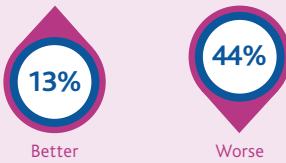


## Reliance on agency workers increases as confidence slides further

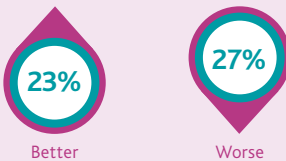
CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

### Confidence

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

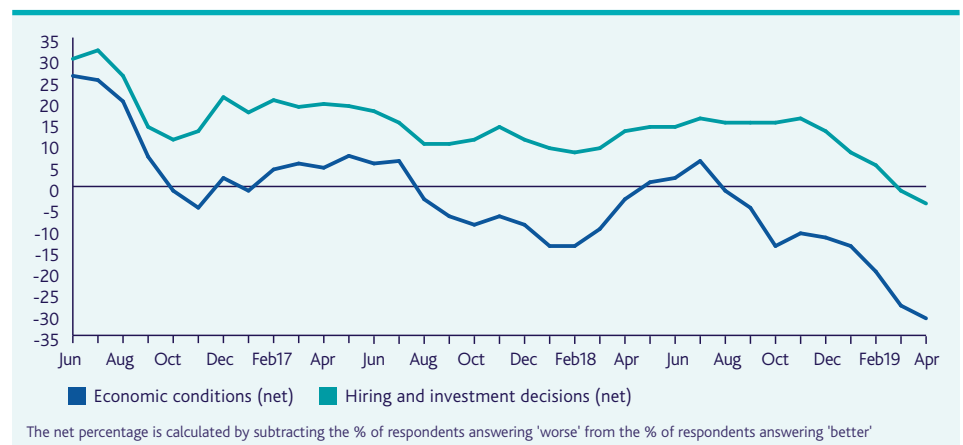


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...

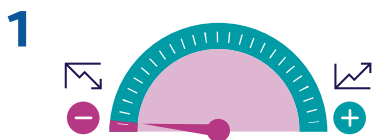


All involved in hiring (n=600)

The net balance of employers' confidence in the prospects for the UK economy fell by 3 percentage points this month to net: -31. Confidence in making hiring/investment decisions also slipped 3 percentage points further into negative territory, to net: -4. These were the lowest levels since REC records began in June 2016.

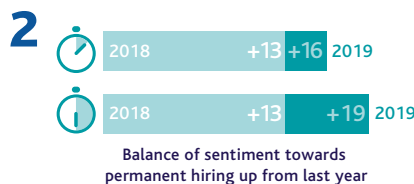


### Key Points from January–March Survey



Employer confidence again at new record low

At net: -31 and net: -4, employers' confidence in the UK economy and in making hiring/investment decisions were at their lowest levels since the REC's records began in June 2016.



More employers planned to increase than reduce their permanent headcount in the short-term (net: +16) – up by 3 percentage points year-on-year. In the medium-term, the balance of sentiment was net: +19.



The short-term balance of sentiment for hiring temporary agency workers rose by 10 percentage points rolling quarter-on-quarter to net: +3. Sentiment in the medium-term improved by 9 points to net: +1.



Employers with no surplus work capacity

Four in five (80%) employers continued to indicate that they either had no surplus workforce capacity (39%) or such a small amount that they may need to increase headcount if demand increased (42%).



Almost half (46%) of UK employers expressed concern this quarter over the sufficient availability of candidates for permanent hire – up 5 percentage points from 41% in the same period last year.



34% of employers of temporary agency workers expressed concern about their sufficient availability. They were most likely to expect shortages of Construction, Driving and Engineering & Technical workers.

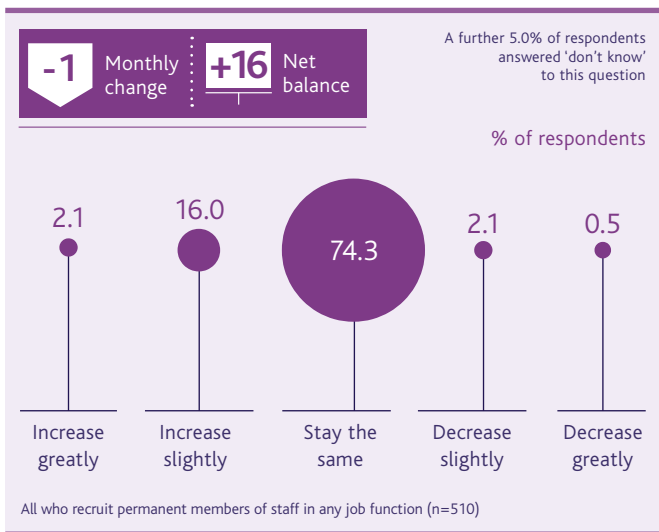
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (\*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by 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?

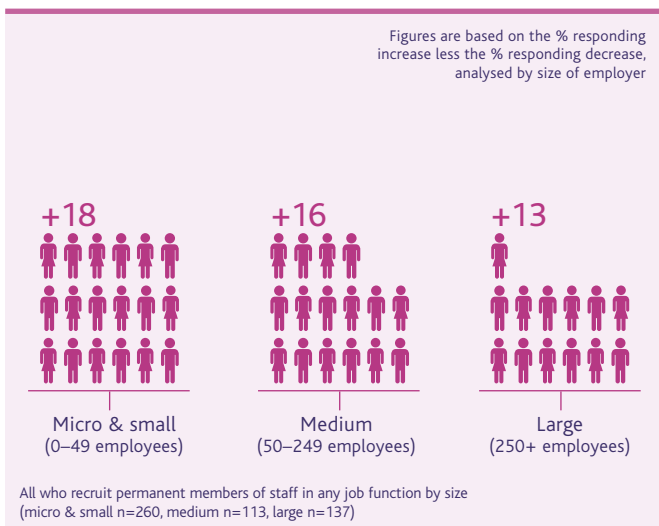
More employers planned to increase than decrease their permanent headcount in the short-term (net: +16), when surveyed in January–March 2019 – up 3 percentage points on the sentiment recorded a year earlier. There was heightened forecast demand amongst all sized employers in the North (net: +20) and in the UK's smallest (0–49 employee) enterprises (net: +18). The balance of forecast demand within the public sector was lower than average at net: +10.



## OUTLOOK BY EMPLOYER SIZE

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

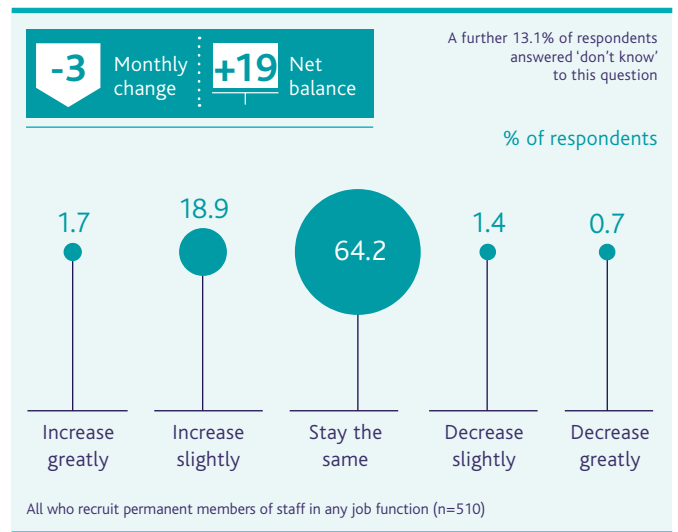
The balance of forecast short-term demand for permanent hiring remained relatively stable in all sized employer cohorts rolling quarter-on-quarter. When looking at the year-on-year comparison, however, the most significant shift in demand emerged within the smallest (0–49 employee) enterprises, increasing from net: +11 to net: +18. In contrast, the balance of sentiment within large (250+ employee) organisations fell from net: +15 to net: +13.



