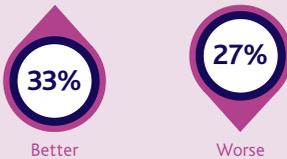


Confidence yet to recover from EU referendum shock

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=607)

In the three months to May, a third of employers felt that UK economic conditions were improving and expected confidence in making hiring and investment decisions to improve. After dropping significantly following the EU referendum, confidence has now stabilised. However, the figures for both confidence measures are still far below those reported this time last year.



Key Points from May Survey



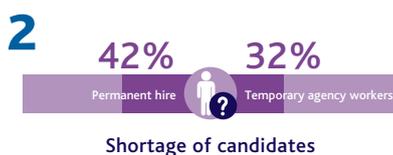
One third (33%) of employers think the top priority for the new government should be developing a strategy to ensure businesses have the people with the skills they need.



35% of all UK employers had absolutely no spare capacity within their organisation to absorb more work.



Demand for staff differs by sector, and is particularly high for industrial workers and drivers. Health and education sectors are not growing as much.



42% of hirers anticipated a shortage of candidates for permanent hire in at least one skills area whilst 32% forecast the same for temporary agency workers.



Month-on-month, the proportion of employers planning to reduce agency worker numbers in the short term increased to 13% in May, up from 5% in April and 7% in March.



Employers' satisfaction with candidates presented to them by recruiters has improved 8% since June 2016.

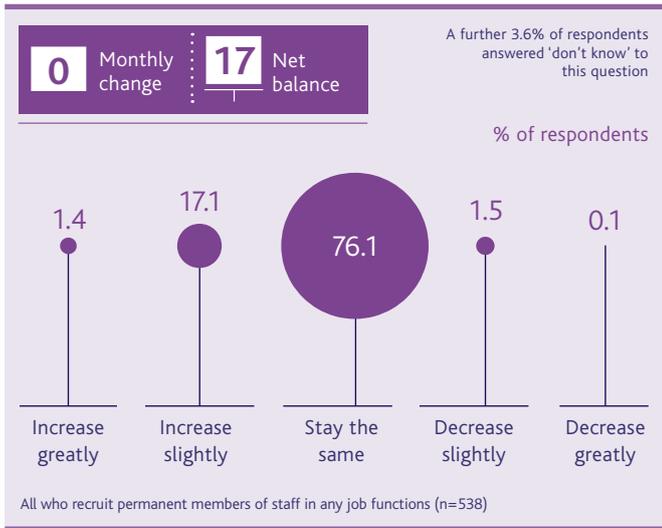
Throughout, figures based on fewer than 50 respondents are marked with an asterisk* Due to the small base size, these results should be considered indicative, rather than conclusive. Data were weighted to be representative of UK adults in employment by region, broad industry sector and public/private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

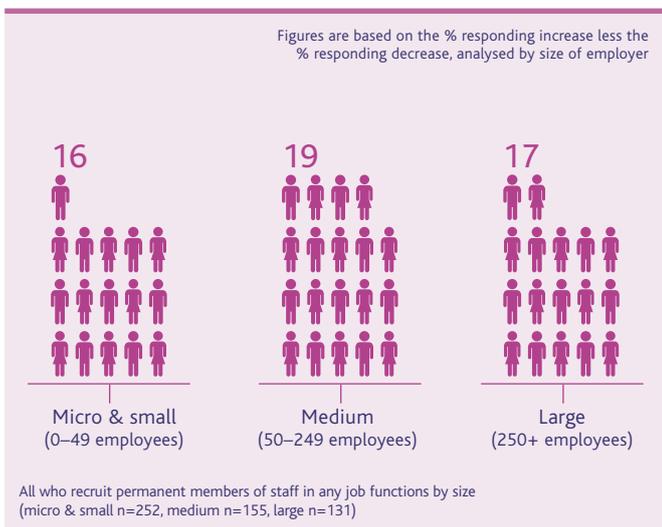
The proportion of UK hirers planning to maintain or increase permanent headcount over the next quarter remained steady in March–May, at 95%. Amongst the one in five (19%) respondents who stated that they would be increasing numbers, there was notable regional variation. 22% of Northern employers plan to increase headcount, compared to just 15% of London hirers. With less than 2% planning to release workers, competition for available talent will remain tight.



OUTLOOK BY EMPLOYER SIZE

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

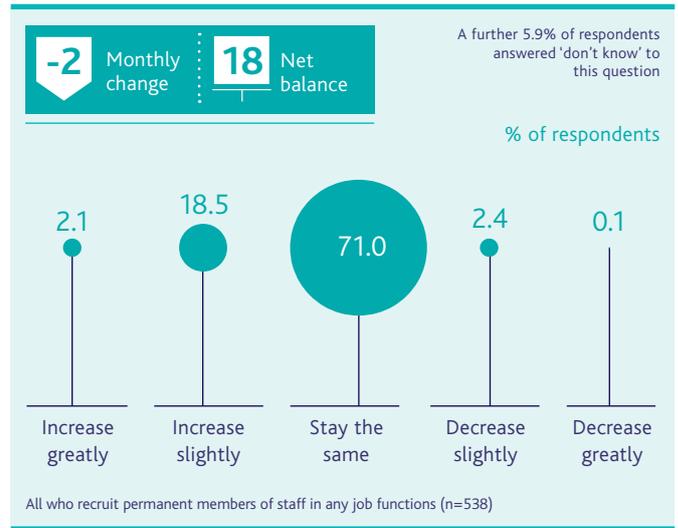
The positive net balance of micro/small (0–49 employee) organisations forecasting short-term permanent headcount increases continued to fall this quarter. At 16% in March–May, this was 5 percentage points lower than the level recorded in January–March. This employer-size cohort – the significant majority of UK employers – was subsequently the least optimistic about its short term hiring prospects.



