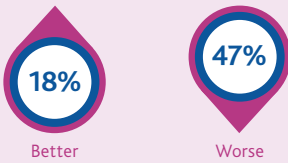


Falling business confidence frustrates employers' hiring plans

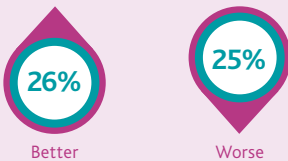
CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

Confidence

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

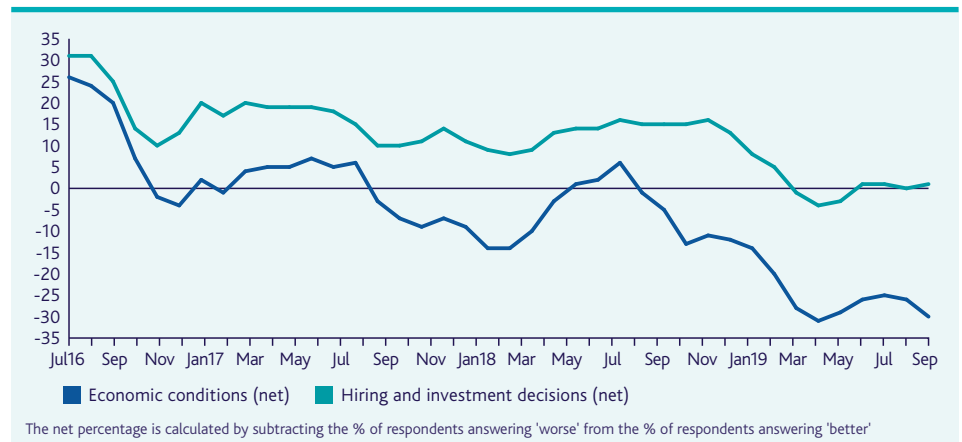


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=600)

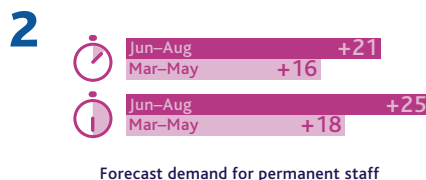
This quarter, 30% more employers felt that economic conditions were worsening rather than improving (net: -30) – a fall of 4 percentage points on the previous rolling quarter. In contrast, the balance of confidence in making hiring/investment decisions improved by 1 percentage point, edging it back into positive territory (net: +1).



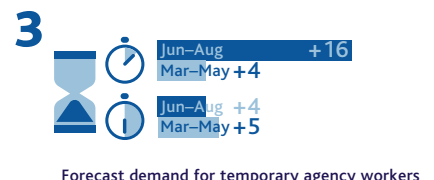
Key Points from June–August Survey



The balance of employers' confidence in the UK economy fell by 4 percentage points to net: -30 while confidence in making hiring and investment decisions improved by 1 percentage point to net: +1.



The net balance of UK employers' demand for permanent staff increased by 5 percentage points to net: +21 in the short term and by 7 percentage points to net: +25 in the medium term, quarter-on-quarter.



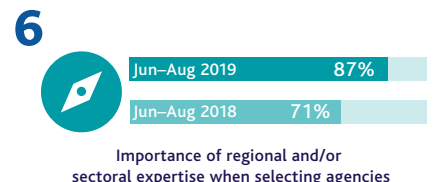
Short-term forecast demand for temporary agency workers surged 12 points to net: +16, quarter-on-quarter. In the medium term however, this decreased by 1 percentage point to net: +4.



75% of UK employers highlighted that they have little or no surplus workforce capacity this quarter. This rises to 85% amongst public sector respondents, up from 73% last year.



Half (49%) of all UK employers of permanent staff expressed concern over the sufficient availability of candidates for permanent hire, the same level as last year (50%).



The proportion of UK employers that highlighted the importance of an agency's regional and/or sectoral expertise rose from 71% in June–August 2018 to 87% this year.

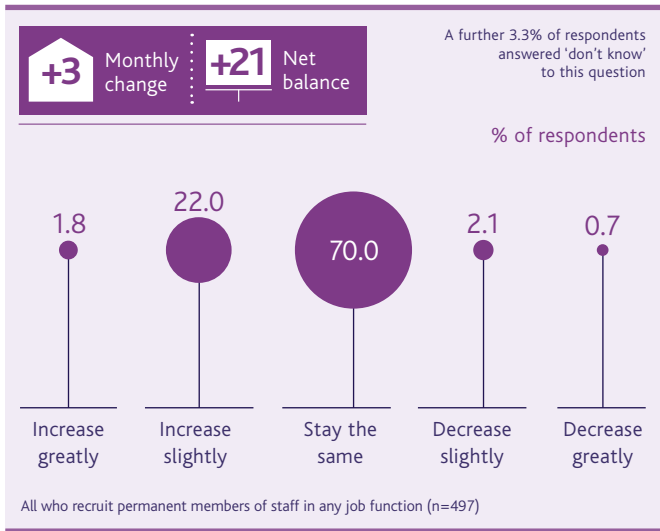
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

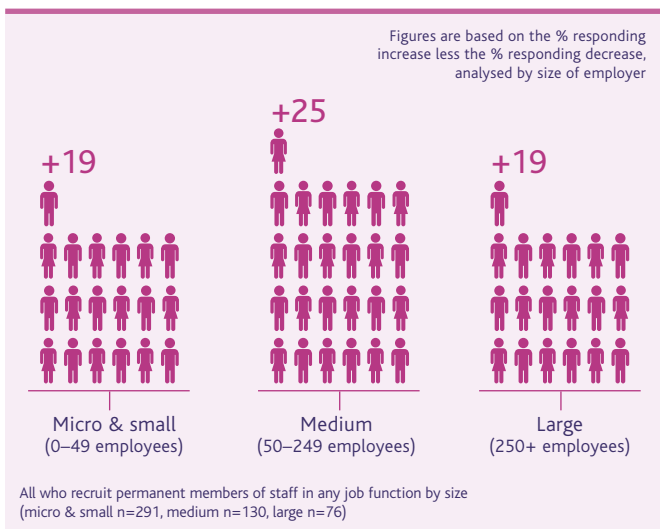
One quarter (24%) of employers of permanent staff stated that they would be increasing their permanent headcount over the next quarter, when surveyed in June–August, down from 30% last year. This included 31% of employers in London and 29% in the Midlands, but significantly fewer (18%) in the South (excluding London). Just 3% of employers suggested that they would be releasing workers back into the availability pool, compared with 2% in the same period last year.



