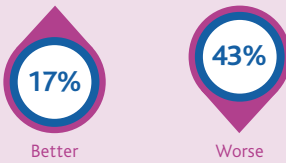


Employer confidence shows signs of improvement

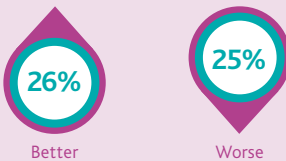
CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

Confidence

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

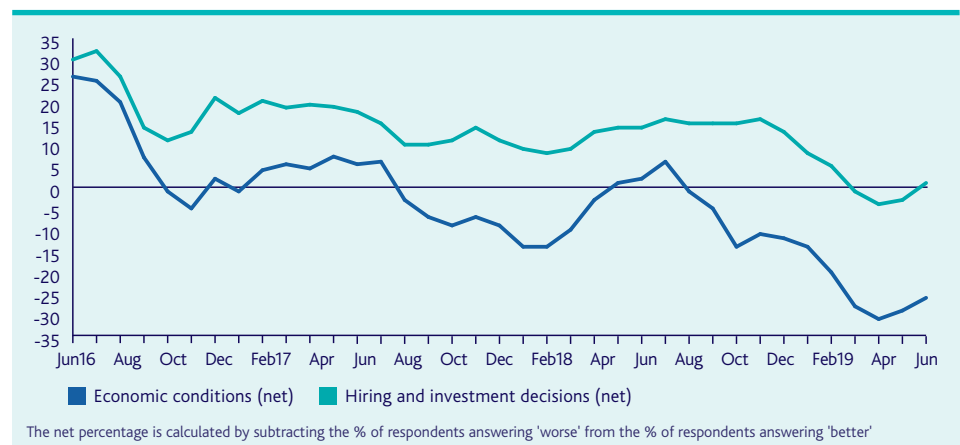


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=610)

The net balance of employers' confidence in the prospects for the UK economy improved by 3 percentage points this month to net: -26. Notably, a 4-percentage point improvement in the balance of confidence in making hiring and investment decisions restored sentiment to positive territory this quarter (net: +1).



Key Points from March–May Survey

1

Employer confidence in making hiring and investment decisions improved

An improvement of 4 percentage points in the balance of employers' confidence in making hiring and investment decisions restored this barometer to positive territory at net: +1.

2

Employer confidence recovered slightly

Employer confidence in the UK economy also recovered slightly from the previous rolling quarter, rising by 3 percentage points from net: -29 to net: -26.

3

Employers with little or no surplus work capacity

78% of employers reported having little or no surplus workforce capacity this quarter. This included 37% who reported having no extra capacity at all, rising to 44% in the public sector.

4

Demand for temporary agency workers

The balance of forecast demand for temporary agency workers rose rolling quarter-on-quarter from net: +2 to net: +4 in the short-term, and from net:+4 to net: +5 in the medium-term.

5

Employer satisfaction with agency partners

Despite candidate shortages and persistent skills gaps, three quarters (75%) of employers that use recruitment agencies expressed satisfaction with their agency partners this quarter.

6

Importance of agencies' expertise

92% of employers that use recruitment agencies highlighted the importance of an agency's geographical and/or sectoral expertise when choosing agency partners, up from 71% last year.

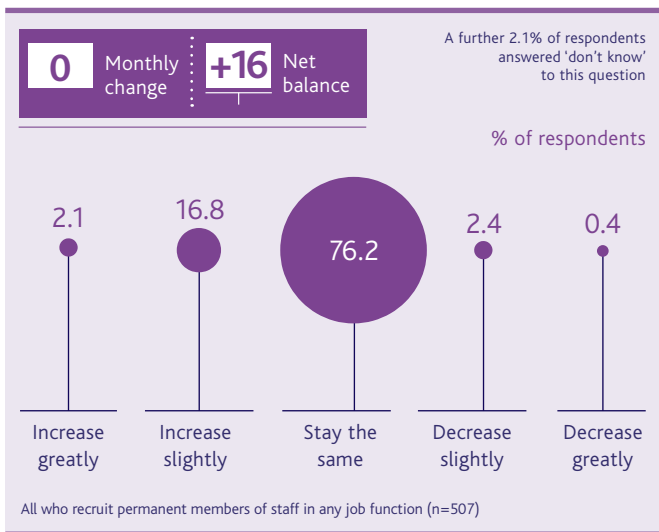
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by region, broad industry sector and public/private split. ComRes is a member of the British Polling Council and abides by its rules.

Permanent Recruitment

SHORT-TERM OUTLOOK

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

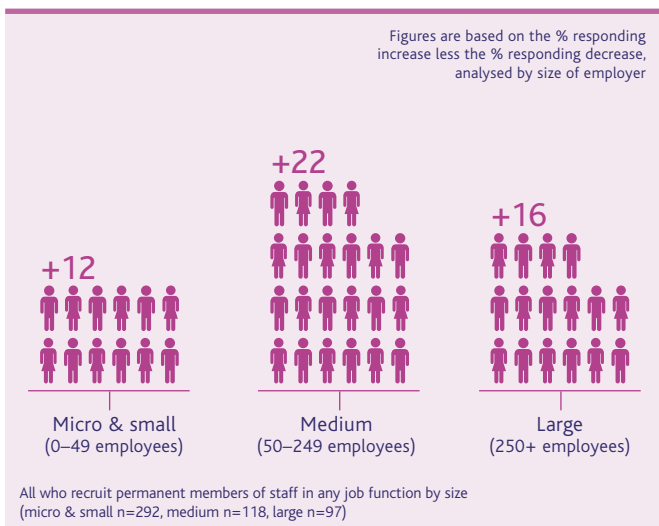
At net: +16, the net balance of employers planning to increase, rather than decrease, their permanent headcount in the short-term was at the same level as the previous year. Regionally, forecast demand was highest in the North – doubling, year-on-year, from net: +12 to net: +24. In contrast, the balance fell from net: +29 to just net: +11, year-on-year, in the Midlands. Sectorally, demand was more buoyant in the private (net: +17) than the public sector (net: +12) this quarter.



