

## UK employer confidence plummets to all-time low

**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...

17%

Better

37%

Worse

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

27%

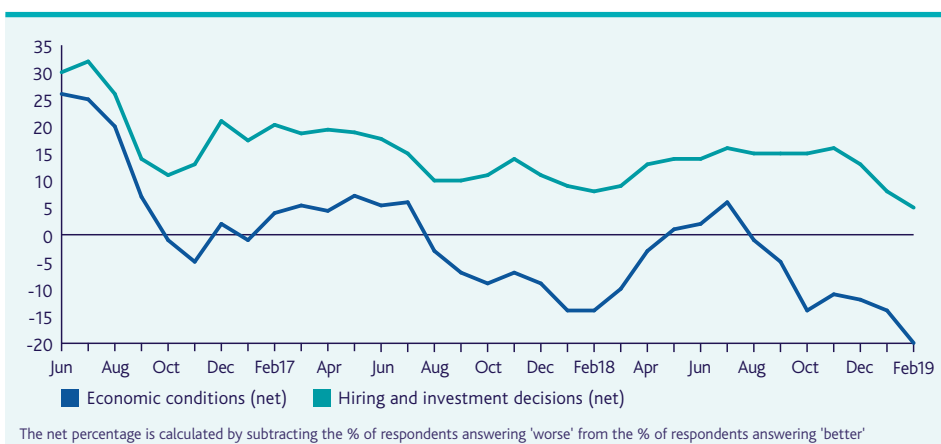
Better

22%

Worse

All involved in hiring (n=611)

Employers' confidence in the prospects for the UK economy fell 6 percentage points this month to net: -20, whilst confidence in making hiring and investment decisions decreased by 3 percentage points to net: +5. Both barometers reached their lowest level since records began in June 2016, starkly contrasting with net: +26 and net: +31, respectively, recorded in that period.



### Key Points from November–January Survey

1



Employer confidence in the economy falling lower

Employers' confidence in the UK economy reached the lowest level this quarter since the REC's records began, dropping from net: -14 to net: -20.

2



Employer confidence in making hiring and investment decisions falling

At net: +5, employers' confidence in making hiring and investment decisions in their own organisations also reached its lowest level since records began. This was down 3 percentage points from the previous month.

3



Forecast demand for permanent employees increases from last year

At net: +17 in the short-term and net: +25 in the medium-term, forecast demand for permanent employees was 3 and 9 percentage points higher, respectively, than in the same period last year.

4



Agency hiring intentions falling

The net balance of short-term sentiment towards agency hiring fell by 11 percentage points year-on-year to net: -6. At net: -7, the medium-term sentiment was the lowest on record, 10 percentage points lower than a year earlier.

5



Employers with little or no surplus work capacity

Eight in ten (82%) UK employers have either little or no surplus workforce capacity, including 88% of the UK's largest (250+ employee) enterprises and 93% of public sector bodies.

6



Concern over the availability of permanent-hire candidates

Half (50%) of UK employers expressed concern over the availability of permanent-hire candidates. They were most concerned about Engineering & Technical, Health & Social Care, and Hospitality workers.

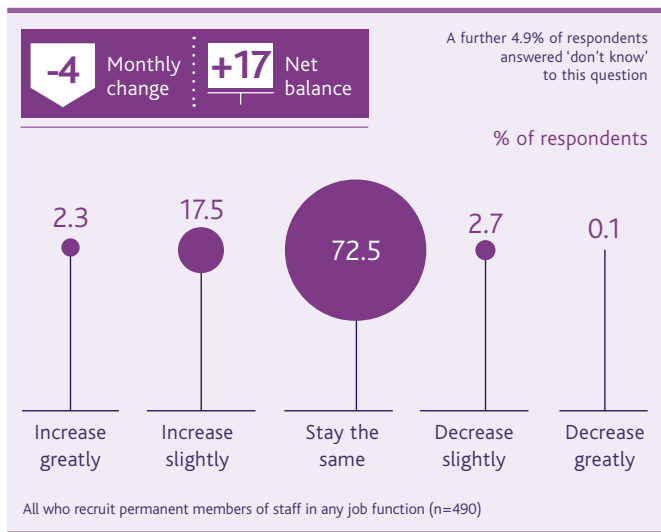
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (\*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

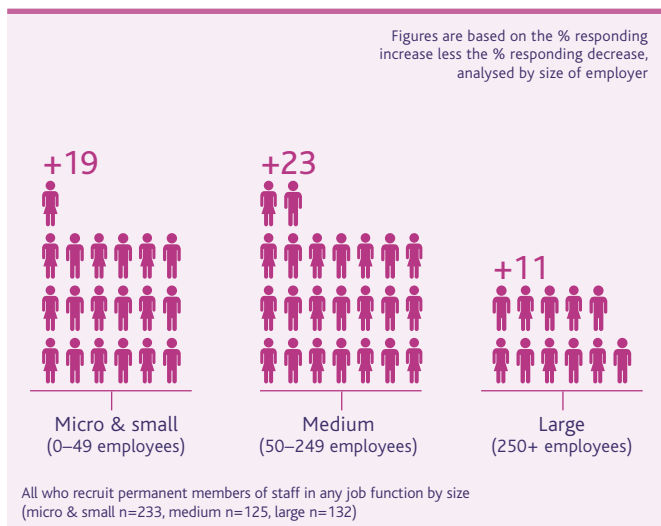
Employers of permanent staff continued to be more likely to plan to increase, than decrease, permanent headcount in the short-term when surveyed in November 2018–January 2019 (net: +17). Moreover, this was 3 percentage points higher than in the same period a year earlier. By region, sentiment ranged from net: +14 in the North to net: +27 in London. There was also notable variation between forecast demand in the private (net: +21) and the public sector (net: +6).



## OUTLOOK BY EMPLOYER SIZE

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

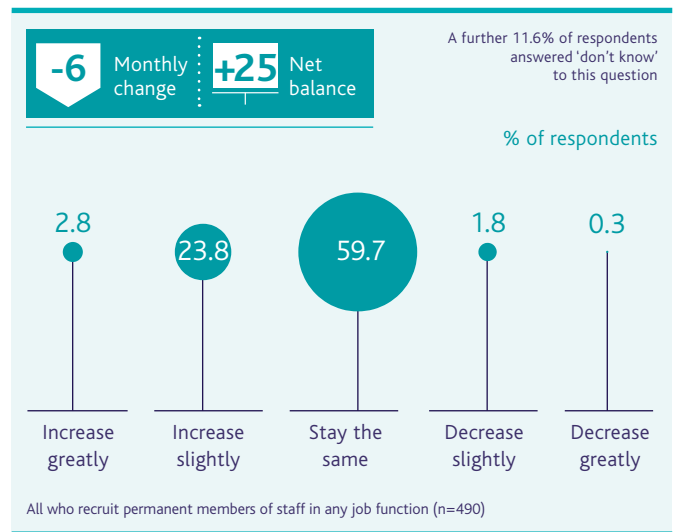
The balance of short-term anticipated demand for permanent staff slipped amongst all sized employers this quarter, but most notably amongst large (250+ employee) enterprises (down 6 percentage points to net: +11). This was also the only cohort where the figure was lower year-on-year (down from net: +16). Sentiment amongst micro/small (0–49 employee) and mid-sized (50–249 employee) enterprises increased year-on-year, from net: +13 to net: +19, and from net: +14 to net: +23, respectively.



