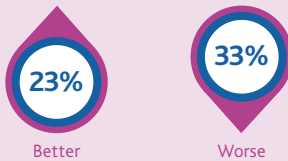


## Employers' hiring intentions are fluctuating

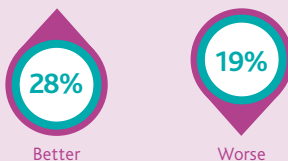
**CONTENTS** Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

### Confidence

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

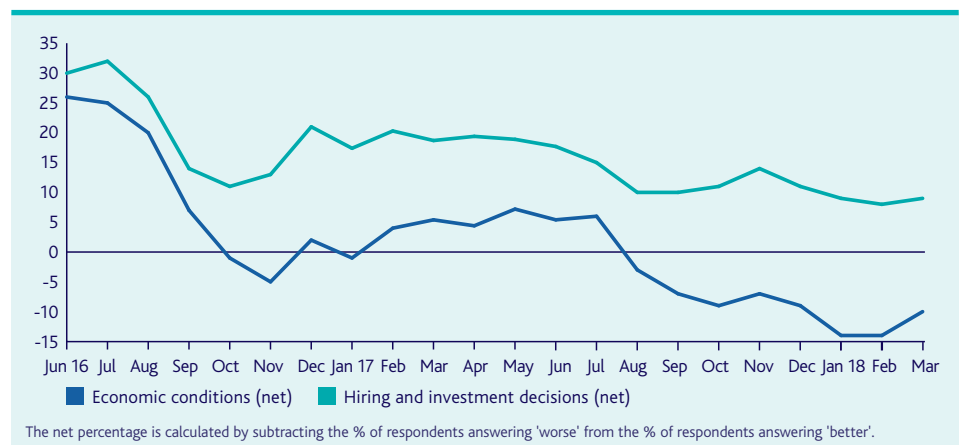


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...

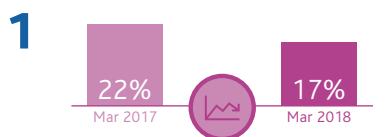


All involved in hiring (n=600)

In December 2017–February 2018, more employers (NET: -10) continued to feel that economic conditions in the UK were deteriorating rather than improving. This is a 4-point improvement on the previous rolling quarter, however. Confidence in making hiring and/or investment decisions remains positive (NET: +9).



### Key Points from December–February Survey



Uncertainty impacts permanent hiring plans

Uncertainty continues to affect permanent hiring plans: only 17% of employers plan to increase permanent staff in the next 4–12 months, down from 22% this time last year.



Employers' plans for hiring agency workers

More employers are starting to feel certain about their temporary hiring plans, with 18% unsure for the short-term, down from 34% in the last rolling quarter. For medium-term hiring, 20% are unsure, down from 32%.



Medium-term demand for agency workers

The net balance of medium-term demand for agency workers this rolling quarter increased by 10 points to +13. This was driven by a doubling of employers planning to increase headcount.



Employers actioning pay increases

Only 50% of employers actioned pay increases in the year to December 2017–February 2018, compared to 65% for the previous year. This is the lowest since August–October 2016.



Skills areas of concern for permanent staff

Engineering/Technical and Health & Social Care have been the two top skills areas of concern for the last three rolling quarters for permanent staff, with Education coming third for the last two rolling quarters.



Employers happy with candidates presented by agencies

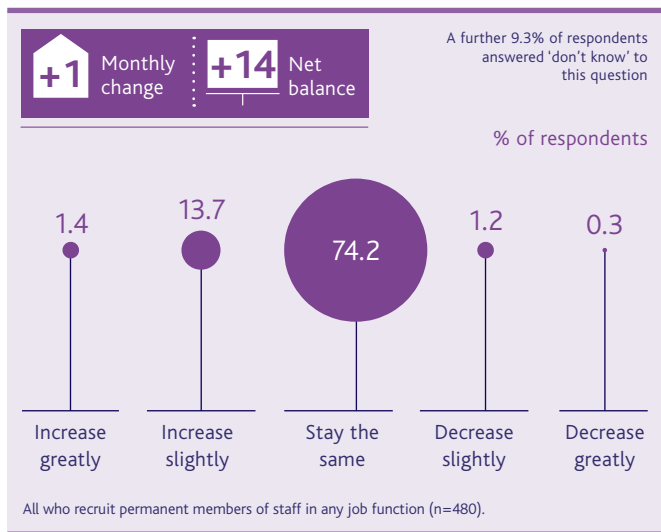
More employers expressed satisfaction with candidates presented by agencies (up 5 points since last month), despite the tightening availability of talent.

# 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?

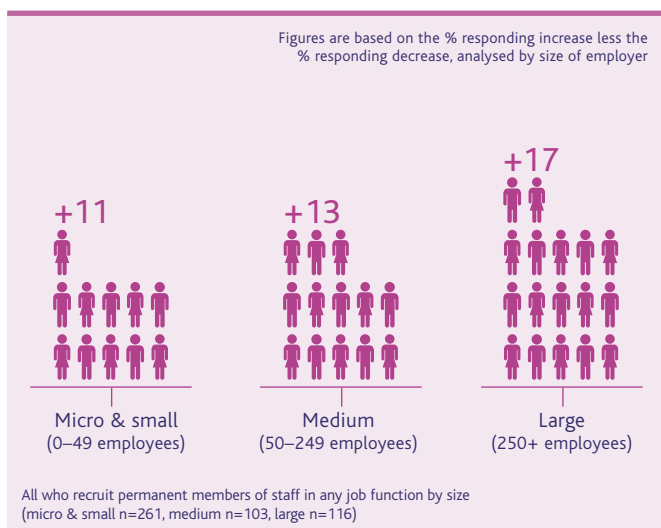
Nine in ten (89%) employers of permanent staff surveyed across December–February planned to either retain their permanent headcount (74%) or increase it (15%) over the next quarter. Conversely, just 2% of UK employers planned any form of reduction in numbers. Meanwhile, short-term uncertainty in permanent headcount planning remains notable this quarter, with almost one in ten (9%) respondents suggesting that they did not know what their plans are.



