



Talent Trends

2024 Mid-Year Review

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Regardless of industry, good recruitment always demands a commitment to best practice process and the best possible solution for the client. That was the essence of Quarsh when Jason and Lucy founded it and remains so today.



Introduction: The Landscape of Change

As we reach the mid-point of 2024, the UK workforce is at a pivotal point of transformation. The aftermath of the COVID-19 pandemic, technological advancements, and shifting generational values have collectively reshaped the expectations and aspirations of the workforce, particularly among the younger generation. Employers in 2024 face an unprecedented challenge adapting to these changes, ensuring they can attract and retain the talent necessary for future success.

The UK currently has over 900,000 unfilled jobs, many of them requiring skilled candidates. This has led to a situation where 92% of employers last year faced skills shortages (Hays). Employers need to understand what the latest talent trends are and what is driving them if they are to hope to manage them in the future.

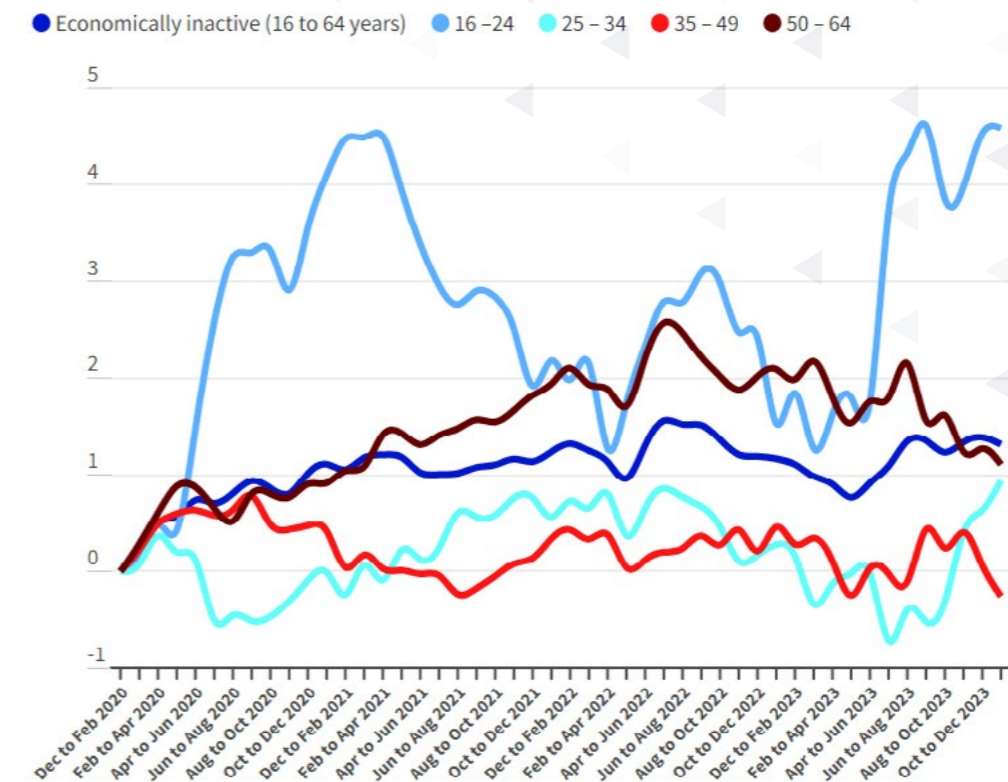
Part 1: Long Term Trends 2024-25

Trend 1: Disaffected Youth – Economic Activity and the Quest for Meaning

Data from the Office of National Statistics (ONS) shows that more than a fifth of UK adults are considered 'economically inactive', that's 9.25 million people aged 16-64 not in employment or seeking work. Of these, around three million are aged 16-24, an increase of 384,000 post-COVID. Even those who are engaging with prospective employment are doing so in a manner many in elder generations find incomprehensible, with 94% of under-25s having 'ghosted' interviews, not shown up for jobs or simply walked out after a day or even less.



UK economic inactivity rates by age, over time



Source: ONS

A client recently related just such an experience, where a young candidate did not show up on their first day until eleven o'clock, and when they did, offered the explanation that they, "Don't really do Monday mornings." They asked if they could instead start on Tuesdays. They were immediately sacked, as you might expect. But with those 900,000 unfilled roles being available, young people can afford to be choosy, even to the extent that employers find their motivations and actions hard to understand. Make sure you speak to new hires, lay out expectations, and explain why, and if you do receive push back it may be worth considering their point of view... or perhaps not.

The level of disengagement of young people with the working economy has never been starker. The reasons for this lack of engagement are complex, but include:

The Impact of Lockdown

The COVID-19 lockdown has had an undeniable impact of the current generation of 16-24-year-olds. On one hand there had been a noted impact on their social confidence, ability to interact with others and mental health, more of which in Trend 5. This has left many uncomfortable with a degree of social interaction older generations took for granted. Many young people find the simple act of speaking to someone on the telephone to be stressful and an unreasonable expectation. This is coupled with a normalisation of home-based working, as we'll revisit in Trend 3, which means that the younger generation particularly rejects the concept of going to a workplace to work.

Unwillingness to do 'Dull' Work

On the other hand, there is a strong sense amongst under-25s of having 'lost time' during the pivotal and formative years that spanned 2020-22. They do not want to 'waste' their time doing 'dull' work. What to previous generations was seen as essential to learning the ropes is deemed unacceptable. Generation-Z refuses to abide by the old model that one must 'earn your spurs' doing the dull, repetitive, and unengaging jobs. In time they will almost certainly be proved right, as AI and automation step in to take these roles, and their unwillingness to do them will undoubtedly accelerate that trend, however in the short term this is causing significant generational friction.

