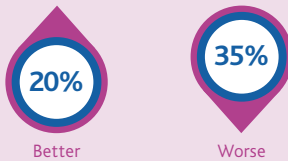


Marked fall in employers' confidence in making hiring & investment decisions

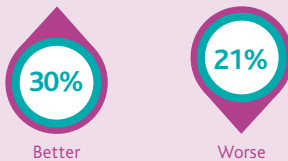
CONTENTS Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

Confidence

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

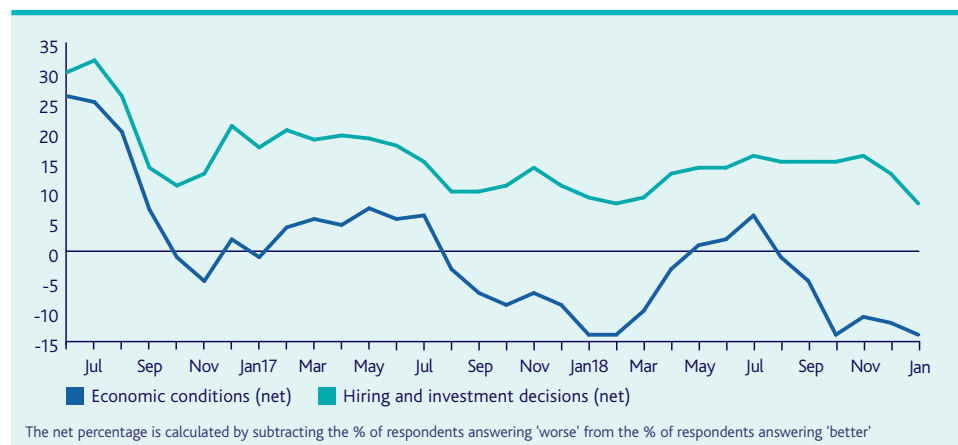


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=611)

Employers' confidence in the prospects for the UK economy fell by 2 percentage points this month to net: -14. Whilst remaining positive, employers' confidence in making hiring and investment decisions declined by a notable 5 percentage points to net: +8. This was the lowest level recorded since February 2018.



Key Points from October–December Survey



Employers' confidence in the UK economy fell by 2 percentage points this month. The measure of employers' confidence in making hiring and investment decisions also fell, by 5 percentage points.



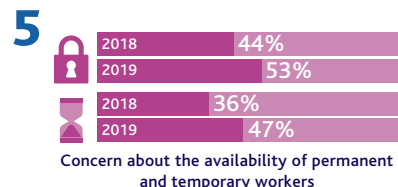
Despite a fall in confidence in making hiring decisions, forecast demand for permanent employees in the short-term and medium-term increased by 7 and 14 percentage points, respectively, year-on-year.



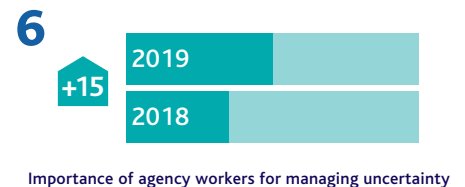
At net: +3 in the short-term and net: -1 in the medium term, forecast demand for temporary agency workers was 4 and 6 percentage points lower, respectively, than in the same period last year.



Eight in ten (79%) UK employers highlighted that they had either no surplus workforce capacity (37%) or so a small amount that they may need to take on additional staff if demand increased (43%).



Employers' concern about the availability of both permanent and temporary workers increased significantly year-on-year – from 44% to 53% for permanent staff, and from 36% to 47% for agency workers.



More employers of temporary workers reported that agency workers are important for managing uncertainty in their organisations, up 15 percentage points compared with the same period last year.

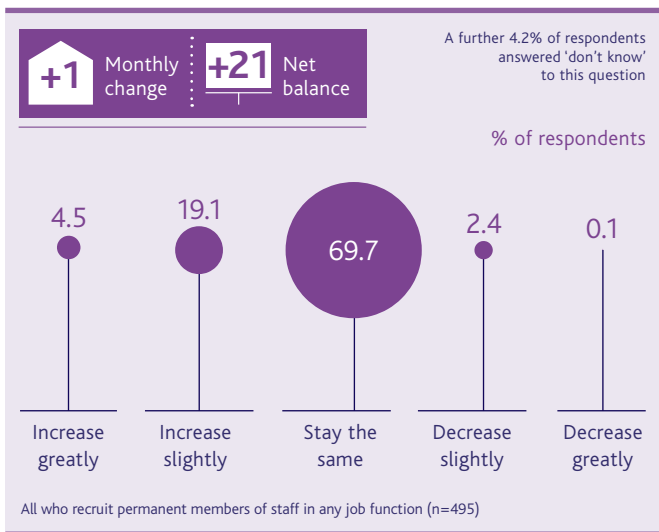
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

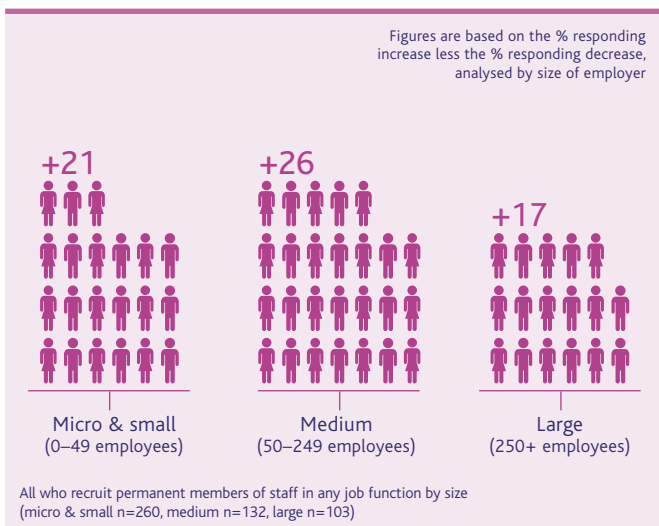
More employers of permanent staff planned to increase, rather than decrease, permanent headcount in the short-term when surveyed in October–December 2018 (net: +21). This was 7 percentage points higher than in the same period in 2017. By region, sentiment ranged from net: +15 in the North to net: +25 in London. This was the reverse of sentiment in the same period last year, however, where the figures were net: +20 and net: +12, respectively.



