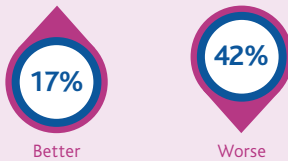


## Employers remain cautious amid political uncertainty

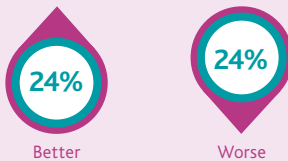
CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

### Confidence

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

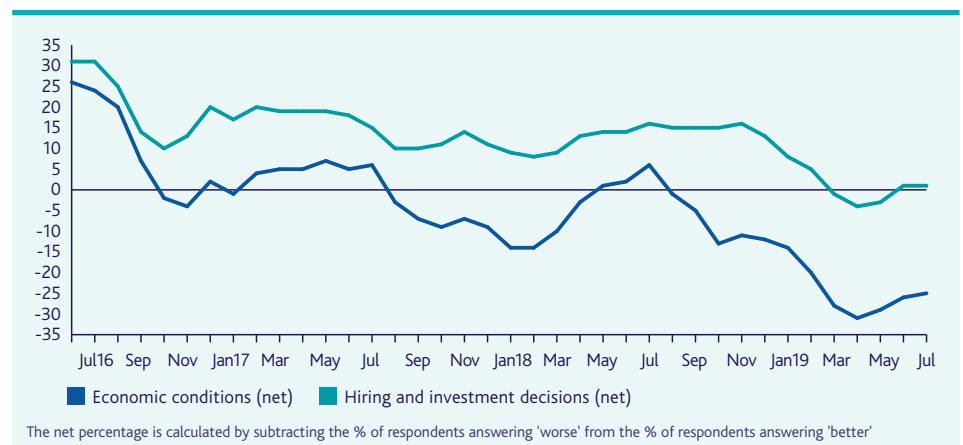


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=610)

The net balance of employers' confidence in the prospects for the UK economy improved by 1 percentage point this month to net: -25. The balance of confidence in making hiring/investment decisions remained in positive territory at net: +1. This is the same level as recorded in the previous rolling quarter.



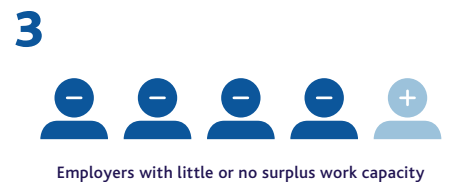
### Key Points from April–June Survey



Employers' confidence in the prospects for the UK economy stayed firmly in negative territory (net: -25), while their confidence in making hiring/investment decisions remained in positive territory (net: +1).



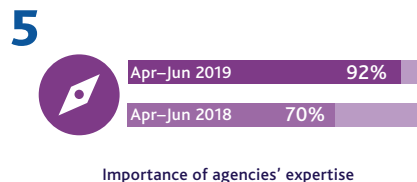
At net: +17 and net: +5 respectively, the net balance of short-term hiring intentions for permanent and temporary agency staff were higher than in January–March 2019 (net: +16 and net: +3 respectively).



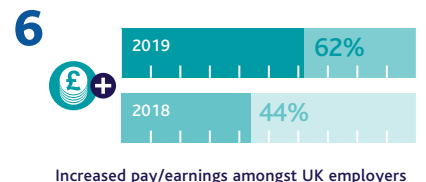
Four in five (78%) UK employers have either little or no surplus capacity, including 46% of public sector hirers having no surplus workforce capacity (up from 38% a year earlier).



42% of employers of permanent staff expressed concern about the sufficient availability of appropriate candidates for hire. Health & Social Care, Hospitality and Construction are the skills areas of most concern.



The proportion of employers who recruit temporary agency workers that highlighted the importance of a recruitment agency's geographical and/or skills expertise when selecting partners increased from 70% to a noteworthy 92% year-on-year.



At 62%, the proportion of UK employers that had increased pay/earnings in the last year was significantly higher than recorded a year earlier (44%).

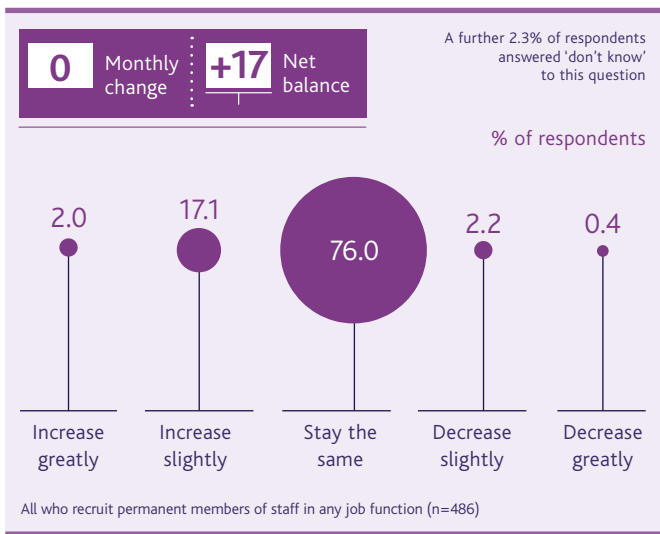
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (\*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

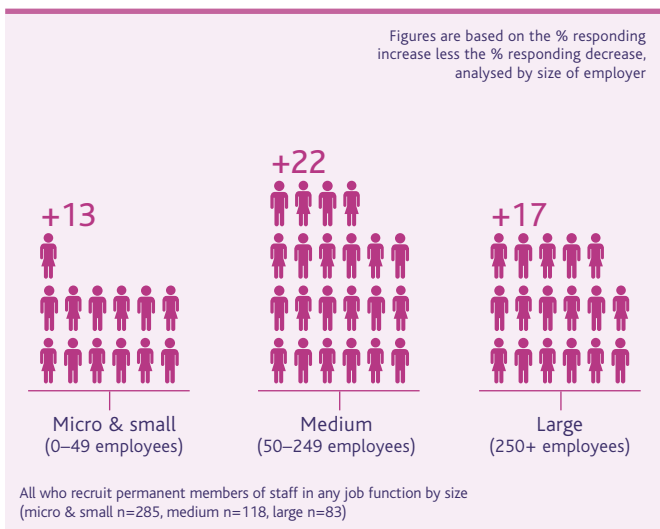
At net: +17, the balance of employers planning to increase, rather than decrease, their permanent headcount in the short-term was slightly lower than in the same period last year (net: +19). Regionally, however, there were some significant underlying year-on-year movements. These included a decline from net: +28 to net: +14 amongst employers in the Midlands and a rise from net: +15 to net: +21 amongst respondents in the North.



