Staffline

Staffline Recruitment GB Market View - Summer 2024

A New Government Special

Enabling People Into Good Work

Introduction

Highlights:

- *Latest Economic Trends*
- *A New Labour Government - What's next?*
- *Business & Recruitment Strategy Outlook*
- *Winning in 2024*

So, where are we?

Well, England has lost in the latter stages of a football tournament without 'really going for it'; English summer ranges from cool and grey to uncomfortably muggy and grey; Alcaraz has won Wimbledon again; attritional conflicts are still on-going in Ukraine and Gaza; consumer confidence remains low and a Labour government has swept into power with a huge majority of seats, despite a relatively low percentage (33%) of the popular vote in the second lowest election turn out since 1885.

The big news for UK business is of course the recent change of government, however, Kier Starmer's team will continue to be bound by the global and national economic realities of 2024.

In this Summer issue of the Staffline Market View, we take a deep dive into on-going economic trends, how the new government is likely to act within this framework and the implications for all of us.

Latest Economic Trends

1. Macro

Global growth rates are at 2.6% *(World Bank)*, against an initial IMF projection of 3.2% in January, so slower than expected and much lower than the 2000-2019 average of 3.8%. UK growth is expected at just 0.7% *(IMF)*. This lack of growth means that there is no boom expected in the near or even medium-term future and that we're all still scrapping for a larger slice of pie that isn't really getting any bigger.

On the more positive side, economic trends are becoming less volatile, with generally reduced inflation rates and private business resilience suggesting that we may well be fixed for a soft-ish landing rather than a crash. On the subject of inflation, and as predicted in previous Market View issues, this is stubbornly sticking around. Grocery inflation is down to 1.6% and the latest figures show the price of services in the UK rising by 5.7% in the year to May 2024 (ONS). The latest buzz seems to be that the resilience of this inflation means that interest rate cuts are becoming more and more unlikely in 2024, based on purely economic factors.

It is still possible that there may be interest rate cuts that are more politically motivated, but any governing apparatus of whatever quasi-independent status must be aware of the dangers of revitalising inflation, especially in light of continued salary pressure just to catch people up with the recent booming price inflation of the 'cost of living crisis', and the potential impact of increased public sector spending under a Labour government and its manifesto promises (e.g. £23.7bn of investment for 'green measures over the next 5 years').

In summary, we are generally 'bumping along the bottom' and economic prudence, control of spending & caution should be the watchwords both nationally and for individual businesses to keep us all on the track to recovery.

2. Consumer Confidence

Consumer confidence is a clear indication of caution and very limited optimism that fits into the macro-economic landscape.

Latest figures show that a) consumer confidence is rising, with increases for the third month in a row but b) it is still poor at -14 *(GfK Consumer Confidence Index)*.

Indeed, the only metric that shows as positive in consumer confidence figures is a +4 on people's confidence in their personal earnings increasing over the next 12 months.

Ironically, this is the only figure that has dropped from May to June, so people are actually less confident than last month in their personal income increasing, and their view of the previous 12 months' personal earnings is -10.

It is difficult to take away anything concrete from this consumer confidence data except maybe that people are slightly more confident overall than they were over the last couple of years. It remains to be seen if that will translate into increased spending and demand as we head into retail peak over Q3 and Q4.

A New Labour Government - What's Next?

Fundamentally the new government will continue to operate in a macro economic environment that will not allow large spending increases without significant market impacts.

All actions will engender a reaction and typically governments have been much more cautious in their approach once they have taken office and found that the cupboard is bare. Liz Truss shall remain a salutary lesson for any Prime Minister who wishes to change things fundamentally or quickly.

Whilst massive overall government spending uplifts may be in abeyance, and corporation tax is set to remain flat at 25%, there will nevertheless be material cost considerations for business resulting from a raft of proposed labour law changes (please note that these are still currently statements of intent and a long way away from actual Bills and Acts, and that many or all of these may not survive contact with realpolitik).

1. Changes to Employment Laws

The labour manifesto included c.60 changes to employment law and regulation which have been promised to be brought in the first 100 days of coming to power.

There have been three significant documents over the last 2 years from Labour that indicate direction of travel: A New Deal for Working People (September 2022), Making Work Pay (May 2024) and Labour Party Manifesto (June 2024) and before that, a Green Paper on their ambitions.

