

**THE VIEW AND THE INTELLIGENCE**  
Findings from the first REC EDI Summit p2

**BIG TALKING POINT**  
The winners of the REC Awards p4

**LEGAL UPDATE**  
New rules on WTR and TUPE p6

**Q&A**  
Experiences of change and continuity p7

RISR Report

# Resilient recruitment sector optimistic about future growth

The recruitment industry is outperforming the UK economy, but 2024 is likely to be a challenging year, according to the REC's latest Recruitment Industry Status Report. Researchers found that the sector grew by 13.7% in 2022 (5.9% when adjusted for inflation), compared with UK national GDP growth of 4.3% in the same period. The report predicts a return to more rapid growth in 2025, pointing to the fact that the sector's nominal output is 5.7% higher than before the pandemic as evidence of its resilience.

Much of the recruitment sector's growth in 2022 was driven by business recovery after the pandemic. Its direct contribution to the UK economy is estimated at £41.3bn in 2022.

Temporary and contract placements accounted for 82% of activity in 2022 (£33.9bn). This continues a trend seen in last year's report and the researchers predict that demand will remain higher for temporary than for permanent positions while employers lack the



confidence to commit to long-term hiring plans.

Candidates are also being cautious about moving jobs for fear of losing security. This is slowing the growth in demand from clients (from 14% growth in 2021 to 3% in 2022).

Economic pressures, plus a fall in demand after the post-pandemic 'sugar rush' means that the sector's growth is

likely to be significantly lower in 2023. The researchers predict that its gross value added (GVA) will have fallen by 1.1% in real terms.

Looking ahead, 2024 is expected to be a tough year. A slower economy across the UK, plus a potential rise in unemployment, is likely to lead to a

Story continued on page 8

## the view...



We're working on solutions to the challenges, so you can seize the opportunities, says **Neil Carberry**, REC Chief Executive

**T**he view wasn't universal, but several recruitment leaders told me before Christmas: "I'll be glad to put 2023 in the rear-view mirror." I get it. While the market wasn't terrible, it has been hard going at times – and volatile. Picking trends in the market required the skill and patience of a business ninja.

But don't write off the whole year. There are important things to take from it, such as the resilience shown by our sector, and the amount of work completed for clients and candidates. Our data shows that the value of the temporary market grew. It's been a hard battle, but for most recruitment firms, a battle won.

It felt that way at the REC, too. We've been finding more ways to help you tackle your biggest challenges – from providing skills via our Greg Savage sessions, to advice on technological change and the inclusion imperative. Our data is increasingly respected as a key measure (it is used by the Treasury and the Bank of England, among others) so we can use that to help you look at your changing market.

The most joyful parts of the year were seeing so many members at in-person events, from our Awards in November to our popular regional round tables. These events help recruiters to help themselves using the advice and support offered by our network of businesses.

Lobbying and campaigning is also vital to helping members and 2023 was a great year for this – from holiday pay reforms to media presence. We have ten times the media presence of any other recruitment body.

We will continue to support you in 2024. With polls suggesting a change of government after the general election, plus continuing economic change and technological innovation, there are lots of challenges. But there are also opportunities. We have plenty going on to add value and develop skills, plus a manifesto for the new government and more REC data and analysis. I am particularly excited about our RECLive event on 25 June. Our survey says firms are getting more optimistic – so perhaps the Autumn Statement was too gloomy? All the best for 2024 to you and your business.



If you want to keep up to speed with all things recruitment then follow me on Twitter [@RECNeil](https://twitter.com/RECNeil)



CAMPAIGNS

## Summit highlights benefits of EDI

**Shazia Ejaz**, Director of Campaigns at the REC

**O**ur first ever Summit bringing members and stakeholders together to discuss EDI in recruitment highlighted that diversity has no impact without inclusion and that diverse teams perform better.

We hear stories of EDI programme leads being let go as the issue disappears from the headlines but, as discussed at our Summit, there is lots more to be done. Our survey of employers this summer found many are failing to take basic steps to improve EDI in their hiring processes. After all, nearly half of respondents (49%) said they do not state their interest in hiring diverse candidates in their job adverts.

The Summit speakers explained that diverse teams can require more nuanced management strategies, but that challenge from people who think and work differently from the leader and existing teams is good. Organisations with systems to ensure they make everyone feel included and valued will reap the benefits of diversity, they explained.

There is no difference between 'talent' and 'diverse talent', you are only as inclusive as your least included member of staff, and inclusive recruitment starts with your working culture. Also, empowering one group benefits everyone. This is where you can start the journey to do more for other groups and expand EDI initiatives across the organisation.

