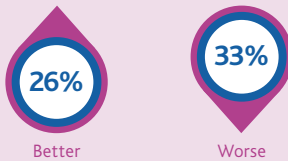


Employer confidence in the economy remains negative

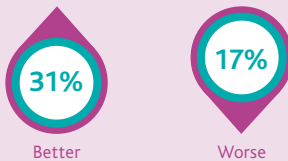
CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

Confidence

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

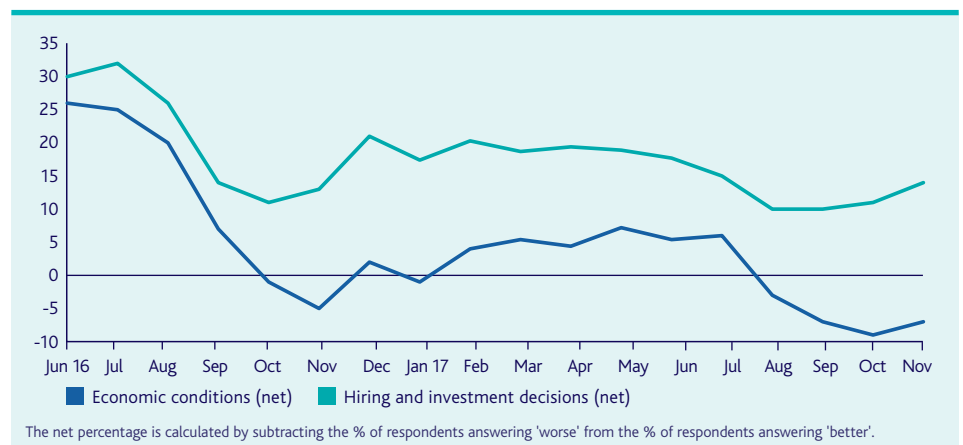


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...

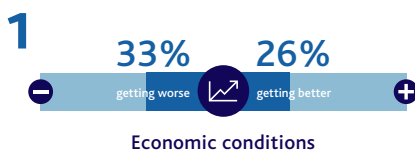


All involved in hiring (n=600)

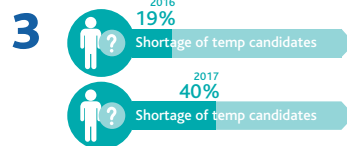
More respondents (NET: 7 percentage points) continued to feel that economic conditions in the UK were deteriorating than improving in August–October. Regional variations range from a net balance of -20 points in the South (excluding London) to +2 points in the North. Confidence in making hiring and investment decisions improved by 3 points compared to the last quarter.



Key Points from October Survey



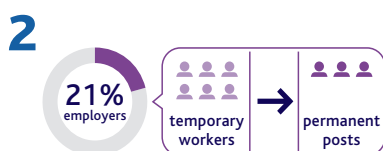
For four months in a row, the percentage of respondents who felt that economic conditions in the UK were deteriorating outnumbered those who felt they were improving.



The proportion of employers expecting a shortage of appropriate candidates for temporary roles has doubled from 19% this time last year to 40% now.



For the third month in a row, health & social care is the top job function where employers expect a shortage of candidates for permanent roles.



A fifth (21%) of UK employers that hire temporary workers transfer at least half of them to permanent posts each year.



London employers report greater challenges than the rest of the UK with 9% anticipating reductions in permanent workers in the next 12 months and over half (52%) citing the importance of temporary workers to manage uncertainty.



Over half (53%) of employers would have to take action if the chancellor introduces new measures which add to payroll costs, including 30% increasing prices of their products and services.

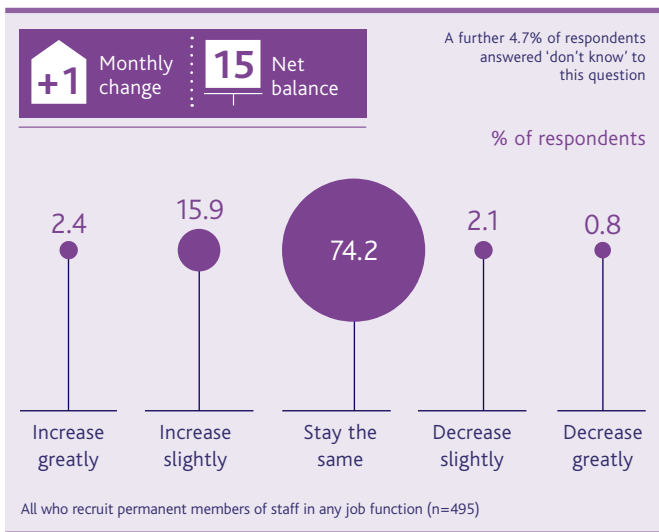
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by region, broad industry sector and public/private split. ComRes is a member of the British Polling Council and abides by its rules.

Permanent Recruitment

SHORT-TERM OUTLOOK

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

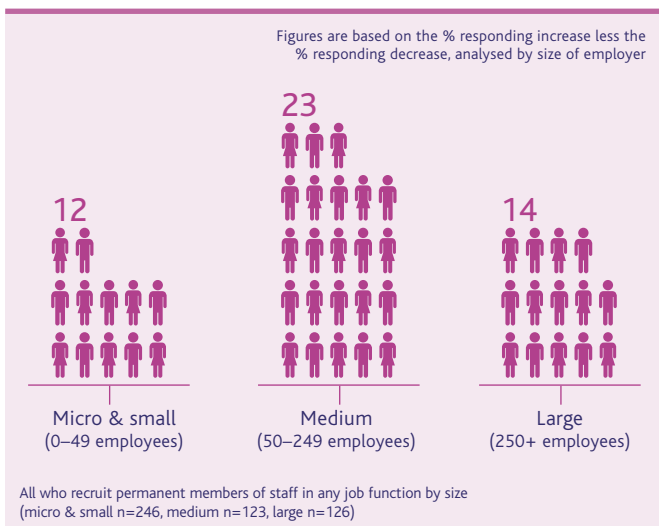
More than nine in ten employers (92%) planned to hold or increase their permanent headcount in the short-term. Moreover, there was little by way of regional variation underpinning this figure. The proportion was higher amongst respondents from the public sector, however, where 97% suggested holding or increasing numbers (with 26% planning to increase numbers).



OUTLOOK BY EMPLOYER SIZE

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

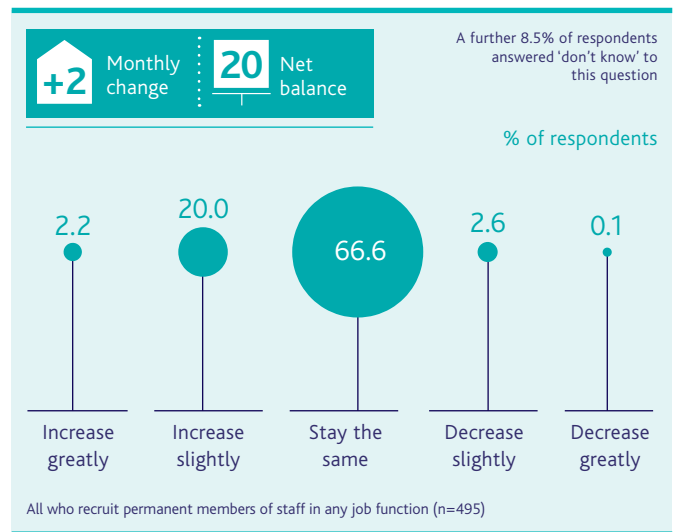
Sentiment improved by 3 percentage points this quarter amongst the UK's micro and small employers (0–49 employees), with more respondents suggesting that they would be increasing permanent headcount rather than reducing it in the short-term (+12). This was 7 points lower than in the same period in 2016. Mid-sized employers remained the most positive towards adding headcount, with a net balance of almost one quarter suggesting that they will be increasing numbers (+23).



