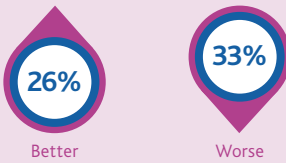


Employer confidence continues to deteriorate

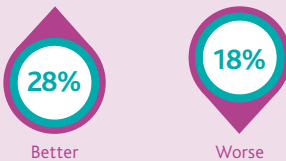
CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

Confidence

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

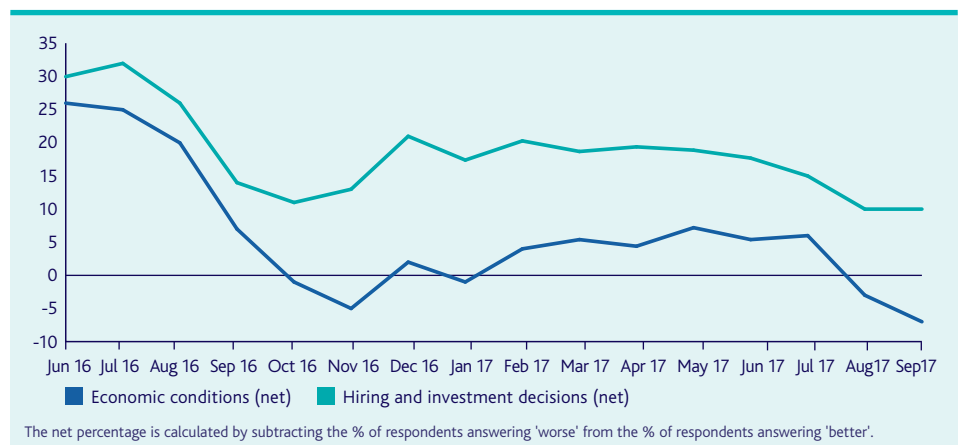


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=600)

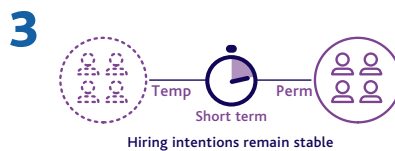
More respondents (NET: +7 percentage points) thought that economic conditions were worsening than improving in June–August 2017, as sentiment further deteriorated across the quarter. Nonetheless, confidence in making hiring and investment decisions remained in positive territory in June–August (+10 percentage points), the same as the previous rolling quarter.



Key Points from August Survey



7% more employers believed that economic conditions in the UK are worsening rather than improving, a reverse of the figures in June–August 2016.



Hiring intentions for permanent and temporary staff in the short-term remain stable (10% over the last two rolling quarters).



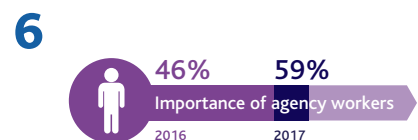
Health & Social care and Construction are the top functions where employers expect to find a shortage of appropriate candidates for permanent and temporary roles, respectively.



The smallest UK employers (0–49 employees) were the most pessimistic about the outlook for the UK economy being more likely to believe that conditions were worsening than improving (NET: -12 percentage points).



More than a third of employers (36%) are concerned over the sufficient availability of temporary agency workers.



59% of employers highlighted the importance of agency workers in enabling them to respond to growth – up from 46% in the same period last year.

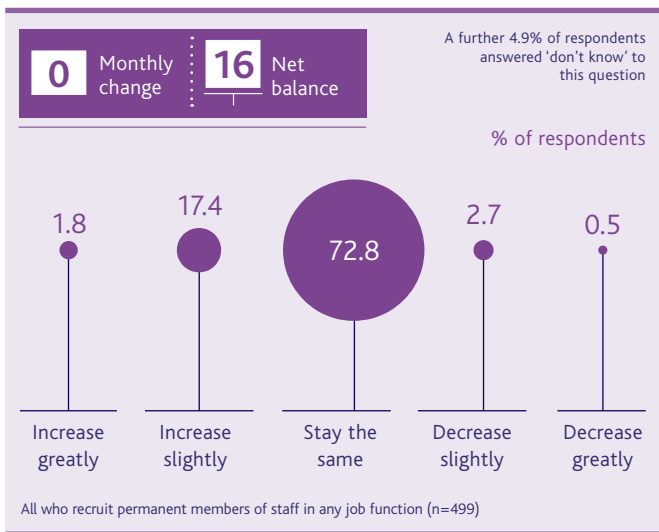
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by region, broad industry sector and public/private split. ComRes is a member of the British Polling Council and abides by its rules.

Permanent Recruitment

SHORT-TERM OUTLOOK

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

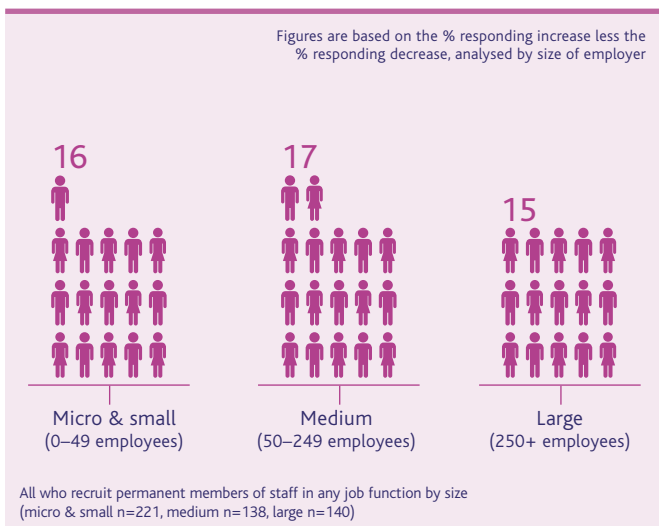
Nine in ten (92%) of employers suggested that they would be either increasing their permanent headcount (19%) or keeping numbers the same (73%) over the next quarter, when surveyed between June–August. This rose to a notable 98% amongst public sector employers. London employers suggested that they would be the most active, with 25% planning to increase numbers and 5% planning headcount reductions.