OUTLOOK BY EMPLOYER SIZE

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

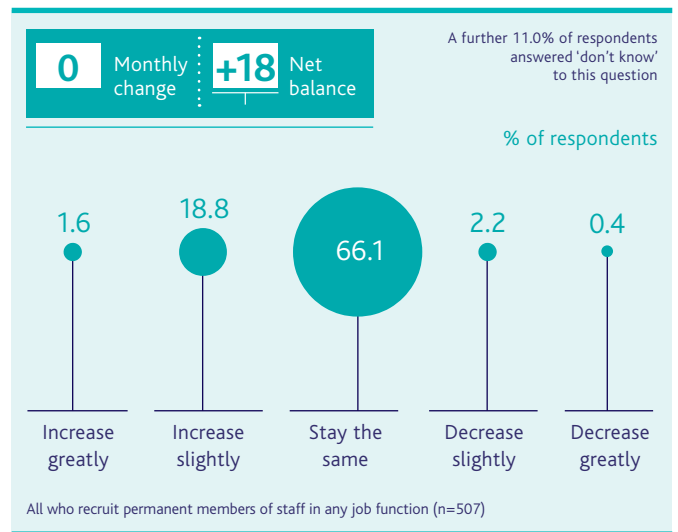
Whilst the all-UK net balance of short-term forecast demand for permanent hiring remained relatively stable this quarter, there were some notable movements by organisational size. This included a 7-percentage point increase rolling quarter-on-quarter amongst mid-sized (50–249 employee) enterprises. In contrast, the balance of forecast demand amongst micro/small (0–49 employee) organisations fell by 4 percentage points from net: +16 to net: +12. Moreover, this was down from net: +18 a year earlier.



MEDIUM-TERM OUTLOOK

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

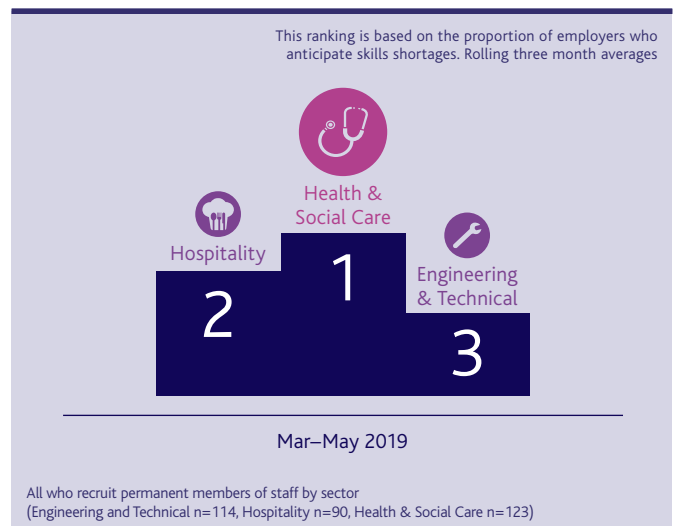
The balance of forecast demand for permanent staff in the medium-term from UK employers was at net: +18 in March–May 2019 – 2 percentage points higher than in the same period last year. At net: +28, forecast demand was highest amongst mid-sized (50–249 employee) organisations. In contrast, it was just net: +12 amongst the UK's largest (250+ employee) enterprises. Anticipated demand was greater in the private (net: +21) than the public sector (net: +10).



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 43% of all UK employers expressed concern this quarter over the sufficient availability of appropriate candidates for permanent hire, this was down from 50% a year earlier. The skills areas of most concern continued to be those with a legacy of high dependency on support from non-UK nationals.

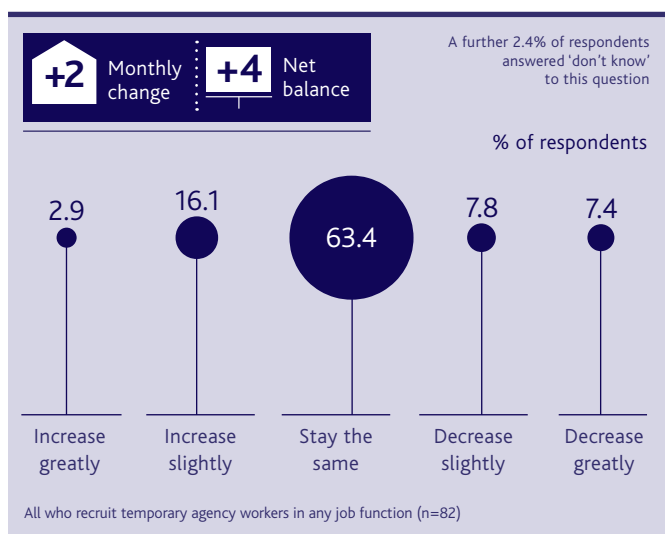


Temporary Recruitment

SHORT-TERM OUTLOOK

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

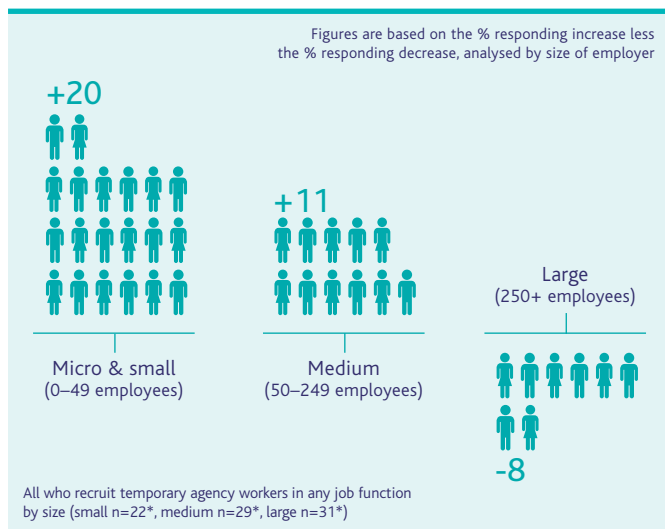
Whilst the short-term, UK-wide forecast demand for temporary agency workers improved by 2 percentage points this quarter to net: +4, it remained 13 percentage points lower than a year earlier. There was a stark contrast this quarter between the balance of forecast demand in the public sector (net: -4) and the private sector (net: +7).



OUTLOOK BY EMPLOYER SIZE

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

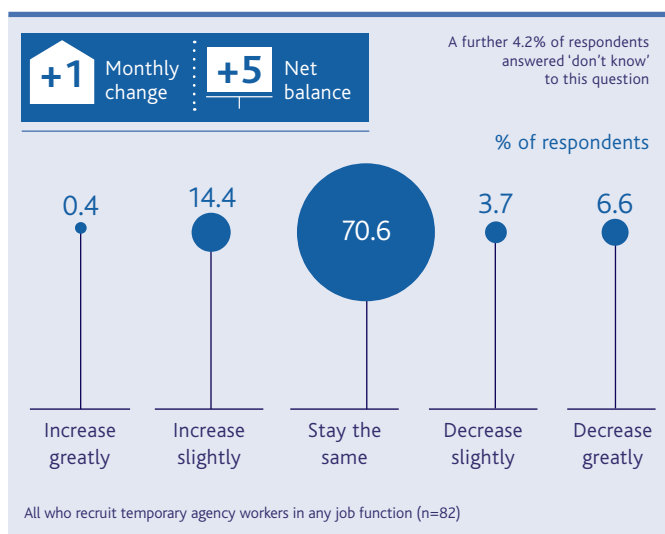
The balance of forecast short-term demand for temporary agency workers remained relatively stable this quarter, as did the contrasts in sentiment by size of employer. At net: -8, the balance of sentiment amongst the largest (250+ employee) organisations was significantly down from net: +11 last year. There was also a year-on-year decline in forecast demand amongst mid-sized (50–249 employee) hirers, falling from net: +20 to net: +11. At net: +20, demand amongst small/micro (0–49 employee) enterprises was closer to last year's level (net: +27).