MEDIUM-TERM OUTLOOK

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

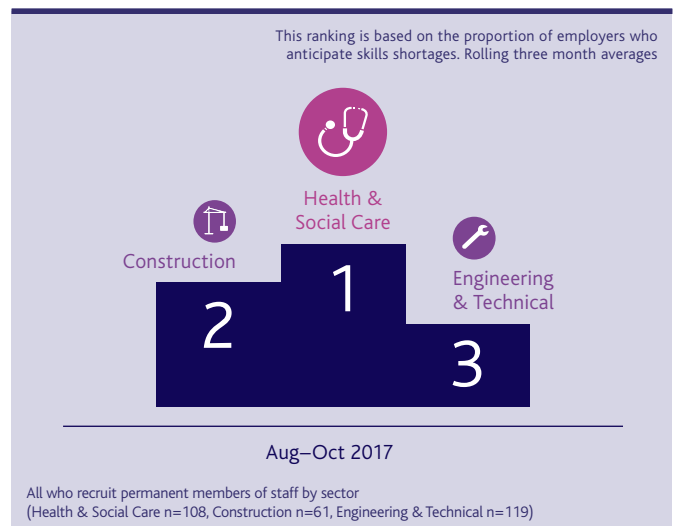
Nine in ten employers (89%) suggested that they would be holding or increasing their permanent workforce in the medium-term. Whilst just 3% of UK employers suggested that they would be reducing their permanent headcount in the medium term, sentiment varied by region with 9% of London respondents suggesting that reductions were on the cards.



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 42% of employers expressing concern over skills shortages, the top three areas of concern remained those with high levels of workforce dependency on non-UK nationals. For Health & Social Care employers, news from the Nursing & Midwifery Council that the number of EU registrants was 89% lower in July 2017 than July 2016 will heighten anxieties.

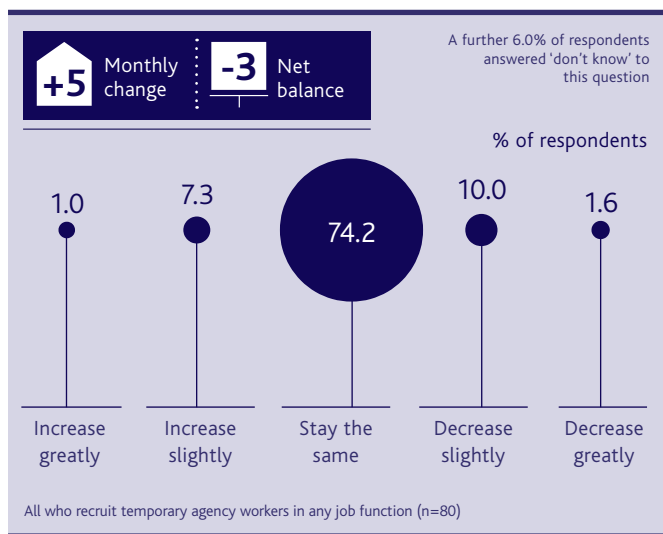


Temporary Recruitment

SHORT-TERM OUTLOOK

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

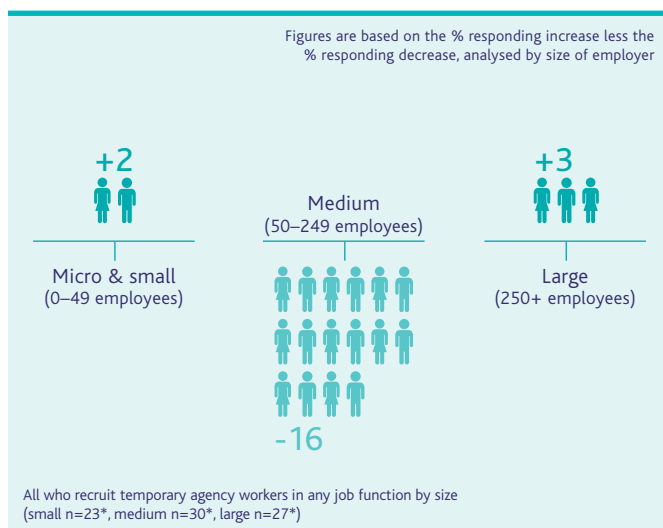
Sentiment towards short-term agency worker hiring improved by 5 points this quarter, reducing the net balance of UK respondents who suggested that they would be decreasing rather than increasing headcount to -3 points. This is compared to +5 in the same period last year. Regional variances were notable, however. These ranged from -15 points in the South (excluding London) to +19 points within London.



OUTLOOK BY EMPLOYER SIZE

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

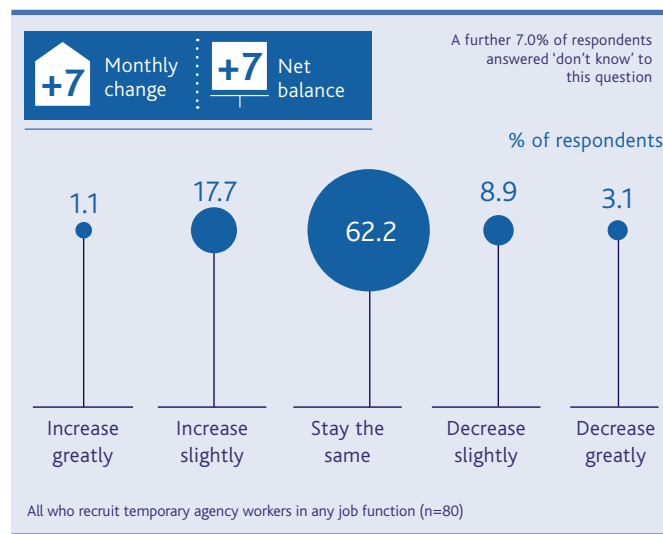
The intent of mid-sized employers (50–249 employees) remained firmly in negative territory with more suggesting decreases than increases (-16). This was down from a net balance of +7 in the same period last year. Sentiment amongst the UK's smallest organisations (0–49 employees) was also notably diminished compared to last year. Whilst the net balance remained positive (+2), it was 29 points lower than this time last year.



