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Recruitment Matters

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Restart Scheme

REC wins global award

A pioneering partnership to help people who lost or left their jobs during the pandemic to find work has won the REC the World Employment Confederation's Leadership in Social Innovation award.

Since 2021 the REC has arranged for recruiters in England to work with employability specialists Maximus. Together, they placed more than 300 long-term unemployed people into either temporary or permanent employment in 2022. The partnership was funded via the government's Restart Scheme.

Neil Carberry, REC Chief Executive, accepted the award on stage at a ceremony in Belgium in March. He thanked the REC's members and said that the project is "an example of how, when you actually get government bodies listening, there is so much we can do as an industry".

"Our partnership approach means that recruitment businesses are playing their part by helping to prepare people for work," he added after the ceremony.

"This helps to tackle the labour and skills shortages we were the first to identify in 2021, while supporting people back into work. We are on target to help 1,000 long-term unemployed candidates back into work this way. We hope more members step up and get involved."

The Restart Scheme provides enhanced employment support to Universal Credit claimants who have been out of work for at least nine months to help them get back into work. Maximus offers training and development opportunities to prepare people to re-enter the workplace, while REC members match candidates and clients.

"We're delighted that our partnership with REC has been recognised by the World Employment Confederation," said Gareth Parry, Programme Director for Employability at Maximus. "The Restart Scheme is making a real difference in communities around the country, and this award highlights the impact it is having in opening up opportunities in the labour market for everyone."

Join us at RECLive23

The RECLive23 virtual conference on 6 July will take place at a critical time for recruiters. 2023 is shaping up to be a challenging and disruptive year, but there are huge opportunities for those able to ride the waves of change. Featuring industry experts from across the world, RECLive23 is here to help, whether the changes you face are economic, technological, political or social. Find out more at rec.uk.com/reclive23

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⊙ the view...

Recruiters need to change, but the tide has turned – we are travelling in the right direction, says **Neil Carberry,** REC Chief Executive

'**A** great storm is coming, but the tide has turned' is one of my favourite literary quotes. It comes from JRR Tolkien's *The Two Towers*. In it, Tolkien captures an idea we are all familiar with: the struggle ahead will be taxing, but success will become increasingly likely as we make progress.

As I talked to recruiters around the country and internationally this spring, that sense of challenge and opportunity dominated our discussions. On the one hand, client demand has been good, at least for permanent roles, if not always at the level we saw in 2022. On the other, there is everything else: slow economic growth and clients under pressure; the march of technology disrupting business; and the challenges of candidate availability.

One HRD we know well at the REC has a simple mantra when we look at this picture: 'Stop telling me it is hard.' That may sound harsh, but a tight labour market with fast changes in tech and clients who need to hire for under-pressure businesses ought to provide a world of opportunity for recruiters with the right approach.

But it could also prove to be a shark-infested sea. As the CEO of Randstad recently noted, it's great that CEOs are finally walking the walk on people issues, not just talking the talk. But that doesn't mean they will need precisely what we have always been selling. We need to change too.

So where do we go from here? At the REC we are currently undertaking some major new work on the future shape of the industry. For example, MSPs built to squeeze cost out in loose labour markets won't work in this new world. Look out for more on this later in the year, before RECLive23 in July.

However, struggling clients also mean that we need to find new ways to solve problems, especially as tech makes processes simpler and quicker. This is where classic recruitment skills will come to the fore. Recruitment is a people business and a professional service and we need to support our teams to compete in these areas. Look out for more on this from us in the autumn.

The road is hard, but the tide has turned.

🐦 **If you want to keep up to speed with all things recruitment then follow me on Twitter @RECNeil**

Changes to childcare – but we need more

Shazia Ejaz, Director of Campaigns at the REC

In the Spring Budget, the Chancellor announced significant changes to childcare in the UK, but there is still more he can do. The budget expanded eligibility for up to 30 hours of free childcare to all children aged nine months to five years over the next two years. The government is also now offering childcare support upfront for parents on universal credit and announced additional funding for childcare providers.

It is great that the government has listened to so many individuals and business groups, including the REC. We have campaigned for childcare reform as part of our work on overcoming labour shortages. In our budget submission we made it clear that parents needed long-term support for childcare costs. We specifically requested that the 'government should increase funding for nurseries and childcare providers so that no one in the UK is left without provision'. We also wrote to Kelly Tolhurst, then Minister for Schools and Childhood, about these issues in October 2022, and partnered with the CBI on its campaign around childcare reform in the UK.