High Expectations

Another key trend for young people is the height of their expectations. This is clearly connected to their unwillingness to do dull jobs but goes much further. Many organisations have noted young people expecting exciting work, changing projects, opportunities for promotion, pay rises and flexibility of work which seem completely unrealistic. Requests for pay rises whilst still in probation periods are not uncommon. What is more the expectations for starting salaries are higher than ever, which is causing issues for employers, with new starters often demanding the same salary as workers who have been there for years.

The reasons for these high expectations relate to both the aforementioned desire for young people to feel like they are not wasting their time when they feel they have already lost so much during lockdown, combined with social media-led expectations. Images and videos on Instagram, TikTok etc, which show attractive young people supposedly supporting luxurious lifestyles for little apparent effort, or with tremendous impact, have set what for many is an entirely unrealistic bar for the rewards of employment.

Demand for Work with Purpose

Finally, many young people are highly socially and environmentally conscious. This, combined with their desire to not waste their efforts, has put a strong focus on purposeful work. Young people want to know that their contribution matters, not only to a bottom line, but to other people, to society and the world. They are often unwilling to undertake jobs that offer no purpose or do not share their values.

Changing Dreams

The UK employment market and economy has for decades been built upon the model of steady employment and home ownership. Employment is increasingly fragile, with restructuring of organisations common, whilst temporary work and the 'gig economy' as become commonplace for many. Furthermore, whilst the statistics show that rent and mortgage payments still make up a historically very low proportion of the average salary, the firm perception amongst young people is that home ownership is an increasingly remote possibility. This is mainly due to the extremely high demands for deposits. This fact, combined with having the richest ever generation as parents, in the Baby Boomers and early Gen X, has removed one of the key motivators for entering the workforce. Some see the alternatives as either a comfortable existence in the family home or working to pay high rents with no realistic prospect of ever getting on the property ladder. For earlier generations there was a clear motive to leave the family home, sex. However, Gen Z are

the least sexually active generation in UK history, with 43% of 18-24-year-old men and 74% of 18-24-year-old women sexually inactive according to the latest studies. Without that drive many seem to be preferring to live at home, removing the incentive to enter the workforce.



Trend 2: The Generational Divide – Bridging the Gap

Finding ways to bridge the generational gap, to communicate with people whose approach, experience and values are entirely different to your own is one of the key challenges faced in current UK society, including in the workplace. Gen Z can often see Gen X as bossy, uncaring, materialists who have ruined the world for their and their predecessors' benefit, leaving their children and grandchildren to pick up the pieces. Gen X can see Gen Z as lazy, entitled, and lacking drive and resilience. Both are, of course, wrong, but bridging that gap is no simple matter, particularly when the clamour on social media is so often reinforcing the sectarian nature of the differences.

The impact on employers is:

Communication is Key

Improving communication, discussing values, speaking about experiences are all important to try and bridge the gap between the generations. Unless you are planning on only hiring from one age demographic, which is both contrary to good diversity, and arguably illegal, you need to be extending and improving your communication. This means as an employer

you should be talking about your values, your vision, your reason for being in business. These things matter, especially to the younger generations. You also need to listen and show yourself open to new ideas and change. Encourage open discussion and exchange of ideas. Everyone wants to be valued, make sure your people know that they are. Finally, make sure your people communicate well. Train them, particularly the managers. It's no longer enough for managers to tell someone what to do and when you need it by, they need to communicate meaning, value and purpose, and if they can't, they can't manage a modern workforce.

Train, Mentor, Coach

One of the key downsides to home working is that young people are not learning from their seniors and older peers. In previous years, a new recruit could be expected to learn the ropes, the pitfalls and the best approach from other people who had been there before. They can't do that from a home office. Tackling that gap is vital, for the employees' development and mental well-being, and for the continuity of institutional knowledge. What's more, the expectations of young employees are high. They want to learn and develop. A structured training and development programme is a key tool in attracting young talent. Without it, you risk not being able to hire.

Establish internal or external training programmes for key skills and processes. Make sure that achievement is recognised, as people like to know they're doing well. Outside of key skills, set up mentoring programmes and coaching support for staff, so they can learn from experienced people, and the latter can feel that they're able to pass on their skills and knowledge.

Finally, remember that this goes both ways. A Gen X employee may know a lot about internal processes, or the art of how to sell face to face, but their newly hired Gen Z counterpart might well have far greater knowledge of using social media, influencing and modern technology such as AI.

Look to the Older Generation

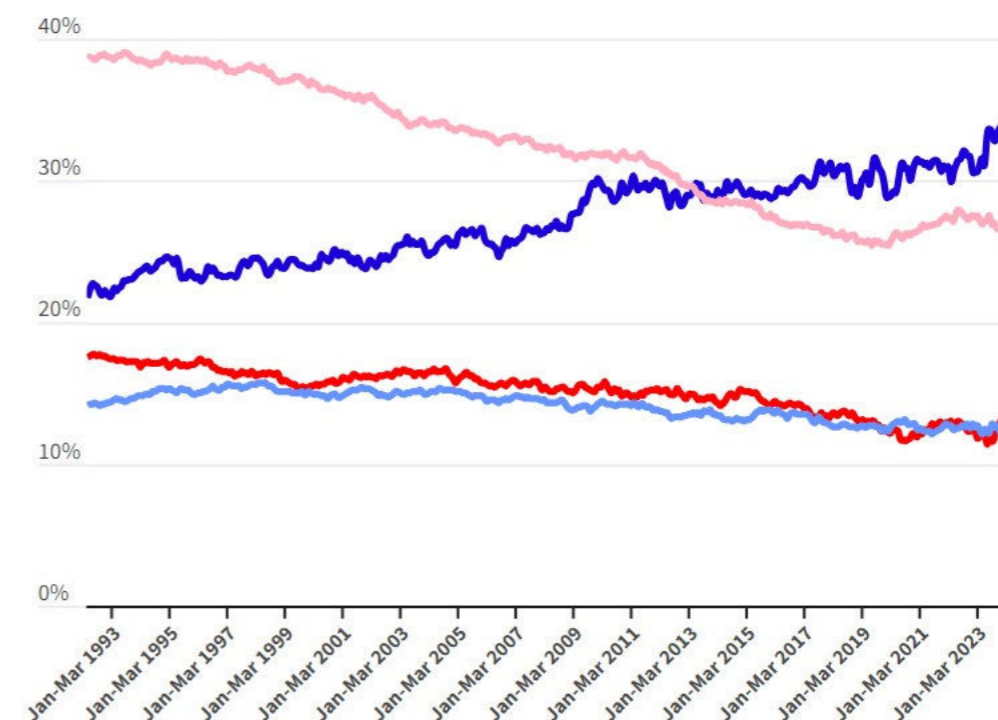
There's no way to avoid the truth that hiring young people in the current climate is difficult and hit and miss. Even if you find someone, retaining them is incredibly difficult. The average time in role for an under-25-year-old is less than twelve months. They get bored, disillusioned, or simply get offered a better job. Given that most employees only hit their productivity peak after eighteen months, it's no wonder that UK productivity is at its lowest point for over forty years.

