

## Employers' confidence in the economy remains positive

**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...

32%

Better

31%

Worse

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

31%

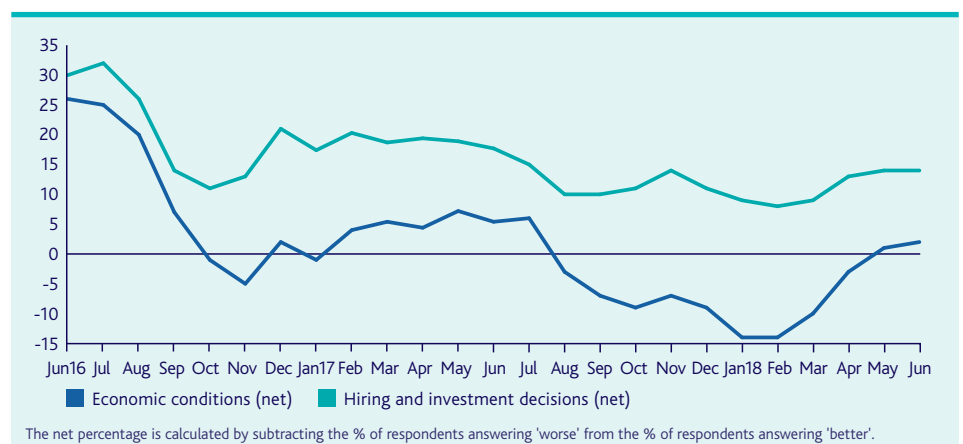
Better

17%

Worse

All involved in hiring (n=600)

Employers' confidence in the prospects for the UK economy remained positive this quarter at NET: +2. This was the second rolling quarter in positive territory, following 8 months where more employers felt conditions were worsening than improving. Confidence in making hiring and investment decisions remained constant at NET: +14.



### Key Points from March–May Survey



Employers' confidence in the prospects for the UK economy remained positive (NET: +2), for the 2nd consecutive rolling quarter.



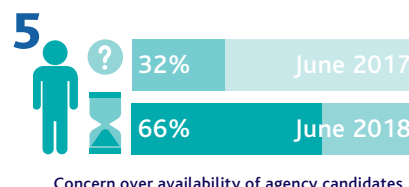
Short-term and medium-term hiring intentions were higher for those who recruit temporary agency workers than those who hire permanent members of staff by 1 and 3 points, respectively.



More employers use agency workers to manage uncertainty and provide short-term access to key strategic skills – up 16 and 10 percentage points, respectively, from the same period last year.



Half of UK employers who recruit for permanent roles expect to find a shortage of appropriate candidates – 8 points higher than in March–May 2017. Health & Social Care and Education were the skills areas that registered the most concern amongst hirers.



Of those who recruit temporary agency workers, two thirds (66%) of respondents are concerned over the sufficient availability of candidates – up from 32% in the same period last year.



The proportion of UK employers expressing satisfaction with their agency partners and the candidates presented by them is up 5 points from the same period last year.

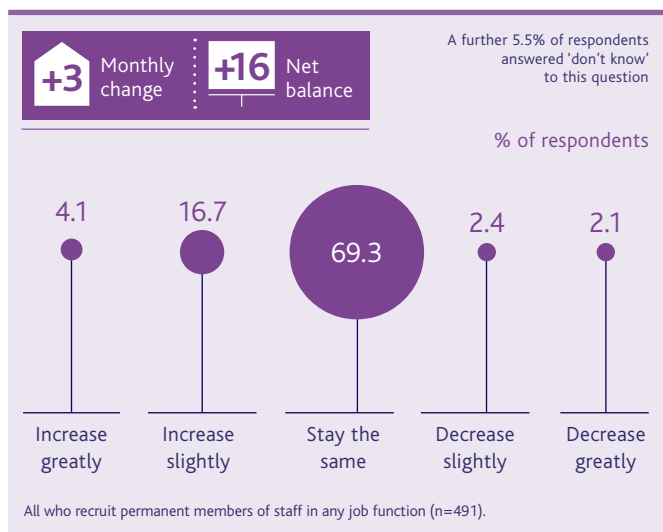
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (\*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

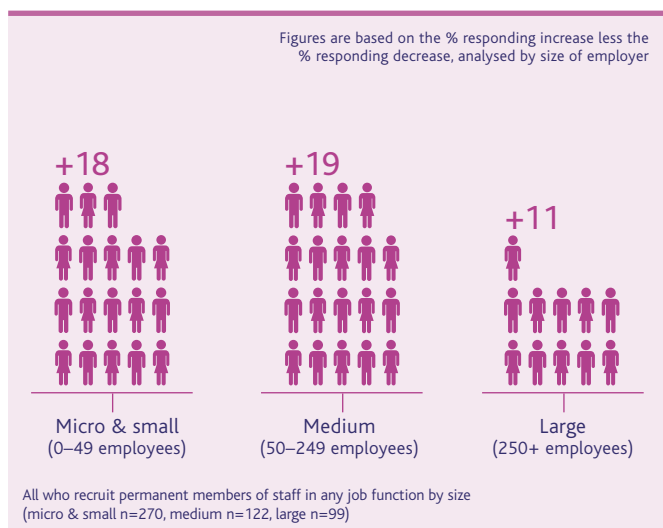
Nine in ten employers (90%) planned to maintain (69%) or increase (21%) their permanent headcount in the short-term, when surveyed in March–May. Notable regional variations in the proportion highlighting planned increases were evident, however, with twice the percentage of employers in the Midlands (31%) highlighting their intent to add to numbers than their Northern counterparts (15%). Whilst just 5% of all employers planned to reduce numbers, this rose to 10% amongst hirers in the South (excluding London).



## OUTLOOK BY EMPLOYER SIZE

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

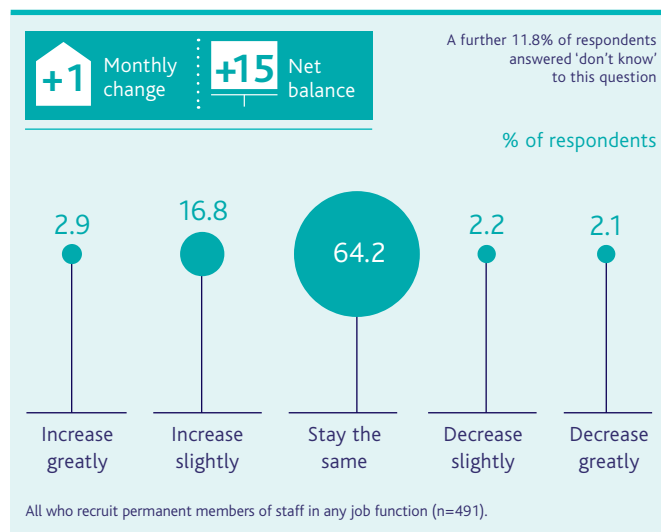
The net balance of sentiment towards short-term permanent hiring improved amongst both micro/small (0–49 employees) and medium-sized (50–249 employees) organisations this quarter, by 3 and 4 points, respectively. These levels were also both higher than in March–May 2017. In contrast, the net sentiment level remained static, rolling quarter-on-quarter, amongst the UK's largest employers (250+ employees) at NET: +11 – a level 6 points lower than in the same period last 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?**

