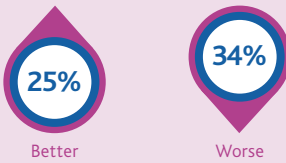


Employer confidence falls for third consecutive month

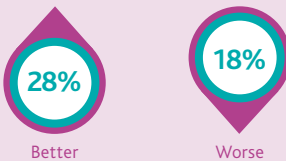
CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

Confidence

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

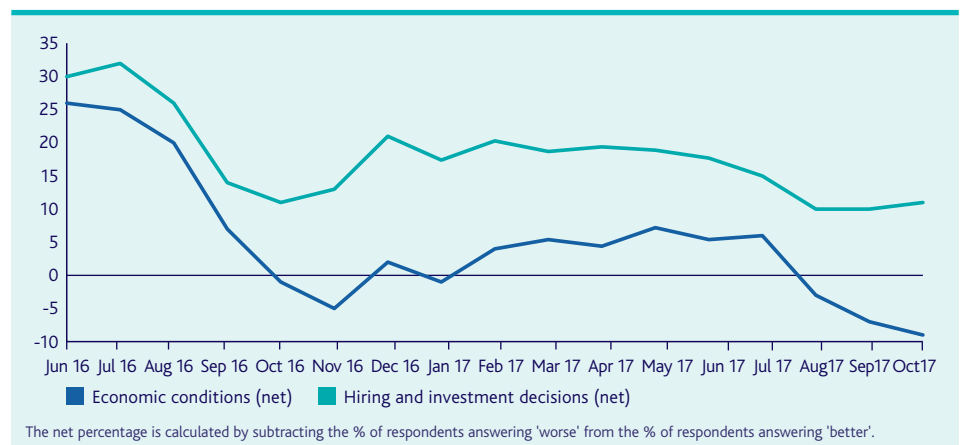


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...

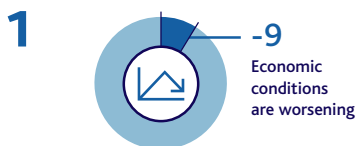


All involved in hiring (n=600)

More respondents (NET: 9 percentage points) thought that economic conditions were worsening than improving in July–September, as sentiment further deteriorated from last month by 2 percentage points across the quarter. Regional variations were notable, ranging from a net balance of -15 in London to +3 in the Midlands. Confidence in making hiring and investment decisions remained stable.



Key Points from September Survey



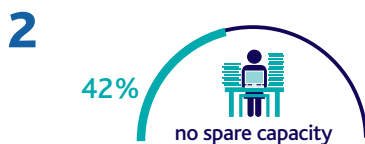
More employers believed that economic conditions in the UK were worsening rather than improving (net -9), down from -2 in July–September 2016.



Health & Social Care and Hospitality are amongst the top functions where employers expect to find a shortage of appropriate candidates for permanent and temporary roles.



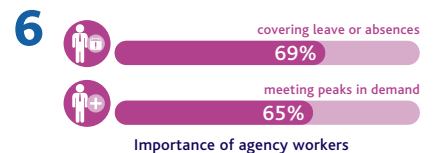
Short-term demand for agency workers in low skill occupations such as Hospitality and Drivers remained positive, despite decreasing demand for temporary agency workers across all sectors.



42% of employers said that they had no spare workforce capacity whilst 38% might have to take on more staff to accommodate any increase in demand.



More employers suggested that they would be decreasing agency headcount than increasing it in the short-term (net +9).



Employers most frequently cited the importance of agency workers in covering leave or absences (69%), followed by meeting peaks in demand (65%).

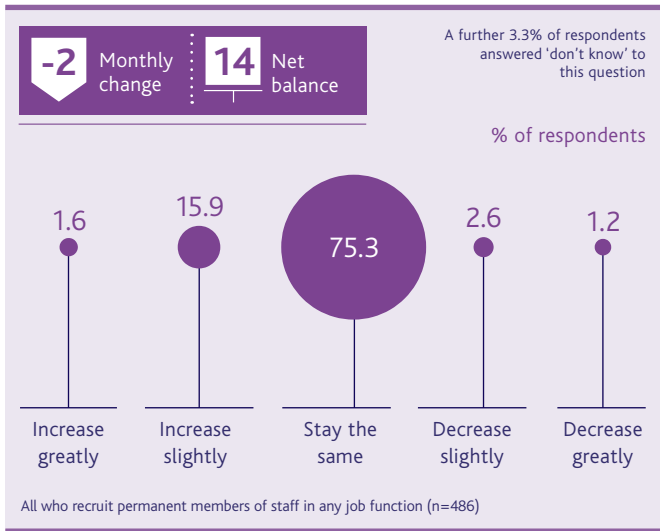
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

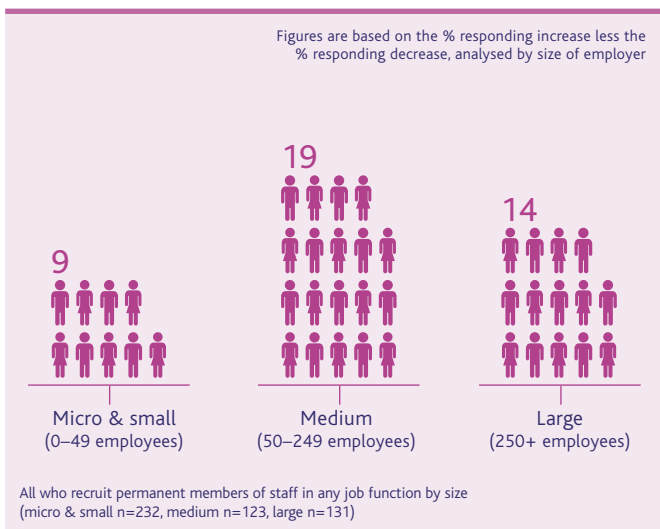
Employers are more likely to suggest that they would be increasing rather than decreasing their permanent headcount over the next quarter (net +14), when surveyed between July–September. Employers in the public sector were the most positive, with a net balance of more than a quarter (+27 percentage points), compared with +12 percentage points (against an all UK +19) in the same period in 2016.