## OUTLOOK BY EMPLOYER SIZE

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

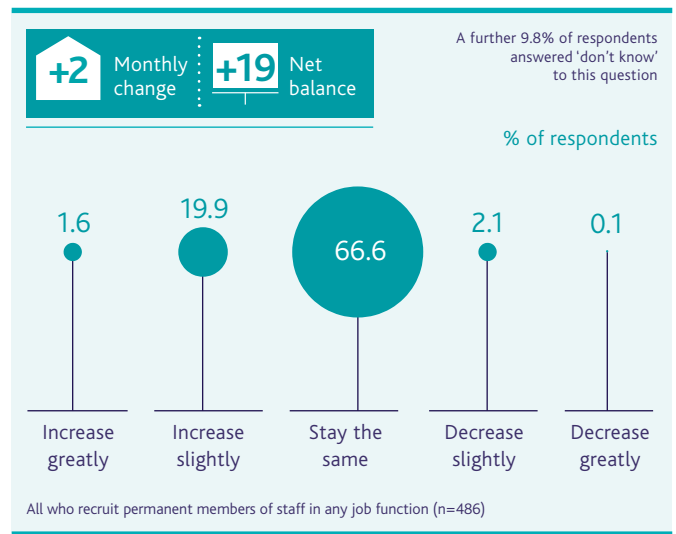
Whilst the all-UK positive net balance of short-term forecast demand for permanent hiring remained relatively stable year-on-year, there were some notable movements by organisational size. The balance of sentiment fell amongst both micro/small (0–49 employee) and mid-sized (50–249 employee) organisations (from net: +20 to net: +13, and from net: +25 to net: +22, respectively). In contrast, forecast demand increased within the UK's largest (250+ employee) hirers, from net: +13 to net: +17.



## MEDIUM-TERM OUTLOOK

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

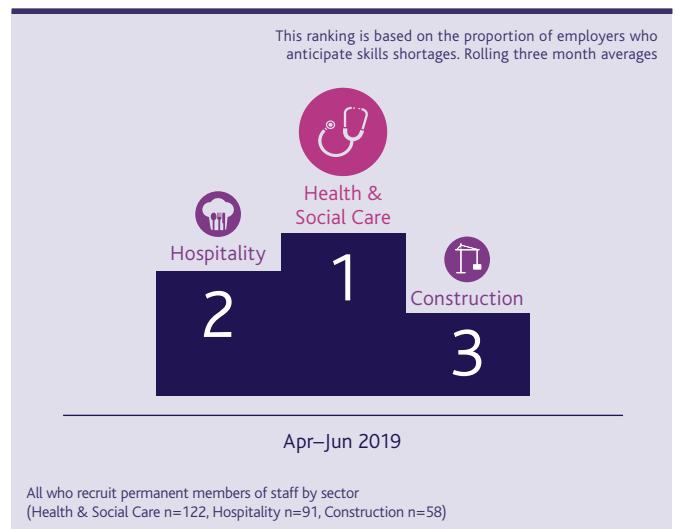
At net: +19, the balance of UK-wide sentiment towards medium-term permanent hiring in April–June was at the same level as last year. In London, however, there was a notable decline, with the balance falling from net: +33 to net: +21 year-on-year. Sectorally, forecast demand in the public sector fell from net: +14 to net: +10. In contrast, it rose in the private sector, from net: +20 to net: +22, over the same period.



## 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?

Whilst 42% of employers of permanent staff expressed concern, this quarter, over the sufficient availability of appropriate candidates for permanent hire, this was down from 50% who anticipated shortages a year earlier. The skills area of most concern to hirers was the anticipated ongoing shortage of workers within Health & Social Care (41%).

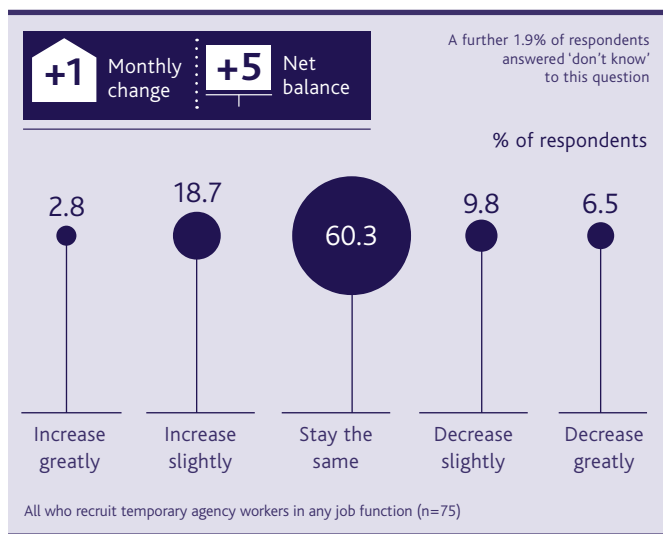


# Temporary Recruitment

## SHORT-TERM OUTLOOK

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

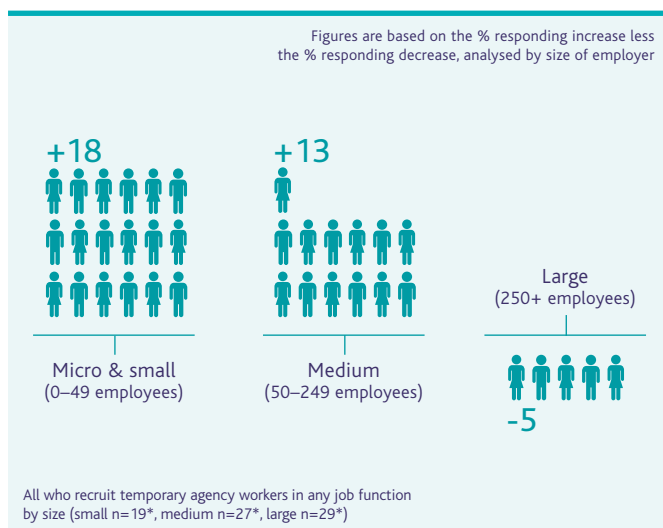
Whilst the short-term, UK-wide forecast demand for temporary agency workers rose by 1 percentage point this quarter to net: +5, it remained a noteworthy 20 percentage points lower than in the same period last year. The most significant regional decline in sentiment occurred in the Midlands, where the balance fell from net: +39 to net: -3.