MEDIUM-TERM OUTLOOK

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

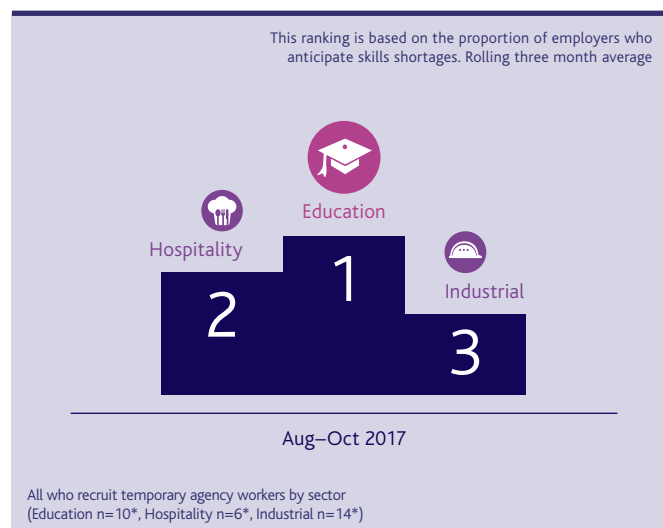
There was a marked improvement in sentiment towards medium term-agency worker hiring this quarter. A 7-point rise resulted in more hirers suggesting increases than those planning decreases (+7). This was 1 percentage point lower than in the same period last year. Public sector hirers remained the most buoyant in their intent to hire, with more planning to add rather than lose headcount (+22). This compared to a net balance of +4 in the private sector.



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 UK employers expressing concern over availability of temporary agency workers to meet their needs more than doubled in the last year (from 19% to 40%). The top three job functions where employers expected shortages remained the same as last month.

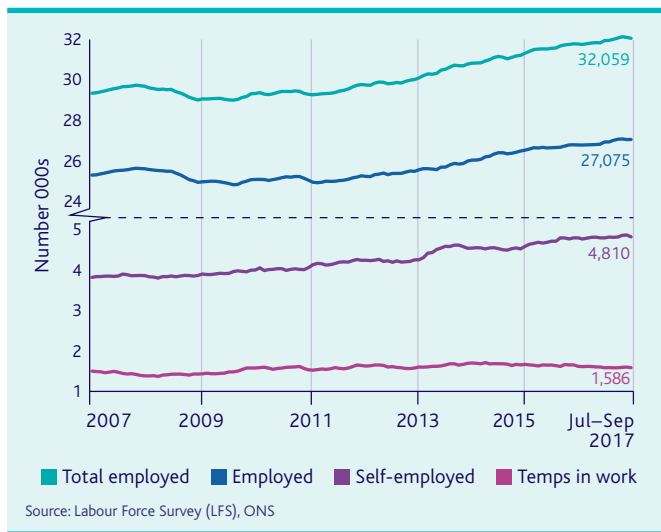


LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

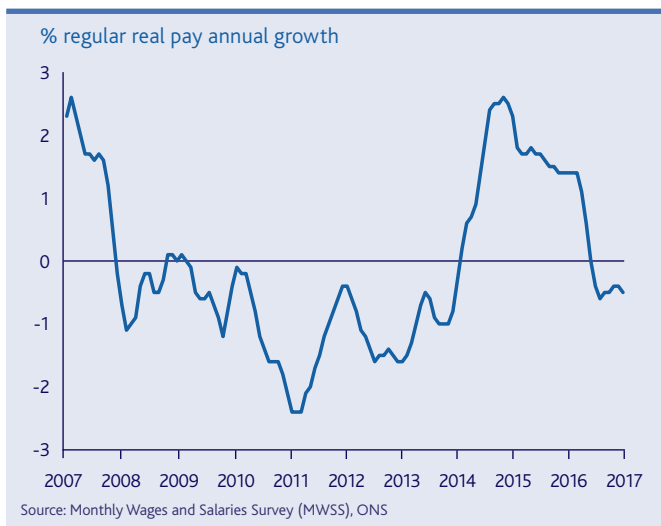
The size of the UK workforce declined by 14,000 in July–September when compared to April–June but was 279,000 higher than in the same period in 2016. The only categories of employment that increased in size this quarter were self-employment (+4,000), temporary employment (+2,000) and those on government sponsored training or employment programmes (+3,000). Also of note, there was a 64,000 quarter-on-quarter decrease in people working full-time and a 50,000 increase in the number of part-time workers.

Total employment, employed and self-employed



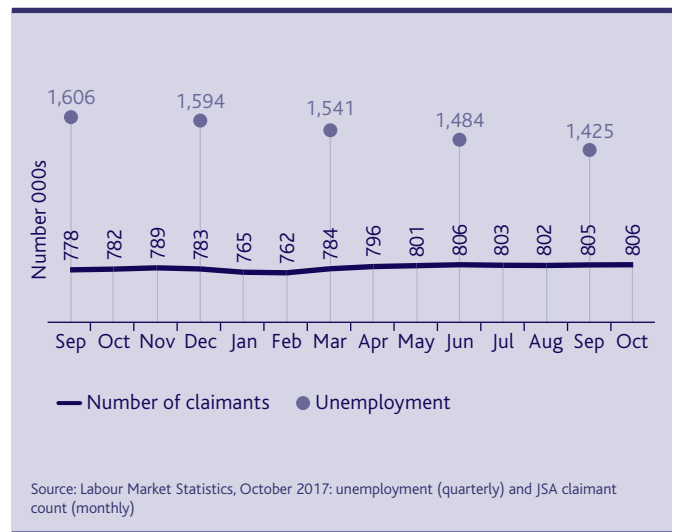
REAL WAGE GROWTH

Regular Pay growth (in nominal terms) for employees, for the period between July–September 2016 and 2017, was +2.2%. When considering the change in real terms (i.e. adjusted for CPI), however, Regular Pay fell by 0.5%. This translated into average regular real earnings (excluding bonuses) for employees in Great Britain of £458 per week before tax and other deductions from pay – £15 lower than the pre-downturn peak of £473 per week recorded for March 2008.



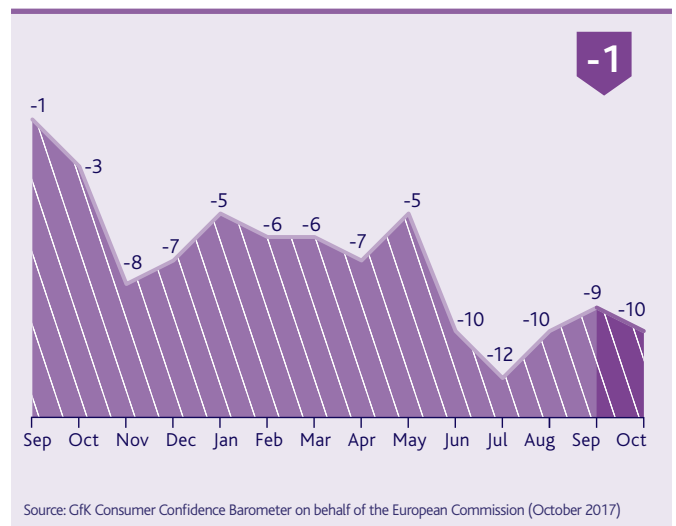
UNEMPLOYMENT AND CLAIMANT NUMBERS

The UK unemployment rate was recorded as 4.3% in July–September. At 1,425,000, this represented a 59,000 fall against the previous quarter and was 182,000 lower than the same period last year. Of this figure, 415,000 (10.6%) of those aged 18–24 remained out of work. This was, however, 55,000 lower than in the same period last year (when the rate was 11.6%). Amongst those aged 16–17, the rate was 23.2% (102,000) – down from 26.1% (118,000) in July–September 2016.