OUTLOOK BY EMPLOYER SIZE

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

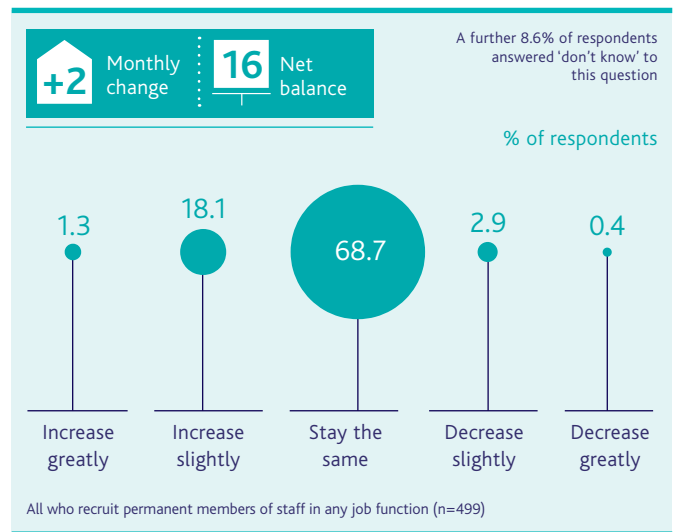
Whilst there was minimal variation in sentiment towards the short-term hiring between employers, based on their size, in June–August, there had been a distinct year-on-year shift in sentiment amongst the smallest employers. In the same period in 2016, a net balance of +24% micro/small employers (0–49 employees) suggested that they would be adding headcount in the short-term, compared with +16% this 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?

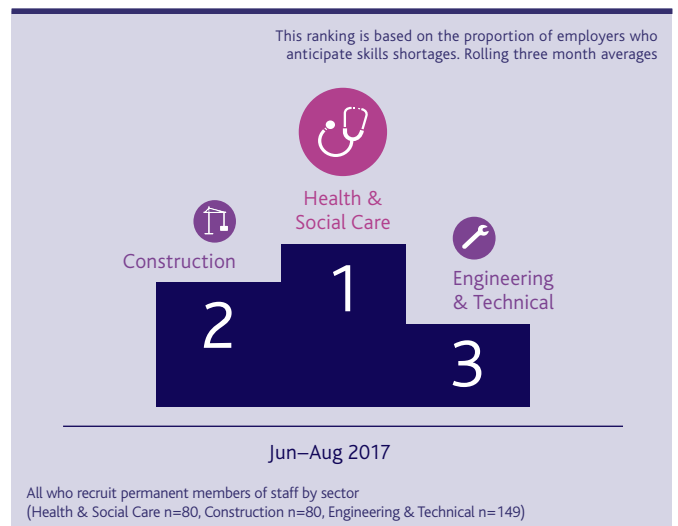
The net balance of medium-term prospects for permanent hiring improved by 2 percentage points this quarter, with more employers suggesting planned increases over decreases in headcount (+16 percentage points). However, this was down from 23% in the same period last year. Regional variations across the quarter were stark, ranging from +11 percentage points in the Midlands to +25 percentage points in London.



SKILLS SHORTAGES AND QUALITY OF HIRES

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

Concern over the sufficient availability of permanent workers with Health & Social Care skills came to the fore this quarter. With 5% of the UK Health & Social Care workforce (202,800) comprised of EU nationals in 2016 and a further 5% (202,400) comprised of non-EU nationals, the sector is extremely vulnerable to the ongoing uncertainty around the future immigration policy.

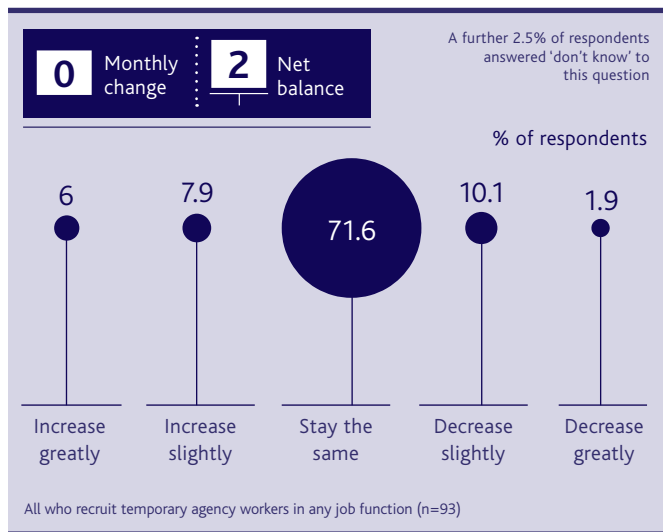


Temporary Recruitment

SHORT-TERM OUTLOOK

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

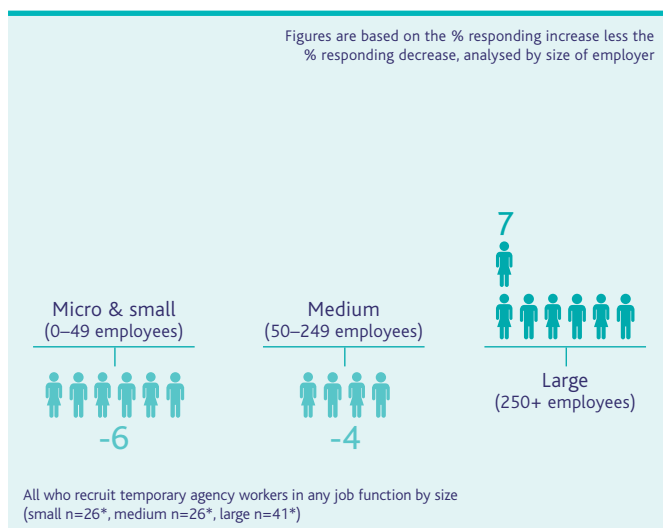
Whilst the net balance of sentiment towards short-term hiring of agency workers stayed the same, quarter-on-quarter, at +2%, variation in the underpinning monthly balances was significant. In a sharp downward trend, the figures swung from +11% in June to -22% in August. Regionally, across the quarter, 10% more employers in the South (excluding London) suggested they would be reducing rather than increasing headcount. Conversely, 10% more employers in the Midlands planned to increase numbers rather than decrease them.



OUTLOOK BY EMPLOYER SIZE

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

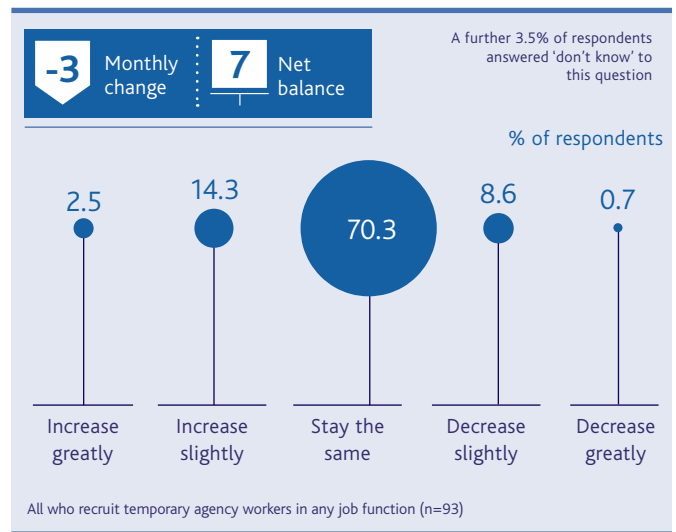
There was a 9 percentage point decline (from +3% to -6%), quarter-on-quarter, in the net balance of intent amongst the smallest employers (0–49 employees) towards agency worker hiring. This was a 34 percentage point negative year-on-year decline in sentiment (from +28% to -6%). Conversely, the net balance amongst the largest employers (250+ employees) improved from -9% to +7% year-on-year. With sentiment amongst medium sized employers (50–249 employees) also negative this quarter (-4%), large employers were the only group to suggest planned increases.



