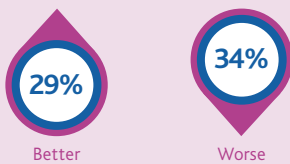


Further deterioration in confidence in the prospects for the UK economy

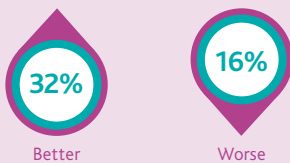
CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

Confidence

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

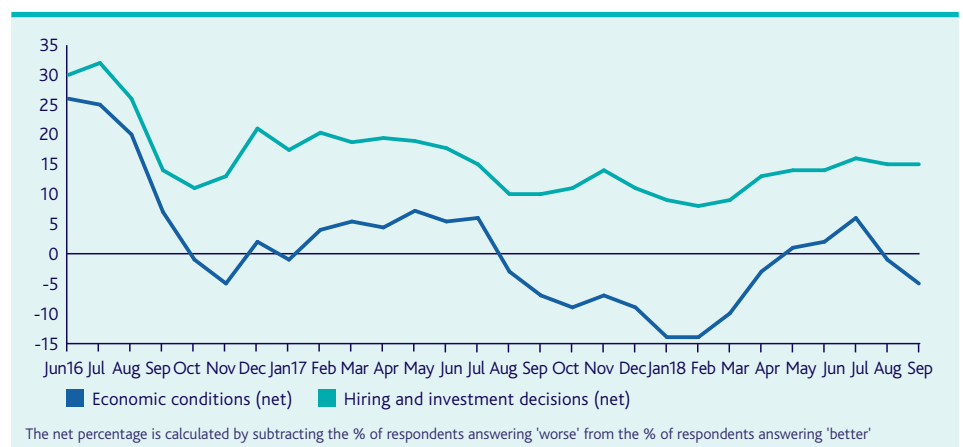


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=600)

Employers' confidence in the prospects for the UK economy declined further this quarter, falling 4 points to net: -5. Despite the 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.



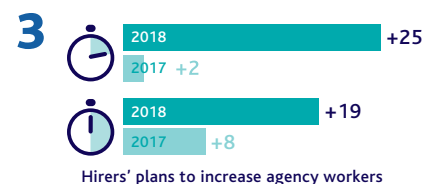
Key Points from June–August Survey



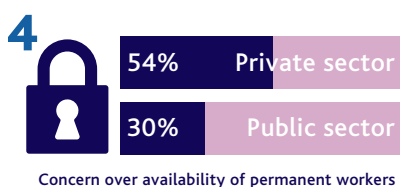
Employers' confidence in the prospects for the UK economy further deteriorated this quarter, falling 4 points to net: -5.



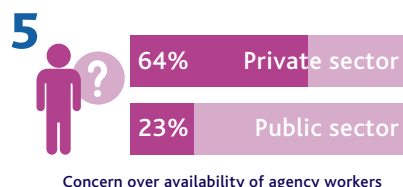
The net balance of sentiment towards short-term permanent hiring rose, year-on-year, by 12 points to net: +28, whilst the medium-term sentiment improved by 15 points to net: +31 in the same period.



At net: +25, the net balance of sentiment towards increasing agency headcount in the short-term rose by 23 percentage points year-on-year. The medium-term sentiment rose by 11 points to net: +19.



Half (50%) of employers expressed concern over the sufficient availability of candidates for permanent hire. This included 54% of private sector and 30% of public sector enterprises.



Three in five (60%) employers that hire agency workers are concerned over the sufficient availability of agency workers, up from 36% in June–August 2017. Significantly more of these hirers in the private sector (64%) expressed concern than in the public sector (23%).



Despite tightening availability of candidates, three quarters (75%) of UK employers expressed satisfaction with the recruitment agencies they used in the last two years – up 3 points from the same period last year.

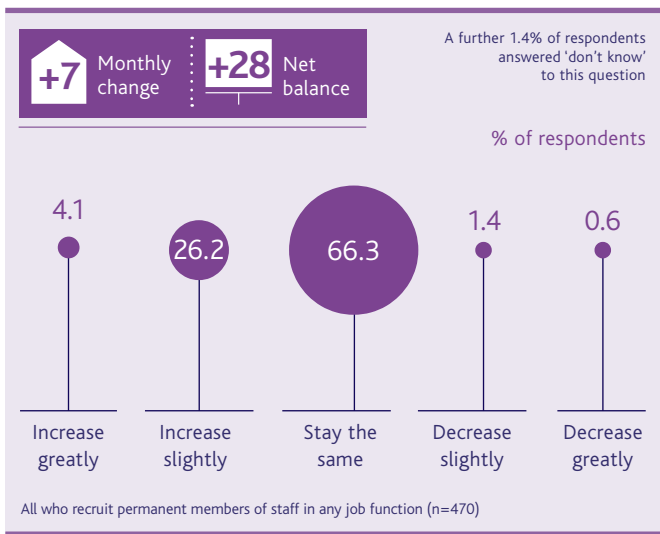
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

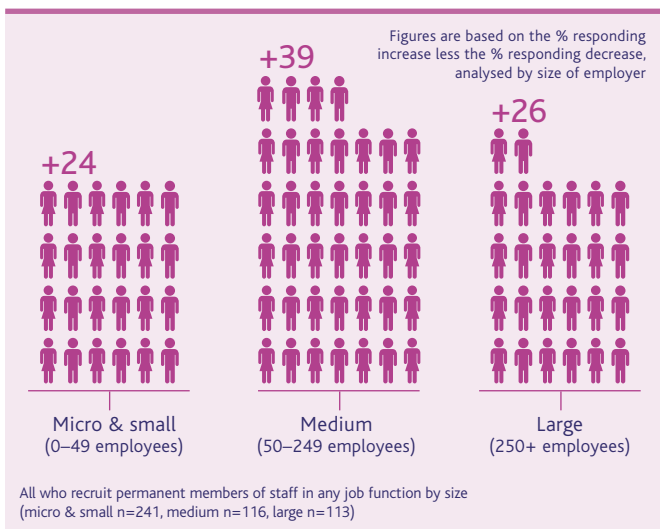
Three in ten permanent hirers (30%) planned to increase their permanent headcount in the short-term, when surveyed in June–August 2018. This is up from 19% a year earlier and 22% in the same period in 2016 – the period just after the EU referendum. Amongst public sector hirers, 37% suggested that they would be adding to numbers. With just 2% of UK employers planning any form of decrease this quarter, however, competition for skills will be intense.



