

### Employer confidence improves slightly in final quarter of 2019

## 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=601).

The final quarter of 2019 saw a slight improvement in employers' confidence about economic conditions in the UK. At net: -31, this was two percentage points higher than the previous rolling quarter. The balance of confidence in making hiring and investment decisions was at net: -3, four percentage points higher than in September–November 2019.



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

## Key points from October–December survey

**1**



Employer hiring confidence improves

Employer confidence in the UK economy improved by two percentage points, taking it to net: -31. Confidence in making hiring and investment decisions also improved, rising four percentage points to net: -3.

**2**



Demand for permanent staff is steady

Forecast demand for permanent staff remained firmly in positive territory this quarter. In the short term, demand stayed at net: +21, while it rose to net: +26 in the medium term.

**3**



Demand for temporary staff increases

Short-term demand for temporary agency workers rebounded by nine percentage points from the previous rolling quarter to net: +9. Medium-term demand also rose by four percentage points to net: +3.

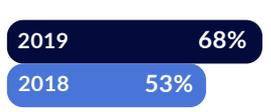
**4**



Key skills areas of concern for availability of candidates for permanent roles

Half (49%) of employers had concerns about the sufficient availability of workers to fill permanent positions. Construction was the skills area causing most concern.

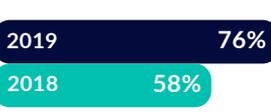
**5**



Employers use agency workers to manage organisational change

The proportion of employers using temporary agency workers who said that they are important for helping to manage fast-changing organisational requirements rose from 53% to 68% year-on-year.

**6**



More employers want agencies to provide management information

This quarter, 76% of employers who hire temporary agency workers said that it is important that the recruitment agency provides management information as a service, compared to 58% a year ago.

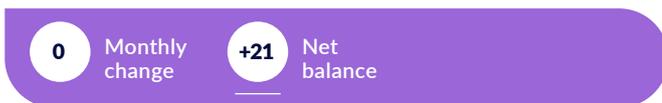
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (\*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

In October–December 2019, short-term demand for permanent staff was at net: +21, the same level as a year earlier. Twenty-six per cent of employers who recruit permanent staff were planning to add to their workforce, while just 5% thought they would be releasing workers. Coupled with the low unemployment rate, this means competition for skills will be considerable. Forecast demand ranged from net: +15 in the Midlands to net: +26 in the South (excluding London).



% of respondents

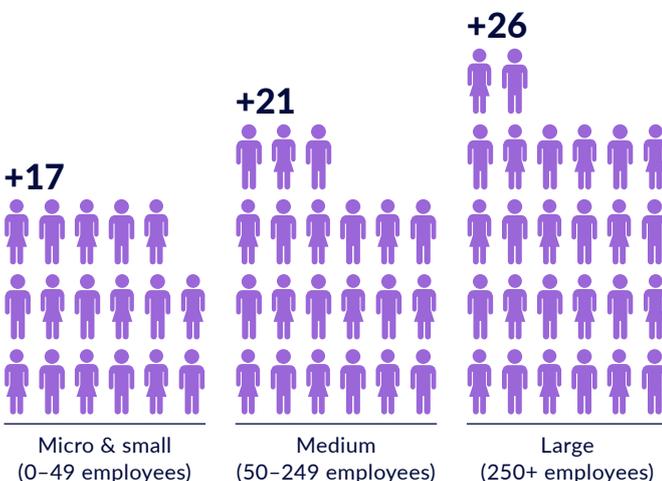


A further 2.8% of respondents answered 'don't know' to this question. All who recruit permanent members of staff in any job function (n=518).

## Outlook by employer size

Net balance of short-term expectations by employer size.

Whilst the overall balance of short-term demand remained static, rolling quarter-on-quarter, it rose amongst large organisations (from net: +22 to net: +26) and declined within the smallest enterprises (from net: +21 to net: +17). Forecast demand in large organisations was also significantly higher than in the same period last year, rising from net: +17 to net: +26.



All who recruit permanent members of staff in any job function by size (micro & small n=306, medium n=123, large n=89). Figures are based on the % responding increase less the % responding decrease, analysed by size of employer.

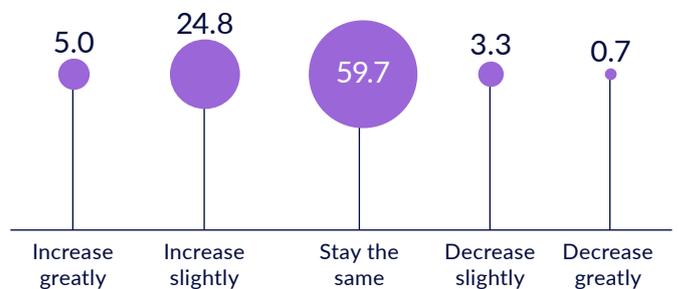
## Medium-term outlook

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, 30% of UK employers thought they would hire more permanent staff. In contrast, just 4% of employers thought they would reduce headcount during the coming year. This was double the proportion who thought they would release permanent workers a year earlier, however. Whilst the proportion planning to reduce numbers increased to 7% in the North (up from 3% last year), it was just 2% in the Midlands (up from 1%).



% of respondents

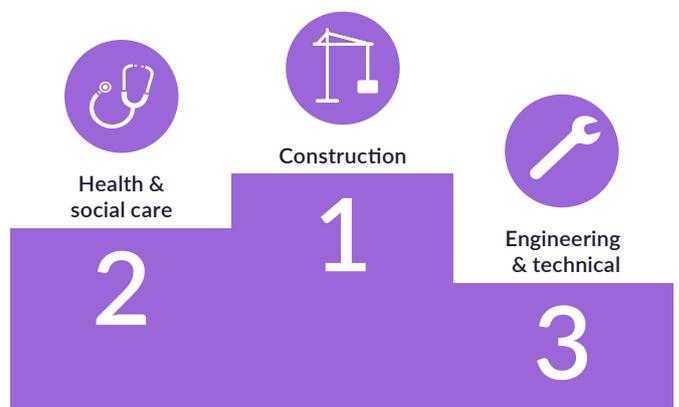


A further 6.5% of respondents answered 'don't know' to this question. All who recruit permanent members of staff in any job function (n=518).

