



REC

Recruitment
& Employment
Confederation

Recruitment and recovery

How we can create a more
productive and inclusive
labour market

#RecruitmentForRecovery



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Executive Summary

In order to better understand the value created by the recruitment industry, REC commissioned independent consultancy Public First to measure the industry's economic and social impact. Using a combination of new modelling, research and extensive polling of workers and businesses, we sought to better understand the impact of good recruitment.

The recruitment industry is one of the UK's most important services industries

The industry directly employs 119,000 workers and helps place over a million other workers a year in companies across the UK. Like many other industries, Covid-19 has had a significant short-term impact on the sector - but the wider changes in flexible work and diversity this year look only to increase the importance of good recruitment in the future.



The recruitment industry supports £86 billion in gross value added across the economy.

That is the equivalent of 4.3% of GDP, around the same size as management consulting and larger than either the accounting or legal industries.

By sales revenue, the UK has the biggest recruitment sector of any country in Europe

The UK has the highest penetration rate of agency work of any advanced economy, helping increase the flexibility of the labour market and keep unemployment low.



The jobs matched by the recruitment industry support £29 billion in annual tax revenues.

That's around the same amount the UK spends on incapacity and disability benefits, or more than twice as much as the Government's R&D budget.

Recruitment is a major driver of the UK's productivity

The recruitment industry plays an important role in enhancing the competitiveness and productivity of the UK economy. Alongside its significant direct impact, the industry also helps create better matches between workers and companies, and makes it possible for companies to hire more flexibly. Many companies say that their business would not be able to operate at all without the recruitment industry, while the flexibility provided by temporary work helps keep UK unemployment low.

According to businesses, the quality of their staff and recruitment is the second most important driver of their success, behind only the quality of their end product - and more important than management expertise, proprietary research or physical investment.

For individuals, there is a strong correlation between finding a good job match, job satisfaction and overall life satisfaction.

In total, the recruitment sector is increasing UK productivity by an estimated **£7.7 billion a year by improving the quality of matching.**

The overall cost of a bad hire to a business can be three times higher than just a wasted salary.

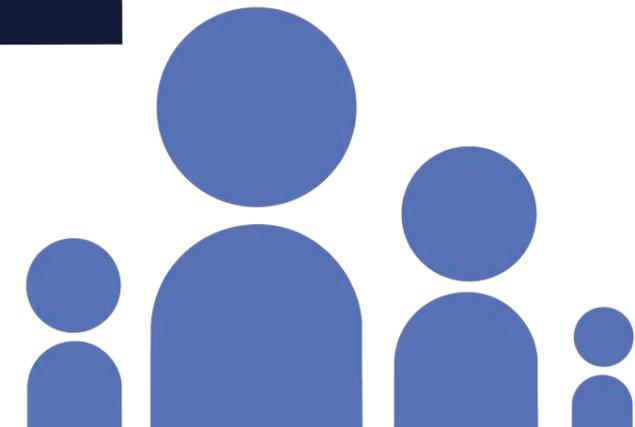
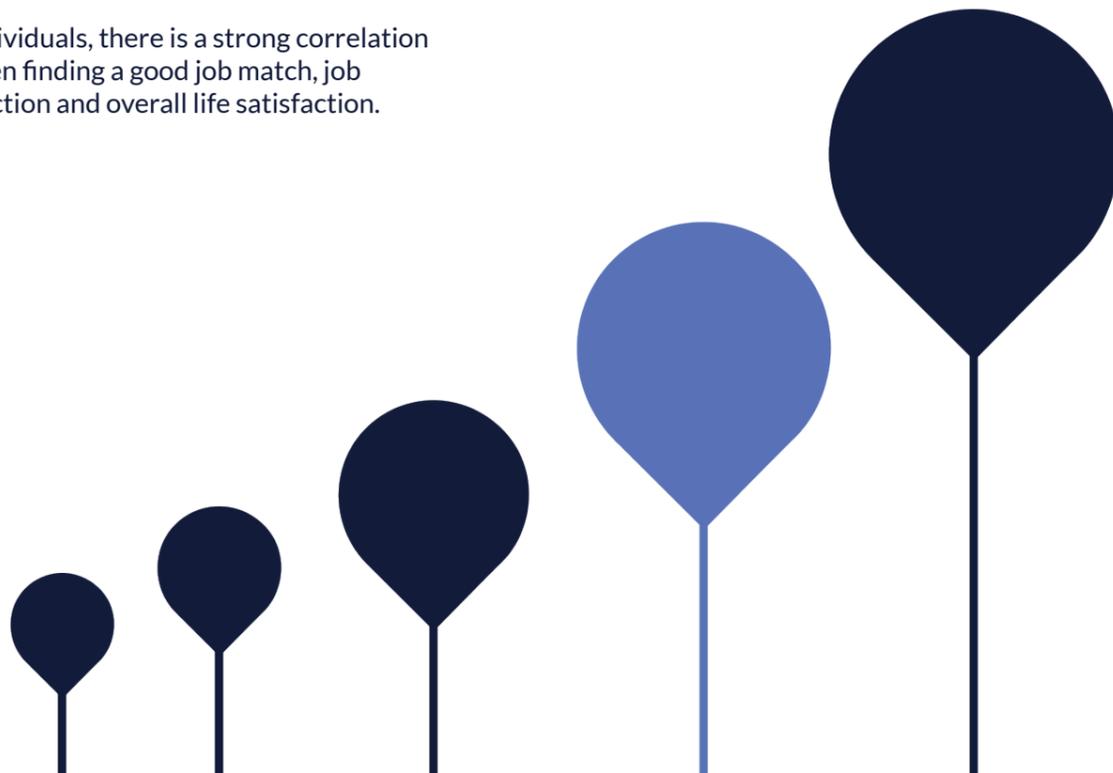


+ **£7.7 billion**

19%

19% of companies using temporary workers estimated that they would not be able to operate at all without the use of temporary workers.

That suggests that temporary recruitment agencies are directly enabling 3% of the economy, or £61 billion in GDP.



Giving workers new opportunities and supporting a more inclusive labour market

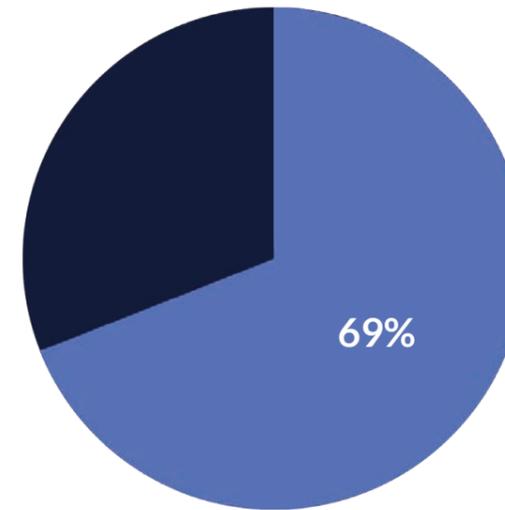
The recruitment industry plays an important role in social mobility, helping people find new jobs and build their careers. Temporary jobs can help workers build skills and experience, and makes it possible to balance work with other responsibilities, such as family or education. At the same time, the recruitment industry is helping companies ensure their processes are fairer, more diverse and more inclusive - but there remains a significant amount of work to do.

Every 21 seconds somebody finds a permanent role through a recruitment agency.

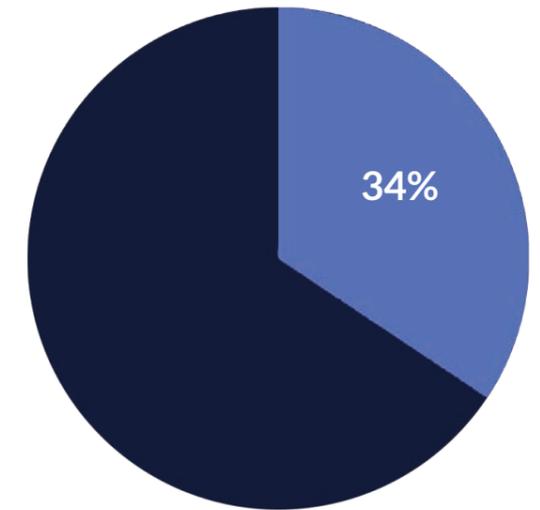
Over 100,000 young people a year find their first job through a recruitment agency.



Every year, around 280,000 people use temporary work to help support them while they care for their families.



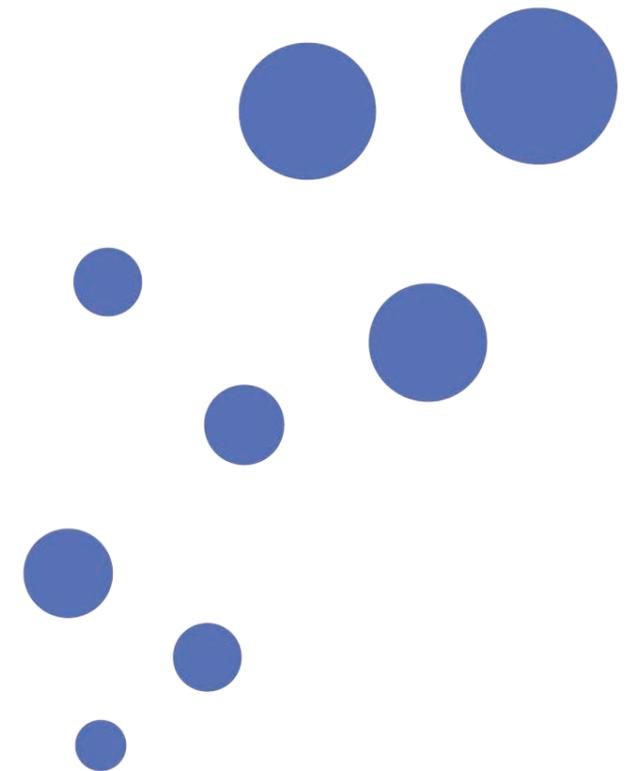
69% of workers who found temporary work through an agency say that they are satisfied with their experience,



while 34% say that it has helped them learn new skills.

Every year, over 300,000 people use the recruitment industry to leave unemployment for a permanent role.

That is equivalent to saving the Exchequer over £3 billion a year from reduced benefits and higher tax payments, and over twice as many as those who find a job through the Job Centre.