OUTLOOK BY EMPLOYER SIZE

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

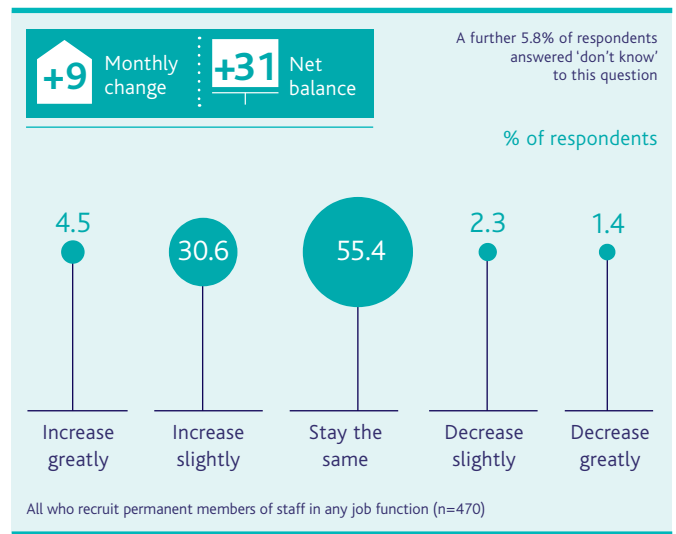
As with the previous rolling quarter, it was amongst the mid-sized (50–249 employees) and largest (250+ employees) enterprises that the most significant change in the net balance of sentiment towards permanent hiring occurred this quarter, rising by 8 and 9 points respectively. Of additional note, at net: +39, the positive net balance of mid-sized employers planning to add headcount is notably higher than the figure of net: +17 recorded in the same period last year.



MEDIUM-TERM OUTLOOK

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

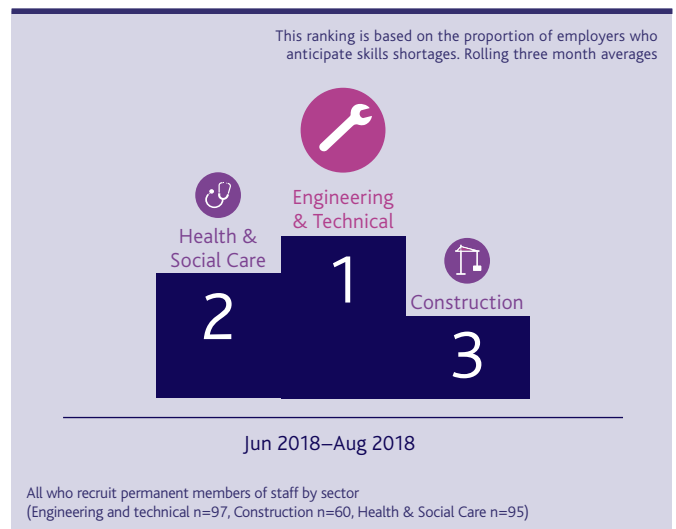
A 9-point quarter-on-quarter increase in the proportion of permanent hirers planning to add to their permanent headcount resulted in a net balance of +31 in the medium-term. This was almost double the net balance of +16 in the same period last year. There were notable regional variations, however, ranging from London registering net: +40 to a balance of net: +22 in the Midlands.



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 (50%) of UK employers expressed concern over the sufficient availability of candidates for permanent hire. This included 54% of private sector and 30% of public sector enterprises. Whilst the top three skills areas of concern were the same as the last rolling quarter, an anticipated shortage of Engineering & Technical workers is causing the most anxiety.

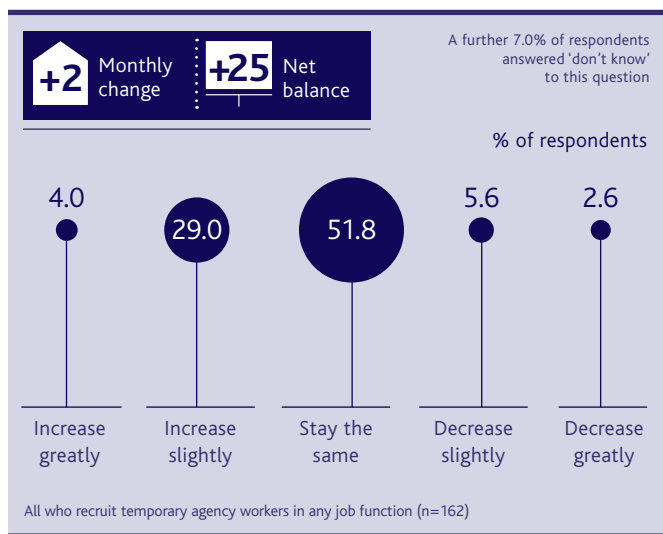


Temporary Recruitment

SHORT-TERM OUTLOOK

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

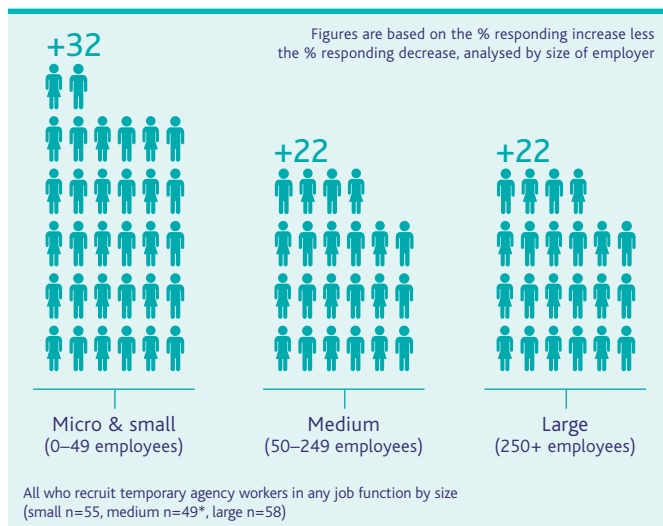
More hirers of temporary staff stated they are planning to increase rather than decrease agency headcount in the short-term with a net balance of +25. Of regional note, 17% of hirers in the North were planning to reduce numbers (compared to the UK average of 8%) with the positive balance in the region being just net: +8. Conversely, the balance of sentiment amongst employers in the Midlands was far more positive at net: +41.



OUTLOOK BY EMPLOYER SIZE

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

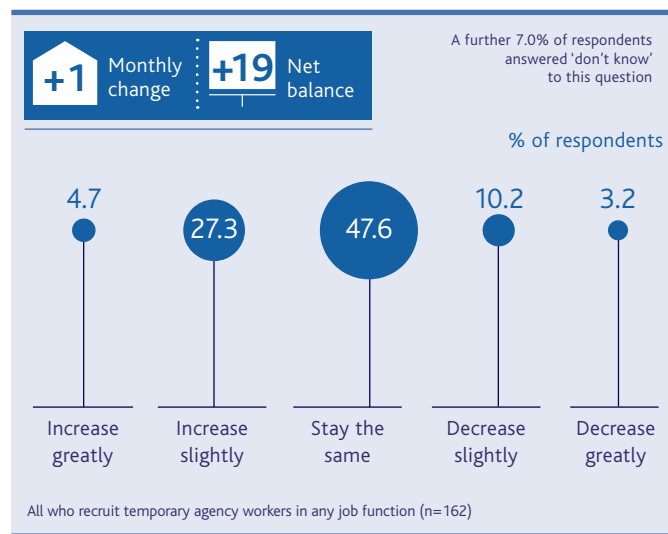
At net: +32 amongst the UK's smallest (0–49 employees) enterprises, the positive balance of sentiment towards increasing agency headcount in the short-term stands in stark contrast to net: -6 registered in the same period last year. Similarly, a year-on-year rise from net: -4 to net: +22 amongst medium-sized employers is also noteworthy. Whilst only the UK's largest (250+ employees) enterprises registered positive hiring sentiment in June–August 2017 (at net: +7), the shift to net: +22 is also significant due to the potential volumes involved.