OUTLOOK BY EMPLOYER SIZE

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

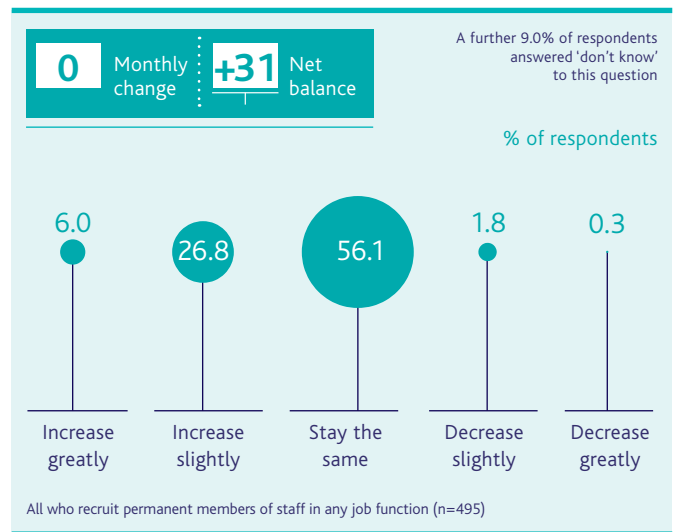
At net: +26, sentiment towards short-term permanent hiring amongst mid-sized (50–249 employee) enterprises remained the most buoyant this quarter – and was 8 percentage points higher than the balance of sentiment recorded a year earlier (net: +17). At the other end of the spectrum, sentiment amongst the largest (250+ employee) organisations was at a below-average balance of net: +17 – albeit this was up from net: +12 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?

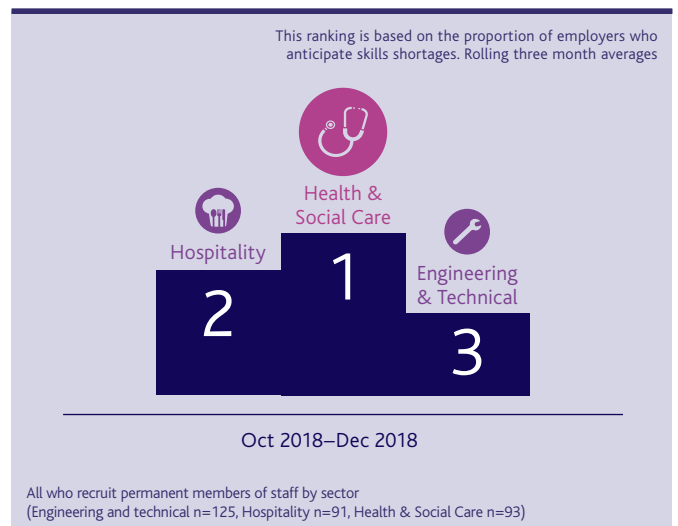
In the medium-term, more employers (net: +31) planned to increase, rather than decrease, their permanent headcount. This was a noteworthy 14 points higher than a year earlier. By region, sentiment varied significantly – from net: +21 in London (versus net: +16 last year) to net: +35 in the Midlands (versus net: +11 last year). Micro/small (0–49 employee) enterprises were more optimistic (net: +34) than large (250+ employee) organisations (net: +25).



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?

More than half (53%) of UK employers of permanent staff expressed concern this quarter over the availability of candidates for permanent hire – up 9 percentage points, year-on-year. Regionally, a below-average 41% of Northern employers suggested that they had concerns. Nationally, concern over the sufficient availability of Health & Social Care workers was most acute.

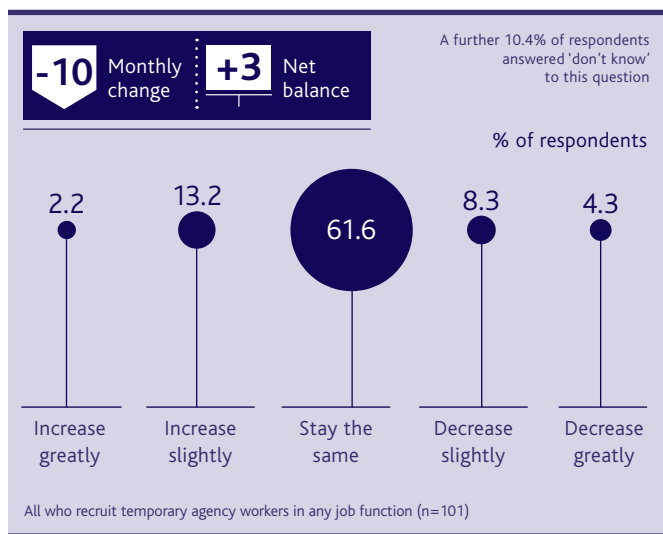


Temporary Recruitment

SHORT-TERM OUTLOOK

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

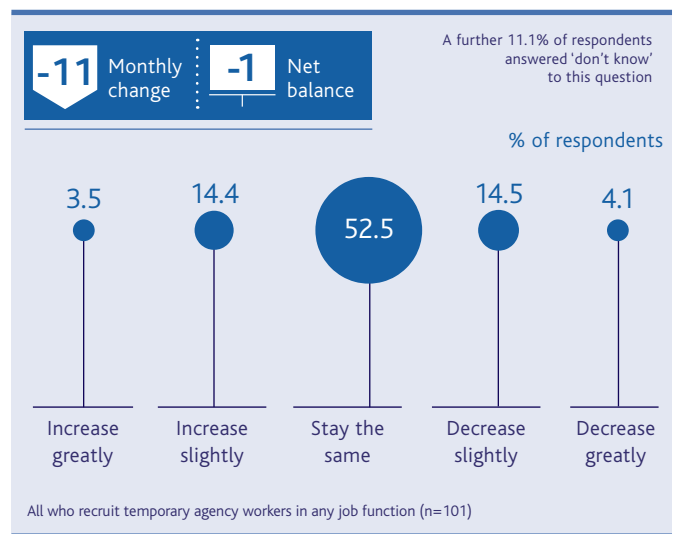
Whilst some of the 10-percentage point rolling quarter-on-quarter fall can be attributed to seasonality, the net balance was 4 points lower than in the same period last year – having remained firmly up, year-on-year, across 2018. The percentage of respondents who answered 'Don't know' fell by 17 percentage points from the same period a year earlier.



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?

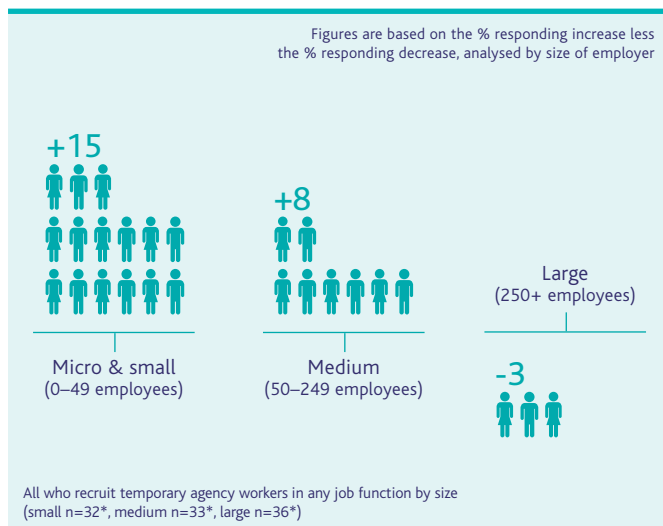
In the medium-term, the balance of employer sentiment towards agency worker hiring tipped into negative territory this month, falling 11 points to net: -1. This was down from net: +5 a year earlier. In a similar trend to the short-term outlook, the percentage of respondents who answered 'Don't know' fell by 14 percentage points year-on-year.



