

Hiring intentions steady despite political and economic uncertainty

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 November 2016–January 2017

Our nowcast model forecasts a decline in the Labour Force Survey measure of UK unemployment of one thousand in the three months to January. Consequently, the unemployment rate is expected to remain at an 11-year low of 4.8%.

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

Confidence

In the three months to January, one third (33%) of respondents thought that economic conditions were improving, whilst 29% thought that they were getting worse. London was the only region in which more respondents thought the national economy was deteriorating (31%) than improving (25%). Over one in three employers (36%) expect confidence in hiring and investment decisions to get better, up two percentage points compared to last month.

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

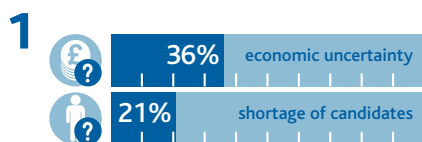


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...

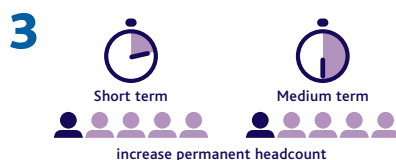


Totals may not sum to 100% due to rounding.

Key Points from January Survey



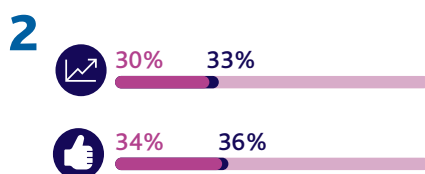
The main challenges facing respondents' businesses in January 2017 were political and economic uncertainty (36%) and a shortage of suitable candidates for jobs (21%).



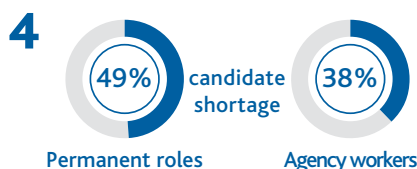
One in five employers plan to increase permanent headcount in the short term (22%) or medium term (23%).



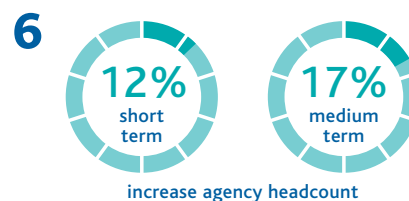
A quarter (27%) of employers transfer 50% or more temporary workers to permanent posts each year.



One in three employers (33%) expect economic conditions to get better, up three percentage points from last month. 36% of employers expect confidence in hiring and investment decisions to get better, compared to 34% last month.



49% of employers expect to see a shortage of suitable candidates for permanent roles in at least one job function and 38% expect to see a shortage of suitable agency workers in at least one job function.



12% of employers plan to increase agency headcount in the short-term. 17% plan to do so in the medium term.

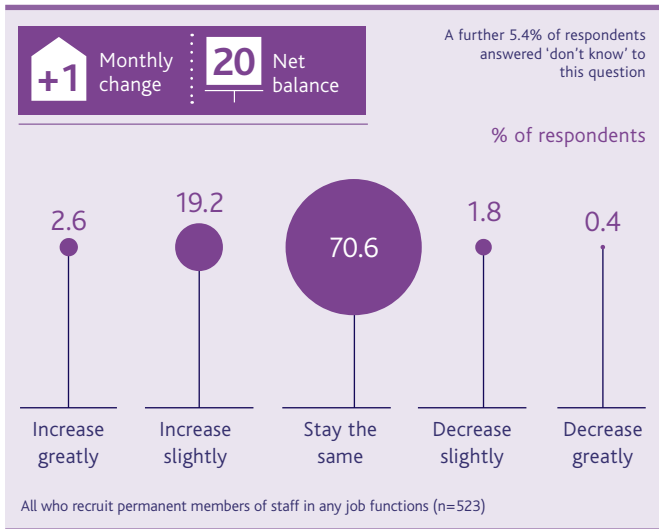
Throughout, figures based on fewer than 50 respondents are marked with an asterisk* Due to the small base size, these results should be considered indicative, rather than conclusive. Data were weighted to be representative of UK adults in employment by region, broad industry sector and public/private 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?

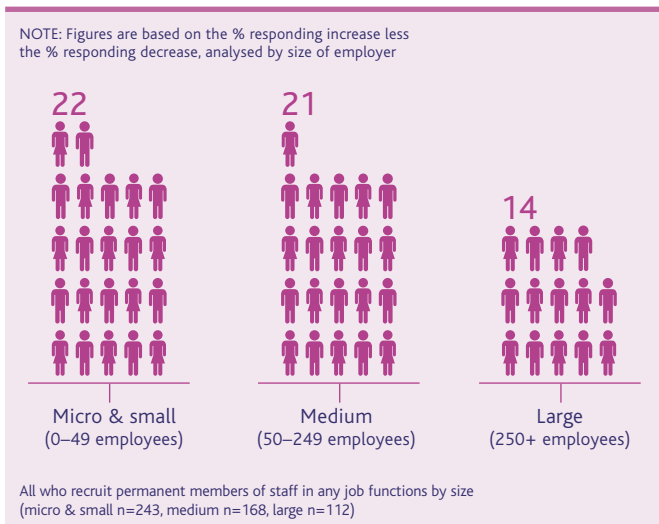
One in five employers (22%) planned to increase the number of permanent employees over the next quarter, when surveyed in November to January. From a regional perspective, the percentage of London employers planning an increase (28%) was notably higher than the other regions, including the South (19%). Whilst just 2% of all UK hirers planned to reduce numbers of permanent workers in the short-term, the figure was higher amongst employers in the Midlands (5%).



OUTLOOK BY EMPLOYER SIZE

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

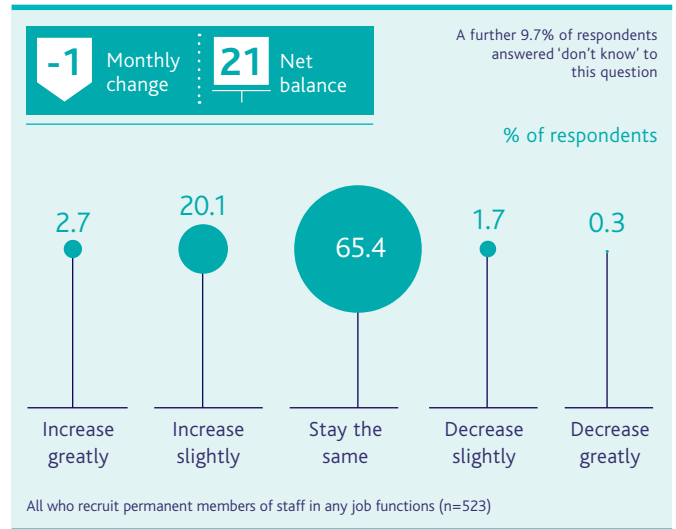
When looking at short-term expectations for hiring amongst large organisations (250+ employees), the net balance fell a further four points this month (to 14%), following a two point fall in the previous rolling quarter. This was driven by both a fall in the percentage of hirers planning to increase numbers (19% versus 22% of all UK hirers) and an increase in those planning to reduce headcount (5% versus 2%). In contrast, the net balance amongst all other sized employers increased.