OUTLOOK BY EMPLOYER SIZE

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

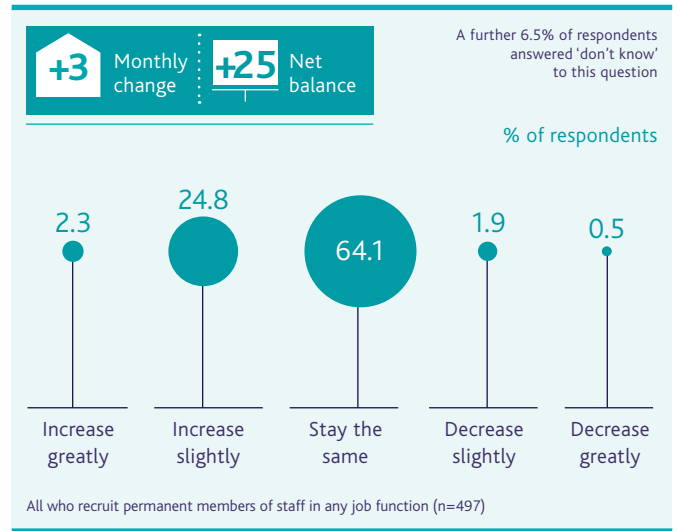
In the short term, the balance of sentiment towards increasing permanent headcount was strongest amongst the UK's mid-sized (50–249 employee) enterprises, when surveyed in June–August. At net: +25, this was notably lower than the sentiment recorded a year earlier (net: +39). In contrast, the balance amongst small/micro (0–49 employee) and large (250+ employee) organisations fell, year-on-year, from net: +24 to net: +19 and from net: +26 to net: +19, respectively.



MEDIUM-TERM OUTLOOK

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

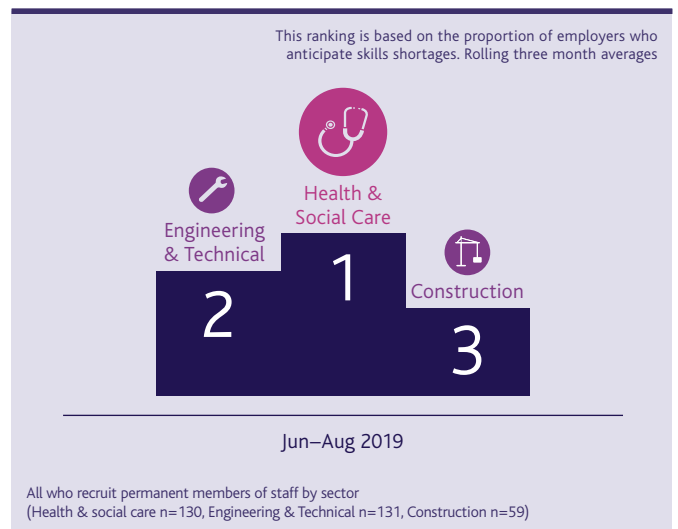
More than a quarter (27%, down from 35% last year) of employers said they would be adding to their headcount in the medium term whilst just 2% (down from 4% last year) planned to reduce numbers. Regionally, 35% of employers in the Midlands planned increases and just 1% planned to reduce headcount. Significantly more small/micro (0–49 employee) enterprises (30%) planned to boost headcount than large (250+ employee) organisations (19%).



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 of UK employers (49%) were concerned over the sufficient availability of candidates for permanent hire when surveyed in June–August, up from 46% in May–July 2019 and the same level as last year (50%). The top three skills areas of concern are noted for their high legacy dependency on non-UK nationals within the workforce.

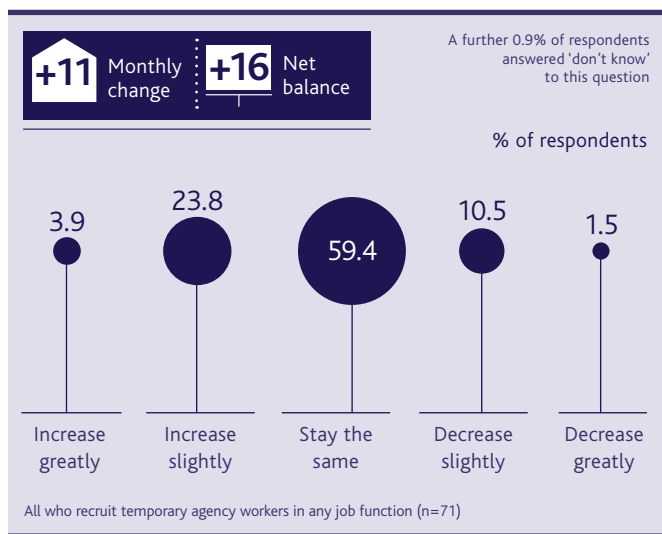


Temporary Recruitment

SHORT-TERM OUTLOOK

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

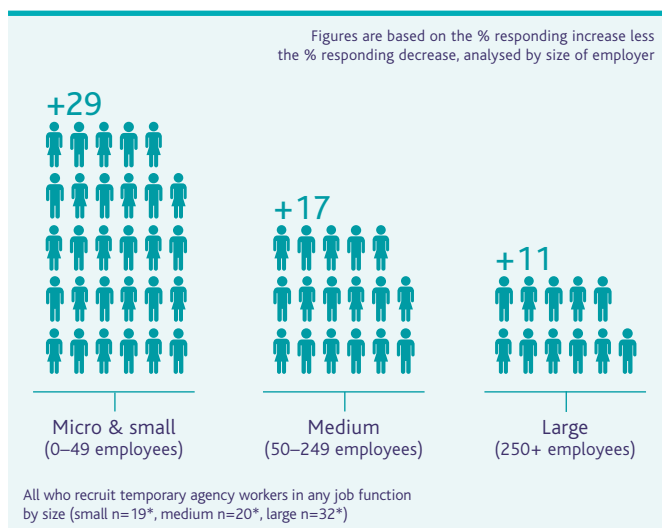
The net balance of forecast demand for agency workers in the short term surged by 12 percentage points this quarter, compared to March–May 2019. However, at net: +16, this was still significantly lower than the level of net: +25 recorded a year earlier. Meanwhile, the proportion of employers planning to reduce headcount rose from 8% to 12%, year-on-year.



