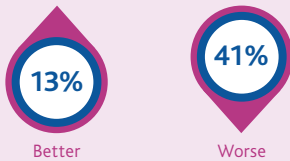


## Employer confidence plunges to new record low

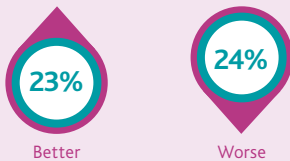
CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

### Confidence

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

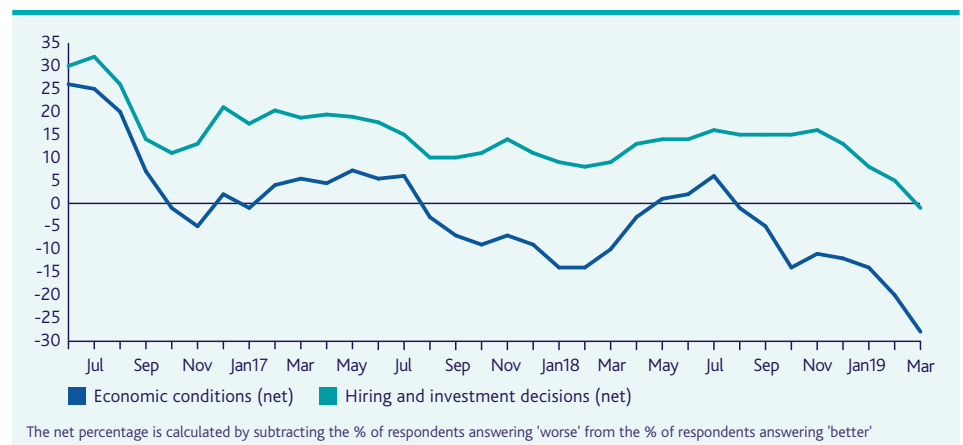


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=600)

Employers' confidence in the prospects for the UK economy plunged by 8 percentage points this month to another record low of net: -28. Confidence in making hiring/investment decisions fell by 6 percentage points to net: -1, taking this measure into negative territory for the first time since REC's records began in June 2016.



### Key Points from December–February Survey

**1**

Employer confidence at new record low

At net: -28 and net: -1, employers' confidence in the UK economy and in making hiring/investment decisions reached their lowest levels since the REC's records began in June 2016.

**2**

Balance of sentiment towards permanent hiring up from last year

At net: +17 in the short-term and net: +22 in the medium-term, the balance of sentiment towards permanent hiring was 3 and 6 percentage points higher, respectively, than a year earlier.

**3**

Sentiment for hiring agency workers down from last year

At net: -7, the balance of sentiment for hiring agency workers in the short-term was 13 percentage points lower than a year earlier. Sentiment in the medium-term was 21 points lower than a year earlier, at net: -8.

**4**

Capacity to take on more work without increasing staffing

82% of UK employers had either no surplus workforce capacity (39%) or such a small amount that they may need to increase headcount if demand increased (43%). This increased to 86% amongst public sector employers (versus 73% last year).

**5**

Reasons for using agency workers

Using agency workers to help manage uncertainty was highlighted as important by almost half (47%) of hirers – up from 38% a year earlier. 51% highlighted the use of agency workers for short-term access to key skills.

**6**

Geographical and/or skills sourcing expertise important for choosing agency partners

83% of employers highlighted that the geographical and/or skills sourcing expertise of an agency was an important selection criterion when selecting their recruitment agency partners.

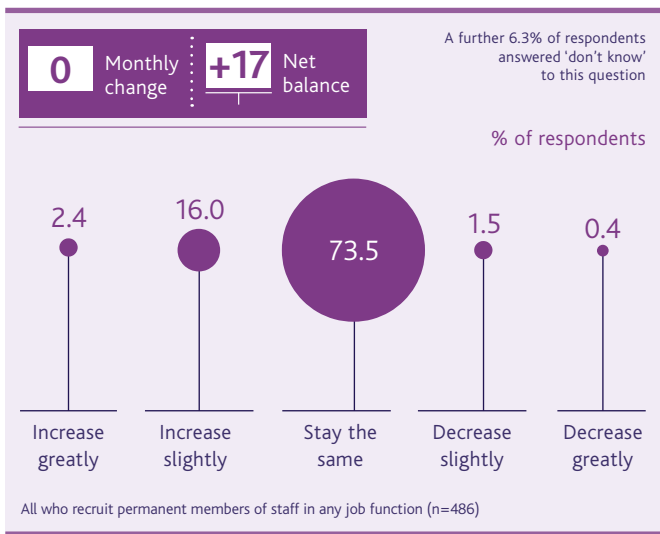
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (\*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

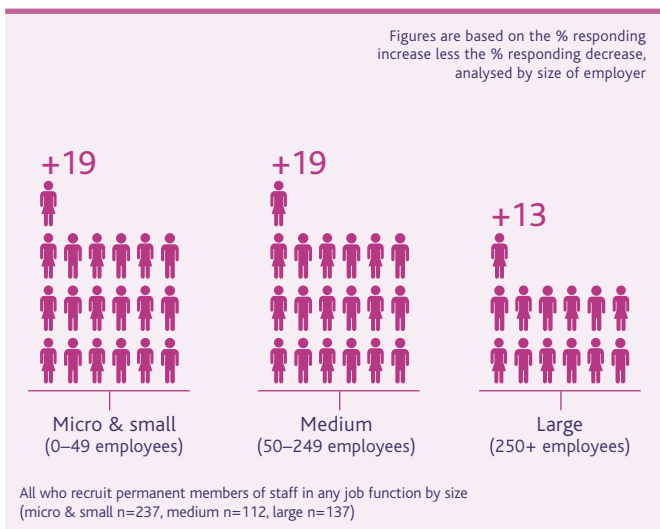
More employers continued to plan for an increase, rather than a decrease in their permanent headcount in the short-term this quarter (net: +17) – up by 3 percentage points on the sentiment recorded a year earlier. The proportion of employers who didn't know whether headcount would increase or decrease rose to 6% this quarter, compared with 1% six months earlier. Forecast demand in the private sector (net: +19) was higher than in the public sector (net: +10).



