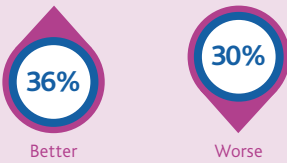


Forecast demand for agency workers continues to rise

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...

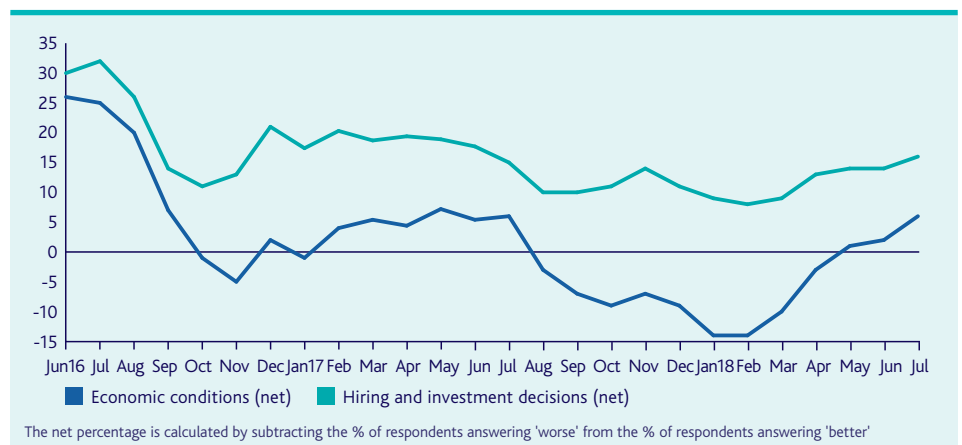


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=600)

Employers' confidence in the prospects for the UK economy further improved by 4 points this quarter, to a balance of NET: +6, marking the third consecutive rolling quarter this is in positive territory. Confidence in making hiring and investment decisions also improved by 2 points, to NET: +16 on balance.

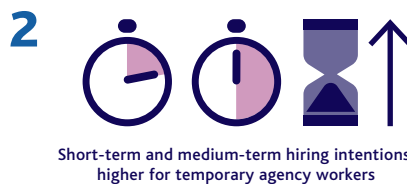


The net percentage is calculated by subtracting the % of respondents answering 'worse' from the % of respondents answering 'better'

Key Points from April–June Survey



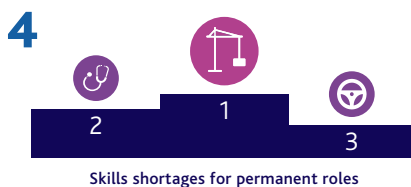
Employers' confidence in the prospects for the UK economy further improved by 4 points this quarter, to NET: +6.



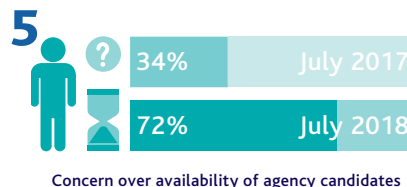
Short-term and medium-term hiring intentions were higher for those who recruit temporary agency workers than those who hire permanent members of staff by 6 and 4 points, respectively.



More employers use agency workers to provide short-term access to key strategic skills and manage uncertainty – up 15 and 19 percentage points, respectively, from the same period last year.



Half (50%) of UK employers who recruit for permanent roles expect to find a shortage of appropriate candidates – 5 points higher than in April–June 2017. Construction and Health & Social Care are the skills areas registering the most concern amongst hirers.



The proportion of respondents expressing concern over the sufficient availability of agency workers rose by 6 points this quarter to 72%. This is more than double the figure expressing the same belief a year earlier (34%).



Despite tightening candidate availability, more than four in five (83%) employers expressed satisfaction with the candidates presented by their agencies – up 9 points from the same period last year.

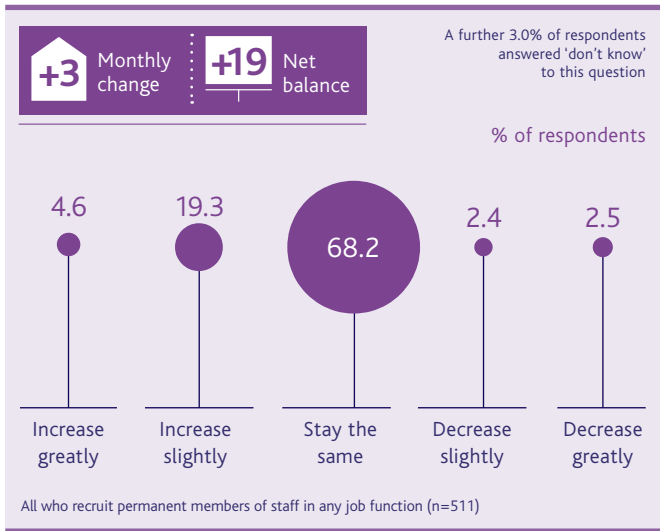
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

Nine in ten (92%) employers planned to maintain (68%) or increase (24%) their permanent headcount in the short-term, when surveyed in April–June. Regions with higher than average levels of intent to add to their numbers included London (32%) and the Midlands (31%). Whilst just 5% of employers highlighted plans to reduce headcount, this doubled to 10% amongst employers in the South (excluding London).



OUTLOOK BY EMPLOYER SIZE

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

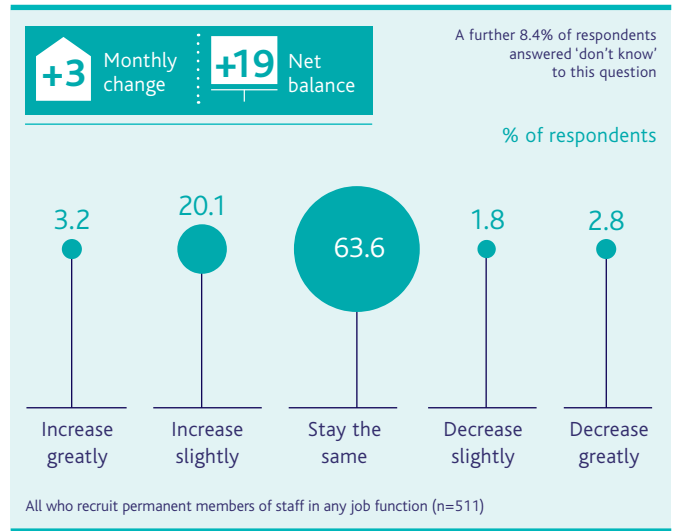
The net balance of sentiment towards short-term permanent hiring improved amongst all sized employers this quarter. Most notably, sentiment amongst mid-sized (50–249 employees) organisations improved by 6 points on the previous rolling quarter, to NET: +25. This is 9 points higher than in April–June 2017 and compared to just a 2-point rise amongst micro/small (0–49 employees) organisations and a 4-point decline in sentiment amongst the UK largest enterprises year-on-year.