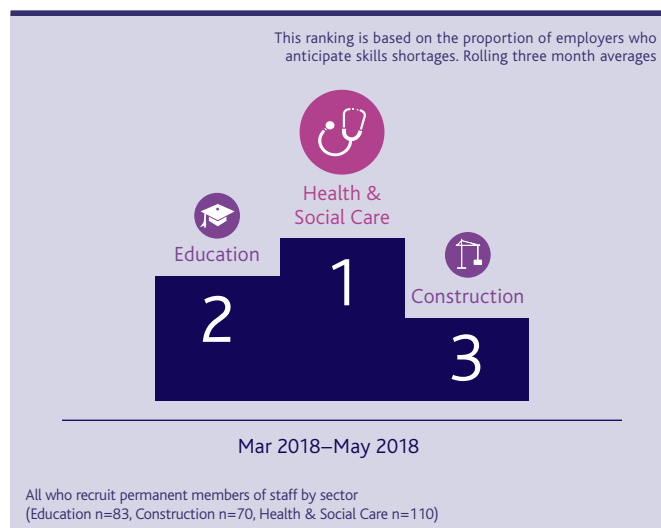
More than eight in ten (84%) employers highlighted their plans to either hold (64%) or increase (20%) permanent headcount in the medium-term. Sentiment amongst employers in the Midlands was notably buoyant, with 24% planning increases and a below-average 2% highlighting planned reductions. Whilst just 1% of public sector employers highlighted their intent to reduce numbers, only 11% had plans to increase headcount – down from 17% in the same period last year.



## 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 of UK employers who recruit permanent members of staff (50%) expressed concern, this quarter, over the sufficient availability of candidates – a figure 8 points higher than in the same period last year. The skills areas that registered the most concern amongst hirers were the front-line public service occupations of Health & Social Care and Education.

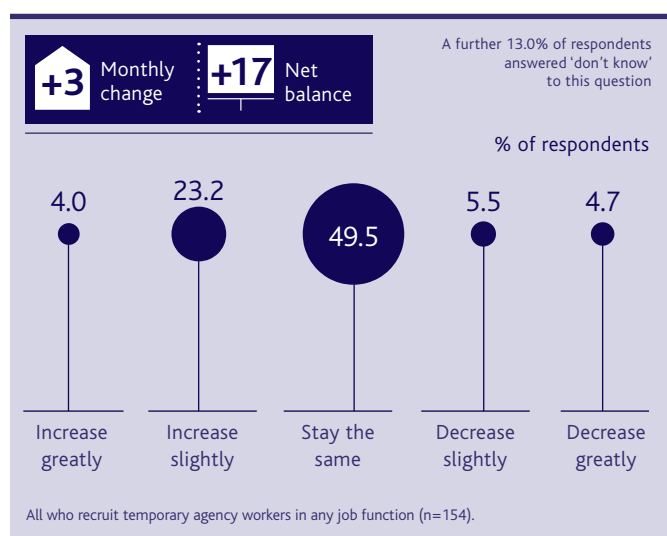


# Temporary Recruitment

## SHORT-TERM OUTLOOK

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

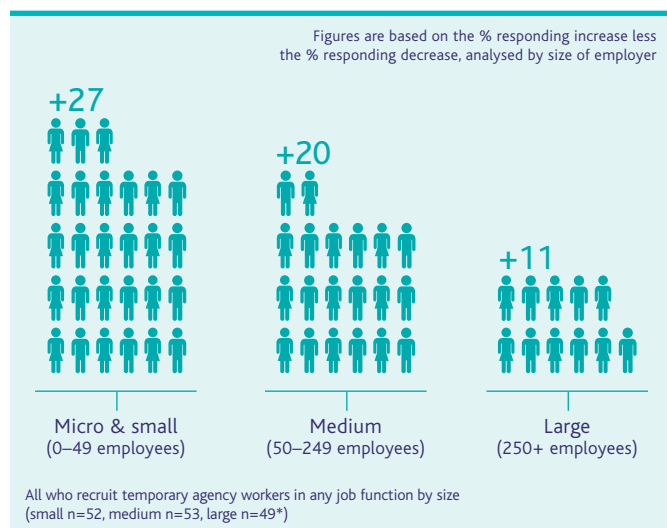
The net balance of short-term sentiment towards the hiring of temporary agency staff increased by a further 3 points in March–May to NET: +17, following an 8-point rise from the previous rolling quarter.



## OUTLOOK BY EMPLOYER SIZE

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

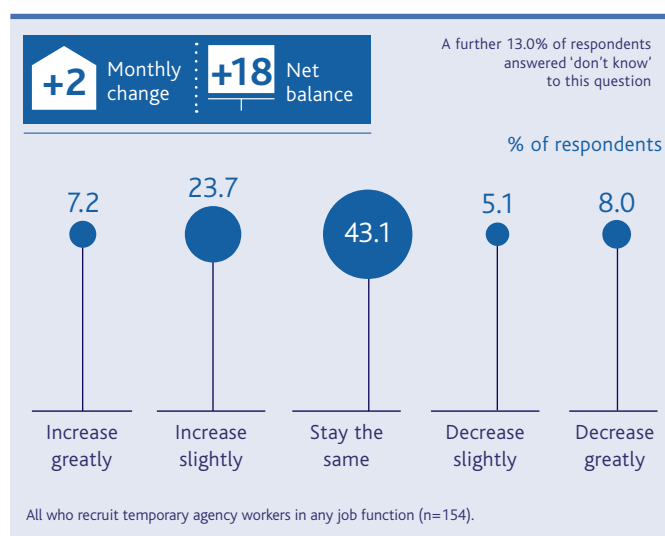
As to which sized organisations are driving the short-term increase in forecast demand for agency workers, sentiment notably improved across all cohorts this quarter. When comparing figures year-on-year, the net balance of sentiment amongst the UK's largest employers who recruit temporary agency workers (250+ employees) moved from negative to positive (NET: -7 to NET: +11) whilst the balance of sentiment amongst micro/small (0–49 employees) and medium-sized (50–249 employees) enterprises rose by 9 and 13 points, 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?