## MEDIUM-TERM OUTLOOK

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

The balance of forecast demand for permanent staff in the medium-term fell by 3 percentage points rolling quarter-on-quarter to net: +19, but remained 6 percentage points higher than a year earlier. Anticipated demand was higher in the South, excluding London (net: +25 versus net: +10 last year), but lower in the North (net: +16 versus net: +10) and the Midlands (net: +16 – the same as last year).



## 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?

Almost half (46%) of UK employers expressed concern this quarter over the sufficient availability of appropriate candidates for permanent hire – up from 41% in the same period last year. Concern was notably heightened (67%) in the public sector, likely fueled by continuing concern over the availability of workers for the Health and Social Care system.

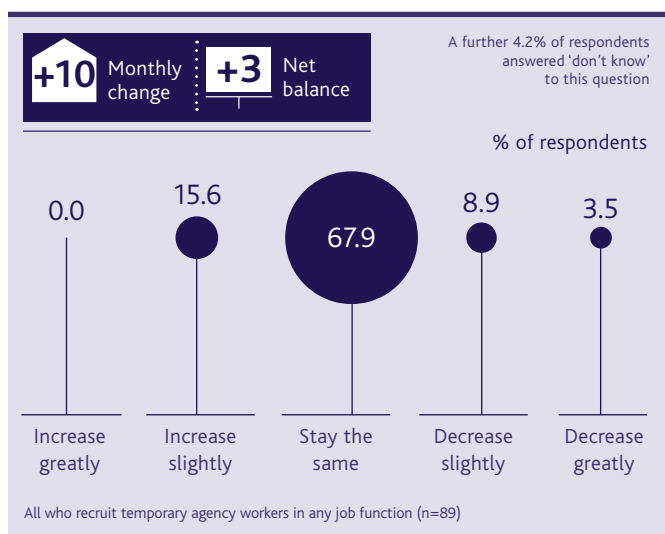


# Temporary Recruitment

## SHORT-TERM OUTLOOK

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

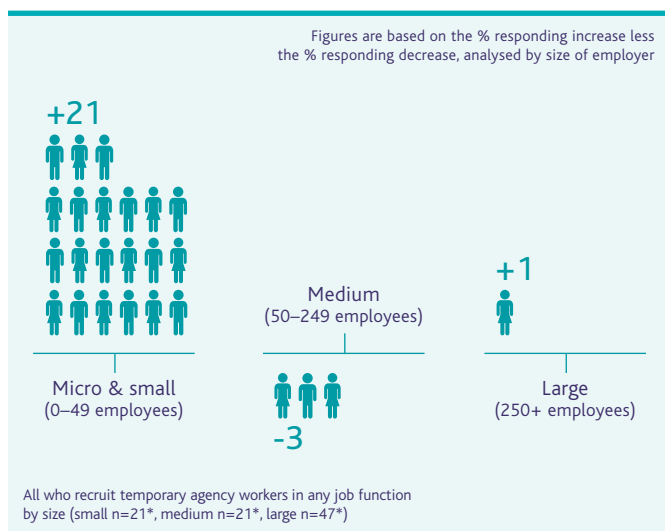
There was a 10-percentage point improvement (to net: +3) in the balance of sentiment towards short-term forecast demand for temporary agency workers, rolling quarter-on-quarter. This remained 3 percentage points lower than in the same period last year, however. The balance of sentiment was much more positive among private sector hirers of temporary agency workers than in the public sector (net: +12 versus net: -10).



## OUTLOOK BY EMPLOYER SIZE

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

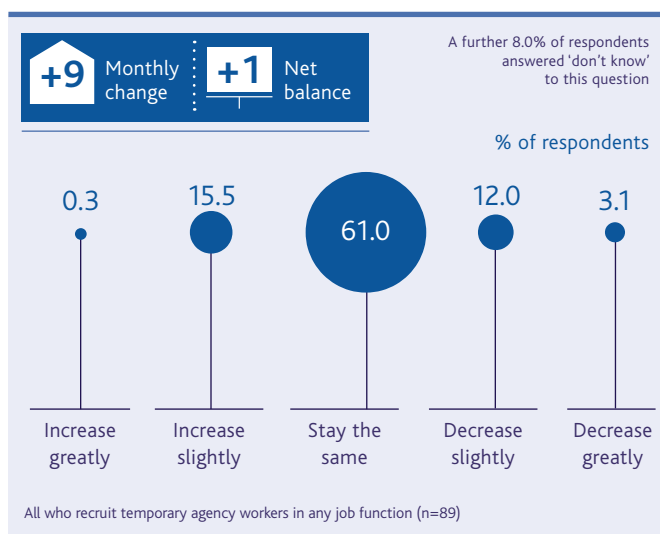
In terms of what drove the noteworthy 10-percentage point uplift in anticipated short-term agency worker hiring this quarter, sentiment amongst the UK's largest (250+ employee) organisations moved from net: -12 to net: +1, rolling quarter-on-quarter. This remained 3 percentage points lower than in the same period last year. In contrast, at net: +21, the balance of sentiment amongst the smallest (0-49 employee) organisations rose by 5 percentage points quarter-on-quarter and by 7 percentage points year-on-year.



## 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?

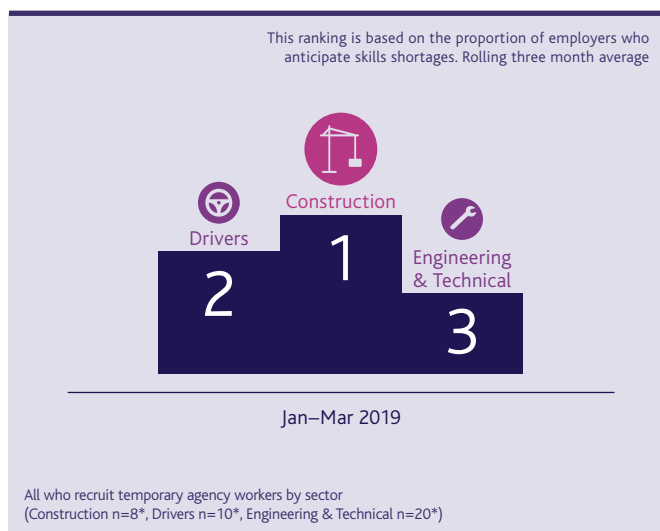
Whilst a 9-percentage point uplift took the balance of forecast medium-term demand for temporary agency workers back into positive territory this quarter (net: +1), it remained 8 percentage points lower than in the same period last year (net: +9). However, there was a marked contrast between the balance of sentiment in the public (net: -18) and private sectors (net: +14).