MEDIUM-TERM OUTLOOK

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

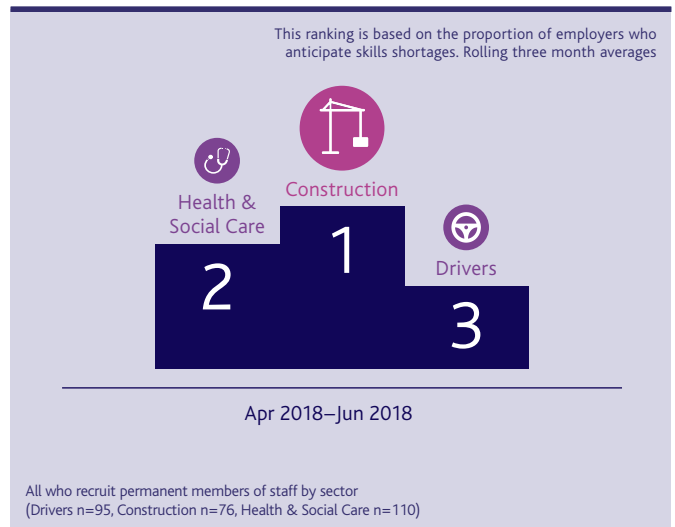
Nearly nine in ten (87%) employers planned to either hold (64%) or increase (23%) permanent headcount in the medium-term. This rose to 93% amongst employers in both London and the North, whilst it was notably lower (82%) in the South (excluding London).



SKILLS SHORTAGES AND QUALITY OF HIRES

In which job functions do you expect to find a shortage of appropriate candidates for permanent roles this year?

Half (50%) of UK employers who recruit permanent members of staff expressed concern, this quarter, over the sufficient availability of candidates – a figure 5 points higher than in the same period last year. The skills areas that registered the most concern amongst hirers were Construction and the front-line service occupation of Health & Social Care.

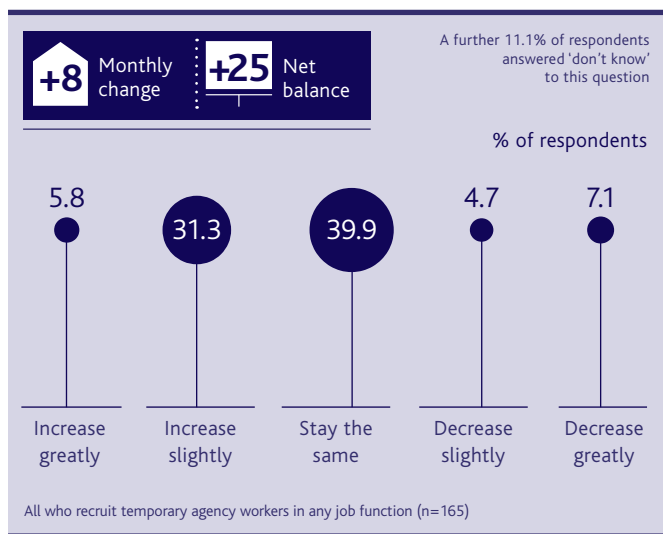


Temporary Recruitment

SHORT-TERM OUTLOOK

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

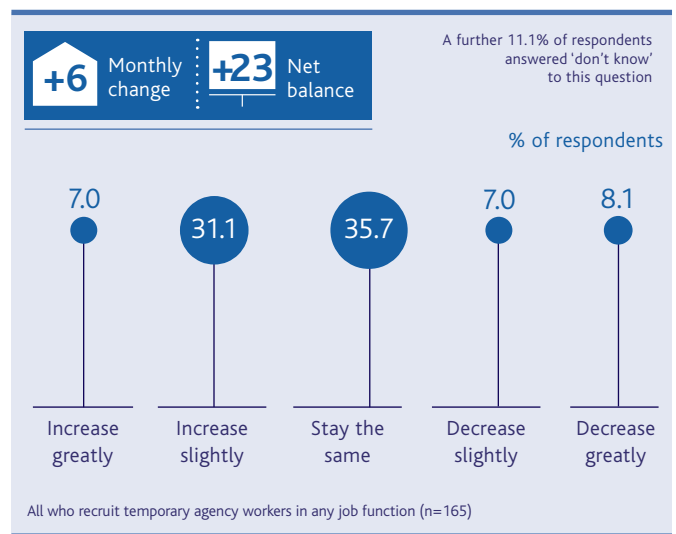
The net balance of short-term sentiment towards the hiring of temporary agency staff increased notably, compared to the previous rolling quarter, by 8 points (to NET: +25). This level was 20 points higher than in the same period last year (NET: +6). Regional variations were stark, however, ranging from NET: +39 in the Midlands and NET: +40 in London to just NET: +12 in the North where, additionally, 36% of respondents did not know what their plans were.



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?

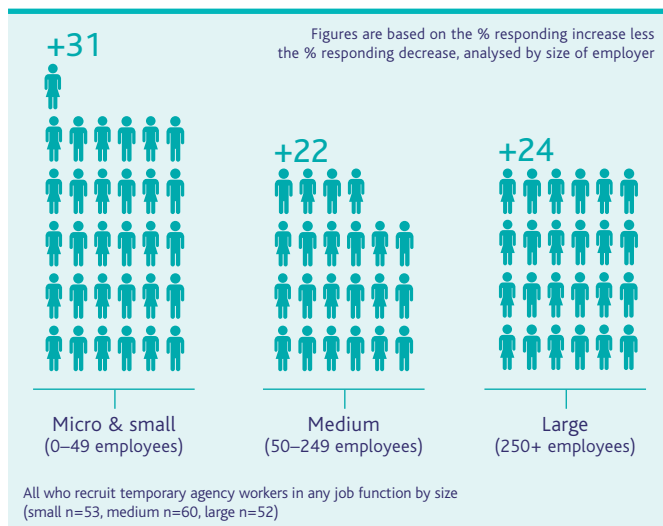
At NET: +23, the balance of sentiment towards medium-term agency worker hiring in April–June was 9 points higher than in the same period last year. Regionally, 58% of Midlands' employers suggested they would be adding to agency numbers, compared with just 14% of Northern employers (where 36% did not know the plans).



