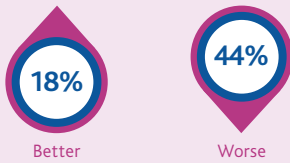


Employers still looking to hire despite low business confidence

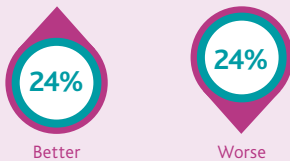
CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

Confidence

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

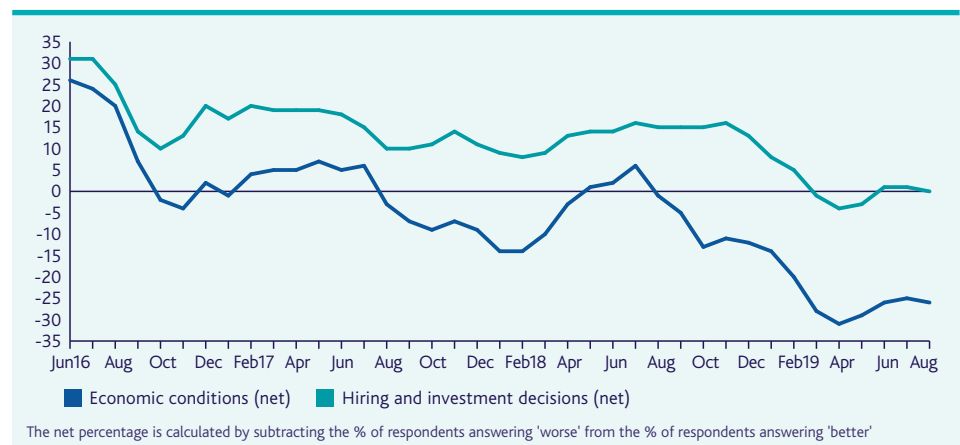


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=609)

The balance of employers' confidence in the UK economy was net: -26 this quarter – a fall of 1 percentage point from the previous rolling quarter. The balance of confidence in making hiring/investment decisions also fell by 1 percentage point to net: 0, with equal proportions of respondents expecting their confidence levels to improve or deteriorate (24% for both).



Key Points from May–July Survey



The balance of employers' confidence in the UK economy was net: -26 this quarter while confidence in making hiring and investment decisions was net: 0.



The balance of UK employers' demand for permanent staff increased to net: +19 in the short-term and net: +21 in the medium-term, compared to the net: +16 and net: +18 recorded in February–April 2019.



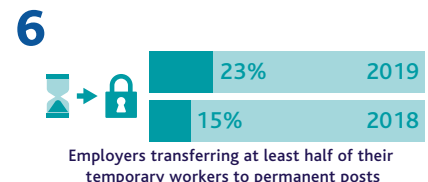
Short-term forecast demand for temporary agency workers increased from net: +2 in February–April 2019 to net +5 in May–July. Demand was much higher among SMEs than large organisations.



77% of UK employers highlighted that they have little or no surplus workforce capacity this quarter. That includes 45% of public sector employers who reported having no spare capacity within their workforce.



46% of employers of permanent staff expressed concern about the availability of suitable candidates for permanent hire. They expressed most concern about potential shortages of appropriate Health & Social Care workers.



The percentage of employers of temporary workers transferring at least half of them into permanent posts each year increased from 15% in May–July 2018 to 23% in the same time period this year.

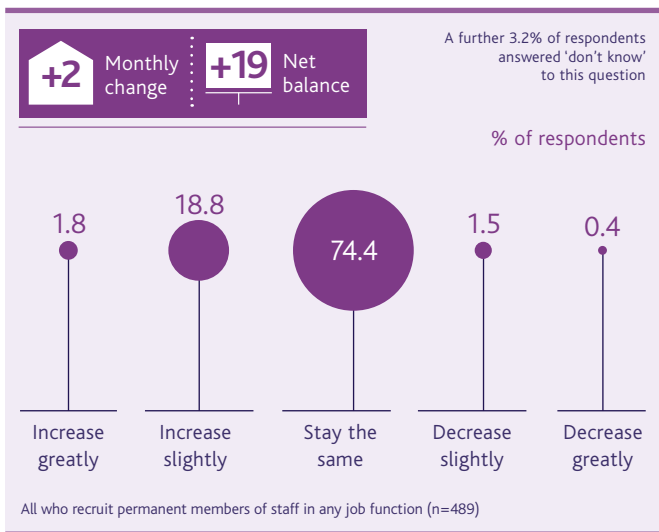
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

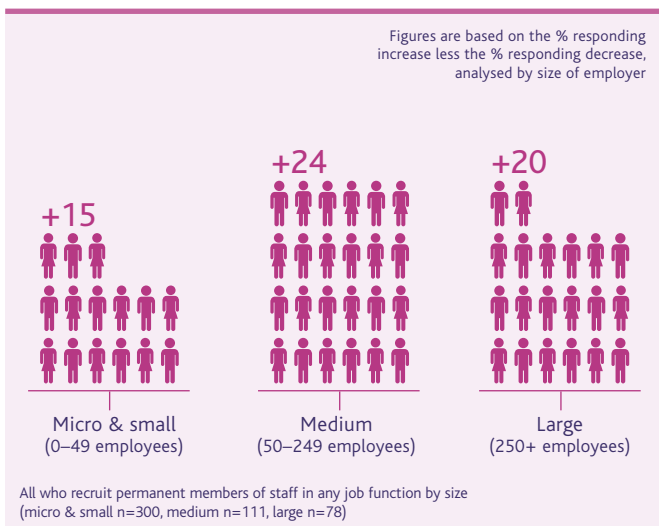
At net: +19 this quarter, the balance of employers of permanent staff who intend to increase or decrease their existing permanent headcount in the short-term was higher than in February–April 2019 (net: +16), but lower than May–July 2018 (net: +22). Whilst 29% of London employers plan to add to numbers (versus 30% in the same period last year), just 14% of hirers in the remainder of the South intend to do the same (versus 28% in May–July 2018).