OUTLOOK BY EMPLOYER SIZE

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

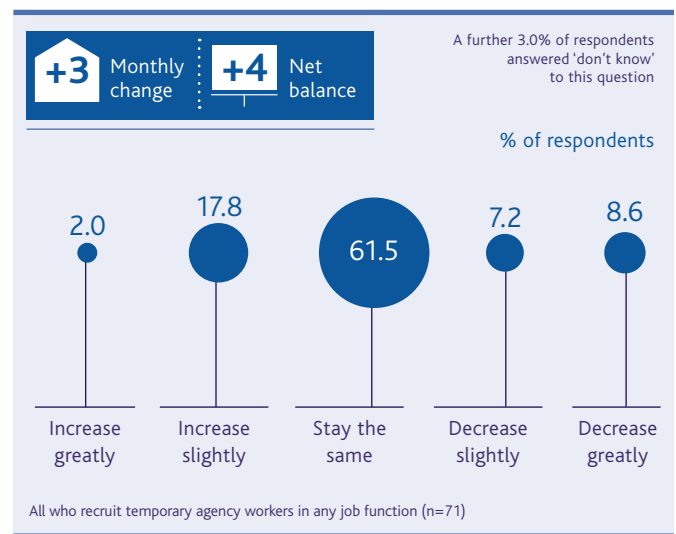
The 11-percentage point rolling quarter-on-quarter improvement in the net balance of sentiment towards short-term agency hiring was largely driven by small/micro (with 0–49 employee) and large (with 250+ employee) organisations. In the case of the former, the positive net balance of sentiment improved from net: +18 to net: +29. In the case of the latter, the net balance of sentiment moved from negative (net: -7) firmly into positive territory (net: +11), although this still remained well below last year's position (net: +22).



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?

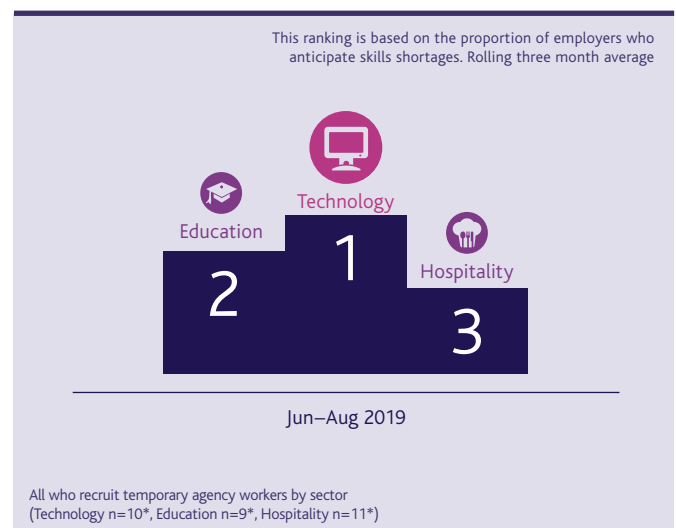
There was a 3-percentage point improvement in the balance of sentiment towards agency hiring in the medium term (net: +4), rolling quarter-on-quarter. However, this was lower than the net: +5 recorded in March–May 2019, and notably lower than last year's net: +19. This year-on-year decrease was underpinned by a significant deterioration in sentiment in the private sector, down from net: +23 in June–August 2018 to net: +7 this quarter.



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 a third of employers of temporary agency workers (35%) anticipated a shortage of suitable candidates to fill these positions, when surveyed in June–August, this was significantly lower than in the same period last year (60%). With the new academic year looming, the anticipated shortfall in the availability of academic agency professionals for the new term is concerning.

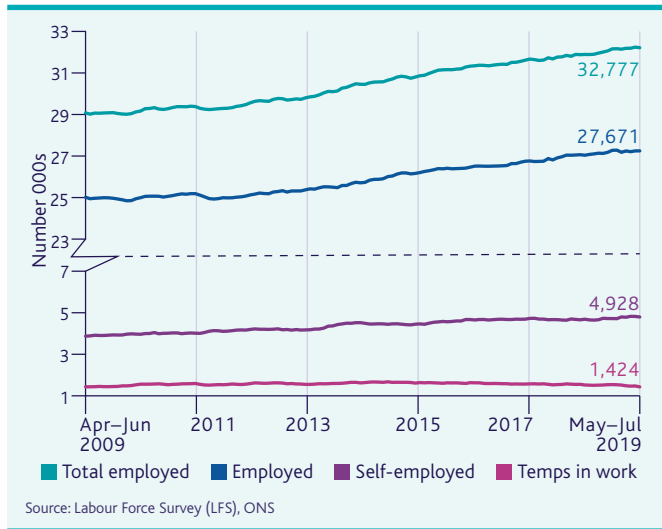


LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

At 32,777,000 in May–July 2019, the UK workforce was 31,000 (0.1%) larger than the previous quarter (February–April 2019) and was 369,000 (1.1%) larger than the same period a year earlier. An additional 125,000 (2.6%) self-employed individuals entered the workforce over the past year. In contrast, there were 106,000 (6.7%) fewer temporary employees engaged by UK hirers than in the same period last year. Job vacancy numbers fell for the third consecutive rolling quarter, however. At 812,000 in June–August 2019, this was 33,000 (3.9%) lower than a year earlier.

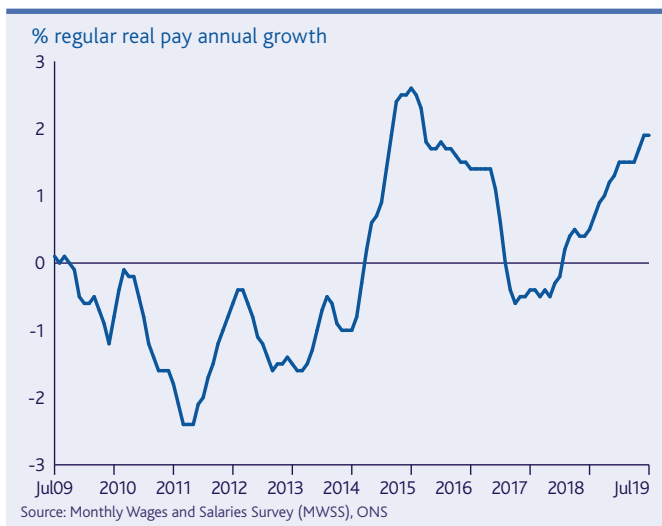
Total employment, employed and self-employed



REAL WAGE GROWTH

Regular Pay growth (in nominal terms) for employees, for the period between May–July 2018 and May–July 2019, was +3.8%. When considering the change in real-terms (i.e. adjusted for CPI), however, Regular Pay increased by 1.9%. This barometer excluded the earnings of the self-employed, 15% of the UK workforce.

