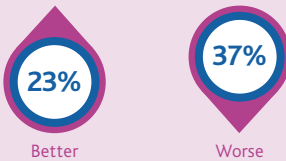


Employer confidence in the prospects for the UK economy plummets

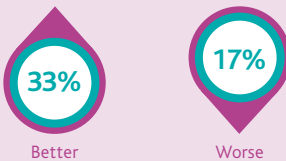
CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

Confidence

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

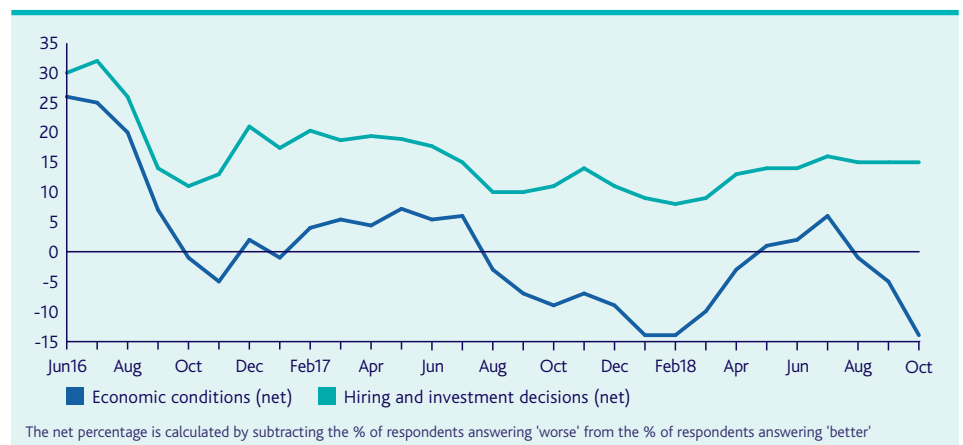


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=600)

Employers' confidence in the prospects for the UK economy plummeted this quarter, falling 9 percentage points to net: -14. Despite the significant deterioration in confidence in the economic outlook, confidence in making hiring and investment decisions remained static, quarter-on-quarter, and firmly in positive territory, at net: +15.



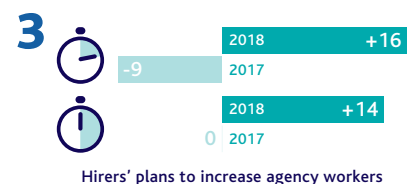
Key Points from July–September Survey



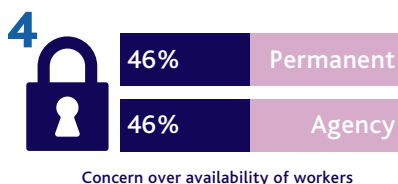
Employers' confidence in the prospects for the UK economy fell sharply this quarter, by 9 points to net: -14. This returned the barometer to levels last witnessed in November 2017–January 2018.



This quarter, 97% of hirers planned to either increase or maintain existing levels of permanent staff in the short-term, compared with 93% last year. 90% planned to increase or maintain headcount in the medium-term.



The net balance of sentiment towards increasing agency headcount in the short-term (net: +16) rose by 25 percentage points year-on-year. Medium-term hiring intentions (net: +14) rose by 14 points over the same period.



Less than half (46%) of UK employers expressed concern over the sufficient availability of candidates for permanent hire. Similarly, 46% of employers that hire agency workers expressed concern, up from 39% in July–September 2017.



Hirers of permanent staff expressed most concern about health and social care roles this quarter, with 42% of employers who recruit for those roles expecting to find shortages. Other occupations causing concern are engineering and technical, and hospitality roles.



Despite declining availability of candidates, three quarters (76%) of employers expressed satisfaction with the recruitment agencies they used in the last two years – up 6 points from the same period last year.

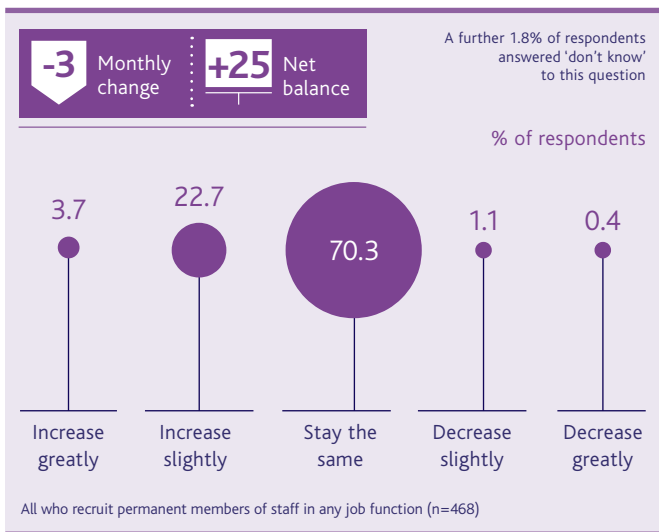
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

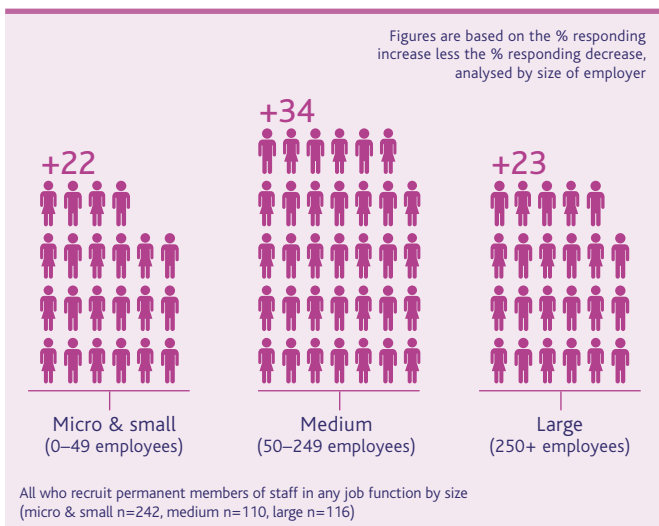
Ninety-seven percent of permanent hirers planned to either increase their permanent headcount (26%), or maintain existing levels (70%), when surveyed in July–September 2018. This was up from 93% a year earlier (of which 18% planned to add numbers) and 89% in the same period in 2016 – the period just after the EU referendum.



