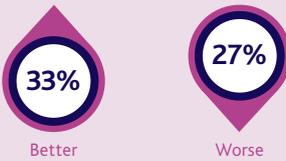


Employers predict greater reliance on temporary workers

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)

Despite a positive net balance of 6% of those who thought economic conditions were improving rather than worsening, the outlook of respondents changed notably over the three months: the balance was 13% in April, 7% in May and -2% in June. As a result, confidence in making hiring and investment decisions shifted too, with a net balance of 22% in April, 16% in May and just 8% in June.



Key Points from June Survey



20% of UK employers plan to increase agency workers in the medium term.



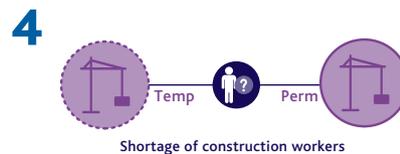
64% of employers transfer at least 1% of their temporary workers to a permanent post each year.



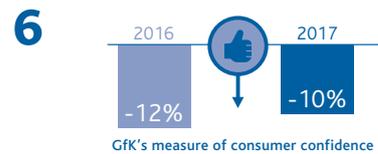
Compared to a year ago, more employers think expertise and quality of service are key factors when selecting a recruitment agency. Fewer think cost is a key factor.



Employers across all sectors are looking to hire permanent staff. The positive net balance of demand for construction reached +31% followed closely by industrial and engineering & technical at +28%.



There is growing concern amongst employers over shortages of construction workers for permanent and temporary roles.



Business confidence in economic conditions is declining. GfK's measure of consumer confidence fell to -10 in June, just 2 points away from last year's post EU referendum low of -12.

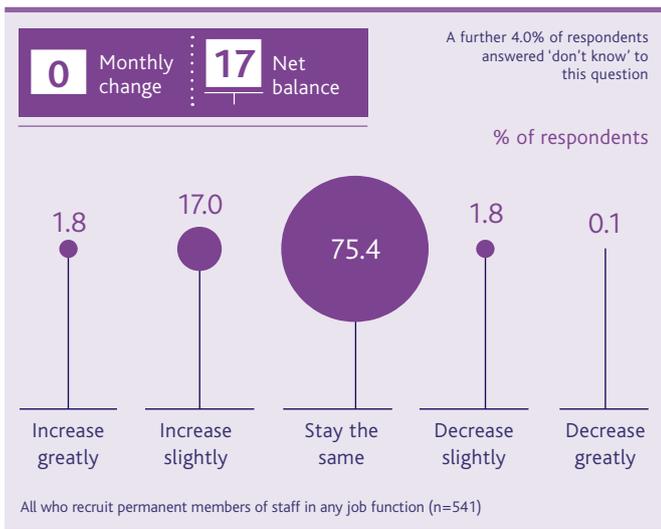
Throughout, figures based on fewer than 50 respondents are marked with an asterisk* Due to the small base size, these results should be considered indicative, rather than conclusive. Data were weighted to be representative of UK adults in employment by region, broad industry sector and public/private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

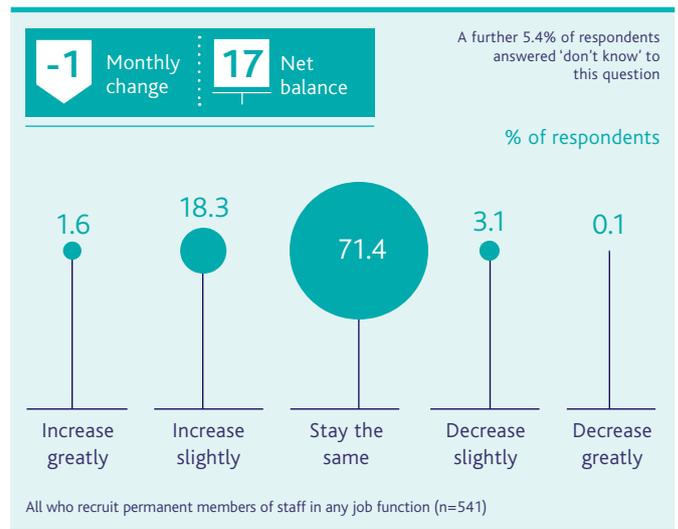
In terms of how shifting confidence translated into short term permanent hiring intention, the proportion of employers planning to increase headcount and employers planning decreases changed markedly across the quarter. In April, 15% of employers planned to boost numbers, whilst 1% intended to make cuts. By June, those planning to add headcount increased to 22% whilst those intending to cut numbers had trebled to 3%.