## OUTLOOK BY EMPLOYER SIZE

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

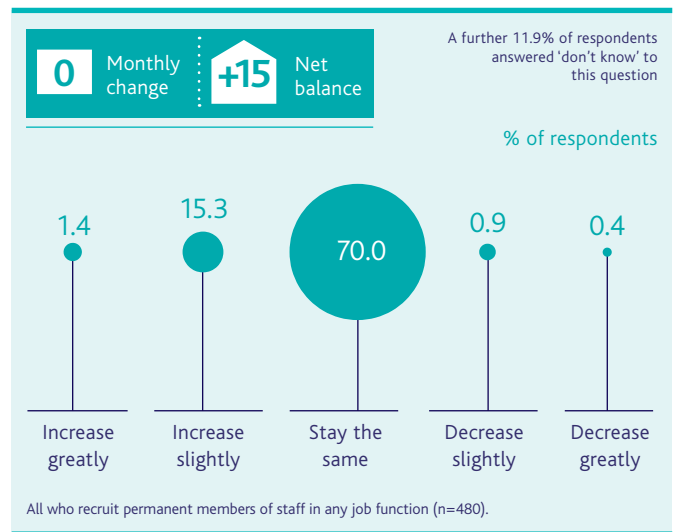
Overall, the net balance of permanent hiring intentions remained positive in the short-term. However, there was a year-on-year deterioration in sentiment amongst smaller organisations. Sentiment amongst micro/small enterprises (0–49 employees) was down from NET: +21 a year ago to NET: +11 now. Similarly, sentiment amongst mid-sized employers (50–249 employees) fell from NET: +20 to NET: +13 year-on-year.



## MEDIUM-TERM OUTLOOK

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

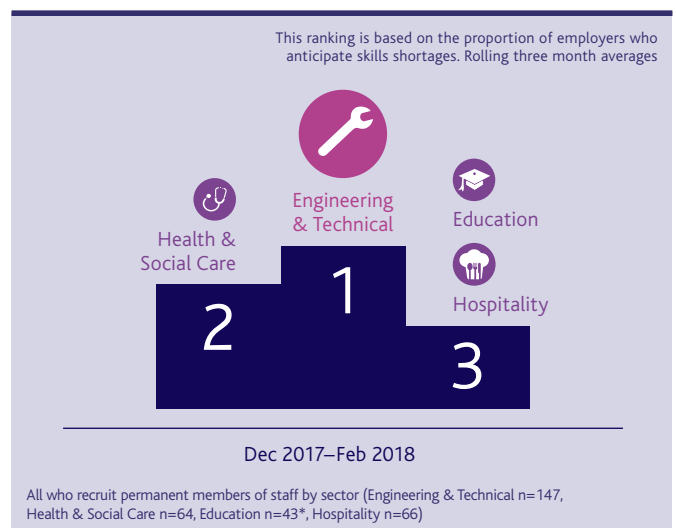
The majority (87%) of UK employers planned to hold numbers (70%) or increase (17%) their permanent headcount in the medium-term. However, there was a deterioration in the proportion of respondents planning to increase numbers over the quarter, moving from 23% in December to just 12% in February. Uncertainty continued for 12% of respondents, including 18% of employers in the South (excluding London) and 20% of the largest enterprises (250+ employees) nationally.



## 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?

Engineering & Technical and Health & Social Care continued to be identified as the primary permanent hiring skills areas of concern for UK employers. Concern over the sufficient availability of education professionals for the second consecutive month is noteworthy, as this is not traditionally the peak permanent hiring period for the sector.

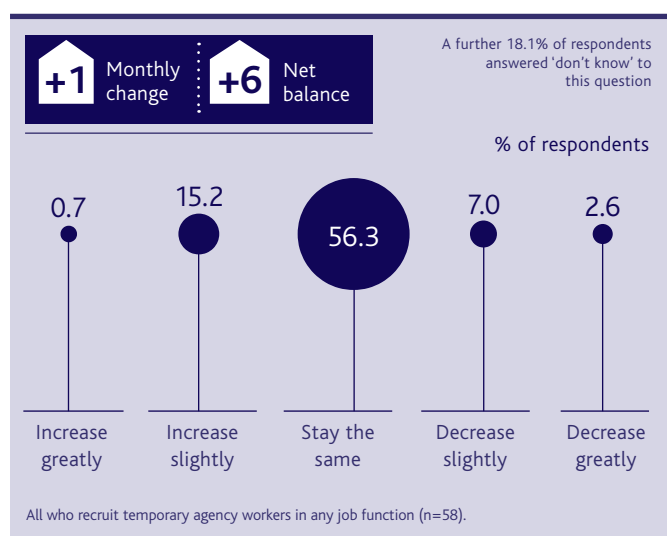


# Temporary Recruitment

## SHORT-TERM OUTLOOK

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

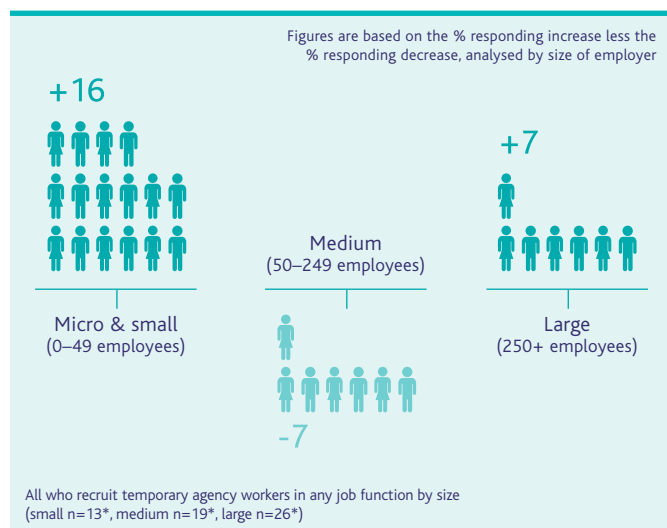
More employers felt certain about their short-term hiring plans this rolling quarter, with 72% of employers either planning to hold (56%) or increase (16%) their agency headcount over the next quarter, while one in ten (10%) planned to decrease numbers. Less than one in five (18%) of employers stated that they did not know what their short-term plans are, down from 34% in the previous quarter.



## OUTLOOK BY EMPLOYER SIZE

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

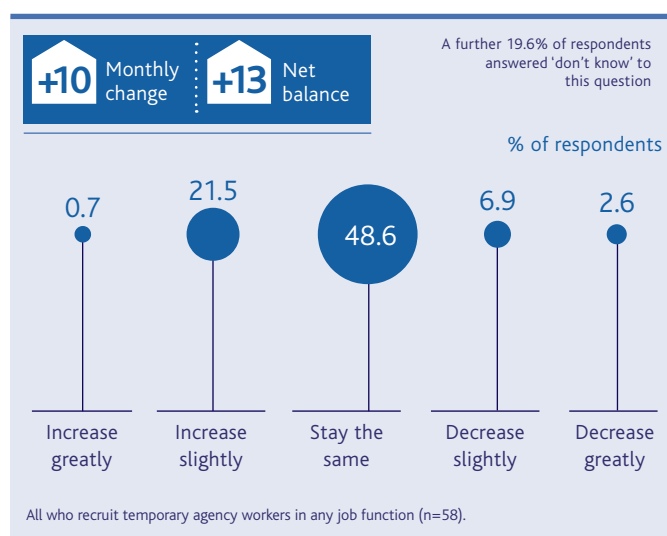
Medium-sized employers (50–249 employees) are now more likely to anticipate a short-term decrease in agency workers than an increase (NET: -7). In contrast, more micro/small organisations (0–49 employees) planned to increase their agency worker headcount in the short-term than decrease it (NET: +16), up 4 points from the last rolling quarter. This is even more noteworthy when considering that the net balance amongst the smallest employers was NET: -2 in the same period last year.



