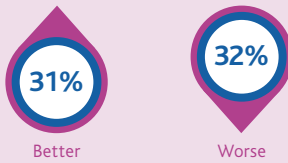


Employers' confidence returns to negative territory

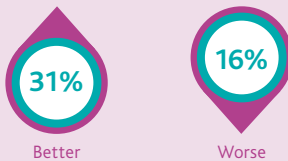
CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

Confidence

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

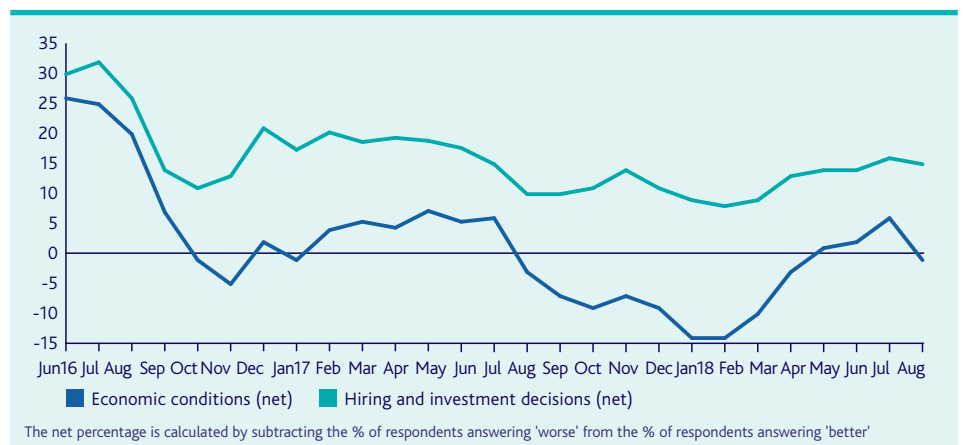


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=600)

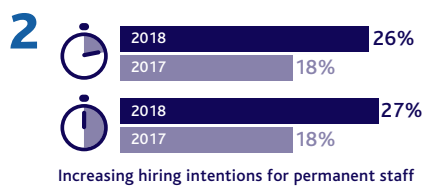
Employers' confidence in the prospects for the UK economy returned to negative territory this quarter, falling 7 points to NET: -1. Despite the significant deterioration in confidence in the economic outlook, confidence in making hiring and investment decisions fell by just 1 point and remained firmly in positive territory, at NET: +15.



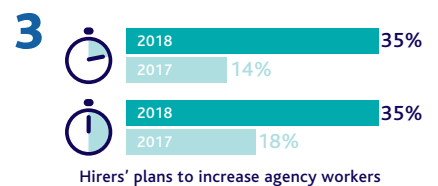
Key Points from May–July Survey



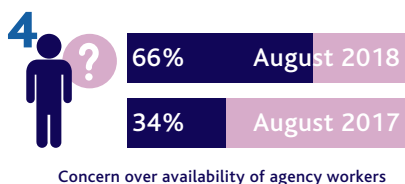
Employers' confidence in the prospects for the UK economy returned to negative territory this quarter, falling 7 points to NET: -1



More employers planned to increase their permanent headcount in the short-term and medium-term, compared with the same period last year.



The proportion of hirers highlighting plans to increase their agency workers in the short-term and medium-term doubled year-on-year.



Two thirds (66%) of hirers, including 71% of private sector hirers, expressed concerns over the sector availability of agency workers. This was up from 34% of all hirers a year earlier.



The proportion of employers utilising recruitment firms to source permanent or temporary workers continues to increase. At 48% and 58%, respectively, both were notably higher than recorded in May–July 2017 (40% and 45%, respectively).



Despite tightening candidate availability, almost eight in ten (78%) UK employers expressed satisfaction with the recruitment agencies used in the last two years – up 3 points from the same period last year.

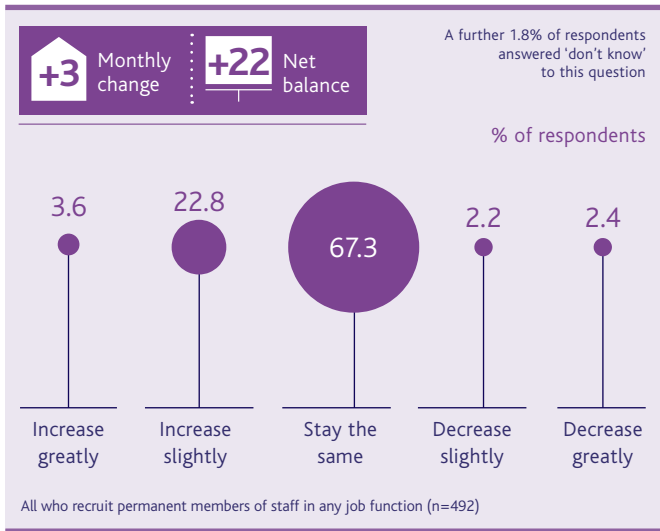
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

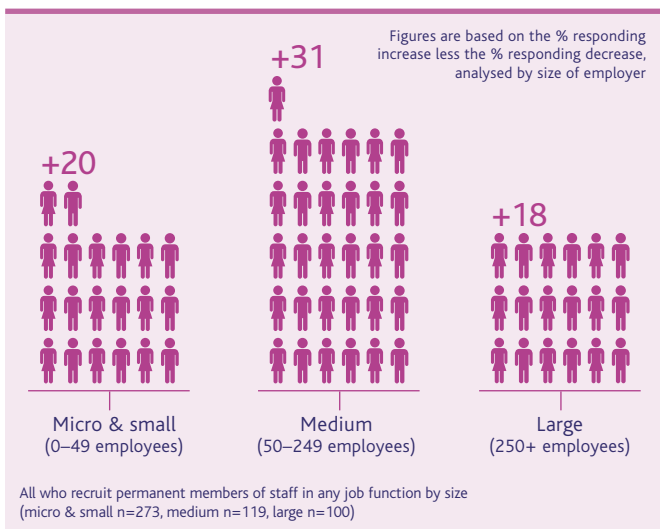
Two thirds (67%) of UK permanent hirers planned to hold their permanent headcount at the existing level over the next quarter, when surveyed in May–July 2018. This was down from 74% who planned to maintain the status quo a year earlier. Encouragingly, there was a notable 8-point upward year-on-year shift in the proportion planning to increase headcount, with a quarter (26%) planning to add to their numbers.



