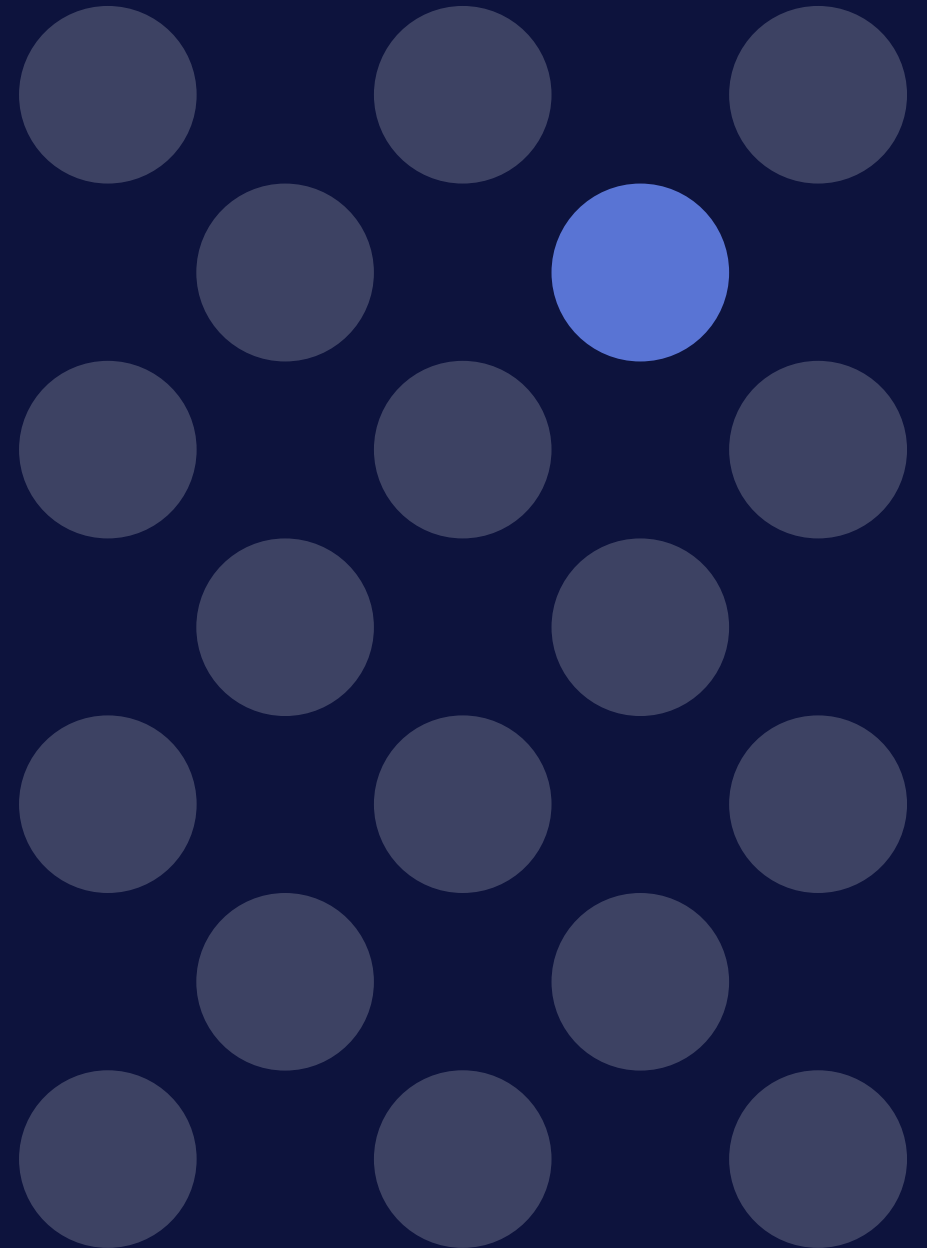


## The Big Mac(ro)

# The political and economic outlook for 2024/5

Neil Carberry, 7<sup>th</sup> June 2022



# On today's agenda...

1

What's the short-term outlook?

2

What are the secular trends that will affect my business?

3

The value of thinking longer-term



**Neil Carberry**  
Chief Executive, REC  
@RECNeil

As always, you can follow REC on LinkedIn, and @RECmembers on X/Twitter for all the latest!

| So, what is going on?

# An aside before we start....

- What is an economy?
- What drives it?
- Why do trends change?