## OUTLOOK BY EMPLOYER SIZE

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

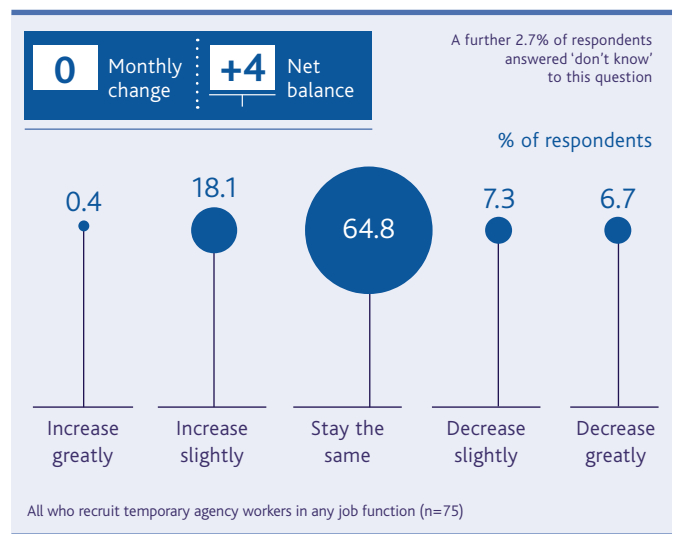
Whilst the balance of sentiment towards short-term agency worker hiring declined, year-on-year, amongst both micro/small (0–49 employee) enterprises and medium-sized (50–249 employee) organisations (from net: +31 to net: +18 and from net: +22 to net: +13, respectively), both remained in positive territory. In contrast, the balance of sentiment amongst the UK's largest (250+ employee) hirers fell from a firmly positive position (net: +24) into negative territory (net: -5).



## 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?

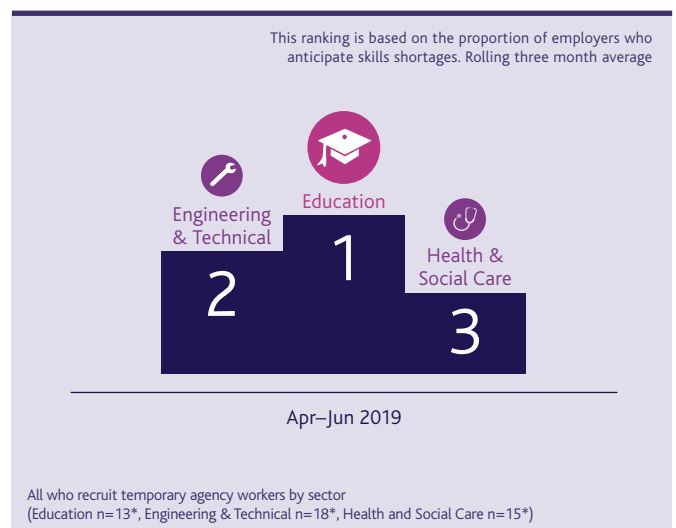
At net: +4, forecast medium-term demand for temporary agency workers was significantly lower than the net: +23 recorded a year earlier. Sentiment in the Midlands was firmly in negative territory (net: -14) this quarter, but was strongly positive in the North (net: +24). Sentiment improved in the public sector (from net: -17 to net: -1), but deteriorated in the private sector (from net: +29 to net: +7) year-on-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?

At 23%, the proportion of UK employers who hire temporary agency workers who expressed concern over their sufficient future availability was notably lower than the level recorded in January–March 2019 (34%). Whilst the proportion fell in the private sector from 34% to 19%, the level in the public sector remained the same at 33%.

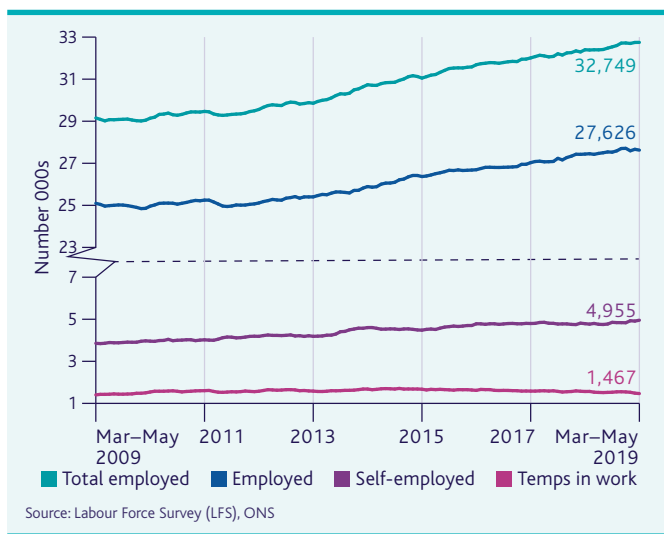


# LabourMarketDashboard

## TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

The UK workforce increased by 0.1% in March–May 2019, compared to the previous quarter. At 32,749,000, it was 28,000 larger than the previous quarter (December 2018–February 2019) and 354,000 (1.1%) larger than the same period a year earlier. Self-employment was the only category of employment to increase quarter-on-quarter, however, rising by 122,000 (2.5%) to 4,955,000. This represented a self-employment rate of 15.1%. In comparison, temporary employment fell by 78,000 (-5.1%) to 1,467,000. This represented 4.5% of all in employment.

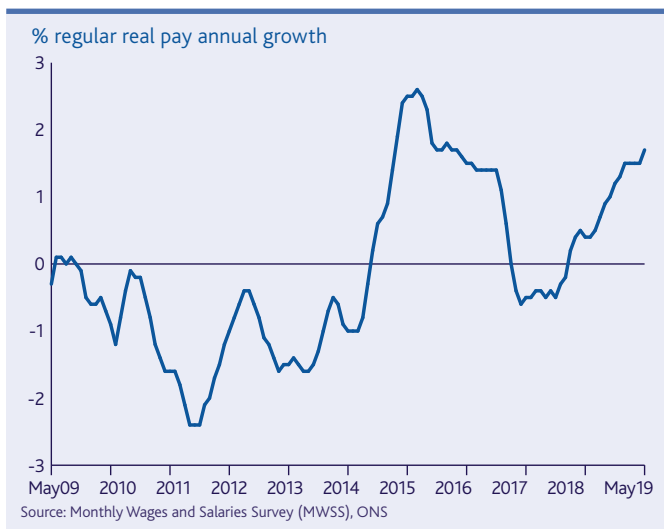
Total employment, employed and self-employed



## REAL WAGE GROWTH

Regular Pay growth (in nominal terms) for employees in Great Britain, for the period between March–May 2018 and March–May 2019, was +3.6%. When considering the change in real-terms (i.e. adjusted for CPI), however, Regular Pay increased by 1.7%. Total pay for employees (in nominal terms), for the period between March–May 2018 and March–May 2019 rose by 3.4%, whilst the real-terms impact left wages 1.4% higher.