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 medium term prospects for permanent hiring also remained steady this quarter, with 92% of UK hirers highlighting plans to either increase their headcount or hold numbers. Whilst the quarterly percentage of hirers planning cuts to numbers was low (3%), the proportion increased notably in the month of May (to 5%).



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?

Four in ten employers (42%) highlighted a concern over the sufficient availability of candidates in at least one skill area when questioned in March–May. Workers in three specific job functions have been consistently highlighted as areas of concern by hirers for the last three rolling quarters: those in Construction, Health & Social Care and Engineering & Technical.

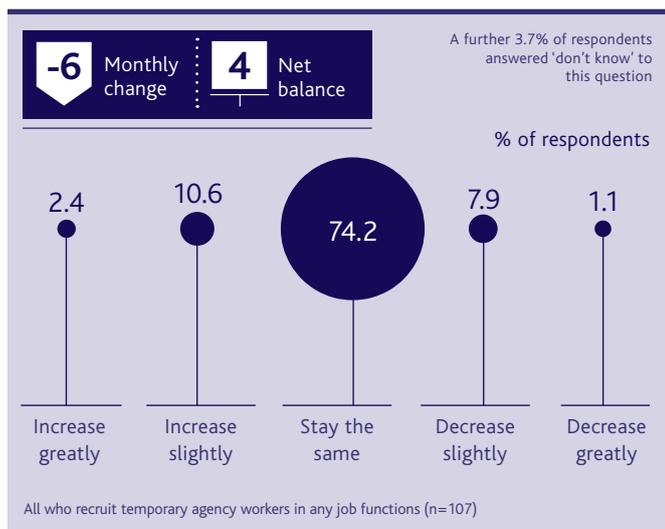


Temporary Recruitment

SHORT-TERM OUTLOOK

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

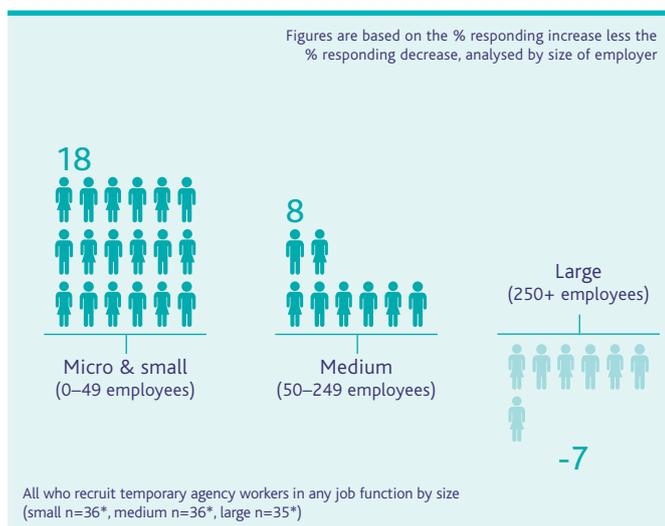
The proportion of employers that suggested that they would be either holding or increasing agency worker numbers in the short-term (87%), when surveyed in March–May, was similar to the last rolling quarter (89%). Most notable, however, was the month-on-month change in those planning to decrease their number of agency workers in the short term. In the month of May, 13% of employers said they would reduce numbers, compared to just 5% in April and 7% in March.



OUTLOOK BY EMPLOYER SIZE

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

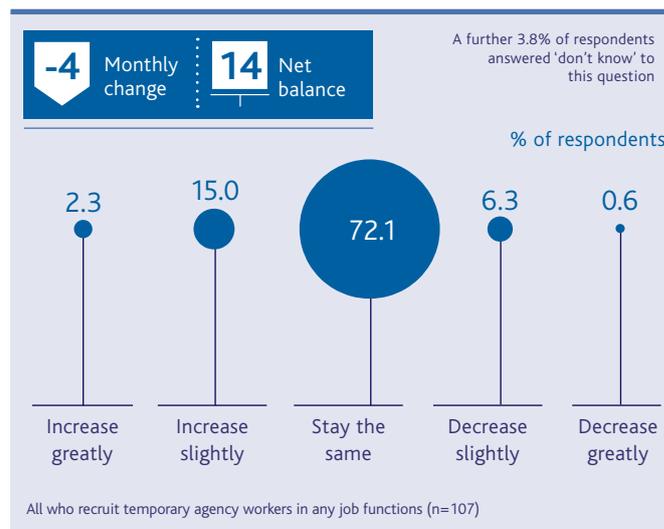
Micro/small employers (0–49 employees) remained most intent on increasing agency worker numbers in the short term – with 18% more hirers planning to increase the agency headcount than decrease it. Conversely, 7% more large employers (250+ employees) surveyed in March–May planned to reduce numbers in the short-term than increase them.



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?

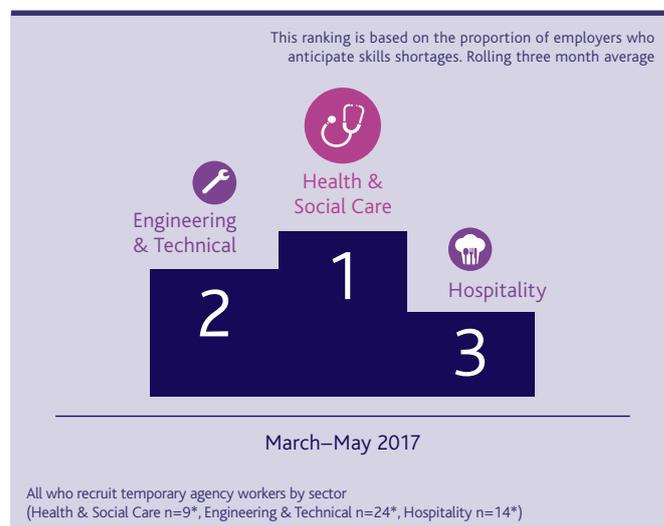
The percentage of UK employers who highlighted plans to hold or increase their agency headcount in the medium term remained static this quarter at 89%. Amongst those planning increases (17%), there was notable regional variation. 30% of employers in the South (excluding London) planned to increase agency worker numbers over the coming year, compared to just 9% of their counterparts in the North.



