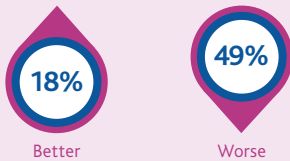


## Record low business confidence denting ambitious hiring plans

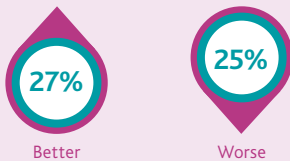
CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

### Confidence

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

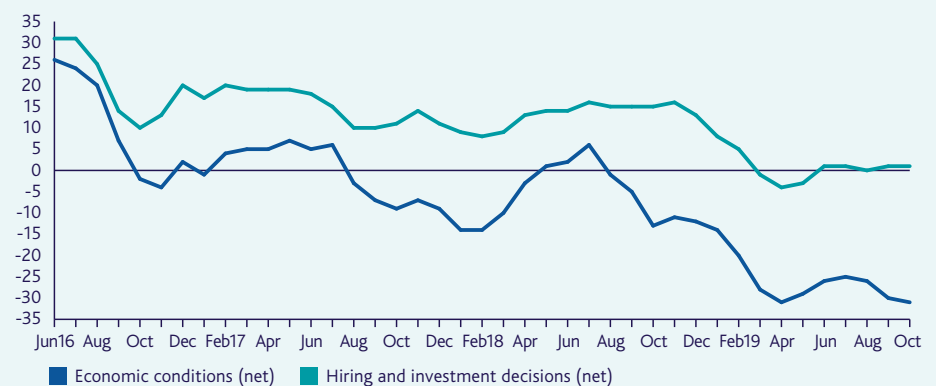


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=600)

More employers (net: -31) felt that economic conditions were worsening rather than improving this quarter – a fall of 1 percentage point on the previous rolling quarter to the joint-lowest since REC records began. Despite the increasing pessimism in the economy, the balance of confidence in making hiring and investment decisions remained static at net: +1.

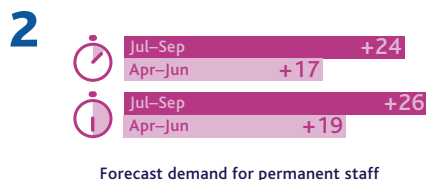


The net percentage is calculated by subtracting the % of respondents answering 'worse' from the % of respondents answering 'better'

### Key Points from July–September Survey



Employers' confidence in the UK economy worsened this quarter, falling to net: -31. This is the joint-lowest figure since REC records began in mid-2016.



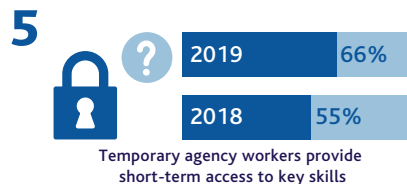
Forecast demand for permanent staff continued to increase. Compared to April–June, short-term and medium-term demand both rose by 7 percentage points to net: +24 and net: +26, respectively.



The proportion of UK employers that have little or no surplus capacity in their workforce was at 74% this quarter, increasing to 82% among large (250+ employee) businesses.



At 52%, a higher proportion of employers had concerns about the sufficient availability of permanent staff than a year ago (46%). Health & Social Care was the skills area of most concern.



66% of hirers of temporary agency workers highlighted that these workers are important for their business to have short-term access to key skills this quarter. This was up from 55% a year earlier.



This quarter, 73% of employers who use recruitment agencies reported being satisfied with their agency partners, increasing to 81% among mid-sized (50–249 employee) businesses.

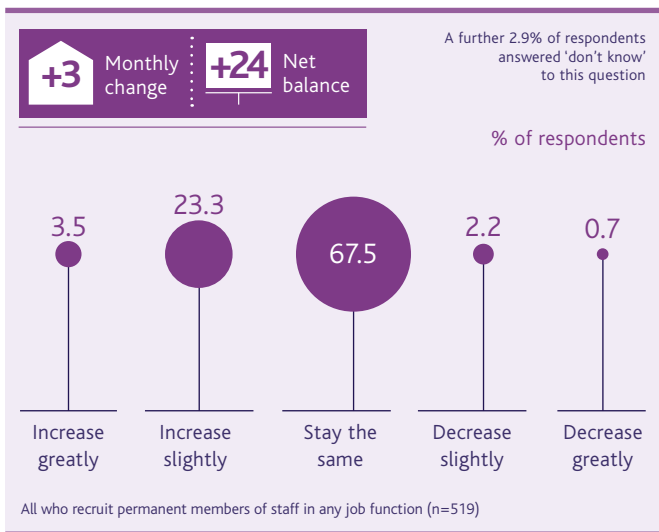
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (\*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

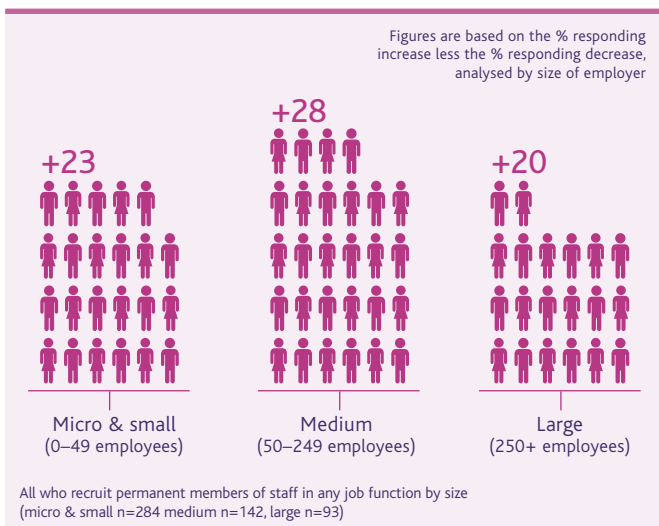
94% of UK employers of permanent staff planned to either maintain their permanent headcount (68%) or increase it (27%) over the next three months – down slightly from the level of 97% recorded a year earlier. Just 3% planned to decrease headcount. Amongst those planning increases, employers in the Midlands are the most active, with 31% planning to add to numbers. In contrast, 25% of their counterparts in the North planned to recruit more permanent workers.