MEDIUM-TERM OUTLOOK

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

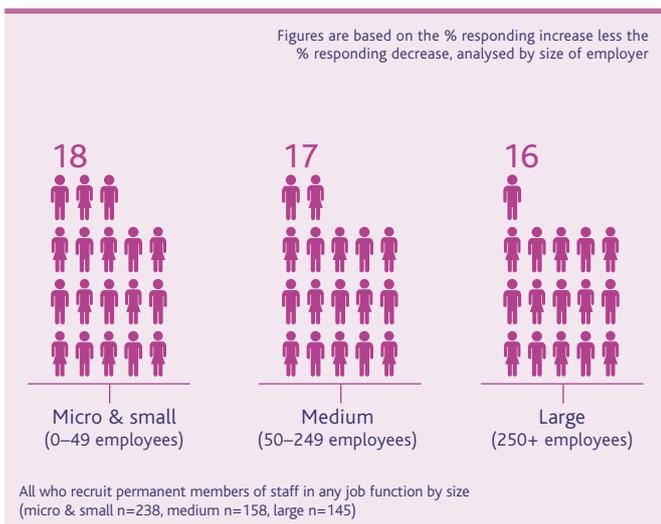
Whilst the medium term prospects for permanent hiring remained steady this quarter, May and June had significantly higher proportions of respondents planning decreases (5% and 4%, respectively) than in April (1%). There were also notable regional variations with a higher proportion of employers in London (26%) planning to increase headcount than across the rest of the UK (20%).



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 recovered slightly this quarter (+2 percentage points), with 18% more employers suggesting that they would be adding to numbers rather than cutting them. With the vast majority of UK employers being within this employee size band, any positive trend from this cohort is encouraging.



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?

Education's return to the top three skills area of concern this quarter is notable. The fact that employers are flagging shortages may lead to unfilled vacancies in September/October. With Construction's historical reliance on access to skills of non-UK national workers, the impact of Brexit will exacerbate the ongoing uncertainty for workers.

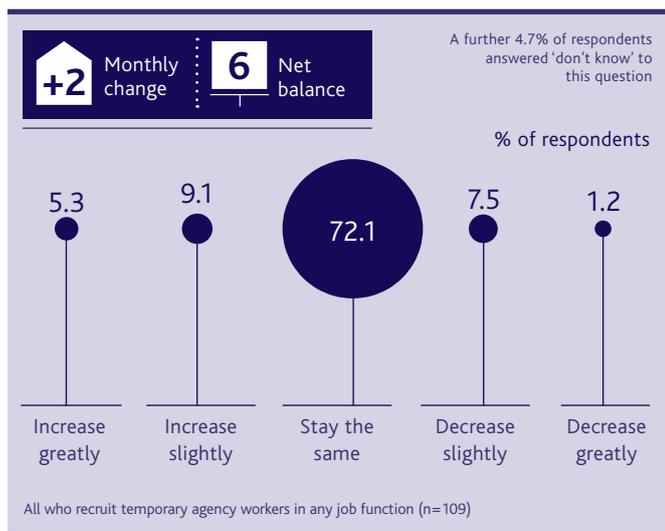


Temporary Recruitment

SHORT-TERM OUTLOOK

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

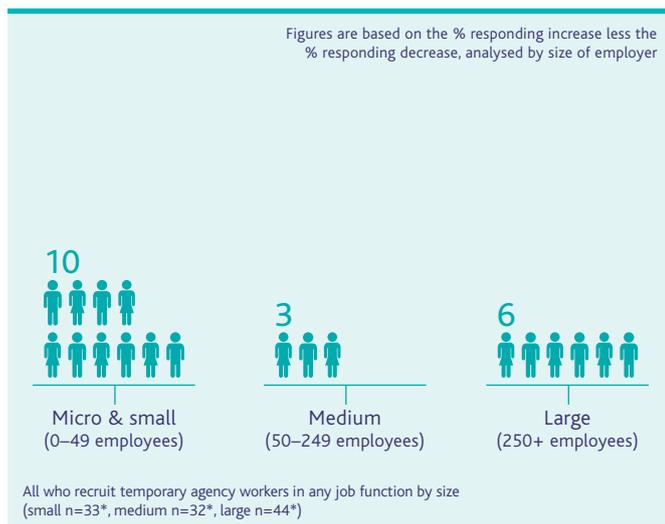
The proportion of employers planning to increase agency worker headcount this rolling quarter (14%) is little changed from last rolling quarter (13%). However, the data for the month of June is noteworthy. Whilst an overall 7% suggested a slight increase, a further 10% highlighted that numbers would increase greatly.