## OUTLOOK BY EMPLOYER SIZE

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

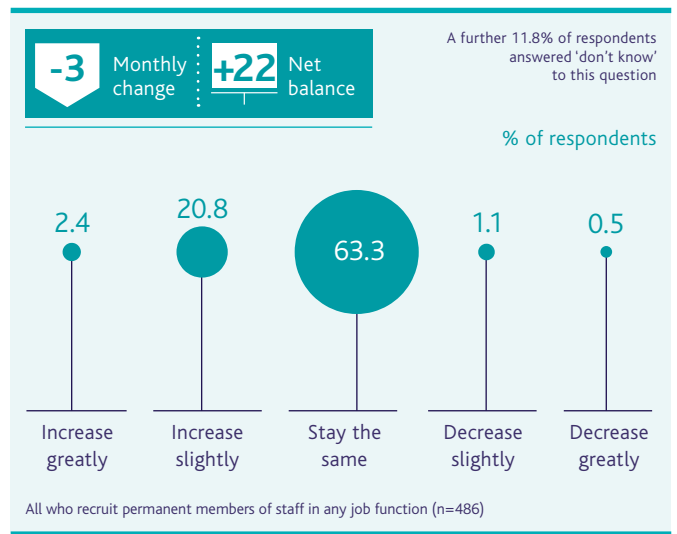
Only amongst mid-sized (50–249 employee) hirers did the balance of sentiment towards short-term permanent hiring fall rolling quarter-on-quarter (by 4 percentage points to net: +19). However this remained notably higher than net: +13 recorded a year earlier. The balance of sentiment was also higher, year-on-year, amongst micro/small (0–49 employee) enterprises – up from net: +11 to net: +19. In contrast, sentiment amongst the UK's largest (250+ employee) organisations fell from net: +17 to net: +13.



## MEDIUM-TERM OUTLOOK

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

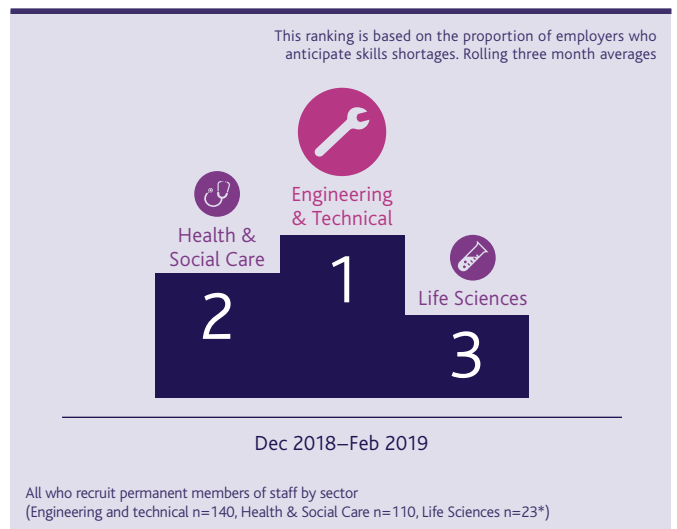
Whilst the medium-term forecast for permanent hiring fell by 3 percentage points rolling quarter-on-quarter to net: +22, it remained 6 percentage points higher than a year earlier. The medium-term forecast was more positive within the private (net: +24) than the public sector (net: +15). The proportion of employers who didn't know whether headcount would increase or decrease in the medium-term was 12%, compared with 6% six months earlier.



## 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 (49%) of UK employers expressed concern this quarter over the sufficient availability of permanent-hire candidates – up from 39% recorded in the same period last year. Amongst public sector employers, 59% of respondents highlighted their concern (vs. 44% last year). The anticipated shortage of Engineering/technical workers continues to pique employers' concerns.

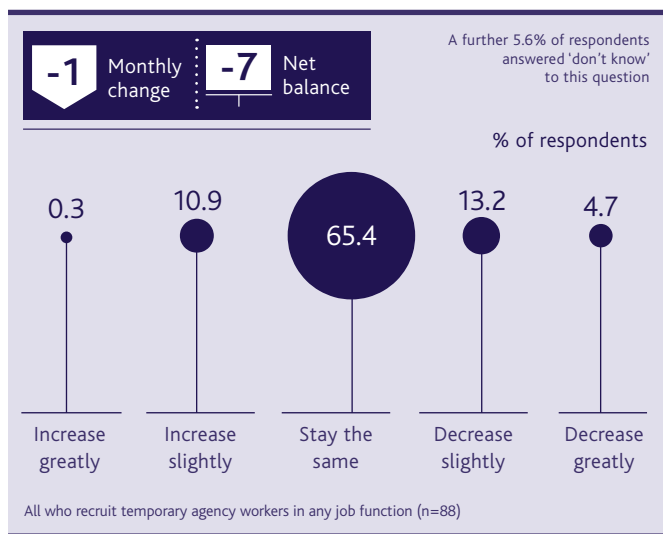


# Temporary Recruitment

## SHORT-TERM OUTLOOK

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

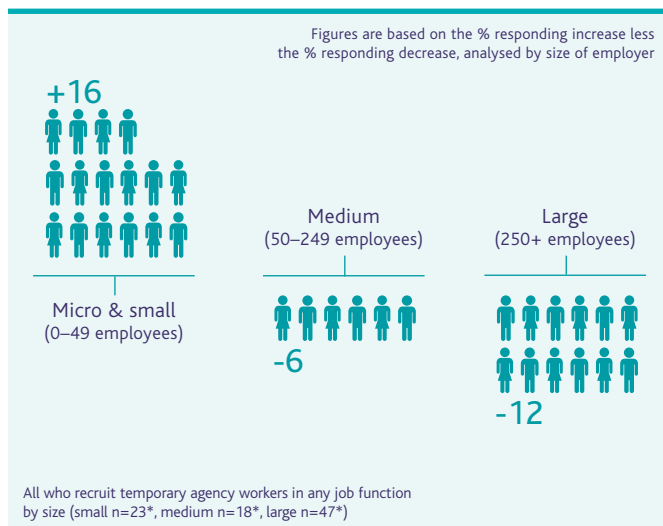
The balance of sentiment across UK employers who hire agency workers (net: -7) was 13 percentage points lower than in the same period last year, but there were starkly contrasting sectoral variations. Sentiment in the private sector was positive at net: +7 – 6 percentage points higher than a year earlier. However, public sector employers of temporary workers expected agency staffing levels to decrease in the short-term (net: -21).



## OUTLOOK BY EMPLOYER SIZE

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

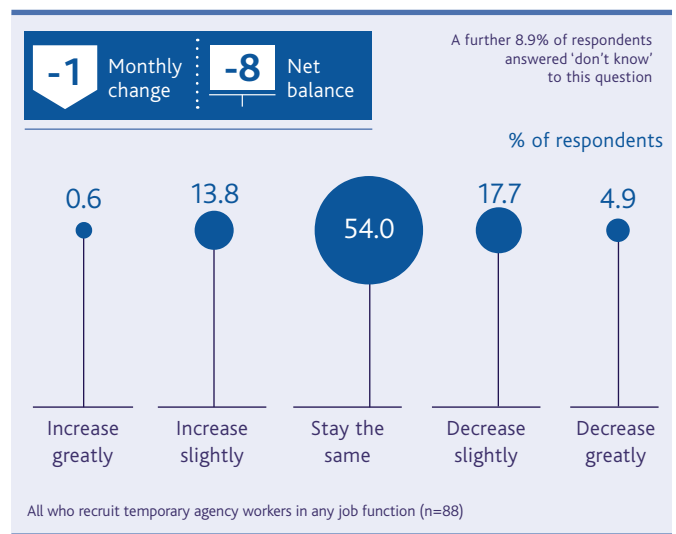
Whilst the net balance of expectation towards short-term temporary agency worker hiring worsened, rolling quarter-on-quarter, amongst both mid-sized (50–249 employee) and large (250+ employee) enterprises, it sharply improved amongst micro/small (0–49 employee) enterprises which hire agency workers – up 13 percentage points to net: +16. Whilst micro/small and mid-sized hirer sentiment was at a similar level to a year earlier, expectations notably deteriorated within large enterprises, falling from net: +7 to net: -12.



