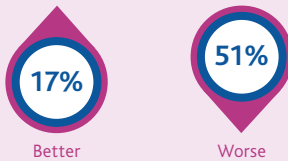


## Employer confidence in the UK economy hits new record low

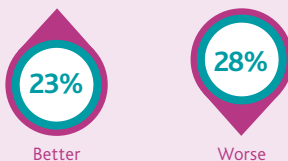
**CONTENTS** Permanent Recruitment / Temporary Recruitment / Labour Market Dashboard / Employer Dashboard / Agency Dashboard / Sector Prospects / Predictive model

### Confidence

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

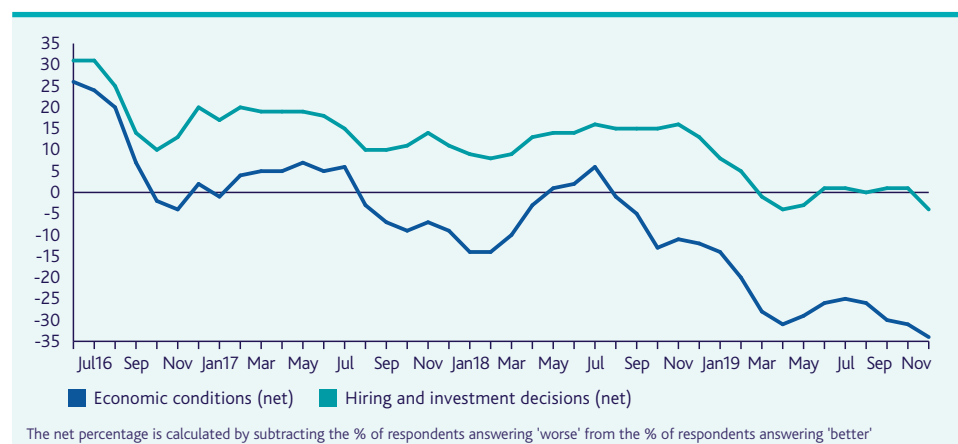


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=600)

More employers felt that economic conditions were worsening rather than improving this quarter (net: -34). This 3-percentage point fall from the previous rolling quarter takes confidence levels to a new record low. Employers' confidence in making hiring and investment decisions fell by 5 percentage points, taking this barometer back into negative territory at net: -4.



### Key Points from August–October Survey



Employers' confidence in the UK economy fell to net: -34 this quarter, the lowest level since REC records began in mid-2016. Confidence in making hiring and investment decisions also fell to net: -4.



Hiring intentions for permanent staff remained stable compared to the previous rolling quarter. Forecast demand in the short term fell by 1 percentage point to net: +23, and remained unchanged in the medium term at net: +26.



Seven in ten (70%) employers increased pay/earnings in the year to August–October 2019. This was up from 57% a year earlier.



Three in four (75%) employers indicated that they had little or no spare capacity in their workforce this quarter. This increased to 84% in the UK's largest (250+ employee) organisations.



Half (50%) of employers of permanent staff reported that they were concerned about the availability of suitable candidates for hire this quarter.



Nine in ten (90%) employers who use recruitment agencies highlighted an agency's regional and/or sectoral expertise as an important factor when choosing their recruitment partners.

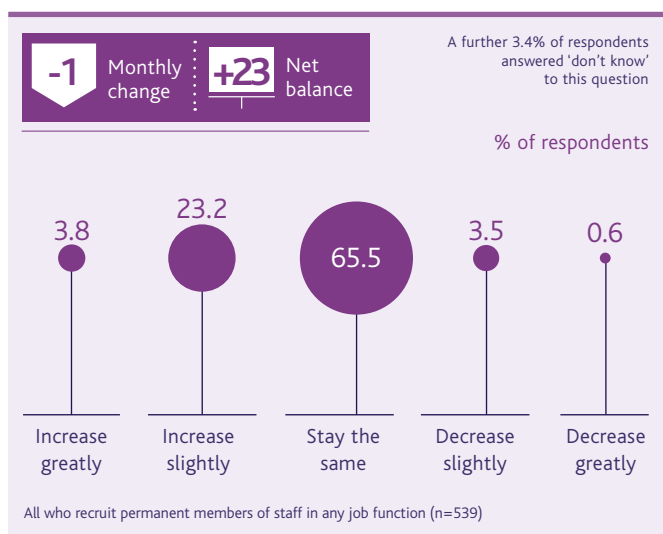
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (\*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

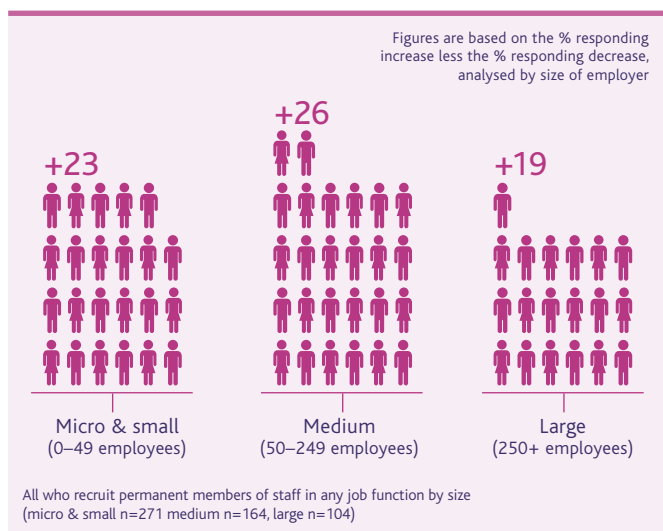
Two in three employers (66%) expected to maintain their current permanent headcount over the next quarter when surveyed in August–October, with a further 27% planning to add to numbers. Whilst just 4% of UK employers expected to reduce numbers, this was up from just 1% suggesting the same a year earlier. Moreover, the figure was twice as high amongst public sector employers (8%, also up from 1% a year earlier).



