

Hiring confidence returns to positive territory

Confidence

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

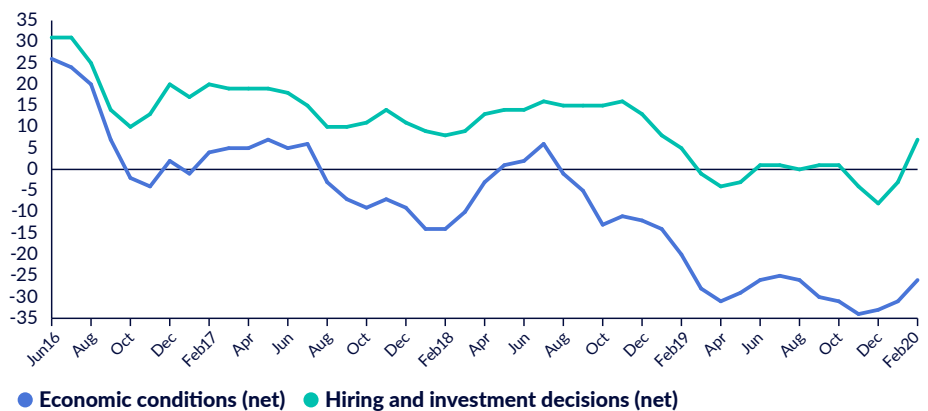


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=601).

More employers felt that economic conditions were worsening rather than improving in November-January, at net: -26. However, the net balance improved by five percentage points compared with the previous rolling quarter. Employer confidence in making hiring and investment decisions improved by ten percentage points and returned to positive territory at net: +7.



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

Key points from November-January survey

1



Hiring confidence back to positive territory

Employer confidence in making hiring and investment decisions improved by ten percentage points this quarter, returning to positive territory at net: +7.

2



Nov-Jan 2020 +21
Nov-Jan 2019 +17
Nov-Jan 2020 +26
Nov-Jan 2019 +25

Demand for permanent staff is steady

Forecast demand for permanent staff remained firmly in positive territory. The balance of anticipated short-term (net: +21) and medium-term demand (net: +26) this quarter was higher than a year earlier.

3



Nov-Jan 2020 -2
Nov-Jan 2019 -6
Nov-Jan 2020 -4
Nov-Jan 2019 -7

Demand for temporary staff increases

Demand for temporary agency workers fell back into negative territory this quarter. However, short-term and medium-term levels were higher than in the same period a year earlier.

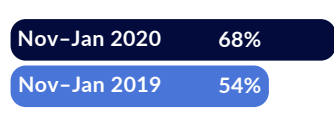
4



Many employers worried about shortage of permanent workers

Half (49%) of employers had concerns about the sufficient availability of workers to fill permanent roles. Health & social care was the skills area causing most concern.

5



Nov-Jan 2020 68%
Nov-Jan 2019 54%

Employers use agency workers to manage organisational change

More employers this quarter highlighted the importance of agency workers in responding to growth (up from 57% to 69%) and managing organisational change (up from 54% to 68%) compared with a year earlier.

6



Seven in ten employers want agencies to provide management information

Seven in ten (71%) employers who hire temporary agency workers, including 84% of public sector employers, said it is important that the agency provides management information.

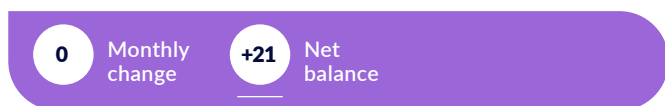
Throughout, figures based on fewer than 50 respondents are marked with an asterisk (*). Due to the small base size, these results should be considered indicative, rather than conclusive. Totals may not sum to 100% due to rounding. Data were weighted to be representative of UK adults in employment by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

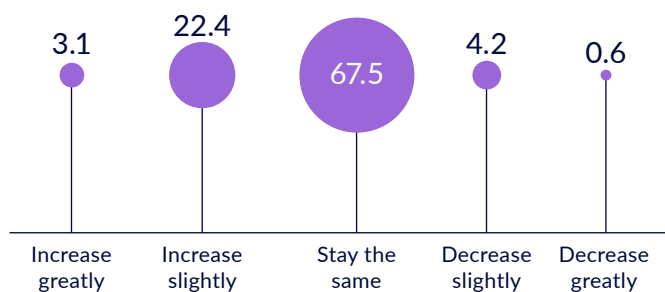
Short-term outlook

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

At net: +21 this quarter, short-term demand for permanent hires was up by four percentage points year-on-year. This was largely driven by an increase in forecast demand amongst employers in the South (excluding London), which rose from net: +16 to net: +26. In contrast, demand fell amongst employers in London from net: +27 to net: +20 year-on-year. Forecast demand surged amongst public sector employers, from net: +6 to net: +25.