## 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: -8, the balance of employer sentiment towards medium-term temporary agency worker hiring was 21 percentage points lower than a year earlier. Regionally, sentiment amongst employers who hire agency workers in the Midlands (net: +26) and the North (net: -22) sat in stark contrast. Sentiment amongst employers in the private and public sectors were also poles apart, at net: +14 and net: -32 respectively.



## 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 35%, the proportion of employers who hire temporary agency workers expressing concern over their sufficient availability was at the same level as recorded last year. This was despite the fact that, year-on-year, the balance of hiring intention was notably lower. The return to the fore of concern over the sufficient availability of temporary Construction workers is noteworthy.

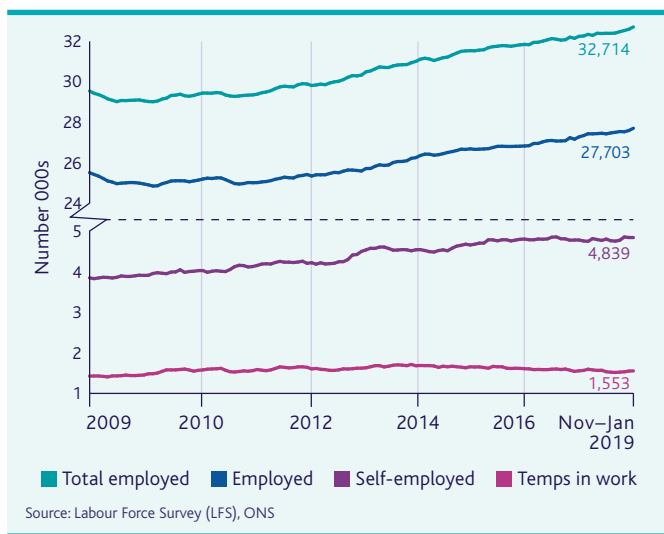


# LabourMarketDashboard

## TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

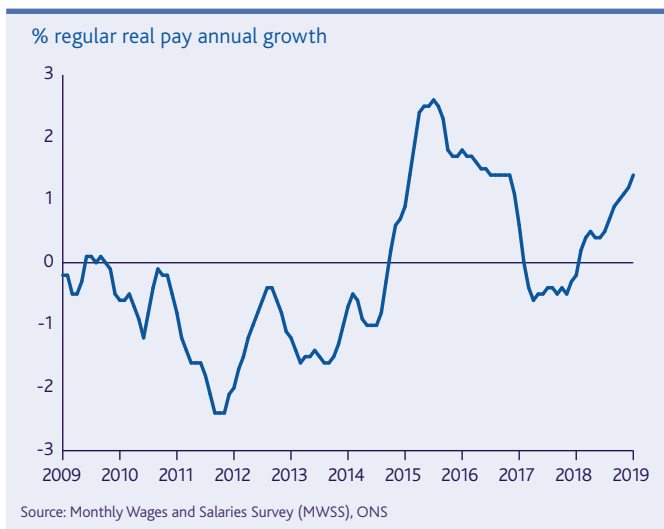
The UK workforce was 222,000 (0.7%) larger in November 2018–January 2019 than the previous quarter and rose by 473,000 (1.4%) year-on-year. Self-employed numbers rose year-on-year by 65,000 (1.4%) to 4,839,000 – 14.80% of the workforce. The number of temporary employees also rose slightly, by 4,000 to 1,553,000 (4.75% of the workforce). As to the reasons for temporary employment, 398,000 people (26%) could not find a permanent job, 464,000 (30%) did not want one, 128,000 (8%) were in a period of training/probation and 563,000 (36%) were temporary for some other reason.

Total employment, employed and self-employed



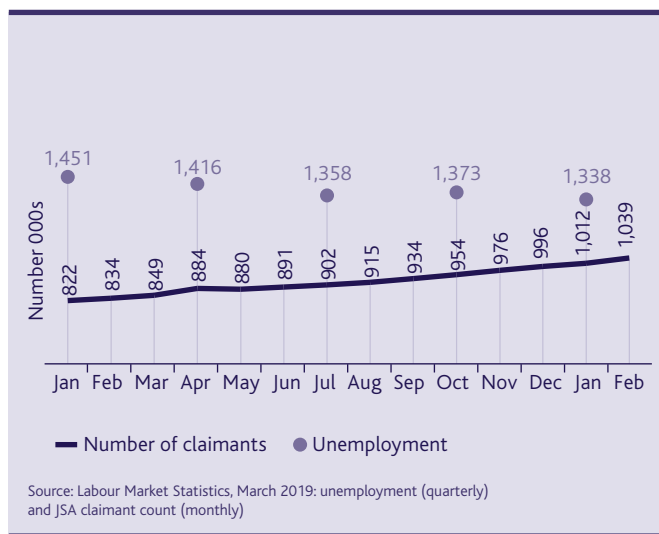
## REAL WAGE GROWTH

Regular Pay growth (in nominal terms) for employees, for the period between November 2017–January 2018 and November 2018–January 2019, was +3.4%. When considering the change in real-terms (i.e. adjusted for CPI inflation), however, Regular Pay increased by 1.4%. This figure crucially excludes the earnings progress of the self-employed population, however, which represented 14.80% of the UK workforce in this period. At an average of £466 per week, Regular Pay for employees was £8 higher than in the same period last year. It remains £13 lower than the pre-downturn peak of £473, however, recorded in the summer of 2007 and early 2008.



## UNEMPLOYMENT AND CLAIMANT NUMBERS

The UK unemployment rate fell to 3.9% in November 2018–January 2019, and had not been lower since November 1974–January 1975. At 1,338,000, this represented a 35,000 (2.5%) decrease on the previous quarter and was 112,000 (7.7%) lower than a year earlier. Numbers rose by 9,000 (2.3%) quarter-on-quarter amongst those aged 18–24, but was at the same level as a year earlier. Numbers also rose quarter-on-quarter by 10,000 (3.7%) amongst those aged 50+, although they were 11,000 (3.5%) lower than in the same period last year. At 1,039,000, the provisional Claimant Count in February 2019 rose by 205,000 (24.6%) year-on-year.

