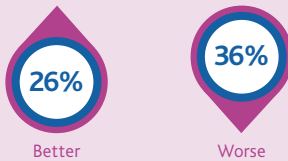


Demand remains buoyant despite concern over prospects for the UK economy

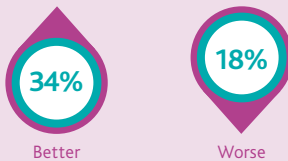
CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

Confidence

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

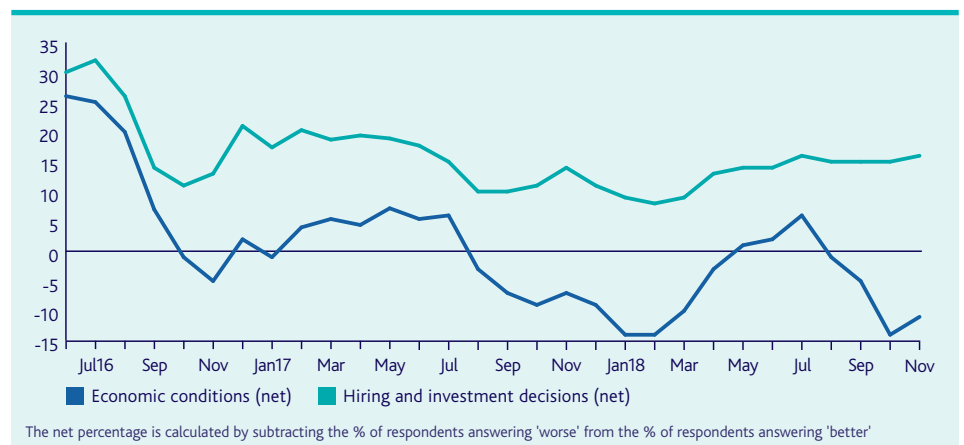


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=600)

Whilst recovering slightly this quarter (by 3 percentage points), employers' confidence in the prospects for the UK economy remained firmly in negative territory at net: -11. Despite more employers being pessimistic than optimistic about the UK's prospects, confidence in making hiring and investment decisions remained firmly in positive territory, however, at net: +16.



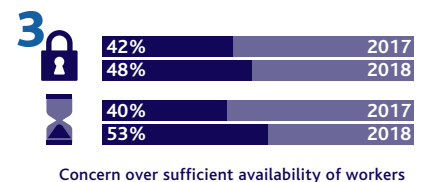
Key Points from August–October Survey



Employers' confidence in the prospects for the UK economy improved by 3 percentage points this quarter, but remained in negative territory at net: -11.



Three quarters (75%) of employers this quarter reported that they have little or no capacity to take on more work without needing to hire additional staff.



Employers' concern over the availability of permanent and temporary staff rose year-on-year, from 42% to 48% and from 40% to 53% respectively.



More employers of temporary workers reported that agency workers are important for managing uncertainty in their organisations, up 15 percentage points compared with the same period last year.



Among those who recruit temporary workers, the percentage using agencies to help them hire temporary workers rose significantly year-on-year, from 38% to 56%. This was driven by the private sector, where proportional usage increased from 37% to 60% year-on-year.



Employer satisfaction with the quality of candidates presented by agencies rose from 69% to 74% year-on-year, whilst satisfaction levels with agencies themselves rose from 69% to 77%.

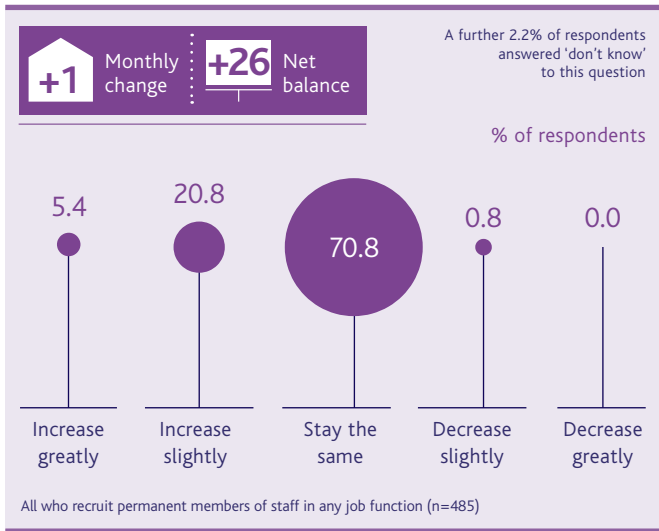
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

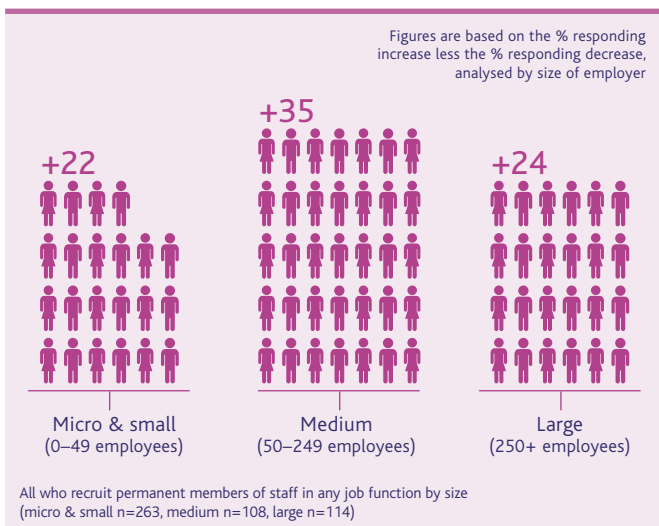
Short-term sentiment towards permanent hiring remained buoyant in August–October with more employers of permanent staff suggesting they would increase rather than decrease headcount, at net: +26. Underlying regional variations ranged from net: +22 in London to net: +29 in the Midlands and the North. 11% of employers in the North said that they would be greatly adding to permanent headcount – more than twice the national average (5%) – as did 10% of public sector hirers.



OUTLOOK BY EMPLOYER SIZE

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

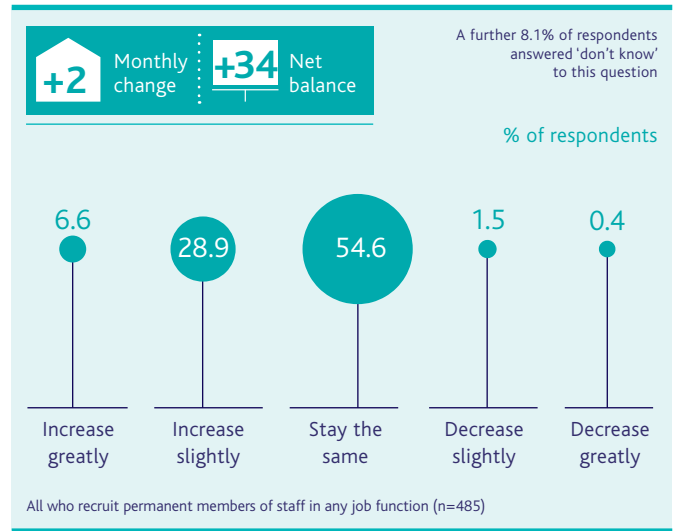
Mid-sized (50–249 employees) enterprises continued to demonstrate the highest level of short-term demand this quarter, with more hirers of permanent staff planning to add headcount rather than reduce numbers, at net: +35. Moreover, this was up from net: +23 a year earlier. Sentiment amongst micro/small (0–49 employees) and large (250+ employees) organisations also improved year-on-year by 10 percentage points each to net: +22 and net: +24 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?