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 proportion of employers that anticipated a shortage of appropriate candidates to fill temporary agency positions in at least one job function increased by 3 percentage points this quarter, to 32%. Candidate availability is an acute issue within Health & Social Care and Engineering & Technical, which also make the top three occupations where hirers anticipate a shortage of permanent candidates.

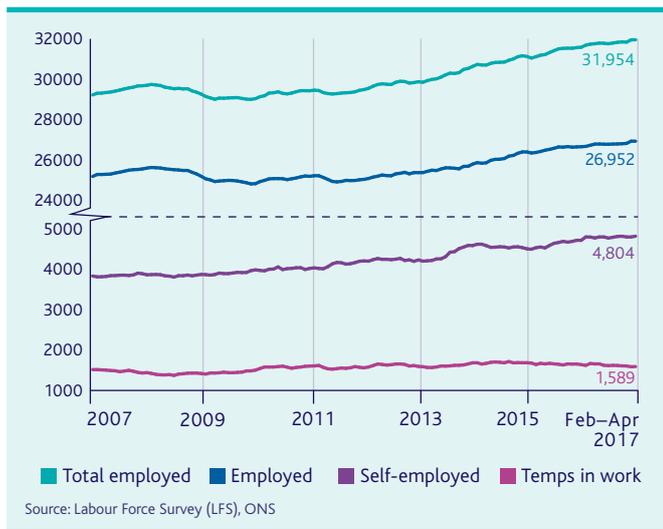


LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

The UK workforce grew by 109,000 in February–April 2017 (to 31,954), when compared to the previous quarter, and was 372,000 larger than in the same period in 2016. The year-on-year increase included +103,000 self-employed (of which +57,000 were working full time and +46,000 worked part-time) and +274,000 employees (of which permanent employees increased by 321,000 and temporary employees decreased by 47,000). The annual total increase comprised 427,000 more individuals working full-time and 55,000 engaged on a part-time basis.

Total employment, employed and self-employed



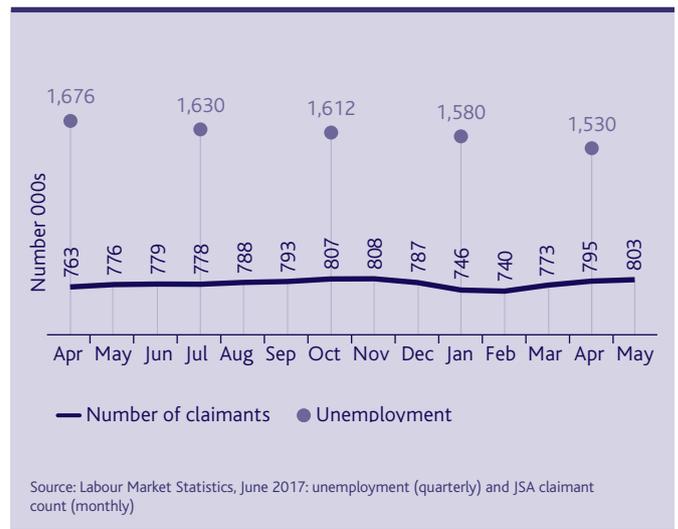
REAL WAGE GROWTH

Wage growth is being significantly challenged by inflation. Regular pay (in nominal terms, excluding the self-employed) for the period between February–April 2016 and 2017 was +1.7%. When adjusted for CPI, however, this translated into a year-on-year decrease of 0.6%. Beyond this and the previous rolling quarter, it was in the three months to September 2014 that real wage growth was last in negative territory.



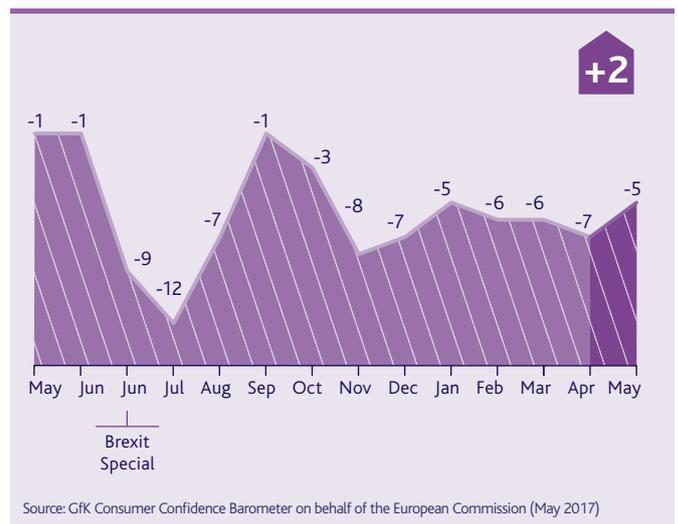
UNEMPLOYMENT AND CLAIMANT NUMBERS

Unemployment fell by a further 50,000 in February–April, when compared to the previous quarter, and was 145,000 lower than the same period last year. Compared to the general unemployment rate of 4.6%, youth unemployment was 12.5%. Whilst down from 13.6% in the same period last year, unemployment amongst the 16–17 year old cohort remains challenging (at 26.9%) – rising 18,000 to 135,000 quarter on quarter. The Claimant Count has also increased for the last three consecutive quarters.



CONSUMER CONFIDENCE INDEX

Whilst remaining in negative territory for the 14th consecutive month, the GfK Index improved by 2 points in May, to -5. Four of the five underpinning measures rose this month, whilst one – respondents' perspective on the general economic situation over the next 12 months – remained unchanged. At -21, this was 8 points lower than May 2016. Conversely, all measures relating to personal finances, major purchases and savings were both in positive territory and improved in May.

