

The Professional Body for Recruiters & HR

#### IOR Recruitment Sector Report 2015 Report No.1 (UK)

#### Sectors Information Technology Healthcare Energy

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#### **IOR Recruitment Sector Report**

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# <image>

#### James Caan

James Caan is one of the UK's most successful and dynamic entrepreneurs. He made his fortune in the recruitment industry, which included the global success of his companies, Alexander Mann Group and Humana International.

t's no secret that the market is looking up. As of October 2014 there were 30.76m people in work in the UK. ONS stats show that from June to August 2014 there were 736,000 more people in work than the same period a year ago.

This is, of course, all heartening stuff for the recruitment industry. The sectors outlined in this first quarterly report offer great promise for recruiters looking to expand into them and the report offers vital

# Foreword

business intelligence in these areas. These quarterly reports will offer vital intelligence for recruitment companies in running their companies and planning their strategy for growth.

I am pleased to be part working with an organisation whose eyes are firmly on the prize of making Britain a recruitment centre of excellence.



# Introduction

elcome to the very first quarterly report from the Institute of Recruiters (IOR). This report sees figures and viewpoints from some of the recruitment leaders in the energy, IT and healthcare sectors, sectors that are leading the UK's economic recovery.

The direction of the report has been guided by surveys of our IOR members and what they felt was lacking in any other report for their industry.

What we hope to accomplish with this report is a single, quarterly, repository for all things recruitment-related, a one-stop shop for information on fees, wages and take-up within your sectors. We also want to be able to provide you with up-to-date legislation and useful contacts.

We are, of course, always keen to improve and so if you would like to be involved in future reports, do get in touch.

#### Azmat Mohammed

Azmat Mohammed is the IOR's Founder and holds the position of Director General at the IOR. Understanding people management from the CEO's perspective, Azmat oversaw the internal recruitment and HR processes of the ID group in the UK and USA for 15 years.





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e represent the highest standard mark in British recruitment. As the professional body for HR, agency and in-house recruiters, we are the voice of people working in the recruitment and retention process.

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Our innovation is unrivalled. In the last year we have launched a new certificate in agency recruiting, a new split-fee website and seen the UK's first new apprenticeship in recruitment.





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> The **Recruiting Times**

No.1 for Recruitment News

fter a rough few years, it's a great time to be a jobseeker. Research from job board Indeed.com and CEBR (Centre for Economics and Business Research) has found that almost half of UK job listings take more than a month to fill, with 27% remaining vacant for more than three months.

# It's estimated that these unfilled vacancies cost the UK economy £18bn annually.

The report's findings serve to show the importance of a robust and cohesive recruitment industry.

Britain's biggest companies are set to lead the job creation charge in early 2015, ManpowerGroup reported in December. The company's Employment Outlook Survey, based on responses from 2,103 employers, found that overall, employment prospects across the UK as a whole now stand at +7%, one point higher than the national Outlook at the end of 2014.

# Recruitment Market 2014

Cahill says the main catalyst for this will be the UK's largest employers and more of them are planning to take on staff than at any point in the last decade. Cahill says: "Many big businesses built up large cash reserves in the downturn. Now that confidence is returning they have money to invest in infrastructure and growing their workforces."

Oliver Watson, Managing Director, PageGroup, adds: "The recruitment of white collar professionals is embarking on a period of growth as the economic outlook has improved this year and employer confidence



2014 was a bumper year for jobseekers, with the highest level of job creation in 40 years, says Mark Cahill, ManpowerGroup UK's managing director. He adds: 2015 will begin with employers in an even more confident position and we are optimistic about job prospects for the rest of the year.

becomes more bullish." He says: "This rise is great news for both employers and employees. What employers now need to prepare for is the acceleration in job activity on the horizon that will require an even greater change in approach and process than that seen in 2008/09 when the market was in decline."

Salary research from Hays in November found that though wage growth was an average of 1.8%, there were over 10% pay rises for some qualified professional and skilled workers. The research found that 60% of employers plan pay increases in the next 12 months.

However, it also found that 80% of these employers expect skills shortages to be a challenge in the talent search.

A heartening 61% of employees anticipate they will move jobs in the next 12 months, which is great news for recruiters.



# Sector Information Technology

#### **Sector Overview**

t's fair to say that the IT industry is booming. Figures released in November from professional services company KPMG have found that the UK tech sector is growing at its fastest rate since the financial crash.