OUTLOOK BY EMPLOYER SIZE

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

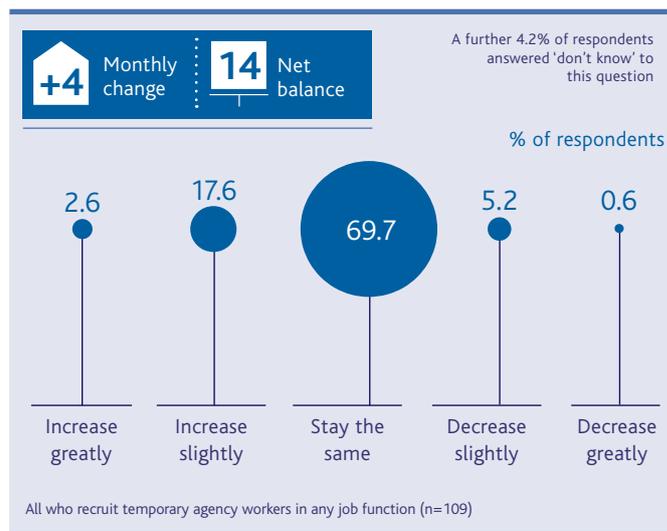
Whilst micro/small employers (0–49 employees) remained most intent on increasing agency worker numbers in the short term, there was a notable change in sentiment amongst large employers (250+ employees) quarter on quarter. A 13-point swing moved their net balance into positive territory this quarter. As a result, 6% more large enterprises planned to increase numbers in the short-term than reduce 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 net balance of employers planning increases over decreases to agency headcount in the medium term rose by 4 percentage points in April–June, compared to the previous rolling quarter. One of the key drivers was a shift in sentiment amongst Northern employers, of whom those planning increases rose from 9% to 24% quarter on quarter.



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?

Employer concern over shortages in construction, logistics and hospitality sectors is unsurprising, as they are all heavily reliant upon non-UK national labour and Brexit negotiations are yet to provide any clarity over how employers will continue to access the people they need. This quarter was also the first to highlight the potential impact of the new Off-Payroll/IR35 rules of engagement in the public sector.

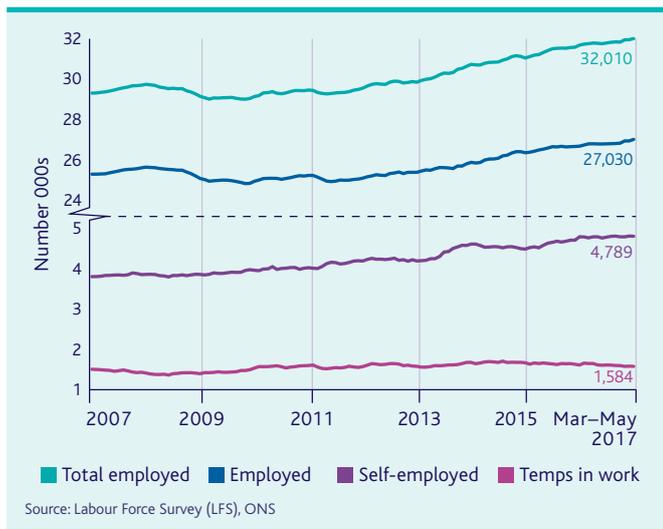


LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

At 32,010,000, the UK workforce had increased 175,000 since the previous quarter and 324,000 year-on-year. Both the quarterly and annual increases were driven by permanent employment, which rose by 208,000 and 371,000 respectively. In contrast, temporary employment fell 19,000 against the previous quarter and 34,000 year-on-year. Despite the new regulations governing off-payroll working in the public sector in April, the number of self-employed was 13,000 higher than the previous quarter and up 14,000 year-on-year.

Total employment, employed and self-employed



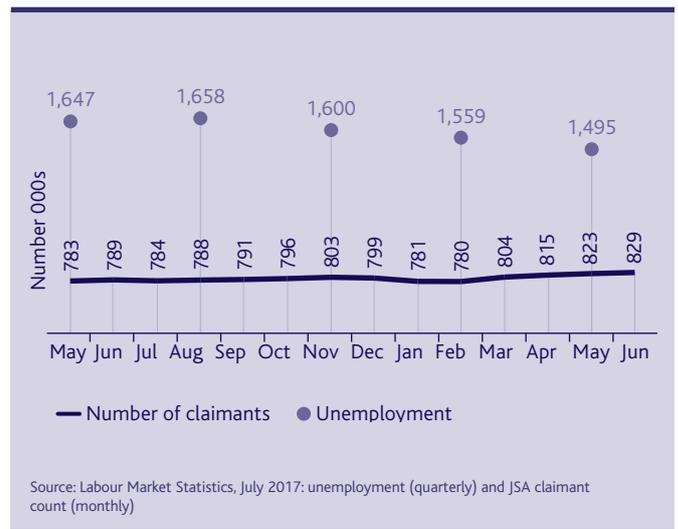
REAL WAGE GROWTH

Average regular pay (excluding bonuses) for employees in Great Britain was £473 per week, in May, before tax and other deductions. This was up from £463 per week (+2.0%) recorded a year earlier. When adjusted for CPI, however, the average wage fell, in real terms, by 0.5%. As such, regular pay, in real terms excluding bonuses (at constant 2015 prices) was £458 per week, which was £15 lower than the pre-downturn peak of £473 per week recorded for March 2008.