OUTLOOK BY EMPLOYER SIZE

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

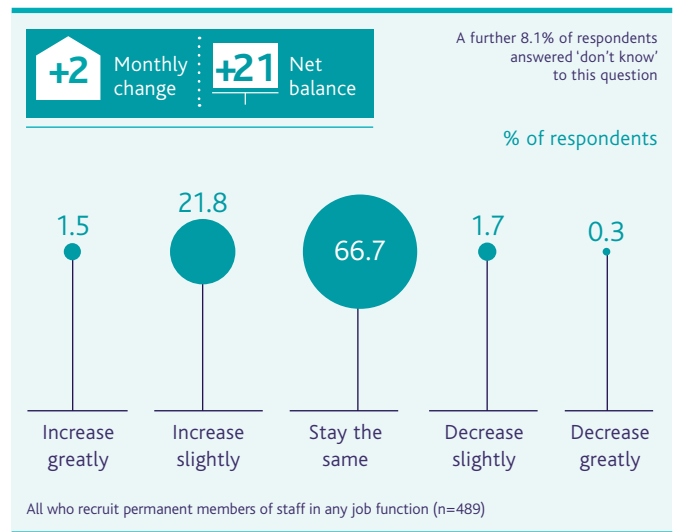
The net balance of short-term forecast demand for permanent hiring was lower than last year (net: +19 versus net: +22), and there were notable changes by organisational size. Whilst the balance figure for mid-sized (50–249 employee) enterprises in May–July 2019 was net: +24, this was down from net: +31 in the same period last year. In contrast, sentiment amongst large (250+ employee) organisations remained stable (net: +20 versus net: +18 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?

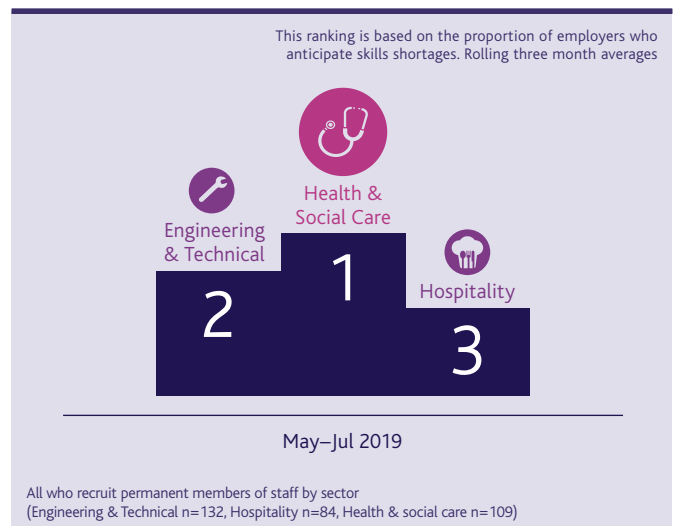
As with short-term demand, the balance of employers' demand for permanent staff in the medium-term (net: +21) was higher this quarter than in February–April 2019 (net: +18), but slightly lower than in May–July 2018 (net: +22). Whilst 31% of Midlands employers plan to add to numbers (up from 24% last year), just 18% of hirers in the South (excluding London) intend to do the same (down from 34% last year).



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?

At 46%, in May–July 2019, the proportion of UK employers expressing concern over the sufficient availability of appropriate candidates for permanent hire was at a similar level to last year (50%). The skills areas where employers anticipate the most acute shortages were Health & Social Care (48%), Engineering & Technical (39%), and Hospitality (36%).

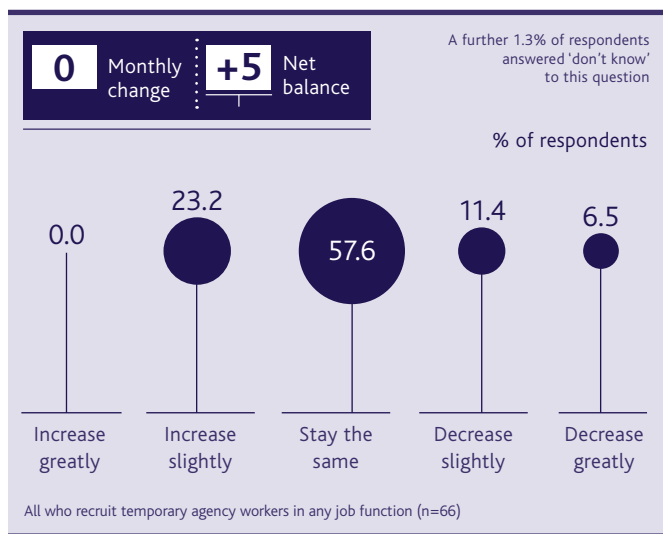


Temporary Recruitment

SHORT-TERM OUTLOOK

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

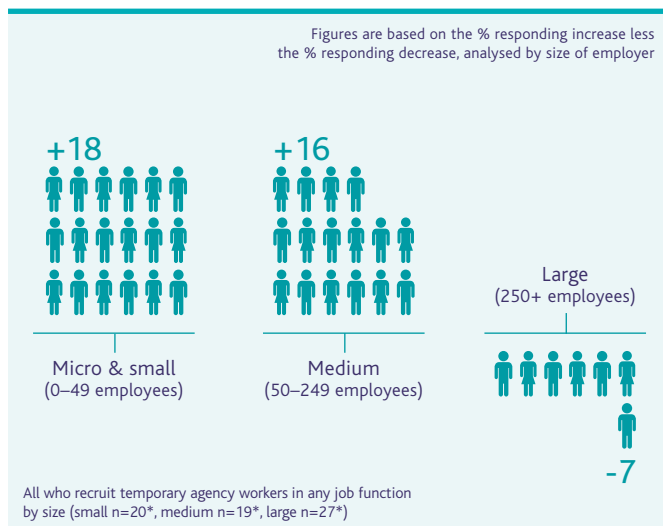
In May–July 2019 UK-wide forecast demand for temporary agency workers in the short-term was at net: +5 with more employers suggesting that they would increase rather than decrease the number of temporary agency workers at their organisation. This was higher than in February–April 2019 (net: +2), but notably lower than the net: +23 recorded in May–July 2018.



OUTLOOK BY EMPLOYER SIZE

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

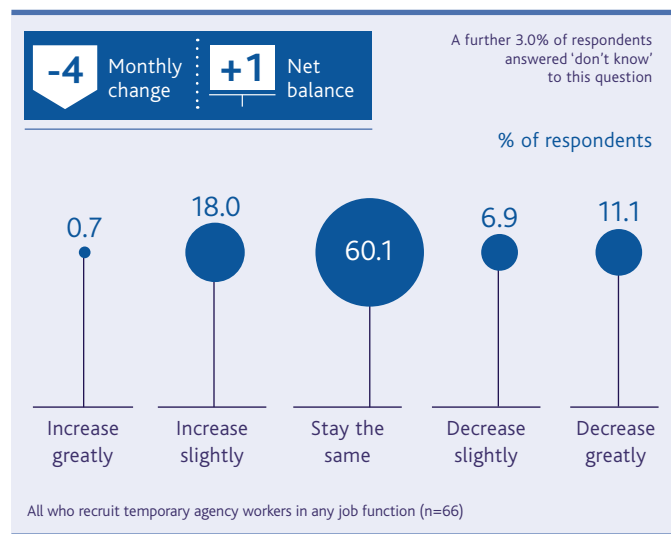
While the net balance of employers' short-term demand for temporary agency workers was positive overall this quarter (net: +5), sentiment varied significantly by employer size. Whilst hiring intentions remained buoyant within micro/small (0–49 employee) and medium (50–249 employee) enterprises which hire temporary agency workers, at net: +18 and net: +16 respectively, these were down from net: +30 and net: +23 in May–July 2018. In contrast, sentiment within large (250+ employee) organisations fell from net: +18 firmly into negative territory (net: -7).