## OUTLOOK BY EMPLOYER SIZE

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

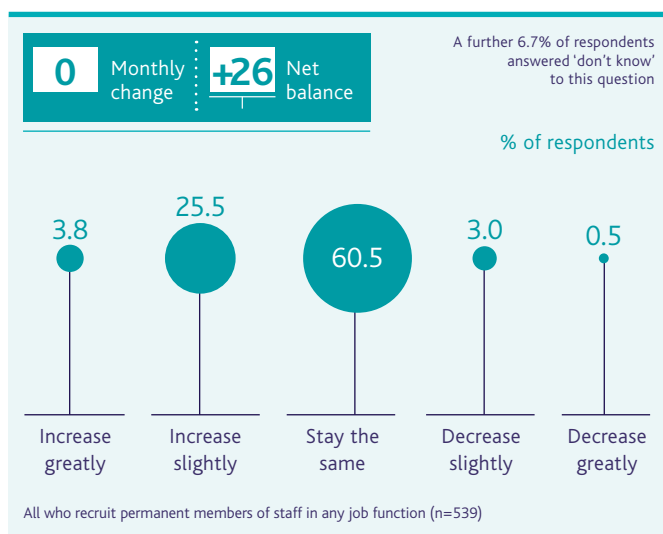
The balance of sentiment towards short-term permanent hiring remained strongest in micro/small and medium-sized enterprises. Only within micro/small organisations did the sentiment hold steady year-on-year, however, increasing by 1 percentage point to net: +23. In contrast, it dropped sharply from net: +35 to net: +26 within medium-sized enterprises, and from net: +24 to net: +19 amongst the UK's largest hirers.



## MEDIUM-TERM OUTLOOK

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

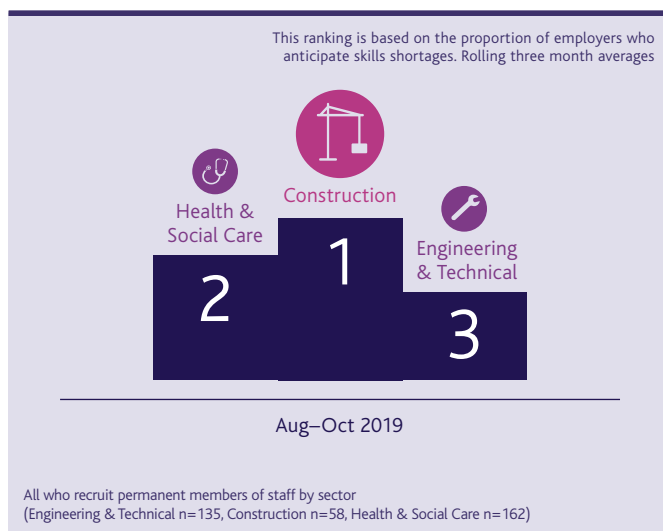
Whilst more employers planned to increase rather than decrease their permanent headcount when surveyed this quarter (net: +26), this was down from net: +34 in the same period last year. The region that witnessed the largest year-on-year fall was the North, where the balance of sentiment plunged from net: +36 to net: +20. It also fell sharply, from net: +34 to net: +16, amongst the UK's largest (250+ employee) enterprises.



## 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?**

At 50%, the proportion of employers that had concerns over the sufficient availability of workers for permanent hire was similar to the level recorded a year earlier (48%). While concern about shortages of Health & Social Care and Engineering & Technical staff remained high, Construction was the primary area of concern.

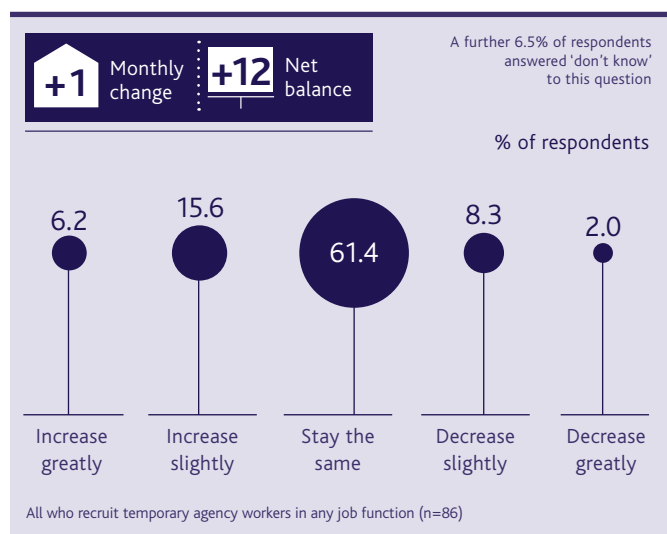


# Temporary Recruitment

## SHORT-TERM OUTLOOK

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

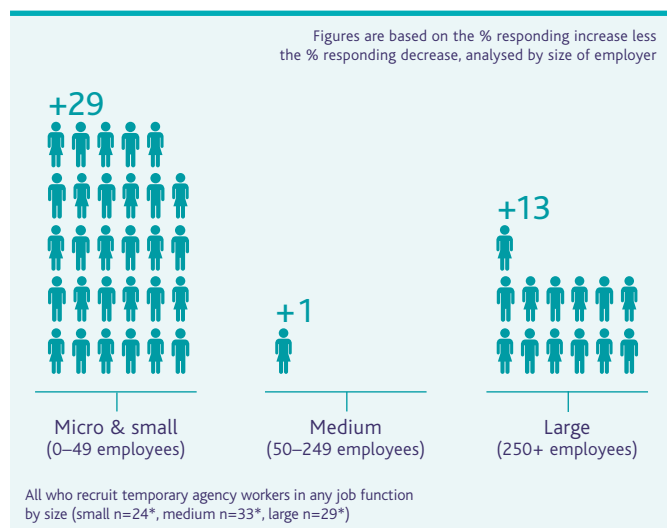
The balance of short-term forecast demand for temporary agency workers was at net: +12 this quarter, higher than the net: +5 recorded in May–July 2019. However, it was 7 percentage points lower than in August–October 2018. At net: +17, the balance of sentiment in the private sector this quarter was much more positive than in the public sector (net: -7).



## OUTLOOK BY EMPLOYER SIZE

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

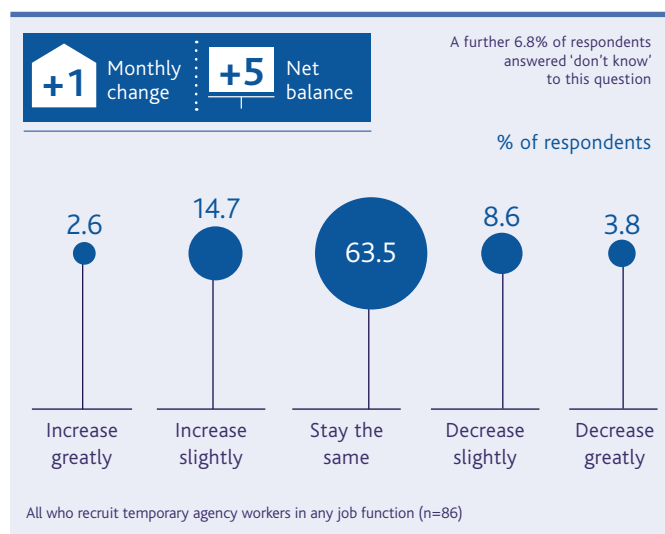
In micro/small enterprises, the balance of sentiment towards short-term agency worker hiring rose from net: +20 to net: +29, year-on-year. In contrast, it plummeted from net: +22 to net: +1 amongst mid-sized organisations. It also fell to a lesser degree, from net: +17 to net: +13, amongst large enterprises. As medium and large organisations may have to contend with the extension of Off-Payroll rules to the private sector in April 2020, this could be influencing their thinking.