OUTLOOK BY EMPLOYER SIZE

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

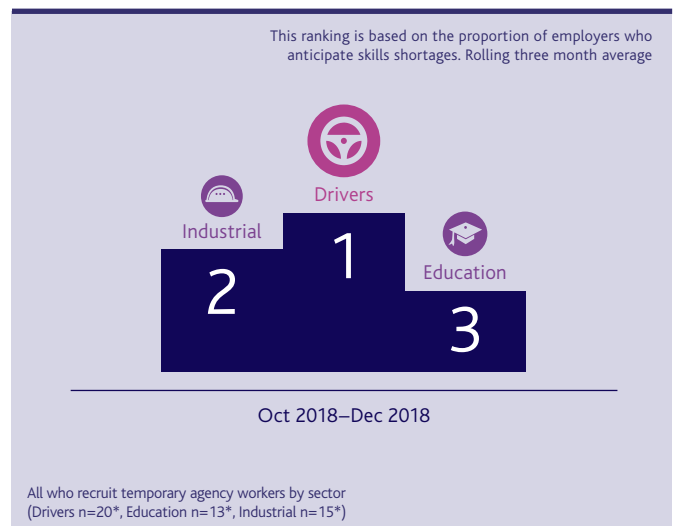
In terms of which size of employer was driving the decline in sentiment towards agency worker hiring this quarter, the balance fell by 15 percentage points (to net: -3) amongst respondents from the largest (250+ employee) enterprises who engage agency workers. The balance of sentiment amongst mid-sized (50–249 employee) organisations also fell by 9 points to net: +8. Conversely, more micro/small (0–49 employee) enterprises said that they would be increasing rather than decreasing headcount (net: +15) – up 5 percentage points rolling quarter-on-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?

Despite this quarter's decline in anticipated demand for temporary agency workers, an increasing proportion of employers are expressing concern over their sufficient availability, rising from 36% to 47% year-on-year. The contrast between private (52%) and public sector sentiment (18%) also remains noteworthy as the former now needs to address the IR35 reforms scheduled for April 2020.

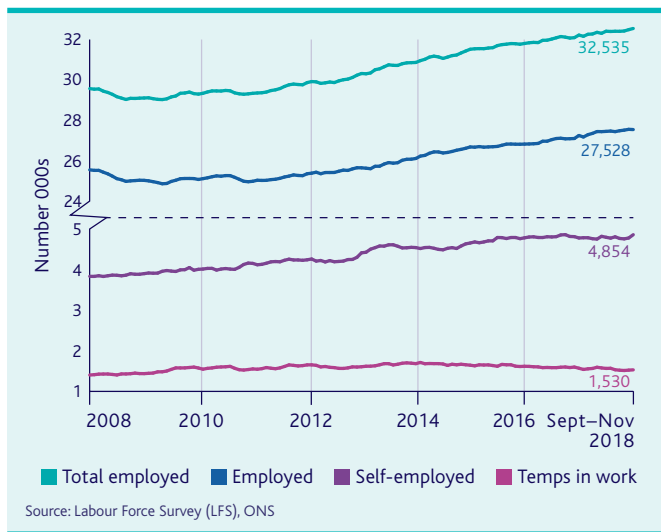


LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

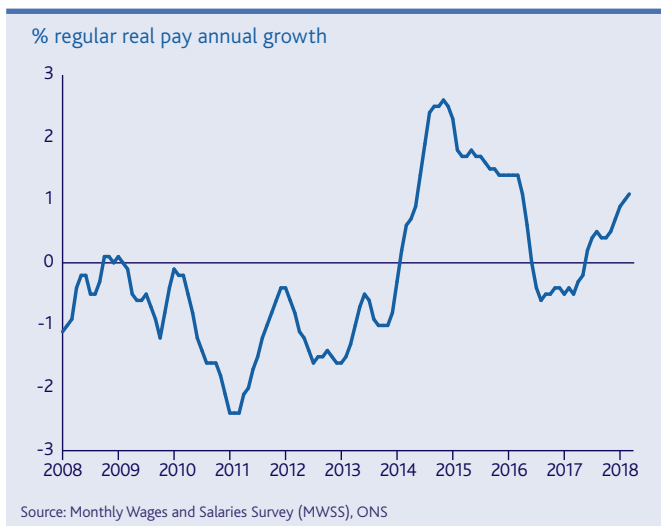
The UK workforce increased by 0.4% (+141,000) in September–November 2018, compared to the previous quarter. At 32,535,000, it was 328,000 (1.0%) larger than in the same period a year earlier. Self-employment increased by 93,000 (1.9%) quarter-on-quarter, and by 81,000 (1.7%) year-on-year, increasing the self-employment rate to 14.9%. At 1,530,000, temporary employees increased by 9,000 quarter-on-quarter but were 40,000 lower than in the same period last year. The number of temporary workers that were in a period of training fell by 22,000 (15.2%) year-on-year.

Total employment, employed and self-employed



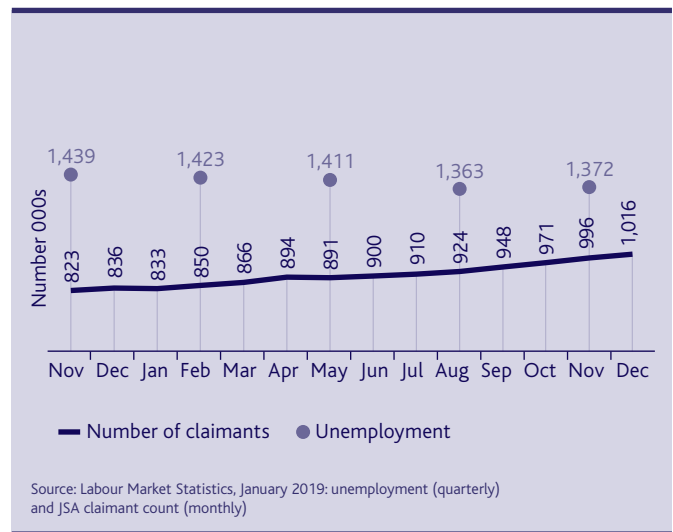
REAL WAGE GROWTH

Regular Pay growth (in nominal terms) for employees, for the period between September–November 2017 and September–November 2018, was +3.3%. The annual nominal terms growth rate has not been higher since September–November 2008. When considering the change in real-terms (i.e. adjusted for CPI), however, Regular Pay increased by just 1.1% – a figure that has not been higher, however, since September–November 2016. Average weekly Regular Pay (excluding bonuses) was £494 per week in nominal terms – up from £478 a year earlier – and was £464 per week in constant 2015 prices (i.e. adjusted for price inflation) – up from £458 a year earlier, but £9 lower than the pre-downturn peak of £473.