When hiring, consider what you actually do need. Whilst economic inactivity amongst the young is on the rise, the number of 50-64-year-olds in the workforce is increasing. These older, experienced workers may offer a highly effective alternative to a young hire. Many older workers are looking for a less pressured role before retirement or are re-entering the workforce since their pensions took a hit from inflationary pressures. They bring experience, are typically used to working in the workplace and are far less likely to leave than someone young who is looking for advancement. Also bear in mind that older workers are healthier and more productive than ever. "Sixty is the new forty" never looked truer. Use that to your advantage.

How economic inactivity has soared among 18-24 year olds

Inactivity rate (%)

● 18-24 ● 25-34 ● 34-49 ● 50-64



Trend 3: Adapting to New Working Models – Shifting Perspectives

Hybrid Working

Much as some employers may hate it, the working from home or hybrid model of work is now a reality that is with us and will stay with us. Certain employers have sought to roll back to office-based employment, but unless you are offering roles of simply staggering reward potential, such as that which some banks or hedge funds offer, you're fighting the tide. 43% of candidates report that they would not even consider a role that did not offer hybrid working (*Hays*).

Even on-site only roles, in factories or hospitals, have had to accept flexible working arrangements such as part-time working, four-day weeks, job-sharing etc. Employees are now focussed on personal fulfilment and work-life balance and are simply unwilling to work long hours on-site. Organisations that refuse to accept this will (and do) find their ability to recruit and retain quality staff increasingly challenged.

Adapting to new working models means ensuring your management team are properly trained so that they have the skills to manage, motivate and lead remotely. According to studies by the Chartered Institute of Managers, 82% of UK managers have no formal or professional training in management. In the US it's more like 82% that do. It's not hard to see that this is a significant risk factor.

Julie Hodges, Professor of Organisational Change at Durham University Business School, explains: "Managers are facing increasing ambiguity in their role as they try to manage people and change in a world of advancing technology as well as hybrid and remote environments.

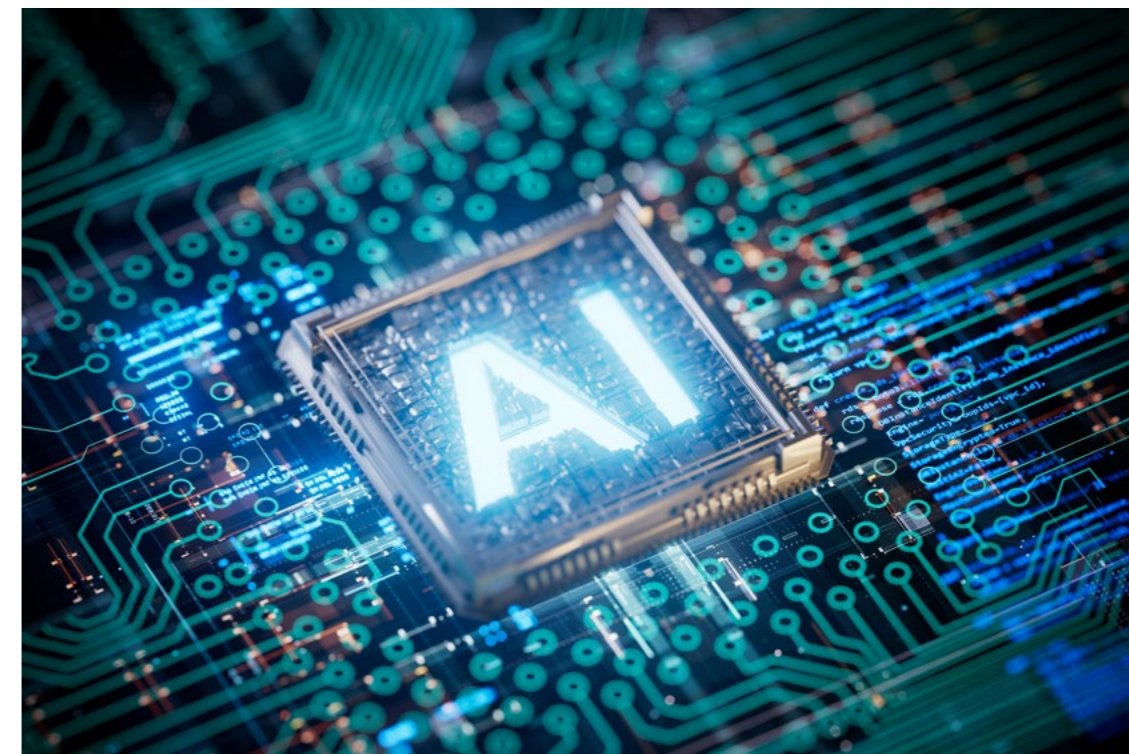
"At the same time, they are also trying to recreate the cohesiveness, collaboration, and camaraderie of the office through the freedom and flexibility of remote working.