## 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?

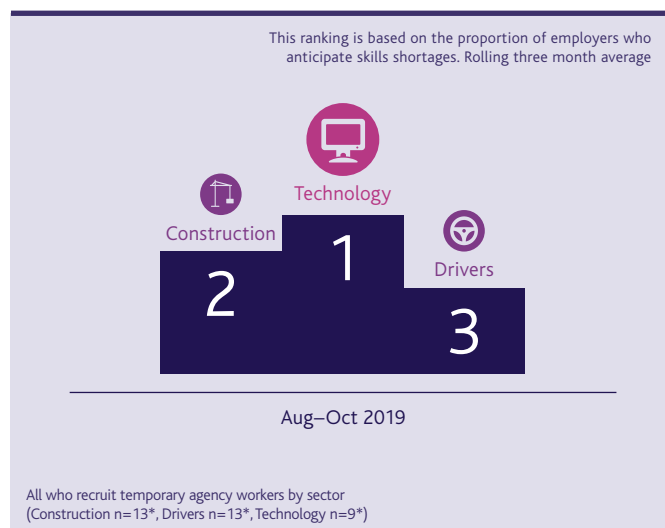
The balance of sentiment towards hiring temporary agency workers in the medium-term was at net: +5 this quarter. This was higher than the net: +1 recorded in May–July 2019, but lower than the net: +16 recorded in August–October 2018. As with short-term hiring intentions, sentiment was more positive in the private than the public sector (net: +7 vs. net -2).



## 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 31%, the proportion of employers concerned about temporary agency worker availability was notably lower than the same period last year (53%). Employers remained most concerned over the availability of workers with Technology skills, as they have been for the last three rolling quarters.

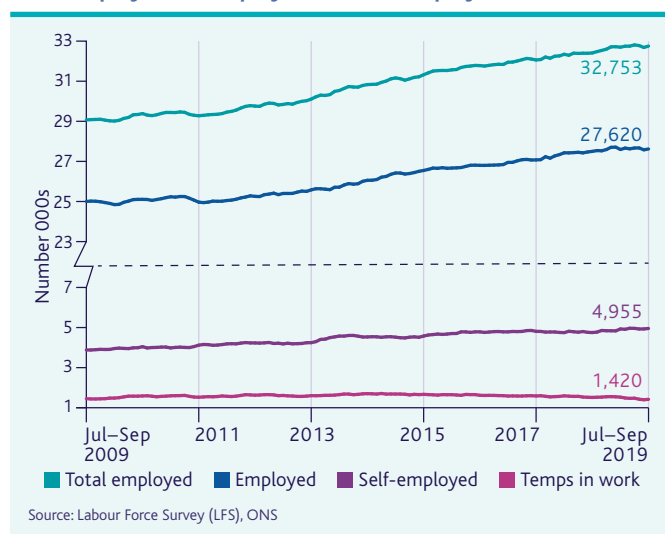


# LabourMarketDashboard

## TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

The UK workforce increased by 323,000 (1.0%) in the year to July–September 2019. This came courtesy of 286,000 (1.2%) more people working full-time and 37,000 (0.4%) more part-time workers. There was a significant rise of 195,000 (4.1%) in the number of self-employed workers. In contrast, the number of temporary workers fell by 92,000 (6.1%) year-on-year. The number of official vacancies continued to decline. At 800,000 in August–October 2019, this was 53,000 (6.2%) less than a year earlier and 18,000 (2.2%) fewer than in the previous quarter (May–July 2019).

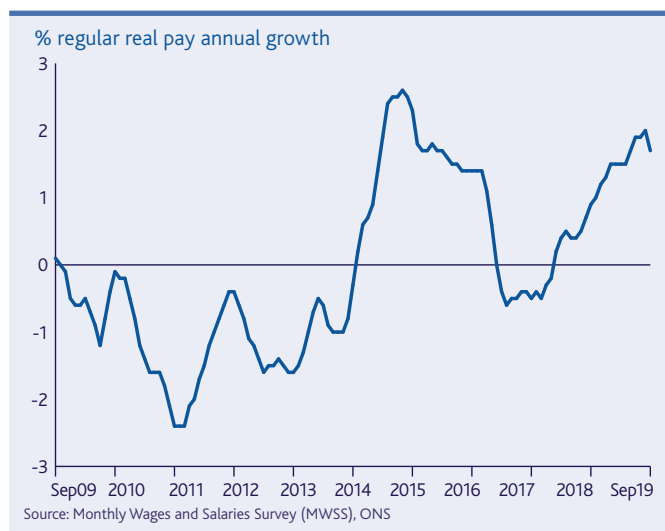
### Total employment, employed and self-employed



## REAL WAGE GROWTH

Regular pay (in nominal terms) for employees grew by 3.6% between July–September 2018 and July–September 2019. When considering the change in real-terms (i.e. adjusted for CPI), however, regular pay increased by 1.7%. This barometer crucially excludes the earnings of self-employed workers, who represent 15.1% of the workforce.

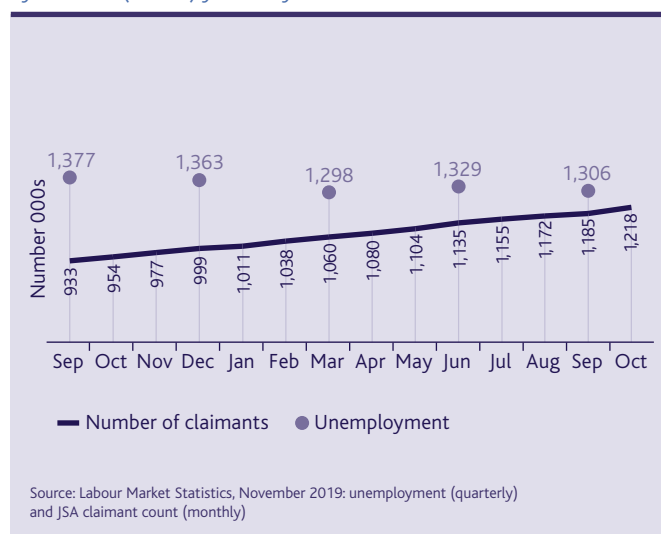
For September 2019, average weekly regular pay (before tax and other deductions) was £508 in nominal terms. When adjusted for CPI (i.e. in real terms), however, it was £470. Whilst £7 higher than a year earlier, it was still £3 lower than the pre-recession peak recorded in April 2008.