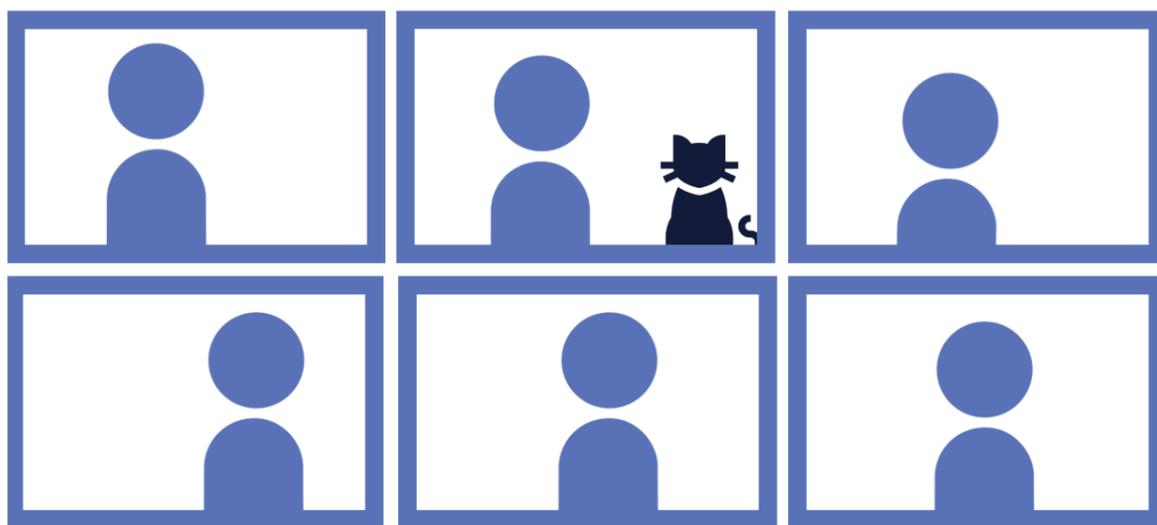
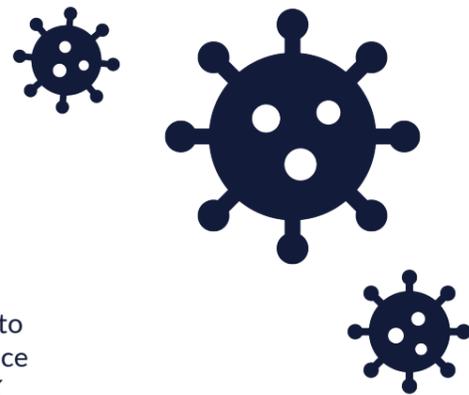


The recruitment industry can help accelerate the recovery

Throughout the pandemic, the recruitment industry has helped keep vital services running. Looking forward, the industry is likely to play a key role in helping displaced workers find new jobs, helping companies adapt to shifts such as the rise of remote working, and helping build a more diverse and inclusive labour market.

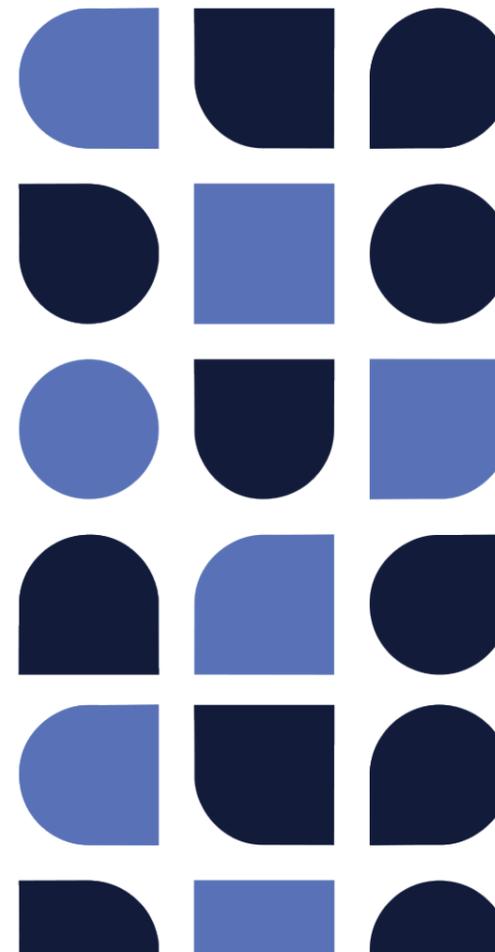
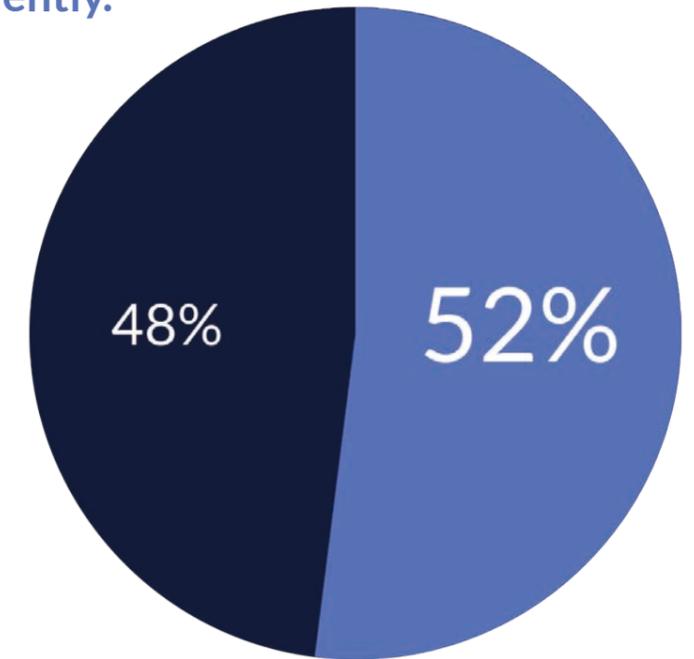
Covid-19 has accelerated the shift towards a more flexible labour market.

28% of large businesses told us that they were likely to explore hiring people who do not live close to the office in future, while remote working itself could boost UK productivity by £9 billion.



Only 52% of Britons think that companies in the UK do a good job at recruiting efficiently.

The recruitment process in the UK remains largely dominated by the interview, and companies are not doing enough to support their workers in the long term. Half of British workers said that they undertook less than five hours of training a year in their job. By spreading best practice and working with specialists like the recruitment industry, we can help improve productivity, fairness and progression.



British businesses are not doing enough to increase the diversity of their candidate pool.

Among small businesses, 50% of businesses said increasing the diversity of their workforce was not a priority. Overall, only 20% of businesses made sure to use diverse panels and 26% anonymised CVs. By contrast, 63% of businesses said that working with a recruitment agency had helped them increase the diversity of new recruits.



Introduction: Why recruitment matters

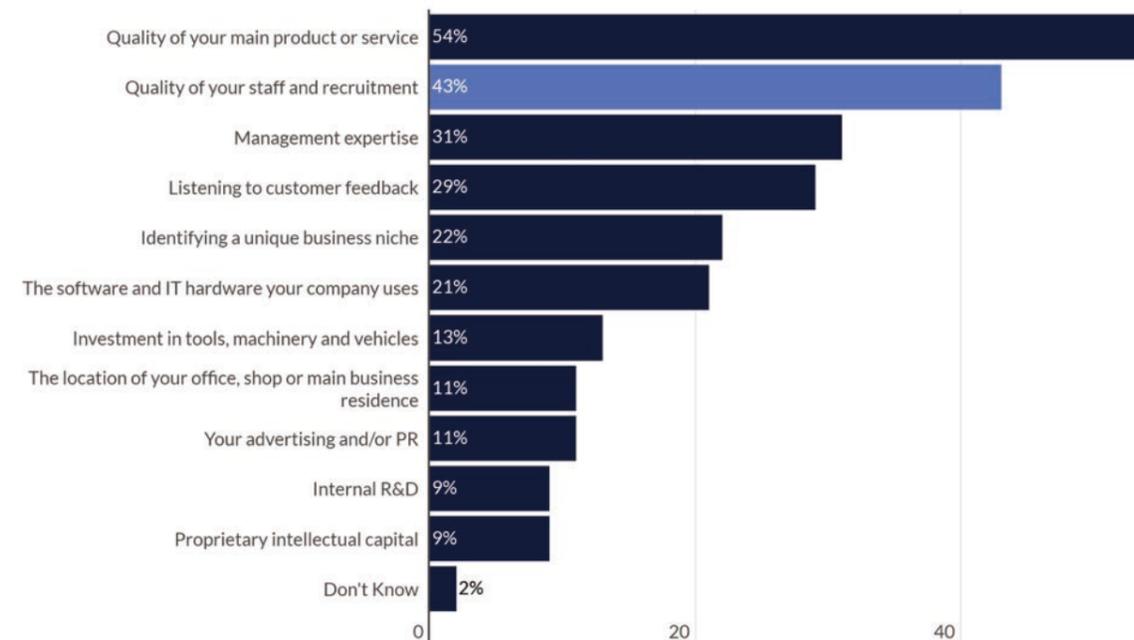
#RecruitmentForRecovery

Good recruitment is crucial for workers, businesses and the economy

In a normal year, over a quarter of jobs in the UK are either newly created or destroyed.¹ Even when unemployment is low, the economy is always in constant flux as new businesses emerge or grow, and old ones shrink or fade away. Over the course of their career, the average worker will work for at least six different companies.²

When we asked businesses the most important factors behind their success, the quality of their staff and recruitment came second only to the quality of their end product or service. Businesses judged their staff to be far more important than other traditional drivers of business such as management expertise, proprietary research, physical investment, advertising or IT.

Which of the following factors do you think are most important to your success as a company?



1 <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2019/03/ERC-Insight.-Job-Creation-and-Destruction-in-the-UK-1998-2018.pdf>
 2 <https://www.aat.org.uk/news/article/work-numbers>

Getting recruitment right is crucial for workers, companies, and the economy as a whole:

For workers

Choosing the right employer is one of the most important medium-term decisions they will make. Satisfaction with your job is highly correlated with high life satisfaction overall,³ while conversely unemployment is one of the most significant drivers of long-term unhappiness.⁴

At the same time, changing employment is one of the most effective ways to progress at work: employees moving jobs in 2018 benefitted from pay rises of more than 7% on average, compared to 3% for those who stayed put.⁵ Helping people move jobs and progress in their careers is a key driver of social mobility.

For businesses

Attracting and retaining a skilled and motivated workforce is one of the most important drivers of their long-term success. Over 90% of businesses with more than ten employees say recruitment is important to their success.

Economists have long understood that the most important type of capital in our economy is human capital. Two-thirds of GDP goes to compensating workers for their time and skills, rather than physical capital like factories or software. Beyond monetary pay, there is a clear correlation between employee job satisfaction and a company's overall profitability.⁶

For the economy

Ensuring the right match between the skills and interests of different workers with the most appropriate companies is an important driver of long-term productivity. If the UK could reduce its level of skill mismatch to the level of best practice in the OECD, it would increase labour productivity by 5%⁷ - the equivalent of two to three years of normal growth.

As important as matching is the diffusion process. When workers change jobs, they take with them new ideas and methods - helping best practice diffuse across the economy. The UK's lower rate of job switching is likely to be one of the reasons UK productivity lags behind the US, and why it has stagnated over the last decade.⁸

3 <https://doi.org/10.1348/096317909X478557>
 4 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3289759/>
 5 Office for National Statistics, Analysis of job changers and stayers, April 2019 <https://www.ons.gov.uk/economy/national-accounts/uksectoraccounts/compendium/economicreview/april2019/analysisofjobchangersandstayers>
 6 <http://cep.lse.ac.uk/pubs/download/dp1605.pdf>
 7 <https://www.oecd-ilibrary.org/docserver/65dab7c6-en.pdf?expires=1606309010&id=id&accname=guest&checksum=9B2F767D13FFC0C93EEF2DEF59620C50>
 8 <https://www.bankofengland.co.uk/-/media/boe/files/speech/2018/the-uks-productivity-problem-hub-no-spokes-speech-by-andy-haldane.pdf>

The recruitment industry plays a key role in the wider labour market

Matching the right workers with the right vacancies is far from straightforward. Every worker has different interests, abilities, skills and life circumstances. Even today, at the time of writing and the height of the Covid-19 crisis, there are still more than half a million vacancies open for applicants - and in a normal quarter, there can be over 800,000 positions left unfilled.

For over a hundred years, specialist recruiters have played a vital role in helping workers and companies find the right match. By understanding the needs of specialist markets, identifying and promoting individuals with rare skills, and making it easier to match companies and workers that are looking for temporary work, recruiters help make the economy run a little smoother.

Today, over six million workers - or a fifth of the entire workforce - find their current job through the recruitment industry. 40% of Britons say they have used a recruitment agency at some point during their career to look for a permanent position, and a third (31%) for a temporary role. Over half of companies say that they are currently making use of an external agency to help with recruitment.

