

## Demand for staff remains strong but candidates are scarce

CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

### REC-IHS Market Predictive model



Expected unemployment rate for January–March 2017

Our nowcast model forecasts a decline in the Labour Force Survey measure of UK unemployment of 38 thousand in the three months to March. This would leave the unemployment rate unchanged at 4.7%.

More information about the predictive model can be found on page 10 of this report.

### Confidence

In the three months to March, more UK respondents believed that economic conditions were improving (33%) than deteriorating (29%). London remained the least optimistic: just 25% felt conditions were improving. The proportion who thought confidence in hiring and investment decisions would get worse remains stable at 14%.

Do you think economic conditions in the country as a whole are getting...



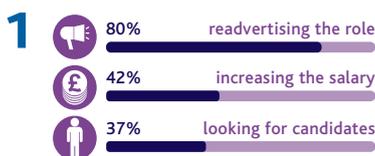
In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



■ A lot better ■ A little better ■ No change ■ A little worse ■ A lot worse ■ Don't know

Totals may not sum to 100% due to rounding.

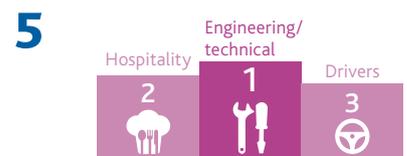
### Key Points from March Survey



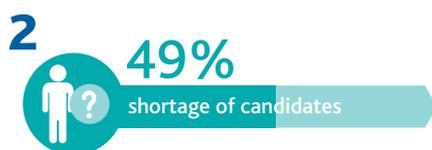
The most common actions for employers struggling to recruit candidates is re-advertising the role (80%), increasing the salary (42%) and looking for candidates in other sectors (37%).



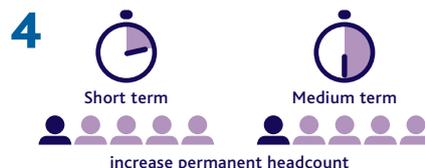
A third (34%) of UK hirers surveyed across the quarter highlighted that they had absolutely no spare capacity to take on more work within their organisation.



Engineering/technical, hospitality and drivers are the three top sectors where recruitment agencies expect a shortage of suitable temporary agency workers.



Half of UK employers (49%) were concerned over the sufficient availability of candidates to fill permanent vacancies in at least one job function.



One fifth (22%) of hirers plan to increase permanent headcount in both the short and medium term.



Quality of service and the expertise of an agency continue to be the top two determining criteria for employers when selecting an agency, highlighted by 94% and 88% respectively.

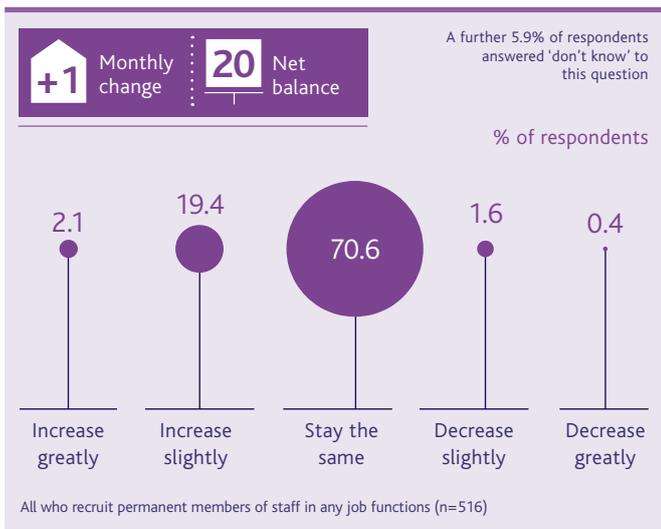
Throughout, figures based on fewer than 50 respondents are marked with an asterisk\* Due to the small base size, these results should be considered indicative, rather than conclusive. Data were weighted to be representative of UK adults in employment by region, broad industry sector and public/private split. ComRes is a member of the British Polling Council and abides by its rules.

# Permanent Recruitment

## SHORT-TERM OUTLOOK

In the next 3 months, do you think the number of permanent workers in your organisation will increase or decrease?

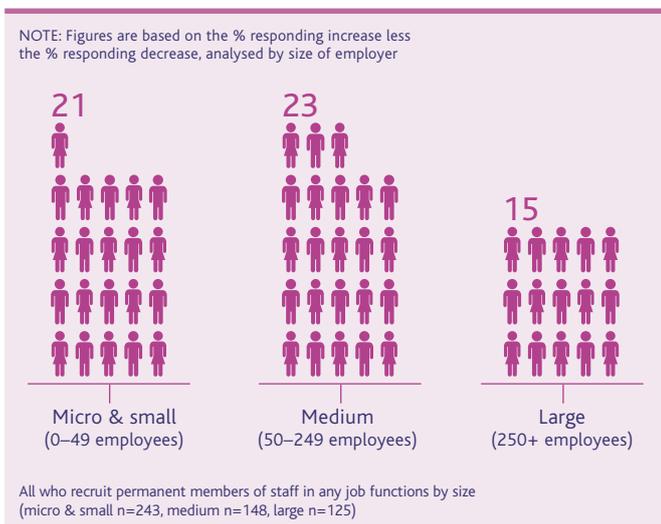
92% of UK hirers planned to maintain or increase permanent headcount over the next quarter. However, amongst large companies the figure dropped to 83% as a notable proportion (14%) remained uncertain about their plans, compared to just 6% of the UK average. With just 2% of all hirers planning any decrease to permanent headcount, access to skills for the 22% of hirers intent on adding to their numbers will be challenging.