MEDIUM-TERM OUTLOOK

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

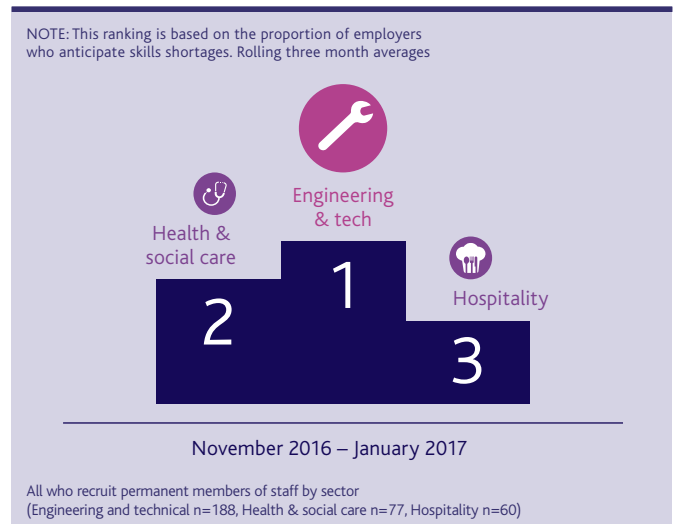
Almost one quarter (23%) of hirers planned to increase permanent headcount in the medium term. Regional variations are notable. One third (32%) of London employers forecast an increase, compared to just 20% of those in the South. Whilst just 2% of all UK employers plan to decrease numbers, 5% of employers in the Midlands suggest that this will be the case.



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 all employers (49%) expect to find a shortage of available staff for permanent roles (in at least one job function). This proportion was 61% amongst large employers (250+ employees). The top three skills areas of concern were the same as last month – Engineering/Technical, Health & Social Care and Hospitality.

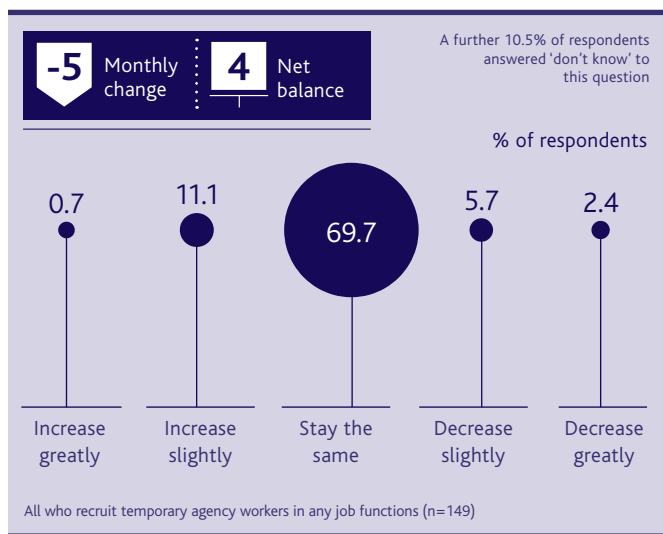


Temporary Recruitment

SHORT-TERM OUTLOOK

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

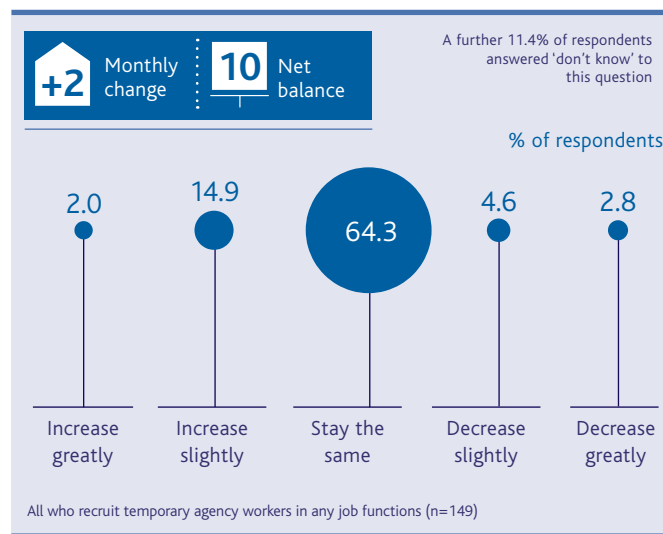
One in ten employers (12%) planned to increase numbers of agency workers over the next three months and 8% stated that they would be decreasing the number of agency workers. In contrast, one in five employers (19%) in the Midlands suggested that they would be losing agency headcount over the next quarter, as did 11% of public sector organisations.



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?

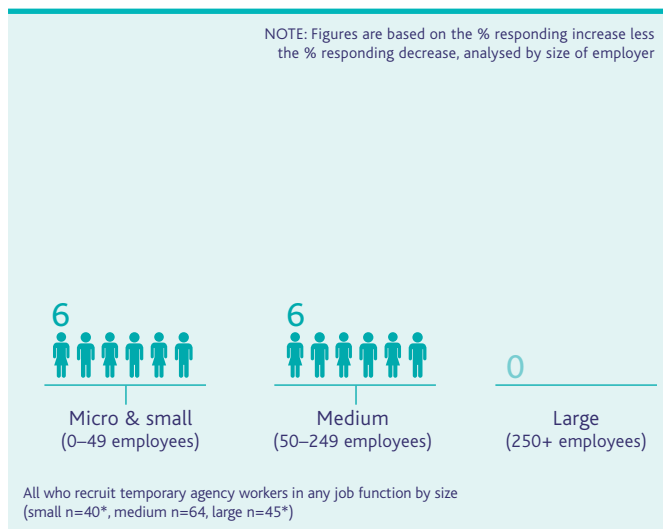
17% of respondents suggested that they would be increasing agency worker headcount in the medium term, when surveyed in the November–January rolling quarter. Notably 27% of employers in the South (excluding London) planned to add headcount. Conversely, just 9% of public sector organisations indicated that numbers would be increasing. Overall, 7% of employers planned to reduce the number of agency workers although this figure stood at 12% for Midlands' employers.



