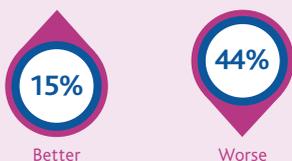


UK hiring profile remains static as Brexit extension begins

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)

The net balance of employers' confidence in the prospects for the UK economy improved by 2 percentage points this month to net: -29. Whilst also remaining in negative territory, confidence in making hiring/investment decisions rose by 2 percentage points to net: -3. Both measures remained just above the record lows recorded in the previous rolling quarter.



The net percentage is calculated by subtracting the % of respondents answering 'worse' from the % of respondents answering 'better'

Key Points from February–April Survey



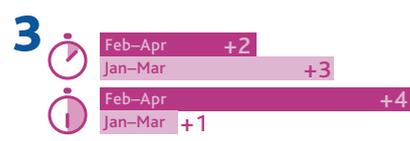
Employer confidence just above record low

At net: -29 and net: -3, respectively, employers' confidence in the UK economy and in making hiring/investment decisions remained just above the record lows recorded in the previous rolling quarter.



Balance of sentiment towards permanent hiring up from last year

The balance figures for short-term forecast demand (net: +16) and for medium-term forecast demand (net: +18) for permanent workers were 2 and 4 percentage points higher, respectively, than a year earlier.



Sentiment for hiring agency workers

The balance of short-term forecast demand for temporary agency workers fell by just 1 percentage point to net: +2, rolling quarter-on-quarter. In the medium-term, forecast demand rose by 3 percentage points to net: +4.



Employers with little or no surplus work capacity

80% of employers have little or no surplus workforce capacity, rising to 85% amongst large (250+ employee) organisations. Only 5% of all employers reported having considerable surplus workforce capacity.



Concern over sufficient availability of candidates for hire

Just under half of employers (45%) expressed concern over the sufficient availability of candidates for permanent hire, with Engineering & Technical, Health & Social Care and Construction the three skills areas employers reported most concern about.



Importance in providing short-term access to key skills

More than half (56%) of UK employers of temporary agency workers cited their importance in providing short-term access to key skills this quarter. This was up from 52% a year earlier.

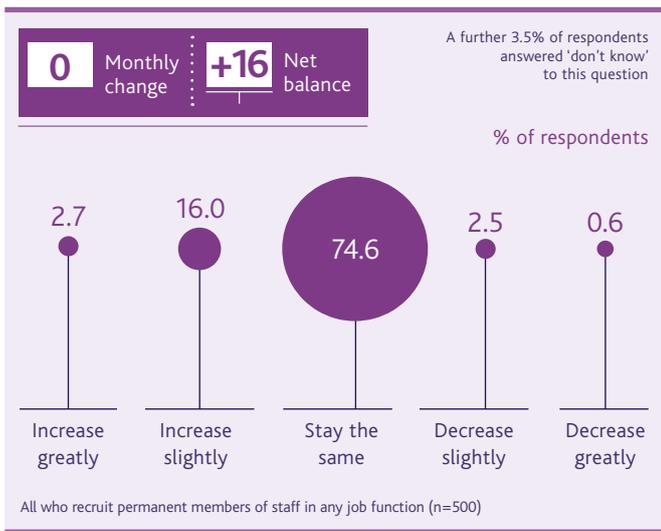
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

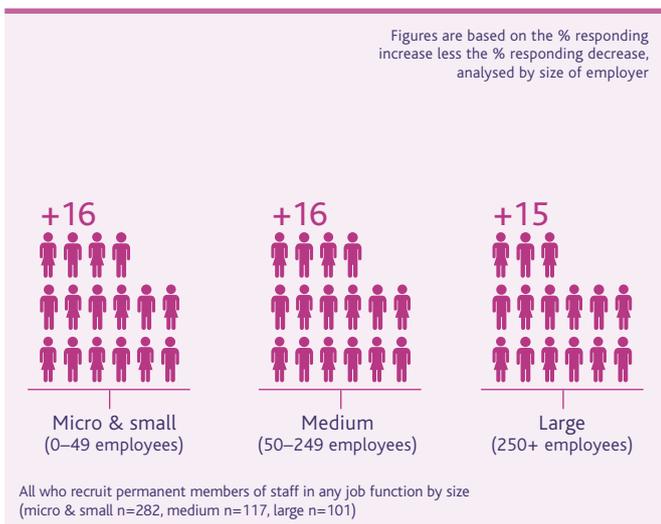
More employers planned to increase than decrease their permanent headcount in the short-term when surveyed in February–April 2019, at net: +16. This was up by 2 percentage points on the sentiment recorded a year earlier. Regionally, forecast demand was highest in the North (net: +20, versus net: +10 last year) and lowest in the Midlands (net: +9, versus net: +19 last year). Forecast demand was higher in the private (net: +17) than in the public sector (net: +12).



OUTLOOK BY EMPLOYER SIZE

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

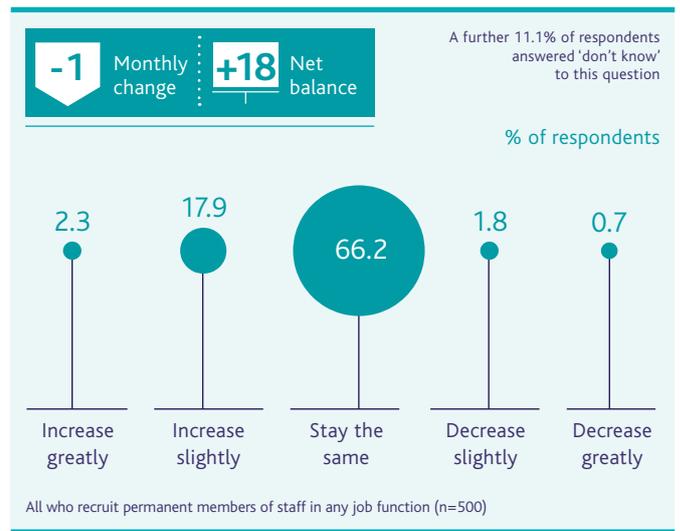
The positive net balance of short-term forecast demand for permanent hiring continued to remain relatively stable this quarter across enterprises of all sizes. Even looking at a year-on-year comparison, the balance of sentiment held steady, with the most significant shift in anticipated demand (a rise from net: +11 to net: +15) occurring within large (250+ employee) organisations.