## UNEMPLOYMENT AND CLAIMANT NUMBERS

The unemployment rate was 3.8% in July–September 2019. At 1,306,000, this represented a 23,000 (1.8%) decrease from April–June 2019, and was 72,000 (5.2%) lower than July–September 2018. However, 16–17 year olds experienced a hefty 9.9% (8,000) rise in unemployment quarter-on-quarter, and a 2.9% (3,000) increase year-on-year. At 91,000, this represented an unemployment rate of 21.0%. Additionally, 18–24 year olds experienced a 5.3% (21,000) year-on-year rise to 10.8% unemployment (409,000).

At 1,218,000, the provisional Claimant Count in October 2019 was 33,000 (2.8%) higher than the previous quarter and was up by 264,000 (27.6%) year-on-year.

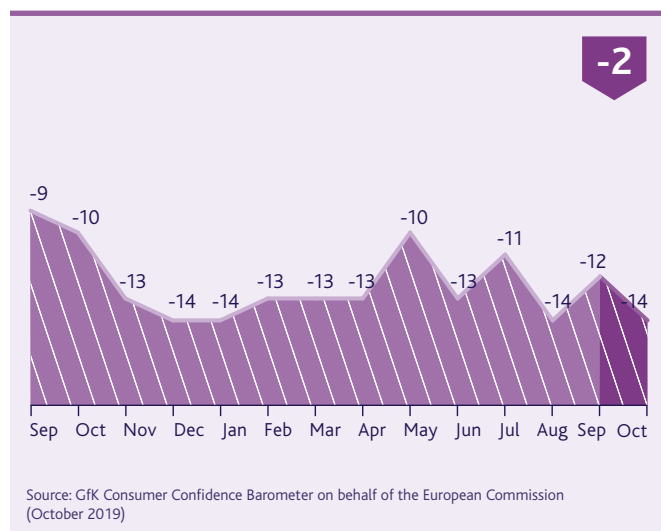


## CONSUMER CONFIDENCE INDEX

The GfK Consumer Confidence Index fell by 2 points in October to -14, with all five underlying measures contributing to the decline.

Taking respondents' views on the general economic situation over the next 12 months, a 2-point fall left this measure at -37. This is 9 points lower than in October 2018.

In terms of how they felt the economic conditions were likely to impact them personally, the forecast for respondents' personal finances over the next 12 months fell by 1 point to a level 3 points lower than in October 2018. Additionally, a 2-point fall in the Major Purchase Index also took this barometer to a level 3 points lower than a year earlier.

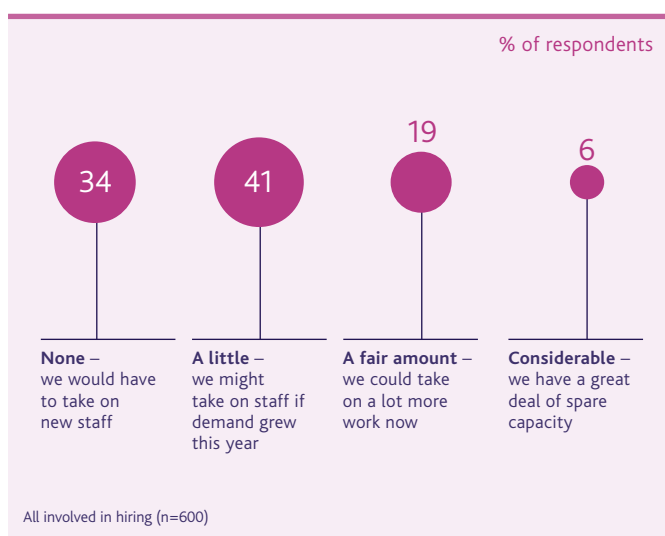


# EmployerDashboard

## WORKFORCE CAPACITY

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

Three in four (75%) UK employers indicated this quarter that they either had no known spare resource capacity (34%), or such a small amount that they may need to add headcount if demand increases (41%). This increased to 84% amongst the UK's largest (250+ employee) enterprises (up from 73% in the same period last year) and to 83% amongst all public sector organisations (up from 74% the previous year).

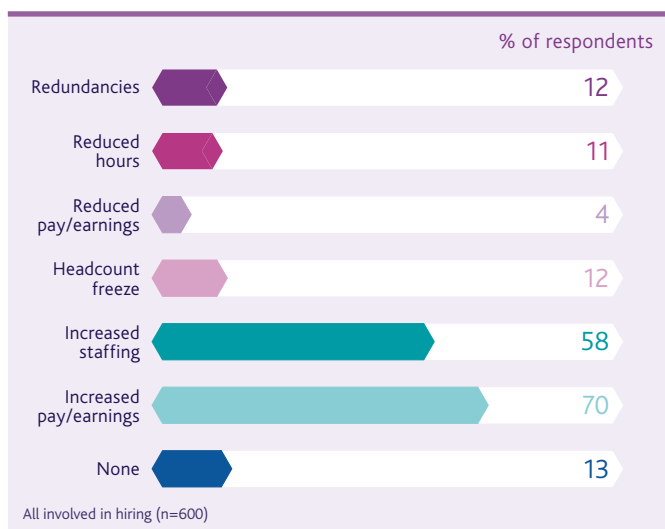


## WORKFORCE PLANNING

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

Seven in ten (70%) employers increased pay/earnings in the year to August–October 2019, up from 57% who had taken this action when surveyed a year earlier. By size of organisation, this figure ranged from 61% of small/micro (0–49 employee) enterprises to 82% of the largest (250+ employee) hirers.

