

FRL Recruitment FM Industry Employment Market Report March 2010

In this latest report from FRL Recruitment we review the current trends as seen by our consultants who service the recruitment needs of the FM industry in the UK and overseas.

V, W or L!

There has been much speculation about how the UK will fare now that the worst of the recession is supposedly over. There was talk about the macro economic situation potentially going to experience a boom following the trough in a V scenario, however there is little evidence of this boom, and many economists have predicted a 'double dip' to create a W situation, however the more likely outcome that is developing is a fairly stagnant economy that is at the bottom of a slanted L and going to slowly plod along for the foreseeable future. However the Support Services industry has been one of the least affected by the recession and many service providers have experienced large scale growth in turnover and profits, requiring the recruitment of more personnel.

In 2009, the majority of FM service providers have seen an average increase in revenues of 10.8% as illustrated in the table below.

Top ten growth 2008-2009

Rank	Name	Turnover 2008	Turnover 2009	% Growth
1	Carillion	5,200,000,000	5,400,000,000	3.85%
2	SERCO	3,110,000,000	3,970,000,000	27.8%
3	Rentokil	2,400,000,000	2,360,000,000	(1.6%)
4	Compass	1,144,000,000	1,344,400,000	17.5%
5	Interserve	1,800,000,000	1,906,800,000	5.9%
6	MITIE	1,407,200,000	1,521,000,000	8.1%
7	Sodexo	1,123,000,000	1,390,000,000	23.8%
8	ISS	805,014,000	814,000,000	1.1%
9	Trillium	793,000,000	n/a	
10	OCS	653,938,000	n/a	

And it is not just the major players that are enjoying the growth. Many smaller organisations are seeing growth rates of circa 40-50% per annum.

Employment levels

Despite unemployment levels falling in recent months, there are now nearly one in four adults are not working. The jobless figure fell for the third month in row to a level of 2.45 million. However there is a total

figure of 10.6 million people who either do not have a job or are not looking for one. The biggest cause of the rise in this figure is due to more people seeking adult education rather than face the dole queue. The second biggest cause is the significant increase in the number of people staying at home to care for family which accounts for 2.3 million people. There are circa 2.0 million people classified as long term sick.

Outsourcing / In-House

It is noticeable that there are an increasing number of in house FM departments that are considering outsourcing their services for the first time. Some FM service providers have commented upon the fact that many Finance Directors are now being tempted by cost reductions; perceived service improvements and strict S.L.A's being put in place coupled with the reduction in direct overheads and liabilities. This is creating a new round of TUPE transfers with many employees opting for any early retirement or redundancy options available as opposed to transferring.

TFM / Bundling / Unbundling

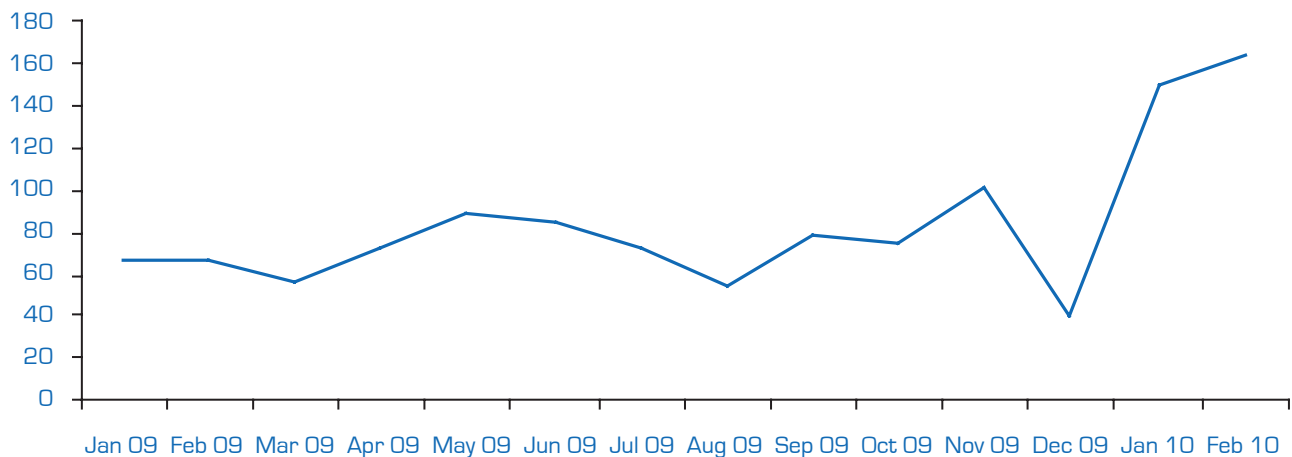
There is also a growing trend in many in-house FM departments wanting FM service providers to unbundle their services. With greater scrutiny of in-house costs- including the cost of the FM management team, some companies FM departments are viewing that the management of a bundled service or total facilities management contract is the role that they should be providing as an in-house management team, rather than outsource the management.