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?

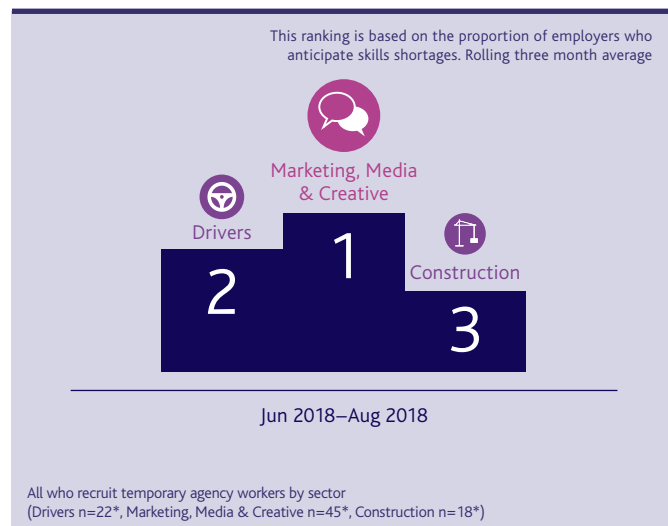
Whilst, at net: +19, the balance of UK hirer sentiment towards medium-term agency worker hiring in June–August 2018 was significantly higher than net: +7 in the same period last year, there were notable regional variations. This ranged from net: +30 in the Midlands to net: -5 in the North. Sentiment was also negative in the public sector, with hirers overall suggesting they would decrease rather than increase headcount (net: -12).



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 five (60%) hirers of temporary workers expressed concerns over the sufficient availability of agency workers with the skills they required – up from 36% in June–August 2017. A stark variation in level of concern continues between public (23%) and private sector hirers (64%).

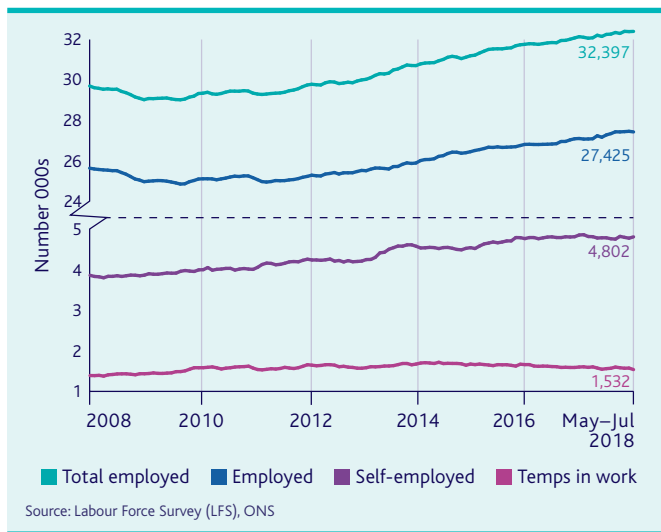


LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

The UK workforce (all in employment) remained virtually static in number this quarter. At 32,397,000 in May–July 2018, it was just 3,000 (0.0%) higher than the previous quarter (Feb–April 2018) but 261,000 (0.8%) higher than the same period a year earlier. Year-on-year, the 261,000 (0.8%) increase was underpinned by 263,000 (1.1%) more people working full-time and 2,000 (0.0%) fewer part-time workers. Self-employment decreased by 46,000 (-0.9%) and the number of temporary employees decreased by 63,000 (-3.9%).

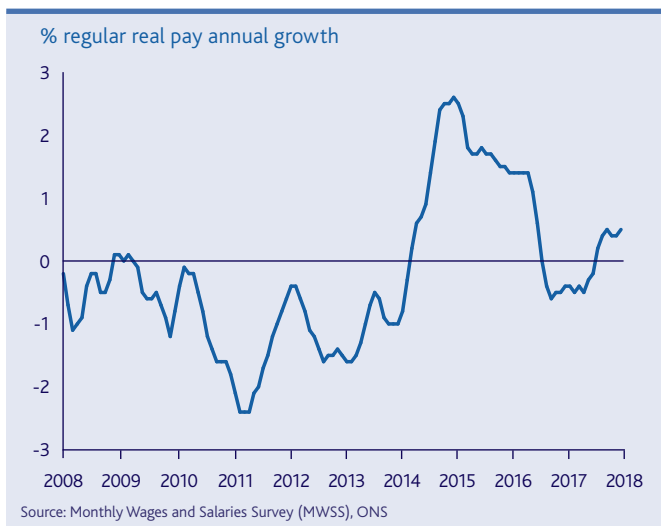
Total employment, employed and self-employed



REAL WAGE GROWTH

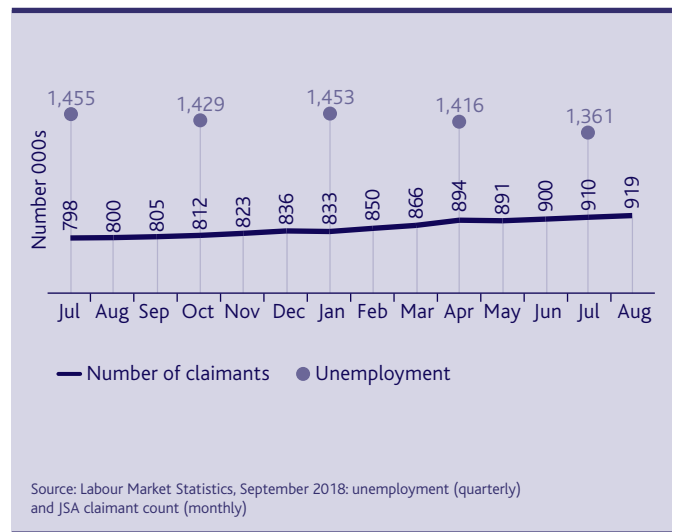
Regular Pay growth (in nominal terms) for employees, for the period between May–July 2017 and May–July 2018, rose by 2.9%. When considering the change in real-terms (i.e. adjusted for CPI), however, Regular Pay increased by just 0.5%.

In terms of the impact on the average weekly wage, Regular Pay (excluding bonuses) for employees in Great Britain was £489 per week before tax and other deductions – up from £475 per week for a year earlier. When adjusted for the impact of CPI inflation, however, the average wage was £462 per week, before tax and other deductions – £11 lower than the pre-downturn peak of £473 per week recorded in March 2008.



