

# AWR Monitor

Edition 4 – February 2012

## Overview

- Although temporary billings have contracted slightly over recent months, the latest REC/KPMG Report on Jobs shows an improvement on December. This confirms that there is still little evidence that the AWR have had a significant impact on hiring and that employers are still making considerable use of flexible working arrangements.
- This month's REC JobsOutlook – which tracks future hiring intentions – shows that 84 per cent of employers plan to increase or maintain current use of temporary staff over the coming year. The short-term outlook for agency staff is now stronger than a year ago.
- The latest round of regional and sector group meetings has provided detailed practical feedback from recruiters. The impact varies from sector to sector but the mood was relatively upbeat about the overall outlook for the agency market.
- Recent challenges flagged by recruiters include ongoing questions over the status of Limited Company Contractors, the viability of new supply models and concerns over clients being reluctant to share relevant information.
- The ongoing feedback from recruiters and clients is being collated and circulated to the Department for Business, Innovations & Skills (BIS). REC will be taking this forward with new Employment Relations Minister Norman Lamb.

## The latest data and developments

- January's REC/KPMG Report on Jobs – which tracks the number of placements made through agencies - showed a slight decrease in temp billings for the second month running.
- Despite this slight contraction, the latest data shows an improvement on December and confirms that employers are still making considerable use of flexible working arrangements. While still short of the 1.6m peak, temporary working remains at historic levels.
- The latest Report on Jobs also shows a slight increase in the rates of pay for temporary and contract staff. The possible impact of the AWR on pay rates is something that the REC will continue to track over the coming months.
- There continues to be strong demand for temporary/contact staff in engineering, IT & computing, secretarial/clerical as well as in the healthcare sector. Demand remained lower in financial services and hotel & catering.



- This month's REC JobsOutlook – which tracks future hiring intentions rather than number of placements made – shows that 84 per cent of employers currently plan to grow or maintain their use of temporary staff over the coming year with only 16 per cent planning a decrease.
- JobsOutlook also shows the temp to perm score rising two points in January to its highest level yet. The ability to take on tried and tested staff is one of the benefits of agency work and we will continue to monitor any impact of the AWR here.
- When asked specifically about any changes in the use of Agency workers since October 2011, two out of three employers (68 per cent) said that they had not made any changes in their approach to agency workers. This indicates that flexible staffing arrangements are firmly embedded with employer resourcing strategies.
- As part of our ongoing work to promote the benefits of flexible staffing arrangements, the REC held the second meeting of the Flexible Work Commission in February. The Commission is chaired by David Frost, former Director General of the British Chamber of Commerce (BCC).

### Implementation issues - Agency Feedback

This month's regional meetings – including the main Policy Forums in Wales and Northern Ireland – have included detailed discussions on how the AWR has impacted so far. The feedback underlined the significant cost and bureaucracy that agencies have had to absorb but also confirmed that the demand for flexible staffing had remained strong and was increasing in some sectors.

Feedback from REC Sector Groups also paints a mixed picture with specific implementation challenges raised in sectors such as education and industrial/blue collar. However, the overall mood was relatively upbeat.

Some agencies have reported an impact in terms of churn (ie terminating the assignment before the 12 weeks qualifying period kicks in) and employers deciding to simply use less temps. Although this is a minority at present, it is something we will continue to monitor.

An additional priority for the REC has been to track trends in terms of client organisations taking candidates on directly for contract roles rather than via agencies or setting up their own in-house 'temp bank'. The latest JobsOutlook shows that the number of employers considering this last option has reduced significantly since December (from 18% to 14%). Challenging the preconception that in-house banks are a more cost-effective option was one of the aims of last year's 'Hire Power' report from the REC's Industry Research Unit.

There have been a number of queries to the REC Legal Helpline on the status of Limited Company Contractors (LCCs). Some clients are still working under the assumption that LCCs are automatically exempt which is not correct (a Tribunal would look at the reality of the working relationship on a case by case basis). The steer from REC members is that there is a need to remind clients of the position with regards to LCCs.

Overall, the volume of AWR-related calls to the REC legal helpline has levelled off over the last month. Agencies appear to be simply 'getting on with it' and looking to make the new requirements work on the ground. Specific issues that have been raised over recent weeks include ongoing queries about calculating holiday pay and questions marks over specific models put forward by some umbrella organisations.



One other ongoing issue raised by agencies is that some clients remain reluctant to share relevant information with their recruitment partners. The last month has also seen an increase in the number of agencies reporting communication challenges when they work through a master vendor or vendor neutral provider. Contractually, agencies are not allowed to approach the end client directly which is proving difficult within the context of AWR. The REC is taking forward a good practice agenda in this area through the work of the Managed Services Forum.

### *Implementation issues - Agency feedback*

*"The industry has weathered many 'end of the world' scenarios over the last twenty years or so. It is still very early days, but signs are that the agency market can continue to thrive post-AWR."*

*"We planned in advance, and whilst we have found the regulations to mean significantly more administration for us, actual disruption to business has been kept to a minimum."*

*"AWR has caused an increase of administration for the temp desk. This gives less time for sales and the registration of good candidates."*

*"One of the upsides of the whole AWR saga is that agencies have been able to forge stronger relationships with key accounts and demonstrate their awareness and ability to make things work on the ground."*

*"Most of the major pharmaceutical companies regard all limited company contractors as outside AWR. These are major multinationals and major clients so we are being dictated to by them."*

*"Clients are very slow at getting the right information though. We need to continue driving the message that the AWR is not just an issue for agencies."*

*"We are having trouble getting the information that we need from managed service providers."*



## AWR in Northern Ireland

The AWR came into force separately in Northern Ireland on December 5th which means that the first 12 week threshold was not reached until the end of February. One of the main areas of concerns for NI recruiters – in common with the rest of GB – is that many employers remain reluctant to co-operate and share the relevant information with their recruitment partners. Reinforcing the message that the AWR is not just an issue for agencies will be a priority over the coming weeks.