To help recruiters do more to achieve inclusive recruitment, we launched our EDI guidance for recruiters, 'Unlock the power of inclusive recruitment', at the Summit. This aims to help people navigate workplace EDI. It identifies the basic actions to take when embarking on an inclusive recruitment journey, as well as the legal obligations. There is advice on leading EDI conversations with teams and how to engage with underrepresented groups to make your business stronger.

The Summit and the guidance show that the REC is committed to offering support on an issue that is just as important for recruitment business owners and operators as for their clients. There is much more our industry can do to provide more opportunities for people to do good work. Watch for more from the REC on this in 2024.

# the intelligence...



## Taking the pulse of the NHS

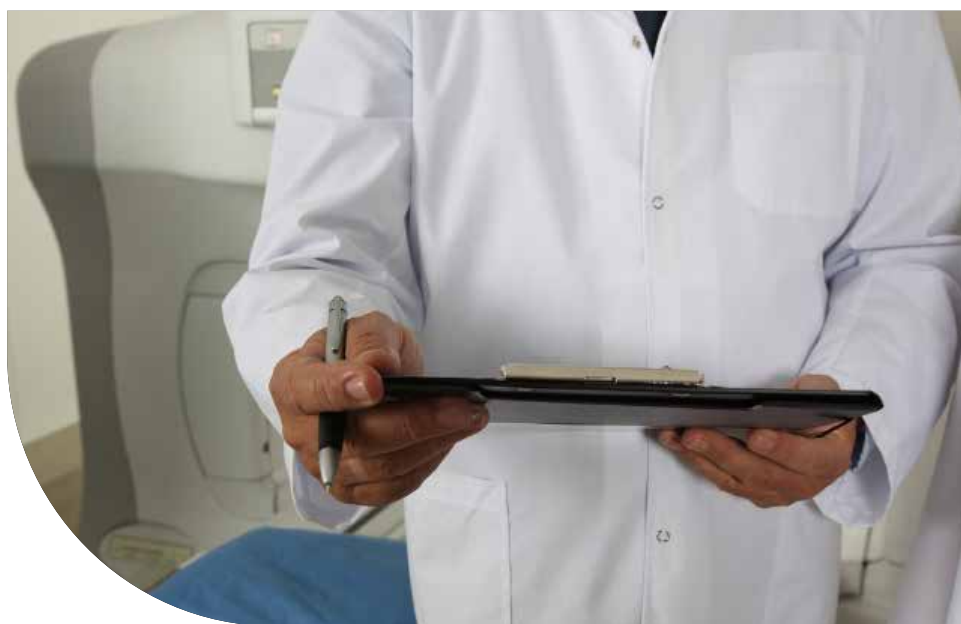
Recruitment and employment challenges, particularly relating to doctors and nurses, are a major concern for the NHS as it heads into the winter and beyond.

Mukul Tiwari, REC Research Manager

A report from the British Medical Association shows that, despite the aim to recruit 6,000 additional GPs by 2024, in October 2023 there were 1,996 fewer fully qualified full-time GPs than in September 2015. Between October 2022 and October 2023 alone, the NHS lost 245 fully qualified full-time GPs and 446 GP partners.

Weary observers will recognise that the NHS has been grappling with the problem of recruiting and retaining doctors and nurses for several years. There are a multitude of contributing factors, including heavy workloads, high levels of stress and burnout, as well as sometimes limited career progression opportunities. Additionally, Brexit has exacerbated the problem because fewer EU healthcare professionals are now coming to work in the UK. These recruitment and retention challenges have a negative effect on patient care and the basic functions of the NHS.

The Office for National Statistics expects the population in England to grow by 6.7% by 2045 – an increase of 3.2 million. At the same time, the number of people aged 85 years and over was estimated to be 1.7 million in 2020 (2.5% of the UK population) and this is projected to almost double to 3.1 million by 2045 (4.3% of the UK population). This suggests that the pressure on medical services will further increase, making



### 245

– the decrease in the number of fully qualified full-time GPs working in the NHS between October 2022 and October 2023

labour shortages in healthcare in the UK even more of a concern. It is clearly something that needs to be addressed.

This disparity between the need for medical staff and the ability to recruit and retain them creates a big gap in the sector which needs to be filled. REC's November 2023 Report on Jobs highlighted rising numbers of vacancies for both permanent and temporary healthcare workers at the start of the final quarter of the year. Moreover, the rate of expansion in demand for permanent staff quickened and was the highest in all the market sectors surveyed.

