

Half of employers expect candidate shortage for permanent roles

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

REC-IHS Markit Predictive model



Expected unemployment rate for December 2016–February 2017

Our nowcast model anticipates a fall in the Labour Force Survey measure of UK unemployment of 36 thousand in the three months to February. This would leave the unemployment rate unchanged at 4.7%.

More information about the predictive model can be found on page 10 of this report.

Confidence

In the three months to February, more employers believed that economic conditions were improving (34%) than deteriorating (29%). London remained notably more concerned over the economy: 32% believed conditions to be worsening. Only 18% of employers in London thought economic conditions were improving, down 7 points on the previous rolling quarter. One third (33%) of all respondents expected confidence in making hiring/investment decisions to get better, compared to 36% last month.

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



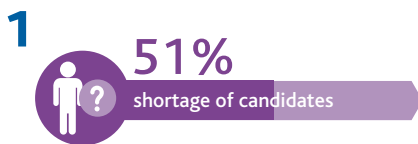
In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



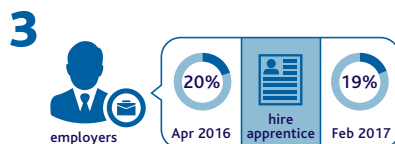
■ A lot better ■ A little better ■ No change ■ A little worse ■ A lot worse ■ Don't know

Totals may not sum to 100% due to rounding.

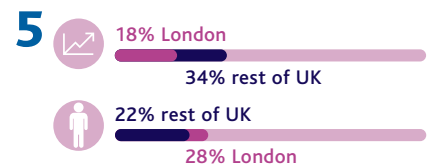
Key Points from February Survey



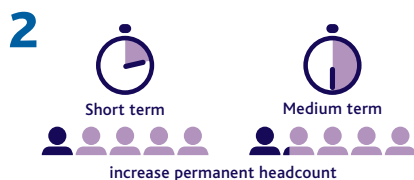
Half (51%) of employers expect a shortage of appropriate candidates for permanent roles. This is the highest proportion since June 2016.



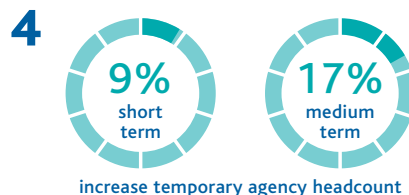
One in five employers who currently do not employ apprentices plan to start hiring apprentices. This is little changed since last year (20% in April 2016 and 19% in February 2017).



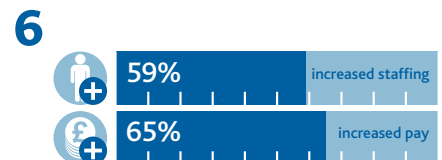
18% of employers in London believe economic conditions are improving, half the UK average (34%). Still, 28% of London employers plan to hire permanent staff in the medium term (against 22% all-UK).



One fifth of hirers plan to increase permanent headcount in both the short and medium term (20% and 22% respectively).



A tenth (9%) of employers plan to increase temporary agency worker headcount in the short term and 17% plan to do so in the medium term.



In the last year, six in ten (59%) employers increased staffing and two-thirds (65%) increased pay.

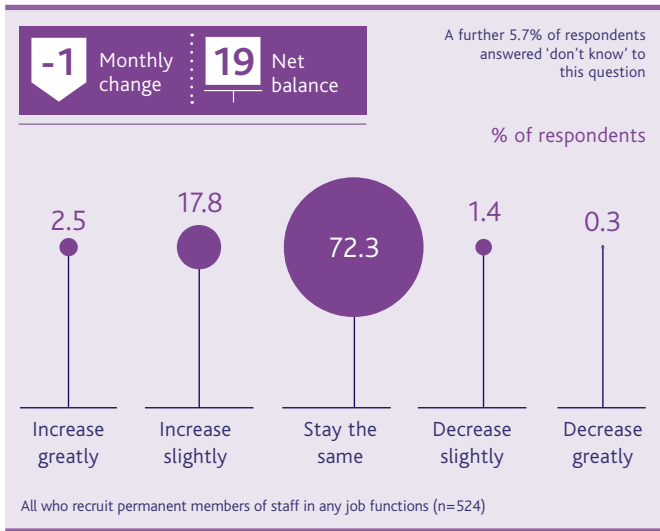
Throughout, figures based on fewer than 50 respondents are marked with an asterisk* Due to the small base size, these results should be considered indicative, rather than conclusive. Data were weighted to be representative of UK adults in employment by region, broad industry sector and public/private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

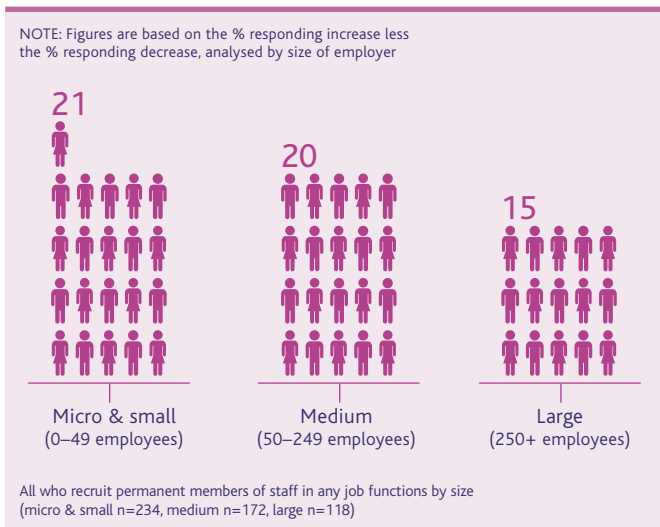
One in five (20%) hirers planned to increase their number of permanent employees over the next quarter, although 18% of the total suggested that this would only increase slightly. In the Midlands, 5% suggested that they would increase numbers significantly – twice the national average. Seven in ten (72%) of all UK employers planned to hold existing permanent worker headcount.



OUTLOOK BY EMPLOYER SIZE

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

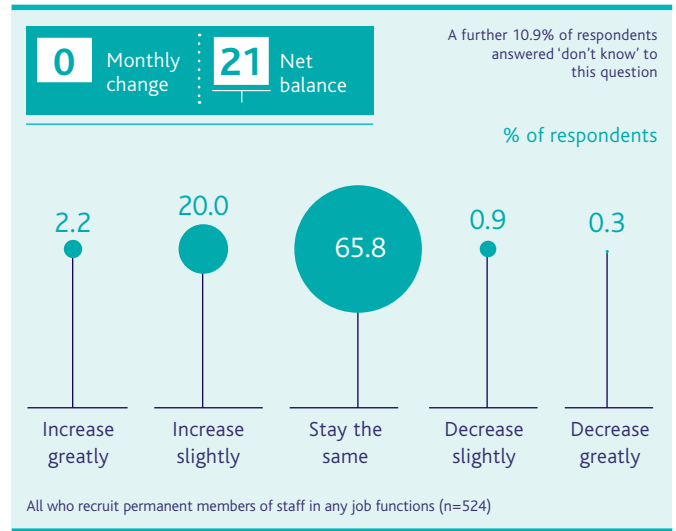
The short-term permanent hiring expectations remained broadly static in the three months to February, when compared to the previous rolling quarter. Micro and small enterprises (0–49 employees) were the most positive, with a net balance of 21% of hirers planning to increase numbers. Just 15% more large employers (250+ employees) suggested they would increase permanent headcount than decrease it.