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?

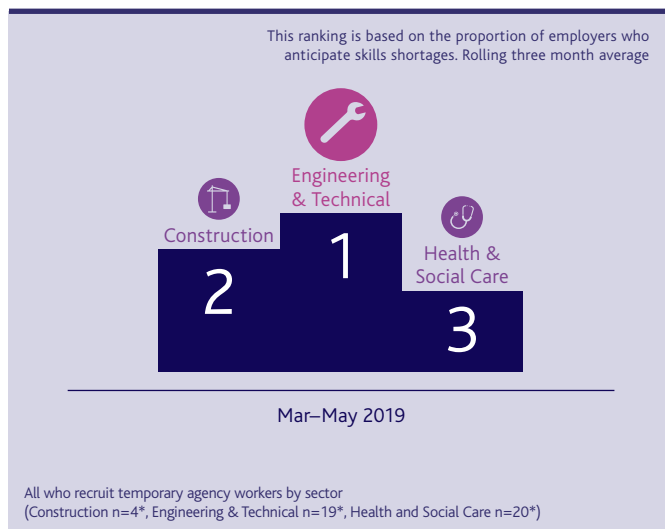
With forecast demand for temporary agency workers in the medium-term creeping up by 1 percentage point this quarter, sentiment was firmly back in positive territory at net: +5. However, this was still 13 percentage points lower than in the same period last year. The contrast between sectors was stark this quarter, with the balance of sentiment at net: -5 in the public sector and net: +9 in the private sector.



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?

Just a quarter (23%) of employers who hire temporary agency workers expressed concern over their sufficient future availability this quarter – notably lower than last year (66%). The shift was driven by a dramatic fall (from 71% to 22%) in the proportion of private sector hirers who anticipated shortages. Access to Engineering/Technical workers continued to be the skills area of greatest concern.

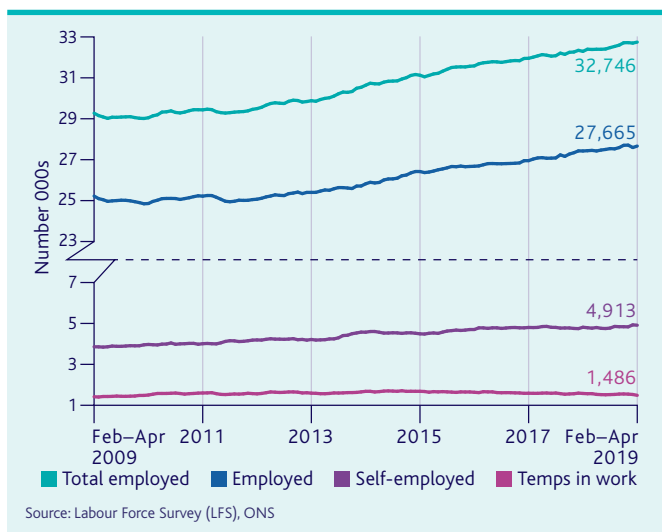


LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

The UK workforce increased by 0.1% in February–April 2019, compared to the previous quarter. At 32,746,000, it was 32,000 larger than in November 2018–January 2019 and was 357,000 (1.1%) larger than the same period a year earlier. Self-employment rose by 74,000 (1.5%) quarter-on-quarter to 4,913,000 (15.0% of the workforce) – and was the only form of paid employment to increase this quarter. In contrast, temporary employment recorded a level 68,000 (4.4%) lower than the previous quarter, at 1,486,000. This represented a temporary employment rate of 4.5%.

Total employment, employed and self-employed

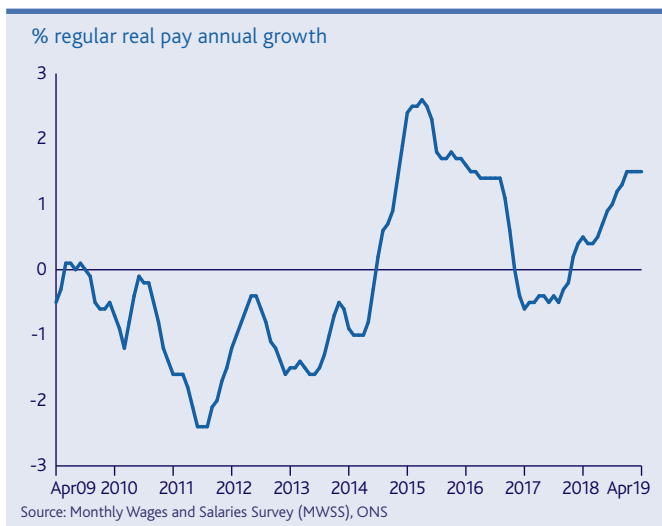


REAL WAGE GROWTH

Regular Pay growth (in nominal terms) for employees, for the period between February–April 2018 and February–April 2019, was +3.4%. When considering the change in real-terms (i.e. adjusted for CPI), however, Regular Pay increased by 1.5% for the fourth consecutive rolling quarter.

Total Pay for employees (in nominal terms), for the same period, rose by 3.1%, whilst the real-terms impact left wages 1.2% higher. This was a decline in real-terms growth in Total Pay, from the recent peak of 1.6% recorded in December 2018–February 2019.

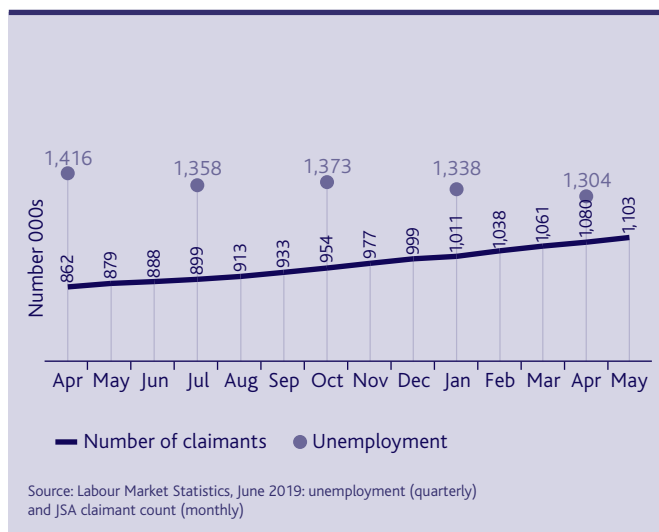
Of additional note, both measures of wage growth exclude the self-employed, which currently represent 15.0% of the UK workforce.