Vacancies

On an indexed basis and not due to any significant increase in the operations of FRL Recruitment, the volume of new vacancies being registered with FRL Recruitment is now at the highest monthly level since January 2009. This trend is being replicated with other recruitment organisations that FRL talk to and represents a significant upturn in recruitment activity.

The noticeable difference between March 2009 and March 2010 is the far higher number of senior positions becoming available. During the downturn many companies avoided recruiting high remuneration level individuals and looked to reduce the number of individuals with a high cost value first. In recent weeks FRL Recruitment has been asked to source candidates for a wide variety of senior positions with salary levels of between £80,000 - £150,000 per annum.

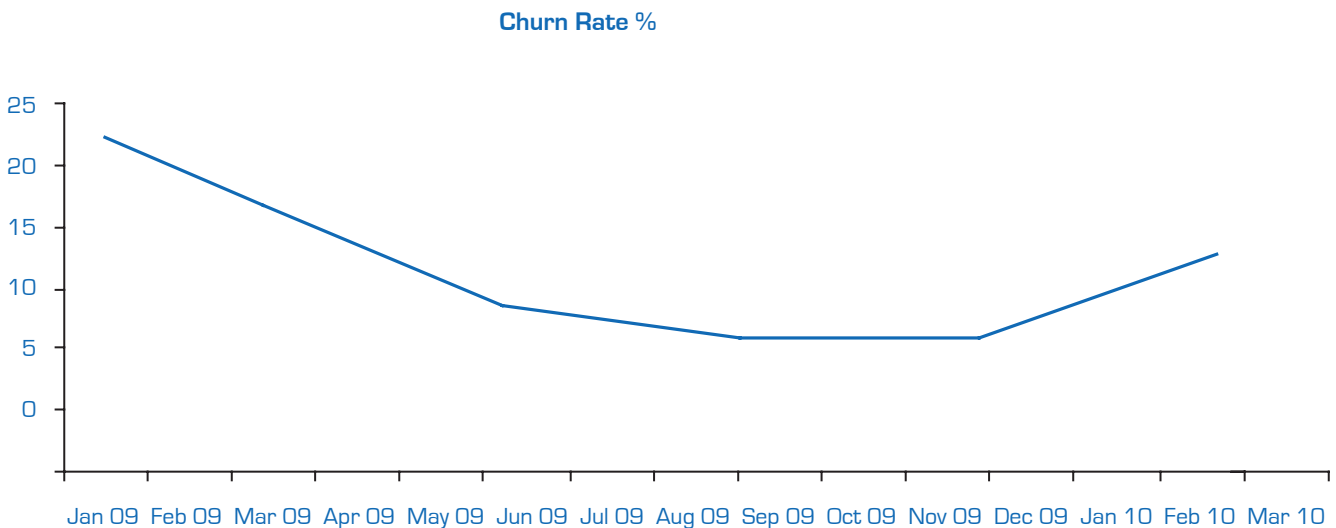
Vacancies Registered



Frying pan – Fire / Churn rates

During the last twelve months there was significant reticence of individuals to explore seeking alternative employment, due to the fear of the unknown, and wanting to avoid ‘leaping from the frying pan into the fire’. With so many high profile unexpected corporate casualties, many individuals feared the last in first out scenario.