MEDIUM-TERM OUTLOOK

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

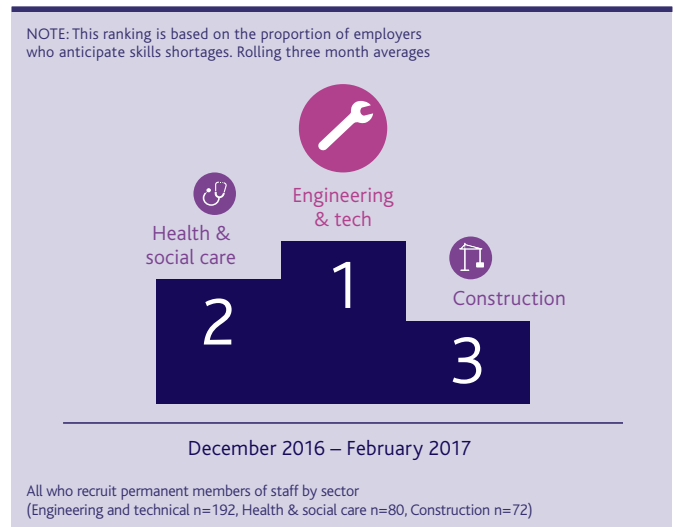
One fifth of hirers (22%) planned to increase permanent headcount in the medium term, and two thirds (66%) planned to hold numbers. A greater than average proportion of hirers in the Midlands and London planned to increase numbers, at 26% and 28% respectively. Notably, 5% of Midlands employers suggested that they would increase headcount significantly (compared to the 2% UK average).



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 (51%) of employers anticipate a shortage of appropriate candidates for permanent roles. This rises to two thirds (63%) amongst large enterprises (250+ employees). The top two areas with anticipated shortages are the same as last month. Construction was also identified as a shortage sector.

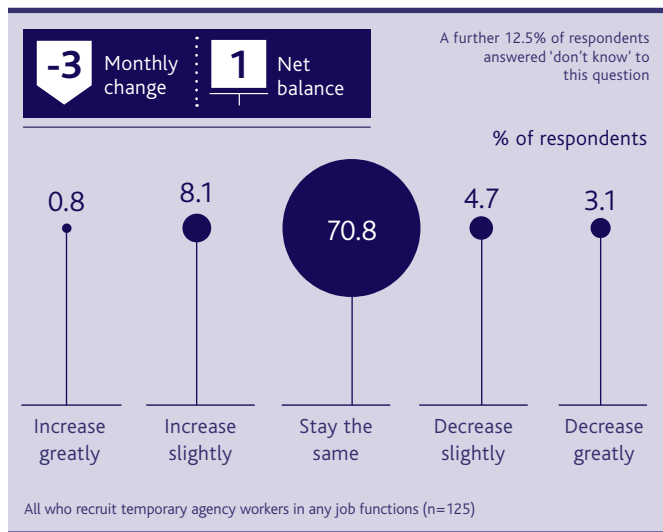


Temporary Recruitment

SHORT-TERM OUTLOOK

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

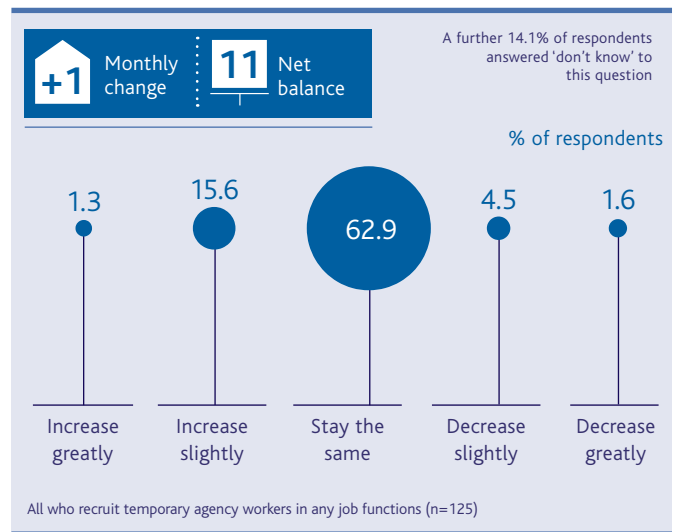
Over the quarter, just 9% of employers who hire agency workers stated that they would be increasing headcount over the next three months. Conversely, 8% of all UK respondents suggested that they would be reducing headcount. The regional exception was the Midlands, where 15% of employers plan to reduce headcount.



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?

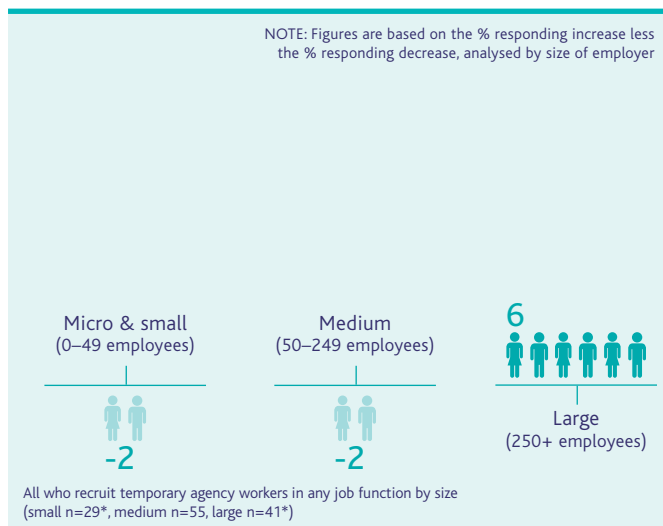
17% of respondents suggested that they would increase agency worker headcount in the medium term, the same as the previous rolling quarter. Across the quarter there was a notable variation between the public and private sectors, with just 8% of public and 19% of private sector employers planning increases.



OUTLOOK BY EMPLOYER SIZE

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

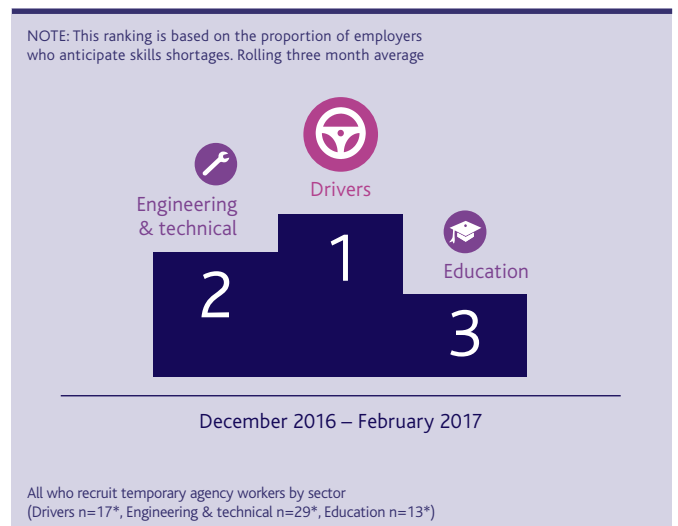
The net balance of short-term agency hiring intentions amongst micro and small enterprises (0–49 employees) fell to -2% this month. This follows last month's sharp decline from 21% to 6%. The net balance amongst medium-sized employers (50–249 employees) was also -2%, down 8 points since the previous month. Conversely, amongst the UK's largest hirers (250+ employees), the net balance rose from 0% to 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?