## 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?

At 34%, the proportion of employers of temporary agency workers expressing concern over their sufficient future availability was notably lower this quarter than recorded last year (47%) – driven by a year-on-year fall (from 48% to 34%) in the proportion of private sector hirers expressing this sentiment. Access to agency workers with manual and technical skills continued to pique employers' worries.

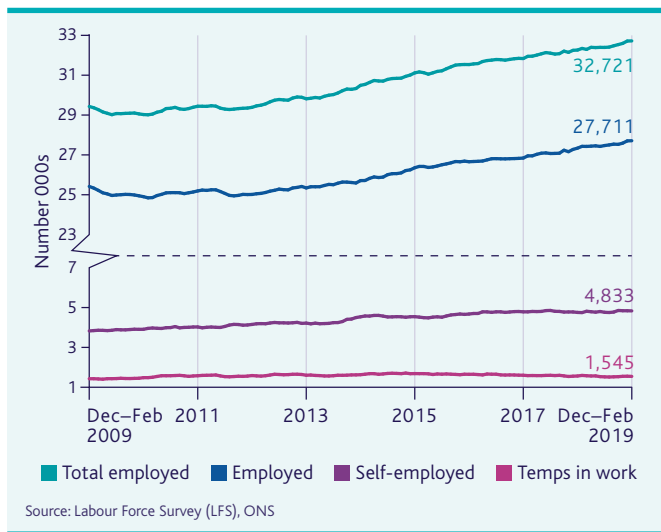


# LabourMarketDashboard

## TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

The UK workforce (all in employment) grew by 0.5% in December 2018–February 2019, compared to the previous quarter. At 32,721,000, it was 179,000 larger than the previous quarter (September–November 2018) and was 457,000 (1.4%) larger than the same period a year earlier. All of this quarter's increase was driven by permanent (93% of the increase) or temporary employment (7%). Underpinning the year-on-year increase in the UK workforce there was a 76,000 (1.6%) increase in self-employed and a 14,000 (0.9%) fall in the number of temporary employees.

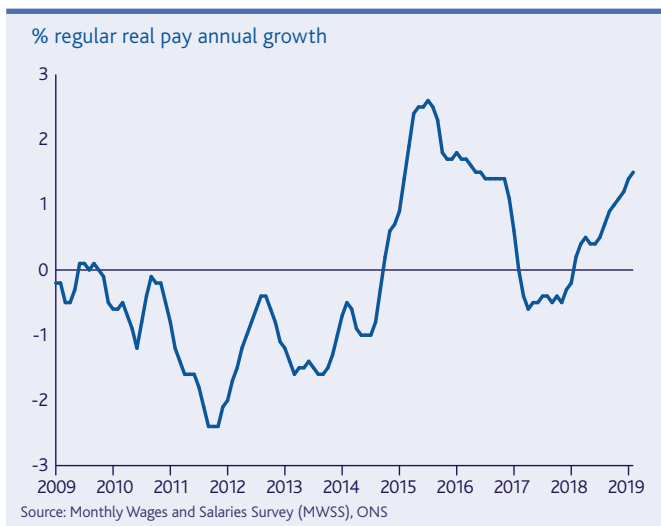
### Total employment, employed and self-employed



## REAL WAGE GROWTH

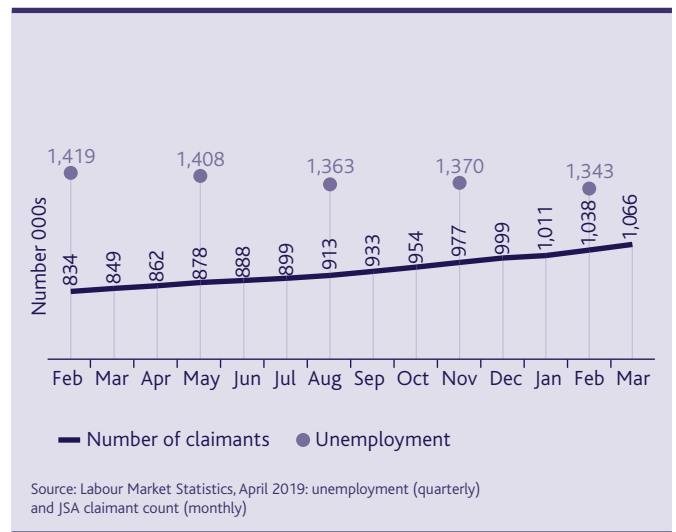
Regular Pay growth (in nominal terms) for employees, for the period between December 2017–February 2018 and December 2018–February 2019, was +3.4%. When considering the change in real-terms (i.e. adjusted for CPI inflation) however, Regular Pay increased by 1.5%.

For February 2019, average regular pay, before tax and other deductions, for employees in Great Britain was estimated at £497 per week in nominal terms – up by £15 on the estimate a year earlier. In real terms, however (at constant 2015 prices), the figure was £465 per week. This was £6 higher than the estimate for a year earlier but £8 lower than the pre-recession peak of £473 per week recorded for March 2008.



## UNEMPLOYMENT AND CLAIMANT NUMBERS

The unemployment rate was 3.9% in December 2018–February 2019 – lower than the 4.0% registered in the previous quarter (September–November 2018) and the level of 4.2% recorded a year earlier. At 1,343,000, this represented a 27,000 (2.0%) decrease on the previous quarter and was 76,000 (5.4%) lower than the same period a year earlier. By way of international comparisons, the EU rate was 6.5% in February 2019, whilst it was recorded at 3.8% in the US in March 2019. There were a number of EU countries with lower rates than the UK, however, including the Czech Republic (1.9%), Germany (3.1%), the Netherlands (3.4%) and Poland (3.5%).

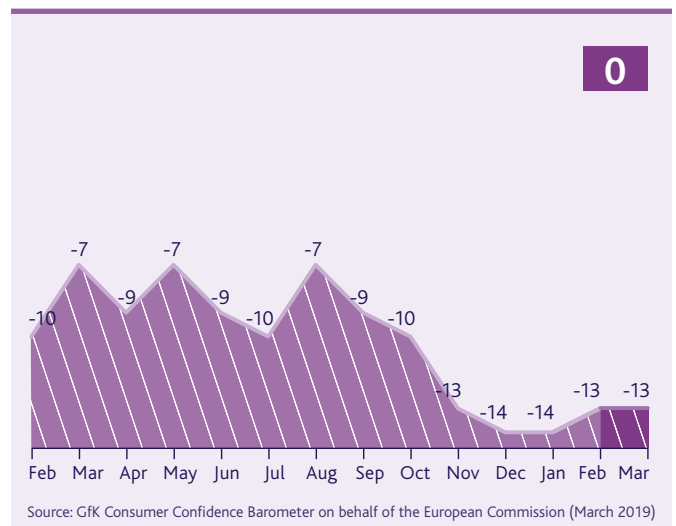


## CONSUMER CONFIDENCE INDEX

The Consumer Confidence Index remained steady in March at -13, staying firmly in negative territory.