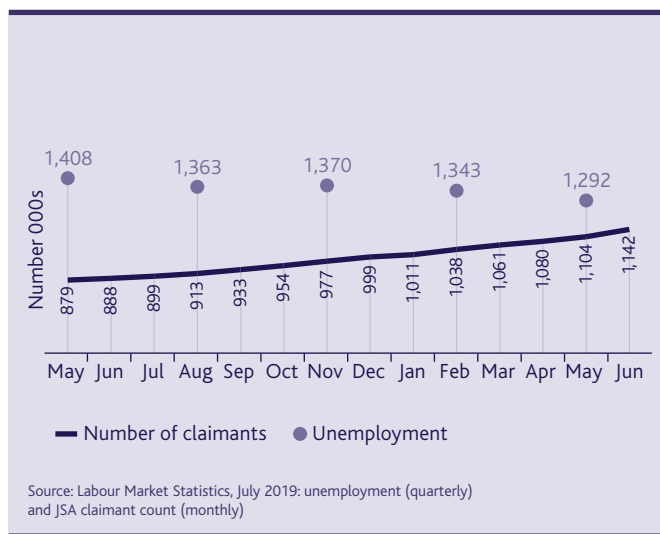
For May 2019, average regular pay was estimated at £503 per week in nominal terms and £468 per week in real terms (at constant 2015 prices). This was higher than the estimate for a year earlier (£460 per week), but remained £5 (1.0%) lower than the pre-recession peak of £473 per week for April 2008.



## UNEMPLOYMENT AND CLAIMANT NUMBERS

The unemployment rate was 3.8% in March–May 2019. At 1,292,000, this represented a 51,000 (3.8%) decrease on the previous quarter and was 116,000 (8.2%) lower than the same period a year earlier. Unemployment rates varied significantly by age band however, ranging from 19.6% amongst those aged 16–17 and 10.7% amongst 18–24 year olds, to 2.6% amongst those aged 50+.

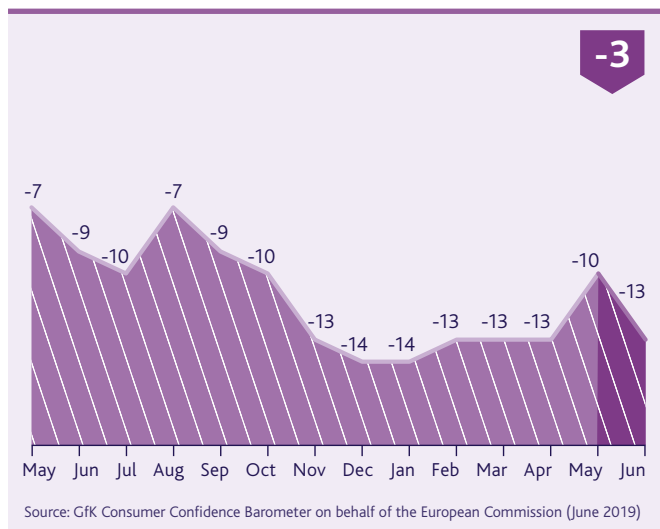
At 1,142,000, the provisional Claimant Count in June 2019 was 38,000 (3.4%) higher than the previous quarter and was up by 254,000 (28.6%) year-on-year.



## CONSUMER CONFIDENCE INDEX

GfK's measure of Consumer Confidence slipped back by 3 points in June 2019 to -13. This is the fourth time this year that it has been recorded at this level.

At -33, the balance of respondents' expectations for the general economic situation over the next year was eight points lower than in June 2018. Similarly, whilst marginally in positive territory (+2), the balance of respondents' views on their own personal finances over the next year was also lower (by 4 points) than the figure recorded a year earlier. In contrast, the Savings Index increased for the third consecutive month and, at +19, was 11 points higher than in June 2018.

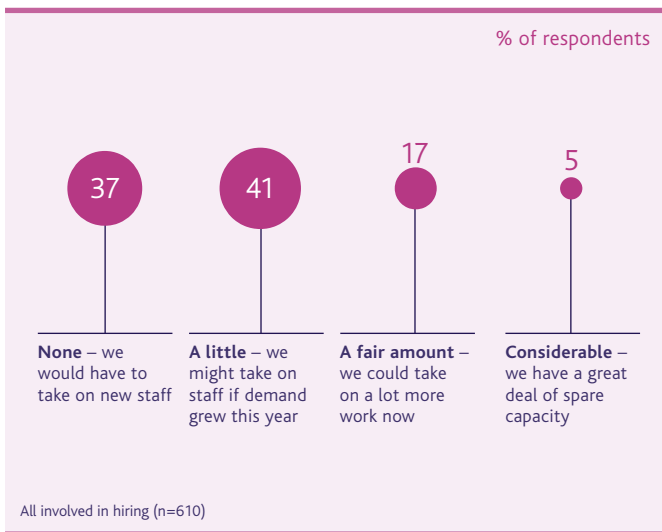


# EmployerDashboard

## WORKFORCE CAPACITY

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

Nearly half of all public sector hirers (46%) reported that they have absolutely no surplus workforce capacity, up from 38% highlighting the same situation a year earlier. In contrast, the proportion of private sector hirers who said the same rose from 32% to 35%. Regional variations ranged from 42% in the Midlands (up from 31% last year) to 32% in London (versus 31% last year) with no surplus resource.

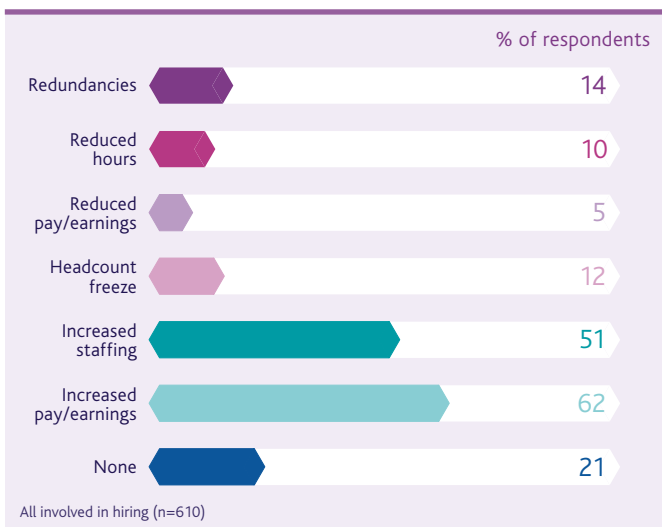


## WORKFORCE PLANNING

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

At 62%, the proportion of UK employers that had increased pay/earnings in the last year, when surveyed in April–June 2019, was significantly higher than a year earlier (44%). This was driven by increasing proportions of mid-sized (50–249 employee) and large (250+ employee) enterprises boosting reward levels – up from 42% to 80%, and from 36% to 82%, respectively.