UNEMPLOYMENT AND CLAIMANT NUMBERS

The UK unemployment rate was 3.8% in February–April 2019. At 1,304,000, this represented a 34,000 (2.6%) decrease on the previous quarter and was 112,000 (7.9%) lower than the same period a year earlier. Unemployment rates varied by age cohort, however, ranging from 20.3% amongst those aged 16–17 years (of which there were 86,000 officially unemployed) to 2.6% amongst those aged 50 and over (of which there were 280,000 officially unemployed).

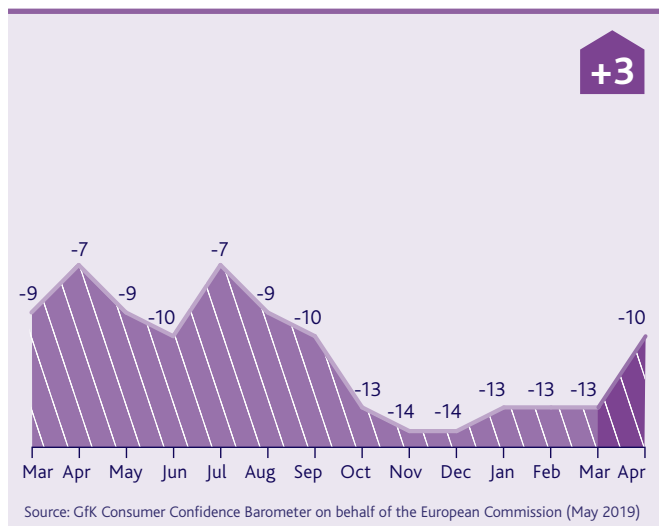
At 1,103,000, the provisional Claimant Count in May 2019 was 23,000 (2.2%) higher than the previous quarter and was up by 224,000 (25.5%) year-on-year.



CONSUMER CONFIDENCE INDEX

GfK's measure of Consumer Confidence improved by 3 points in May 2019, to -10 on the Index. Four of the underpinning measures increased whilst one stayed the same.

Whilst expectations for the general economic situation over the next year improved by 5 points to -29, this was still 8 points lower than a year earlier. Similarly, whilst the balance of respondents' views on their own personal finances over the next year also increased by 5 points, to +5, this remained 3 points lower than in May 2018. Perhaps most noteworthy, the Savings Index increased by 4 points to +16, some 9 points higher than in the same month last year.

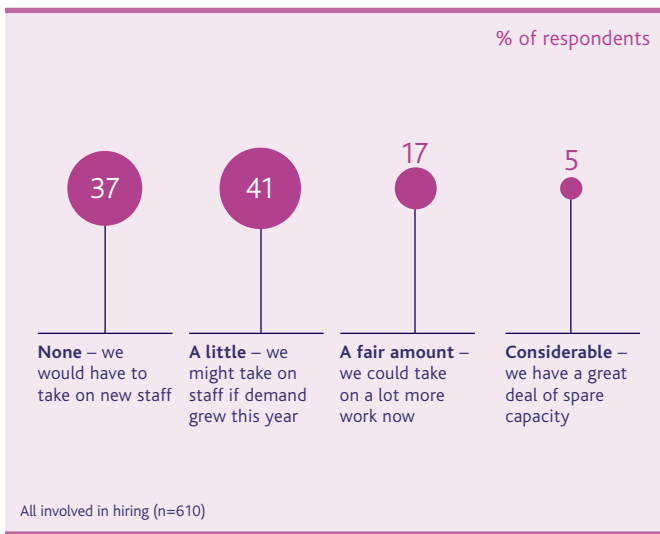


EmployerDashboard

WORKFORCE CAPACITY

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

78% of employers reported having little or no surplus workforce capacity this quarter, including 37% who reported having no extra capacity at all. That rose to 44% amongst public sector respondents, compared with the 36% who reported having no surplus workforce capacity last year. Large (250+ employee) organisations had the lowest levels of surplus this quarter, with 16% reporting a fair amount and 2% a considerable amount.

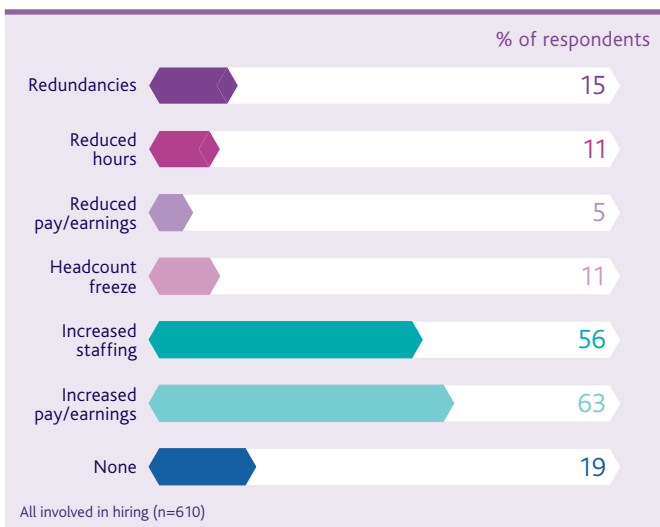


WORKFORCE PLANNING

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

At 15%, the proportion of UK employers that had made redundancies in the year to March–May 2019 was significantly lower than a year earlier (20%). Similarly, at 11%, the proportion that had reduced hours was down from 18% last year. Large (250+ employee) enterprises had the highest instance of both this quarter, at 33% and 15% respectively.

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

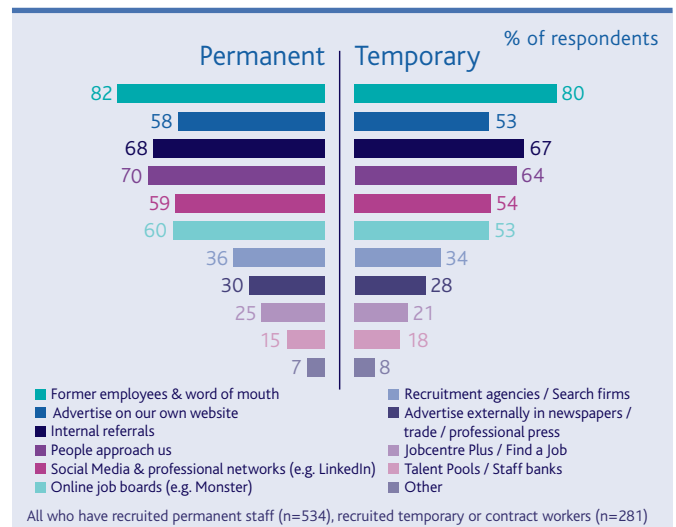


RECRUITMENT CHANNELS USED

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

More employers contact former employees and/or use word of mouth to fill vacancies than any other recruitment channel. At 82% for permanent and 80% for temporary/contract hiring, this was up from 71% and 61%, respectively, last year. For temporary/contract recruitment, this practice is more prevalent in the private (82%) than the public sector (70%).