## 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 49%, the proportion of employers that had concerns about the sufficient availability of workers for permanent hire was slightly lower than a year earlier (53%). Construction retained its position as the primary area of skills shortage concern, followed by Health & social care and Engineering & technical.



October–December 2019

All who recruit permanent members of staff by sector (Engineering & technical n=115, Construction n=52, Health & social care n=128). This ranking is based on the proportion of employers who anticipate skills shortages. Rolling three month averages.

# 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?**

After falling by 12 percentage points in the previous rolling quarter, the balance of sentiment towards hiring temporary agency workers in the short term rebounded in October–December 2019. An increase of nine percentage points restored the barometer to positive territory at net: +9. The proportion of hirers who did not know what their hiring intentions were for temporary agency workers fell from 7% in the previous rolling quarter to 1%.



% of respondents

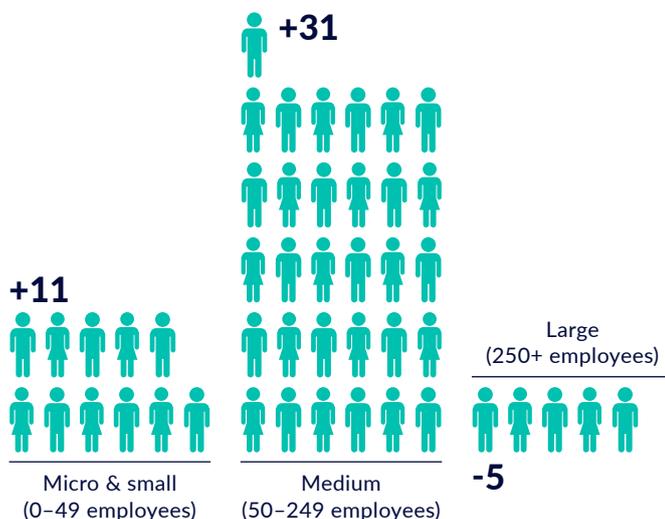


A further 0.5% of respondents answered 'don't know' to this question. All who recruit temporary agency workers in any job function (n=73).

## Outlook by employer size

**Net balance of short-term expectations by employer size.**

The balance of sentiment towards hiring temporary agency workers in the short term differed greatly by size of organisation. The balance of forecast demand rose from net: +2 to net: +31 amongst mid-sized organisations – significantly higher than the net: +8 recorded a year earlier. Whilst the balance of sentiment improved by ten percentage points amongst large enterprises, it remained negative at net: -5.



All who recruit temporary agency workers in any job function by size (micro & small n=26\*, medium n=23\*, large n=24\*). Figures are based on the % responding increase less the % responding decrease, analysed by size of employer.

## 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 medium-term agency hiring also recovered this quarter, following a fall of six percentage points in the previous rolling quarter. Hiring intentions rose by four percentage points to net: +3 in October–December 2019. The proportion that did not know what their hiring plans were for hiring temporary agency workers in the medium term fell from 7% to 1%.



% of respondents



A further 0.5% of respondents answered 'don't know' to this question. All who recruit temporary agency workers in any job function (n=73).

## 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 27%, the proportion of employers of temporary agency workers concerned about their availability remained notably lower than last year (47%). This may be being fueled by nervousness relating to the impending private sector IR35 reforms. Technology remains the skills area of greatest concern, and this occupational group could be most impacted by the reforms.



October–December 2019

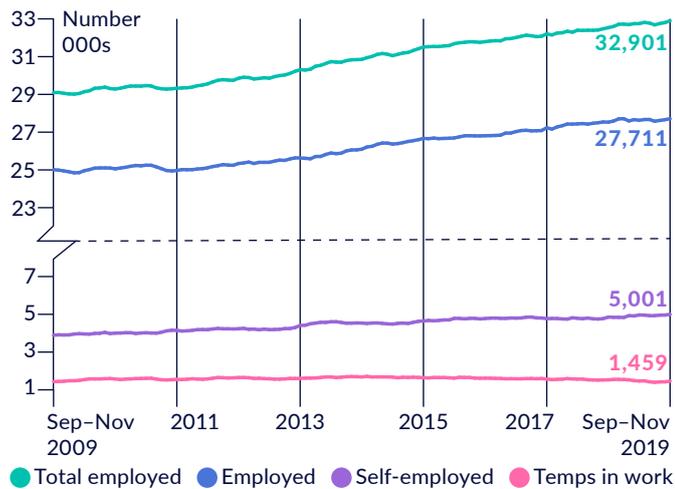
All who recruit temporary agency workers by sector (Technology n=10\*, Exec recruitment/interim n=5\*, Health & social care n=13\*). This ranking is based on the proportion of employers who anticipate skills shortages. Rolling three month average.

# Labour market dashboard

## Total employment – permanent and temporary

At 32,901,000 in September–November 2019, the UK workforce was 208,000 (0.6%) larger than the previous quarter (June–August 2019) and 359,000 (1.1%) larger than a year earlier. The number of self-employed workers rose by 145,000 (3.0%) to 5,001,000 – this represented 15.2% of all in employment. By contrast, temporary employment fell by 74,000, year-on-year, to 1,459,000 (4.4% of all in employment). Whilst remaining historically high, at 805,000, job vacancy numbers in October–December 2019 were 5.7% (49,000) lower than in the same period in 2018.

Total employment, employed and self-employed



Source: Labour Force Survey (LFS), ONS.

## Real wage growth

Regular pay grew by 3.4% in nominal terms for employees in Great Britain between September–November 2018 and September–November 2019. When considering the change in real terms (i.e. adjusted for CPI), however, it increased by 1.8%. For the same period, total pay (including bonuses) for employees rose by 3.2% in nominal terms, or 1.6% in real terms.