MEDIUM-TERM OUTLOOK

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

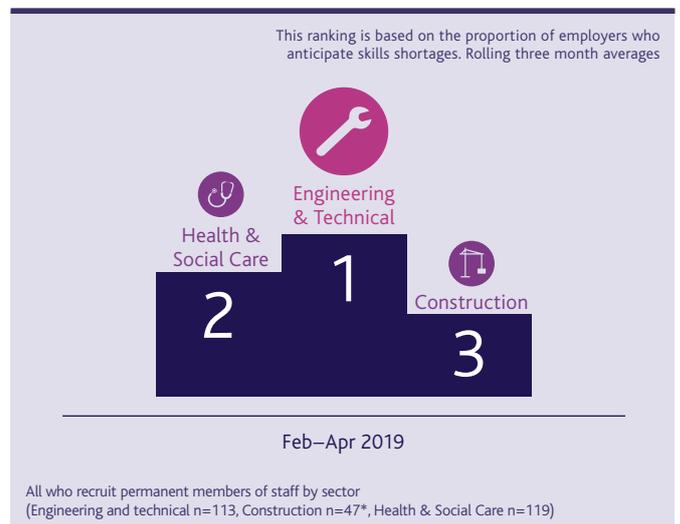
Whilst the medium-term balance of forecast demand fell by 1 percentage point rolling quarter-on-quarter to net: +18, it remained 4 percentage points higher than in the same period last year. Demand was notably higher in the private (net: +20) than the public sector (net: +11). Regionally, the greatest year-on-year change in forecast demand occurred in the South (excluding London), doubling from a balance of net: +10 to net: +20 year-on-year.



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 just under half (45%) of all UK employers expressed concern this quarter over the sufficient availability of appropriate candidates for permanent hire, concern was notably higher in the public than the private sector (60% versus 42% respectively). The top three skills areas where shortages are anticipated remained the same as last rolling quarter.

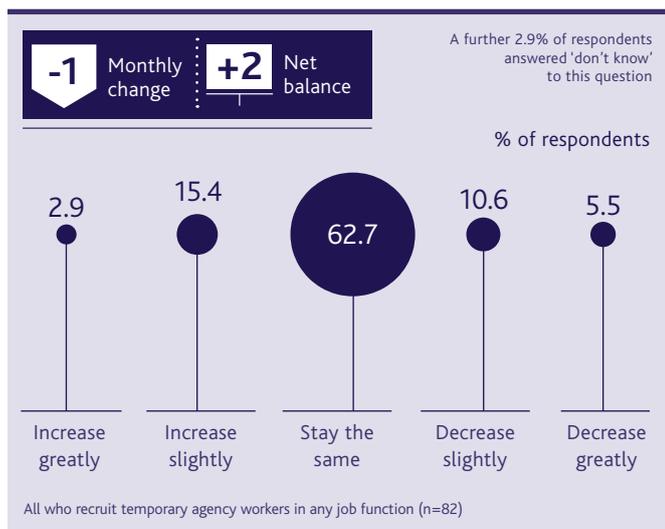


Temporary Recruitment

SHORT-TERM OUTLOOK

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

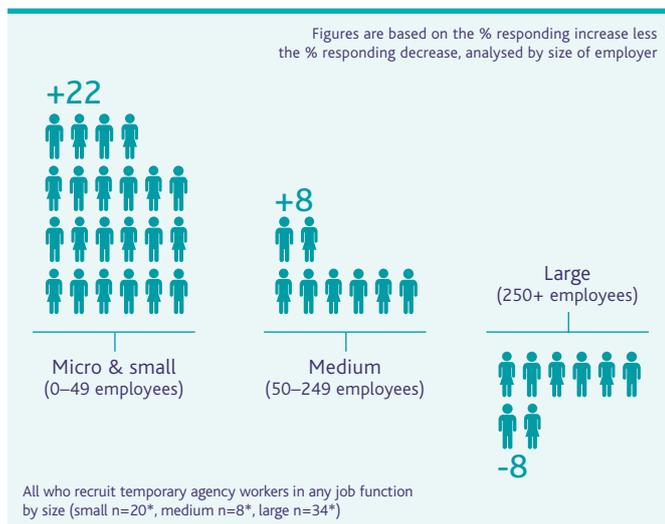
Short-term forecast demand for temporary agency workers remained in positive territory this quarter at net: +2, despite falling by 1 percentage point from the previous rolling quarter. However, it remained a notable 12 percentage points lower than the level recorded in the same period last year. The short term forecast demand for temporary agency workers is notably lower in the public sector (net: -16) than in the private sector (net: +13).