# UK economy – May 2024

Unemployment was 4.2%, up on the quarter and up on the year, and above pre-pandemic rates.



Real terms pay (adjusted for inflation) rose by 1.9%



Bank cautious on interest rates – June or August to start rate cuts?



## UK economy – Forecast

Lower oil and gas prices – and therefore a dropping energy price cap – means inflation is back close to target. High uncertainty on what next.



GDP growth was 0.6% Jan-Mar 2024. This reverses the recent recession and leaves the economy slightly bigger than Q1.



ONS and HMRC data point to a modest but positive quarterly growth in employment



## BoE May 2024 Monetary Report

**Chart 2.15: Abstracting from volatility, unemployment seems to be rising**

Change in the unemployment rate on a year earlier and REC survey measure of staff availability less demand for staff (a) (b)



# Jobs Outlook

Do you think economic conditions in the country as a whole are getting...



In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



## Employers' positivity about the economy at a two-year high

Employer confidence trends



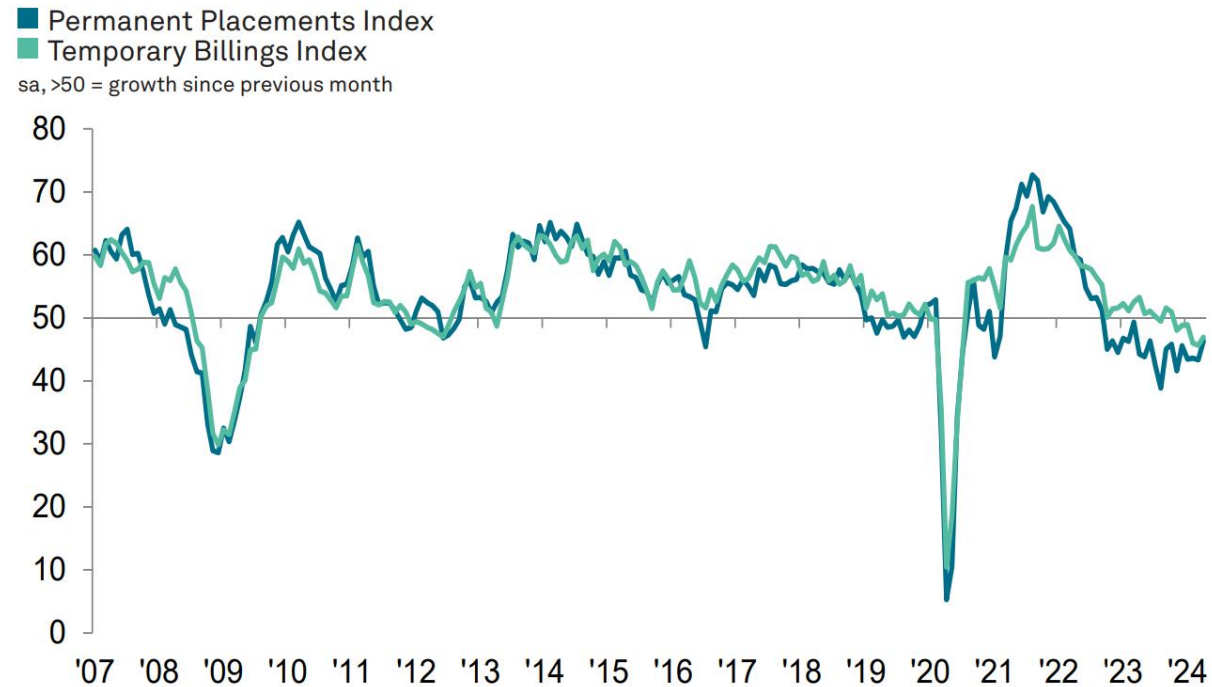
- Across February – April 2024, business confidence in the UK economy improved by five points, to net: -36. Employers' confidence in taking hiring and investment decisions also improved by 12 points and return to positive territory to net: +5.
- Sentiments towards short-term (net: +21) and medium-term (net: +20) permanent hiring improved.
- Employers' outlook for short-term temp hiring improved (net: +13). A moderate fall in the medium-term temp demand forecast, still in positive territory at net: +9.

# Report on Jobs

Slower falls in permanent and temporary staff appointments

Pay rates picked up during April as firms remained willing to raise wages to attract suitable candidates.