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

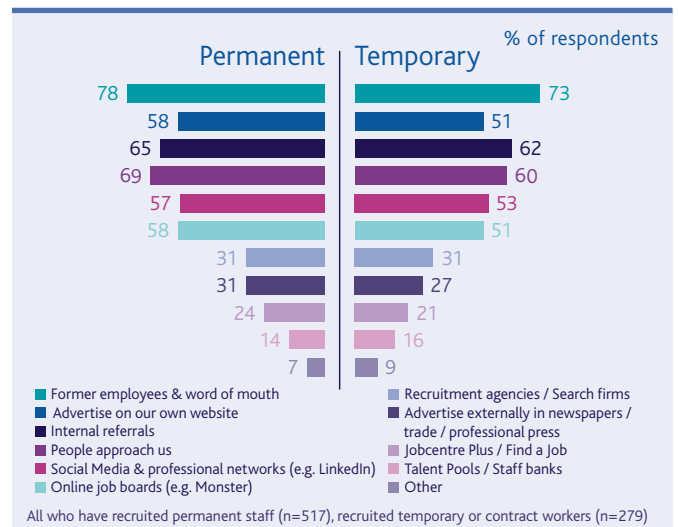


## RECRUITMENT CHANNELS USED

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

Contacting former employees and/or using word of mouth continues to be the recruitment channel used by the highest proportion of hirers of both permanent staff (78%) and temporary agency workers (73%). The next most-used channels are direct approaches from candidates (69% and 60% respectively) and internal referrals (65% and 62%, respectively).

Recruitment channels used for staffing as of June 2019

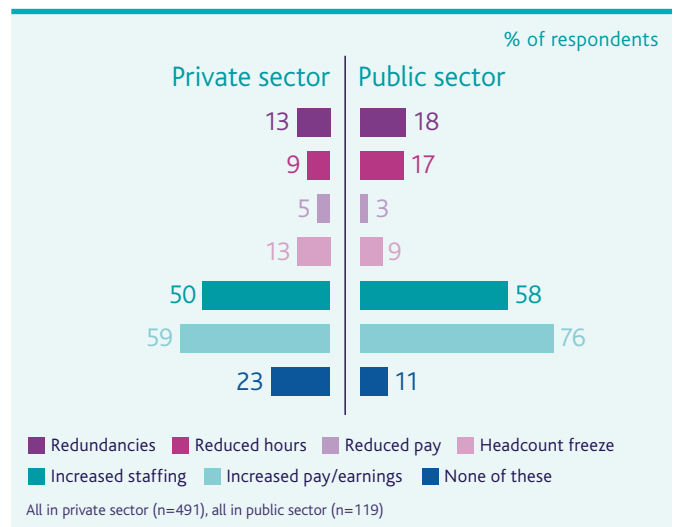


## WORKFORCE PLANNING BY SECTOR

Significantly more public sector (76%) than private sector enterprises (59%) highlighted that they had increased pay/earnings over the last year, when surveyed in April–June 2019. These figures were up from 49% and 43%, respectively, recorded a year earlier.

Amongst those organisations that had to take restraining workforce actions over the last twelve months, significantly more public than private sector hirers had reduced hours. In the public sector, the proportion taking this action rose from 13% to 17%, year-on-year, whilst in the private sector, it fell from 19% to 9%.

3 month rolling average to June 2019

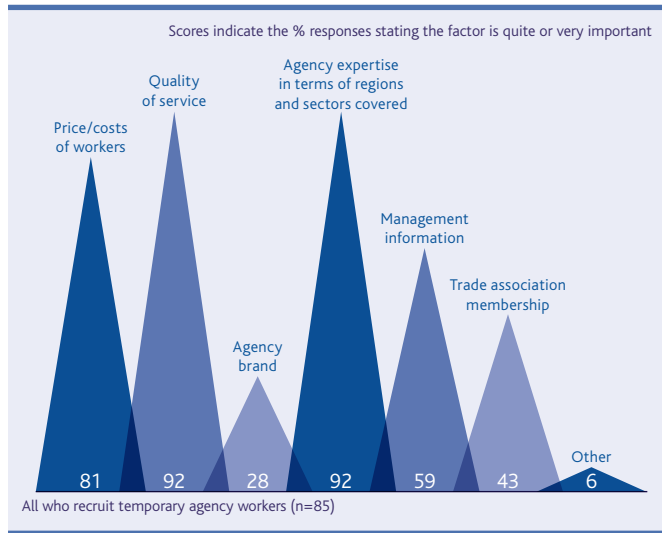


# AgencyDashboard

## 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 proportion of employers who hire temporary agency workers that highlighted the importance of an agency's geographical and/or skills expertise when selecting partners increased from 70% to a noteworthy 92% year-on-year. This rose to 95% in the public sector – notably higher than the 57% recorded a year earlier.

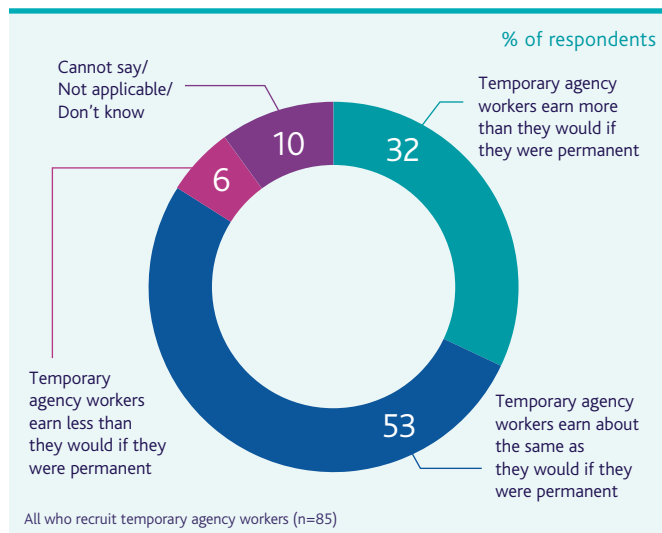


## AGENCY WORKER PAY RATES

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

This rolling quarter, 32% of employers of temporary agency workers felt that these workers earn more than they would if they were permanent, while 6% believed they earn less. This was the reverse of the sentiment recorded a year earlier, when 19% said that temporary agency workers earned more than they would if they were permanent and 41% suggested that their rates were lower.