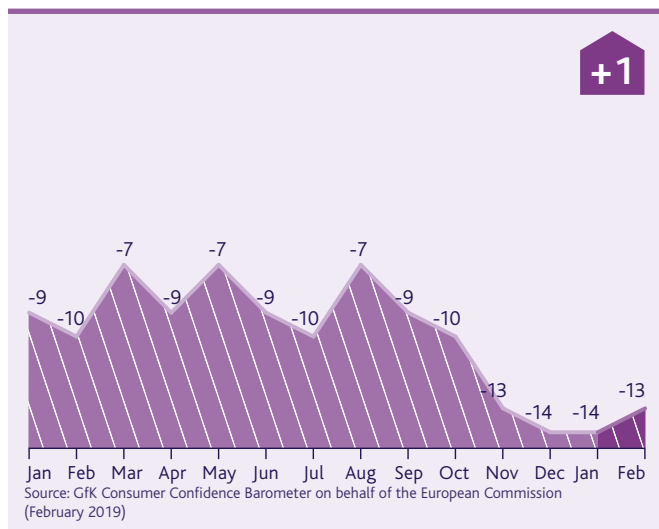


## CONSUMER CONFIDENCE INDEX

Despite remaining firmly within negative territory, the Consumer Confidence Index rose by 1 point in February to -13. Three of the underpinning measures improved whilst two remained the same.

Whilst respondents' views on their own personal finances over the next 12 months remained at +1, this was 4 points lower than in February 2018. In contrast, at +5, the Major Purchase index was 5 points higher than a year earlier – and, at +18, the Saving Index was up 6 points, year-on-year.

Pessimism continues about the prospects for the UK economy, however. At -38, the balance of expectation for the general economy over the next year was 12 points lower than in February 2018.

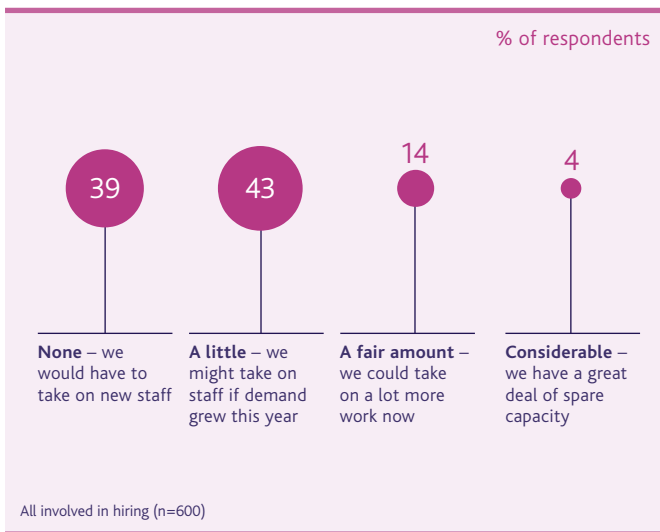


# EmployerDashboard

## WORKFORCE CAPACITY

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

More than eight in ten (82%) UK employers indicated this quarter that they had either no surplus workforce capacity (39%) or such a small amount that they may need to increase headcount if demand increased (43%). This was up from 77% a year earlier, when 35% highlighted that they had absolutely no capacity. Amongst public sector employers, the proportion increased to 86% – notably higher than the figure of 73% recorded a year earlier.

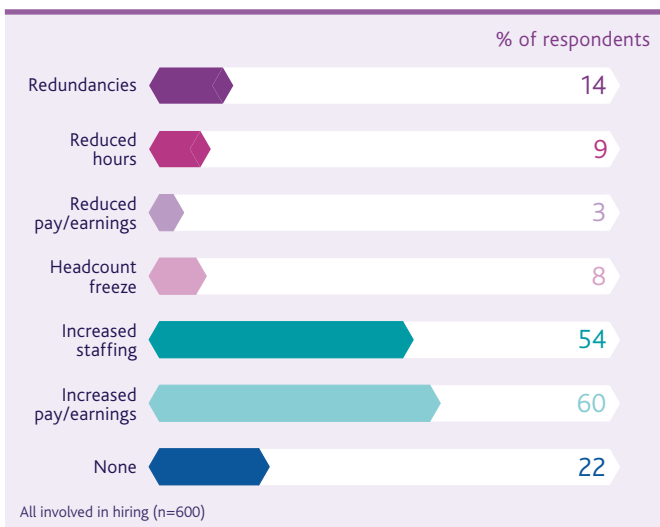


## WORKFORCE PLANNING

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

Whilst just 14% of UK employers highlighted that they had made redundancies over the previous year, the figure was double (28%) amongst large (250+ employee) enterprises. However, a significant proportion of this cohort (70%) highlighted that they had increased staffing levels over the period. As such, some workforce skills transformation appears likely.

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

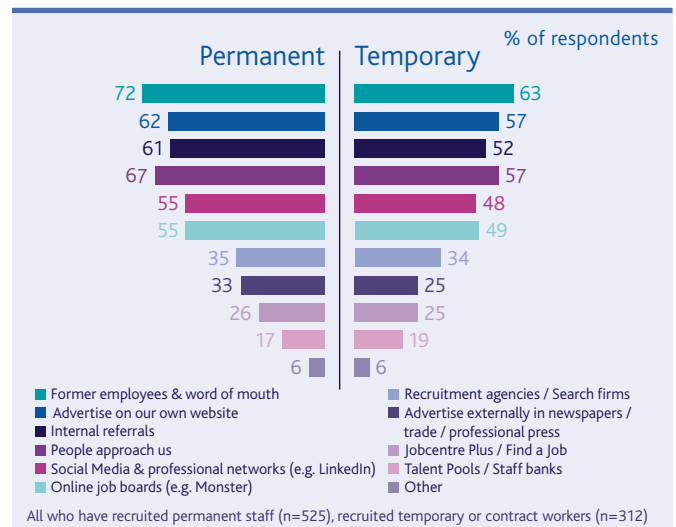


## RECRUITMENT CHANNELS USED

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

Employers continue to report that the most popular method of recruitment is through former employees and by word of mouth – used by 72% of employers of permanent staff and 63% of those who hire temporary agency workers. This method is significantly more popular with private sector than public sector employers.