The REC's latest Jobs Outlook data reflects the high number

of potential vacancies in the sector and shows that hirers in healthcare organisations intend to recruit more permanent and temporary staff in the short and medium term.

However, in the current situation, agencies will be essential for delivering highly skilled professionals with expertise to plug gaps, ease the burden on permanent staff and ensure uninterrupted patient care. The NHS needs to recognise the advantages of using agency staff and work with agencies as partners to achieve procurement reforms that encourage more on framework recruitment and create a fair market for banks and agencies.

## big talking point

# REC winners 2023

A recruiter who has helped people in an area with few opportunities to gain STEM skills and another who has found work for Ukrainian women were among the winners at the annual REC Awards, held in November.

“In a year where opportunities have been harder to find and client businesses have been under pressure from high inflation and low growth, people have needed recruiters all the more to help them navigate a fast-changing market,” Neil Carberry, REC Chief Executive, said about the 2023 REC Awards. “From workforce planning to sourcing new forms of skills as the labour market is disrupted by technological change, our industry has never been more vital. The standard of entries was very high. All our shortlisted entries deserve congratulations. The judges had to make some extraordinarily tough decisions and nominees should feel immense pride in what they have achieved – the winners especially so.”

Among the many interesting stories behind this year’s winners was that of Morson Group, winner of the Community

Impact of the Year award. The firm funded a science, technology, engineering and mathematics (STEM) learning centre in an area in Salford where there are few career progression opportunities, and helped learners to find work after their studies.

Attendees at the awards ceremony in London heard that the programme balances economic, environmental and social imperatives, while engaging effectively with stakeholders and staff. Increasing STEM skills in the UK is hugely important, since a shortage of skills in these areas reduces productivity, economic growth and our ability to achieve net zero and energy security.

Another story was that of Randstad, which won the Diversity Initiative of the Year award for its mentor-mentee scheme for Ukrainian women displaced from their homes by the war. The scheme helps the women deal with the practical hurdles

of joining the UK labour market, such as ensuring they have everything they need to pass right-to-work checks.

Our Start-up of the Year was Core3, which set new standards in innovation and quality of service for a new business, while our Agency Star of the Year – a new category – was Abigail Barclay of Inspired Search & Selection, who used her thought leadership in the publishing market to shape client expectations, improve diversity and help create opportunities. The winner of the Recruitment Team of the Year award was VHR and The Recruiter of the Year 2023 was Lisa Thurkettle of Pertemps. John Hamilton of Bucks and Berks Recruitment won a Lifetime Achievement Award. The event was hosted by comedian Mark Watson.

Our full report is available on REC website: <https://tinyurl.com/3wvdb79p>



• Agency Star of the Year: Abigail Barclay, Inspired Search & Selection



• Permanent Recruiter of the Year: Jodie Rafferty, Rafferty Resourcing Ltd





Start Up of the Year: Core3



Temporary Recruiter of the Year: Nik Shah, Tile Hill (holding trophy)



Lifetime Achievement Award: John Hamilton (holding trophy) with Neil Carberry



Recruiter of the Year: Lisa Thurkettle, Pertemps (holding trophy)



Community Impact of the Year: Morson Group



Diversity Initiative of the Year: Randstad UK



Recruitment Team of the Year: VHR

**List of winners** *Best Newcomer in Temporary Recruitment* was Liam Shea, from Carrington West; *Best Newcomer in Permanent Recruitment* was Rhianna Patmore from Inspired Selection; *Temporary Recruiter of the Year* was Nik Shah from Tile Hill; *Permanent Recruiter of the Year* was Jodie Rafferty from Rafferty Resourcing Ltd; *Agency Star of the Year* was Abigail Barclay from Inspired Search & Selection; *Candidate Experience of the Year* was Helen Darling from 4myschools; *Business Leader of the Year* (for businesses with a turnover of up to £5 million) was Martyn Hurricks from Talent Locker Ltd; *Business Leader of the Year*, (for businesses with a turnover of over £5 million) was Lisa Thurkettle from Pertemps; *Shared Services Team of the Year* was Reeson Education; *Recruitment Team of the Year* was VHR; *Demonstrating High Standards in Recruitment Award* was Employ Recruitment; *Client Transformation Delivery Through Outstanding Recruitment Services Award* was ID Medical; *Community Impact of the Year* was Morson Group; *Diversity Initiative of the Year* was Randstad UK; *People Development Business of the Year* was Carrington West; *Start Up of the Year Award* was Core3; *Best Company to work for* with up to 20 employees was 4myschools; *Best Company to work for* with up to 50 employees was Castle Employment Group; *Best Company to work for* with over 50 employees was STR Ltd; *Lifetime Achievement Award* winner was John Hamilton; *Recruiter of the Year for 2023* was Lisa Thurkettle, from Pertemps.