Respondents' perspectives on the prospects for the UK economy continued to be extremely gloomy. Whilst improving by 2 points month-on-month, at -36 the balance of expectation for the general economy over the next year was 14 points lower than in March 2018.

Similarly, respondents' views on their own personal finances over the next 12 months improved by 1 point, to +2, but remained 8 points lower than in March 2018. Of concern to retailers, the Major Purchase Index fell 4 points this month to +1. In contrast, at +20, the Savings Index was up 7 points year-on-year.

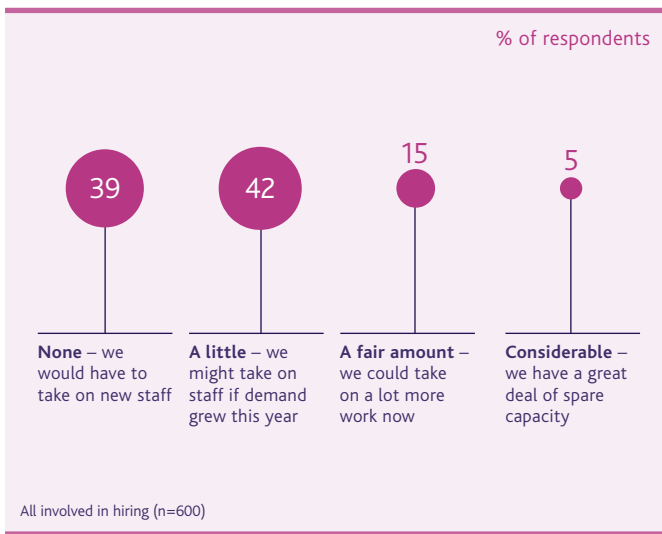


# EmployerDashboard

## WORKFORCE CAPACITY

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

This quarter, four in five (80%) UK employers continued to indicate that they had either no surplus workforce capacity (39%) or such a small amount that they may need to increase headcount if demand increased (42%) – up 3 percentage points from a year earlier (77%). The largest (250+ employee) organisations are most stretched, with 86% reporting having little or no potential surplus. Additionally, 87% of all public sector employers highlighted this issue.

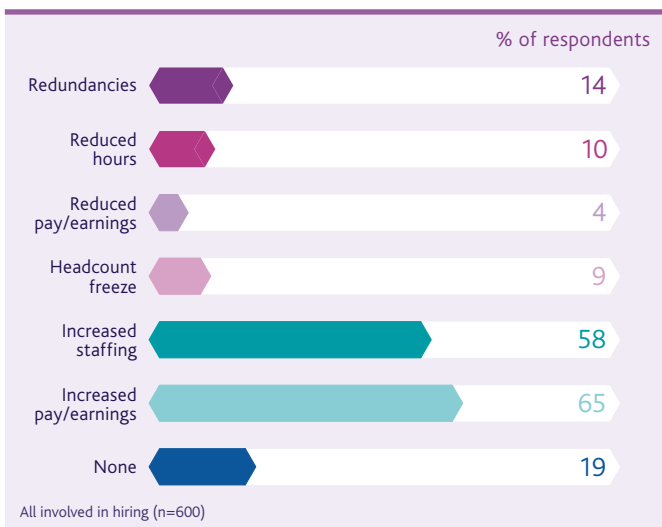


## WORKFORCE PLANNING

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

65% of employers highlighted that they had increased staff pay/earnings over the last year – up 18 percentage points compared to the year to January–March 2018 (47%). The practice was less common amongst micro/small (0–49 employee) enterprises than in mid-sized (50–249 employee) or large (250+ employee) organisations (56% versus 75% and 78% respectively).

Workforce changes made in the last year  
3 month rolling average to March 2019

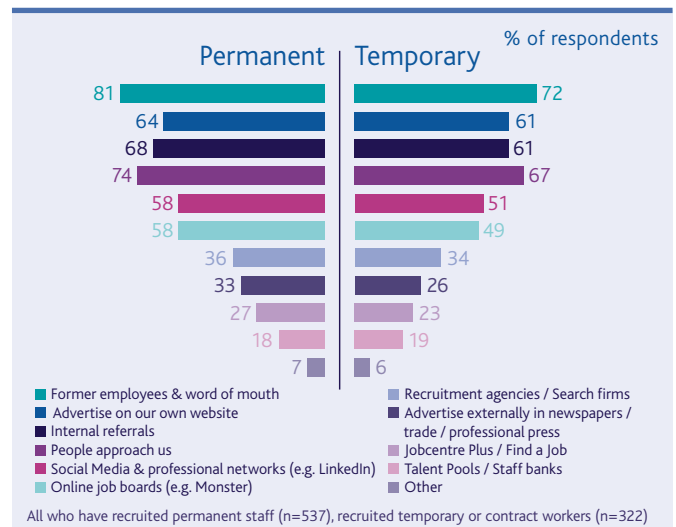


## RECRUITMENT CHANNELS USED

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

Contacting or engaging with former employees and using word of mouth to fill vacancies is a recruitment channel utilised by more than four in five (81%) employers for permanent hiring and almost three quarters (72%) for temporary worker sourcing. This was up from 74% and 67% respectively highlighting this practice when surveyed a year earlier.

Recruitment channels used for staffing as of March 2019

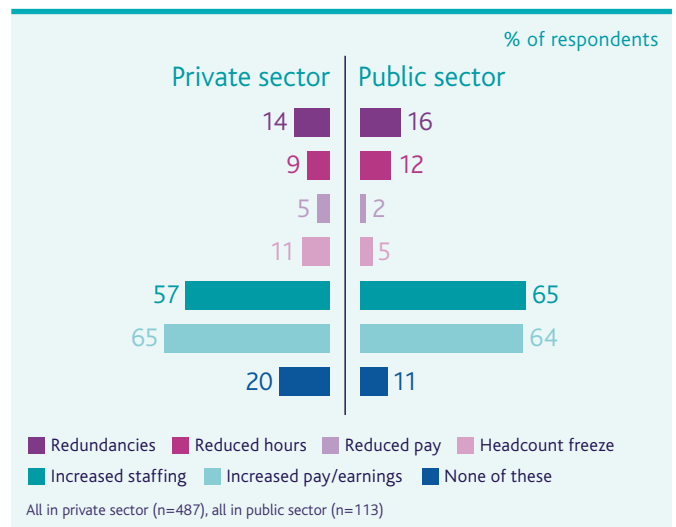


## WORKFORCE PLANNING BY SECTOR

Two thirds (65%) of public sector hirers had increased their staffing levels in the year to January–March 2019 – up 23 percentage points compared to the same period last year (42%). Amongst private sector hirers, the comparable year-on-year rise was 12 percentage points (from 45% to 57%).

Headcount freezes were initiated by 11% of private sector hirers in the year to January–March 2019 – up 2 percentage points compared to the year to January–March 2018 (9%). In contrast, just 5% of public sector employers suggested that they had frozen hiring – down 5 percentage points from 10% the previous year.