OUTLOOK BY EMPLOYER SIZE

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

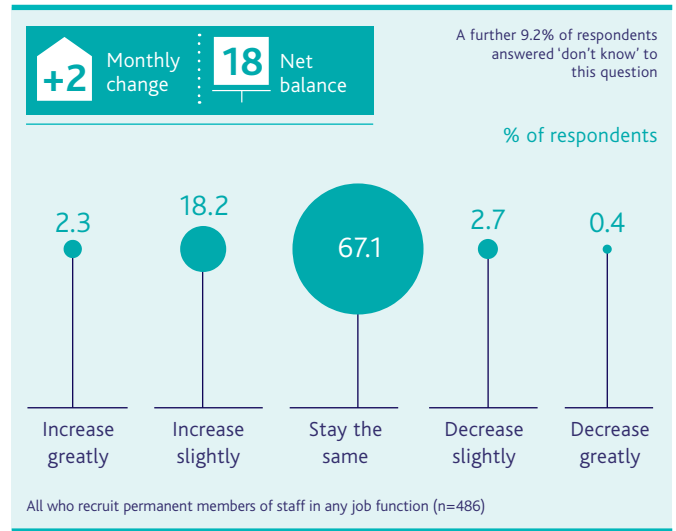
The positive short-term hiring intentions of the UK's smallest enterprises (0–49 employees) continued to diminish this quarter. Whilst more micro/small employers suggested planned increases over decreases (NET +9), this was 7 percentage points down on the previous rolling quarter and 14 percentage points lower than in the same period in 2016. This compares to falls of 3 points (to NET +19), year-on-year, amongst mid-sized hirers (50–249 employees) and 1 point (to NET +14) amongst large employers (250+ employees).



MEDIUM-TERM OUTLOOK

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

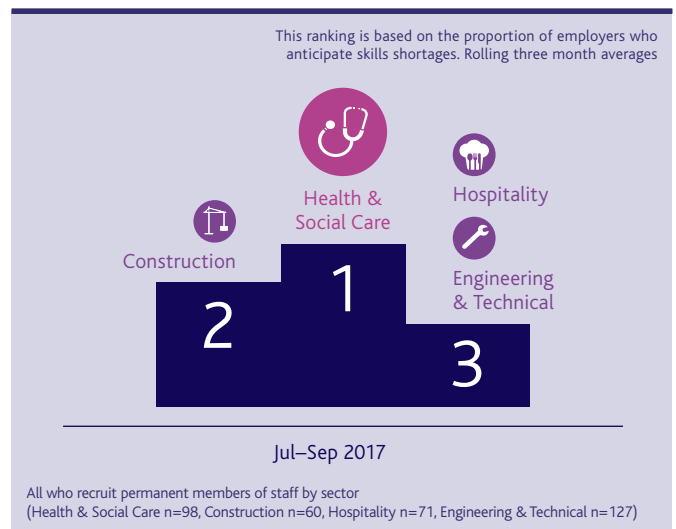
The medium-term prospects for permanent hiring further improved this quarter (+2 percentage points), with more employers suggesting planned increases over decreases in headcount (net +18). This rose to +25 amongst public sector hirers, compared to +16 of employers in the private sector. With just 3% of UK employers planning to release employees and unemployment at its lowest percentage level since 1975, the 21% who plan to add to their headcount will face significant challenges.



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?

Concern over the sufficient availability of workers for permanent hire with Health & Social Care skills remained at the fore this quarter. With c.10% of the Health & Social Care workforce comprised on non-UK nationals and demand for services ever increasing, the sector is highly susceptible to the ongoing uncertainty around the future immigration policy.

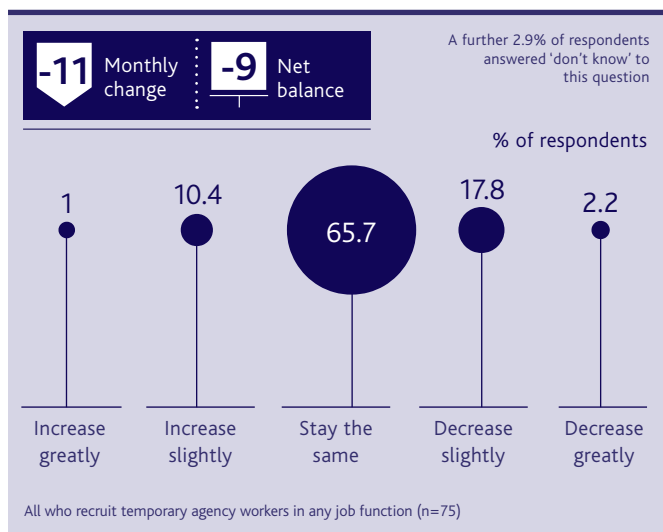


Temporary Recruitment

SHORT-TERM OUTLOOK

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

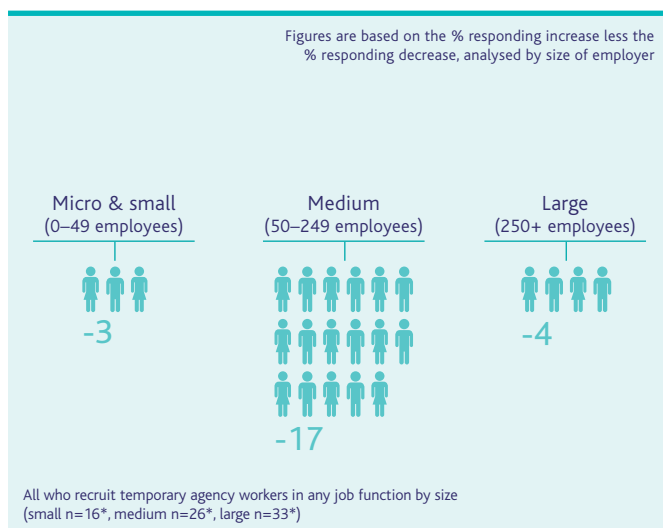
There was an 8 percentage point increase in employers suggesting that they would be decreasing agency headcount than increasing it in the short term, when surveyed across July–September. This was a net 11 percentage point negative swing from the position in the last rolling quarter and is 9 percentage points lower than in the same period last year. There were notable regional variations, ranging from -27 in the South (excluding London) and -21 in the North to +30 in London.



OUTLOOK BY EMPLOYER SIZE

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

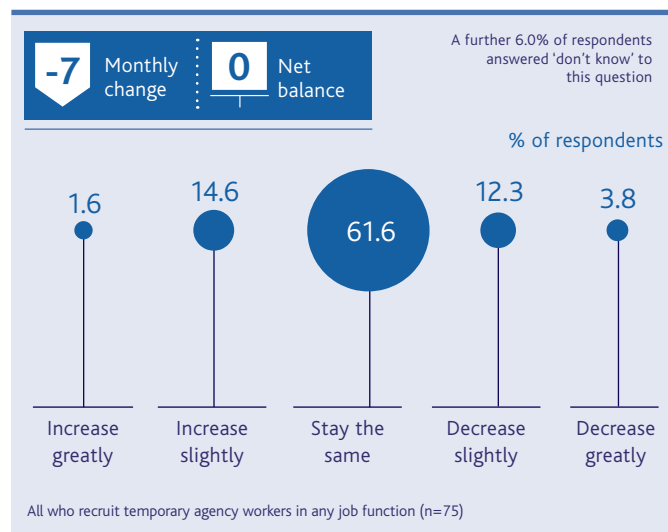
A shift in sentiment amongst all sizes of UK employers drove the 1 point decline in the overall net balance of short-term intent around agency workers hiring (to -9). Notably, more mid-sized employers (50–249 employees) planned decreases over increases when surveyed across the quarter (NET -17).