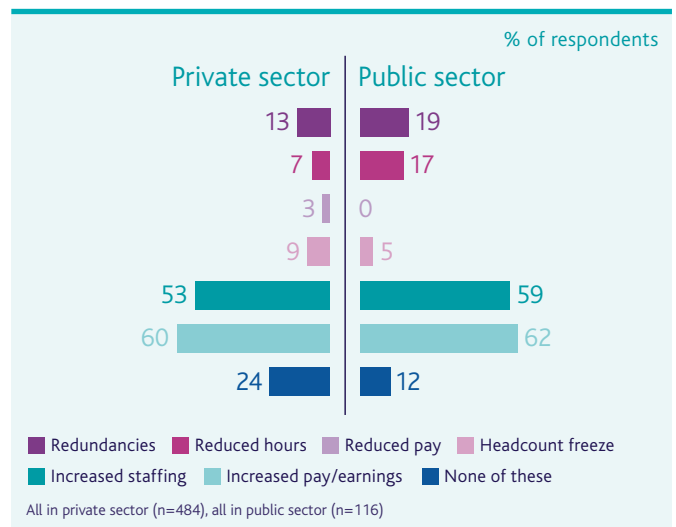
Recruitment channels used for staffing as of February 2019



## WORKFORCE PLANNING BY SECTOR

The only workforce impact in which the instance was higher in the private than the public sector this quarter was the utilisation of a headcount freeze. This was actioned by 9% of private sector employers over the last year, compared to just 5% of public sector bodies. Whilst the private sector figure was similar to that recorded a year earlier (10%), the public sector witnessed a notable decline in this activity – down from 16%. At 19%, the proportion of public sector hirers making redundancies matched last year's figure. In the private sector, the figure was 13%, compared to 15% a year earlier.

3 month rolling average to February 2019

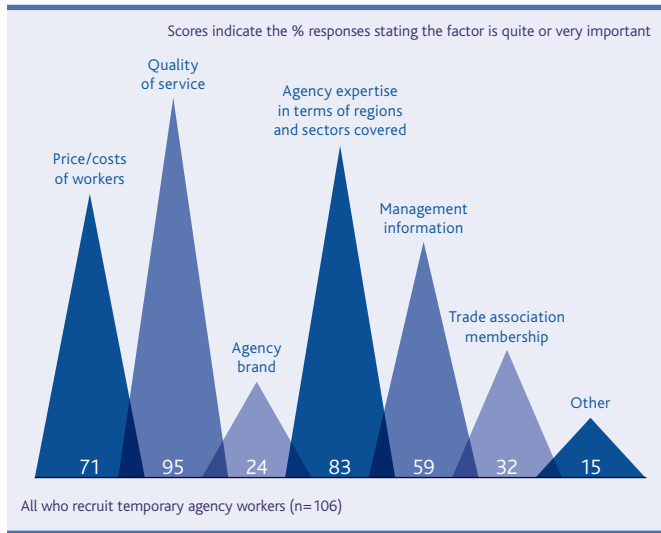


# AgencyDashboard

## 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?

Quality of service (95%) and the agency's geographical and skills sourcing expertise (83%) were cited by employers as important criteria when selecting their agency partners. These proportions were similar to the 96% and 85%, respectively, who cited these factors in the same period last year.

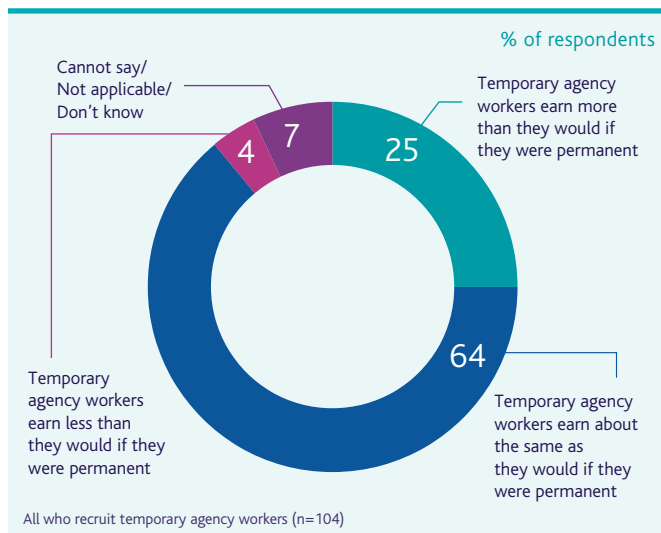


## AGENCY WORKER PAY RATES

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

When employers of temporary agency workers were asked this quarter to consider the pay rates of their temporary staff compared to their permanent counterparts, it is notable that 25% said that agency workers earn more by comparison, in contrast to just 4% who said they earn less. This is compared to the 22% and 3%, respectively, who gave these responses in the previous rolling quarter.

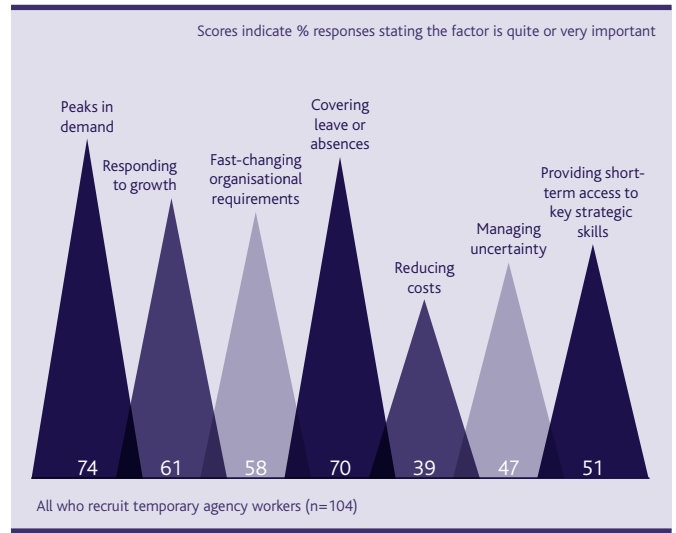
3 month rolling average to February 2019



## IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

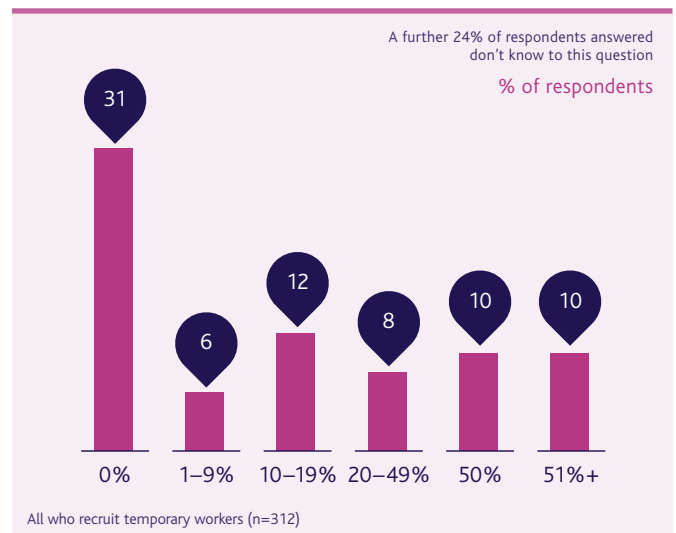
Using agency workers to help manage uncertainty was highlighted as important by almost half (47%) of hirers of temporary agency workers this quarter – up from just 38% a year earlier. The proportion highlighting the use of agency workers to provide short-term access to strategic skills also rose year-on-year, from 41% to 51%.