It's also expanding faster than any other UK sector, due to a mixture of fast-growing startups and the rising demand for technology in all aspects of business.

According to the 2012 e-skills UK Technology Insights 2012 report, employment of IT professionals to 2020 is forecast to grow at 1.62% per annum (nearly twice as fast as the UK average). This growth will be seen in the more senior roles (software professionals, ICT managers and strategy and planning). There is an increasing demand for higher-level technical skills (especially cyber security) and up-to-date training to keep up with the fast pace of the industry.

According to Prospects.ac.uk, the graduate careers advisory service, more than 40% of IT and telecommunications professionals currently work outside of the IT industry, in areas such as retail, finance, manufacturing and the public sector.



#### Job search

Job search in the IT sector is healthy.

UK job site CV Library says it's adding 19,000 new CVs monthly in the IT sector, with the most commonly searched CVs being those of programmer, developer and web developer.

Over a three-month period a recruitment agency posts an average of 23.3 IT jobs and a corporate/direct employer posts an average of 5.4 IT jobs. The most common job searches (with industry selected) are project manager, IT support and support. The most common job titles are project manager, business analyst and software developer.

Recruitment intelligence company Innovantage research found that in the UK in December 2013, software engineers had the most postings, with 43,185 postings in December 2013 (a significant 106.8% increase on 2012). Business intelligence roles' postings increased a healthy 118.5% year on year.

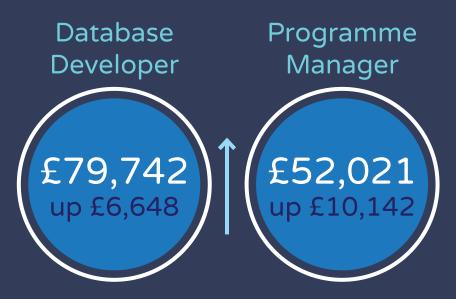
#### **Hiring demand**

Jobsite data suggests that hiring demand in IT is biggest in the role of developer, up 58.84% year on year. Demand is also high for senior Java developers (53.83%) and support engineer (49.11%). Most roles across the IT board have seen increased hiring demand according to Jobsite.



#### Salaries

According to job site Reed.co.uk, the average salary in the IT (and telecoms) sector is £42,713, this is up £222 from 2013. A database developer can expect to earn £44,844 and a programme manager £74,151, up a whopping £14,575 since last year.



Reed estimates 14,044 jobs in the sector, up 2,093 on last year.

#### Jobs in the IT sector



#### **Recruiter fees**

Our IOR members report the average recruiter fee in the IT industry being around 17%.

#### Key issues affecting the sector

According to an e-skills report, The Women In IT Scorecard, published in June 2014, by 2013, fewer than one in six (16%) of the 1,129,000 people working as IT specialists in the UK were women.

Of the 753,000 people working in the IT sector at that time, just one in five (20%) were women. However, the report states that women are much more likely to hold technician/engineer-grade positions than men (34% and 20% respectively) and less likely to be working in 'professional' (primarily development related) occupations (46% and 57%).

There is still gender pay gap issue in the IT sector. The e-skills report states that the median gross weekly pay rate for female IT specialists (£640 per week) was still 16% less than the comparison figure for men.

#### Comment

# **Andrew Gardner**, senior divisional director of Reed Technology

"We are seeing signs that the recruitment process for IT professionals is starting to accelerate and we are seeing those additional sign-off levels start to be stripped out, as businesses fear losing out on the best candidates if they don't move quickly enough through the cycle. As the battle for talent picks up in 2014, the recruitment process is something that will continue to evolve, particularly for lower to mid-level roles



where the balance between agility, pace and meticulousness has to be struck. Many organisations now look towards online technical testing tools to support their recruitment decisions and Reed Technology is increasingly working alongside clients to provide this type of service.

This measured approach allows candidates to complete an initial technical assessment from their own home at any time, often removing the need for additional interview stages. This allows for a one-interview process, which is often quite sufficient to make a decision – phases such as meeting with directors or seeking approval from senior management overseas are becoming less apparent. That said, senior appointments will still be a lengthier process as the cultural fit and soft skill assessments are vital, given the level of investment and the influence of senior technology candidates, the decisions cannot be taken lightly."