UNEMPLOYMENT AND CLAIMANT NUMBERS

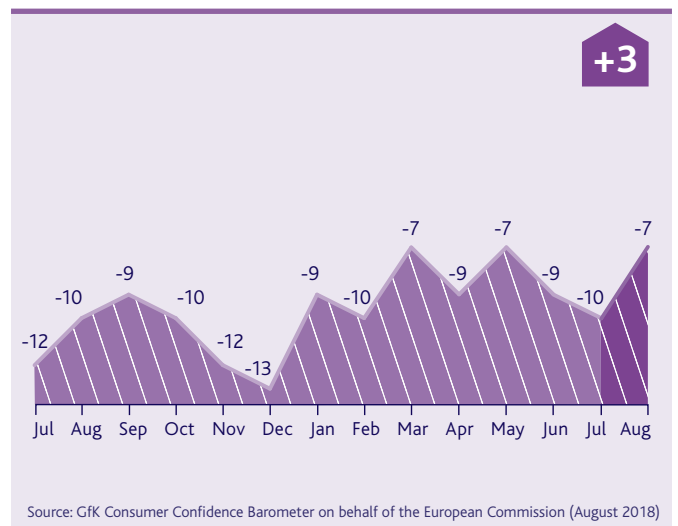
The UK unemployment rate remained at 4.0% in May–July 2018, for the second consecutive rolling quarter. This remained the lowest rate since December 1974–February 1975. At 1,361,000, this represented a 55,000 (3.9%) decrease on the previous quarter and was 95,000 (6.5%) lower than the same period a year earlier. Despite the record low total level (4.0%), the rate amongst those aged 16–17 was 22.2% and it was 10.2% amongst those aged 18–24. At 918,800, the Claimant Count was up 118,500 (14.8%) year-on-year. This was underpinned by an increase of 55,200 (11.0%) amongst men and was 62,300 (21.2%) higher amongst women.



CONSUMER CONFIDENCE INDEX

Whilst the GfK Index of UK Consumer Confidence improved by 3 points in August 2018, it remained firmly in negative territory at -7. Whilst the Overall Index has now registered at zero or a negative reading since February 2016, the barometer is significantly higher than the -39 registered in July 2008, when the global financial crisis took hold.

Four of the constituent scores improved in August whilst one remained unchanged. Of note, the major purchase index notably rose by 8 points this month, taking it out of negative territory to +6. This was 6 points higher than in August 2017.

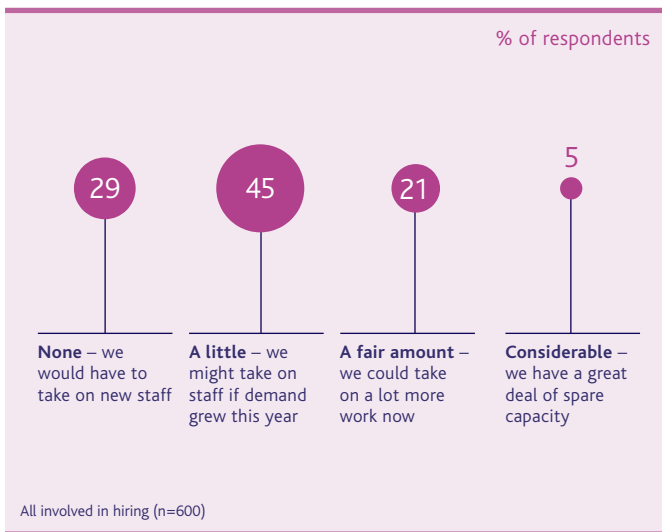


EmployerDashboard

WORKFORCE CAPACITY

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

Whilst almost three quarters (74%) of UK employers highlighted having no spare resource capacity (29%) or such a small amount that they may need to increase headcount to cope with heightened demand (45%), this was down from 82% suggesting that they had lower levels of surplus capacity a year earlier. Amongst the 5% of employers with considerable capacity were 8% of employers in London and 7% of the UK's largest (250+ employees) enterprises.

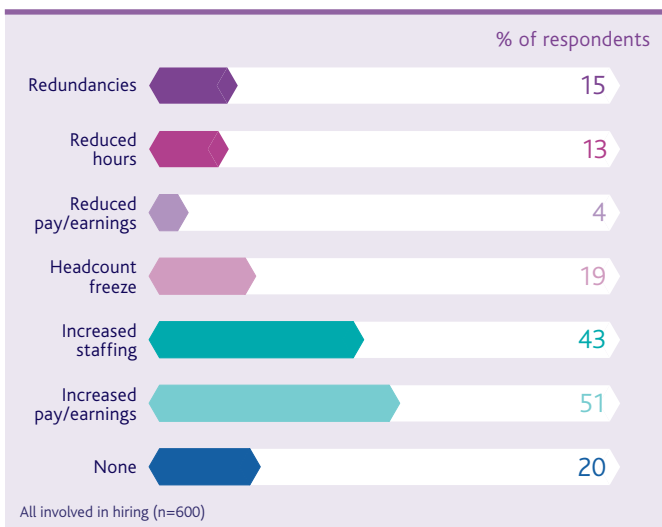


WORKFORCE PLANNING

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

One in five UK hirers (19%) put headcount freezes into place over the last year, up from 13% in June–August 2017. The measure was most prevalent amongst mid-sized (50–249 employees) enterprises, where 26% highlighted this had been the case. Meanwhile, half (51%) of hirers had increased pay/earnings in the past year – up 5 percentage points quarter-on-quarter.

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

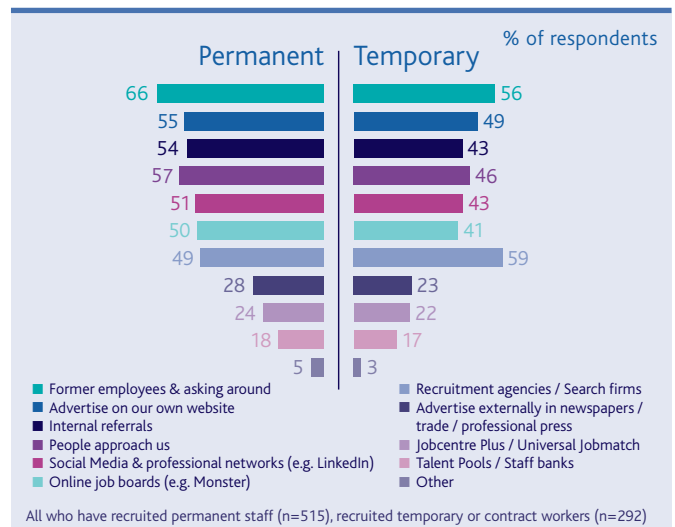


RECRUITMENT CHANNELS USED

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

With unemployment rates at a record low, it is unsurprising that the proportion of employers who recruit permanent members of staff utilise JobCentre Plus and the government's 'Universal Jobmatch' service/platform has diminished from 28% in the previous rolling quarter to 24% now. Meanwhile, the proportion of employers using recruitment firms to source permanent or temporary workers continues to increase.