CONSUMER CONFIDENCE INDEX

GfK's barometer on Consumer Confidence slipped back one point in October, to -10. The measure for the General Economic Situation for the last 12 months and expectations for the next 12 months both declined this month. At -29, the former was 10 points lower than in the prior year whilst, at -26, the latter was 9 points lower than in October 2016. Whilst the Major Purchase Index rose 2 points to +3, this was still 11 points lower than the same period last year.

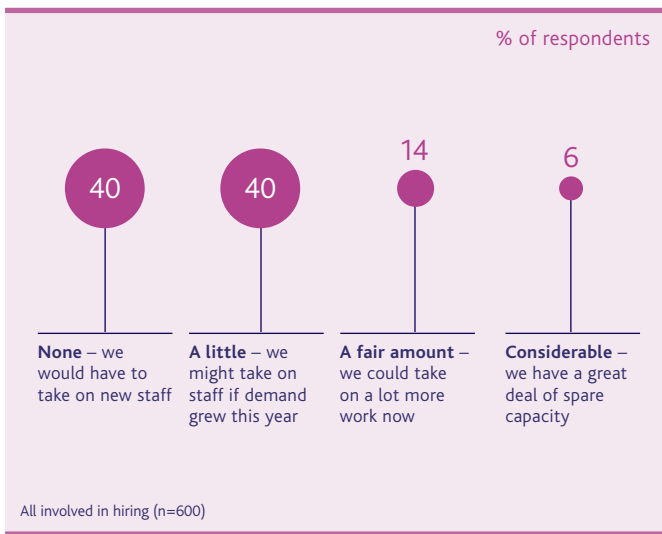


EmployerDashboard

WORKFORCE CAPACITY

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

Eight in ten UK employers surveyed in August–October either had no surplus resource (40%) or such a small amount that they may have to take on more staff if demand grew (40%). When looked at together, this rose to a notable 88% amongst employers in the South (excluding London). In contrast, Northern and London employers were more likely than other regions to register considerable capacity (10% and 9% respectively).

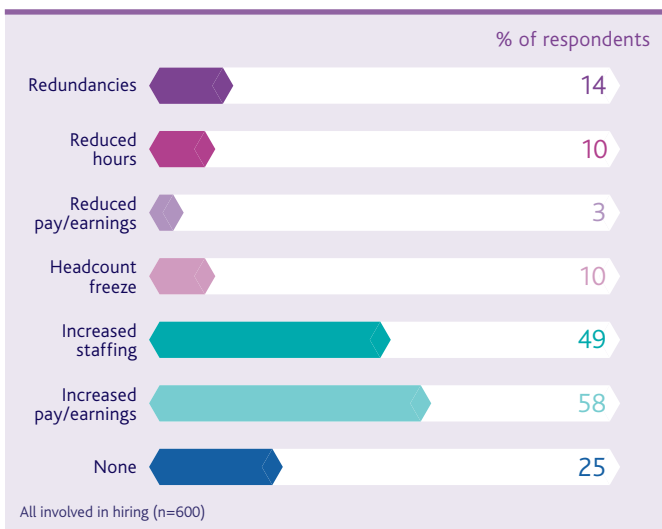


WORKFORCE PLANNING

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

It is interesting to note how pay adjustments differ by organisational size. Just half of the UK's smallest organisations (0–49 employees) increased pay/earnings in the previous twelve months (50%), compared with two thirds (66%) of the largest enterprises (250+ employees) and 71% of mid-sized hirers (50–249 employees).

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

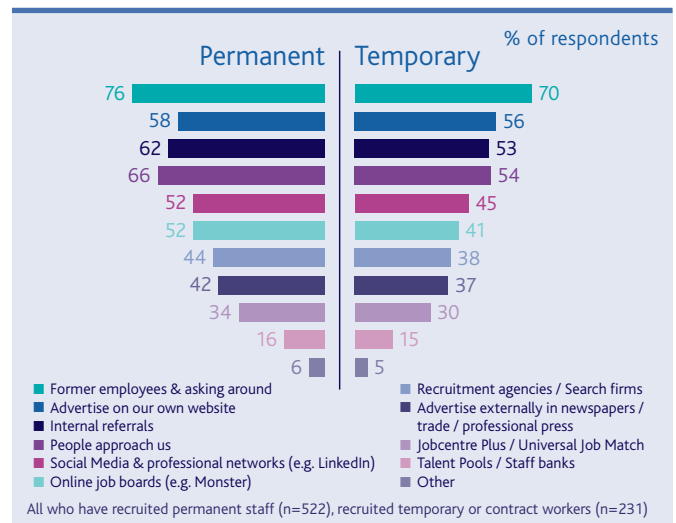


RECRUITMENT CHANNELS USED

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

The use of alumni and word-of-mouth to source candidates has increased since last year and remains the most commonly used channel. Three-quarters (76%) of employers suggested that they sourced permanent candidates in this way, as did 70% of those seeking temporary workers. These figures were up from 69% and 62%, respectively, in the same period last year.

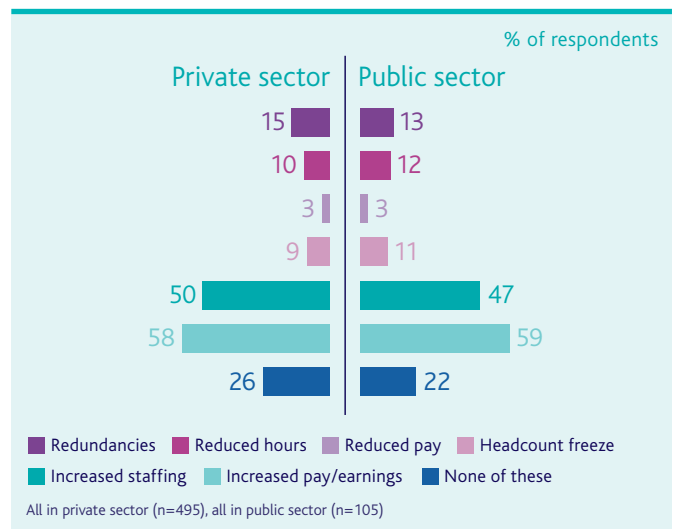
Recruitment channels used for staffing as of October 2017



WORKFORCE PLANNING BY SECTOR

There was very little difference in the proportions of public and private sector employers making changes to their workforce in the last twelve months. This largely occurred through a 7-point fall compared to the same period last year (from 20% to 13%) in the proportion of public sector enterprises making redundancies and a 13-point increase (from 46% to 59%) in the ability/decision to increase pay/earnings amongst this cohort. There was also a 7-point rise in the proportion of private sector enterprises increasing pay/earnings (from 51% to 58% this year).