# legal update

## New regulations clarify rules over WTR and TUPE

By **Matilda Boyce**, REC Legal and Compliance Adviser

To say it is high time for a retrospective on changes to holiday pay is an understatement.

**T**he *Harpur Trust v Brazel* case related to a part-year employee on a zero-hour employment contract. In July 2022, the Supreme Court ruled that calculating holiday pay using the 12.07% accrual method is unlawful and confirmed that this type of worker is entitled to the statutory minimum 5.6 weeks of holiday leave.

The Supreme Court in *Harpur Trust* intended to simplify calculating holiday pay to reflect the clear position in the Working Time Regulations (WTR). Instead, it opened extensive deliberation about the application of holiday pay calculations for agency workers on a contract for services, and the unlawful use of alternative methods of calculating holiday leave.

The debate continued in the Supreme Court's separate ruling in *Chief Constable of Northern Ireland v Agnew* on 4 October 2023, which said that where there are gaps of more than three months between deductions of holiday pay, workers could now claim for historic underpayments of holiday. The

decision exposed employers to the risk of claims being brought for underpayments as far back as two years.

These case law developments prompted the REC to call on government to update the WTR. The government launched two consultations in 2023 regarding holiday provisions under WTR and the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). It published the Draft Employment Rights (Amendment, Revocation and Transitional Provision) Regulations 2023 on 8 November.

The draft regulations seek to amend WTR by providing clarity on holiday leave and pay calculations for workers with irregular patterns of work. Notably, employers will lawfully be able to roll-up holiday pay for irregular hours and part-year workers whose leave years start on or after 1 April 2024 using the 12.07% accrual method. This means that a dual system may be implemented whereby employers will be able to choose whether their workers receive their

entitlement to leave as rolled-up holiday pay or receive holiday pay when they are actually on leave.

Employers will need to ensure that their choice of method is clearly stipulated in the contractual agreements. Further updates to WTR take effect on 1 January 2024, including cementing rights in legislation that were previously in case law. Examples of these are the right to carry over accrued leave that was not taken because of sick leave, the obligation for employers to inform workers of their entitlement to take leave, and the 52-week reference period for calculating holiday entitlement and pay for irregular hours and part-year workers while they are on statutory or sick leave. The WTR amendments also revoke workers' rights to carry over leave they could not take because of Covid 19.

## Future-proof your business in 2024

By **Howard Greenwood**, Director and Co-founder, Jump Advisory.

The New Year is here, and 'future-proofing success' has become the mantra for agencies. Here are some key recruitment trends that are emerging as essential components in the strategic planning process.

A crucial focus for 2024 will be bringing your client base closer and developing a more diverse service offering, which aligns with your clients' values and purpose. Many recruitment organisations are investing in technologies to facilitate seamless marketing, however clients still crave human interaction – 93% of buying decisions are made over the phone or face-to-face. Fostering daily habits around existing and new business development remains paramount.

Diversity, equity, and inclusion (DEI) are integral to building innovative teams and strong client relationships. Organisations that prioritise

DEI initiatives in their recruitment strategies recognise the competitive advantage that diverse perspectives bring. Recruiters' actions can make a significant impact here and your strategy should align with that of your clients.

The rise of artificial intelligence (AI) and automation continues to reshape the employment landscape. In 2024, successful businesses will leverage these technologies to augment human capabilities. Upskilling and reskilling programmes empower employees to adapt to evolving job requirements. Make sure you are part of this trend.

Forward-thinking companies are investing in employee development and retention. Robust training and development plans and attractive benefit packages will be critical, along with a strategic approach to client engagement and business development, to success in 2024.

# A sense of purpose and an ethos of recruitment expertise

## What I know



**Matthew Wragg** is  
CEO of Gattaca Plc

### Transformation is worth the wait.

Established four decades ago, Gattaca is proud to have been publicly listed for 17 years. However, the journey hasn't been without challenges. When I became CEO 18 months ago, performance was poor, attrition was high and morale was low. An incredible effort from my team over 18 months has led to our share price doubling, performance improving, attrition halving and engagement increasing.