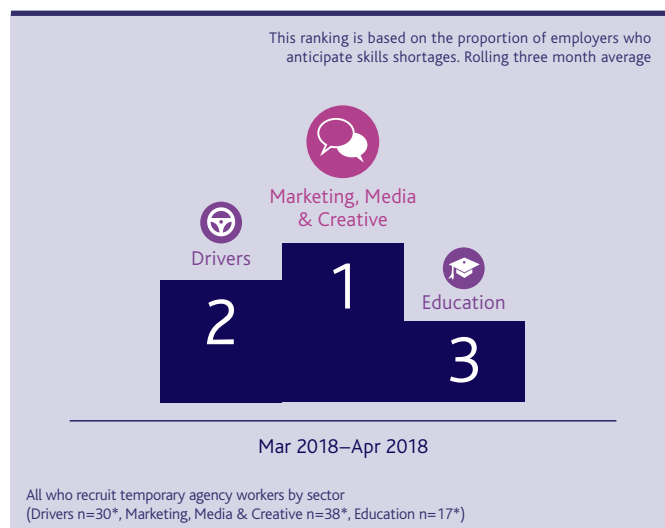
At NET: +18, the net balance of sentiment towards medium-term agency worker hiring is 8 points higher than in the same period last year amongst those who recruit temporary agency workers.



## 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?

Two thirds (66%) of respondents expressed concern over the sufficient availability of agency workers this quarter – more than twice the level recorded in the same period last year (32%). With the skills areas becoming heightened amongst respondents as diverse as Marketing/Creative/Media, Drivers and Education, it shows the breadth and depth of concern over the sufficiency of the agency worker talent pool.

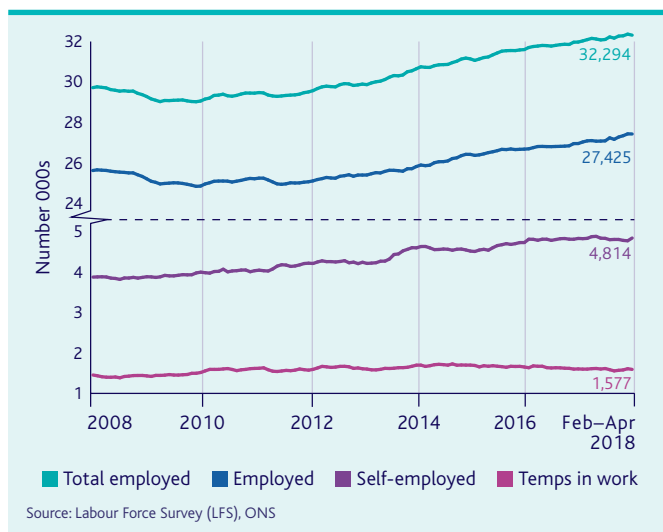


# LabourMarketDashboard

## TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

The UK workforce increased in number by 146,000 (0.5%) quarter-on-quarter and by 440,000 (+1.4%) year-on-year. Amongst the underpinning forms of employed, the number of self-employed rebounded, following a recent downturn, to 4,814,000 – up by 34,000 (+0.7%) against the previous quarter and 9,000 (+0.2%) higher than a year earlier. Temporary employment was also up, quarter-on-quarter, by 22,000 (+1.4%) but was 12,000 (-0.7%) lower than in February–April 2017.

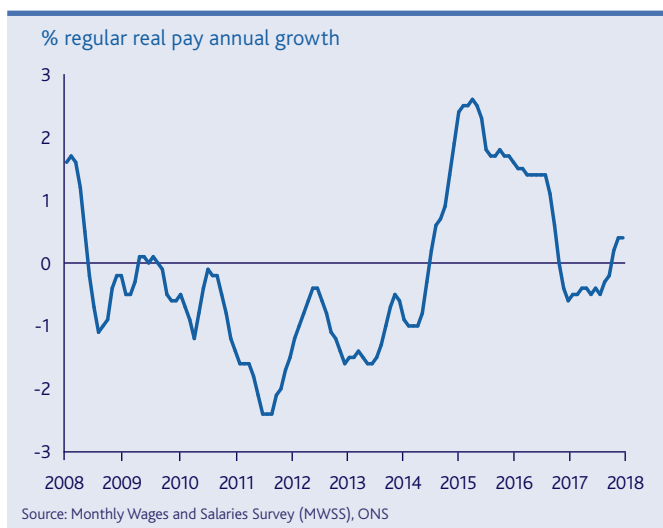
Total employment, employed and self-employed



## REAL WAGE GROWTH

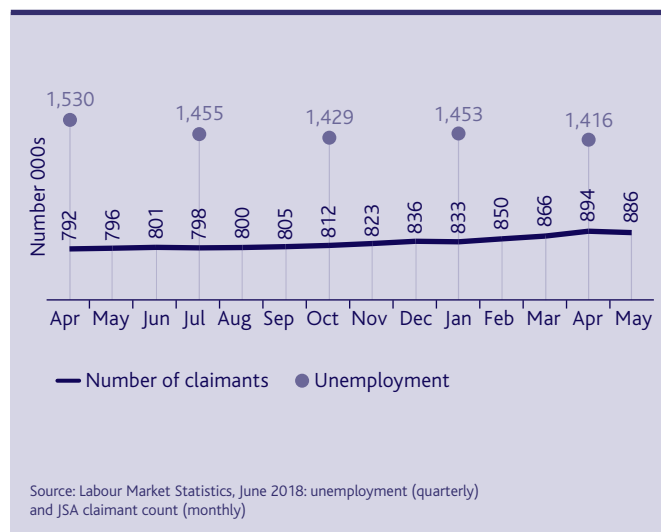
Regular Pay (in nominal terms) for employees in Great Britain, for the period between February–April 2017 and February–April 2018, grew by 2.8%. When considering the change in real terms (i.e. adjusted for CPI), however, Regular Pay increased by just 0.4% – albeit this is the third rolling quarter of real-terms pay growth. Total Pay (including bonuses), in nominal terms, for the same period rose by 2.5%. In real-terms, however, the growth rate was just 0.1%.

In terms of the average weekly wage, real-terms Regular Pay (excluding bonuses) was £459–£14 lower than the pre-downturn peak of £473 per week recorded in March 2008.