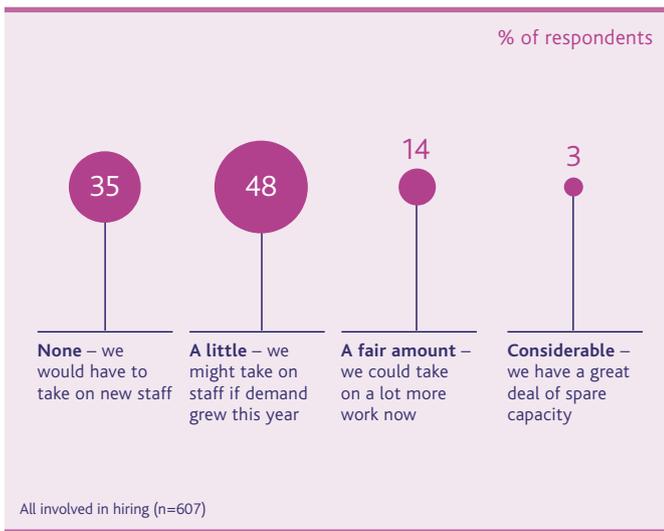


EmployerDashboard

WORKFORCE CAPACITY

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

More than eight in ten UK employers (83%) surveyed in March–May highlighted that they either had absolutely no spare capacity within their organisation (35%) or may have to take on more staff if demand grew (48%). The situation in the South (excluding London) was even more acute with 44% of employers stating they had no spare capacity.

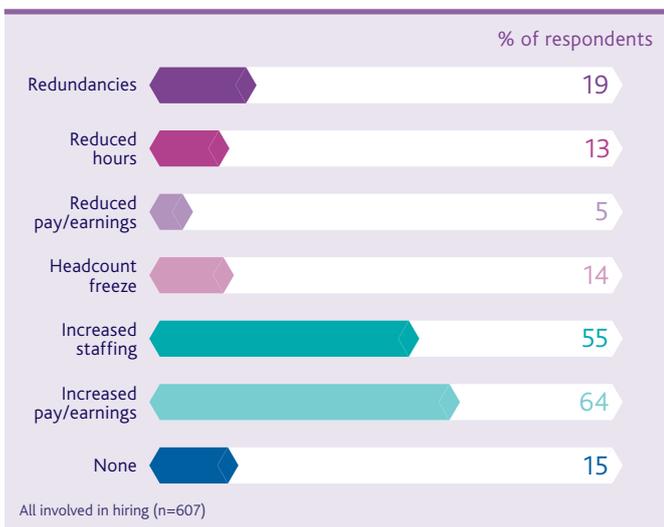


WORKFORCE PLANNING

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

Encouragingly, 64% of employers surveyed during March–May admitted to increasing pay/earnings in the last year. Whilst 5% of UK employers had reduced pay/earnings, the figure was twice as high (10%) amongst hirers in the Midlands. This cohort also had an above average instance of reducing hours, with 18% suggesting that they had done so during the last year (versus 13% of all employers).

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

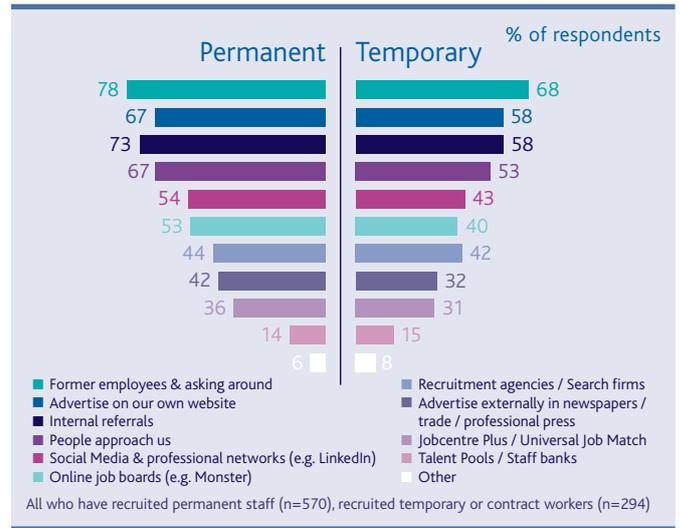


RECRUITMENT CHANNELS USED

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

Approaching former employees and asking around as well as internal referrals remain the top two channels used by employers to recruit both permanent and temporary staff. Staff banks/talent pools are the recruitment channel least used by employers.

Recruitment channels used for staffing as of May 2017



WORKFORCE PLANNING BY SECTOR

There were two key differentials in workforce action taken by the public and private sector employers over the last year, amongst those surveyed during March–May. Notably more private sector enterprises (57%) increased staffing levels than their public sector counterparts (45%). There were also significantly fewer instances of reduced pay/earnings in the private than public sector (4% versus 10%).

3 month rolling average to May 2017

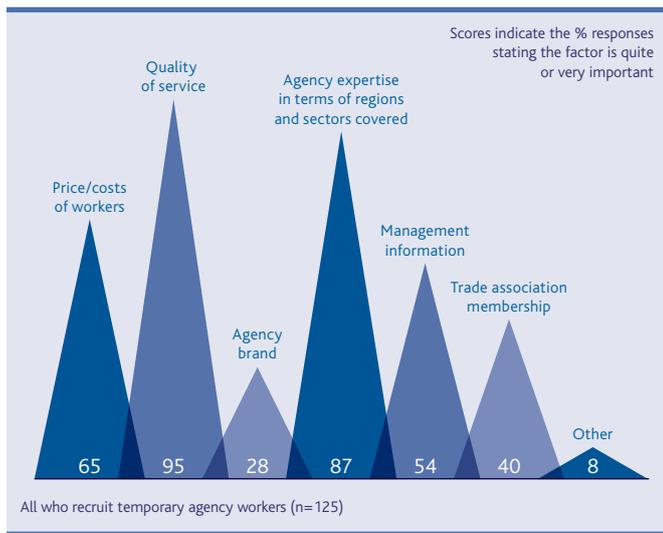


AgencyDashboard

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?