While the government's changes offer some support, there is more to do to help parents access and afford childcare. The additional funding for providers announced by the government means that next year funding for two-year-old children will rise from £6 to £8 an hour, but for three- and four-year-olds it will rise only from £5.29 to £5.50 an hour. This is unlikely to be enough to support providers and so will lead to patchy provision.

The government can do more than change funding and access to childcare. It needs to improve access to flexible working for parents, grandparents and carers to allow them to balance childcare needs with their ability to work. Introducing a statutory leave period for new grandparents and requiring businesses to conduct a review with all staff over the age of 55 about flexible working arrangements are just two ways that the government could help to keep these people in work.

🧠 the intelligence...

Algorithmic hiring represents an emerging area of workplace risk

Stephanie Sheir, Researcher at the Institute for the Future of Work

Around 99% of Fortune 500 companies – including the likes of Facebook, Google and Deloitte – use talent-sifting software in the recruitment and hiring process. When powerful machine learning is brought into the mix to predict candidate performance, this constitutes 'algorithmic hiring'. The sell for these systems is that they can greatly improve the efficiency and objectivity of the hiring process but, if not used properly, they also have the potential to discriminate against certain applicants and threaten equality in the workplace.

Algorithmic hiring systems typically automate the initial assessment and screening of candidates, before providing recommendations to managers who make a final decision.

A simple algorithmic hiring system might just use keyword matching to scan a candidate's CV and cover letter for similarities to a job description. More complex systems can analyse psychometric tests, video interviews or email exchanges to predict a candidate's job performance.

A candidate's interview – in person or online – can be scanned for content using the same natural language processing technology that powers ChatGPT. But some algorithmic hiring systems also use facial analysis of the interview video to assess a candidate's expressions and mannerisms. Its use is still rare because many video interview providers are distancing themselves from the practice. This is because the systems have been controversial, with varying degrees of accuracy for different racial groups. It is likely that use will grow as the technologies develop, but even if the models become more accurate, employers should consider carefully whether candidates' expressions are good predictors of job performance, or whether it is fairer to rely on how they answer questions and approach problems.

Algorithmic hiring systems crop up too with psychometric and

There are risks and implications for equality and discrimination.

competency testing. This could include cognitive and personality assessments via traditional questionnaires or gamified quizzes. These tests claim to assess candidates' competencies and personality traits in rapid assessments that take minutes to complete.

One of the main selling points of algorithmic hiring systems is the ability to tailor assessments to the employer's particular needs. For example, performance data on existing employees and their results on personality tests could be combined to create a profile of what a 'good' candidate looks like at a given company.

There are risks and implications for equality and discrimination.

These systems are not generally validated with checks on whether new hires perform well once recruited. Instead, the systems predict performance based on how similar candidates are to current top-performing employees. This may be unfair and inaccurate because 'out of the box' candidates won't be considered.

Focusing only on current top-performing employees can also lead to discrimination. For example, Amazon stopped using its CV-scanning algorithm in 2018 when it was found to be biased against women. The algorithm had not been trained on sufficient examples of successful women, and so favoured male candidates.

At present, algorithmic hiring represents an emerging area of workplace risk that is only beginning to be understood and regulated. To improve the transparency and accountability of algorithmic systems, we need governance mechanisms such as algorithmic impact assessments (AIAs) and bias audits, so that employers, developers and workers can understand, anticipate and mitigate potential risks and experienced harms. Information on how to conduct these is available from the Institute for the Future of Work and via the equality question.

Policy developments to watch include the UK government's growing interest in AI assurance methods, the EU AI Act, which views the workplace as a priority high-risk area of AI use, the EU AI Liability Directive, and various pieces of state legislation in the USA which regulate algorithmic hiring and often focus on facial analysis in particular.

Algorithmic hiring systems have the potential to streamline and improve decision-making, but they must be used with caution. As with any emerging technology, the benefits and risks must be weighed carefully before widespread implementation.