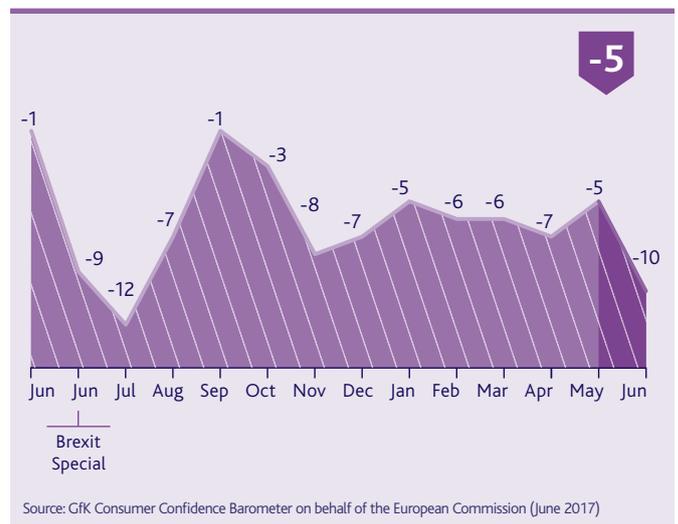
UNEMPLOYMENT AND CLAIMANT NUMBERS

The UK unemployment rate was 4.5% in March–May, down from 4.7% in the previous quarter and 4.9% in the same period last year. For those aged 16–17, the rate was 25.8% (no quarterly change), and 11.0% of 18–24 year olds were without work (10.8% in the previous quarter). The all EU unemployment rate was 7.8% in May, with just four countries recording lower rates than the UK: Czech Republic (3.0%), Germany (3.9%), Malta (4.1%) and Hungary (4.3% in April).



CONSUMER CONFIDENCE INDEX

GfK's measure of consumer confidence has now been in negative territory for fifteen consecutive months. Moreover, it fell by 5 points in June, to -10, which was just 2 points away from last year's post referendum low of -12. All five underpinning measures deteriorated this month. Only the Major Purchase index and the Savings Index now remain in positive territory. Notably, after falling 8 points this month to +1, the Major Purchase Index is 8 points lower than in June 2016.

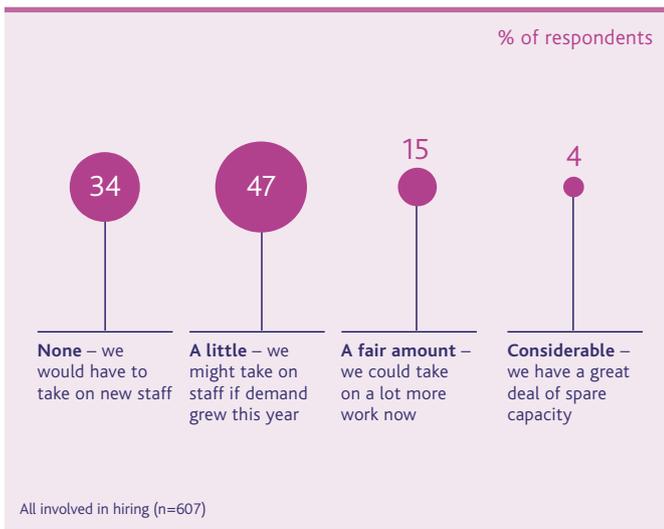


EmployerDashboard

WORKFORCE CAPACITY

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

One third of UK employers (34%) surveyed in April–June highlighted that they had absolutely no spare capacity within their organisation. An additional half (47%) stated that they might need to take on more staff if demand increased. Employers in the South (excluding London) remain the most challenged, with 44% operating without any spare capacity.

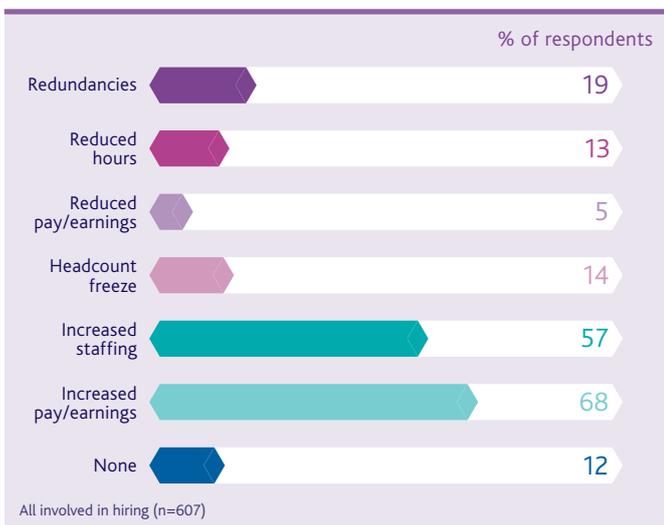


WORKFORCE PLANNING

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

The proportion of employers increasing pay/earnings and staffing levels in the last year rose further this quarter (up 4% and 2%, respectively). The proportion of employers actioning redundancies over the last year rose month by month across the quarter, from 14% in April to 24% in June.