3 month rolling average to March 2019

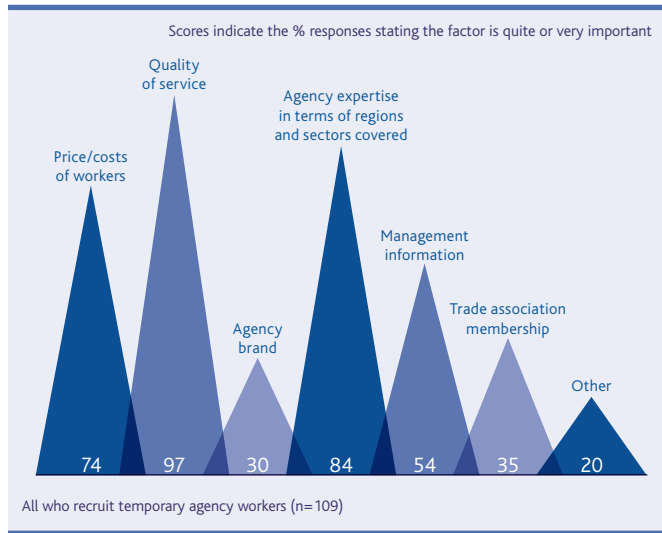


# AgencyDashboard

## 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?

84% of employers of temporary agency workers highlighted that the geographical and/or skills sourcing expertise of an agency was an important selection criterion when choosing a recruitment partner to source temporary workers, compared with 74% who highlighted the price/cost of the workers that they supplied.

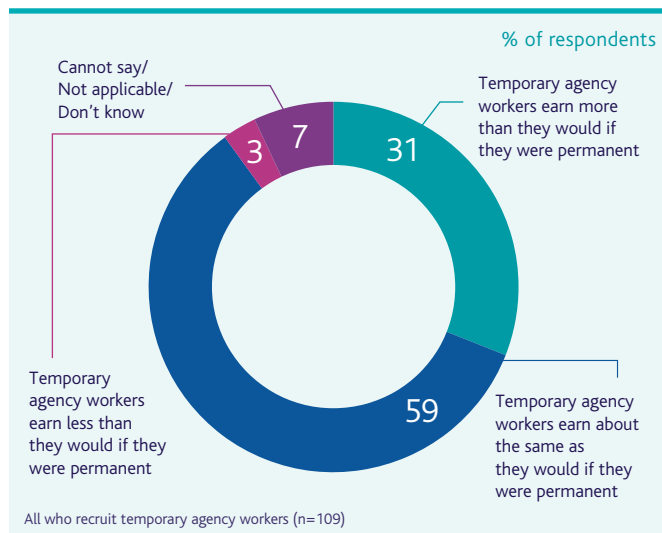


## AGENCY WORKER PAY RATES

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

Just 3% of respondents in January–March 2019 felt that agency workers earned less than their permanent equivalents. This was a notable reduction from the 17% of respondents who believed that agency pay rates were lower when surveyed a year earlier. The fall was largely driven by a change in sentiment amongst private sector hirers, where the proportion of respondents reduced from 18% to 4% year-on-year.

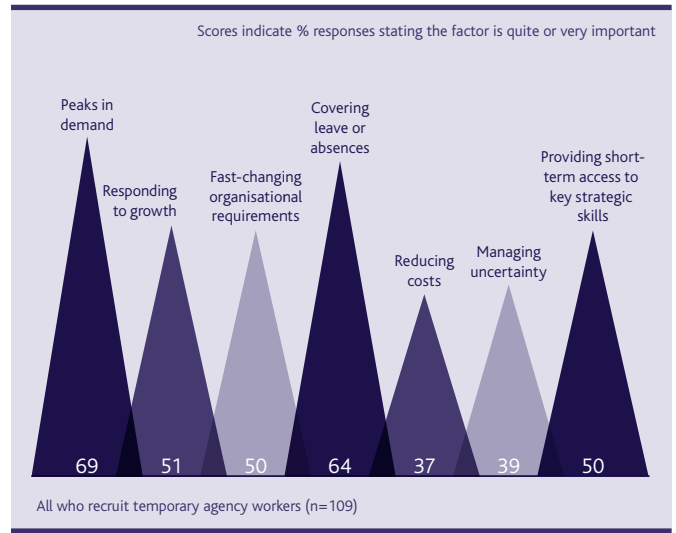
3 month rolling average to March 2019



## IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

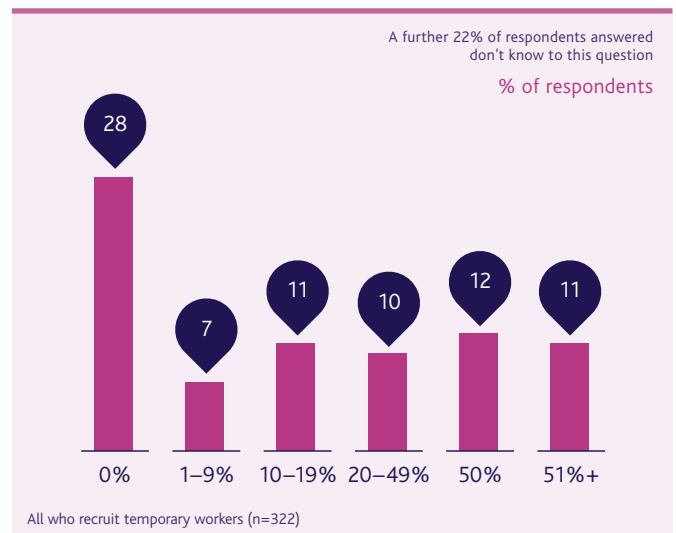
A significant proportion of hirers of temporary agency workers reported this quarter that agency workers are important for short-term access to key strategic skills (50%, up from 46% last year). However the biggest driver of agency worker hiring continues to be for meeting peaks in demand at certain times of the year – 69% of respondents highlighted this reason as important.



## TEMPORARY TO PERMANENT

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

The proportion of hirers of temporary agency workers reporting that they transfer at least 50% of their temporary workers into permanent positions almost doubled year-on-year – from 13% in January–March 2018 to 24% in the same period this year. This proportion increased across all regions of the UK, but was driven by notable rises in the North and the Midlands, from 13% to 32% and from 9% to 28% respectively.