Three in ten (31%) employers expressed concern over the sufficient availability of candidates for temporary agency worker roles, 6 points lower when compared to last month. The job functions raising most concern amongst hirers were Drivers, Engineering/Technical and Education workers.

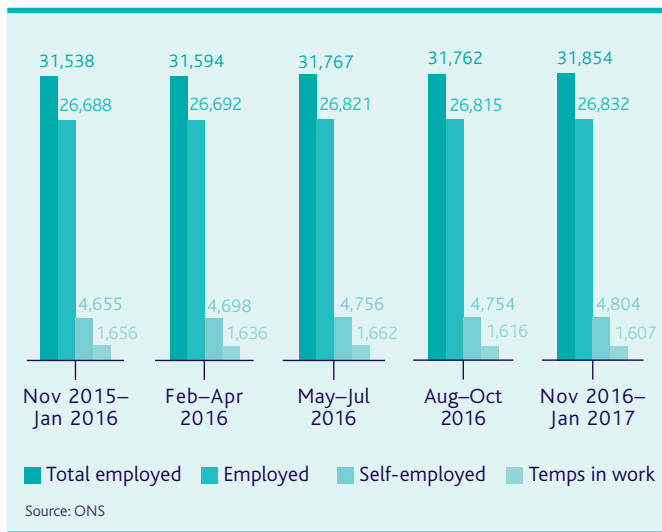


LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

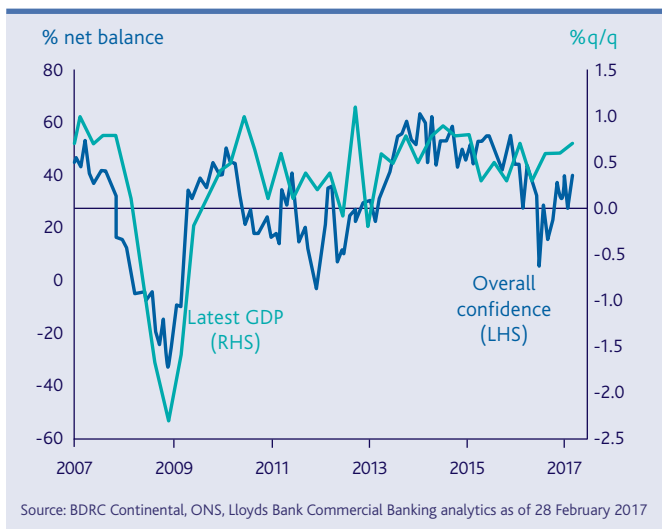
The total UK workforce increased to 31,854,000 in November 2016–January 2017, up 92,000 when compared to August–October 2016. Self-employment increased by 49,000 (53% of the total increase). Amongst employed workers, regular pay rose by 2.3% in the year to November 2016–January 2017. In real terms, however (i.e. adjusted for CPI), the figure was just 0.8%. Corresponding total pay figures for the period were 2.2% (notional) and 0.7% (real terms).

Total employment, employed and self-employed



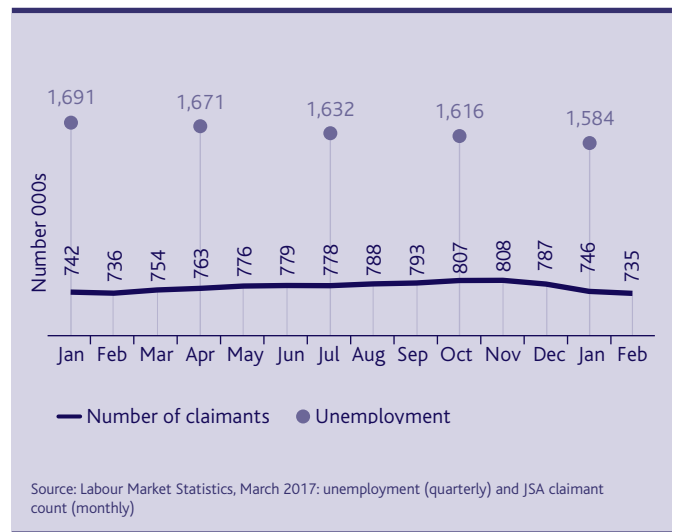
LLOYDS BUSINESS BAROMETER

Overall confidence in February increased to the highest level (40%) since March 2016, and was also above the long-term average of 32%. Business confidence was – according to the Lloyds Barometer – at a new post-EU Referendum high. The 11-point increase was underpinned by rises in both the respondents’ sentiment towards their own business prospects (+5 points to 46%) and optimism regarding the wider economy (+18 points to 34%).



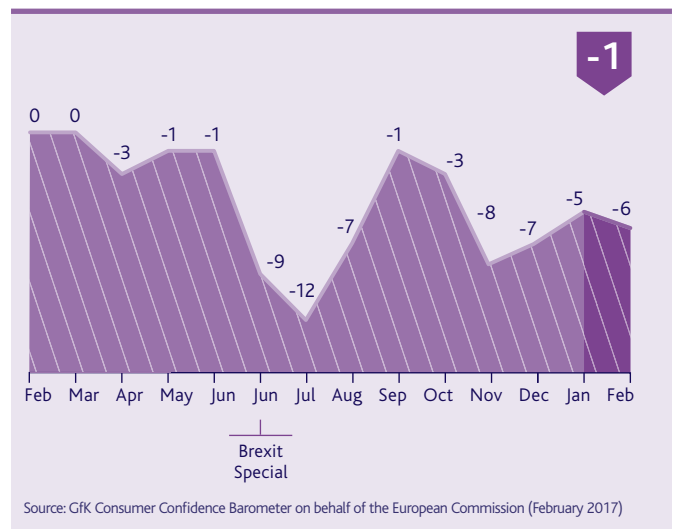
UNEMPLOYMENT AND CLAIMANT NUMBERS

Unemployment fell to 4.7% in November 2016–January 2017, from 4.8% in the previous rolling quarter – a figure that has not been lower since June–August 1975. Similarly, youth unemployment fell from 12.6% to 12.3% quarter-on-quarter – a figure that had not been lower since August–October 2004. At 735,000, the total Claimant Count in February 2017 (comprised of those on Job Seeker’s Allowance (482,000) and Universal Credit (252,000)) was 11,000 lower than the previous month and 1,000 lower than February 2016.



CONSUMER CONFIDENCE INDEX

The Index fell 1 point in February to -6. Amongst the underlying indicators, the measure for the general economic situation of the country during the last 12 months (-21) was 11 points lower than February 2016. Similarly, the measure for confidence in the UK’s economic prospects for the next 12 months (-20) was 8 points lower than the prior year figure. Whilst all in positive territory, the three indicators relating to personal finances were also all down year-on-year.