Overall demand for staff continued to fall, But the rate of contraction was modest and the slowest since January



Placements  
fall at  
weaker pace

Pay rates  
increased to  
attract  
candidates

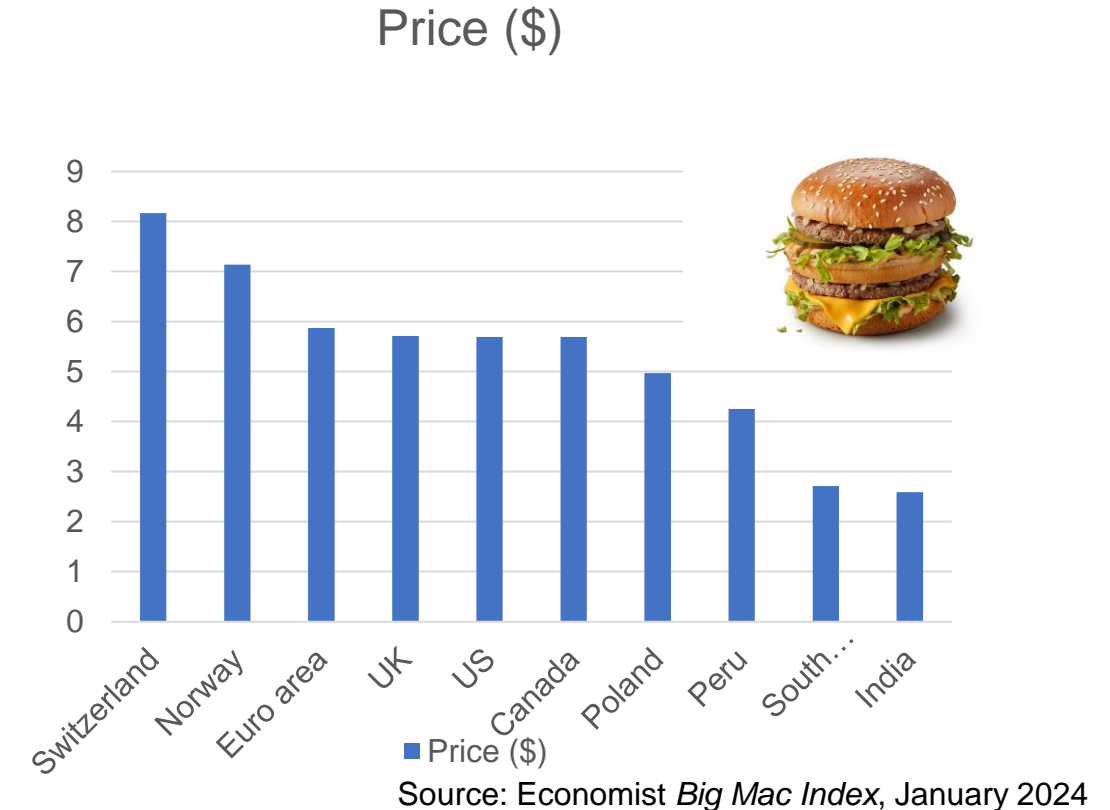
Candidate  
availability  
growth hits  
five-month  
high

# So what changes?

- Inflation path now is **highly** unpredictable – from ticks up a bit to drops into deflation. This will define speed of BoE rate cuts – and therefore drop in cost of capital
- Other sources of risk include macro-political (Israel/Gaza; Red Sea; China/Taiwan; US-EU relations); technological; climate and market.
- The biggest market risk in the UK for our sector is **labour supply**. Even now labour markets remain tight – clients seem not to understand this.
- Barring macropolitical shocks, rest of 2024 into 2025 looks more positive – it is what happens next that is more uncertain.

# Reasons to be cheerful...

- The UK has significant inherent strengths that have been masked a bit over the past few years.
- Whoever wins the election, some level of political “normality” has resumed.
- UK looks relatively cheap vs major competitors...
- ...many of whom are facing friction themselves.
- When it comes to growth, sentiment matters.