Recruitment channels used for staffing as of May 2019

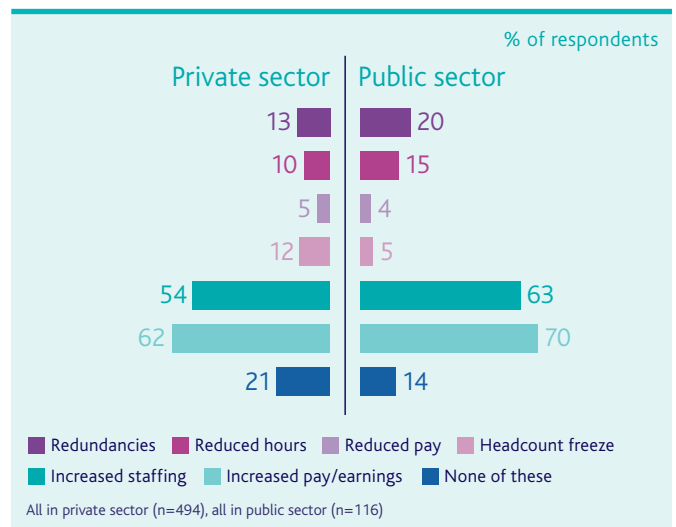


WORKFORCE PLANNING BY SECTOR

Levels of public and private sector organisations which have made redundancies shifted significantly over the last year. The proportion of public sector bodies taking this action increased from 11% to 20%, year-on-year. Conversely, the proportion of private sector employers making redundancies declined from 22% to 13%.

When looking at those who had increased staffing levels, the proportion of public sector employers almost doubled, from 33% to 63%, year-on-year. This compared to a rise from 44% to 54% amongst employers in the private sector. There was also a noteworthy increase in the proportion of public bodies raising pay/earnings, up from 46% to 70% year-on-year.

3 month rolling average to May 2019

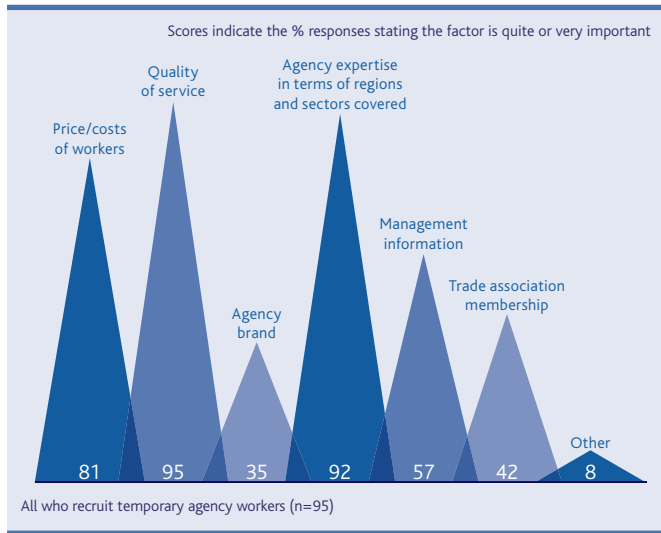


AgencyDashboard

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 that use recruitment agencies highlighting the importance of an agency's geographical and/or sectoral expertise when choosing agency partners increased from 71% to a noteworthy 92% year-on-year. The proportion highlighting quality of service also rose from 79% to 95% year-on-year.

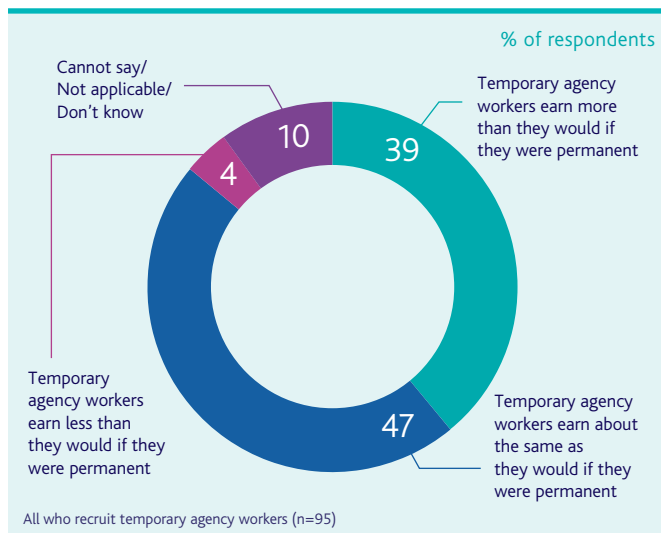


AGENCY WORKER PAY RATES

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

At 39%, the proportion of UK employers who hire temporary agency workers stating that agency worker pay rates were higher than the permanent equivalent was up from 12% a year earlier. In the private sector, the proportion increased from 10% to 34%, whilst in the public sector it rose from 30% to 49%.