We've come a long way and our efforts were recognised with us winning 'Best Transformation' at the 2023 Business Culture Awards (BCA). For anyone part-way through a long-term transformation, my advice is keep going. It's worth it!

### Purpose matters.

Our purpose is key: "To provide the skills needed to build a better future, one job at a time." This drives everything we do. We were proud to reach a milestone when we launched our first annual sustainability report. This was why at the BCAs we also won an award for 'Leading with Purpose'. Prioritising Purpose has kept us centred.

### Focus on people.

The bottom line of our success is that if our staff and customers are happy, our investors will be happy. But we took our eye off the ball. Our renewed focus on staff development means we're now growing a workforce of experts who are passionate about STEM recruitment – including 26 'boomerangs' who have re-joined us.

## Q&A



**Nel Woolcott**, Managing Director,  
Anne Corder Associates

### You've been in the company for 27 years. Why?

The ethos of our business comes from HR, not sales. Anne was HR manager at Sodastream and started the agency on the basis that everyone here is a recruitment specialist – there are no sales targets and bonuses are based on the success of the business. Most people in the team work four days a week, so there is flexibility and a focus on work-life balance. I also have an HR background. I registered with Anne Corder to find a job and saw they had an internal role advertised. I've been here ever since.

### What is your core business?

We recruit into any role that you can do from a desk – from entry level to director, in HR, finance, marketing,

sales, operations and administration. Our customers often start as candidates but become clients, or start as clients and become candidates, so a lot of our growth is organic. We focus on matching candidate and client to maximise the benefits to both business and individual – not on the sale.

### The business has been sold. What will change?

Anne recently retired, but the three new owners bring skills that will help us plan for the future. We are developing a bespoke IT system that fits our unique model so we can do more of what we do best. We also recently launched an SME service that offers a specialist recruitment healthcheck and manpower plan. I feel fortunate that I love what I do.



Continued from page 1

further modest fall in the GVA of the recruitment sector (around 0.5%). However, the researchers believe that unemployment will peak in 2024 and confidence will return in 2025. Respondents to the survey expect temporary and contract fees to increase by 3% in the year ahead and are optimistic that the sector's GVA will increase by 2.5% in 2025.

“UK fundamentals – in particular around labour supply and skills needs – mean that a tighter labour market is likely to be persistent across the cycle. This should create a positive environment for industry growth as the economy recovers,” the report says.

When it comes to permanent placements, which are often seen to indicate the long-term economic contribution of the recruitment sector, recruiters put people into an estimated 702,950 permanent roles in 2022 (a rise of 28.3% on 2021).

This compares with 25.7 million temporary and contract placements. The average length of temporary assignments remained the same as the previous year at 15 weeks, while the average length of contract assignments reduced significantly from 22 to 16 weeks. There were an estimated 976,400 temporary or contract workers on assignments every day in 2022 – slightly fewer than in 2019.

Again, the number of people placed in permanent roles is expected to fall in 2023. Survey respondents cited a drop of 0.9% in permanent placements year-on-year in the six months to September. Temporary and contract placements, however, are reported to have increased by 1.5% in the same period.

Almost three-quarters of respondents



(72%) said their business's income came solely from UK-based placements in 2022. This was unchanged from the previous year, so researchers concluded that recruiters are not pivoting to overseas markets.

Evidence about margins is mixed. Respondents said that their margins on permanent placements rose by 1.8% between April and September 2023, however, they also highlighted a 0.2% fall in margins for temporary and contract placements.

The number of recruitment businesses remained constant with 29,635 businesses operating in the UK at the start of 2023. Most (72%) employed fewer than 10 employees. Only 1.7% of all recruitment businesses employed more than 249 staff, and 79% of recruitment businesses had an annual turnover of less than £1 million. Almost a third of permanent placement recruiters were in London.

The latest REC survey shows that

the sector employed 238,608 people in 2022 – a rise of 18.6% on the previous year. However, this growth is expected to slow in 2023.

Business confidence seems to be rising from a low point in 2022, despite continuing high interest rates. The researchers predict that confidence will continue to improve in the coming year with faster growth predicted for 2025, coinciding with falling unemployment. Lower inflation will help the 61% of recruitment firms that reported that their margins had been squeezed over the past 12 months.

The RISR report is based on a survey of recruitment businesses conducted by Whitestone Insight. Further data was drawn from *UK Business Counts*, the *Annual Business Survey* and the *Index of Services Time Series*. The report primarily covers the period January to December 2022, with additional insights on inflation from 2023.

The report is on [www.rec.uk.com](http://www.rec.uk.com)



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