OUTLOOK BY EMPLOYER SIZE

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

There was a sharp decline in the balance of short-term agency hiring intentions (those planning increases versus decreases) amongst micro and small enterprises (0–49 employees) this quarter, reducing from 21% last month to just 6%. Similarly, just 6% more medium sized employers (50–249 employees) planned to increase agency worker numbers than decrease them. Amongst the largest organisations (250+ employees), there was an equal balance of those planning increases and decreases over the next quarter, as per last month's report.



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?

The percentage of employers stating that they expect to find a shortage of temporary agency workers has doubled since the August to October rolling quarter, from 19% to 38%. Hospitality workers are referenced as a skills area of particular concern this month, alongside an anticipated shortage of Education and Industrial agency workers.

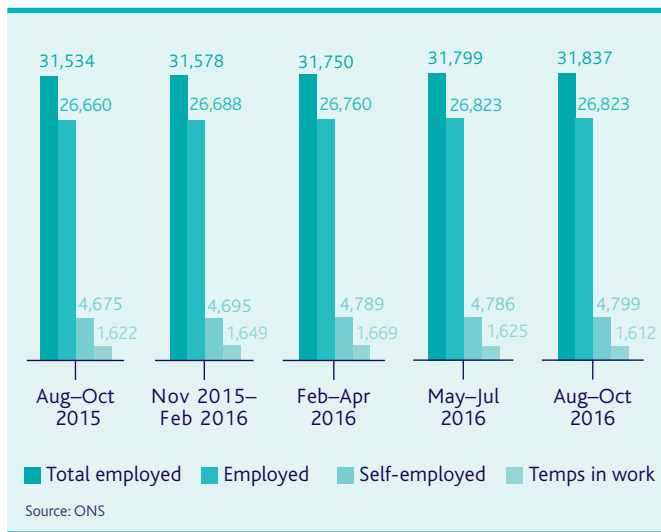


LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

The UK workforce increased by 37,000 in October–December, compared to July–September. This included rises in permanent employment (+13,000) and self-employment (+13,000), but a decrease in temporary employment (-13,000). Year-on-year, permanent employment contributed 173,000 to the total increase in employment of 302,000. Year on year there were 163,000 more self-employed and 10,000 fewer in temporary employment.

Total employment, employed and self-employed



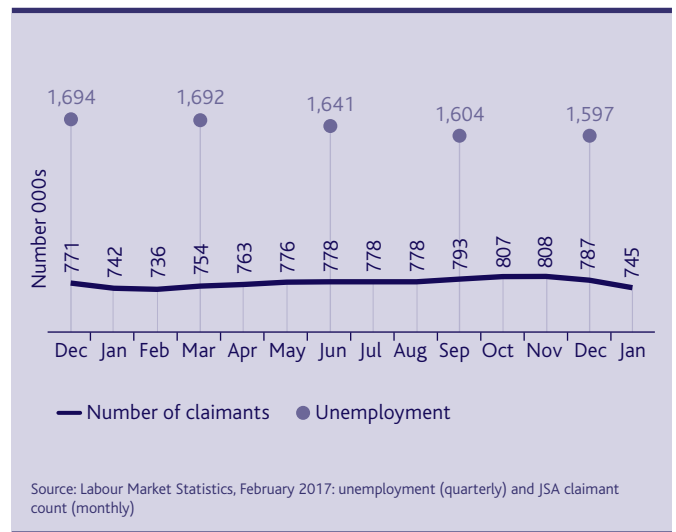
LLOYDS BUSINESS BAROMETER

Overall confidence fell by 10 points in January to 29% – a four-month low – as respondents reported both a softening in the outlook for their own businesses and the wider economy. Notably, the net balance of respondents who indicated a greater level of economic optimism declined 14 points to 16%. Overall confidence levels by sector varied considerably. Consumer Services was the least confident, falling 24 points to 13%. The industrial sector remained more resilient, however, falling just 9 points to 47%.



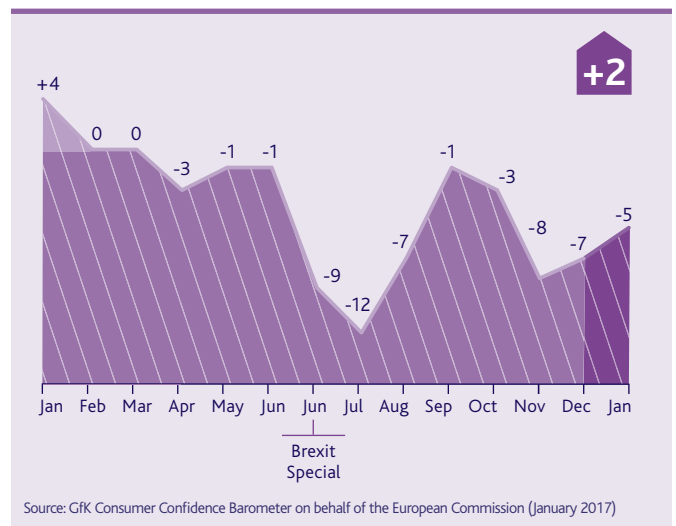
UNEMPLOYMENT AND CLAIMANT NUMBERS

The total claimant count, which was comprised of 498,000 on JobSeeker’s Allowance (JSA) and 247,000 on Universal Credit in January 2017, fell by 42,000 from the previous month. The reductions came from 24,000 fewer claiming JSA and 18,000 fewer on Universal Credit. Whilst the number of people unemployed fell by 7,000 in October–December compared to the previous quarter, both the number out of work for up to 6 months and those unemployed for 6–12 months increased by 10,000 and 12,000 respectively.



CONSUMER CONFIDENCE INDEX

GfK’s Consumer Confidence Index rallied slightly this month, increasing by two points to -5. Amongst the five underlying measures, concerns over the economy continue to suppress overall confidence. Whilst the measure for the general economic situation of the country over the last year increased two points this month to -24, this was 21 points lower than January 2016. Similarly, expectations for the general economy over the next 12 months remained at -23 which is 18 points lower than January 2016.