For November 2019, average regular pay, before tax and other deductions, was estimated at £511 per week in nominal terms and £472 per week in real terms.

% regular real pay annual growth

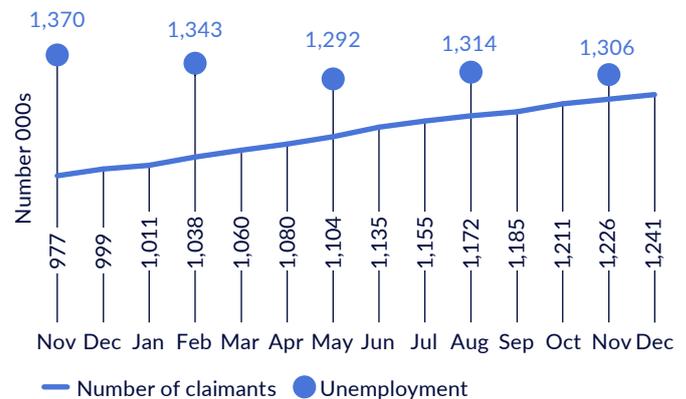


Source: Monthly Wages and Salaries Survey (MWSS), ONS.

## Unemployment and claimant numbers

The unemployment rate was 3.8% in September–November 2019. At 1,306,000, this represented a 7,000 (0.6%) decrease on the previous quarter and was 64,000 (4.6%) lower than September–November 2018. Notably, all age groups witnessed a year-on-year decline. This compared to an EU unemployment rate of 6.3% in November 2019. The country with the lowest rate was the Czech Republic (2.2%) and the highest rate was recorded in Greece (16.6% in October).

At 1,241,000, the provisional Claimant Count in December 2019 was 15,000 (1.2%) higher than the previous quarter and was up by 242,000 (24.2%) year-on-year.



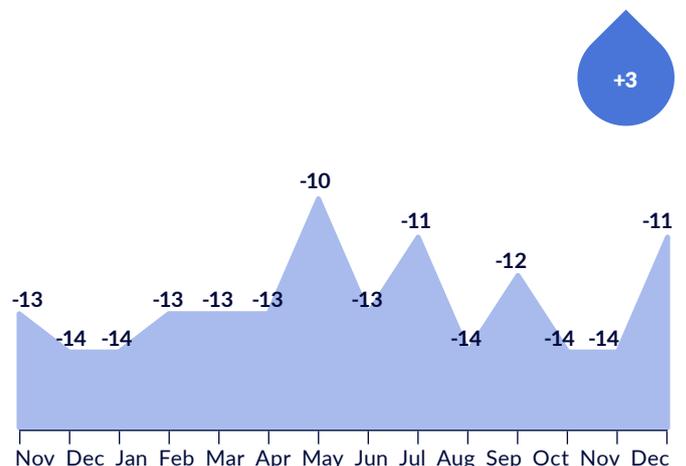
Source: Labour Market Statistics, January 2020: unemployment (quarterly) and JSA claimant count (monthly).

## Consumer confidence index

GfK's Consumer Confidence Index improved by three points in December, rising to -11.

The ongoing negativity of the index is largely because of respondents' views on the general economic situation. However, their view on prospects over the next 12 months improved by seven points between November and December 2019, reaching -27. This was 11 points higher than the figure recorded in December 2018.

In terms of how this economic view translated into the likely impact on their personal finances over the next 12 months, a two-point improvement took this barometer up to +3. This was four points higher than a year earlier. The Major Purchase Index also rose by three points to +3.



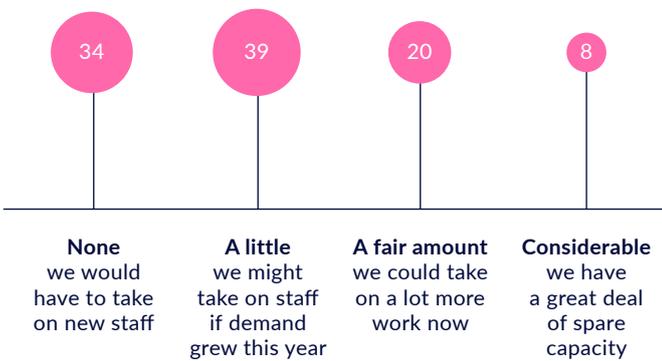
Source: GfK Consumer Confidence Barometer on behalf of the European Commission (December 2019).

## Workforce capacity

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

Seventy-two per cent of UK employers indicated that they had either little or no spare resource capacity when surveyed in the final quarter of 2019. Regionally, this ranged from 76% in the North to 64% in London (compared to 77% and 78%, respectively, last year). It was also noticeably higher in the public sector (84%) than the private sector (70%). In the private sector, this was down from 79% a year earlier.

% of respondents



All involved in hiring (n=601).

## Workforce planning

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

One in ten (10%) UK employers reduced workers' hours in the year to October–December 2019. This increased to 16% amongst employers in London, twice the proportion of employers in the remainder of the South (8%). London also had the highest proportion of employers making redundancies (16%), double the proportion of employers in the North (8%).

**Workforce changes made in the last year**

3 month rolling average to December 2019 – % of respondents



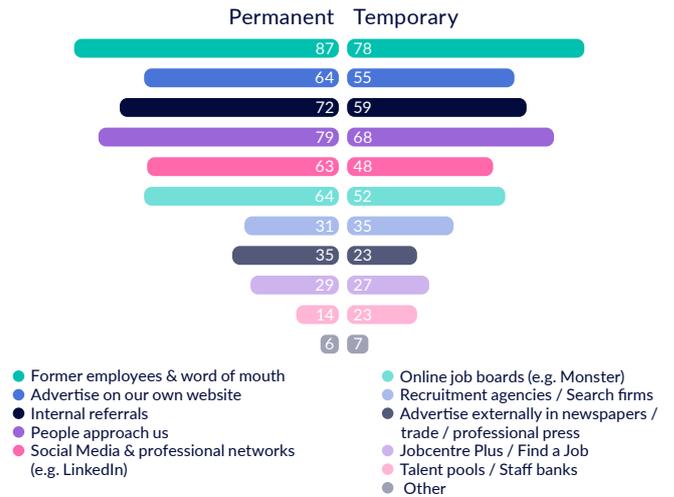
All involved in hiring (n=601).