UNEMPLOYMENT AND CLAIMANT NUMBERS

The unemployment rate was 4.0% in September–November 2018 – the same as in the previous quarter (June–August). At 1,372,000, this represented a 0.6% (8,000) increase on the previous quarter but was 4.7% (68,000) lower than in the same period a year earlier. Amongst the underlying age cohorts, unemployment rose quarter-on-quarter by 10.6% (10,000) amongst those aged 16–17, but was down by 11.9% (14,000) year-on-year. It also increased by 10.0% (37,000) quarter-on-quarter amongst those aged 18–24, but was 3.0% (13,000) lower than in the same period last year. The unemployment rates amongst these age groups were 24.7% and 10.3% respectively.

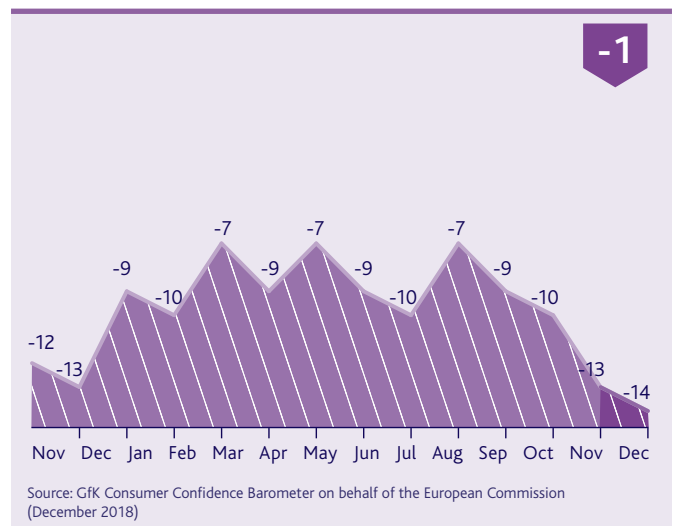


CONSUMER CONFIDENCE INDEX

At -14, the Consumer Confidence Index was 5 points lower, in December, than the year's opening score in January – in a year where the high-point was -7, reached in the summer.

Within the underpinning measures, a six-point drop in the General Outlook for the UK economy over the forthcoming year took that indicator to -37, some 10 points lower than in December 2017.

In contrast, the Major Purchase Index moved back into positive territory, courtesy of a 5-point monthly increase to +2. This was 6 points higher than a year earlier. The Savings Index also rose by 4 points to +16: this was 12 points higher than in December 2017.

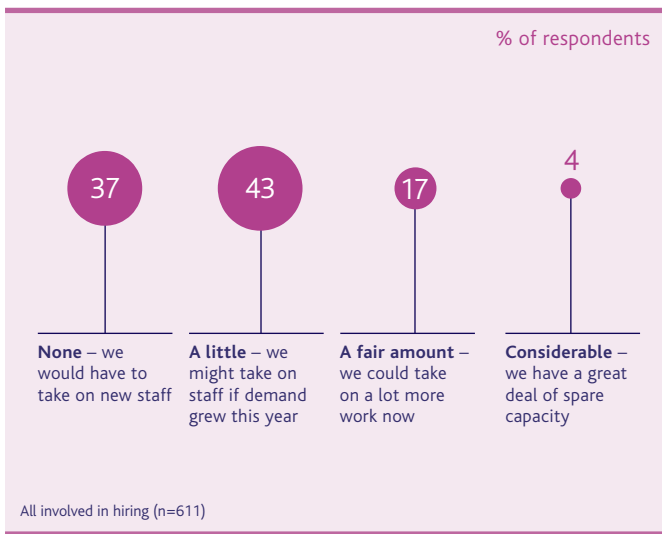


EmployerDashboard

WORKFORCE CAPACITY

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

Eight in ten (79%) UK employers highlighted that they had either no surplus workforce capacity (37%) or such a small amount that they may need to take on additional staff if demand increased (43%), when surveyed in October–December. Of additional note, the proportion with no known or potentially no surplus rose from 74% in October to 84% in December. In the public sector, the proportion rose from 77% to 82% year-on-year.

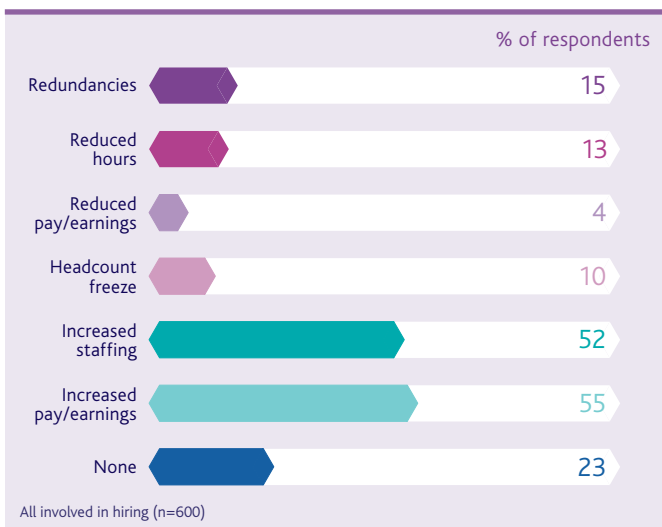


WORKFORCE PLANNING

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

Over half (55%) of employers reported increasing pay/earnings in the year to October–December, in line with the 57% who reported doing so a year earlier. In the South (excluding London), however, 65% had increased pay over the last year (versus 56% last year) whilst just 47% of Northern organisations had done so (versus 63% last year).

Workforce changes made in the last year
3 month rolling average to December 2018

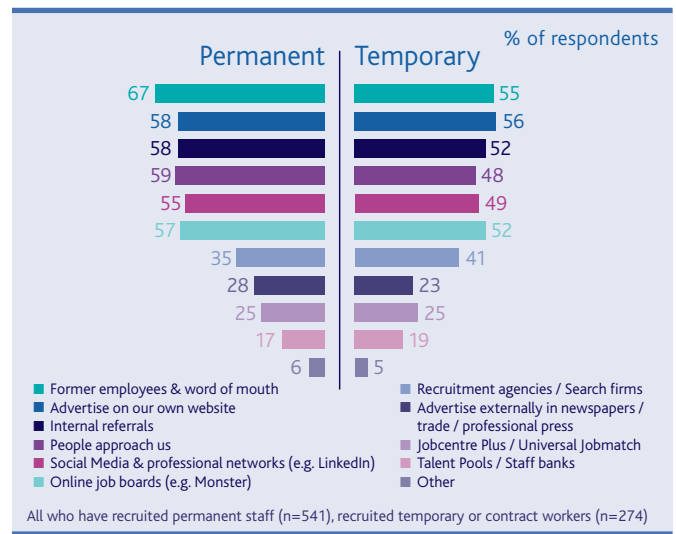


RECRUITMENT CHANNELS USED

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

Whilst 35% of employers who have recruited permanent staff before rely on support from recruitment/search agencies for permanent hiring support, and 41% do so for temporary needs, there is notable regional variation. This drops to 24% and 22%, respectively, amongst Northern employers, and rises to 44% and 50%, respectively, of employers in the Midlands.