## 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 make at least half of all temporary workers permanent each year was higher this quarter than a year earlier (20% vs. 16%). This included a notable rise (from 22% to 28%) in the number of Northern employers making such a volume of transfers. The proportion of mid-sized (50–249 employee) organisations transferring at least half of all temporary workers rose from 13% to 24% year-on-year.



# AgencyDashboard

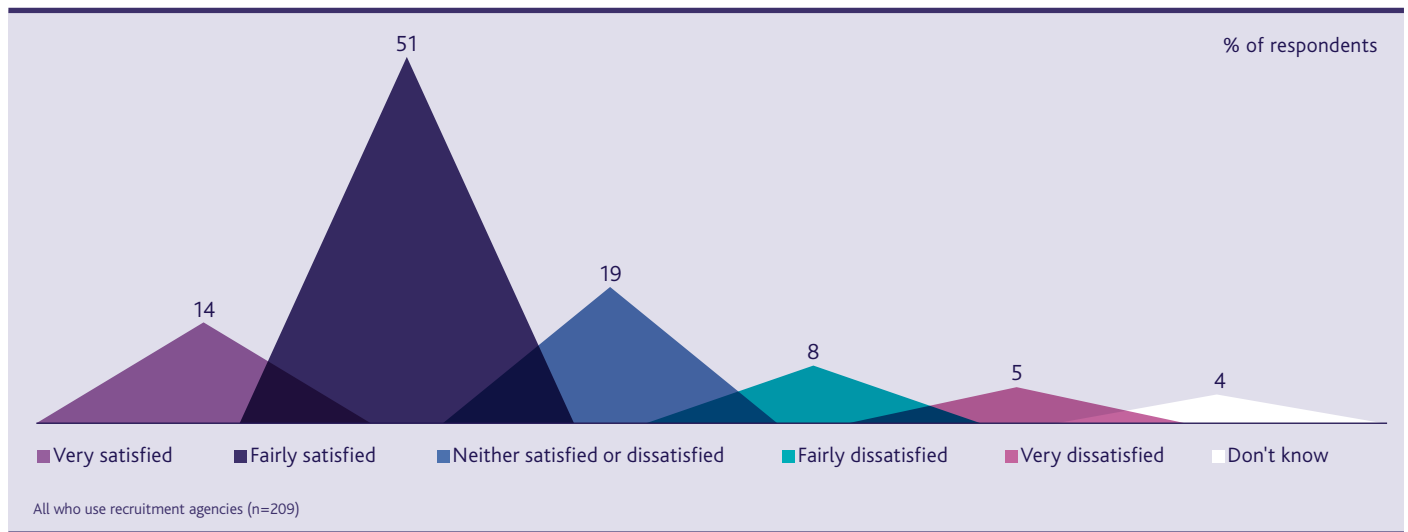
## SATISFACTION WITH CANDIDATES

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

Two thirds (65%) of UK employers surveyed in December 2018–February 2019 were satisfied with the quality of candidates presented by their recruitment agency partners – similar to the previous rolling quarter (64%). This included a slight rise in the proportion of employers expressing that they were very satisfied, up from 12% to 14%.

Regional variations were noteworthy, however, ranging from just 50% of employers in London expressing satisfaction (down from 67% last year) to 72% in the South, excluding London (versus 71% last year).

The UK's smallest (0–49 employee) enterprises are the least impressed with the candidates they receive – as highlighted by just 55% expressing satisfaction (versus 63% last year). In contrast, 70% of both mid-sized (50–249 employee) and large (250+ employee) organisations expressed their satisfaction with the quality of candidates presented to them by recruitment agencies.



## SATISFACTION WITH AGENCIES

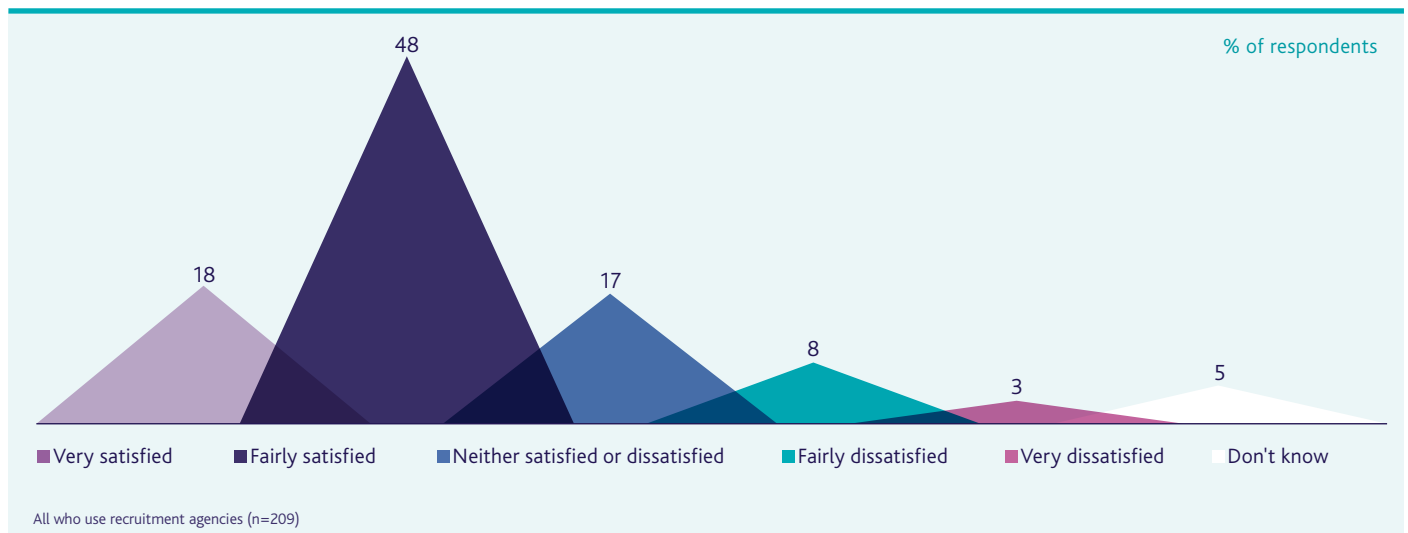
### How satisfied are you overall with the recruitment agencies you have used in the last 2 years?

Two thirds (66%) of employers expressed their satisfaction with their agency partners, when surveyed in December 2018–February 2019 – slightly down from 69% highlighting this to be the case in the previous rolling quarter. Notable regional variations included the 71% of Northern employers who expressed satisfaction contrasting with only 53% of employers in London. Dissatisfaction levels were also highest in London and the Midlands (19%), and lowest in the North (10%).

The proportion of public sector employers who were satisfied remained consistent, year-on-year, at 73%. Amongst private

sector hirers, however, satisfaction levels fell from 73% to 64% over the same period.