# AgencyDashboard

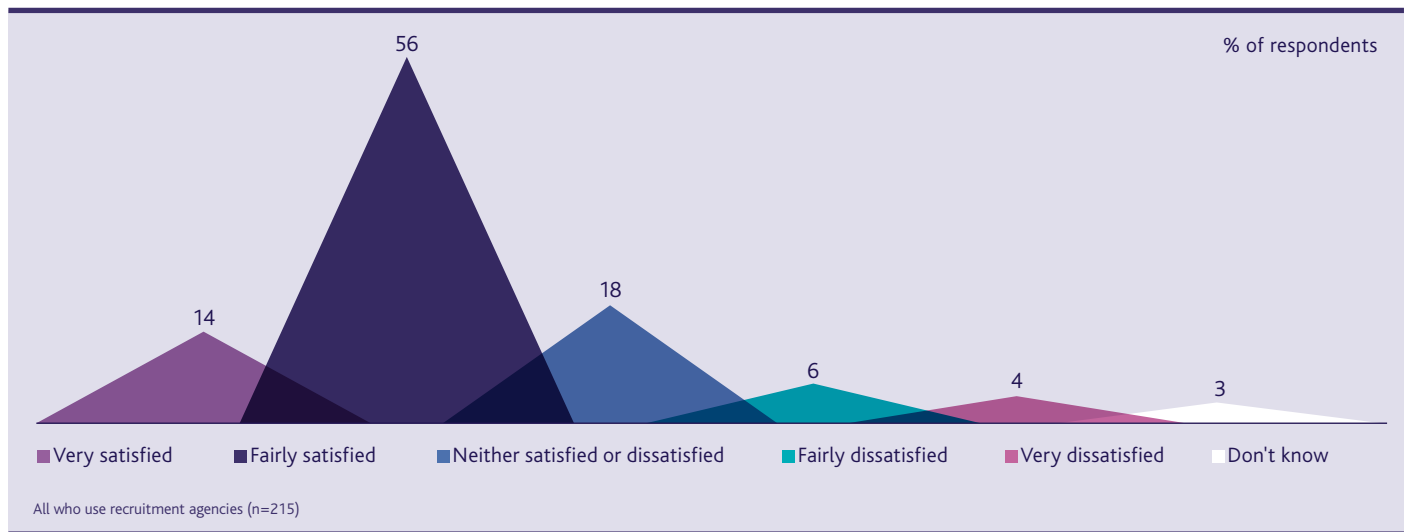
## SATISFACTION WITH CANDIDATES

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

Amid deteriorating candidate availability and persistent skills shortages, seven in ten (70%) UK employers who use recruitment agencies expressed satisfaction with the quality of candidates presented by their agency partners – down 5 percentage points from 75% in the same period last year. Employers in the South, excluding London, were the most satisfied (highlighted by 77% of respondents – up from 70% last year) whilst 58% of hirers in the Midlands suggested that they were happy with the candidates presented – down from 80% a year earlier.

Overall just 10% expressed any level of dissatisfaction, but this rose to 18% amongst employers in the Midlands. Crucially, dissatisfaction levels in this region had risen from just 4% of respondents last year.

There was also an increase in dissatisfaction levels amongst the UK's smallest (0–49 employee) organisations, where levels rose from 10% to 17% year-on-year.



## SATISFACTION WITH AGENCIES

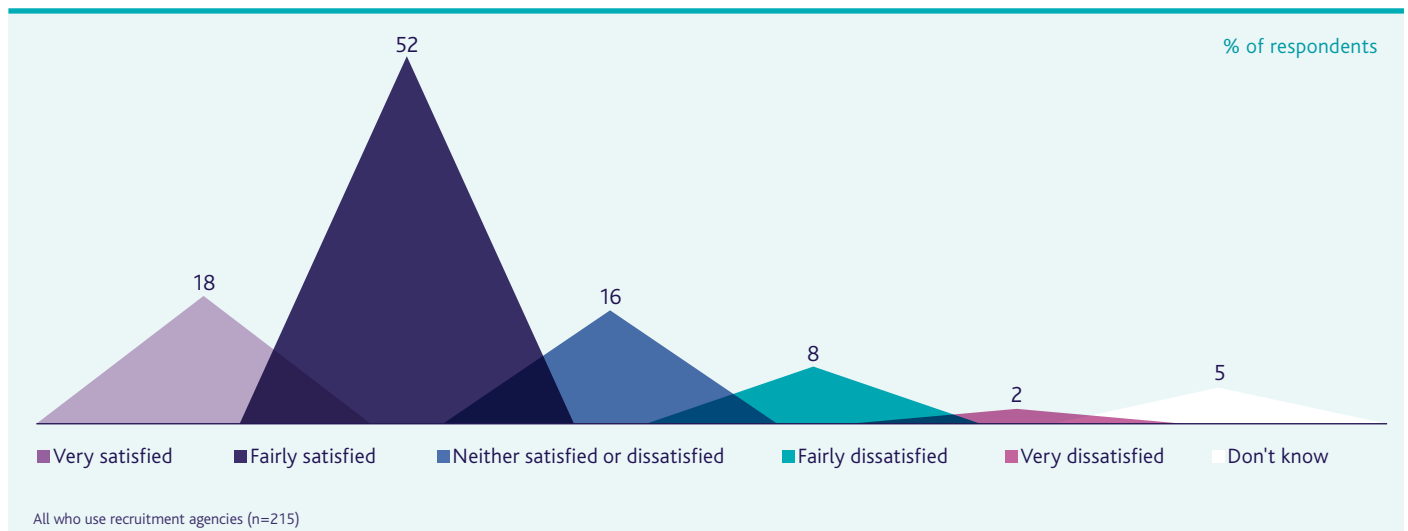
### How satisfied are you overall with the recruitment agencies you have used in the last 2 years?

Seven in ten (70%) UK employers who use recruitment agencies expressed their satisfaction with their agency partners this quarter – this was down 7 percentage points from a year earlier (77%). Satisfaction levels in the Midlands notably fell by 17 percentage points from the same time last year (from 77% to 60%).

Public sector hirers remain more satisfied with their agency partners than those in the private sector (80% and 67% respectively). In the case

of the latter, this was a marked 9-percentage point fall from 76% in the same period last year.

As with dissatisfaction levels with agency candidates, levels of dissatisfaction with the agencies themselves are highest amongst the UK's smallest (0–49 employee) enterprises (18%) and amongst all employers in the Midlands (18%). These figures were up from 11% and 4%, respectively, in the same period last year.



# SectorProspects

The Sector Prospects page provides relevant information specific to occupational groups. Follow these graphs each month to 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?

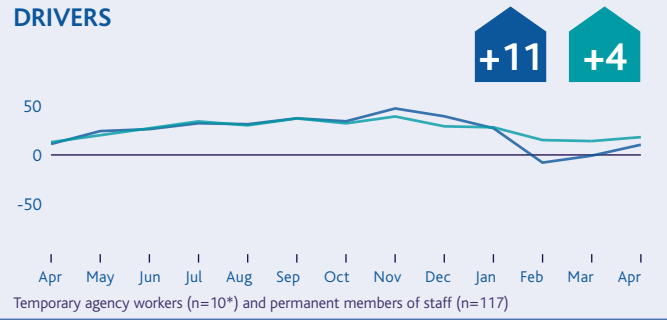
Forecast demand for permanent workers in the short-term remained in positive territory in all sectors this quarter. The only noteworthy shifts were amongst those seeking to hire drivers (up 4 percentage points to net: +19) and hospitality staff (up 7 percentage points to net: +17).

In contrast, there were numerous sizeable rolling quarter-on-quarter moves in the forecast short-term demand for agency workers. These included a 25-percentage point increase, to net: +28, in the balance of demand for Engineering & Technical professionals and a 17-point rise in the balance of forecast demand for Marketing, Media & Creative workers, to net: +8.