## OUTLOOK BY EMPLOYER SIZE

Net balance of short-term expectations by employer size – permanent staff

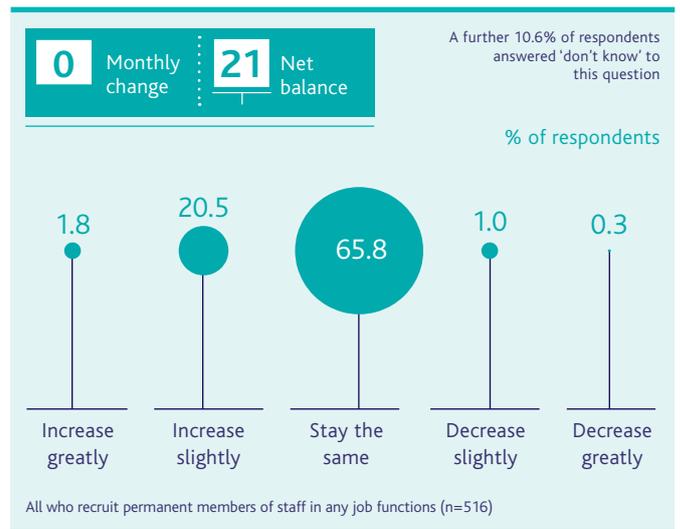
There were no significant fluctuations in short-term permanent hiring expectations in the three months to March, compared to the previous rolling quarter. However, mid-sized organisations (50–249 employees) edged ahead of micro and small businesses this quarter, suggesting they were the most optimistic about adding permanent headcount in the short-term. Large employers (250+ employees) remained the least optimistic, with just 15% more suggesting that they would increase numbers than decrease them.



## MEDIUM-TERM OUTLOOK

In the next 4–12 months, do you think the number of permanent workers in your organisation will increase or decrease?

Almost nine in ten (88%) UK hirers planned to hold or increase permanent headcount numbers in the medium term. Employers in the Midlands and London continued to be the most optimistic about increasing numbers, at 26% and 27% respectively, compared to the UK average of 22%. By size of company, just 19% of the UK's largest enterprises (250+ employees) said that they would add to headcount, compared to 26% of medium companies.



## SKILLS SHORTAGES AND QUALITY OF HIRES

In which job functions do you expect to find a shortage of appropriate candidates for permanent roles this year?

Half of UK employers (49%) expected an insufficient availability of candidates to fill permanent vacancies in at least one job function. Notably, an anticipated shortage of those with construction skills returned to the fore this quarter, followed by Engineering & Technical and Health & Social Care. The same three groups were cited last month.

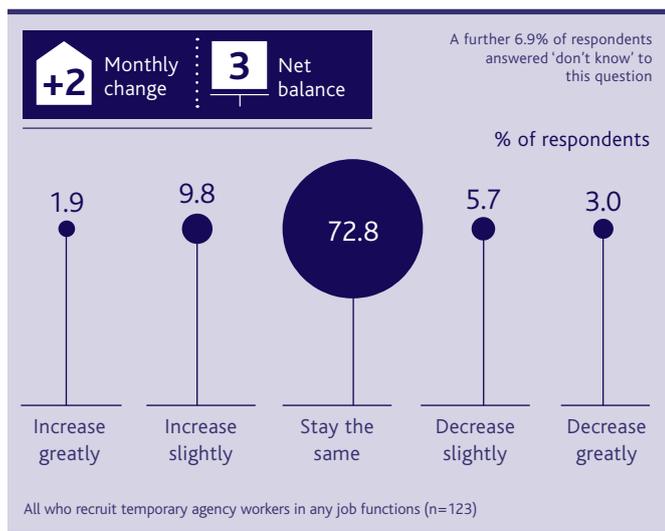


# Temporary Recruitment

## SHORT-TERM OUTLOOK

In the next 3 months, do you think the number of temporary agency workers in your organisation will increase or decrease?

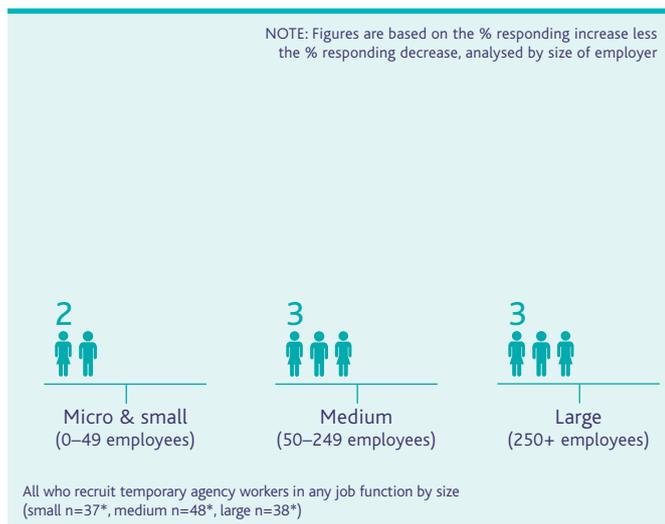
84% of UK hirers said they would be holding or increasing agency worker numbers in the short-term when surveyed in January–March. There were significant regional variations: 94% of employers in the North planned this, whilst the figure was just 71% in London. Additionally, 17% of London employers planned decreases (compared to the UK average of 9%).



## OUTLOOK BY EMPLOYER SIZE

### Net balance of short-term expectations by employer size – temporary agency staffing

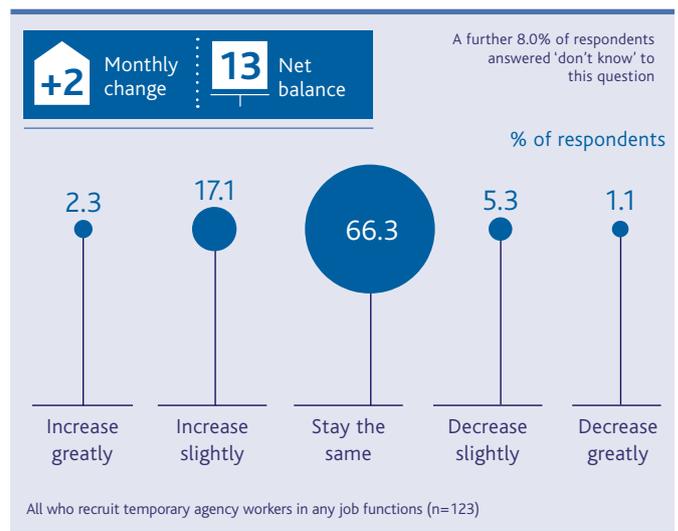
The net balance of short-term agency hiring intentions was positive across all sized employers in January–March. When considering small/micro (1–49 employees) and mid-sized (50–249 employee) organisations, this was a welcome return from the negative territory (-2%) that both recorded in the previous rolling quarter.



## MEDIUM-TERM OUTLOOK

In the next 4–12 months, do you think the number of temporary agency workers in your organisation will increase or decrease?