## UNEMPLOYMENT AND CLAIMANT NUMBERS

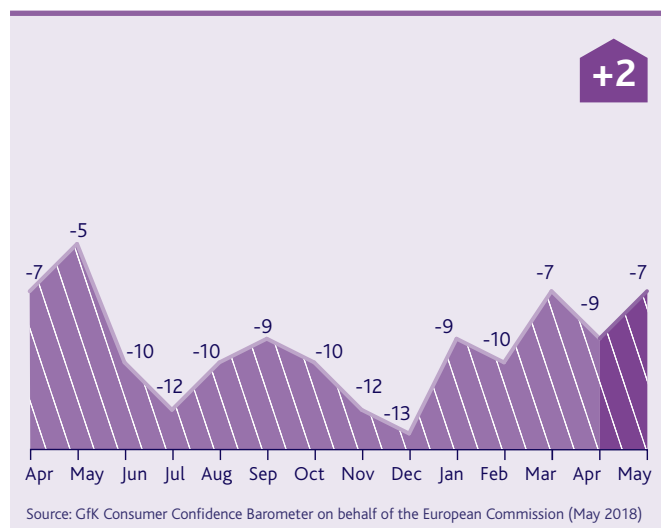
At 1,416,000 in February–April 2018, the unemployment number was 38,000 (-2.6%) lower than the previous quarter and 115,000 (-7.5%) lower than a year earlier. At 4.2%, this was the joint lowest level of unemployment since 1975. The only category to counter the downward trend was those aged 50+ where the number increased by 9,000 (+3.1%) year-on-year. Whilst the Claimant Count was marginally lower (-7,700 / -0.9%) quarter-on-quarter, it was 91,100 (+11.3%) higher than in the same period last year.



## CONSUMER CONFIDENCE INDEX

The Index improved by 2 points in May, to -7, driven by an upbeat sentiment towards personal finance. This was offset, however, by continuing concern over the general state of the UK economy.

GfK respondents' perspective on their personal financial situation over the last 12 months and the next year were both positive, at +1 and +8, respectively. The Major Purchase Index fell by 2 points, however, to +1 (8 points lower than May 2017). In contrast, their retrospective view on the General Economic Situation was measured at -24 (4 points lower than May 2017) whilst their horizon view on the economic outlook over the next year was similarly depressed, at -21 (equal to last year).

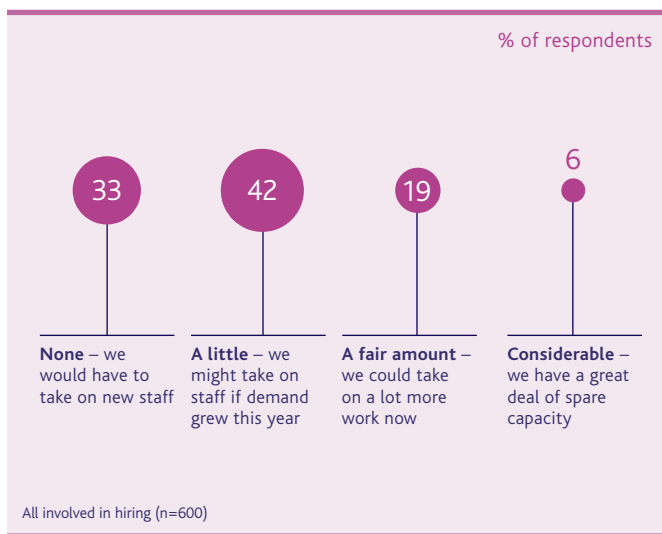


# EmployerDashboard

## 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 stated that they had either no spare workforce capacity (33%) or such a small amount that any increased demand would likely necessitate taking on more staff (42%). Whilst this was lower than the combined 83% a year earlier, the proportion with no capacity remained similar year-on-year (35%). A notable 44% of employers in the South (excluding London) were without any spare resource this year.

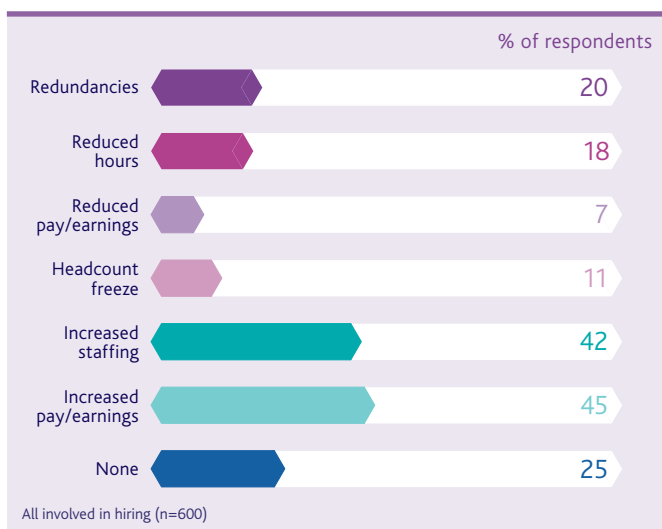


## WORKFORCE PLANNING

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

There was a notable year-on-year decline in the proportion of employers that have increased staffing and pay/reward levels by 13 and 19 points, respectively. Meanwhile, there was a 6-point rise in the number of employers that had actioned a reduction in workers' hours in the last 12 months, including an above-average proportion in the Midlands (28%) and London (26%).

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

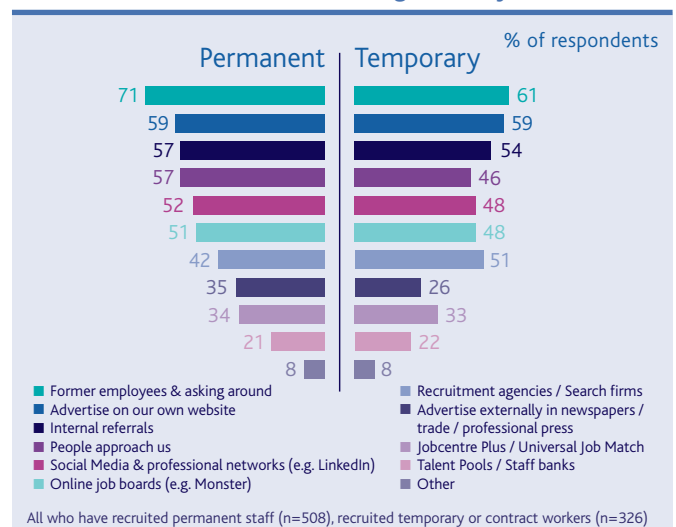


## RECRUITMENT CHANNELS USED

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

The proportion of respondents receiving direct approaches from candidates for potential permanent and temporary hire fell by 5 and 3 points, respectively, quarter-on-quarter. Meanwhile, there was a 7-point increase in the number of employers that use recruitment agencies and/or search firms to source temporary workers compared with the previous rolling quarter.