#### Jon Butterfield, UK CEO, Talent International

Industry research from the likes of KPMG, APSCo all point towards more investment in IT, increased hiring, and a shortage of staff – all of which naturally lead to salary inflation. Organisations that want to avoid the arms war on salaries need to think beyond remuneration and consider what really makes staff happy and loyal. What happens to applicants who miss out on a job? These are potential brand advocates and could become employees, referrers or customers of the future, so giving them a good experience and having the means to keep in touch can pay dividends later on."

"Referrals are another overlooked tool. Research suggests that referrers and referees are less likely to quit a job than those who applied externally. But just relying on referrals to happen organically isn't enough – a proper strategy needs to be put in place to ensure people are well-compensated and acknowledged for bringing top talent into the company. To compete for the best IT talent out there, firms need to consider the Employer Value Proposition (EVP) – in other words, the mix of benefits and salary offered in return for performance."

The latest KPMG/Markit Tech Monitor survey reveals that tech companies are not only expecting an upturn in year-ahead expectations for business activity, but they are also planning to 'loosen the purse strings' and hire more staff.

Talent's own data shows that salaries are increasing ahead of this by around 3%. The surge in demand for IT talent in Q3 has had the most impact on the rise. The acceleration within the technology sector is indicative of an ongoing skills shortage and pressure on employers to pay above the norm to entice the very best talent to their organisation."



# **Lionel Owusu**, Senior IT Recruitment Consultant at Robert Walters

"This year the IT recruitment market has exhibited characteristics of both a tight and loose market. Whilst both permanent and contract vacancies have increased, employers are concerned by the lack of supply in areas of fast growing demand including big data, digitalisation and cyber security. Supply is lower than in previous years due to reduced investments in talent development, stricter limits on skilled immigration from outside the EU and the need to compete for skills in a global market.

This has the potential to develop into a significant skills gap, adversely affecting how businesses in financial services and across the wider economy compete, grow and protect themselves in the UK and around the world.

In the short term there will inevitably be a steep increase in the share of contractor/consultant employees to cover these gaps. Multiple job offers and counter-offers are also becoming more common, and hiring managers will need to move fast and decisively to secure preferred candidates.

Over a longer period, in order to retain and attract the best, businesses will have to boost remuneration packages, improve policies to retain existing employees and actively sell their brand as an employer of choice."



# Sector Healthcare

#### **Sector overview**

he largest healthcare employer in the UK is the NHS, which employs more than 1.7m people. Of these, just less than half are clinically qualified, including 39,780 general practitioners (GPs), 370,327 nurses, 18,687 ambulance staff and 105,711 hospital and community health service (HCHS) medical and dental staff.

According to CareerBuilder, the number of jobs within the general healthcare sector rose by 3.6% between 2011 and 2014, increasing from approximately 1.95m in 2011, to a total of 2.02m in 2014.

In May 2014, NHS Employers conducted a survey for Health Education England to determine nurse workforce demand.

The survey found that 83% of surveyed organisations reported they had experienced qualified nursing workforce supply shortages. As much as 39% reported between 1 and 50 FTE (full-time equivalent) hard-to-fill nursing vacancies and 36% reported between 50 and 100.

The overall vacancy rate was calculated at 10%.

The most reported reason for these recruitment difficulties was a skills shortage. Forty-nine of the surveyed organisations (45%) actively recruited from outside the UK in the previous 12 months to fill nursing vacancies. A 2014 report by the Organisation for Economic Co-operation and Development (OECD) found the UK has far fewer doctors per head of population than the European average, with only Slovenia, Romania, Poland and Ireland faring worse. The report found that the UK has just 2.8 practising doctors per 1,000 population, well below the



European average of 3.4 and below Germany, France, Spain and Italy. Other reported strategies in place to address the gaps include planned overtime, return-to-practice schemes, expanding practice placement capacity, recruitment and retention premia and up-skilling the support workforce. In the 2014 Autumn Statement Chancellor George Osborne confirmed extra funding for NHS frontline services to the tune of £2bn.

Earlier in 2014, research from the NHS Support Foundation revealed that private health firms were on course to win more than £9bn of NHS contracts. The group found that profit-driven companies such as Bupa, Virgin Care and Care UK have this year won a total of 131 contracts worth a combined £2.6bn to provide NHS services since the Health and Social Care Act came into force.