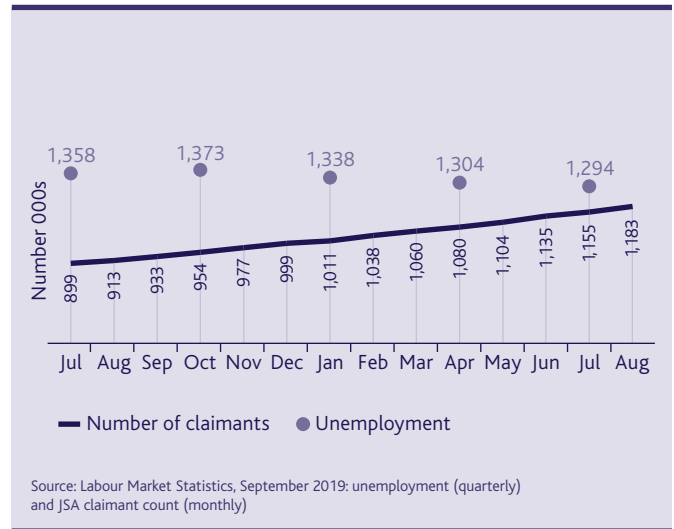
In July 2019, average regular pay for employees (before tax and other deductions) was estimated at £507 per week in nominal terms. In real-terms, this translated into £470 per week – £9 higher than the figure estimated for a year earlier (£461 per week), but £3 (0.7%) lower than the pre-recession peak of £473 per week for April 2008.



UNEMPLOYMENT AND CLAIMANT NUMBERS

The unemployment rate was 3.8% in May–July 2019. At 1,294,000, this represented a decrease of 11,000 (0.8%) on the previous quarter, and was 64,000 (4.7%) lower than a year earlier. However, unemployment for 18–24 year olds was up by 10,000 (2.5%), quarter-on-quarter, and by 15,000 (3.9%) year-on-year. This represents a 10.5% unemployment rate for this cohort, compared to 10.2% last quarter.

Set in the context of EU-wide unemployment, the UK rate was lower than the 6.3% average for July 2019. A number of countries had lower rates, however, including the Czech Republic (2.1%), Germany (3.0%), Hungary (3.5%), Malta (3.4%) and the Netherlands (3.4%).

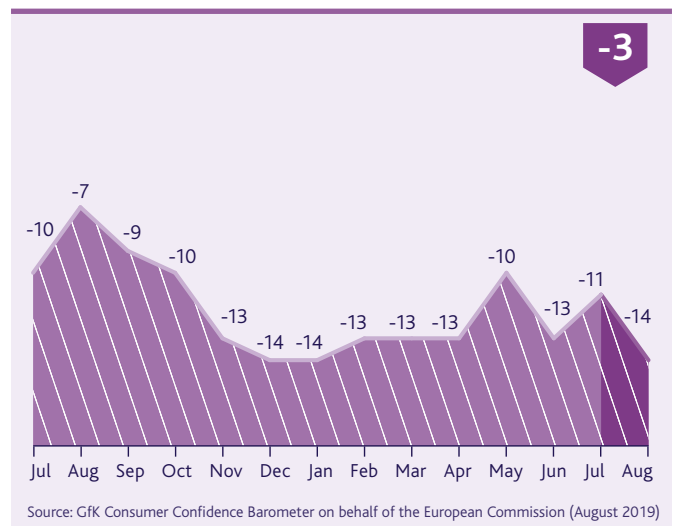


CONSUMER CONFIDENCE INDEX

GfK's Consumer Confidence Index fell 3 points in Aug 2019 to -14, underpinned by deterioration in all five underlying measures.

In relation to the general economic situation over the next 12 months, the Index fell by 6 points to -38, which is 12 points lower than in August 2018. Additionally, respondents' forecast for their personal finances over the next year fell 5 points to +2. This is 6 points lower than a year earlier.

Of undoubted concern to retailers, the Major Purchase Index fell 3 points to +1, down from +6 last year. Similarly, whilst relatively buoyant at +21 (4 points higher than in August 2018), the Savings Index fell 4 points on the previous month.

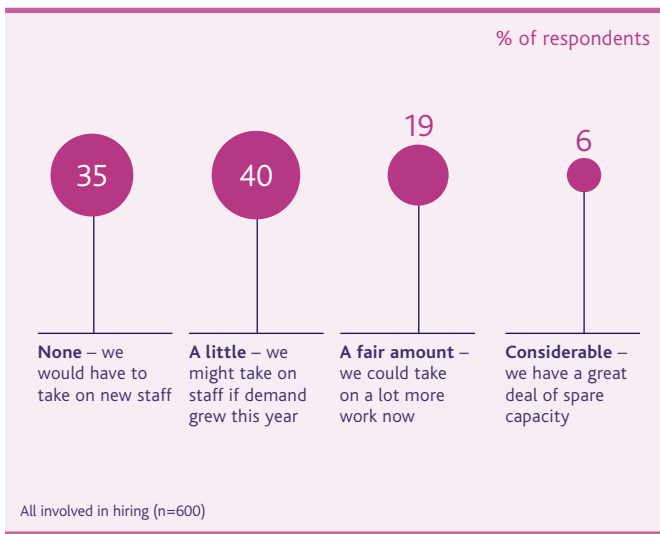


EmployerDashboard

WORKFORCE CAPACITY

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

Workforce capacity varied significantly between the private and public sector. Whilst 73% of private sector respondents reported that they have either no spare resource (32%) or so little that they may need to take on more staff if demand increased (41%), this rose to 85% amongst public sector respondents – with 48% highlighting no known surplus. In the public sector, this was a rise from 73% last year, of which just 30% had no surplus capacity.