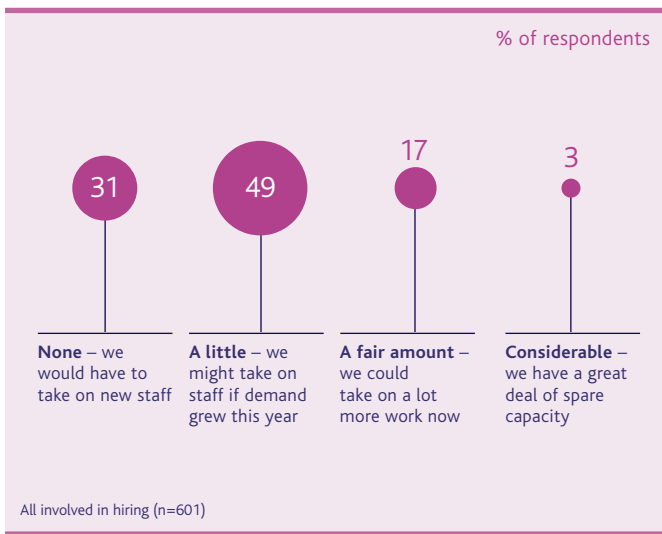


EmployerDashboard

WORKFORCE CAPACITY

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

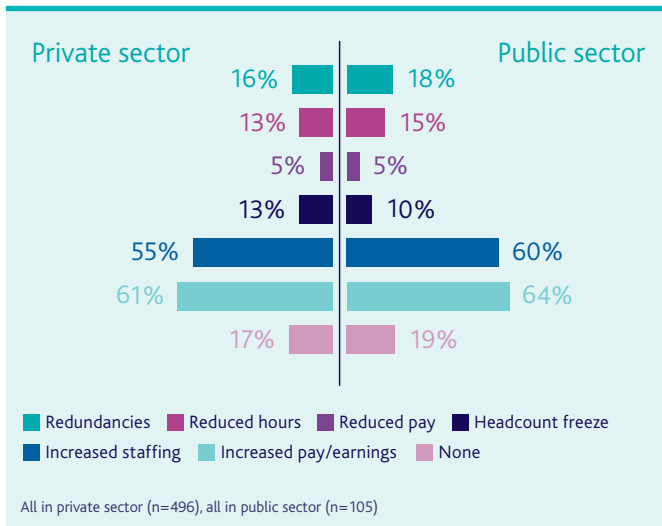
Three in ten (31%) of all UK hirers surveyed in November–January highlighted that they had absolutely no spare capacity within their organisations to take on more work. Amongst large organisations (250+ employees), however, the figure was just 20%. One in six employers (17%) stated they have a 'fair amount' of capacity, while 3% say they have considerable capacity. However, 24% of employers in the North reported they have a 'fair amount' of capacity.



WORKFORCE PLANNING BY SECTOR

Public and private sector workforce planning activities over the year to November–January remained broadly similar. However, a higher proportion of public than private sector enterprises increased staffing levels, at 60% and 55% respectively. Additionally, the proportion of public sector organisations that had increased pay/earnings rose by nine percentage points this quarter to 64%, compared to 61% in the private sector.

3 month rolling average to January 2017

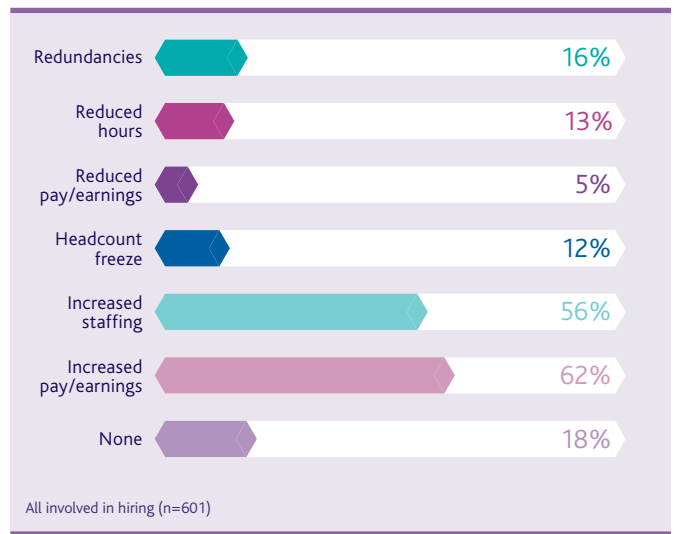


WORKFORCE PLANNING

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

The proportion of UK employers who had increased pay and/or earnings over the last year was up 4 points this quarter to 62%. Amongst mid-sized enterprises (50–249 employees) 72% increased pay/earnings. Similarly, 70% of this cohort had increased staffing levels, notably higher than the 56% all UK average. A much higher than average proportion of employers in London actioned headcount freezes (20%) whilst 8% had reduced pay/earnings.

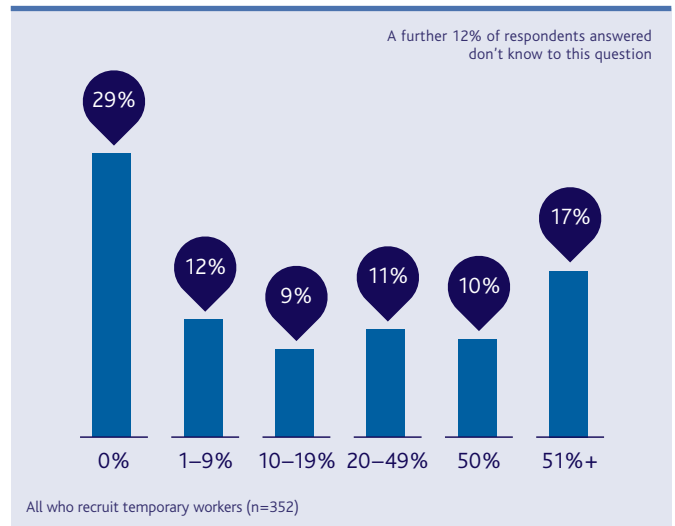
Workforce changes made in the last year
3 month rolling average to January 2017



TEMPORARY TO PERMANENT

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

Six in ten employers (59%) transfer at least 1% of temporary workers into permanent posts each year. Amongst micro and small enterprises (0–49 employees) this happens in just 45% of cases, but 68% of mid-sized (50–249 employees) and 69% of large (250+) employers action 1%+ transfers. A quarter of employers transfer 50% or more temporary workers to permanent posts each year.