💬 big talking point

Proceed with caution

New AI is emerging at pace and the regulators are struggling to keep up. The potential is exciting – but the risks are also clear

The genie is out of the box – everyone is thinking about what we can do with new and emerging forms of artificial intelligence (AI). But before we get carried away with the possibilities, we should ask questions about what it means to use AI ethically and how we obtain assurance that it does not contravene legal (or ethical) requirements. This is the primary message in a new report for government by the Centre for Data Ethics and Innovation (CDEI). Recruiters and HR professionals should pay attention.

Although much of the technology we're talking about is new – for example, language AI systems such as ChatGPT – the pitfalls are familiar. Problems with bias and misinformation stem from the underlying data used by the system, not from the AI technology itself. Wider use of AI will increase the risks of problems occurring. The penalties, financial, legal and reputational, can be huge, so all users must be vigilant.

This is easier said than done. Recruiters and their clients are likely to be using AI systems increasingly to identify candidates and to screen and sift CVs, as well as for drafting job descriptions, suggesting questions to ask candidates and even to draft recruitment policies within companies. Used well, AI offers opportunities to improve efficiency and save time on research, trawling through documents and writing reports. It may help to broaden our own thinking and prompt productive questions about who we should employ and what we should be doing in future.

However, it also makes us vulnerable. Using technology owned by an external provider means your data can be used by them, which will not be desirable or legal for sensitive information. All organisations will need policies to ensure that employees are aware of this and do not fall foul of data privacy laws. Systems that are bought for use in-house should keep data secure and can be managed to comply with legal requirements, but they are still directed by their initial configuration by the technology engineers who created them.

Then, of course, they depend on the quality of data they use. In an ideal world, all organisations would have clean, usable data that is legally compliant and held in secure, compatible connected systems. Most are far from this and, even if you have it, past data may not relate well to the present or future. A human would know that the fact that a role had always been filled by a Caucasian male mathematician aged 40-50 with an interest in stamp collecting and chess would not mean that the perfect person for this role today has these attributes. An AI system may not. Similarly, facial recognition programmes seem to be less reliable with some skin tones, and voice recognition may not work well with some accents.

Recruiters should also be aware that AI is likely to create an industry of new jobs – although, given that AI systems will probably create their own software on request in future, these may not be in the technical IT sector. The government hopes that new jobs will emerge in assurance roles, similar to the growth in cyber security roles, although, again, AI may create its own solutions in time. What this can't mean is allowing systems to mark their own homework.

Help at hand

If you are unsure about where to start looking for assurance, you are not alone. In a recent webinar held by the REC in partnership with CDEI and AI advisors Centigy, 92% of participants admitted they were unclear how to provide assurance on the ethical use of AI. There is also uncertainty about where official guidance and support should come from. The government is expected to produce a White Paper on regulation and is talking about working with existing regulators to establish guidance on good practice around AI in different sectors.

The REC has already produced guidance on 'Data-driven tools in recruitment', 'Grasping the AI opportunity' and 'Automated sifting tools' jointly with the CDEI. "We have partnered to create guidance to help REC members be responsible buyers of AI tools, looking at both the legal requirements and the REC's Code of Practice," explained the CDEI's Sarah Darrall at the webinar. "We are looking at what technical solutions are available, practical steps to deploy responsibility and maximise opportunities and how to ask the right questions to vendors."

For a start, recruitment firms should define who is responsible for selecting, purchasing and deploying AI systems at all levels up to senior management. "Consider what the proposed tool is for and focus on the intended benefits," Darrall said. "Ask the vendor how it will integrate with existing systems, what testing has been done to ensure it works effectively and what future developments will be built in. Ask about the accuracy and legitimacy of the underlying science."

Recruitment managers should also ask vendors about the bias testing they've carried out and should consider running their own bias tests. Accessibility is another issue, so ask how the system works for people with sight, hearing or speech impairments and whether age or neurodiversity could be a barrier.

Firms will need to identify a data controller and understand how a candidate's data will be used, and they also need to ensure their vendor complies with GDPR law. Candidates should be notified if AI is used in the selection process and there should always be a way for them to complain or highlight failings to a human operator. "Complete a data protection impact statement as early as possible – you must do this before any AI system is used. It's good practice to publish it, so that candidates can view it," Darrall added. "Establish feedback processes, so people can tell you how it works in practice and ensure the documentation about it is open and transparent."