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?

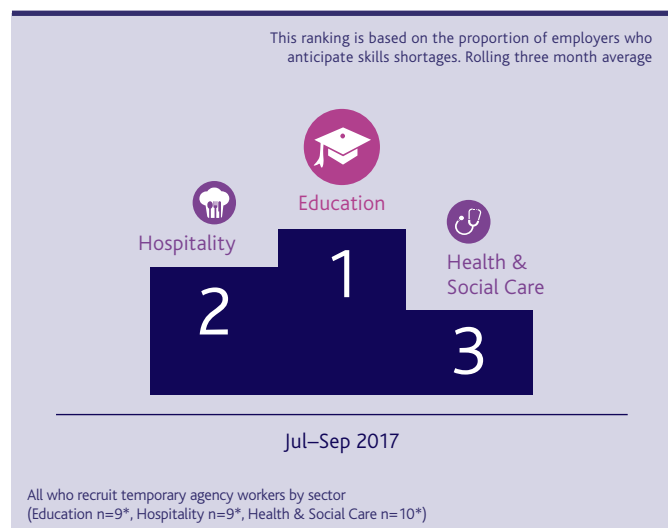
The net balance of medium-term agency hiring intention fell by 7 percentage points this quarter to 0, but when comparing individual months, sentiment in September (+11) was markedly more positive than in July (-6) and August (-3). There were also significant regional variations, ranging from +17 in the Midlands to -23 in the North. Of significance following April's change in the public sector off-payroll worker engagement protocols, more organisations in this sector planned to increase agency numbers than decrease them (NET +19).



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?

In sharp contrast to the 17% of employers who expressed concern over the sufficient future availability of temporary agency workers to meet their skills needs in July–September 2016, four in ten employers (39%) flagged the same issue a year later. With the new academic year commencing, heightened concern over access to skilled temporary agency workers in the education sector is noteworthy.



LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

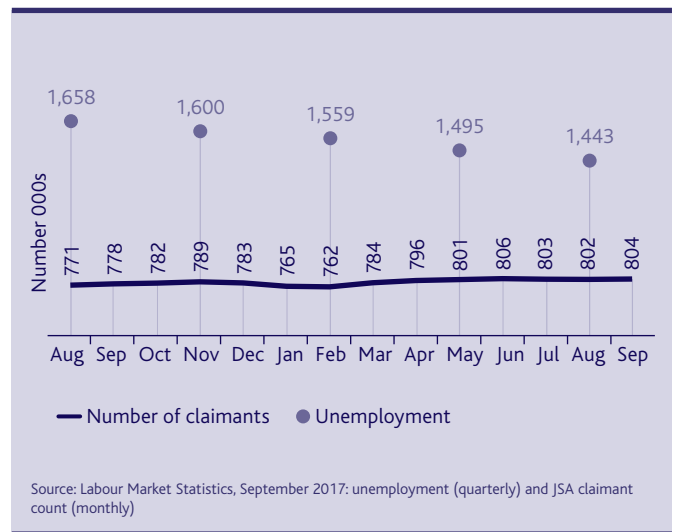
At 32,105,000 in June–August 2017, the UK workforce increased by 94,000 against March to May 2017. Of this increase, 25,000 had found full-time work whilst 69,000 had moved into part-time work. Year-on-year, however, the 317,000 increase in the UK workforce came courtesy of 346,000 more workers engaged in full-time work and 29,000 fewer engaged on a part-time basis. Self-employment increased by 70,000 year-on-year.

Total employment, employed and self-employed



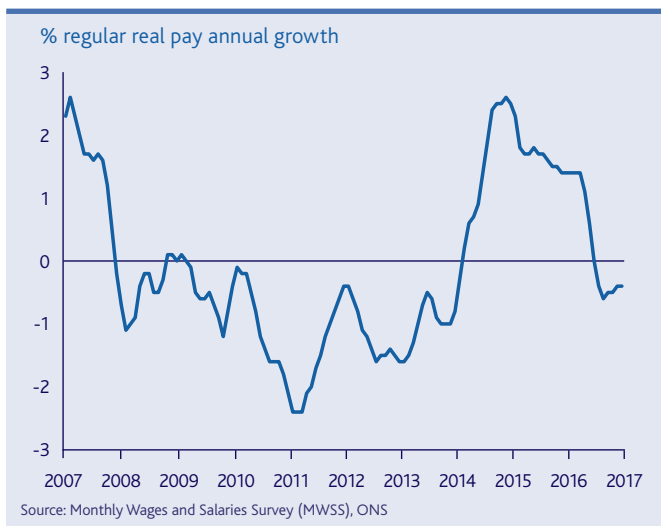
UNEMPLOYMENT AND CLAIMANT NUMBERS

Beneath the 4.3% unemployment rate recorded in June–August 2017 were starkly different rates by age group. For the 99,000 unemployed 16–17 year olds, the rate was 22.3% (down from 27.6% a year earlier) whilst for the 425,000 individuals aged 18–24 who are classified as out of work, the rate was 10.8% (down from 12.0% in the same period last year). Beyond this, just 3.3% of 25–49 year olds (616,000) and 2.9% of those aged 50+ (303,000) were identified as unemployed.



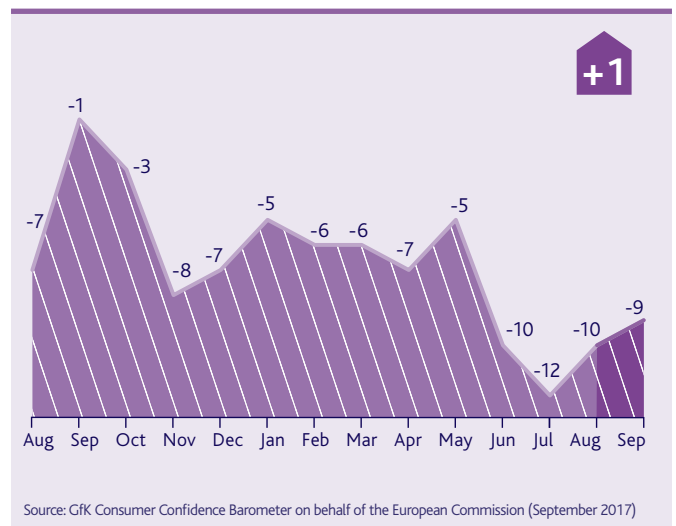
REAL WAGE GROWTH

As per the last rolling quarter, when the 2.1% nominal increase in regular pay (excluding bonuses), between June–August 2016 and June–August 2017, was adjusted for price inflation, the average weekly earnings for employees in Great Britain decreased by 0.4%. As such, the average regular gross pay (excluding bonuses) in real terms for August 2017 (constant 2015 prices) was £459 per week – £14 lower than the figure recorded as the pre-downturn peak of £473 per week in March 2008.