By size of enterprise, agencies appear to be servicing large (250+ employee) enterprises well, with satisfaction levels remaining steady, year-on-year, at 75%. Moreover, dissatisfaction levels dropped from 9% to 2% over the same period. In contrast, micro/small (0–49 employee) organisations are feeling less well serviced, with satisfaction levels falling from 64% to 52% and dissatisfaction levels increasing from 13% to 20% year-on-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?

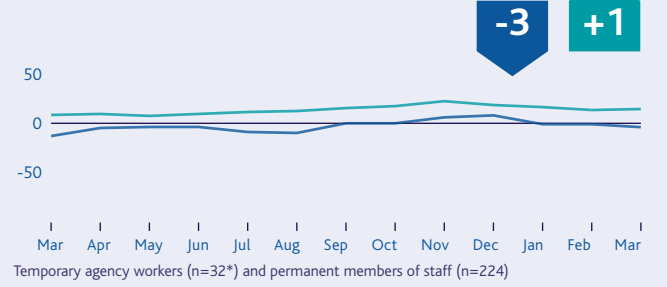
There were only a handful of occupational groups in which there was an increase in the balance of short-term anticipated demand for permanent workers this quarter – and all balance moves were small.

In contrast, there were some notable changes in the forecast short-term demand for temporary agency workers. This included a 43-percentage point increase in anticipated demand for Construction workers to net: +28, which sits in stark contrast to the all-occupation balance of forecast demand of net: -7.

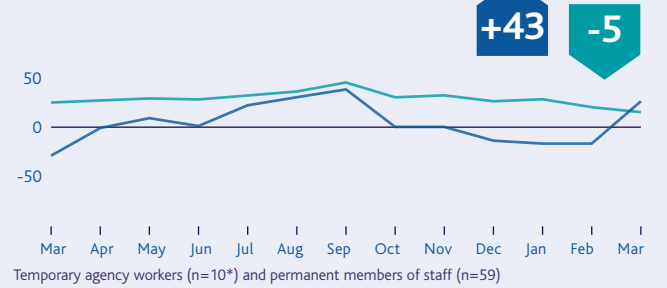
- Temporary
- Permanent

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.

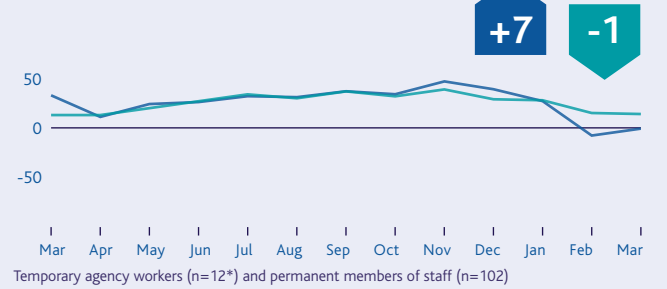
### ACCOUNTING & FINANCIAL SERVICES



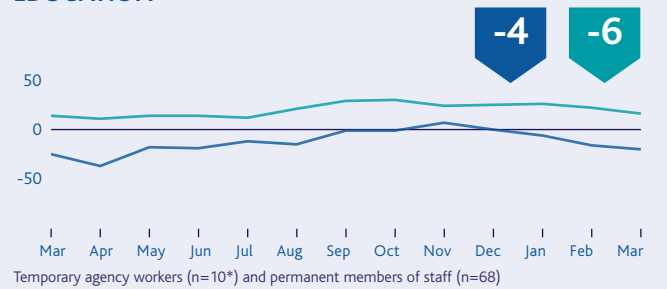
### CONSTRUCTION



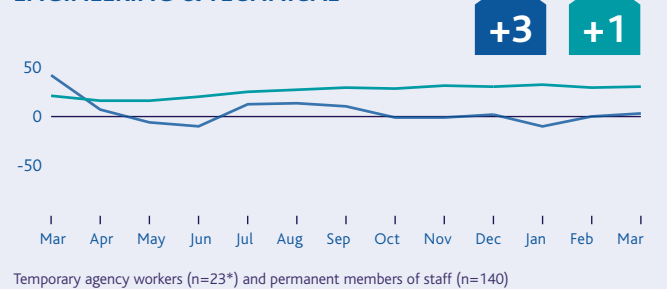
### DRIVERS



### EDUCATION



### ENGINEERING & TECHNICAL

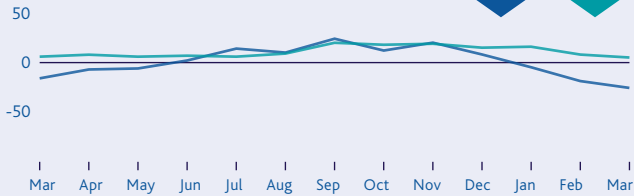




# SectorProspects

## EXECUTIVE RECRUITMENT / INTERIM

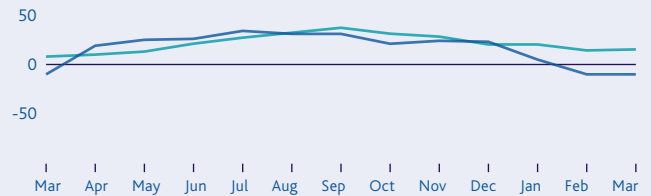
**-7** **-3**



Temporary agency workers (n=24\*) and permanent members of staff (n=158)

## MARKETING, MEDIA & CREATIVE

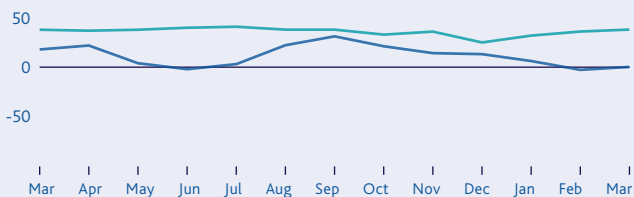
**0** **+1**



Temporary agency workers (n=20\*) and permanent members of staff (n=171)

## HEALTH & SOCIAL CARE

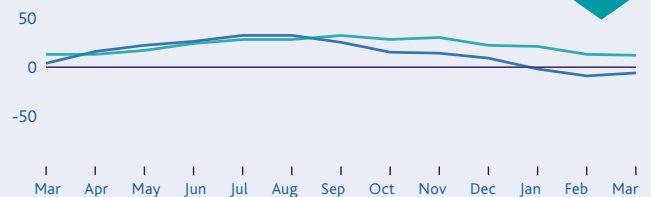
**+3** **+2**



Temporary agency workers (n=25\*) and permanent members of staff (n=110)

## OFFICE PROFESSIONALS

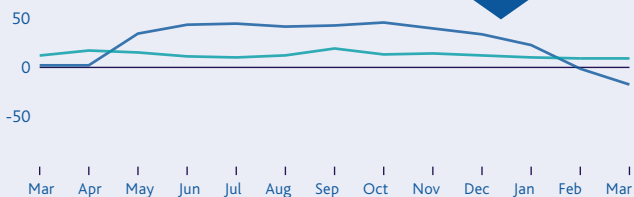
**+3** **-1**



Temporary agency workers (n=45\*) and permanent members of staff (n=263)