## 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?

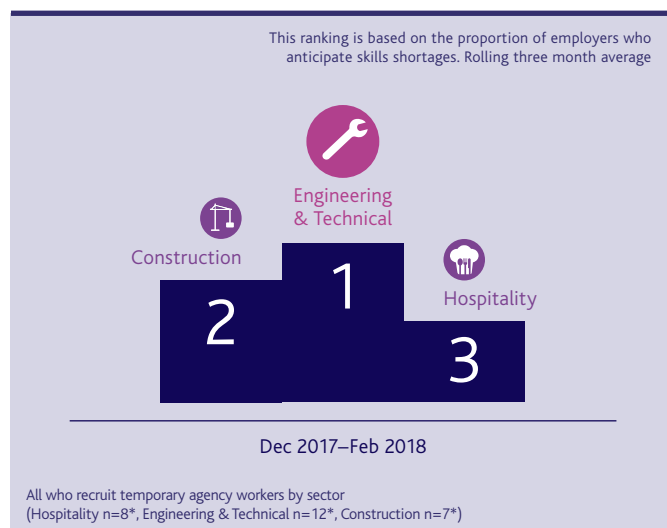
There was greater certainty amongst UK employers this quarter as to their medium-term agency hiring plans. 20% were unable to articulate their intentions, down from 32% last rolling quarter. The 10-point rise in the net balance (to NET: +13) was driven by a doubling of the proportion of employers planning to increase headcount (from 11% last rolling quarter to 22%).



## 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?

The top three skills areas of concern to UK employers, from an agency worker perspective, continue to be those where there is a historically high dependency upon non-UK workers. With the number of eastern European workers within the UK workforce now in decline – a cohort upon which these sectors have become heavily reliant – their challenges are set to further intensify.

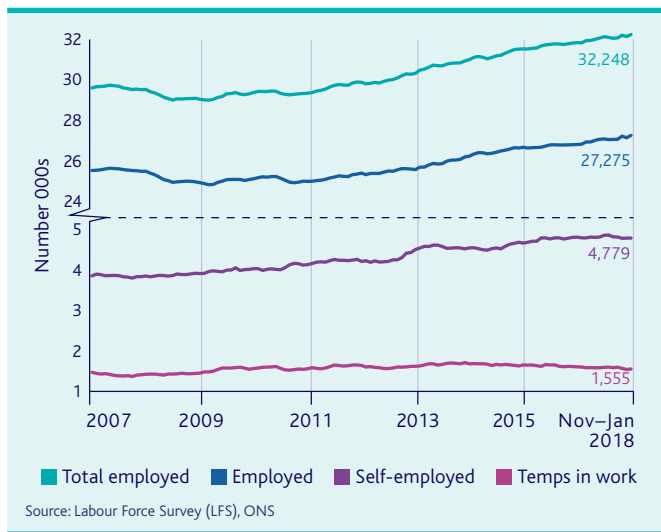


# LabourMarketDashboard

## TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

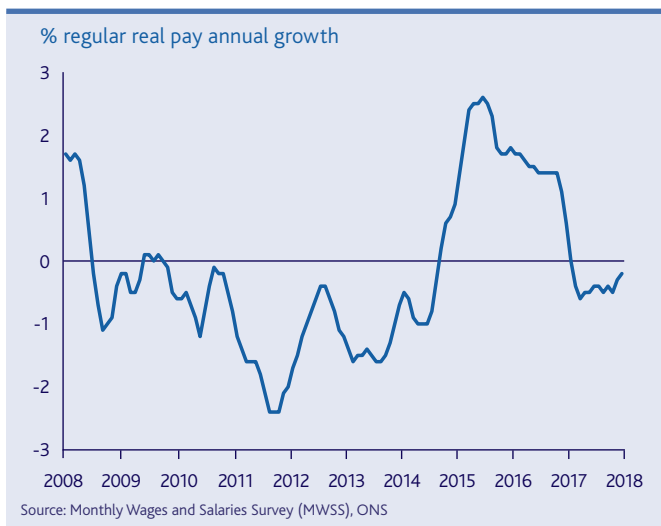
At 32.2 million in November 2017 to January 2018, the UK workforce was 168,000 (+0.5%) higher than the previous quarter (Aug–Oct 2017) and 402,000 (+1.3%) higher than the same period a year earlier. Self-employment fell by 27,000 (-0.6%) quarter-on-quarter and 22,000 (-0.5%) year-on-year. Similarly, temporary employment was 44,000 (-2.8%) lower than in August–October 2017 and was 51,000 (-3.2%) lower than in the November 2016–January 2017. In contrast, permanent employment rose by 450,000 year-on-year and was 190,000 higher than in the previous quarter.

Total employment, employed and self-employed



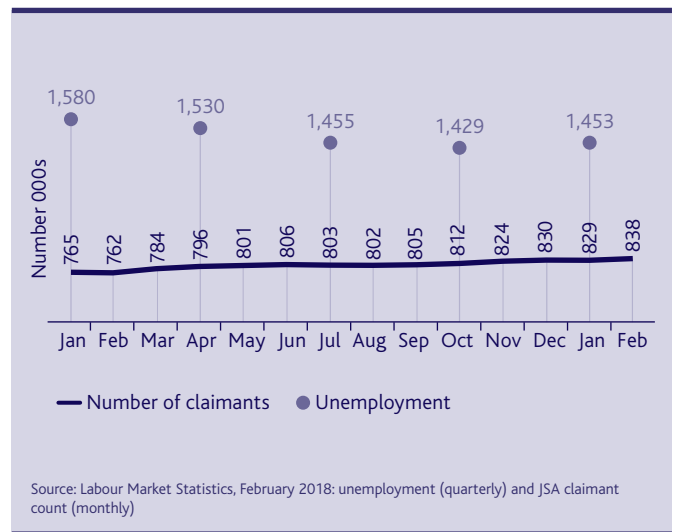
## REAL WAGE GROWTH

Nominal Regular Pay (excluding bonuses) increased by 2.6% in the year up to November 2017 to January 2018. However, when adjusted for consumer price inflation, Regular Pay for employees in Great Britain fell by 0.2%. The real average regular pay (excluding bonuses) for employees in Great Britain was £459 per week before tax and other deductions from pay. This was £14 lower than the pre-downturn peak of £473 per week recorded for March 2008.