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?

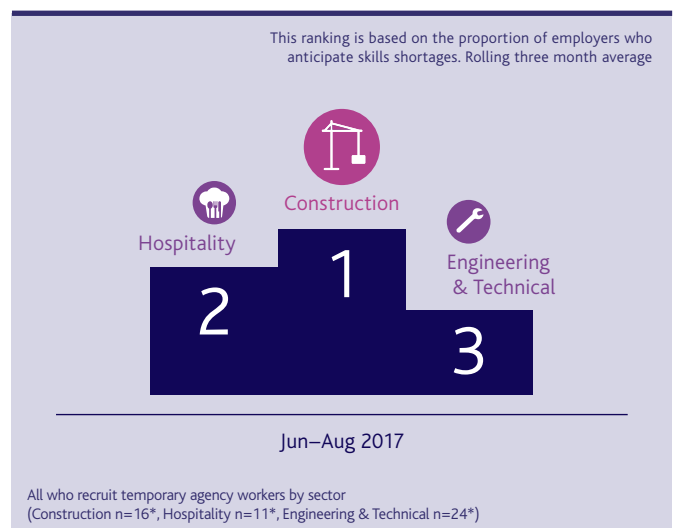
The medium term prospects for agency worker usage remained positive this quarter, with a net balance of 7% more employers planning increases over decreases. The net balance was negative, however, in July (-6%) and August (-3%). Notably, 4% more public sector respondents planned decreases than increases – down from a positive net balance of +9% in June–August 2016. In contrast, the sentiment of their private sector counterparts shifted from -1% in June–August 2016 to +9% this year.



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?

More than one-third of employers (36%) expressed concern over the sufficient future availability of temporary agency workers to meet their needs, when surveyed in June–August, compared with 18% a year earlier. With the top three skills areas of concern being heavily reliant upon non-UK national labour, ongoing uncertainty over the future rules of their engagement will be heightening concerns.



LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

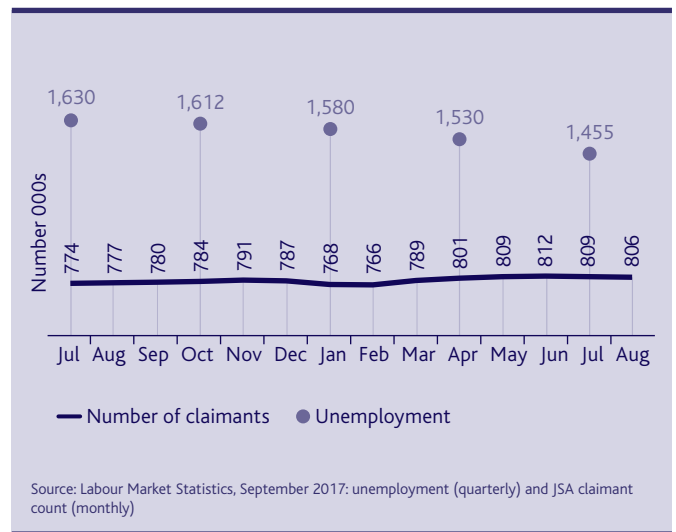
At 32,136,000 in May–July 2017, the total UK workforce increased by 181,000 against February to April 2017 and 379,000 year-on-year. Despite the changes to the public sector protocols governing the engagement of off-payroll workers in April 2017, self-employment increased by 43,000 quarter-on-quarter and by 88,000 against the prior year. Temporary employment was also up by 7,000 against the previous quarter but remained 59,000 down year-on-year.

Total employment, employed and self-employed



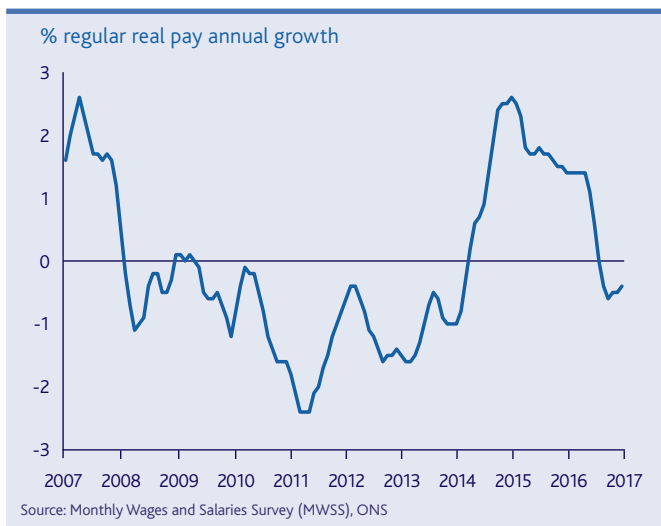
UNEMPLOYMENT AND CLAIMANT NUMBERS

At 4.3% in May–July 2017, the UK unemployment rate remained at its lowest level since 1975. The number of unemployed (1,455,000) was 75,000 lower than for February to April 2017 and 175,000 down on the figure in the same period last year. Unemployment amongst those aged 16–17 remained high, at 23.5%. However, at 104,000, this was 34,000 lower compared with a year earlier. Similarly, the figure of 424,000 unemployed 18–24 year olds was 57,000 lower than in May–July 2016.