OUTLOOK BY EMPLOYER SIZE

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

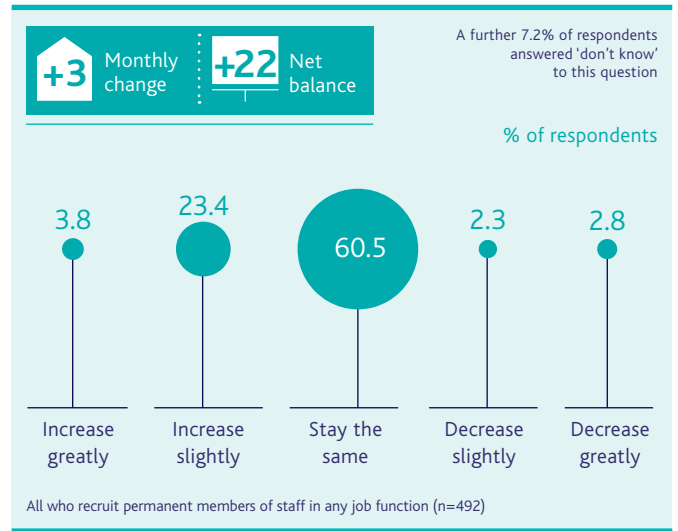
It was amongst medium (50–249 employees) and large (250+ employees) enterprises that the most significant change in the net balance of sentiment towards permanent hiring occurred this quarter, rising by 6 and 5 points respectively. By way of a year-on-year comparison of note, a net balance of more than twice as many mid-sized organisations (NET: +31) planned to add permanent headcount in the short-term, when surveyed in May–July, as in the same period last year (NET: +15).



MEDIUM-TERM OUTLOOK

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

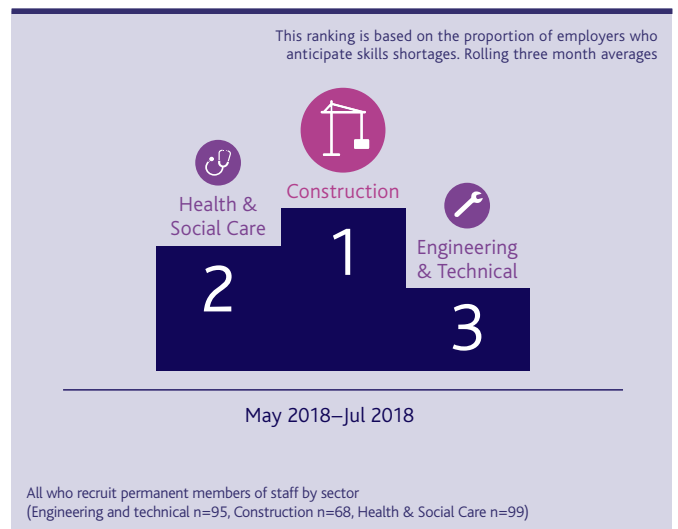
There was a similar year-on-year shift from maintaining to increasing permanent headcount in the medium-term. At 61%, the proportion of permanent hirers planning to hold numbers was 10 points lower than the same period last year whilst, at 27%, the proportion planning to add headcount was 9 points higher. There was a notable regional rise, year-on-year, in the proportion of employers in London and the South planning to add headcount, from 21% to 35%.



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?

Amongst the half (50%) of UK employers of permanent staff that expressed concern, this quarter, over the sufficient availability of candidates for permanent hire, anticipation of shortages was most heightened in relation to construction skills. Alongside an 8% annual fall in official ONS vacancy numbers in April–June 2018, this suggests a significant decline in worker availability.

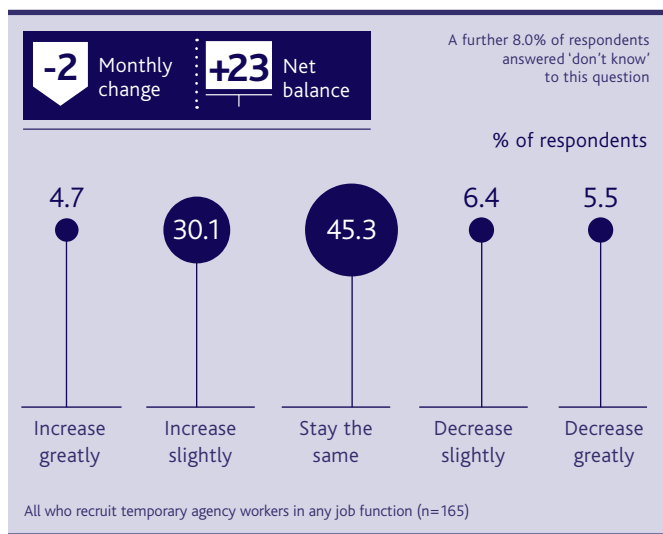


Temporary Recruitment

SHORT-TERM OUTLOOK

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

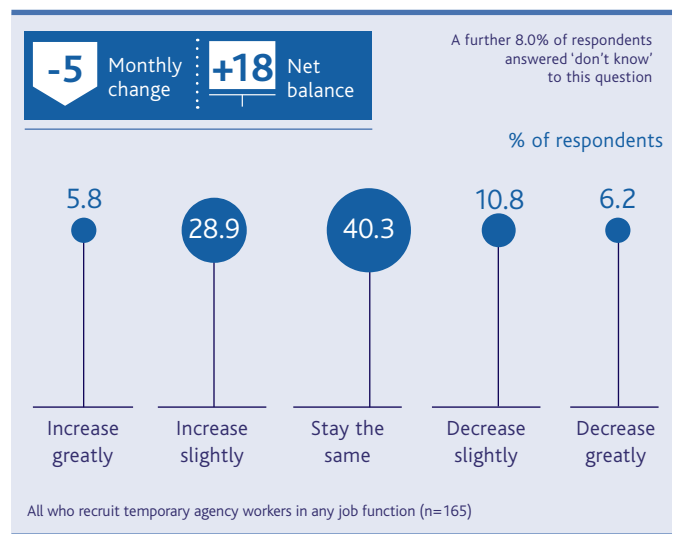
Whilst the net balance of forecast short-term demand for agency workers fell by 2 points this quarter, it remained 21 points higher than in the same period last year. At 35%, the proportion of temporary hirers stating that they would add headcount was up from 14% a year earlier. Of regional note, the proportions of Midlands and London hirers forecasting increases rose from 16% to 45% and 8% to 42%, year-on-year, respectively.



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?

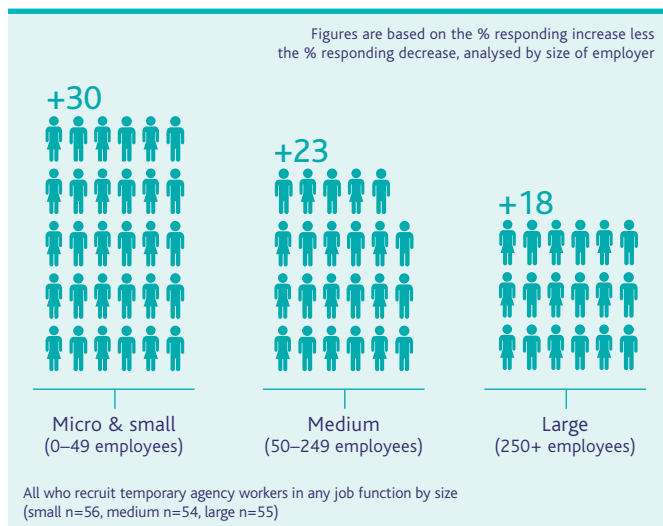
At NET: +18, the balance of sentiment towards medium-term agency worker hiring in May–July 2018 was 8 points higher than in the same period last year. Moreover, the proportion of temporary hirers highlighting plans to increase numbers (35%) was almost double the prior year figure (18%). As with short-term demand, the Midlands housed the highest proportion of employers planning to increase headcount (48%), up from just 16% in May–July 2017.