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?

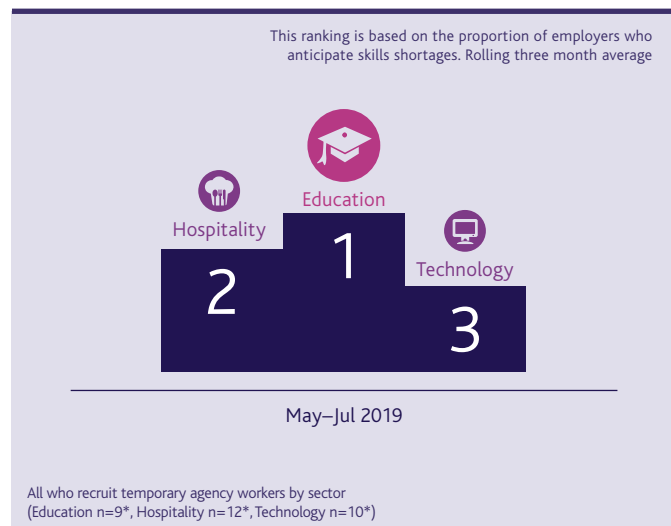
At net: +1 in May–July 2019, the forecast medium-term demand for temporary agency workers remained marginally in positive territory, but was lower than in February–April 2019, when it was net: +4. Demand was also a notable 17 percentage points lower than the net: +18 recorded in May–July 2018.



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?

Whilst the proportion of employers who hire agency workers and have concern over their sufficient availability was notably lower than was recorded last year (34% versus 66%), concern increased markedly amongst public sector employers from 23% to 41%. As the academic year closed, the anticipated shortfall in the availability of academic agency professionals for the new term was noteworthy (32%).

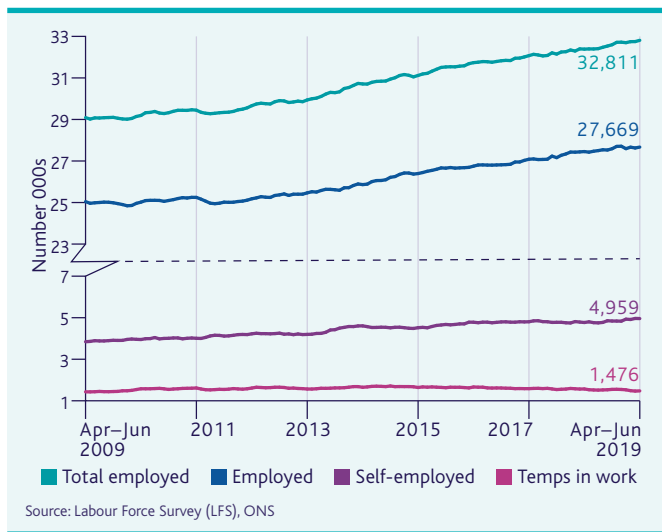


LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

At 32,811,000 in April–June 2019, the UK workforce was 115,000 larger than the previous quarter (January–March 2019) and was 425,000 (1.3%) larger than the same period a year earlier. The annual rise was underpinned by a notable 188,000 (3.9%) increase in self-employment and an increase of 302,000 workers in permanent employment. This was significantly offset by a decline of 86,000 workers in temporary employment (-5.5%). Of additional note, the official vacancy number declined for the sixth successive rolling quarter – down 20,000 year-on-year to 820,000.

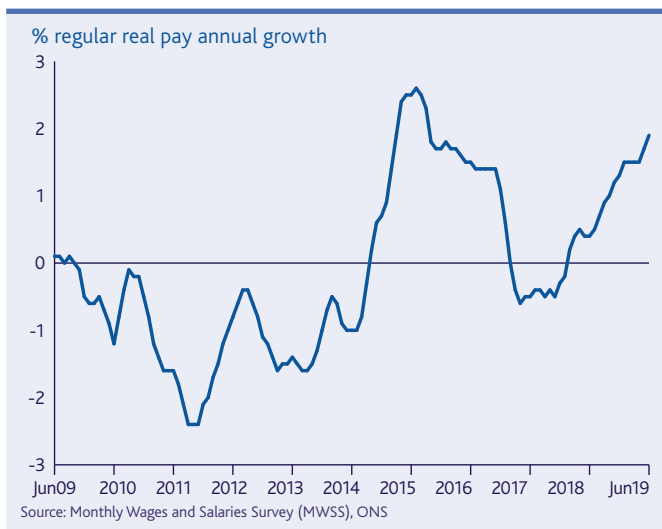
Total employment, employed and self-employed



REAL WAGE GROWTH

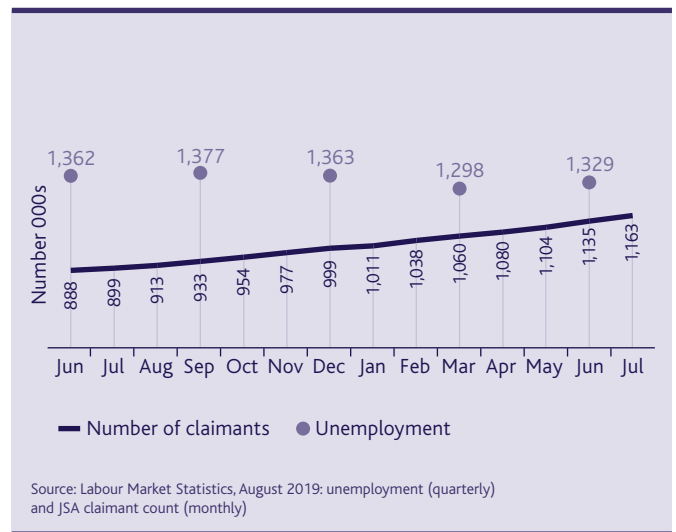
Regular Pay growth (in nominal terms) for employees in Great Britain, for the period between April–June 2018 and April–June 2019, was +3.9%. When considering the change in real-terms (i.e. adjusted for CPI), however, Regular Pay increased by 1.9%. These figures notably exclude the self-employed, who constituted 15.1% of the UK workforce this quarter.