"These demands are driving the need to reframe the role of managers. To do this, HR need to help in shifting the role and mindset of managers as well as working with them to identify the key capabilities they will need in the future."

Skills-Based Hiring

Another factor affecting the working model comes from the changing nature of work. As mentioned above, changing work patterns mean people are changing jobs more often and may be working in the 'gig economy'. This change requires hiring managers and recruiters to look at candidates in a different way. Conventionally, hiring suitability was based upon experience in a similar role, and valued stability and longevity in a position. This mindset needs to change. Skills-based hiring, focussing on whether someone can do the job, assessed by competency-based interviews and practical tests are far more suited to modern workers and their experiences.

Prospective employers should look for broader evidence of motivation, commitment, and interest in their business. Potential should be more important than the increasingly rare prior experience. When Gen X was young, knowledge was 'expensive'. It took a trip to the library, and probably a wait of some weeks to order a specific book, to gather information. Now close to the sum of human knowledge is available in everyone's hand and almost any book can be delivered within a day. Knowledge is cheap, people can learn skills from online training in a matter of hours, if not minutes. Further developments in technology will exacerbate this still further (see Trend 4). The ability to use this knowledge, to process, to learn, to pick up and apply skills, is of far greater value than what someone knows. Add to this the rapidly pace of change in organisations of all sizes, which commentators of every stripe agree is only likely to increase, and you have a perfect storm of unpredictability. For example, the World Economic Forum warns that more than 50% of employees around the world will need to reskill or upskill by 2025 to stay competitive. Companies already find their processes, and even products, changing every year or less. The ability to adapt, learn and change should be at the pinnacle of what employers consider in their hiring processes.



Trend 4: Embrace Technological Advancements – AI is the Future

AI may not be about to take over the world, contrary to certain sections of the media, but it is undoubtedly going to increasingly impact the world of work. Increasingly AI-based processes will remove the need for mundane and repetitive tasks. This will affect all companies and organisations.

Streamlining Recruitment

AI is already changing the way we recruit. AI systems like ChatGPT can take a few short notes and create a professional standard job specification in seconds, they can then turn it into an advert. Chatbots are being developed, and a few are being trialled, that review CVs against a pre-specified spec whilst others automate the screening process, asking candidates questions to narrow down their suitability.

This will decrease the amount of effort and time spent hiring, and it should reduce bias, improve the consistency of candidate experience and even be able to embed values and behavioural assessment into the process. The result being that hiring managers simply received a shortlist of a few qualified candidates, all of whom can do the job. However, there are also potential pitfalls and concerns with using AI in recruitment.

Without human oversight and input, AI systems can build in bias from whatever source material they learn from. Witness how Amazon attempted to use large language models

to build a recruitment tool in 2018 that was found to have massive racial and gender bias. Furthermore, some people simply do better than others in face-to-face interaction, these people will undoubtedly be disadvantaged by a move to AI-based assessment. Finally, as with any system, it is only as good as the user using it. AI-based systems will be different to anything we've used before. Users will need to learn a whole new way of interacting with them to get the best out of them. The quality of output will entirely depend on the quality of the initial data provided to the system. The days of hiring managers being able to say, 'Another person like the last one,' will be gone. Each role will need to be carefully specified, not only for the skills and experience the role requires, but the values and behaviours the candidates should exhibit. The current and upcoming AI systems are clever, they're capable of doing a lot of interesting things, but they lack nuance, the ability to make intuitive leaps, and empathy. The users of such processes will need to consider this carefully and build processes to mitigate these blind spots, otherwise they are simply exchanging one flawed system for an equally, but differently, flawed system.

Leading through AI

Sankalp Chaturvedi, Professor of Organisational Behaviour and Leadership at Imperial College Business School, has said,

"With AI intervention, our understanding of motivation mechanisms will evolve. AI will impact all aspects of leadership such as applying fairness across the board and how we appraise employees."

Undoubtedly AI is a powerful tool for empowering leadership. Generative AI will empower highly effective digital assistants which will improve productivity and streamline processes. In management and HR, AI will enable managers to undertake data management, knowledge management and assessment processes far faster and more consistently than has previously been the case. Individuals will find that AI tools will be able to support them in managing their ongoing development, their personal productivity and their work-life balance.

New Opportunities

One of the biggest areas that new technology will affect is the nature of certain jobs themselves. The media has been quick to raise concerns about AI making certain jobs redundant, from delivery drivers to accountants. Whilst in due course this may happen, it's not a simple picture. Automation, including AI, is at its best doing the simple and repetitive. It tends to fall down when faced with the unexpected. Yet for most people the unexpected is the interesting. The opportunity of modern automation is to take away the dull, the mundane, the boring elements of a job, and leave the interesting, the engaging and the challenging. What accountant would not prefer to be advising on an M&A project or refinancing a second stage start up, rather than filing yet another tax return. As during every previous technological revolution, the changes will be substantial, but they will empower more than they disempower, if people embrace the changes. This requires engagement and learning to get the best from the new technology and companies should be looking not only to bring AI and automation into their businesses, but to upskill their people in how to get the best out of it. The opportunity is not to be able to do the same job and achieve the same productivity with fewer people, as some fear, but to be able to take

the same people and do far, far more, increasing productivity as well as providing more interesting and challenging jobs.

It's worth noting that AI is not the only new technology that will be transforming our world. Big data, renewable energy, sustainable industries, and modular construction are all on a clear direction of travel. Companies in these sectors, or embracing them, will not only be futureproofing themselves, but will be far more attractive to young talent than those in more traditional, old-fashioned looking industries.