OUTLOOK BY EMPLOYER SIZE

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

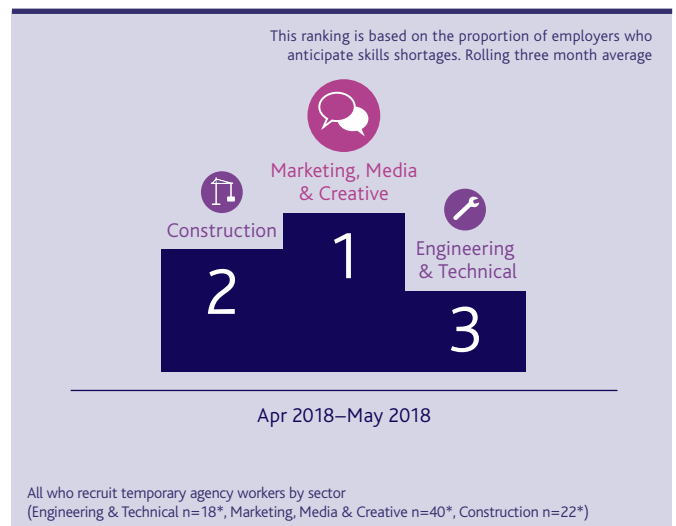
There was an increase in the net balance of short-term sentiment towards temporary agency worker hiring amongst all sizes of employers this quarter. It is amongst the UK's largest enterprises (250+ employees), however, that the biggest upward shift in sentiment occurred, rising from NET: +11 in the previous rolling quarter to NET: +24. Of additional note, at NET: +31, the positive net balance of planned hiring amongst the smallest (0–49 employees) organisations is three times the level registered in the same period last year (NET: +10).



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 respondents expressing concern over the sufficient availability of agency workers rose by 6 points this quarter to 72%. This is more than double the figure expressed a year earlier (34%). For a second consecutive month, a shortage of Marketing, Media & Creative agency worker professionals topped employers' concerns.

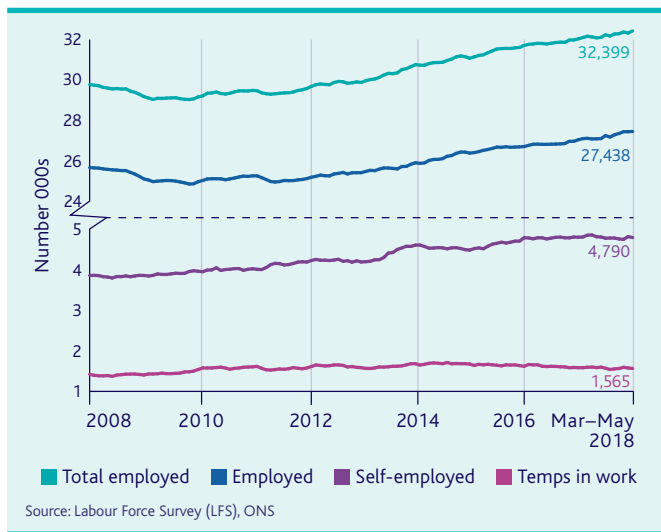


LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

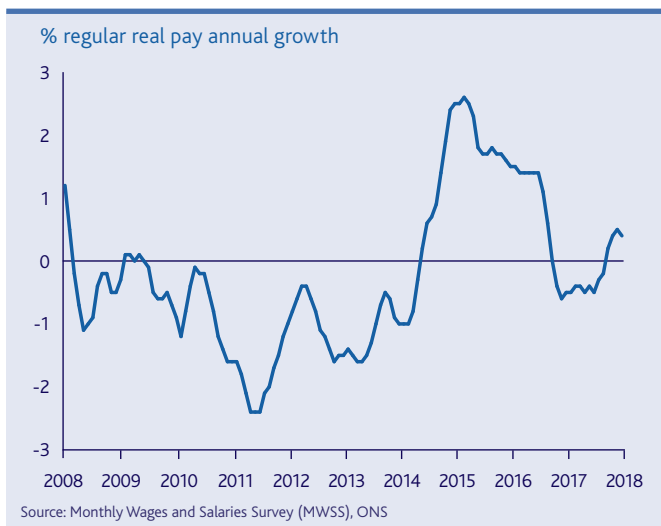
The UK workforce increased in size by 137,000 quarter-on-quarter and 388,000 year-on-year. Whilst self and temporary employment made contributions to the quarterly increase, by 35,000 (+0.7%) and 1,000 (+0.1%) respectively, both were lower than in the same period last year (by 8,000/-0.2% and 20,000/-1.2%, respectively). As such, the annual increase was solely attributable to people moving into permanent employment (+428,000) coupled with the addition of 8,000 unpaid family workers.

Total employment, employed and self-employed



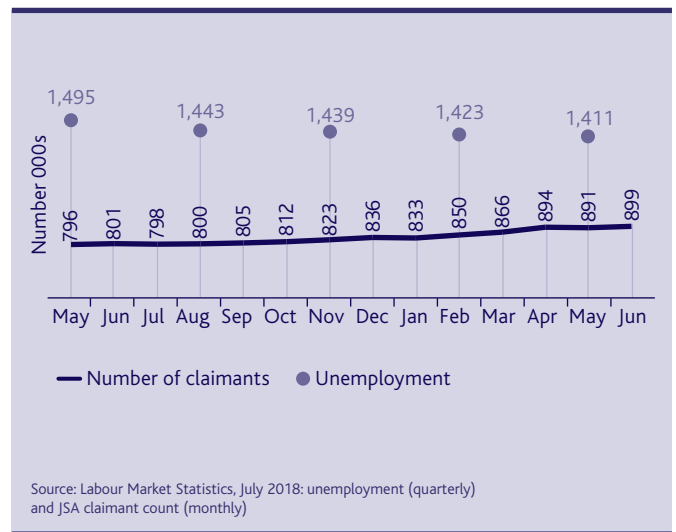
REAL WAGE GROWTH

Average regular pay for employees in Great Britain, which excludes bonuses, increased by 2.7% between March–May 2017 to March–May 2018. In real-terms, however, once the figures have been adjusted for inflation (CPI), regular average weekly pay increased by just 0.4%. At a gross average rate of £460 per week (before deductions), weekly pay for employees was £13 lower than the pre-downturn peak of £473 recorded in March 2008.



UNEMPLOYMENT AND CLAIMANT NUMBERS

Whilst all-age unemployment fell by 12,000 quarter-on-quarter and by 84,000 year-on-year, not all age groups witnessed quarterly and annual declines. Amongst those aged 18–24, there was a 15,000 (3.6%) increase in numbers quarter-on-quarter. At 414,000, this remained 27,000 (6.1%) lower, however, than in the same period last year. For those aged 50+, there was both a quarterly increase (+6,000/+1.9%) and year-on-year rise (+11,000/+3.7%). At 899,000 in June 2018, the Claimant Count was 12.2% (+97,500) higher than in the same period last year.

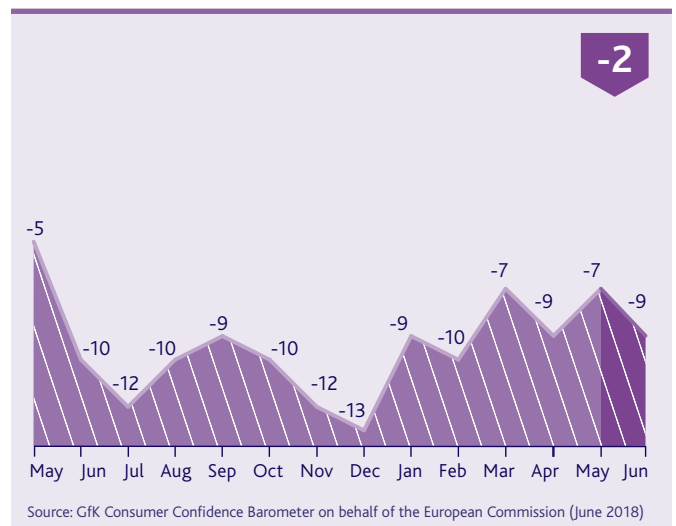


CONSUMER CONFIDENCE INDEX

The GfK Index of UK Consumer Confidence dropped by 2 points in June, to -9, driven by falls in all five underpinning measures. The Overall Index Score has now been recorded at zero or in negative territory for 30 consecutive months, following a full year of positive numbers across 2015.