**Recruitment channels used for staffing as of May 2018**

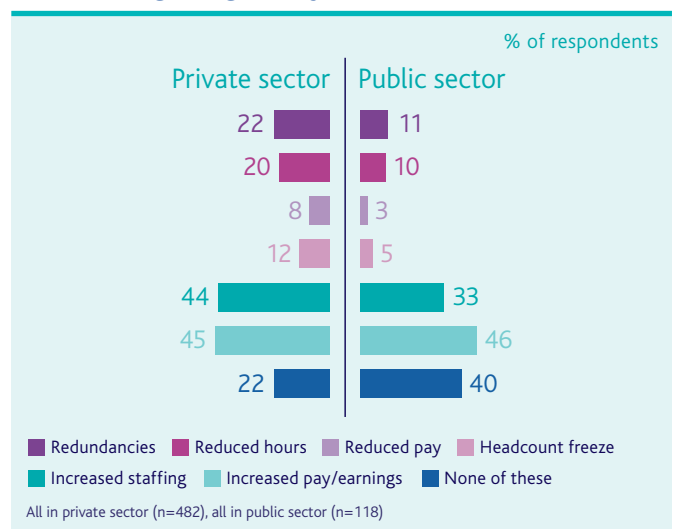


## WORKFORCE PLANNING BY SECTOR

Half as many public sector as private sector employers had actioned either redundancies (11% versus 22%) or an hours reduction (10% versus 20%) in the last 12 months, when surveyed in March–May. Proportionally fewer had made reductions to pay/earnings (3% versus 8%) or had actioned a headcount freeze (5% versus 12%).

Of additional note, the proportion of public sector employers that had actioned no significant workforce changes in the last 12 months further increased this quarter to 40% (versus 22% of private sector hirers). A lack of notable workforce adjustments was recorded by just 15% of hirers in both sectors a year earlier.

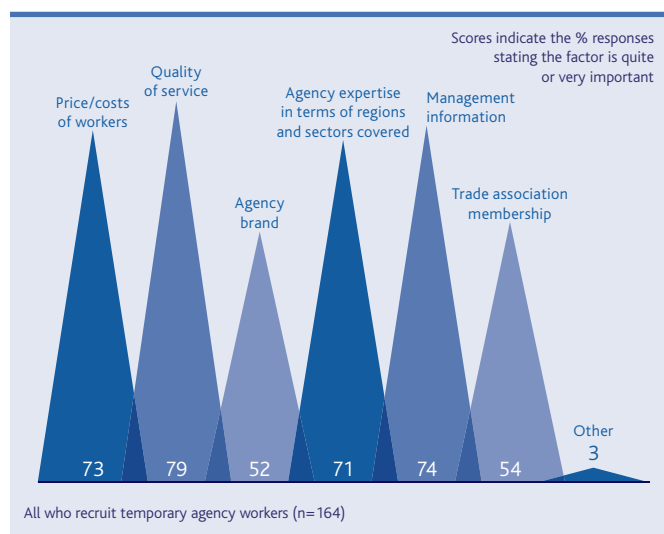
**3 month rolling average to May 2018**



## 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?

The importance to employers of an agency's ability to provide management information increased notably year-on-year, from 54% to 74%, rising to the same level as the deemed importance of an agency's expertise and the price/cost of workers this quarter. The importance of trade association membership also rose year-on-year by 15 points.

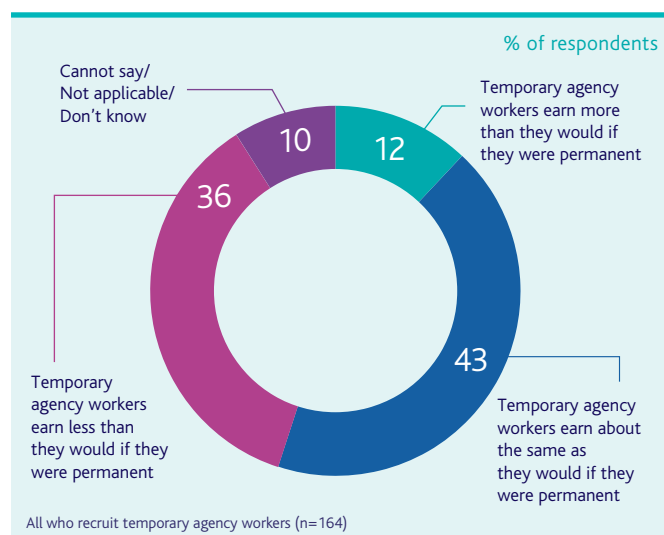


## AGENCY WORKER PAY RATES

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

Among those who recruit agency workers, this quarter, three times as many respondents (36%) suggested that agency workers earn less than their permanent counterparts than thought they earn more (12%). In contrast, a year earlier, respondents held proportionally similar views (16% less and 17% more, respectively).

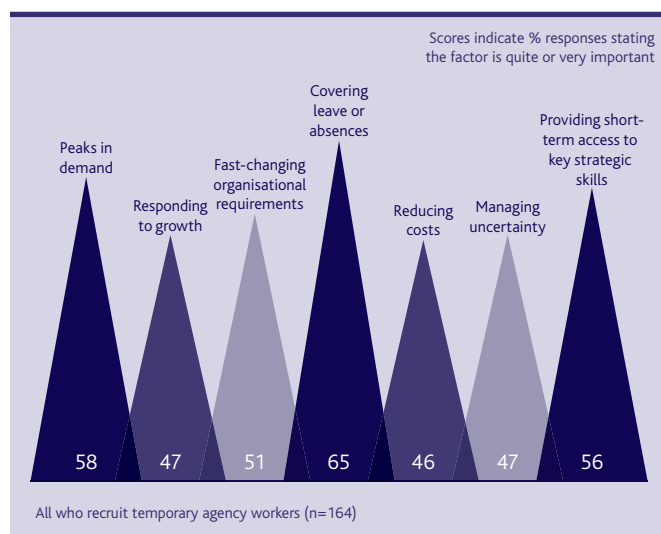
3 month rolling average to May 2018



## IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

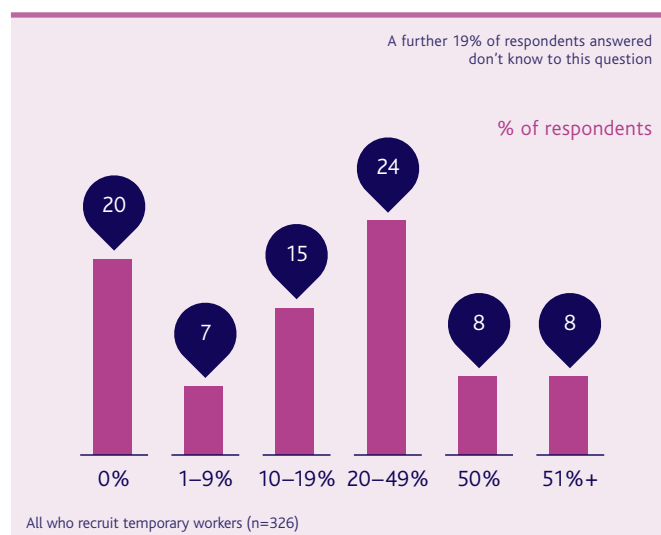
More employers cited the use of agency workers to manage uncertainty and provide short-term access to key strategic skills this quarter than in the same period last year, noting a significant increase of 16 and 10 points, respectively. Notably, agency workers providing short-term access to key strategic skills was deemed most important to employers in London (67%).