The Recruitment and Employment Confederation is the UK professional body for the recruitment industry. We work with recruiters and employers across the UK, providing legal advice, business support and training to help drive better standards. All our members have to adhere to a [Code of Professional Practice](#) and pass our [Compliance Test](#), ensuring they meet the highest standards for both companies and candidates.

In order to better understand the value the recruitment industry is creating for the UK, we commissioned independent consultancy Public First to measure our economic and social impact.

Using new economic modelling and the results from new surveys of consumers, businesses and the industry itself, it is estimated that the direct, indirect and induced impact of the industry **supports £86 billion in gross value added** across the economy.⁹ That is the equivalent of 4.3% of GDP, around the same size as management consulting and larger than either the accounting or legal industries.

As important as this direct impact however, is the wider impact the industry has on the economy. The most important source of capital in our economy is human capital: two thirds of GDP is the result of a skilled workforce, not physical infrastructure or R&D. Getting the right workers into these positions is one of the most important drivers of productivity for our economy.

In this report, we explore the state of recruitment in the UK - and the wider importance of good recruitment for British workers, companies and the economy overall. We look at how the recruitment industry helps increase economic productivity, supports inclusion and social mobility, and is set to play an important role as part of the economic recovery.

⁹ The direct impact of the recruitment industry measures the economic activity supported by recruitment companies. The indirect impact adds in the economic activity supported by the wider supply chain of companies that feed into the industry, while the induced impact takes account of higher economic demand from spending out of the wages of those working for the industry.

How we estimated the economic impact of the recruitment industry

The economic and opinion research for this report was conducted on behalf of the REC by Public First. Public First is a member of the British Polling Council and a Company Partner of the Market Research Society, the two organisations that oversee opinion research in the UK.

As part of the research for this report, Public First ran two new extensive polls of consumers and businesses to better understand their experience with recruitment:

- **Consumer Poll.** An in-depth nationally representative poll of 2,000 adults in Britain, weighted by interlocking age and gender, region and social grade.
- **Business Poll.** An in-depth poll of 500 businesses, weighted by business size, sector and region.

The full polling tables for this report are available to download from [here](#) and [here](#).

In addition, we also conducted a new industry survey of REC's members, giving us a more detailed picture of the performance of the industry over the last two years. All the modelling for this report was independently peer reviewed. A more detailed methodology is available at the end of this report.



Recruitment is a major driver of UK productivity

The recruitment industry plays an important role in enhancing the competitiveness and productivity of the UK economy. Alongside its significant direct impact, the industry also helps create better matches between workers and companies, and makes it possible for companies to hire more flexibly. Many companies say that their business would not be able to operate at all without the recruitment industry, while the flexibility provided by temporary work helps keep UK unemployment low.

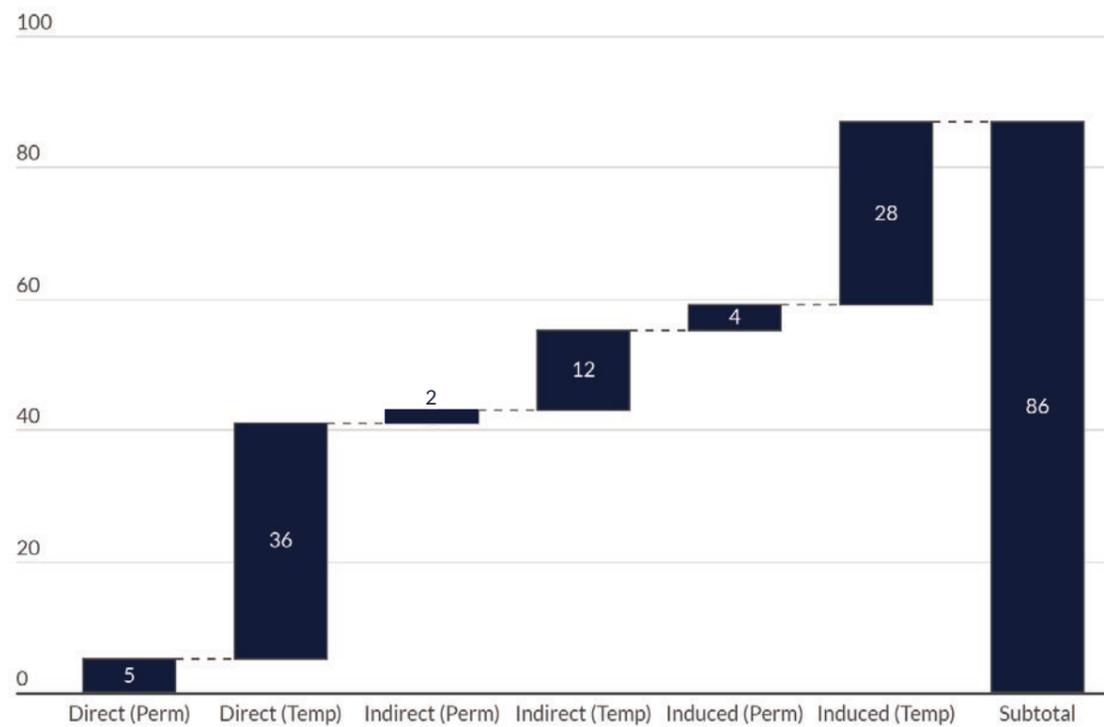
#RecruitmentForRecovery

The recruitment industry is one of the UK's most important services industries

In 2019, the industry:

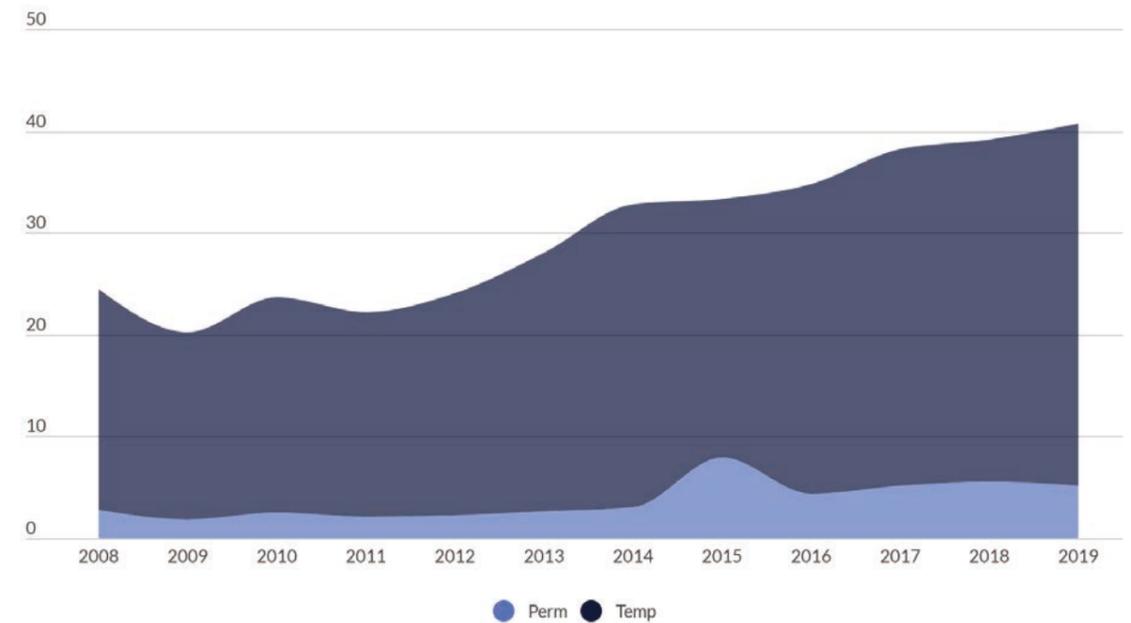
- generated **£42 billion** in direct GVA, with an average margin of 12%. If you include the indirect and induced impact, this increases to **£86 billion in GVA**
- made over **1,000,000 permanent placements** and an average of **985,000 temporary or contract workers** on assignment per day
- supported **119,000 staff** directly, working in **31,000 recruitment enterprises**.

Direct, Indirect and Induced Impact of the Recruitment Industry (GVA, £bn)



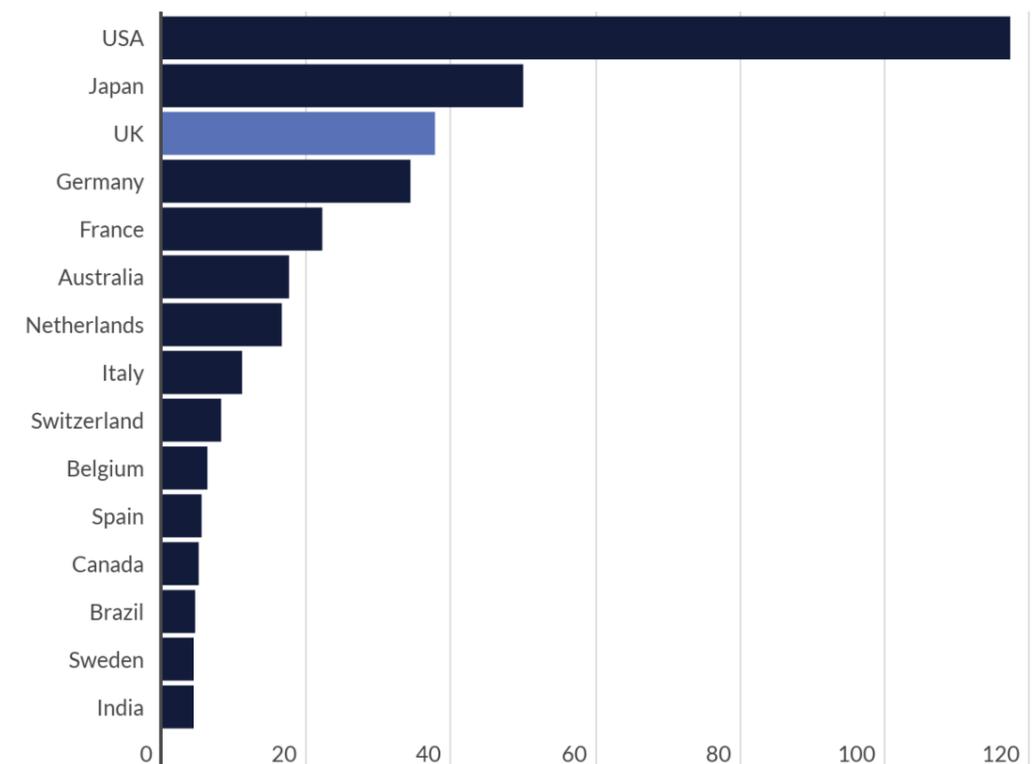
The UK has one of the strongest recruitment industries in the world. **In terms of revenue earned from agency work, it has the biggest recruitment sector of any country in Europe, and the third largest in the world behind the US and Japan.** What is more, the UK has the highest penetration rate of agency work of any advanced economy.

GVA (£ bn, direct)



Alongside its economic impact, the recruitment industry also has a significant fiscal impact. As part of the modelling for this study, we estimate that **the jobs matched by the recruitment industry support £29 billion in annual tax revenues.** That's around the same amount the UK spends on incapacity and disability benefits, or more than twice as much as the government's R&D budget.

Sales revenue from agency work (€ bn, 2018)



What is your impression of the UK's recruitment sector?

Quotes have been edited for spelling and grammar, but are otherwise unchanged.

“Generally good, offers a wide, diverse workforce, with relevant skills for jobs.”

Small Business, Retail & Wholesale, Yorkshire & Humber

“One of the best in Europe. Highly accessible to excellent candidates, well trained to offer a high quality of professionals.”

Medium Business, Manufacturing, Northern Ireland

“Efficient and you generally get a good mix of people applying for roles.”