#### Key issues affecting the sector

In 2014 the United Kingdom Foundation Programme Office (UKFPO) announced they were oversubscribed for entry to the foundation programme (two-year generic training programme which forms the bridge between medical school and specialist/general practice training) in 2015. The UKFPO will publish information on the reserve list allocations in the coming months, and students on the reserve lists will be supported and kept up to date by their local medical schools.

The Royal College of Nursing has launched a new phase of its campaign for fair pay, supporting members to claim for the actual hours they work in accordance with their contractual rights. The What if you get what you're owed? Campaign sees a number of employers across the nine regions in England encouraging and assisting nursing to seek time off in lieu or payment for excess hours worked.



#### Comment

#### Sanjay Aggarwal, Director, DentRecruit

"I set up DentRecruit two years ago. The dental market is very much a niche market, where a lot of people know each other and it is very referral-driven from one dentist to another. I also work with a lot of other consultants who support the sector (lawyers, accountants, dental staff trainers, marketing, HR) and they refer to me as I do to them. I have grown quickly in the last two years because of this but there is still a real struggle to find high calibre staff from dentists to receptionists.

Dentists are realising how important getting the best receptionists, nurses and practice managers is, especially as more and more dentists are trying to win private business and therefore compete against other practices.

This has meant that where in the past a lot of dental practice owners would have used word-of-mouth or the job centre to recruit, more and more are using my services to search for the highest-calibre people in the marketplace.

The challenge will always be convincing dentists, who on the whole are clinicians not businesspeople, that using the service of a recruiter is an investment and a long-term cost saving. My existing clients rely on me solely to find them the best staff when needed as I understand their businesses intrinsically."



#### Job search

CV Library says it's adding 13,000 healthcare CVs monthly. The most common CV searches are RGN/registered general nurse, staff nurse and nurse. Over a three-month period, it reports, a recruitment agency posted an average of 33.4 health/medical jobs, a corporate/direct employer posted an average of 9.3 health/medical jobs. The most common job searches (with industry selected) were nurse, laboratory and pharmaceutical, with most common job titles being staff nurse, dental nurse and registered general nurse.

#### **Hiring demand**

Jobsite says hiring demand is up a whopping 184.72% for registered general nurses and 161.43% for home managers.

Locum consultant demand is also up (123.53%) too.

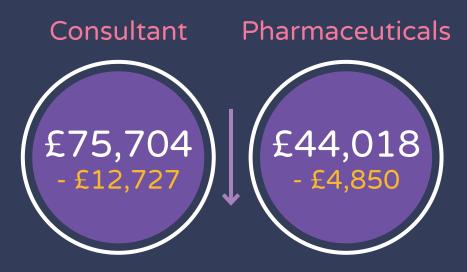


#### Salaries

Reed.co.uk says the average salary in health and medicine in 2014 is  $£35,520 \text{ up } \pounds4,707$  on last year. Within this, unsurprisingly, the highest paid role is that of a GP(£79,742), up £6,648 on last year. Registered nurses (Band 7) are now on £52,021, up £10,142 on last year.



However, consultant salaries have dropped by -£12,727 to £75,704, as have salaries in pharmaceuticals, to £44,018, a drop of £4,850. Carers' wages were up to £18,530, a raise of £2,172.



#### **Recruiter fees**

Recruiter fees in healthcare, according to IOR members canvassed are around 12.5% for permanent roles heading up to 16% for contract roles.

# Sector Energy

#### **Sector overview**

he H2 2014 Global Workforce Survey, prepared by Air Energi and OilCareers.com for the oil and gas industry looked into overall hiring activity and salary expectations for the energy industry around the world.

In the survey, conducted in the first half of 2014, and collated from industry professionals across Europe, Africa, Middle East, the Americas, Asia-Pacific and Australasia, 46% of hiring managers thought recruitment levels for permanent staff will remain steady and 48% thought recruitment of contract personnel would remain the same throughout the second part of 2014 compared to the first six months. Fewer hiring managers (38%) expected salary rates to continue to increase compared to 58%.

#### Job search

CV Library says it's adding 5,500 CVs monthly in the oil and gas/energy sectors. The most common CV searches are maintenance, engineer and senior engineer.

