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*"A critical element of the government's growth strategy is to create the conditions which allow businesses, especially smaller businesses, to flourish and expand, by reducing regulation and maintaining a flexible and dynamic labour market."*

David Cameron, Prime Minister

*"Disputes in the workplace cost time and money, can affect morale, reduce productivity and hold back businesses. We often hear that knife-edge decisions about whether to hire new staff can be swung by concerns about ending up in an employment tribunal if things don't work out. Today's proposals address these concerns and should help give employers more confidence."*

Vince Cable, Business Secretary

**The 'mixed bag' of recent labour market metrics continues to suggest growth in temporary staffing ahead of permanent hires.**

## Government introduce new Employment Charter

New plans to improve the way in which workplace disputes are resolved have been published alongside an 'Employer's Charter'. The measures are designed to give businesses more confidence to take on workers and support growth.

According to Prime Minister, David Cameron, the government's new Employer's Charter will give employers more confidence to hire staff and cut the number of employment disputes taken to tribunal. According to the Government there were 236,000 tribunal claims during 2010 – up 56% on 2009. The average cost per business defending themselves against a claim is estimated to be £4,000.

Key changes in the new Employer's Charter include:

- An increased qualifying period for employees to be able to bring a claim for unfair dismissal from one to two years.
- Parties will be encouraged to resolve disputes between themselves as soon as possible by requiring all claims to be lodged with Acas in the first instance. This will allow pre-claim conciliation to be offered, including the introduction of settlement offers to encourage parties to make reasonable offers of settlement to avoid tribunal hearings.
- The changes also include the introduction of financial penalties for employers found to have breached rights so that there is greater compliance from employers to cut the number of tribunal cases. In addition, claimants may also have to pay a fee to bring disputes to a tribunal.
- The tribunal process will also be quickened by extending the jurisdictions where judges would sit alone to include unfair dismissal. The use of legal officers for certain case management functions will also be introduced.
- A number of other measures will also be added to help prevent tribunals over "weaker" cases being disproportionately costly for employers.
- In announcing the new Charter the government also confirms that it will consider the requirements placed on employers when they take on staff to ensure that it is as simple and straightforward as possible. It intends to publish a model contract for employers shortly.

## Summary of Recent Indicators

- Staffing agency outlets on UK high streets have declined by 13.4% since October 2008 according to new data from Ordnance Survey (OS). The decline was second only to building societies, which saw 28.2% of all their premises close. Other businesses that experienced a steep decline in numbers included estate agents, which fell by 9.3%, and pubs and bars, which fell by 4.7%. The only businesses that saw the number of high street branches increase were bookmakers and betting shops. The decline in high street recruitment has been attributed to a combination of an increase in on-line transactions and the economic downturn.
- Manpower has reported a surge in the demand for temporary workers. In the US, temporary positions are thought to have accounted for up to half the jobs created since the economic downturn as employers seek flexibility in uncertain economic times. Manpower forecasts revenues will rise by up to one-fifth in the current quarter compared with the same period last year, driven by rises of up to 41 per cent in the Americas, 18 per cent in France and 17 per cent in the rest of Europe, the Middle East and Africa.
- Consumer confidence dropped eight points to -29 in January according to the latest GfK NOP, with a spectacular drop in the number of people saying they planned to make a major purchase. Consumer confidence, an important driver of labour market fluidity, has only slumped this much on six occasions – the last being in the midst of the 1992 recession.
- New analysis from the National Institute of Economic & Social Research suggests that 97% of posts created since the economy came out of recession are of limited hours. Only 6,000 of the 200,000 jobs to have come up in a year pay a full-time wage as employers remain reluctant to bring in full-time workers when part-timer labour is cheaper and mean less red tape.

## Recruitment difficulties affecting more than half of firms

According to research by Alexander Mann Solutions more than half (55%) of firms have encountered difficulties recruiting in the last six months,

A survey conducted with global senior HR decision makers revealed that 70% have faced difficulties due to a skills shortage in the candidate pool.

These skills shortages are found particularly within UK Companies at 76% although they are less apparent in Asia-Pacific Companies (60%).

Furthermore, only 33% of companies rate themselves as "good" or "excellent" when it comes to using innovative and creative approaches to secure new talent.

However, more than half (53%) of HR professionals surveyed consider that their organisation is "good" or "excellent" in terms of having flexibility in the recruitment process. Only one in five of HR leaders identified a lack of flexibility in the type of candidate sought.

*"The last 12 months have been difficult for the business community, and as we move into a more positive new year, the war for talent is set to continue. HR professionals will have a key role to play in identifying and retaining skilled workers. As competition to attract this top talent hots up, it's going to be essential for organisations to take a more strategic and innovative approach when implementing recruitment policies."*

**Rosaleen Blair**

CEO and Founder, Alexander Mann Solutions

## Employee satisfaction continues to decline

New research carried out by recruitment consultancy Badenoch & Clark among more than 1,000 office employees reveals that one in four workers are unhappy in their job and would not recommend their employer while many others are only motivated by spiraling debt.