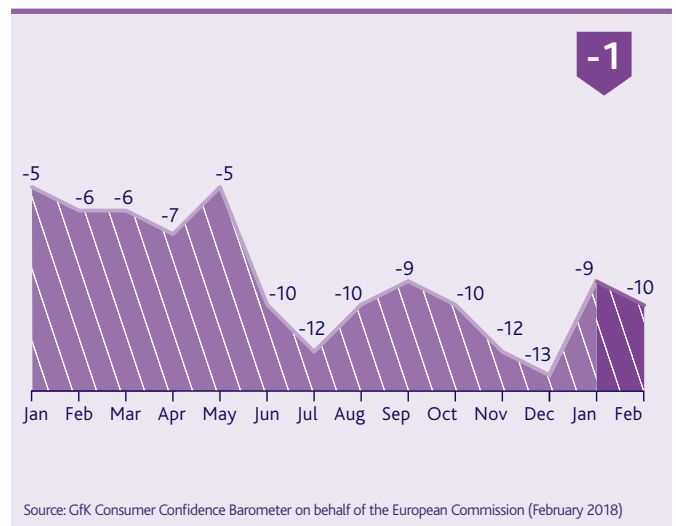
## UNEMPLOYMENT AND CLAIMANT NUMBERS

The rate of unemployment was 4.3% in November 2017 to January 2018 – the same rate as in the preceding quarter (Aug–Oct 2017). At 1.45 million, this represented a 24,000 (+1.7%) quarter-on-quarter increase but was 127,000 (-8.1%) lower than the same period a year earlier. The quarterly increase affected those aged 16–17 (+20,000 to 126,000) and those aged 50+ (+10,000 to 307,000). Furthermore, the rise was driven by more recent unemployment compared to the previous quarter. Those out of work for up to 6 months increased by 6,000 whilst there was a 30,000 increase in individuals unemployed for 6–12 months. This was partially offset by a 12,000 fall in the number unemployed for over 12 months.



## CONSUMER CONFIDENCE INDEX

The GfK's Consumer Confidence Index continues to sit firmly in negative territory, falling by 1 point in February to -10. As a backdrop, respondents' view on the general economic outlook for the UK over the next 12 months sat at -26. Moreover, this was 6 points lower than the figure registered in February 2017. Whilst respondents' views on their own personal financial situation remained in positive territory (+5), the major purchase index was 5 points lower than in the same period last year (0 in February 2018), suggesting that there is caution around making large expenditures. This is reinforced by the fact that, at +16, the Savings Index increased by 12 points year-on-year.

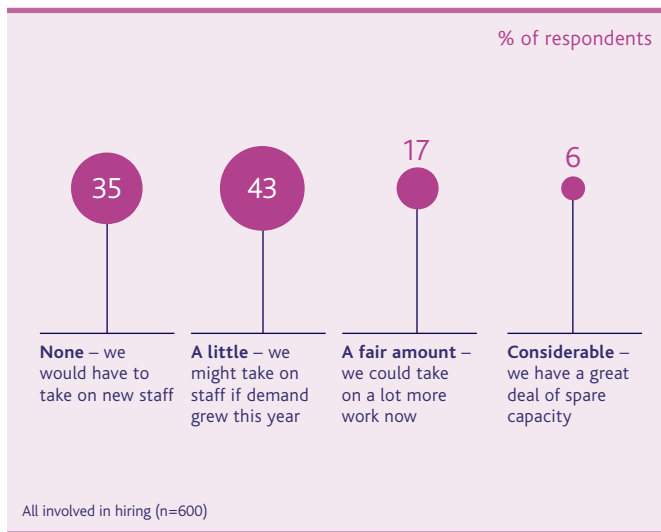


# EmployerDashboard

## WORKFORCE CAPACITY

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

While eight in ten (77%) respondents stated they had no spare or a little workforce capacity, a stark regional contrast was evident this quarter. A below UK average 24% of employers in the South (excluding London) stated they had no spare capacity while an above average 9% suggested they had considerable spare resource. In contrast, 42% of employers in the Midlands highlighted an absence of any spare capacity whilst just 3% had a considerable surplus.

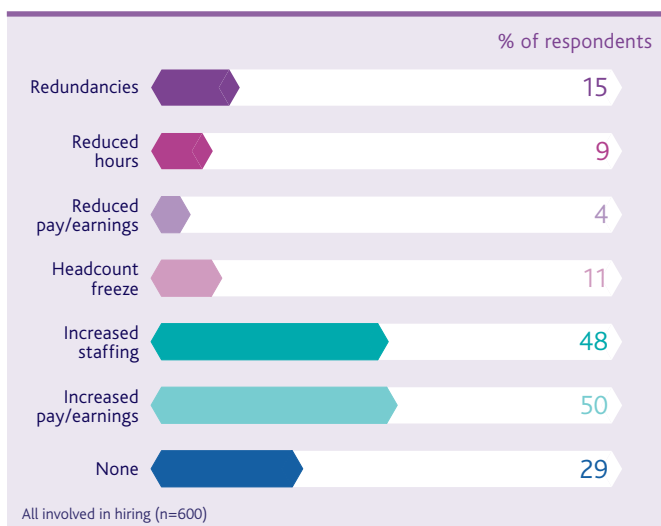


## WORKFORCE PLANNING

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

Half of all employers (50%) increased pay/earnings in the year to December 2017–February 2018, the lowest since August–October 2016. Less than half (44%) of micro/small employers (0–49 employees) increased pay/earnings compared with 54% of medium-sized (50–249 employees) and 63% of large (+250 employees) enterprises.

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

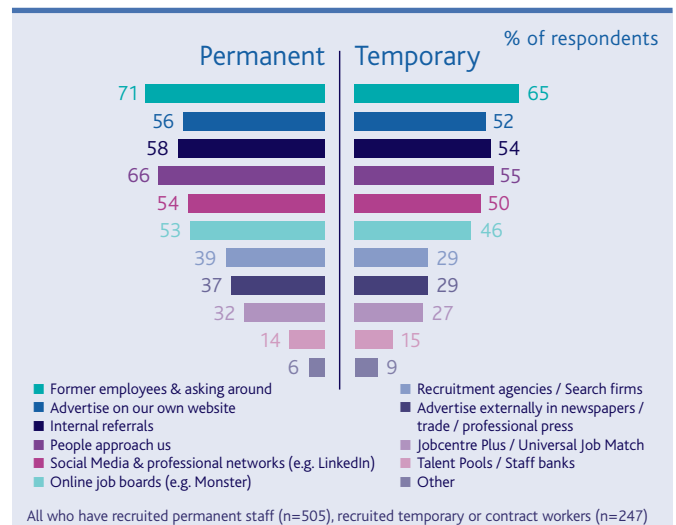


## RECRUITMENT CHANNELS USED

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

With skills shortages in key occupations intensifying and uncertainty around post-Brexit immigration ongoing, the proportions of employers operating talent pools and/or staff banks remains surprisingly low. In contrast, use of alumni/word of mouth for hiring has increased quarter-on-quarter for both permanent (71% vs. 67%) and temporary/contract staff (65% vs. 62%).