## MEDIUM-TERM OUTLOOK

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

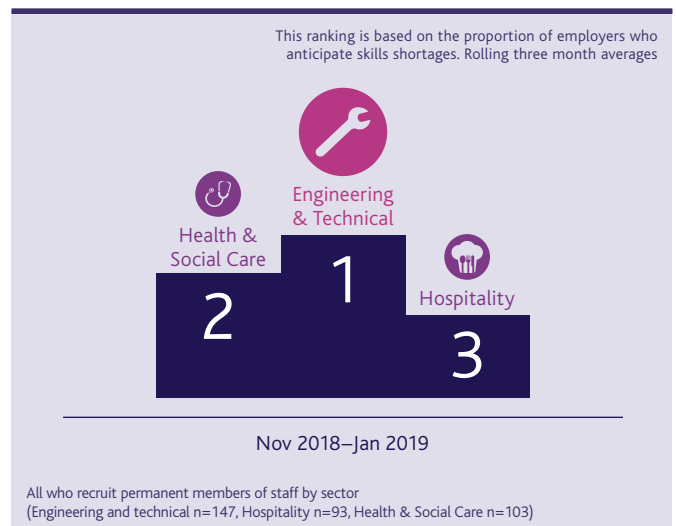
In the medium-term, the proportion of employers of permanent staff planning to increase rather than decrease their permanent headcount was 9 percentage points higher than a year earlier (net: +25 vs. net: +16). Regionally, anticipated demand was highest in the Midlands (net: +30) and the South, excluding London (net: +29), whilst notably lower in the North (net: +17). By size, forecast demand was lowest in the largest enterprises (250+ employees) at net: +19.



## 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 (50%) of UK employers of permanent staff expressed concern this quarter over the sufficient availability of permanent candidates – 9 percentage points higher than a year earlier. In London, the proportion expressing concern rose from 33% to 50% year-on-year. This region also registered the highest level of concern over the availability of Engineering/Technical workers.

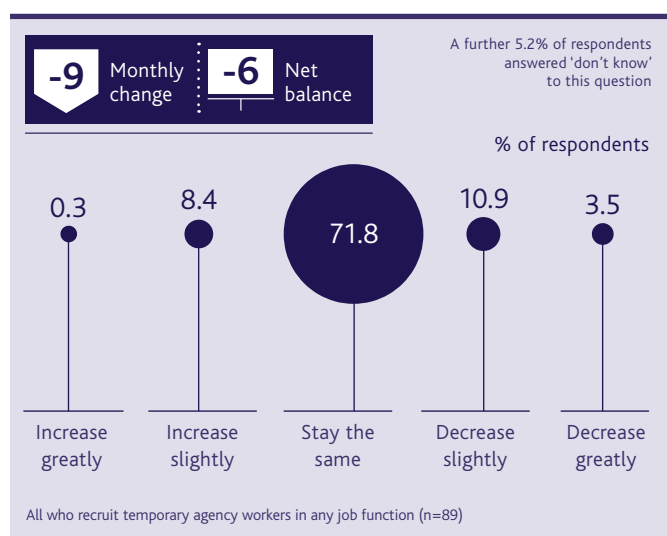


# Temporary Recruitment

## SHORT-TERM OUTLOOK

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

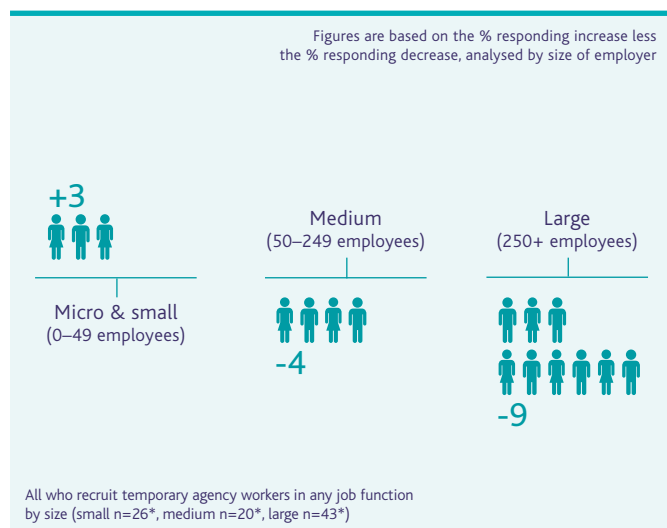
A 9-percentage point fall in the net balance of sentiment towards short-term agency hiring took this index back into negative territory (net: -6) for the first time since November 2017. Moreover, this was 11 percentage points lower than in the same period last year. Regional variations ranged from net: -20 in the South (excluding London) to net: +10 in the Midlands – the only region where the balance of sentiment was positive.



## OUTLOOK BY EMPLOYER SIZE

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

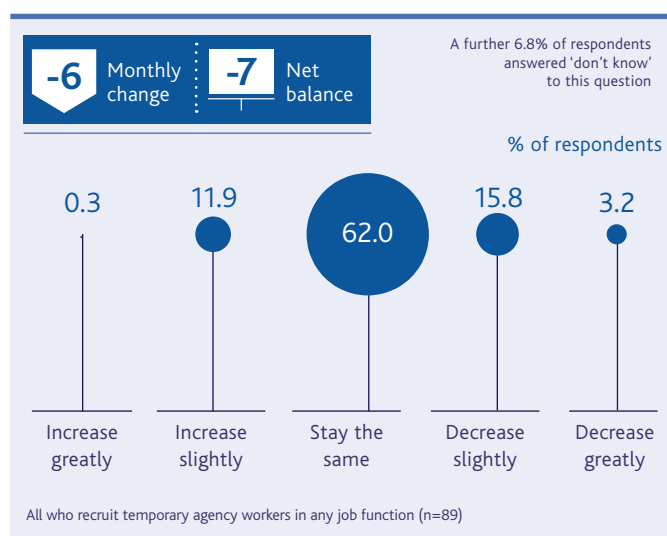
Whilst the short-term sentiment amongst micro/small (0–49 employee) enterprises who recruit temporary agency workers remained in positive territory (at net: +3), it was 12 percentage points lower than in the last rolling quarter and down 9 percentage points year-on-year. In contrast, the balance of sentiment amongst mid-sized (50–249 employee) organisations became negative (net: -4), following a 16-percentage point year-on-year fall, as did sentiment amongst the largest (250+ employee) enterprises, falling 12 percentage points to net: -9.