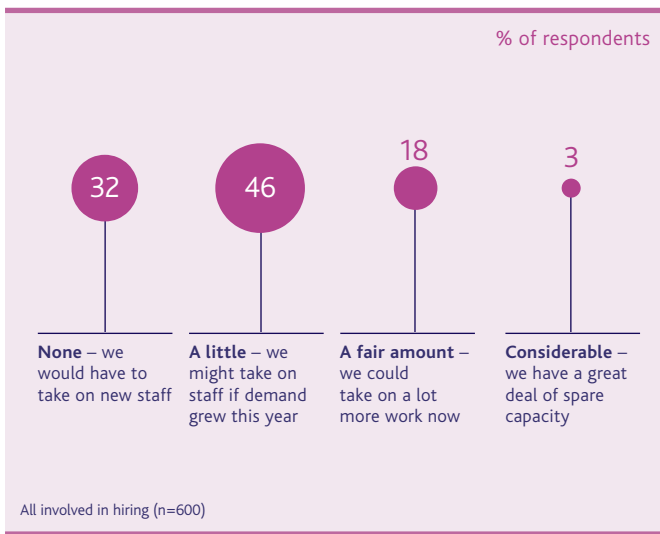


EmployerDashboard

WORKFORCE CAPACITY

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

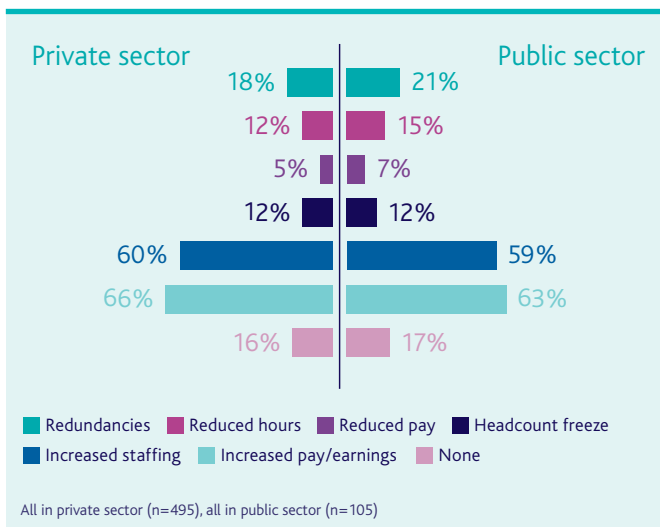
One third (32%) of all UK hirers surveyed in December–February said they had no spare capacity to take on more work. Nearly half (46%) stated they have a little capacity. Of the 18% of employers who have a fair amount of capacity, there were notable regional differences. In the North, three in ten (29%) report a fair amount of capacity, double the proportion compared to London (14%) and significantly higher than all other regions.



WORKFORCE PLANNING BY SECTOR

The workforce planning activities of the public and private sectors remained broadly similar. There were two notable changes across the quarter for private sector enterprises: a 5-point increase in the proportion that had raised pay/earnings over the last year (to 66%) and a 5-point rise in the proportion that had increased staffing levels (to 60%). Amongst their public sector counterparts, the proportion of respondents stating that there was an increase in redundancies went up three percentage points (to 21%), as did reduced pay/earnings (+2 to 7%) and headcount freeze (+2 to 12%).

3 month rolling average to February 2017

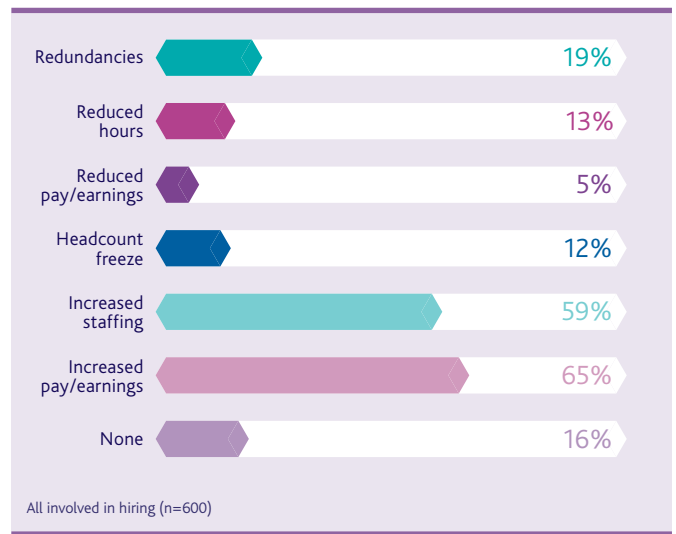


WORKFORCE PLANNING

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

A notable six in ten (59%) employers added to their headcount in the last year. But 19% of employers say that they made redundancies within the year. UK wage growth was fueled by two thirds of employers (65%) increasing pay/earnings during the year, checked by the 5% who had reduced pay and earnings. Notably, just 1% of Northern employers said they had reduced pay, whilst the figure was 9% in London.

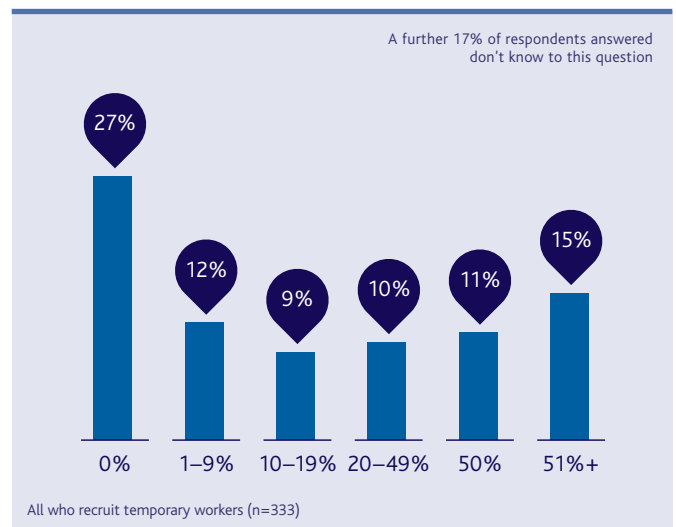
Workforce changes made in the last year
3 month rolling average to February 2017



TEMPORARY TO PERMANENT

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

One quarter (26%) of all employers transfer half or more than half of their temporary workers to permanent posts each year. This rises to 31% amongst mid-sized employers (50–249 employees). It is also more common within the public sector at 35%. A quarter of all employers (27%) do not transfer any of their temporary workers to permanent positions.