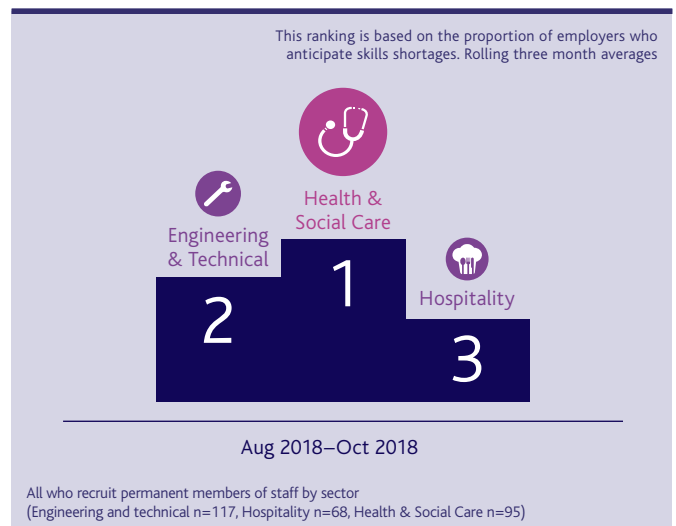
Looking out at hiring needs in 4–12 months' time, more employers of permanent staff suggested they would be adding to their permanent headcount rather than reducing it, at net: +34. Amongst the 7% who said that they would be greatly increasing numbers were 13% of public sector hirers – however this cohort also expressed the greatest level of uncertainty, with 19% (versus 8% of all respondents) stating that they did not know what their plans were.



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?

Just under half (48%) of permanent employers expressed concern this quarter over the sufficient availability of candidates for permanent hire – up from 42% a year earlier. Regionally, concern remained most acute amongst employers in the Midlands, where 59% anticipated shortages. Occupations causing employers most concern have heightened dependency on non-UK nationals.

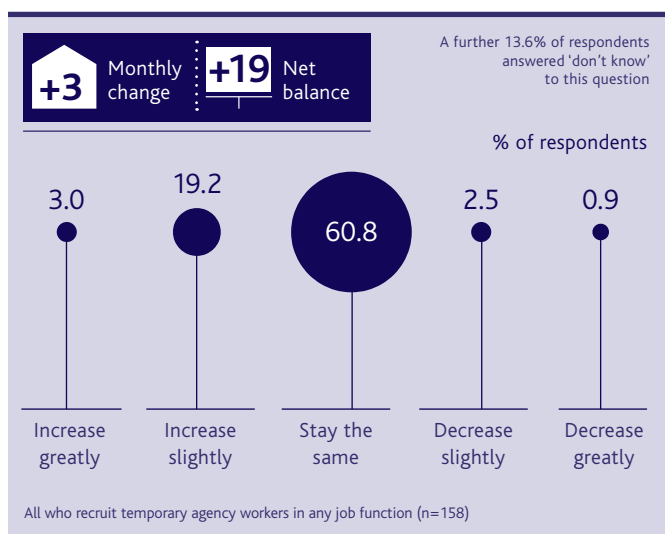


Temporary Recruitment

SHORT-TERM OUTLOOK

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

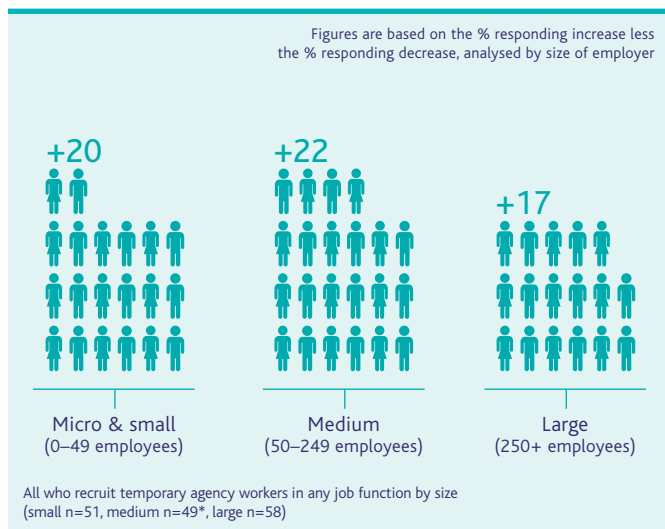
After last quarter's 8-point fall in the balance of short-term forecast demand, sentiment improved by 3 percentage points this quarter to net: +19. This is also a marked improvement on net: -3 recorded in the same period last year. Regional variations are stark, however, ranging from just net: +1 in the North to net: +25 in the Midlands. A level of just net: +7 amongst public sector hirers is also noteworthy.



OUTLOOK BY EMPLOYER SIZE

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

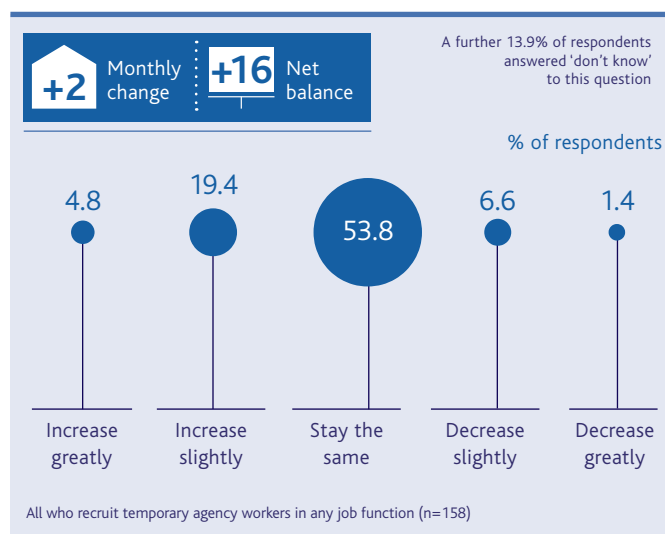
The most significant year-on-year turnaround in sentiment towards short-term expectations of demand for agency workers was among mid-sized (50–249 employees) enterprises which employ these workers. This quarter more mid-sized employers planned to increase rather than decrease numbers at net: +22, in stark contrast to the level of net: -16 recorded a year earlier. Sentiment also improved year-on-year amongst the other two cohorts – by 18 and 14 percentage points amongst micro/small (0–49 employees) and large (250+ employees) organisations respectively.



