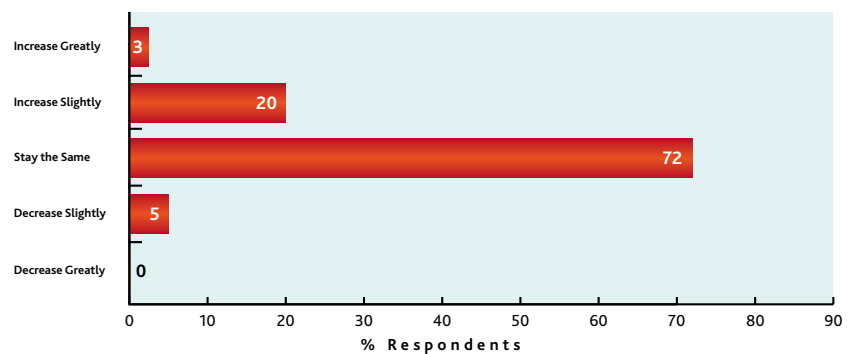


Base: All respondents, single response. January 2011.

FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE DEC - JAN	TREND
EXPECTATIONS - 3 MONTHS (PERM)	14	80	6	+8	0	↔

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

Over the medium to long term there has been a small step up in the net balance, with nearly one in four employers anticipating an increase in permanent headcount over that timescale.



Base: All respondents, single response. January 2011.

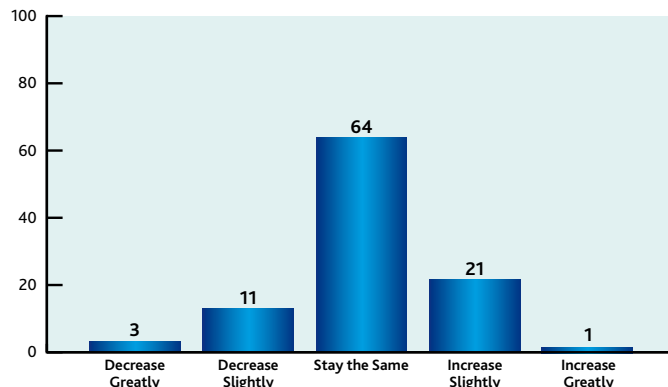
FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE DEC - JAN	TREND
EXPECTATIONS - 12 MONTHS (PERM)	23	72	5	+18	+2	▲

Temporary Agency Workforce

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

The recruitment sector should be able to look forward to a good start to 2011 as employers record more intentions to increase their use of agency workers in the next quarter.

While about two thirds have no change planned, just over one in five expect to grow their workforces. In January 2010, 11% expected an increase versus 22% this year, while 21% forecast a decrease, 14% this year.



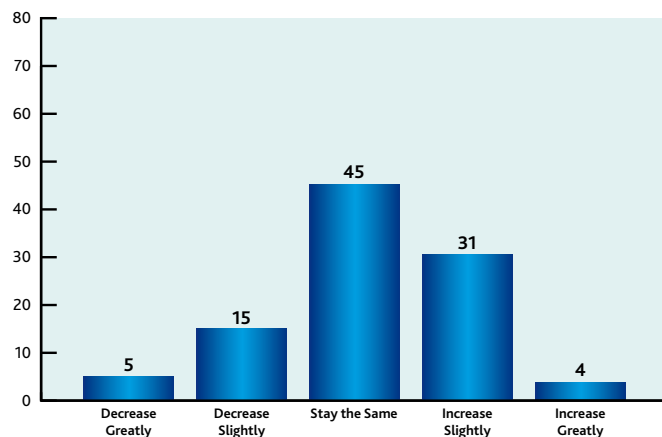
Base: All respondents who use agencies, single response. January 2011.

FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE DEC - JAN	TREND
EXPECTATIONS - 3 MONTHS (TEMP)	22	64	14	+8	+2	▲

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

Overall the long term view of the use of agency workers has not changed significantly compared to last month. It continues to be positive, with one in three employers looking to increase the number of agency workers they use during 2011.

A year ago, 22% of employers expected an increase, compared to 35% now. The net balance has moved from -1% a year ago to +15%.