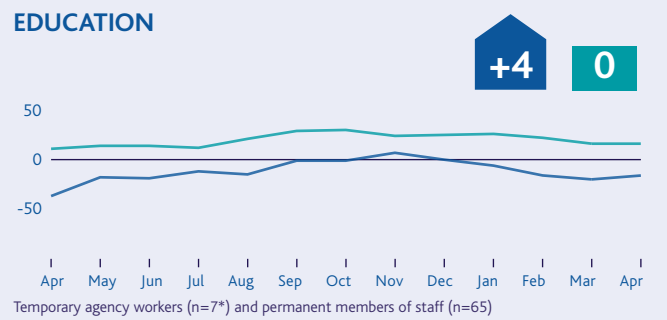
- Temporary
- Permanent

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.

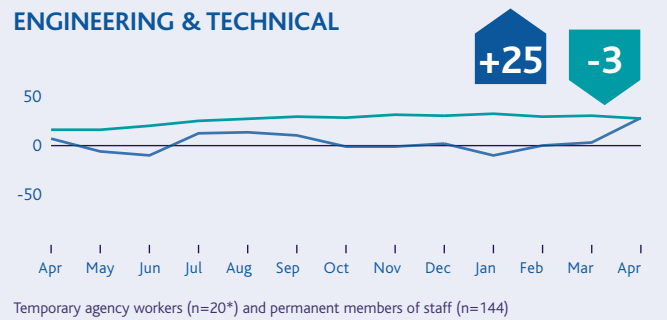
### DRIVERS



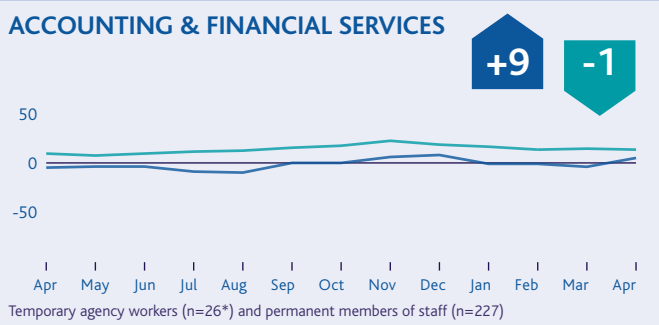
### EDUCATION



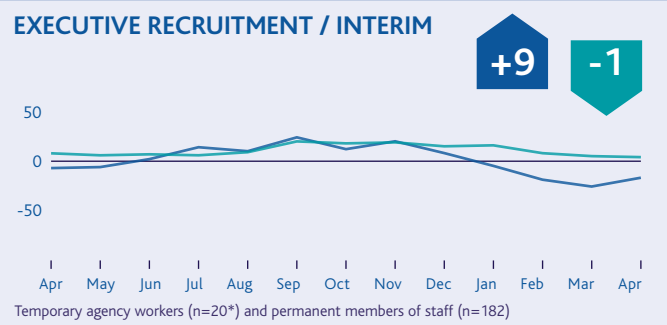
### ENGINEERING & TECHNICAL



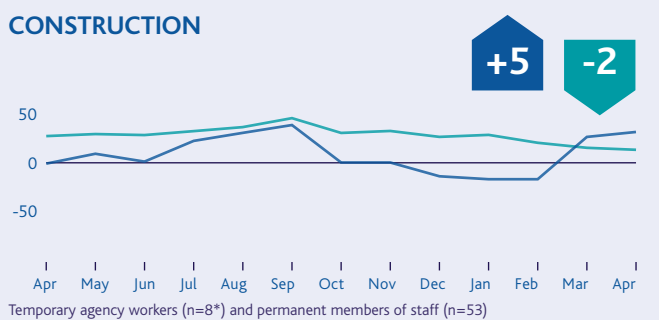
### ACCOUNTING & FINANCIAL SERVICES



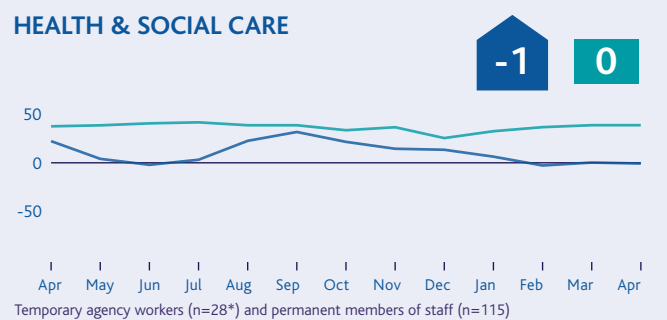
### EXECUTIVE RECRUITMENT / INTERIM



### CONSTRUCTION

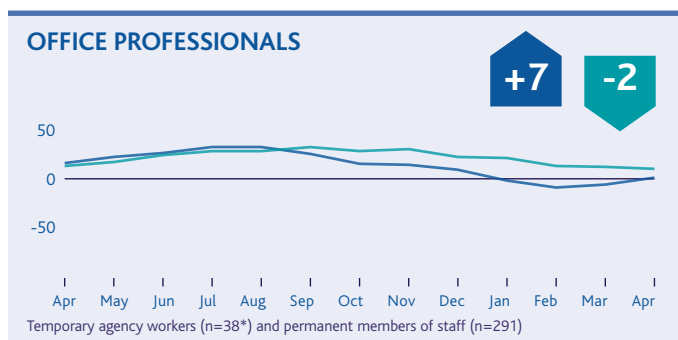
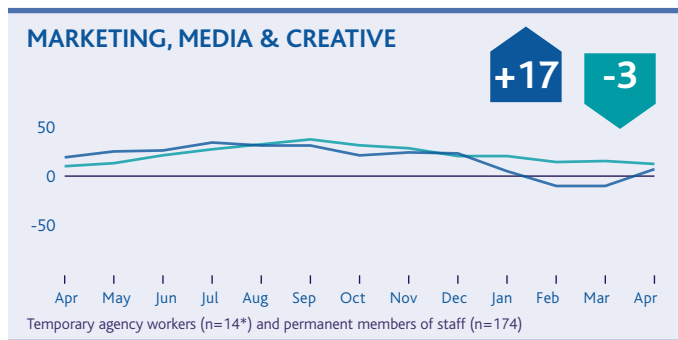
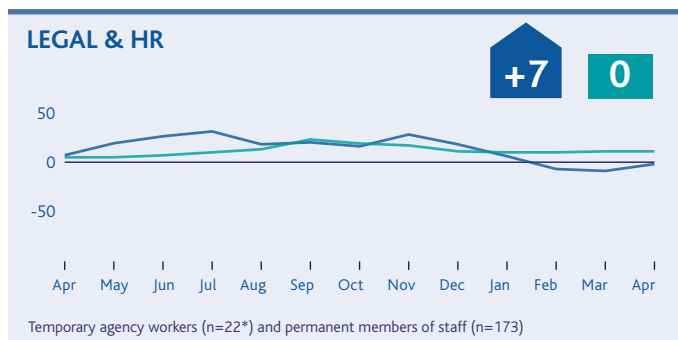
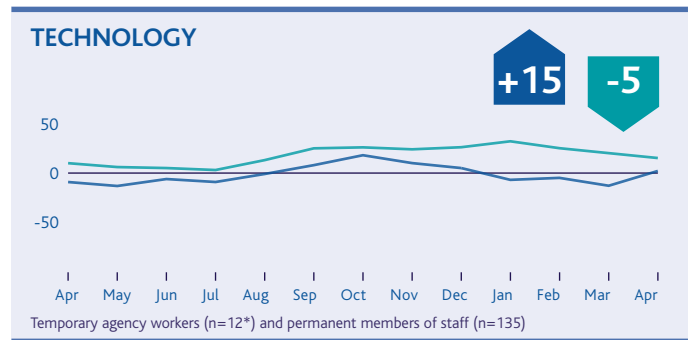
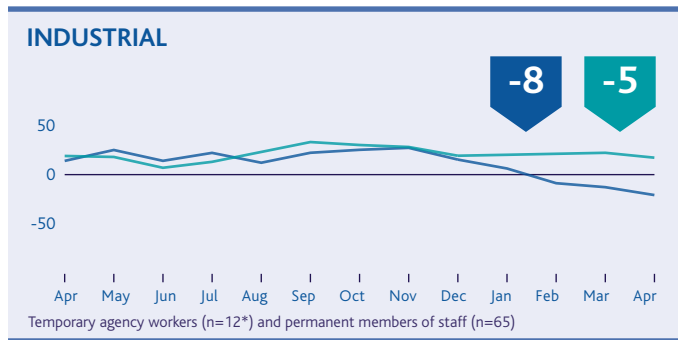
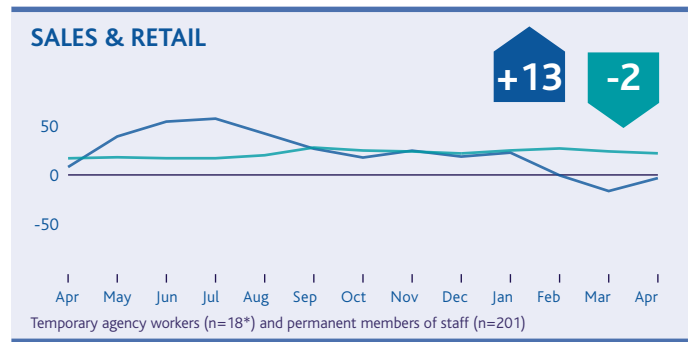
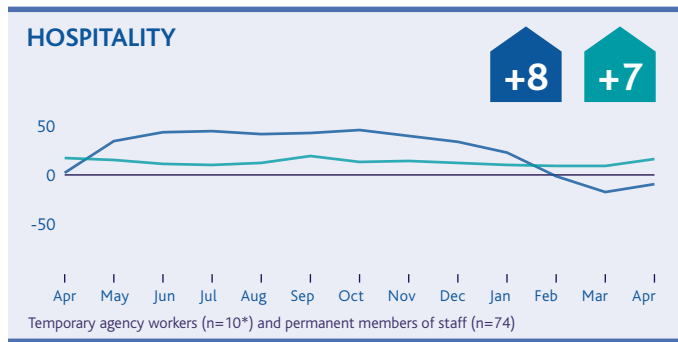