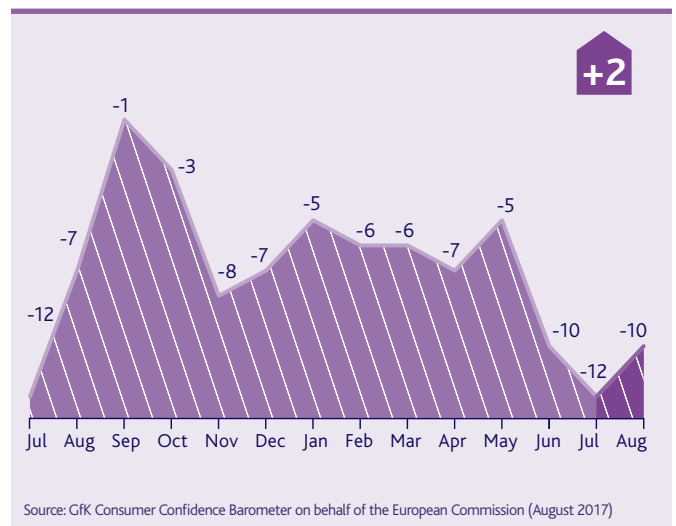
REAL WAGE GROWTH

When the 2.1% nominal increase in regular pay was adjusted for price inflation, the average weekly earnings for employees in Great Britain decreased by 0.4%, both including and excluding bonuses, between May–July 2016 and May–July 2017. As such, the average regular gross pay (excluding bonuses) in real terms for July 2017 (constant 2015 prices) was £458 per week – £15 lower than the figure recorded as the pre-downturn peak of £473 per week in March 2008.



CONSUMER CONFIDENCE INDEX

Whilst GfK's Consumer Confidence barometer improved by 2 points in August, to -10, it still remained firmly in negative territory and only marginally above last year's post Referendum low of -12 in July. The uptick came courtesy of improved sentiment amongst consumers reviewing their personal financial situation, coupled with a slight improvement in views about the general economic situation of the country as a whole. However, the barometer of economic expectations over the next 12 months was -27.

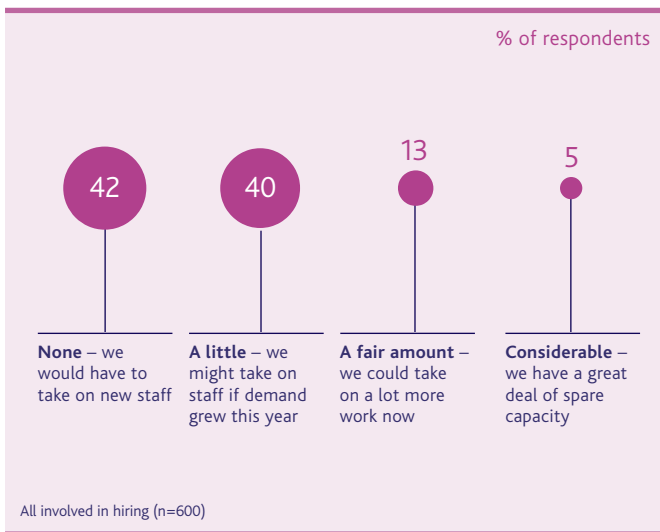


EmployerDashboard

WORKFORCE CAPACITY

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

A plurality of UK employers surveyed in June–August said that they either had no spare workforce capacity (42%) or might have to take on more staff to accommodate any increase in demand (40%). The proportion that had absolutely no spare capacity in June–August was notably higher than in the same period last year, when it was 34%. There was very little by way of variation by region, employer size or sector this quarter.

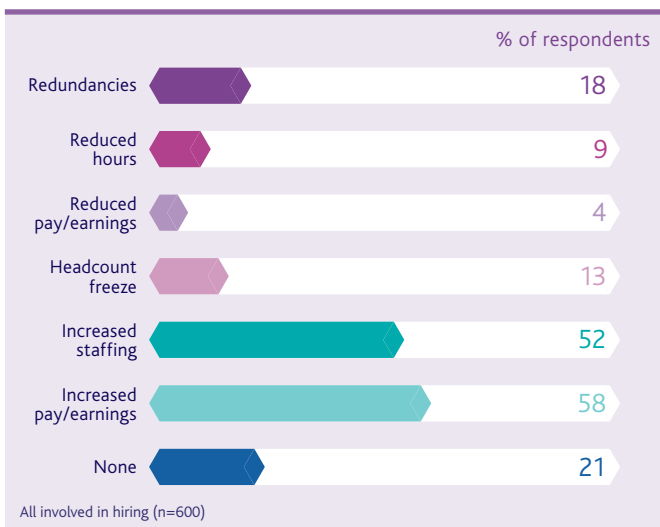


WORKFORCE PLANNING

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

Whilst an encouraging 58% of all UK employers had been able to increase pay/earnings over the last 12 months, the proportions varied by size of organisation. This ranged from 51% of small employers (0–49 employees) to 69% of mid-sized organisations (50–249 employees). Just 4% of all employers suggested that they had had to reduce reward levels. The practice was most prevalent amongst large employers (250+ employees), at 6%.

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

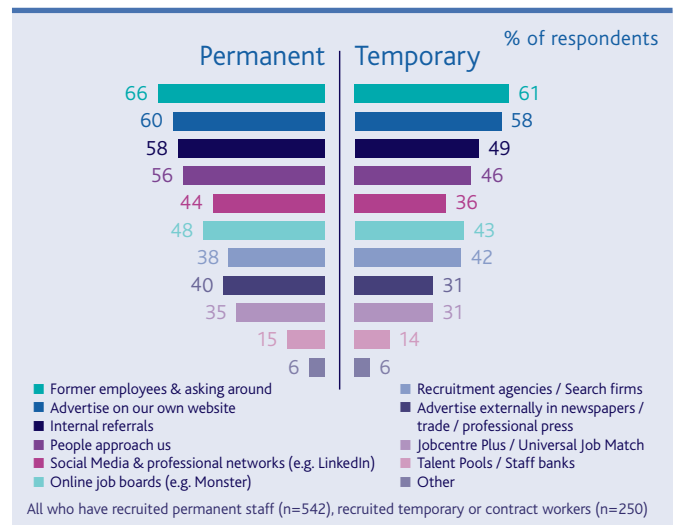


RECRUITMENT CHANNELS USED

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

Despite the proliferation of social media channels through which employers can access potential candidates, the proportion using these declined year-on-year. Just 44% highlighted that they sought permanent staff through these channels in June–August, compared to 55% a year earlier, whilst 36% used these channels to attract temporary staff, down from 45% a year earlier.