For June 2019, average Regular Pay (before tax and other deductions) was estimated at £469 per week in real terms – higher than the estimate for a year earlier (£460 per week), but £4 (0.8%) lower than the pre-recession peak of £473 per week for April 2008.



UNEMPLOYMENT AND CLAIMANT NUMBERS

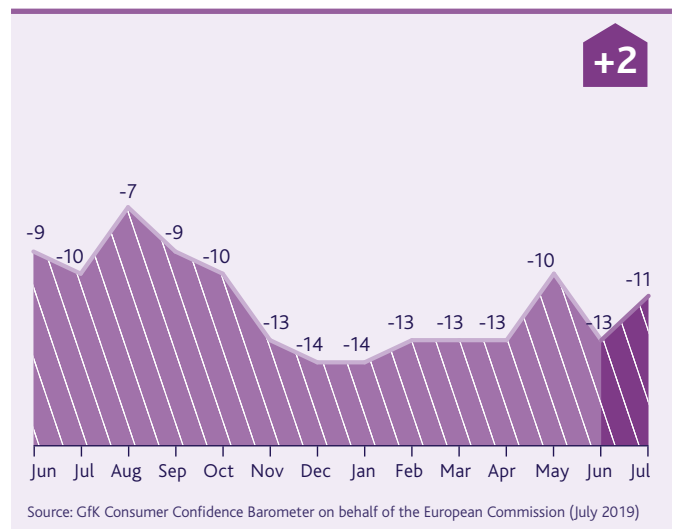
The unemployment rate was 3.9% in April–June 2019. At 1,329,000, this represented a 31,000 (2.4%) increase on the previous quarter, but was 33,000 (2.4%) lower than the same period a year earlier. Those aged 18–24 years bore the brunt of the quarterly unemployment rise, with numbers increasing by 34,000 (8.7%) to 419,000 – a 10.8% unemployment rate, compared to 9.9% last quarter. Unemployment was also up year-on-year within this age cohort by 32,000 (8.1%). There was also a 13,000 (2.3%) quarterly increase in the number of unemployed workers aged 25–49.



CONSUMER CONFIDENCE INDEX

GfK's measure of Consumer Confidence improved by two points in July 2019 to -11. The key driver behind the Index staying firmly in negative territory, however, was the balance of respondents' expectations for the general economic situation over the next year. At -32, this was six points lower than in July 2018.

Conversely, the balance of respondents' views on their own personal finances over the next year rose by 5 points to +7 in July – taking it to the same level as the prior year. Similarly, following a 6-point upward movement to +4, the Major Purchase Index was 6 points higher than a year earlier. At +25, the Savings Index was 16 points higher than a year earlier.

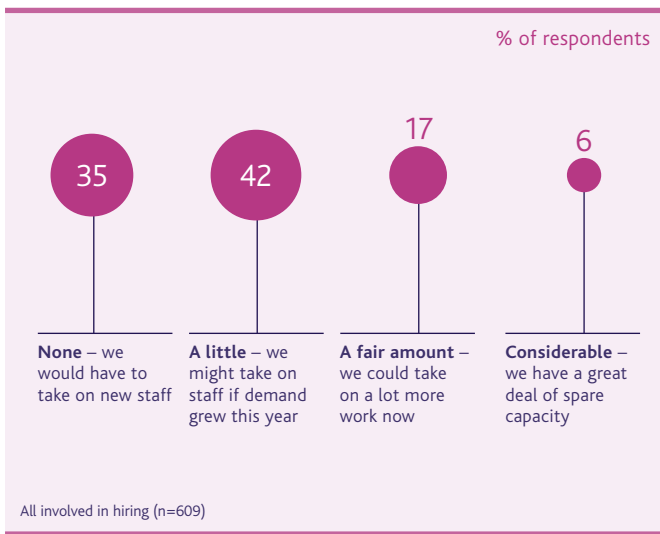


EmployerDashboard

WORKFORCE CAPACITY

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

45% of public sector employers said that they have absolutely no spare capacity within their workforce this quarter – up from 34% highlighting that they were in the same situation a year earlier. From a regional perspective, there were also two notable standouts: the Midlands and the South (excluding London), where 43% and 42%, respectively, reported that they have no surplus capacity (versus 32% and 35%, respectively, last year).

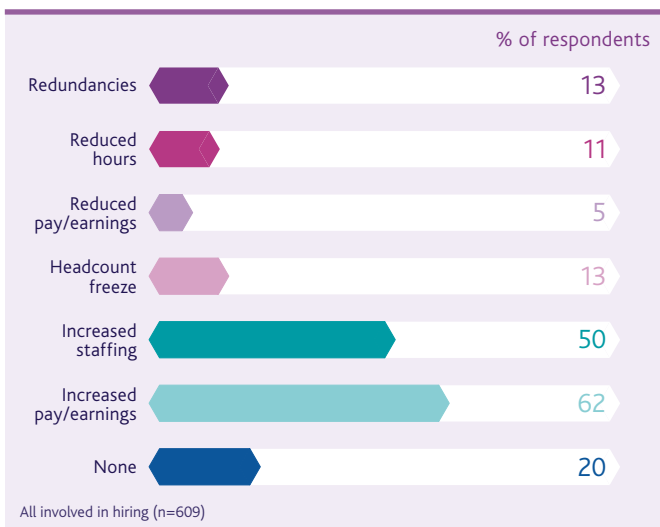


WORKFORCE PLANNING

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

At 13%, the proportion of employers who had made redundancies in the year to May–July 2019 was down from 17% in the same period last year. Additionally, the proportion that had reduced hours fell from 15% to 11%, whilst instances of headcount freeze fell from 19% of employers in the year to May–July 2018 to 13% this year.

Workforce changes made in the last year
3 month rolling average to July 2019

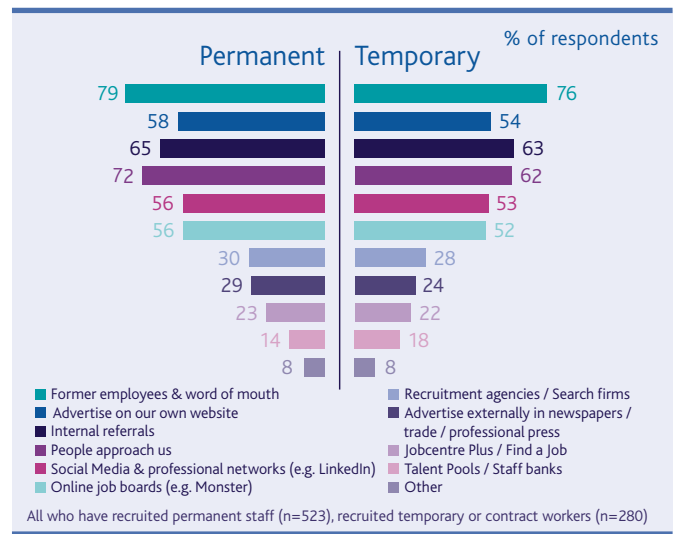


RECRUITMENT CHANNELS USED

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

Less than three in five employers (58%) with permanent vacancies to advertise post them on their own website or careers site. This was marginally up from 55% last year. Similarly, at 54%, the proportion of employers posting temporary/contract vacancies on their own site had edged up slightly from 52% last year.