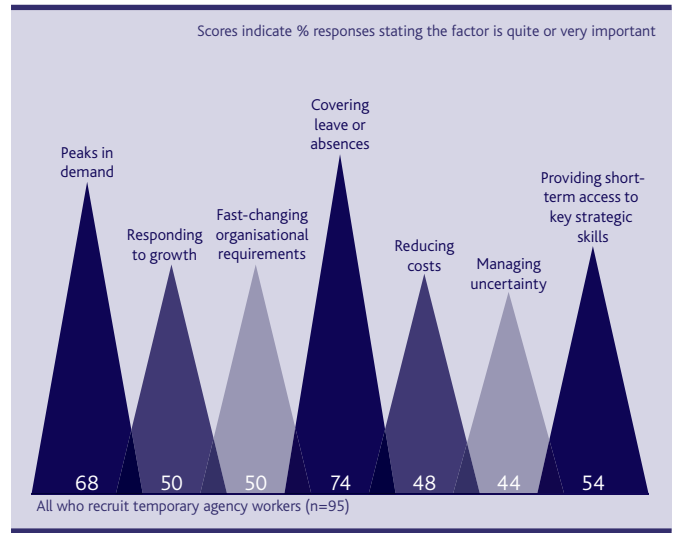
3 month rolling average to May 2019



IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

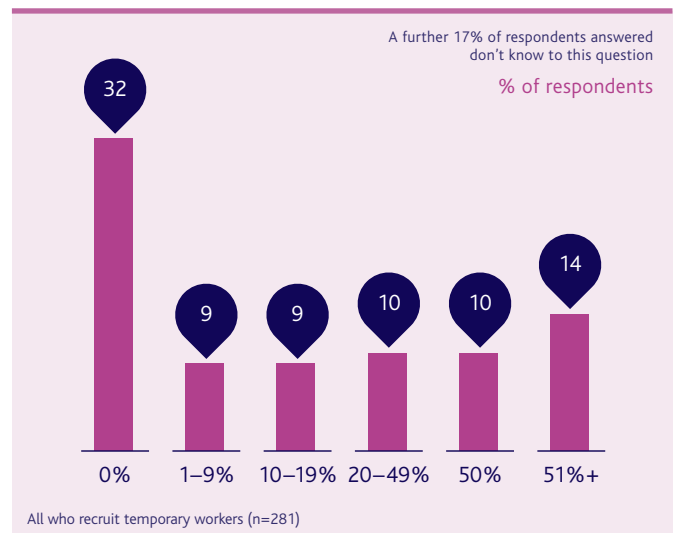
At 50%, the proportion of UK employers that hire agency workers and rate their use as important for managing fast-changing organisational requirements was similar to last year (51%). There was a decline in rating this use important amongst micro/small (0-49 employee) organisations, from 62% to 46%. Amongst large (250+ employee) hirers, the proportion increased from 39% to 54%.



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 workers transferring at least 50% of them into permanent posts each year increased from 16% to 24% year-on-year. Upward regional shifts included an increase from 20% to 36% making this level of transfers in the North, and a similar rise from 6% to 28% in the proportion of employers in the Midlands transferring half or more to permanent roles. Conversely, there was a slight fall (from 20% to 16%) in London.



AgencyDashboard

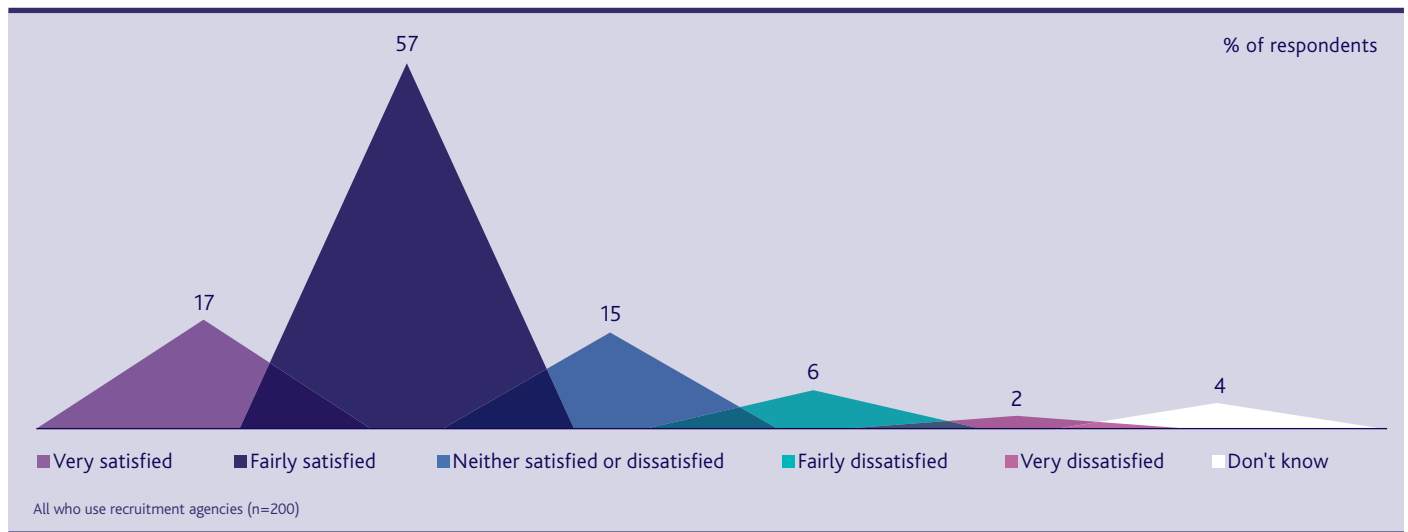
SATISFACTION WITH CANDIDATES

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

The proportion of UK employers that use recruitment agencies expressing satisfaction with the candidates presented to them remained high at 74%, despite deteriorating candidate availability. However, this was lower than the figure of 82% recorded a year earlier. By size, the decline was most notable (from 82% to 70%) amongst mid-sized (50–249 employee) enterprises. By region, the Midlands remains the positive outlier, with 85% of respondents expressing their satisfaction – a similar level to last year (86%).

Falling satisfaction was most noteworthy amongst employers in the North (from 77% to 61%).

However, the decline in satisfaction levels had not resulted in a significant increase in dissatisfaction levels, with the latter remaining at a comparable level to last year (8% versus 7%). The proportion of employers that use recruitment agencies who said they were neither satisfied nor dissatisfied with the candidates presented to them increased year-on-year from 10% to 15%.