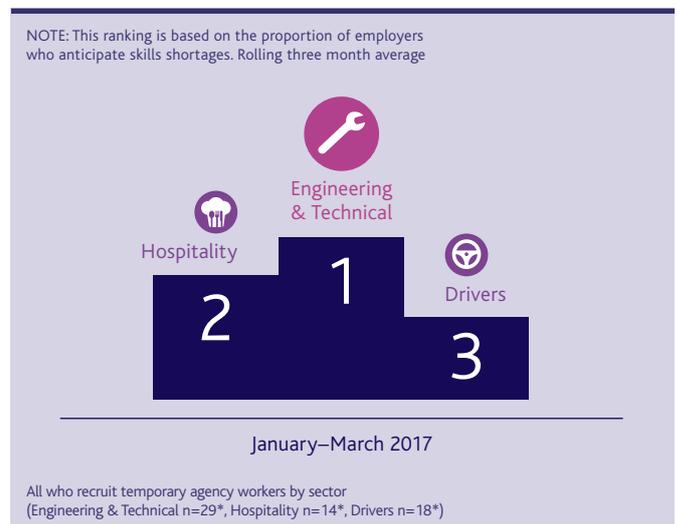
In the medium-term, 13% more UK employers planned to add to agency worker numbers rather than reduce them. For employers in the South (excluding London), the net balance was significantly higher at 31%. In London, 2% more hirers planned to reduce numbers than increase them over the next 4–12 months. Employers across the UK seem to be more decisive at the start of the new financial year, with those responding 'don't know' falling 6 points since the last rolling quarter.



## SKILLS SHORTAGES AND QUALITY OF HIRES

In which job functions do you expect to find a shortage of appropriate candidates for temporary agency worker roles this year?

Three in ten (31%) employers anticipated a shortfall in the number of temporary agency workers available to fill roles in at least one job function when surveyed in January–March. Most acute was the forecast shortage of engineering & technical workers, followed by hospitality workers and drivers.

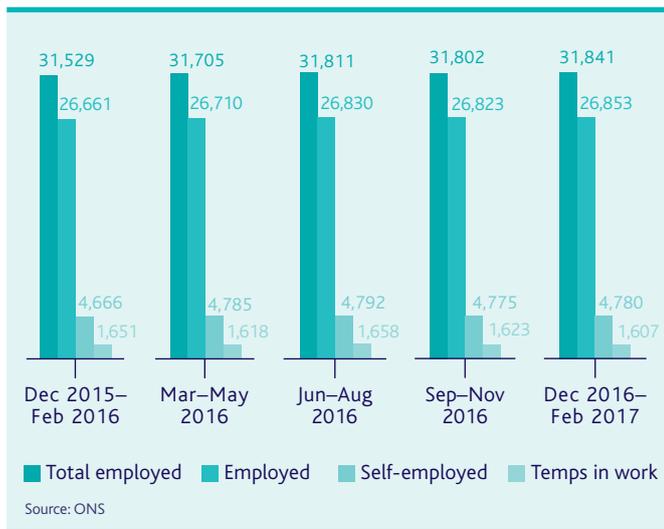


# LabourMarketDashboard

## TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

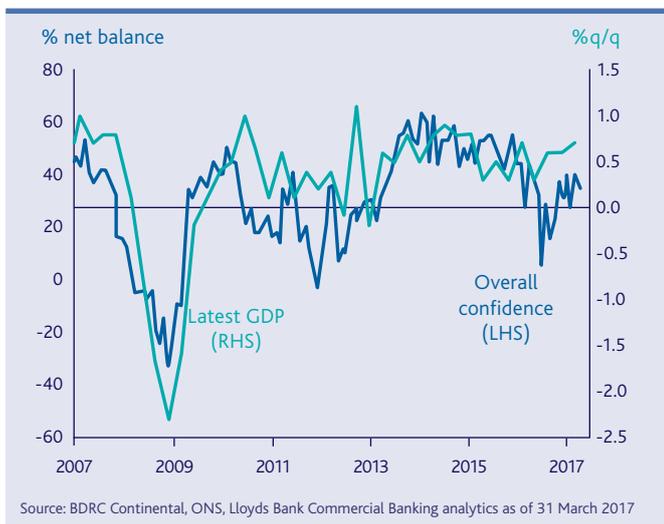
The total UK workforce grew by 39,000 in December 2016–February 2017 when compared to the previous rolling quarter. This was underpinned by 146,000 more people working full-time and 107,000 fewer being engaged on a part-time basis. Similarly, the 312,000 year-on-year increase in the UK workforce was driven by 327,000 more people working full-time and 15,000 fewer part timers. Self-employment increased by just 5,000 quarter-on-quarter, but was 114,000 higher than the same period last year.

Total employment, employed and self-employed



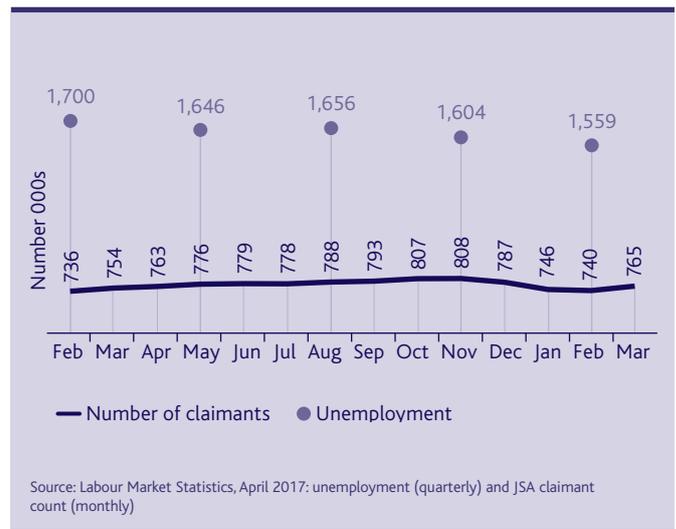
## LLOYDS BUSINESS BAROMETER

Lloyds' measure of business confidence fell in March to 35%, from 40% in February, but remained above the long-term average of 32%. As to the underpinning drivers, the net balance of companies citing an improvement in their own business prospects for the coming year improved – up 3 points to 49%. Perceptions on the prospects for the wider economy, however, were significantly less positive than the previous month, falling 14 points to 20%.