Recruitment channels used for staffing as of December 2018

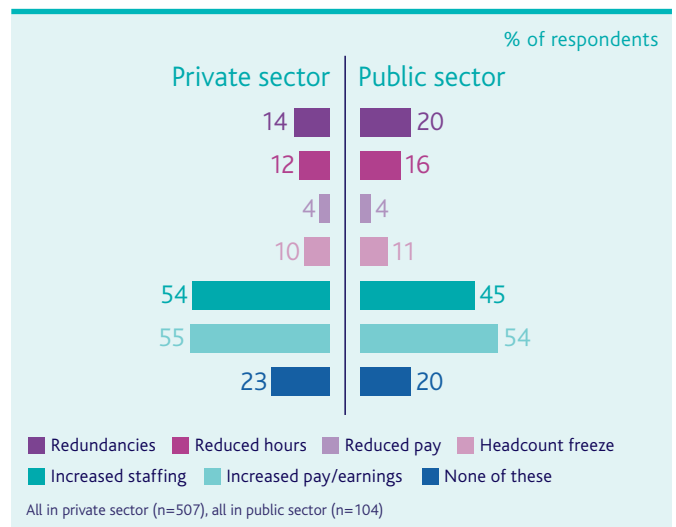


WORKFORCE PLANNING BY SECTOR

One fifth (20%) of public sector employers reported that they had made redundancies in the year to October–December 2018. This was notably higher than the 13% figure recorded a year earlier. In contrast, the reported figure reduced from 17% to 14%, year-on-year, amongst private sector hirers.

There was also a year-on-year rise, from 12% to 16%, in the proportion of public sector employers that had reduced hours of workers. The proportion similarly rose, from 10% to 12%, amongst employers in the private sector.

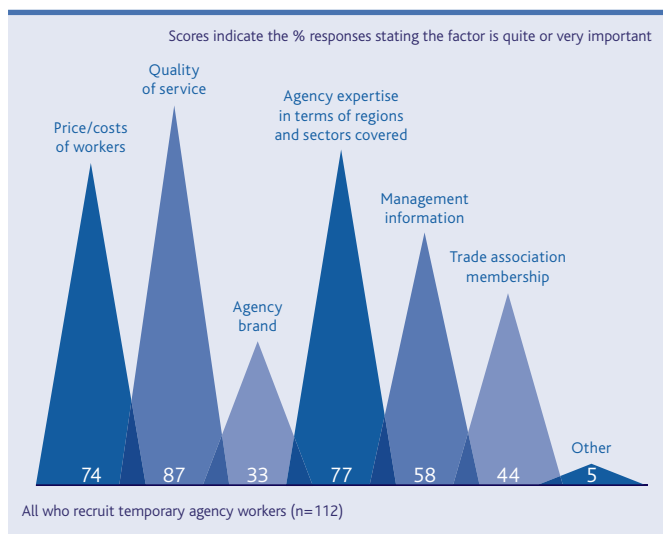
3 month rolling average to December 2018



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 provision of management information has become an increasingly important criterion when employers of agency workers are selecting agency partners, with the proportion highlighting this increasing from 52% to 58% year-on-year. Its increased importance to public sector employers is notable, rising from 61% to 67%.

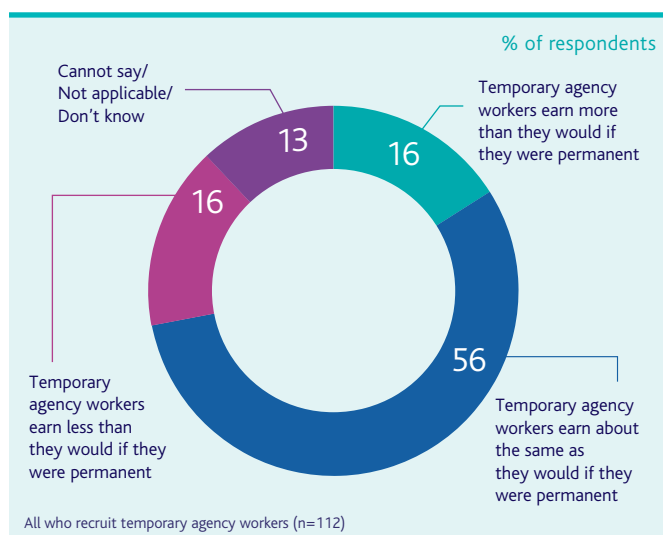


AGENCY WORKER PAY RATES

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

Seven in ten (71%) employers believed that temporary agency workers earned the same (56%) or more (16%) than their permanent counterparts, when surveyed in October–December. The proportion suggesting that pay was the same remained virtually unchanged year-on-year (55% in 2017).

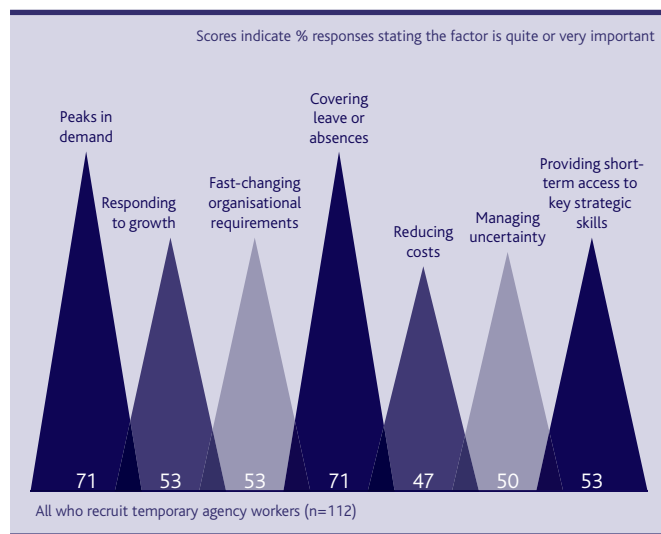
3 month rolling average to December 2018



IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

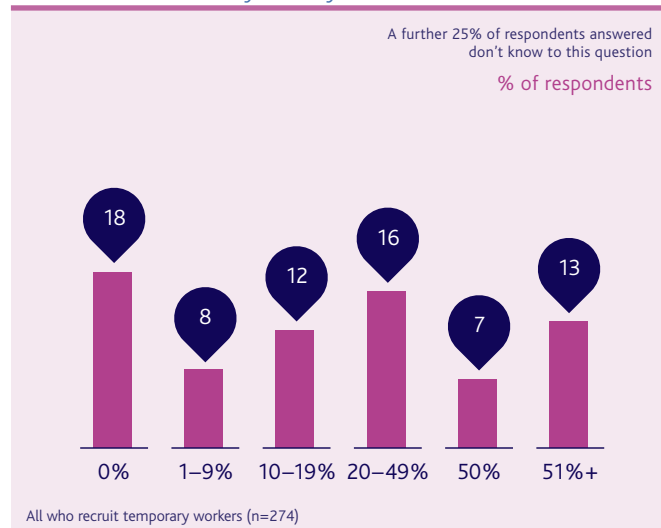
Use of agency workers to help manage uncertainty was the area of importance that showed the greatest year-on-year rise (from 36% to 50% of employers who have hired agency workers before highlighting this). Regionally, 36% of hirers in the South (excluding London) raised its importance. 63% of all large (250+ employee) enterprises flagged this factor as important.