Last but not least, choose the tech that best meets your need and assess whether the advantages outweigh the risks. Kevin Butler, CEO of Centigy, told participants that sourcing and screening tools, used with appropriate safeguards, are the least potentially dangerous AI products for recruiters. "You should be more worried about video tools and things that promise emotional assessment, since people express emotion differently and behaviours vary," he warned. "We see this area as ethically difficult because it's not scientific." He added that many AI tools are best used in the early stages of the recruitment process so they can then be refined and developed by humans.

AI provides amazing opportunities to enable people to do more of what they're best at. However, the technology is still unregulated and, often, relatively untested. Buyers should beware and keep their eyes firmly on the risks and be alert to emerging guidance.

⚖ legal update

What is the Retained EU Law (Revocation and Reform) Bill?

Bunmi Adefuye, REC Legal Advice Manager

Some of the changes affecting hirers as a result of the Brexit referendum are yet to hit nearly seven years on. But all that is about to change.

The Retained EU Law (Revocation and Reform) Bill will end, at least in theory, the supremacy of EU Legislation. This is part of the government's plan 'to put the UK statute book on a more sustainable footing' post-Brexit and is part of its drive to make the UK 'the best regulated economy in the world'.

This Bill sunsets most of the retained EU laws that will expire on 31 December 2023 unless they are otherwise preserved in UK domestic legislation. Any retained EU law that is still in force after the sunset date may still be subject to changes. This is a tight timeline, but, fortunately, there is scope for the sunset deadline to be extended until 2026.

We need to learn how far government will go with the changes, because anything that is not retained in new or amended UK legislation through this sunsetting process will no longer be applicable in UK law. Legislation including the Agency Workers Regulations 2010, the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE), the Working Time Regulations 1998, and the Fixed-term Employees (Prevention of Less Favourable Treatment) Regulations 2002 are potentially affected.

For legislation that is retained, the government will have the power to amend retained legislation without going through the usual parliamentary approval processes, which can also be lengthy.

The Bill will allow higher courts to disregard existing EU legislation and case law, while lower courts will still have to apply EU case decisions. It means courts and tribunals that are bound by retained case law will be permitted to refer points of law to a higher court in the UK. These will be able to disregard retained/legacy case law, especially if they deem it to be in the public interest.

The challenge for all courts is that where a case has provided useful interpretation and guidance, that may no longer be relied upon. The fear is that this will create further uncertainty and confusion on how to apply the law. It is predicted that some workers could lose the benefit of established statutory rights (we await more detail on this). There is likely to be more litigation where worker's rights and employer's obligations are unclear.

There is also much work ahead for government, employers and trade unions because this sunsetting could affect thousands of pieces of legislation which will require consultations, amended policies and draft statutory instruments to implement the proposed changes.

The deadline of the end of 2023 is very ambitious and may be extended, but change is coming! That said, the REC legal team will guide you through it as it happens.

Re-thinking what works for workers

Graham Wills, Southern Sales Leader, MMB

At Mercer, we are busy looking at employees' most pressing needs and how your organisation can meet them. Employers and governments are thinking more holistically about work and the workplace – the introduction of 'returnerships' for over 50s and improved childcare support shows this mindset is here to stay.

Our *Mercer Marsh Benefits Small Employers – Benefits Study* found that for 37% of SMEs, attracting and retaining employees is a priority. Yet our separate *Inside Employee Minds Study* found 40% of employees are considering leaving their employer. So how can employers engage and retain their workers?

Build for employability
Addressing skill shortages and closing skill gaps should still be a priority. Our recent *Benefits Study* showed that 50% of SME businesses saw offering training and development opportunities as a key priority. What is your business doing to develop your workforce?

Work in partnership and deliver on total wellbeing
Flexible working is more of a priority for those seeking new roles. Working with employees to create a policy that works for them and drives increased productivity is key. Employers should also put wellness at the core of any employee benefits package – 39% of SMEs think the right benefits package is vital to attracting staff.

Reset for relevance
Supporting Diversity, Equity and Inclusion (DEI) is important to 70% of employees. Having a clear DEI policy can help you to make sure your business is relevant and engaging for your employees, as well as being the right thing to do.

For information on this subject download our free report 'Re-thinking what we need from work'.