Employers most value quality of service (95%) and expertise (87%) from their recruitment partner. The price/cost of temporary agency workers (65%) is also cited as an important factor when determining which recruitment agency to work with.

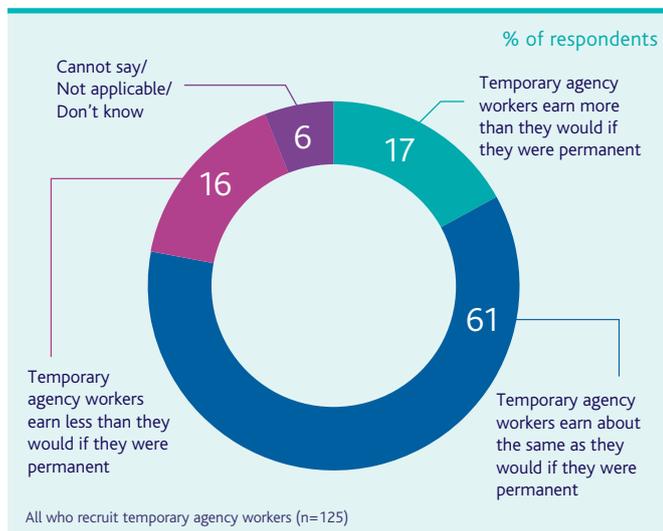


AGENCY WORKER PAY RATES

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

A significant regional divide was recorded amongst those who say that agency workers earn more than their permanent counterparts. Beneath a figure of 17% of UK hirers stating this to be the case, just 10% of those in the North say that agency worker pay rates were higher than permanent employees, compared to 25% of employers in the South (including London).

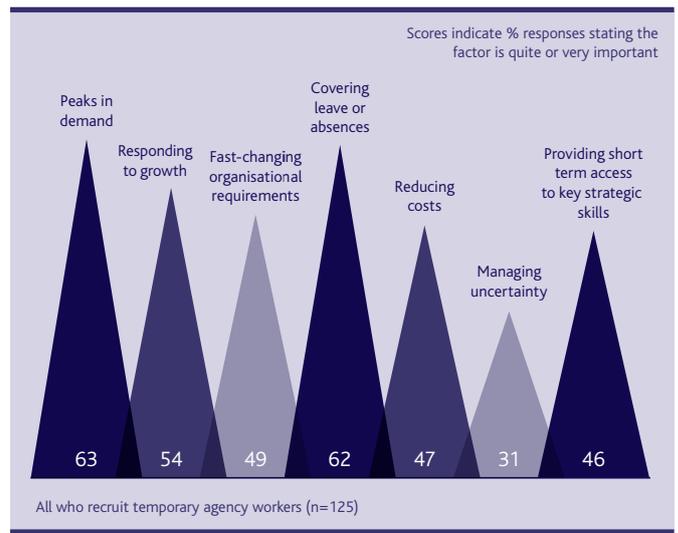
3 month rolling average to May 2017



IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

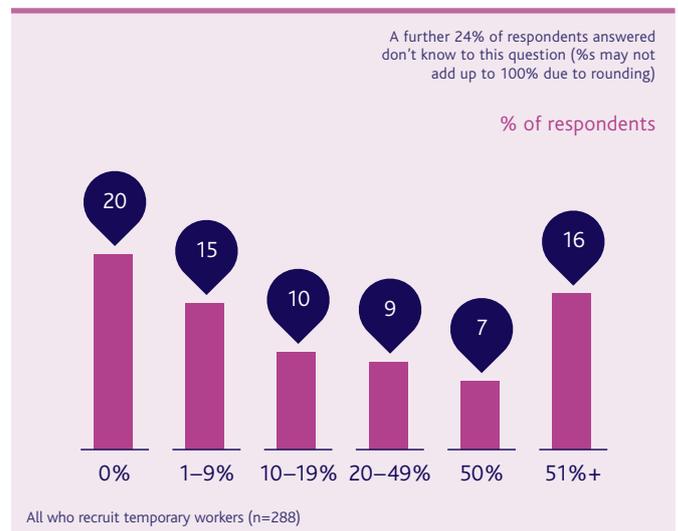
Temporary agency workers remain important to two-thirds of employers for meeting peaks in demand (63%) and covering leave/ absences (62%). Whilst just three in ten (31%) UK employers stressed the importance of agency workers in helping them to manage uncertainty, half of all large employers (250+ employees) emphasised this as important (49%).



TEMPORARY TO PERMANENT

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

Nearly six in ten (57%) employers surveyed during March–May highlighted that they transfer at least 1% of their temporary workers to a permanent post each year. One in six (16%) transfer more than half of all temporary workers into permanent positions. Amongst them, twice the average number of employers in the North (32%) state this is the case, compared to just 6% of Midlands' hirers.