Clients are approaching the regulations in different ways with some working in full partnership with agencies and others adopting a more detached stance. Encouraging the collaborative approach is a core aim of our ongoing client campaign.

REC members in Northern Ireland made specific reference to the fact that many employers were demanding increasing fast turn-around times in the placing of temporary staff. This acceleration in resourcing patterns makes flexible staffing arrangements more important than ever.

Specific issues raised by clients have included questions over day one rights for temporary staff such as access to crèche and canteen facilities. Although this is mainly an issue for end-users, agencies in NI have played a key role in raising awareness of employer obligations.

Agencies in NI reported a last minute rush from clients to implement Pay Between Assignment (PBA) contracts – often without full awareness of what this entails. In some cases, discussions between agencies and clients have resulted in workable arrangements being developed, in other instances REC members in NI have decided not to supply under the terms proposed by the employers.

An additional concern for REC members in NI was the need to be up to speed with how the regulations are being implemented in the South – particularly as many agencies have a presence in the rest of Ireland and/or are sending workers on assignments across the border. The REC has been in regular dialogue with the National Recruitment Federation (NRF) – the representative body for the recruitment industry in Ireland – and will relay the latest feedback to REC members in NI.

### AWR In Northern Ireland – Member feedback

*"The need for temporary staff has not diminished despite the new regulations. There is robust demand in many sectors."*

*"The main impact for us has been the sheer administration costs – particularly with regards to tracking the 12 weeks."*

*"Agency staff play a crucial front line role in the healthcare sector. Despite the cuts and the AWR coming into force, there is an ongoing need to be able to bring in highly skilled staff at short notice."*



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## Client approach

Recent client events have underlined the fact that many major employers have made the decision not to go down road of using the 'Pay between Assignment' model. An ongoing priority has been to raise awareness of what these models entail so that employers and agencies can weigh up potential risks and benefits and make informed decisions.

A number of major businesses are making detailed understanding of the AWR a key criteria in new tender documents. The feedback from REC members – for example at the recent REC Wales Policy Forum in Cardiff – is that the AWR has acted as a catalyst for some clients to review their whole PSL and go out to tender.

Employers continue to implement training programmes for their staff on the application of the AWR. According to the latest JobsOutlook, 23 per cent of employers are continuing to provide specific training and briefings to their staff.

Some employers have decided to give full equal treatment measures from day 1 rather than after 12 weeks. This can avoid having to track the 12 weeks, although having the qualifying period has been a significant benefit to agencies in sectors supplying workers mainly for short term assignments.

One interesting trend is that fact that client organisations in many sectors are underlining the need for increasing speed in the recruitment process. Employers are looking for agencies to supply suitably skilled staff at extremely short notice to fill shifts and meet spikes in demand. A key part of the REC's work is to focus on the ongoing benefits of flexible staffing arrangements through initiatives such as the Flexible Work Commission and through thought-pieces such as the recent 'Talent Acquisition in Turbulent Times' report.

The REC's monthly JobsOutlook tracks satisfaction rates of employers with regards to the service they have received from agencies. This month's data shows that satisfaction remained at a strong level with nine out of ten satisfied with the service they had received. This can in part be attributed to the ability of agencies to provide guidance and support on AWR implementation as well as on other external challenges impacting on resourcing and recruitment.

An ongoing priority is to continue challenging the perception amongst some employers that the AWR negates the value of using agency staff. The REC will remain on the front foot in actively promoting the benefits of flexible staffing post AWR though the ongoing client agenda as well as through our research and the work of the Flexible Work Commission.



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### Relationships with clients – Member feedback

*"One of our aims has been to carry most of the implementation burden. We monitor the clock for our clients, and keep them updated as to qualifying weeks. They then complete forms telling us about comparator information".*

*"No-matter what we say to our clients, there are those who will not take a booking past 10 weeks, therefore only recruit short-term temporaries or none at all".*

*"A number of clients have decided to give workers full equal treatment rights from day one rather than waiting for the 12 weeks qualifying period."*

*"A lot depends in who we are working with on implementation issues within the employer organisation – ie operational staff, procurement or HR. Our discussions have been mainly with the former rather than with HR."*

*"Customers simply don't want to pay additional costs."*

*"Looking ahead, it will be crucial to evaluate the long-term commercial viability of new supply models. This will largely depend on whether employers are prepared to engage in genuine dialogue with their recruitment partners on making things work and sharing risk."*

### Next steps and key dates:

- Feb 27th 2012 – First 12 weeks milestone in Northern Ireland
- March 5th 2012 – Latest REC/KPMG Report on Jobs
- March 13th 2012 – Latest JobsOutlook Data
- March 15th 2012 – AWR Monitor (issue 5)
- March 28th 2012 – REC Education Sector Group meeting
- March 22nd 2012 – Eurociett Board, Copenhagen
- April 17th 2012 – REC Managed Services Forum
- April 19th 2012 – Quarterly meeting with TUC
- April 24th 2012 – REC Employment Policy Committee
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