Trend 5: Employee Experience (EX)

Part of the values-based trend is the appearance of the idea of Employee Experience (EX). This reflects the demographic realities of there being more role than people to do them as well as the move to focus on work being about more than earning a living. 83% of HR leaders said employee experience will become a key focus in the immediate future. (Sage)

Employee Experience is about the entire employee lifecycle, from the moment their role is specified until they leave the organisation. It is about how they are treated, whether they are cared for as in individual, as a person, about their development, support for their goals, about recognition, feedback, and their mental and physical wellbeing. **The five key factors influencing Employee Experience are:**

- Physical Environment
- Emotional Wellbeing
- Management and Processes
- Feedback and Development
- Culture

Physical Environment

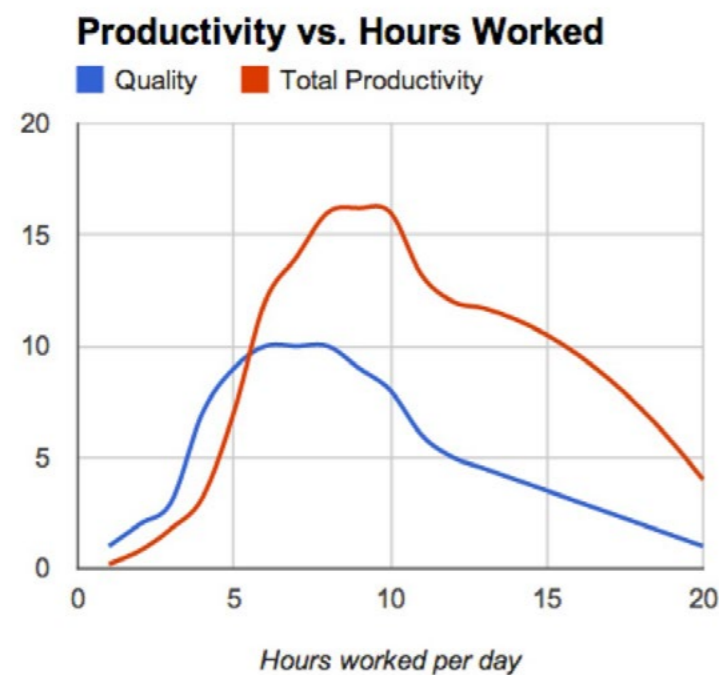
Clearly the hybrid working model has reduced the ability to companies and management to directly affect the physical environment of their employees. However, wherever possible the development of an engaging, supportive space, with areas for quiet focussed work and others for communication, should be prioritised. Good workspace design is likely to be a key differentiator for many companies. They may not expect people in every day, but when they are in the office, they should feel inspired, excited and motivated.

Emotional Wellbeing

Gallup reports that worker stress is at an all-time high, costing the global economy \$8.8tn (£7tn). Government data shows that 20,000 people in the UK are off work every month due to mental health issues and two thirds of incapacity benefits are now allocated for mental health issues. These figures are rising.

Employers wishing to hire and retain, not to mention optimise attendance and productivity, should be looking at what they are doing to support the mental health of their employees. Various factors including communication, DEI policy, workplace culture, work-life balance, workplace relationships, and staff recognition all have an impact on mental wellbeing.

Most of these points are addressed elsewhere, but work-life balance is critical. Employees, particularly of Gen Z, are increasingly prioritising work-life balance, even to the point of giving up work or quitting jobs if they become too intrusive into their wider life. Whilst older generations may scoff and regard this as a sign of 'weakness' or 'lack of will' the evidence actually favours them. Productivity and quality have been consistently shown to be highest in employee groups who work seven to nine hours per day. Working longer hours not only does not translate to improved performance, it actually becomes detrimental overall, with people working for 16-18 hours delivering less than half as much, half as well.



The management model driving longer hours came from studies conducted in the US in the 1950s to 1970s which all focussed on short-term periods. It is true that for very limited

periods of time higher productivity and quality can be maintained, for a project push for instance, but the absolute limit on this is three weeks, and depending on the individual can be as little as a few days. This faulty data has driven poor management practice for decades. Long hours do not drive success, they only increase stress, dissatisfaction, and poor results.

Companies looking to enhance Employee Experience will move to more focussed working patterns that recognise and encourage a healthy work-life balance. In doing so they will find that they don't lose out. In fact, they may gain, in quality, productivity, retention, employer brand and culture.



Management and Processes

As noted under Trend 2 and 3 the UK has a structural weakness in professional management, which is being exacerbated by hybrid working models. Effective management training, clear processes for people to follow and good communication so that everyone understands their role in the bigger picture are essential to creating a strong Employee Experience. To this end there should be a push towards such training and the development of clear process.

Feedback and Development

All major studies show that workers who receive recognition and feedback perform better, have higher productivity, and remain in role longer. A key factor in this is having well trained management, as mentioned previously. Another is to have a structured model for support and feedback. 74% of US tech companies have now abandoned the traditional annual/biannual PDP model (David Smith). Instead, they have moved to ongoing Personal Development which is constantly reviewed between the employee and management. This approach is more responsive, more immediately relevant and has a far higher impact on the individual. It also combines the hated and oft misused PIP. What use is a PIP when

most people put onto it assume it's a pass to the exit and lose all motivation? In many ways having everyone on a PIP all the time makes more sense, after all it is a Personal Improvement Plan, can't everyone improve somehow? Ongoing Personal Development combines the PDP and the PIP to best effect for both employees and employers.

Offer training, mentoring, and coaching to drive people's careers. Learn their goals and how to support them. If you don't, someone else will.