TEMPORARY TO PERMANENT

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

For mid-sized (50–249 employee) and large (250+ employee) enterprises who have recruited agency workers, temporary to permanent transfers has become an increasingly common practice. In January 2018, 24% and 13%, respectively, suggested no transfers were taking place – a year later, just 11% of mid-sized and 6% of large employers reported a practice of no transfers. The proportion of 'no transfer' hirers also dropped in the public sector, from 20% to 8% year-on-year.



AgencyDashboard

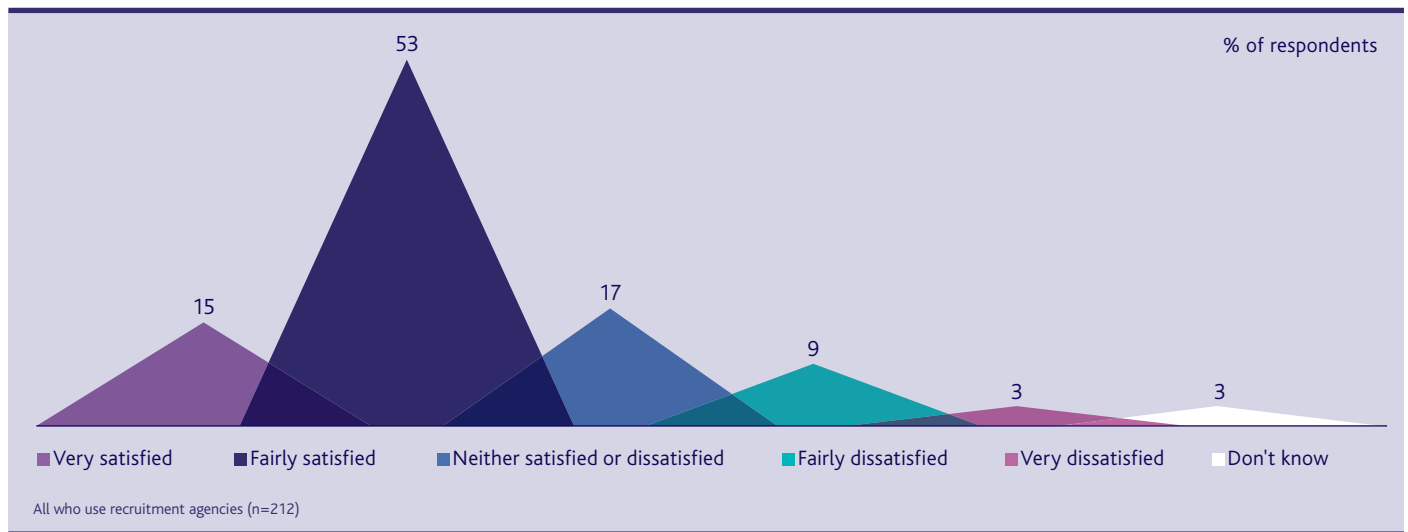
SATISFACTION WITH CANDIDATES

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

At 68%, the percentage of UK employers who have recruited through agencies before that were satisfied with the candidates presented by agencies, when surveyed in October–December, was broadly similar to the same period last year (67%). By size of business, mid-sized (50–249 employee) organisations were the most satisfied with the candidates presented – highlighted by 77% – compared to just 58% of micro/small (0–49 employee) enterprises. By region, there were also notable contrasts. Year-on-year, satisfaction levels amongst

employers in the North dropped from 66% to 55%, whilst in London they rose from 57% to 69%.

Moreover, Northern employers continue to report the highest levels of dissatisfaction. At 20% – up from 11% in January 2018 – this is notably higher than the 12% UK average (recorded at 9% last year). Dissatisfaction was also reported by 21% of all micro/small (0–49 employee) enterprises – up from the 15% level recorded a year earlier.



SATISFACTION WITH AGENCIES

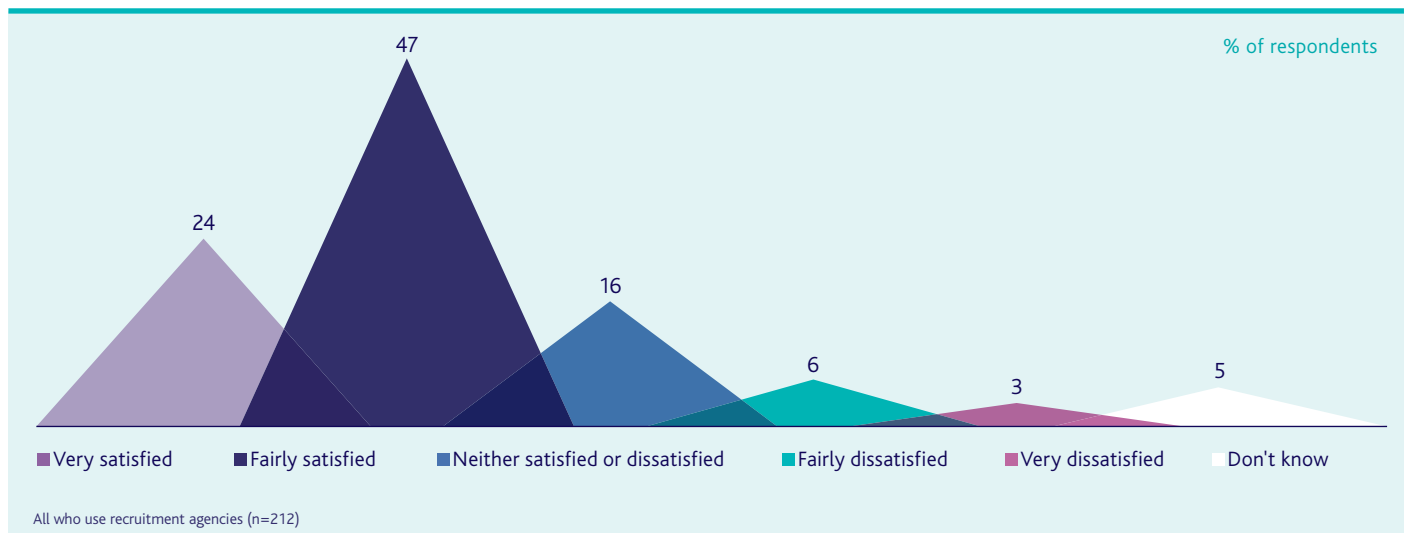
How satisfied are you overall with the recruitment agencies you have used in the last 2 years?