## OUTLOOK BY EMPLOYER SIZE

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

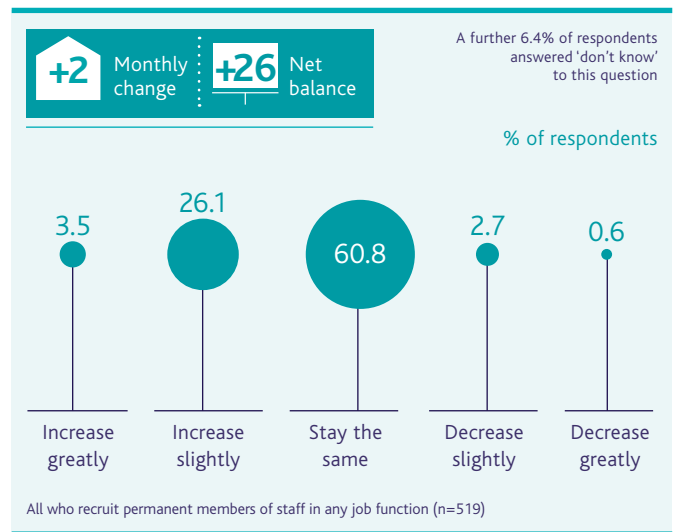
Sentiment towards short-term permanent hiring remained strongest amongst mid-sized (50–249 employee) enterprises, at net: +28. However, this was lower than a year earlier (net: +34). Sentiment amongst the UK's largest (250+ employee) enterprises also fell from net: +23 to net: +20 year-on-year. In contrast, the balance of sentiment rose slightly amongst micro/small (0–49 employee) enterprises, from net: +22 to net: +23. This is notable as these organisations represent around 99% of UK businesses.



## MEDIUM-TERM OUTLOOK

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

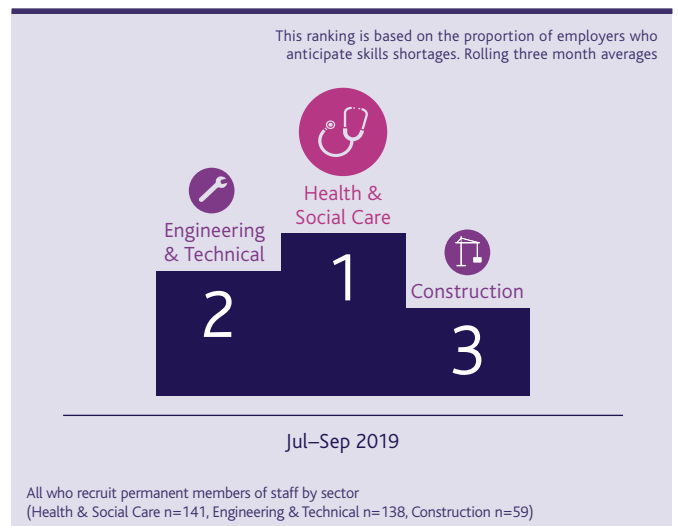
This quarter, 90% of employers of permanent staff said that they would either hold (61%) or increase (30%) numbers of permanent workers in the medium term. Those planning to add to their headcount included 33% of employers in the Midlands and 32% of hirers in London. In contrast, just 23% of Northern employers planned to increase numbers – 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 52%, a higher proportion of employers had concerns over the sufficient availability of workers for permanent hire than a year earlier (46%). The proportion also rose in the public sector, from 36% to 47%. Health & Social Care was the skills area of most concern.

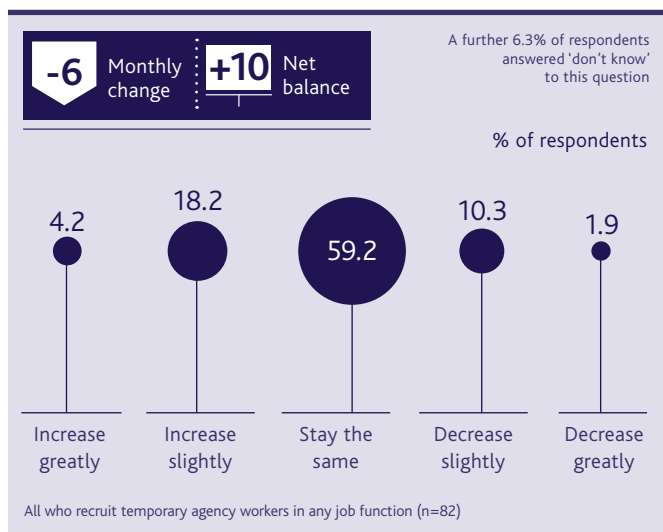


# Temporary Recruitment

## SHORT-TERM OUTLOOK

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

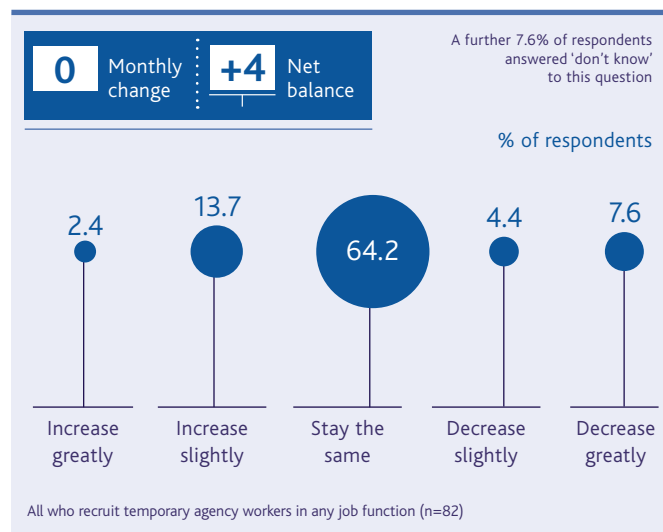
Having surged by 11 percentage points in June–August 2019, the net balance of short-term forecast demand for temporary agency workers dropped by 6 percentage points in July–September 2019 to net: +10. This was 6 percentage points lower than in July–September 2018, when forecast demand was recorded at net: +16.