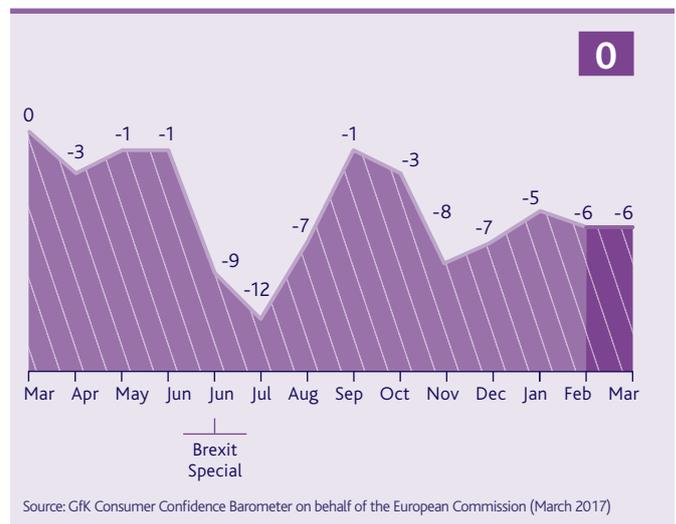
## UNEMPLOYMENT AND CLAIMANT NUMBERS

Unemployment fell by 45,000 in December 2016–February 2017, when compared to the previous rolling quarter, and 141,000 year-on-year. There were 12,000 more people who had been out of work for between 6-12 months this quarter but fewer people unemployed for up to 6 months (-39,000) and over a year (-18,000). Only three EU countries registered lower rates than the UK (4.7%) in January: Czech Republic (3.4%), Germany (3.8%) and Malta (4.4%). The Claimant Count rose slightly in March, by 25,500.



## CONSUMER CONFIDENCE INDEX

The Index remained stable, but in negative territory, at -6 in March. Historical indicators and future forecasts relating to personal finances (previous year, next 12 months, the major purchase index and savings index) all remained in positive territory, albeit all measures were down on the same period last year. In contrast, the measure of confidence in the UK economy's past year performance and prospects for the next 12 months were -21 and -20, respectively.



# EmployerDashboard

## WORKFORCE CAPACITY

How much capacity is there in your organisation to take on more work without creating more jobs?

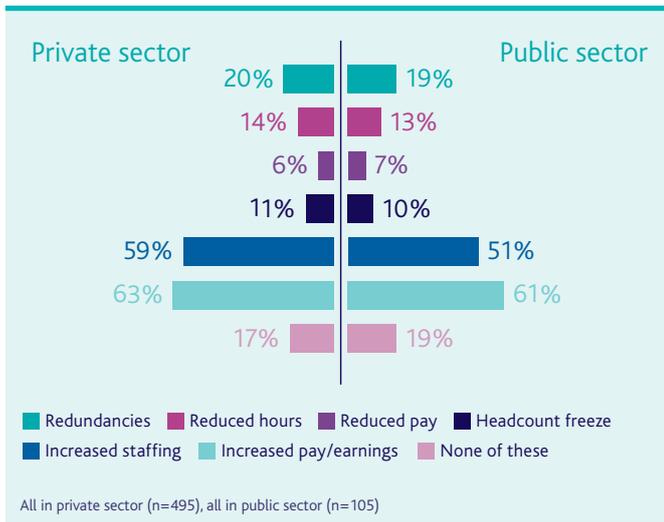
Eight in ten (80%) UK hirers surveyed across the quarter highlighted that they either had absolutely no spare capacity within their organisation or may have to take on more staff if demand grew this year. Of note, the figure was 86% in March – significantly higher than January (76%) and February (77%). More employers in the North cited having a fair or considerable capacity: 29% compared to the 20% UK average.



## WORKFORCE PLANNING BY SECTOR

The public and private sectors took similar actions when planning their workforce. The only key differential lies in the ability to increase staffing levels. The proportion of public sector organisations that had increased their numbers reduced by a notable 8 points this quarter, to 51%. There was also a 2-point downward movement in the proportion of public sector entities that had increased pay/earnings.

3 month rolling average to March 2017



## WORKFORCE PLANNING

What changes have you made to your workforce in the past year?

A large proportion of UK employers had increased pay/earnings (63%) or increased staffing levels (58%) in the year to January–March. However, one in five (20%) had made redundancies. Making redundancies varies significantly by size of organisation, at 12% for small/micro organisations (0–49 employees) and 32% for large organisations (250+ employees).

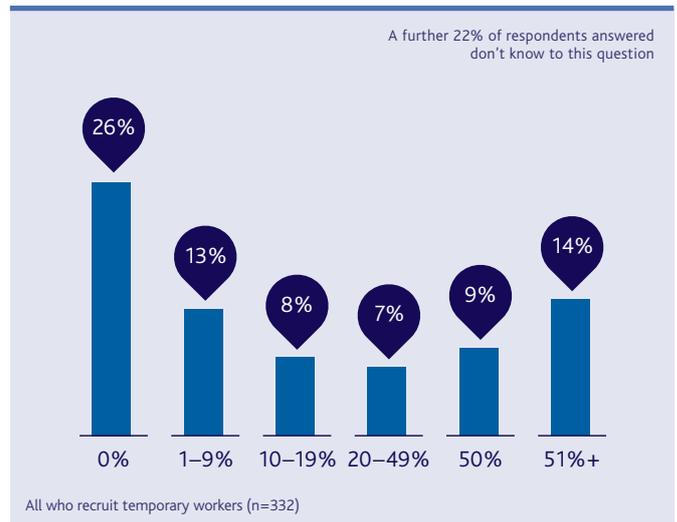
Workforce changes made in the last year  
3 month rolling average to March 2017



## TEMPORARY TO PERMANENT

What percentage of the temporary workers you use go on to become permanent members of staff each year?

Over half of UK employers (52%) transfer at least 1% of their temporary workers to a permanent post. One third of public sector organisations (33%) transfer half or more than half of temporary workers to permanent positions, compared to 22% of their private sector counterparts.

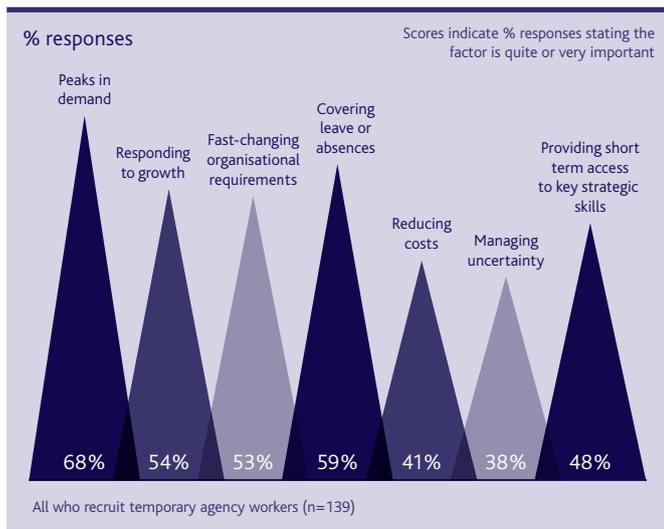


# AgencyDashboard

## IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

How important would you say that temporary agency workers are for your organisation in terms of the following?