## 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?

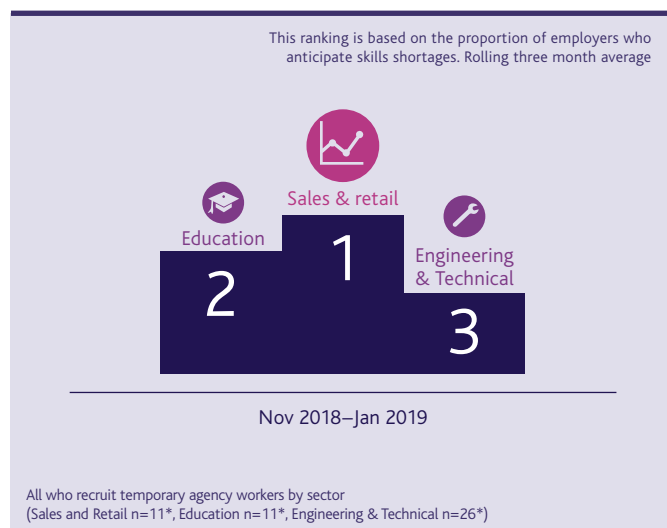
The medium-term balance of employer sentiment towards agency worker hiring dropped 6 percentage points this quarter to net: -7. This was the lowest level since records began and 10 percentage points lower than a year earlier. Regionally, only employers of agency workers in the Midlands expressed positive sentiment (net: +14). There was also a notable contrast between private (net: +9) and public sector hirers (net: -24).



## 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?

Following this quarter's further decline in anticipated demand for temporary agency workers, the proportion of hirers of agency staff expressing concern over the sufficient availability of workers similarly fell to 25% – down from 32% a year earlier. With the academic year in full swing, the return to the fore of concern over the sufficient availability of agency workers in the education sector is noteworthy.

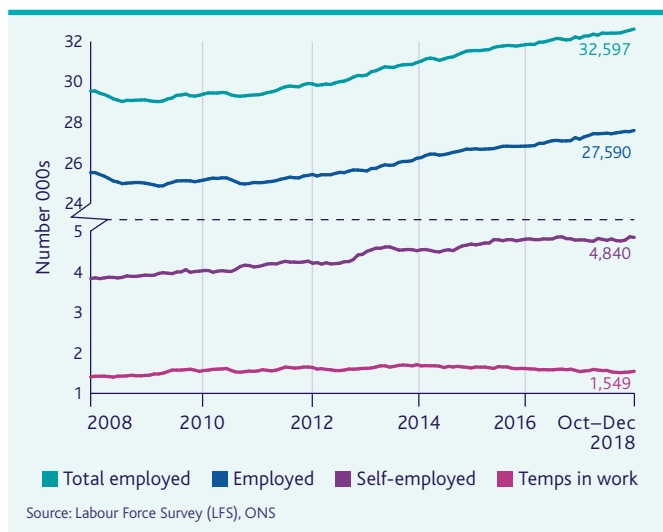


# LabourMarketDashboard

## TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

The UK workforce increased by 0.5% in October–December 2018, compared to the previous quarter. At 32,597,000, it was 167,000 larger than the previous quarter and was 444,000 (1.4%) larger than the same period a year earlier. Self-employment rose by 80,000 (1.7%) quarter-on-quarter to 4,840,000, representing a self-employment rate of 14.85%. Temporary employment recorded a level 38,000 (2.5%) higher than the previous quarter, at 1,549,000, representing a temporary employment rate of 4.75%. As such, 71% of this quarter's increase came from non-permanent employment.

### Total employment, employed and self-employed



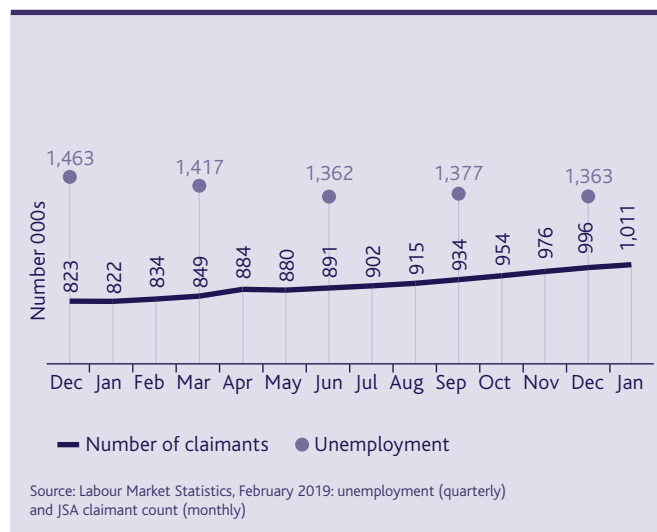
## REAL WAGE GROWTH

Regular Pay growth (in nominal terms, i.e. not adjusted for inflation) for employees in Great Britain, for the period between October–December 2017 and October–December 2018, was +3.4%. When considering the change in real-terms (i.e. adjusted for CPI), however, Regular Pay increased by just 1.2%. In terms of average weekly earnings for permanent and temporary employees in December 2018, it was recorded at £495 per week in nominal terms – up from £480 per week for a year earlier. In constant 2015 prices, however (i.e. adjusted for inflation), it was £464 per week – up from £459 per week for a year earlier. This remained £9 lower than the pre-downturn peak of £473 per week.



## UNEMPLOYMENT AND CLAIMANT NUMBERS

The unemployment rate was 4.0% in October–December 2018 – lower than the 4.1% registered in the previous quarter. At 1,363,000, this represented a 14,000 (1.0%) decrease on the previous quarter and was 100,000 (6.8%) lower than the same period a year earlier. Amongst those aged 16–17, unemployment rose quarter-on-quarter by 12,000 (13.3%), to a rate of 24.3%, but was down by 20,000 (16.3%) year-on-year. It also increased by 21,000 (5.4%) to a rate of 10.4%, quarter-on-quarter, amongst those aged 18–24, but was 11,000 (2.6%) lower year-on-year. The provisional Claimant Count in January 2019 was up by 189,000 (23.0%) year-on-year.