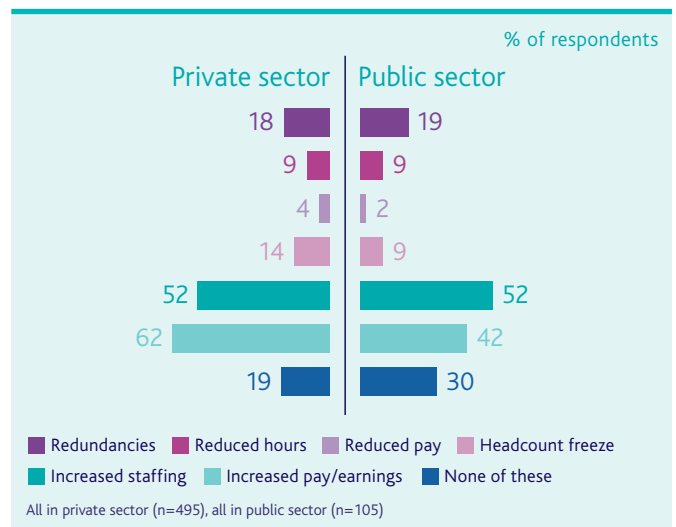
Recruitment channels used for staffing as of August 2017



WORKFORCE PLANNING BY SECTOR

In June–August, the difference in the proportions of employers increasing reward levels in the private versus public sector widened to 20 percentage points (62% compared to 42%), from 17 percentage points last quarter. Instances of a headcount freeze happening amongst public sector organisations (9%) are significantly below the 16% registered a year earlier.

3 month rolling average to August 2017

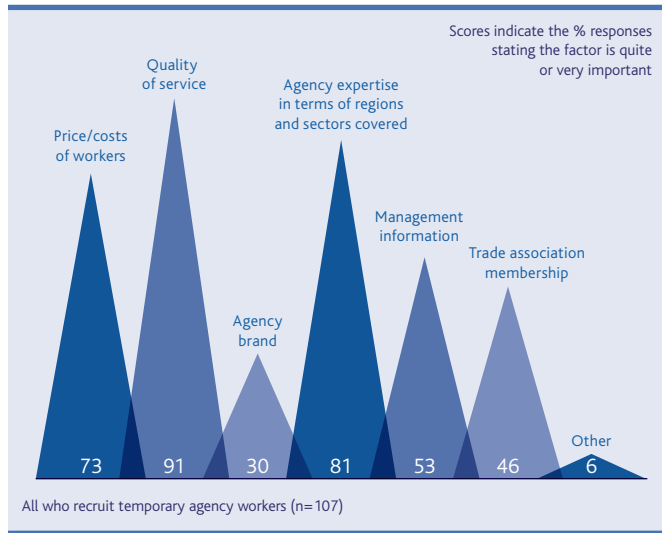


AgencyDashboard

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 (46%, +4 percentage points from the last rolling quarter) cited trade organization membership as a key area of importance when selecting agencies. Notably, 93% of London employers highlighted the importance of an agency's regional and sectoral expertise, up from 80% a year earlier.

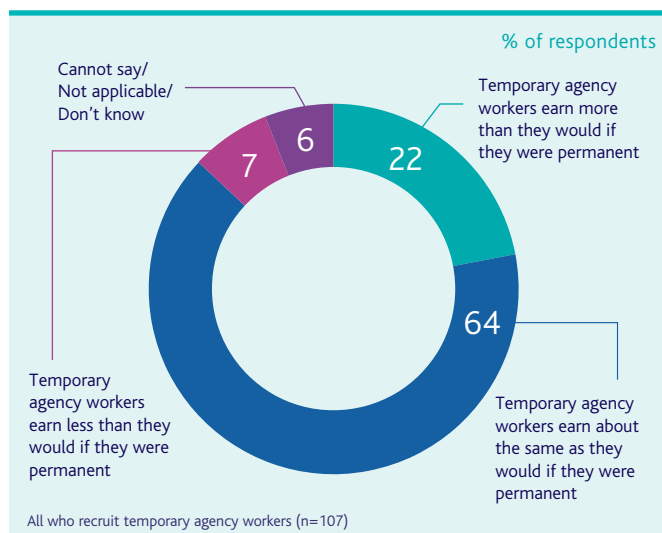


AGENCY WORKER PAY RATES

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

Significantly more employers believed that agency worker pay rates were higher (22%) rather than lower (7%) than their permanent counterparts, when surveyed in June–August. This was a 4 point swing from the sentiment expressed in the previous rolling quarter (18% and 11%, respectively), which was driven by a notable increase in the percentage of employers suggesting pay was higher in both July and August (27% for both).

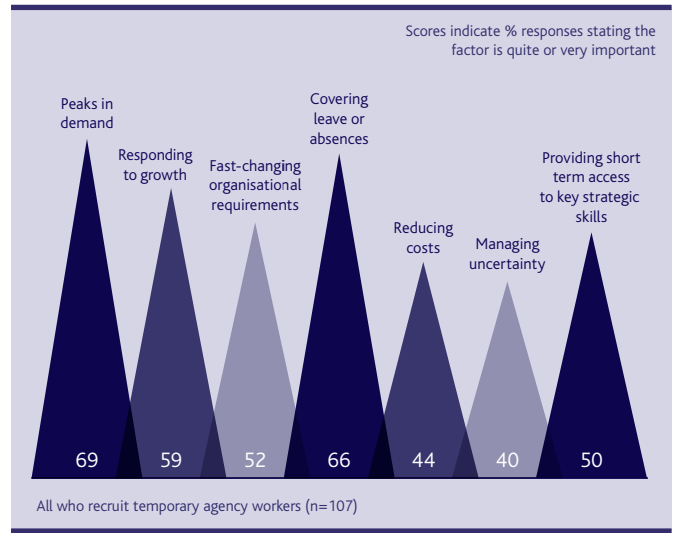
3 month rolling average to August 2017



IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

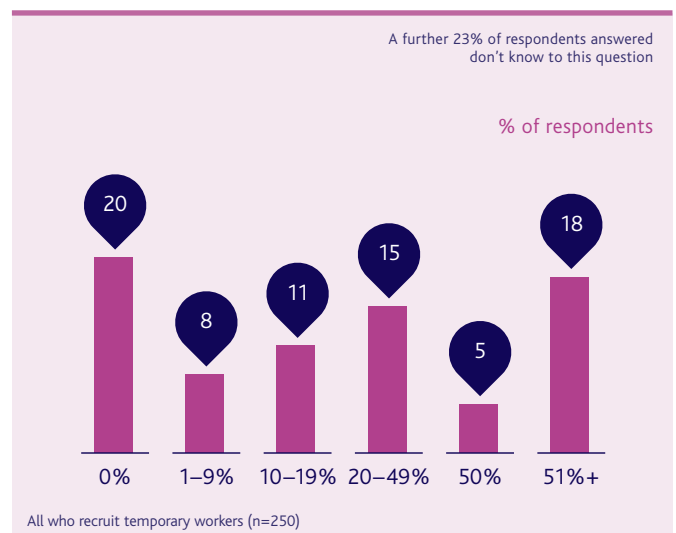
There were quarterly rises in the percentages highlighting the importance of agency workers in enabling employers to respond to growth and providing short-term access to key strategic skills (by 3 and 4 percentage points, respectively). More employers also cite the importance of agency workers in meeting peaks in demand, up 5 percentage points this quarter.