Culture - Prioritising DEI and ESG

Diversity, Equality, and Inclusion (DEI) and Environment, Social and Governance (ESG) may have lost some of the focus than was on them a couple of years ago, but that's short term. Investment in both DEI and ESG slowed with the tightening of economic belts, and because a lot of companies jumped on the bandwagon to announce pledges without putting in place the infrastructure to deliver them. The result was a lack of progress and a certain sense of disillusionment.

The fact remains that DEI and ESG remain the clearest indicators to prospective employees, partners, and customers of your corporate culture and values. As a study by Robert Half has shown, almost 40% of employees would seek a new role if they felt an employer was not doing enough to prioritise these issues. This rises to over 50% in those under 25.

Employers who aren't already engaged with DEI and ESG should remember that, just like your brand, even if you're not doing anything about it, you still have DEI and ESG markers. If you aren't doing anything about them, you're at the mercy of the market.

This is critical since culture is increasingly seen as one of, if not the, most important characteristic when considering working for an employer. Research by the Bright Group found that 36% of early careers candidates saw company culture as the single most important factor in considering whether to work for them, and 47% actively research a company's culture and values before applying.

Evidence shows that investing in DEI and ESG improves hiring, retention, and productivity. It fosters a sense of belonging and purpose. The defining of company culture, promoting it, hiring to it, managing to it, and developing people in line with it is a trend we will see rising in importance in 2024-5.

Companies need clear definitions, processes, data for tracking and adjusting, and executive sponsorship, to make cultural focus work. However most importantly, it must be genuine. Many companies have fallen foul of jumping on the DEI bandwagon, paying lip service to the ideals without real commitment and change. Heathrow Airport's 'Women at Heathrow' programme celebrated women working there, but backfired spectacularly when it was revealed that women received 14% less median hourly pay than men in similar roles.

The best people will seek out companies that have strong values they believe in. Gen Z particularly are looking for more than a pay cheque, they want to feel that their work has purpose and value. Conversely companies who don't take a stand will find themselves slipping down the desirability scale. Indeed 80% of people expect CEOs to actively take a stand against discrimination and for inclusion (AIHR). It's not enough to do no wrong, you have to do good and be seen to do so and call out where there is bad.

What this means for HR and management is a shift towards active engagement with culture, with DEI and ESG leading the charge. The development of systemic DEI programmes in companies and the building of processes around positive corporate values.





Part 2

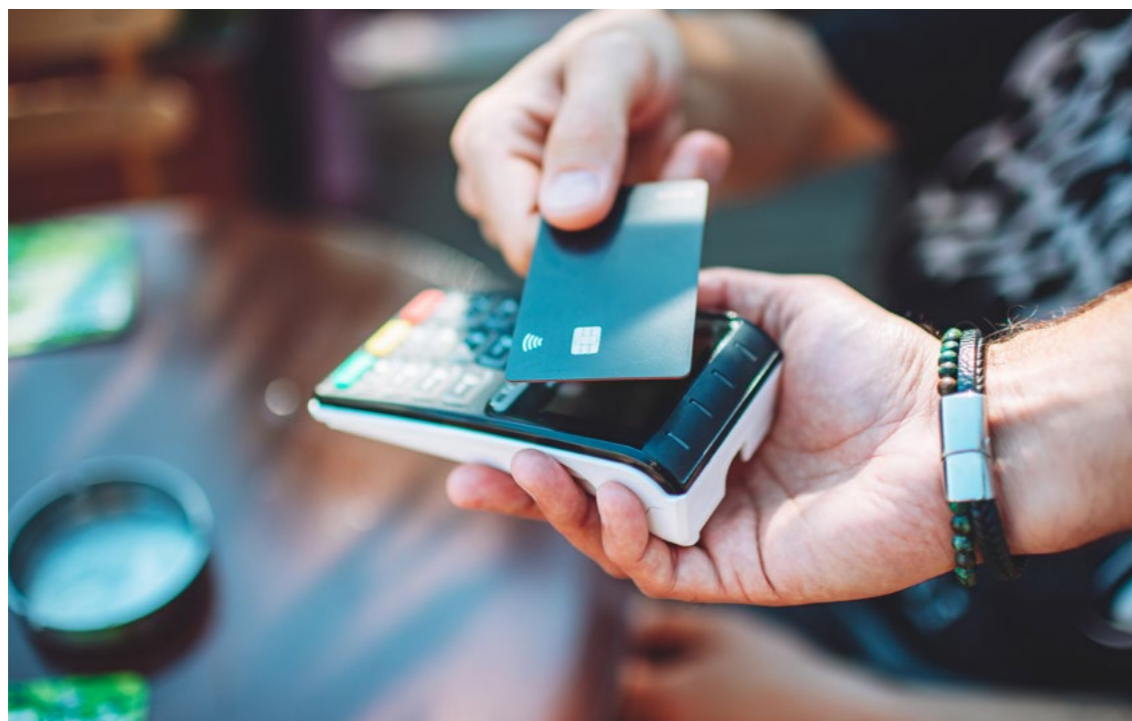
Immediate Trends – Q3 2024

Background

The UK economy is looking far more robust than many feared and many in certain media outlets would have us believe. Inflation has finally hit the 2% target, and although interest rates remain higher to reinforce that direction of travel, they will fall. This reflects on the property market, for so long the engine of the UK domestic economy. Again, defying doomsayers, the property market has remained robust, with limited declines in only some areas. As interest rates begin to fall this may be expected to improve further. Overall, the UK economy is currently stronger than most of the G7, excepting the US, with GDP far higher than the EU. The FTSE, which had been languishing in the doldrums compared to the S&P, is currently predicted to rise. Consumer confidence, for the first time since 2021, is up, with spending up 4% and key indicators, such as car fuel spend, debit card transactions, and credit card spending are all up. 20% of businesses report expecting to see increased turnover in June 2024. The national deficit is not expected to increase into 2025 and is seeing the benefit of global inflation (although see the point below on the outcome of the UK elections).