% of respondents

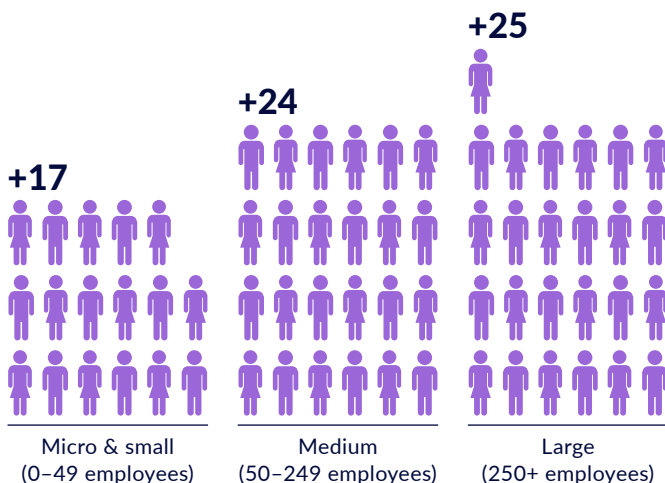


A further 2.2% of respondents answered 'don't know' to this question. All who recruit permanent members of staff in any job function (n=500).

Outlook by employer size

Net balance of short-term expectations by employer size

The year-on-year growth in short-term demand from net: +17 to net: +21 was driven by a notable rise amongst large organisations, from net: +11 to net: +25. Demand also rose marginally amongst mid-sized enterprises, from net: +23 to net: +24. In contrast, it declined from net: +19 to net: +17 amongst the UK's smallest establishments.

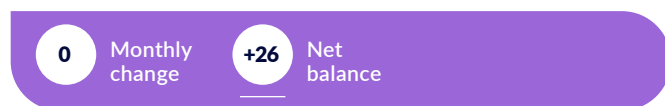


All who recruit permanent members of staff in any job function by size (micro & small n=303, medium n=114, large n=83). Figures are based on the % responding increase less the % responding decrease, analysed by size of employer.

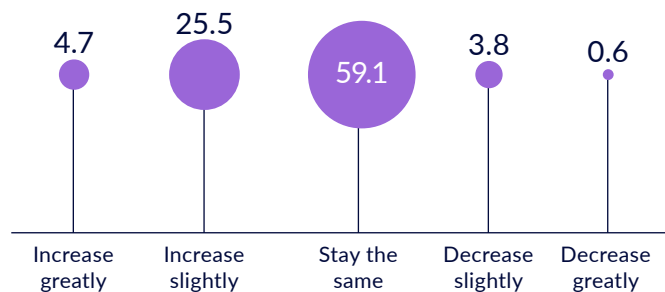
Medium-term outlook

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

At net: +26, the balance of forecast demand for permanent workers in the medium term was similar to a year earlier (net: +25). There was a fall in forecast demand from employers in the Midlands (from net: +30 to net: +27), but demand rose amongst employers in London (from net: +21 to net: +31). Forecast demand also rose amongst public sector employers, from net: +19 to net: +26.



% of respondents

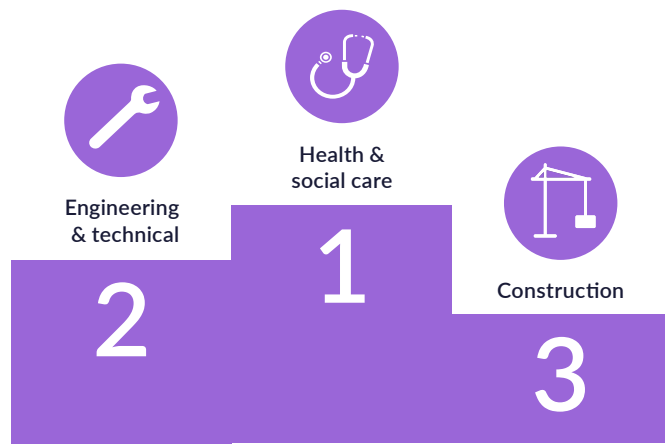


A further 6.3% of respondents answered 'don't know' to this question. All who recruit permanent members of staff in any job function (n=500).