Medium Business, Retail & Wholesale, East of England

The recruitment industry makes it easier for businesses to find the right workers

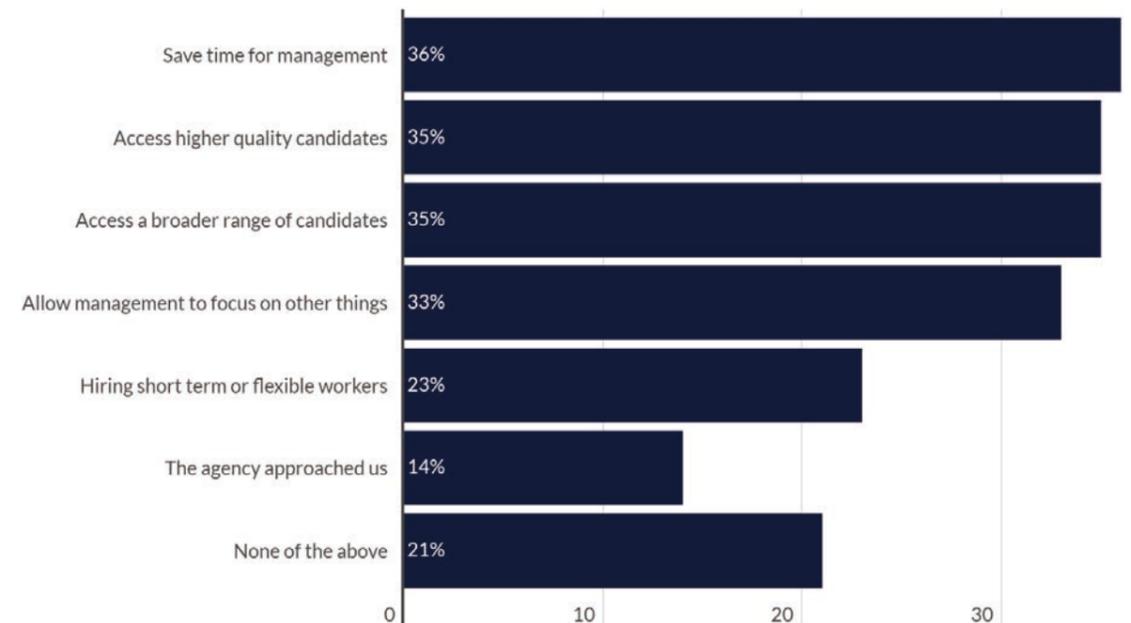
Finding the right worker for a vacancy is far from straightforward. Only 10% of companies say that every single worker they have hired is a good fit. Even in a normal year, only **31%** of businesses said **they found it easy to attract suitable staff**.

For most companies, replacing workers who have moved on is one of the most expensive ongoing investments they have to make. Independent estimates tend to find that it can cost in the order of £30,000 to replace the average worker - or the same again as the average salary.¹⁰

By far, the majority of these costs come from the time it takes to find a new worker and help them train up to the same level as their predecessor. While logistical costs - advertising, recruiting an agency, interviewing - add up to on an average of £5,000, the costs of lost productivity can be five times this, or up to £25,000.¹¹

On average, businesses estimate that finding every new starter takes up **five to ten hours of management time**. Unsurprisingly, when we asked companies why they used recruitment agencies, freeing up time and focus for management was an important consideration.

What were the most important reasons for you using a recruitment agency?

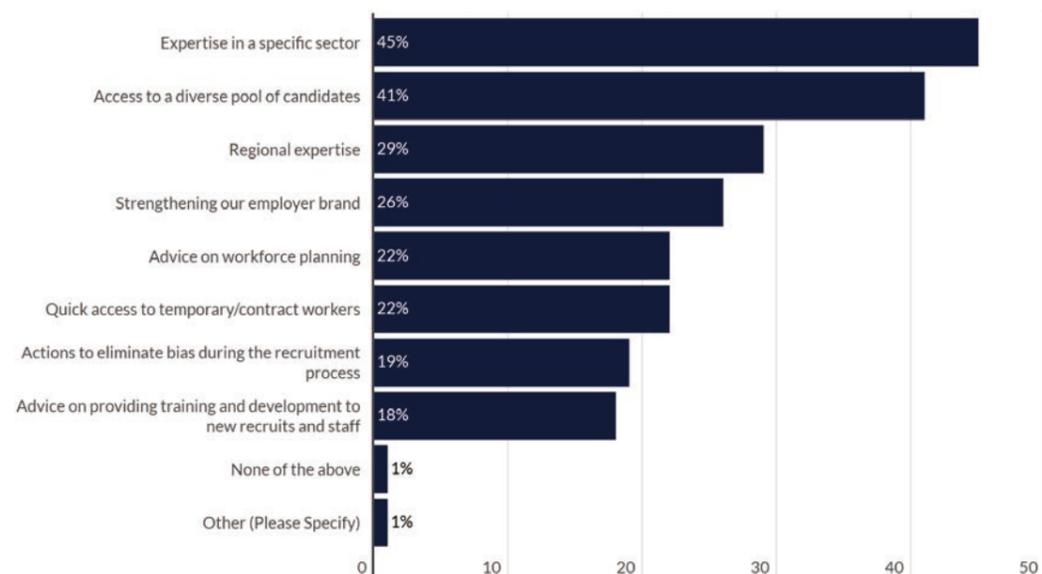


¹⁰ <https://www.oxfordeconomics.com/recent-releases/the-cost-of-brain-drain>

¹¹ <https://www.oxfordeconomics.com/recent-releases/the-cost-of-brain-drain>

While businesses often initially turn to agencies for their sector expertise and the depth of their candidate pool, they also report finding valuable other longer term and more strategic services, including help with their employer brand, advice on overall workforce planning or providing training and development.

Which services and support from the agency did you find most valuable?



Finding the right match between worker and vacancy has a significant impact on productivity

Hiring the wrong worker can be extremely costly. In the business poll, businesses estimated that poor hires contribute on average around 25% less value than a good match. Previous REC research has estimated that the overall cost of a bad hire to a business can be three times higher than just a wasted salary.¹²

But, even more important, finding the right candidate can positively create value for the employer. On average, businesses estimated that top performers can create around 50% more value for the company. Economists have explored how high performing workers multiply each other's productivity¹³ - the whole is greater than the sum of its parts.

In Public First's business survey, we found good evidence that recruitment agencies are helping companies find the right candidates:



77%

of companies say that on average the workers that they have found through a recruitment agency **are a good match**.



62%

of companies say that using an agency helped them **increase the diversity of the candidates they considered**.



£7.7 billion a year

of increased productivity thanks to the recruitment sector by improving the quality of matching.

For the economy as a whole, getting the right matching of workers and companies can be even more important than for individual companies:

- Poor matching between vacancies and workers is an important driver of long term unemployment. A recent Bank of England paper found that if we eliminate the current relatively high level of regional mismatch in the UK, that this would be enough to reverse the recent stagnation in UK productivity.¹⁴
- When workers don't have the skills that they need, their productivity is likely to underperform.
- In other cases, workers are overskilled for the position they join for - reducing motivation, and making it harder for other companies where their skills would be better utilised to expand.

12 Perfect Match, REC, 2017

13 <https://www.jstor.org/stable/2118400?seq=1>

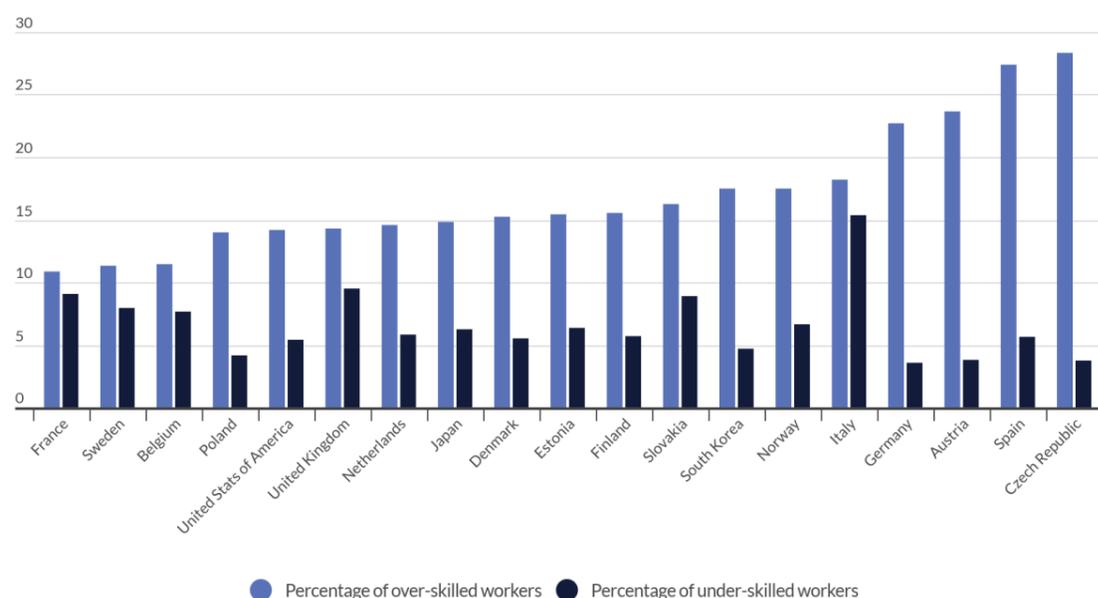
14 <https://www.bankofengland.co.uk/working-paper/2018/using-job-vacancies-to-understand-the-effects-of-labour-market-mismatch-on-uk-output>

In total, the OECD estimates that every percentage point increase in matching increases productivity in the economy by around 0.5%. Building on this, we estimate that the recruitment sector is increasing UK productivity by £7.7 billion a year through improving the quality of matching.

But there is room to go further. In the consumer poll, only 73% of workers estimated that their skills and potential were a good match for their current job. Similarly, the OECD estimates that around 24% of workers are poorly matched with their job.¹⁵

By continuing to work to better match workers with companies, we can help give people more satisfying work, increase business productivity, and raise living standards across the economy - that is why improving recruitment standards matters.

Percentage of under and over-skilled workers



Temporary work creates a more agile economy

One of the clearest trends of the last 40 years has been the rise of flexible and temporary work. Long predating technological changes such as the gig economy, the UK economy has increasingly embraced a wider variety of types of work, making it easier for everyone to find a role that fits them.

Since 1980, the number of the self-employed has more than doubled in absolute terms, and increased its share of the total workforce by around a half.

Similarly in the mid-1980s, there were only around 50,000 workers employed on a temporary basis through an agency. Today, on an average day, there are over one million.

For businesses or public sector organisations, having access to temporary workers makes it possible for their company to be far more agile. If you are a hospital, even in a non-pandemic year, it is impossible to perfectly predict how many patients you will have to look after during the winter months. Temporary workers can help a construction company scale up for a new infrastructure project, staff a one-off music festival or help a factory deal with a pre-Christmas rush. Temporary workers can also play an important role in stepping in when other workers have to take a break for parental leave, or illness.