As Barret Kupelian, chief economist at PwC has written:

“Following the post-pandemic challenges, 2024 will be the year the UK turns a page. Inflation returning closer to normal levels, progress on regional growth and real incomes improving provides optimism for the year ahead, despite the legacy of higher consumer prices and rising housing costs. There remain many ‘known unknowns’ in 2024 that can change the trajectory of the UK, such as volatility in global energy prices due to the continued middle eastern conflict and the forthcoming General Election, however overall, the outlook is far rosier for 2024 than expected twelve months ago.”



Not everything is positive. Consumer prices are expected to remain high, about 25% up from where they were in 2021. Rent continues to climb, with the average increase around 5% in 2024. Finally, corporate insolvencies are climbing as companies run out of road. SMEs are taking the brunt of this, having been hit by slower order books, due to inflation-related cost cutting and lacking access to cheap money to see them through, due to higher bank lending rates. Hospitality, manufacturing and logistics, as well as certain technology subsectors and commercial property, are the worst affected.

Politically the results of the upcoming UK General Election will undoubtedly begin to have a significant impact into the latter half of 2024. It now seems certain that we will have a Labour government and any examination of their manifesto, spending plans and statements shows clear potential impacts for the economy, particularly for entrepreneurs and SMEs.

Whilst the Labour manifesto has been billed as a programme for wealth creation it includes no policies for achieving this, with no tax cuts or investment funding. At the same time massive new increases in spending have been promised, with sadly spuriously low costings, for example the proposed funding of 'over 3,000 new nurseries' at a claimed total cost of £35m, coming to only £11,166 per nursery, which is clearly impossible. It seems clear that a Labour government will require more income, far more than they have admitted if they are to keep even part of their spending promises, and with the UK borrowing already near an all-time high this is really only achievable through economic growth or higher taxes to increase the taxation levy.

Claims that a new Labour government can achieve growth have been presented based upon the 1997-2008 Labour government having done so. This is specious logic that ignores global economic trends, both then, when they were positive, and now, when they

are not. There is no sign of significant global growth, indeed many commentators believe the global economy is overdue for a recessionary resizing. As a result, increased tax incomes from existing taxes are unlikely, and may indeed decrease.

A Labour government will need to fund the 2.5% defence spending already promised or leave the UK woefully exposed and they will need to at least attempt to meet their own increased spending pledges. As a result, new and increased taxes are inevitable. Even the centre-left economic think-tank the Resolution Foundation has said Labour plans 'sets the scene for a parliament of tax rises and spending cuts.'

Keir Starmer and Rachel Reeves have both studiously avoided answering whether property taxes and capital gains will go up, but it seems likely that they will have to. In addition to other 'wealth' related tax increases, such as VAT on school fees, this will hit the middle-class hardest, particularly the entrepreneurial class. With less money to invest in start-up ventures or their own SMEs, the impetus for innovation, investment and taking a risk on oneself will be dramatically reduced.

Furthermore, the proposed giving of full employment rights to new hires from day one will make this worse. This will stifle the inclination for business owners and leaders to take a risk by trying new products or even companies. Small businesses who might otherwise have taken the risk to hire someone, knowing that it wouldn't bankrupt them to lay them off if it didn't work, will think twice. Entrepreneurs, being squeezed by higher taxes on income, property and their children, will likely reconsider new projects, they just won't have the investment capital as freely available, and the incentive to try is being eroded by increased capital gains, not to mention the already eroded entrepreneurs' allowance on selling successful companies.

For the truly rich, none of this will matter, they'll simply shift their place of residence to one of their other homes, Jersey and Monaco are likely set for an influx of British investors and hedge fund managers who work 5.5 months of the year in the City and the rest from offshore homes. With income tax supposedly not being touched, people on salaries, from doctors to bankers to civil servants, are sitting pretty. It's the business owners, the entrepreneurs, the small-scale investors, who will pay the price, and that's bad news for the UK, because a vibrant small business sector, innovation and entrepreneurship have been what has distinguished us from the pack.

Furthermore, there is more turmoil to come in November with the US Presidential Election. Almost regardless of the outcome there is likely to be instability in the US, leading to spooked markets. Some commentators have even spoken of the election result, regardless of what it is, causing a market crash and major recession. More moderate observers have suggested that if Biden wins, we can expect markets to enter a moderate torpor, barring outside factors, whereas if Trump were to win the global markets would likely enter a period of extreme volatility, reacting unpredictably to his policy decisions. Overall, the global economy is in a fragile state. China's internal property market is in a parlous state, Japan is still stagnant, and Germany is becoming much the same. The EU is at its economically weakest state since its creation. At the same time geopolitical flashpoints, in Russia-Ukraine, Israel-Palestine/Iran and China-Taiwan/Philippines could flare up and spook the markets, leading to significant retrenchment and, again, a possible major global recession.

Hiring Trends

Too Few People

There's no getting away from those 900,000 unfilled roles, there are too many demands on too few people. It's one of the reasons AI could not have come at a better time. However, in the short term, companies will still need to manage the shortfall. Currently, over 50% of HR professionals report finding good people to fill roles as Hard or Very Hard (*CV Genius*).

Demand, and therefore vacancies, is expected to rise in the coming quarter, with some predicting a 30% uptick in the number of roles. This will get us back to the 1.2 million unfilled roles we saw in early 2023. This will mean hiring will become even tougher, retention harder and more important, and the pressure on salaries will go up again.

Winners and Losers

Not every sector is equal. Standout areas of the economy that we predict will have particularly high demand in late-2024 are:

- Engineering
- Healthcare
- Technology

In contrast Construction and Retail can be expected to stay relatively flat until at least later in the year.