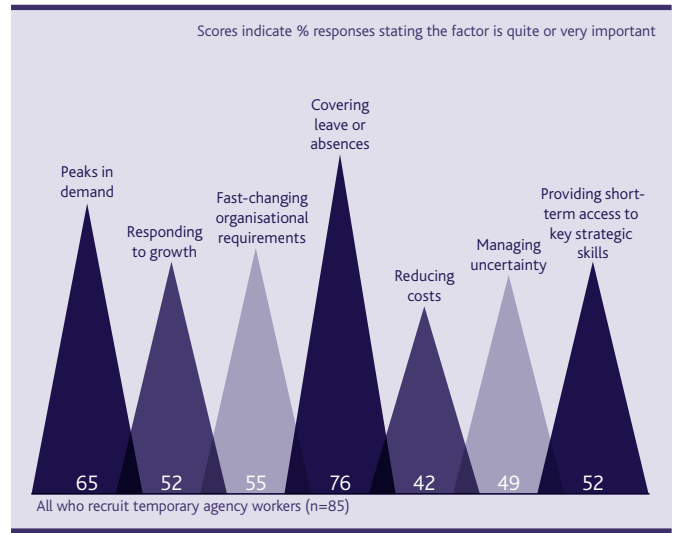
3 month rolling average to June 2019



## IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

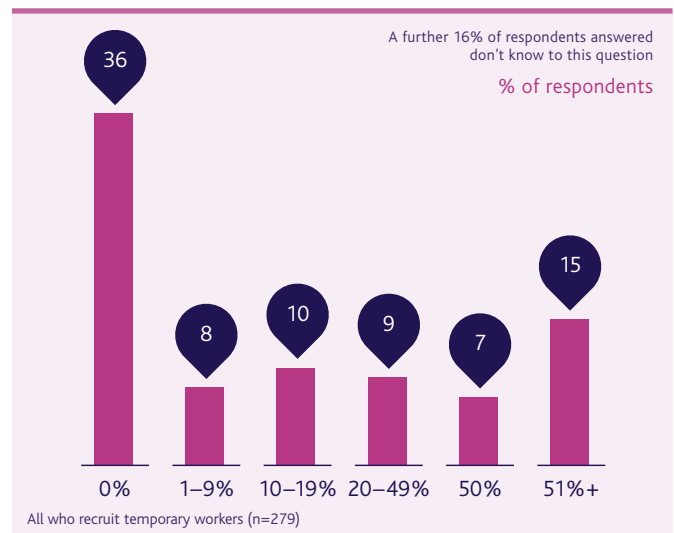
When surveyed in April–June 2019, almost half (49%) of UK employers of temporary agency workers highlighted that these workers are important for their organisation to help manage uncertainty – down from 56% a year earlier, but up from 39% in January–March 2019. Sectorally, the proportion of public sector hirers highlighting this practice rose from 36% to 51% year-on-year.



## TEMPORARY TO PERMANENT

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

At 21%, the practice of transferring at least 50% of temporary workers into permanent posts each year was up from 15% a year earlier. This practice remained the strongest amongst employers of temporary agency workers in the North at 28%, up from 21% a year earlier. There was also growth in this practice in the Midlands, where the proportion rose from 12% to 20% of employers of temporary agency workers, year-on-year.



# AgencyDashboard

## SATISFACTION WITH CANDIDATES

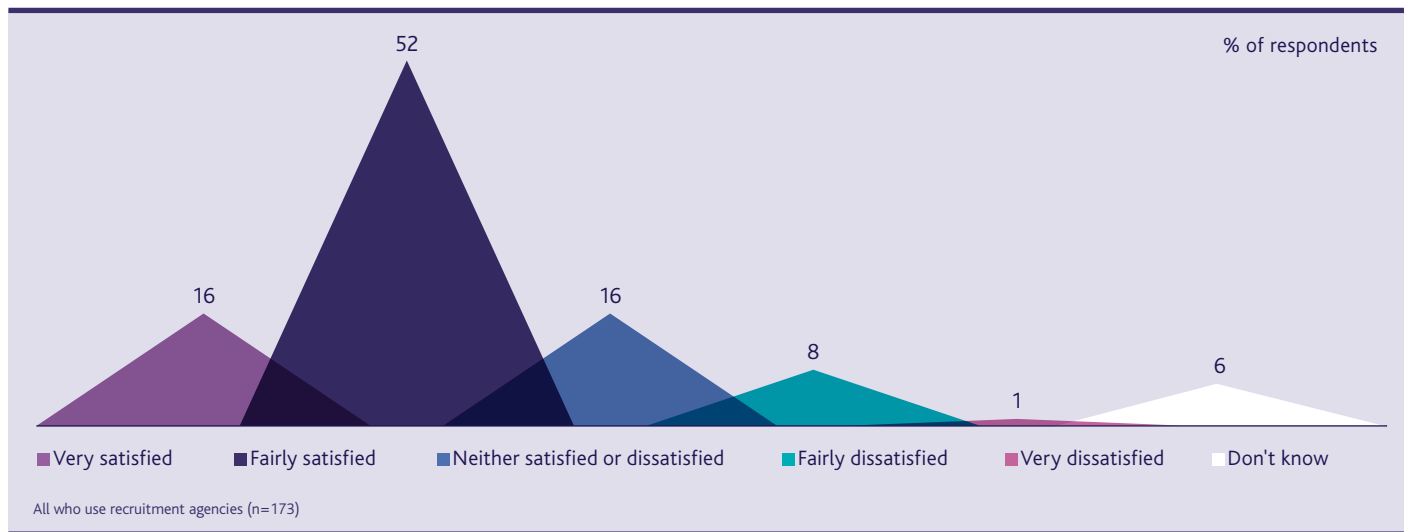
### How satisfied or dissatisfied are you with the quality of candidates presented to you by your recruitment agencies?

Amidst deteriorating candidate availability, the proportion of UK hirers who use recruitment agencies expressing satisfaction with the candidates presented by them in April–June 2019 was 68%. This was down from the 83% recorded a year earlier, but around the same level recorded in January–March 2019 (70%).

By size, the smallest (0–49 employee) organisations were most likely to be satisfied when surveyed in April–June. At 72%, this was marginally lower than the figure of 76% recorded last year.

In contrast, satisfaction levels fell more significantly in both mid-sized (50–249 employee) enterprises (from 84% to 65%) and the UK's largest (250+ employee) organisations (from 92% to 66%).

The UK-wide decline was fueled by a change in recorded sentiment across both private and public sector hirers. In the former, the proportion of satisfied hirers fell from 86% to 72% year-on-year. In contrast, the decline in the public sector was from 62% in April–June 2018 to 53% this year.