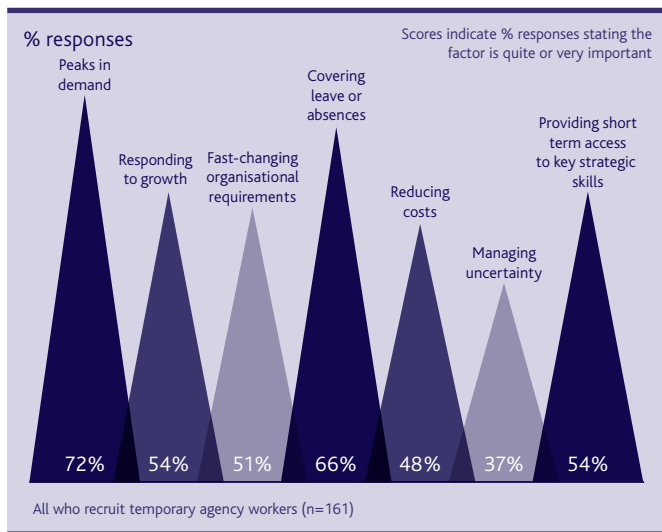


AgencyDashboard

IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

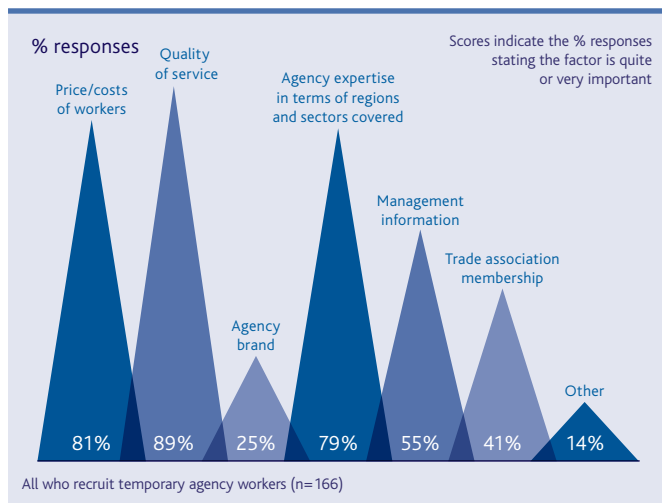
The proportion of employers citing agency workers' importance to 'managing uncertainty' and accommodating 'fast-changing organisational requirements' increased by six percentage points this quarter, to 37% and 51% respectively. Covering 'peaks in demand' and 'covering leave/absences' also increased by five percentage points.



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?

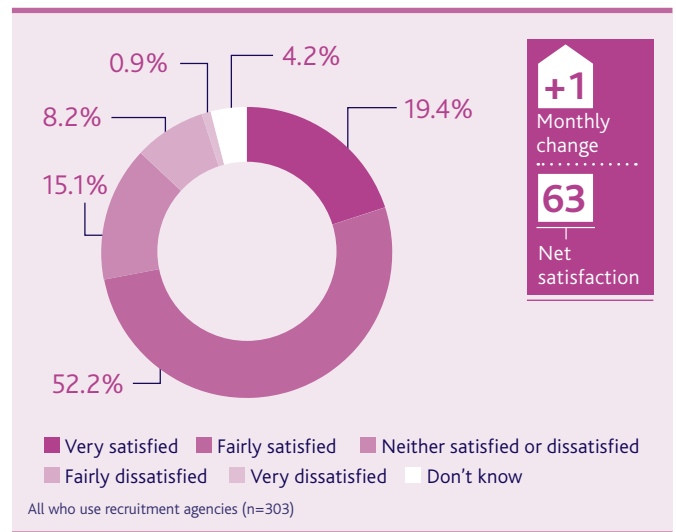
Quality of service, price and expertise are the most important factors when choosing an agency. The importance of management information has risen, cited by 55% of all respondents this quarter, up from 51% the previous rolling quarter.



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?

Seven in ten (72%) organisations surveyed during November to January expressed satisfaction with the recruitment agencies they had used in the last two years. This rose to 84% amongst the largest employers (250+ employees) and 77% amongst public sector hirers. Only 5% of large employers and public sector employers expressed dissatisfaction, notably below the 9% all UK average.

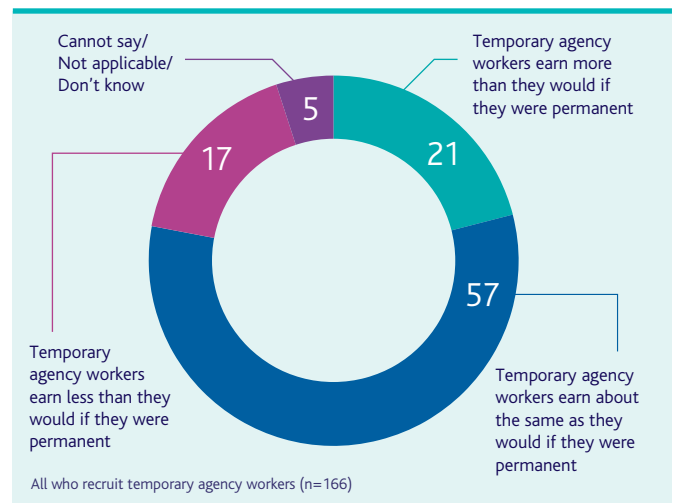


AGENCY WORKER PAY RATES

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

One in five (21%) of all UK employers believed that temporary agency worker pay rates were higher than those of their permanent counterparts when surveyed in November–January. Regionally, 26% of respondents in the North and 27% in London believed this to be the case. In total, 17% of employers believed agency workers are paid less, notably higher than the 8% who believed that this was the case when surveyed in June–August.