## TEMPORARY TO PERMANENT

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

Four-in-ten employers surveyed in March–May transferred 20%+ of their temporary staff into permanent posts each year. This was up from around a third a year earlier. At the higher end of the scale – those transferring half or more temporary workers – instances of such action have remained consistent, from 15% to 16% compared to the previous rolling quarter. Regions in which the 50%+ transfer practice is high included the North and London (both 20%).





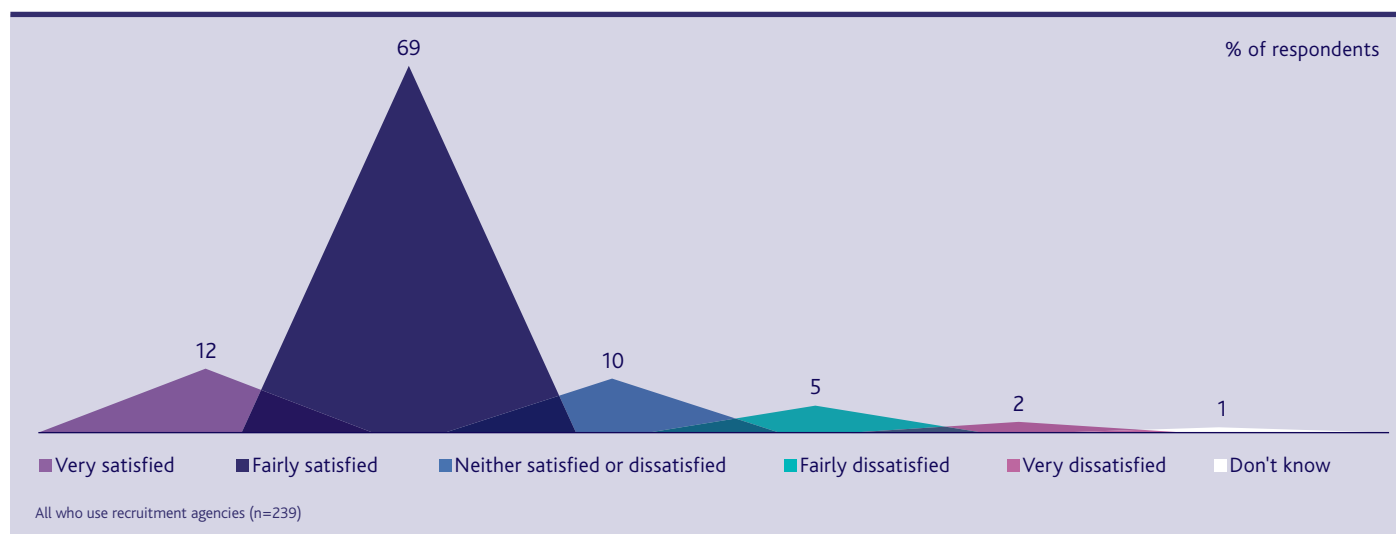
## SATISFACTION WITH CANDIDATES

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

More than four in five (82%) respondents expressed their satisfaction with the candidates presented by their agencies they use to recruit staff, when surveyed in March–May – a 5-point improvement on the proportion highlighting this to be the case a year earlier. Regionally, the greatest level of satisfaction was identified in the Midlands, where 86% of employers reported their approval of the quality of candidates being submitted to them. This level was 13 points higher than in the same

period last year. This suggests that, despite the tightening availability of talent being highlighted by respondents, agencies work hard to meet employers' requirements.

From a sectoral perspective, 83% of private sector employers expressed their satisfaction – 7 points higher than in the same period last year. Two-thirds of their public sector counterparts (67%) highlighted this to be the case.



## SATISFACTION WITH AGENCIES

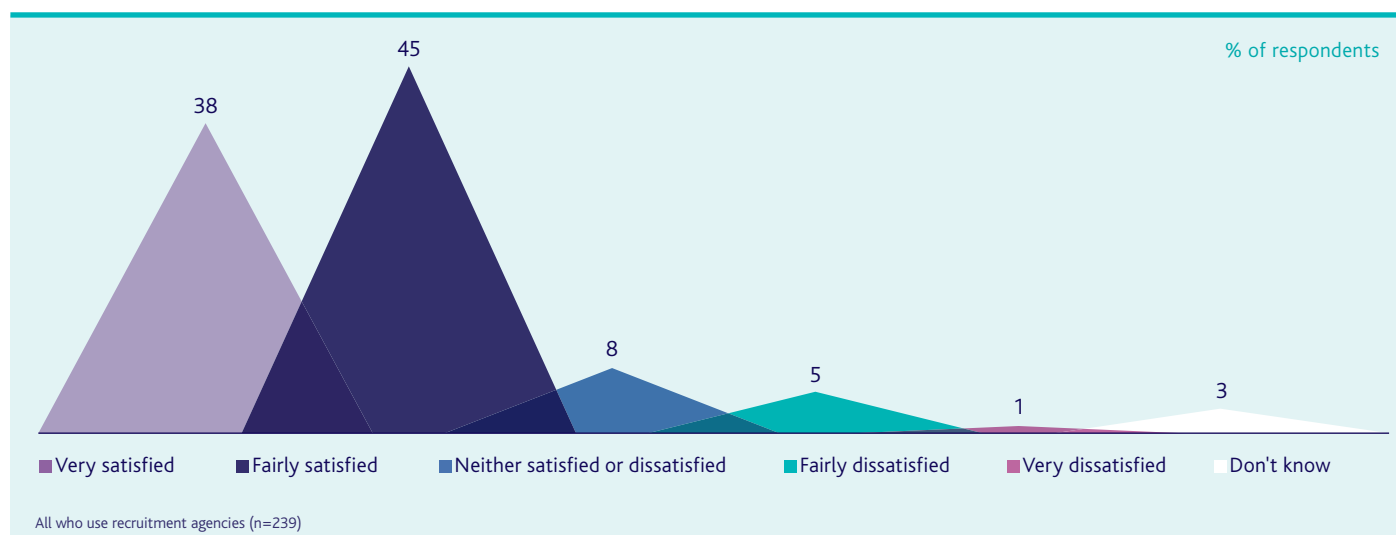
### How satisfied are you overall with the recruitment agencies you have used in the last 2 years?