## SATISFACTION WITH AGENCIES

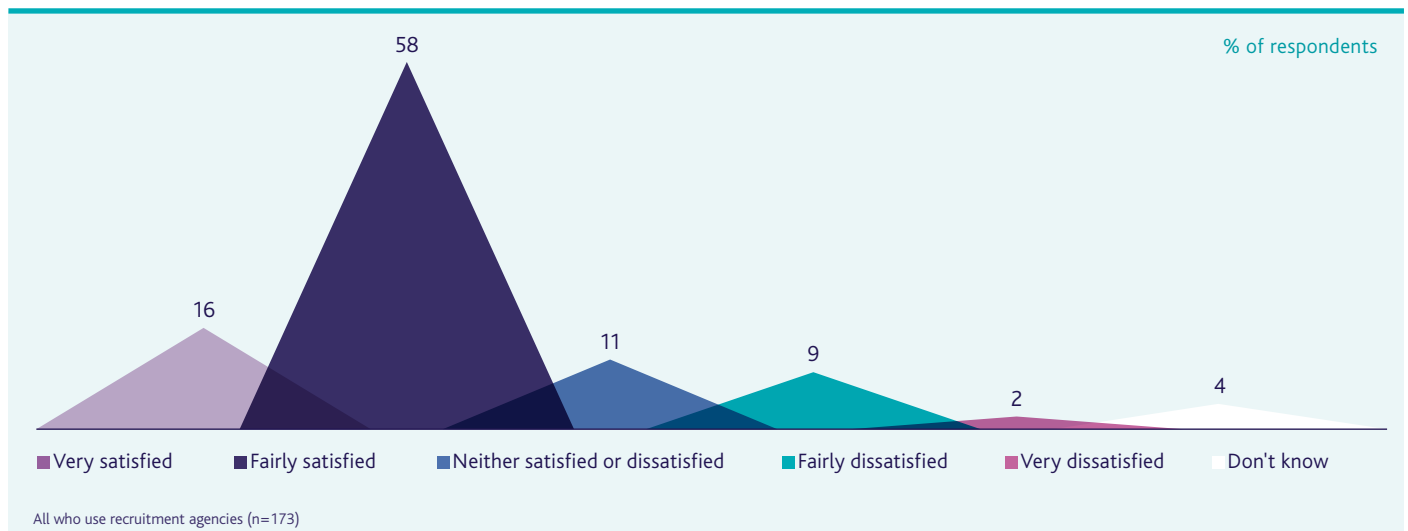
### How satisfied are you overall with the recruitment agencies you have used in the last 2 years?

Whilst employers' satisfaction with the candidates presented by agencies declined year-on-year, overall satisfaction with the agencies themselves remained more buoyant. This quarter, almost three quarters (74%) of employers who use recruitment agencies said they were satisfied with the agency partners they have used in the last 2 years. This was down from a level of 80% recorded a year earlier, but higher than the 70% recorded in January–March 2019.

Sentiment remained steady within the smallest (0–49 employee) enterprises, improving marginally from 71% to 72% year-on-year.

In contrast, it fell from 86% to 70% within the UK's largest (250+ employee) organisations.

Private sector employers remain more satisfied with the recruitment agencies they have used over the last 2 years than employers in the public sector. At 77% in the private sector, this was just marginally lower than the figure of 81% recorded a year earlier. Within the public sector, however, satisfaction levels fell from 70% in April–June 2018 to 64% this year.



# 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 (down 4 percentage points rolling quarter-on-quarter to net: +36) and Construction skills (up 9 percentage points to net: +29). In contrast, there was significantly below-average forecast demand for Industrial workers (up 4 percentage points to net: +6) and Legal & HR professionals (no change at net: +5).

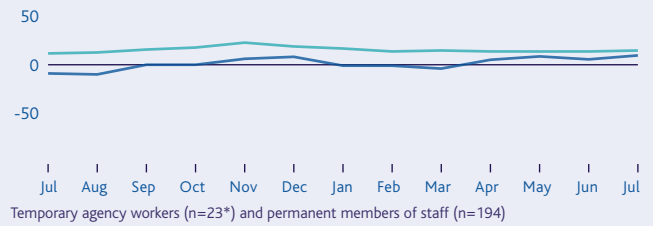
While the overall balance of forecast demand for temporary agency workers was at net: +5, there were a number of skill areas with notably higher demand, including Industrial (net: +36), Education (net: +27) and Executives/Interim Managers (net: +20).

- 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.

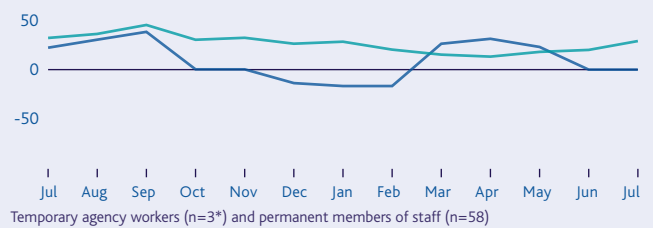
### ACCOUNTING & FINANCIAL SERVICES

+5 +2



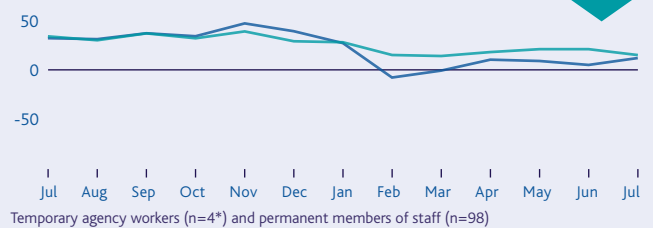
### CONSTRUCTION

0 +9



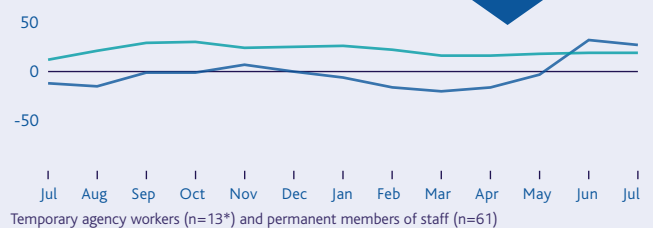
### DRIVERS

+8 -6



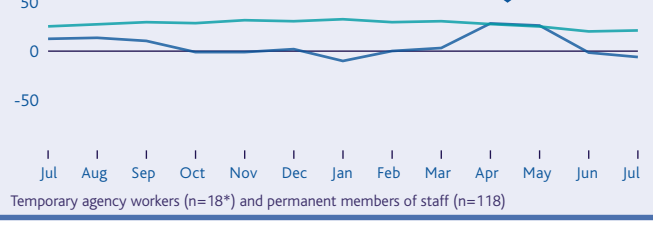
### EDUCATION

-5 +1



### ENGINEERING & TECHNICAL

-3 +1

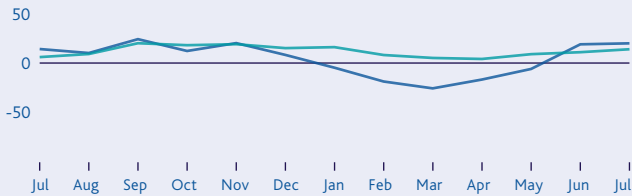




# SectorProspects

## EXECUTIVE RECRUITMENT / INTERIM

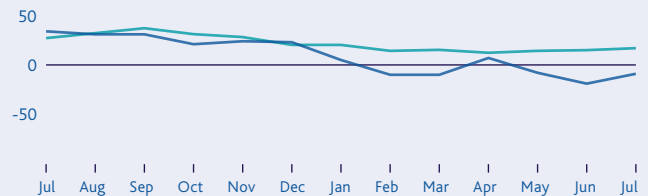
+1 +3



Temporary agency workers (n=12\*) and permanent members of staff (n=149)