Recruitment channels used for staffing as of July 2019



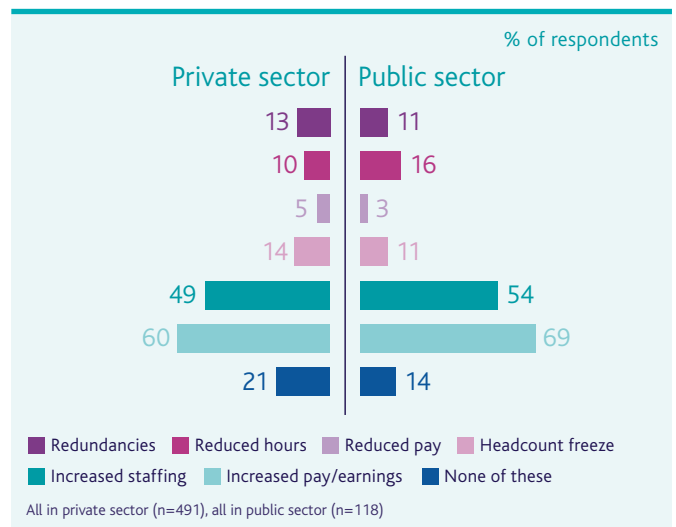
WORKFORCE PLANNING BY SECTOR

The positive shift in UK employers reducing curtailing actions on their workforce in the year to May–July 2019 was largely driven by changes in behaviour in the private sector.

The proportion of private sector employers that had made redundancies fell from 17% to 13% year-on-year, whilst the proportion that had reduced hours fell from 16% to 10%.

Instances of actioning a headcount freeze also fell from 20% to 14%. In contrast, at 16%, the proportion of public sector employers that had reduced hours in the year to May–July 2019 was up from the 12% recorded a year earlier.

3 month rolling average to July 2019

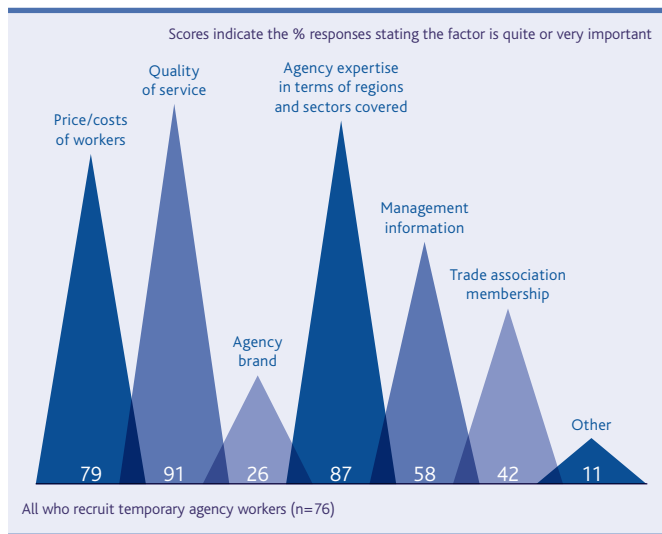


AgencyDashboard

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?

The two factors that employers which recruit temporary agency workers were most likely to highlight as being important when selecting their recruitment partners were quality of service (91%) and the agency's sectoral and/or geographical expertise (87%).

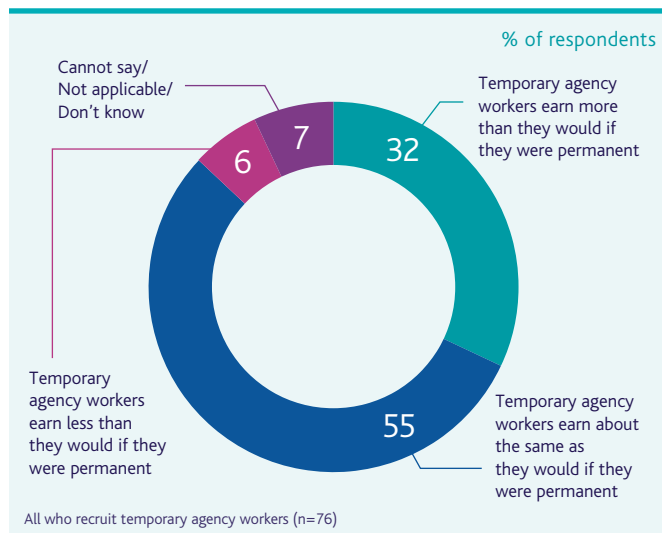


AGENCY WORKER PAY RATES

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

At 32%, the proportion of employers of temporary agency workers who said that those workers earned more than if they were permanent was up from 22% year-on-year. This sentiment increased in all regions of the UK, except in London where it fell from 26% to 19% year-on-year. The proportion who said that agency workers earn less than if they were permanent fell sharply from 36% to 6%, year-on-year.