OUTLOOK BY EMPLOYER SIZE

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

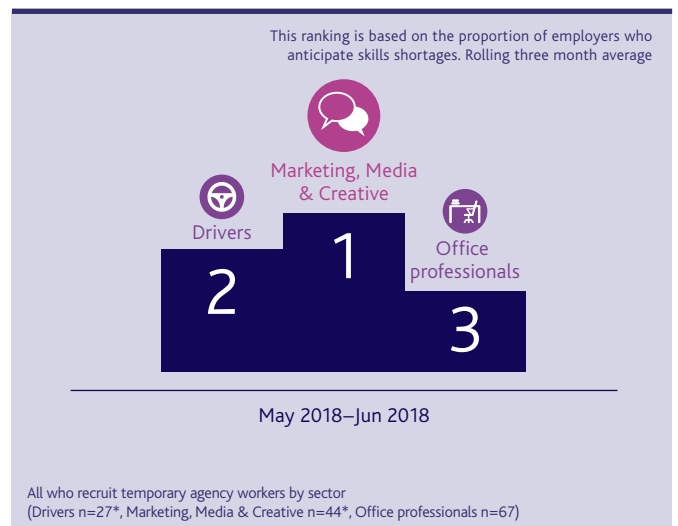
The slight fall, rolling quarter-on-quarter, in the net balance of sentiment towards agency hiring was driven by the UK's largest employers (250+ employees) – falling by 6 points to NET: +18. In contrast, NET: +30 of small/micro enterprises (0–9 employees) suggested that they would be adding numbers over the next quarter – a stark comparison to just NET: +3 suggesting the same a year earlier. Last year's figures for medium (50–249 employees) and large (250+ employees) enterprises were similarly low, at NET: -1 and NET: +3, respectively.



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?

Two thirds (66%) of respondents expressed concerns over the sufficient availability of agency workers this quarter – up from 34% in May–July 2017. In 2018 there was a stark variation in sentiment between public (23%) and private sector hirers (71%) – a note of significance in context of the government consultation into the potential of extending the off-payroll rules to the private sector.

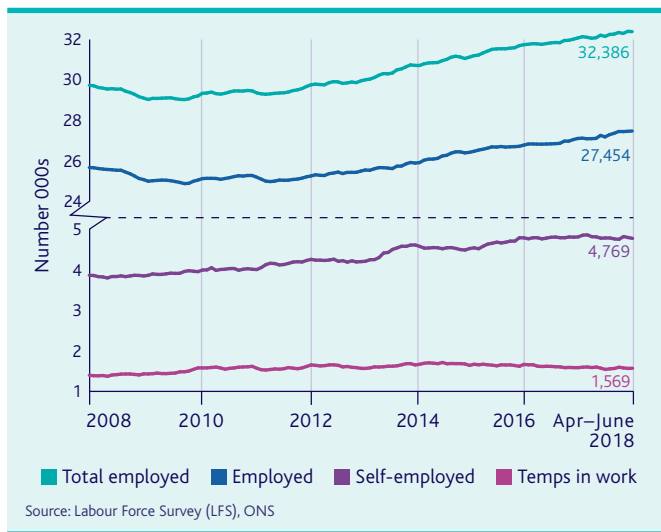


LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

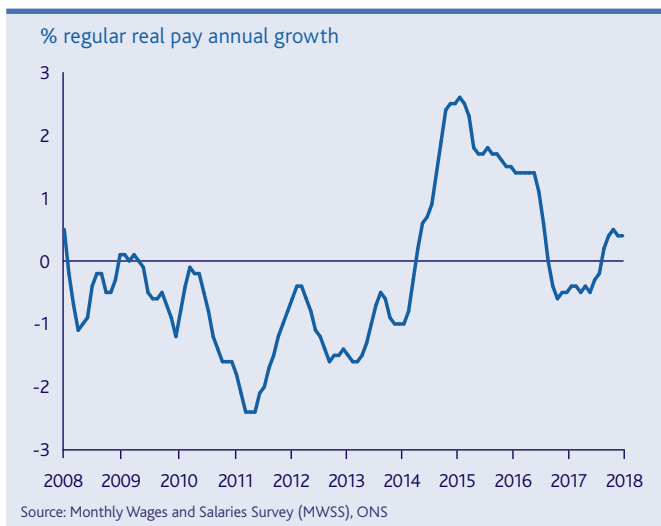
The UK workforce increased in size by 42,000 (0.1%) quarter-on-quarter and 313,000 (1.0%) year-on-year. Whilst the self-employed number was 22,000 higher quarter-on-quarter, it was 38,000 (0.8%) lower than in April–June 2017. This was underpinned by 93,000 (2.7%) fewer working full-time and 55,000 (4.0%) more working part-time. The number of temporary employees fell by 25,000 (1.6%) quarter-on-quarter and 15,000 (0.9%) year-on-year. At 780,000, the number of zero-hours contracts workers in their main job was 104,000 lower than a year earlier.

Total employment, employed and self-employed



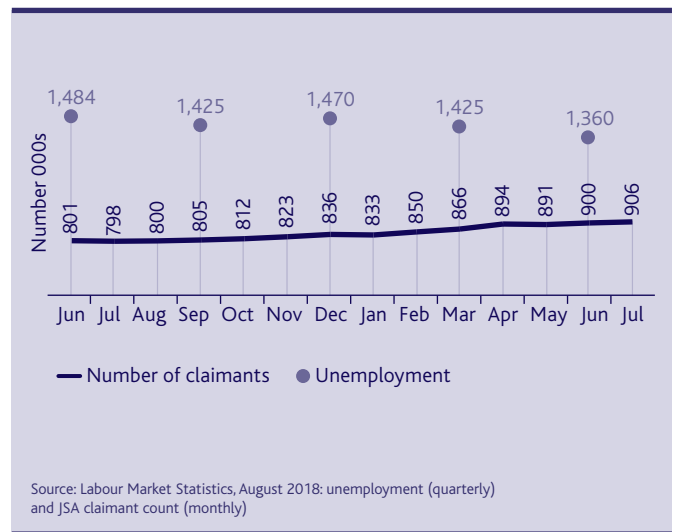
REAL WAGE GROWTH

Whilst the notional growth in the regular wage for employees in Great Britain rose by 2.7% between April–June 2017 and 2018, it increased (in real terms) by just 0.4% when adjusted for inflation (CPI). These figures notably exclude the earnings of the self-employed. In monetary terms, average regular pay (excluding bonuses) for June 2018 was £461 per week before tax and other deductions from pay – £12 lower than the pre-downturn peak of £473 per week for March 2008.