3 month rolling average to January 2017



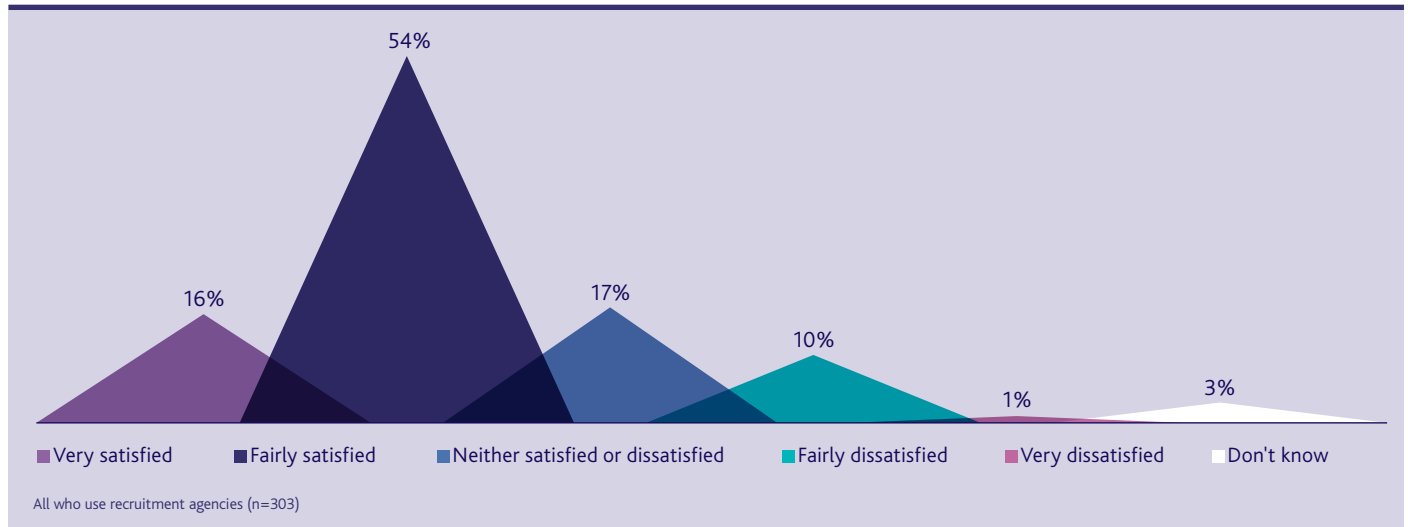
AgencyDashboard

SATISFACTION WITH CANDIDATES

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

The proportion of respondents expressing dissatisfaction with the candidates presented by recruitment agencies dropped by 2 percentage points this quarter to 11%. Whilst an overall 69% expressed satisfaction, the figure was lower amongst public sector

respondents (65%). This will be an important barometer to watch as we approach the introduction of the Off-Payroll worker legislation scheduled for April 2017, as many with the critical skills that the sector requires may opt to work elsewhere leaving talent shortages.



RECRUITMENT CHANNELS USED

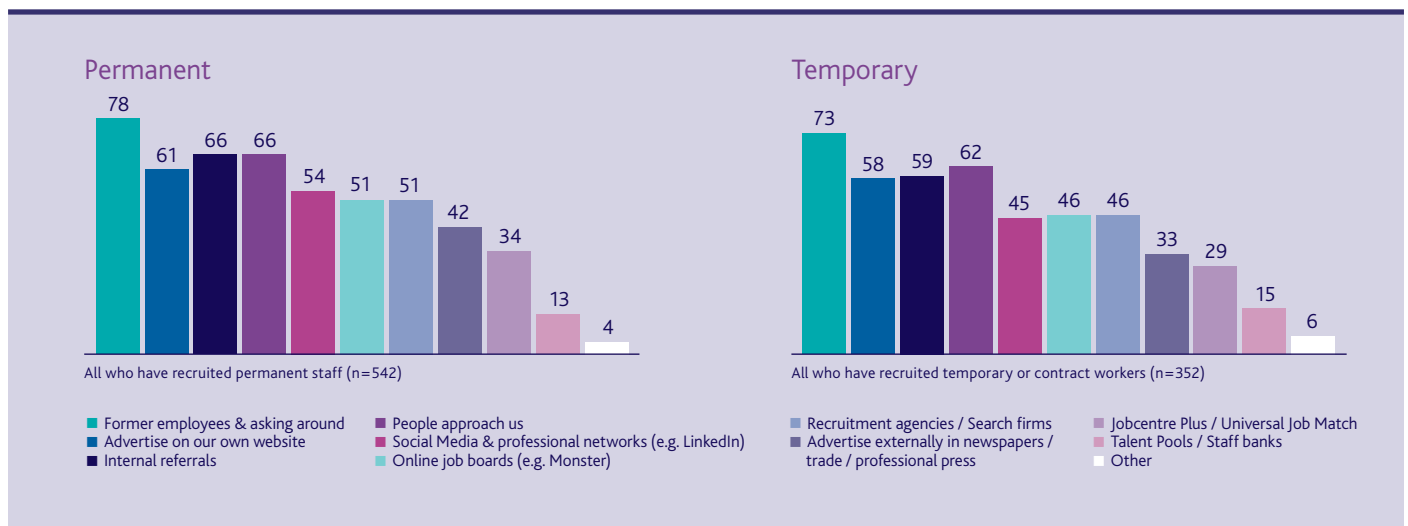
In which of the following ways, if any, does your organisation recruit permanent members of staff and temporary or contract workers?

The general upward trend in the proportion of employers utilising the spread of recruitment channels has the potential to point towards tightening skills availability.

The use of channels to recruit temporary workers has increased in every instance this quarter. Those advertising contingent posts on their own website increased 7 points to 58%. Those using online job-boards increased 7 points to 46%, on top of a 5 point rise in the previous rolling quarter. The most frequently cited recruitment channel remained word of mouth (including approaches to past workers), used

by 73% of respondents. This channel was also the most frequently cited method for those seeking permanent hires, used by 78% (versus 75% in the last rolling quarter).

There were significant increases in the number of respondents highlighting the use of other direct sourcing channels for permanent hires, including their own websites (up 6 points to 61%) and internal referrals (up 5 points to 66%). There was a notable rise in instances of candidates approaching hirers directly (up 4 points to 66%).



Recruitment channels used for temporary staffing as of January 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 balance figure for permanent short-term hiring intentions is +20 (the proportion expecting an increase minus the proportion expecting a decrease). The comparable figure for agency workers is +4.

Looking at permanent hiring, nine job groups had an above average balance of anticipated demand. These included Construction (up 5 points from the last rolling quarter to +26% of respondents), Engineering/Technical (+1 point to +29%) and Health & Social Care (+2 points to +28%).

Amongst those considering their use of temporary agency workers over the next quarter, the balance of forecast demand was greatest for Construction (+20%) and Technology (+19%). However, in both cases the balance of demand was down this quarter (-6 and -5 points respectively). Drivers were another key occupation where the balance of demand shifted significantly this quarter (down 18 points to 0%).