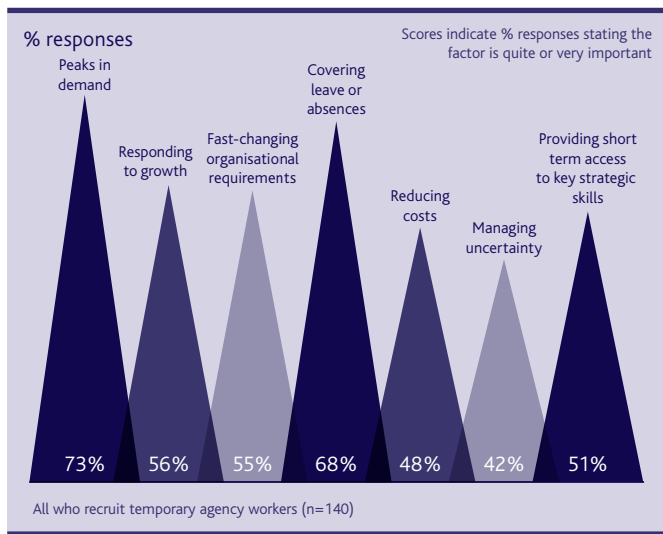


AgencyDashboard

IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

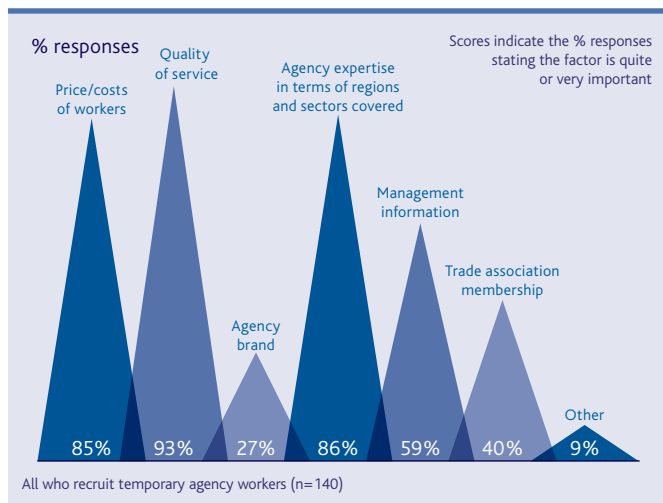
The proportion of employers highlighting the importance of temporary agency workers in 'managing uncertainty' rose by a further 5 points this month (to 42%). An increasing proportion also viewed agency workers as important to 'managing fast changing organisational requirements' (+4 points to 55%).



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?

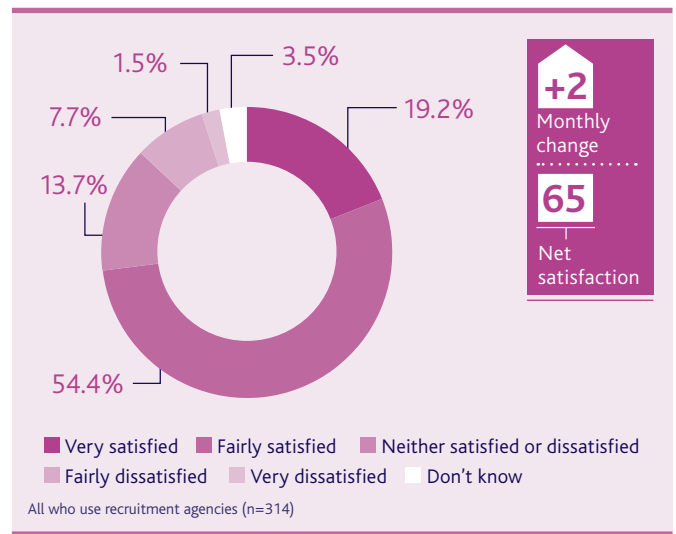
86% of employers cite an agency's expertise as important when selecting a recruitment partner. This is now the second most cited area of importance to hirers, in line with the price/cost of workers this month (85%). Quality of service remains most important to hirers and was cited by 93% of respondents.



EMPLOYER SATISFACTION WITH AGENCIES USED IN LAST 2 YEARS

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

Three quarters (74%) of organisations surveyed during December to February expressed satisfaction with the recruitment agencies they had used in the last two years. This rose to 82% amongst the largest employers (250+ employees) – a group who also registered a very low level of dissatisfaction (4%), compared to the all-employer average of 9%.

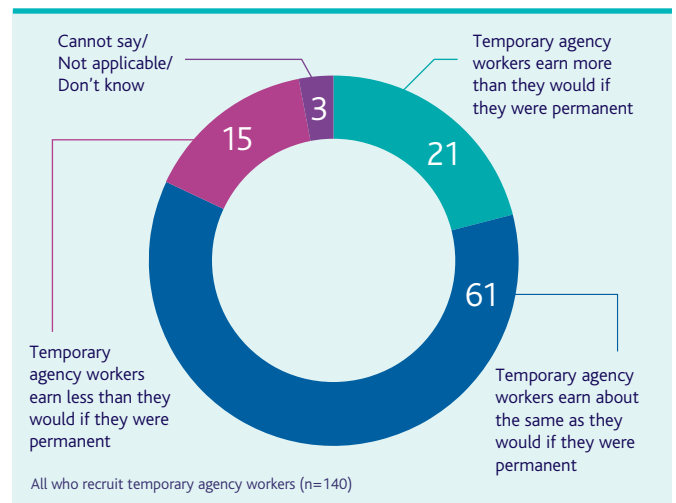


AGENCY WORKER PAY RATES

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

One in five (21%) UK employers believed that temporary agency worker pay rates were higher than those of their permanent counterparts when surveyed in December-February. One third (35%) of hirers in London believed this was the case, up from 27% in the last rolling quarter. Just 15% of UK employers believed that agency pay rates were lower, whilst 61% felt agency and permanent pay rates were similar.

3 month rolling average to February 2017



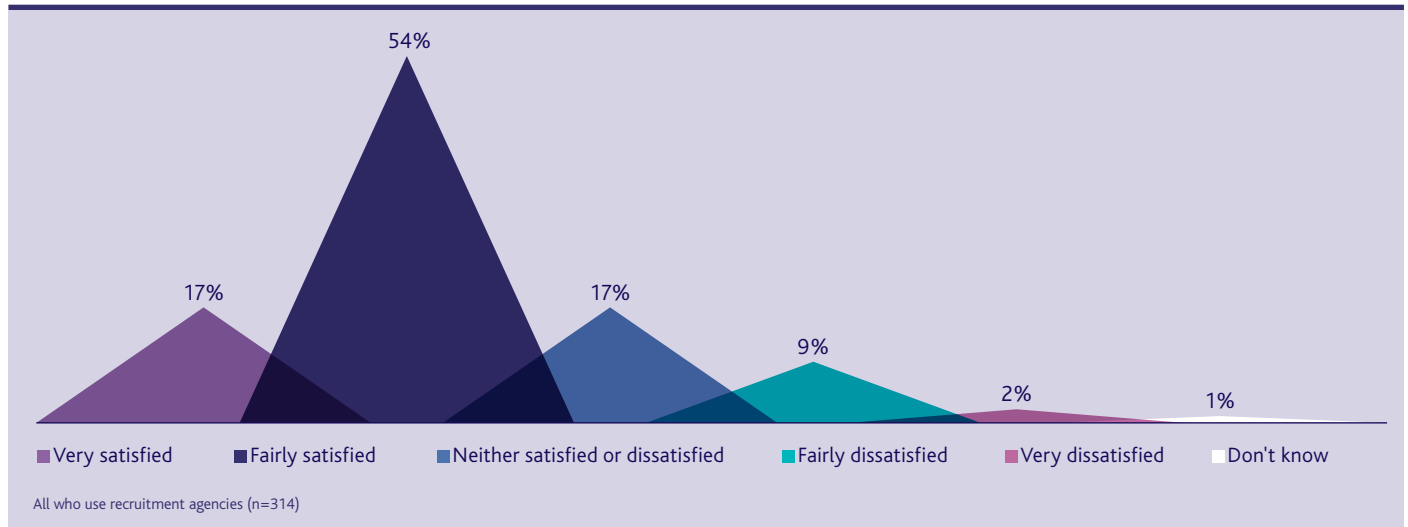
AgencyDashboard

SATISFACTION WITH CANDIDATES

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

Seven in ten (71%) UK employers expressed satisfaction with the quality of candidates presented by recruitment agencies, up 2 points from last month. However, only 62% of public sector hirers expressed satisfaction, down a further 3 points. This will continue to be an

important indicator to watch in the run-up to the new Off-Payroll worker legislation scheduled for April 2017 (and beyond), as many with the critical skills that the sector requires may opt to work elsewhere, leaving talent shortages.