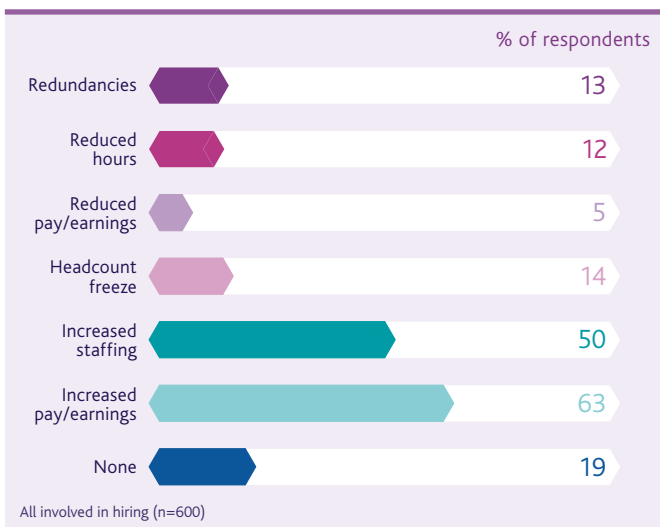


WORKFORCE PLANNING

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

The extent to which employers had made redundancies and/or reduced hours over the last year varied significantly by region. The proportion that had made redundancies ranged from just 6% of employers in the Midlands to 24% in London. Similarly, the percentage of employers that had reduced hours ranged from 6% in the South (excluding London) to 20% in the North.

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

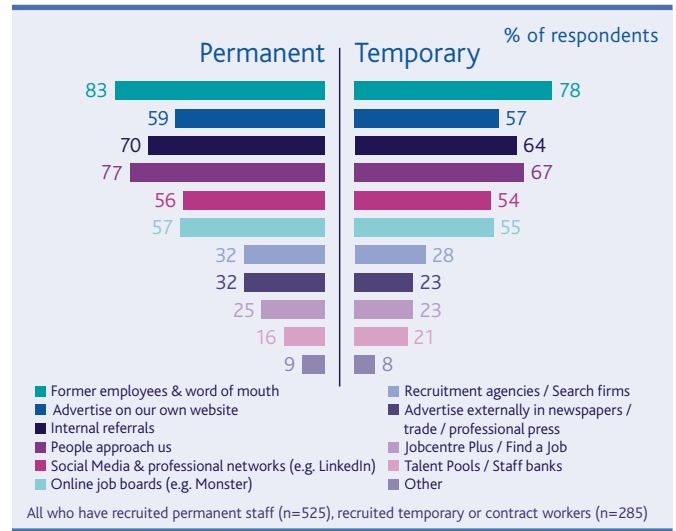


RECRUITMENT CHANNELS USED

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

Filling permanent posts through contacting former employees and through word of mouth was reported as a channel used by 83% of employers when surveyed in June–August, up from 66% in the same period last year. For temporary workers, this channel was highlighted as being utilised by 78% of hirers – up from 56% last year.

Recruitment channels used for staffing as of August 2019

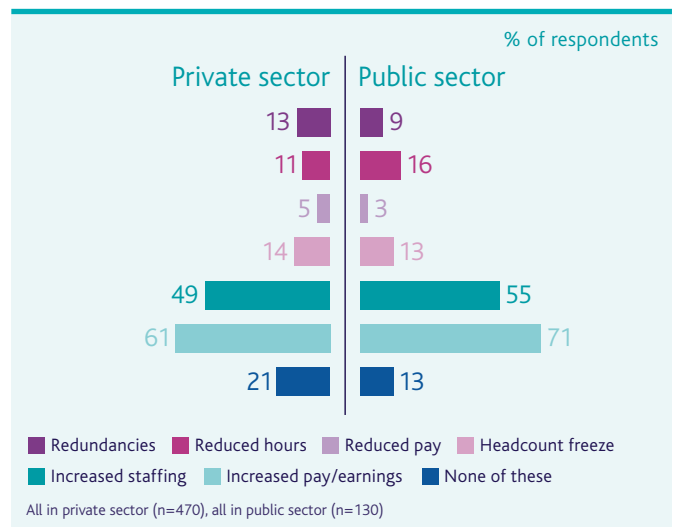


WORKFORCE PLANNING BY SECTOR

From a reward perspective, the proportion of public sector employers that had increased pay/salaries over the last year rose from 54% in June–August 2018 to 71% this year. In contrast, the proportional increase was smaller in the private sector (rising from 51% to 61%).

The proportion of public sector employers that had made redundancies over the last year fell from 16% to 9%. The decline was much smaller in the private sector, however, falling from 15% to 13%. Instances of the use of headcount freezes also notably fell in the private sector (from 21% to 14%), whilst the level remained static in the public sector at 13%.

3 month rolling average to August 2019

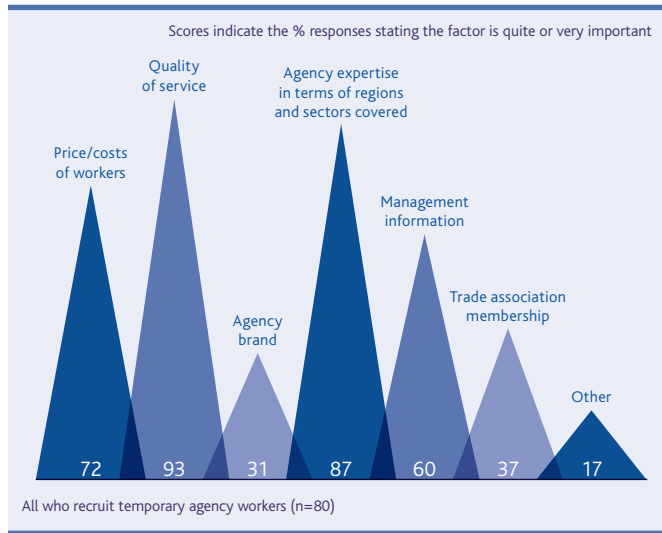


AgencyDashboard

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?

The two criteria that most employers who recruit temporary agency workers highlighted as being important when selecting their recruitment partners were quality of service (93%) and the agency's regional and/or skills-sourcing expertise (87%, up from 71% in June–August 2018).