#### **Hiring demand**

#### Hiring demand for the role of meter engineer is a whopping 631.82% year on year according to Jobsite.

Domestic appliance engineer is similarly healthy at 407.48% and industrial refrigeration engineer is up to 314.89%. Reed notes an increase of 413 energy jobs since last year.



#### **Salaries**

Reed data suggests that the average energy salary is £39,280, down £3,247 from last year. Resource trading is the highest at £88,167, though still down £11,901 from last year.



Alternative energy has seen as rise of £8,988 to £45,176.



#### **Recruiter fees**

Recruiter fees in the energy sector, according to IOR members' figures are around 12% for permanent and 15% for contract roles. Oliver James Associates, for example, reports differences between countries with permanent roles in the UK hovering between 15-20%, North Europe approximately 25% Middle East approximately 15%, African countries approximately 20% and the Americas approximately 20%.

#### Key issues affecting the sector

The Air Energi survey found that efforts to encourage more women into the industry are not working as planned.

The survey heard from more than 4,300 employees and hiring managers in the oil and gas industry and it seems that employees and hiring managers in every region around the world still perceive it as being male-dominated.

# As much as 48% of employees and 53% of hiring managers said that a culture created by the male-dominated environment was a contributing factor to the persistent gender imbalance.

Mark Guest, OilCareers.com managing director, says: "Given the chronic skills gap in oil and gas, the last 12-18 months has seen many companies waking up to the fact that there is a distinct lack of women joining the industry. Encouraging girls to study science, technology, engineering and mathematics (STEM) subjects at school is something that may impact the industry but only in the future. There are many women around the world who already have related business, science or engineering degrees and still don't consider oil and gas as a career option. This really needs to be addressed for the long-term good of the industry."

Air Energi reports that many companies have chosen to address the gender gap through recruitment quotas. Nonetheless, not even half (44%) of hiring managers surveyed that knew their company had an active policy to encourage more women into oil and gas roles could say for sure whether or not this policy was effective.



#### Comment

#### David Spencer-Percival, CEO of Spencer Ogden

"The skills shortage across the energy sector, both in the UK and internationally, is nothing new. Over the past quarter, we have seen UK wages increase by up to 10% above the average in high demand areas of Scotland and the South East. However, this has not been reflected universally across Britain. In fact, falling oil prices in the past three months have seen an overall decrease in wages across the energy sector, despite the apparent shortage of qualified engineers and technicians. Internationally, we have found that where we are recruiting for specific roles in locations such as East Africa that are more difficult to attract talent to, wages are considerably higher than the sector average. For example, in Angola, salaries can rise to up to 40%."

Matt Gallivan, Sales Director, Innovantage, market leader in intelligent data for the recruitment sector

*"Whilst demand for the energy discipline has shown steady growth over the past 12 months, certain sectors within it have become extremely volatile and unpredictable.* 



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The number of pipeline & drilling roles advertised has more than halved over the same time period, the majority (69.1%) of which would have been in Scotland. This can be attributed to a number of factors however uncertainty caused by global political tensions undoubtedly factors in.

Consequently this is having an adverse effect on average salary. Despite the overall decline, certain sectors are bucking the trend, titles such as meter fitters and gas breakdown engineers are experiencing healthy double-digit growth in salaries. This is perhaps a by-product of the continued investment in infrastructure that the major energy companies are undertaking.

#### The energy sector as a whole is one of the most susceptible to influence from external forces; be it economic, political or environmental.

This, from a recruitment perspective, makes it a challenging but exciting marketplace to work within especially with potentially exponential growth from the renewable energy sector over the coming years."



# Legal Changes 2014/15

#### Zero Hours contracts

The Government has published the measures it intends to take to prevent the perceived abuse of zero-hours contracts. A zero hours contract provides for casual work under which the employer doesn't have to provide any work to the worker and therefore no pay is given on the dates on which no work is provided or undertaken by the worker.



"Over the years, there has been a rise in the use of zero-hours contracts as they have been seen as a useful tool for employers to meet fluctuating business demands. Historically such contracts often include "exclusivity clauses" which ensure that the worker is available for work when required by the employer but, unfortunately for the worker, prevents them from working for others even at times when there is no work offered by their employer.



In the past few years zero-hours contracts have come under fire from critics who claim that they are leaving workers open to exploitation. Due to the criticism, a Bill has been published which sees the ban of the use of exclusivity clauses in zero-hours contracts coming into force. This does not however mean that zero hour contracts will be banned completely and can still be issued by employers."