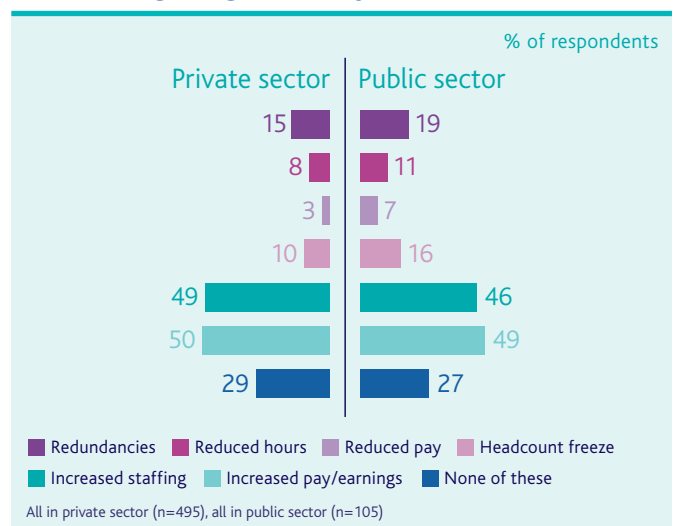
**Recruitment channels used for staffing as of February 2018**



## WORKFORCE PLANNING BY SECTOR

Over the last year, the adoption of a number of workforce planning activities within the public sector was notably higher than in the private sector. These included more public sector employers actioning pay/earnings reductions than their private sector counterparts (7% and 3%, respectively) and proportionally more public sector hirers admitting to headcount freezes (16% and 10%, respectively). Instances of increased pay/earnings were lower in both sectors in the year to December 2017–February 2018 than a year earlier. In the private sector it fell from 66% of employers to 50% while in the public sector it fell from 63% to 49%.

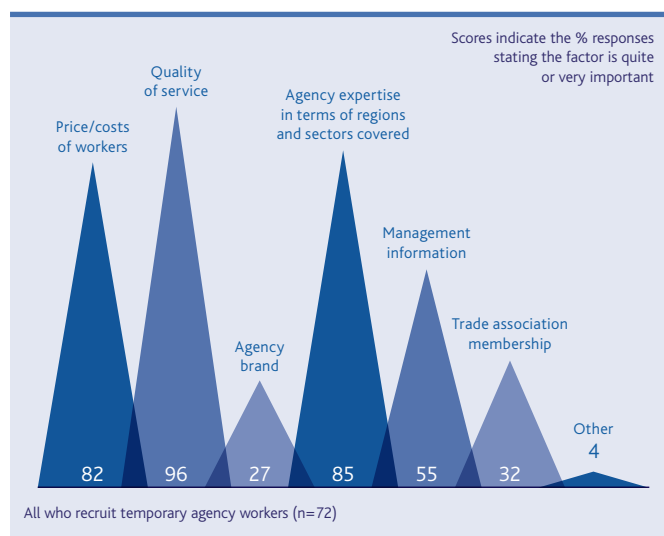
**3 month rolling average to February 2018**



## 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?

Quality of service remains the most important criterion (96%) by those who recruit temporary/agency workers when choosing an agency. Regional and sectoral expertise is important to 85% of employers.

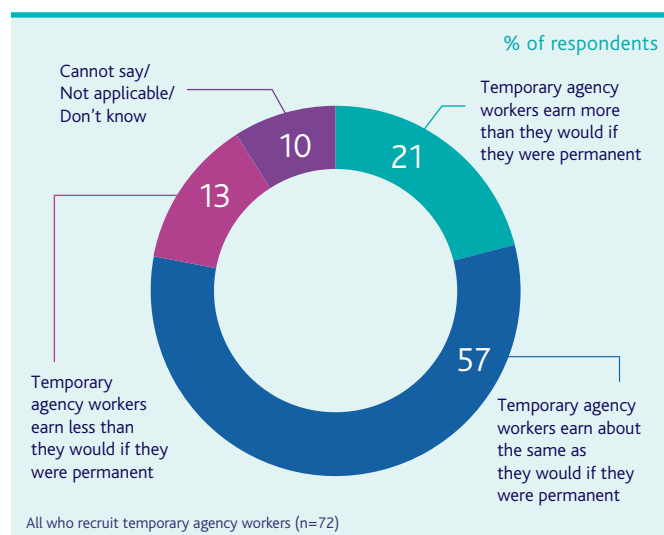


## AGENCY WORKER PAY RATES

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

There was a notable drop compared with the last rolling quarter in the proportion of those recruiting temporary/agency workers who felt that these earned more than their permanent counterparts (-8 points to 21%). A large part of the shift (+6 points) was towards more employers (57%) believing that there was parity of pay. The pending government consultation around changing the IR35 taxation protocols in the private sector is likely to be fueling changes in behaviour.

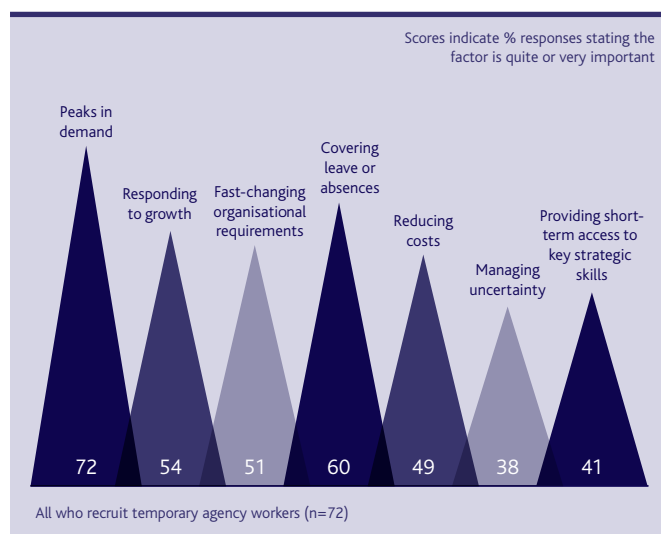
3 month rolling average to February 2018



## IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

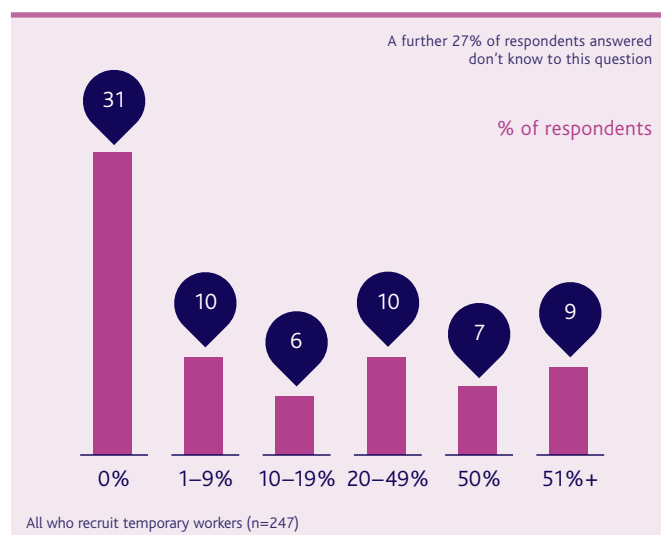
Four in ten (41%) employers of temporary agency workers cited the use of agency workers to enable short-term access to key strategic skills. This is down from 49% in the previous quarter and the lowest since December 2016. This is a stark reminder of the growing skills shortages identified by employers across sectors not only when looking to hire permanent staff but also for temporary agency roles.