CONSUMER CONFIDENCE INDEX

Whilst the overall Index improved by 1 point in September to -9, this was notably lower than in the same period last year (-1). Encouragingly, the respondents' perspective of their own personal financial situation for the next 12 months remained in positive territory (+4). A one point improvement in the major purchase index also saw this barometer restored to positivity (+1). In contrast, the measure of consumer confidence in the general economic conditions for the next 12 months sat at -24.

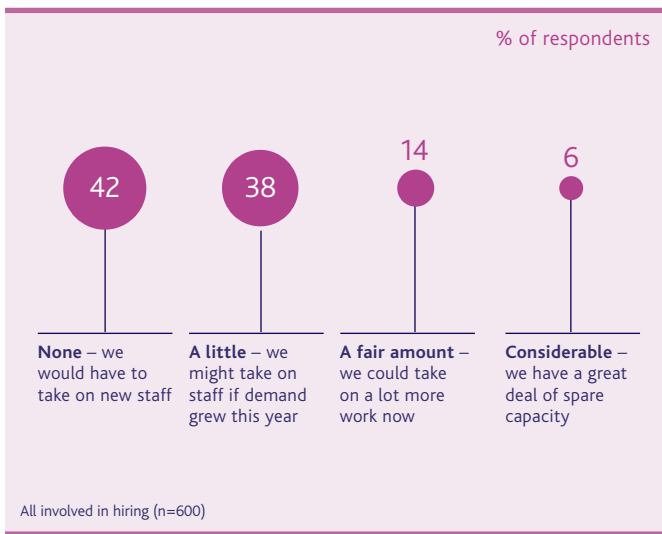


EmployerDashboard

WORKFORCE CAPACITY

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

The majority of UK employers surveyed in July–September said that they either had no spare workforce capacity (42%) or might have to take on more staff to accommodate any increase in demand (38%). A further 20% of employers were trading with either a fair (14%) or considerable (6%) amount of resource capacity in July–September, in line with the same period last year (22%).

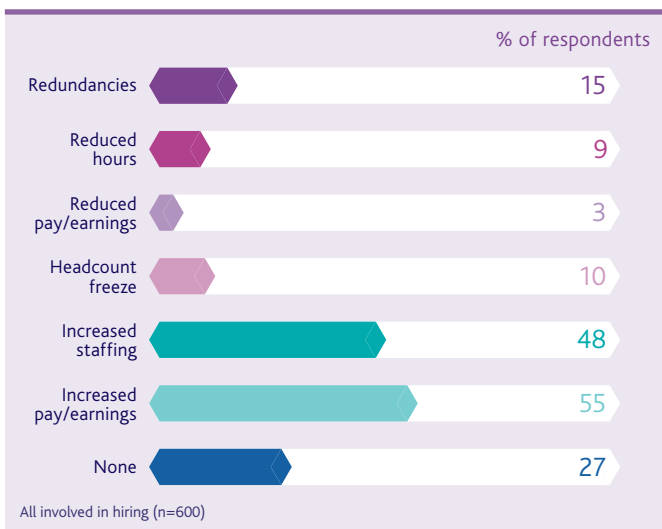


WORKFORCE PLANNING

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

The proportion of employers actioning correctional workforce measures in the year to July–September 2017 is notably lower than in the year to the same period in 2016. The percentage who made redundancies fell from 20% to 15%, those reducing hours declined from 13% to 9%, the proportion making pay cuts halved (from 6% to 3%) and just 10% had a headcount freeze last year (compared with 14% in the year to July–September 2016).

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

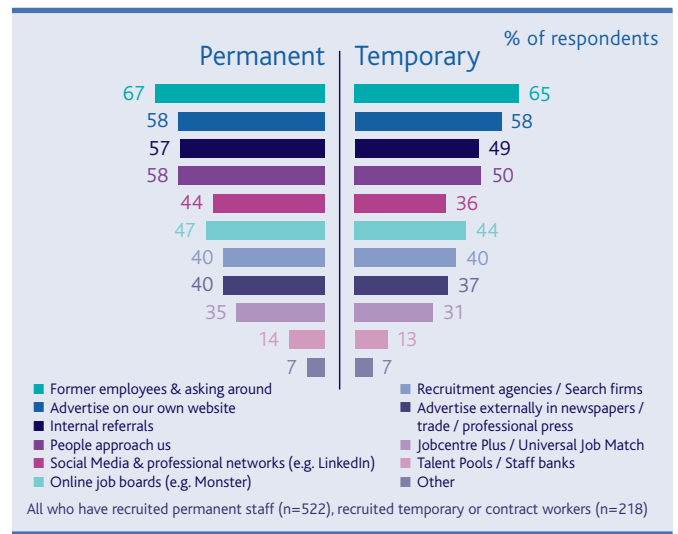


RECRUITMENT CHANNELS USED

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

A five point year-on-year decline in the proportion of employers utilising internal referrals to hire permanent staff (to 57%) and a six point decline in the proportion using this channel to source contingent workers (to 49%) are noteworthy. The more widely used referral channel remains sourcing via employers' alumni and via word of mouth, utilised by around two thirds of employers.

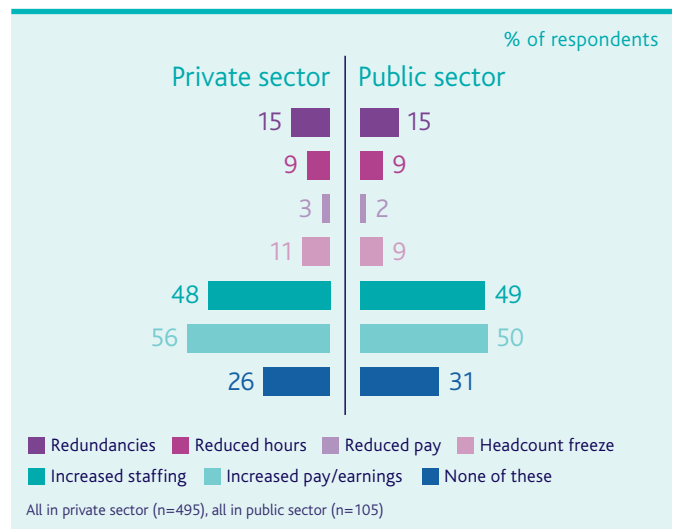
Recruitment channels used for staffing as of September 2017



WORKFORCE PLANNING BY SECTOR

Whilst the same proportion (15%) of public and private sector employers made redundancies in the year to July–September, there was a marked improvement in public sector activity the 12 months to July–September 2016 (when 27% of employers had had to carry out this action). Additionally, instances of headcount freezes in the public sector have halved, year-on-year from 18% to 9%.