REC Recruitment & Employment Confederation

Fresh thoughts on diversity and flexibility

What I know

Aoife Owens is Associate Director, People, at Jackson Hogg

A four-day week works for us.
We started operating a four-day week last August. We looked at what else we could offer to attract and retain talent and increase wellbeing. We did a benefits review and decided that the most valuable thing was time. The next step was a four-day week.

Set expectations.
All our consultants can take Fridays off as long as they complete the same workload and clients receive the same service. People must attend any client meetings that happen on a Friday and should be contactable – if they are not, they should book holiday. Pay and holidays are unaffected, but people can't claim back time if they do have to work on a Friday.

The unexpected benefits
It's boosted working relationships because family and friends are often at work, so people will, for example, go for a swim and a coffee with colleagues and then pop into the office to check emails. It's made everybody responsible for their workload, so people are more proactive about working efficiently. We all learnt to work independently during the pandemic. I don't think we would have done this if we weren't working flexibly.

Clients are interested.
Clients ask us how they can attract and retain people. They are interested in the four-day week. The feedback has all been good and some may start similar schemes.

Q&A

Aimee Treasure is marketing director at Templeton and Partners

Templeton and Partners won the REC's 2022 Diversity Initiative of the Year Award. What makes you stand out?
We are a diverse and inclusive recruitment agency – of our 63 staff, 82% identify themselves as diverse and 55% are from an ethnic minority. We are among just 5% of UK SMEs that are founded and led by someone from an ethnic minority background and 70% of our staff were born outside the UK. This is essential because we focus on recruiting diverse candidates to tech roles and removing barriers to recruitment processes and retention.

Why do they need you?
Only 19% of people in tech jobs in the UK are women, so there is clearly work to do.

Most large employers have diversity targets but can't find or retain diverse people. We discuss their recruitment and onboarding processes and how to make a workplace inclusive. We work in 40 countries and our staff speak 25 languages, so we reach people they can't.

What did winning the award mean?
Credibility comes from other people saying you're doing well. We're growing fast so we know we are successful, but being recognised by the professional body for recruiters is much more powerful than us shouting about how good we are. We want to use this credibility to get more people into roles where they are happy and much needed. If we do this, we feel we are doing a good thing in the world.

Amount of control is found to predict life satisfaction better than any other known factor – so let's make it work

Nancy Hey, Executive Director, What Works Centre for Wellbeing

Having a high sense of control is related to positive psychological outcomes and is linked to feeling healthy, whereas decreased control is associated with stress, depression and anxiety disorders.

Therefore, it is alarming that the 2017 Skills and Employment Survey (Cardiff University, 2017) found the proportion of workers who confirmed they have 'a lot of discretion over how they do their jobs' reduced from 62% in 1992 to 38% in 2017.

We know autonomy is a core human need, but we know far less about the best ways to improve it in the workplace. There is some evidence that approaches to improving job quality can help: job crafting; skills development such as problem-solving or goal-setting; system approaches that give more clarity about roles or control over shifts; and management approaches such as coaching. However, we need a rapid increase in robust evidence to understand fully what really helps.

One of the things that reduces autonomy is when people feel 'stuck'. People fall out of work and don't find it easy to return. This may be because of parental responsibilities, caring needs or illness, or because a change such as deteriorating physical health prevents them from continuing to work in a specific area. Examples of approaches that are currently being tested include returnerships, easier career transitions (eg, teach later) and adult apprenticeships, but, again, we need better evidence of what actually helps people to make these transitions effectively.

Taking an evidence-based approach to defining what is a good job is important because some things will matter more than others in different contexts. When we mapped the drivers of wellbeing in national data, we found there was a big gap in the data around job quality that has been picked up in the latest improvements to the Labour Force Survey. These changes build on the Good Work Review and the recommendations for measurement made following it.

These national and local measures are useful. Sectors and employers can use the Thriving at Work Voluntary Reporting Standards, which also align with the recommendations from our sister centre NICE. Understanding the wellbeing of the people in your sector or organisation, as well as the risks/strengths to employee wellbeing, helps to inform context-specific wellbeing strategies. Having an evidence-informed strategy in place is the most effective action for both wellbeing and performance, and it has been found to be the basis of authentic leadership of wellbeing in organisation during the pandemic.