THE ADECCO GROUP

Labour Market Outlook: Small and medium sized organisations viewpoint

Based on research from the Labour Market Outlook, Spring 2017, produced in partnership with the CIPD

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Small and medium sized organisations viewpoint

Small and medium sized organisations are classed, in this case, as organisations with less than 250 employees. In this survey they are less likely to be based in the public sector (81% of respondents from small and medium sized organisations operate in the private sector, compared to 67% of large organisations).

Despite a lack of certainty following the EU referendum and the recent UK election, most small and medium sized organisations believe their financial situation has not changed in the last 12 months and will continue to remain constant for the coming year.

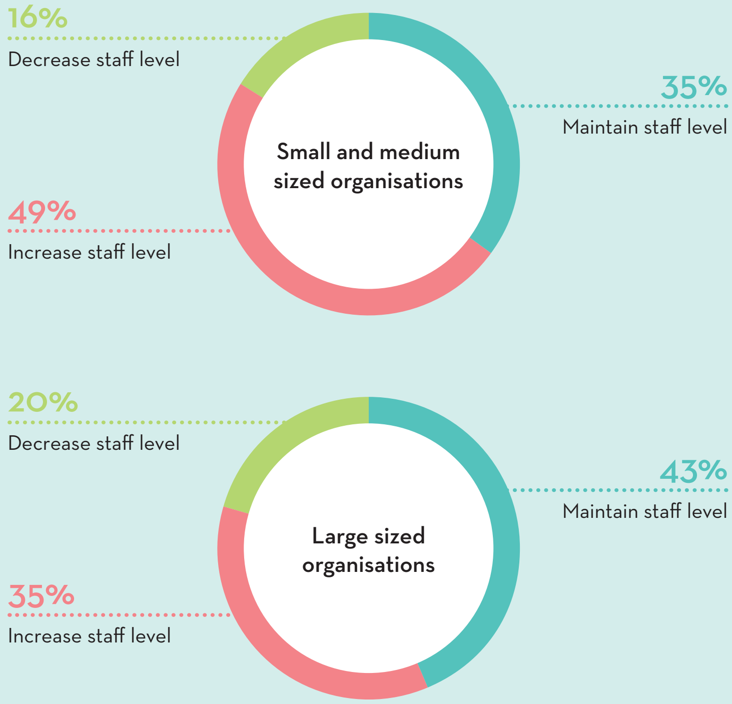
Recruitment intentions

Small and medium sized organisations are far more confident than other organisation sizes that their workforce will increase over the next three months. Their net employment balance (the difference between hiring new recruits and redundancies) is +32, compared to less than half that (+15) for large organisations. The reason for this appears to be that small and medium sized organisations are far less likely to be making redundancies in the next three months – nearly four in five (79%) are not planning to make any redundancies compared to barely half (52%) of large organisations.

Despite this, small and medium sized organisations are still less likely to be hiring people than larger organisations. This is partly due to the churn common in a larger workforce. More than 40% of all current small and medium sized organisations' vacancies are for newly created roles, compared to just 27% in large organisations.

In fact, more than half (51%) of the small and medium sized organisations surveyed did not have any current vacancies, compared to just 8% of large organisations. On average, a small and medium sized organisation will have just two open vacancies, compared to

What will be the overall recruitment effect in the next three months?



20 in a large company. Larger companies are not necessarily being hit harder by skills gaps, rather having more vacancies over a year increases their likelihood of having more open vacancies at any one time.

Recruitment challenges and skills acquisition

While small and medium sized organisations are less likely to be hiring, it appears they have more difficulty doing so when they do. Small and medium sized organisations report that they consider 60% of all vacancies are 'hard-to-fill', this is higher than the 50% reported by large organisations (however both scores can be considered high). The main reason for these issues across all organisation sizes seems to be a lack of available skills, certainly for three-quarters of the roles.

An increase in recruitment channels for small and medium sized organisations could be one method to help ease this burden – small and medium sized organisations were less likely to use all recruitment channels. This doesn't mean they are doing nothing, rather probably concentrating their efforts on a few channels. Broadening this mix might access new candidates they did not previously reach. For example, only one in four small and medium sized organisations use professional networking websites (such as LinkedIn) and barely one in three use professional recruitment services. One in ten small and medium sized organisations said they did not use any of the suggested recruitment channels – it's no surprise that they might be struggling to recruit high-skill candidates.

Small and medium sized organisations also appear less able to cultivate these key skills in-house; almost half of them (47%) do not even have a formal training budget and 35% are not currently undertaking any activity to upskill their existing workforce.

Only 21% of small and medium sized organisations currently offer apprenticeships. This might increase given the introduction of the Apprenticeship Levy which means the costs are no longer prohibitive.

Outlook for pay growth

There appears to be more confidence for pay growth in small companies than within large ones. Small and medium sized organisations expect pay to grow by 2% (which is comparable to the expectations of the private sector average) while large organisations expect only 1%.

The biggest area of difference was actually those small and medium sized organisations that were the most positive, around one in six (16%) compared to only 3% of large organisations.

It's notable that small and medium sized organisations were, however, far less likely to commit to a specific level of pay award; nearly a third (30%) said it would depend on organisational performance.

The 'Brexit' effect

This survey suggests that small and medium sized organisations anticipate being less likely to be impacted by Brexit, at least in terms of their recruitment practices. More than half (57%) of the small and medium sized organisations surveyed said they do not currently employ non-UK nationals – only 35% of surveyed small and medium sized organisations employ EU nationals, compared to 76% of large organisations.

Of course this is partly related to the size of the workforce. As above in relation to vacancies, a larger workforce will have greater variety within it. What the survey does not indicate is how difficult organisations with non-UK nationals would find it to replace these skill sets if they were no longer available.

Results do suggest that where small and medium sized organisations employ EU nationals it is more likely to be for specific skill sets; more than one in five (22%) say it is due to better job-specific knowledge while for 29% a better work ethic is the reason.

Small and medium sized organisations are also less likely to be considering moving any operations outside of the UK as a result of the EU referendum; 83% say they have no plans to relocate current or future operations outside the UK, compared to 70% of large companies.

Read the full Labour Market Outlook, Spring 2017 report and find out how the research was conducted **here**