OUTLOOK BY EMPLOYER SIZE

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

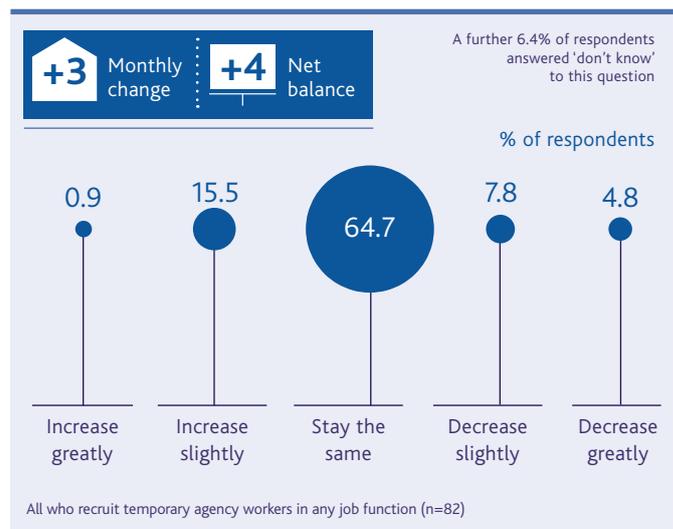
Whilst the balance of forecast short-term demand for agency workers remained relatively stable this quarter, there were two notable shifts in sentiment by size of employer rolling quarter-on-quarter. Amongst medium sized (50–249 employee) enterprises, the balance of sentiment rose from net: -3 to net: +8, but remained significantly lower than the net: +17 recorded last year. Conversely, sentiment moved into negative territory (net: -8) in the UK's largest (250+ employee) organisations, down from net: +1 last rolling quarter and from net: +10 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?

The balance of forecast demand for temporary agency workers in the medium-term rose by 3 percentage points this quarter, following a 9-percentage point rise in the previous rolling quarter. Whilst firmly back in positive territory, at net: +4, this figure remained 13 percentage points lower than in the same period last year.



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 32%, the proportion of employers of temporary agency workers expressing concern over their sufficient future availability was 27 percentage points lower than the level recorded last year (59%). The shift was driven by an annual 30-percentage point decline, from 63% to 32%, in the balance of private sector hirers who anticipated shortages.



LabourMarketDashboard

TOTAL EMPLOYMENT – PERMANENT AND TEMPORARY

The UK workforce (all in employment) increased by 0.3% in January–March 2019, compared to the previous quarter. At 32,697,000 it was 99,000 larger than the previous quarter (October–December 2018) and 354,000 (1.1%) larger than the same period a year earlier. Self-employment rose by a notable 90,000 (1.9%) quarter-on-quarter, and 180,000 year-on-year to 4,930,000. This represented a self-employment rate of 15.1%. In contrast, at 1,528,000, temporary employment was 21,000 (1.4%) lower than the previous quarter and shrank by 60,000 (3.8%) year-on-year.

Total employment, employed and self-employed



REAL WAGE GROWTH

Regular Pay growth (excluding bonuses) in nominal terms for employees for the period between January–March 2018 and January–March 2019 was +3.3%. When considering the change in real-terms (i.e. adjusted for CPI), however, Regular Pay increased by 1.5%. This index excluded the earnings of the self-employed, however, which represented 15.1% of the workforce this quarter.

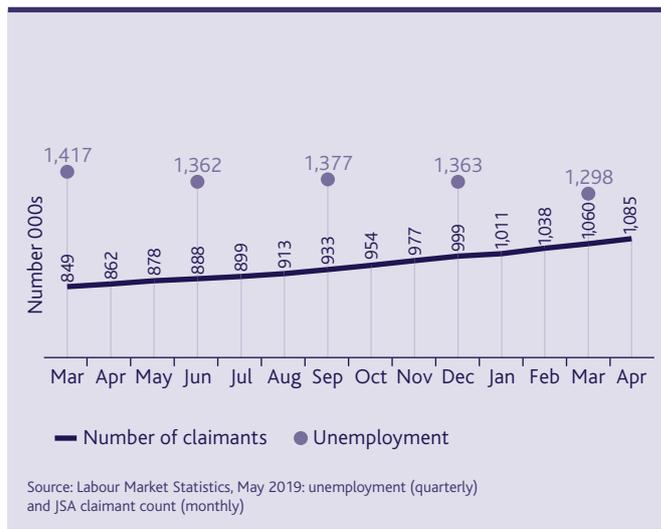
For March 2019, Regular Pay, before tax and other deductions was £498 per week in nominal terms (£15 higher than a year earlier) and £465 in real-terms (£5 higher than a year earlier, but still £8 lower than the pre-recession peak in March 2008).



UNEMPLOYMENT AND CLAIMANT NUMBERS

The unemployment rate was 3.8% in January–March 2019. At 1,298,000, this represented a 65,000 (4.8%) decrease on the previous quarter and was 119,000 (8.4%) lower than the same period a year earlier. Set into context of total EU unemployment, which was 6.4% in March 2019, there were six countries with lower rates than the UK: Czech Republic (1.9%), Germany (3.2%), Hungary (3.4%), Malta (3.5%), the Netherlands (3.3%) and Poland (3.4%).

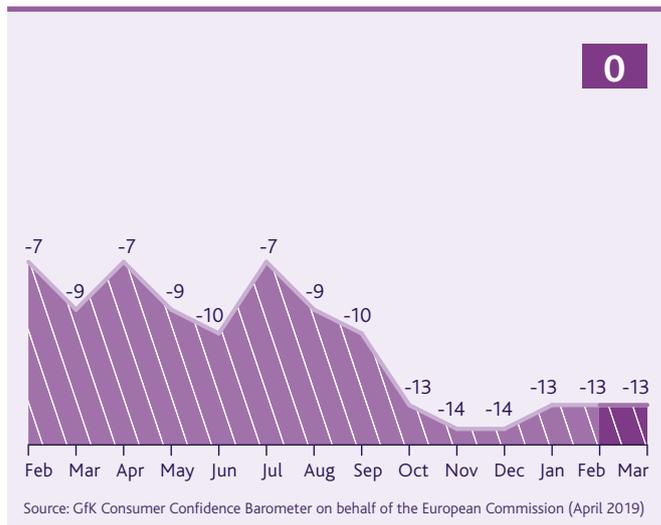
At 1,085,000, the provisional Claimant Count in April 2019 was 25,000 (2.3%) higher than the previous quarter and was up by 224,000 (26.0%) year-on-year.