RECRUITMENT CHANNELS USED

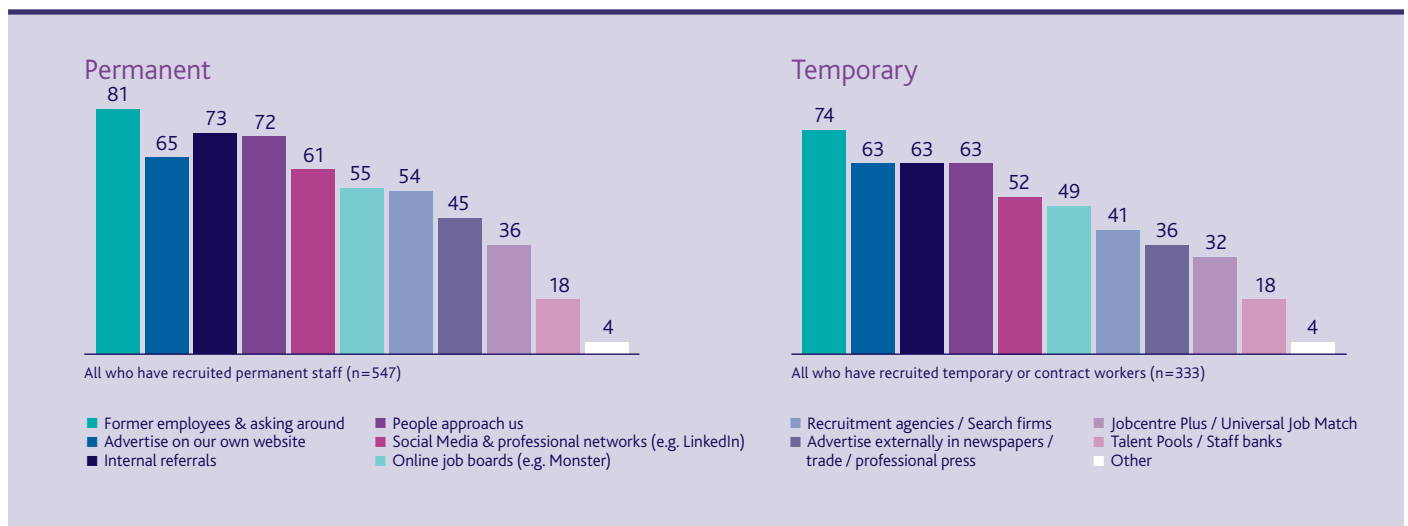
In which of the following ways, if any, does your organisation recruit permanent members of staff and temporary or contract workers?

The general upward trend continues in the proportion of employers using a range of recruitment channels to source candidates, suggesting further tightening in skills availability.

Amongst those sourcing candidates for permanent hire, the largest quarter-on-quarter increase was in the percentage who use internal referrals – up 7 points to almost three quarters (73%). There was also a 6-point rise in the proportion of employers that have candidates approaching them directly (to 72%). This practice is less common within the public sector (63%) than in the private sector (74%).

The use of social media and professional networks as a recruitment channel for temporary/contract workers increased 7 points to 52% this month. There was also a 5-point increase in the proportion of hirers advertising roles on their own website (63%).

The use of JobCentre Plus / Universal JobMatch remains low amongst those sourcing both permanent (36%) and temporary/contract workers (32%). The practice is more commonplace in the North (used by 45% for permanent hiring) than the South, including London (used by 27% for permanent hiring).



Recruitment channels used for staffing as of February 2017

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.