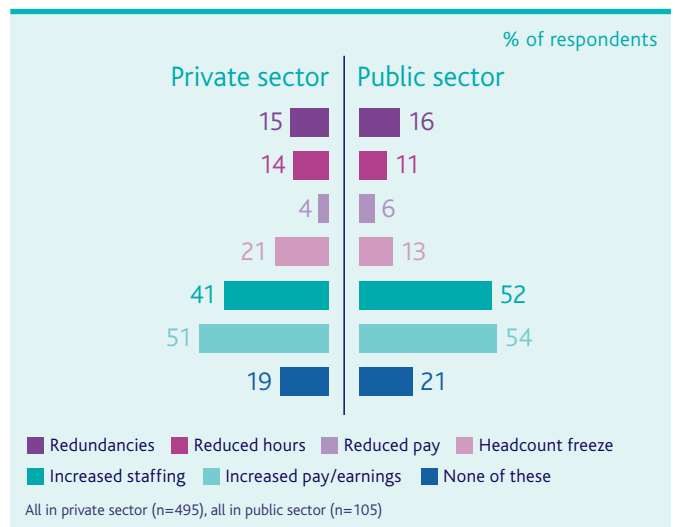
Recruitment channels used for staffing as of August 2018



WORKFORCE PLANNING BY SECTOR

The use of headcount freezes over the last year has been more prevalent in the private than the public sector – highlighted by 21% and 13% respectively. Both sectors had increased their use of this measure, up from 14% and 9%, respectively, year-on-year. There was also a year-on-year increase in the proportion of employers in both sectors reducing hours. In the private sector, 14% of employers used this measure, up from 9% a year earlier. Similarly, 11% of public sector employers highlighted taking this action over the last year compared with 9% flagging use of the same practice when surveyed in June–August 2017.

3 month rolling average to August 2018

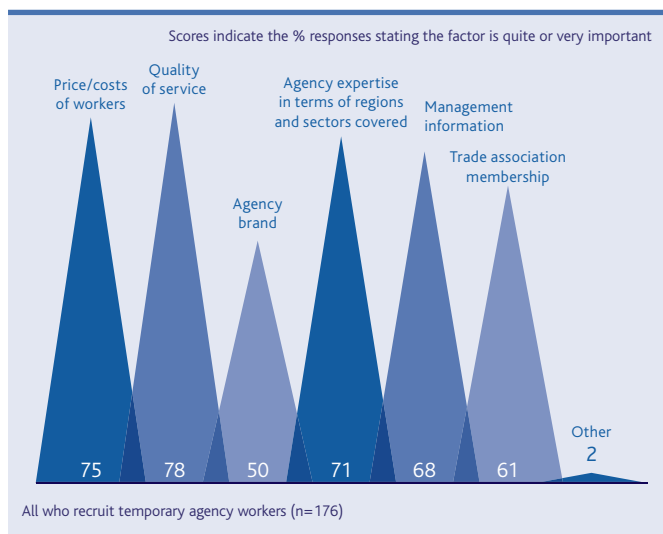


AgencyDashboard

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?

Three in five (61%) employers who recruit temporary agency workers highlighted the importance of trade organisation membership as a selection criterion for agency partners. This is up from 46% a year earlier. From a regional perspective, membership was most important to employers in the Midlands, where 70% highlighted this.

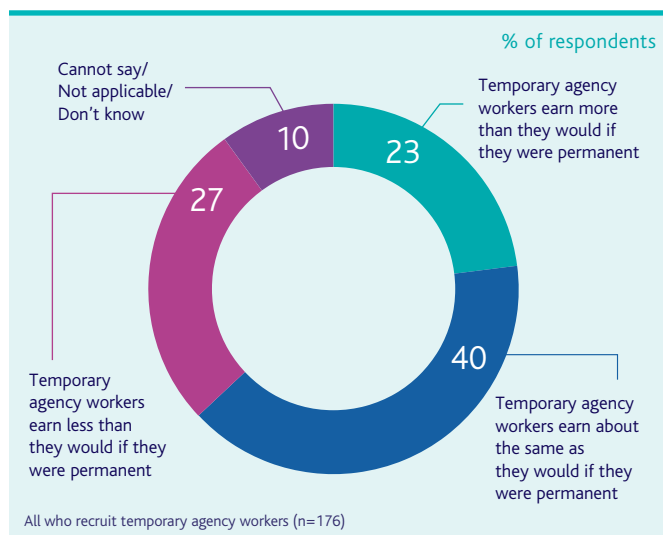


AGENCY WORKER PAY RATES

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

UK employers who recruit temporary agency workers are most likely to say that they believe agency workers receive the same pay rates as their permanent counterparts (40%). Similar proportions think they earn more (23%) or less (27%). This represents an increase in the proportion who say they earn the same as temporary agency workers on the previous rolling quarter (32%).

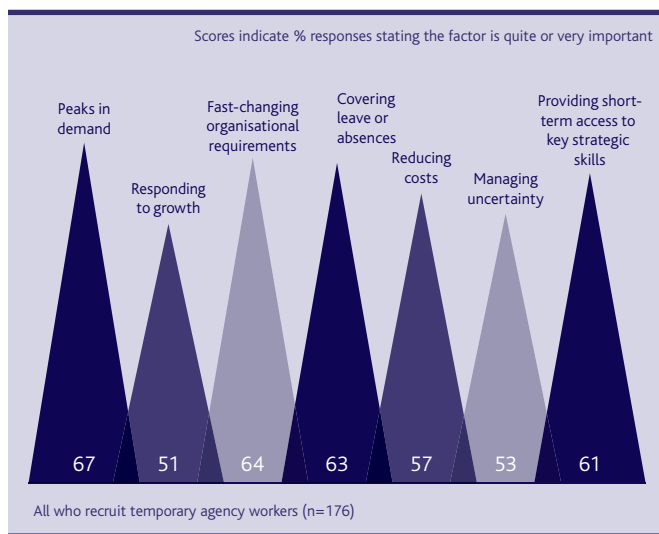
3 month rolling average to August 2018



IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

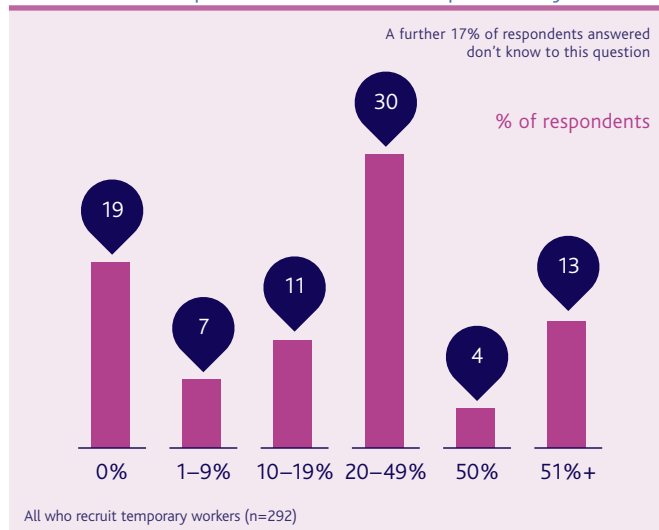
The proportion of hirers who utilise temporary agency workers to enable them to manage fast changing organisational requirements increased significantly year-on-year, from 52% to 64%. This was most important to medium-sized enterprises (50–49 employees) where 70% highlighted this to be the case and amongst employers in the Midlands (71%).