MEDIUM-TERM OUTLOOK

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

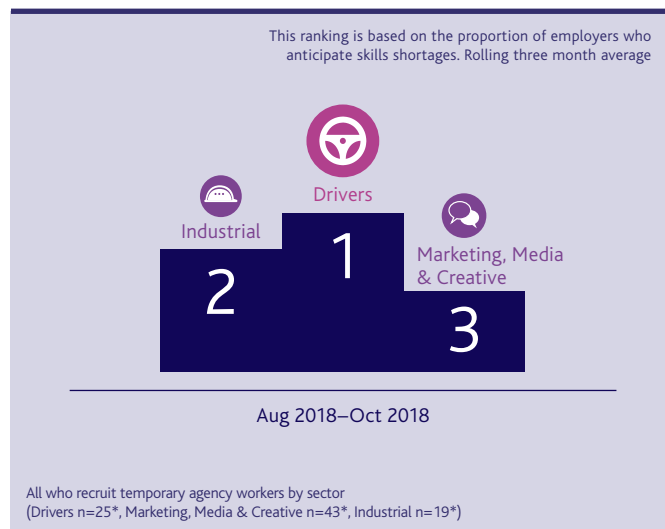
The balance of medium-term forecast demand for agency workers recovered by 2 percentage points, after falling 5 points last rolling quarter, and remained significantly higher than the net: +7 recorded in the same period last year. As with short-term demand, there were regional variations in sentiment, ranging from net: -4 in the North to net: +17 in London. Also, sentiment recorded amongst public sector respondents was just net: +6.



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?

Half (53%) of employers who engage temporary agency workers expressed concern this quarter over their sufficient availability – up from 40% in August–October last year. The contrast of 57% of private and 14% of public sector respondents who expressed concern is notable in view of the Budget 2018 announcement that the off-payroll reforms will extend to the private sector in April 2020.

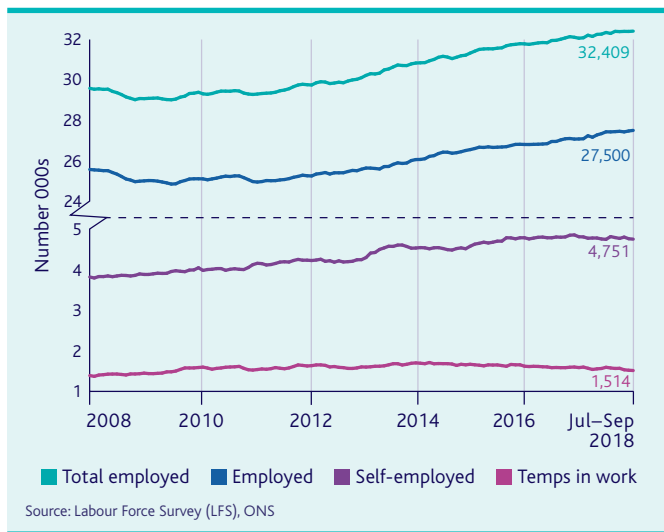


LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

At 32,409,000 in July–September 2018, the UK workforce was just 23,000 (0.1%) larger than in the previous quarter, but was 350,000 (1.1%) larger than the same period a year earlier. The quarterly rise was driven by permanent employment, which increased by 100,000. In contrast, self-employment fell 17,000 and temporary employment fell by 55,000, quarter-on-quarter, and by 61,000 and 72,000, respectively, year-on-year. The number of EU nationals in the workforce fell by 132,000 (-5.5%), year-on-year, whilst the number of non-EU nationals increased by 34,000 (2.8%).

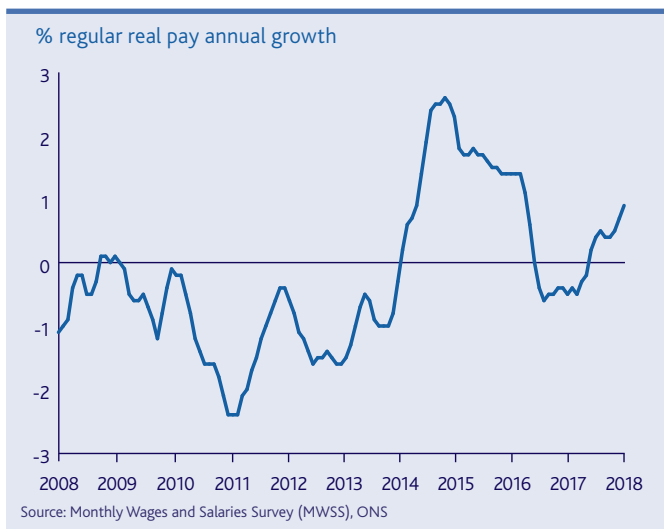
Total employment, employed and self-employed



REAL WAGE GROWTH

Regular Pay growth (in nominal terms) for employees, for the period between July–September 2017 and July–September 2018, was 3.2%. When considering the change in real-terms, however (i.e. adjusted for inflation (CPI)), Regular Pay increased by 0.9%.

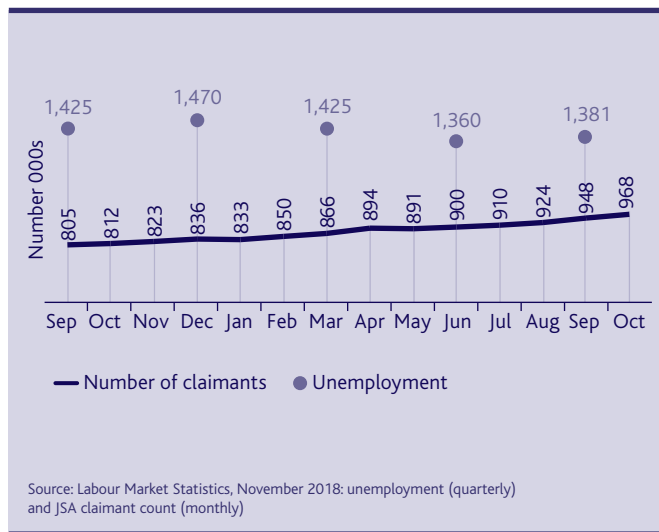
From an average weekly wage perspective, for employees (as the earnings of the self-employed are not included in this measure), gross Regular Pay (excluding bonuses) was £493 in nominal terms – up from £478 per week a year earlier. In constant 2015 prices, however (i.e. adjusted for price inflation), average weekly earnings were £463 – up from £458 in the same period last year, but still below the pre-recession peak of £473 per week in March 2008.



UNEMPLOYMENT AND CLAIMANT NUMBERS

The unemployment rate rose from 4.0% in August–June 2018 to 4.1% in July–September 2018. At 1,381,000, this represented a 21,000 (1.6%) increase on the previous quarter but was 43,000 (3.0%) lower than the same period a year earlier. For the second consecutive quarter, unemployment rose, quarter-on-quarter, amongst 25–49 year olds (by 21,000 / +3.6% – and all males) and amongst those aged 50+ (by 16,000 / +5.6% – and all males). It was also up by 1,000, year-on-year, amongst those aged 50+.