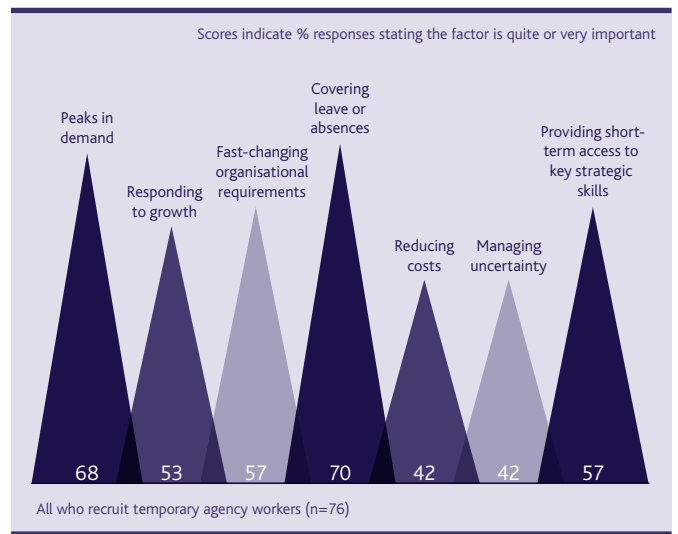
3 month rolling average to July 2019



IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

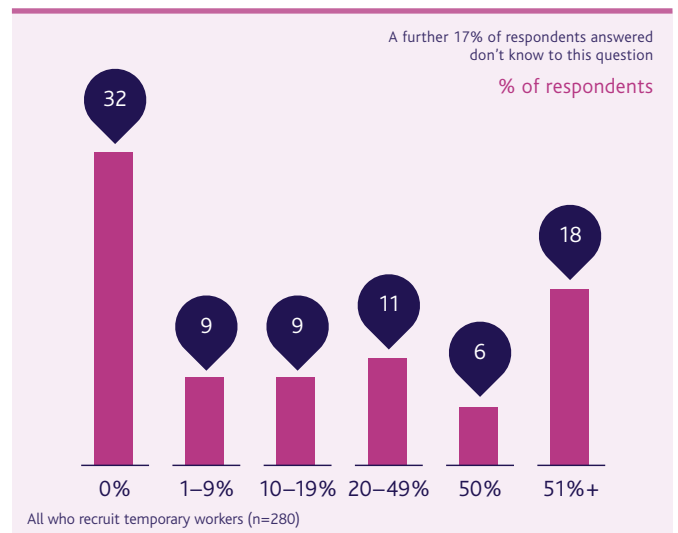
The proportion of employers who recruit temporary agency workers who highlighted that these workers are important for responding to growth increased from 48% in February–April 2019 to 53% in May–July 2019. There was also an increase in the proportion highlighting their importance for helping to manage fast-changing organisational requirements, from 47% to 57%.



TEMPORARY TO PERMANENT

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

The proportion of UK employers of temporary workers who say they transfer at least half of them into permanent posts each year increased from 15% in May–July 2018 to 23% in May–July 2019. This included an increase from 13% to 22% in the private sector. At the other end of the spectrum, the proportion who say they make no temporary-to-permanent transfers each year also increased, from 18% in May–July 2018 to 32% this year.



AgencyDashboard

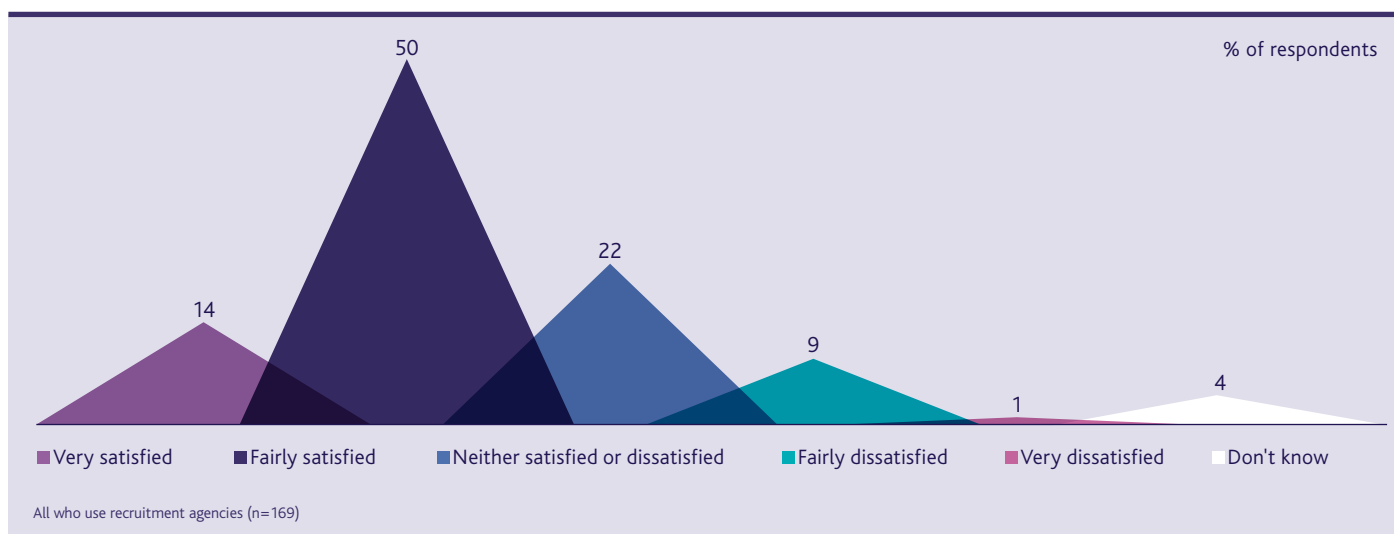
SATISFACTION WITH CANDIDATES

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

This quarter almost two thirds (64%) of UK hirers who use recruitment agencies expressed satisfaction with the candidates presented by their partner agencies, despite the well-documented shortages of candidates in the current jobs market. However, this is down from the 68% recorded in the previous rolling quarter. Levels of satisfaction were significantly higher in the private sector than in the public sector this quarter (68% versus 48%, respectively).

By size of enterprise, the largest (250+ employee) enterprises were marginally more satisfied (67%) than mid-sized (50–249 employee) (64%) and micro/small (0–49 employee) (63%) organisations. All three groups witnessed a year-on-year decline in satisfaction levels, from the 80%, 82% and 72%, respectively, recorded in May–July 2018.

Dissatisfaction levels remained significantly higher in the public (16%) than the private sector (8%), in May–July 2019 – the same levels as a year earlier.



SATISFACTION WITH AGENCIES

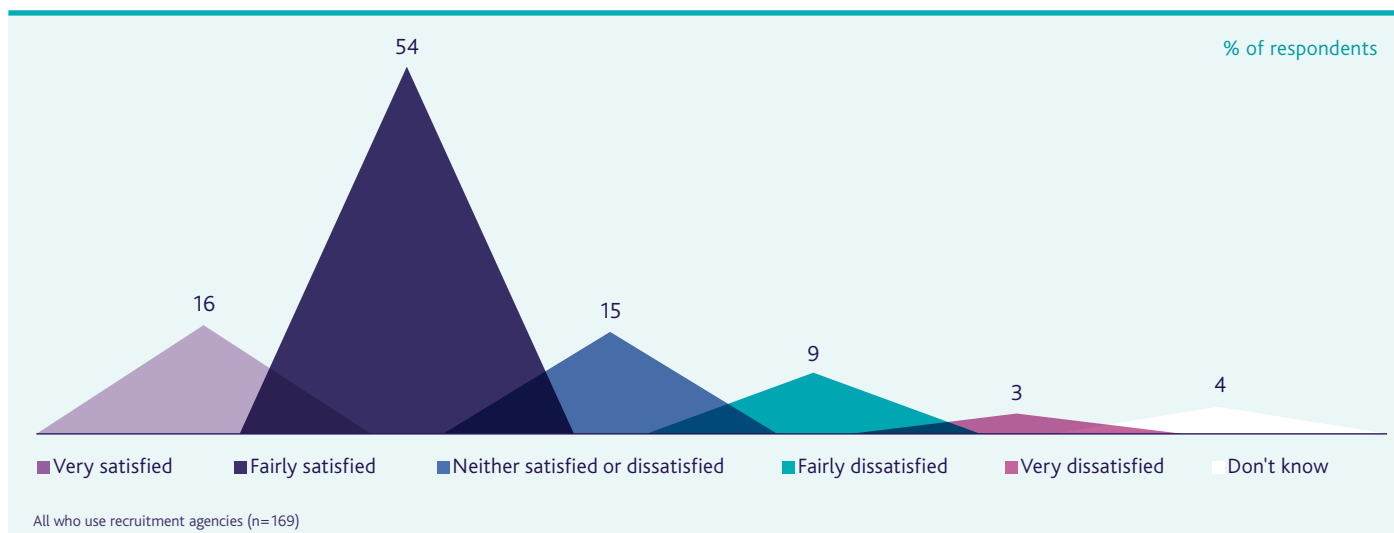
How satisfied are you overall with the recruitment agencies you have used in the last 2 years?