In the business survey, we saw the importance of temporary employment for the economy - and how largely this was being enabled by the recruitment sector:



61%

of businesses said that they are **currently hiring staff on a temporary contract.**



84%

of businesses with temporary workers said that they **found some of them through an agency.**



57%

of businesses with temporary workers said that it **would have been difficult to find them without the use of an agency.**



67%

of businesses agree that **the recruitment industry makes it easier for companies to hire flexibly.**

One in five (19%) companies using temporary workers - the equivalent of 33,000 companies - estimated that they would not be able to operate at all without the use of temporary workers. **That suggests that the recruitment industry is directly enabling 3% of the economy, or £61 billion in GDP.**

For an even wider group of companies, their agency workforce is helping to boost their business flexibility, making it possible for them to adapt to meet their peak throughout the year. When we asked businesses how they would react if they were unable to hire temporary workers:



21%

said that they **would be unable to service as much regular business.**



38%

said that they **would be unable to meet peak demand.**

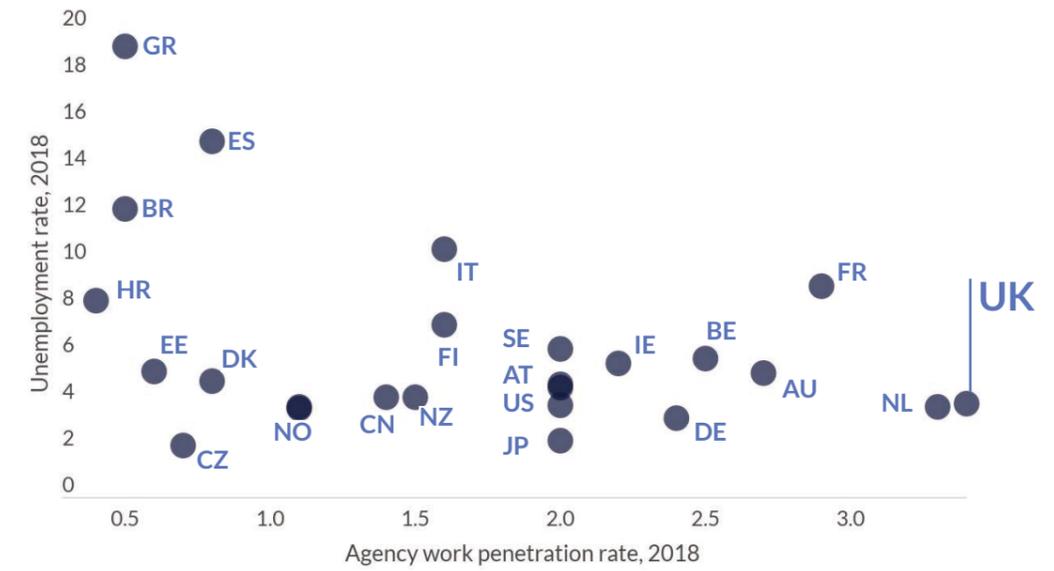


32%

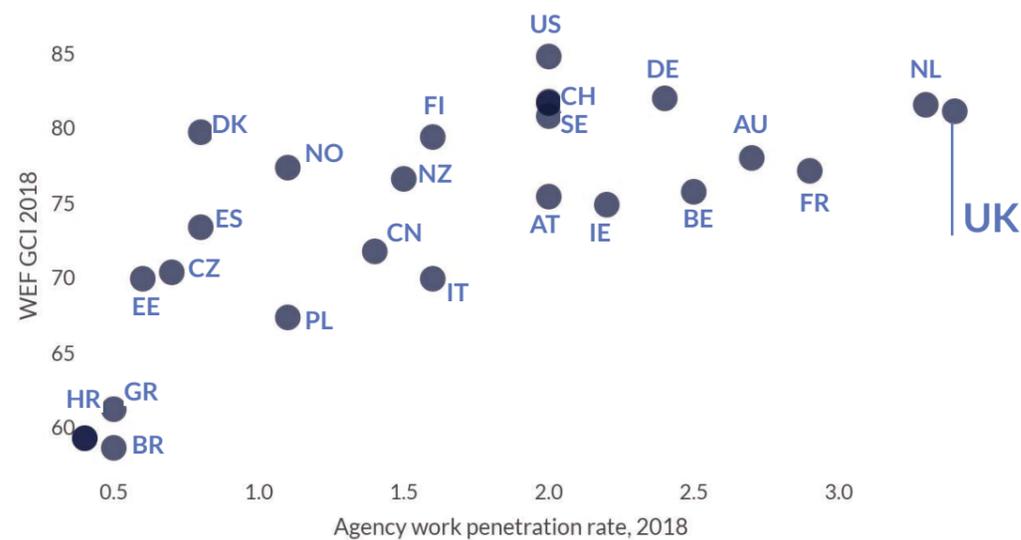
said that they **would have reduced profitability.**

It's not just companies that benefit from the availability of temporary work. Internationally, there is a clear association between the prevalence of temporary work, economic competitiveness and overall labour market flexibility. Labour market flexibility, in turn, helps keep unemployment low, and is an important driver of the UK's pre-Covid record employment rates.

Agency work penetration rate, 2018 Unemployment rate



Agency work penetration rate, 2018 WEF GCI





Giving workers new opportunities and supporting a more inclusive labour market

The recruitment industry plays an important role in social mobility, helping people find new jobs and build their careers. Temporary jobs can help workers build skills and experience, and makes it possible to balance work with other responsibilities, such as family or education. At the same time, the recruitment industry is helping companies ensure their processes are fairer, more diverse and more inclusive - but there remains a significant amount of work to do.

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Workers choose recruiters to access a wider selection of jobs

Most people remember the stress of their first job interview. When we asked people what is their most memorable experience during a job interview, we heard about experiences from being asked to come up with a funny joke to recognising someone from a dating app to the interviewer going into labour.

But while the interview is often the most striking part, it is just one part of the process of finding a job. To find the right match for you, you need to know where to look, what skills and experience actually matter, and how best to present to yourself.

Thanks to their industry expertise, specialist recruiters can help with all of this. When we asked those who had used a permanent recruiter why they chose to use an agency, the leading cause was their **wider selection of jobs** (38%).

In total, we estimate that every 21 seconds somebody finds a permanent role through a recruitment agency.

Over 100,000 young people a year find their first job through a recruitment agency.

People look for a new job for a wide variety of reasons. While looking for a higher salary is often important - **38%** of those currently looking for a new job pointed to this - other factors matter too:



28%

said that they were **looking for a new challenge.**



26%

said that they were **looking for more interesting work.**



17%

wanted **more flexibility in working hours.**

In general, respondents reported that they were satisfied with their experience of using a recruiter:



62%

of those who had used a permanent recruiter had **found a job through it.**



66%

were **satisfied with their experience.**



78%

of those who found a job said that it was a **good match** for them.



53%

of those who found a job with the recruiter are **still working at the same organisation.**

What has been your most memorable experience during a job interview?

Quotes have been edited for spelling and grammar, but are otherwise unchanged.



“My first ever interview was when I was 16 years old. I can almost remember the interview word for word.”

Man, 50, East of England

“Being insulted because of where I was from - perhaps to see how I would react.”

Man, 53, London

“Being asked to talk about how I’d design my own rock climbing centre (the job was nothing to do with that)”

Woman, 31, South East

“I turned up an hour early because I forgot the clocks had gone forward”

Woman, 51, London

“Someone falling asleep. But I got the job so - yay!”

Woman, 47, London

What is your impression of the UK's recruitment sector?

Quotes have been edited for spelling and grammar, but are otherwise unchanged.

“They take the struggle off searching through job sites.”

Woman, 63, London

Helpful in finding employment, gives good advice and offers other additional services.”

Woman, 46, East of England

“Definitely needed. Helps people who are out of work and who would like flexible positions.”

Woman, 33, South West

“They are generally very helpful and work with you to help you find work, from the initial get to know you meeting to the interviews stage.”

Woman, 27, South West

“I think they do a lot of good in getting people on their feet.”

Woman, 21, Scotland

“It has helped my partner find a job plenty of times when he has needed it.”

Woman, 22, North East

Pertemps

Growing a business over decades

In 1961, bored housewife Connie Watts borrowed £500 from her husband's company - and used it to start a new recruitment business. Operating from above a dress shop the company initially focussed on finding staff for clerical and secretarial roles for companies like IBM and Yale. Over the next few decades, her company has continually grown and grown - until in 2019, they were making over 30,000 placements per week and with a turnover of over £600 million per year.

In the words of Carmen Watson, now the agency's Managing Director, the core of Pertemps' business is still what Connie Watts started with 60 years ago: *'doing what it says on the tin'* - finding the right skilled candidates to fill their clients' vacancies. To do this well they've invested in hiring and retaining staff who fundamentally understand the roles they're recruiting for, and the towns and areas they operate in. Where possible, they've grown organically in an area, building on their pre-existing strengths - and in recent years, they've significantly diversified what they offer. Beyond recruitment, their work now encompasses workforce planning, diversity and inclusion training, improving their use of technology and more.

An important key to the company's success has been the way in which it has invested in its own staff, offering them a real career path, and a stake in the success of the company with a generous share ownership scheme. That has helped ensure that many of the businesses' staff have stayed and grown with it over decades.

Like every company, the fallout from Covid-19 led to rapid change for Pertemps. At the start of the pandemic, the company shifted into rapid response mode, holding board meetings twice a day, ensuring that they could quickly respond to changing Government regulations and making sure their clients were supported in keeping their customers and staff safe. They've supplied thousands of workers to keep key services like supermarket supply chains and postal logistics running at a time of almost unprecedented strain. At the same time, they stepped in to help staff vital cleaning and catering services within the NHS, alongside finding personnel for local authorities' Track & Trace programmes. Pertemps' long established expertise in finding and placing the right person for the right job meant they've been able to step up and meet these demanding requirements.

Temporary jobs helps workers build skills and balance work with other responsibilities

Workers choose temporary work for many reasons. For many, the long-term commitment implied by a permanent position is not a good fit for their current life circumstances - or they simply value the extra flexibility or convenience offered by temporary work. When we asked those with direct experience with an agency why they choose to look for a temporary position:



38%

said that they wanted to **find work quickly**.



15%

said that they wanted to **gain experience in a new area**.



15%

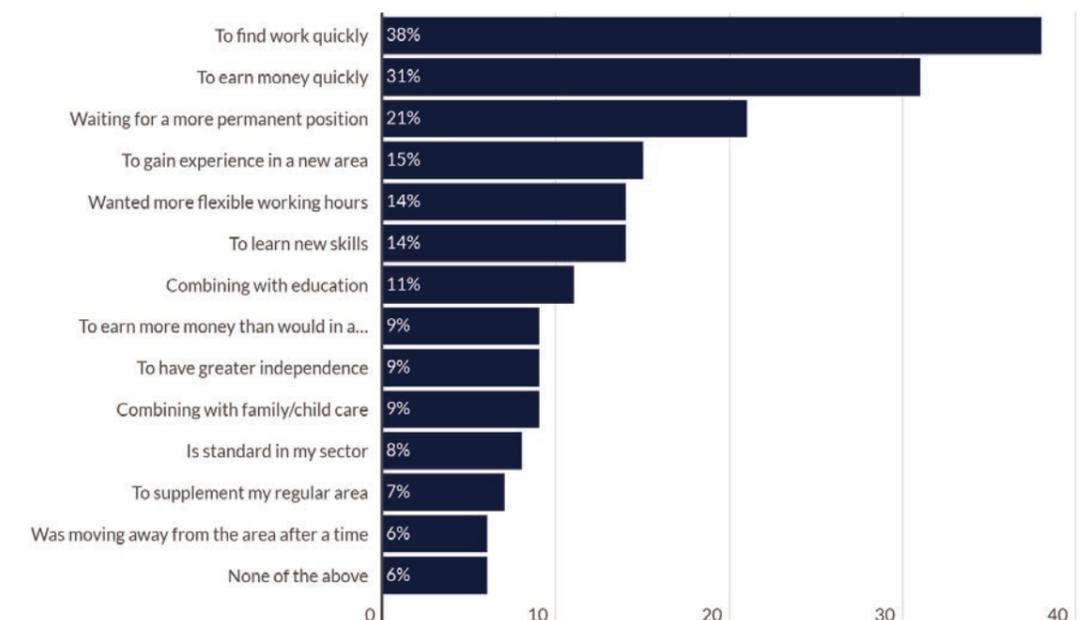
said that they wanted to **learn new skills**.