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 UK employers that had concerns about the sufficient availability of workers for permanent hire was similar to a year earlier (50%). Health & social care was the skills area causing most concern. All top three skills areas of concern are noted for their high legacy dependency on non-UK nationals within the workforce.



November 2019-January 2020

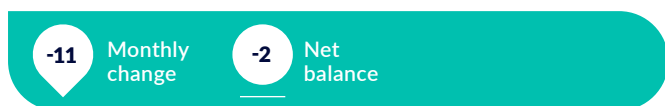
All who recruit permanent members of staff by sector (Engineering & technical n=110, Construction n=52, Health & social care n=124). This ranking is based on the proportion of employers who anticipate skills shortages. Rolling three month averages.

Temporary recruitment

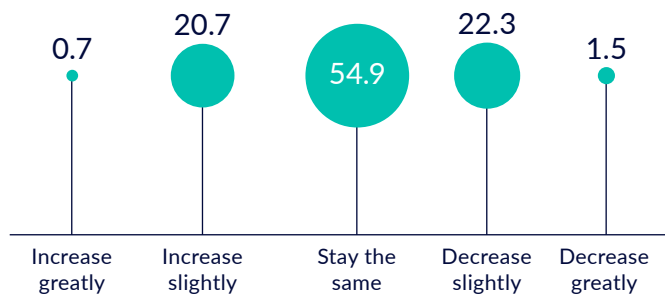
Short-term outlook

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

Anticipated short-term demand for agency workers fell by 11 percentage points compared to the previous rolling quarter, taking the balance back into negative territory at net: -2. However, this was higher than a year earlier (net: -6). Notable year-on-year regional changes included a 28-percentage point rise (to net: +20) in London. Demand amongst public sector employers who use temporary agency workers also improved by 15 percentage points to net: 0.



% of respondents

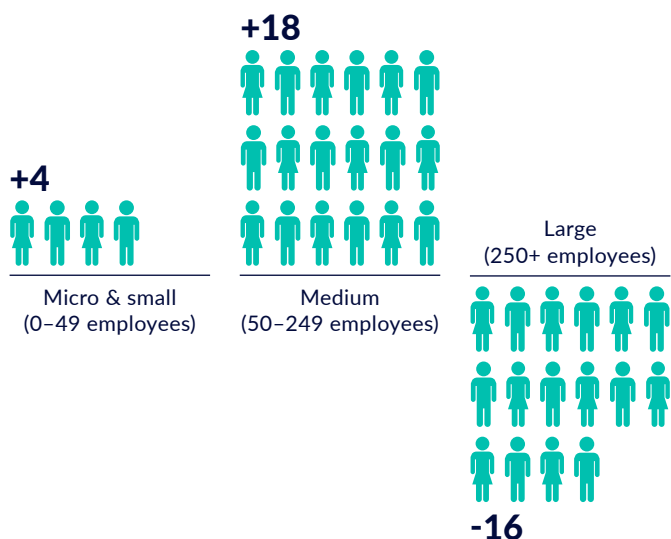


0.0% of respondents answered 'don't know' to this question. All who recruit temporary agency workers in any job function (n=80).

Outlook by employer size

Net balance of short-term expectations by employer size

The balance of sentiment towards agency worker hiring deteriorated amongst the UK's largest employers of agency workers year-on-year (from net: -9 to net: -16). Large employers face the greatest administrative challenges due to the extension of the IR35 rules into the private sector. In contrast, anticipated demand rose (from net: -4 to net: +18) amongst mid-sized enterprises.



All who recruit temporary agency workers in any job function by size (micro & small n=34*, medium n=22*, 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?

Despite a seven-percentage point fall to net: -4, medium-term forecast demand for agency workers was still higher than in the same period last year (net: -7). Underpinning this year-on-year increase was a rise of 18 percentage points in the North (to net: -9) and a 28-percentage point increase (to net: +23) in London. In contrast, the balance of forecast demand in the South declined from net: -8 to net: -24, year-on-year.