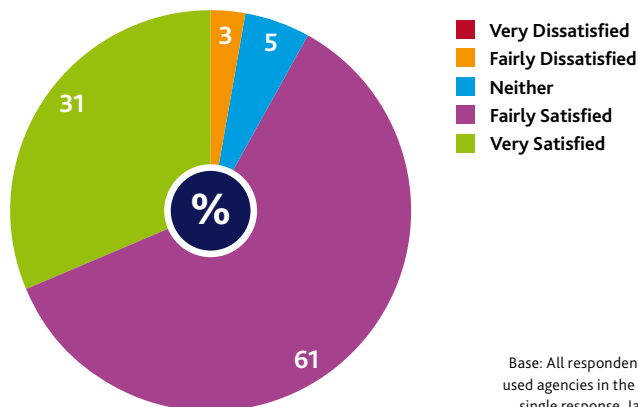
Base: All respondents who use agencies, single response. January 2011.

FACTOR	INCREASE	THE SAME	DECREASE	INCREASE LESS DECREASE	CHANGE DEC - JAN	TREND
EXPECTATIONS - 12 MONTHS (TEMP)	35	45	20	+15	-1	▶▶

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

Nine out of ten employers are satisfied with their agencies, maintaining the excellent record of the industry in meeting client expectations. There has been some slippage in the net figure, of 2%.

If employers are beginning to unfreeze headcount and seek out more staff, it is likely that in some sectors talent shortages will put pressure on the speed at which agencies can meet the emerging demand.



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

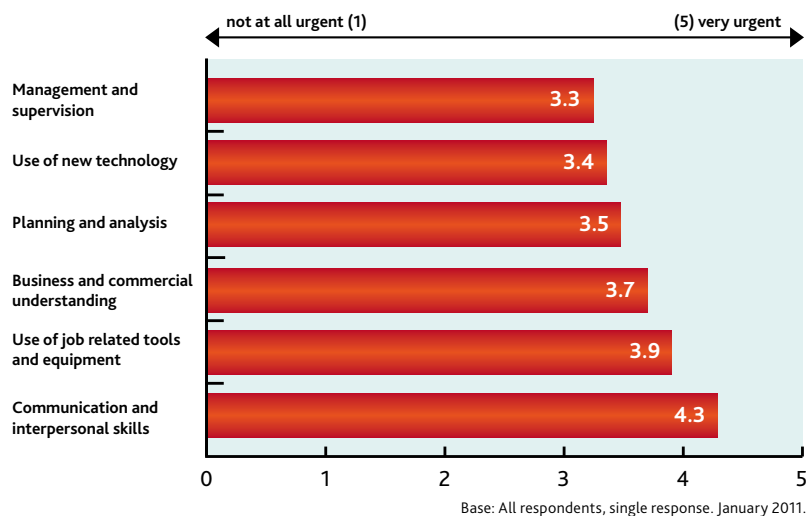
FACTOR	SATISFIED	NEITHER	DISSATISFIED	NET SATISFACTION	CHANGE DEC - JAN	TREND
SATISFACTION WITH AGENCIES	92	5	3	89	-2	▶▶

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?

While the ranking for skills among permanent staff remains constant, the use of job related tools and equipment has seen a shift upwards in importance. Management skills have lost a small degree of importance.

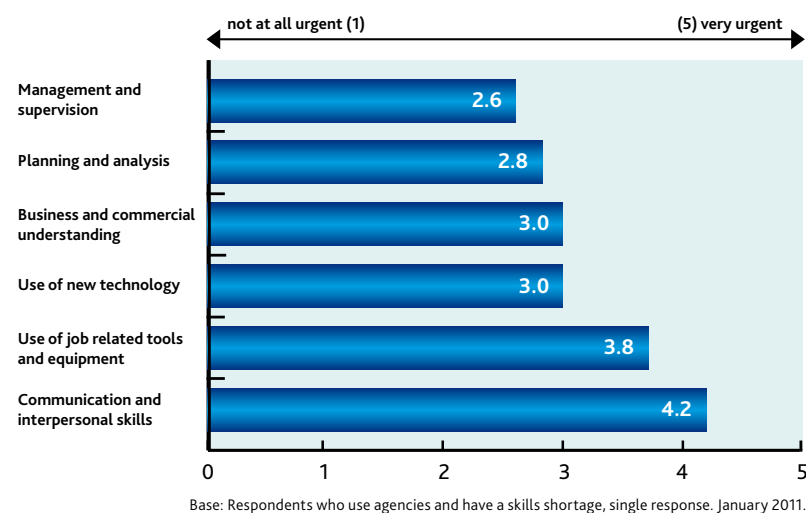
SKILLS IN DEMAND FOR PERM STAFF	SCORE	TREND
COMMUNICATION & INTERPERSONAL SKILLS	4.3	▼
USE OF JOB RELATED TOOLS & EQUIPMENT	3.9	▲
BUSINESS & COMMERCIAL UNDERSTANDING	3.7	▼
PLANNING & ANALYSIS	3.5	↔
USE OF NEW TECHNOLOGY	3.4	▲
MANAGEMENT & SUPERVISION	3.3	▼



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 ranking of skills for temporary staff was static in the last month, in relation to the previous employer responses. Communication and interpersonal skills are by far the most important for employers looking to maximise the value of their agency staff.