## 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?

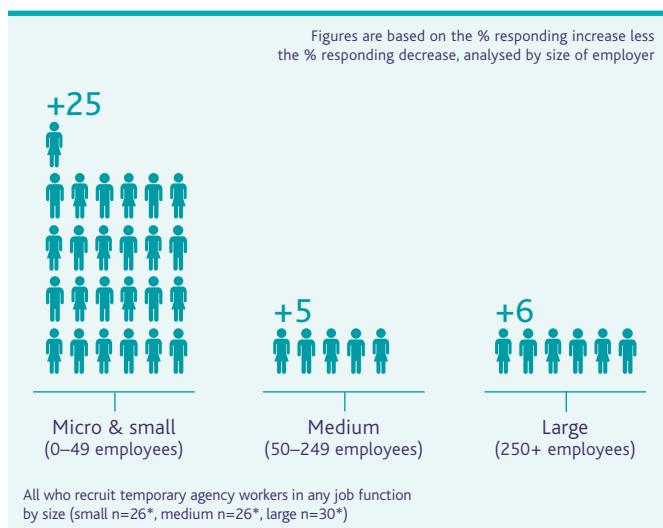
In the medium term, the balance of forecast demand for temporary agency workers was at net: +4 this quarter. This was the same level as recorded in the previous rolling quarter, but was notably lower than the level recorded in July–September 2018 (net: +14).



## OUTLOOK BY EMPLOYER SIZE

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

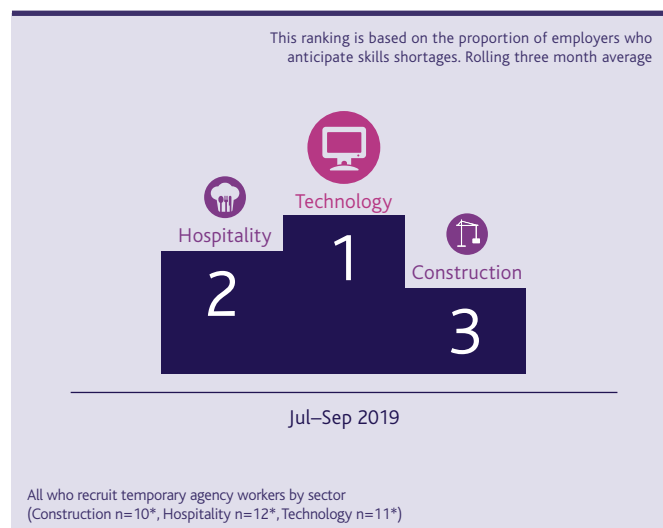
At net: +25, the balance of sentiment towards short-term demand for agency workers remained most buoyant within micro/small (0–49 employee) enterprises. This was up from net: +19 last year. In contrast, sentiment was much less optimistic in the UK's medium-sized (50–249 employee) and large (250+ employee) organisations, at net: +5 and net: +6, respectively. These figures were down from net: +22 and net: +12, respectively, recorded in July–September 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?

Over a third (36%) of employers of temporary agency workers anticipated a shortage of suitable candidates to fill these positions, when surveyed this quarter. This was down from the level of 46% recorded a year ago. The top three skills areas of concern reflect the fact that more private sector (38%) than public sector (28%) hirers expressed concern about temporary staff shortages.

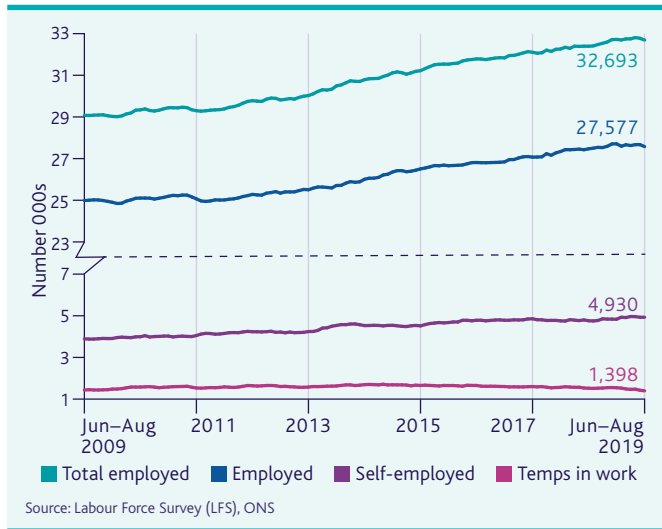


# LabourMarketDashboard

## TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

The UK workforce shrank by 0.2% in June–August 2019, compared to the previous quarter. At 32,693,000, it was 56,000 (0.2%) smaller than the previous quarter (March–May 2019) but was 282,000 (0.9%) larger than June–August 2018. The number of people in temporary employment this quarter was 1,398,000. This was 69,000 (4.7%) lower than the previous quarter, 124,000 (8.2%) lower than in June–August 2018, and the first time it has dropped below 1.4 million since August–October 2008. This represented a temporary employment rate of 4.3%.

Total employment, employed and self-employed



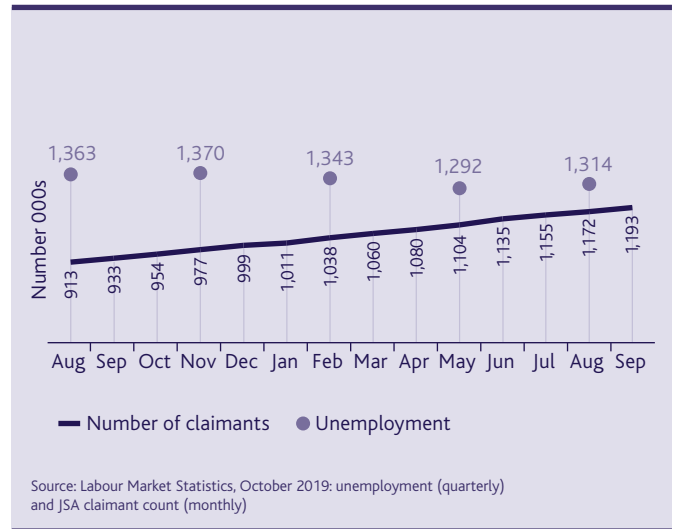
## REAL WAGE GROWTH

Regular Pay growth (in nominal terms) for employees rose by 3.8% between June–August 2018 and June–August 2019. When considering the change in real-terms (i.e. adjusted for CPI), however, Regular Pay increased by 2.0%. In August 2019, average Regular Pay (before tax and other deductions) for employees in Great Britain was estimated at £509 per week in nominal terms. In real-terms (at constant 2015 prices), however, this equated to £472 per week. Whilst this was higher than the estimate for a year earlier (£462 per week), it was still £1 (0.3%) lower than the pre-recession peak of £473 per week for April 2008.