## Recruitment channels used

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

Hirers significantly increased their use of former employees and word of mouth as a recruitment channel over the last year. For permanent hiring, the proportion using these means increased from 67% to 87% year-on-year. For the sourcing of temporary and contract workers, the percentage increased from 55% to 78% over the same period.

3 month rolling average to December 2019 – % of respondents



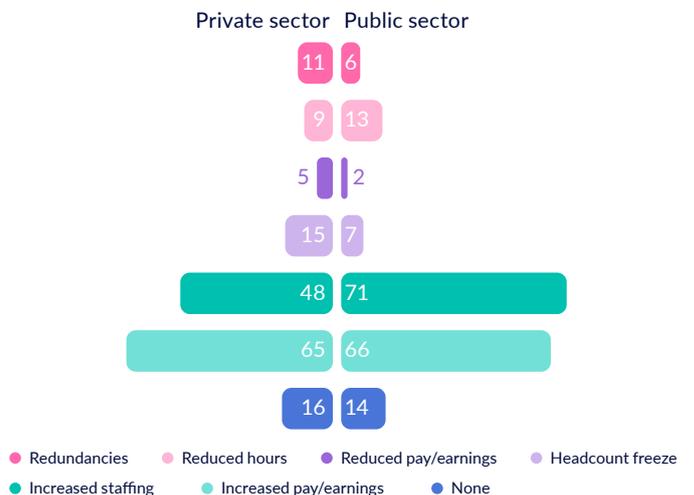
All who have recruited permanent staff (n=534), recruited temporary or contract workers (n=228).

## Workforce planning by sector

The most notable contrast in workforce planning activities between the public and private sector remained the proportion of employers increasing their staffing levels over the last year. At 48%, the proportion of private sector hirers adding to their headcount decreased from 54% a year earlier. In the public sector, however, it rose from 45% in October–December 2018 to 71% in the final quarter of 2019.

At 15%, the proportion of private sector employers actioning a headcount freeze in the last twelve months was up from 10% in the year to October–December 2018. Conversely, it fell from 11% to 7%, year-on-year, in the public sector.

3 month rolling average to December 2019 – % of respondents

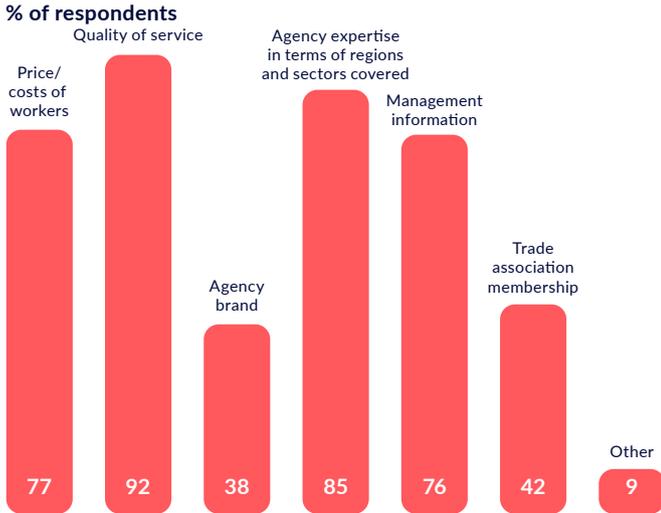


All in private sector (n=507), all in public sector (n=94).

## 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?

This quarter, 76% of employers who hire temporary agency workers said that it is important that the agency provides management information as a service, compared to 58% a year ago. This has become more important as a selection criterion over the past year.



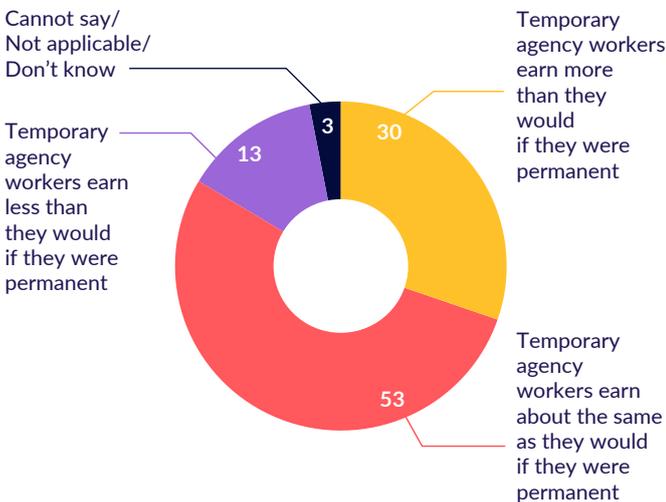
All who recruit temporary agency workers (n=80). Scores indicate the % responses stating the factor is quite or very important.

## Agency worker pay rates

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

Awareness of the contrasting pay rates of permanent and temporary agency workers increased year-on-year. Just 3% of respondents did not express an opinion in October–December 2019 versus 13% in the same period last year. There was also a rise in the proportion of employers who hire temporary agency workers saying they earn more than they would if they were permanent, from 16% to 30%.