Scores on personal finance – both as a retrospective on the last twelve months and as a forward view over the next year – were lower than in May but up on the levels registered one year earlier.

In contrast, the levels of optimism about the general state of the economy (over the last and next twelve months) were lower both month-on-month and year-on-year.



EmployerDashboard

WORKFORCE CAPACITY

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

Three quarters (76%) of UK employers reported that they have either no spare workforce capacity or such a small amount that increased demand would likely necessitate taking on more staff. Amongst the one-third (33%) that are certain that they have no surplus capacity, employers in the South (excluding London) recorded a notably above-average rate (41%). In contrast, an above average 30% of Northern employers suggested that they had a fair or considerable amount, compared to 24% overall.

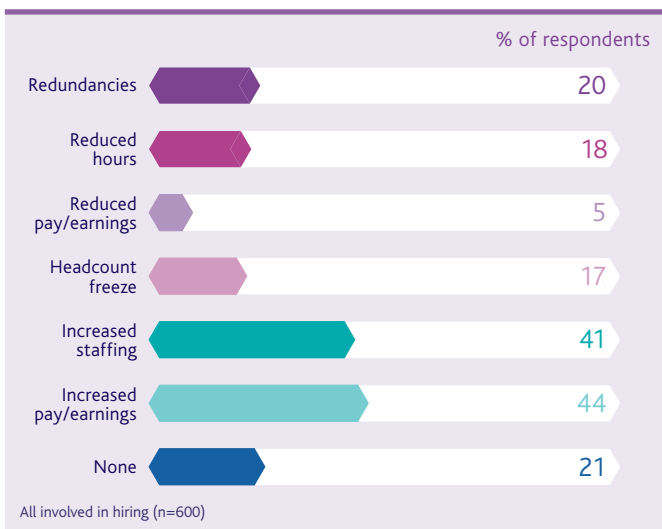


WORKFORCE PLANNING

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

The proportion of respondents highlighting that they had enacted headcount freezes in the preceding 12 months rose by 2 points year-on-year. The proportion of employers raising staffing levels in the preceding year fell from 57% to 41% year-on-year. Similarly, the proportion of employers increasing earnings fell from 68% to 44%.

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

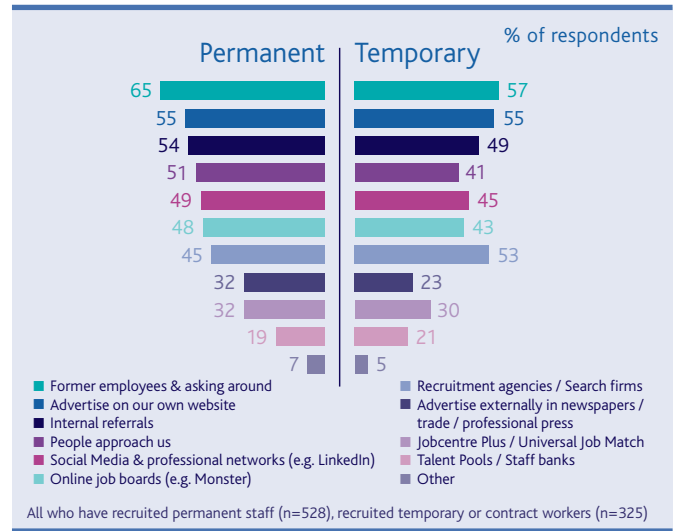


RECRUITMENT CHANNELS USED

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

Around half of employers who have recruited each type of staff before partnered with recruitment firms to source permanent or temporary workers in April–June. At 45% and 53%, respectively, both are higher than the 43% recorded in each category a year earlier. Of regional note, 57% of Midlands' employers used agencies for permanent hiring whilst 70% worked with them to source temporary workers.

Recruitment channels used for staffing as of June 2018

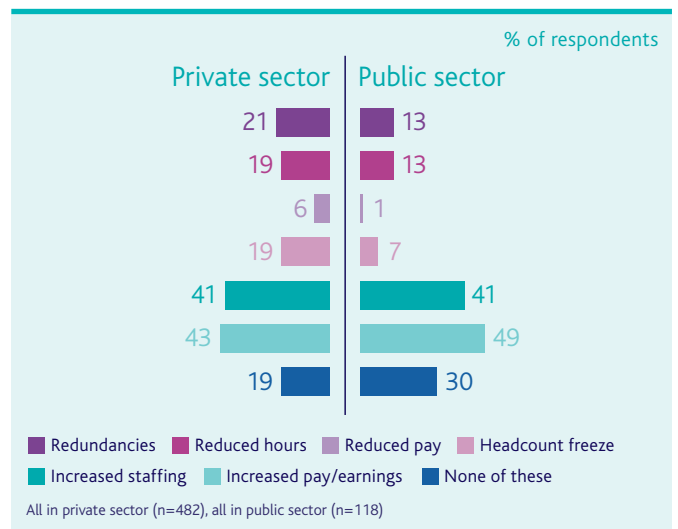


WORKFORCE PLANNING BY SECTOR

Variations exist between the actions taken by public and private sector employers over the last 12 months. Notably, there were higher instances of redundancies, reduced hours, pay reductions and headcount freezes within the private than the public sector in the year to April–June. Within the former, the proportion actioning a reduced hours strategy since the same period last year increased from 12% to 19% whilst the percentage that had actioned a headcount freeze rose from 15% to 19%.

The only action in which the opposite was the case was where more public (49%) than private (43%) sector enterprises had increased earnings over the last year.

3 month rolling average to June 2018

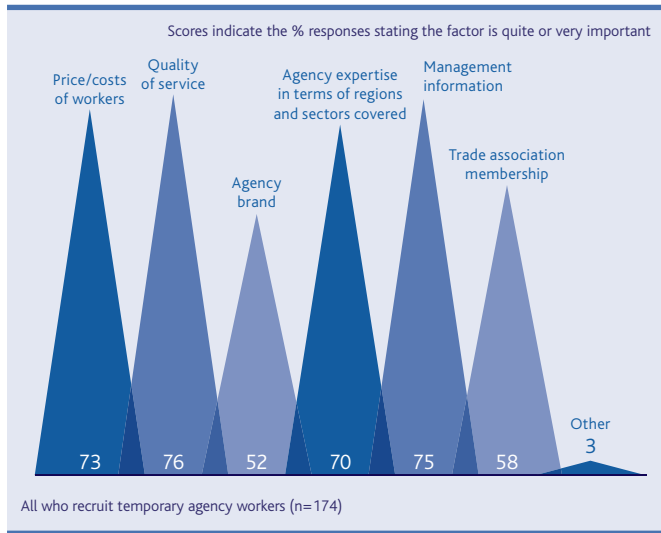


AgencyDashboard

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?