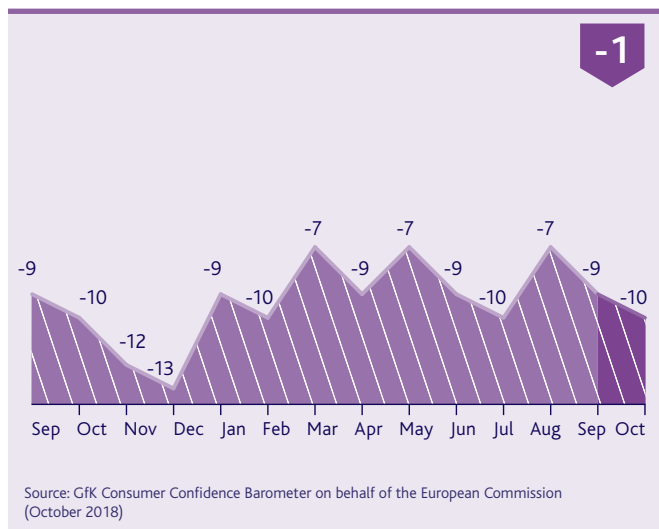
At 967,700, the Claimant Count was 20,200 (2.1%) higher than the previous quarter and was up by 156,100 (19.2%) year-on-year.



CONSUMER CONFIDENCE INDEX

Despite retail price inflation (CPI) falling to 2.2% in September (from 2.4% in August) and employees' wage growth continuing to accelerate, the GfK Consumer Confidence Index fell by 1 point in October to -10. The overall Index has now consistently registered a zero or negative reading since February 2016. Notably, it remained respondents' retrospective view on the general economic situation over the last 12 months and their expectations for the economy over the next year (both at -28) that kept the overall barometer in negative territory.

In contrast, the balance of sentiment on personal finances over the next 12 months (+4), the Major Purchase Index (+4) and the Savings Index (+12) remained firmly positive.

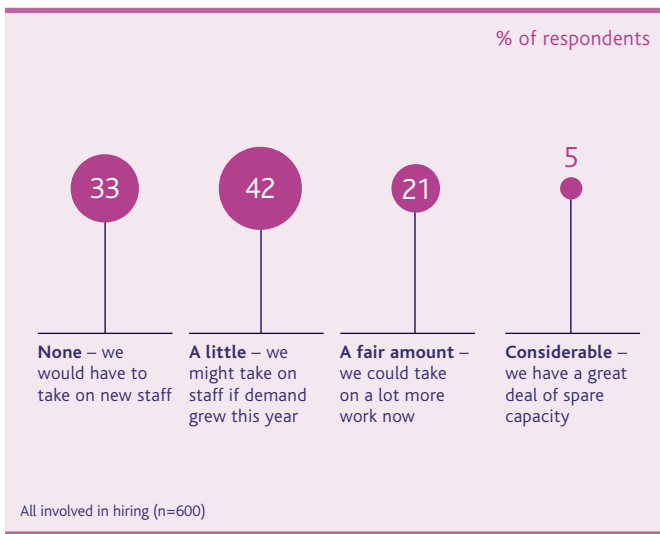


EmployerDashboard

WORKFORCE CAPACITY

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

Three quarters (75%) of UK employers had either no surplus workforce capacity or such a small amount that they may need to take on additional staff if demand increased. One key regional variant was London, however, where just 67% suggested that this was the case, while a quarter (25%) had a fair amount of surplus and 8% had considerable spare resource capacity. Of additional note, 40% of Northern employers reported having no spare capacity.

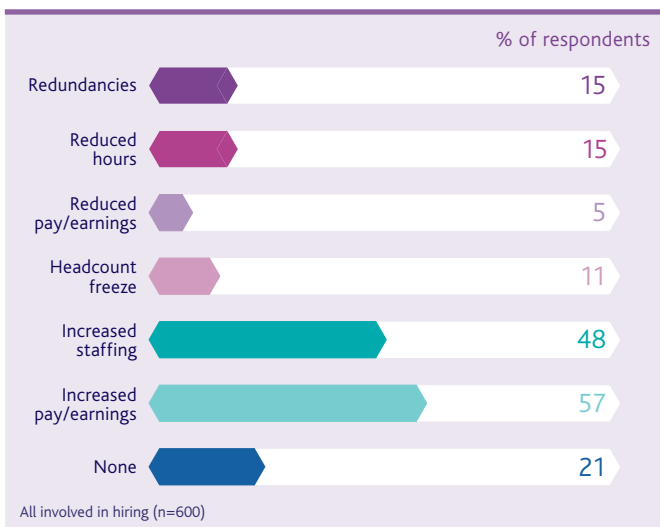


WORKFORCE PLANNING

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

This quarter the percentage of employers who have increased staffing (48%) and increased levels of earnings for their workers (57%) returned to similar levels seen in the same period last year. This is after a significant drop during the past year – the low point came in July 2018, when these figures hit 41% and 44% respectively.

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

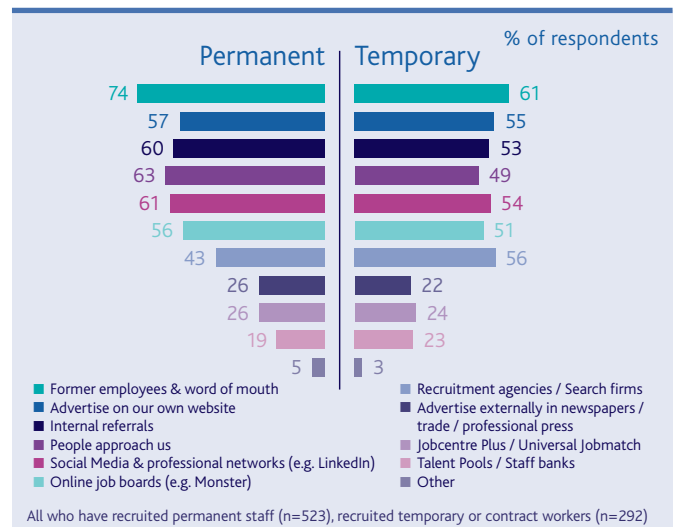


RECRUITMENT CHANNELS USED

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

While the proportion of employers using recruitment agencies for permanent hiring (43%) remained broadly similar to the previous year (44%), the percentage of employers obtaining agency support for temporary worker hiring rose significantly, from 38% to 56%. This was driven by increasing private sector demand, where proportional usage increased from 37% to 60% year-on-year.