## UNEMPLOYMENT AND CLAIMANT NUMBERS

The unemployment rate was 3.9% in June–August 2019. At 1,314,000, this represented a 22,000 (1.7%) increase on the previous quarter, but was 49,000 (3.6%) lower than June–August 2018. Seven EU countries – the Czech Republic (2.0%), Germany (3.1%), Hungary (3.4%), Malta (3.3%), the Netherlands (3.5%), Poland (3.3%) and Romania (3.8%) – had lower rates in August. Of additional note, 18–24 year olds experienced a hefty 9.6% (36,000) year-on-year rise in unemployment to 408,000 (10.8%). At 1,193,000, the provisional Claimant Count in September 2019 was 21,000 (1.8%) higher than the previous quarter and was up by 260,000 (27.8%) year-on-year.

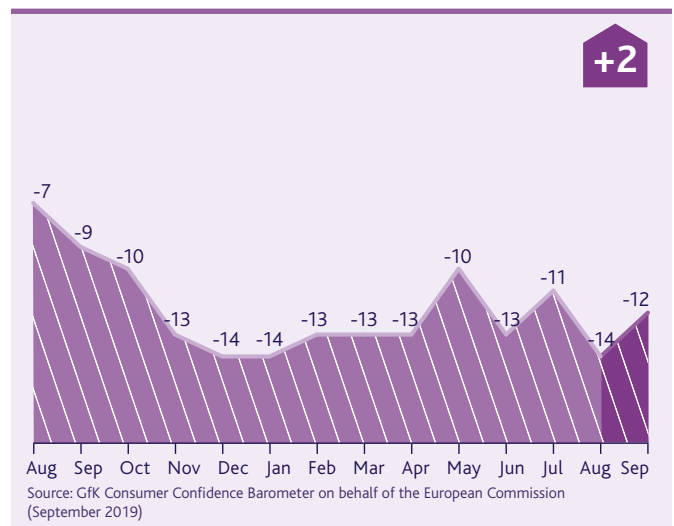


## CONSUMER CONFIDENCE INDEX

GfK's Consumer Confidence Index improved by 2 points in September 2019 to -12. All five underlying measures witnessed improvements.

Sentiment towards the general economic situation over the next 12 months improved by 3 points to -35. This was still 8 points lower than in September 2018. Additionally, respondents' forecasts for their personal finances over the next year improved by 2 points to +4, leaving it just 1 point lower a year earlier.

The major purchase index improved by 3 points to +3, recording a level 3 points lower than in September 2018. Finally, at +23, the savings index rose by 2 points to a measure 10 points higher than a year earlier.

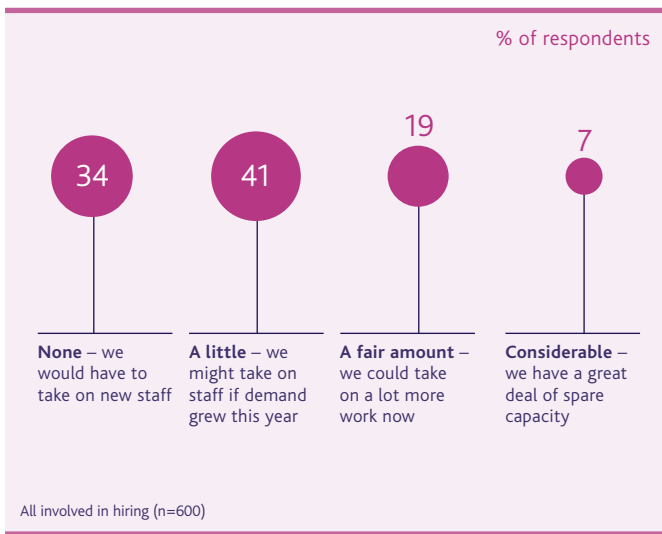


# EmployerDashboard

## WORKFORCE CAPACITY

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

Whilst the proportion of all UK employers that have either little or no spare resource capacity was similar to last year (74% in 2019 versus 75% in 2018), there were notable underpinning movements. By size of organisation, concern was most acute amongst large (250+ employee) enterprises, where the proportion with no known surplus rose from 74% to 82% year-on-year.

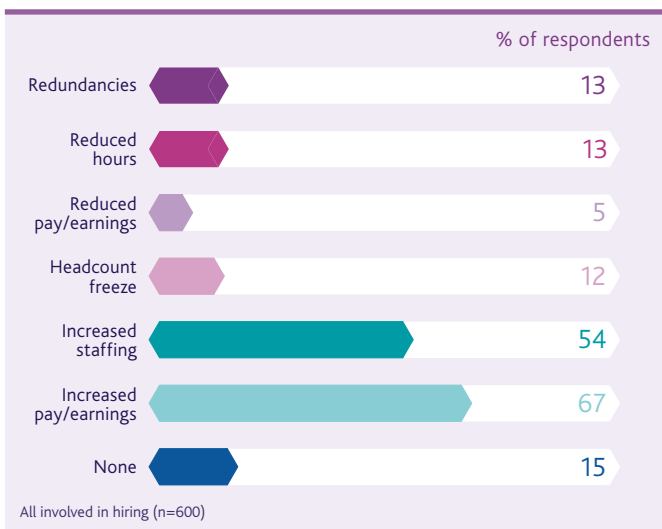


## WORKFORCE PLANNING

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

The proportion of UK employers who have increased pay/earnings over the past year was 67% in July–September 2019. This was a significant increase from the 57% seen a year earlier. The proportion of employers who had increased staffing also grew year-on-year, from 47% to 54%.