Whilst 3 percentage points lower than in the same period last year, 71% of UK employers who use agencies expressed satisfaction with their agency partners. Notably, however, the proportion highlighting that they were very satisfied rose from 18% to 24% year-on-year. This included 32% of employers in the Midlands reporting that they were very satisfied.

Mid-sized (50–49 employee) enterprises registered the highest levels of satisfaction. At 82% (up from 77% last year), this was a stark contrast

to just 62% of micro/small (0–49 employee) organisations expressing satisfaction (down from 69% last year).

There was a year-on-year increase, from 5% to 9%, in the proportion who expressed dissatisfaction with their agencies. This was driven by increasing concern registered by employers in the Midlands (where the percentage rose from just 4% to 13%, year-on-year) and in London (where 15% expressed dissatisfaction, compared to 6% 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?

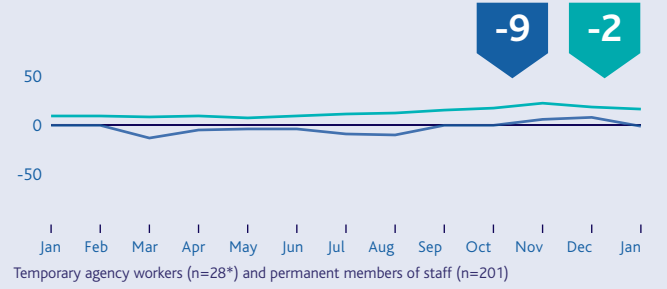
A 7-percentage point increase in the demand for permanent Health & Social Care workers is notably higher than the all-occupation increase (+1). Moreover, at net: +31, this is 10 percentage points higher than the all-skills average. Other occupations where there was an increase to a level above the all-occupation average included Construction (+2 to net: +28), Engineering & Technical (+2 to net: +32) and Technology (+6 to net: +28).

In contrast, demand for temporary Technology workers fell by 12 percentage points to net: -6, by 3 percentage points in Construction (to net: -16) and by 12 percentage points (to net: -9) for workers with Engineering/Technical skills.

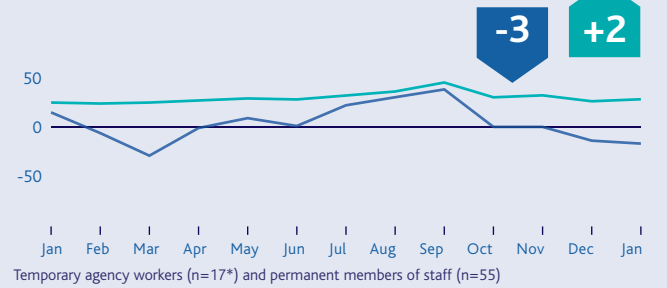
- Temporary
- Permanent

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.

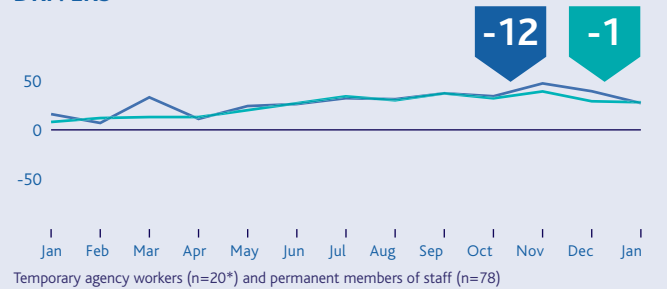
ACCOUNTING & FINANCIAL SERVICES



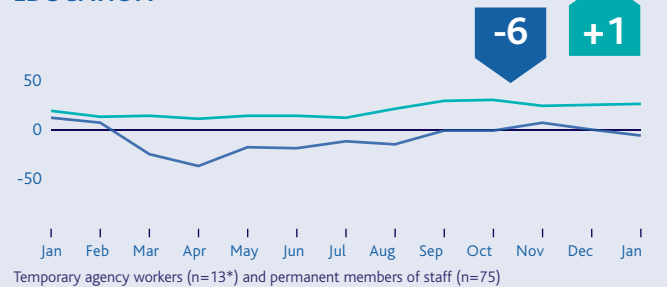
CONSTRUCTION



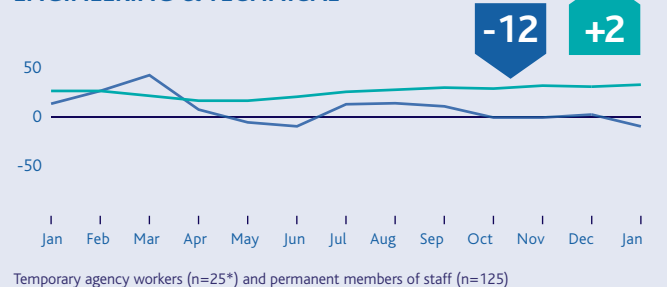
DRIVERS



EDUCATION



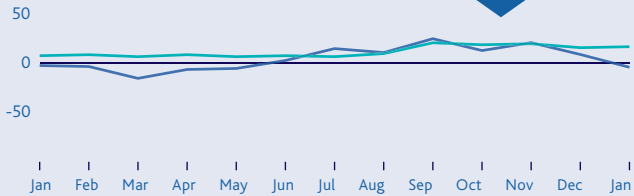
ENGINEERING & TECHNICAL



SectorProspects

EXECUTIVE RECRUITMENT / INTERIM

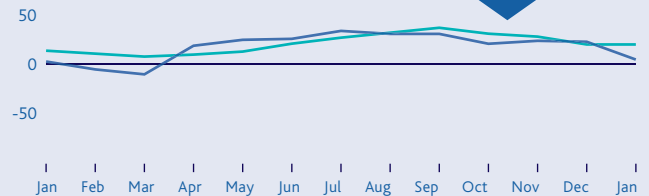
-13 **+1**



Temporary agency workers (n=15*) and permanent members of staff (n=100)

MARKETING, MEDIA & CREATIVE

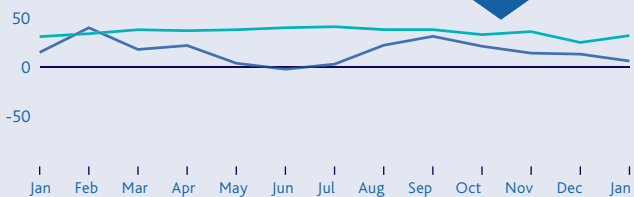
-18 **0**



Temporary agency workers (n=24*) and permanent members of staff (n=143)

HEALTH & SOCIAL CARE

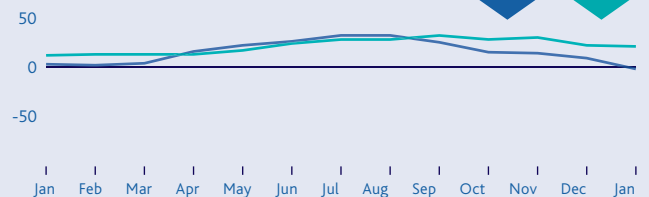
-7 **+7**



Temporary agency workers (n=19*) and permanent members of staff (n=93)