Recruitment channels used for staffing as of October 2018

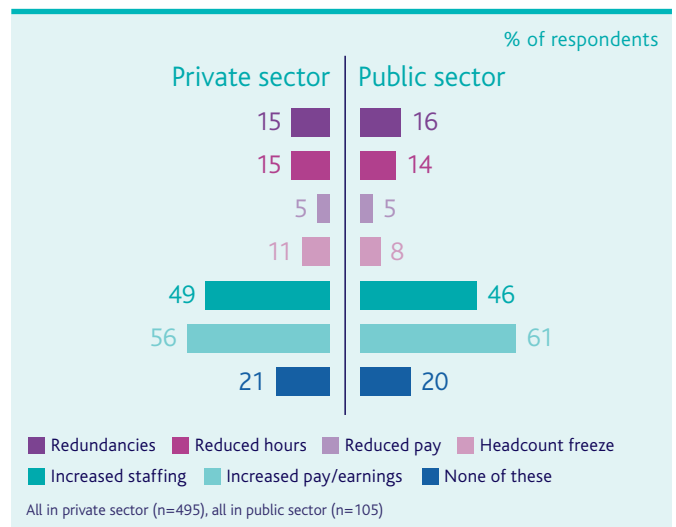


WORKFORCE PLANNING BY SECTOR

After a notable period of divergence in workforce planning activity between private and public sector employers earlier in the year, the proportions within each sector admitting to implementing key actions over the last year are now broadly similar.

The need to reduce hours rose within both sectors year-on-year, from 10% to 15% of hirers in the private sector and from 12% to 14% amongst their public sector counterparts.

3 month rolling average to October 2018

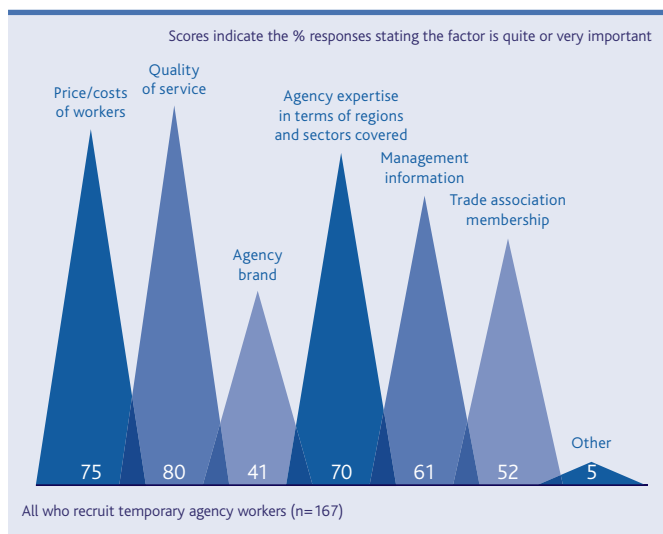


AgencyDashboard

CRITERIA USED BY EMPLOYERS TO SELECT AGENCIES

How important or otherwise are each of the following factors to you when it comes to choosing and using a recruitment agency to source temporary agency workers?

This quarter, employers of temporary workers reported that the top criteria they use to choose agencies to supply them with temporary workers were quality of service (80%), the cost of workers (75%) and the agency's expertise (70%). These were the same top criteria reported in the previous rolling quarter.

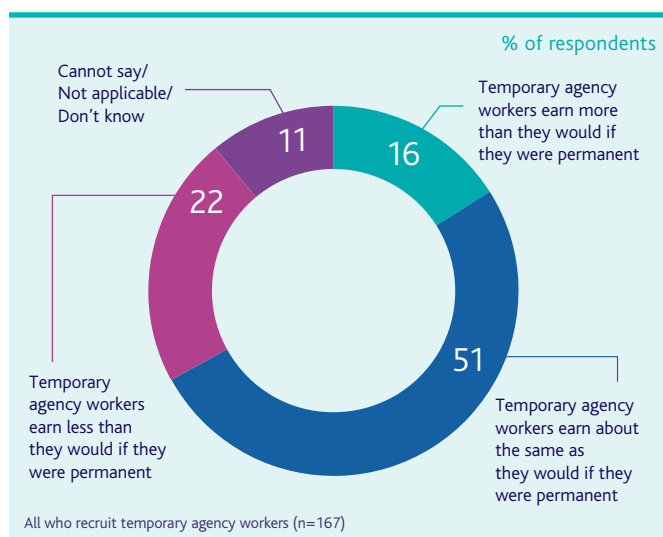


AGENCY WORKER PAY RATES

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

There was a notable shift in sentiment from employers on agency workers' pay rates, year-on-year. This quarter a higher proportion (22%) said that agency workers earn less than their permanent counterparts compared with the same period last year (9%). In contrast, fewer employers said that agency workers earn more than if they were permanent employees – 16% this quarter compared with 20% in the previous year.

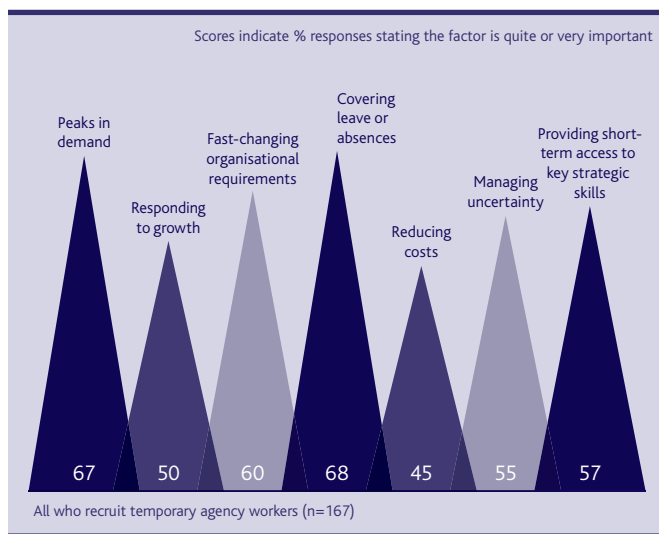
3 month rolling average to October 2018



IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

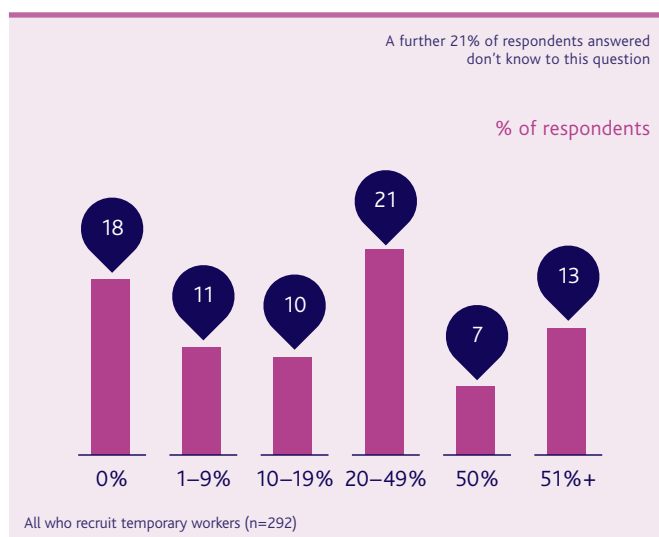
The most significant year-on-year changes in the factors relating to agency workers deemed important by their hirers was a 15-percentage point increase (to 55%) of employers using them to manage uncertainty. Additionally, there was an 11-percentage point rise (to 60%) of hirers accessing agency workers to manage fast-changing organisational requirements.