The survey shows that most were less happy than a year ago, with spending cuts, the economic climate and the change of Government all blamed for the dip in morale. Staff in finance and law were the unhappiest workers.

*"The relative decline of happiness in the workplace over the past year can be attributed to a number of factors. The VAT rise, inflation and the recession are all hitting workers hard. Longer hours and lack of job security mean that happiness at work is remarkably low.*

*Economic uncertainty over the past year has put tremendous pressure on employees. This trend is particularly evident in professional services, which has resulted in heightened intensity in the workplace and increasingly poor morale."*

**Heidi Waddington**

Associate Director at Badenoch & Clark

## Graduate unemployment rises

- The Office of National Statistics has revealed that joblessness amongst new graduates has almost doubled since the recession began. The proportion of unemployed graduates at the end of September 2010 was 20%, up from 10.6% at the beginning of last year. This rate of graduate unemployment is the highest in more than a decade.
- The overall rate of unemployment rose by 5.2% over the same period, suggesting that graduates have been struggling more than most in the current employment market.
- This pessimistic outlook is also reflected in new research from Totaljobs.com which found that more than a third of graduates (38%) have been on Jobseeker's Allowance since leaving university. 37% of this group have done so for more than six months.
- The Totaljobs.com survey also found that almost half (44%) do not believe their university education has equipped them for the world of work, while (43%) say they would not have chosen the same course, knowing what they know now and a quarter (24%) would not recommend higher education to current A-Levels students.
- The ONS and Totaljobs.com publications come within days of a report published by the Association of Graduate Recruiters showing that the number of Graduate vacancies in last year's recruitment season rose for the first time since before the recession.
- The AGR's report show employers saw an 8.9% rise in vacancies on the previous recruitment round. The median graduate starting salary remained at £25,000 for the second year in a row in 2009/10 and is predicted to stay at this level this year.

*"The reality is that as a country we haven't been very good at creating graduates that are specialised in areas that employers are demanding. The only benefit that we can see in the disappointing decision to, in effect, triple fees is that it may focus the minds of those wishing to go to university on which skills are most in demand in the jobs market which degree will best enable them to pay off debts most swiftly and create more focus on their chosen career direction."*

**Mike Feters**

Graduate Director, Totaljobs.com

## Increased appetite for travel and subsistence schemes expected in 2011

Recruitment agencies are becoming increasingly aware of the tax saving opportunities that can come from running travel and subsistence schemes in-house or through umbrella company service providers, according to Saffery Champness Chartered Accountants. These tax savings can be translated into lower hourly rates charged to end-user clients and, accordingly, a competitive advantage.

Simon Kite, a Partner in their Manchester office, comments "We are also aware that a number of agencies are actively considering implementing the "Swedish derogation" option under the Agency Workers Regulations ("AWR") as the best commercial response to the AWR, which take effect from 1 October 2011. Under this option, which "protects" the agency's end user clients from the increased burden of the AWR, temporary agency workers who have a permanent contract of employment with a temporary work agency continue to be paid in the time between assignments. Whilst this brings obvious additional risks and costs, recruitment agencies are examining whether a travel and subsistence scheme can offset those negative aspects".

Saffery Champness warn, however, that travel and subsistence schemes that are operated by many employment businesses and umbrella companies have been under scrutiny by the Government for a while now. The Government has taken the view that such arrangements are frequently being "abused" in a number of ways and it has authorised action to curb perceived abuses.

One measure designed to reduce the attractiveness of travel and subsistence "schemes" took effect from 1 January 2011, when reimbursed travel and subsistence expenses, or allowances paid in respect of such expenses, ceased to count towards pay for the purpose of the National Minimum Wage.

Another measure designed to curb abuses is a concerted process of review by HM Revenue and Customs (HMRC) of employment businesses' arrangements for the payment of travel and subsistence allowances. This process is taking effect in two ways: first, where there is an existing P11D dispensation in place covering travel and subsistence allowances, that dispensation is liable to be reviewed by HMRC and, second, HMRC is scrutinising applications for new dispensations in far greater depth than has been the case hitherto.

A fixed-rate allowance paid for travel and subsistence expenses will normally be regarded as taxable income in the hands of a worker unless the allowance does no more than broadly reimburse the employee for tax-deductible expenses that he has or will actually incur and where HMRC has given clearance in the form of a P11D dispensation that such payments will not be treated as taxable income. Expenses incurred by an employee in travelling to and from a "normal" workplace are not tax deductible nor are subsistence costs incurred at or near the normal workplace.

It is the employer's responsibility to ensure that any travel and subsistence payments are treated correctly and that income tax and National Insurance contributions are deducted through PAYE if necessary. The employer can potentially be left with a very big tax bill if PAYE is not operated correctly.