TEMPORARY TO PERMANENT

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

Around one in six employers who recruit temporary agency workers (16%) transfer half or more temporary workers into permanent posts each year – down from 23% in the same period last year. The most significant change occurred amongst employers in the South (excluding London) where the proportion transferring 50%+ temporary workers into permanent assignments fell, year-on-year, from 29% to just 13%. In contrast, 21% of Midlands employers now transfer 50%+ compared to 18% in the same period last year.



AgencyDashboard

SATISFACTION WITH CANDIDATES

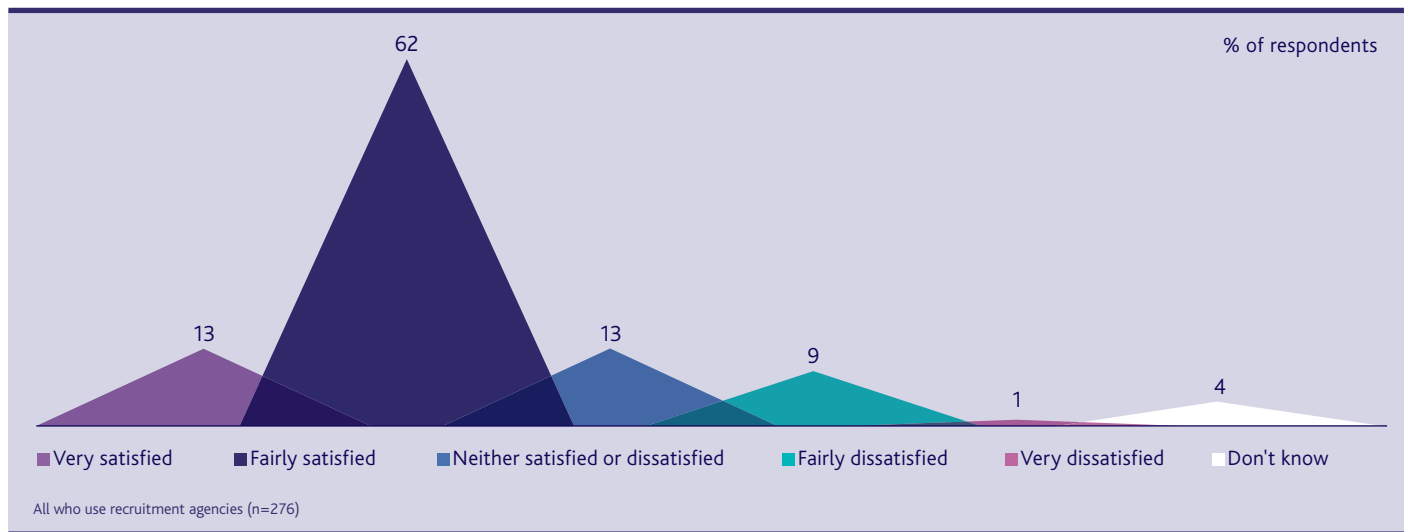
How satisfied or dissatisfied are you with the quality of candidates presented to you by your recruitment agencies?

Three quarters (74%) of employers who use recruitment agencies expressed satisfaction with the candidates presented to them by agency partners, when surveyed this quarter – up from 70% expressing the same sentiment in June–August 2017.

From a regional perspective, the levels of satisfaction were quite consistent this year. From an employee-size perspective, however, mid (50–249 employees) and large-sized (250+ employees)

enterprises, at 80% and 78% respectively, are more satisfied than small/micro organisations (66%).

It is also noteworthy that, just over a year after the public sector off payroll worker protocol reforms, only 56% of public sector hirers are satisfied with the quality of agency candidates, compared to 67% in June–August 2017. In contrast, 76% of private sector enterprises expressed their satisfaction – up from 71% in the same period last year.



SATISFACTION WITH AGENCIES

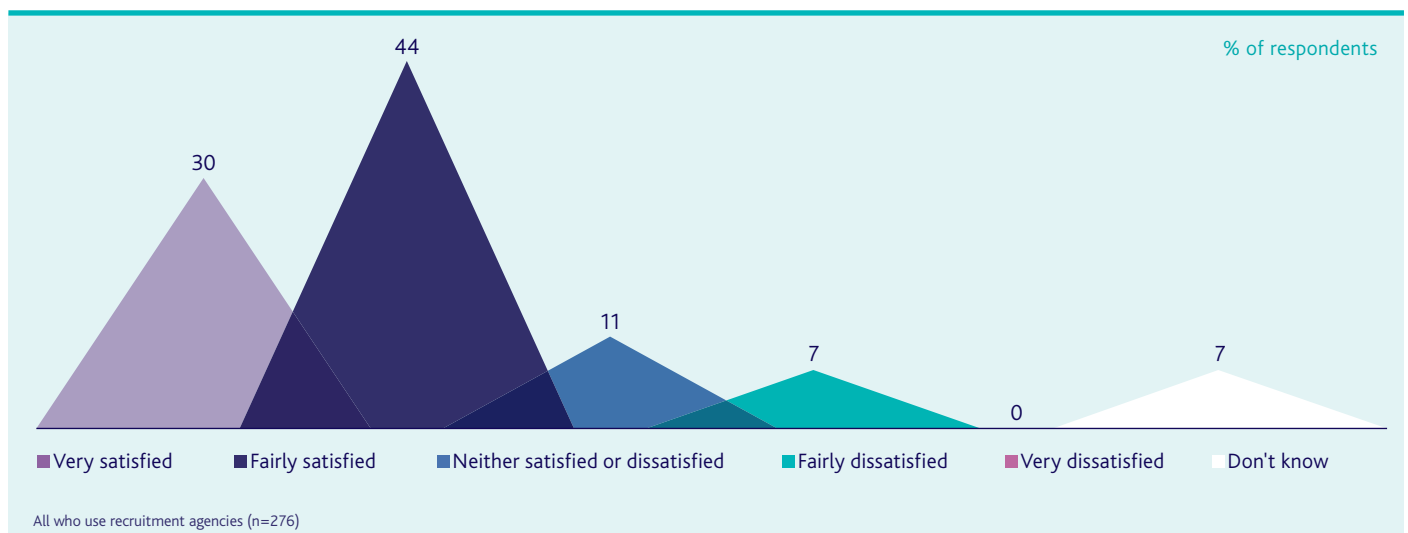
How satisfied are you overall with the recruitment agencies you have used in the last 2 years?

Three quarters (75%) of UK employers who rely on the support of agencies for their hiring activity expressed satisfaction with their partners, when surveyed in June–August. Despite tightening availability of candidates, this was 3 points higher than in the same period last year.

There were significant regional variations in sentiment, however, ranging from 83% of employers in the Midlands expressing

satisfaction – up from 70% in the same period last year – to 67% registering the same sentiment in the North (versus 66% last year).