14%

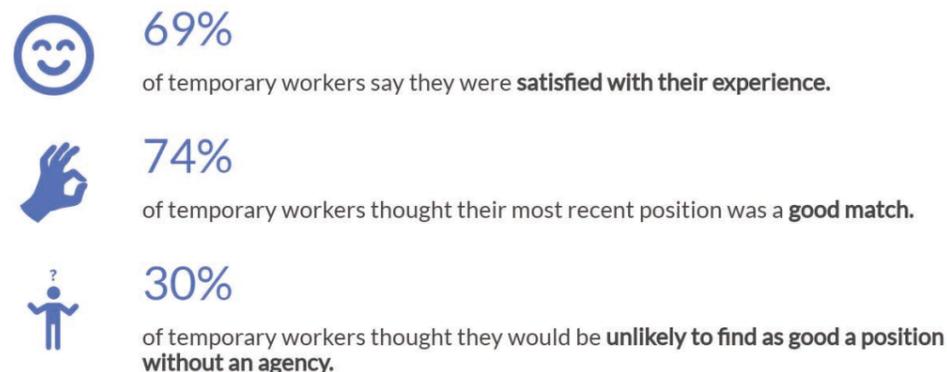
said they they wanted **more flexible working hours**.

Why were you looking for a temporary position on this occasion?



One reason that workers often desire more flexible working hours is to balance their job with other responsibilities. **Every year, around 280,000 people use temporary work to help support them while they care for their families.**

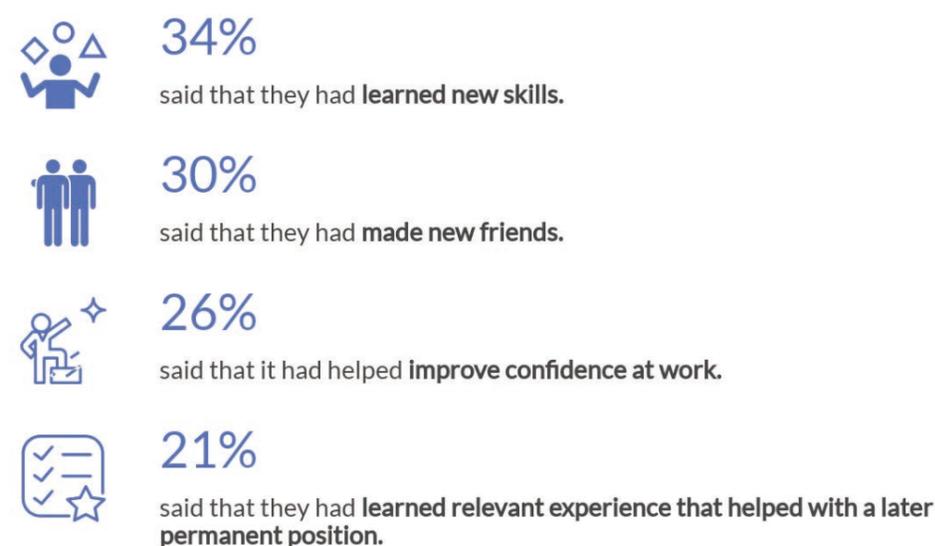
The majority of those who have used an agency to find temporary work report having had a good experience:



For many workers, temporary work can help support the transition between unemployment and the rest of their career. **Every year, over 300,000 people use the recruitment industry to leave unemployment for a permanent role.** That is equivalent to saving the Exchequer over £3 billion a year from reduced benefits and higher tax payments, and over twice as many as who find a job through the Job Centre.

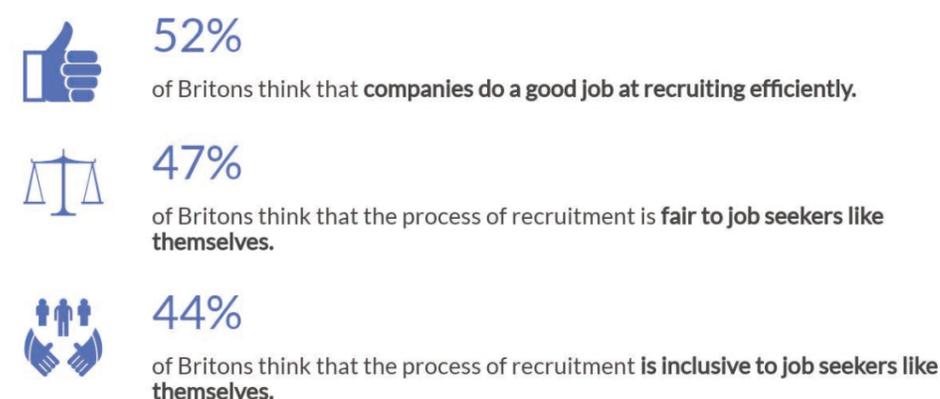
As important as your first job is ensuring that you can keep moving forward in your career. A key focus of policymakers over the last decade has been looking at how we can improve progression for the low paid, many of whom become trapped persistently in low-paid work.¹⁶

To progress, workers often need the opportunity to learn new skills, explore new industries and gain experience. For many workers, temporary work can provide that stepping stone. When we asked temporary workers what they had gained as a result of their placement:



British companies are not always following best practice in recruitment or supporting their workforce over the long term

How good a job are British companies doing at recruitment? When we asked ordinary Britons, they gave business a mixed scorecard:



The good news is that these estimates did not vary significantly by demographic: in other words, we saw very similar estimates for different ages, levels of income or ethnic backgrounds.

However, when we dived deeper into what companies did, it was clear that there was still significant room for a recruitment process that was fairer, more effective and more inclusive.

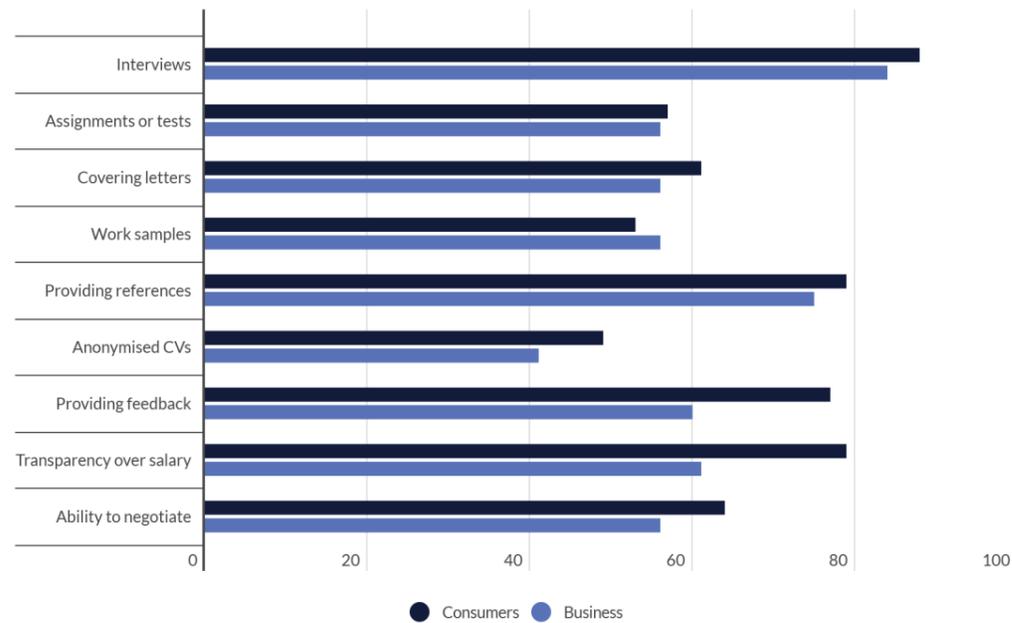
Overwhelmingly, the main tools of choice in recruitment for businesses of all sizes remains the interview and the CV. However, while important, independent research has often found that the interview by itself is not enough and that the form of the interview matters,¹⁷ while CVs do not always give a full picture of a candidate and often embed discrimination.¹⁸

In principle, both workers and businesses agreed that a wide variety of tools, including assignments, work samples, anonymised CVs and references were important. They also both accepted that it was important to provide feedback, to give transparency over salary and allow for negotiation.

17 <https://home.ubalt.edu/tmitch/645/articles/McDanieletal1994CriterionValidityInterviewsMeta.pdf>, https://msu.edu/~morgeson/levashina_hartwell_morgeson_campion_2014.pdf, https://www.krannert.purdue.edu/faculty/campion/Beyond_Employment_Interview.pdf

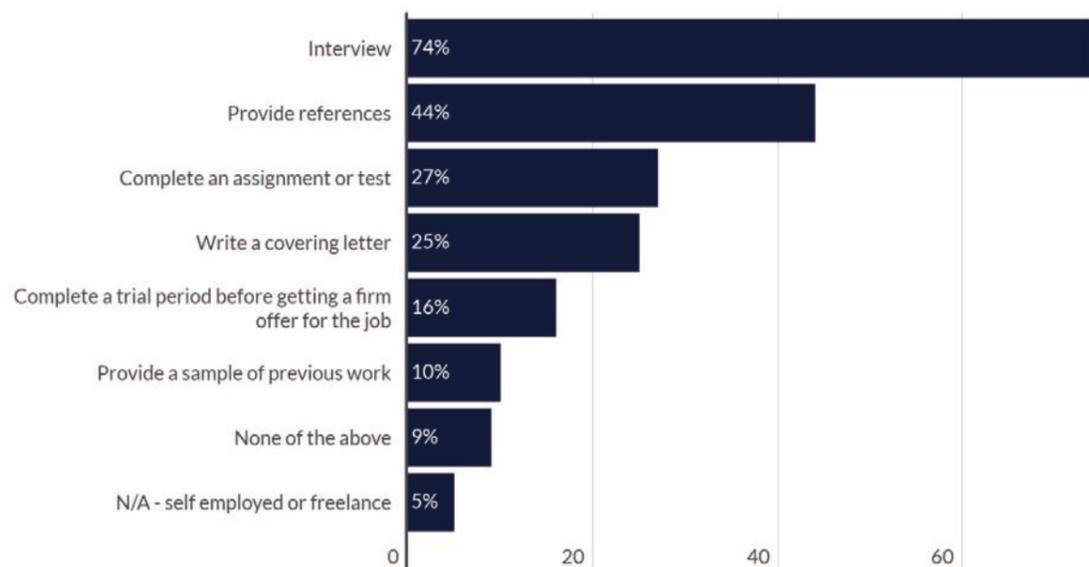
18 See, for example, Bertrand, M., & Mullainathan, S. (2004). Are Emily and Greg more employable than Lakisha and Jamal? A field experiment on labor market discrimination. *American Economic Review*, 94(4), 991–1013.