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

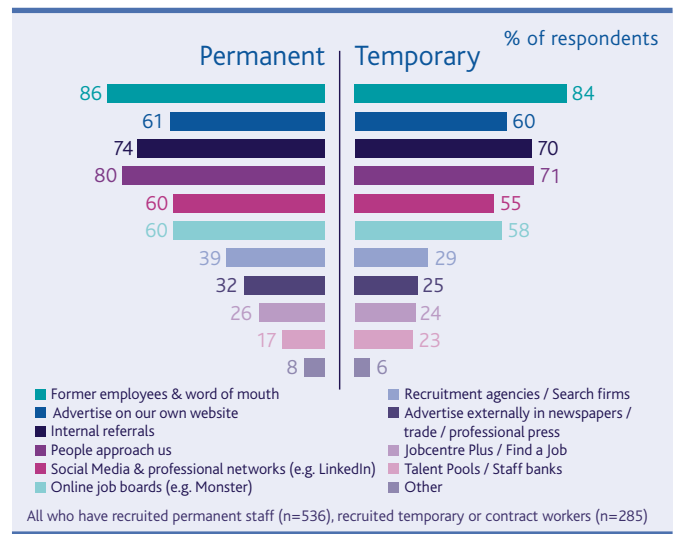


## RECRUITMENT CHANNELS USED

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

Six in ten employers post vacancies on their own websites. Year-on-year, there was an increase from 58% to 61% of permanent staff hirers using this channel and from 53% to 60% amongst those hiring temporary/contract workers. Use of their own site rose to 86% amongst large (250+ employee) enterprises, compared to just 42% of micro/small (0–49 employee) organisations.

Recruitment channels used for staffing as of September 2019

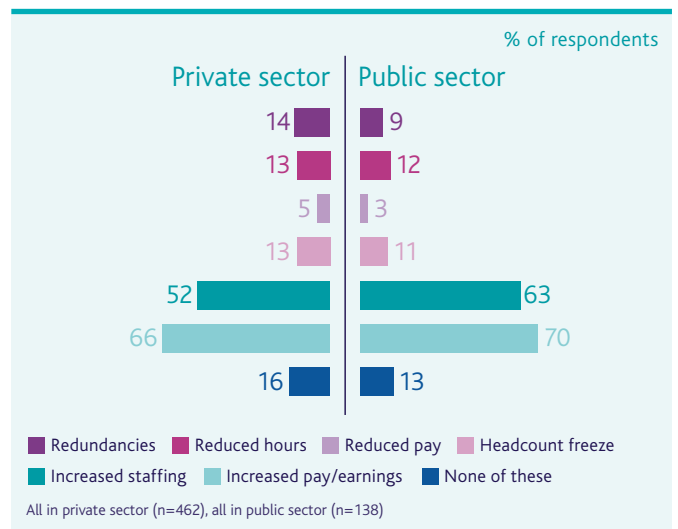


## WORKFORCE PLANNING BY SECTOR

The proportions of both public and private sector hirers increasing staffing levels and pay/earnings rose significantly, year-on-year. Most significantly, the percentage of public sector hirers increasing staffing levels rose from 49% in the year to July–September 2018 to 63% this year. The proportion increasing earnings in the public sector also rose, from 61% to 70%. There was also a rise in private sector employers increasing earnings, from 56% to 66%.

The proportion of public sector hirers that had made redundancies over the preceding twelve months fell from 20% to 9% year-on-year. In contrast, it rose slightly from 13% to 14% in the private sector.

3 month rolling average to September 2019

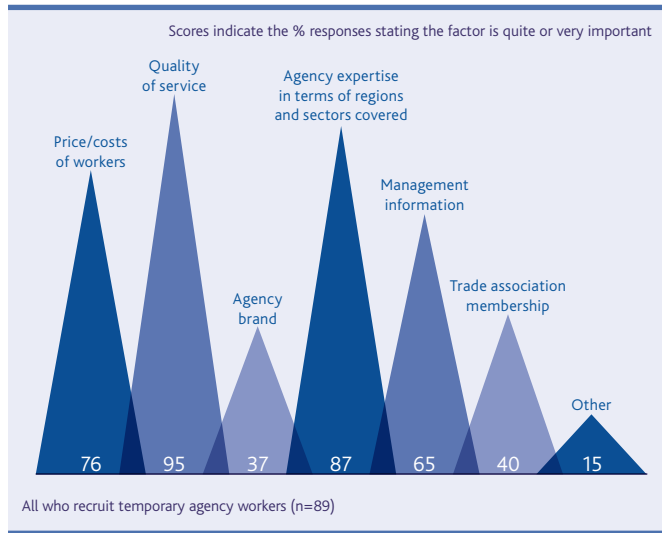


# AgencyDashboard

## CRITERIA USED BY EMPLOYERS TO SELECT AGENCIES 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?

Employers of temporary agency workers highlighted quality of service and the agency's geographical/sectoral expertise as the top two factors to consider when choosing a recruitment partner. This is the tenth consecutive rolling quarter in which these two factors have been considered as the most important.

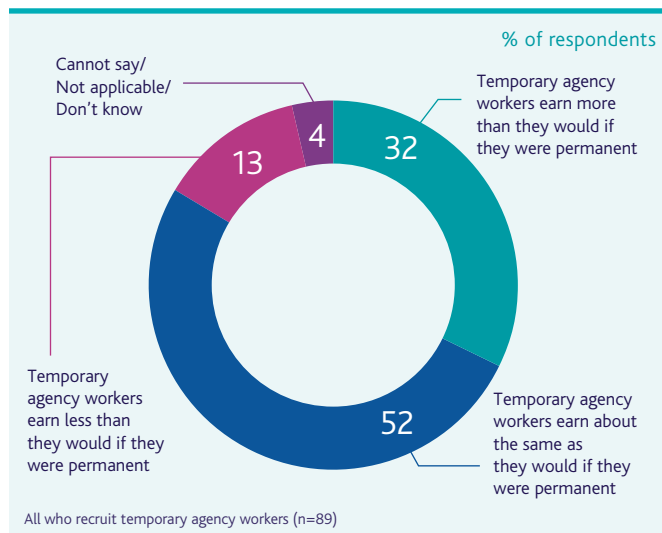


## AGENCY WORKER PAY RATES

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

The proportion that felt that temporary agency workers earn more than they would if they were permanent rose from 19% to 32% over the same period. This was largely driven by an increase, from 16% to 29%, amongst private sector respondents. Amongst public sector respondents, 43% feel that temporary agency workers earn more than they would if they were permanent.