### HEALTH & SOCIAL CARE



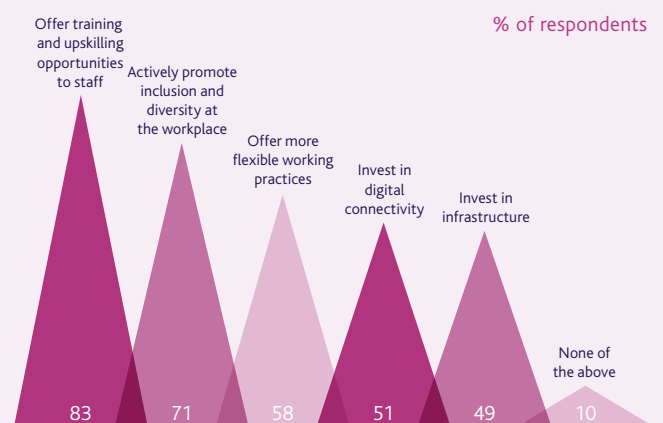


# SectorProspects



## IN YOUR VIEW...

WHICH OF THE FOLLOWING, IF ANY, DOES YOUR BUSINESS PLAN TO IMPLEMENT IN 2019 IN ORDER TO INCREASE PRODUCTIVITY?



Four in five (83%) employers plan to offer training and upskilling opportunities to their staff in 2019, highlighting the importance of continued learning and progression to employers as a method for increasing their organisations' productivity. This is notable as the apprenticeship levy reached two years since its introduction in April 2019, and businesses began to lose any unspent funds from their levy pots.

Seven in ten (71%) plan to actively promote inclusion and diversity in their organisation, while 58% plan to offer more flexible working practices. These activities may reflect a heightened awareness of their organisations' gender pay gaps as the reporting deadline approached, and the need to take positive, tangible action in order to attract a more diverse range of candidates and improve the productivity of their businesses.

All involved in hiring, surveyed in March 2019 (n=200)

# REC-IHS Markit Predictive model

## UNEMPLOYMENT EXPECTED TO FALL SLIGHTLY IN THE THREE MONTHS TO MARCH

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

The latest nowcast model forecasts a reduction of 15,000 in the Labour Force Survey measure of UK unemployment in the three months to March. Consequently, the unemployment rate would be little-changed at 4.0%.

The model therefore indicates a fourth successive fall in unemployment. The latest ONS data signalled a decline of 27,000 in the three months to February, very close to the model's estimate of a fall of 23,000. As a result, the unemployment rate remains at its lowest since early 1975 at 3.9%. As shown in the charts below, the model continues to provide 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

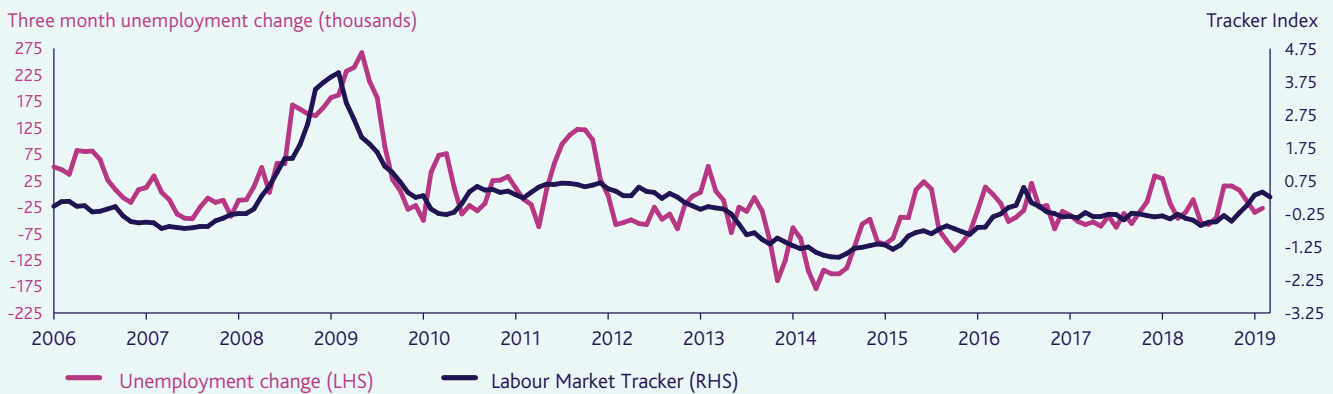


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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