OUTLOOK BY EMPLOYER SIZE

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

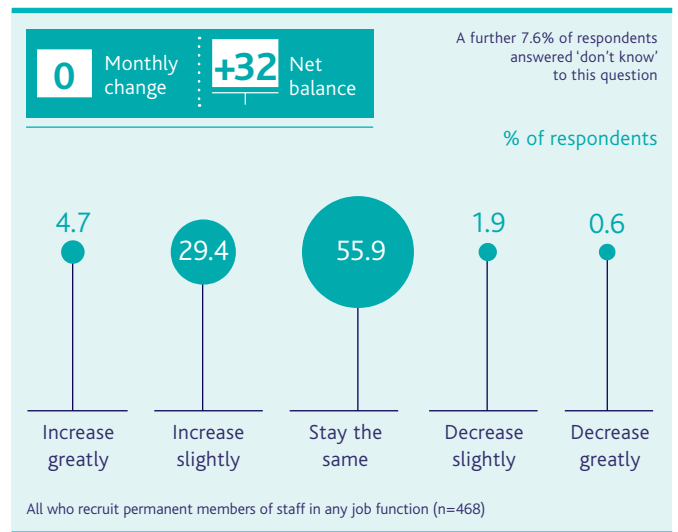
Anticipated short-term demand remains highest within medium-sized employers (50–249 employees), this quarter, with a net balance of +34. Moreover, the positive net balance was up from just +19 in the same period last year. The year-on-year increase in the positive sentiment of micro/small (0–49 employees) enterprises is also noteworthy, rising from net: +9 to net: +22.



MEDIUM-TERM OUTLOOK

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

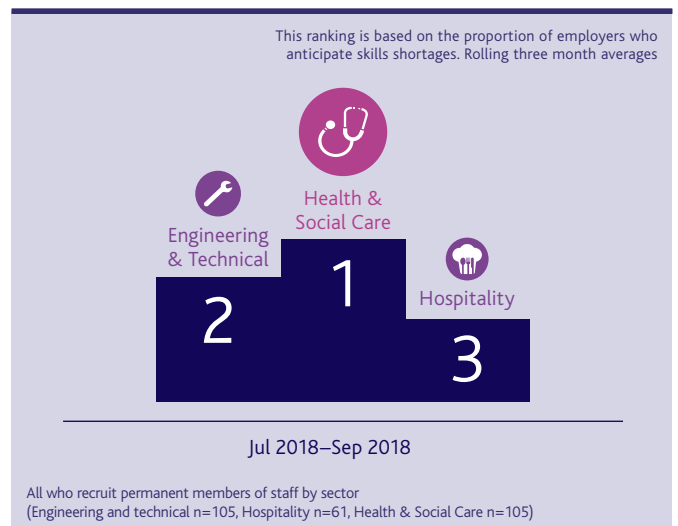
The medium-term sentiment towards permanent hiring remained buoyant this quarter. More permanent hirers are planning to increase than decrease numbers with a net balance of +32, up from +18 a year earlier. From a regional perspective, the balance of forecast demand was highest in London (net: +38) and lowest in the Midlands (net: +28). Sectorally, the balance of forecast demand was lower amongst public sector hirers (net: +26) than within the private sector (net: +35).



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?

Less than half (46%) of UK employers of permanent staff expressed concern, this quarter, over the sufficient availability of candidates for permanent hire. More employers in the Midlands anticipate shortages (58%) and 53% of the UK's largest organisations (250+ employees) raised this issue. Occupations causing most concern are renowned for their high dependency on non-UK nationals.

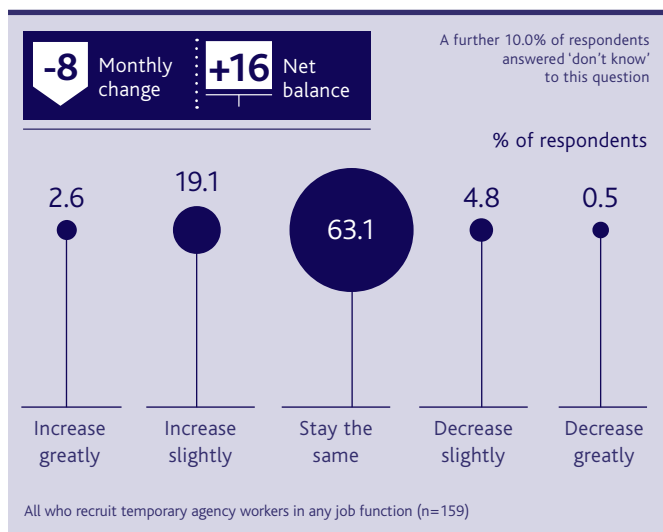


Temporary Recruitment

SHORT-TERM OUTLOOK

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

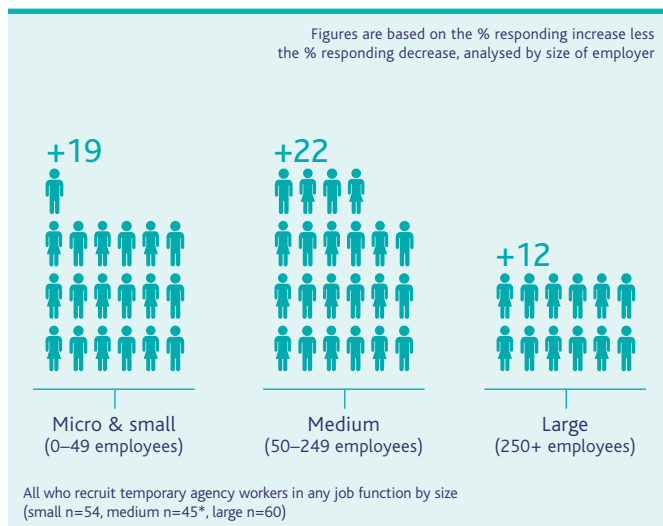
While there was an 8-point quarterly fall in the balance of short-term forecast demand for temporary agency workers, sentiment remained firmly in positive territory with a net balance of +16. Set into context of the picture over the last year, the reverse was true in July–September 2017 (net: -9). Moreover, the balance of sentiment has now been positive for eleven consecutive quarters.



OUTLOOK BY EMPLOYER SIZE

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

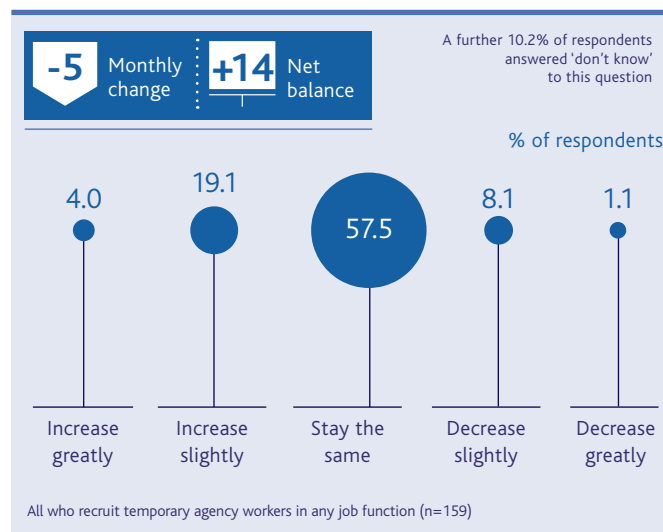
In relation to where the drop-off in forecast short-term demand for agency workers occurred, it is amongst the smallest (0–49 employees) and largest (250+ employees) enterprises where the quarterly shift happened. In the case of micro/small enterprises, the balance of sentiment fell from net: +32 to net: +19, quarter on quarter – but was up from net: -3 a year earlier. Amongst large employers, the decline was from net: +22 to net: +12. However, this was notably stronger than net: -4 in July–September 2017.