Whilst this will be a moving feast of consultations and political maneuvering up to the moment that any new legislation is introduced, Labour has promised:

"The biggest upgrade to rights at work for a generation."

Upcoming Areas of Employment Law Activity

Employment Status and Worker Contracts

- Single definition of 'workers'
- Removal of 'exploitative' zero hours contracts
- Right to have a contract guaranteeing hours that reflects hours that are regularly worked
- Self-employed contractors given the right to a contract
- Right to compensation when shifts are cancelled

Unfair Dismissal

- Removal of qualifying period for unfair dismissal claims

Redundancy and TUPE

- Improved protections for redundancy and TUPE rights

Health & Safety

- Commitment to modernise legislation and statutory min./max. temperature guidelines

Flexible Working

- Flexible working to be the default with a higher threshold to reject requests.
- A new statutory right to "switch off" from work

Pay & Sickness

- National Living Wage to reflect Real Living Wage and apply from 18
- Ban on unpaid internships
- SSP available to all workers with no waiting period or minimum earnings threshold

Equality/DE&I

- Increased duties to prevent sexual harassment and make employers liable for third party harassment
- Mandatory ethnicity and disability pay gap reporting
- Additional gender pay gap action plans to supplement current reporting
- New menopause action plans for large employers

Family/Parental

- Parental leave to be a day one right
- Protection from dismissal for women returning from maternity leave
- Review of whether carer leave is to be paid
- Introduction of bereavement leave for all workers

2. Direct Impact of New Labour Laws

If enacted, some changes may lead to direct cost increases.

For example, aligning the National Living Wage with Real Living Wage could increase pay rates for employees across the board.

Similarly, increased SSP rights will impact the bottom line.

3. Administration and Legal Impacts

Every business will need to spend time reading, understanding and reacting to any new legislation which takes time away from customer delivery.

Once this initial review and action is completed, several pieces of legislation will include an ongoing monitoring and reporting requirement such as the ethnicity and disability pay gap reporting and the menopause action plans.

Business & Recruitment Strategy Outlook

The cost of doing business remains high and looks unlikely to reduce with new legislation impacts and salaries still catching up with the cost of living. Unfortunately, it looks like the red tape mountain is set on a never-ending growth plan. In terms of general market trends for business, those outlined in our Spring Market View appear to be continuing, including:

1. Good, experienced and technically skilled people remain hard to find; however, we are seeing a general reduction in movement as people are choosing to stick more in their current roles due to improved counter-offers and a fear of making the wrong move in a flat-lining economy. This is combined with a general reduction in hiring intent across the UK as businesses adopt a ‘wait and see’ approach and try to do more with what they have. This is borne out by the latest KPMG and REC Report on Jobs for June, which shows that permanent salary inflation is at an 8-month high and simultaneously overall permanent placements are declining as businesses pump the brakes on more hiring.

2. Availability continues to be strong for frontline and entry-level positions. We are not seeing any shortages in filling frontline positions on a permanent or flexible basis. Businesses are also increasing their use of temporary workers and contractors in fear of inflating fixed costs in an uncertain economy.

3. Food and grocery remains resilient in a poor economic environment, benefiting from people treating themselves at home whilst reducing on other discretionary spend. As mentioned above, food inflation is down to 1.6% and output in this sector is set to grow by 2.2% in 2024. Competition within sector is fierce as companies fight for customers as can be seen by the gains and losses from winners and losers – In the most recent figures from Kantar for example, Tesco has grown its market share by 4.6% over the last 12 months, whilst Asda is down 5.3%. It is also interesting to note that branded food product growth is outstripping own label as people opt for small luxuries rather than large ones.

4. Automotive and pharmaceuticals are growing at 6.6% and 4.4% respectively *(Make UK/BDO Q2 Manufacturing Outlook)*. Whilst pharmaceuticals growth is unsurprising, it seems counterintuitive that people are still spending on cars in a tougher economy. This growth is attributable to a return to production capacity following the pandemic and supply chain shortages, combined with a pent-up shortage of used car supply. These automotive production levels still remain well below 2019.