3 month rolling average to December 2019 – % of respondents

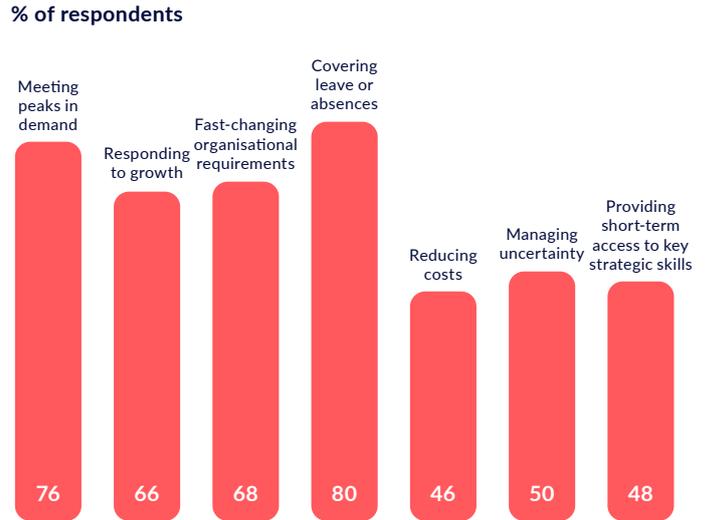


All who recruit temporary agency workers (n=80).

## Importance of agency workers to employers

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

The proportion of employers who use temporary agency workers who said that they are important for helping to manage fast-changing organisational requirements rose from 53% to 68% year-on-year. In addition, the proportion highlighting their importance for responding to growth increased from 53% to 66%.

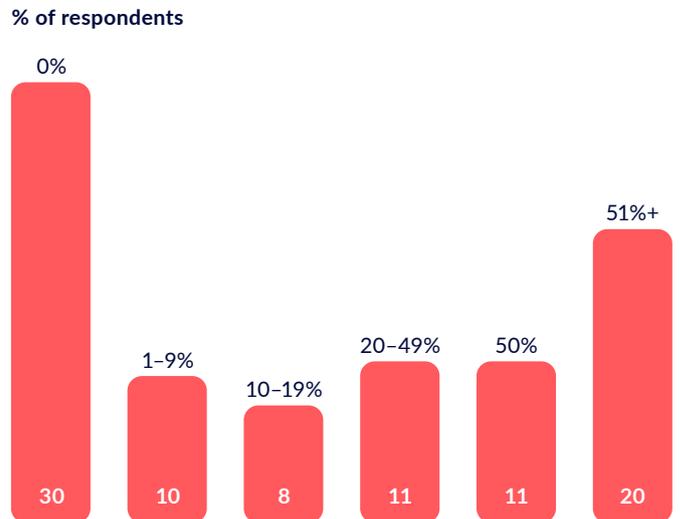


All who recruit temporary agency workers (n=80). Scores indicate % responses stating the factor is quite or very important.

## Temporary to permanent

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

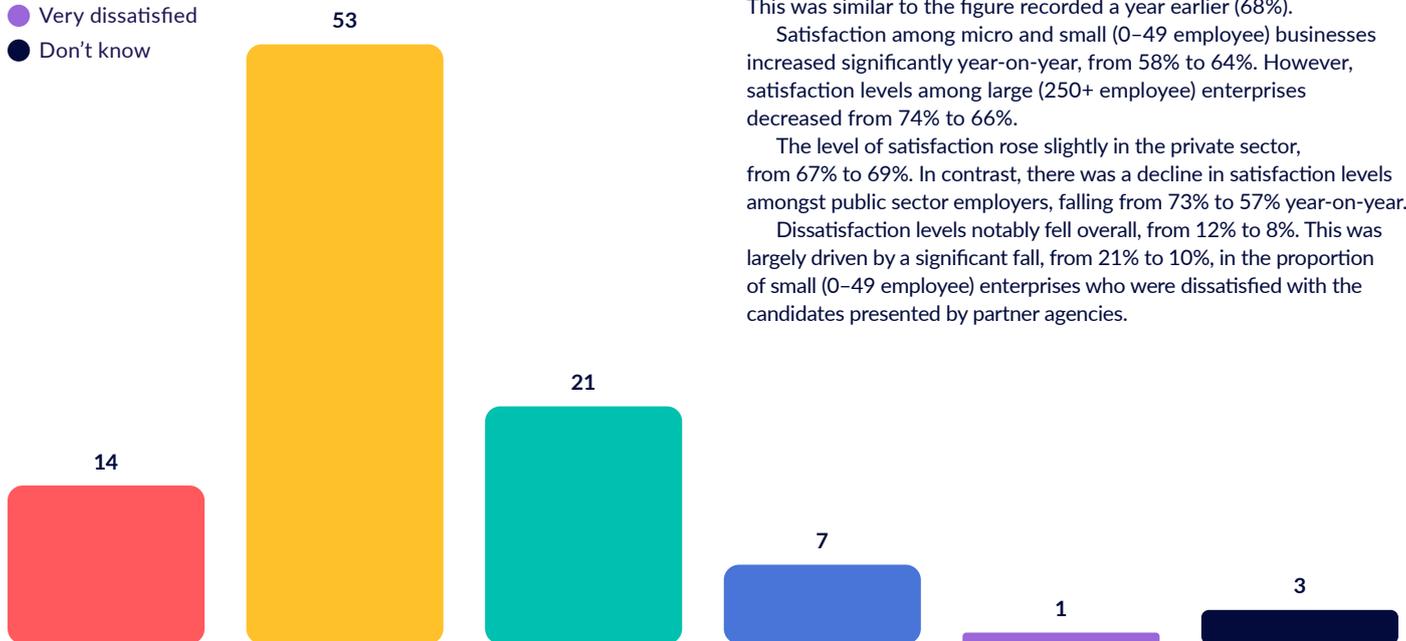
The proportion of employers of temporary workers that do not transfer any of them to permanent posts each year increased from 18% to 30% year-on-year. This was largely driven by an increase, from 34% to 47%, amongst the UK's smallest (0–49 employee) enterprises. The proportion of employers transferring at least half of their temporary workers into permanent roles rose from 20% to 30% year-on-year.



A further 11% of respondents answered don't know to this question. All who recruit temporary workers (n=228).

% of respondents

- Very satisfied
- Fairly satisfied
- Neither satisfied or dissatisfied
- Fairly dissatisfied
- Very dissatisfied
- Don't know



All who use recruitment agencies (n=190).