## MARKETING, MEDIA & CREATIVE

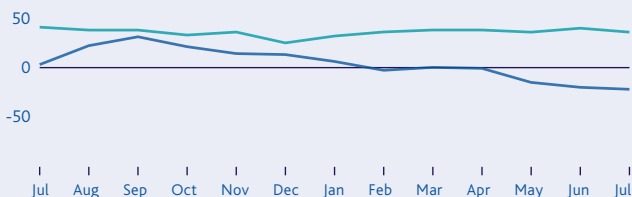
+11 +3



Temporary agency workers (n=11\*) and permanent members of staff (n=173)

## HEALTH & SOCIAL CARE

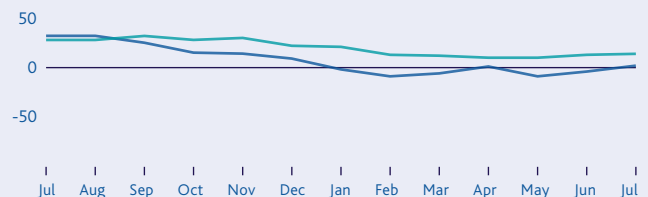
-3 -4



Temporary agency workers (n=15\*) and permanent members of staff (n=122)

## OFFICE PROFESSIONALS

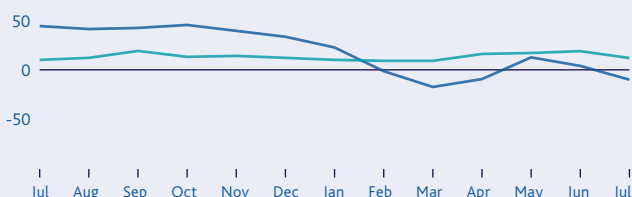
+6 0



Temporary agency workers (n=35\*) and permanent members of staff (n=282)

## HOSPITALITY

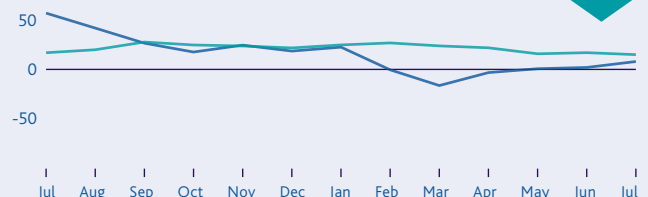
-13 -7



Temporary agency workers (n=11\*) and permanent members of staff (n=91)

## SALES & RETAIL

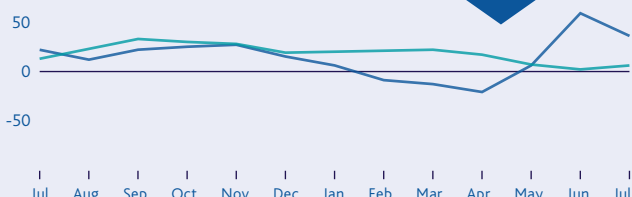
+6 -1



Temporary agency workers (n=7\*) and permanent members of staff (n=162)

## INDUSTRIAL

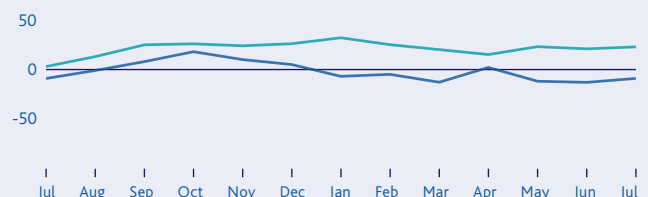
-24 +4



Temporary agency workers (n=14\*) and permanent members of staff (n=51)

## TECHNOLOGY

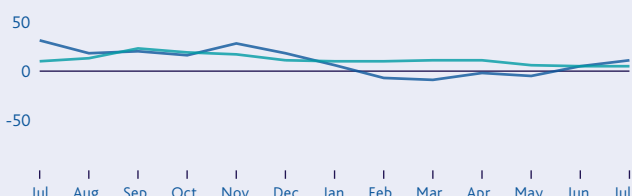
+4 +2



Temporary agency workers (n=10\*) and permanent members of staff (n=132)

## LEGAL & HR

+7 0



Temporary agency workers (n=13\*) and permanent members of staff (n=132)

# REC-IHS Markit Predictive model

## UK UNEMPLOYMENT RATE FORECAST TO EDGE DOWN TO 3.7%

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

The latest nowcast model forecasts a fall of 40,000 in the Labour Force Survey measure of UK unemployment in the three months to June. As a result, the unemployment rate is expected to decline from 3.8% to 3.7%, to mark the lowest figure since the final quarter of 1974.

The model signals a seventh consecutive fall in unemployment, with a reduction of 51,000 reported by the ONS in the three months to May. 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)

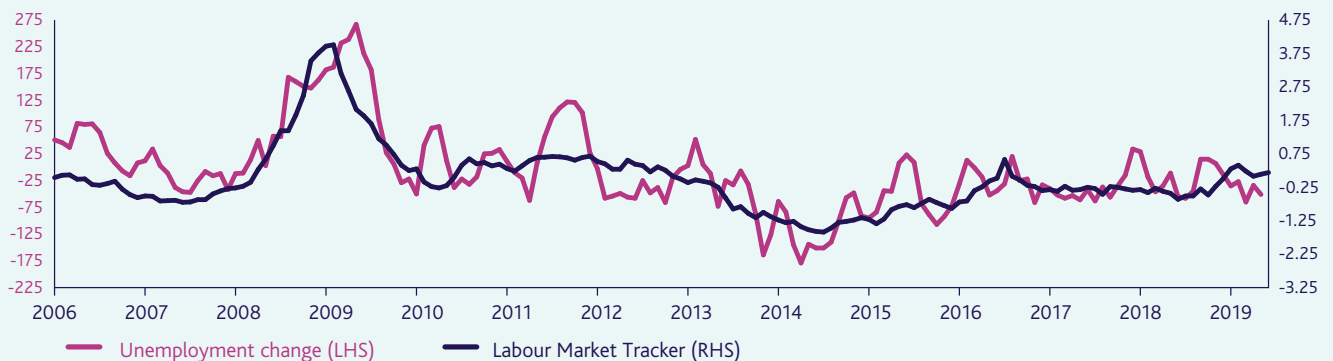


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE

Thousands



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