Whilst the proportional reference to the importance of quality of service and expertise fell year-on-year, the proportion highlighting the price/cost of workers rose by 6 points over the same period. The importance of agencies' ability to provide management information also increased from 57% to 75% year-on-year.

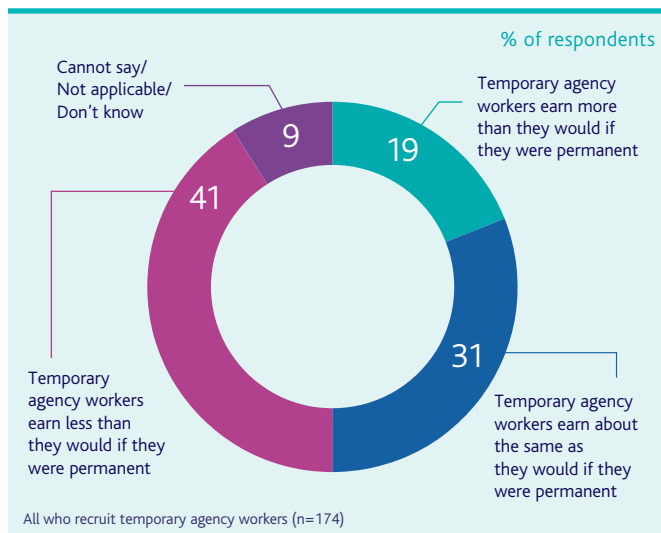


AGENCY WORKER PAY RATES

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

Among those who recruit agency workers, more than twice as many respondents (41%) suggested that agency workers earn less than their permanent counterparts than thought they earn more (19%). In contrast, a year earlier, respondents held proportionally similar views.

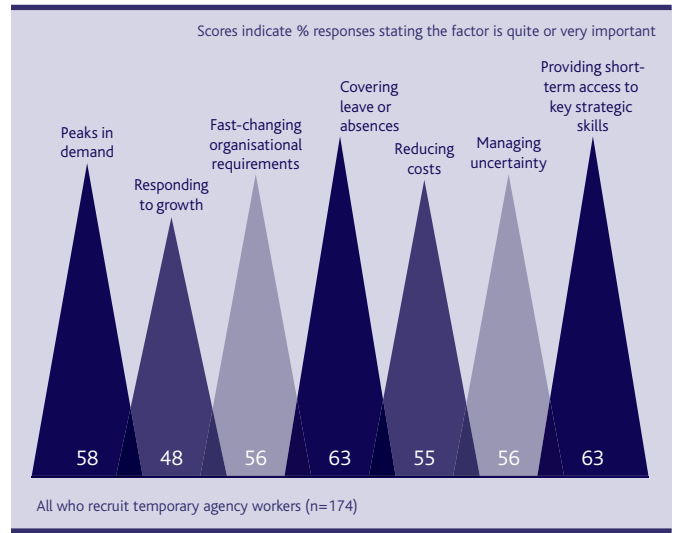
3 month rolling average to June 2018



IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

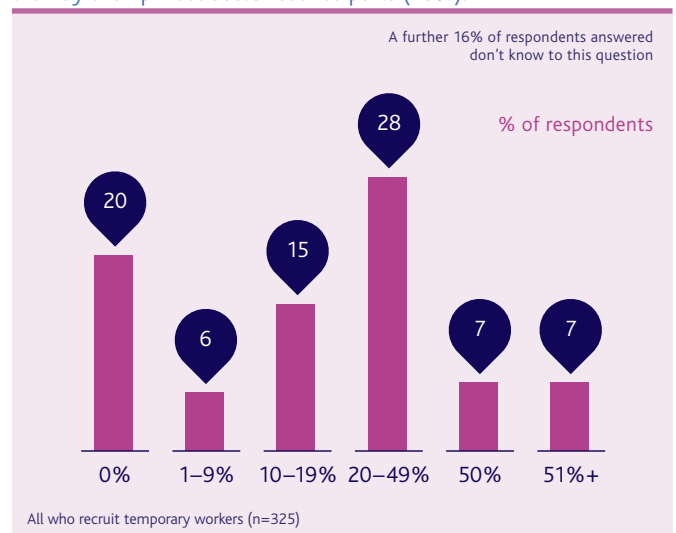
When looking at the shift in importance over the last year in the factors relating to employers' access to agency workers, four criteria saw a proportional increase: managing change, keeping costs down, managing uncertainty and access to skills. Notably, the importance of access to skills and managing uncertainty rose by 15 and 19 percentage points, respectively, year-on-year.



TEMPORARY TO PERMANENT

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

For one in five (20%) employers who recruit temporary staff, the transfer of workers from temporary to permanent status does not occur in their organisations. For employers in the South (excluding London) surveyed in April-June, the proportion rose to 26%. Conversely, for just 14% of employers in London no transfers to permanent status occur. The absence of transfers is also a more frequently cited occurrence by public sector employers (29%) than by their private sector counterparts (18%).



AgencyDashboard

SATISFACTION WITH CANDIDATES

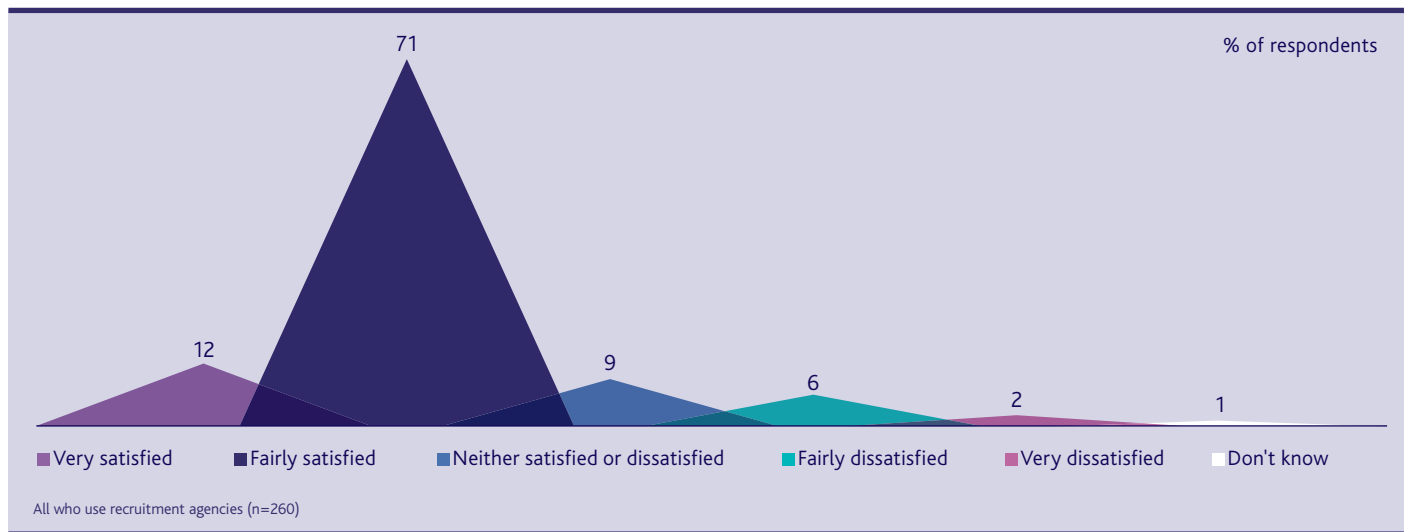
How satisfied or dissatisfied are you with the quality of candidates presented to you by your recruitment agencies?