TEMPORARY TO PERMANENT

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

The proportion of employers (57%) stating that they transfer at least one percent of staff each year from temporary to permanent work was significantly higher than in the same period last year (44%). The key regions where there had been a notable year-on-year rise in the practice were the North (from 41% June–August 2016 to 66% June–August 2017), the South, excluding London (from 52% to 66%) and London (from 39% to 52%).



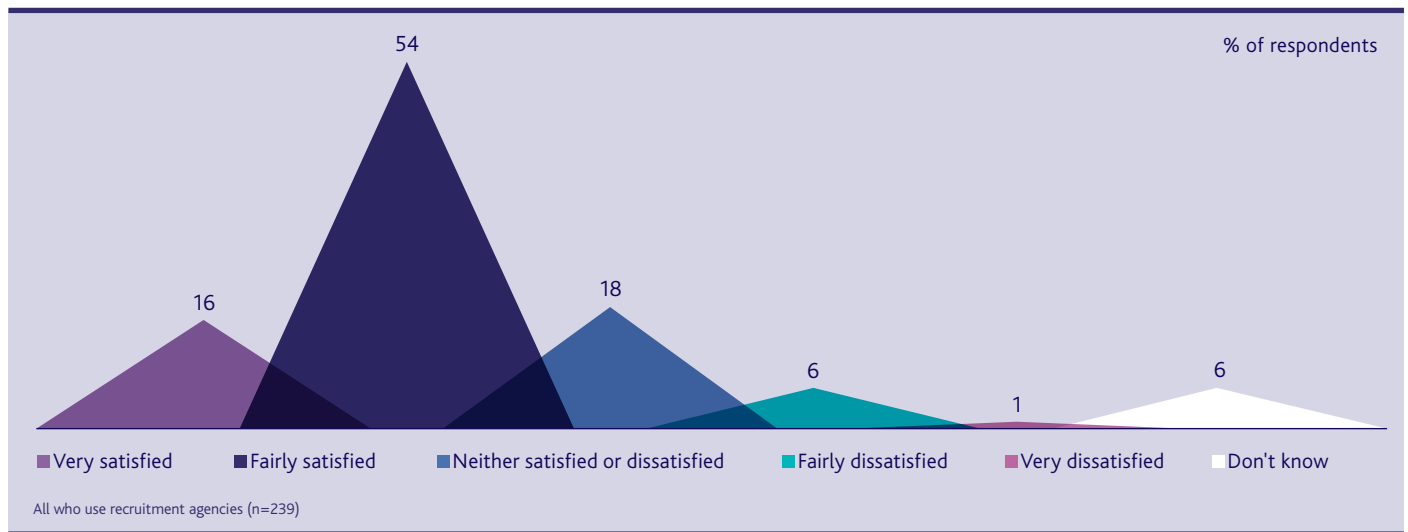
AgencyDashboard

SATISFACTION WITH CANDIDATES

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

The 4 point quarter-on-quarter decline in satisfaction levels with the candidates presented by agencies was driven by a change in sentiment in August. Beneath the quarterly average of 70% of employers being satisfied across the quarter lay a 62% satisfaction level in the last month of the quarter.

Regionally, satisfaction levels across the quarter were the lowest in the Midlands (62%) and highest in London (81%). Across the UK, mid-sized employers (50–249 employees) were the most satisfied, with 75% saying that this was the case.

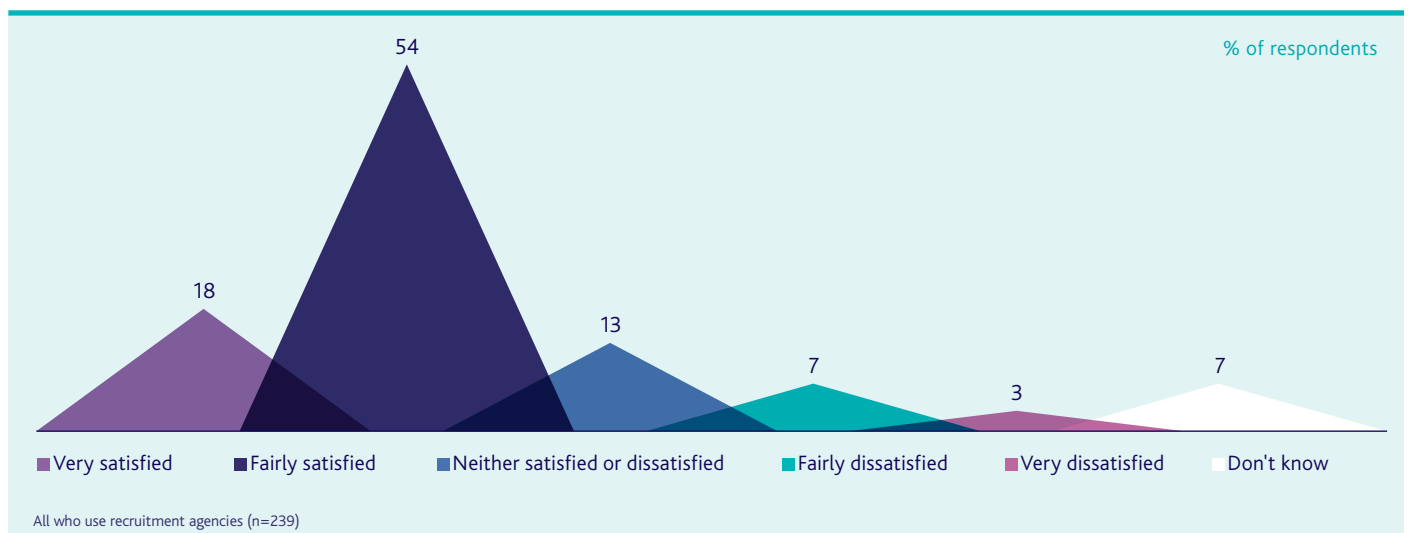


SATISFACTION WITH AGENCIES

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

In June–August, 72% of employers expressed satisfaction with their agency partners. This is compared to 78% a year earlier. In terms of what has driven the shift, there was a distinct deterioration in satisfaction amongst employers in the North (from 81% to 66%) and smaller declines in satisfaction in the Midlands, the South (excluding London) and London itself.