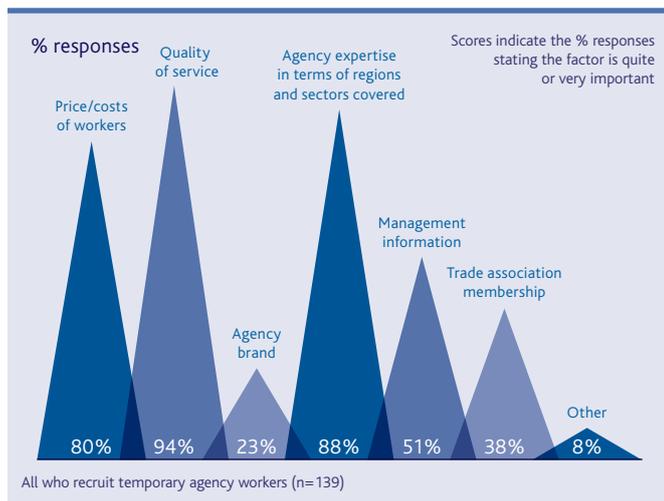
Two thirds (68%) of employers stated temporary agency workers are important to meet peaks in demand. Six in ten (59%) employers highlighted the importance of agency workers in covering staff leave/absences. Half (48%) of employers stated the importance of temporary agency workers in relation to providing short-term access to key strategic skills.



## CRITERIA USED BY EMPLOYERS TO SELECT AGENCIES

How important or otherwise are each of the following factors to you when it comes to choosing and using a recruitment agency to source temporary agency workers?

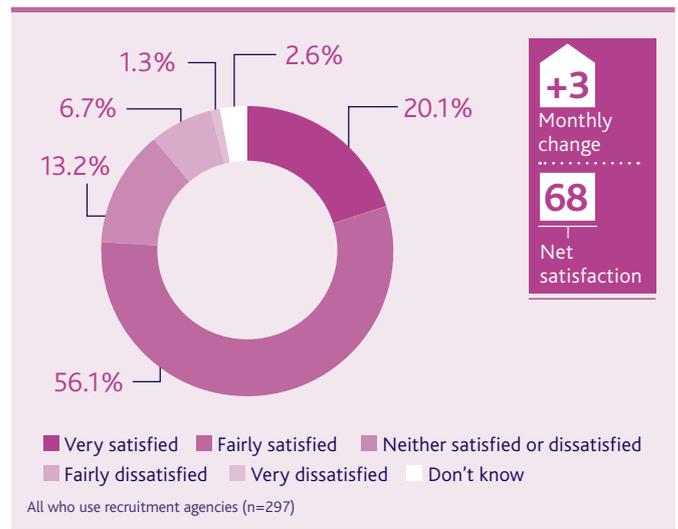
Quality of service and the geographical and/or sector expertise of an agency continue to be the top two determining criteria for employers when selecting an agency, highlighted by 94% and 88% respectively.



## EMPLOYER SATISFACTION WITH AGENCIES USED IN LAST 2 YEARS

How satisfied are you overall with the recruitment agencies you have used in the last 2 years?

Three quarters (76%) of organisations expressed satisfaction with the recruitment agencies they had used in the last two years. Amongst the 20% who were very satisfied, there was almost twice the proportion of micro/small enterprises (0-49 employees) than large organisations (250+ employees) stating this – 26% and 14% respectively.

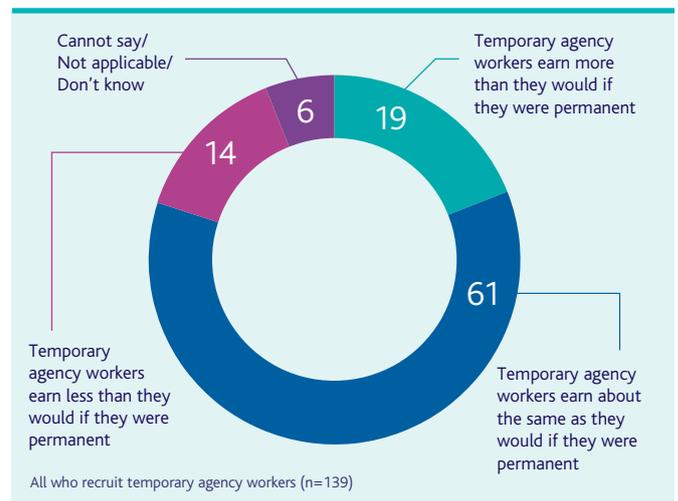


## AGENCY WORKER PAY RATES

In terms of temporary agency workers' pay rates, would you say that:

Six in ten UK employers (61%) say that temporary agency workers earn the same pay rates as their permanent counterparts and one in five (19%) say they earn higher pay. However, in the public sector, 35% say temporary agency workers earn the same pay rates whilst 34% say they earn more. Similarly, in London only 29% say pay rates are the same, whilst 34% say they are higher.