## Satisfaction with candidates

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

In October–December 2019, two in three (67%) UK hirers expressed satisfaction with the candidates presented by recruitment agencies. This was similar to the figure recorded a year earlier (68%).

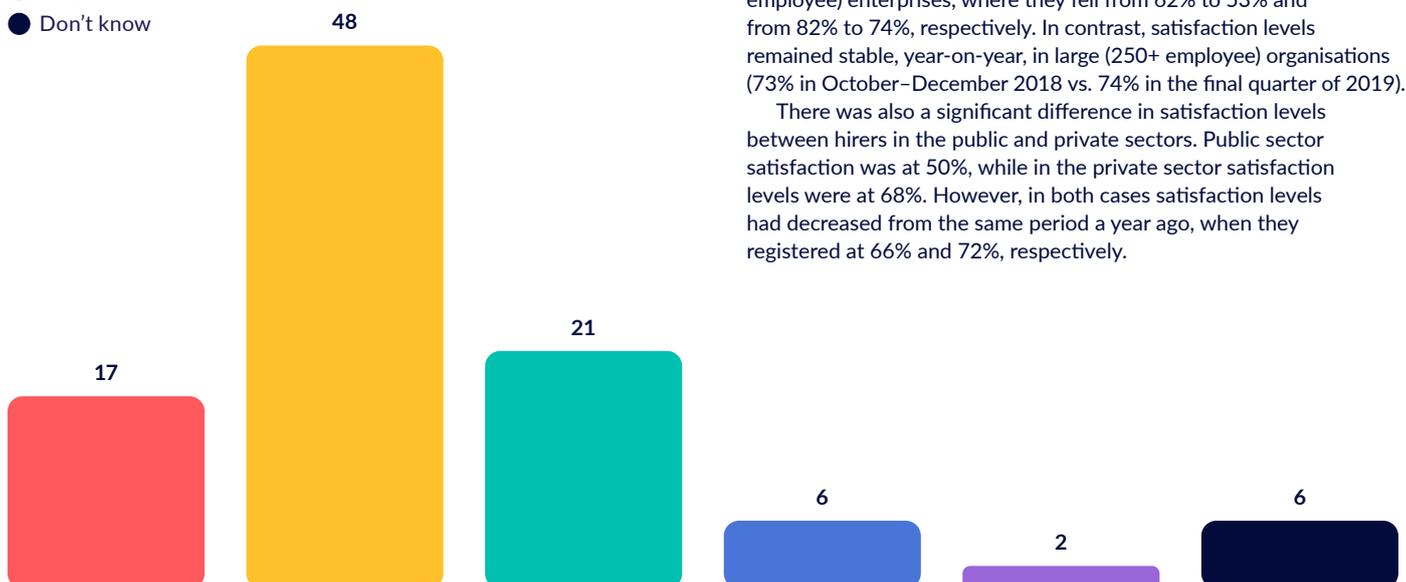
Satisfaction among micro and small (0–49 employee) businesses increased significantly year-on-year, from 58% to 64%. However, satisfaction levels among large (250+ employee) enterprises decreased from 74% to 66%.

The level of satisfaction rose slightly in the private sector, from 67% to 69%. In contrast, there was a decline in satisfaction levels amongst public sector employers, falling from 73% to 57% year-on-year.

Dissatisfaction levels notably fell overall, from 12% to 8%. This was largely driven by a significant fall, from 21% to 10%, in the proportion of small (0–49 employee) enterprises who were dissatisfied with the candidates presented by partner agencies.

% of respondents

- Very satisfied
- Fairly satisfied
- Neither satisfied or dissatisfied
- Fairly dissatisfied
- Very dissatisfied
- Don't know



All who use recruitment agencies (n=190).

## Satisfaction with agencies

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

At 65%, employers' overall satisfaction level with their recruitment partners was lower in October–December 2019 than a year earlier (71%). This was driven by a decline in satisfaction levels amongst the UK's small (0–49 employee) and medium-sized (50–249 employee) enterprises, where they fell from 62% to 53% and from 82% to 74%, respectively. In contrast, satisfaction levels remained stable, year-on-year, in large (250+ employee) organisations (73% in October–December 2018 vs. 74% in the final quarter of 2019).

There was also a significant difference in satisfaction levels between hirers in the public and private sectors. Public sector satisfaction was at 50%, while in the private sector satisfaction levels were at 68%. However, in both cases satisfaction levels had decreased from the same period a year ago, when they registered at 66% and 72%, respectively.

# Sector prospects

## 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?

Short-term forecast demand for permanent staff was positive across every occupational group in October–December 2019. Demand continued to be significantly higher than average for permanent staff in Health & social care (net: +35) and Construction (up five percentage points to net: +38). In contrast, demand for permanent staff in Legal & HR fell by eight percentage points to net: +3.

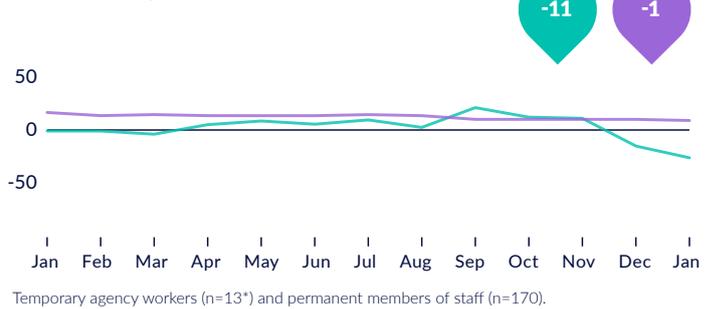
Notable swings in forecast short-term demand for temporary agency workers included a 31-percentage point rise within Health & social care to net: +21, a 26-percentage point rise in Office professionals to net: +5, and a 19-percentage point drop in demand for temporary Drivers to net: +18.