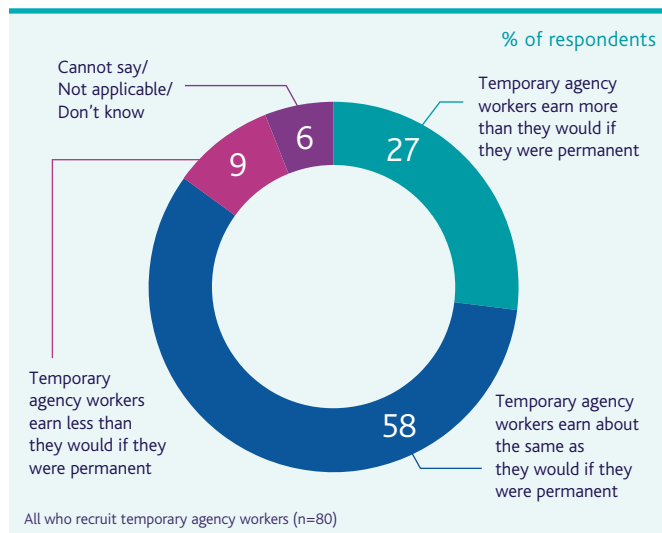


AGENCY WORKER PAY RATES

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

At just 9%, the proportion of respondents who felt that agency workers earned less than permanent equivalents, when surveyed in June–August 2019, was significantly lower than the 27% who recorded this sentiment last year. The majority (85%) of respondents this quarter felt that temporary agency workers earn the same or more than they would if they were permanent.

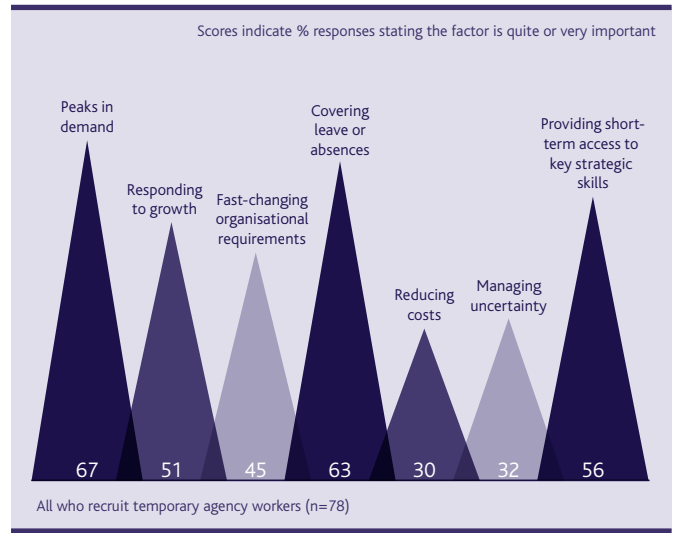
3 month rolling average to August 2019



IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

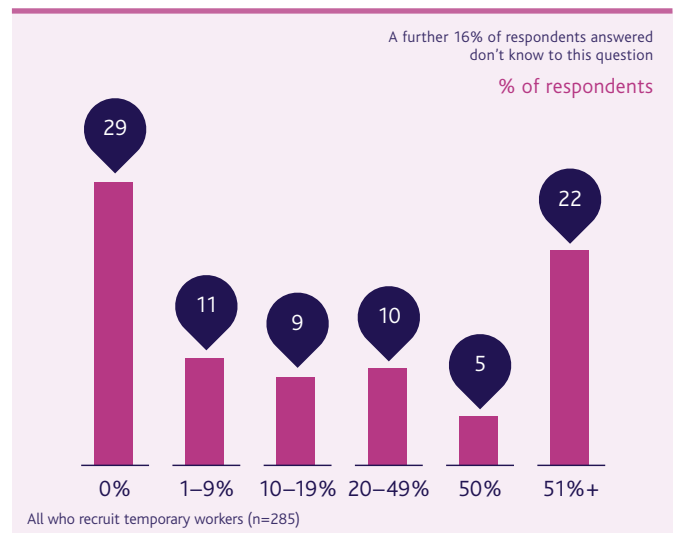
UK employers of temporary agency workers continued to highlight the importance of utilizing agency workers to meet peaks in demand (67%), cover leave or absences (63%), and to access key strategic skills in the short-term (56%).



TEMPORARY TO PERMANENT

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

The percentage of UK employers of temporary workers transferring at least 50% of those workers to permanent posts each year increased from 16% in June–August 2018 to 26% this year. Whilst levels in the public sector remained relatively static (at 28%, down from 29% last year), the proportion almost doubled within the private sector (from 14% to 26%). Regionally, the biggest shift was within the South (including London), where the proportion moved from 13% to 24%.



AgencyDashboard

SATISFACTION WITH CANDIDATES

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

Two thirds (65%) of UK hirers who use recruitment agencies expressed satisfaction with the candidates presented by partner agencies this quarter. However, this was lower than the figure of 74% recorded a year earlier. The decline was largely driven by a change in sentiment in the private sector, falling from 76% to 67% year-on-year, whilst satisfaction levels in the public sector remained broadly static (at 55%, down from 56% last year).

Regionally, there were notable variations. In the South (including London), the level remained static, year-on-year, at 72%. In contrast,

in the Midlands, satisfaction levels declined from 73% to 60% over the same period.

Satisfaction levels also remained buoyant in mid-sized (50–249 employee) enterprises across the UK. At 78% this quarter, this was only marginally lower than the 80% reporting their satisfaction last year. In contrast, sentiment deteriorated sharply within the UK's largest (250+ employee) enterprises, falling from 78% to 65% year-on-year.