In June 2014, the Government announced that it would consult on measures to tackle any attempted avoidance of the proposed exclusivity ban within zero-hours contracts. The Government's consultation ended in November 2014, and the Government's response has now been published..

New legislation is intended to protect zero-hours workers (and will also be extended to low income workers) from suffering a detriment on the grounds that they have done work, or performed services under another contract for another employer. If a worker suffers detriment they will be able to take the employer to an Employment Tribunal and seek a compensation award.

Under the new legislation, it is also expected that the employer will also potentially face civil penalties under the Employment Tribunal Act 1996 if they breach workers' rights or if the employer seeks to avoid the exclusivity ban.

Further information can be found at: https://www.gov.uk/government/ consultations/zero-hours-employment-contracts-exclusivity-clauseban-avoidance



# Shared Parental Leave: ACAS published guidance for employers

ACAS published a guide to help employers understand new rights on sharing maternity or adoption leave. Under the new system, a pregnant woman will continue to have access to 52 weeks of maternity leave and 39 weeks of pay but from April 2015, working families will have the opportunity to share this leave. Shared parental leave (ShPL) will be available to eligible employees whose babies are due on after 5 April 2015, or who have a child placed with them for adoption on or after that date. It is entirely optional and parents who do not wish to take ShPL will remain entitled to benefits from all existing rights except additional paternity leave and pay which is being abolished.

#### **Equal pay audits in place**

Employment Tribunals now, as of 1 October 2014, have the power to order an employer to conduct an equal pay audit. An equal pay audit requires an employer to produce data on relevant gender pay, identify any differences, set out the reasons for any differences (including any reasons for a potential breach) and provide a plan to avoid future breaches. This only applies in relation to equal pay claims presented on or after 1 October 2014.



#### **Increase to National Minimum Wage**

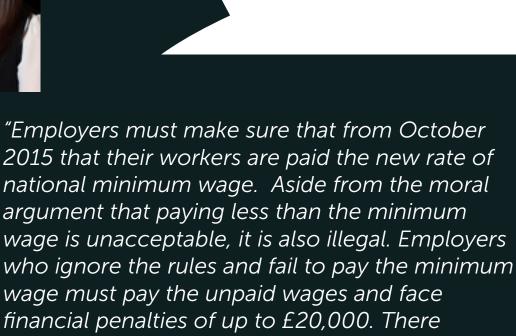
#### The following rates took effect from 1 October 2014: Category Rate



The government has announced that the national minimum wage will increase by 20p per hour to £6.70 from 1 October 2015. The hourly rate for 18 - 20 year olds will increase from £5.13 to £5.30 per hour (3%) and 16 and 17 year olds will receive £3.87 per hour, an increase of 2%.

# **Charlotte Caldwell** of Hill Dickinson LLP comments





are also clear reputational risks involved; the Government will continue to publish details of employers who fail to pay the minimum wage"



#### **Umbrella companies**



#### George Osborne

The budget saw the government report on its study of "the growing use of overarching contracts of employment that allow some temporary workers and their employers to benefit from tax relief for home-to-work travel expenses, relief not generally available to other workers."

The Chancellor's conclusions were not as dramatic as might have been expected - "As a result of the review, the government will change the rules to restrict travel and subsistence relief for workers engaged through an employment intermediary, such as an umbrella company or a personal service company, and under the supervision, direction and control of the end-user. This will take effect from April 2016 following a consultation on the detail of the changes. It will level the playing field between employment businesses that seek to lower their costs by using these arrangements and those that do not."

Significantly there will be no change until April 2016 and the aim is to restrict rather than abolish. This year looks like an opportunity to ensure your contracts and procedures are robust and capable of withstanding HMRC scrutiny.



#### **Essential contacts**

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#### ACAS

Advisory, Conciliation and Arbitration Service www.acas.org.uk

#### BIS

Department for Business, Innovation and Skills www.gov.uk

Equality and Diversity Forum www.edf.org.uk

Health and Safety Executive www.hse.gov.uk

Jobsite www.jobsite.co.uk

Innovantage www.innovantage.co.uk

CV Library www.cv-library.co.uk

Centre for Economics and Business Research www.cebr.com

NHS Employers www.nhsemployers.org

**UKFPO** www.foundationprogramme.nhs.uk