AgencyDashboard

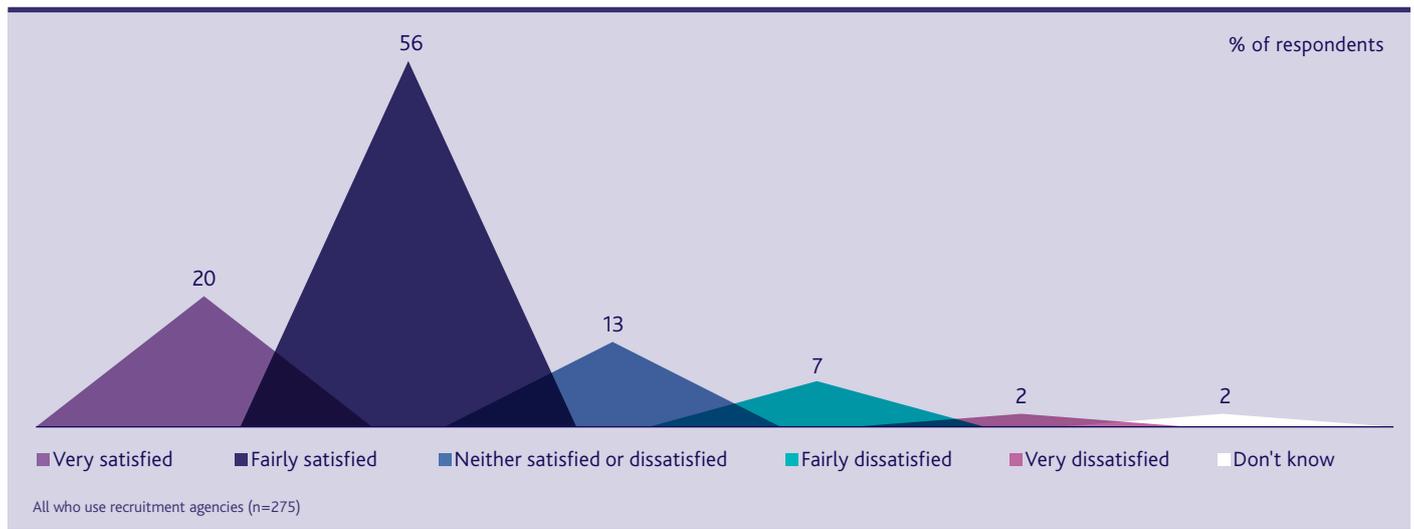
SATISFACTION WITH CANDIDATES

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

One in five UK employers (20%) were very satisfied with the quality of candidates being presented to them by agencies this quarter. A further 56% were fairly satisfied. This is an improvement since this time last year (June 2016) when 16% of employers said they were very satisfied and 52% were fairly satisfied. Despite tightening candidate availability, recruiters are continuing to find and present high quality candidates to their clients.

Amongst the 20% of respondents from all UK enterprises stating that they were 'very satisfied' were two notable regional exceptions: just 11% of Midlands' employers expressed this sentiment whilst 39% of hirers in London indicated the highest level of satisfaction.

Large employers expressed the lowest level of dissatisfaction (5% compared to the 9% UK average).

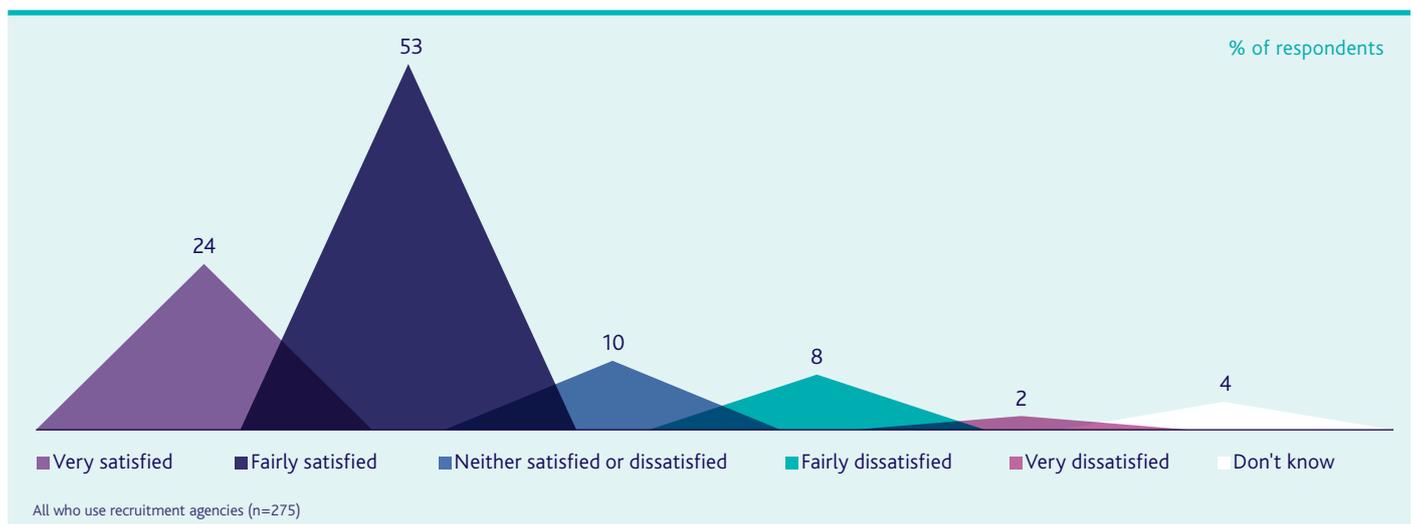


SATISFACTION WITH AGENCIES

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

Amongst the 77% of employers surveyed during March–May expressing satisfaction with the recruitment agencies that they had used over the last two years, two key groups stood out. 89% of all large employers (250+ employees) indicated that they were satisfied with their recruitment agencies, as did 94% of employers of all sizes in London.

Whilst just 10% of all employers expressed any level of dissatisfaction, significantly more (17%) Midlands' employers and notably fewer London hirers (2%) highlighted this issue.



Totals may not sum to 100% due to rounding.

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.