TEMPORARY TO PERMANENT

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

As was the case in the same period last year, it is amongst Northern employers where the largest proportion can be found transferring half or more temporary workers to permanent posts each year. Here the proportion rose from 27% to 32% year-on-year – much higher than the all-UK average, which actually declined marginally from 21% to 19%.



AgencyDashboard

SATISFACTION WITH CANDIDATES

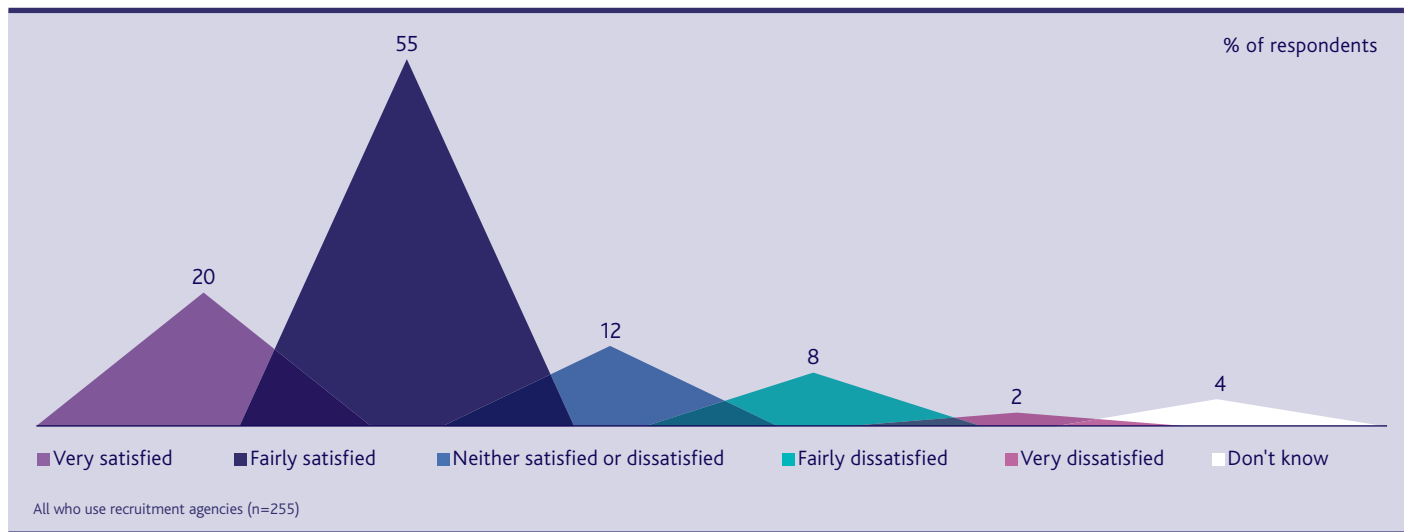
How satisfied or dissatisfied are you with the quality of candidates presented to you by your recruitment agencies?

Despite declining availability of candidates, three-quarters (74%) of employers of temporary workers expressed satisfaction with the candidates presented to them by agency partners when surveyed this quarter – up from 69% expressing this sentiment in November 2017.

From a sectoral perspective, satisfaction levels improved in both the private (from 67% to 74%) and public sector (from 77% to 80%).

From a regional perspective, employers in the Midlands remained the most satisfied (81%) – 10 percentage points higher than in the

same period last year. In contrast, just 65% of employers in the North expressed the same sentiment (compared to 64% last year) – with more than twice the national average (21% versus 9%) expressing dissatisfaction with the quality of candidates being presented by agencies (up from just 12% last year).



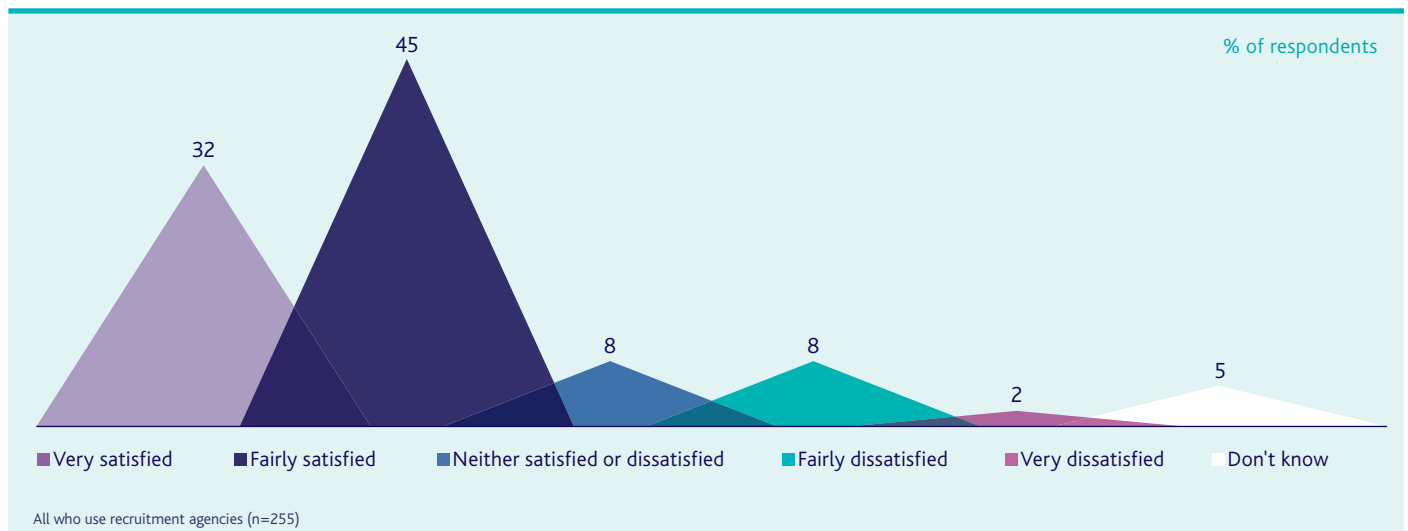
SATISFACTION WITH AGENCIES

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

More than three quarters (77%) of UK employers who rely on the support of agencies for their hiring activity expressed satisfaction with their partners, when surveyed in August-October – significantly higher than the proportion admitting the same sentiment in the same period last year (69%).

There were notable variations in sentiment by size of employer however, ranging from 69% of micro/small (0-49 employees) enterprises expressing satisfaction to 83% of mid-sized (50-249 employees) organisations.

Similarly, there was a higher level of satisfaction with agencies amongst public sector employers (rising from 79% last year to 83%) than amongst those in the private sector, where there was an increase from 67% to 76% satisfaction year-on-year. Of additional note, dissatisfaction levels amongst public sector hirers fell from 11% to 3% year-on-year while they remained at a similar level (11% versus 10% last year) in the private sector.



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?