3 month rolling average to September 2017

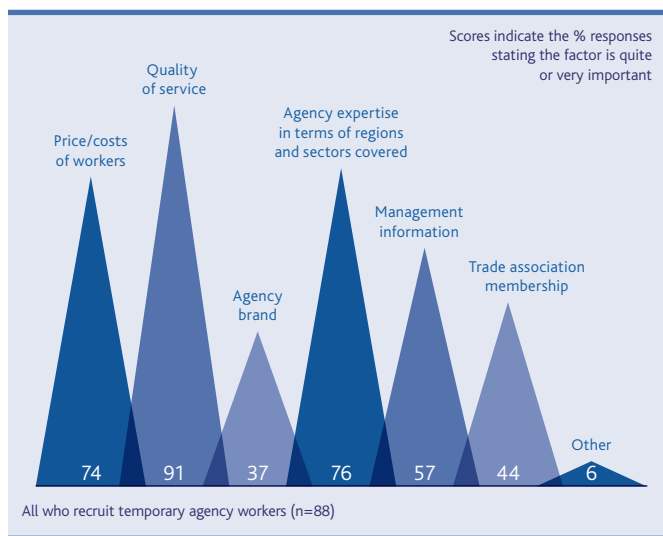


AgencyDashboard

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?

A growing proportion of respondents (+7 percentage points from the last rolling quarter) cited the brand image of agency as a key area of importance when selecting agencies. More than half (57%) of employers cited management information as an important factor – this was registered by 71% employers in London.

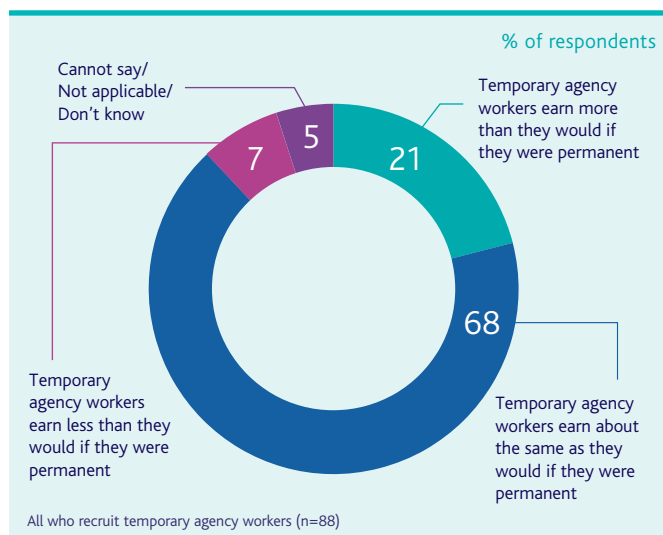


AGENCY WORKER PAY RATES

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

Three times as many employers (21%) felt that agency worker pay rates were higher rather than lower (7%) than their permanent counterparts, when surveyed in July–September. There were notable regional variations, however; 37% of employers in the South (excluding London) believed that agency workers earned more, whilst in London a significantly greater proportion of employers believed that agency worker pay was lower (19%).

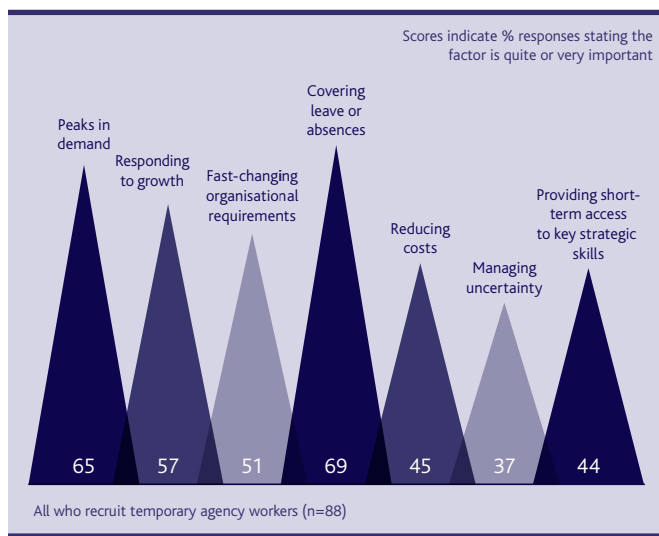
3 month rolling average to September 2017



IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

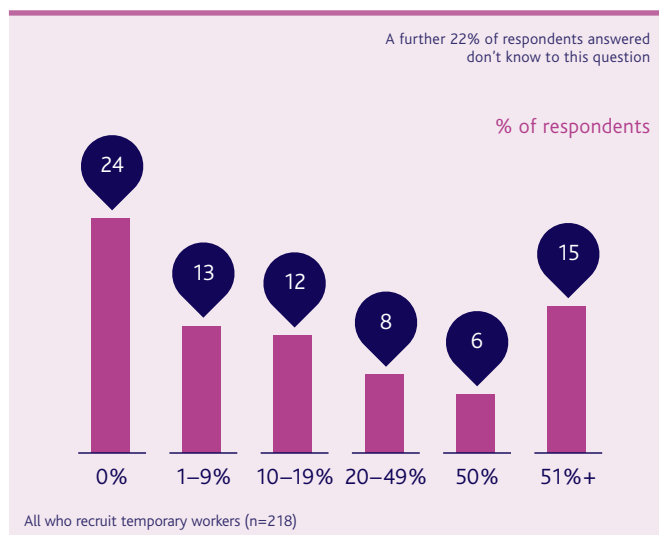
Almost seven in ten (69%) employers cited the importance of using agency workers in covering leave or absences, up 3 percentage points this quarter. Meanwhile, there were slight quarterly decreases in the percentages highlighting the importance of agency workers in meeting peaks in demand and enabling employers to respond to growth.



TEMPORARY TO PERMANENT

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

One quarter (24%) of employers surveyed in July–September suggested that no staff transferred from temporary to permanent assignments each year. This was markedly up on the 16% of employers saying the same in 2016. Driving this year-on-year change was a rise in the practice (from 33% to 41%) amongst the smallest employers (0–49 employees) and a ten-fold increase (from 1% to 10%) in zero transfers amongst the largest employers (250+ employees).