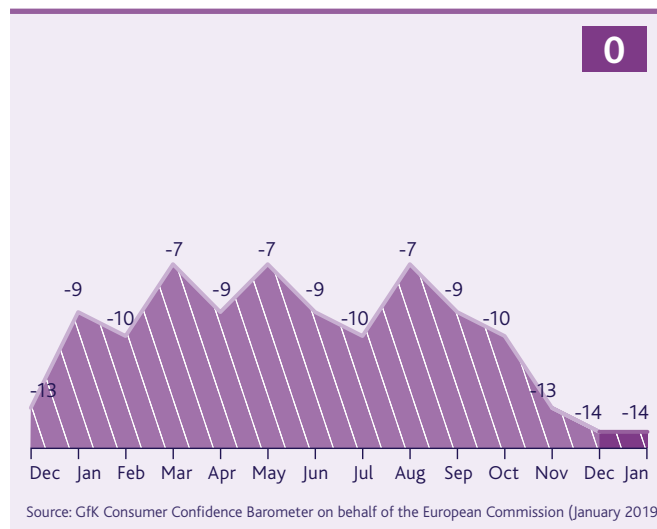


## CONSUMER CONFIDENCE INDEX

The Consumer Confidence Index started 2019 by remaining static in January, at -14. This was 5 points lower than the opening score in 2018, however.

At -39, the score for respondents' perspective on the general economic prospects for the UK over the next 12 months was the lowest recorded for more than seven years and is noted by GfK for approaching levels last seen at the end of 2008 / early 2009. It was also 15 points lower than in January 2018.

In contrast, the forecast for personal finances over the next 12 months rose by 2 points to +1, albeit this was 5 points lower than in January 2018.

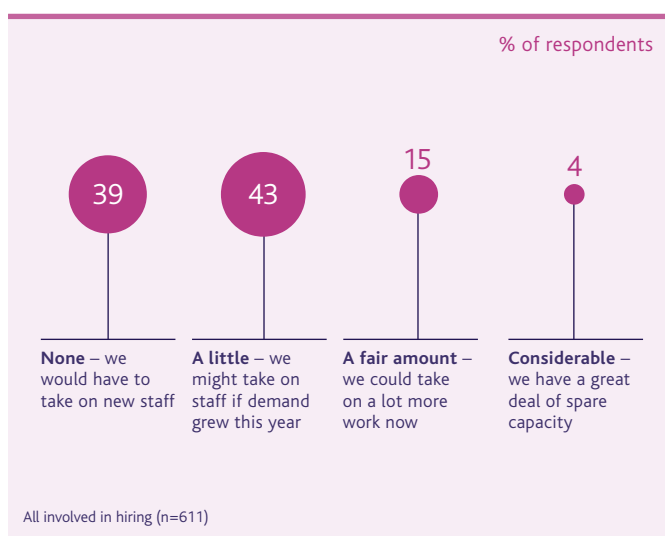


# EmployerDashboard

## WORKFORCE CAPACITY

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

Eight in ten (82%) UK employers highlighted this quarter that they had either no surplus workforce capacity (39%) or such a small amount that they may need to increase headcount if demand increased (43%). Whilst there was little regional variation, this figure increased to 88% amongst the UK's largest (250+ employee) enterprises and 93% (versus 74% last year) amongst public sector bodies – where more than half (51%) stated that they had no spare capacity.

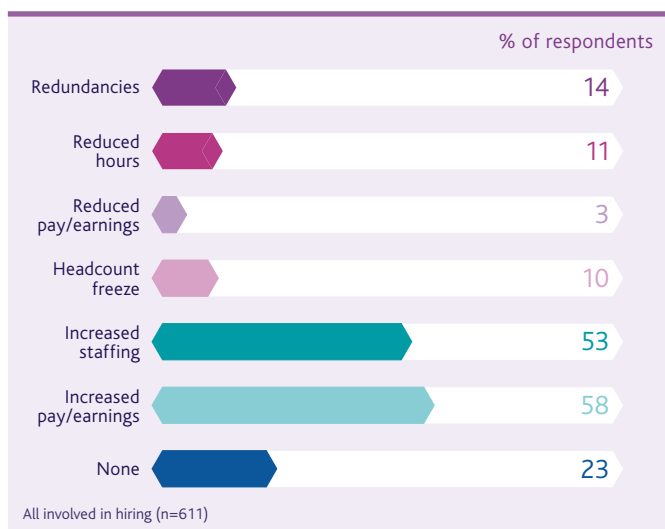


## WORKFORCE PLANNING

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

Whilst just over half of UK employers (53%) increased staffing levels in the year to November 2018–January 2019, the proportion varied notably by size of organisation. This ranged from 40% of the UK's smallest (0–49 employee) enterprises to 75% of mid-sized (50–249 employee) organisations – notably up from 38% and 53%, respectively, a year earlier.

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

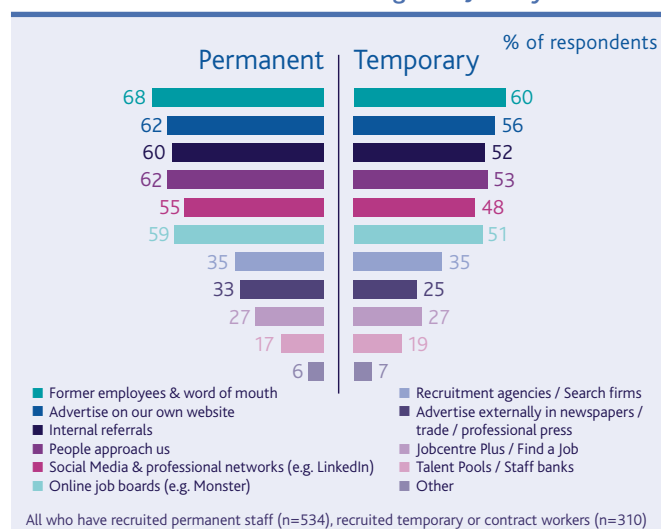


## RECRUITMENT CHANNELS USED

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

More than half (52%) of employers who have recruited temporary staff before use internal referrals to fill temporary positions (versus 54% last year). Six in ten (60%) approach former employees and/or use word of mouth to fill temporary posts (versus 62% last year). This increased to 66% amongst private sector employers, but was just 38% amongst public sector bodies.