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

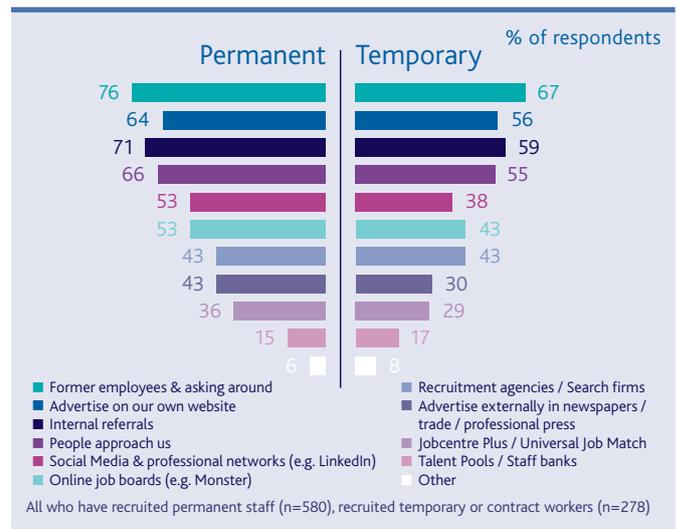


RECRUITMENT CHANNELS USED

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

More than half (53%) of respondents in April–June stated that they use online job-boards to recruit permanent candidates, with 43% similarly doing so to recruit candidates for temporary assignments. Considering this often yields a significant number of responses, the proportions who operate talent pools/staff banks is low (15% and 17% respectively).

Recruitment channels used for staffing as of June 2017



WORKFORCE PLANNING BY SECTOR

The proportion of public sector employers actioning redundancies over the last year rose by 5 percentage points this quarter, taking it higher (at 21%) than the private sector (19%). There was also a much higher instance of reductions in pay/earnings in the public than private sector (9% versus 4%). More encouragingly, however, there was a 10-percentage point rise (to 55%) in the proportion of public sector enterprises that had increased staffing levels over the last year.

3 month rolling average to June 2017

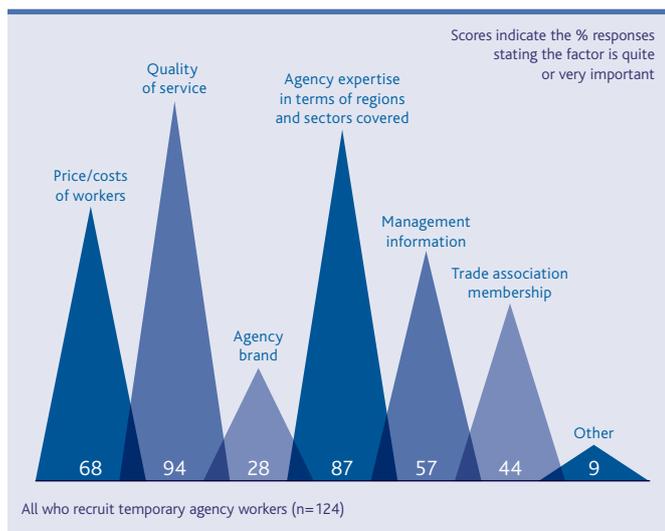


AgencyDashboard

CRITERIA USED BY EMPLOYERS TO SELECT AGENCIES 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?

Whilst the two key areas of importance to employers when selecting agencies remained the same in June 2017 compared to June 2016, they have increased in significance. The proportion of respondents citing 'quality of service' and 'agency's regional and sector expertise' rose by 6% and 11%, respectively.

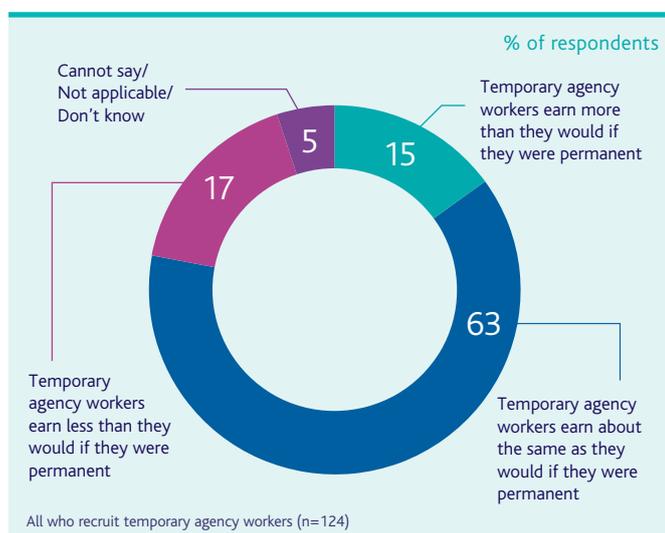


AGENCY WORKER PAY RATES

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

One in five (19%) of micro/small enterprises (0–49 employees) said that agency workers earn a higher rate of pay than their permanent counterparts, when surveyed in April–June. This compared to 13% of mid-sized organisations (50–249 employees) and 14% of the largest employers (250+ employees). The proportion of employers who said this was the case was higher in the private sector (17%) than the public sector (10%).