CONSUMER CONFIDENCE INDEX

The Consumer Confidence Index remained at -13 in April for the third consecutive month.

Notably, there was a downturn this month in the measure of respondents' prospects for their own personal finances. Their view on these prospects for the next twelve months fell by 2 points, to 0, which was 4 points lower than in April 2018. Also of note, particularly to retailers and their supply chains, the Major Purchase Index fell by a further 2 points to -1, which was also 4 points lower than at the same point a year earlier. And an 8-point month-on-month fall in the Savings Index took this barometer to +12, just 2 points higher than a year earlier.

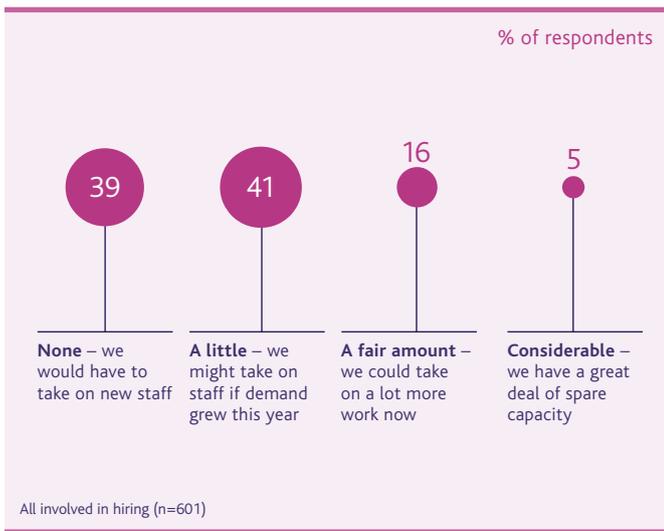


EmployerDashboard

WORKFORCE CAPACITY

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

Eight in ten (80%) UK employers indicated this quarter that they had either no surplus workforce capacity (39%) or such a small amount that they may need to increase headcount if demand increased (41%). This rose to 85% amongst the UK's largest (250+ employee) organisations. From a regional perspective, the lower recording of 76% in London is noteworthy in that it was driven by 9% having considerable surplus capacity (versus 5% across the UK).

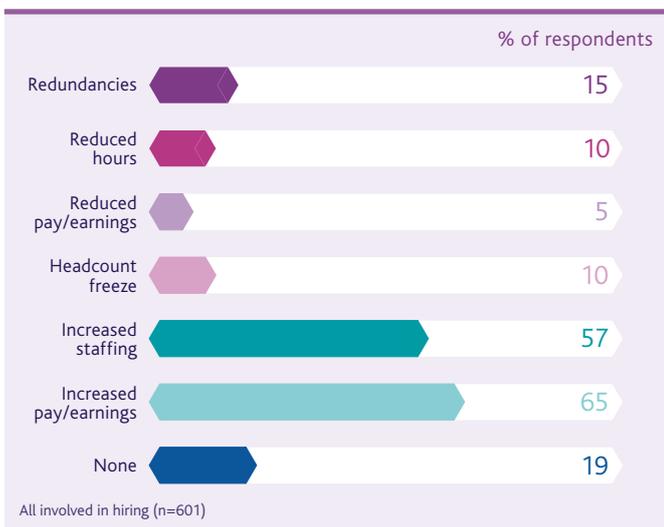


WORKFORCE PLANNING

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

One in five (19%) employers said they had not made any of the surveyed adjustments to staffing levels and/or conditions in the last year. Whilst seemingly high, this figure was lower than the 26% recorded a year earlier. In contrast, the proportion of employers who had increased staff pay/earnings rose notably year-on-year, from 47% to 65%.

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

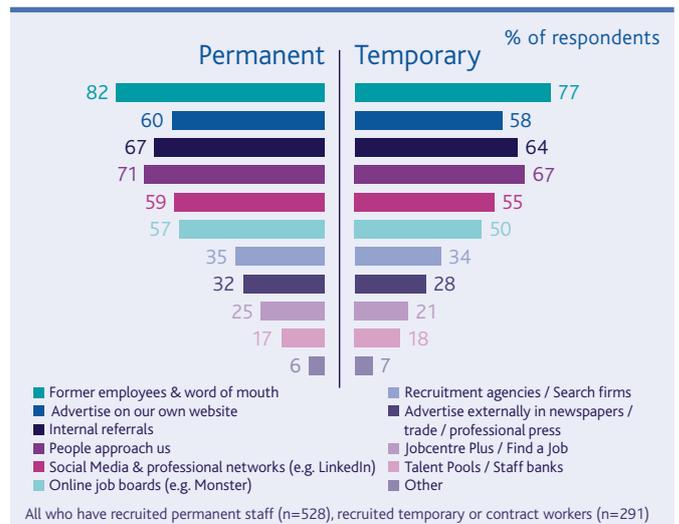


RECRUITMENT CHANNELS USED

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

The proportion of employers who have recruited permanent staff through former employees and/or word of mouth rose from 74% in February–April 2018 to 82% in the same period this year. Similarly, the proportion recruiting temporary agency workers in this way rose from 64% to 77% year-on-year, making this the most popular method of recruitment by some margin.