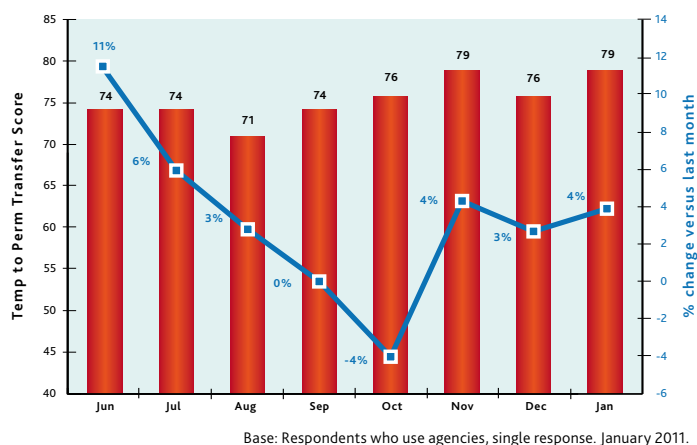
SKILLS IN DEMAND FOR TEMP STAFF	SCORE	TREND
COMMUNICATION & INTERPERSONAL SKILLS	4.2	↔
USE OF JOB RELATED TOOLS & EQUIPMENT	3.8	↔
BUSINESS & COMMERCIAL UNDERSTANDING	3.0	↔
USE OF NEW TECHNOLOGY	3.0	↔
PLANNING & ANALYSIS	2.8	▼
MANAGEMENT & SUPERVISION	2.6	↔



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

The transfer of temporary staff to permanent positions by employers regained importance in the last month. This uplift returned the score to the trend line of the last six months, suggesting in line with other measures this month that some employers are starting to 'unfreeze' their headcount.

In early 2010 this score hovered around the 52 mark, as employers struggled with the recession hit economy. The current score is another indicator of stronger UK employment prospects in 2011.

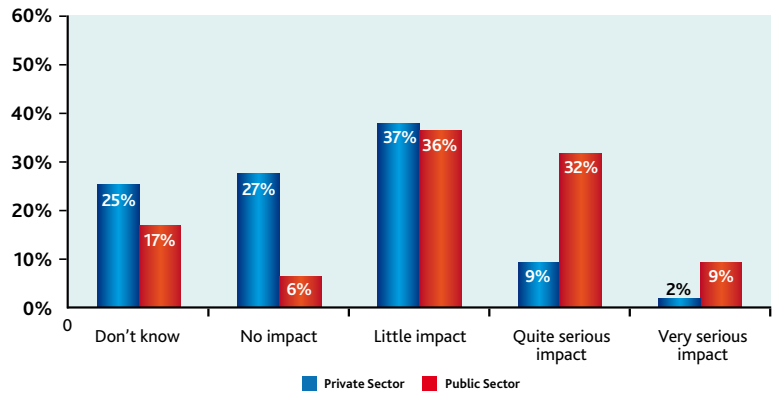


Feature: Impact of Public Sector Cuts

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

A change is taking place in the private sector perception of the impact expected from public sector job cuts. Among private sector employers, the proportion expecting a quite or very serious impact has risen from 9% to 11%. However, 27% (last month, 22%) now feel sure that it will have no impact, and those who still are not sure has fallen from 32% to 25%.

Meanwhile, the public sector view has not changed from the previous month. About 4 out of ten employers believe there will be a quite or very serious impact and only 6% of all public sector employers responding say there will be no impact.



FACTOR	DON'T KNOW	NO IMPACT	LITTLE IMPACT	QUITE SERIOUS IMPACT	VERY SERIOUS IMPACT
PRIVATE SECTOR	25%	27%	37%	9%	2%
PUBLIC SECTOR	17%	6%	36%	32%	9%

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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 £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.

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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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