3 month rolling average to October 2017

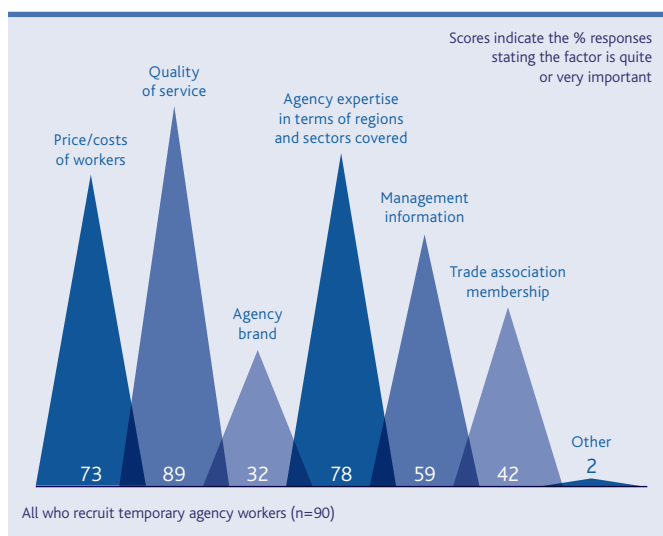


AgencyDashboard

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?

Quality of service remained the most important criterion when selecting supply partners, cited by nine in ten (89%) respondents. Regional and sectoral expertise of an agency continued to be cited as an important criterion by more respondents (78%) than those citing the price/cost of the temporary agency workers (73%).

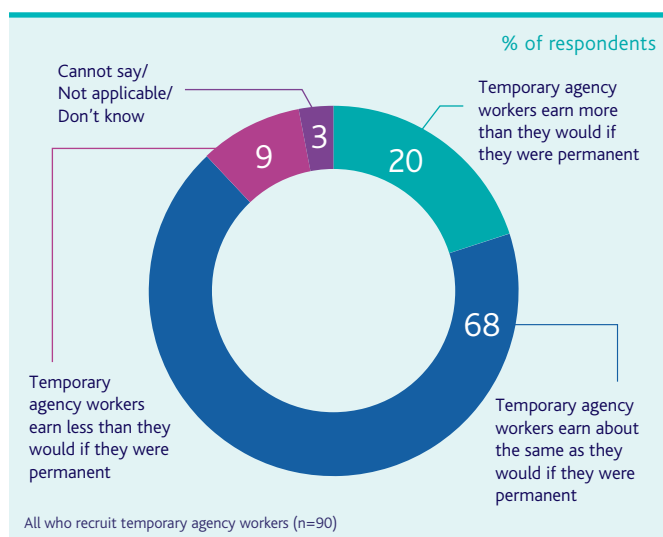


AGENCY WORKER PAY RATES

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

Whilst the proportion of respondents who thought that temporary agency workers earn less than their permanent counterparts increased by 2 points this quarter to 9%, this is notably lower than the 15% who suggested this in the same period last year.

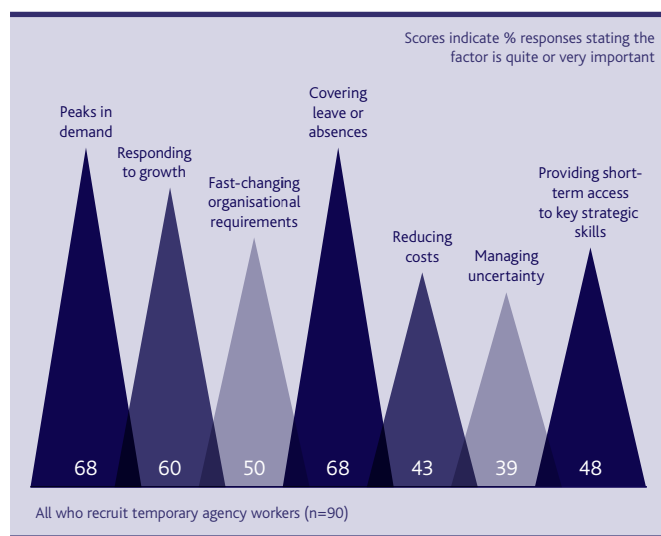
3 month rolling average to October 2017



IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

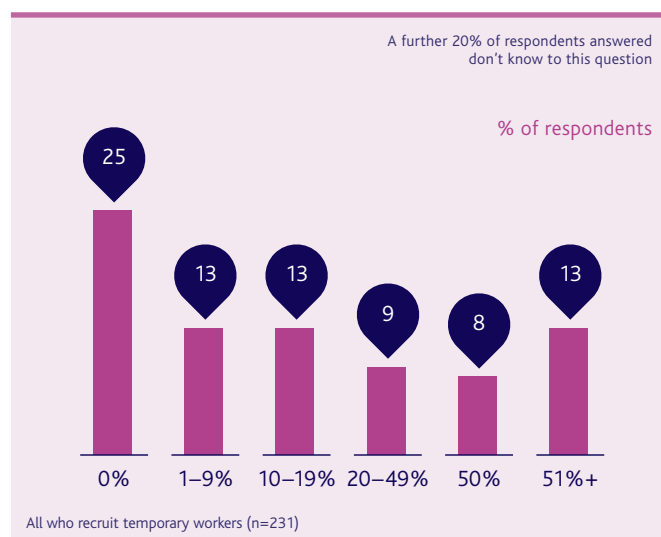
Four in ten employers (39%) cited the importance of using temporary agency workers to help manage uncertainty, up from 28% in the same period last year. From a regional perspective, the percentage of London employers highlighting this as important increased from 29% in 2016 to 52% this year.



TEMPORARY TO PERMANENT

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

More than half (56%) of UK employers transfer at least 1% of their temporary workers into permanent roles each year. One in five (21%) transfer at least 50% of temporary workers into permanent posts.