**Recruitment channels used for staffing as of January 2019**

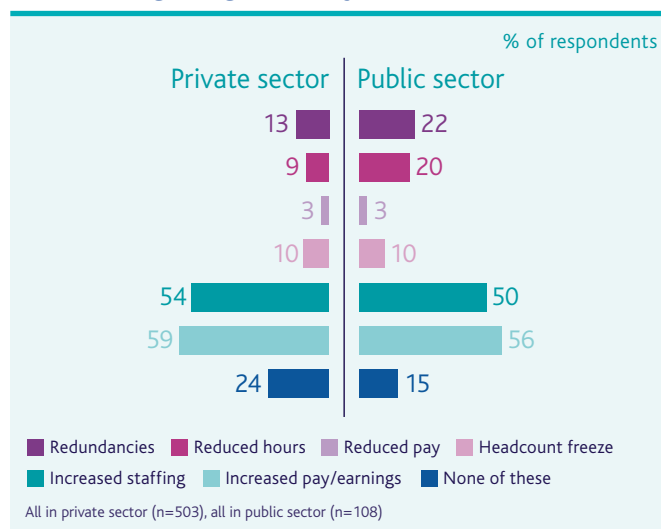


## WORKFORCE PLANNING BY SECTOR

An increasing proportion (20%) of public sector employers reported that they had reduced workers' hours in the year to November 2018–January 2019 – up from just 9% in the year to November 2017–January 2018.

There was also a year-on-year rise, from 18% to 22%, in the proportion of public sector employers that had made redundancies over the previous twelve months. This compared to a decline, from 16% to 13%, amongst employers in the private sector.

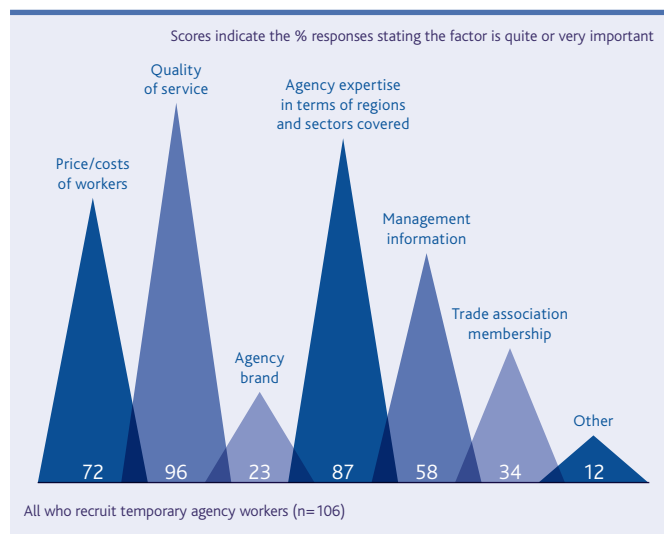
**3 month rolling average to January 2019**



## 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?

Employers of temporary agency workers were most likely to say that, when selecting a recruitment agency partner, quality of service (96%) and the agency's expertise (87%) are important. The proportion of employers highlighting these criteria was similar to the same period last year (93% and 85%, respectively).

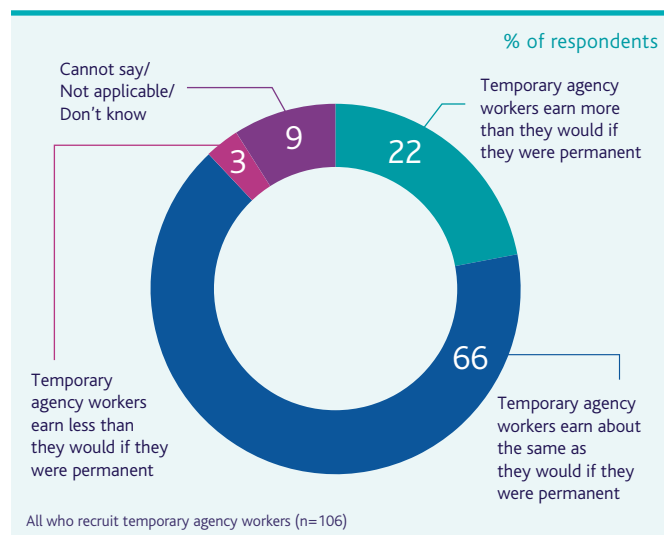


## AGENCY WORKER PAY RATES

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

At just 3%, the proportion of respondents who felt, this quarter, that temporary agency workers earned less than their permanent counterparts was significantly lower than the figure recorded a year earlier (11%). In contrast, 22% believe that agency workers earn more than if they were permanent.

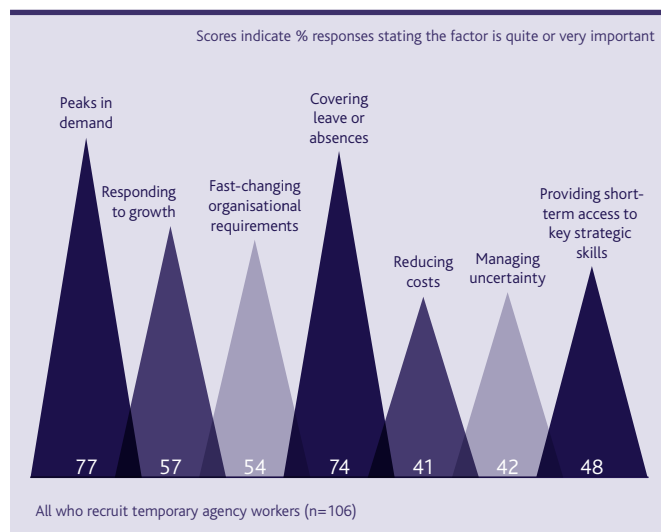
3 month rolling average to January 2019



## IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

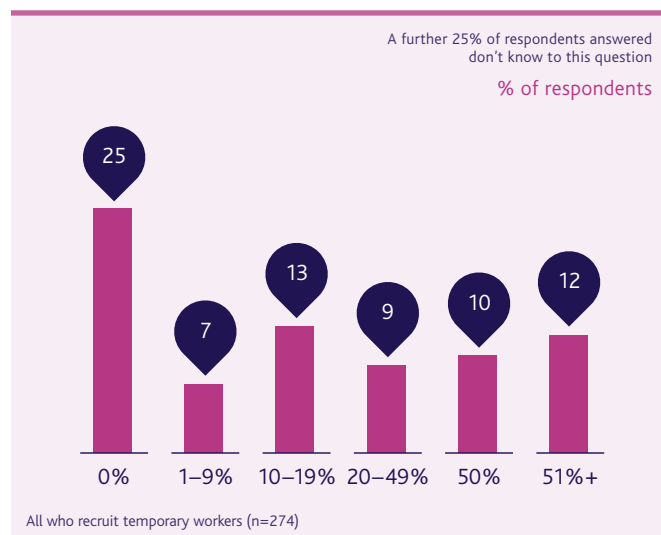
This quarter, employers of temporary agency workers were most likely to say that these workers are important to their organisations for meeting peaks in demand (77%) and covering leave/absences (74%). There was an increase in the percentage of employers citing these reasons compared to a year earlier (70% and 63%, respectively).