More than four in five (83%) employers who use recruitment agencies expressed their satisfaction with the candidates presented by their agencies, when surveyed in April–June. This is a 9-point improvement on the proportion highlighting this to be the case a year earlier. The satisfaction level increased to 88% in London but was lower, at 76%, amongst employers in the North.

By size of organisation, the UK's largest enterprises (250+ employees) remained the most satisfied, with 92% highlighting

this to be the case. Conversely, 76% of small/micro (0–49 employees) organisations say they are satisfied.

There was a notable sectoral variation in sentiment this quarter. With just 62% of public sector enterprises expressing satisfaction with the candidates submitted by agencies this quarter, this is significantly lower than the 73% who highlighted this to be the case a year earlier. Conversely, satisfaction levels rose from 74% to 86%, year-on-year, in the private sector.



SATISFACTION WITH AGENCIES

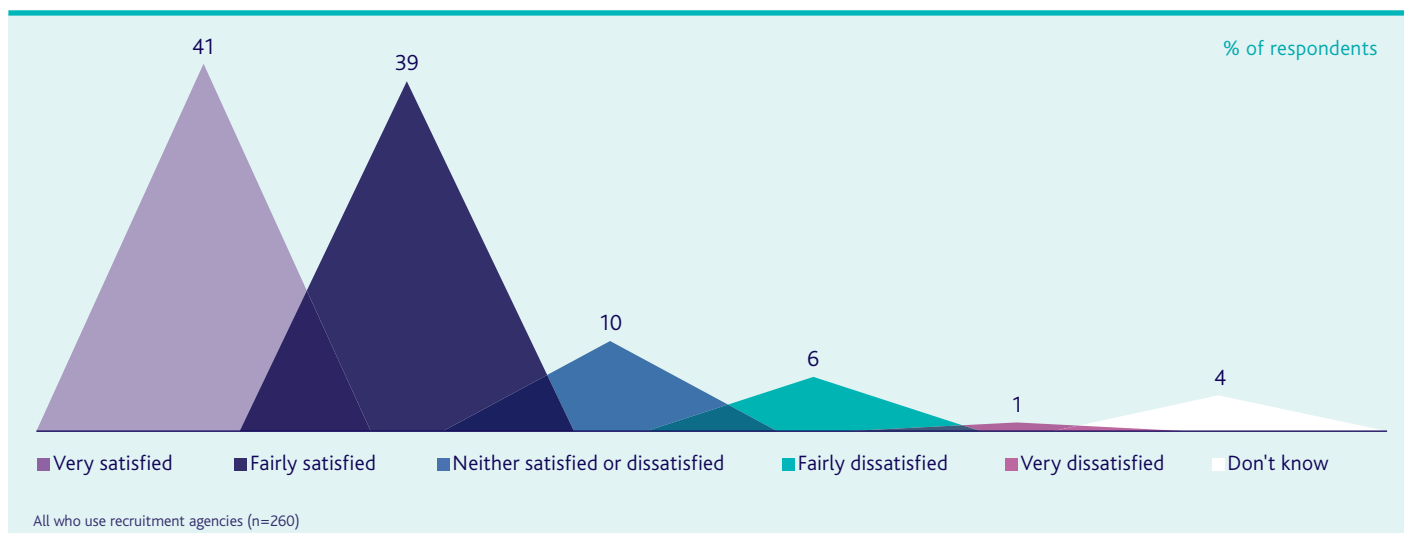
How satisfied are you overall with the recruitment agencies you have used in the last 2 years?

Despite tightening candidate availability, the proportion of UK employers expressing satisfaction with their agency partners, when surveyed in April–June, rose by 5 points year-on-year to 80%. Over the same period, the proportion expressing dissatisfaction reduced from 10% to 7%.

Satisfaction levels amongst employers in London remain the highest of all regions, at 83%. This is, however, down from a satisfaction level of 94% recorded in the same period last year. The region experiencing

the greatest year-on-year rise in satisfaction levels was the South (excluding London), where the proportion rose from 67% to 81%.

Private sector enterprises were more satisfied (81%) than public sector organisations (70%). Similarly, mid-sized (50–249 employees) and large (250+ employees) enterprises had greater satisfaction levels (85% and 86%, respectively) than micro/small (0–49 employees) enterprises (71%). For mid-sized employers, this represented a notable shift in sentiment, with satisfaction levels rising from 71% a year earlier.



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?

At NET: +19, the net balance of forecast short-term demand across all skills required for permanent hire was notably lower than the balance of anticipated demand for agency staff (NET: +25) this quarter.

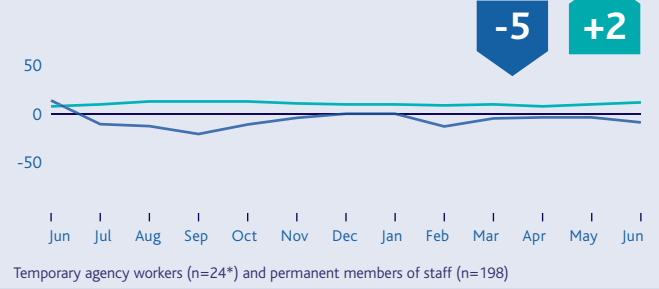
Occupations within notably above-average forecast short-term demand for permanent candidates include Construction (NET: +32), Drivers (NET: +35) and Health & Social Care (NET: +41).

Similarly, Drivers features as an occupation with key heightened forecast short-term demand for temporary agency staff (NET: +31), as does forecasted demand for sales & retail staff (NET: +57). Of additional note, anticipated demand for Engineering & technical agency workers rose by 22 points this quarter to NET: +12.