## TEMPORARY TO PERMANENT

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

Four in ten (42%) of employers of temporary workers transfer at least 1% of their temporary staff to permanent status each year. More than one in five (22%) employers in the North transfer half or more temporary workers to permanent posts each year. This is significantly higher than the all-UK average of 16%. In contrast, just 12% of employers in the South (excluding London) move half or more of their temporary workers to permanent status.



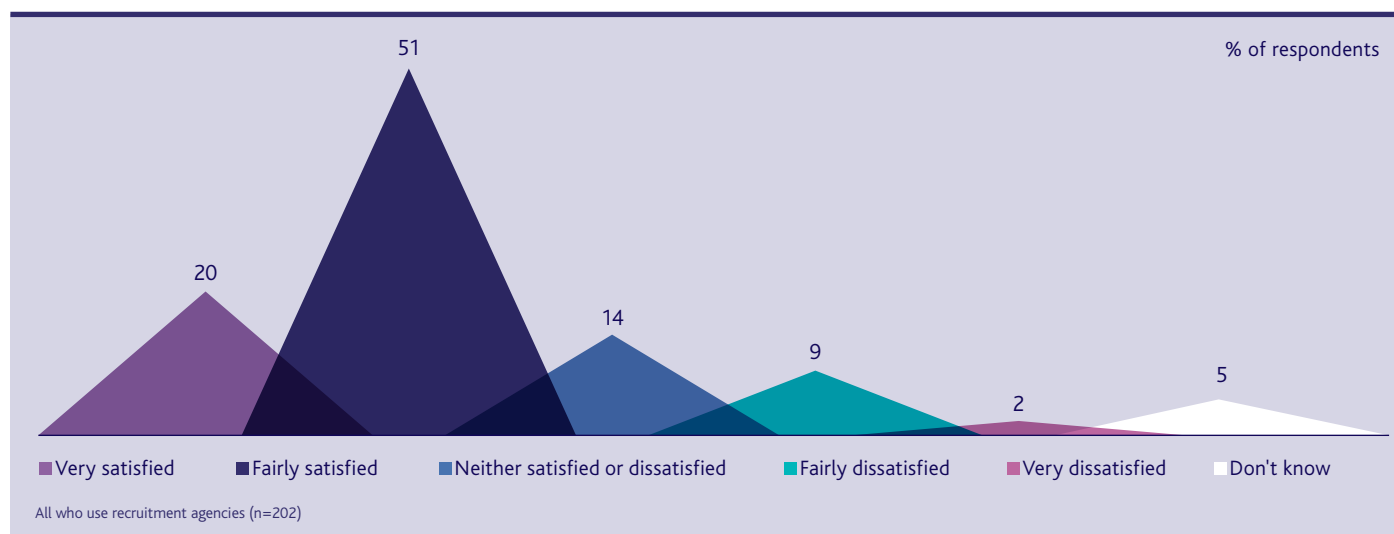


## SATISFACTION WITH CANDIDATES

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

Among those who use agencies, there was a 5-point increase in the proportion of employers (71%) expressing satisfaction with the candidates presented by their agencies this quarter – a noteworthy achievement considering the ever-tightening availability of talent. Encouragingly, this means that the proportion who are satisfied with the quality of candidates presented to them by recruitment agencies is the same as this time last year.

From a public sector perspective – an area notably challenged by the ongoing drop in availability of skilled workers – 67% expressed satisfaction whilst an above-average 12% expressed their dissatisfaction.



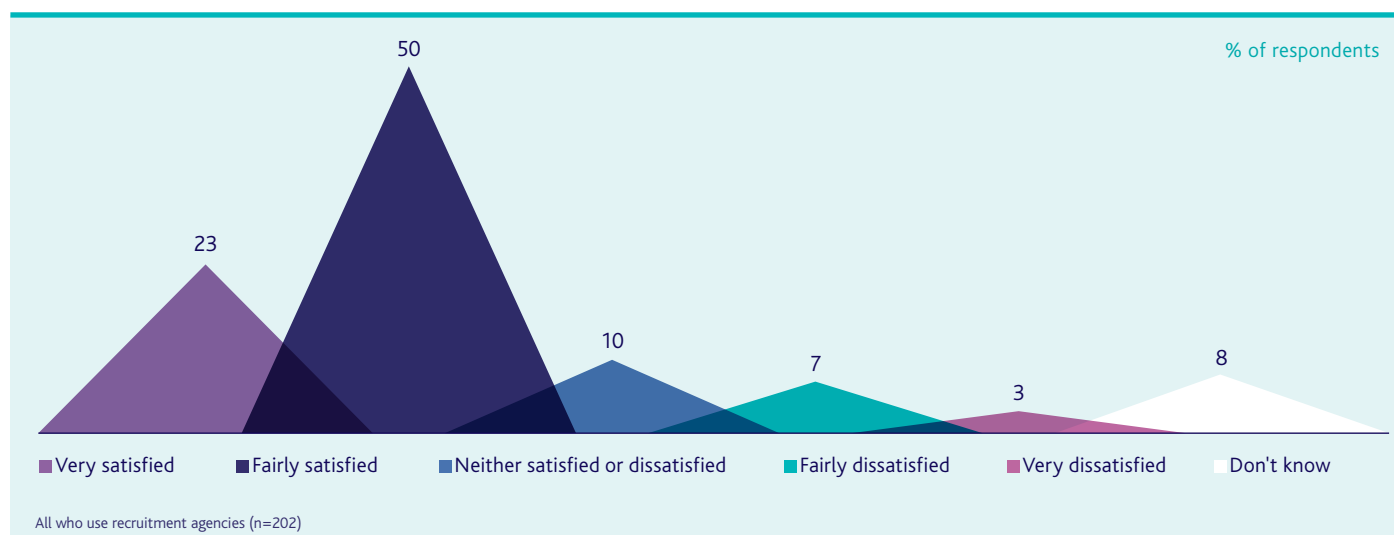
## SATISFACTION WITH AGENCIES

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

Of those who use agencies, more UK employers stated they are very satisfied with the recruitment agencies they used in the last two years in December–February compared to the last rolling quarter (+3 points to 23%).