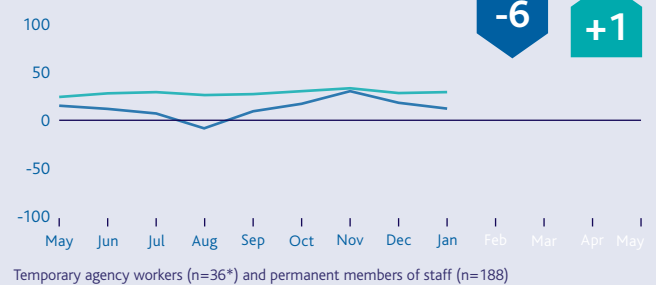
DRIVERS



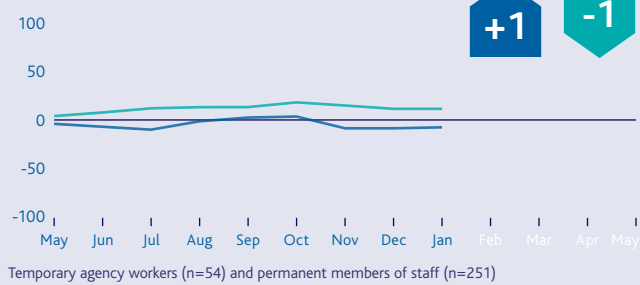
EDUCATION



ENGINEERING & TECHNICAL



ACCOUNTING & FINANCIAL SERVICES



EXECUTIVE RECRUITMENT / INTERIM



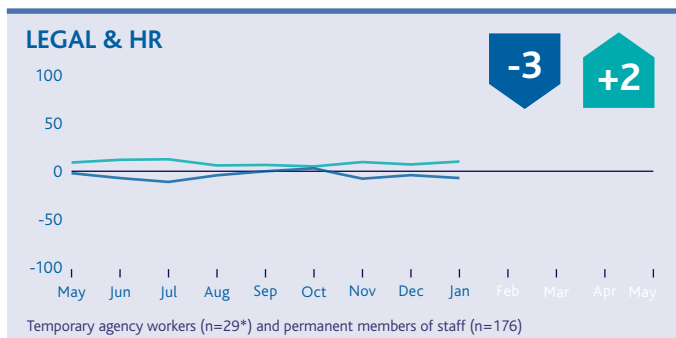
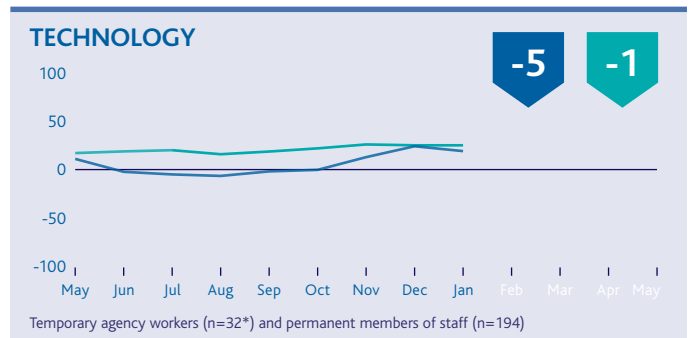
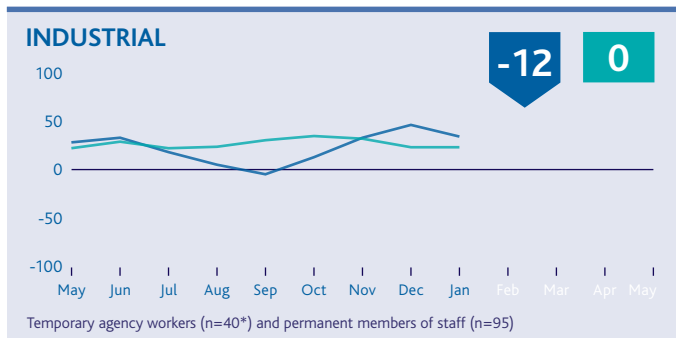
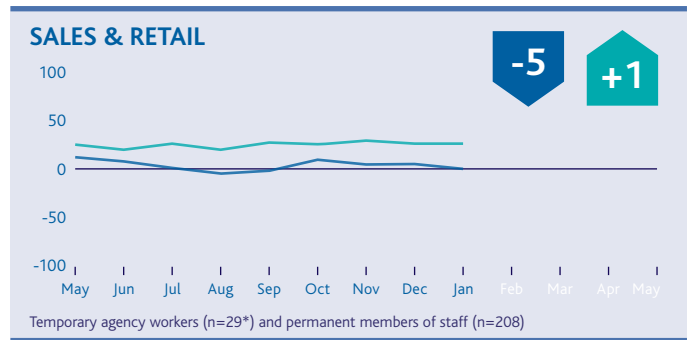
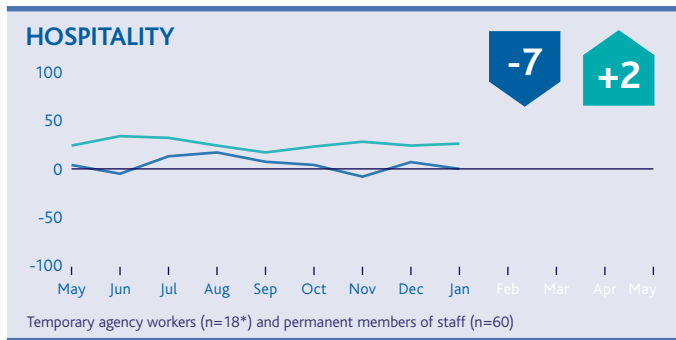
CONSTRUCTION