Salaries

As mentioned, with increasing demand will come a push for higher salaries. Over the past twelve months salary increases have remained comparatively low compared to the previous year, at about 2% on average, for people in role. However, salaries for those moving jobs are rising, and will go higher. Already, 63% of employers report matching salary expectations as the biggest challenge to their recruitment strategy (*Michael Page*). This difference between the salary one gets for moving jobs compared to the salary one gets if one stays is creating a 'two-speed' salary position. This will undoubtedly have an impact in due course, driving incumbents to seek pay rises, or driving them to new jobs, but it is not predicted to do so in the next quarter.

Senior Talent

Many companies have weathered the economic doldrums of the past year or more by studiously sticking with their existing management teams. Not rocking the boat was the order of the day. With the economic winds freshening and the need for new skills, new processes, and the ability to manage transition and change becoming paramount, this can be expected to change. We anticipate many boards and CEOs will look at their executive teams and decide it's time to make a change. This is not a race where you want to be the last one out of the gate, so we predict that there will be considerable work done in board and executive assessment, strategic review and, ultimately, in executive search to find the people who can lead companies through the coming period of change.

HR Trends

Engagement

Engagement will become critical in the coming quarter. It is the silver bullet to attract, retain and optimise productivity, all of which are or should be of intense concern to any current UK executive. A recent Gallup poll showed only one in ten people feel engaged at work, this despite half saying that they are enthusiastic about their job and believe their work is valuable (*CIPD*). Companies need to attract the best employees, including motivating young people to join the workforce, they need to show that the grass is not greener elsewhere and they need to motivate them to do their best.

We believe this will lead to a push for HR and management to communicate better and connect with employees. It will require looking at what employees want and reflecting their motivations and concerns. **Key programmes are likely to be:**

- Culture
- DEI
- ESG
- Mental Fitness/Mental Health
- Communications

Good Management

Following on from the previous point, we believe the need for strong, capable, trained management and leadership has never been higher. 78% of employees report that quality of management has the single largest impact on their everyday working experience. Quality of management therefore has a tremendous impact on employee engagement and productivity.

With a sunnier economic climate, we believe companies will look at their budgets, and the challenges ahead, and look to prepare by upskilling their management team.

Restructuring, Downsizing and Shutting-Down

We are currently seeing a reduced number of UK businesses looking to make redundancies. The trend has already fallen from 19% in mid-2023 to 17% by the end of 2023 and we estimate it being at about 12% now in mid-2024. However, this is not an even picture. For those companies not able to manage the changes, who can't attract and keep the right people and can't take advantage of the opportunities, things will get tougher in the coming quarter. We expect to see an ongoing trend of downsizing and insolvencies in such companies, particularly in SMEs who have run out of finance, but moving on to those unable to adapt and compete. Others may not face the same existential threat but will become exposed to buy-outs and absorption by more successful competitors.



Part 3

Actions

The UK talent trends for Q2 2024 underscore the need for companies to be agile, innovative, and empathetic. The key actions that CEOs and MDs should be taking in the coming quarter are:

Workforce Planning

Look at your business plan, and once you're sure it's right for the changes that are coming, apply it to your team. Do you have who you need? This involves assessing the people you have against their job role and your goals. Start at the top. Executive assessment is key to be sure you have the right people around you. Then do the same at every level. Once you know what you need, get rid of people who aren't right, and have a plan to attract and retain those who are.

Professionalising Recruitment

Attraction should mean looking to have a prepared, professional recruitment solution in place. Agencies are, like duct tape, great in a pinch, but they're for emergencies. If you don't have a highly effective and professional in-house team in place, now is the time to identify recruitment partners to help you with executive search, talent pipelining and outsourced recruitment (RPO). RPO can hit the ground running when you need people, providing a professional and flexible growth solution. Whatever means you use, you should be looking to develop talent pipelines, to identify where the people you will need are in advance, both for growth and in the event of losing someone you otherwise wanted to keep. Furthermore, your recruitment processes, including your assessment and interviewing skills, need to be top notch. You don't want to miss anyone, and you want them to have a great experience when they meet you, so make sure everyone in the recruitment process is thoroughly trained.

Employer Branding

The other part of the attraction equation is optimising your employer brand. Know where you are, look at your reviews on Glassdoor, ask candidates what they know about you, do a Google search on your company, and see what you find. Then, do something about it.

Employer branding is complex and is about more than corporate statements on a website. Getting it right now, before things get too demanding, will make hiring easier, retention more consistent and increases employee engagement.

Management Training

Make sure your managers are part of the 18% who are trained, not the 82% who are not. Management is becoming more and more complex and challenging, and its impact is potentially immense. Train your management team now to have them ready to deal with hybrid issues, generational differences, integrating automation and managing rapid change, none of which is easy, all of which is either with us already or coming our way fast.



Begin to Explore AI

AI and the latest wave of automation should be something you are considering. There are not enough people for the jobs, and that won't change. Start to look at how AI can help your existing people increase their productivity. Which jobs might be able to be done by AI, from automated testing in technology and QA, to customer service using chatbots.

Don't try to do too much though. The technology is still emerging and even experts are struggling to get the best from it. Use it to help with tasks, not necessarily to replace whole processes, yet.

Conclusion

Looking at mid-2024 and thereafter, the trends shaping the UK's HR and recruitment landscape demand a decisive, proactive, and strategic response from business leaders. Understanding and addressing the needs and aspirations of different generations, embracing dynamic new technological changes, adapting to new working models, and prioritising hard-to-quantify issues, such as DEI and ESG, are not simply challenges, but opportunities. Embracing these opportunities will allow us to build more dynamic, resilient, and competitive workforces and make our companies more productive and happier places to be. The future of work is very bright if we take the steps to embrace the opportunities. The message for employers is clear: the time to act is now, embrace change, foster innovation and prioritise employee experience, doing so will begin to define your success for years to come.

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