3 month rolling average to March 2017



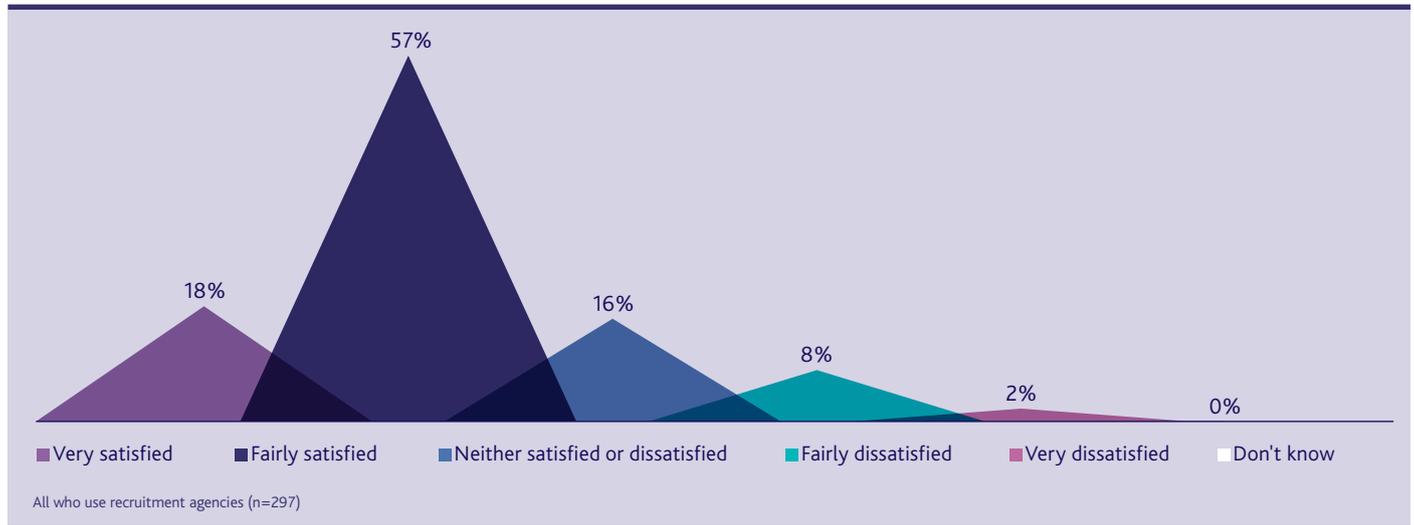
# AgencyDashboard

## SATISFACTION WITH CANDIDATES

How satisfied or dissatisfied are you with the quality of candidates presented to you by your recruitment agencies?

The proportion of UK employers expressing satisfaction with the quality of agency candidates increased by a further 4 points this

quarter, to 75%. Whilst 18% of all UK employers were very satisfied, 28% of London employers expressed this sentiment.



## RECRUITMENT CHANNELS USED

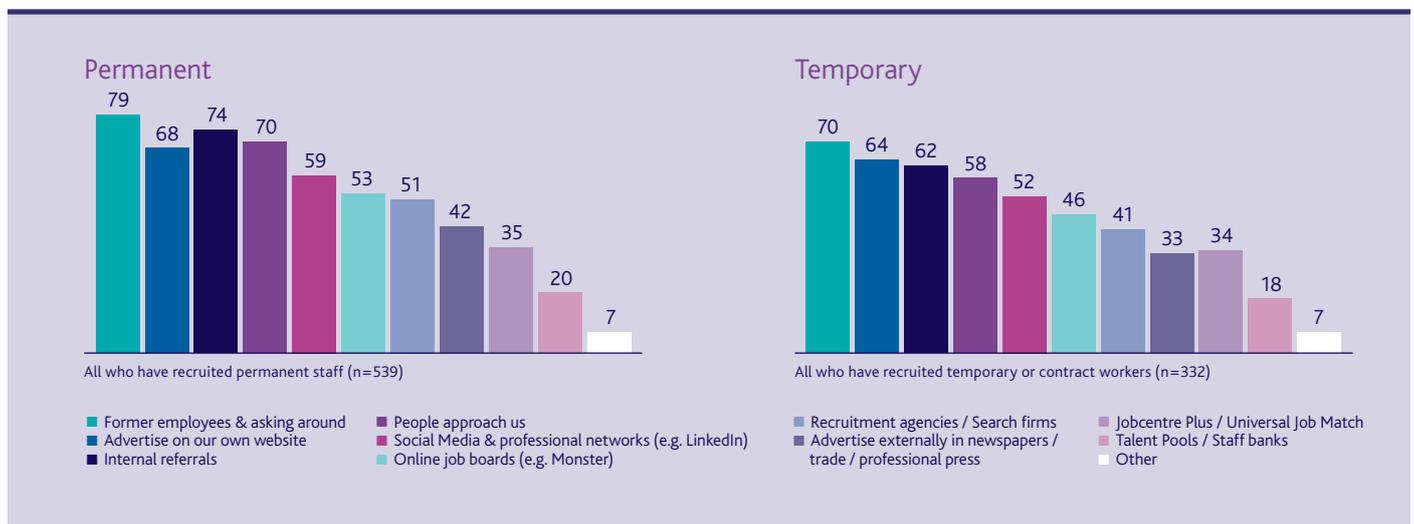
In which of the following ways, if any, does your organisation recruit permanent members of staff and temporary or contract workers?

Around two thirds of employers advertised job opportunities on their own websites in January to March: 68% with their permanent vacancies and 64% with temporary roles. This was the only sourcing channel where the proportion of respondents using this route rose slightly this quarter for both permanent and temporary hiring.

Conversely, there was a slight decline in the proportion of respondents saying that they used external advertising in newspapers and trade press – a largely paid-for sourcing route. This was used by

just one third of respondents for advertising temporary posts and just over four in ten (42%) employers looking to make permanent hires – both down 3 points on the previous rolling quarter.

Another paid-for channel that witnessed a slight decline this quarter was online job-boards. Their use for permanent resourcing was cited by 53% of hirers seeking such workers – down 2 points – whilst 46% of those who engage temporary workers sought to attract candidates via this route (down 3 points).



Recruitment channels used for staffing as of March 2017

# SectorProspects

The Sector Prospects page provides relevant information specific to occupational groups. Follow these graphs each month to watch them grow and find out how demand within your occupational group is evolving.

The charts show the net figure for predicted change in numbers over time: the difference between the proportion predicting an increase and the proportion predicting a decrease in numbers in that job function over the next three months. The figures in the arrows show the change in this net figure from the previous rolling quarter.