## HOSPITALITY

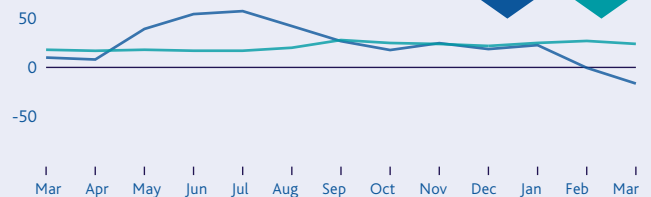
**-16** **0**



Temporary agency workers (n=11\*) and permanent members of staff (n=81)

## SALES & RETAIL

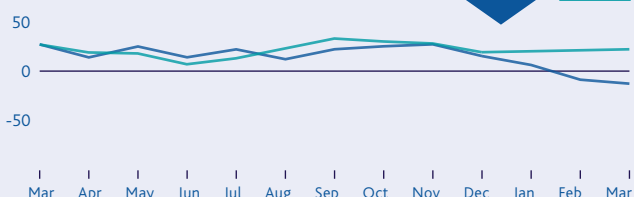
**-16** **-3**



Temporary agency workers (n=14\*) and permanent members of staff (n=164)

## INDUSTRIAL

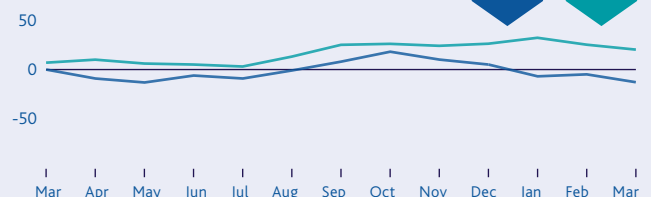
**-4** **+1**



Temporary agency workers (n=11\*) and permanent members of staff (n=56)

## TECHNOLOGY

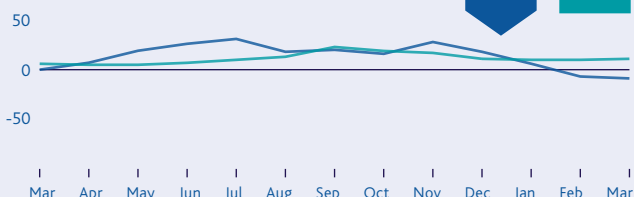
**-8** **-5**



Temporary agency workers (n=18\*) and permanent members of staff (n=145)

## LEGAL & HR

**-2** **+1**



Temporary agency workers (n=30\*) and permanent members of staff (n=171)

# REC-IHS Markit Predictive model

## UK UNEMPLOYMENT SET TO FALL FURTHER IN THREE MONTHS TO FEBRUARY

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

The latest update to the nowcast model points to a decline of 23,000 in the Labour Force Survey measure of UK unemployment in the three months to February. As such, the unemployment rate would remain broadly stable at 4.0%.

A further fall in unemployment would extend the current sequence of decrease to three successive periods. The latest data from the ONS indicated a fall of 35,000 in the three months to January, with the rate of unemployment at 3.9%, the lowest since early 1975. The model had previously anticipated a fall of 11,000 in the three months to January, with the rate of unemployment predicted to hold steady at 4.0%. 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:

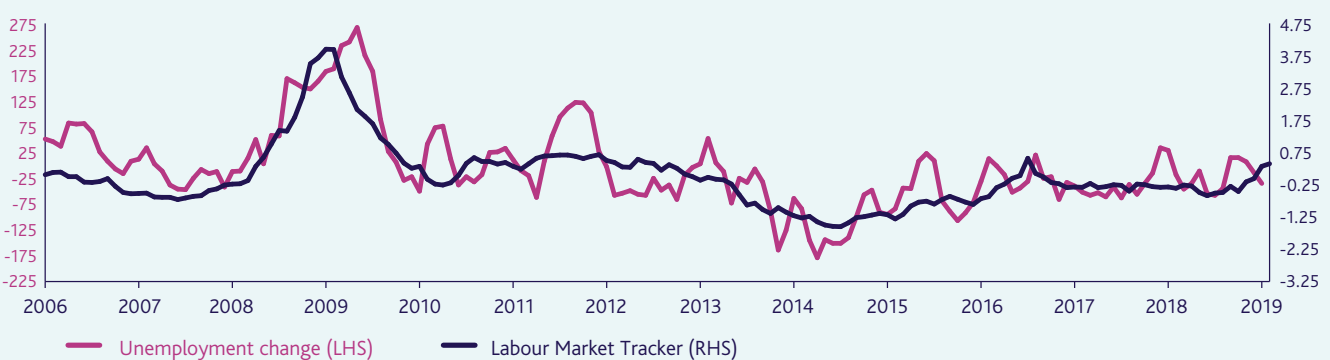
- REC's JobsOutlook survey data on employers' expectations for short-term staffing requirements

- 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.

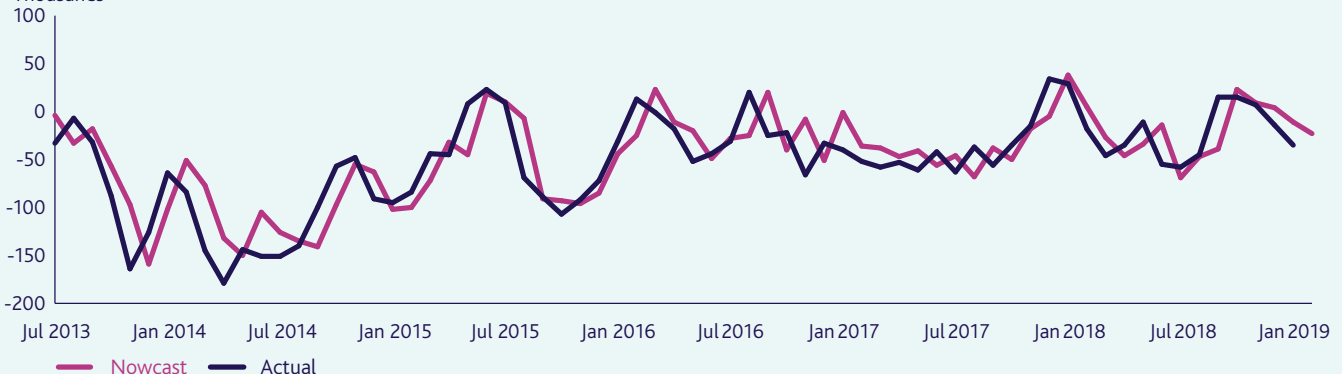
**CHART 1: TRACKER MODEL HISTORY**

Three month unemployment change (thousands)



**CHART 2: THREE MONTH UNEMPLOYMENT CHANGE**

Thousands



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