- Temporary
- Permanent

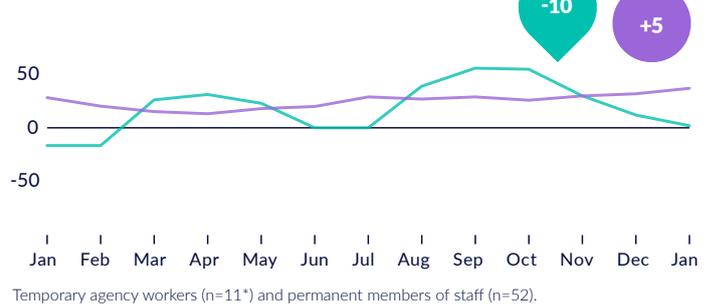
The charts show the month on month increase/decrease in sector prospects using the most recent three months' rolling average values, against a zero base.

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.

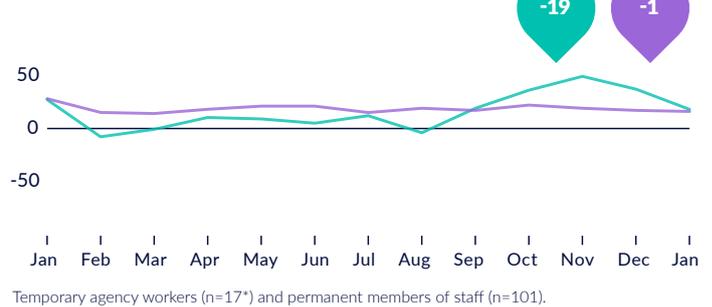
### Accounting & financial services



### Construction



### Drivers



### Education

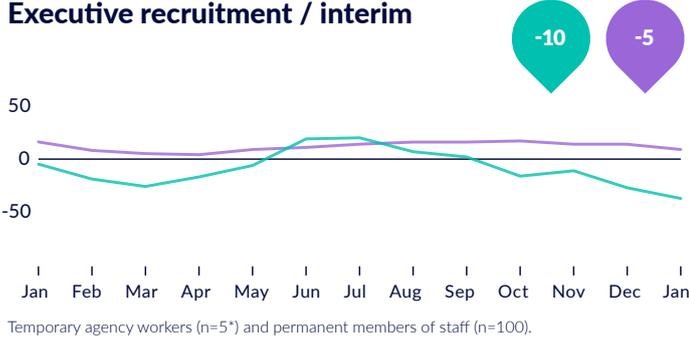


### Engineering & technical

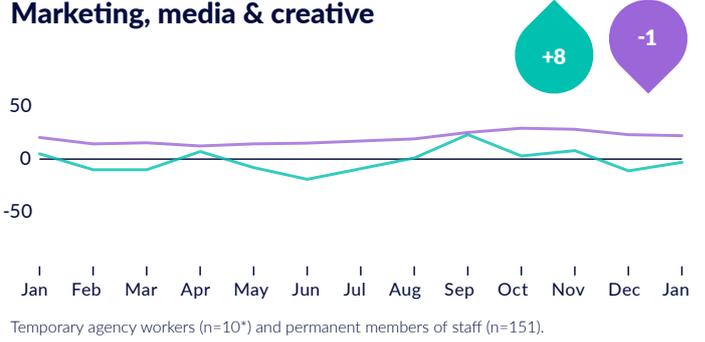


# Sector prospects

## Executive recruitment / interim



## Marketing, media & creative



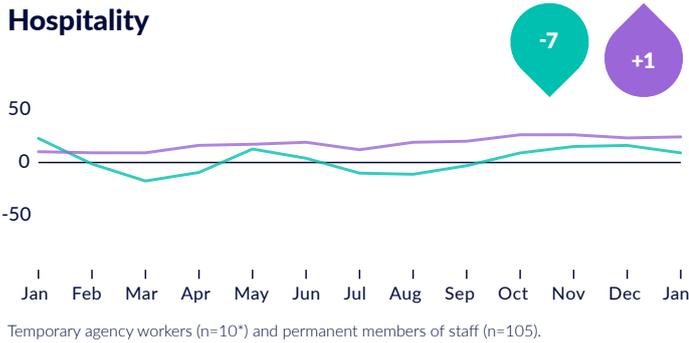
## Health & social care



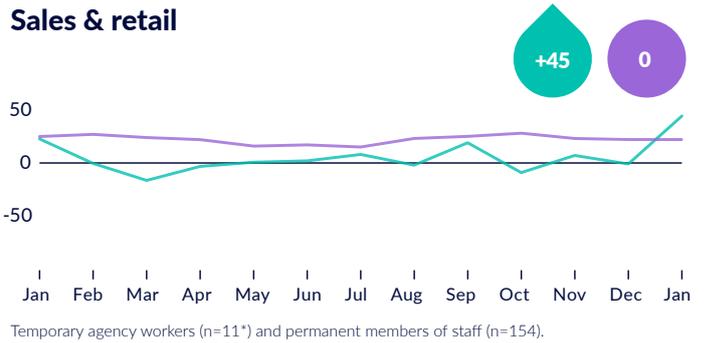
## Office professionals



## Hospitality



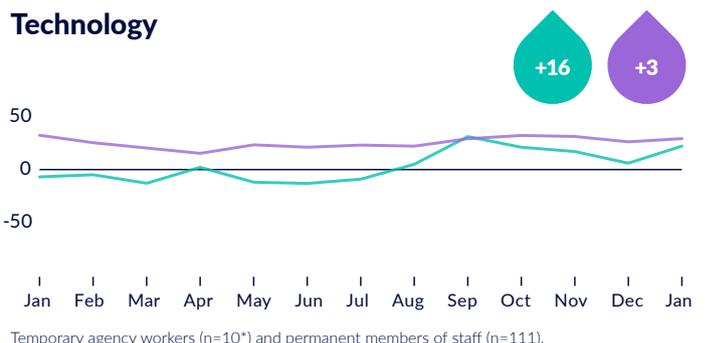
## Sales & retail



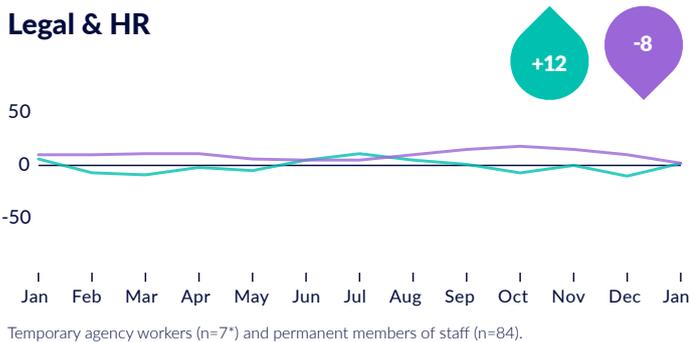
## Industrial



## Technology



## Legal & HR



# REC-IHS Markit predictive model

## UK unemployment rate expected to hold steady at 3.8%

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