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

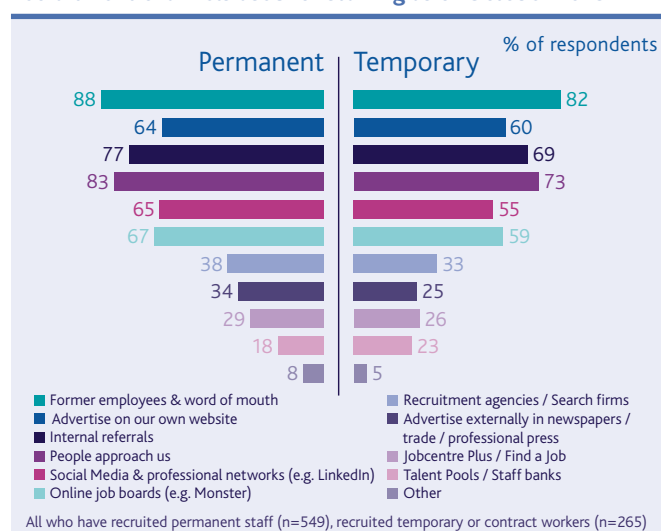


## RECRUITMENT CHANNELS USED

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

Among those who recruit each type of worker, the recruitment channels used by the highest proportion of employers to hire permanent staff are former employees and word of mouth (88%) and direct approaches from candidates (83%). The proportion using recruitment agencies to hire permanent staff rose to 38% this quarter, compared to 30% in May–July 2019.

**Recruitment channels used for staffing as of October 2019**

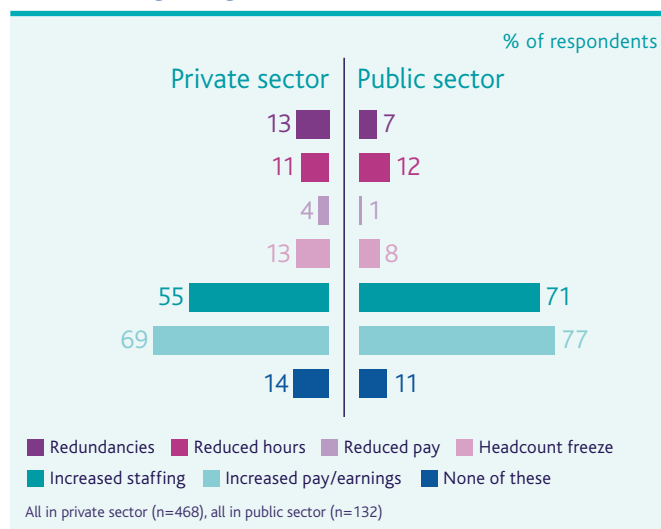


## WORKFORCE PLANNING BY SECTOR

The proportion of public sector hirers who had increased pay/earnings rose significantly, from 61% in the year to August–October 2018, to 77% in the year to August–October 2019. There was also a much sharper year-on-year rise, from 46% to 71%, in the proportion of public sector hirers increasing staffing levels, than within the private sector (where it increased from 49% to 55%).

There was a notable drop, year-on-year, in the proportion of public sector hirers making redundancies – from 16% in the year to August–October 2018 to just 7% this year.

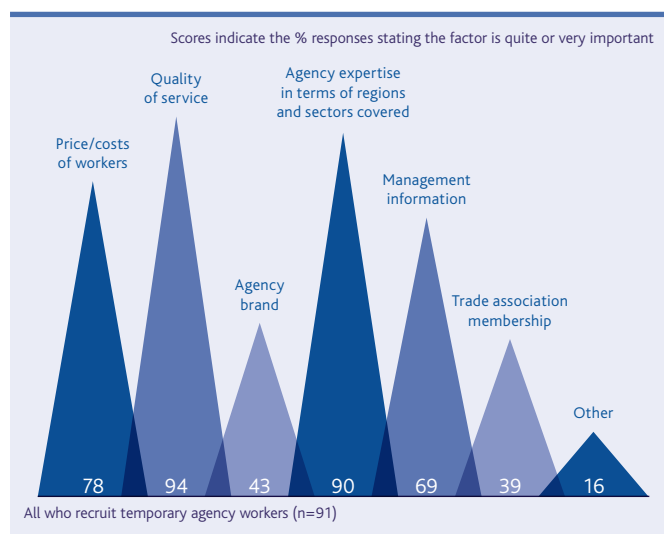
**3 month rolling average to October 2019**



## 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 citing the importance of agencies' regional and/or sectoral expertise as a selection criterion rose from 70% to 90% year-on-year. There was also a significant increase in the proportion citing quality of service as important, from 80% to 94%.

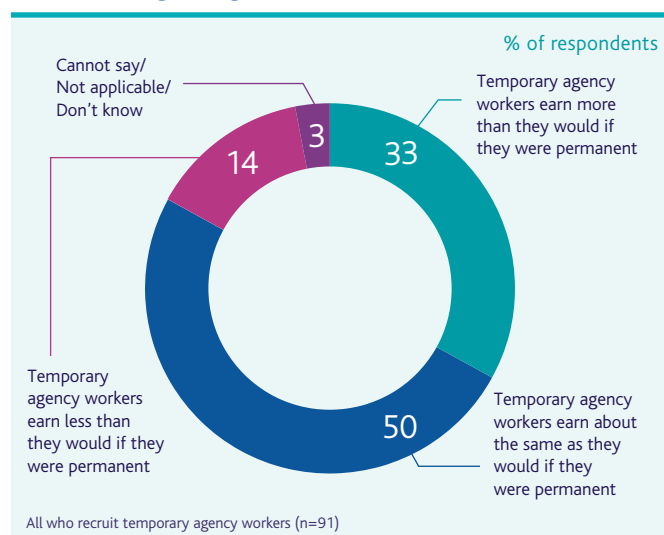


## AGENCY WORKER PAY RATES

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

The proportion of employers of temporary workers who felt that those workers earn about the same as if they were permanent remained almost unchanged from a year ago (50% this year, compared to 51% in 2018). The proportion who felt that temporary agency workers earn less than if they were permanent fell from 22% to 14% over the same period.