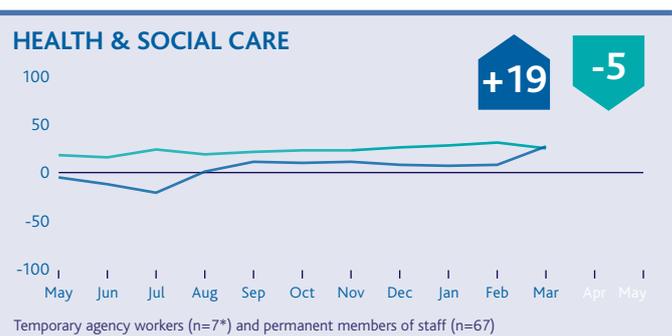
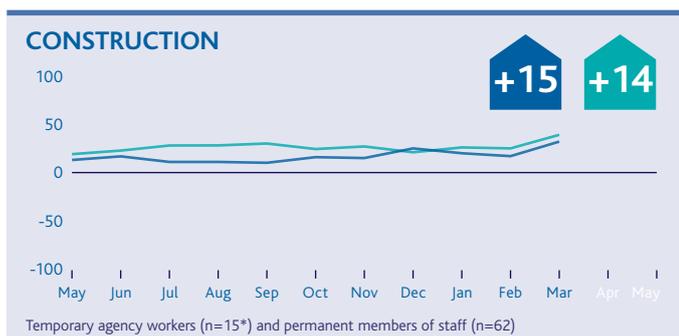
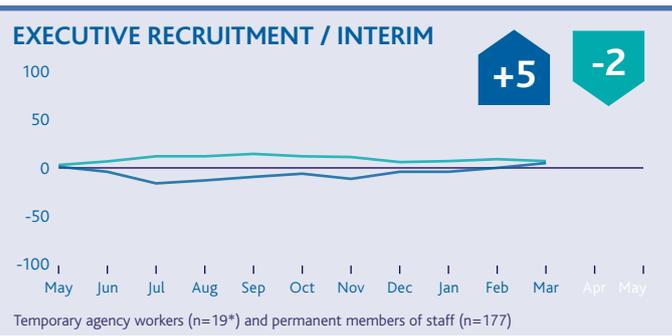
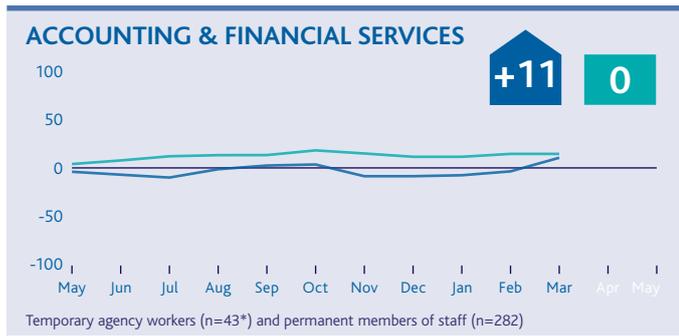
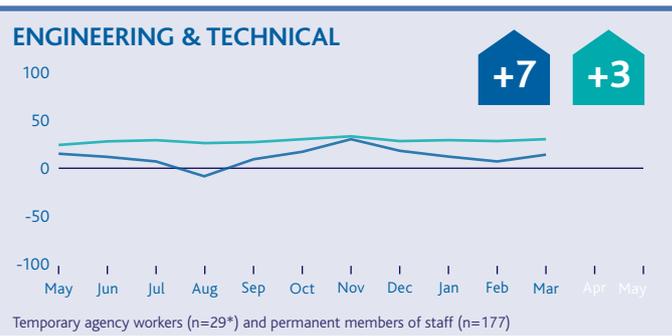
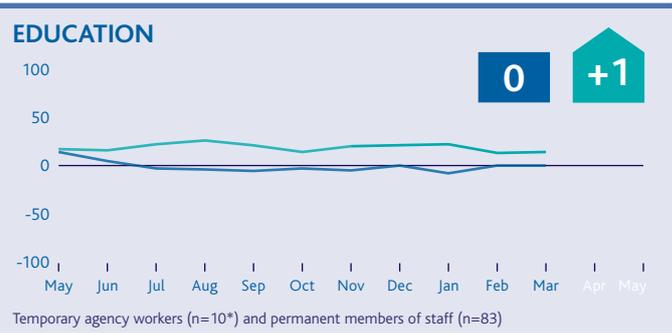
## WHICH JOB FUNCTIONS IN YOUR ORGANISATION, IF ANY, DO YOU THINK WILL SEE AN INCREASE OR DECREASE OF PERMANENT MEMBERS OF STAFF AND TEMPORARY AGENCY WORKERS IN THE NEXT 3 MONTHS?

The anticipated need for construction skills – on both a permanent and temporary agency basis – intensified this quarter, with the net balance of demand increasing by 14 and 15 percentage points, respectively.