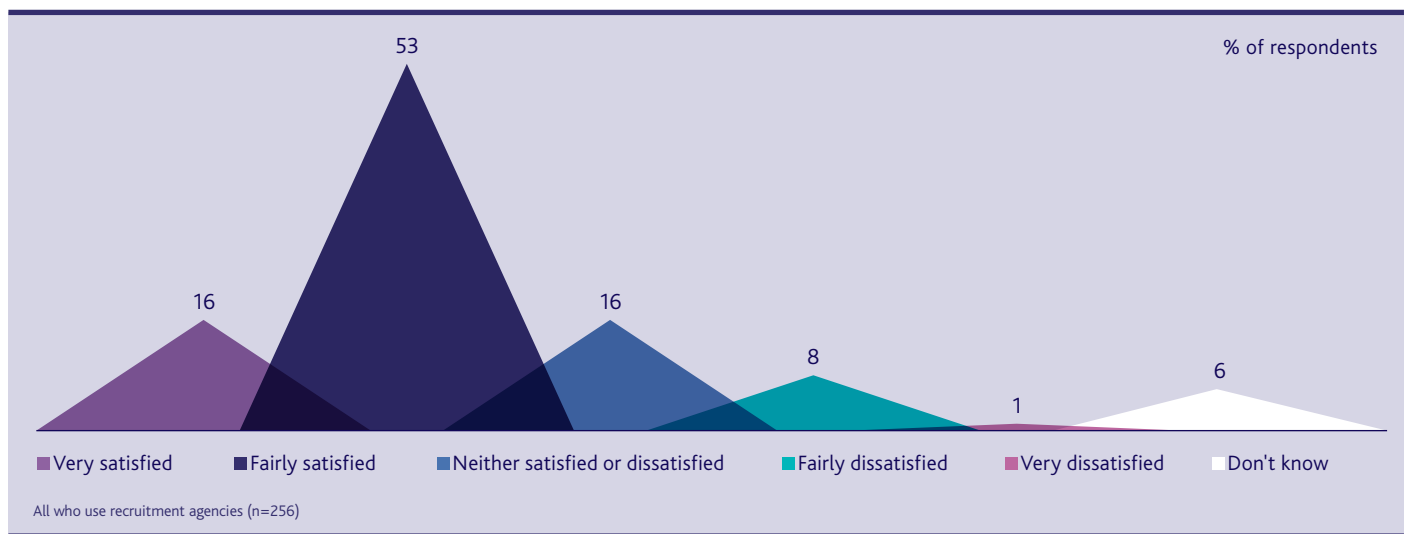
AgencyDashboard

SATISFACTION WITH CANDIDATES

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

Seven in ten employers (69%) surveyed this quarter expressed satisfaction with the candidates presented by their agencies. This was down from the 73% that indicated this to be the case in the same period last year. Changing satisfaction levels amongst the largest enterprises (250+ employees) appears to have been a key driver, decreasing from 78% to 70%.

From a regional perspective, there were below average satisfaction levels this quarter amongst Northern and London employers (both registering 64%). Furthermore, both were down from 72% of respondents expressing satisfaction in the same period last year.

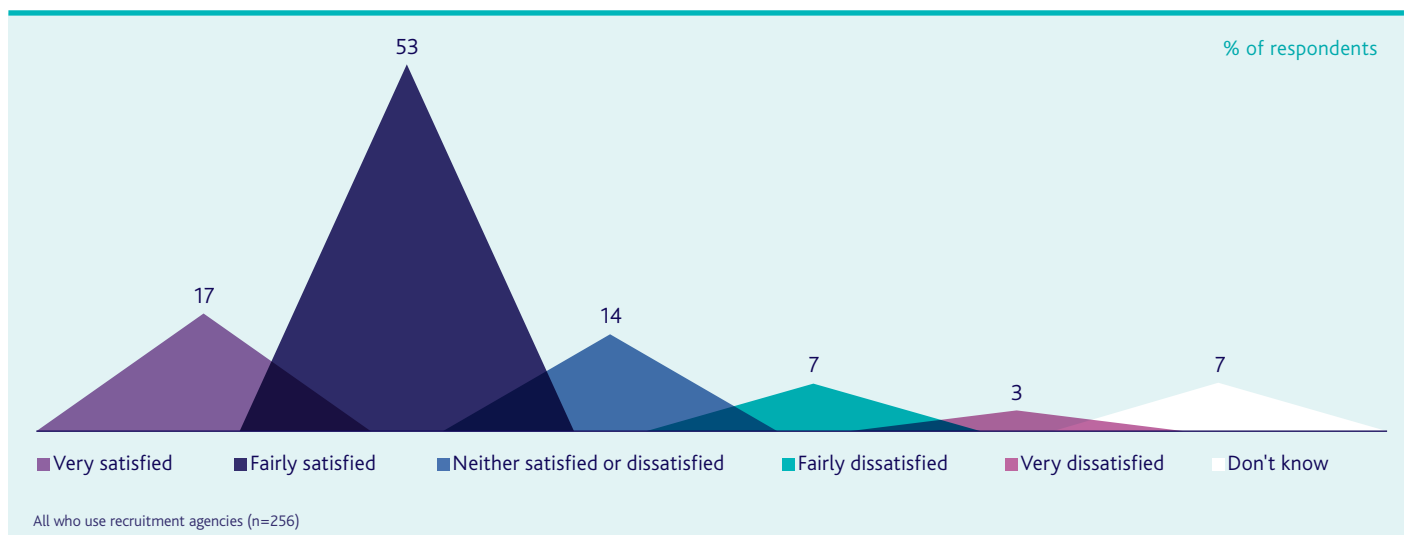


SATISFACTION WITH AGENCIES

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

By size of organisation, mid-sized employers were the most satisfied with the services provided by agencies. Three quarters (76%) expressed satisfaction, compared to 69% of all-sized employers. From a sectoral perspective, more public sector employers were satisfied (79%) than those in the private sector (67%).

Employers in London were the least satisfied with their agencies' performance. Just six in ten (60%) stated that they were satisfied whilst 17% stated they were dissatisfied (versus 10% across the UK). In contrast, 73% of hirers in the Midlands registered their satisfaction whilst just 6% suggested the opposite.



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?

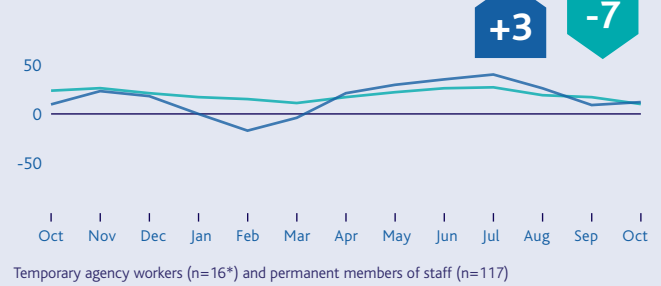
The net balance of forecast demand for permanent hires (+15 points) continued to be much higher, this quarter, than the balance of anticipated demand for agency staff (-3). Amongst employers engaging Health & Social Care workers, the contrast was notably wider, at +35 points and -39 points, respectively.

Occupations of note where the net anticipated demand for permanent and temporary agency staff was positive included Drivers (+10 points for permanent and +12 points for temporary agency), Construction (+13 points and +9 points, respectively) and Legal/HR (+8 points and +16 points, respectively).