**What are the secular challenges?**

# 1. Regulatory change

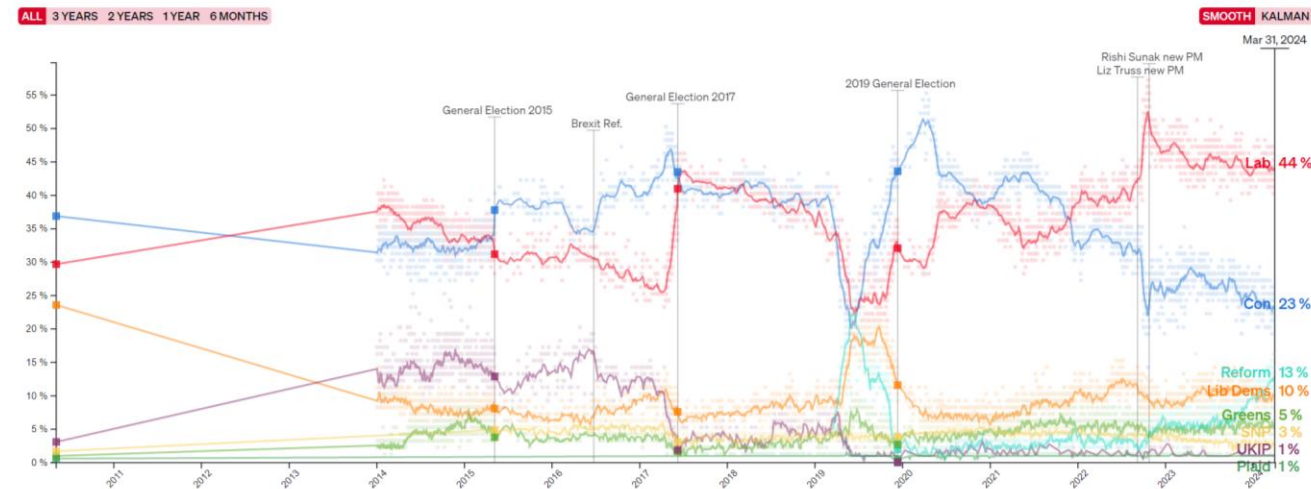
Precedent tells us that a new government needs to act fast and early. They should want to deliver the hardest / most pressing policy changes first – when both energy and the public mandate is riding high.

Labour are under pressure. Recent coverage of “watering down” their plans in the *New Deal for Working People*\* highlights how Unions have much staked on the original commitments – but these were made when Labour were a long way from Government, and practicality now needs to intrude.

Business groups need to walk a tightrope – Labour will have a mandate, but will also want their changes to support the economy. There will be space to help this happen in the first few months of a Labour Government, but it will require effort from business.

\* - [Labour faces tough balancing act on workers' rights](https://www.thetimes.co.uk/article/labour-faces-tough-balancing-act-on-workers-rights) (thetimes.co.uk)

## National parliament voting intention



Source: Politico, Poll of Polls

## Labour faces tough balancing act on workers' rights

The party is determined to keep business onside but cannot move too far without alienating its traditional union support



# Labour policy priorities which matter to recruiters

## Opportunities

- Seeming strong desire to engage with business on policy making and partnership working
  - Starmer's office particularly engaging more on New Deal and business relations.
  - This is a marked shift. It has been sometime since a PM / Opposition Leader did more than pay lip service to business engagement.
  - REC representatives have had multiple positive in-person meetings.
- Promise to reform the **Apprenticeship Levy** into a broader skills levy that can be used to fund training, in line with calls from the REC and others.
- Commitment to create an **Industrial Strategy** – informed by business, centred around growth sectors and future workforce development. Likely good news for employers in STEM sectors.

### Jury's out:

- **Crackdown on tax avoidance promoters** – this may be a mechanism for serious action and enforcement aimed at umbrella companies and other rogue operators in the labour supply chain. Could be helpful in cleaning up supply chains, but...
- **Contractor tax** - Labour's position on IR35 is unclear – and likely to stay that way until after the election. Likely to be affected by their wider employment status thinking.
- **Immigration / visa reform** focused on stamping out exploitation of migrant workers in the care sector (as well as other sectors at risk of modern slavery) – early engagement with Stephen Kinnock and his team underway.

## Risks

- **An Employment Bill in their first 100 days of government.** Based on their green paper, this could include proposals for:
  - A new single worker status – which will throw AWR up into the air.
  - Day one rights for **all** workers, equivalent with permanent employees, including gig workers and self-employed. This could cause significant problems with dismissal processes for short-tenure workers.
  - A ban on Zero Hours Contracts – though this increasingly looks like a right to a fixed-hours contract where you have a clear pattern of work.
- New procurement guidance for **staffing in the public sector**
  - This will likely include attempts to restrict agency staffing budgets in the NHS, schools, social work and across local authorities.