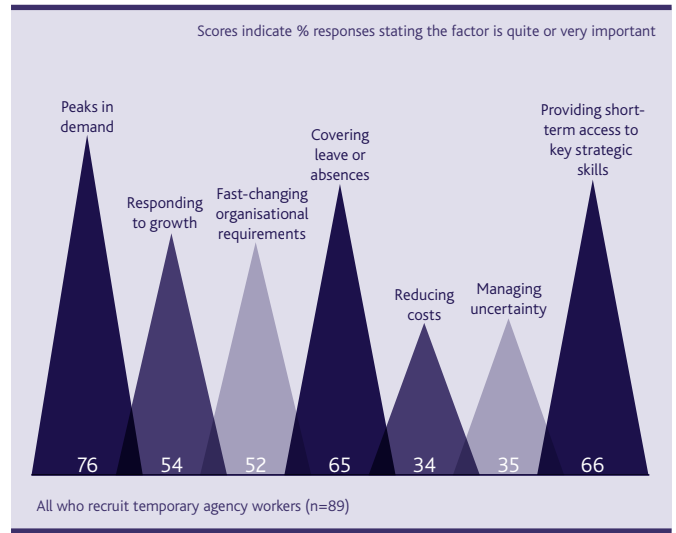
3 month rolling average to September 2019



## IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

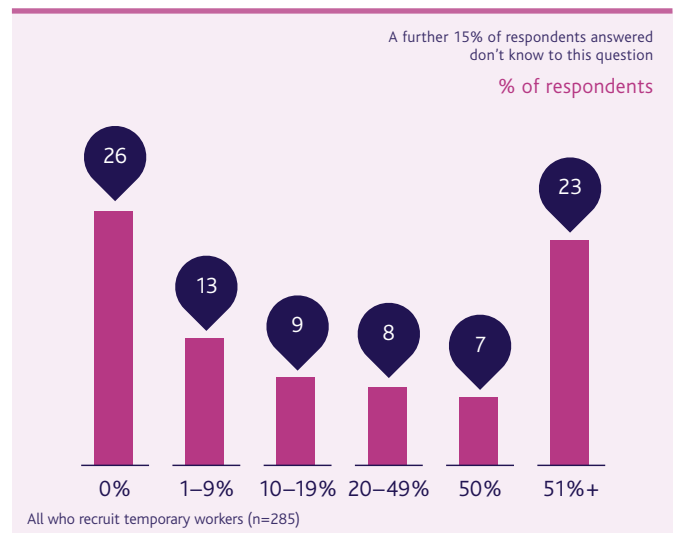
This quarter, over half (54%) of UK employers of temporary agency workers highlighted that they are important for their business to be able to respond to growth. This was up from 49% in the same period last year. The proportion highlighting their importance for short-term access to key skills also increased year-on-year, from 55% to 66%.



## 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 of temporary agency workers who transfer at least half of their temps into permanent positions each year rose significantly year-on-year, from 19% to 30%. Meanwhile, the proportion who transfer at least 1% of their temps into permanent roles remained at the same level as a year ago (59%).



# AgencyDashboard

## SATISFACTION WITH CANDIDATES

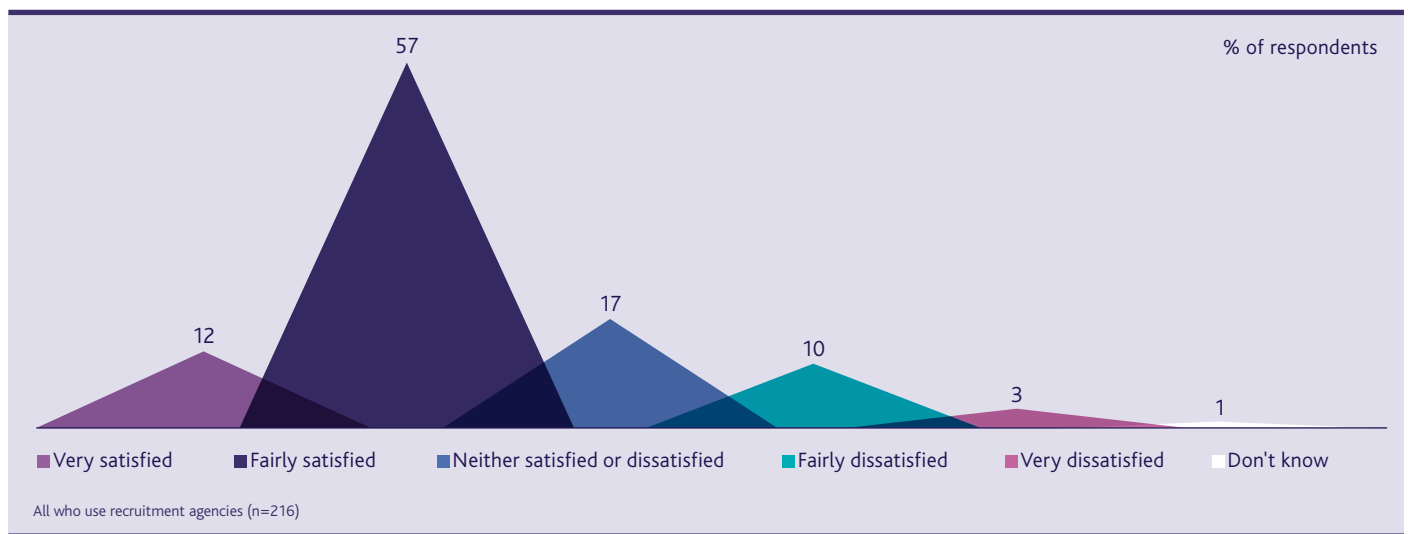
### How satisfied or dissatisfied are you with the quality of candidates presented to you by your recruitment agencies?

At 69% this quarter, the overall proportion of UK hirers who use recruitment agencies expressing satisfaction with the candidates presented by partner agencies was similar to the figure recorded a year earlier (71%). However, there were some notable underpinning movements.

Satisfaction levels improved significantly in London year-on-year, from 71% to 84%. In contrast, the satisfaction level declined from 78% to 67% amongst employers in the Midlands.

Levels of satisfaction improved slightly among large (250+ employee) businesses year-on-year, from 74% to 76%. However, they fell among micro/small (0–49 employee) and medium-sized (50–249 employee) businesses, from 61% to 58% and from 81% to 77%, respectively.

The level of dissatisfaction with the candidates presented by agencies saw a slight increase from 10% to 13% year-on-year. From a regional perspective, notable movements included a rise from 3% to 15% amongst employers in the Midlands.