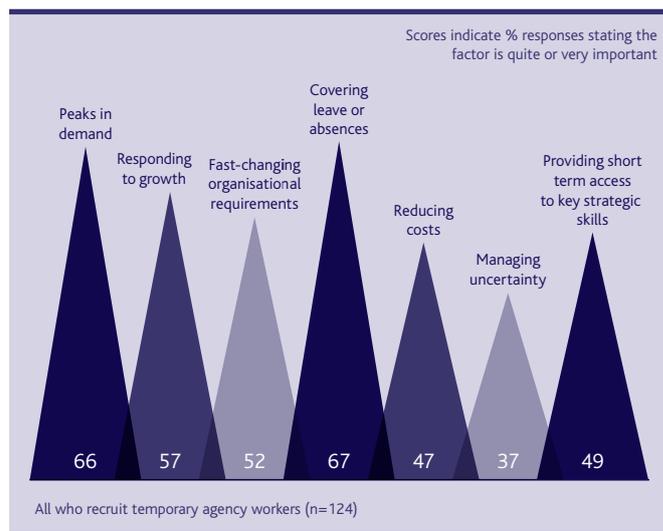
3 month rolling average to June 2017



IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

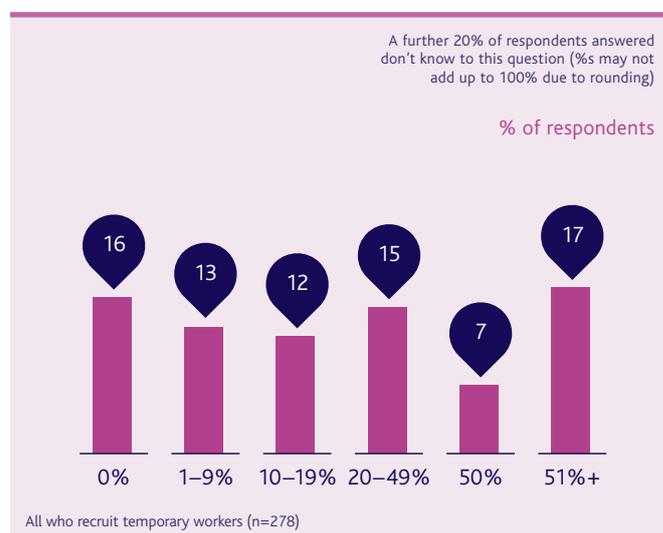
A growing proportion of employers (+3 percentage points to 52%) stated that temporary agency workers help them to manage fast changing organisational requirements, when surveyed in April–June. The importance of agency workers in enabling employers to respond to growth also increased (+3 percentage points to 57%) this quarter.



TEMPORARY TO PERMANENT

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

Two thirds (64%) of employers surveyed during April–June transfer at least 1% of their temporary workers to a permanent post each year – a 7 percentage point increase on the last rolling quarter. The figure is a key characteristic of mid-sized organisations (50–249 employees) where 76% highlighted this to be the case.



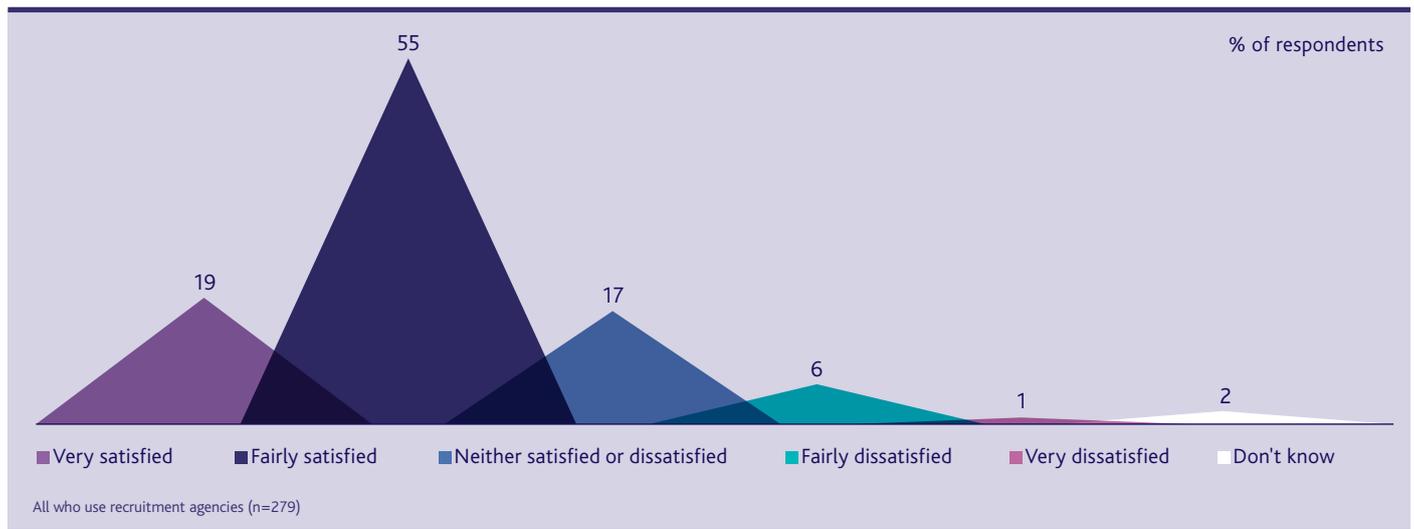
AgencyDashboard

SATISFACTION WITH CANDIDATES

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

Three-quarters of UK employers (74%) continued to express satisfaction with the quality of candidates being presented to them by agencies this quarter. Amongst employers in London, the figure was notably higher at 89%, of which 35% were very satisfied (compared to the national average of 19%). The capital also had the lowest level of dissatisfaction of any region (at 2%, compared to the 7% national average).