The level of employer satisfaction with the overall service provided by the recruitment agency partners they have used over the last two years continues to remain more buoyant than their satisfaction with the candidates presented. Seven in ten (71%) employers who use recruitment agencies expressed satisfaction in May–July 2019. However, this was down from the level of 74% recorded in the previous rolling quarter.

Mid-sized (50–249 employee) enterprises remain the most satisfied with their agencies. At 79%, levels of satisfaction were notably higher than

the all-UK average (71%) and only marginally lower than the proportion of mid-sized organisations expressing satisfaction a year earlier (83%). There was also a marked increase in dissatisfaction levels amongst micro/small (0–49 employee) organisations, from 10% to 17% year-on-year.

As with employer satisfaction with the candidates presented by recruitment agencies, satisfaction with agencies themselves is higher among private sector employers than public sector bodies (71% compared to 67%).



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?

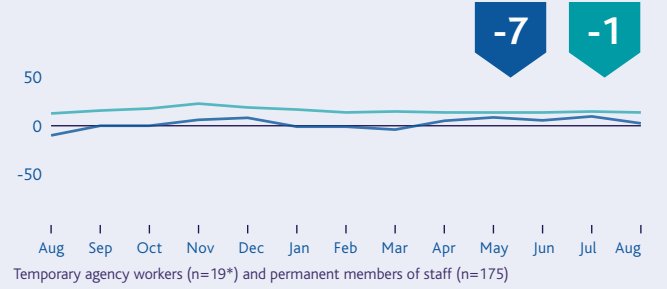
Above-average levels of forecast short-term demand continued amongst employers seeking to hire permanent workers with Health & Social Care (up 1 percentage point on the previous rolling quarter to net: +37) and Construction skills (down 2 percentage points to net: +27). There were also sharp rises in forecast demand from the previous rolling quarter for Industrial workers (up 10 percentage points to net: +16) and those required within Sales and Retail (up 8 percentage points to net: +23).

In terms of temporary agency workers, short-term demand was highest for Education professionals (up 14 percentage points from the previous quarter to net: +41) and Industrial workers (up 9 percentage points to net: +44). Demand for these workers far outstripped the all-sector average of net: +5.

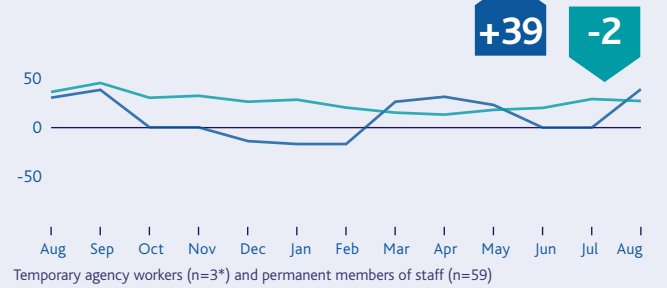
- Temporary
- Permanent

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.

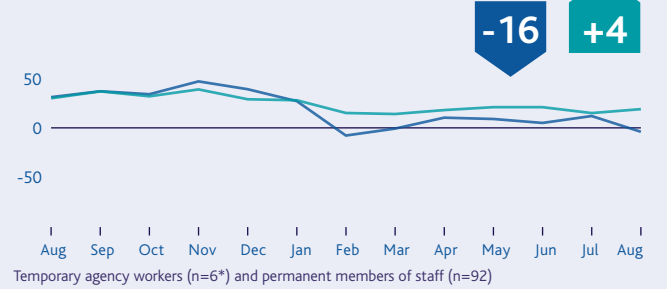
ACCOUNTING & FINANCIAL SERVICES



CONSTRUCTION



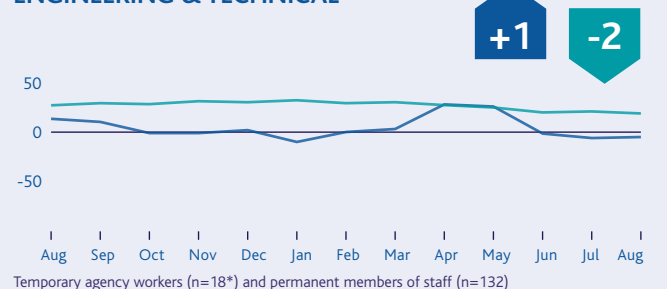
DRIVERS



EDUCATION



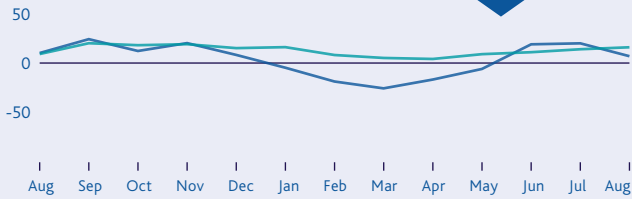
ENGINEERING & TECHNICAL



SectorProspects

EXECUTIVE RECRUITMENT / INTERIM

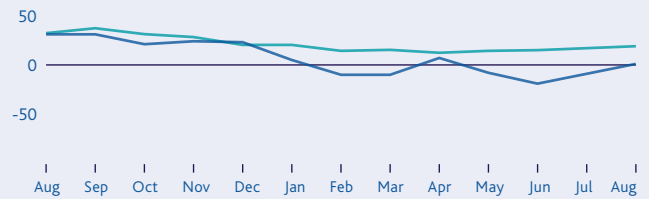
-13 **+2**



Temporary agency workers (n=10*) and permanent members of staff (n=121)