UNEMPLOYMENT AND CLAIMANT NUMBERS

In April–June 2018 the UK unemployment rate fell to 4.0%, its lowest level since December 1974–February 1975. At 1.36 million, this represented an 85,000 (4.5%) decrease on the previous quarter and was 124,000 (8.4%) lower than the same period a year earlier. Despite these notable all-age falls, unemployment rose by 7,000 (+1.2%) quarter-on-quarter amongst those aged 25–49. The underpinning claimant count number rose by 13.5% (+108,000), year-on-year, taking the total to 906,000. This comprised a 10.1% (51,000) increase in the male claimant count and a 19.2% (57,000) rise in the number of female claimants.

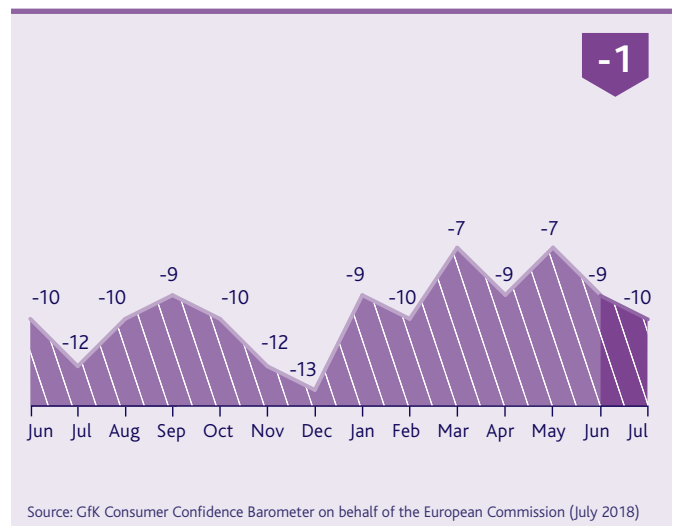


CONSUMER CONFIDENCE INDEX

The GfK Index of UK Consumer Confidence dropped by 1 point in July, to -10. Moreover, the Overall Index has now registered at zero or a negative reading since February 2016.

Whilst sentiment around respondents' personal financial situation over the last and next 12 months are both in positive territory, at +1 and +7 respectively, the Major Purchase Index slipped 2 points into negative territory in July (-2).

It is the ongoing levels of pessimism about the general state of the economy over the last (-28) and next twelve months (-26), however, that is keeping the Overall Index so stubbornly negative.

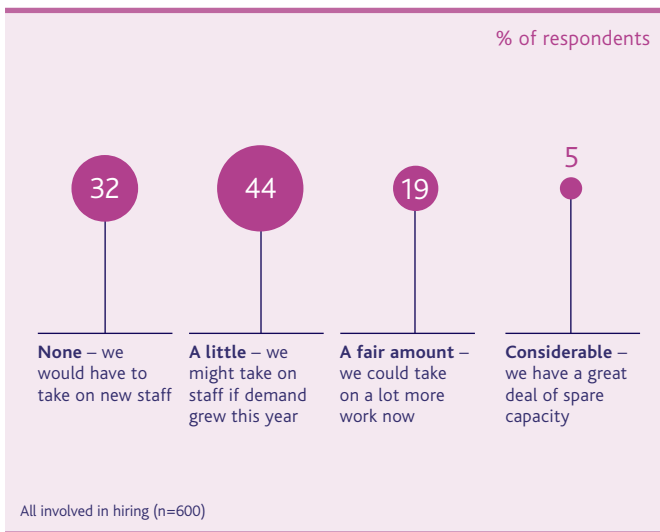


EmployerDashboard

WORKFORCE CAPACITY

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

Three quarters (76%) of UK employers reported in May–July that they had either no spare capacity (32%) or such a small amount (44%) that they may need to take on more staff if demand increases. This is down, however, from 82% suggesting that they had lower levels of surplus capacity a year earlier. Mid-sized (50–249 employees) organisations were the tightest in terms of reserves this year, with 85% suggesting no or just a little surplus resource.

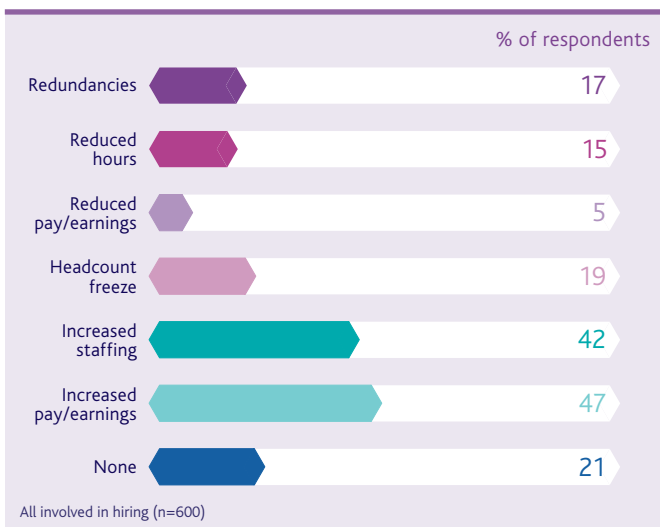


WORKFORCE PLANNING

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

The proportion of respondents putting headcount freezes into place over the last year continued to rise this quarter, by 2 points to 19% – up from 15% a year earlier. The practice was most prevalent in mid-sized (50–249 employees) and large (250+ employees) enterprises, where the proportions taking this action were 27% and 23%, respectively.

Workforce changes made in the last year
3 month rolling average to July 2018

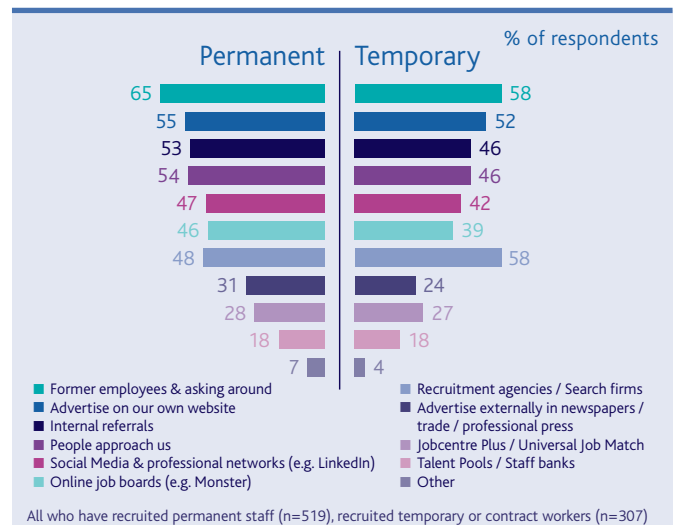


RECRUITMENT CHANNELS USED

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

The proportion of employers utilising recruitment firms to source permanent or temporary workers continues to increase. At 48% and 58% of hirers, respectively, both were notably higher than in May–July 2017 (40% and 45%, respectively). Support from agencies is more widespread amongst private sector hirers (engaged by 50% for permanent and 62% for temporary/contract hiring).