Perceived importance (%)



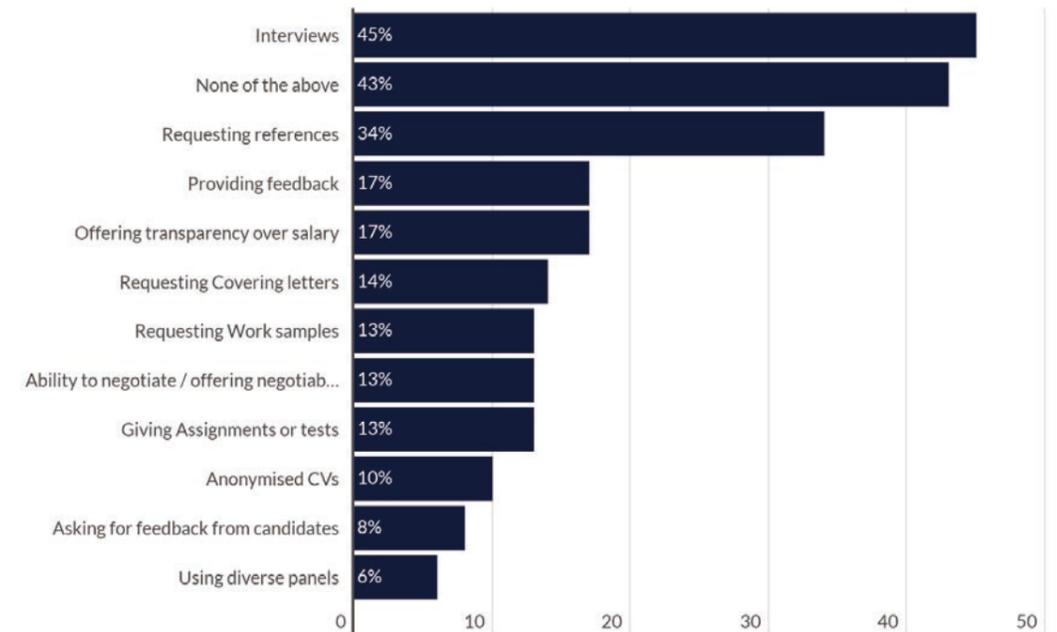
In practice, however, only a minority of workers reported having to do anything other than an interview. Just 10% were expected to provide a sample of their previous work.

Did you have to do any of the following to obtain your current position?



Similarly, only a small minority of companies reported providing feedback (17%), or offering transparency over salary (17%). Only 8% of companies thought that it was worth asking for feedback from the candidate themselves.

Which of the following practices does your company use for recruitment?



To really get the best out of a candidate, employers need to support them for the long term. In the polling commissioned for this report, we saw that extensive training is still a relative rarity.

Half of British workers said that they undertook less than five hours of training a year in their job.

This was not because they saw training as unimportant. Workers under 35 were nearly as likely to be paying for an online course themselves, as doing a course paid for by their employment. 44% of workers accepted that if they wanted to progress to a different job or industry they would need to gain more skills or qualifications.

While the primary job of the recruitment industry might be to help put a worker in a position, for many recruiters their role doesn't stop there. Many REC members provide advice and support to clients over the medium term, helping candidates throughout their career and supporting companies in developing their internal processes for training, development and progression of their staff.

There is still a long way to go on diversity and inclusion

2020 highlighted the importance of prioritising diversity and inclusion. Unfortunately, all too often, recruitment processes do not do enough to reach a diverse pool of candidates, encourage them to apply and make them feel welcome when they arrive at work. Academic research has repeatedly found that CVs with white-sounding names are more likely to get a response than someone from an ethnic minority background.¹⁹ There remains a significant gender pay gap,²⁰ and large ethnicity pay divide too, with the highest paid group paid two-thirds more than the lowest on average.²¹

This is not only unfair and limits social mobility - but is bad for the companies themselves too. Previous research has found that, while not a silver bullet, greater diversity in gender and ethnicity is associated with improved business performance.²²

Many of the companies we spoke to believed that they were already doing reasonably well at ensuring diversity in their workforce:



63%

of companies believed that they were doing well at **ensuring a diverse pool of applicants**.



64%

of companies believed that they were doing well at **reducing unconscious bias**.



30%

of companies said that they were now focussing more on **increasing the diversity of their workforce**.

However, there were other reasons to believe that we still have a long way to go:



45%

of SMEs said increasing the diversity of their workforce **was not a priority**.



20%

of businesses made sure to use **diverse panels**.



26%

of businesses made use of **anonymised CVs**.

Working with specialist recruiters can help businesses access a more diverse range of candidates - and improve their internal processes to ensure that they are supported for the long term:

- **Two in three (62%) businesses** said that working with a recruitment agency had helped them **increase the diversity of the candidates they considered**.
- **A further two in three (63%) businesses** said that working with a recruitment agency had helped them **increase the diversity of new recruits**.

19 See, for example, <https://www.nber.org/digest/sep03/employers-replies-racial-names> or <https://natcen.ac.uk/media/20541/test-for-racial-discrimination.pdf>

20 Office for National Statistics, Gender pay gap in the UK: 2020 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2020>

21 Office for National Statistics, Ethnic pay gaps: 2019 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/ethnicitypaygapsingreatbritain/2019>

22 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/49638/the_business_case_for_equality_and_diversity.pdf

Audeliss

Levelling the playing field in executive search

Founded by Suki Sandhu in 2011, Audeliss Executive Search was created with a dedicated focus on helping companies and candidates overcome the barriers to increasing diversity in senior positions. Since its founding, 65% of its appointments have been diverse candidates, and the company prides itself on representing LGBT+, ethnic minorities and women - while making sure to put talent before background, and always recommending the best person for the role.

For their client businesses, Audeliss looks at every aspect of the recruitment process.

To start, Audeliss draws on its network to help companies draw together a truly diverse list of candidates, helping ensure that companies don't become trapped by a stereotype of the type of person they are looking for. Beyond this, Audeliss helps advise on how to make interviews and assessments as fair as possible, and beyond that, ensuring that the onboarding process makes a new starter feel welcome.

One of the biggest issues diverse candidates often face is 'impostor syndrome' of feeling the odd person out in the room, and not recognising your own skills. Audeliss helps coach candidates to recognise their own value, and to be their authentic selves.

While some kinds of diversity have improved in the UK in recent years, others remain a long way behind where they should be. Over the course of 2020, there has fortunately been a step change in the focus on diversity - but many companies do not really understand how to turn good intentions into action. To really make a difference, companies have to understand better the hidden barriers that stop diverse candidates from applying and succeeding. Specialist agencies like Audeliss can help fill that gap.



The recruitment industry can help accelerate the recovery

Throughout the pandemic, the recruitment industry has helped keep vital services running. Looking forward, the industry is likely to play a key role in helping displaced workers find new jobs, helping companies adapt to shifts such as the rise of remote working, and helping build a more diverse and inclusive labour market.

#RecruitmentForRecovery

The recruitment industry has played a vital role during Covid-19

Throughout the course of the pandemic, recruitment companies have played a crucial role in helping keep the economy going. Given their expertise in agile and temporary work, recruitment companies are often well placed to support other essential organisations: from helping hospitals find extra nursing staff to ensuring that there are enough workers to put food on supermarket shelves.

Nevertheless, like most other parts of the economy, the sector has been hit by the impact of Covid-19:



28%

of **businesses** say that they **have had to put on hold recruitment plans**.



75%

of **job seekers** say that Covid-19 has **made it more difficult to find a new job**.



37%

of **recruitment companies** say that they have had to **shut down some operations for part or all of lockdown**.

While it is a rapidly moving situation, initial estimates from our industry survey suggest that industry turnover and the total number of placements are down around 20%-30% year on year.

Looking forward, the industry is likely to continue to play an important role, helping the economy adjust to a post Covid world and workers find new long-term roles. While unemployment has fortunately remained at a relatively low level historically - 5.0%, on the latest data at publication²³ - it is likely to climb as government support is withdrawn and the economy evolves to its post Covid future.

Acacium Group

Helping the NHS meet the challenge of Covid-19

Making sure hospitals have the right staff on shift at the right time is one of the toughest challenges faced by any health system. Demand can surge unpredictably and land where it's least expected across the system. Having a flexible workforce that can respond quickly is crucial. Acacium Group works to help solve this problem, supplying 21,000 staff per week to health and social care services globally, with a majority of their staff working in the UK.

Since the outbreak of the pandemic, they've been at the forefront of supplying staff to keep organisations and projects in the healthcare sector functioning. The range of specialist agencies that sit under the company's umbrella have been active in tasks from finding nurses to staff the Nightingale hospitals, supplying staff to undertake the Covid community testing that informs the 'R-rate', to helping wards with their workforce planning, to deploying laboratory staff for vaccine laboratory research, and more recently for the national vaccination programme.

Currently, most NHS organisations still operate as almost independent entities. Acacium Group, through its breadth of agencies, provide a way to get skilled medical staff wherever they're needed, and help to break through local siloes. For instance, Thornbury Nursing Services, one of their main agencies, specialises in providing a pool of nurses who are able to travel across the country and step in at extremely short notice, usually as the last resort and to keep understaffed wards open and operating safely. By contrast, another agency in the Group, Pulse, works to help medical professionals find more regular flexible work or the right longer-term job for them.

Over the last few years, Acacium Group has increasingly focussed not just on matching healthcare clients and candidates for temporary work but delivering services end-to-end. For example, the company has utilised its deep candidate pool to help provide clinicians who offer psychological therapies via a digital platform outside of their main job. For patients and providers, the service helps to reduce waiting lists, and for health care professionals, it allows them to put their expertise to broader use by working more flexibly.

Remote and flexible working offer new opportunities to boost productivity and inclusion

While the lockdown has been hard for the industry in the short term, it also looks likely to have accelerated wider structural changes in the labour market and the ways companies recruit. As a result of the pandemic:



43%

of businesses said that they experimented with **interviewing through video call, rather than in person.**



45%

of businesses said they experimented with supporting more flexible working hours.



28%

of large businesses said they were likely in future to explore or continue **hiring people who do not live close to their office.**

The rise of hybrid and remote working has the potential to significantly expand the pool of applicants that companies can draw on to fill a position - and make it easier for candidates to access the most interesting vacancies, no matter where they live. In the medium term, this is likely to lead to significant opportunities for the recruitment industry, as companies seek to take greater advantage of the new possibilities this creates, and work out what best practice looks like for remote hiring.

Initial evidence from 2020 suggests that many workers are more productive working from home.²⁴ Extrapolating from this data and a conservative estimate of the likely long-term increase in remote working, suggests that in future **it could boost UK productivity by £9 billion.**

Greater use of remote working could also help to reduce the current level of regional mismatch in the UK economy. The Bank of England estimates that fully eliminating this could significantly increase UK productivity, and theoretically more than double recent growth.²⁵ While policymakers have long sought to increase worker mobility, encouraging unemployed workers to move to regions with more job vacancies, this can be difficult given the many barriers that often exist, from high house prices to existing family ties. By contrast, remote working allows workers to access a much wider pool of positions without the significant upfront economic and family costs from a move.

However, making this transition will not be without its challenges. 45% of those who had recently experimented with interviewing through video said they found it harder to form a good judgment of the candidate that way, than they would in person.

nGAGE

Helping workers and companies adapt to the new world of recruitment

From online jobs boards to video interviews, technology has continued to shake up the world of recruitment. As more people work from home and companies embrace flexible and remote working in the wake of Covid-19, the talent pool companies can draw on has significantly expanded.

Specialist recruitment agencies, like those owned by nGAGE, are helping companies navigate this new world. As Heather Salway, nGAGE's HR director describes, many clients never want to return to an office, with flexible working now on most candidates' wish lists. 2020 has seen years of change accelerated into just a few months. She hopes that this change will help make it easier for businesses to recruit from a more diverse pool of candidates.

Rather than being a single unit, nGAGE is made up of a wide array of different specialist agencies that come together under its umbrella. In nGAGE's words, through their approach they aim to offer the 'best of both worlds' to its candidates and clients.

Companies like to know they are working with a specialist agency that deeply understands the roles they're recruiting for and can add real value to their recruitment process. By keeping brands and their operations separate, agencies within nGAGE's portfolio can preserve these positive effects that specialisation brings. At the same time, nGAGE's agencies benefit from the great economies of scale and savings in overhead that come from being part of a larger organisation.