AgencyDashboard

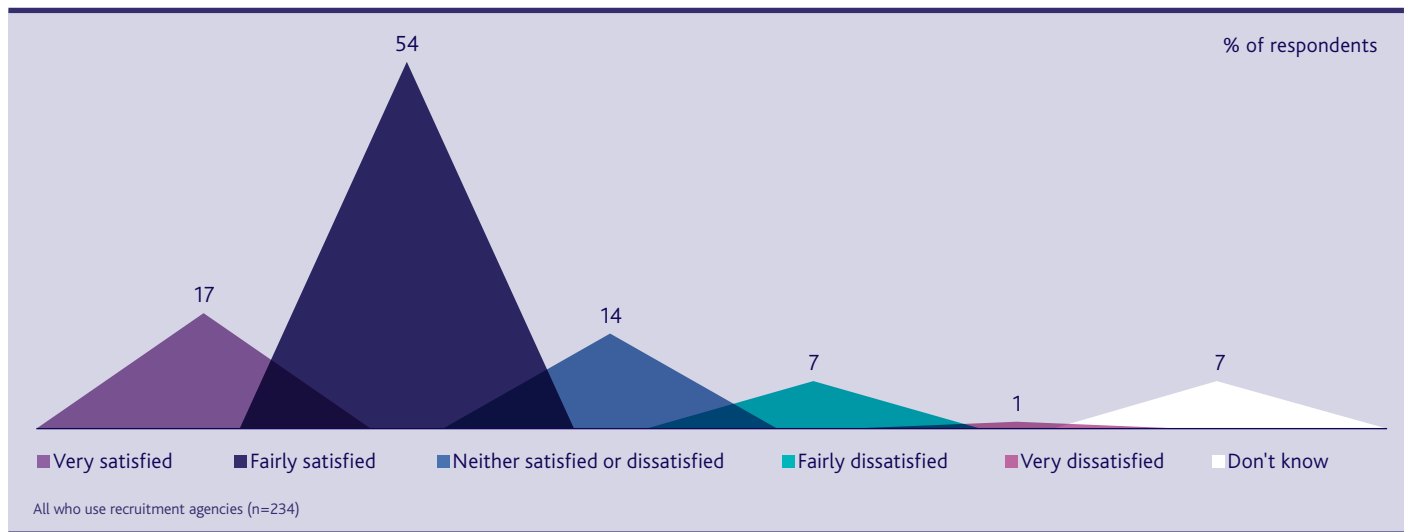
SATISFACTION WITH CANDIDATES

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

Whilst the significant majority (71%) of UK employers remain satisfied with the candidates presented by agencies – the same proportion as in 2016 – there has been rising dissatisfaction amongst employers in key regions. Year-on-year, the proportion of Northern employers suggesting this to be the case rose from 7% to 9%. Similarly, in the South (including London), the proportion increased from 9% to 12%. In stark contrast, however, employers in the Midlands highlighted a marked

improvement, with the proportion dissatisfied diminishing from 6% in 2016 to just 2% this year.

By size of employer, whilst 12% of the smallest enterprises (0–49 employees) expressed dissatisfaction, this was down from 16% last year. Conversely, more large employers (250+ employee) highlighted dissatisfaction this year than did in 2016 (7% and 3%, respectively).

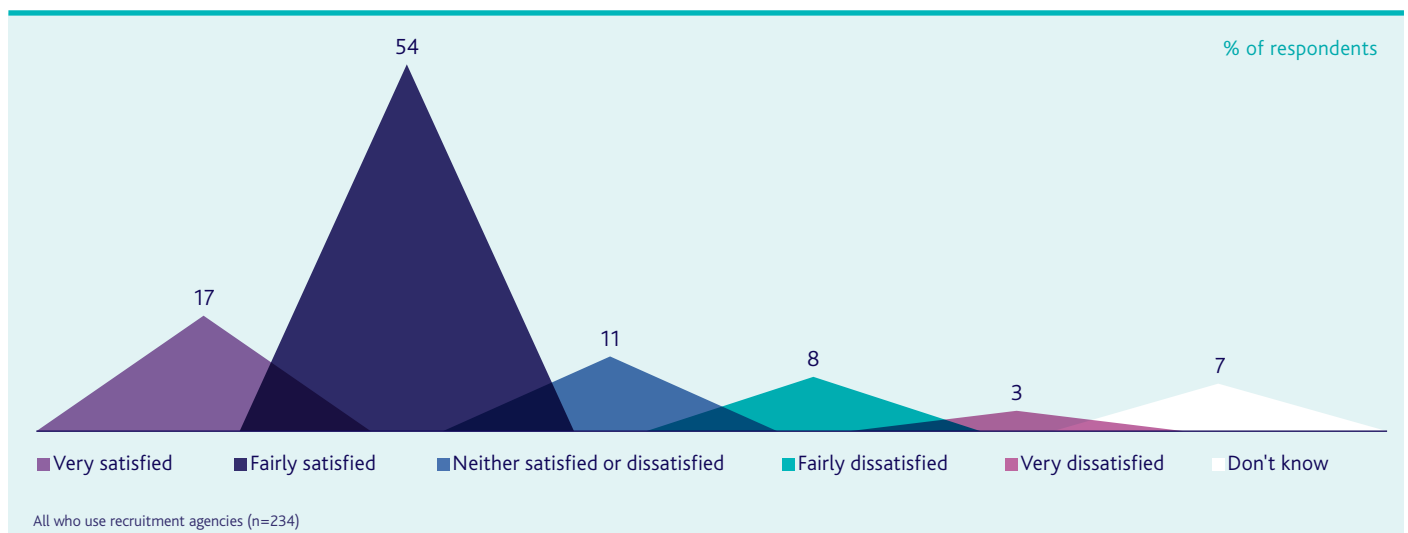


SATISFACTION WITH AGENCIES

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

Whilst the overall satisfaction levels with the candidates presented by agencies has remained steady year-on-year, there was a decline (from 79% in July–September 2016 to 71% in 2017) in the proportion of UK employers expressing satisfaction with the agencies themselves. By sector, sentiment shifted significantly. Whilst the satisfaction levels amongst private sector employers fell year-on-year (from 79% to 68%), it notably improved amongst public sector hirers (from 76% to 85%).

Additionally, the proportion of all-UK employers expressing dissatisfaction increased from 6% to 11% year on year. Of regional note, 15% of employers in the South (including London) registered concern – up from 6% in 2016 – compared to those hiring in the North and in the Midlands who are less dissatisfied (9% in both regions).