Recruitment channels used for staffing as of July 2018

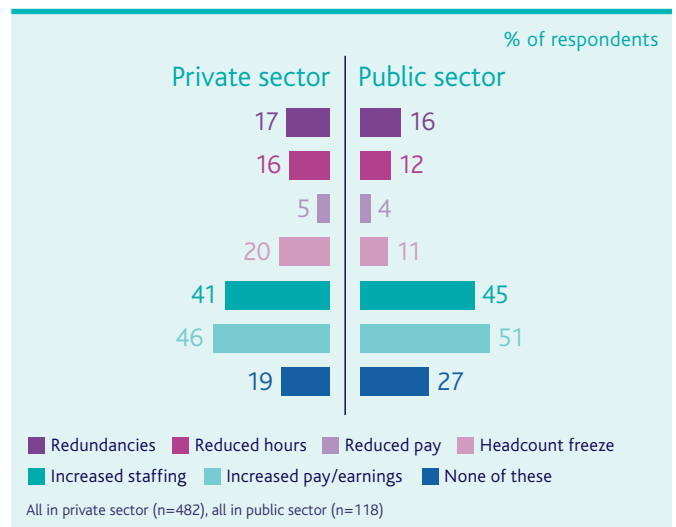


WORKFORCE PLANNING BY SECTOR

There was a notable variance in the practice of headcount freezes between the public and private sectors over the last year. Whilst just 11% of the former had taken this action, 20% of private sector employers had put the measure in place.

Year-on-year, the most notable changes within the private sector included a fall from 66% to 46% in the proportion of hirers increasing pay/earnings. Conversely, the proportion of hirers that had reduced hours increased, year-on-year, from 9% to 16%.

3 month rolling average to July 2018

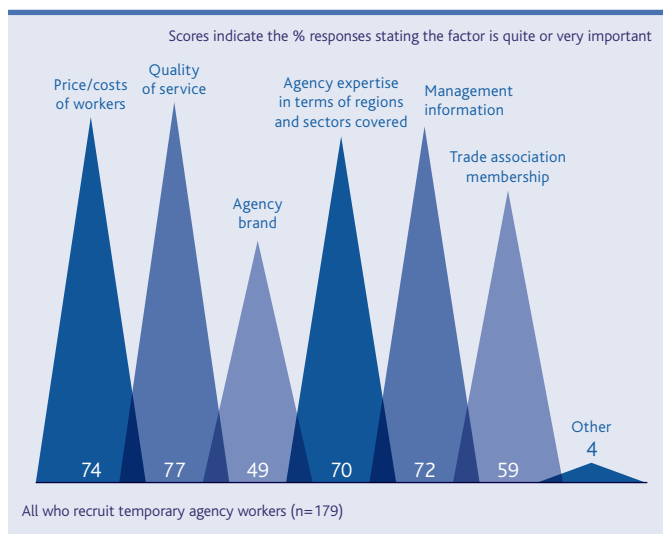


AgencyDashboard

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?

Whilst an agency's quality of service remained the most important factor this quarter, agency users in the South (excluding London) were the most sensitive to price and agency expertise with 81% (versus 74% and 70% UK averages, respectively) highlighting each of these as an agency selection criterion.

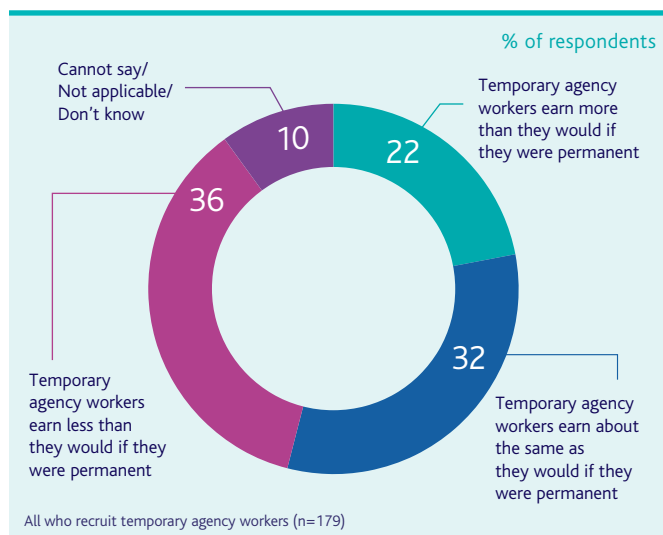


AGENCY WORKER PAY RATES

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

More than half (54%) of UK employers who recruit temporary agency workers felt that agency worker pay rates were either the same (32%) or higher (22%) than their permanent counterparts this quarter. Whilst 50% thought that rates were the same or higher in the private sector – which was notably lower than 84% a year earlier – 85% of public sector hirers expressed this sentiment (versus 86% last year).

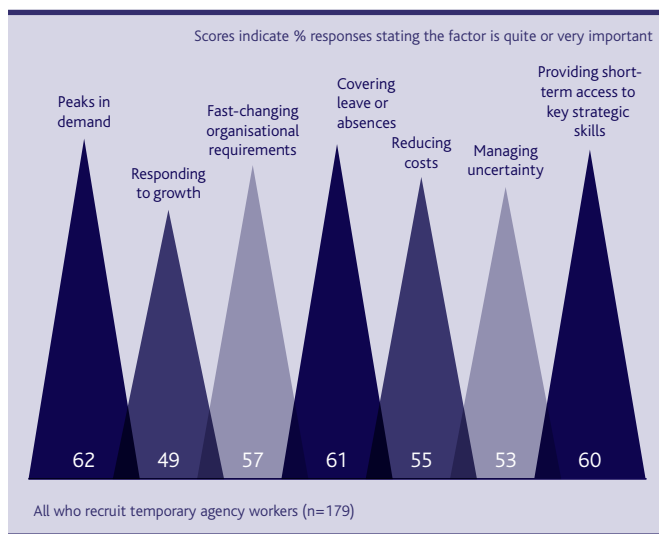
3 month rolling average to July 2018



IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

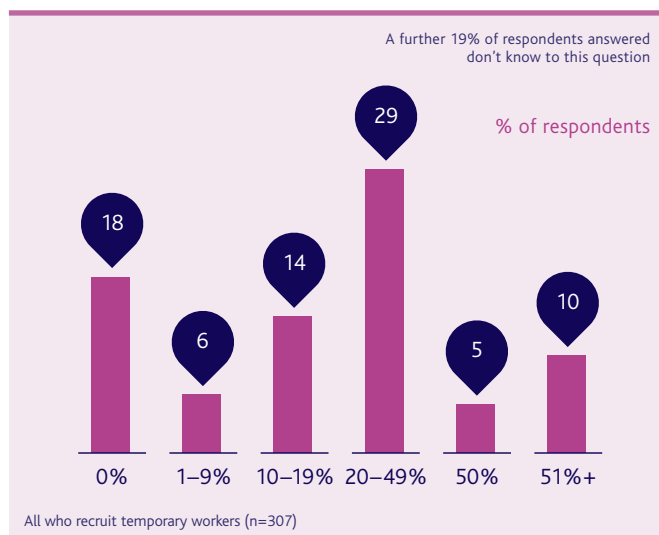
The proportion of those who hire temporary agency workers highlighting the importance of agency workers to help meet fast changing organisational requirements rose from 52% to 57% year-on-year. Of most significance, however was the proportional rise, from 39% to 53% in hirers utilising agency workers to help manage uncertainty.