## TEMPORARY TO PERMANENT

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

Whilst the proportion of UK employers who have recruited temporary workers before who highlighted that they transfer 50%+ of temporary workers into permanent posts each year was higher than the same period last year (21% vs. 18%), it rose most notably amongst public sector hirers (from 14% to 24%). Regionally, Northern employers are twice as likely as London employers to say that half or more of their temporary workers move into permanent roles (26% vs. 13%).





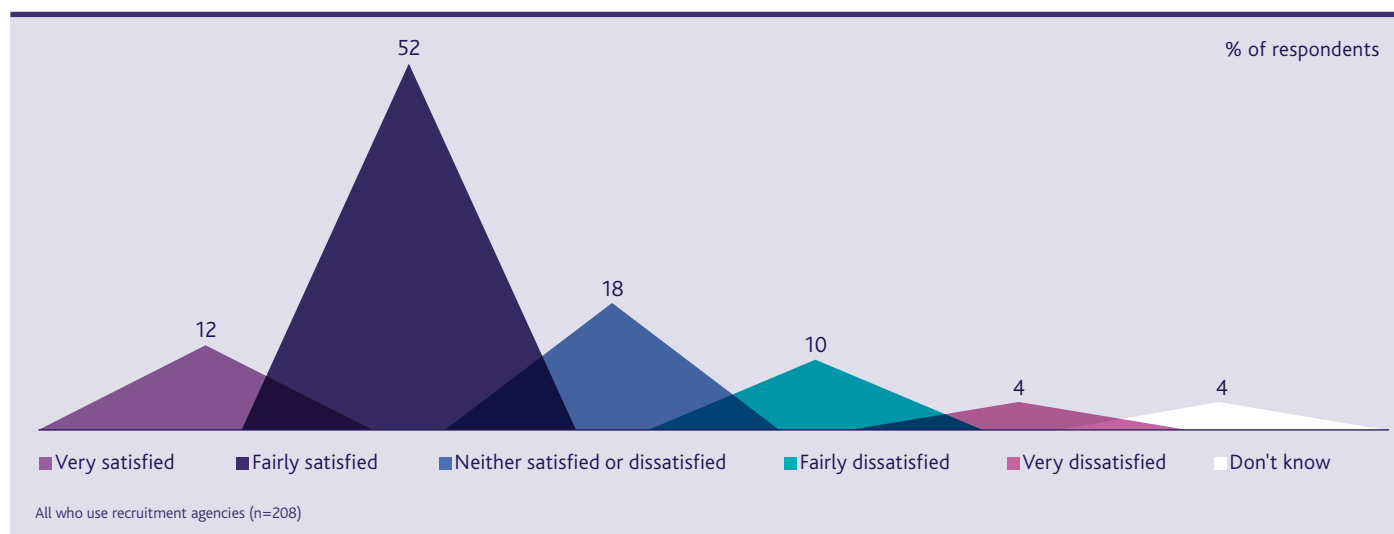
## SATISFACTION WITH CANDIDATES

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

At 64%, the percentage of UK employers who were satisfied with the quality of agency candidates presented was similar to the same period last year (66%). Regional variations were noteworthy, however, ranging from 57% of Northern respondents (vs. 63% last year) to 72% in the South, excluding London (vs. 64% last year). Furthermore, 21% of respondents in the North expressed dissatisfaction with the quality of candidates – up from 15% a year earlier.

In the same period last year, a higher proportion of private sector hirers who used recruitment agencies expressed satisfaction than public sector bodies (67% vs. 62%). This year, the proportions are reversed, to 63% of private and 69% of public sector respondents.

Whilst satisfaction levels rose, year-on-year, in the UK's largest (250+ employee) organisations, from 72% to 75%, there was a decline amongst both small/micro (0–49 employee) enterprises (from 56% to 52%) and mid-sized (50–249 employee) hirers (from 71% to 66%).



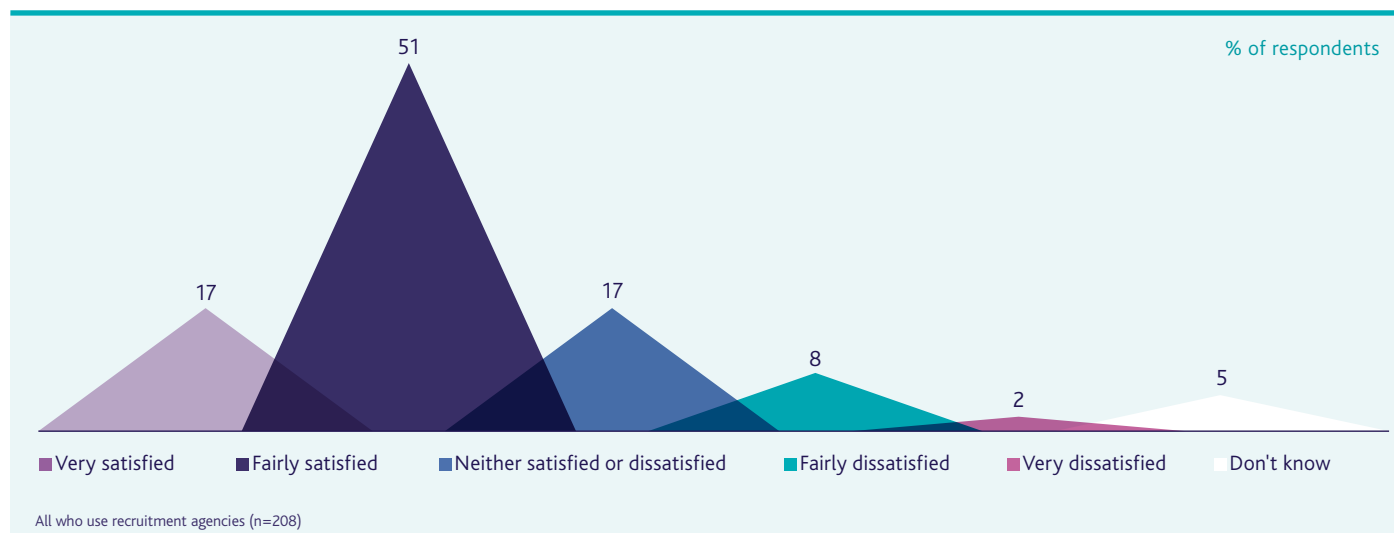
## SATISFACTION WITH AGENCIES

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

At 69%, the proportion of UK employers expressing satisfaction with their agency partners this quarter was 3 percentage points lower than in the same period a year earlier. Amongst the underlying regions, however, there were more notable year-on-year movements. This included a fall from 70% to 59% amongst employers in London and from 74% to 61% amongst respondents from the Midlands. This was coupled with a notable rise in dissatisfaction levels, from 0% to 18% in London and from 7% to 19% in the Midlands.