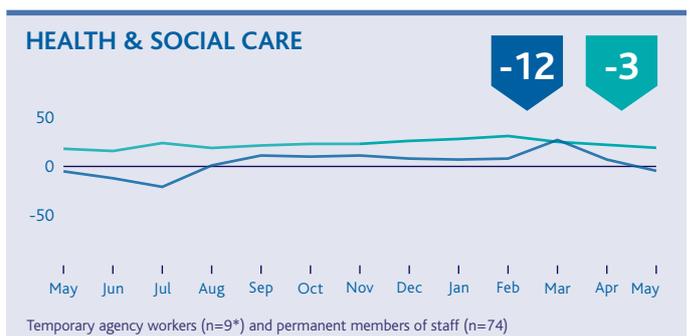
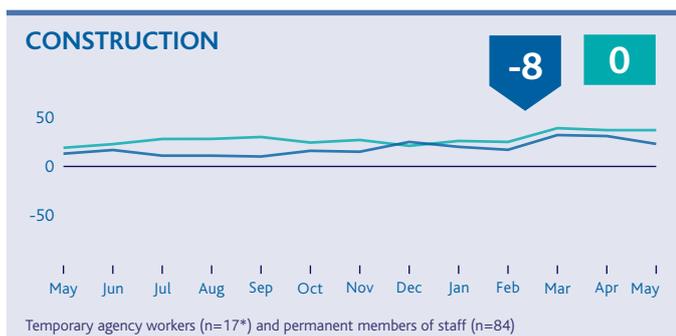
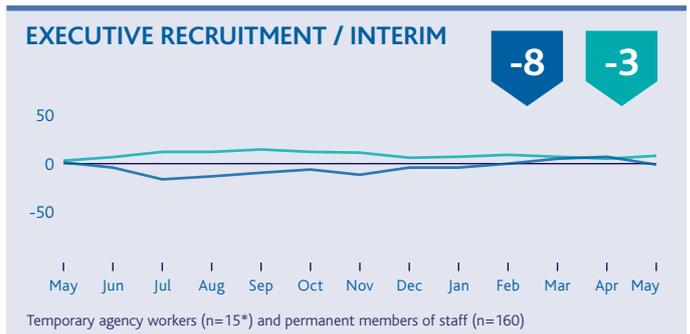
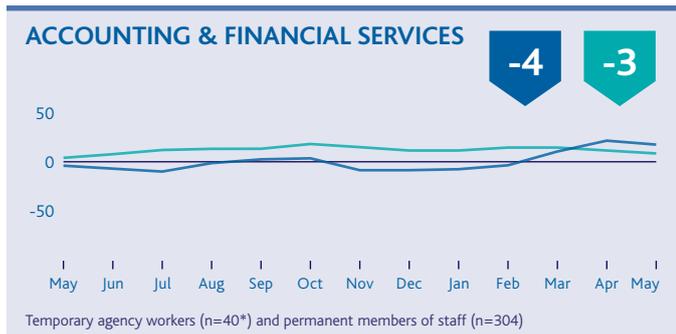
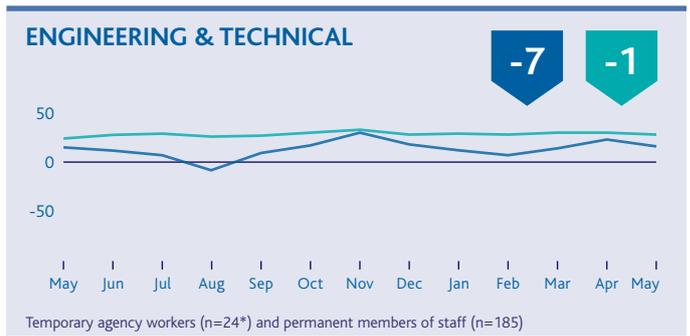
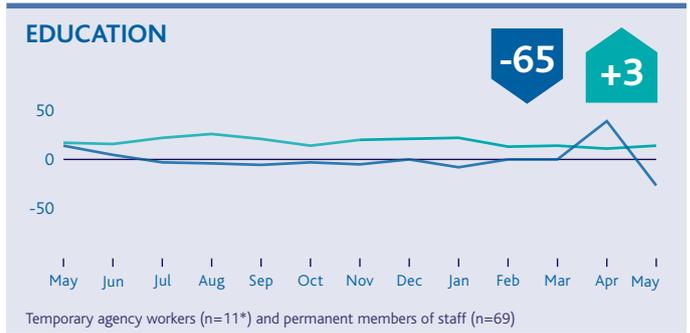
WHICH JOB FUNCTIONS IN YOUR ORGANISATION, IF ANY, DO YOU THINK WILL SEE AN INCREASE OR DECREASE OF PERMANENT MEMBERS OF STAFF AND TEMPORARY AGENCY WORKERS IN THE NEXT 3 MONTHS?

The two skills areas where the net balance of anticipated demand for both permanent and temporary agency workers increased this quarter were drivers and industrial workers.