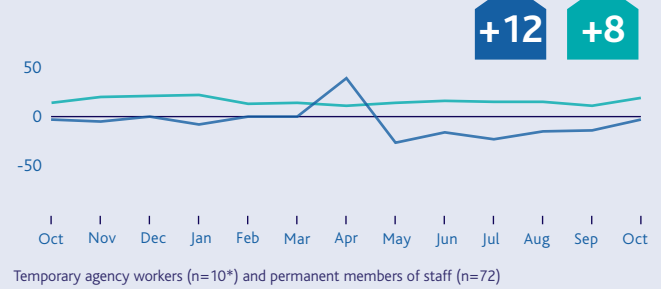
■ Temporary
■ Permanent

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

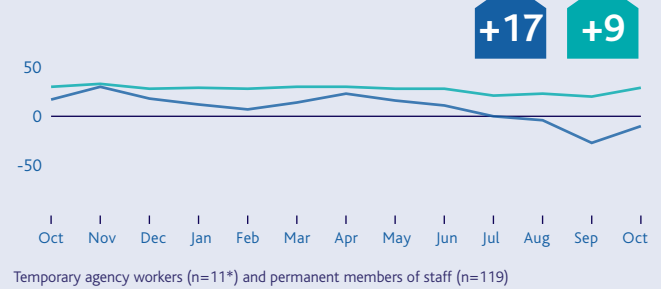
DRIVERS



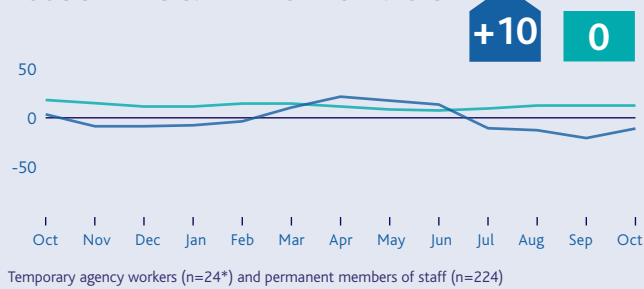
EDUCATION



ENGINEERING & TECHNICAL



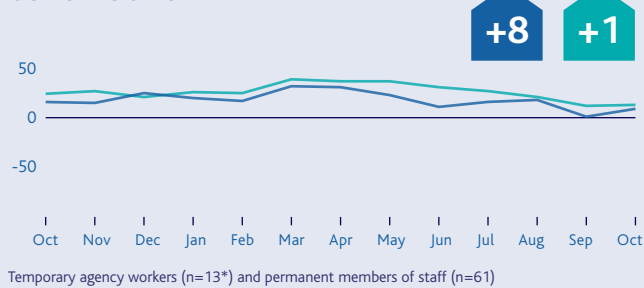
ACCOUNTING & FINANCIAL SERVICES



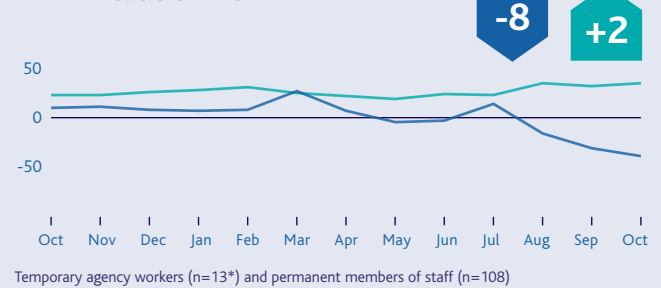
EXECUTIVE RECRUITMENT / INTERIM



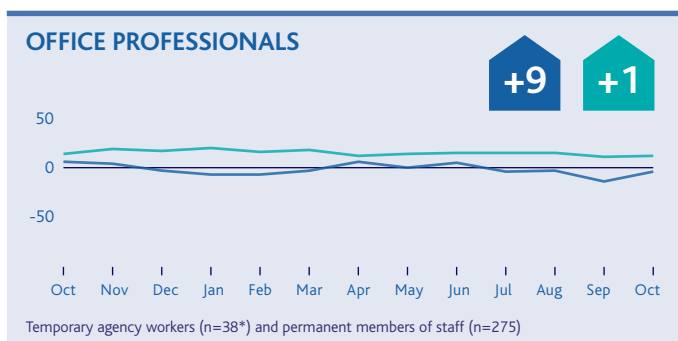
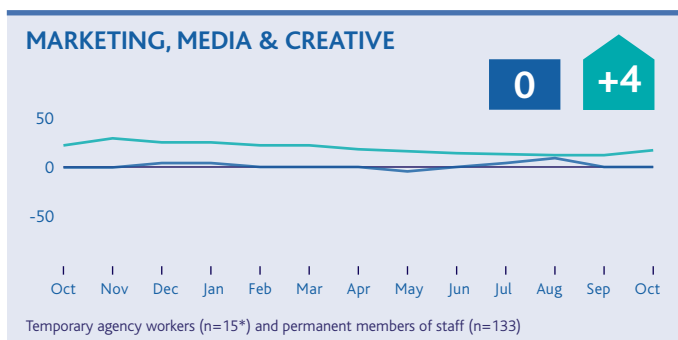
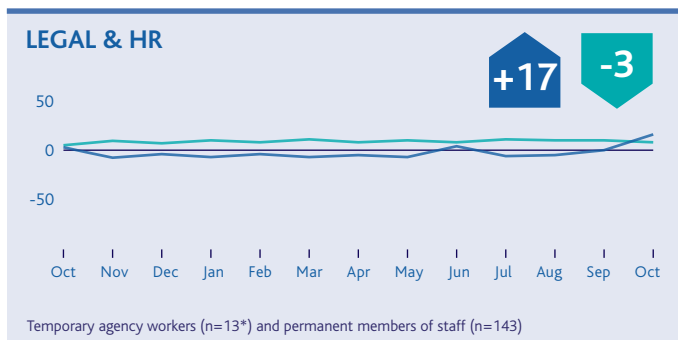
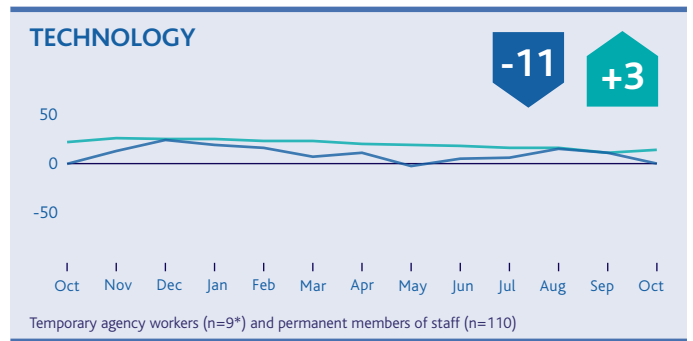
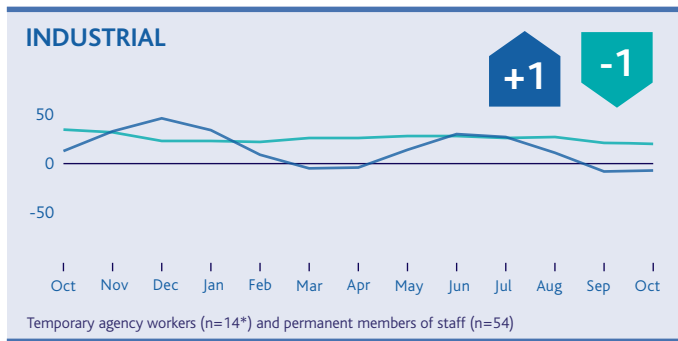
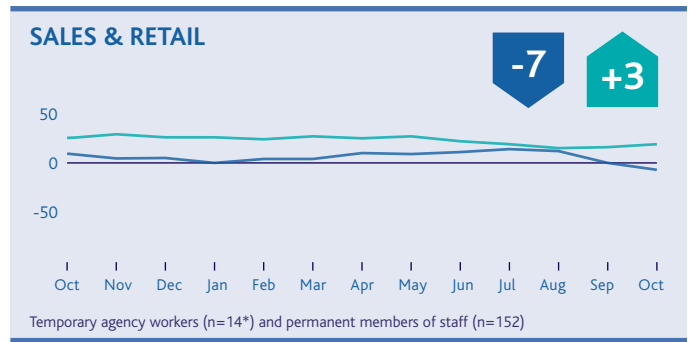
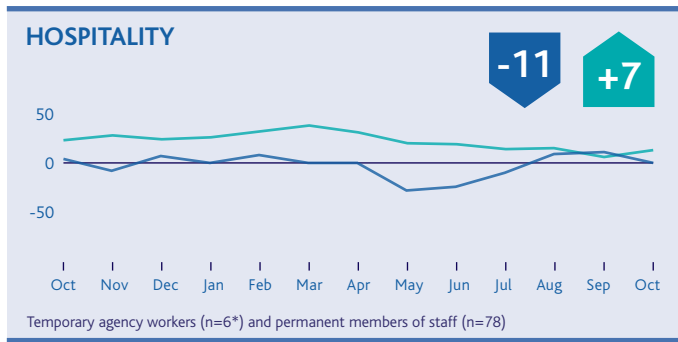
CONSTRUCTION