Differences are also evident by size of employer, with just 67% small/micro (0–49 employees) enterprises expressing satisfaction – down from 73% last year – compared to 80% of large employers (250+ employees) – up from 71% in June–August 2017.



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: +28, the net balance of forecast short-term demand across all skills required for permanent hire edged ahead of the anticipated demand for agency staff (net: +25) this quarter.

This quarter, occupations with notable rises in forecast demand for permanent hire – and to above-average levels – include Construction (rising 9 points this quarter to net: +45), Drivers (up 7 points to net: +38) and Industrial (up 10 points to net: +33).

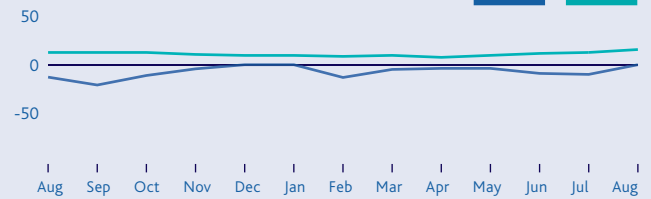
Construction work similarly features as an occupation with key heightened forecast short-term demand for temporary agency staff, rising by a further 8 points (after the previous quarter's 8-point rise) to net: +38. This quarter, at net: +42, Hospitality is the occupation with the highest demand for temporary agency staff whilst demand for Health & Social Care temporary agency staff has increased by 9 points to net: +32.

■ 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

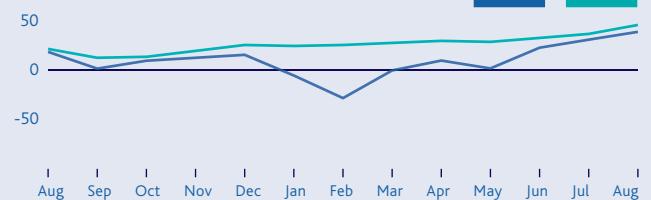
+10 +3



Temporary agency workers (n=23*) and permanent members of staff (n=160)

CONSTRUCTION

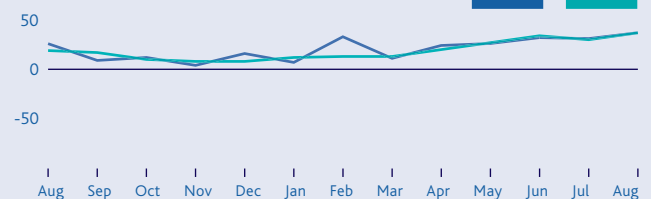
+8 +9



Temporary agency workers (n=18*) and permanent members of staff (n=60)

DRIVERS

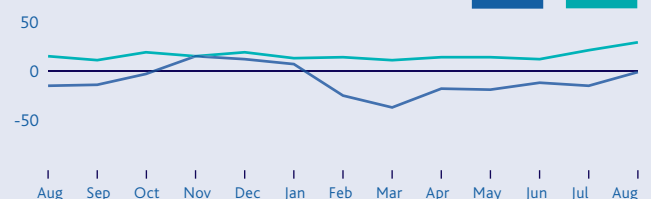
+6 +7



Temporary agency workers (n=22*) and permanent members of staff (n=78)

EDUCATION

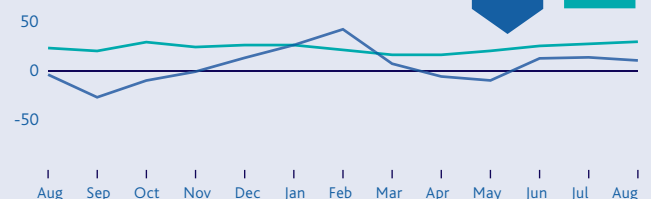
+14 +8



Temporary agency workers (n=17*) and permanent members of staff (n=65)

ENGINEERING & TECHNICAL

-3 +2

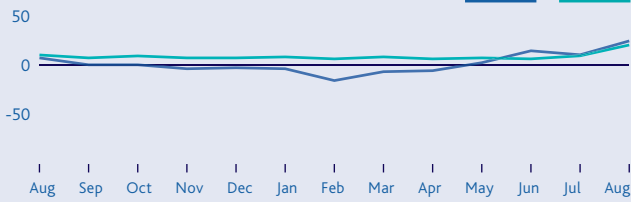


Temporary agency workers (n=18*) and permanent members of staff (n=97)

SectorProspects

EXECUTIVE RECRUITMENT / INTERIM

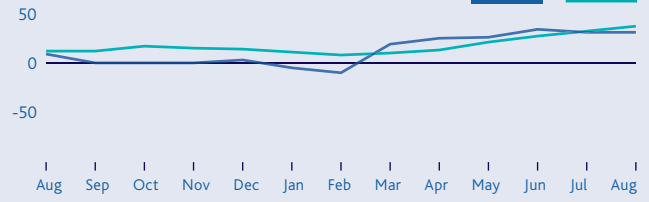
+14 +11



Temporary agency workers (n=17*) and permanent members of staff (n=90)

MARKETING, MEDIA & CREATIVE

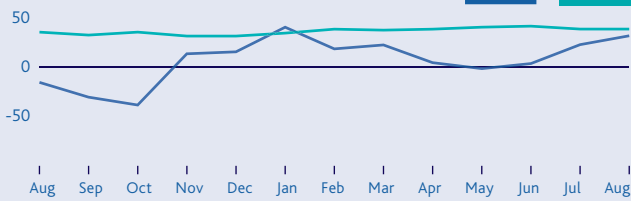
0 +5



Temporary agency workers (n=45*) and permanent members of staff (n=131)

HEALTH & SOCIAL CARE

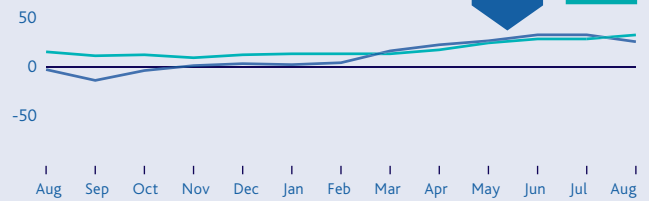
+9 0



Temporary agency workers (n=28*) and permanent members of staff (n=95)

OFFICE PROFESSIONALS

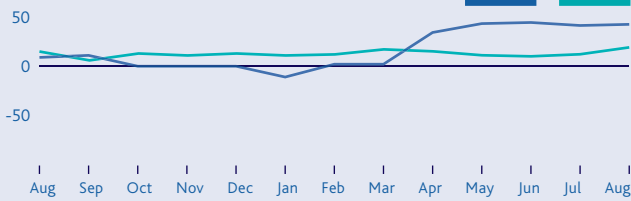
-7 +4



Temporary agency workers (n=70) and permanent members of staff (n=234)

HOSPITALITY

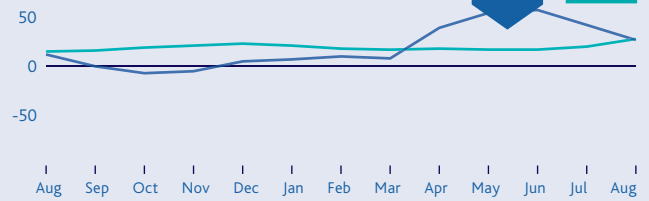
+1 +7



Temporary agency workers (n=17*) and permanent members of staff (n=48*)

