the intelligence

Confident to hire? The intention's there

How much can confidence affect employment, asks **Nina Mguni**, senior researcher at the REC

Employers have much to be confident about. The economy grew by 0.8% in of the first quarter of 2014 and 3.1% compared with Q1 2013, although the economy is still 0.6% below the Q1 2008 peak.

In the April edition of JobsOutlook, the confidence barometer hit a high of 42. It is interesting to look at how confidence will impact on hiring intentions in the coming months.

The workforce has grown considerably in the last few years. In April's official figures the number of people employed stood at 30.39m, an employment rate of 72.1%.

Yet demand for more workers is clearly evident. Every month, the REC asks employers "Do you think that your organisation's permanent/ agency workforce will increase or decrease?" in the next three months and in the next four to 12 months.

As shown in the graph below, the proportion of employers reporting that they intend to increase permanent staff in the next three months increased from 66% in October 2013 to 76% in March 2014.

Thinking about the medium term (four to 12 months), 52% of employers said they intended to increase permanent workforce when asked in October 2013. This increased to 81% in our March 2014 survey. The proportion of employers intending to hire agency workers has shown more muted growth, but growth nonetheless.

If we were to view this data in isolation, it would suggest a tightening of the labour market. But in April this year, the Bank of England Governor Mark Carney said that there remains "considerable slack" in the UK's labour market.

In view of this, the Monetary Policy Committee will be looking at earnings growth as an indication of labour market tightening. The BoE's Monetary Policy Committee has looked at a range of sources, including the REC/KPMG Report on Jobs, to monitor wage growth and starting salaries.

The rate at which salaries increase will also be determined by the availability of candidates to meet the demand for staff. In April, the reported availability of permanent staff fell by the sharpest rate since October 2004 and availability of temporary/contract staff fell by the fastest rate in 10 years, as shown in Report on Jobs.

As 2014 progresses, it will be interesting to see if employer intention to hire leads to action, and just how much they are willing to pay.

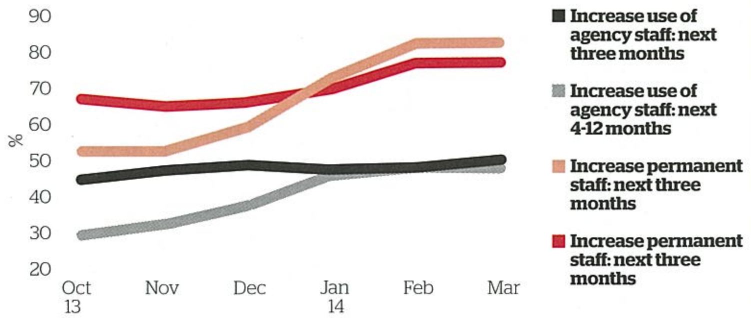


Fig 1: Median average invoice value - permanent

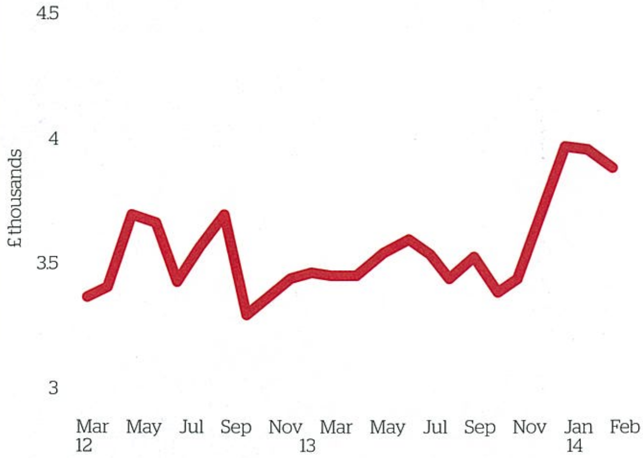
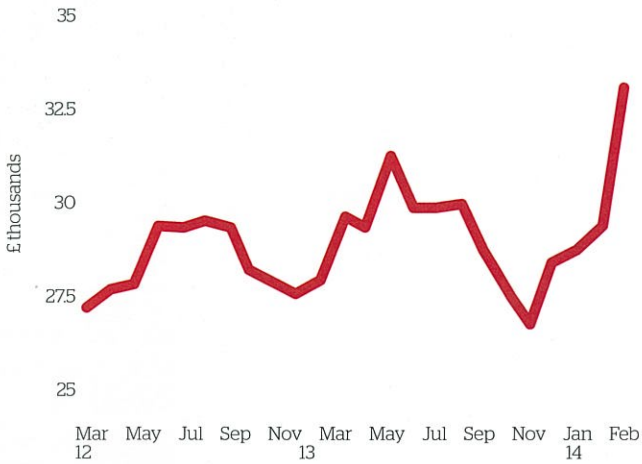


Fig 2: RIB recruiter median permanent placement salary



Revenues are booming

In the last edition of *Recruitment Matters*, I highlighted the good news that recruiters' revenues are growing at the highest rate seen in nearly three years, at the same time as the number of job vacancies in the economy is growing in the high teens. This month I am focusing on one of the drivers of the increase in recruitment revenues.

Permanent revenues are pleasingly up 20% year-on-year; an excellent achievement. But what is driving up permanent revenues?

Figure 1 shows that the median average permanent invoice value has been showing a mid-teens percentage increase on a year ago to just under £4,000, driving up permanent revenues.

Figure 2 shows that the increase in average invoice value has been driven by a substantial increase in the median permanent placement salary, which is up 11% in the last year to £33,000.

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