% of respondents

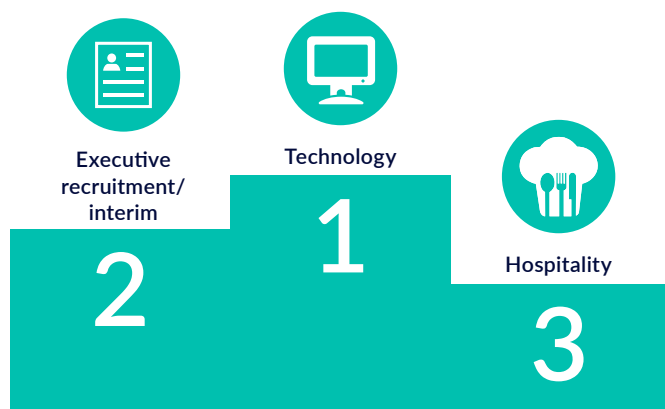


0.0% of respondents answered 'don't know' to this question. All who recruit temporary agency workers in any job function (n=80).

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 29%, the proportion of employers of temporary agency workers concerned about their availability across any job function was higher than a year earlier (25%). In particular, the heightened concern over shortages of agency workers in Technology and Executive recruitment/interim suggest that the impending reforms to IR35 rules could cause availability to drop in those occupational groups.



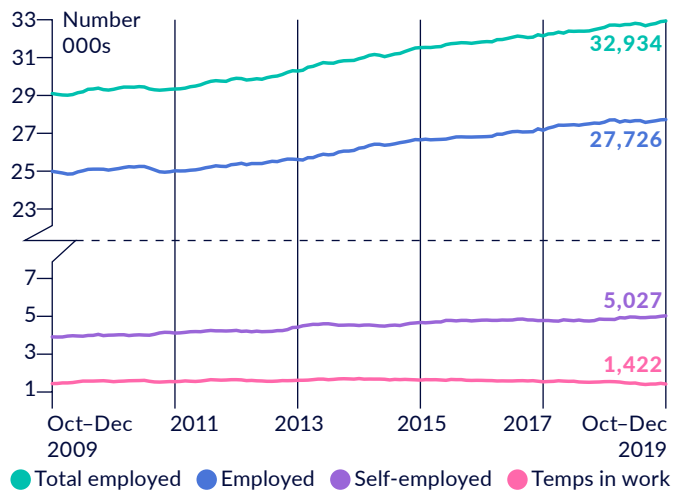
November 2019-January 2020

All who recruit temporary agency workers by sector (Technology n=16*, Exec recruitment/interim n=10*, Hospitality n=14*). This ranking is based on the proportion of employers who anticipate skills shortages. Rolling three month average.

Total employment – permanent and temporary

At 32.93 million in October–December 2019, the UK workforce was 180,000 (0.6%) larger than the previous quarter, and 336,000 (1.0%) larger than a year earlier. Underpinning this change, there was a significant 187,000 (3.9%) increase in all forms of self-employment. In contrast, the number of temporary employees decreased by 128,000 (8.2%). November 2019–January 2020 saw the first quarterly increase in vacancies numbers in almost a year, rising by 7,000 (0.9%) to 810,000. However, this was still 50,000 (5.9%) fewer than in the same period last year.

Total employment, employed and self-employed

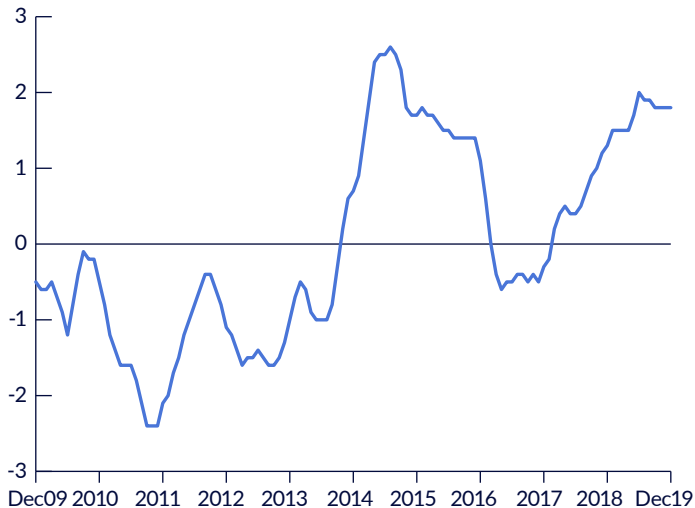


Source: Labour Force Survey (LFS), ONS.