It is amongst mid-sized (50–249 employees) enterprises that the greatest level of satisfaction was registered this quarter. With

83% expressing satisfaction (versus the 73% all-UK average) and just 7% highlighting any level of dissatisfaction (in comparison to the 10% all-UK average), agencies are clearly meeting their needs. In contrast, 64% of micro/small organisations (0–49 employees) expressed satisfaction with their agencies.



# 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 forecast demand across all skills required for permanent hire (+14) continued to be higher, this quarter, than the balance of anticipated demand for agency staff (+6).

Anticipated demand for permanent construction workers (+25) was notably above the all-occupation average (+14) whilst, at -29, demand for temporary workers was significantly below the all-skills average (+6). This suggests an attempt to secure scarce workers at the expense of the use of temporary skills.

Amongst hirers of engineering/technical skills, forecast demand for temporary workers (+42) was significantly higher than both the all-skills average (+6) and anticipated permanent hiring needs (+21).

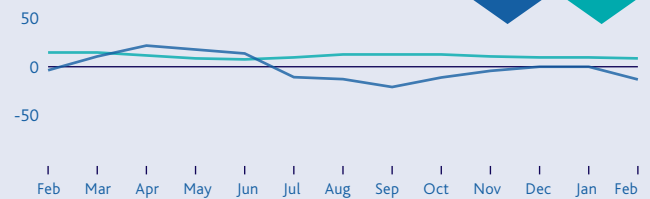
■ Temporary  
■ Permanent

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

-13

-1

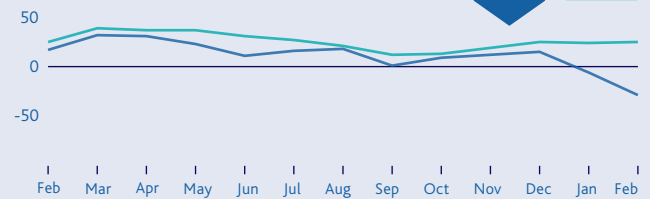


Temporary agency workers (n=15\*) and permanent members of staff (n=221)

### CONSTRUCTION

-23

+1

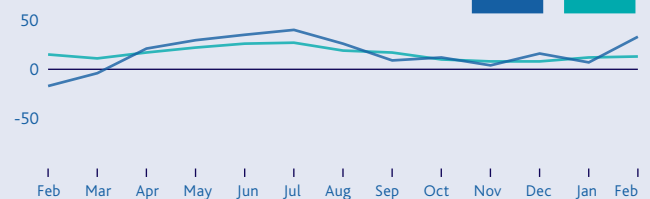


Temporary agency workers (n=7\*) and permanent members of staff (n=70)

### DRIVERS

+26

+1

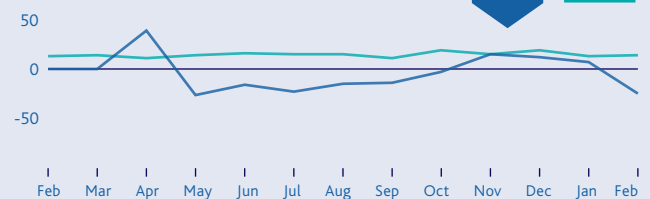


Temporary agency workers (n=6\*) and permanent members of staff (n=95)

### EDUCATION

-32

+1

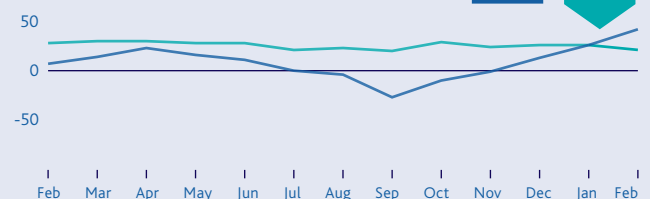


Temporary agency workers (n=4\*) and permanent members of staff (n=43\*)

### ENGINEERING & TECHNICAL

+16

-5



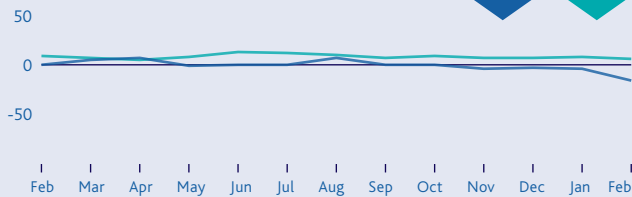
Temporary agency workers (n=12\*) and permanent members of staff (n=147)



# SectorProspects

## EXECUTIVE RECRUITMENT / INTERIM

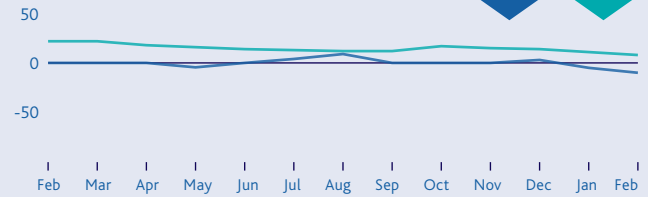
-12 -2



Temporary agency workers (n=6\*) and permanent members of staff (n=120)

## MARKETING, MEDIA & CREATIVE

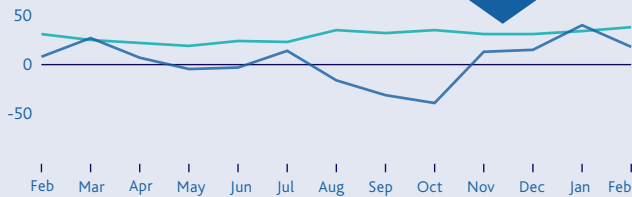
-5 -3



Temporary agency workers (n=10\*) and permanent members of staff (n=152)

## HEALTH & SOCIAL CARE

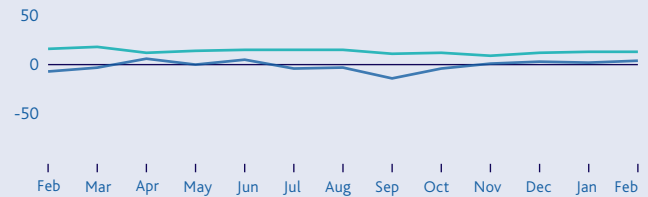
-22 +4



Temporary agency workers (n=5\*) and permanent members of staff (n=64)