The latest nowcast model update forecasts a reduction of just 4,000 in the Labour Force Survey measure of UK unemployment in the final three months of 2019. As a result, the unemployment rate is anticipated to stay at its current four-decade low of 3.8%.

The model therefore points to a fourth successive fall in unemployment, with a decrease of 8,000 reported by the ONS in the three months to November. As shown in the charts below, the model continues to provide reliable signals in official unemployment data.

### Methodology

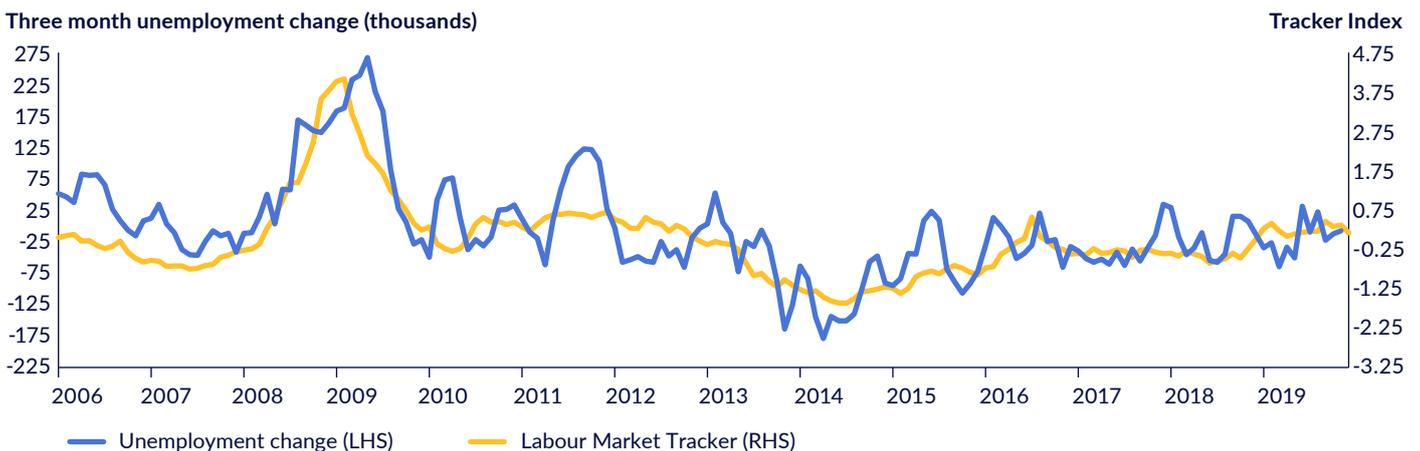
The model draws on a range of official, survey and internet search data, which are available on a more timely basis than our target variable.

This includes:

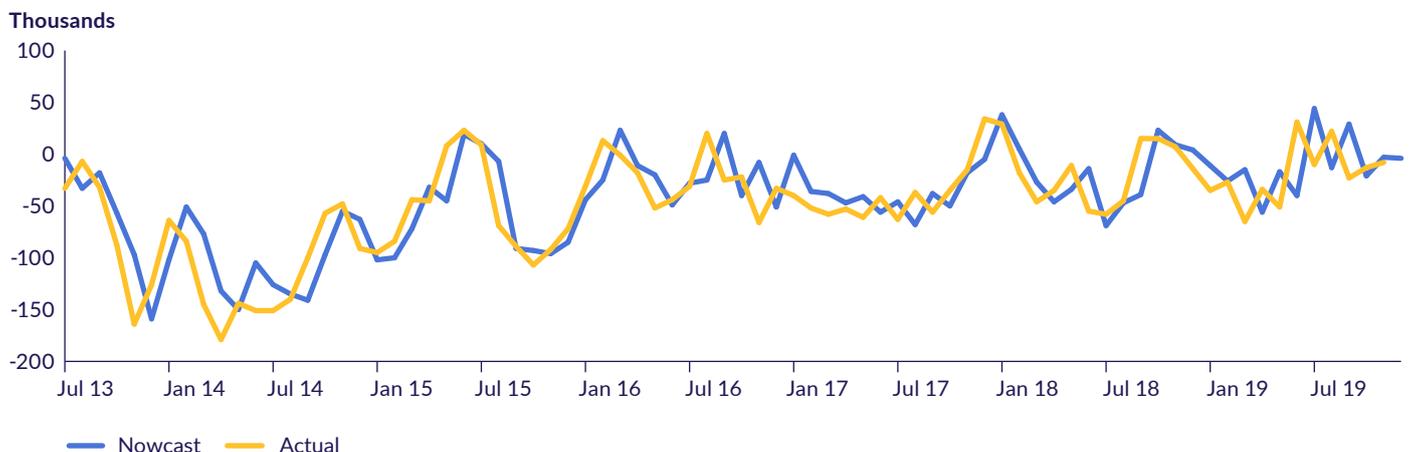
- REC's JobsOutlook survey data on employers' expectations for short-term staffing requirements
- KPMG/REC Report on Jobs survey measures of permanent placements and temporary billings
- IHS Markit PMI data, in the form of the composite employment and output indices covering the manufacturing, services 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: IHS Markit, REC, KPMG, ONS, European Commission, Google.