5. The logistics sector is seeing lots of movement within a flat market. This includes M&A activity headlined by GXO’s acquisition of Wincanton, ambitious growth strategies of new business offerings such as Maersk, large scale retailer logistics outsourcing to 3PLs and heavy customer tender activity. According to Logistics UK’s annual Logistics Report for 2024, logistics businesses overall are focused on consolidation and diversification, whilst intention to expand by renting or buying additional space is significantly down from 2023. This fits into the overall economic position and depressed consumer spending.

Winning in 2024

Because not much has changed in terms of the fundamental economic position, many of the ways to win remain consistent.

1. Be frugal. Spend only on essentials and maximise leverage.

A key trend of all the market and economic analysis is that businesses are doing more with what they have, investment is down and vacancies are down. Tight cost control remains the order of the day alongside continued outsourcing of fixed costs and services to more cost-effective experts, particularly in the 3PL and recruitment sectors.

Businesses continue to maximise their leverage on supply chains, looking to place more services and business share with fewer, trusted supply partners to realise best cost, closer partnerships and economies of scale. Partnership is crucial to realise growth and profitability in the current economy.

2. Be flexible. Spend only when you need to.

Temp placements are up overall *(KPMG and REC Report on Jobs)* in line with our previous Market View predictions as businesses are focused on only spending to meet demand and to minimise fixed costs.

Customers are also making decisions based on proven demand rather than projections which will present some supply chain challenges as this means that decisions on hiring are pushed until the last minute because businesses cannot afford to hire unless they definitely need the people. This stacks onto volatility in consumer spending patterns to suggest that retail peak 2024 may once again be patchy or late.

The good availability of frontline labour will save the day here and allows for flexibility; however, businesses with Q4 peaks will still need to balance the need for flexibility with making sure that they secure their workforce and not be left out in the cold because everyone else has recruited earlier.

True partnership and consultation between recruiters and customers and even regional partnership working between different businesses will help us all navigate this critical period in the most cost-effective way.

3. Grow Market Share.

Competition is fierce and everyone is fighting for share. This is driving rapid consolidation in sectors in which the well-managed business is in a great position to capitalise.

Growth of market share is based on getting the fundamentals right:

1) Absolute confidence in service delivery.

2) No compromise on compliance.

3) Scale up when and where needed.

4) Introduce new services to solve problems.

5) Focus on the long-term, not day one returns.

6) Having a strong balance sheet and efficient cost base.

7) Working with the right partners that can support your growth.

In some sectors these fundamentals are being supercharged by increased M&A activity as the strongest market players take advantage of their credit lines to hoover up competitors who are struggling with the economic challenges.

Summing Up

Whilst the market remains challenging for all, it is encouraging that we haven't experienced the severe correction that looked on the cards at one point, and that we are bumping along the bottom, with signs of some increased confidence across multiple sectors for late 2024 and 2025.

We are also seeing that value, flexibility, cost control, commercial focus and service excellence means that we can still thrive in 2024, and that strong players will take significant chunks of market share from businesses that may have survived in softer times but are failing when things get tougher.

So this is all part of the cycle and maybe the greatest opportunities come in the most challenging circumstances. Any business that succeeds in strengthening partnerships and growing market share is 2024 will be set to reap the rewards exponentially when the pie starts to grow again. As Billy Ocean said, *"when the going gets tough…"*.

We hope that you've enjoyed reading the fourth edition of 'Market View'.

If you've got any questions or comments regarding the content, please contact James on: james.wilson@staffline.co.uk or a member of the New Business Team on: newbusiness@staffline.co.uk

Equally, if you have any suggestions for future topics, please get in touch.

About Staffline & The Author

Staffline Recruitment GB is the UK's largest recruiter and hires 30,000 new starters annually into temporary and permanent roles for leading UK businesses across all major industries including aerospace & defense, automotive, construction, food & drink, general manufacturing, logistics, retail, security and service sectors.

We help clients develop, deploy and deliver recruitment strategies from a single hire through to national RPO and MSP solutions.

James Wilson, Staffline's Chief Sales Officer, has worked in the recruitment sector for 25 years and has developed long-term partnerships with many household name brands. He enjoys new challenges and consulting to build best-fit service models. James lives in Worcestershire with his wife and two sons.

If you would like to provide feedback, discuss any of the topics in this article or find out more about how Staffline can help you meet the challenges of 2024, please reach out to james.wilson@staffline.co.uk.

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