At the beginning of 2009 the average churn rate as perceived from an anonymous survey of 45 HR Managers and Directors of UK FM service providers by FRL Recruitment was 22%. With the ‘frying pan’ fear, this reduced to an average of just 10%. However with the recent increase in activity, many companies are reporting an increase in resignations and an increase in churn rates, to the current perceived level of 15%.



Finite limit / skills shortages- remuneration

During 2007 and the beginning of 2008 there was considerable concern in the FM industry about the pressure to invest in the workforce of tomorrow, with the industry experiencing significant skills shortages. The BIFM established a close relationship with Asset Skills, and companies were seeking routes to develop their existing staff or new ways to attract individuals to the industry.

The economic recession affected this pressure, with the shortfall in skills being covered by the entry into the typical FM employment market by individuals with relatively associated skills from other sectors, such as manufacturing and specific niche service sectors. FRL Recruitment is aware of former bankers moving into commercial management roles, and retail operation managers into FM service provision management.

However with an increase in the number of vacancies becoming available, there is an issue of quality. Whilst there is still a high level of people seeking employment in the UK, the number of people with the relevant skills for the available vacancies is diminishing. It is becoming increasingly hard to source high calibre individuals for positions across the entire spectrum of roles. The key roles where there are shortages are:

- Business development – with individuals who have a proven track record of securing contracts and negotiating at main board level.
- Bid Management – with individuals who are literate and can write attractive / comprehensive complex large scale bid documentation.
- M&E Engineering competencies – such as Controls engineers / BMS engineers / Air conditioning and refrigeration engineers.

- Energy solutions specialists – Individuals with a true grip on how to provide innovative carbon reduction schemes and energy efficiency solutions.

With these shortages, there is pressure on organisations to increase remuneration to attract individuals from existing roles. The traditional percentile increase that individuals enjoyed when changing employment was between 10- 15%. In recent months, FRL Recruitment has seen several individuals accept offers of permanent employment where the percentile increase has been 25-30%!

People Development

So with the above skill shortages identified, what lies ahead for people development? Companies are reluctant to spend money on high value training and development courses. However with the battle for talent only going to get tougher, there will be pressure on companies to offer development programmes to make themselves the employer of choice for the future.

Future?

FRL Recruitment believe that on a macro level, the economy is still an unknown entity. The events of the last eighteen months have shown that in this global market place, the causal effect of one corporate failing can have dramatic global consequences. The imminent UK election will not provide a magic bullet to rectify the economy. For the first time a UK electorate are being given austerity manifestos by all the leading political parties. It is uncertain as to whether a massive belt tightening exercise will adversely affect the UK FM industry or present significant opportunities to influence the public purse.

On an industry level, there is significant evidence that the UK FM market has weathered the storm far better than other UK sectors and that many companies have prospered very well over the last eighteen months. The predictions that the FM market is recession proof have been borne out.

The indications are that there is still significant growth in the FM market and the numbers of employees in the UK FM industry will rise considerably. The affect of the London Olympics is unknown but we are starting to get to the stage where the UK FM industry will become more involved.

Economists are well known for qualifying their forecasts with various caveats, but based upon the current evidence the market is getting better, with more positions available and companies understanding the need to offer the market rate with attractive benefits to make themselves the employer of choice.

FRL Recruitment March 2010.

FRL Recruitment is a leading provider of professional recruitment solutions to the Facilities Management industry. Providing services throughout the UK and internationally. The core services are:

- Executive Recruitment
- Facilities Managers
- Hard Services personnel
- Soft Services personnel
- Interim and Temporary workers
- HR Consultancy

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