



11th March 2011

Rt Hon George Osborne
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

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REC Pre-Budget Submission: A budget for jobs

Dear Chancellor

As you will be aware, businesses around the country are anxiously awaiting this year's Budget. The Budget must do all it can to create an economic environment where businesses find it easy to grow and create jobs. This is essential if the private sector is to absorb public sector job losses and to avoid a further rise in unemployment.

The Recruitment and Employment Confederation (REC) Manifesto launched last year focused on the themes of creating the right economic climate, removing barriers to growth and delivering opportunity and jobs. While we have seen some good progress since the election and we welcome the aims of last December's Government Growth Review, there is still much to do. Businesses are now looking for tangible signs of progress with the Government making a meaningful difference where it can.

The REC is uniquely placed in having a comprehensive view on employment in the UK, given our members' position at the front end of the jobs market. Many members report that private sector employers are hoping to take on additional staff, but there are a number of critical areas for Government action that can support and enable this job creation.

The following submission looks at current barriers to growth and structural reforms that would improve the business environment, with a focus on concrete measures that will boost the UK's fragile jobs market.

In summary, the REC calls on the Chancellor to:

1. Create the right economic climate

Measures for achieving this aim must include:

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Please reply to

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- **Avoid increasing taxes on business**, including the planned NICs increase;
- **Deliver genuine simplification of the tax system**, especially for SMEs, through the OTS review;
- **Creating regulatory certainty** that gives businesses the confidence to invest. The clear direction of travel demonstrated by the phased lowering of Corporation Tax is an excellent example. But the Government should go further and faster with this reduction to help businesses invest and grow.

2. Remove barriers to growth

Measures for achieving this aim must include:

- **Protect labour market flexibility** – the ability for businesses to get the skilled staff they need, when and where required is critical to UK competitiveness.
 - The Agency Workers Regulations are already proving a significant challenge for businesses. The Government must do all it can via the AWR guidance to smooth implementation, and must reject calls for further gold-plating.
- **Employment law review** – this programme is extremely welcome, but businesses need to see a clear plan for what this will cover. The Employment Tribunal review, ‘one in, one out’ proposals, and the pledge on regulatory exemption for SMEs are all positive. However the full plan for this review must be outlined now for it to deliver benefits over the life of this Parliament.
- **Ensure immigration policy reflects the needs of UK businesses** – the recent exemptions for very high earners and specialist scientific roles are welcome flexibilities to the cap. However the system must be based on the evolving labour market requirements, so that companies can access the skills they need to grow.

3. Deliver opportunity and jobs

- **Incentivise job creation**, especially for young people. The REC’s Youth Employment Taskforce last year recommended stimulating direct employment via a National Insurance holiday. Creating this incentive for at least one year for every additional young person employed by an SME is a win-win for both small businesses and jobseekers;
- **Harnessing industry expertise to support jobseekers** – recruiters around the UK have supported highly-skilled jobseekers to return to work through a cost-effective delivery partnership with JobCentre Plus. This

initiative should be funded to continue helping people off JSA and into new jobs;

- **Fully implement the recently announced changes to procurement policy**, aimed at enhancing access for SMEs to public sector contracts. We need to move beyond rhetoric and ensure robust quotas are put in place and regular reviews are undertaken;
- **Promote flexible work as a bridge into employment** by removing barriers in the current benefits system;
- **Real action on lending to SMEs** – while the Government's commitment to ensure banks lend is laudable, the real hurdle for many small firms is the cost of borrowing. This must be addressed to help them grow;
- **Strategic use of temporary and contract staff** can maximise productivity and provide flexibility to public sector organisations struggling to cut costs. The cost benefits of using flexible workers should be fully explored throughout Government.

Positive action on these recommendations will send a signal to UK businesses that this Government is truly pro-enterprise, and will create an environment in which companies can create much needed jobs.

As the voice of the recruitment industry, we are committed to doing all we can to foster such growth, but the Government must first create the conditions for a pro-business economy that can really deliver on skills and jobs.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kevin Green', written in a cursive style.

Kevin Green
Chief Executive