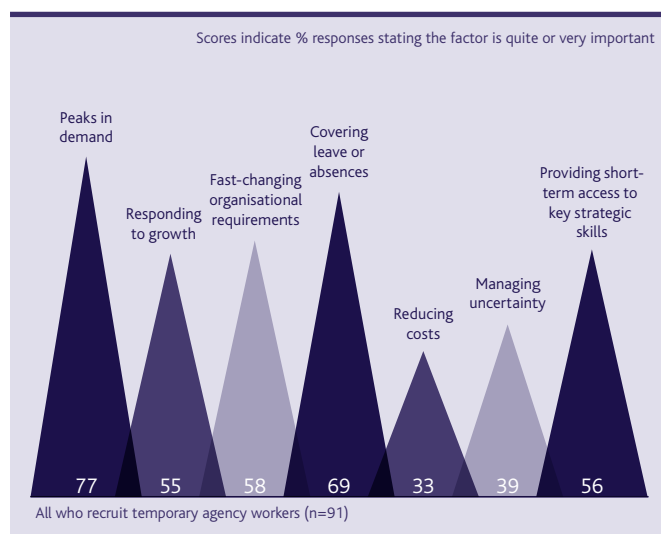
3 month rolling average to October 2019



## IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

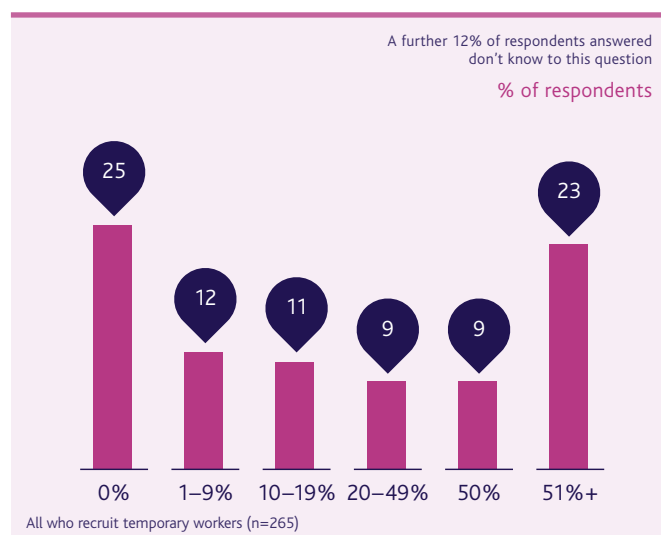
There was a notable year-on-year increase in the proportion of employers highlighting that temporary agency workers are important for meeting peaks in demand, from 67% to 77%. The proportion highlighting that temporary agency workers are important for responding to growth also rose year-on-year, from 50% to 55%.



## TEMPORARY TO PERMANENT

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

Two in five employers (41%) move at least one fifth (20%) of their temporary workers into permanent positions each year. By size of organisation, a higher percentage of mid-sized (50–249 employee) organisations make this proportion of temporary to permanent transfers than small (0–49 employee) and large (250+ employee) enterprises (58% vs. 32% and 37%, respectively).





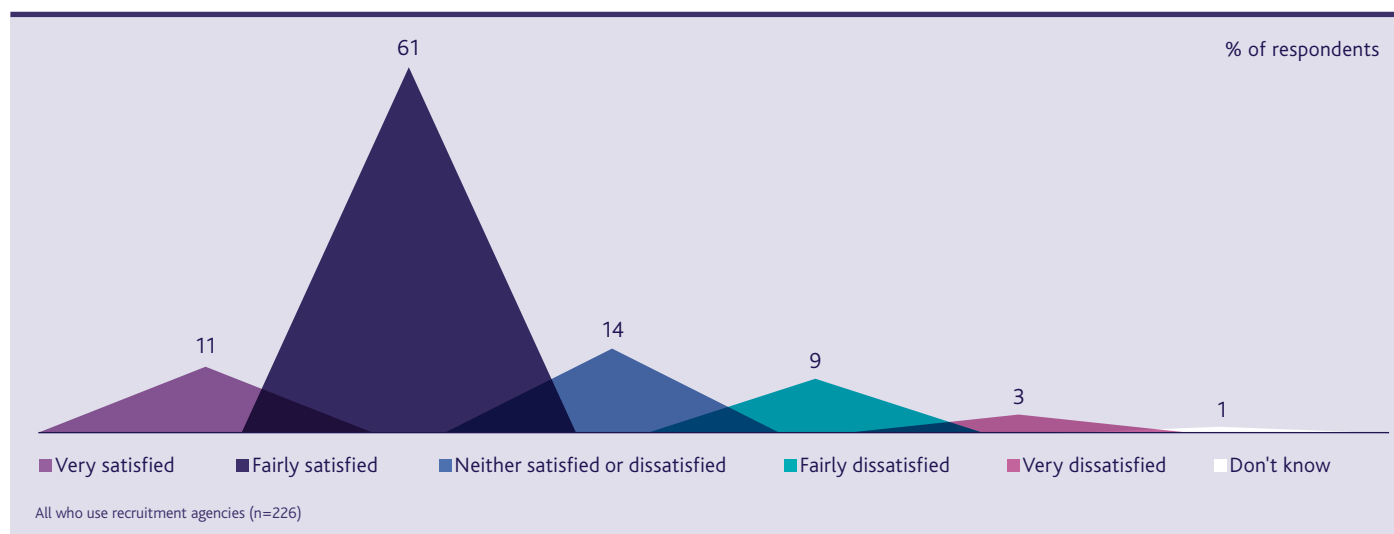
## SATISFACTION WITH CANDIDATES

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

This quarter, 72% of UK employers who use recruitment agencies expressed satisfaction with the candidates presented by their partner agencies. This was similar to the figure recorded a year earlier (74%). The one notable improvement in satisfaction levels was amongst employers in London, where it rose from 73% to 88% year-on-year.

Mid-sized (50–249 employee) organisations remained the most satisfied with the quality of candidates at 78%, compared to just 67% of the smallest (0–49 employee) enterprises.

Levels of dissatisfaction with the candidates presented by agencies rose from 9% to 13%, year-on-year. However, dissatisfaction levels dropped markedly in the North, falling from 21% to 10%. They also fell in London from 7% to 5%. In contrast, they rose from 11% to 14% in the South (excluding London).