Large (250+ employee) enterprises registered the highest levels of satisfaction this quarter at 79% (up from 74% last year). This was a stark contrast to just 55% of micro/small (0–49 employee) organisations expressing satisfaction (down from 63% last year).

The general year-on-year increase, from 7% to 10%, in the proportion who expressed dissatisfaction with their agencies should also be noted, underpinned by an increase from 8% to 12% amongst private sector hirers.



# 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?

There were only three occupational groups in which there was a forecast increase in short-term demand for permanent workers this quarter. Anticipated demand for Health & Social Care workers rose 4 percentage points (net: +35), while it rose by 2 points (net: +27) for those seeking Sales/Retail employees and by 1 point (net: +21) for those requiring Industrial workers.

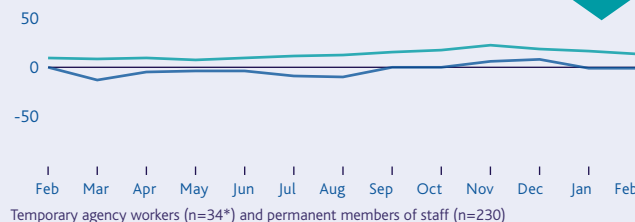
In contrast, forecast short-term demand for temporary agency workers declined for all occupations this quarter, with noteworthy falling demand anticipated for Drivers (by 32 percentage points to net: -6), Hospitality workers (by 24 points to net: -2), and Sales/Retail workers (by 23 points to net: 0).

■ 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.