Recruitment channels used for staffing as of April 2019

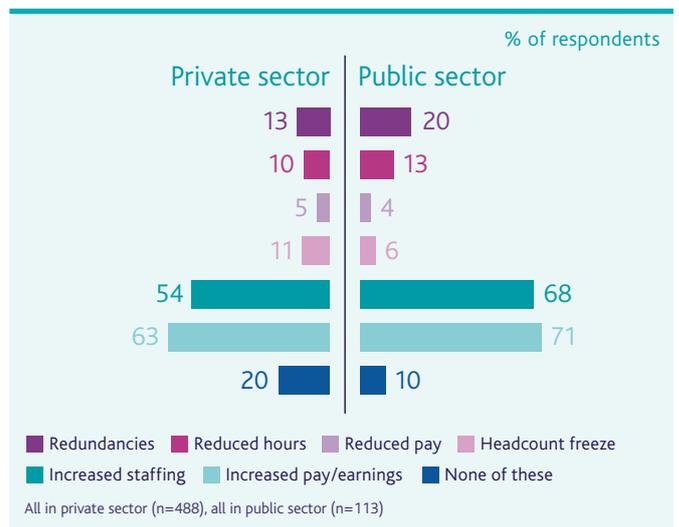


WORKFORCE PLANNING BY SECTOR

The percentage of public sector employers that had not made any of the surveyed adjustments to staffing levels and/or conditions in the year to February–April 2019 fell from 33% to just 10% year-on-year.

Amongst those that had made key changes, significantly more (68%) public sector than private sector respondents (54%) had increased staffing levels – up from 40% and 46%, respectively, in the year to February–April 2018. Additionally, more public (71%) than private sector respondents (63%) had increased pay in the year to February–April 2019, up from 48% and 47% respectively highlighting this change a year earlier.

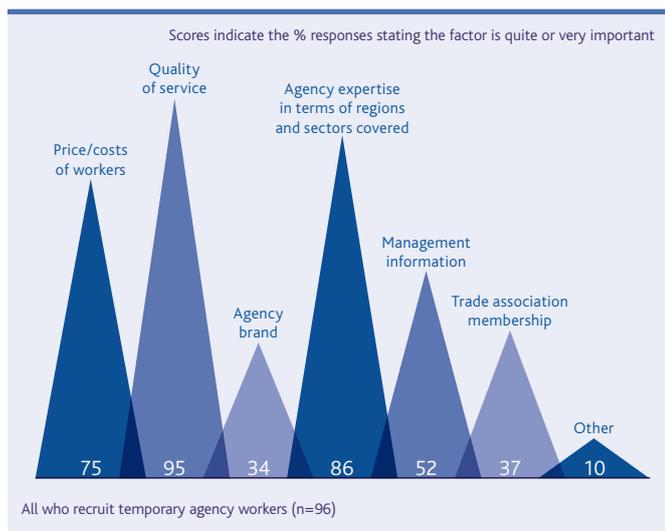
3 month rolling average to April 2019



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?

More hirers of temporary agency workers (86%) highlighted the importance of geographical and/or skills sourcing expertise of an agency than the price/cost of the workers supplied (75%) this quarter. In the public sector, the importance of expertise was noted by 90% of respondents, up from 81% last year.

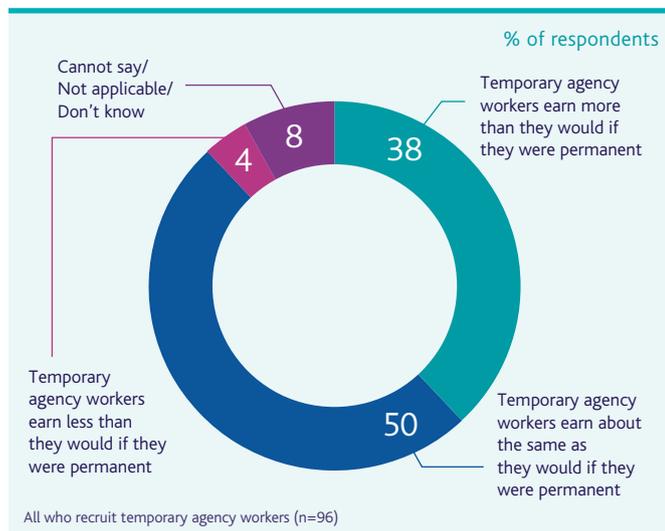


AGENCY WORKER PAY RATES

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

Almost nine in ten (88%) employers who hire temporary agency workers felt, when surveyed this quarter, that agency workers earn the same or higher than if they were permanent. That includes almost four in ten (38%) employers who believe that agency worker pay rates are higher than the permanent equivalent – up from 12% recorded a year earlier.