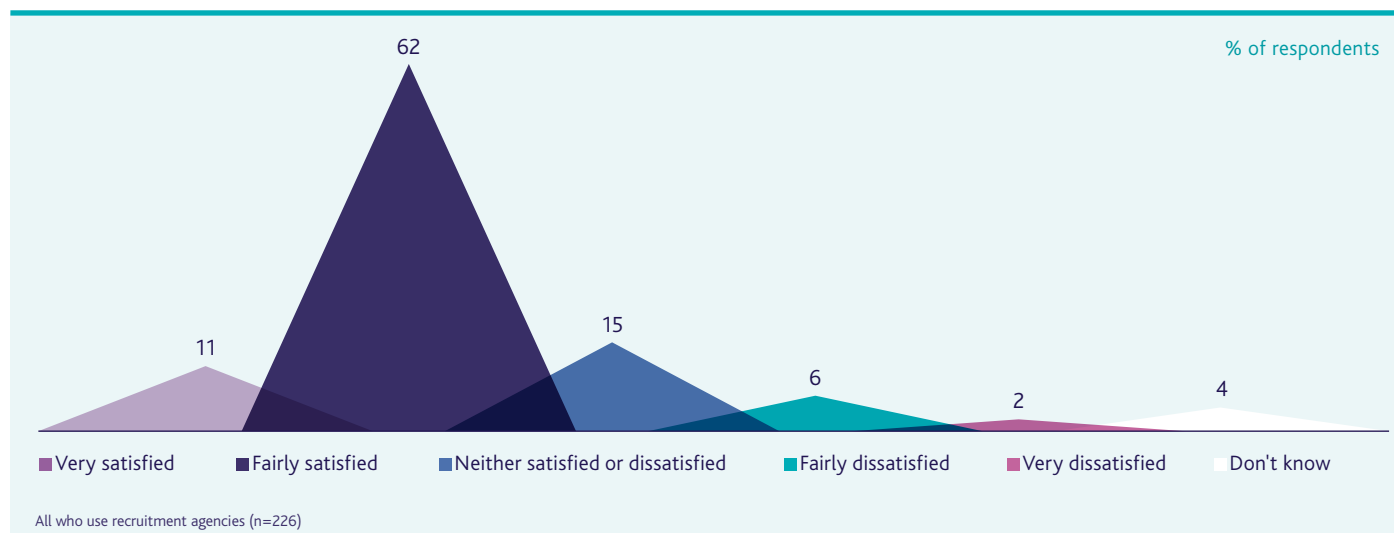
## SATISFACTION WITH AGENCIES

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

At 73%, employers' overall satisfaction level with their recruitment agency partners in August–October 2019 was slightly lower than last year (77%). Compared to last rolling quarter, regional variations remain stark, however, with satisfaction levels ranging from 63% in the South (excluding London) to 91% in the capital. This contrasts with the 75% and 79% seen in those regions, respectively, a year earlier.

By sector, a sharp decline in satisfaction levels amongst public sector hirers – from 83% to 66% – is noteworthy. In contrast, satisfaction levels amongst private sector hirers remained similar at 74% (compared to 76% a year ago).

Encouragingly, overall dissatisfaction levels dropped year-on-year, from 10% to 8%. This included a notable fall in the proportion of Northern employers expressing their dissatisfaction, from 21% in August–October 2018 to 8% this 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?

Significantly above-average levels of forecast short-term demand continued for permanent Health & Social Care workers (down 2 percentage points from the previous rolling quarter to net: +44). The balance of anticipated demand for Technology and Construction workers for permanent hire also remains notably above average, at net: +31 and net: +30, respectively.

As anticipated, seasonal forecast demand for temporary drivers surged this quarter, rising 13 percentage points to net: +49. The balance of forecast demand also remained high for temporary Construction workers (albeit falling 25 percentage points to net: +31). In contrast, the balance of demand for temporary agency Health & Social Care workers remained firmly negative (net: -24).