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?

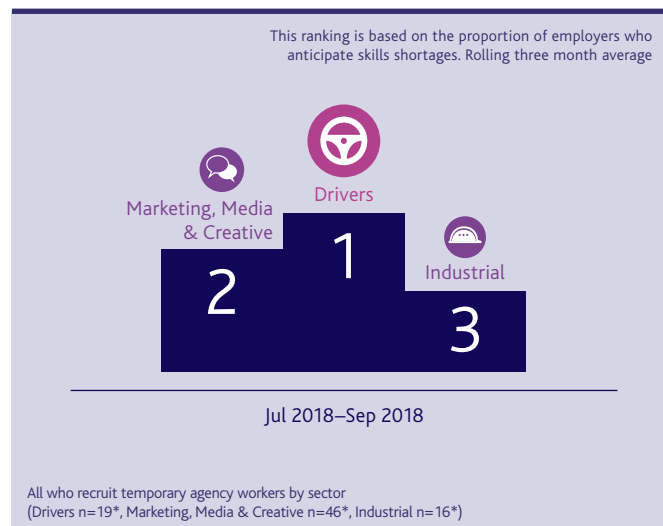
The balance of medium-term forecast demand for agency workers also remains buoyant, despite a 5-point quarterly fall. At net: +14, this compares with net: 0 in the same period last year. Regional variations were stark, however. While the balance of sentiment was net: +22 in London, Northern hirers of temporary agency workers were more likely to decrease rather than increase headcount with a net balance of -11. Also, the balance of public sector hirer sentiment was just net: +1.



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?

46% of hirers of temporary agency workers expressed concern this quarter over a sufficient availability pool with the skills they required – up from 39% in the same period last year. Set in context of the potential extension of the off-payroll reforms into the private sector, 49% of hirers in this arena expressed concern, compared to 21% of public sector respondents.

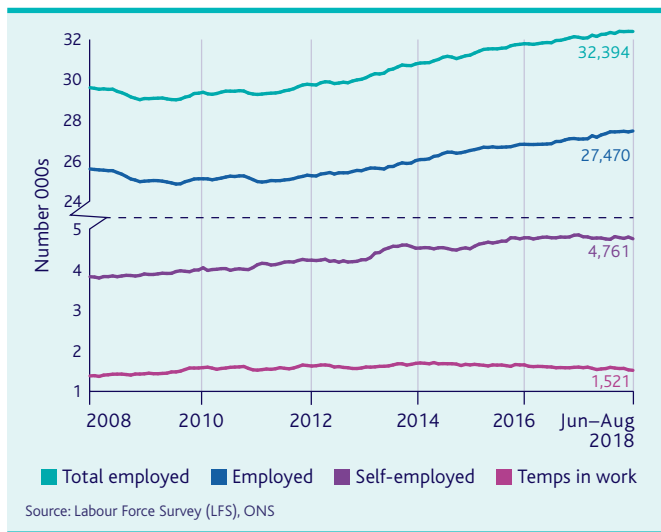


LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

At 32,394,000, the UK workforce remained at a broadly static level this quarter (just 5,000 lower than in May–July 2018). Year-on-year, however, the number had increased by 289,000 (0.9%) – and was driven by a notable increase in permanent employment (+480,000) and a rise in the instance of family members working unpaid (+9,000). Offsetting these annual increases were a 94,000 (1.9%) fall in self-employment – of which 87,000 had previously been engaged on a full-time basis – and a 79,000 (4.9%) decrease in the number of temporary employees.

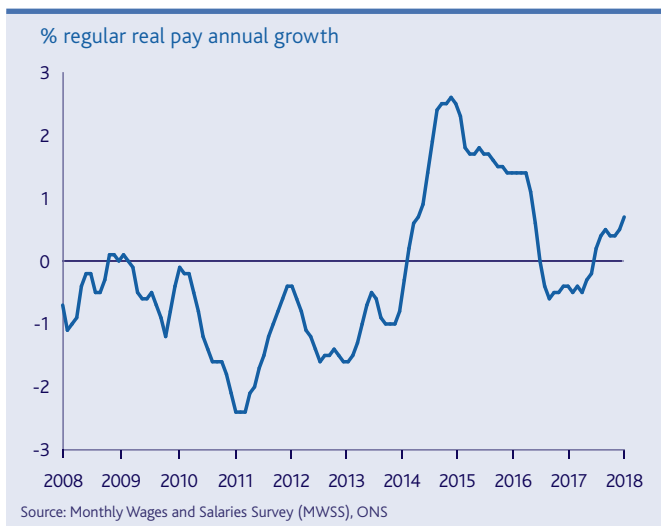
Total employment, employed and self-employed



REAL WAGE GROWTH

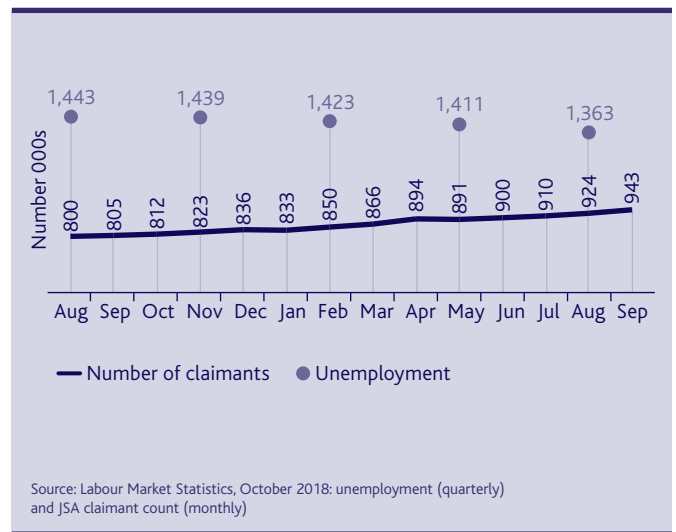
Regular pay, for the period between June–August 2017 and June–August 2018 increased, in nominal terms, by 3.1% – an annual growth rate that has not been higher since October–December 2008. In real-terms, however, when adjusted for inflation (CPI), the increase was just 0.7%. Additionally, this measure is for the earnings of the employed workforce only and does not take into account changes to self-employed earnings.

From an average weekly wage perspective, nominal employee earnings (i.e. not adjusted for inflation) were £492 in August 2018 – up from £477 a year earlier. In real-terms (i.e. adjusted for inflation), the average weekly wage was £462 – up from £459 a year earlier.