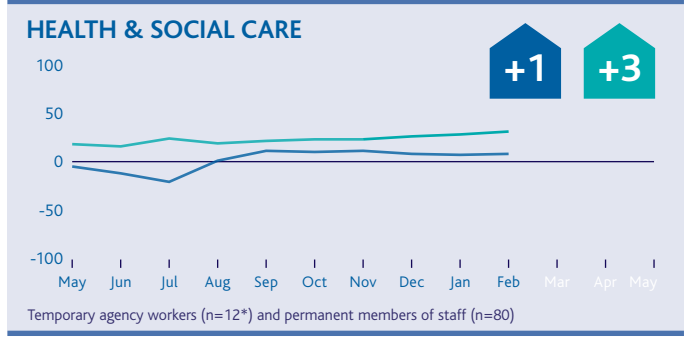
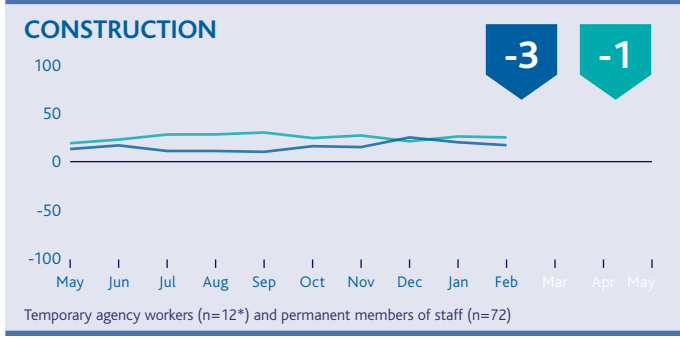
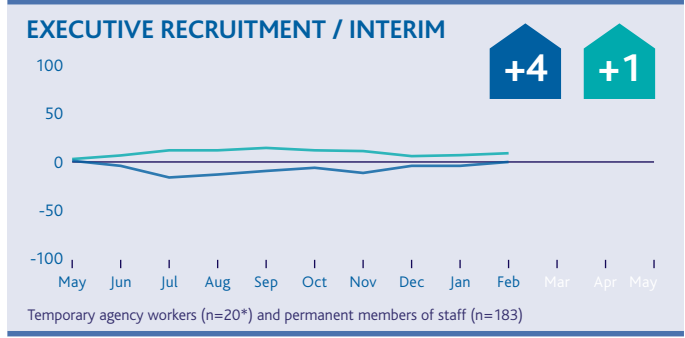
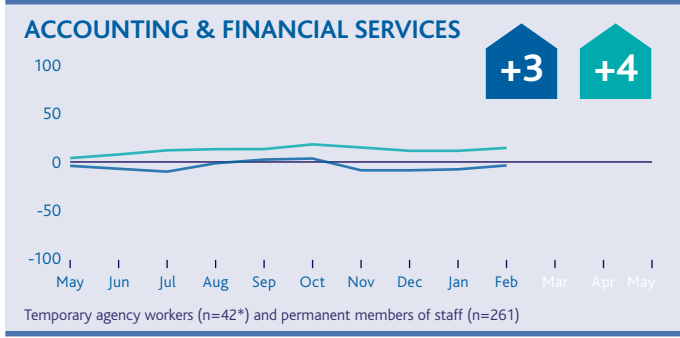
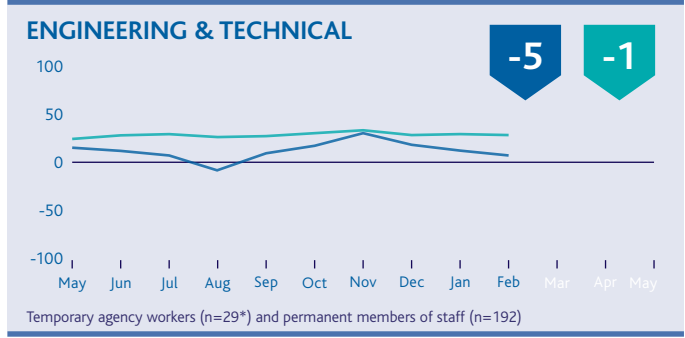
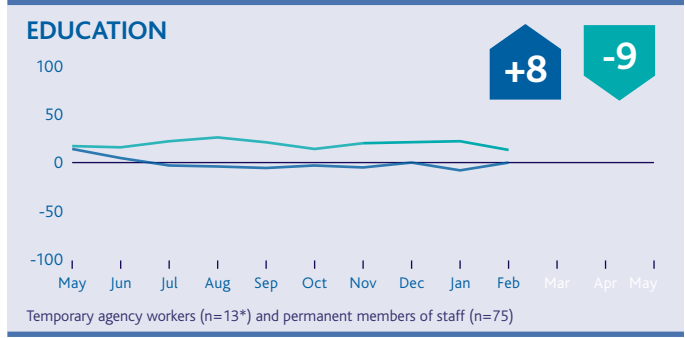
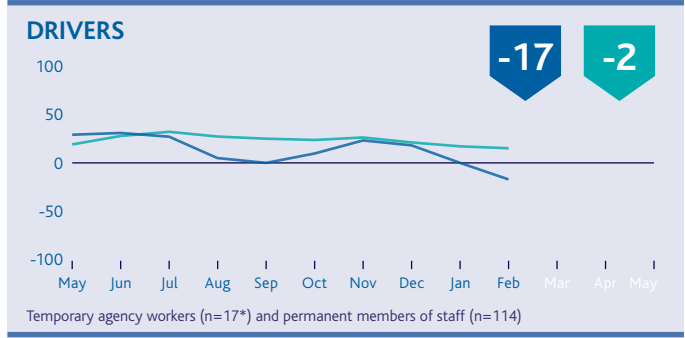
WHICH JOB FUNCTIONS IN YOUR ORGANISATION, IF ANY, DO YOU THINK WILL SEE AN INCREASE OR DECREASE OF PERMANENT MEMBERS OF STAFF AND TEMPORARY AGENCY WORKERS IN THE NEXT 3 MONTHS?

The net balance of demand for permanent staff (the percentage of employers planning to increase rather than decrease permanent headcount) was 19% across all sectors during December–February. However, the net balance of demand for temporary agency workers was only 1%.

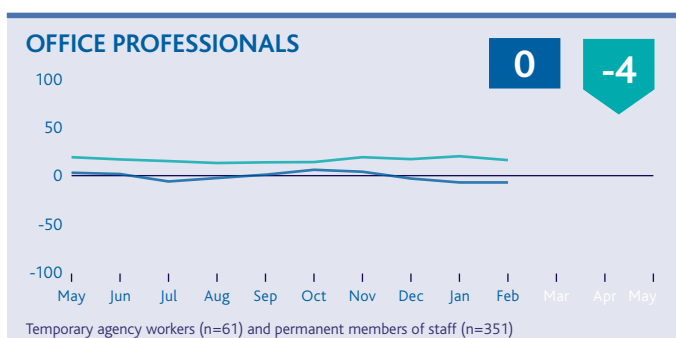
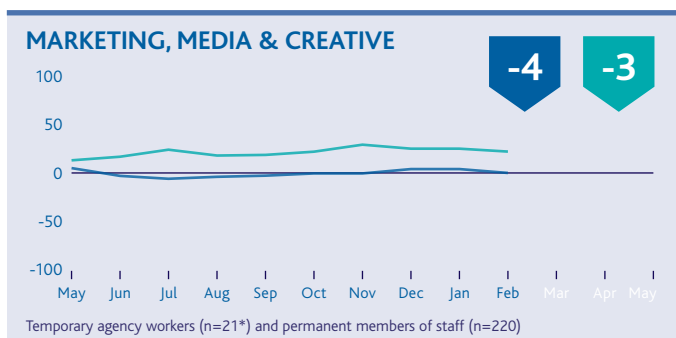
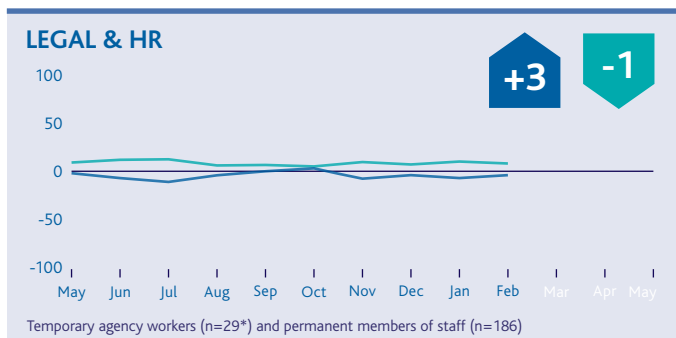
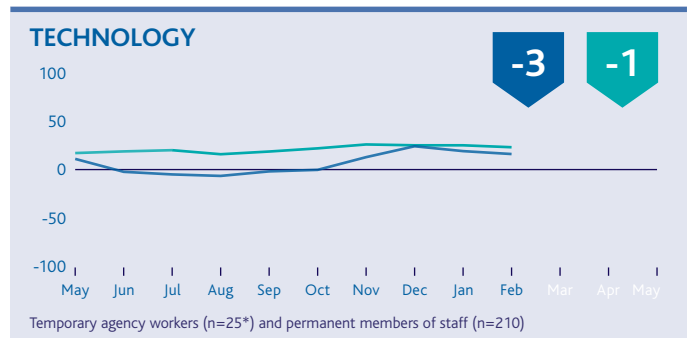
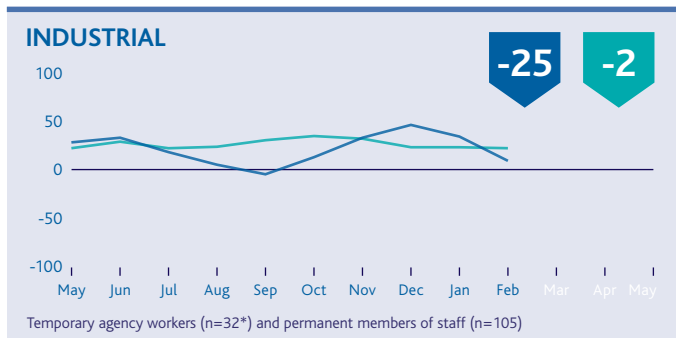
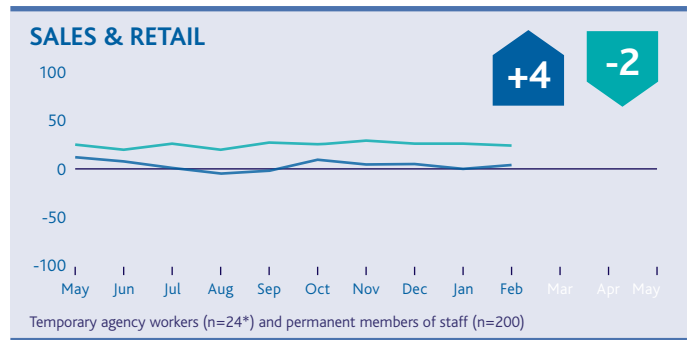
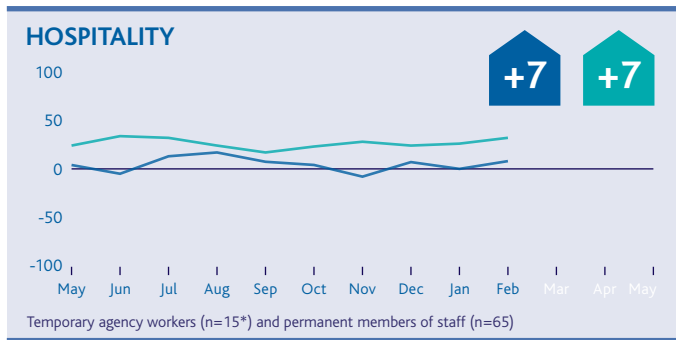
Health & social care and Hospitality had the highest balance of demand for permanent staff across all sectors (31% and 32% respectively). These sectors rely on EU workers and any changes to immigration could affect demand for staff.