Whilst satisfaction levels amongst mid-sized employers (50–249 employees) also fell significantly year-on-year (from 89% to 70%), they improved amongst small (0–49 employee) enterprises (from 69% to 73%).



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?

Whilst the net balance of forecast demand for permanent hires remained stronger than the balance of anticipated demand for agency staff (+16% and +2%, respectively) this quarter, there was one notable occupational exception.

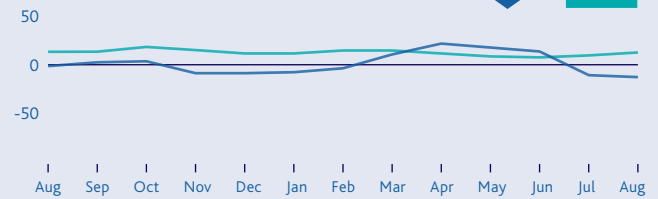
The net balance of demand amongst users of temporary agency drivers was higher this quarter than amongst those who hire permanent equivalents (+26% and +19%, respectively). The differential was, however, lower than in the last rolling quarter when the figures were +40% and +27%, respectively.

Other skills areas where there was a notably above-average positive net balance of anticipated demand for temporary agency workers included construction workers (+18%) and technology (+15%).

One skills area of note where the anticipated short-term demand for permanent workers was notably above average was Health & Social Care – increasing by 12 percentage points this quarter to +35%. This appears to have been at the expense of forecast demand for temporary staff, however, the net balance of which declined, quarter-on-quarter, by 31 percentage points to -16%.

ACCOUNTING & FINANCIAL SERVICES

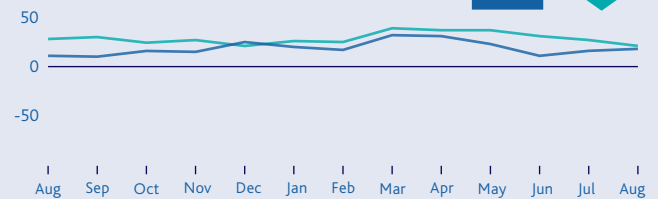
-3 +2



Temporary agency workers (n=31*) and permanent members of staff (n=217)

CONSTRUCTION

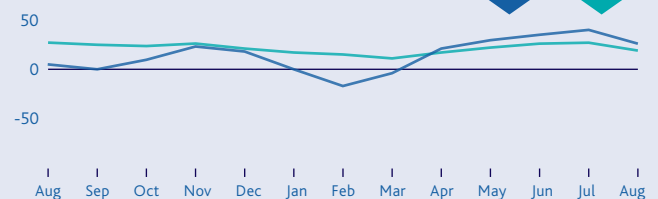
+2 -6



Temporary agency workers (n=16*) and permanent members of staff (n=80)

DRIVERS

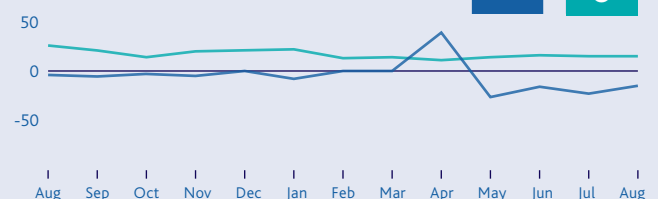
-14 -8



Temporary agency workers (n=12*) and permanent members of staff (n=96)

EDUCATION

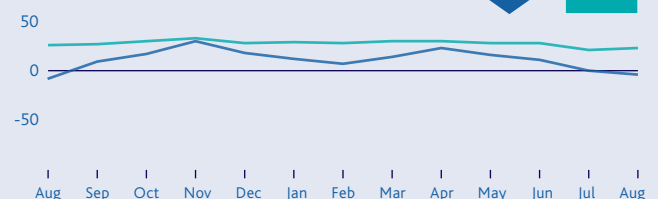
+8 0



Temporary agency workers (n=14*) and permanent members of staff (n=73)

ENGINEERING & TECHNICAL

-4 +2

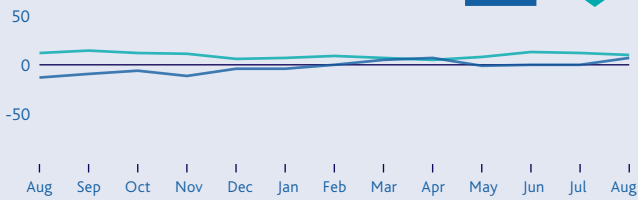


Temporary agency workers (n=24*) and permanent members of staff (n=149)

SectorProspects

EXECUTIVE RECRUITMENT / INTERIM

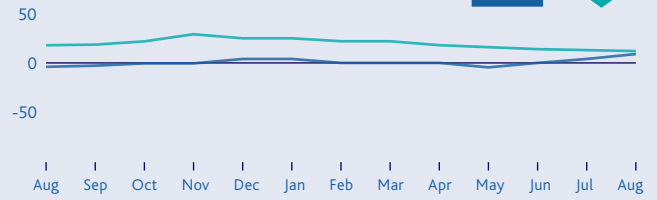
+7 **-2**



Temporary agency workers (n=14*) and permanent members of staff (n=115)

MARKETING, MEDIA & CREATIVE

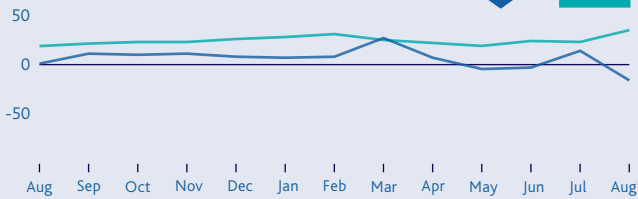
+5 **-1**



Temporary agency workers (n=22*) and permanent members of staff (n=138)

HEALTH & SOCIAL CARE

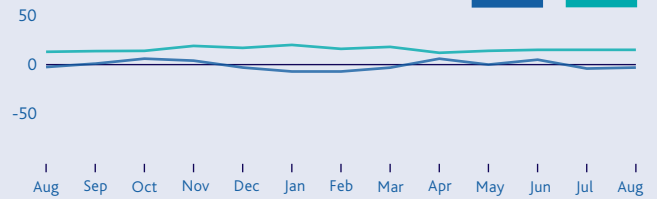
-31 **+12**



Temporary agency workers (n=12*) and permanent members of staff (n=80)

