

# Growing Confidence Among UK Firms For Hiring

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Joint research by Recruitment body and leading Professional Services firm points to growing confidence among UK firms for hiring.

Companies have started to take on staff again, particularly temporary and contract staff, suggesting an improving economy. SMEs are most confident about future prospects, coming at a time when the government has announced an initiative to boost long term lending for small businesses.

According to a report on jobs produced by the Recruitment Employment Confederation (REC) and KPMG, the rate of decline in permanent hires eased in August, halting a trend of several months. Similarly, temporary and contract staffing witnessed a rise in placements, for the first time in nine months.

If this trend continues it suggests that demand for staff is beginning to increase without companies necessarily having the flexibility to take staff on a permanent basis. It may also point to a 'wait and see' attitude among employers. The REC/KPMG research was based on information gathered from recruitment agencies throughout the UK.

REC Chief Executive Kevin Green (<http://www.rec.uk.com/press/news/2192>) said:

"Recruiters tell us the first rise in the placement of temp workers in nine months is because employers are calling on that flexibility offered by agency staff as a way to grow to meet recent increases in demand, like that seen last month in the service sector."

'Growth in the number of companies recruiting'

According to Bernard Brown, Partner and Head of Business Services at KPMG:

"With question marks still hanging over the long-term state of the economy, it would be easy to suggest that an upward curve in the jobs market is nothing more than a blip. But the truth is that, in some parts of the country, we are actually seeing a growth in the number of companies recruiting and where there is a decline it is now virtually insignificant."

For once London and the South East is not the driver of growth. The strongest geographical expansion came in the Midlands, which took the biggest share of both permanent and temporary hires.

The most in-demand staff according to the REC/KPMG research are in the nursing, medical and care sectors - in the private rather than the public sector.

"It may be slow, but perhaps we are witnessing the first signs of recovery? Temporary placements are also on the up, so the hope must be that employer confidence is returning, that they are looking to the long-term and recruiting for growth," said Brown.

The report also found that the number of staff available, both for permanent and temporary roles is increasing, meaning that any rising demand for staff is being filled by workers coming on the market. Consequently, rates of pay are flat and there has even been a slight drop in temp hourly pay.

Employer confidence

Previous research published in August by the Chartered Institute of Personnel and Development (<http://www.cipd.co.uk/>) (CIPD) found that 1 in 3 firms were keeping on more staff than they needed to avoid losing valuable skills, but anticipated making redundancies if economic growth did not take place within the next year.

However private sector employers were generally the most optimistic that they would increase staffing levels over the next year. The CIPD surveyed more than 1,000 employers via YouGov and found confidence levels were highest in the private sector and particularly among SMEs. This contrasted with negative expectations among public sector employers, where the outlook remains bleak.

#### Government initiative for SMEs

The mood of confidence amongst small and medium sized businesses by government announcements of financial support to the sector. The Business Secretary, Vince Cable announced the formation of a business bank during the week, for the purpose of making lending available to SMEs who are struggling to access credit.

The government initiative will provide funding of £1bn via existing lenders with government support acting in the form of guarantees and equity. It is anticipated that the assistance will ease the way for lending where high street banks are reluctant to take risks on businesses.

Commenting on the government plan, BBC business editor Robert Peston (<http://www.bbc.co.uk/news/uk-politics-19691162>) said they were trying to produce a long-term improvement in lending to small firms rather than a quick change. "The intention is that these would be longer-term loans with a maturity of about 10 years, that small businesses find hard to prise out of our risk-averse banks," said Peston.

The government plan was given a broad welcome by both trade unions and business groups. CBI director-general John Cridland called on the government to get the bank running quickly, saying that it could "play a vital role in packaging up and selling debt from medium-sized companies, allowing them to access vital finance streams." TUC general secretary Brendan Barber said: "The new state investment bank should provide much needed support for businesses to grow and create jobs."

There are 4.5 million small businesses in the UK, which account for 58.8 percent of private sector employment – estimated at 13.8 million people.

Unemployment in the UK fell by 7,000 to 2.59 million in the three months to July - a rate of 8.1 percent, while the number seeking Jobseeker's Allowance fell in August by 15,000 to 1.57 million. A person is considered to be unemployed if they are out of a job, actively looking for work and are available to start within a fortnight. The unemployment figures have dropped from their peak of 2.7 million, recorded at the end of 2011. This in turn was the highest figure for 17 years.

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