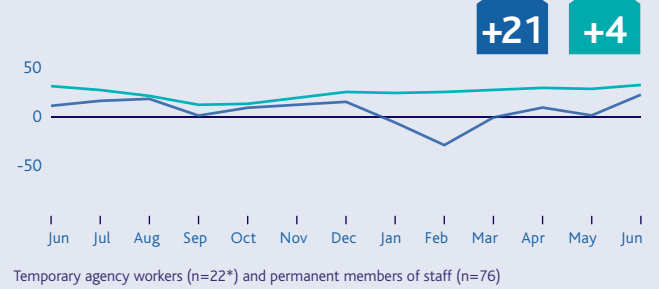
■ Temporary
■ Permanent

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.

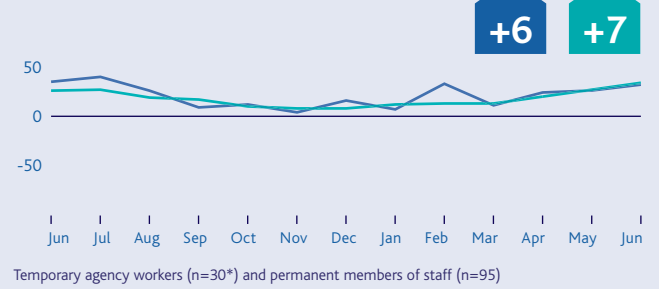
ACCOUNTING & FINANCIAL SERVICES



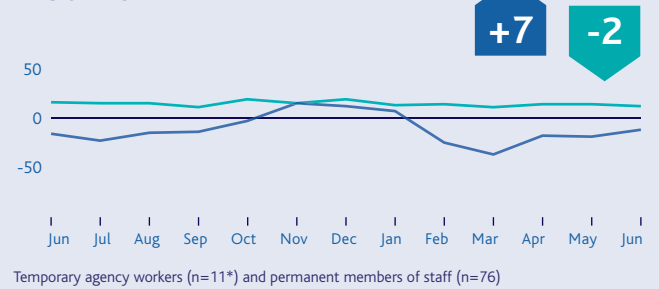
CONSTRUCTION



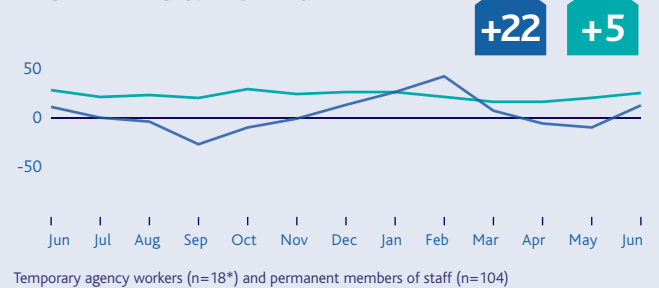
DRIVERS



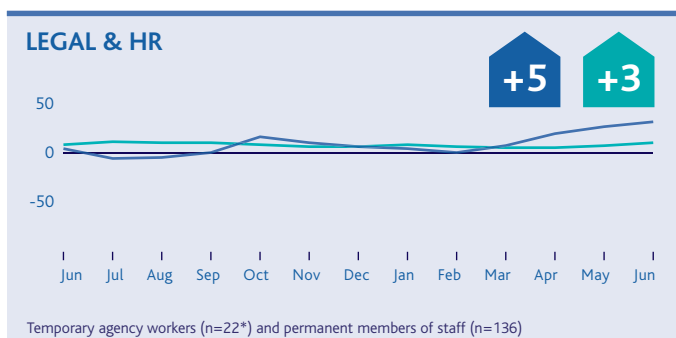
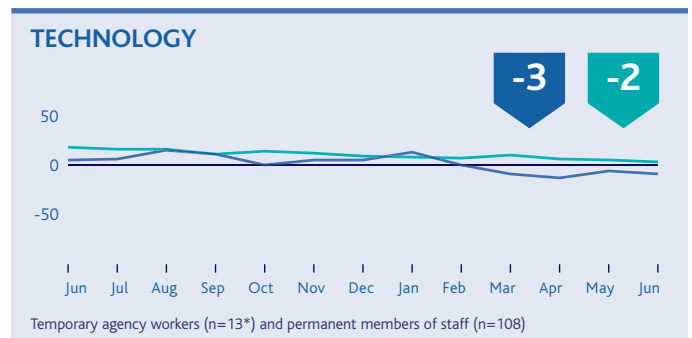
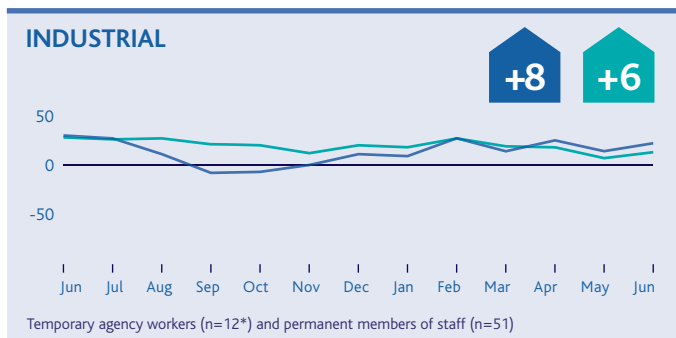
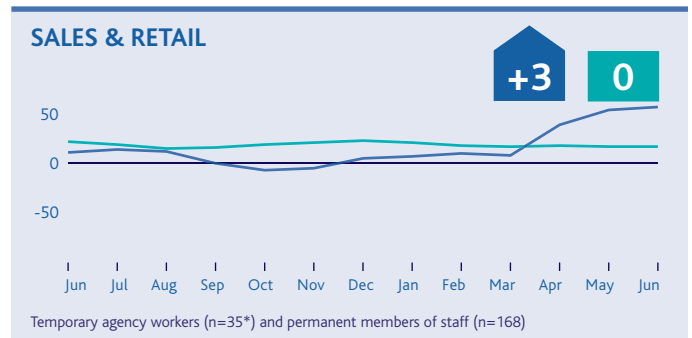
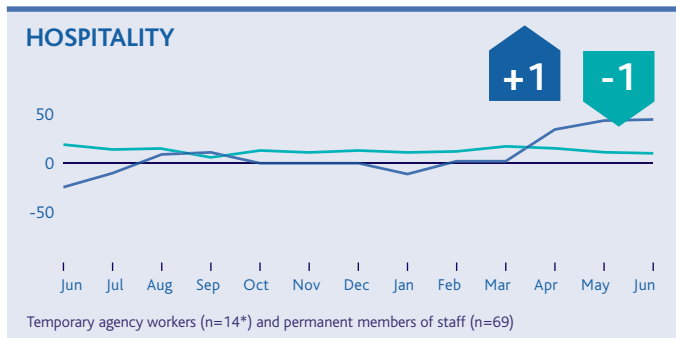
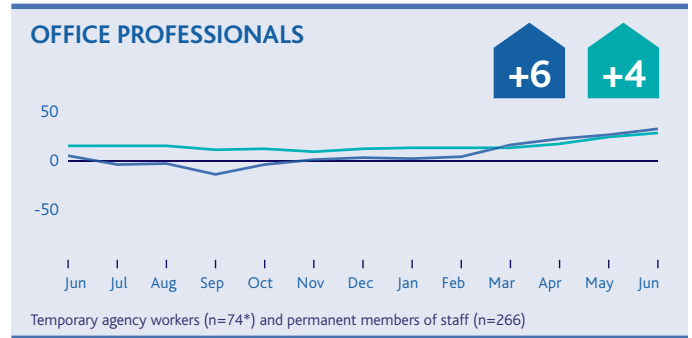
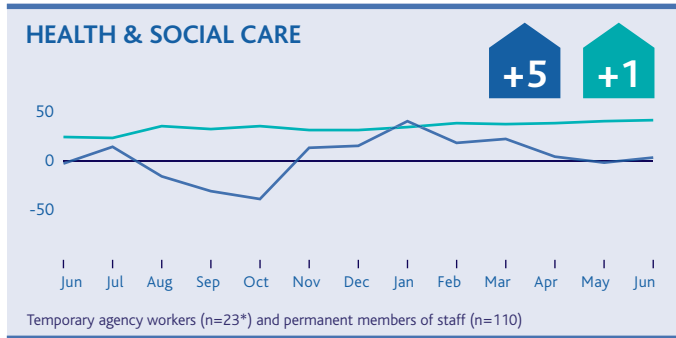
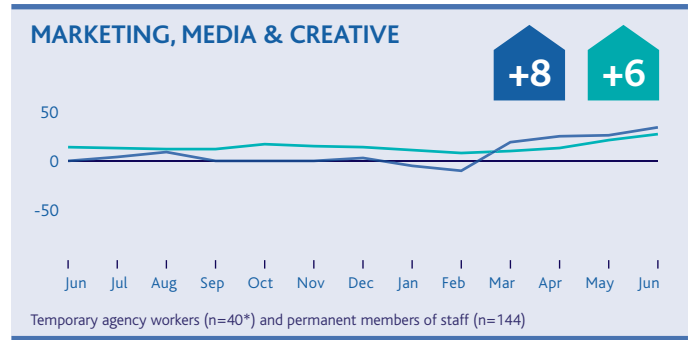
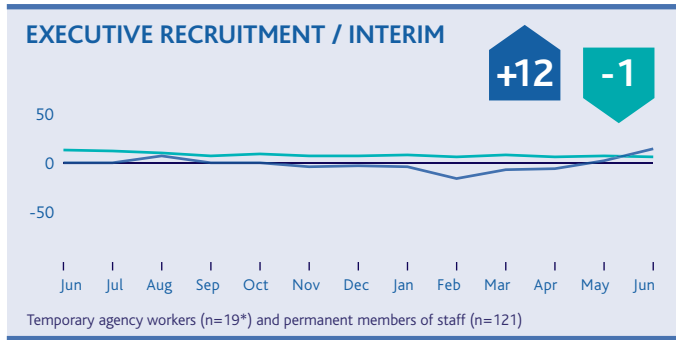
EDUCATION