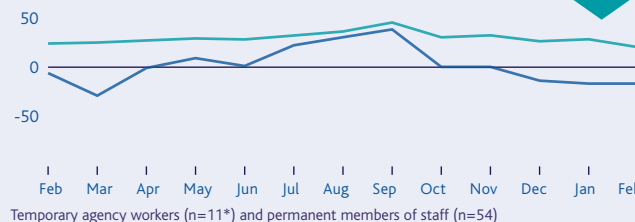
### ACCOUNTING & FINANCIAL SERVICES

0 -3



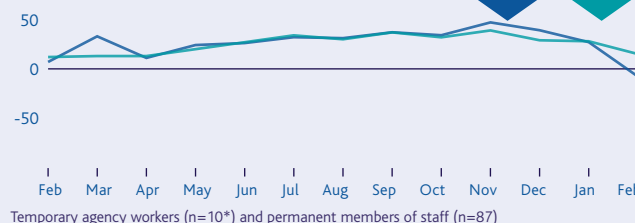
### CONSTRUCTION

0 -8



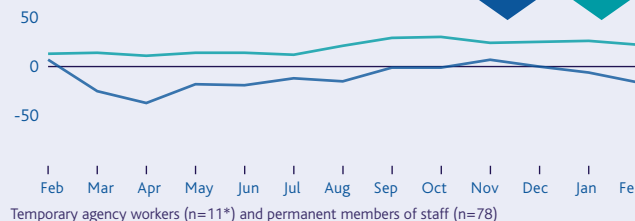
### DRIVERS

-32 -13



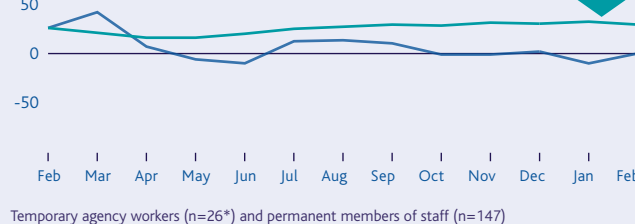
### EDUCATION

-10 -4



### ENGINEERING & TECHNICAL

+10 -3

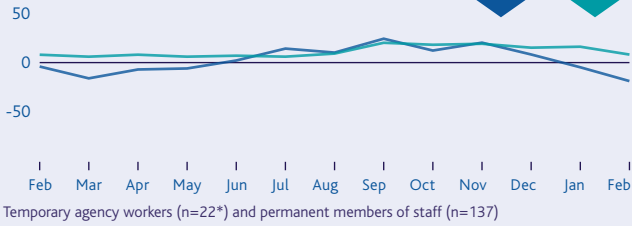




# SectorProspects

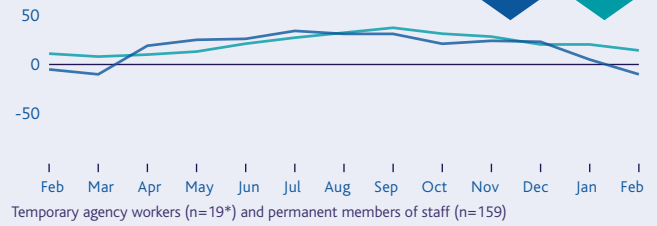
## EXECUTIVE RECRUITMENT / INTERIM

**-14** **-8**



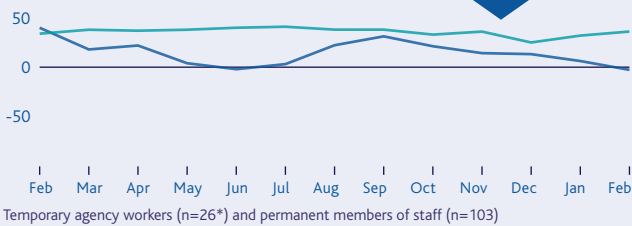
## MARKETING, MEDIA & CREATIVE

**-15** **-6**



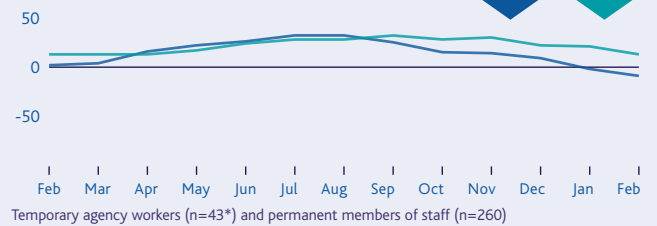
## HEALTH & SOCIAL CARE

**-9** **+4**



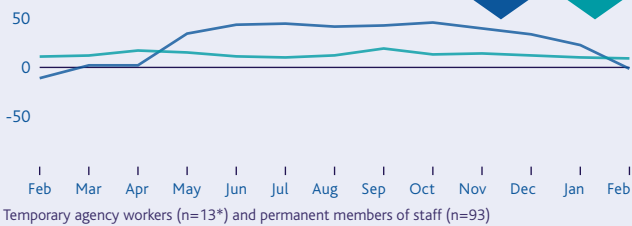
## OFFICE PROFESSIONALS

**-7** **-8**



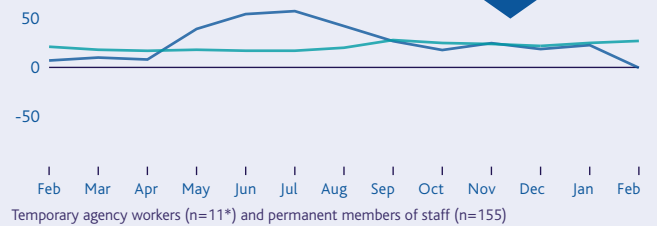
## HOSPITALITY

**-24** **-1**



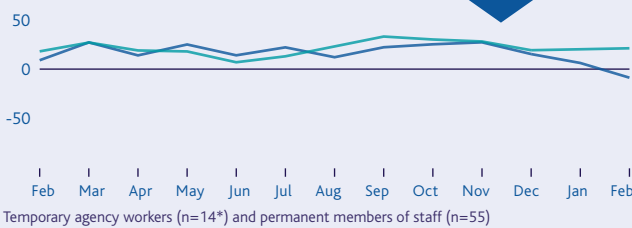
## SALES & RETAIL

**-23** **+2**



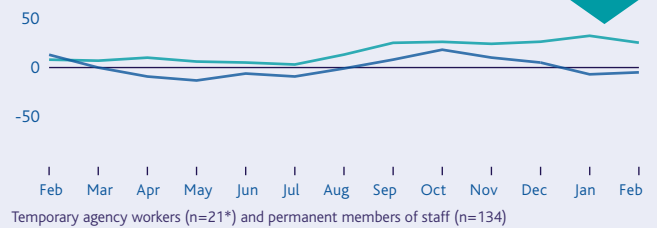
## INDUSTRIAL

**-15** **+1**



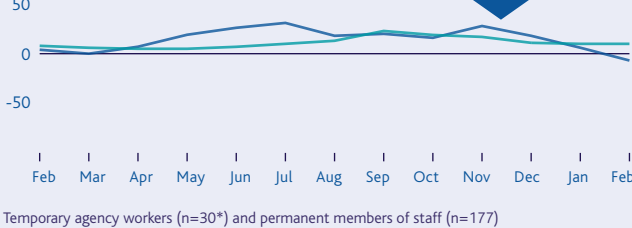
## TECHNOLOGY

**+2** **-7**



## LEGAL & HR

**-13** **0**



# REC-IHS Markit Predictive model

## UK UNEMPLOYMENT FORECAST TO DECLINE SLIGHTLY

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

The latest update to the nowcast model predicts a fall of 11,000 in the Labour Force Survey measure of UK unemployment in the three months to January. Consequently, the unemployment rate would hold steady at 4.0%; its lowest since 1975.

The model anticipates a second successive decline in unemployment, after a reduction of 14,000 in the three months to December. 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

Three month unemployment change (thousands)

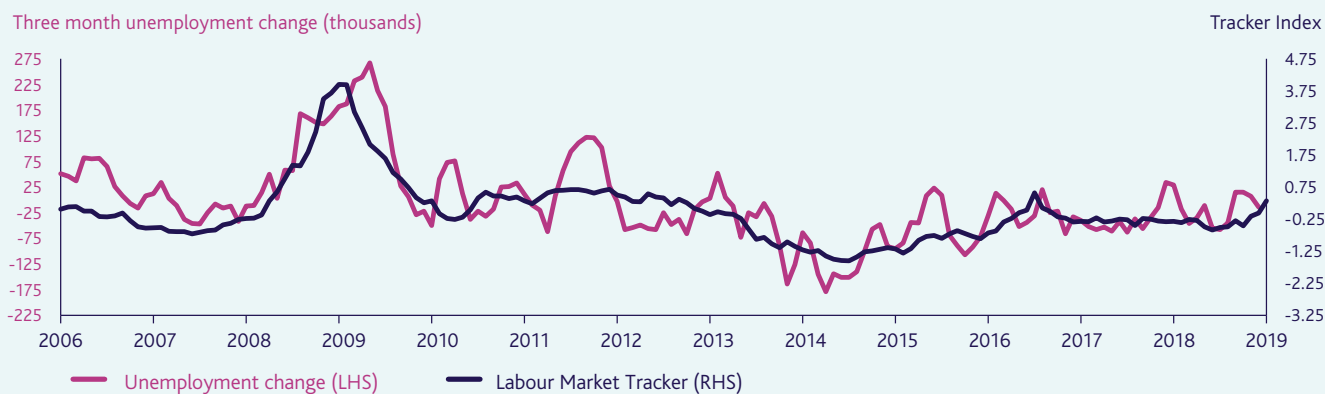
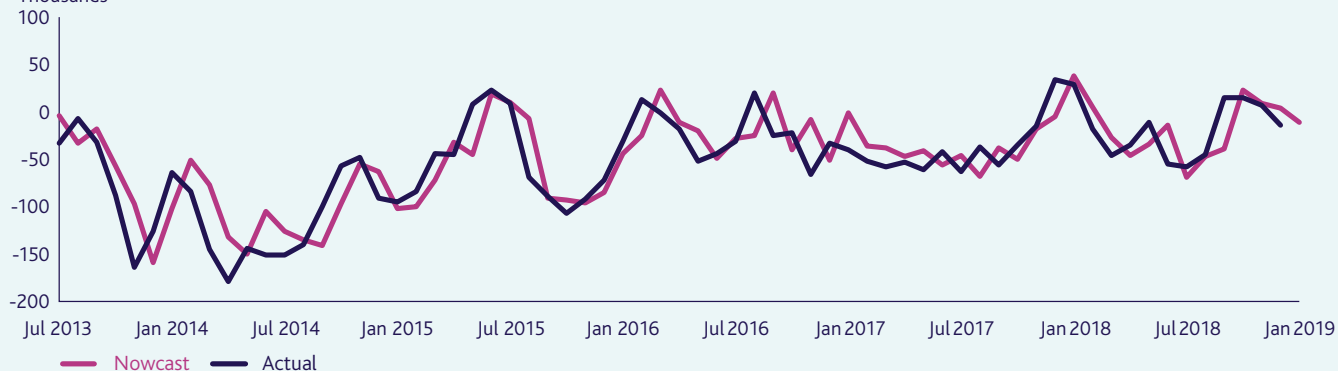


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE

Thousands



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