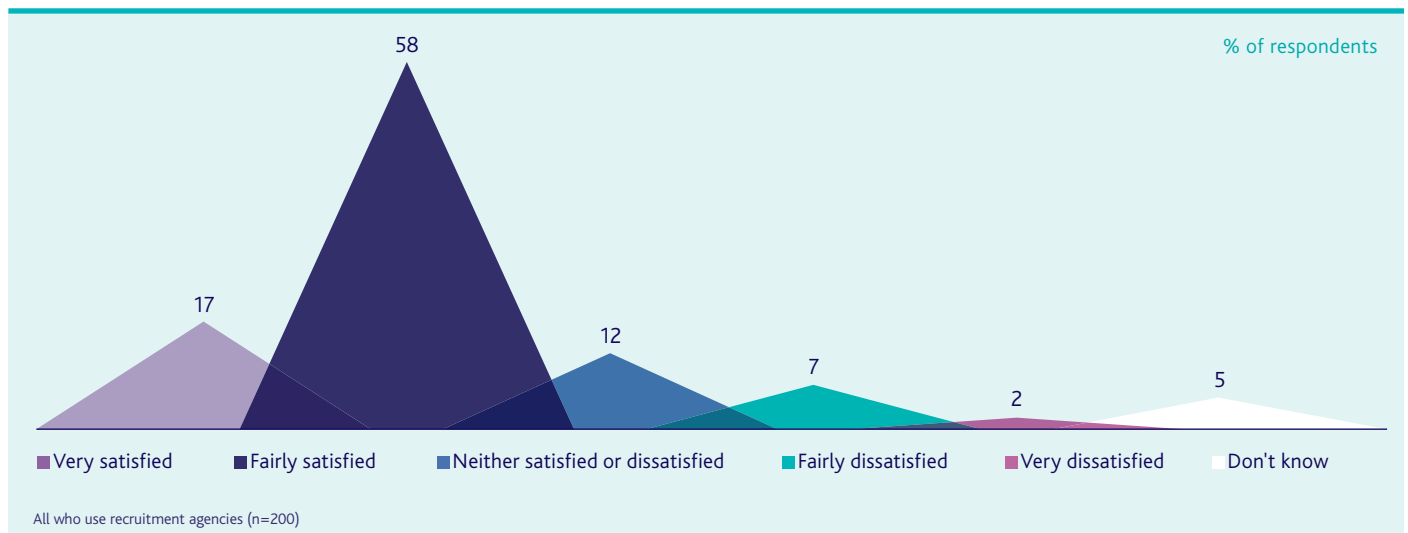


SATISFACTION WITH AGENCIES

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

Despite a shortage of candidates and persistent skills gaps, the proportion of UK employers who use recruitment agencies expressing satisfaction with their agency partners remained high this quarter at 75%. This was lower than in the same period last year (82%); however, the proportion saying they were fairly satisfied with the recruitment agencies they used increased from 45% to 58% year-on-year. One noteworthy regional decline was experienced in the North (from 78% to 57%). In contrast, satisfaction levels in the Midlands remained strong at 80%.

Overall dissatisfaction levels among employers who use recruitment agencies rose only slightly, from 6% to 9% year-on-year. Meanwhile, there was an increase in the proportion who reported being neither satisfied nor dissatisfied with their agency partners, up from 8% to 12% year-on-year. Given the steep decline in satisfaction levels in the North, it is unsurprising to see an increase in dissatisfaction levels over the same period (from 4% to 12%). An increase from 11% to 16% of micro/small (0–49 employee) hirers expressing dissatisfaction should also be noted.



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?

The net balance of employers that highlighted that they would be increasing rather than decreasing permanent headcount in the short-term was highest for those hiring Health & Social Care workers (net: +40) – notably higher than the all-occupation average of net: +16. In contrast, it was lowest for those looking to hire Industrial staff at net: +2, following a 5-percentage point fall from the previous rolling quarter.

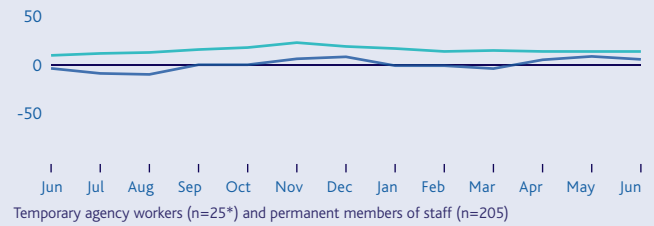
Indicative figures for the net balance of short-term demand for temporary agency workers suggested that, compared to the average of net: +4, the major outlier was the balance of demand for Industrial workers at net: +59, following a 26-percentage point rise from the previous rolling quarter.

■ 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.

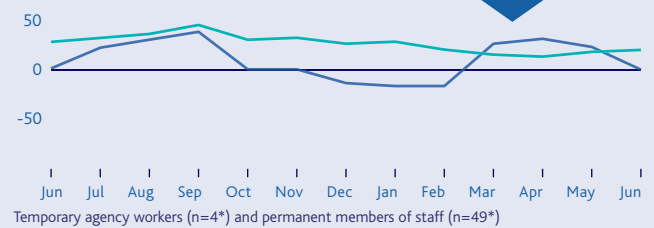
ACCOUNTING & FINANCIAL SERVICES

-3 -1



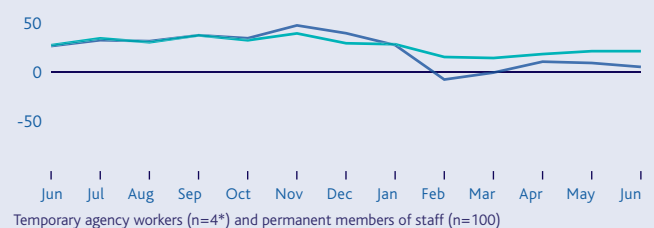
CONSTRUCTION

-23 +2



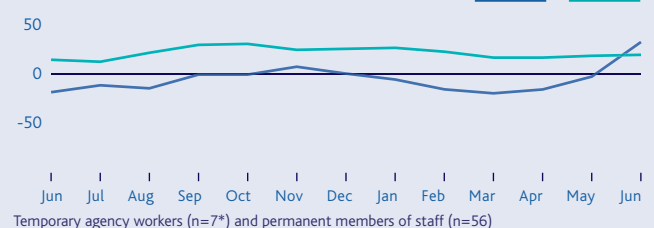
DRIVERS

-4 0



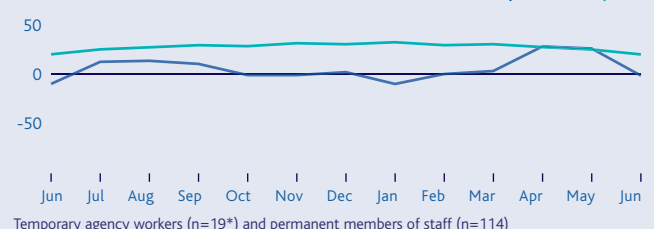
EDUCATION

+35 +1



ENGINEERING & TECHNICAL

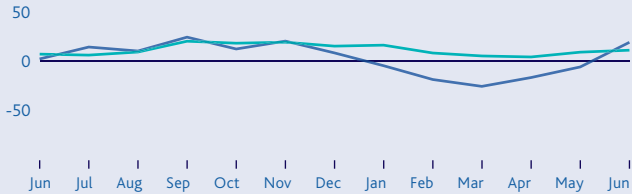
-29 -5



SectorProspects

EXECUTIVE RECRUITMENT / INTERIM

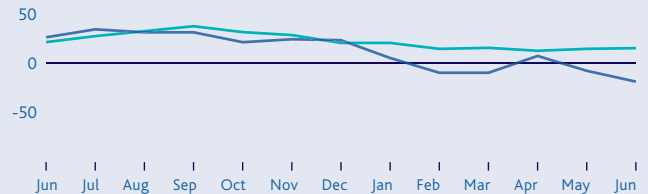
+21 +3



Temporary agency workers (n=12*) and permanent members of staff (n=164)