## OFFICE PROFESSIONALS

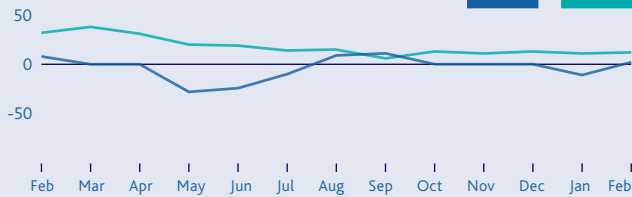
+2 0



Temporary agency workers (n=22\*) and permanent members of staff (n=275)

## HOSPITALITY

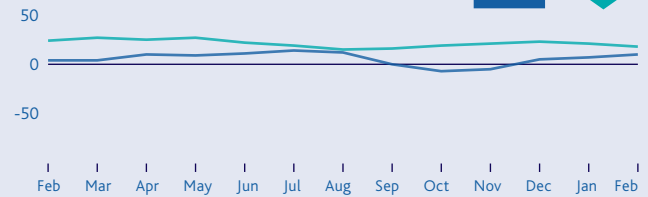
+13 +1



Temporary agency workers (n=8\*) and permanent members of staff (n=66)

## SALES & RETAIL

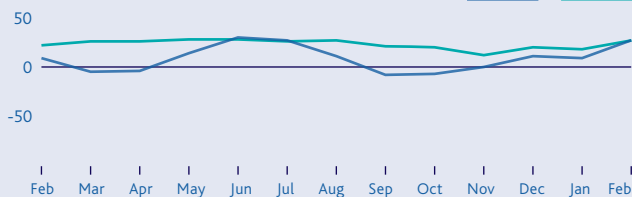
+3 -3



Temporary agency workers (n=8\*) and permanent members of staff (n=181)

## INDUSTRIAL

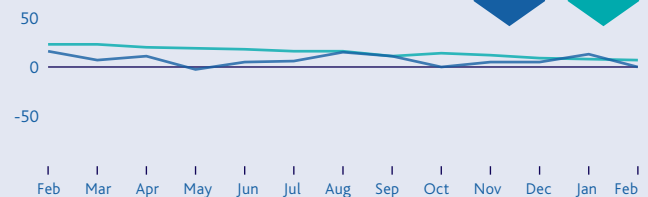
+18 +9



Temporary agency workers (n=19\*) and permanent members of staff (n=86)

## TECHNOLOGY

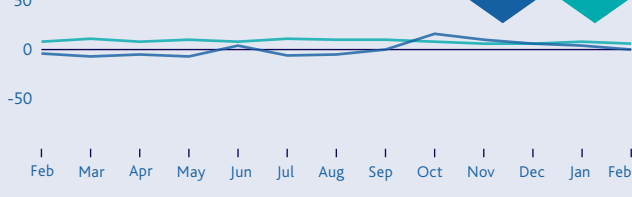
-13 -1



Temporary agency workers (n=6\*) and permanent members of staff (n=104)

## LEGAL & HR

-4 -2



Temporary agency workers (n=9\*) and permanent members of staff (n=148)

# REC-IHS Markit Predictive model

## UK UNEMPLOYMENT RATE EXPECTED TO STAY AT 4.3%

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

The latest nowcast model forecasts an increase of 5,000 in the Labour Force Survey measure of UK unemployment in the three months to February. As a result, the unemployment rate would be unchanged from a four-decade low of 4.3%.

A further rise in unemployment would extend the current sequence of increase to three consecutive periods. The ONS signalled an increase of 24,000 in the three months to January. As shown in the chart below, the model has generally provided reliable signals in official unemployment data.

- 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

### 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

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

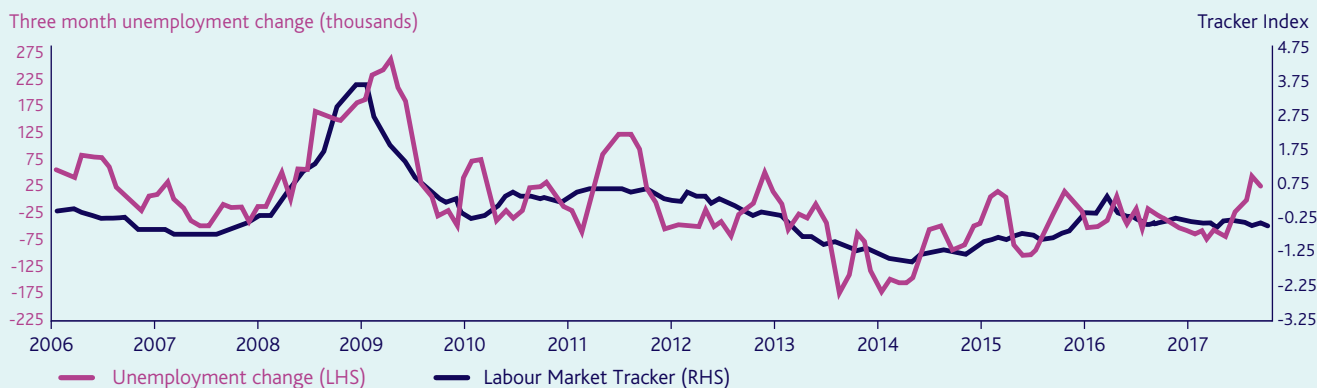
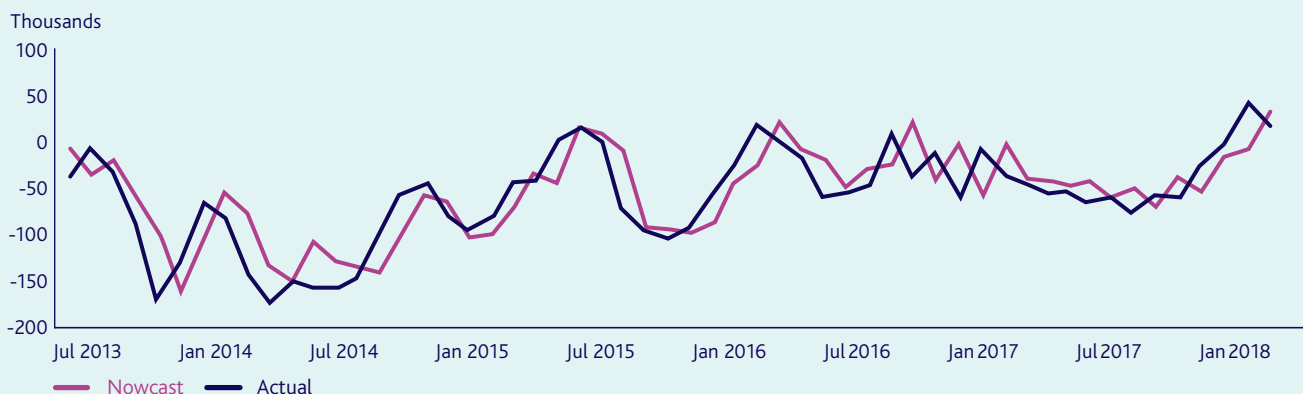


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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