UNEMPLOYMENT AND CLAIMANT NUMBERS

The unemployment rate remained at 4.0% in August 2018 – a rate that has not been lower since December 1974–February 1975. At 1,363,000, this was 47,000 (3.4%) lower than the last quarter and 79,000 (5.5%) lower than in the same period last year. Quarter-on-quarter, unemployment increased, however, amongst older workers, where an increase of 8,000 was witnessed amongst those aged 25–49 and an additional 4,000 workers aged 50+ were without work. At 943,000, the Claimant Count was 18,500 (2.0%) higher than the previous quarter and was up by 138,300 (17.2%) year-on-year.

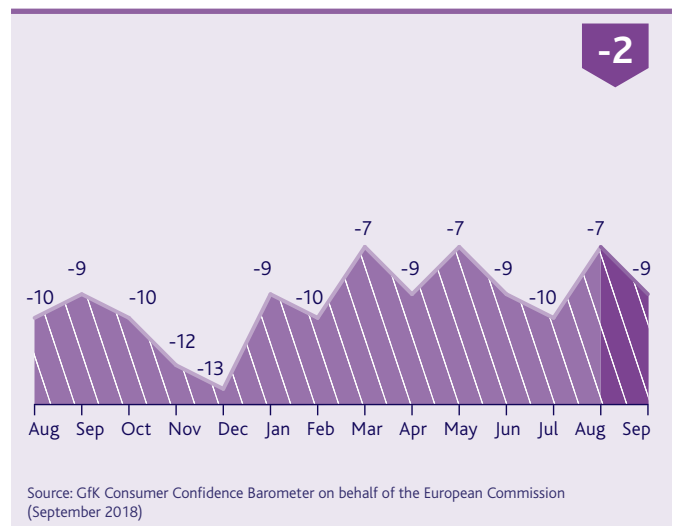


CONSUMER CONFIDENCE INDEX

With the GfK Index of UK Consumer Confidence falling by 2 points in September 2018, to -9, the Overall Index has now consistently registered a zero or negative reading since February 2016.

Four of the constituent scores, noting respondents' view on the general economic situation and their own personal finances, deteriorated in September whilst one (the Major Purchase Index) remained the same.

Whilst scores relating to personal finances remain in positive territory, it is the respondents' poor view of the wider economy that is keeping the headline score negative.

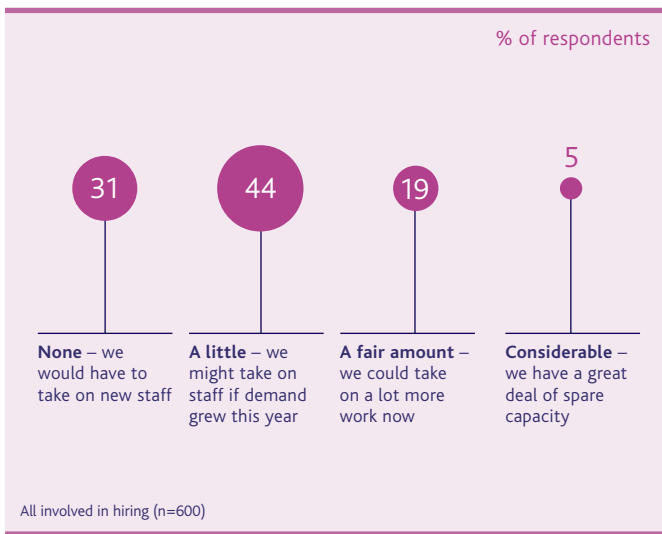


EmployerDashboard

WORKFORCE CAPACITY

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

Almost one third (31%) of UK employers highlight having absolutely no spare resource capacity when surveyed in July–September, down from 42% a year earlier. Conversely, those with just a little surplus resource increased, year-on-year, from 38% to 44%. At the other end of the availability spectrum, 33% of London employers suggested that they had a fair amount (25%) or considerable (8%) spare resource capacity, higher than the combined 25% UK average.

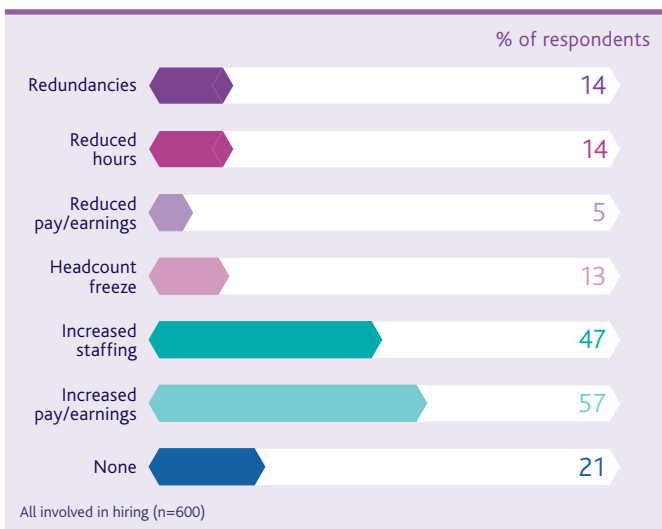


WORKFORCE PLANNING

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

With 14% of UK hirers highlighting that they had reduced hours over the last year, this is a significant increase on the 9% admitting the same when surveyed in July–September 2017. Meanwhile 57% of hirers had increased pay/earnings in the past year – up 6 percentage points, quarter-on-quarter.

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

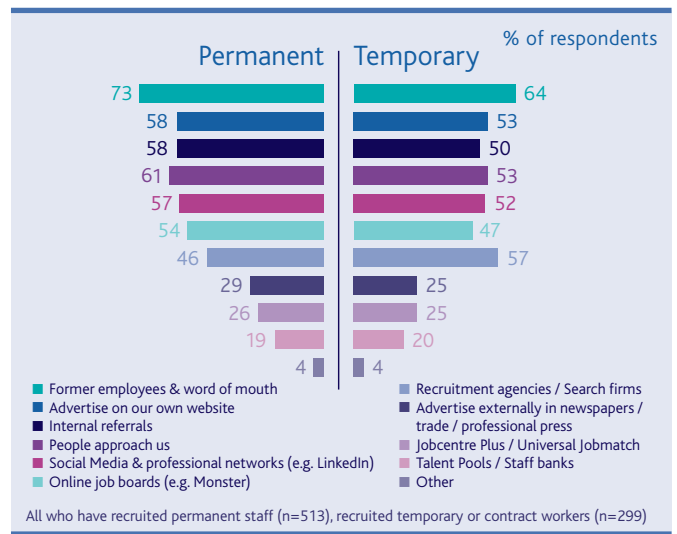


RECRUITMENT CHANNELS USED

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

The use of social media and professional networking sites has increased significantly over the last year. The proportion of employers highlighting use of these channels to attract permanent staff increased from 44% to 57% year-on-year, while the percentage of temporary workers hirers highlighting the same practice rose from 36% to 52%.