MARKETING, MEDIA & CREATIVE

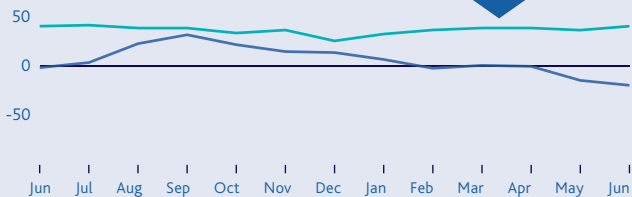
-12 +1



Temporary agency workers (n=10*) and permanent members of staff (n=170)

HEALTH & SOCIAL CARE

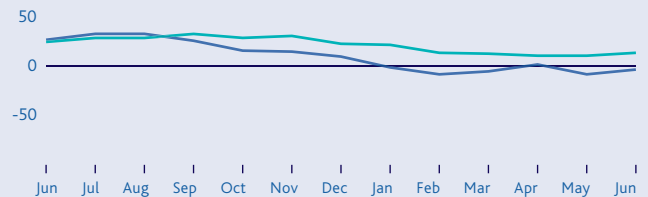
-5 +4



Temporary agency workers (n=20*) and permanent members of staff (n=123)

OFFICE PROFESSIONALS

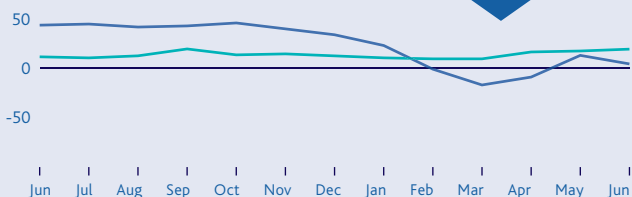
+2 +1



Temporary agency workers (n=31*) and permanent members of staff (n=285)

HOSPITALITY

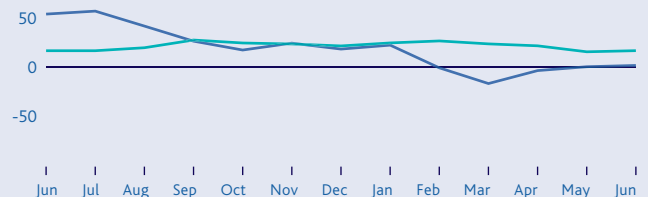
-8 +2



Temporary agency workers (n=9*) and permanent members of staff (n=90)

SALES & RETAIL

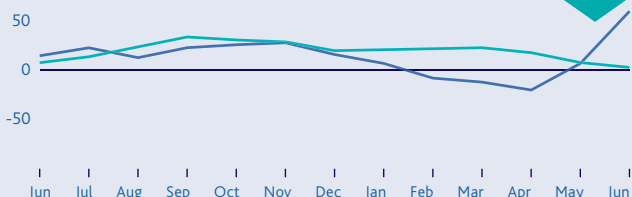
+1 +1



Temporary agency workers (n=10*) and permanent members of staff (n=191)

INDUSTRIAL

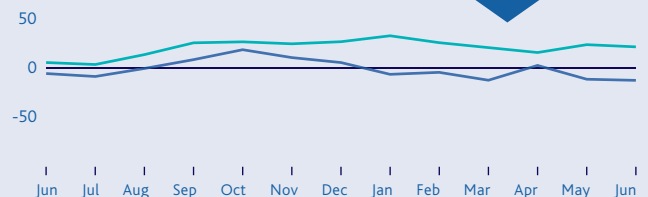
+26 -5



Temporary agency workers (n=13*) and permanent members of staff (n=55)

TECHNOLOGY

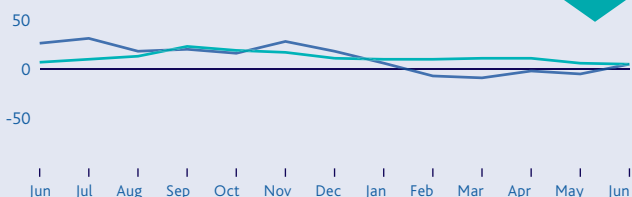
-1 +2



Temporary agency workers (n=8*) and permanent members of staff (n=120)

LEGAL & HR

+11 -2



Temporary agency workers (n=11*) and permanent members of staff (n=138)

REC-IHS Markit Predictive model

UK UNEMPLOYMENT ANTICIPATED TO FALL ONLY SLIGHTLY

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

The latest update to the nowcast model forecasts a reduction of just 17,000 in the Labour Force Survey measure of UK unemployment in the three months to May. The unemployment rate, which is based on a three-month-on-three-month comparison, would edge up to 3.9% from 3.8%, to remain close to a four-decade low.

The model therefore points to a sixth successive fall in unemployment, with the latest ONS data signalling a reduction of 34,000 in the three months to April. 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

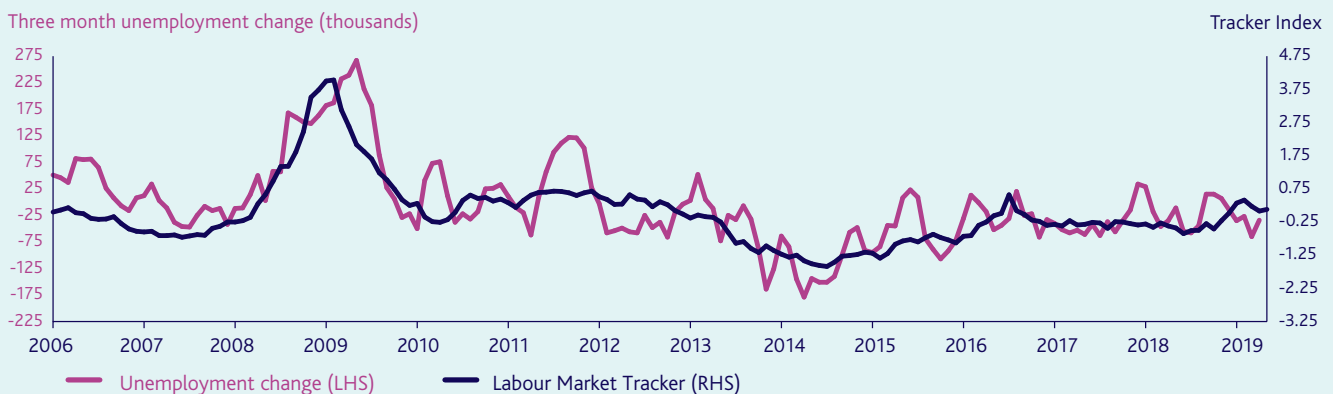


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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