Whilst there were no notable upticks in anticipated short-term demand for permanent hires this quarter, the anticipated need for workers in key occupations remained significantly higher than the all-occupation average (net: +26). These include Drivers (net: +39) and Health & Social Care workers (net: +36).

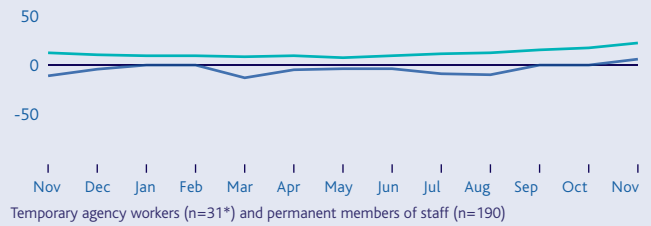
Within the forecast demand for temporary agency workers, there were notable spikes in anticipated need for Drivers (up 13 points to net: +45) and Legal & HR professionals (up 12 points to net: +28). And while anticipated demand for Hospitality workers fell by 6 points, it remained significantly higher (at net: +39) than the all-occupation average (net: +19).

- 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.

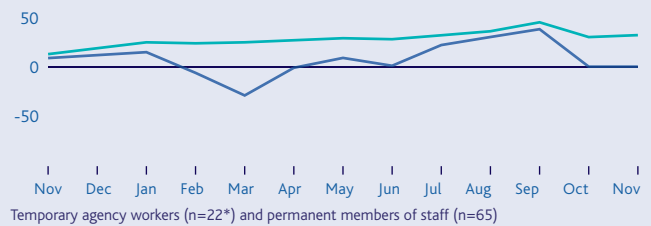
ACCOUNTING & FINANCIAL SERVICES

+6 +5



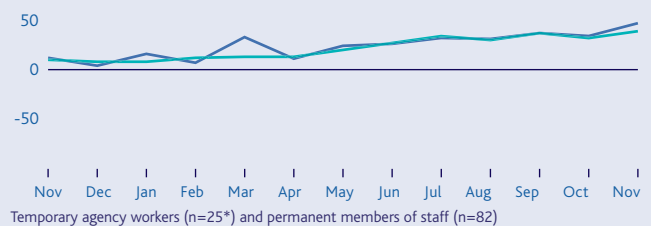
CONSTRUCTION

0 +2



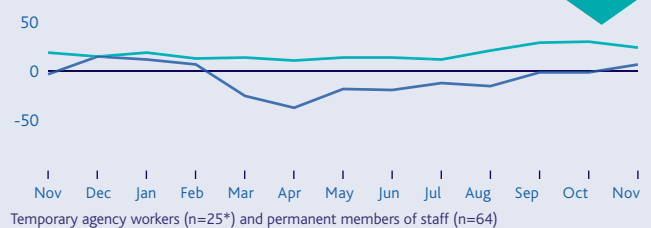
DRIVERS

+13 +7



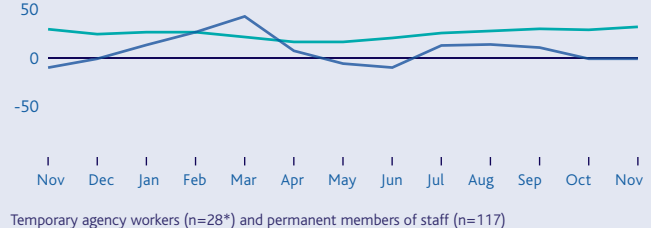
EDUCATION

+8 -6

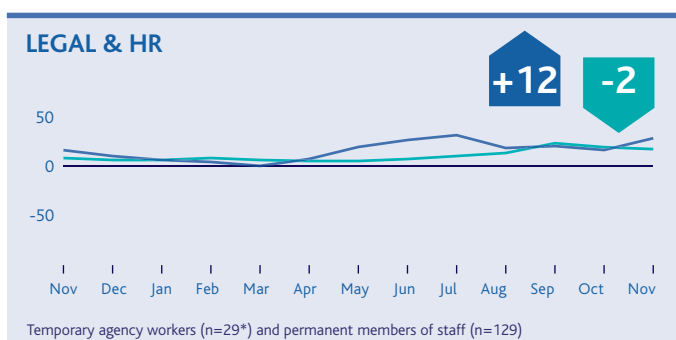
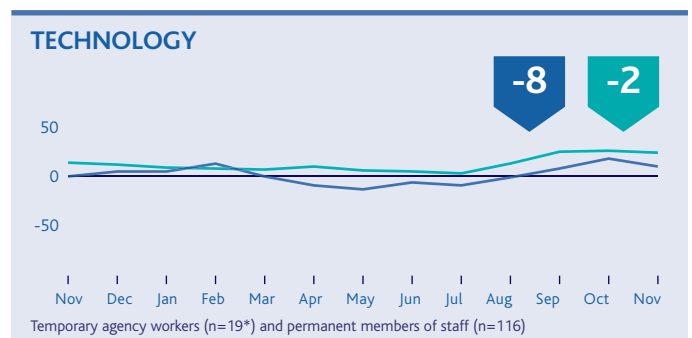
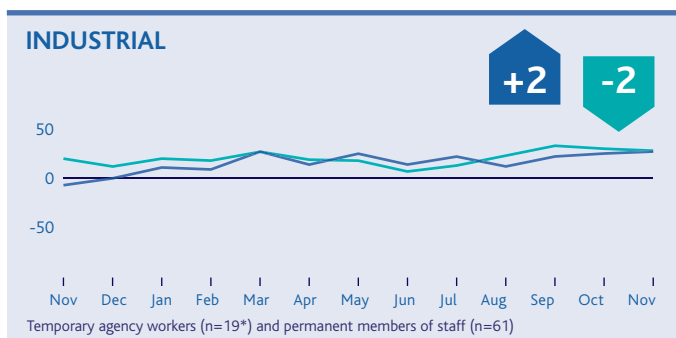
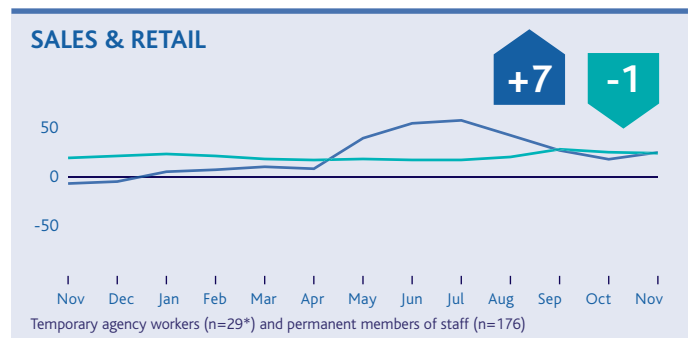
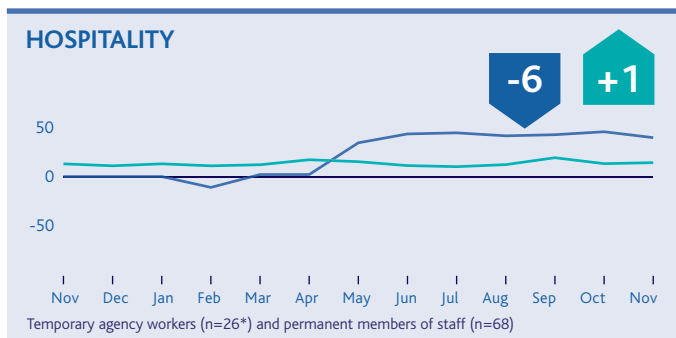
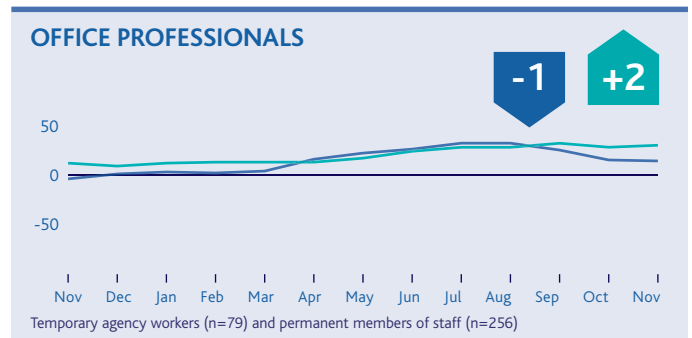
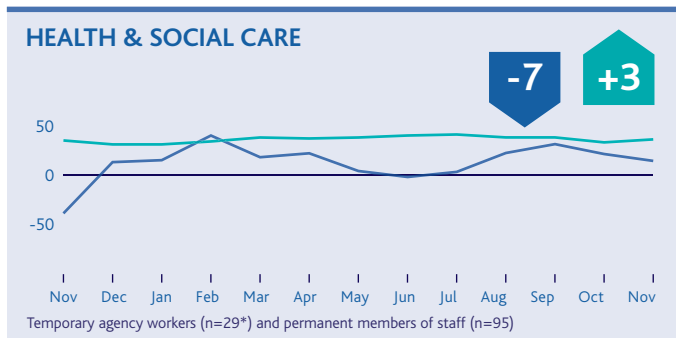
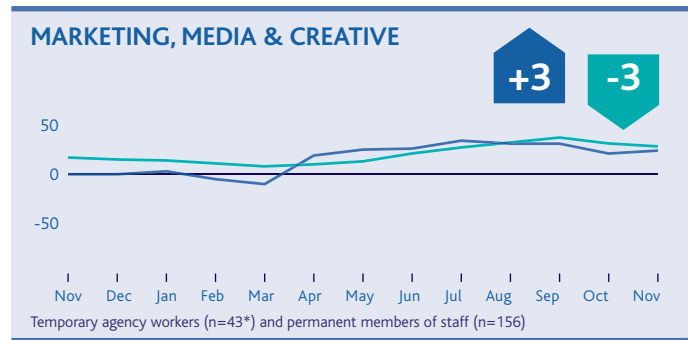
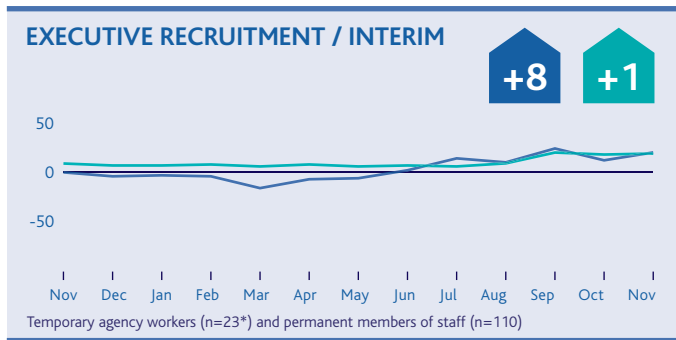


ENGINEERING & TECHNICAL

0 +3



SectorProspects



REC-IHS Markit Predictive model

UNEMPLOYMENT FORECAST TO RISE FURTHER IN THREE MONTHS TO OCTOBER

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

November's update to the nowcast model points to an increase of 23,000 in the Labour Force Survey measure of UK unemployment in the three months to October. The unemployment rate would therefore hold steady at 4.1% and stay close to a four-decade low.