MARKETING, MEDIA & CREATIVE

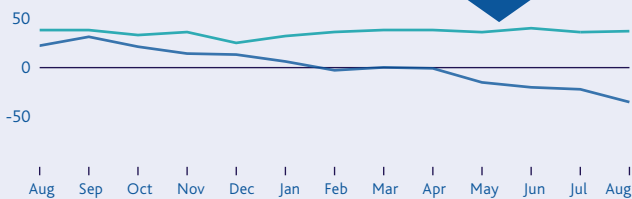
+10 **+2**



Temporary agency workers (n=8*) and permanent members of staff (n=156)

HEALTH & SOCIAL CARE

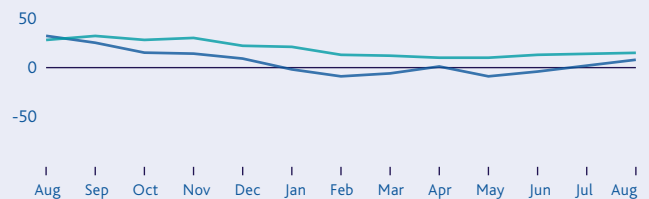
-13 **+1**



Temporary agency workers (n=14*) and permanent members of staff (n=109)

OFFICE PROFESSIONALS

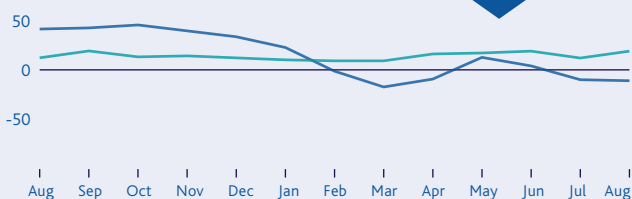
+6 **+1**



Temporary agency workers (n=33*) and permanent members of staff (n=264)

HOSPITALITY

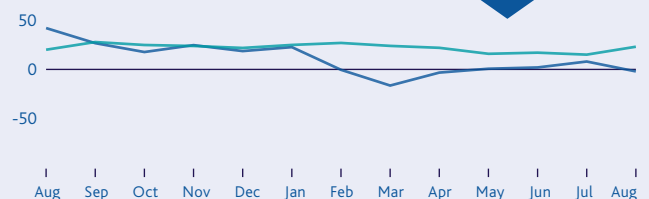
-1 **+7**



Temporary agency workers (n=12*) and permanent members of staff (n=84)

SALES & RETAIL

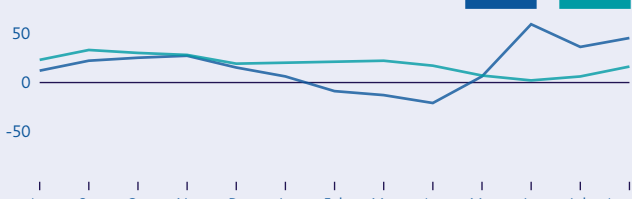
-10 **+8**



Temporary agency workers (n=6*) and permanent members of staff (n=157)

INDUSTRIAL

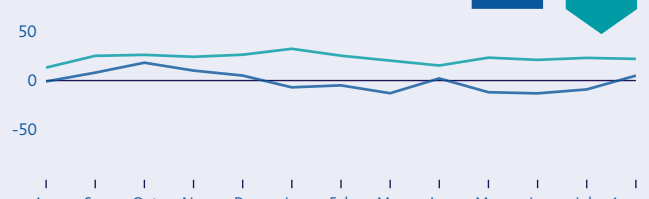
+9 **+10**



Temporary agency workers (n=12*) and permanent members of staff (n=59)

TECHNOLOGY

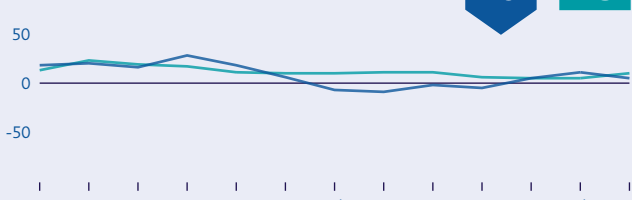
+14 **-1**



Temporary agency workers (n=10*) and permanent members of staff (n=121)

LEGAL & HR

-6 **+5**



Temporary agency workers (n=15*) and permanent members of staff (n=121)

REC-IHS Markit Predictive model

UK UNEMPLOYMENT EXPECTED TO RISE IN THE THREE MONTHS TO JULY

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

The latest nowcast model forecasts an increase of 44,000 in the Labour Force Survey measure of UK unemployment in the three months to July. This would lead to a rise in the unemployment rate from 3.9% to 4.0%, which would be the highest figure since the final quarter of 2018.

The model therefore signals a second successive increase in unemployment, with a rise of 31,000 reported by the ONS in the three months to June (which was the first upturn in unemployment seen since the three months to November 2018). 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

Three month unemployment change (thousands)

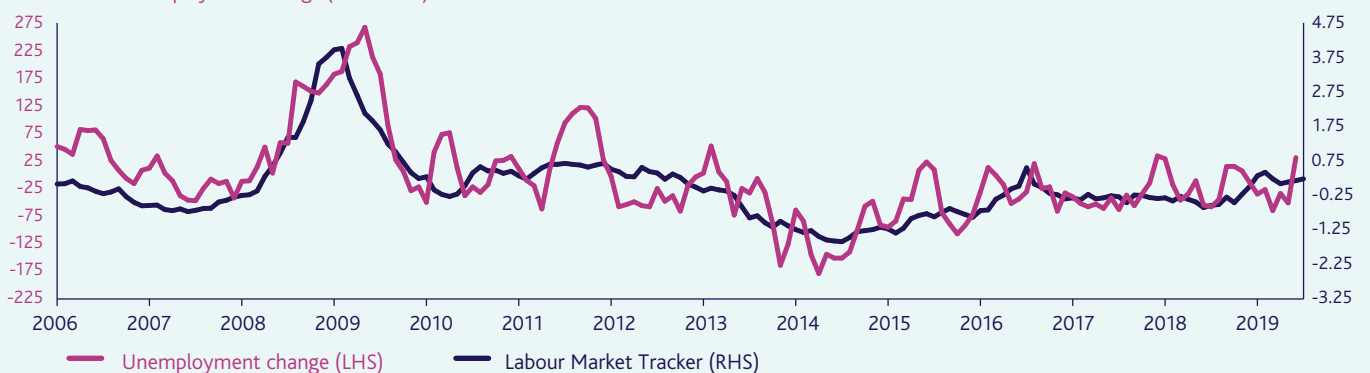


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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