TEMPORARY TO PERMANENT

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

63% of employers of temporary workers transfer at least 1% of temporary workers to a permanent position – up from 61% in the same period last year. In 2018, this included 53% of employers in the public sector and 65% of private sector hirers. Once transfers were at a rate of 50%+, however, this practice was highlighted by 25% of public sector hirers, compared to 13% of private sector employers.



AgencyDashboard

SATISFACTION WITH CANDIDATES

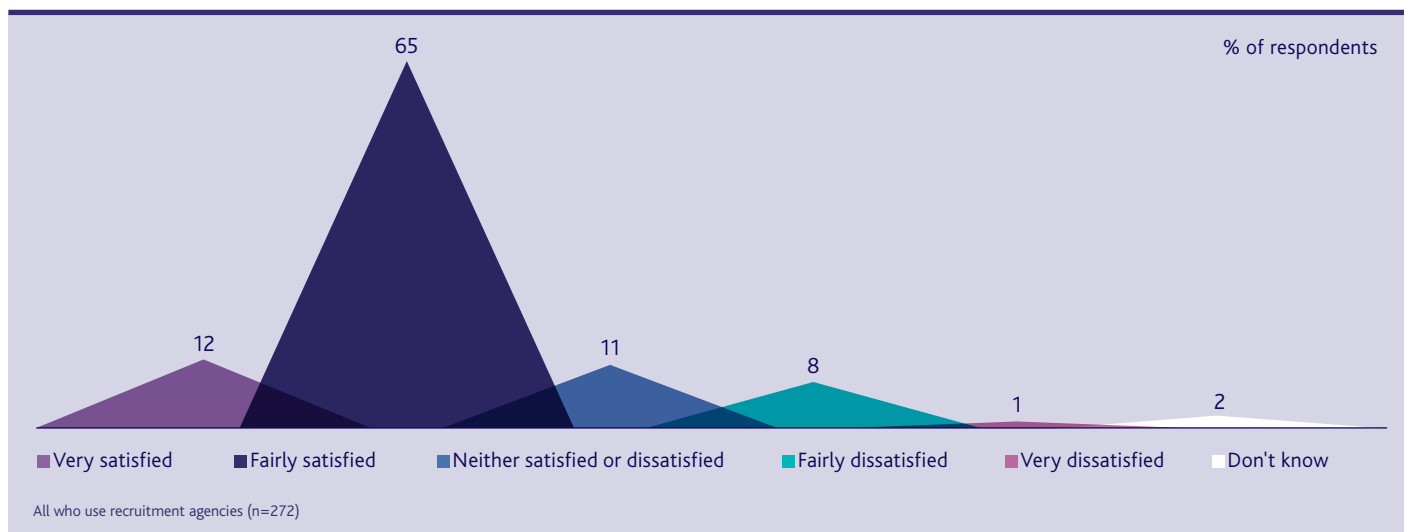
How satisfied or dissatisfied are you with the quality of candidates presented to you by your recruitment agencies?

Just over three quarters (77%) of employers using recruitment agencies expressed their satisfaction with the candidates presented to them by agency partners, when surveyed in May–July – down from 83% in the previous rolling quarter but up from 73% expressing this sentiment in the same period last year.

Of note, just 54% of public sector hirers expressed satisfaction (compared to 81% of private sector hirers) – down from

62% in the last rolling quarter and 76% in May–July 2017.

With the off-payroll reforms in the public sector being in existence for more than a year, and with private sector work alternatives in abundance for workers in many occupations, this downturn is likely to be a result of a tightening of availability of the highest calibre of agency workers wishing to work in the public sector.



SATISFACTION WITH AGENCIES

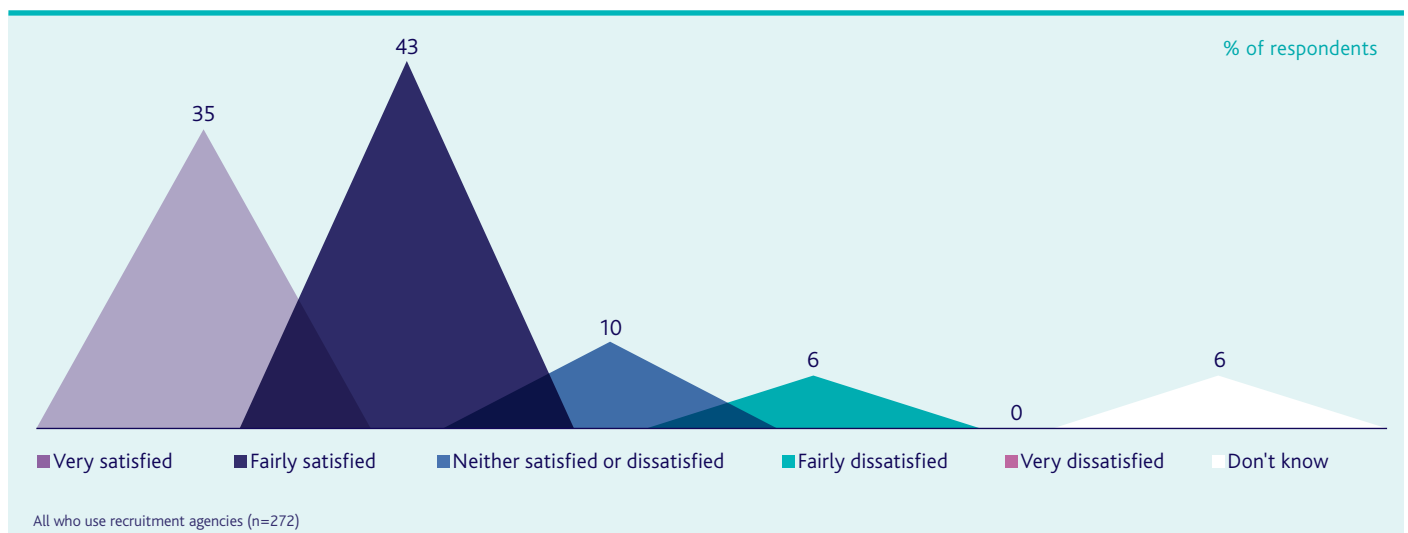
How satisfied are you overall with the recruitment agencies you have used in the last 2 years?

Despite tightening candidate availability, almost eight in ten (78%) UK employers, who rely on the support of agencies in their hiring activity, expressed satisfaction with their partners, when surveyed in May–July. This was also 3 points higher than in the same period last year.

Despite a deteriorating level of satisfaction amongst public sector hirers with the candidates presented by agency partners, the satisfaction level with the agencies themselves remains buoyant. At 76%, this was just 2 points lower than amongst private sector hirers.

Satisfaction levels amongst employers in the Midlands were the highest this quarter, at 86% of respondents in the region. Conversely, just 68% of employers in the North expressed the same sentiment.

From an organisational size perspective, mid-sized (50–249 employees) and large (250+ employees) enterprises continued to have greater satisfaction levels (83% and 82%, respectively) than micro/small (0–49 employees) enterprises (71%).



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?