The model forecasts a second consecutive rise in unemployment and follows an increase of 21,000 in the three months to September. As shown in the charts below, the model continues to provide reliable signals in official unemployment data.

Methodology

The model draws on a range of official, survey and internet search data, which are available on a more timely basis than our target variable. This includes:

- REC's JobsOutlook survey data on employers' expectations for short-term staffing requirements

- KPMG/REC Report on Jobs survey measures of permanent placements and temporary billings
- IHS Markit PMI data, in the form of the composite employment and output indices covering the manufacturing, services and construction sectors
- IHS Markit's Household Finance Index measures of workplace activity and job security
- The European Commission consumer survey measure of unemployment expectations
- Google internet search patterns for terms which we believe give useful signals on the health of the labour market
- ONS measures of claimant count joblessness and vacancies

We have created a single-variable model that provides an overview of underlying conditions in the labour market. We used principal component analysis to extract common factors from our dataset, which we could then weight to create what we call our "Labour Market Tracker". To produce our nowcasts, we combine the Labour Market Tracker with a weighted average of single-variable models to guide our prediction for the three-month change in unemployment.

CHART 1: TRACKER MODEL HISTORY

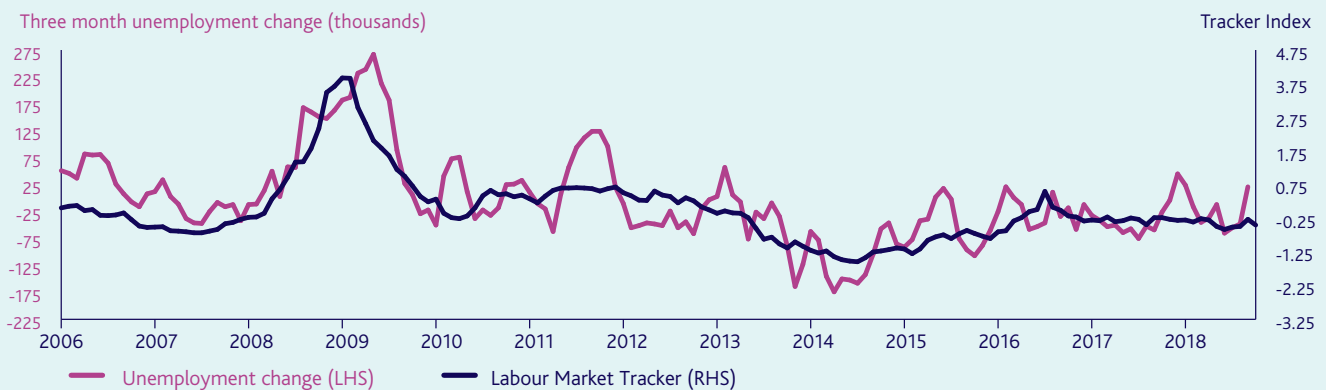


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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