HEALTH & SOCIAL CARE

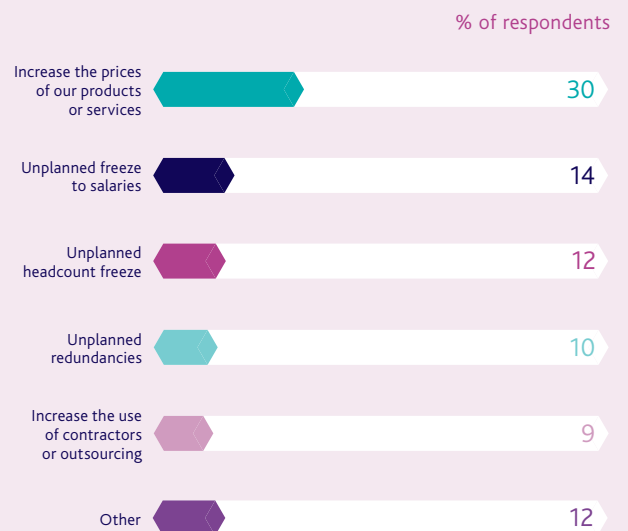


SectorProspects



IF THE CHANCELLOR INTRODUCES NEW MEASURES WHICH MAY ADD PAYROLL COSTS TO YOUR BUSINESS, WHICH OF THE FOLLOWING ACTIONS, IF ANY, WOULD YOUR BUSINESS TAKE?

In advance of the government's Autumn budget, we asked employers how they would respond to new measures that would add payroll costs to their organisation (e.g. IR35 changes). Over half (53%) of employers would have to take action including 30% increasing prices of their products and services.



A further 47% of respondents answered 'We would not need to take any action to mitigate the effects' to this question.

All those involved in hiring, surveyed in October (n=200)

REC-IHS Markit Predictive model

UNEMPLOYMENT RATE EXPECTED TO EDGE DOWN TO 4.2%

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

The latest nowcast model forecasts a decrease of 50,000 in the Labour Force Survey measure of UK unemployment in the three months to October. This would cause the unemployment rate to dip from 4.3% to 4.2%.

A sustained reduction in unemployment would extend the current sequence of decline to fourteen successive periods. The ONS signalled a reduction of 59,000 in the three months to September. As shown in the chart below, the model has generally provided reliable signals in official unemployment data.

- 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

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

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

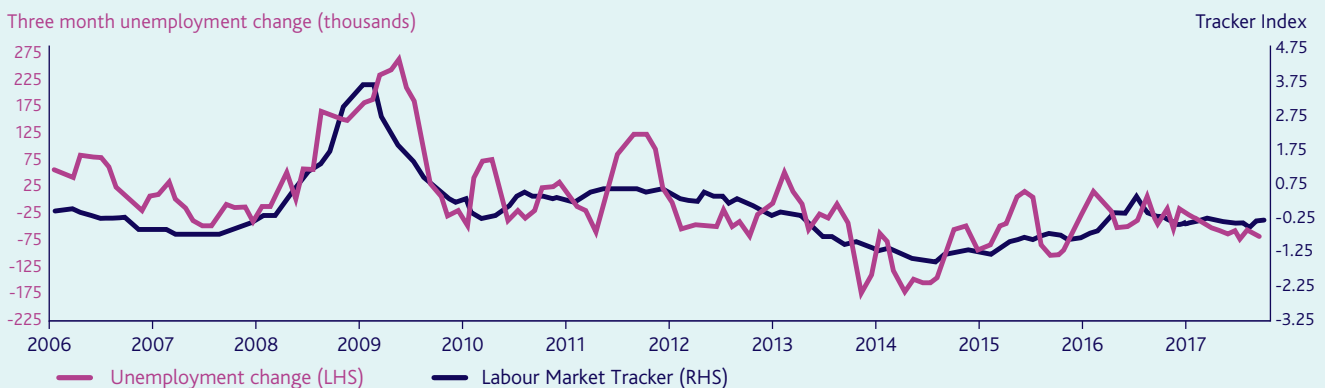
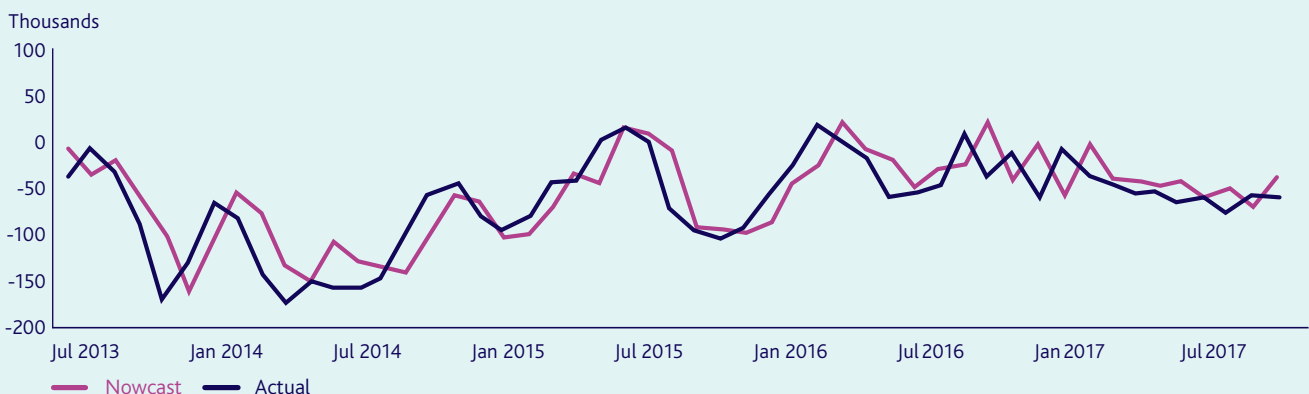


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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