At NET: +22, the net balance of forecast short-term demand across all skills required for permanent hire was at a similar lower to the balance of anticipated demand for agency staff (NET: +23) this quarter.

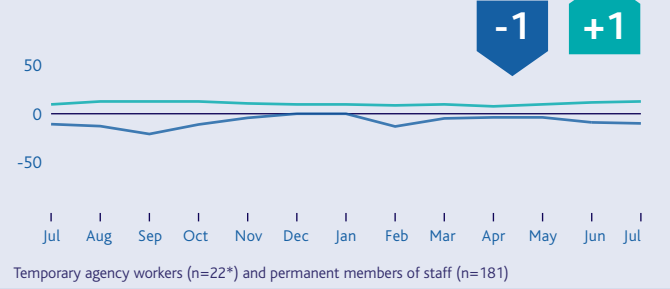
Occupations within notably above-average forecast short-term demand for permanent candidates include Construction (NET: +36), Drivers (NET: +31) and Health & Social Care (NET: +38). Whilst still slightly below average, a 9-point upward swing in forecast demand (to NET: +21) for education professionals is also noteworthy.

Construction work similarly features as an occupation with key heightened forecast short-term demand for temporary agency staff, rising by 8-points this quarter to NET: +30. Notably, demand for temporary agency staff in Health & Social Care also rose by 19 points to NET: +23.

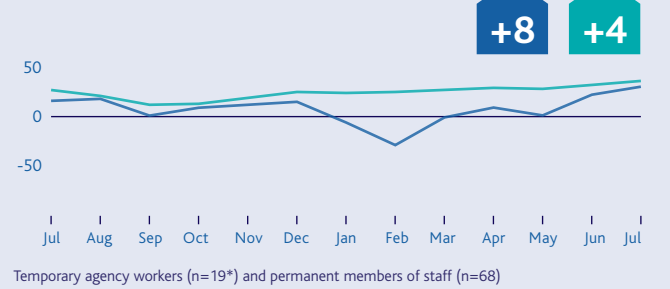
- Temporary
- Permanent

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.