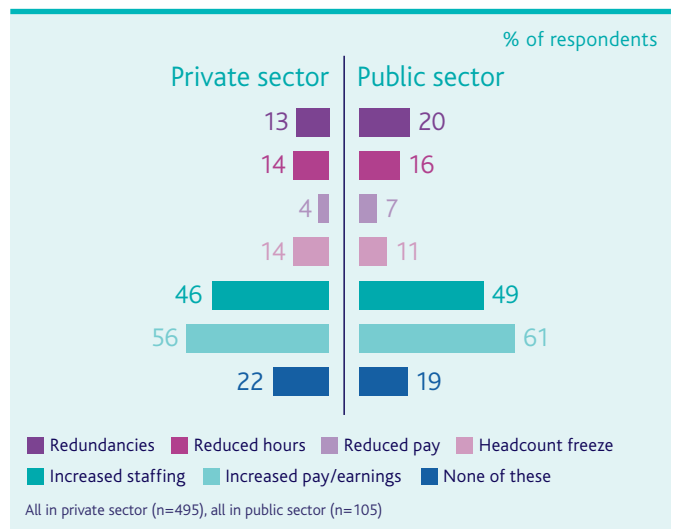
Recruitment channels used for staffing as of September 2018



WORKFORCE PLANNING BY SECTOR

In all areas of corrective workforce activity, the proportion of public sector respondents who utilised the measure increased year-on-year. For those making redundancies in the preceding 12 months, the proportion of public sector hirers rose from 15% to 20%. Similarly, the proportion reducing hours increased from 9% to 16%, whilst for 11% of public sector employers a headcount freeze had been a necessity – up from 9% a year earlier. In contrast, the year-on-year increases in instances of private sector employers making corrective activity were less noteworthy, with instances of redundancies actually falling (from 15% to 13%).

3 month rolling average to September 2018

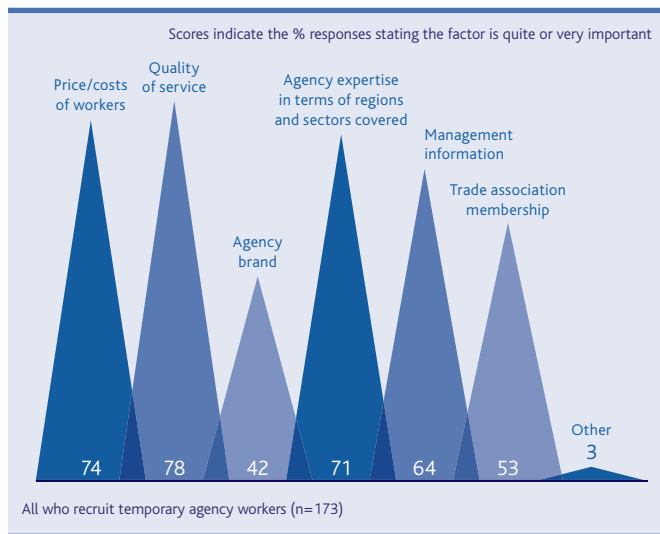


AgencyDashboard

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?

When looking at the year-on-year change in the importance of key criteria to employers when selecting agency partners, there were two key areas of uplift: an agency's ability to provide management information (up from 57% to 64%) and being a member of a trade body (up from 44% to 53%).

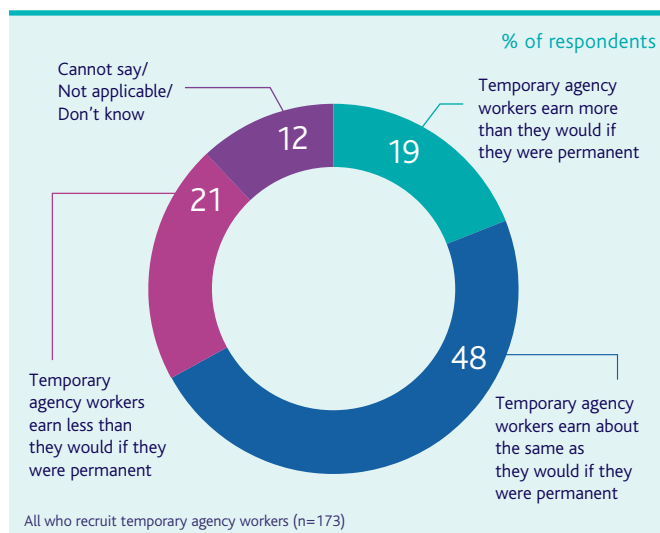


AGENCY WORKER PAY RATES

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

When looking at the demographics of the employers who recruit temporary agency workers and who believe that these workers earn more than their permanent counterparts, there is a notable regional divergence. This ranges from 7% of employers in the Midlands to 40% of hirers in London. Of additional note, 39% of public sector hirers believe this to be the case, compared to just 16% of private sector employers.

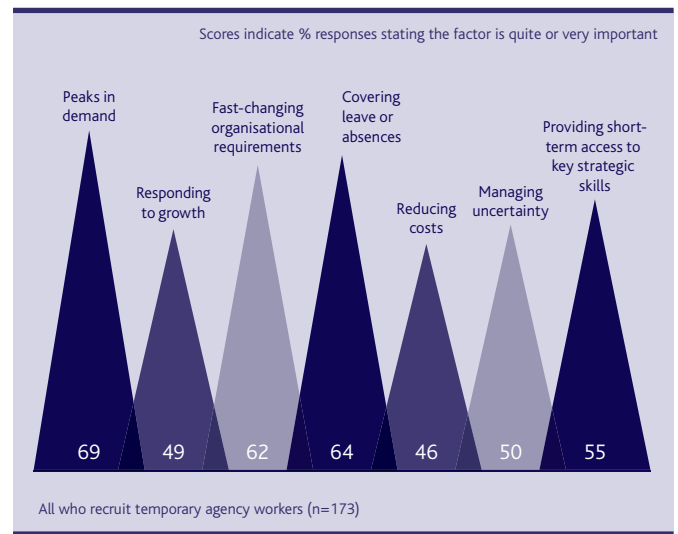
3 month rolling average to September 2018



IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

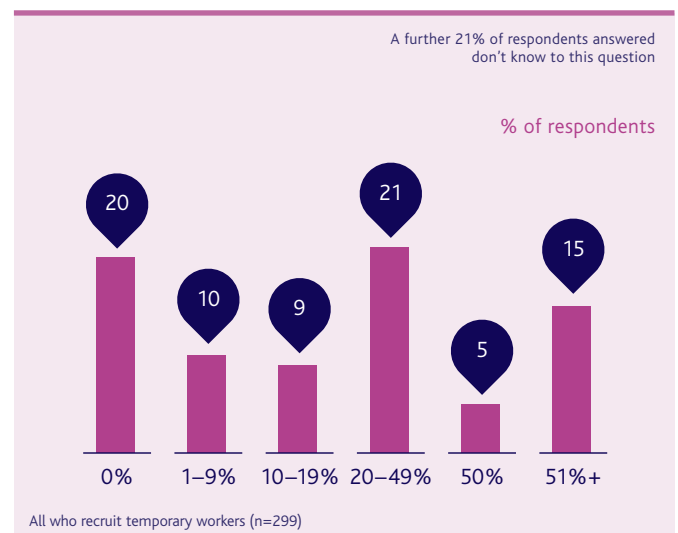
In relation to employers' shifting perceptions of the importance of temporary agency workers, fewer hirers who recruit short-term staff value their contribution in enabling them to respond to growth this year (49%) than last year (57%). Conversely, more (62%) highlighted their importance in enabling them to respond to fast changing organisational requirements than in the same period last year (51%).



TEMPORARY TO PERMANENT

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

Among one fifth (19%) of UK hirers that are transferring at least half of their temporary workers to permanent positions each year are 27% of public sector organisations and 26% of mid-sized (50–249 employees) enterprises. In contrast, just 12% of the UK's largest organisations make the same level of transfers. As an instance of where the practice has reduced, year-on-year, the proportion of Northern employers transferring 50%+ fell from 29% to 23%.



AgencyDashboard

SATISFACTION WITH CANDIDATES

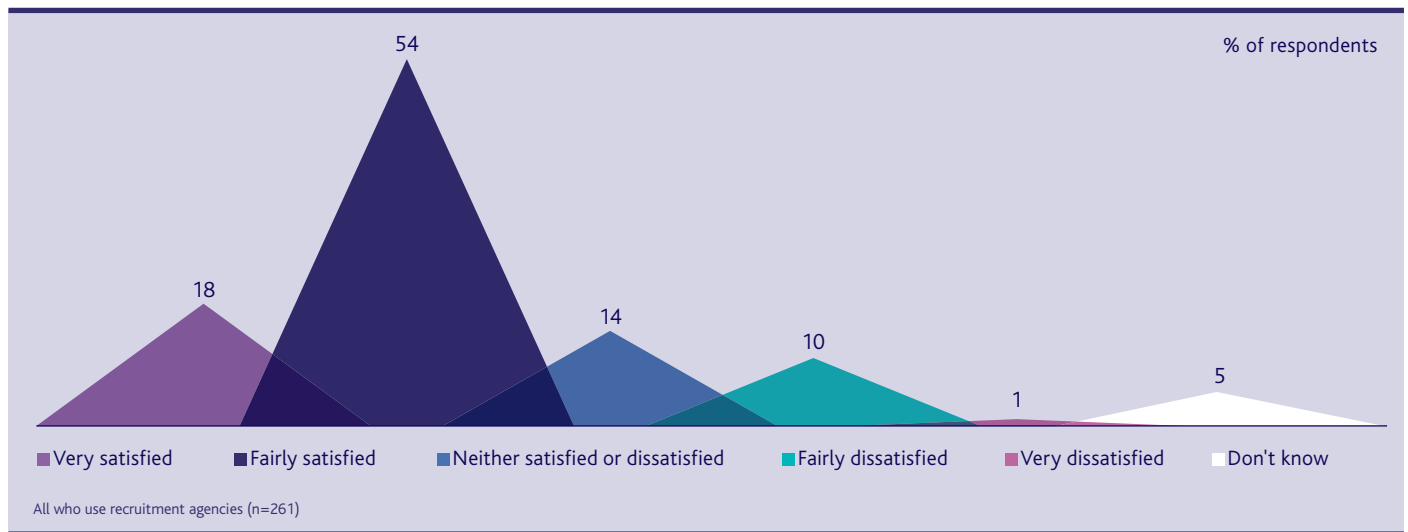
How satisfied or dissatisfied are you with the quality of candidates presented to you by your recruitment agencies?

Seven in ten (71%) employers expressed satisfaction with the candidates presented to them by agency partners, when surveyed this quarter – the same proportion that expressed this sentiment in July–September 2017.

Employers in the Midlands were the most satisfied (78%) – notably higher than in the same period last year (71%). In contrast, just 61% of employers in the North expressed the same sentiment (down from 66% last year) – with two and a half times the

national average (25% versus 10%) expressing dissatisfaction with the quality of candidates being presented by agencies (up from just 9% last year).

From the perspective of organisational size, mid-sized (50–249 employees) enterprises were notably more satisfied (81%) than micro/small (0–49 employees) organisations (61%). This compares to 80% and 67%, respectively, in the same period last year.



SATISFACTION WITH AGENCIES

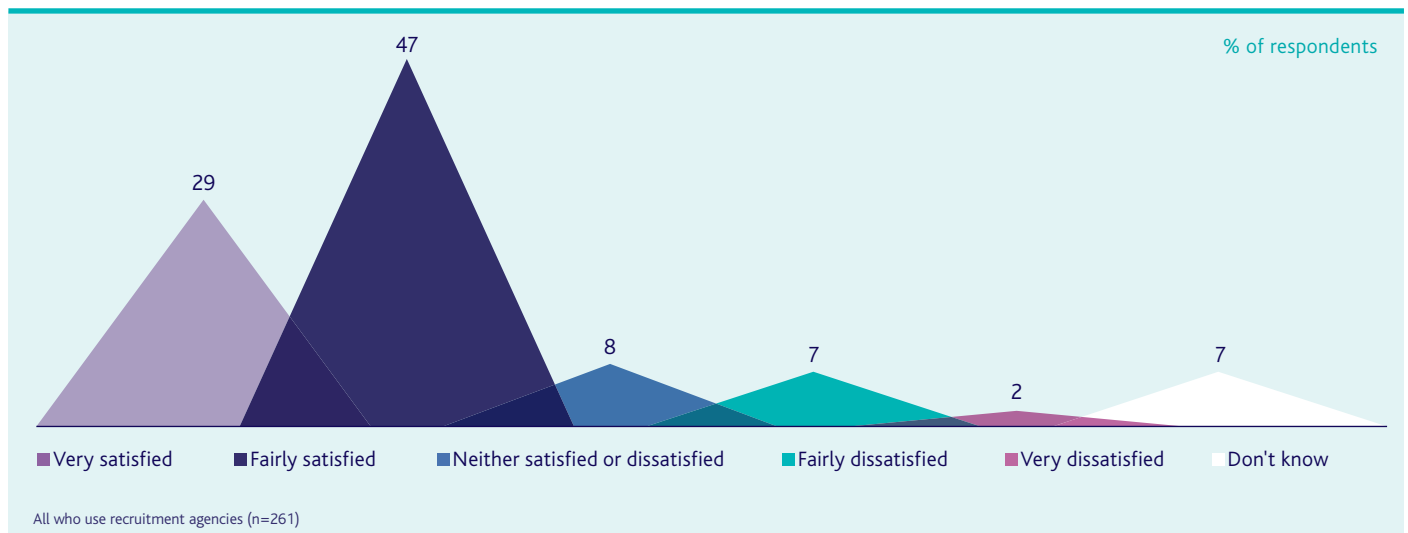
How satisfied are you overall with the recruitment agencies you have used in the last 2 years?