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 +14, the net balance of forecast demand for permanent hires was significantly stronger than the balance of anticipated demand for agency staff (-9) this quarter. One notable occupational exception was hospitality where there was a greater net balance of forecast demand for agency workers (+11) than their permanent counterparts (+6).

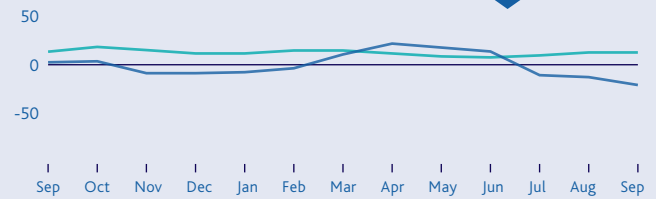
Beyond hospitality, occupations in which there was an above all-occupation average net forecast increase in demand for temporary agency workers this quarter included technology (+11) and drivers (+9).

Conversely, the net balance of demand for agency workers in Health & Social Care fell by 14 points to -31 this quarter – notably below the -9 all-occupation net balance average. With planned permanent hiring for this occupation at +32 – significantly above the +14 all-occupation average net balance – it would suggest that hirers are planning to increase permanent over agency headcount.

One other skills areas where employer sentiment may be suggesting more permanent over agency hiring is Engineering/Technology. Anticipated demand for agency workers declined by 23 points this quarter, to -27. Conversely, forecast demand for permanent staff, whilst down 2 points, remained high at +20.

ACCOUNTING & FINANCIAL SERVICES

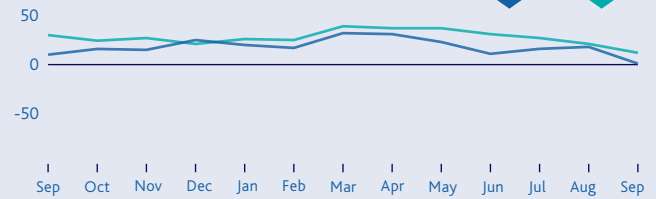
-8 0



Temporary agency workers (n=28*) and permanent members of staff (n=205)

CONSTRUCTION

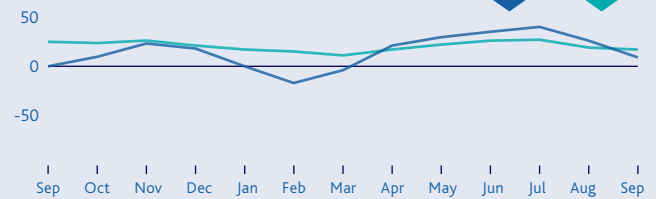
-17 -9



Temporary agency workers (n=11*) and permanent members of staff (n=60)

DRIVERS

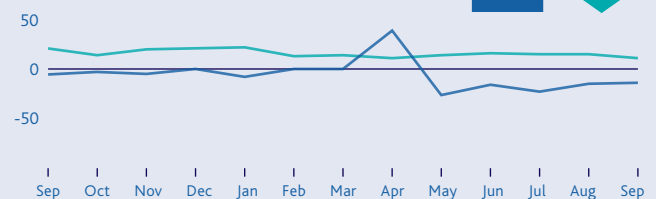
-17 -2



Temporary agency workers (n=11*) and permanent members of staff (n=110)

EDUCATION

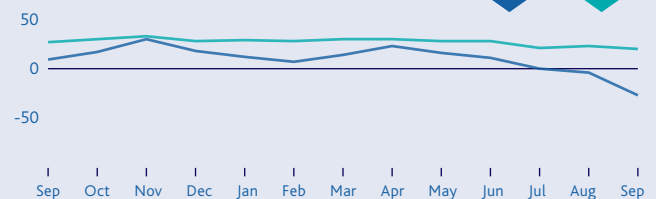
+1 -4



Temporary agency workers (n=9*) and permanent members of staff (n=62)

ENGINEERING & TECHNICAL

-23 -2

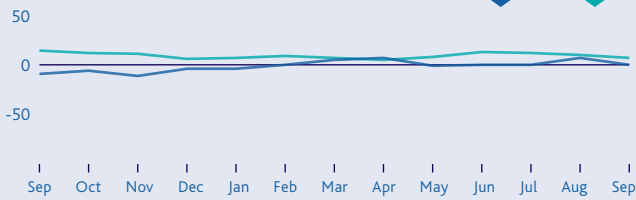


Temporary agency workers (n=12*) and permanent members of staff (n=127)

SectorProspects

EXECUTIVE RECRUITMENT / INTERIM

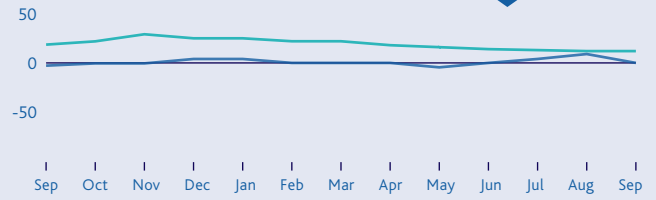
-7 **-4**



Temporary agency workers (n=4*) and permanent members of staff (n=95)

MARKETING, MEDIA & CREATIVE

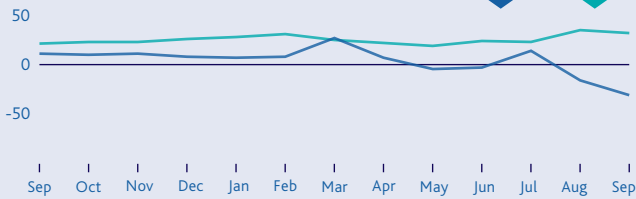
-9 **0**



Temporary agency workers (n=12*) and permanent members of staff (n=125)

HEALTH & SOCIAL CARE

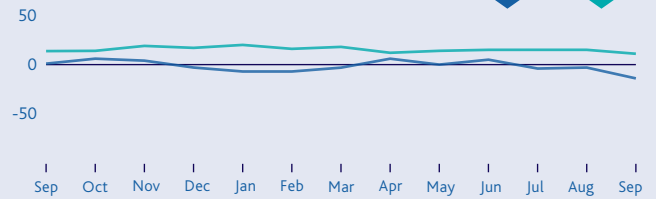
-14 **-2**



Temporary agency workers (n=10*) and permanent members of staff (n=98)

OFFICE PROFESSIONALS

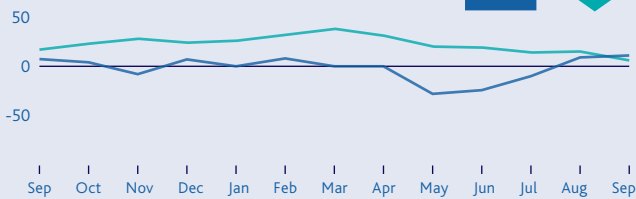
-11 **-4**



Temporary agency workers (n=36*) and permanent members of staff (n=271)