HEALTH & SOCIAL CARE

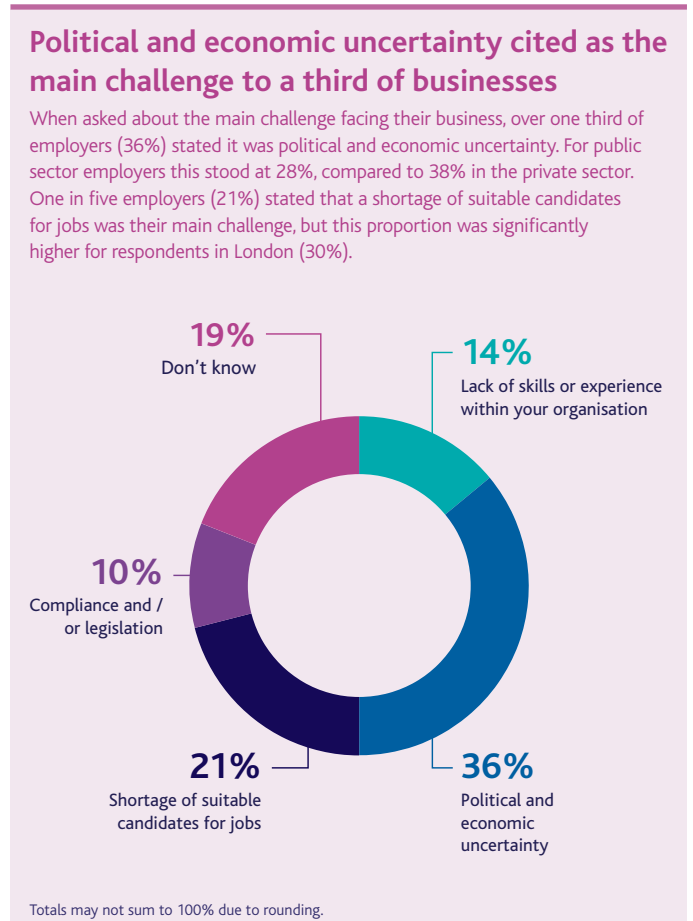
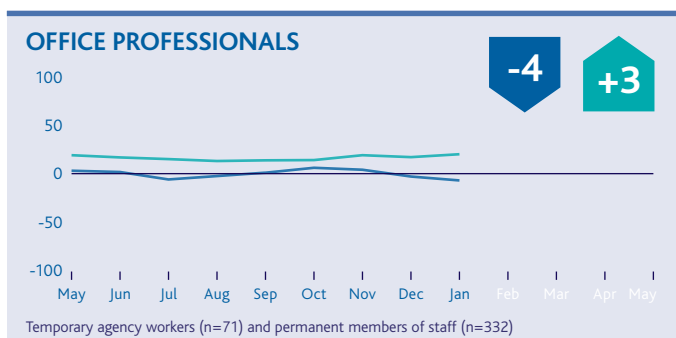
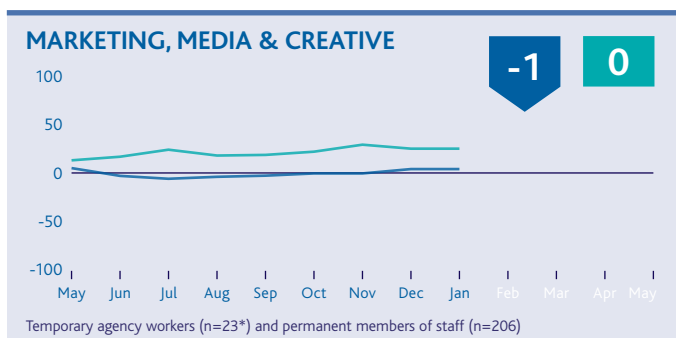


SectorProspects



■ 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.



REC-IHS Markit Predictive model

UK UNEMPLOYMENT RATE EXPECTED TO HOLD STEADY AT 4.8%

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

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 one thousand in the three months to January, to signal a broadly flat trend overall. Consequently, the unemployment rate is expected to remain at an 11-year low of 4.8%. The Office for National Statistics (ONS) will publish this data on 15 March 2017.

The model signals a fifth consecutive reduction in unemployment, with a fall of seven thousand reported by the ONS in the three months to December. 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

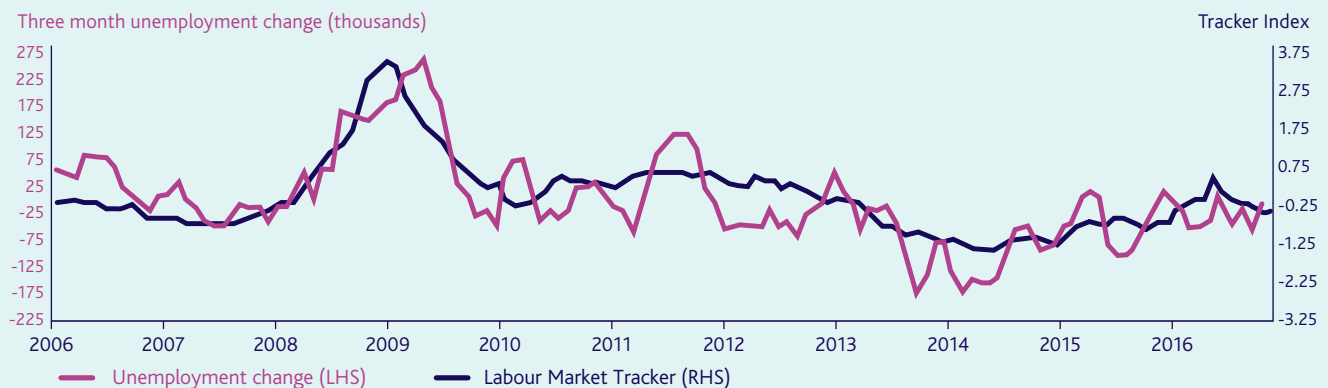
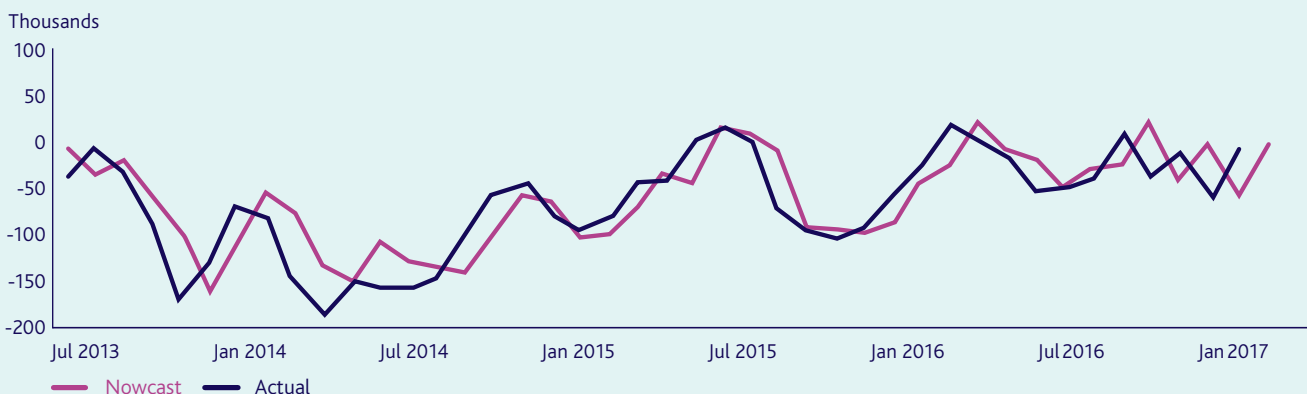


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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