OFFICE PROFESSIONALS

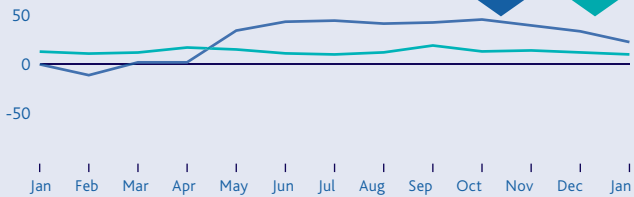
-11 **-1**



Temporary agency workers (n=46*) and permanent members of staff (n=243)

HOSPITALITY

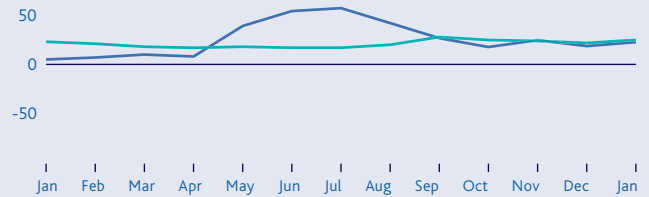
-11 **-2**



Temporary agency workers (n=16*) and permanent members of staff (n=91)

SALES & RETAIL

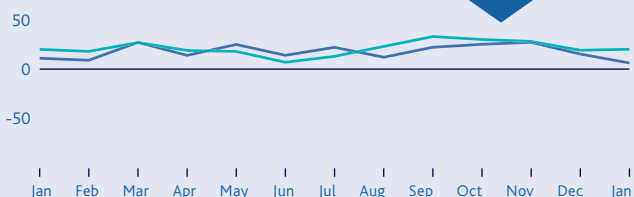
+4 **+3**



Temporary agency workers (n=17*) and permanent members of staff (n=151)

INDUSTRIAL

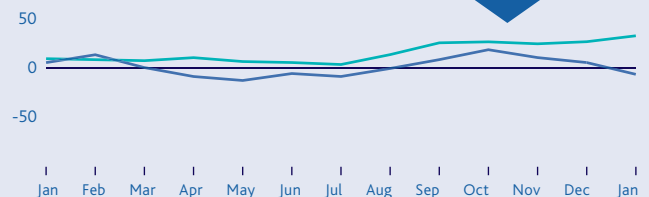
-9 **+1**



Temporary agency workers (n=15*) and permanent members of staff (n=53)

TECHNOLOGY

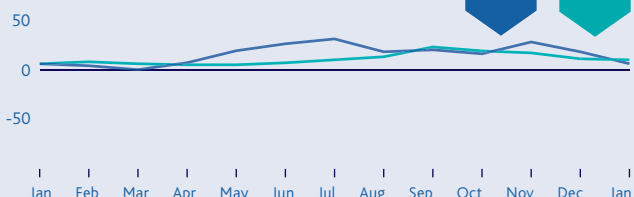
-12 **+6**



Temporary agency workers (n=21*) and permanent members of staff (n=118)

LEGAL & HR

-13 **-1**



Temporary agency workers (n=25*) and permanent members of staff (n=139)

REC-IHS Markit Predictive model

UNEMPLOYMENT FORECAST TO BE BROADLY STABLE AT END OF 2018

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

The latest update to the nowcast model signals an increase of just 4,000 in the Labour Force Survey measure of UK unemployment in the three months to December. As a result, the unemployment rate would edge up from its current four-decade low of 4.0% to 4.1%.

The model forecasts a fourth consecutive increase in unemployment and follows a rise of 8,000 in the three months to November. 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

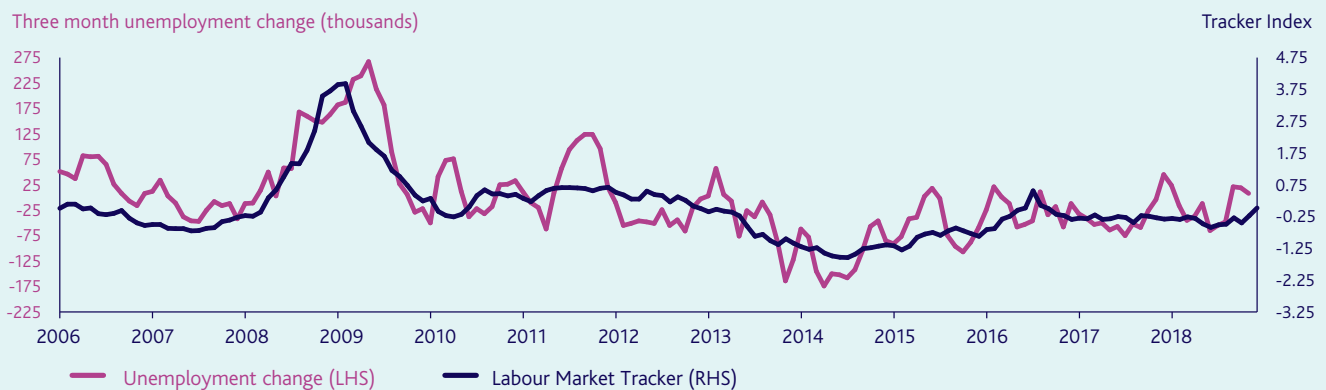
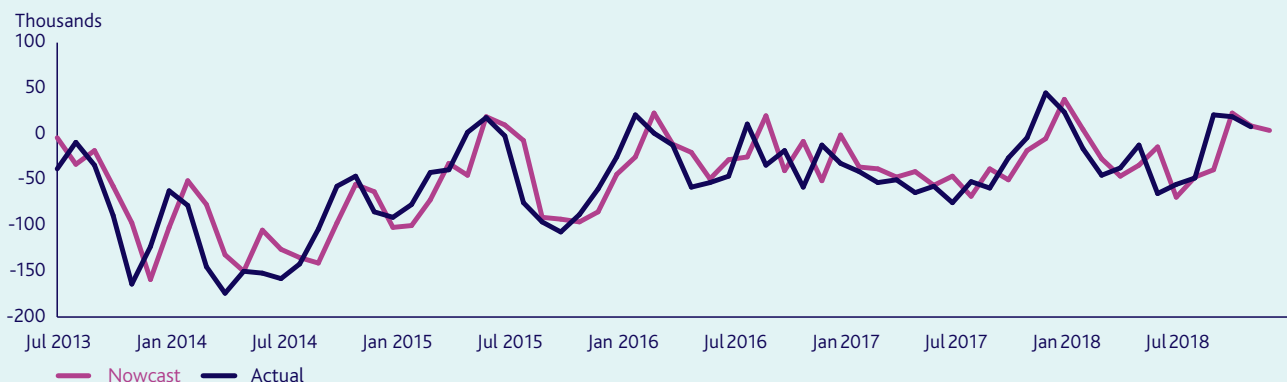


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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