HOSPITALITY

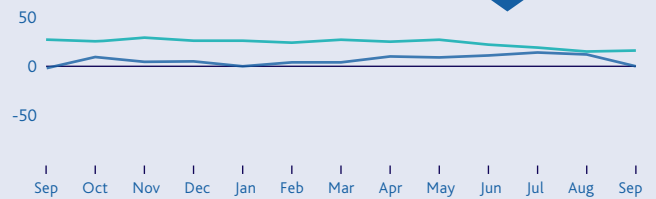
+2 **-10**



Temporary agency workers (n=9*) and permanent members of staff (n=71)

SALES & RETAIL

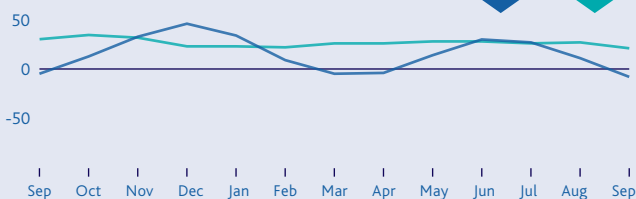
-13 **0**



Temporary agency workers (n=16*) and permanent members of staff (n=156)

INDUSTRIAL

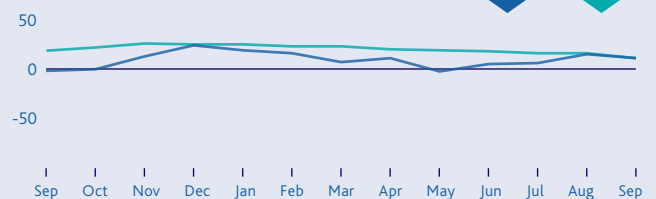
-19 **-6**



Temporary agency workers (n=12*) and permanent members of staff (n=53)

TECHNOLOGY

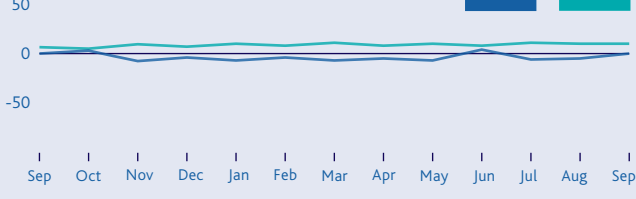
-4 **-6**



Temporary agency workers (n=9*) and permanent members of staff (n=92)

LEGAL & HR

+5 **0**



Temporary agency workers (n=12*) and permanent members of staff (n=133)

■ 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 FORECAST TO HOLD STEADY AT 4.3%

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

The latest nowcast model predicts a fall of 38,000 in the Labour Force Survey measure of UK unemployment in the three months to September. As a result, the unemployment rate is forecast to remain at a multi-decade low of 4.3%.

A further fall in unemployment would extend the current sequence of decline to thirteenth consecutive periods. The ONS signalled a reduction of 52,000 in the three months to August, which was similar to the model prediction of 68,000. 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

- 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

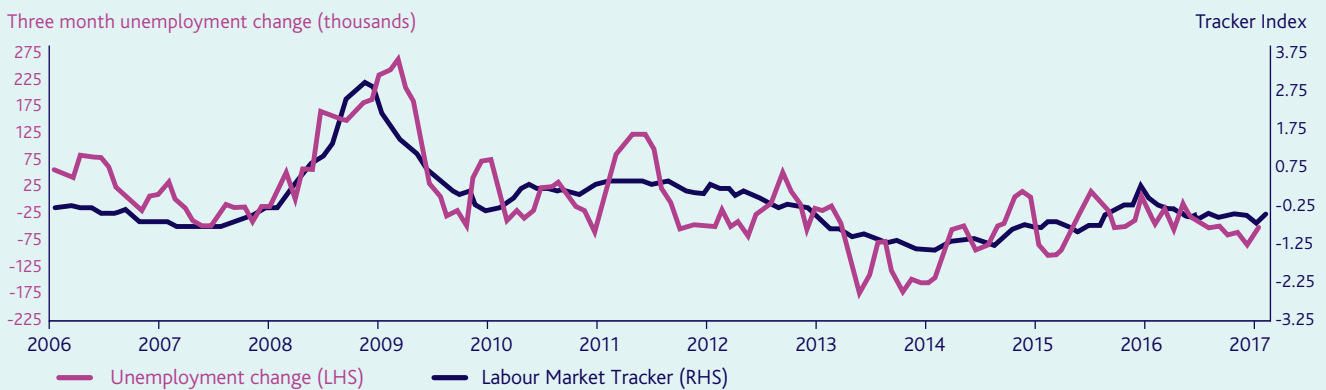
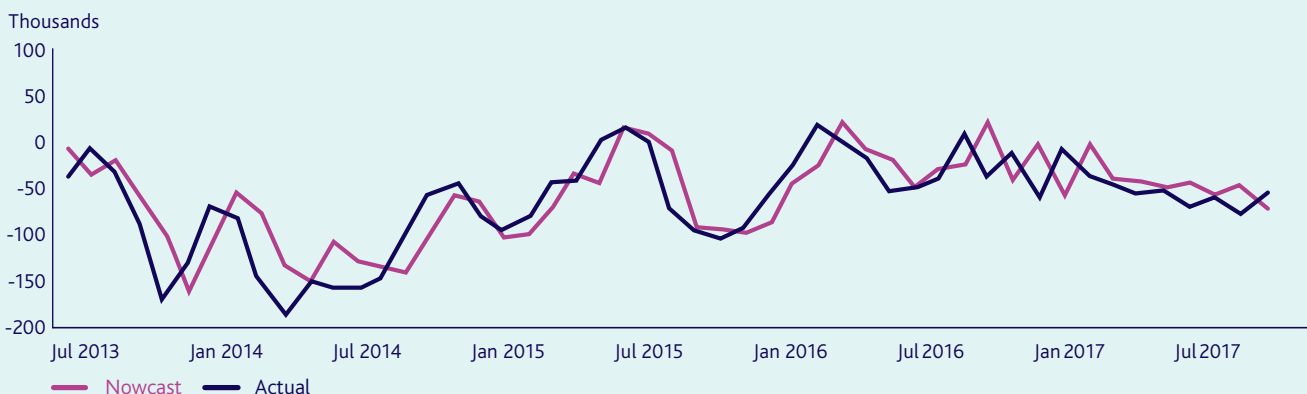


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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