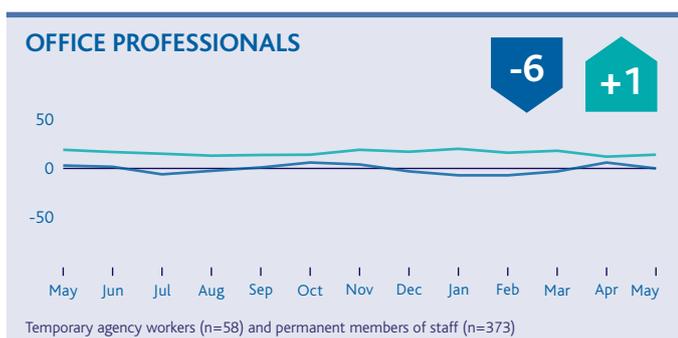
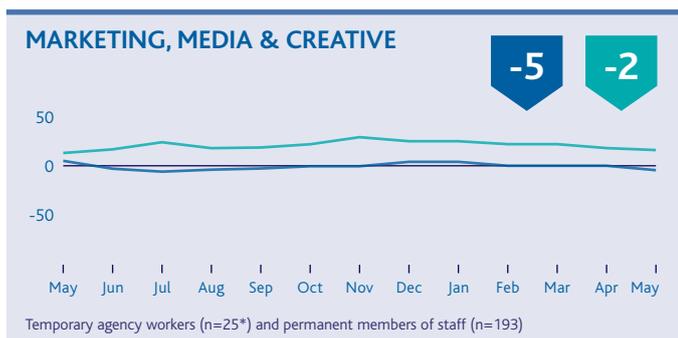
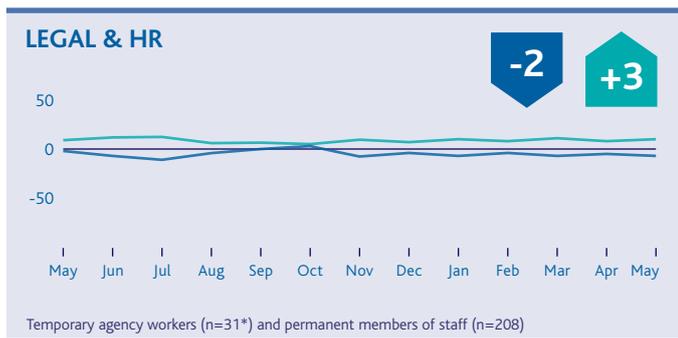
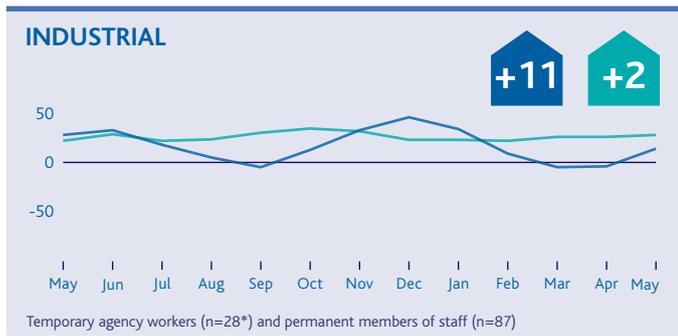
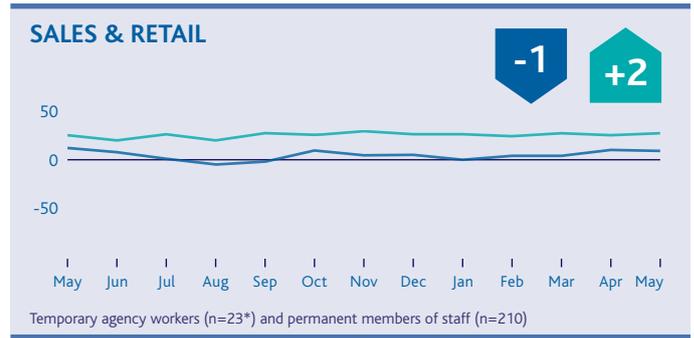
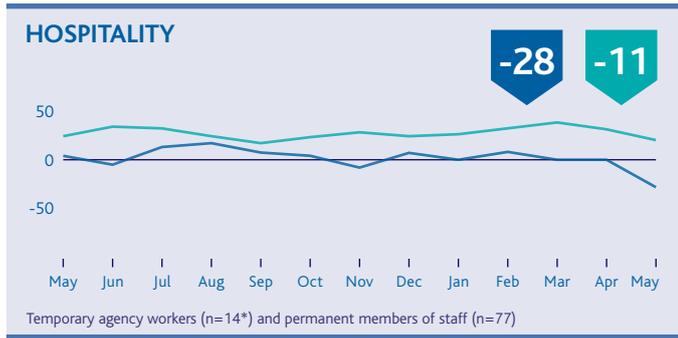
One key skills area that highlighted a forecast for a significant downturn in the net balance of demand for agency workers over the next quarter was education: 27% more hirers planned to reduce temporary agency worker headcount than increase it (when surveyed in March–May). This was a notable shift from last rolling quarter. Beyond the issue of seasonality, the recently announced adjustment to the funding formula for state schools, is causing many organisations to scrutinise their biggest area of spend – labour.

■ Temporary
■ Permanent

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

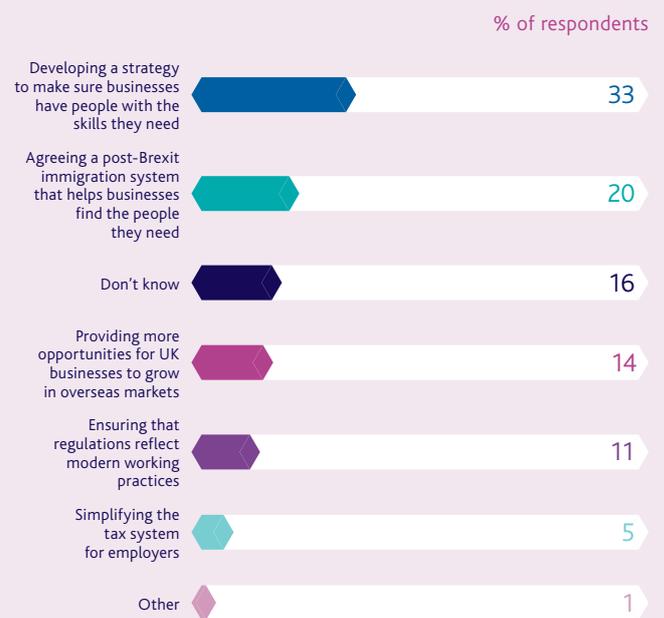


SectorProspects



WHICH ONE OF THE FOLLOWING DO YOU THINK THE NEW GOVERNMENT'S PRIORITY FOR THE LABOUR MARKET SHOULD BE?

Skills are the top of the agenda for employers, above changing regulations and simplifying tax systems. One third (33%) of employers think the new government should prioritise developing a strategy to make sure businesses have people with the skills they need. Similarly one in five (20%) want to access the people they need from abroad, and say government should prioritise an appropriate post-Brexit immigration strategy.



All involved in hiring, surveyed in May (n=201)

REC-IHS Markit Predictive model

UNEMPLOYMENT RATE SET TO DIP TO 4.5% IN MAY

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

The latest nowcast model predicts a fall of 41,000 in the Labour Force Survey measure of UK unemployment in the three months to May. This would push the UK unemployment rate down to 4.5%, which would be the lowest since 1975.

A further fall in unemployment would extend the current run of decline to nine successive periods. The ONS signalled a fall of 50,000 in the three months to April, which was broadly in line with the model prediction of 47,000. As shown in the chart below, 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.