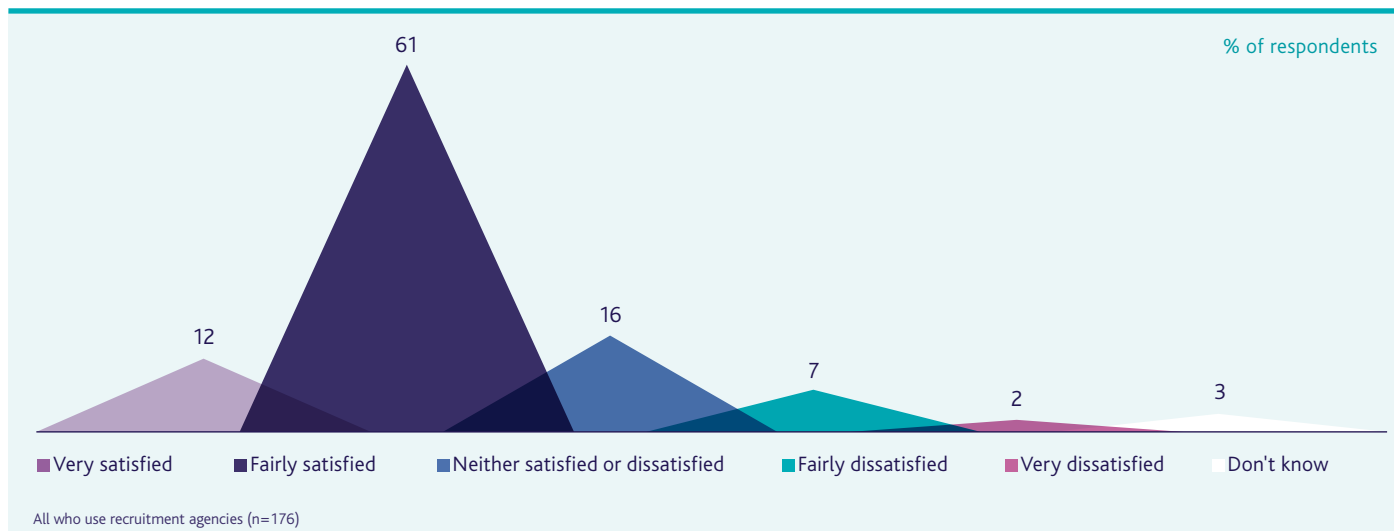


SATISFACTION WITH AGENCIES

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

At 73% in June–August 2019, UK-wide employers' overall satisfaction level with their agency partners was at a similar level to last year (75%). 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% to 92% over the period. In contrast, satisfaction levels fell in the Midlands, from 83% to 68%. Additionally, with 19% of Midlands' employers expressing their dissatisfaction, this was a sharp rise from the level of 4% recorded last year.

More than four in five (83%) mid-sized organisations were satisfied with the service provided by their agencies – up from 78% who recorded their satisfaction in the same period last year. Dissatisfaction levels amongst this cohort also fell from 5% to 2% year-on-year. Conversely, at 66%, the satisfaction level amongst small/micro (0–49 employee) enterprises across the UK was below average. 18% of this cohort are also dissatisfied with their supplying agencies – up from a level of 11% recorded last 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?

Notable above-average levels of forecast short-term demand continued amongst employers seeking to hire permanent workers in Health & Social Care – up 5 percentage points to net: +42 compared to the last quarter. There were also sharp rises in forecast demand for Technology (up 7 points to net: +29) and Marketing, Media & Creative Professionals (up 7 points to net: +25).

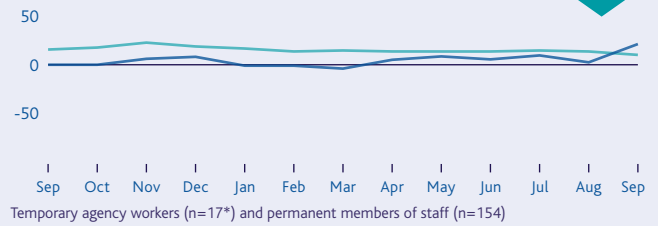
Positive outliers in relation to temporary hiring included demand for Engineering & Technical professionals (up 44 points to net: +39). In contrast, forecast demand for Health & Social Care workers continued to sit firmly in negative territory at net: -29.

- 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.

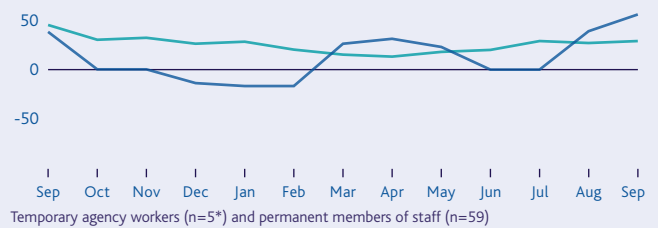
ACCOUNTING & FINANCIAL SERVICES

+20 -2



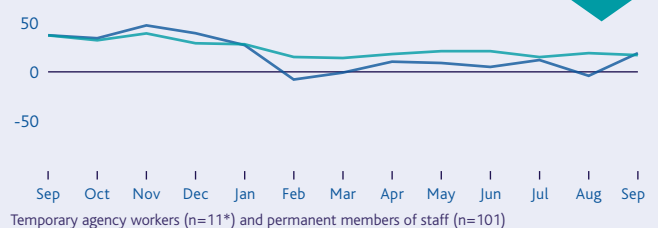
CONSTRUCTION

+17 +2



DRIVERS

+22 -1



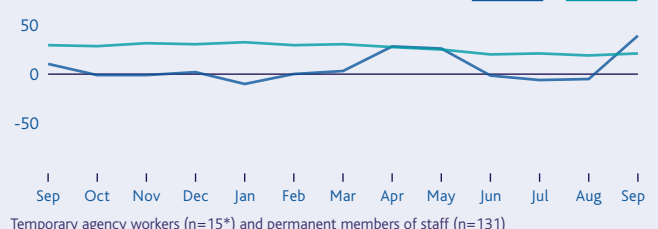
EDUCATION

-8 0



ENGINEERING & TECHNICAL

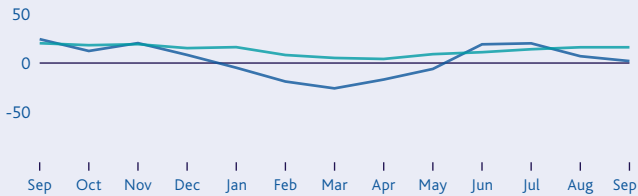
+44 +3



SectorProspects

EXECUTIVE RECRUITMENT / INTERIM

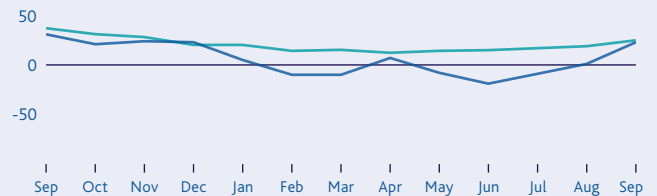
-6 **-1**



Temporary agency workers (n=8*) and permanent members of staff (n=115)