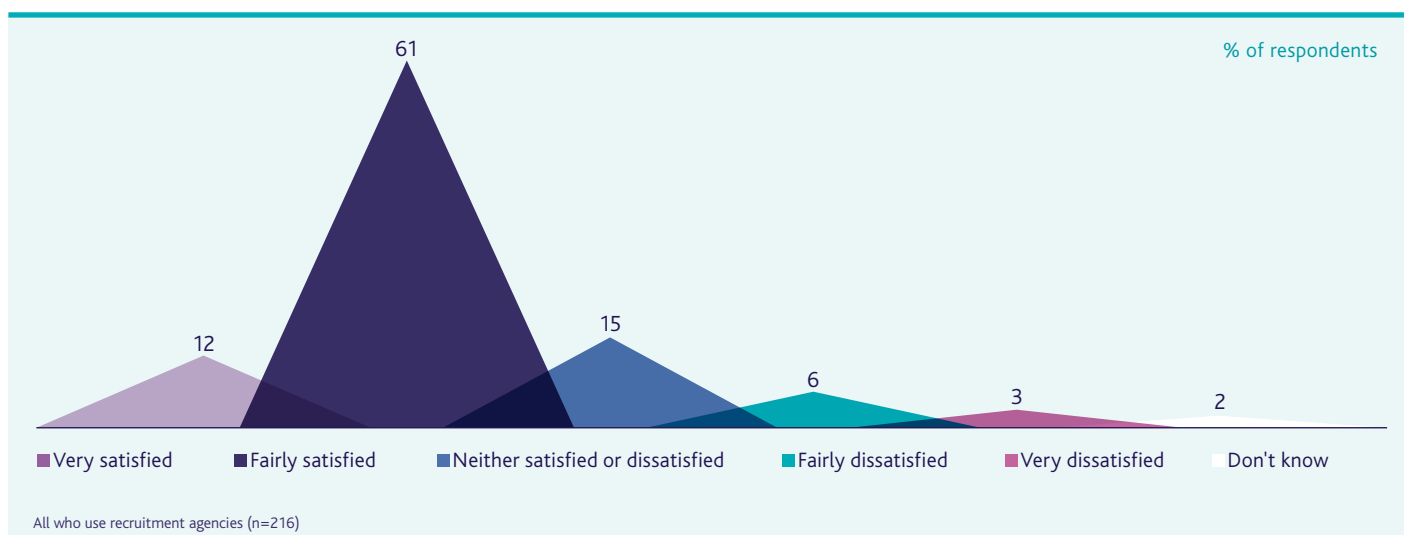


## SATISFACTION WITH AGENCIES

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

At 73% in July–September 2019, employers' overall satisfaction level with their recruitment agency partners was similar to last year (76%). At a regional level, however, there were some significant year-on-year movements. Most notably, sentiment improved markedly amongst employers in London, where satisfaction levels rose from 74% in July–September 2018 to 92% this quarter.

Mid-sized (50–249 employee) organisations remain the most satisfied with their recruitment agency partners, with a level of 81% being maintained year-on-year. With a satisfaction level of just 64% amongst small/micro (0–49 employee) enterprises, this cohort remains the most dissatisfied with their supplying agencies – with the level of dissatisfaction rising from 13% to 17% over the same period.



# 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?

Significantly above-average levels of forecast short-term demand continued for permanent Health & Social Care workers (up 4 percentage points to net: +46 compared to the last rolling quarter). There were also continuing rises to already high forecast demand for Technology (up 3 percentage points to net: +32) and Marketing, Media & Creative professionals (up 4 percentage points to net: +29).

While the all-sector average forecast demand for temporary agency workers fell from the previous rolling quarter, demand remained significantly higher for temporary Construction (net: +56) and Industrial workers (net: +54).

- 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.

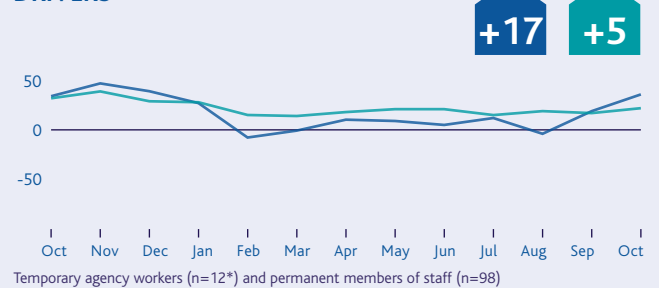
### ACCOUNTING & FINANCIAL SERVICES



### CONSTRUCTION



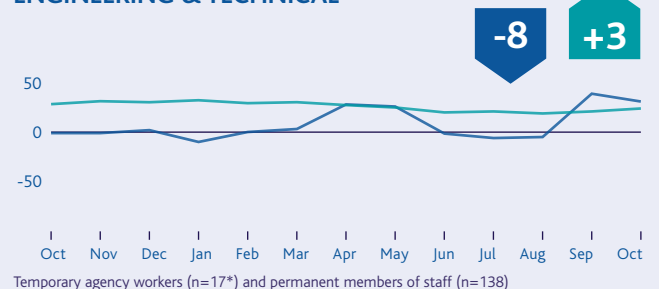
### DRIVERS



### EDUCATION



### ENGINEERING & TECHNICAL

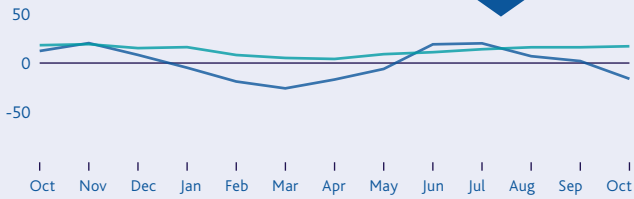




# SectorProspects

## EXECUTIVE RECRUITMENT / INTERIM

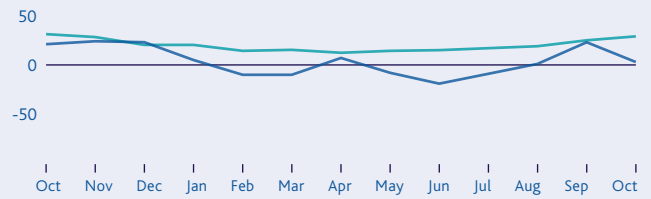
**-18** **+1**



Temporary agency workers (n=9\*) and permanent members of staff (n=131)