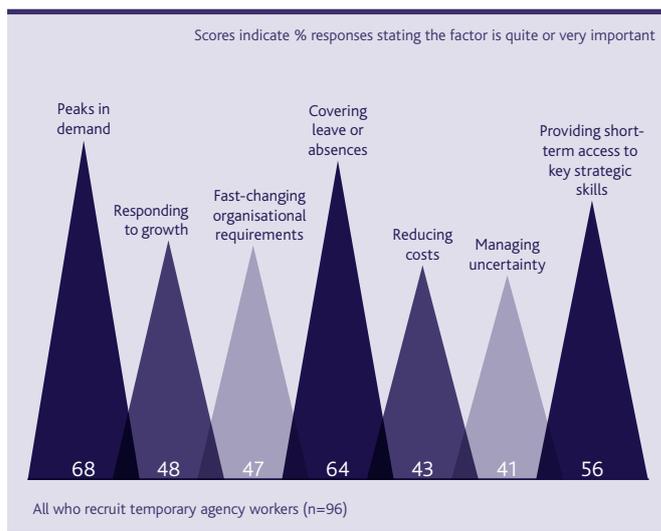
3 month rolling average to April 2019



IMPORTANCE OF AGENCY WORKERS TO EMPLOYERS

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

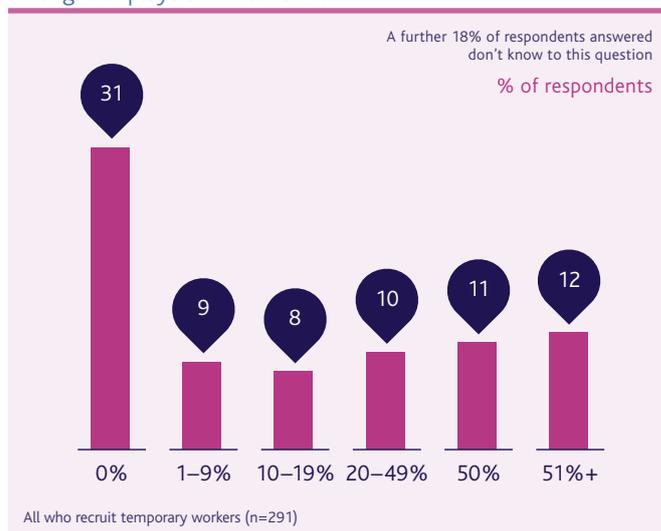
More than half (56%) of UK employers of temporary agency workers cited their importance in providing short-term access to key strategic skills this quarter. This had risen from 52% in the same period last year. In a similar vein, the proportion citing their importance for meeting seasonal peaks in demand rose from 61% to 68% year-on-year.



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 transferring at least 1% of temporary agency workers into permanent posts each year fell from 54% to 50% year-on-year. This was largely driven by a drop, from 63% to 41%, in the practice amongst employers of temporary agency workers in London since a year earlier, and from 53% to 40% amongst employers in the South (excluding London). Conversely, 1%+ annual transfers increased from 46% to 61%, year-on-year, amongst employers in the North.



AgencyDashboard

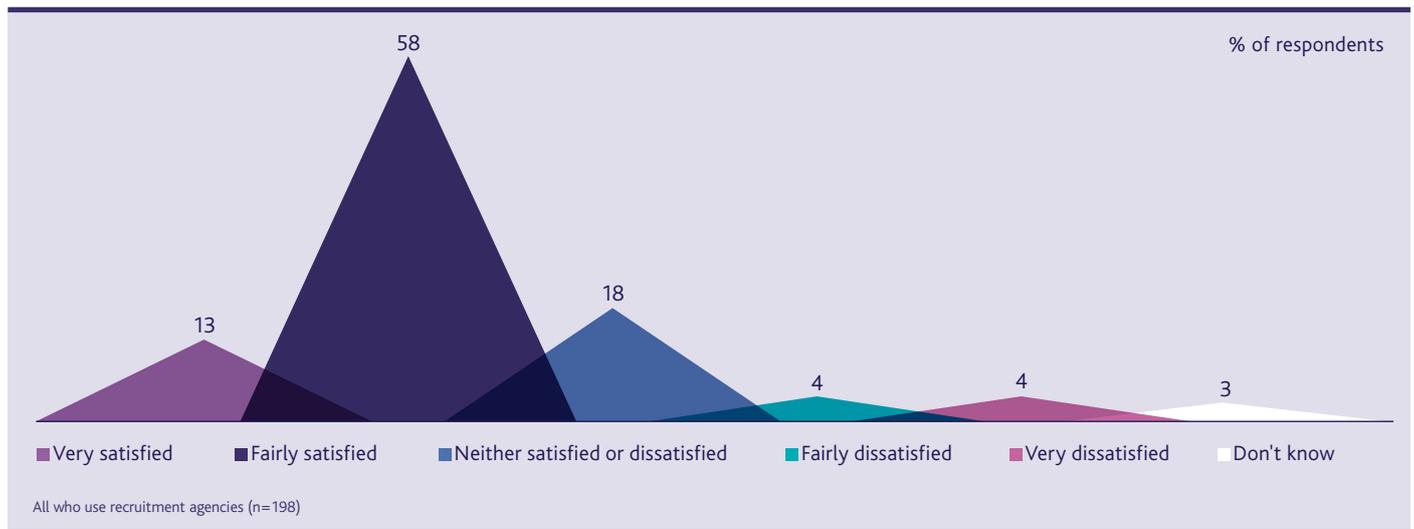
SATISFACTION WITH CANDIDATES

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

Despite declining candidate availability and rising skills shortages, more than seven in ten (72%) UK employers who used recruitment agencies surveyed in February–April 2019 expressed satisfaction with the quality of candidates presented by their agency partners. However, this was down from the 80% recorded in the same period last year. The highest satisfaction levels were recorded in medium-sized (50–249 employee) organisations, with 80% of these employers reported being satisfied

with the candidates presented to them. 70% of small (0–49 employee) and 66% of large (250+ employee) organisations said the same.

This quarter, less than one in ten employers who use recruitment agencies (8%) reported being dissatisfied with the candidates presented to them, the same as a year earlier. From an employer size perspective, the UK's medium-sized and largest hirers expressed the least dissatisfaction, at only 5%. In comparison, 12% of the smallest businesses reported being dissatisfied.