Despite tightening availability of candidates, three quarters (76%) of UK employers who rely on the support of agencies for their hiring activity expressed satisfaction with their partners, when surveyed in July–September, an increase of 6 percentage points on the proportion admitting the same sentiment in the same period last year.

There were notable variations in sentiment across the regions, however, ranging from 85% expressing satisfaction in the Midlands to just 63% in the North.

Similarly, public sector employers were more satisfied with their agency partners than hirers within the private sector (at 86% and 75% of respondents, respectively). From a private sector perspective, however, this is a marked improvement on the sentiment registered last year, when just 68% expressed satisfaction.

By size of organisation, mid-sized (50–249 employees) enterprises are the most satisfied, with 81% highlighting this to be the case, compared to 71% of micro/small (0–49 employees) businesses.



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: +25, the net balance of forecast short-term demand across all skills required for permanent hire was notably higher than the anticipated demand for agency staff (net: +16) this quarter.

Whilst there were no notable upticks in anticipated short-term demand for permanent hires this quarter, the anticipated need for key occupations remains notably above the all-occupation average. These include Drivers (net: +33) and Health & Social Care workers (net: +33).

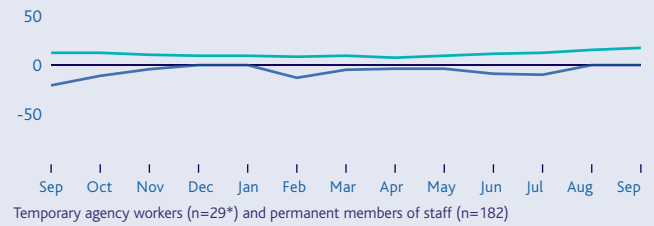
The same was true of forecast demand for temporary agency workers, but the anticipated need for Drivers (net: +32), Hospitality (net: +45) and Industrial workers (net: +26) remained high.

- 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.