Overall satisfaction levels are similar in the public and private sectors (73% versus 74%), but the proportion of employers who were very satisfied with candidates was higher in the private sector (20%) than the public sector (13%).

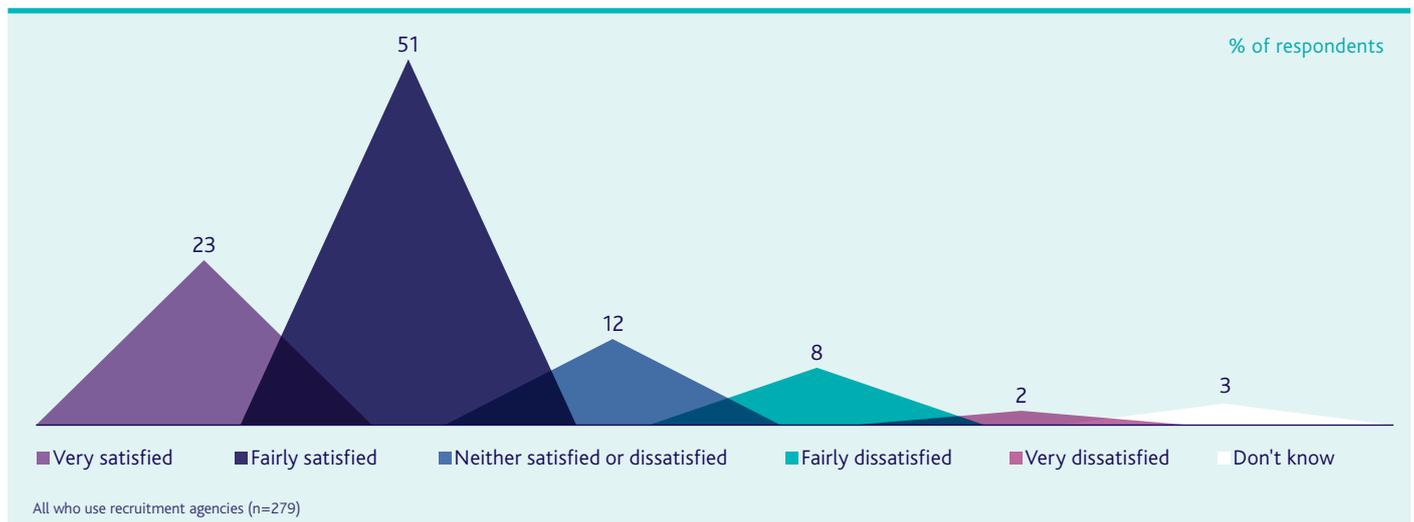


SATISFACTION WITH AGENCIES

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

London employers are also the most satisfied with the agencies that they use, with 94% expressing satisfaction when surveyed in April–June, compared to the all UK average of 75%. In stark comparison to the 2% of London respondents expressing any form of dissatisfaction, 15% of employers in the North and 14% of those in the Midlands admitted this to be the case.

Agencies are gaining significantly more approval from large employers (250+ employees) than other sized enterprises: 82% are satisfied whilst just 4% are dissatisfied. In contrast, 72% of small/micro enterprises (0–49 employees) surveyed were satisfied with their agencies' services whilst 13% were dissatisfied.



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?

More employers anticipate increases than decreases in permanent members of staff for every job function over the next quarter. The positive net balance ranged from +5% for accounting and financial services to +31% for construction.

In relation to anticipated demand for temporary agency workers, there were three skills areas where the net balance was negative. As such, more employers within Education (16%), Health & Social Care (3%) and Hospitality (24%) planned to reduce agency worker numbers than increase them over the next quarter. Whilst demand within the education market is seasonal, the response from employers of Health & Social Care and Hospitality workers is somewhat more surprising – particularly noting the continued buoyancy of demand for permanent workers.

ACCOUNTING & FINANCIAL SERVICES

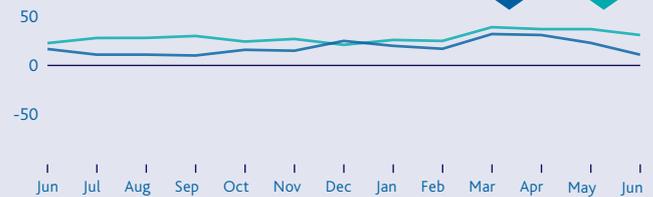
-4 -1



Temporary agency workers (n=32*) and permanent members of staff (n=282)

CONSTRUCTION

-12 -6



Temporary agency workers (n=18*) and permanent members of staff (n=96)

DRIVERS

+5 +4



Temporary agency workers (n=18*) and permanent members of staff (n=118)