At 82%, the proportion of UK employers who use recruitment agencies expressing satisfaction with their agency partners, when surveyed in March–May, was 5 points higher than in the same period last year, despite the declining availability of talent. Notably, the proportion stating that they were very satisfied (38%) was 13 points higher than in March–May 2017.

Satisfaction levels amongst employers in the Midlands notably rose from 68% (when 17% registered dissatisfaction) to 82%

(with a reduced dissatisfaction level of 10%), year-on-year. This included 42% of employers who highlighted that they were very satisfied.

Satisfaction levels also improved, year-on-year, amongst mid-sized (50–249 employees) enterprises. At 86% (including 45% highlighting that they were very satisfied), this was 12 points higher than in the same period last year.



# 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: +16, the net balance of forecast short-term demand across all skills required for permanent hire is marginally lower than the balance of anticipated demand for agency staff (NET +17) this quarter.

The key skills where employers forecast a rising and above-average demand for permanent hire over the next quarter are Health & Social Care (+2 to NET: +39), Drivers (+7 to NET: +28) and Office Professionals (+7 to NET: +24).

From a temporary agency worker perspective, notable month-on-month rises to above-average forecast demand levels were registered in Hospitality (+9 to NET: +43) and Sales & Retail (+15 to NET: +54).

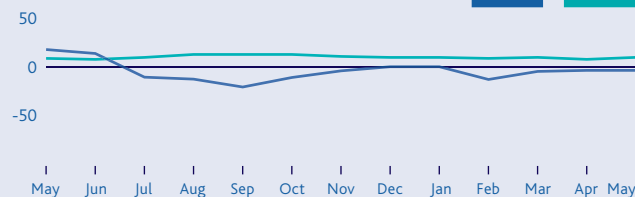
■ Temporary  
■ Permanent

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

0

+2

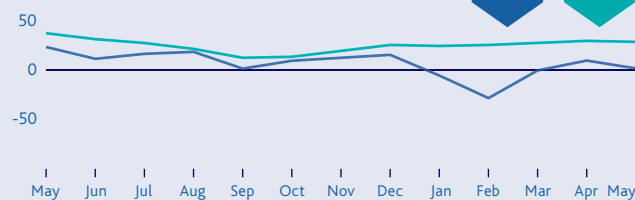


Temporary agency workers (n=31\*) and permanent members of staff (n=221)

### CONSTRUCTION

-8

-1

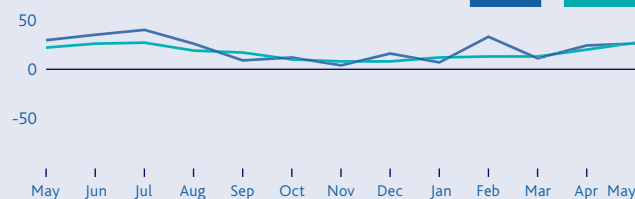


Temporary agency workers (n=19\*) and permanent members of staff (n=70)

### DRIVERS

+2

+7

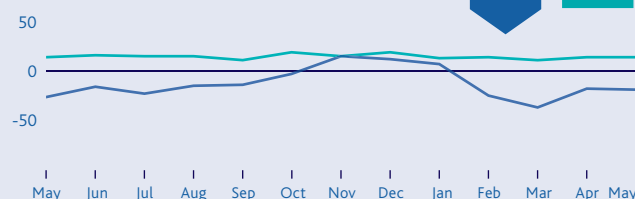


Temporary agency workers (n=30\*) and permanent members of staff (n=103)

### EDUCATION

-1

0

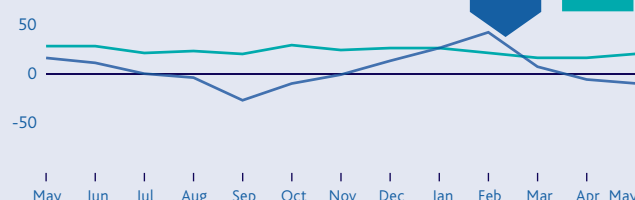


Temporary agency workers (n=17\*) and permanent members of staff (n=83)

### ENGINEERING & TECHNICAL

-4

+4



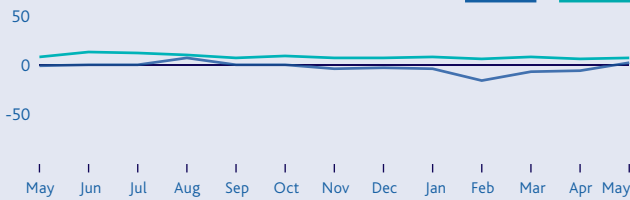
Temporary agency workers (n=19\*) and permanent members of staff (n=115)



# SectorProspects

## EXECUTIVE RECRUITMENT / INTERIM

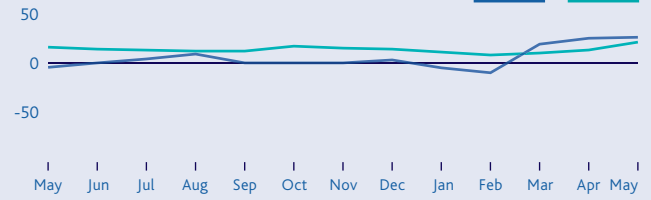
+8 +1



Temporary agency workers (n=24\*) and permanent members of staff (n=158)

## MARKETING, MEDIA & CREATIVE

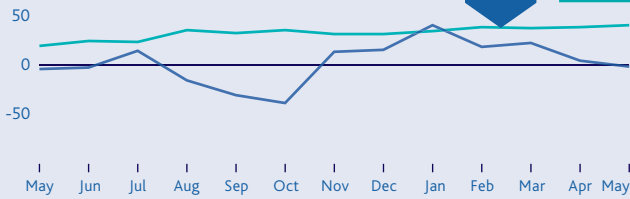
+1 +8



Temporary agency workers (n=38\*) and permanent members of staff (n=164)

## HEALTH & SOCIAL CARE

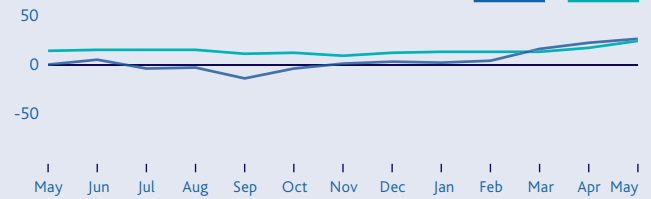
-6 +2



Temporary agency workers (n=24\*) and permanent members of staff (n=110)