SALES & RETAIL

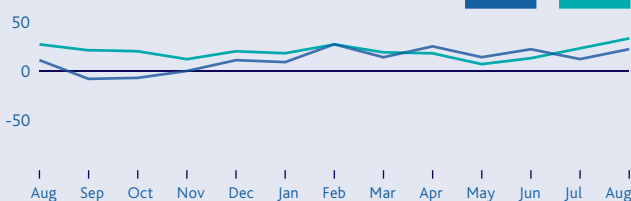
-15 +8



Temporary agency workers (n=27*) and permanent members of staff (n=139)

INDUSTRIAL

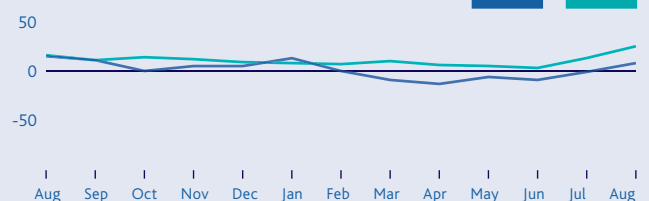
+10 +10



Temporary agency workers (n=13*) and permanent members of staff (n=57)

TECHNOLOGY

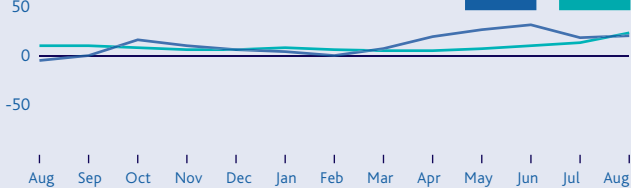
+9 +12



Temporary agency workers (n=11*) and permanent members of staff (n=92)

LEGAL & HR

+2 +10



Temporary agency workers (n=20*) and permanent members of staff (n=99)

REC-IHS Markit Predictive model

UK UNEMPLOYMENT RATE FORECAST TO REMAIN AT 4.0%

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 47,000 in the Labour Force Survey measure of UK unemployment in the three months to August. This would leave the UK unemployment rate unchanged at 4.0%; the joint-lowest since the mid-1970s.

The model anticipates a seventh consecutive monthly fall in unemployment, with a fall of 55,000 reported by the ONS in the three months to July. As shown in the charts below, the model continues to provide reliable signals in official unemployment data.

Methodology

The model draws on a range of official, survey and internet search data, which are available on a more timely basis than our target variable. This includes:

- REC's JobsOutlook survey data on employers' expectations for short-term staffing requirements
- KPMG/REC Report on Jobs survey measures of permanent placements and temporary billings

- IHS Markit PMI data, in the form of the composite employment and output indices covering the manufacturing, services and construction sectors
- IHS Markit's Household Finance Index measures of workplace activity and job security
- The European Commission consumer survey measure of unemployment expectations
- Google internet search patterns for terms which we believe give useful signals on the health of the labour market
- ONS measures of claimant count joblessness and vacancies

We have created a single-variable model that provides an overview of underlying conditions in the labour market. We used principal component analysis to extract common factors from our dataset, which we could then weight to create what we call our "Labour Market Tracker". To produce our nowcasts, we combine the Labour Market Tracker with a weighted average of single-variable models to guide our prediction for the three-month change in unemployment.

CHART 1: TRACKER MODEL HISTORY

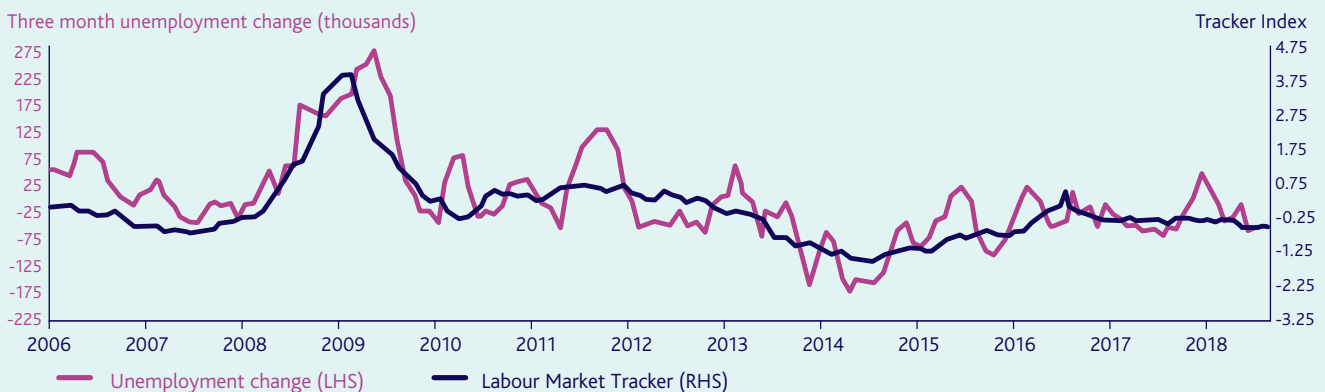
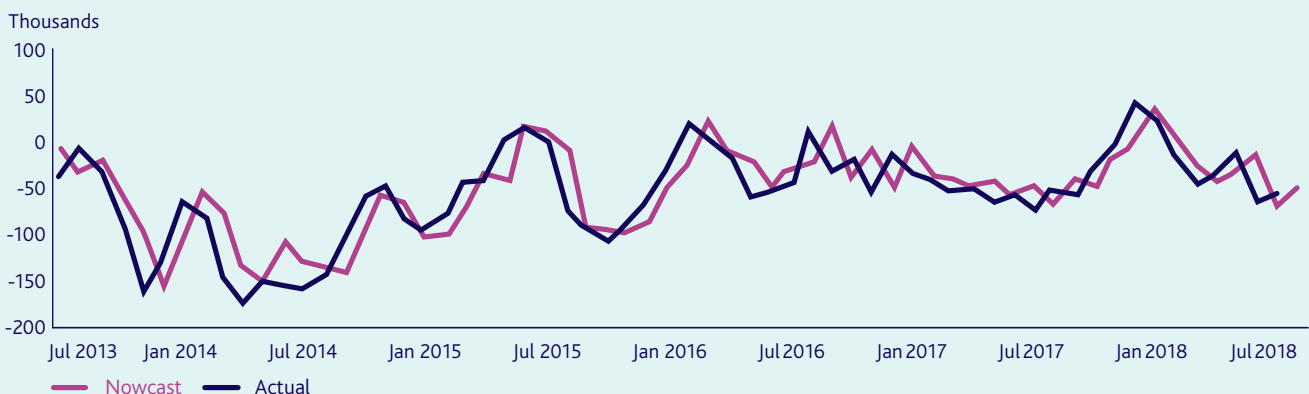


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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