## MARKETING, MEDIA & CREATIVE

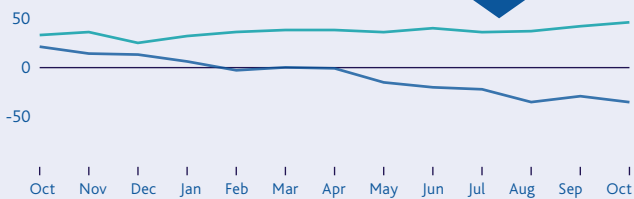
**-20** **+4**



Temporary agency workers (n=14\*) and permanent members of staff (n=160)

## HEALTH & SOCIAL CARE

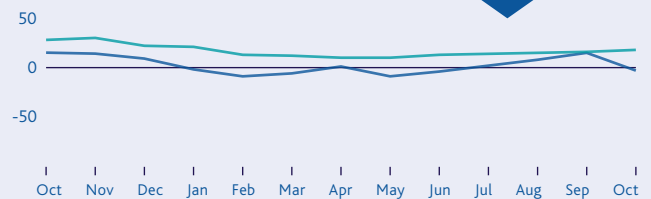
**-6** **+4**



Temporary agency workers (n=23\*) and permanent members of staff (n=141)

## OFFICE PROFESSIONALS

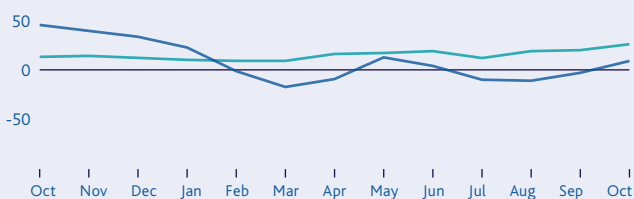
**-18** **+2**



Temporary agency workers (n=35\*) and permanent members of staff (n=267)

## HOSPITALITY

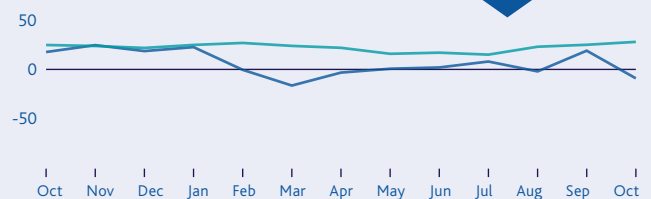
**+12** **+6**



Temporary agency workers (n=12\*) and permanent members of staff (n=85)

## SALES & RETAIL

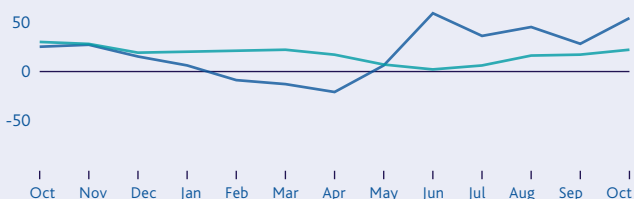
**-28** **+3**



Temporary agency workers (n=8\*) and permanent members of staff (n=173)

## INDUSTRIAL

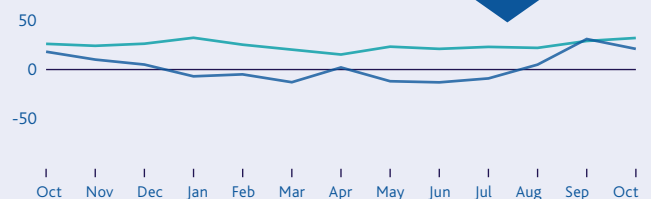
**+26** **+5**



Temporary agency workers (n=13\*) and permanent members of staff (n=73)

## TECHNOLOGY

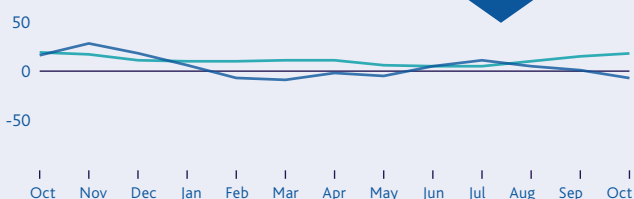
**-10** **+3**



Temporary agency workers (n=11\*) and permanent members of staff (n=120)

## LEGAL & HR

**-8** **+3**



Temporary agency workers (n=14\*) and permanent members of staff (n=135)

# REC-IHS Markit Predictive model

## UNEMPLOYMENT FORECAST TO RISE SLIGHTLY OVER THIRD QUARTER

### 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 29,000 in the Labour Force Survey measure of UK unemployment in the three months to September. This would mean that the unemployment rate would edge up from 3.9% to 4.0%, which is still among the lowest seen for over four decades.

The model therefore signals a second consecutive rise in unemployment, following a 22,000 increase reported by the ONS in the three months to August. 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

Three month unemployment change (thousands)

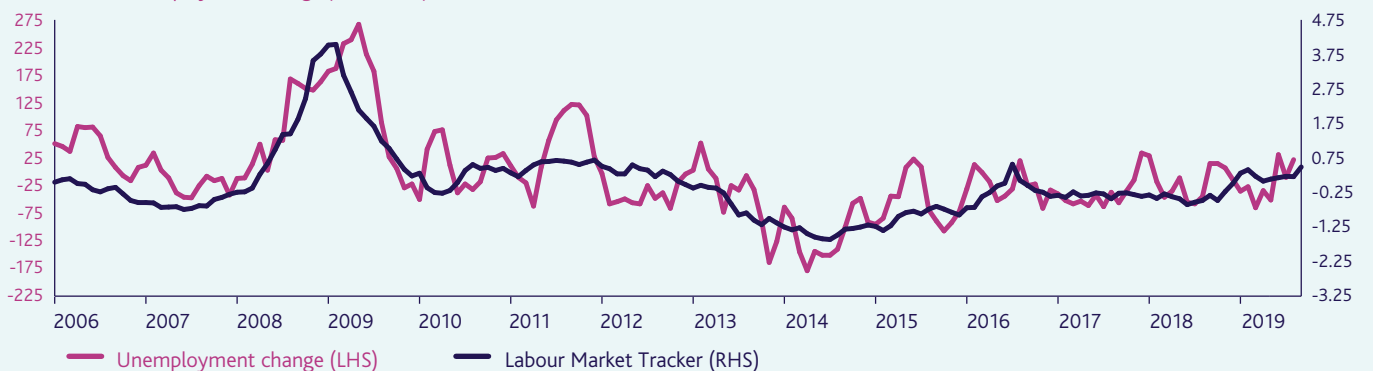


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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