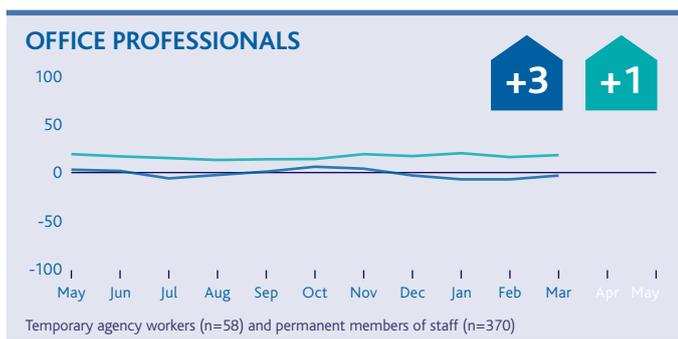
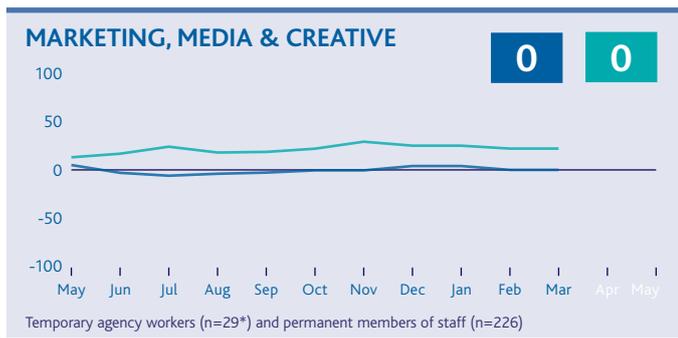
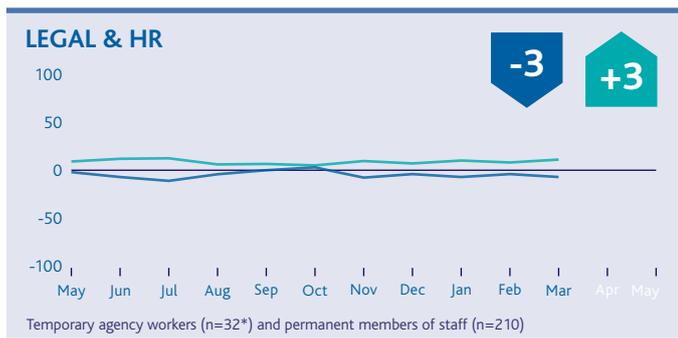
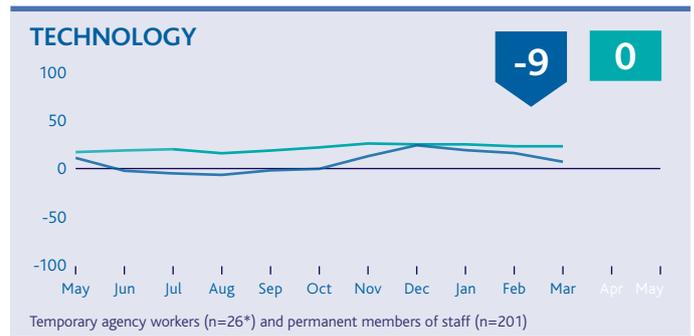
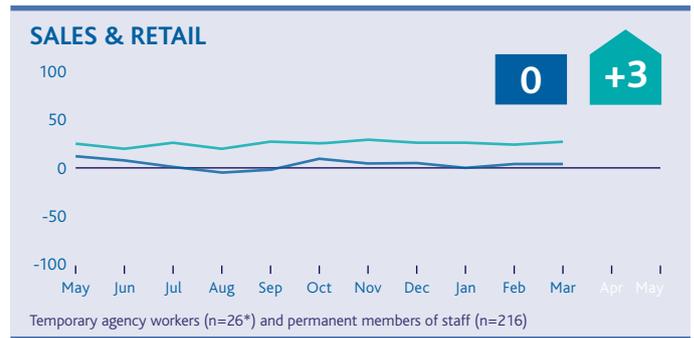
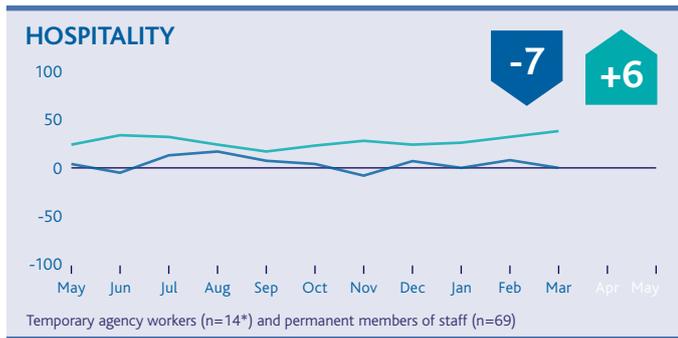
With non-UK workers comprising a significant proportion of the workforce, the uncertainty over future immigration rules and recent currency devaluation will be adding to the challenges of both recruitment and retention of the permanent workforce.

■ Temporary  
■ Permanent

The charts show the month on month increase/decrease in sector prospects using the most recent three months rolling average values, against a zero base.

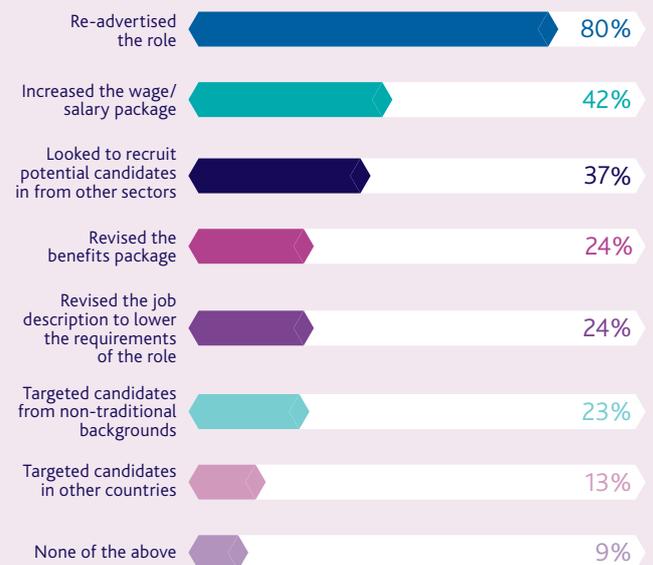


# SectorProspects



## When experiencing difficulties in recruiting, which of the following steps, if any, have you taken to attract candidates?

For employers who have experienced difficulties recruiting qualified candidates over the last 12 months (40% of all hirers), the most common action is re-advertising the role (80%). However, a large proportion of employers look at the wage and benefits they offer, with 42% increasing the wage/salary package and 24% revising their benefits package. Widening the candidate pool is another option for employers, with over a third (37%) looking to other sectors and a quarter (23%) looking to target candidates from non-traditional backgrounds.



All who have experienced difficulties in recruiting candidates (n=82)

# REC-IHS Markit Predictive model

## UK UNEMPLOYMENT RATE EXPECTED TO STAY AT 4.7%

### The REC and IHS Markit have developed a model to 'nowcast' the UK's headline unemployment rate.

The nowcast model forecasts a decline in the Labour Force Survey measure of UK unemployment of 38 thousand in the three months to March. This would leave the unemployment rate unchanged at 4.7%. The Office for National Statistics (ONS) are scheduled to publish this data on 17 May 2017.

The model signals a seventh consecutive fall in unemployment, with a decline of 45 thousand reported by the ONS in the three months to February. As shown in the chart, the model has generally provided reliable signals in official unemployment data.

### Methodology

The model draws on a range of official, survey and internet search data, which are available on a more timely basis than our target variable. This includes:

- REC's JobsOutlook survey data on employers' expectations for short-term staffing requirements
- KPMG/REC Report on Jobs survey measures of permanent placements and temporary billings

- IHS Markit PMI data, in the form of the composite employment and output indices covering the manufacturing, services and construction sectors
- IHS Markit's Household Finance Index measures of workplace activity and job security
- The European Commission consumer survey measure of unemployment expectations
- Google internet search patterns for terms which we believe give useful signals on the health of the labour market
- ONS measures of claimant count joblessness and vacancies

We have created a single-variable model that provides an overview of underlying conditions in the labour market. We used principal component analysis to extract common factors from our dataset, which we could then weight to create what we call our "Labour Market Tracker". To produce our nowcasts, we combine the Labour Market Tracker with a weighted average of single-variable models to guide our prediction for the three-month change in unemployment.

CHART 1: TRACKER MODEL HISTORY



CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



Data sources: IHS Markit, REC, KPMG, ONS, European Commission, Google.