## OFFICE PROFESSIONALS

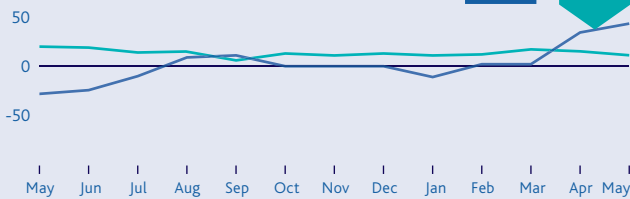
+4 +7



Temporary agency workers (n=75\*) and permanent members of staff (n=288)

## HOSPITALITY

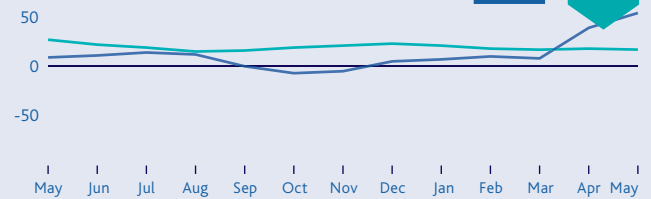
+9 -4



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

## SALES & RETAIL

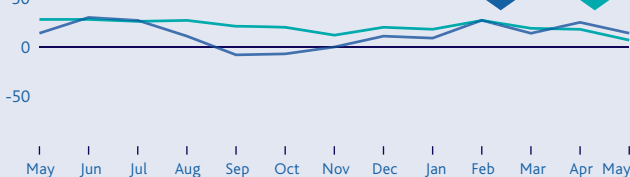
+15 -1



Temporary agency workers (n=34\*) and permanent members of staff (n=186)

## INDUSTRIAL

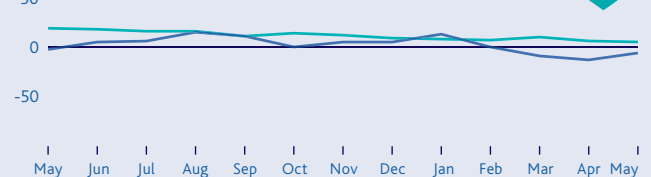
-11 -11



Temporary agency workers (n=17\*) and permanent members of staff (n=54)

## TECHNOLOGY

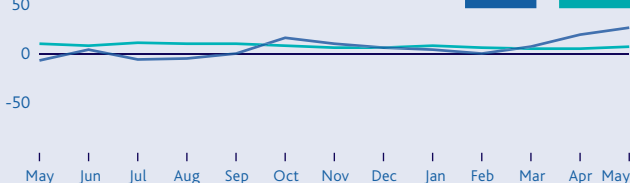
+7 -1



Temporary agency workers (n=20\*) and permanent members of staff (n=138)

## LEGAL & HR

+7 +2



Temporary agency workers (n=27\*) and permanent members of staff (n=165)

# REC-IHS Markit Predictive model

## UNEMPLOYMENT FORECAST TO DECLINE AGAIN IN THREE MONTHS TO MAY

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

The latest nowcast model anticipates a fall of 34,000 in the Labour Force Survey measure of UK unemployment in the three months to May. As a result, the unemployment rate (which is based on a three-month-on-three-month comparison) would edge down to 4.1%, which is the lowest since early 1975.

The model signals a fourth successive monthly fall in unemployment, and follows a reduction of 38,000 in the three months to April. 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

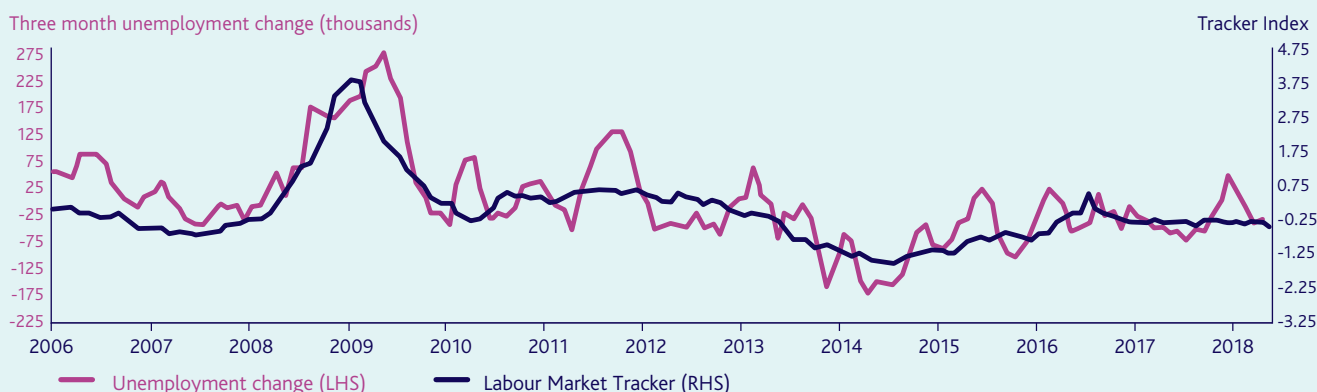
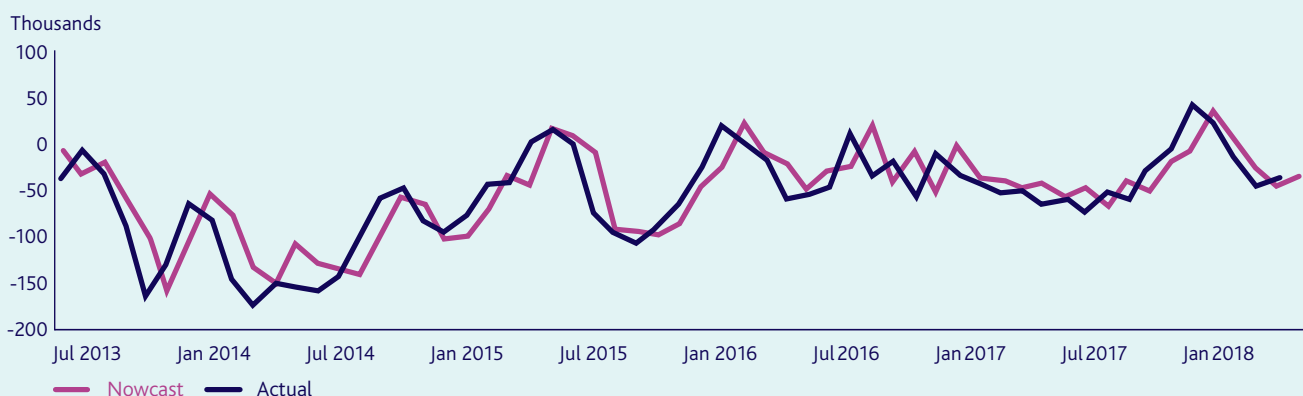


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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