HMRC is now expecting employers to be able to demonstrate a far higher level of recordkeeping than has sometimes been the case in the past. Some of the more important requirements that will need to be satisfied include:

- Showing that travel and subsistence expenses are being incurred by workers in respect of work at a temporary workplace - This may involve a detailed review of the contractual arrangements with the workers in question and scrutiny of the company's assignment records.
- Demonstrating that the employer retains or has ready access to records which show what expenses have actually been incurred by workers.
- Ensuring that workers have to make regular claims for expenses payments rather than receive automatic allowances.

Failure to have adequate procedures in place is now liable to lead to new dispensation applications being refused and may lead to existing dispensations being revoked at considerable potential cost to employers. It is therefore extremely important that companies currently operating, or considering operating, a travel and subsistence scheme seek advice from accountants who are knowledgeable in this area, in order to avoid any nasty shocks when HM Revenue & Customs come knocking on your door.

## Company Results

- **Morson Group Plc:** The latest trading update from Morsons, the provider of technical engineering personnel and project design solutions confirmed that trading performance for the 2010 financial year was expected to be in line with market expectations.

*"Trading through the latter part of 2010, and since the year end, has remained challenging. Whilst trading in civil aerospace, nuclear, power and rail has remained relatively stable, our activity in the defence sector has been impacted by the implications of the UK Government's Strategic Defence and Security Review.*

*Morson's business model is strong as a result of the breadth of services it provides and the range of markets it operates in. In the forthcoming period we anticipate building on the 2010 investment in overseas markets and growing our footprint in new regions. There remain many new business tender opportunities and these are allowing us to invest in and increase our permanent recruitment offering."*

**Morson Group Statement**

## Company Results

- **Matchtech Group Plc :** A trading update from Matchtech, the specialist technical recruitment company, for the six months ended 31 January 2011 shows that net fee income (NFI) was up by 8% from £12.5m in H1 2010 to £13.5m in H1 2011. NFI from contractors was down by 3% from £9.6m in H1 2010 to £9.4m in H1 2011 whilst NFI from permanent placements was up by 43% from £2.9m in H1 2010 to £4.1m in H1 2011.

The business mix has shifted from 77% contractors : 23% permanent placements in H1 2010 to 68% contractors : 32% permanent placements in H1 2011. Headcount was up by 27% from 213 in H1 2010 to 270 in H1 2011.

*"The board continues to expect that profits for the current financial year will be significantly weighted towards H2 driven by a step change in NFI in H2 and into 2012. In the short-term, however, the increased investment and lower than expected contribution from Professional Services have been such that the group's full year profits are now expected to be approximately 20% below current consensus expectations. Nevertheless, group profits in H2 FY2011 are expected to be slightly above those of the corresponding period in the previous financial year."*

**Matchtech Group Statement**

## Company Results

- **Empresaria Group Plc:** A trading update from Empresaria, the international recruitment and management services group, for the financial year ended 31 December 2010 shows that full year revenues were up by 17% from £191m in 2009 to £223m in 2010.

Full year NFI was up by 20% from £41m in 2009 to £49m in 2010.

Second half NFI from continuing business was up by 14% from £22m in H2 2009 to £25m in H2 2010.

*"The group's results for 2010 will be in line with market expectations that were revised upwards on a number of occasions over the year, most recently following the half year results announcement on 9 September 2010. Year end reported net debt has been reduced to 5.5 million Pounds, despite investing £2m in the acquisition of minority shareholdings during the course of the year and in working capital to support a £32m increase in revenue.*

*In Continental Europe, where 90% of regional net fee income is derived from Germany and Austria, we are benefiting from structural growth in the still immature German temporary staffing market as well as from a strong German economy. Our focus in the UK on developing temporary staffing operations away from the public sector has created stable and growing revenue streams. In addition, we have benefited from an exposure to recovering market sectors, particularly professional and financial services*

*Although the continued macro-economic environment necessitates caution in forward planning and prediction, the board does expect that the group's results for the year ending 31 December 2011 will be ahead of current market expectations."*

**Miles Hunt**

CEO Empresaria

## Other News

- Half of bankers received bonus increase: <http://www.recruiter.co.uk/half-of-bankers-receive-bonus/1008363.article>
- 1 in 5 office workers unhappy with job: <http://hrmagazine.co.uk/news/1051440/One-five-UK-office-workers-unhappy-job/>
- Retaining accountancy talent is top priority: <http://www.recruiter.co.uk/retaining-accountancy-talent-top-priority/1008375.article>
- IT Jobs demand rises: <http://www.recruiter.co.uk/it-job-demand-climbs/1008324.article>
- Government urged to make growth plan clear: <http://www.recruiter.co.uk/government-urged-to-make-growth-plans-clear/1008359.article>
- Ban on HIV positive health workers under review: <http://www.peoplemanagement.co.uk/pm/articles/2011/01/government-reviews-ban-on-hiv-positive-health-workers.htm>

Market>i available every month from the REC