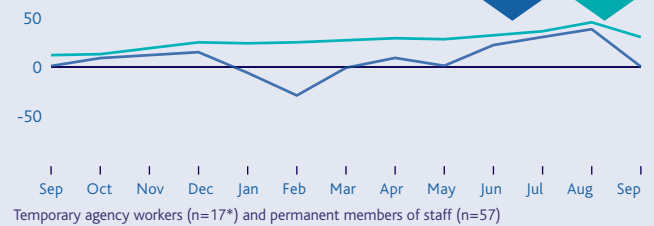
ACCOUNTING & FINANCIAL SERVICES

0 +2



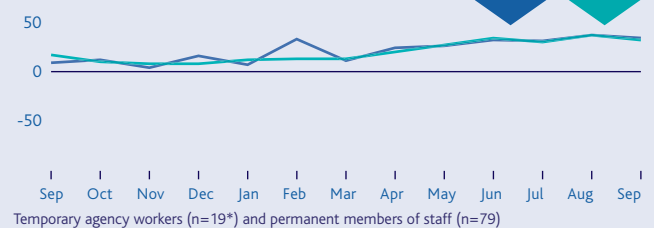
CONSTRUCTION

-38 -15



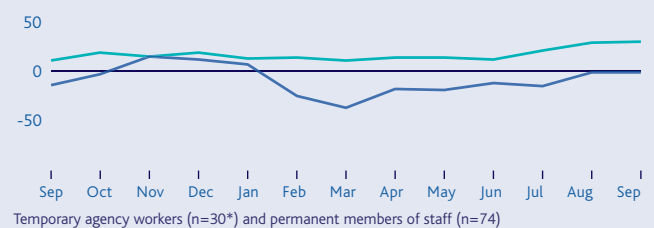
DRIVERS

-3 -5



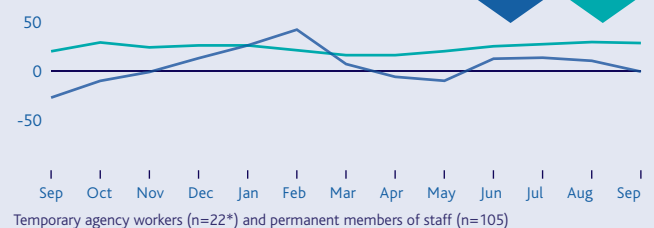
EDUCATION

0 +1



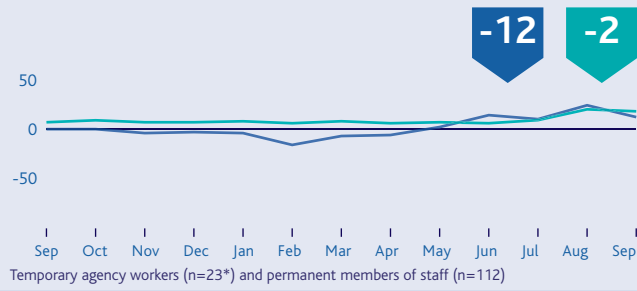
ENGINEERING & TECHNICAL

-11 -1

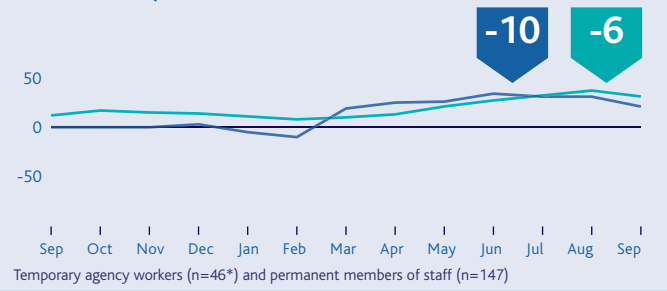


SectorProspects

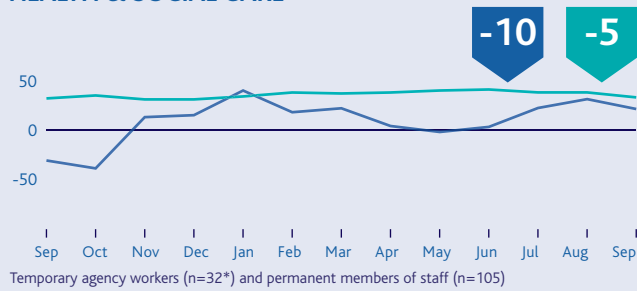
EXECUTIVE RECRUITMENT / INTERIM



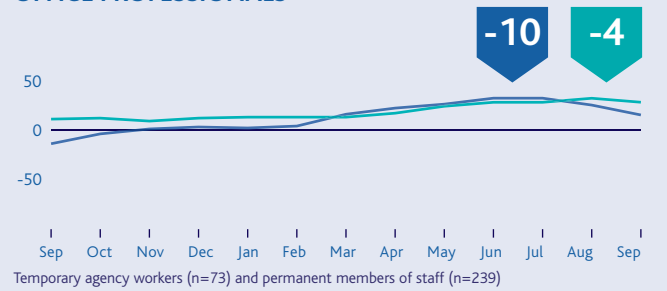
MARKETING, MEDIA & CREATIVE



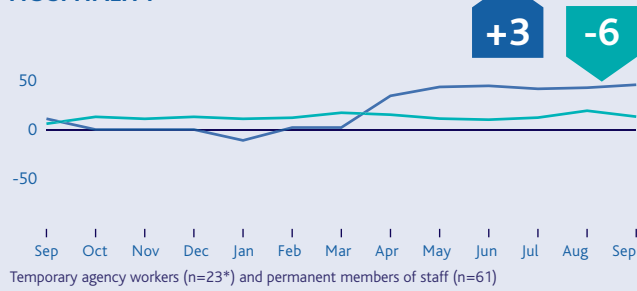
HEALTH & SOCIAL CARE



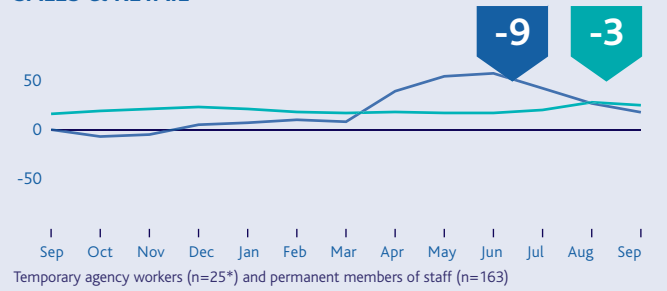
OFFICE PROFESSIONALS



HOSPITALITY



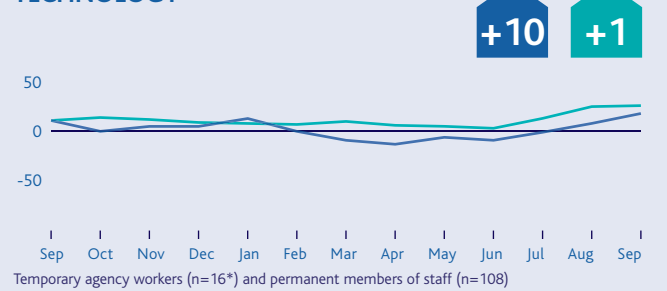
SALES & RETAIL



INDUSTRIAL



TECHNOLOGY



LEGAL & HR



REC-IHS Markit Predictive model

UNEMPLOYMENT RATE EXPECTED TO FALL TO 3.9%

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

The latest nowcast model anticipates a reduction of 39,000 in the Labour Force Survey measure of UK unemployment in the three months to September. Consequently, the UK unemployment rate would edge down from 4.0% to 3.9% (the lowest since early 1975).

The model forecasts an eighth successive fall in unemployment and follows a decline of 47,000 in the three months to August. As shown in the charts below, the model continues to provide reliable signals in official unemployment data.

- 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

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

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

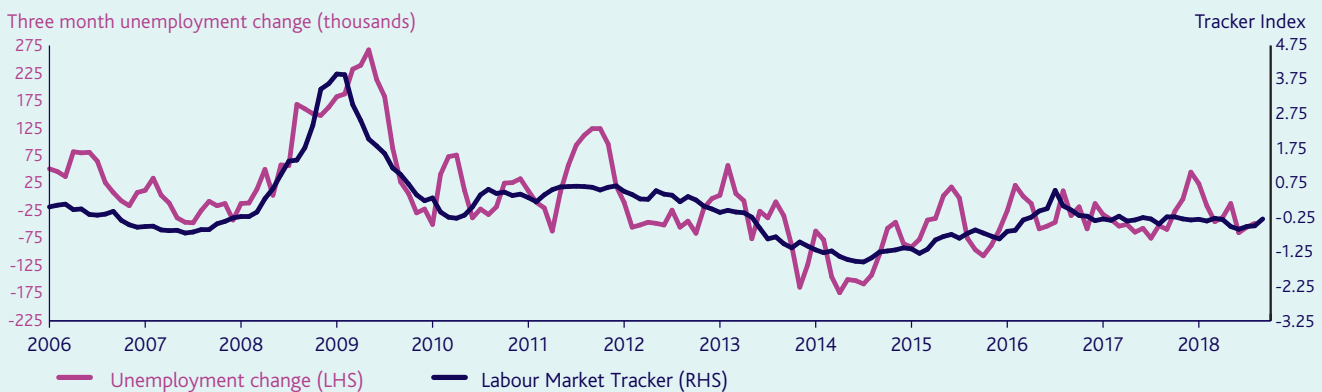
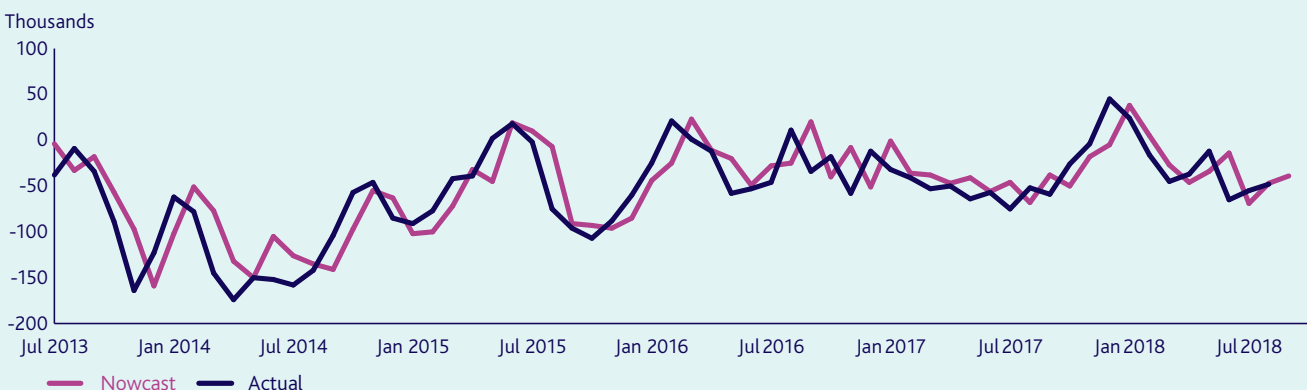


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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