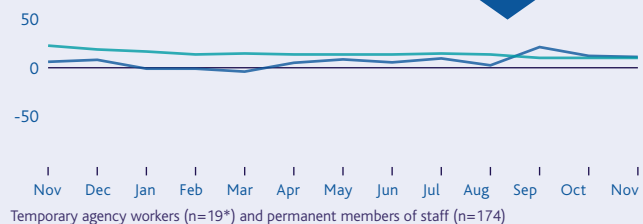
■ Temporary  
■ Permanent

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

-1

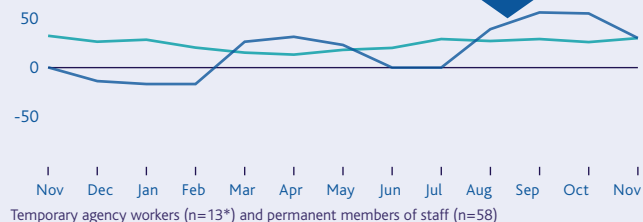
0



### CONSTRUCTION

-25

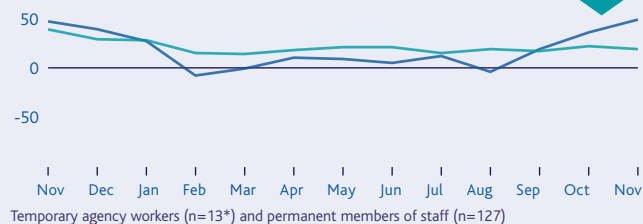
+4



### DRIVERS

+13

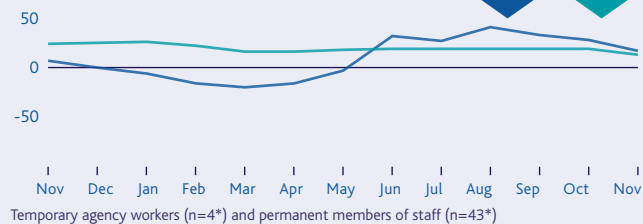
-3



### EDUCATION

-11

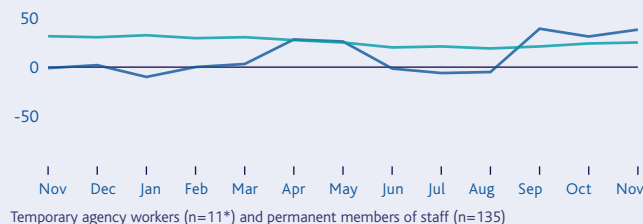
-6



### ENGINEERING & TECHNICAL

+7

+1



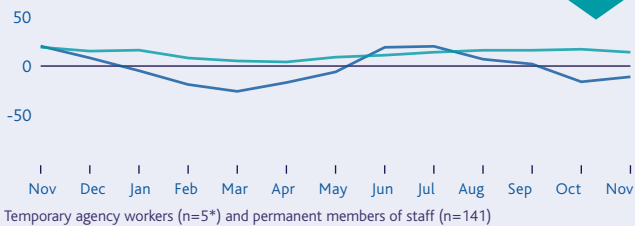


# SectorProspects

## EXECUTIVE RECRUITMENT / INTERIM

+5

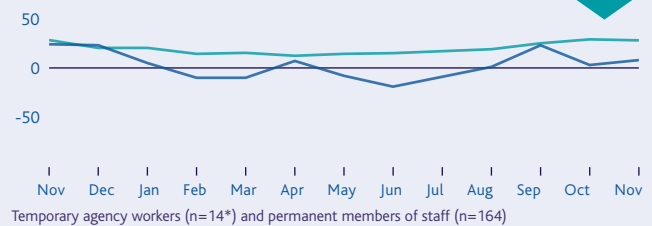
-3



## MARKETING, MEDIA & CREATIVE

+5

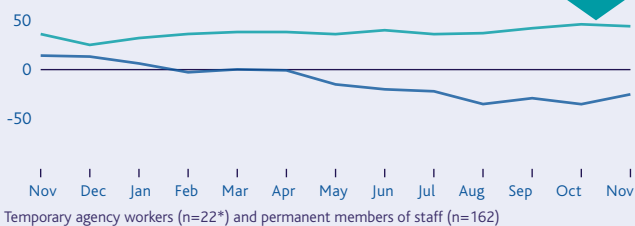
-1



## HEALTH & SOCIAL CARE

+10

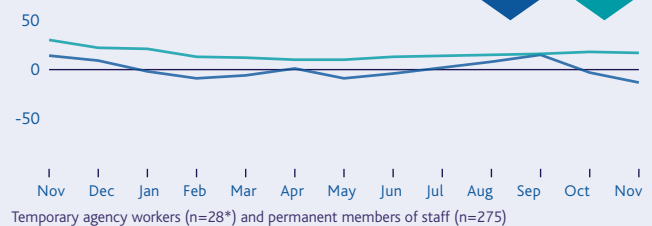
-2



## OFFICE PROFESSIONALS

-3

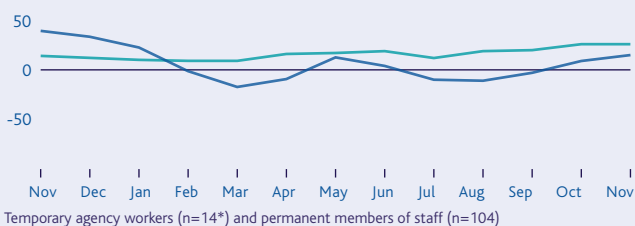
-1



## HOSPITALITY

+6

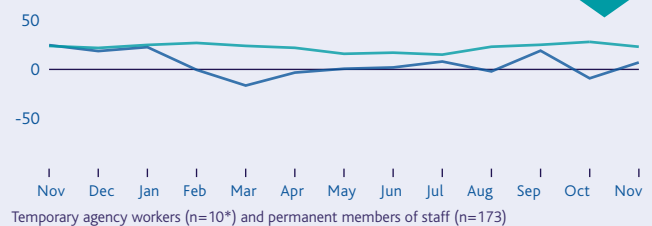
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## SALES & RETAIL

+16

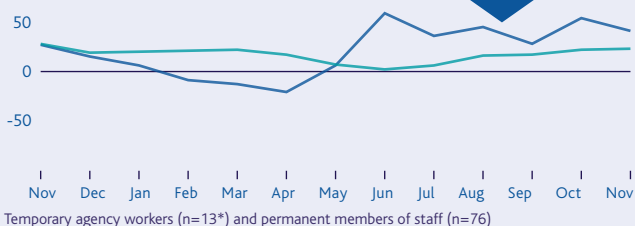
-5



## INDUSTRIAL

-13

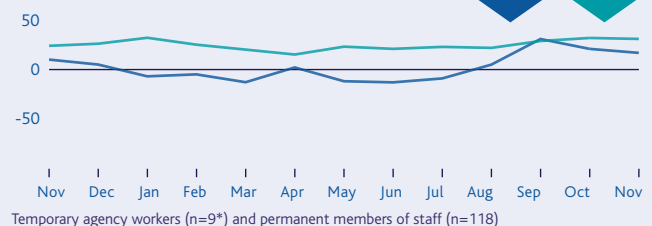
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## TECHNOLOGY

-4

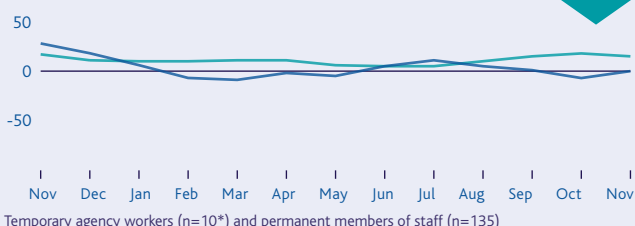
-1



## LEGAL & HR

+7

-3



# REC-IHS Markit Predictive model

## UK UNEMPLOYMENT FORECAST TO FALL SLIGHTLY IN THREE MONTHS TO OCTOBER

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

The latest nowcast model signals a fall of 21,000 in the Labour Force Survey measure of UK unemployment in the three months to October. The decline would lead the unemployment rate to ease from 3.8% to 3.7%.

The model therefore signals a second successive decline in unemployment, following a 23,000 fall reported by the ONS in the three months to September. As shown in the charts below, the model continues to provide reliable signals in official unemployment data.

- 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

### Methodology

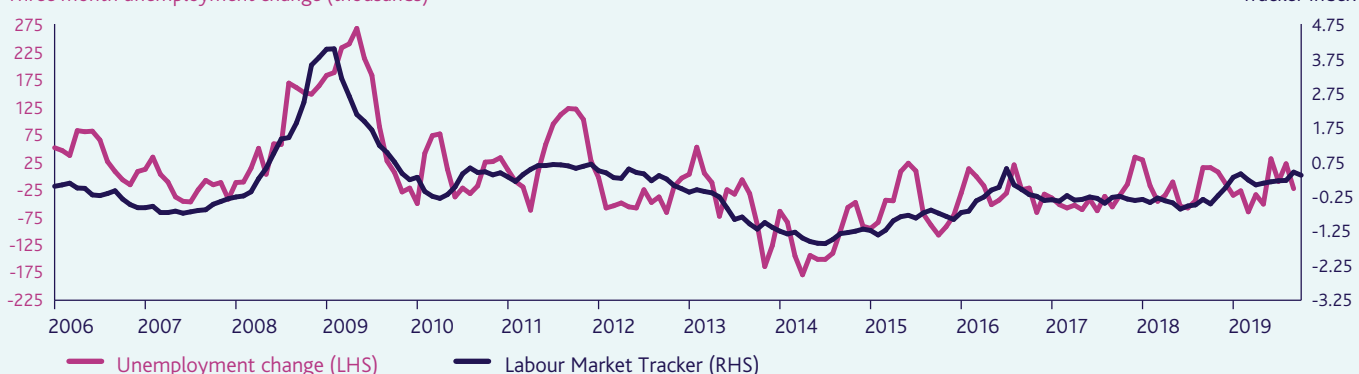
The model draws on a range of official, survey and internet search data, which are available on a more timely basis than our target variable. This includes:

- 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**

Three month unemployment change (thousands)



**CHART 2: THREE MONTH UNEMPLOYMENT CHANGE**



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