ENGINEERING & TECHNICAL



SectorProspects



REC-IHS Markit Predictive model

UNEMPLOYMENT FORECAST TO DECLINE AGAIN IN THREE MONTHS TO JUNE

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

The latest nowcast model forecasts a reduction of 14,000 in the Labour Force Survey measure of UK unemployment in the three months to June. This would leave the UK unemployment rate unchanged at 4.2%; the joint-lowest since 1975.

The model signals a fifth consecutive monthly decline in unemployment, with a fall of 12,000 reported by the ONS in the three months to May. 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
- 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

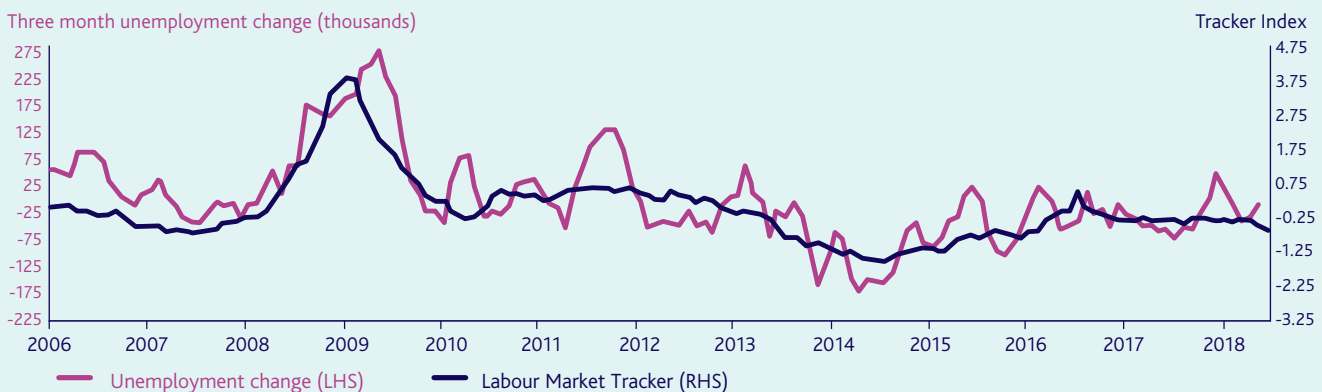
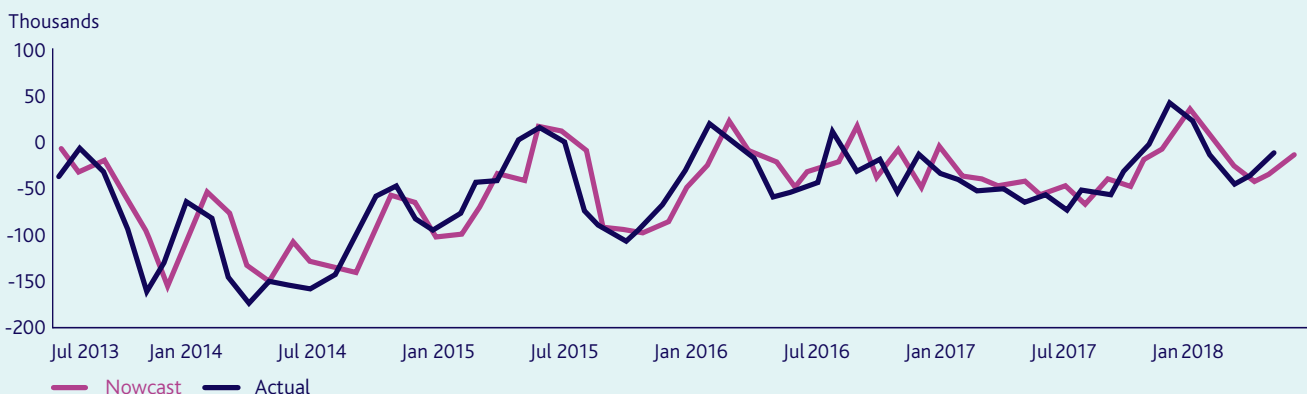


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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