No matter the technology, what doesn't change Heather argues, is that recruitment remains a people business. For candidates, nGAGE offers personal, considered guidance about their careers, advising them about what they have a right to expect from employers and setting reasonable expectations for their salaries and benefits. For many candidates, they have no one else to get this kind of crucial advice from.

This care for their candidates is reflected by the fact that many candidates will come back to nGAGE at a later stage in their career, again looking for important support and guidance.

24 https://bfj.uchicago.edu/wp-content/uploads/2020/12/BFI_WP_2020174.pdf

25 <https://www.bankofengland.co.uk/-/media/boe/files/working-paper/2018/using-job-vacancies-to-understand-the-effects-of-labour-market-mismatch-on-uk-output.pdf?la=en&hash=E062A2D54F8B772B2B6DDF5D671447678E66F2F4>

A manifesto for Good Recruitment in 2021 - Our policy recommendations

2021 will be a crucial year for recruitment. Alongside adapting to the post Covid economy, the labour market is also set to adapt to the significant changes brought about by Brexit.

REC will continue to campaign for the Government and companies to focus more on the importance of good recruitment - and to unlock its power to support economic growth, social mobility and inclusion.

We believe that, working together, we can help ensure that good recruitment supports the recovery, creates a more inclusive jobs market and enables a more productive and flexible economy.

1. Support the economic recovery and boost productivity

We should treat spreading good recruitment practice as seriously as we take encouraging digital adoption or better management skills in companies. Thanks to its expertise, the recruitment industry has a unique cross-sectoral and holistic position in which it can help share good practice and be the conduit between workers, companies and government.

The Government should:

- **Work with the recruitment industry to develop a checklist of best practice in recruitment.** Over time, it should work with the Industry Strategy Council to build the evidence base on the importance of good recruitment for business productivity, and the most effective ways of encouraging the uptake of best practice.

Employers should:

- **Take the time to audit their own recruitment processes, and commit to regularly reviewing the exercise.** As we found in our research, many companies still treat recruitment in an ad hoc fashion. Better recruitment will not just boost your company's productivity, but can help ensure that you are not inadvertently being unfair to people from different backgrounds.

2. Help workers progress

Your staff are the most valuable investment any business makes. Too many companies often focus on the initial interview, and offer no long term structured training and support to help their workers grow in the medium term. Half of British workers say that they undertake less than five hours of training a year in their job.

The Government should:

- **Allow companies to use the Apprenticeship Levy on shorter training courses.** The current design makes it difficult to use Levy revenue on training suitable for temporary workers, hurting their long term progression.

Employers should:

- **Ensure they have a plan to support workers beyond their initial employment, and help them progress.** In our research, we saw that a majority of workers were undertaking less than five hours of formal training a year for their job. If needed, there are now many recruitment agencies that can help develop and improve internal processes for training and progression.

3. Support diversity and inclusion

Being inclusive as an employer is about more than virtue signalling - it needs to have substance and consistency if you are to recruit and retain diverse staff over the long term. In our research, we saw that many businesses were still not doing enough to support diversity in their organisation.

The Government should:

- **Work to build the evidence base on what policy and business tools are most effective at increasing diversity in the medium term.** The Government is right to stress that diversity policy has to be evidence-based, and that poorly implemented diversity policies can backfire.²⁶ Looking forward, it should build off the evidence being gathered by the Equality Hub and the Commission on Race and Ethnic Disparities to identify what policies have been most successful so far.

Employers should:

- **Make sure you are not inadvertently including bias in your job specification, language or selection process.** Always seek to hire the best candidate, but try not to have too many preconceptions about what that might look like. If possible, make use of tools like anonymised CVs. Benchmark yourself against other companies in your industry, and make sure you are doing as good a job at retaining as recruiting staff. Where appropriate, look into providing training staff at all levels of the organisation on how best to support an inclusive culture.

4. Take advantage of the remote working revolution

The changes catalysed by Covid-19 have accelerated the existing trends towards flexible work by decades. This offers significant opportunities to expand the pool of applicants for any position - both geographically, and making it easier for those who cannot commit to a traditional full time job - but we have to ensure the changes are sustainable.

The Government should:

- **Work to help the unemployed access a wider pool of remote opportunities.** Just as in the private sector, remote working offers the potential for public sector institutions like Jobcentre Plus to offer a much larger set of vacancies to their clients. This could be especially powerful in areas that have struggled with high unemployment for a long time, and have a low level of local vacancies.

Employers should:

- **Consult with their workforce over any long term changes to working practices.** Before committing either to a complete restoration to a traditional model or moving completely to remote working, companies should consult with their staff over what has and has not worked well. Any long term shift towards remote matching should be matched with proper support for staff, to ensure that any additional household costs are fairly shared and that they have the equipment they need to safely and effectively work.

5. Maintain the flexible labour market

The disruption created by Covid-19 has highlighted the importance of an agile economy and being able to rapidly adapt - but we have to ensure that flexibility is fair to both sides. We should make it easier for flexible and temporary workers to find other sources of provision for traditional employment benefits, such as pensions or sickness pay.

The Government should:

- **Ensure that all employment laws take agency and temporary workers into account from the outset, rather than be drafted with only employees in mind.** Government should review and simplify the language they use in relation to employment regulations, helping individuals and the whole business supply chain better understand their responsibilities.

Employers should:

- **Ensure that you are transparent and clear with anyone who works with you about their employment status.** For many workers, temporary work is a better fit - at least for now - than a permanent position. However, we have to ensure that everyone is clear about the implications of taking on different types of work - and where possible provide signposting and support to other types of saving and support.



Methodology

For decades, economists have been studying the impact of recruitment and matching on employment and productivity. While there is still much we don't know about how to improve the quality of recruitment and matching, it is now clear that it is one of the most important drivers of long term productivity.

In order to better judge the impact of the recruitment sector in the UK specifically, Public First were commissioned to run new surveys of workers, business and the industry to better understand their experience with recruitment:

- **Consumer Poll.** An in-depth nationally representative poll of 2,000 adults in Britain, weighted by interlocking age and gender, region and social grade.
- **Business Poll.** An in-depth economically representative poll of 500 businesses, weighted by business size, sector and region.
- **Industry Survey.** A short survey of 114 REC members, looking at their financial performance over the last two years.

In addition, to help further calibrate the modelling, Public First ran two follow-up short polls:

- A short nationally representative poll of 4,000 adults in Britain, weighted by interlocking age and gender, region and social grade.
- A short nationally representative poll of 1,000 businesses, weighted by business size, sector and region.

Public First is a member of the British Polling Council and Market Research Society, and full polling tables are available to download from their website.

GVA, turnover, workforce, margins and number of placements

In order to estimate direct GVA for 2019, we project forward ONS annual business survey data,²⁷ based on a combination of:

1. The ONS' Index of Services²⁸
2. Weighted average growth in turnover, taken from our industry survey

Recruitment in the media sector (SIC: 78.101) is excluded.

Outliers are removed from the industry data set using the IQR method²⁹ for the data responses greater than 0. So that the data conforms more closely to a gaussian model, the data is transformed using the log before the IQR method is used.

Both stated growth and turnover are adjusted based on when the respondent's financial year ended and the estimated growth impact of Covid-19. Turnover is also adjusted by adjusted stated growth for months which would not have taken place during the Covid-19 period.

Average reported growth is weighted by business size, using the ONS' data for business size by SIC and excluding companies in 78.3 for temporary income, following previous RIT methodology.

We follow a similar methodology to estimate turnover, the total industry workforce, number of placements, and average margins. The number of companies in the industry is taken directly from the ONS' Inter Departmental Business Register for March 2019 and 2020.³⁰

To estimate induced and indirect GVA, we multiply the estimate of direct GVA by Type 1 and Type 2 GVA effect multipliers for SIC code 78 (Employment Activities), calculated from from the most recent ONS Input-Output tables.

27 <https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/datasets/uknonfinancialbusinesseseconomyannualbusinesssurveysectionsas>

28 <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/timeseries/s2m3/ios1>

29 Lower Bound is Q1 - 1.5*IQR, Upper Bound is Q3 + 1.5*IQR

30 <https://www.nomisweb.co.uk/datasets/idbrent>

Tax contribution of industry

From our consumer survey, we proxy annual earnings for each respondent in two ways:

- The average salary for each gender and age from the ONS;³¹
- Adjusting respondents' annual household income by an estimate of the proportion of income which is salary for workers,³² and by marital status as a proxy for household size.

We convert then convert earnings into an implied total tax contribution, by calculating for each salary the equivalent tax paid in the following areas:

- Income tax
- National Insurance
- Council tax
- Indirect tax (Taxes on final goods and services)³³

For both permanent and temporary employment, we have identified two different net impacts of recruiters for taxes:

1. Those who previously were not working entering the labour market
2. Those who previously were working switching job to gain a higher salary.

We use the survey data to estimate the share of placements for people entering the labour market or switching jobs to gain a higher salary. This is then multiplied by our estimated number of placements. For those who have moved jobs we estimate that their income will be increased by the difference in wage growth of those who stay in their job and those who switch.³⁴ We then sum the total tax contribution of those who have entered the workforce and the increased tax contributions for those who have switched jobs.

We also estimate a gross tax impact, aggregating the total tax contribution for all those who have received a job through a recruiter.

31 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurvey-offhoursandearnings/2020>

32 This utilises ONS data for average household income breakdown, and employment rate by age group.

33 This is estimated using the ONS' average household incomes, taxes and benefits, and taking the ratio between disposable income and indirect taxes.

34 This is taken from ONS data: <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/compendium/economicreview/april2019/analysisofjobchangersandstayers/previous/v1#:~:text=1-,Main%20points,with%20those%20who%20do%20not.&text=Job%20changers%20moving%20between%20firms,than%20those%20moving%20within%20firms.>

Productivity impact of matching by recruitment industry

We first estimate the industry's impact on good matches across the UK economy, combining:

- Our estimates of the proportion of jobs placed by the permanent and temporary recruitment industry respectively.
- The proportion of users of the permanent and temporary recruitment industry respectively who say that would be unlikely to have found as high quality a match without the sector.

We then combine this with an estimate of the impact of poor matching on overall labour productivity, averaging the results of two methods:

- The OECD's estimate of the impact of skill mismatch on weighted productivity, drawing on cross-country PIAAC data.³⁵
- Self-reported business estimate of the differential in value created by an average and poorly matched worker.

Economic activity supported by temporary recruitment industry

We estimate this by combining:

- ONS data on average GVA by business size.
- Prevalence of usage of temporary recruitment sector by business size, taken from our second business survey.
- Proportion of companies who say they would not be able to operate without temporary employment, taken from our second business survey.

35 <http://www.oecd.org/economy/growth/Labour-Market-Mismatch-and-Labour-Productivity-Evidence-from-PIAAC-Data.pdf>

Impact of recruitment industry on first jobs and unemployment

We estimate the total number of jobs created, based on relative data from our first and second consumer poll, and calibrated against ONS Labour Force data and our separate estimates of the total number of placements.

The net fiscal impact of a new job is proxied by DWP's estimate that each new job entrant saves the Treasury £9,800 a year.³⁶ Similarly, we proxy jobs created by Job Centres by net outflows from Jobseekers Allowance in 2019 from recipients who found work.

36 <https://publications.parliament.uk/pa/cm201213/cmhansrd/cm130206/text/130206w0006.html>



REC

Recruitment
& Employment
Confederation

The REC is the voice of the recruitment industry, speaking up for great recruiters. We drive standards and empower recruitment businesses to build better futures for great candidates and themselves. We are champions of an industry which is fundamental to the strength of the UK economy.

#RecruitmentForRecovery

**Find out more about the
Recruitment & Employment
Confederation at
www.rec.uk.com**