SATISFACTION WITH AGENCIES

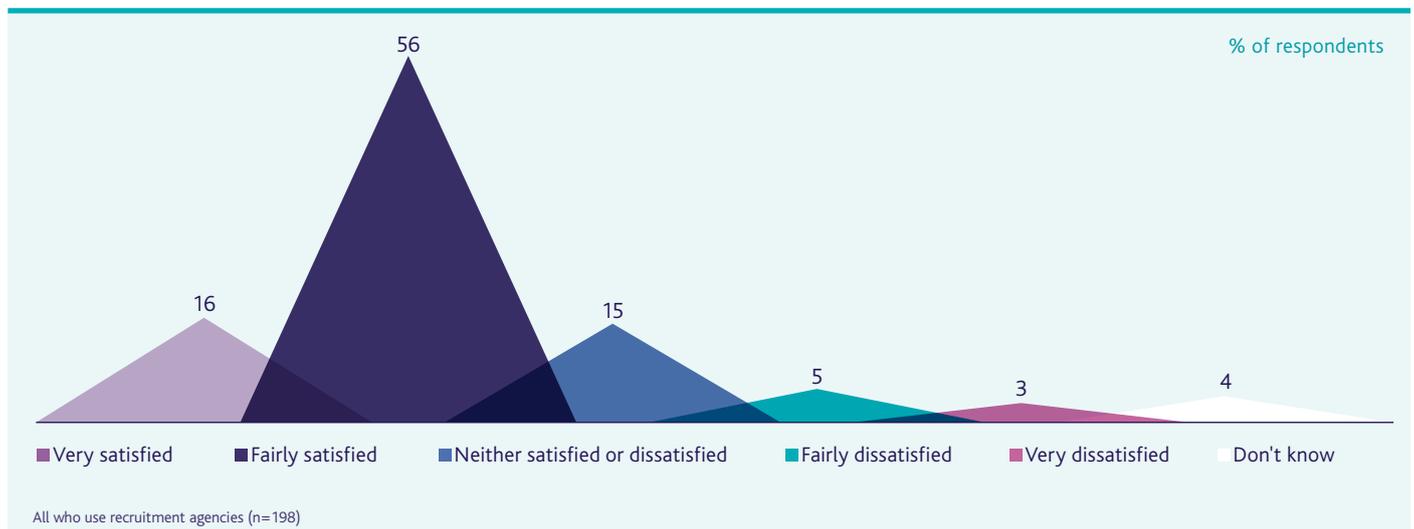
How satisfied are you overall with the recruitment agencies you have used in the last 2 years?

More than seven in ten UK employers that use recruitment agencies (72%) reported that they were satisfied with their agency partners this quarter. However, the balance figure for satisfaction was net: +64, 10 percentage points lower than the balance figure of net: +74 recorded a year earlier.

The levels of satisfaction were highest amongst medium-sized (50–249 employee) enterprises at 85%. This cohort also expressed the lowest levels of dissatisfaction, at only 2%. Meanwhile, the

highest levels of dissatisfaction and lowest levels of satisfaction were reported by the UK's smallest (0–49 employee) businesses, at 16% and 64%, respectively.

Also of note, the balance of sentiment remained relatively stable amongst the UK's largest (250+ employee) enterprises, with just a slight decline from net: +70 to net: +67 this year. In contrast, the balance of sentiment amongst the smallest organisations notably fell, year-on-year, from net: +70 to net: +48.



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 two skills areas with the highest short-term demand for permanent staff this quarter were Health & Social Care at net: +36, and Engineering/Technical at net +25.

While those two areas remained relatively stable from the previous rolling quarter, two noteworthy upward shifts in anticipated demand were amongst those seeking to hire permanent Construction workers (up 5 percentage points to an above-average net: +18) and Technology professionals (up 8 percentage points, also to an above-average net: +20).

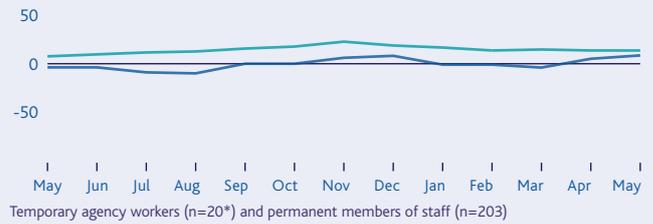
Conversely, there was a notable downward trend in demand for temporary Health & Social Care professionals, from net: 0 to net: -15.

- 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.

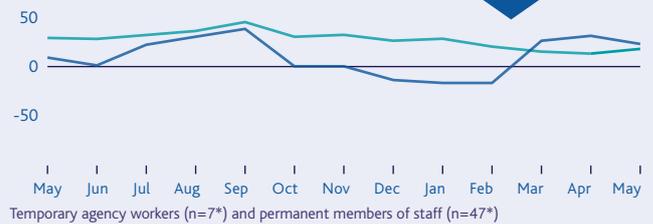
ACCOUNTING & FINANCIAL SERVICES

+1 0



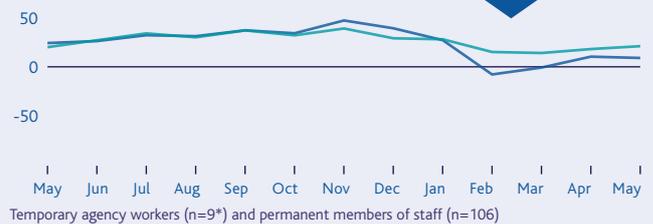
CONSTRUCTION

-9 +5



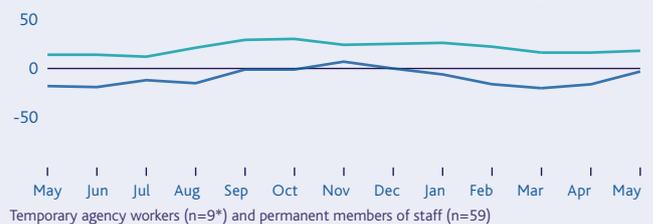
DRIVERS

-3 +3



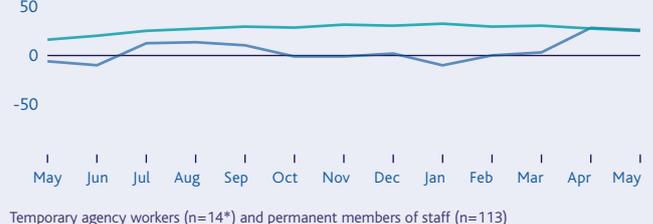
EDUCATION

+12 +3



ENGINEERING & TECHNICAL

-2 -2



SectorProspects

EXECUTIVE RECRUITMENT / INTERIM

+9 **+2**



Temporary agency workers (n=15*) and permanent members of staff (n=173)