MARKETING, MEDIA & CREATIVE

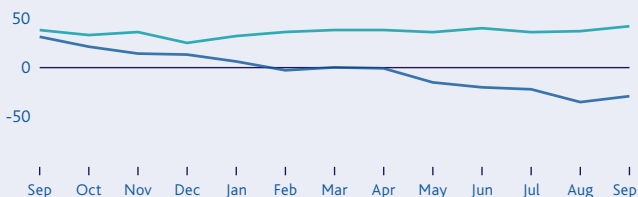
+22 **+7**



Temporary agency workers (n=11*) and permanent members of staff (n=147)

HEALTH & SOCIAL CARE

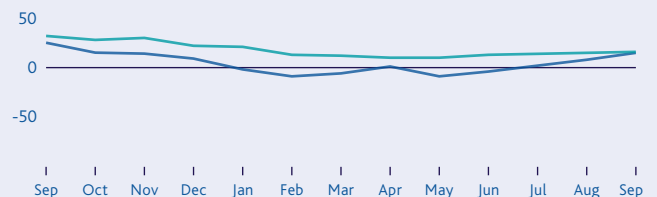
+7 **+5**



Temporary agency workers (n=19*) and permanent members of staff (n=130)

OFFICE PROFESSIONALS

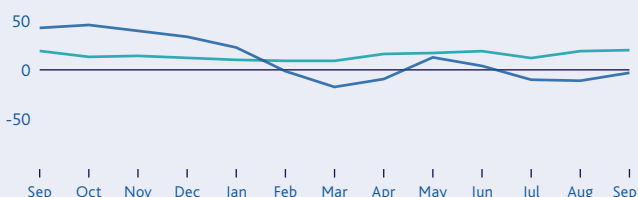
+8 **+1**



Temporary agency workers (n=32*) and permanent members of staff (n=252)

HOSPITALITY

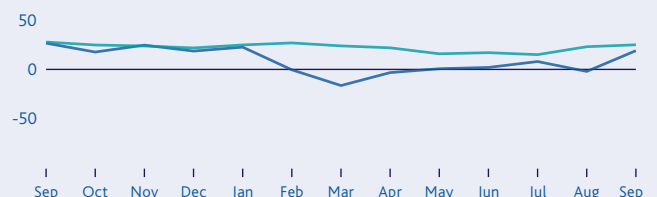
+7 **+1**



Temporary agency workers (n=11*) and permanent members of staff (n=71)

SALES & RETAIL

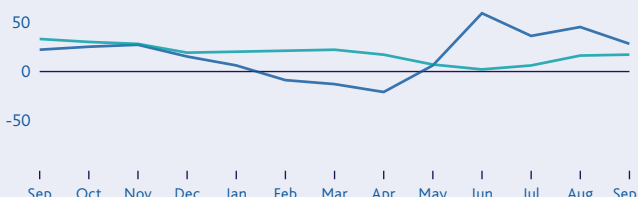
+21 **+1**



Temporary agency workers (n=6*) and permanent members of staff (n=159)

INDUSTRIAL

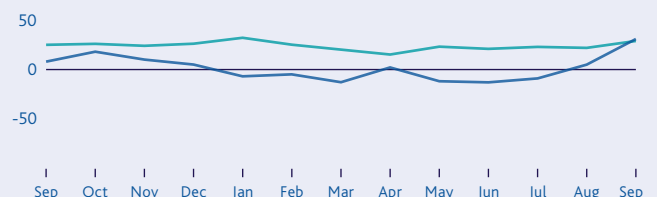
-16 **0**



Temporary agency workers (n=14*) and permanent members of staff (n=65)

TECHNOLOGY

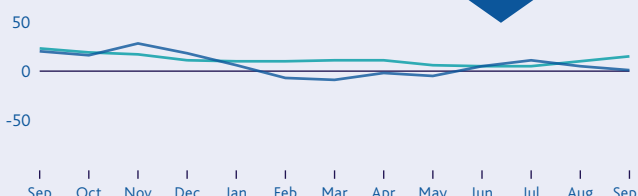
+25 **+7**



Temporary agency workers (n=10*) and permanent members of staff (n=112)

LEGAL & HR

-4 **+5**



Temporary agency workers (n=14*) and permanent members of staff (n=124)

REC-IHS Markit Predictive model

UK UNEMPLOYMENT FORECAST TO REMAIN AT 3.8% IN THREE MONTHS TO AUGUST

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

The latest nowcast model forecasts a decrease of 13,000 in the Labour Force Survey measure of UK unemployment in the three months to August. This would result in an unchanged unemployment rate of 3.8%, marking the joint-lowest figure since the final quarter of 1974.

The model therefore signals a decrease in unemployment, with a decrease of 35,000 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

Three month unemployment change (thousands)

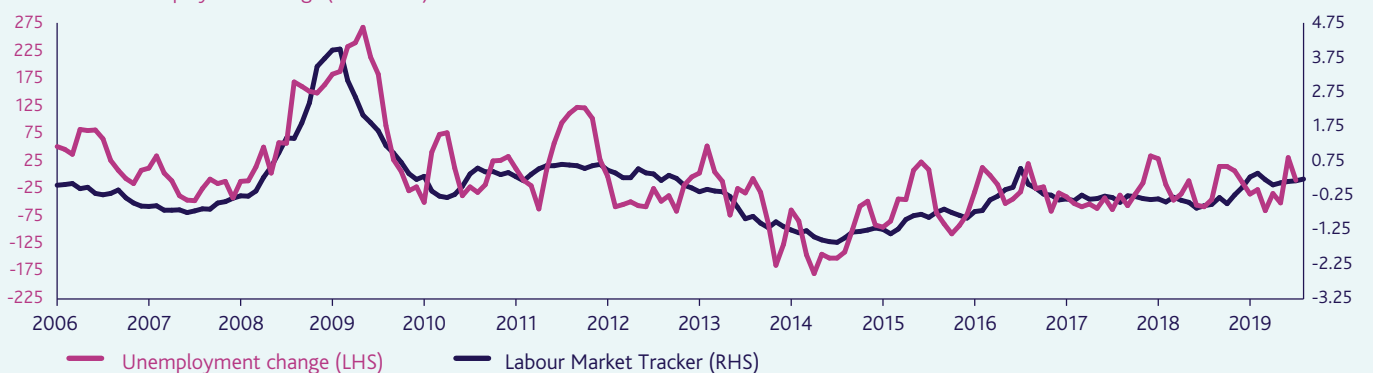


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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