OFFICE PROFESSIONALS

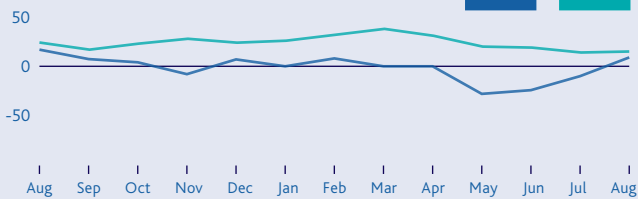
+1 **0**



Temporary agency workers (n=44) and permanent members of staff (n=284)

HOSPITALITY

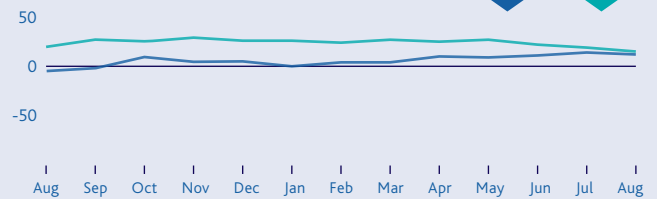
+19 **+2**



Temporary agency workers (n=11*) and permanent members of staff (n=75)

SALES & RETAIL

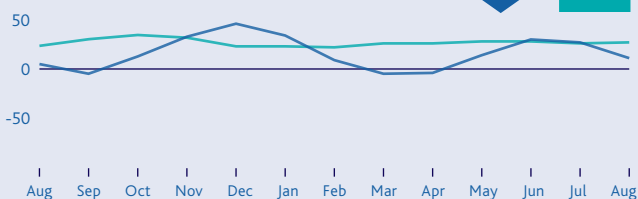
-1 **-4**



Temporary agency workers (n=16*) and permanent members of staff (n=161)

INDUSTRIAL

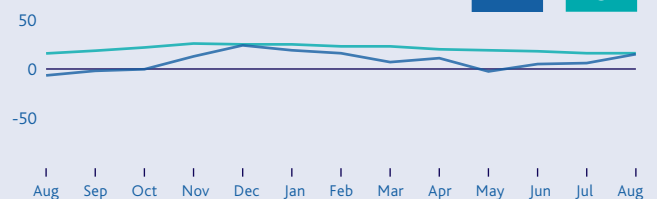
-16 **+1**



Temporary agency workers (n=18*) and permanent members of staff (n=55)

TECHNOLOGY

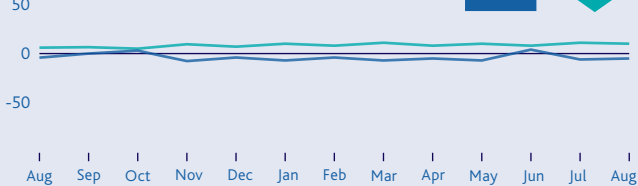
+9 **0**



Temporary agency workers (n=14*) and permanent members of staff (n=102)

LEGAL & HR

+1 **-1**



Temporary agency workers (n=22*) and permanent members of staff (n=149)

■ 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

UNEMPLOYMENT RATE EXPECTED TO REMAIN AT 4.3%

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

The latest nowcast model forecasts a decline of 68,000 in the Labour Force Survey measure of UK unemployment in the three months to August. This would leave the unemployment rate at a 42-year low of 4.3%.

The model signals a twelfth consecutive reduction in unemployment, with a fall of 75,000 reported by the ONS in the three months to July. 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

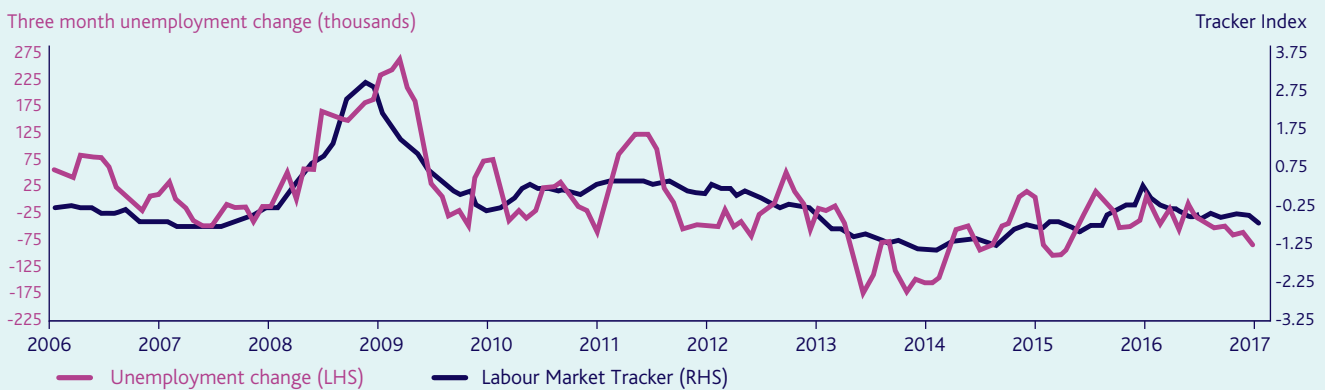
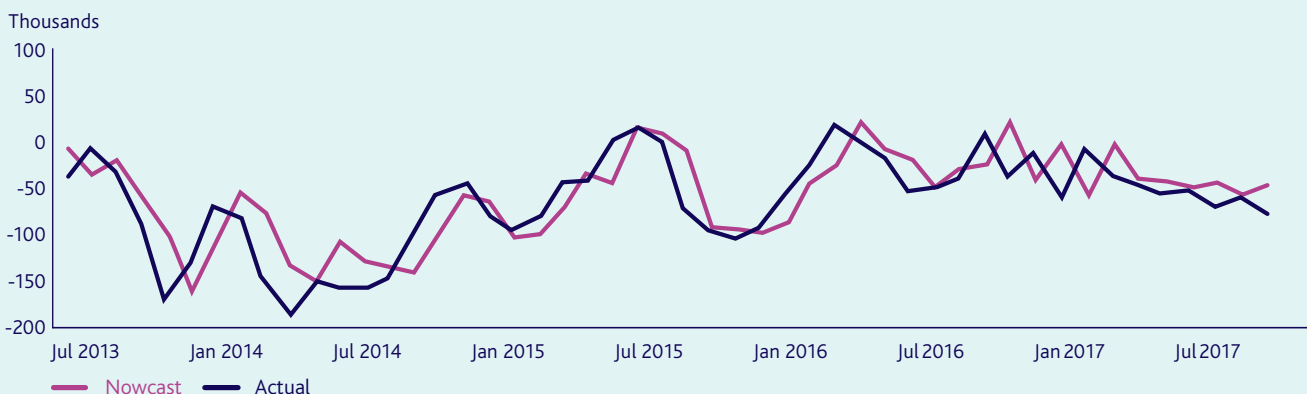


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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