MARKETING, MEDIA & CREATIVE

-15 **+2**



Temporary agency workers (n=11*) and permanent members of staff (n=164)

HEALTH & SOCIAL CARE

-15 **-1**



Temporary agency workers (n=20*) and permanent members of staff (n=119)

OFFICE PROFESSIONALS

-9 **0**



Temporary agency workers (n=30*) and permanent members of staff (n=279)

HOSPITALITY

+22 **+1**



Temporary agency workers (n=6*) and permanent members of staff (n=75)

SALES & RETAIL

+4 **-6**



Temporary agency workers (n=15*) and permanent members of staff (n=193)

INDUSTRIAL

+27 **-10**



Temporary agency workers (n=12*) and permanent members of staff (n=58)

TECHNOLOGY

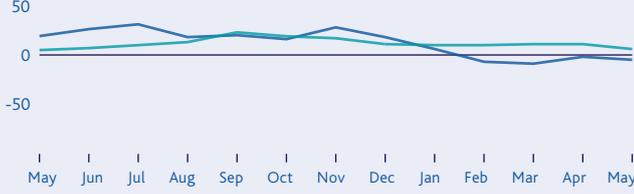
-14 **+8**



Temporary agency workers (n=8*) and permanent members of staff (n=124)

LEGAL & HR

-3 **-5**



Temporary agency workers (n=12*) and permanent members of staff (n=141)

REC-IHS Markit Predictive model

UNEMPLOYMENT RATE FORECAST TO HOLD AT NEW LOW OF 3.8%

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

The latest update to the nowcast model predicts a fall of 56,000 in the Labour Force Survey measure of UK unemployment in the three months to April. This would leave the unemployment rate at its current level of 3.8%, which is the lowest since 1974.

The model signals a fifth consecutive decline in unemployment, with the latest ONS data pointing to a reduction of 65,000 in the three months to March. 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

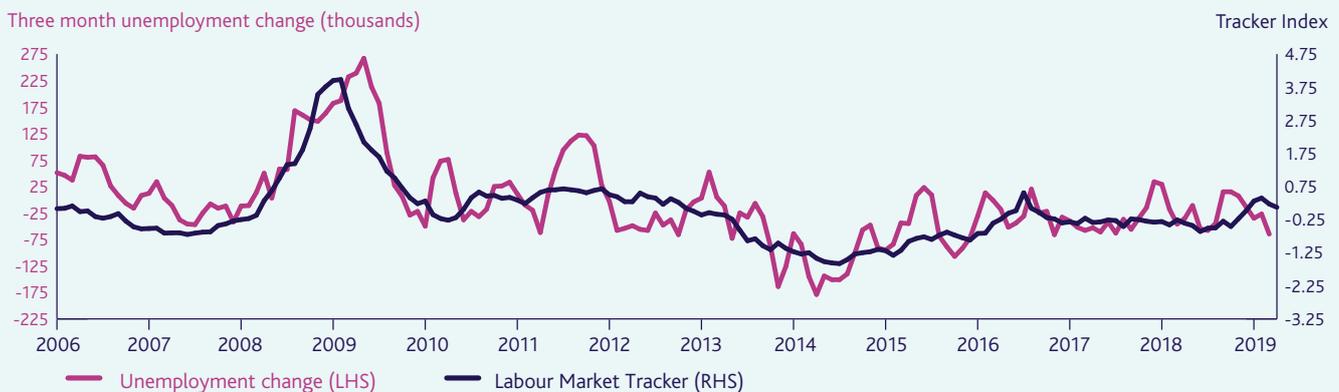
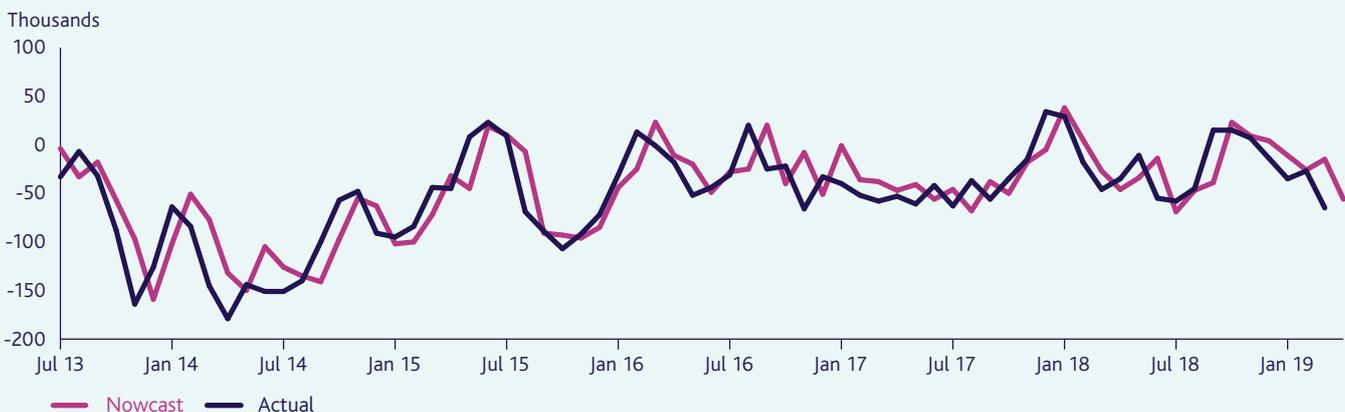


CHART 2: THREE MONTH UNEMPLOYMENT CHANGE



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