# Our work on this...

At the REC we are making the case for the good you do. The four themes of our manifesto are all about explaining the social and economic role the industry plays – and how Government could help us do more.

**Look out for our new work on worker voices this summer!**



## 2. Riding the tech wave

We overestimate the short-term impact of tech, but underestimate the long-term shifts that are coming. Think:

- Where will the jobs be in my client's businesses? What do you need to know that?
- What can I do now on better adoption of tools that I have/could get easily?
- What skills do I need on my team? Where can I get them?
- How will I build a future service model that integrates people and tech effectively?



### 3. Only green growth will be growth...

With or without Labour's £28bn, the gravity of the shift to low carbon is huge. And technical skill formation in the UK is a challenge.

Huge opportunities exist in this space, especially for skills-development based models of staffing. What relationships do you need?



## 4. Demographics matter

- Forget Brexit, the UK domestic workforce peaked in size in 2014. The baby boom generation – now retiring – is far bigger than those that follow.
- Tech change is **unlikely to clear this market** but it will create skill dislocations.
- Increasingly, clients and candidate will be lost.

| What are you asking yourself now?

# What do we hear most from recruiters?

- What is going on in this market?
- How can I connect more deeply with clients?
- What will the world throw at us next?



# What do we hear most from recruiters?

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We need to value what we do  
to make any progress at all

”

We talk about clients not valuing us, but the worst denigration I have seen comes from ourselves – both in how we talk about what we do, and in the business approaches we are willing to take.”

REC Member, Edinburgh, February 2024



**REC**

Recruitment  
& Employment  
Confederation

# Aim Hire

Creating business advantage  
through strong recruitment  
partnerships



# The Aim Hire guide

The Aim Hire guide is designed to help businesses of all sizes and sectors make well-informed decisions when procuring recruitment services whether for permanent or temporary positions. The guide will demonstrate the value that a strong recruitment relationship can add, and contribute to a better understanding of how you can maximise the benefits of the industry's unique positioning, knowledge and professionalism.

## In the guide, you'll read about:

- A smart approach to procuring recruitment services
- How a partnership approach will pay dividends
- How planning ahead will provide the best results
- Five things you can do to maximise the relationship with your recruitment partner
- The value of quality recruitment services
- Tips on the best ways to get value out of the process



# The Aim Hire toolkit

In addition to the full guide, we've also put together an exclusive toolkit to help our members get the most out of the Aim Hire guide

Take a look at the additional resources available below, all designed to help give you meaningful insights and stats that you can embed in your working documents or drop into client conversations to help you showcase the work of our industry.

## 1. PowerPoint Slide show

Ready-to-use slides with data points illustrating the value of the recruitment sector to business growth, a punchy case study highlighting good recruitment and so much more. These slides can be lifted into your branded presentations to present or used as a standalone supporting document.

## 2. Five tips to maximise the relationship with a recruitment partner - Infographic

Seeking a quick and visually engaging resource to effectively convey strategies to optimise the relationship with a recruitment partner? Download our infographic designed to simplify the process into 5 actionable steps.

## 3. Factsheet

Looking for a comprehensive understanding of the value of quality recruitment? Our factsheet will give you the powerhouse stats you need when talking to clients. This invaluable resource not only serves as a point of reference for essential data but also highlights the importance of strong recruitment partnerships and good recruitment practices.

## 4. How to use the toolkit

The Aim Hire guide and toolkit have been developed for you to use with your clients and demonstrate the value of a strong recruitment partnership to your clients. The toolkit is a versatile set of resources which can be broken down, shared and inserted into your brand documents.

# Aim Hire

Creating business advantage  
through strong recruitment  
partnerships

Discover more from the REC

[www.rec.uk.com](http://www.rec.uk.com)



Scan me



[Read the full guide](#)

| But to make this work...

# Two things...

1. Lean into the change that is coming – Tech, NetZero, Social and Government expectations
2. Value what you do – and stand by it. Sell it to clients. At a conceptual level, business leadership understands this.



- The long-term is when the big change happens – make time for it.
- Let that view drive your short-term behaviour too. There is lots to do immediately!
- Specialism, expertise and professional service is the only path that will deliver the returns you are looking for.

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- The REC is here to help.

# Thank You!

And here's that QR code again!