EDUCATION

+11 +2



Temporary agency workers (n=18*) and permanent members of staff (n=77)

ENGINEERING & TECHNICAL

-5 0

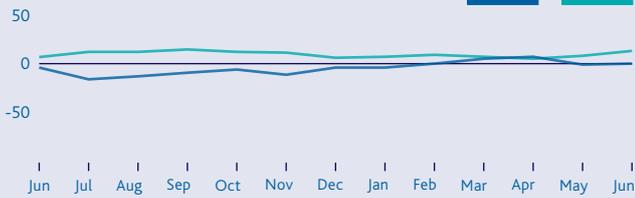


Temporary agency workers (n=28*) and permanent members of staff (n=185)

SectorProspects

EXECUTIVE RECRUITMENT / INTERIM

+1 **+5**



Temporary agency workers (n=19*) and permanent members of staff (n=162)

MARKETING, MEDIA & CREATIVE

+5 **-2**



Temporary agency workers (n=22*) and permanent members of staff (n=173)

HEALTH & SOCIAL CARE

+2 **+6**



Temporary agency workers (n=14*) and permanent members of staff (n=74)

OFFICE PROFESSIONALS

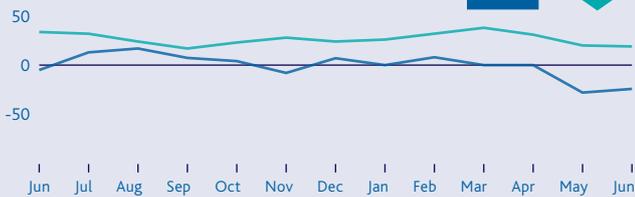
+5 **+1**



Temporary agency workers (n=59) and permanent members of staff (n=349)

HOSPITALITY

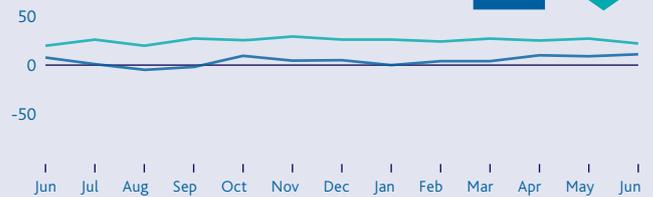
+4 **-1**



Temporary agency workers (n=12*) and permanent members of staff (n=83)

SALES & RETAIL

+2 **-5**



Temporary agency workers (n=19*) and permanent members of staff (n=198)

INDUSTRIAL

+16 **0**



Temporary agency workers (n=24*) and permanent members of staff (n=74)

TECHNOLOGY

+8 **-1**



Temporary agency workers (n=16*) and permanent members of staff (n=155)

LEGAL & HR

+11 **-2**



Temporary agency workers (n=30*) and permanent members of staff (n=189)

■ Temporary
■ Permanent

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

REC-IHS Markit Predictive model

UK UNEMPLOYMENT RATE EXPECTED TO EDGE DOWN TO 4.4% IN JUNE

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

The latest nowcast model forecasts a decline of 56,000 in the Labour Force Survey measure of UK unemployment in the three months to June. As a result, the unemployment rate would edge down to 4.4% from its current level of 4.5% to stand at its lowest level since mid-1975.

The model signals a tenth consecutive reduction in unemployment, with a fall of 64,000 reported by the ONS in the three months to May. 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

- HS 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

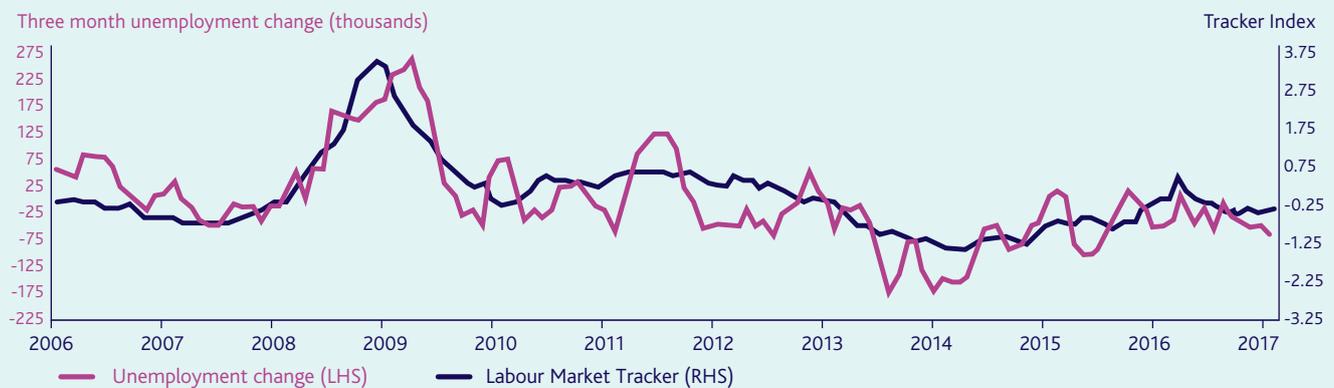


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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