- 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.



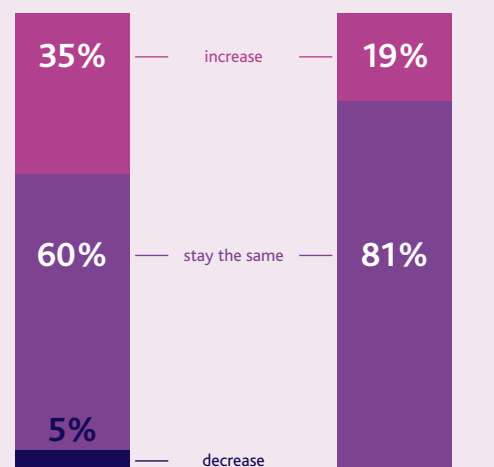
SectorProspects



A THIRD OF EMPLOYERS WITH APPRENTICES INTEND TO INCREASE NUMBERS AFTER LEVY

Will the number of apprentices you recruit increase or stay the same after the introduction of the apprenticeship levy?

One third (35%) of employers who already employ apprentices intend to increase numbers once the apprenticeship levy is introduced. However, the nearing introduction of the levy has not increased intention to hire apprentices amongst employers who currently do not employ apprentices. For both April 2016 and February 2017, one in five of these employers planned to start hiring apprentices (20% and 19% respectively).



All who employ apprentices (n=79) and all who do not employ apprentices (n=121)

REC-IHS Markit Predictive model

UNEMPLOYMENT RATE FORECAST TO REMAIN AT 4.7%

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

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

The nowcast model anticipates a fall in the Labour Force Survey measure of UK unemployment of 36 thousand in the three months to February. This would leave the unemployment rate unchanged at 4.7%. The Office for National Statistics (ONS) will publish this data on 12 April 2017.

The model signals a sixth successive decline in unemployment, with a fall of 31 thousand reported by the ONS in the three months to January. As shown in the chart, 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
- 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

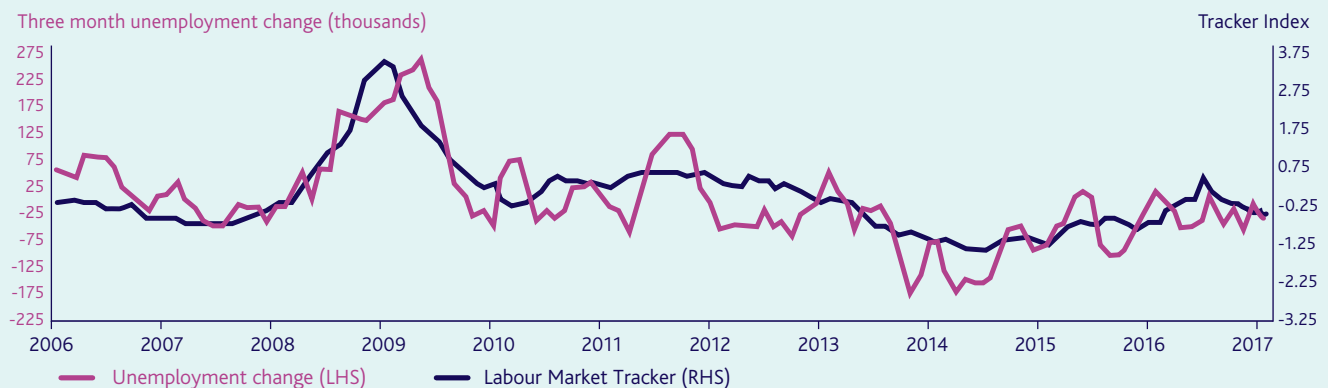
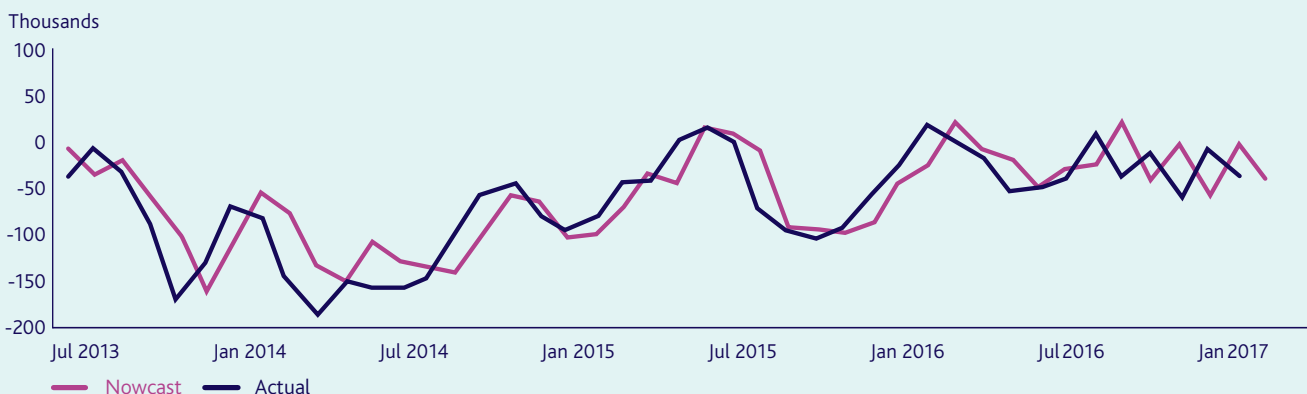


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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