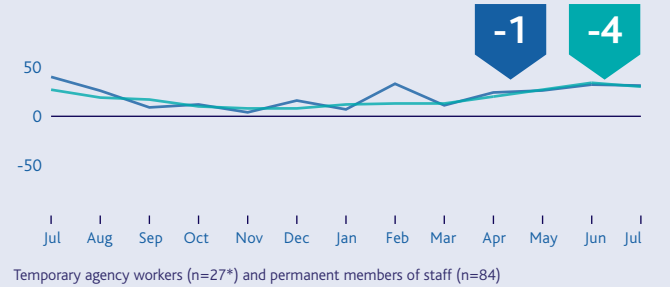
ACCOUNTING & FINANCIAL SERVICES



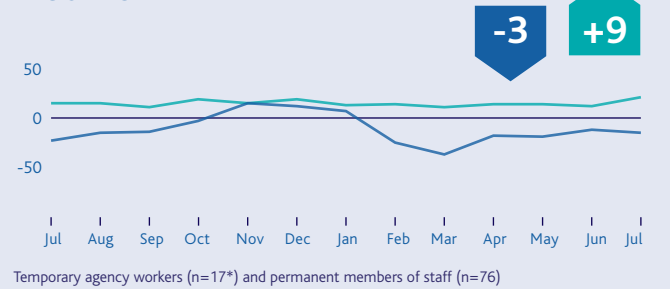
CONSTRUCTION



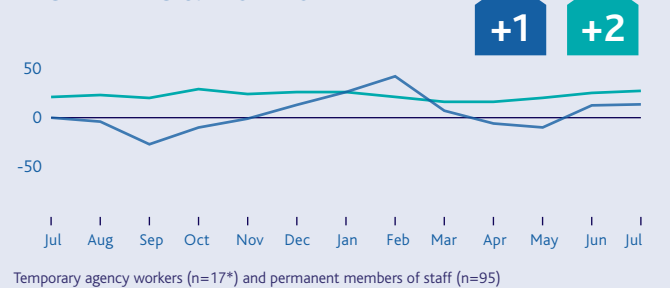
DRIVERS



EDUCATION

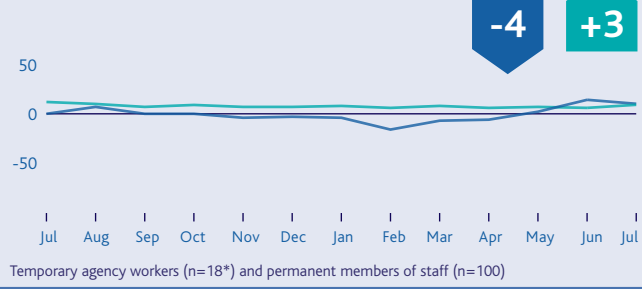


ENGINEERING & TECHNICAL

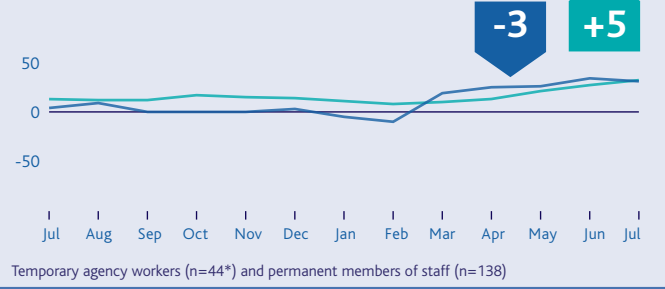


SectorProspects

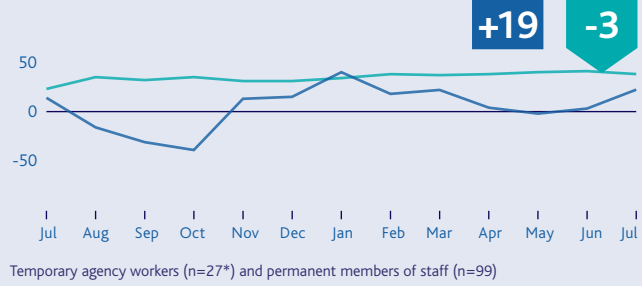
EXECUTIVE RECRUITMENT / INTERIM



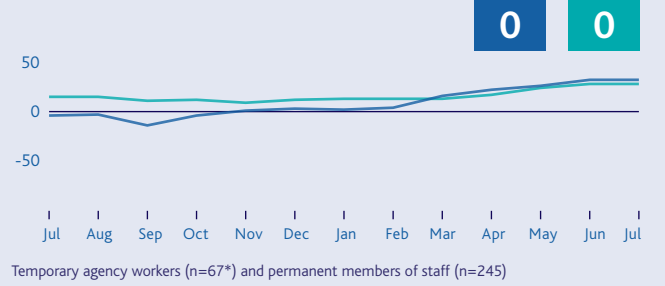
MARKETING, MEDIA & CREATIVE



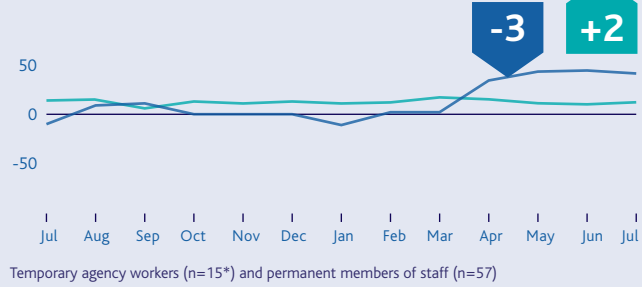
HEALTH & SOCIAL CARE



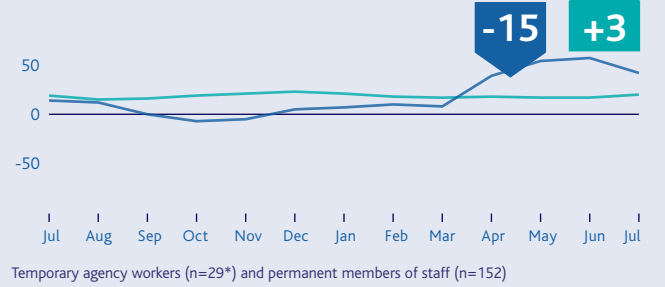
OFFICE PROFESSIONALS



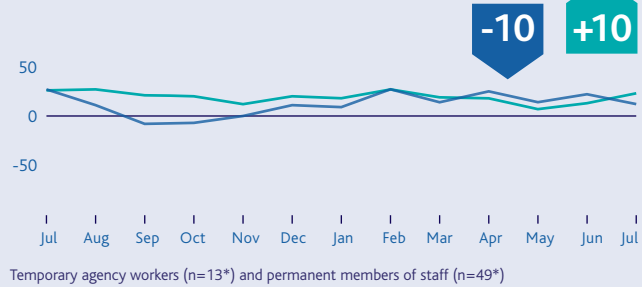
HOSPITALITY



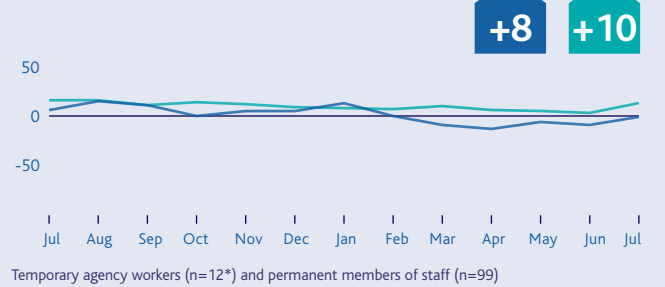
SALES & RETAIL



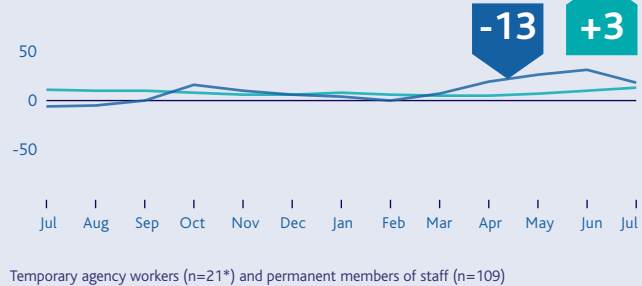
INDUSTRIAL



TECHNOLOGY



LEGAL & HR



REC-IHS Markit Predictive model

UNEMPLOYMENT SET TO FALL FURTHER IN THREE MONTHS TO JULY

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

The latest nowcast model anticipates a decline of 69,000 in the Labour Force Survey measure of UK unemployment in the three months to July. This would leave the UK unemployment rate unchanged at 4.0%, which is the lowest since early 1975.

The model indicates a sixth successive monthly fall in unemployment, with a fall of 65,000 reported by the ONS in the three months to June. 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

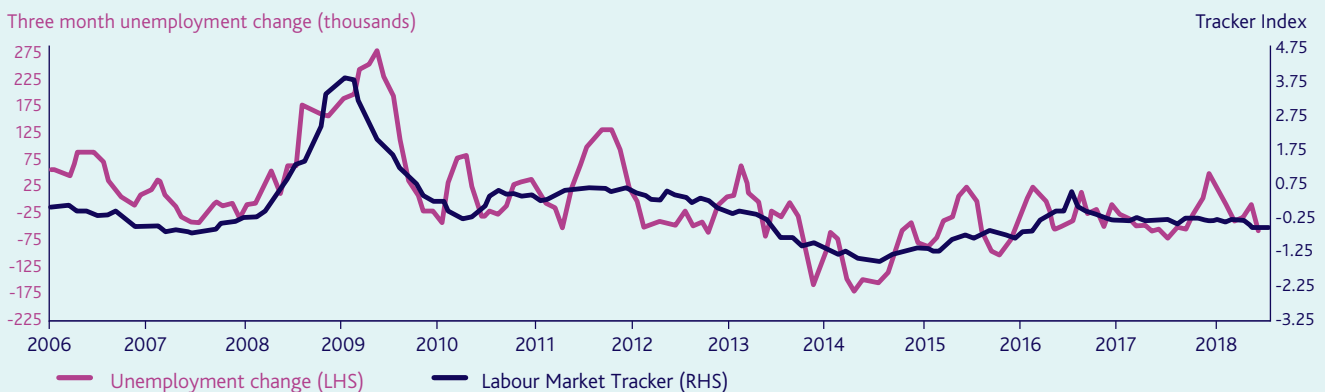
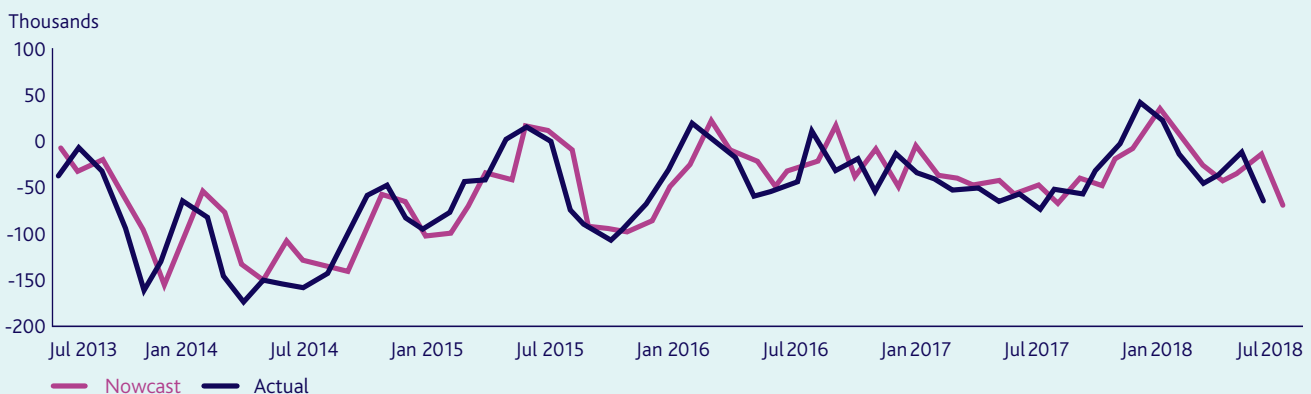


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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