Real wage growth

Regular pay grew by 3.2% (in nominal terms) for employees in Great Britain, for the period between October–December 2018 and October–December 2019. When considering the change in real terms (i.e. adjusted for CPI), regular pay increased by 1.8%, for the fourth consecutive rolling quarter. Notably, in real terms, regular pay is now at its highest level since the ONS time series began in 2000. For December 2019, average weekly pay was estimated at £474 per week in real terms (constant 2015 prices). This was £1 (0.1%) higher than the pre-economic downturn peak of £473 per week for March 2008.

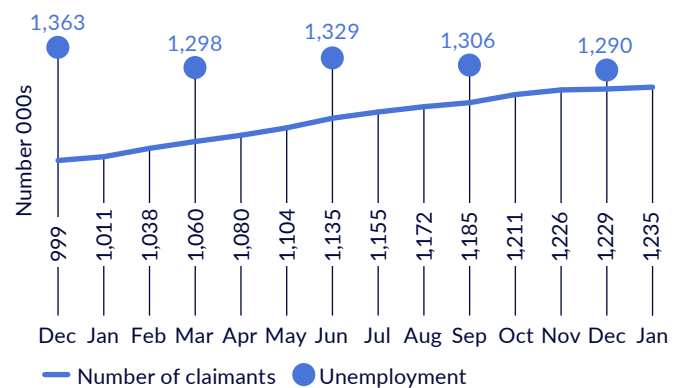
% regular real pay annual growth



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

Unemployment and claimant numbers

The unemployment rate was 3.8% in October–December 2019. At 1.29 million, this was 16,000 (1.2%) lower than the previous quarter and 73,000 (5.4%) lower than the same period a year earlier. Of note, however, those aged 50+ experienced a 2.9% (8,000) quarter-on-quarter and 1.5% (4,000) year-on-year rise (to 288,000). This UK rate of 3.8% compared to an EU unemployment rate of 6.2% in December 2019. The lowest rate was in the Czech Republic (2.0%) and the highest was Greece (16.6%). At 1.24 million, the provisional Claimant Count in December 2019 was 6,000 (0.5%) higher than the previous quarter and was up by 223,000 (22.1%) year-on-year.



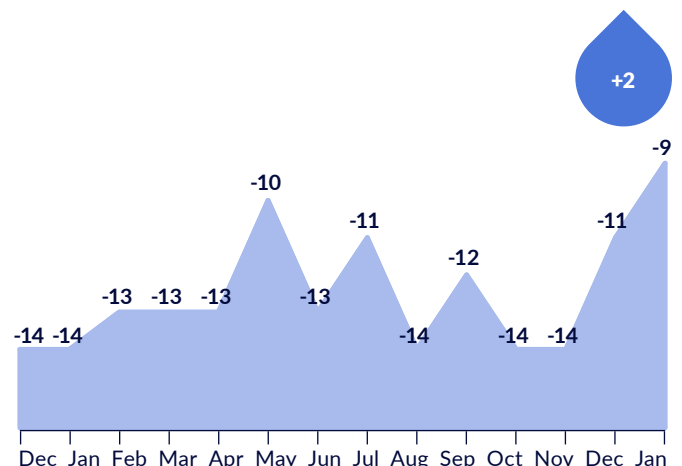
Source: Labour Market Statistics, February 2020: unemployment (quarterly) and JSA claimant count (monthly).

Consumer confidence index

GfK's Consumer Confidence Index improved by two points in January, rising to -9.

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 three points between December and January, reaching -24. This was 15 points higher than the figure recorded in January 2019.

In terms of how this economic view translated into the likely impact on their personal finances over the next 12 months, the barometer rose by three points in January to +6. This was five points higher than a year earlier. However, the Major Purchase Index fell by two points, leaving it one point lower than in January 2019.



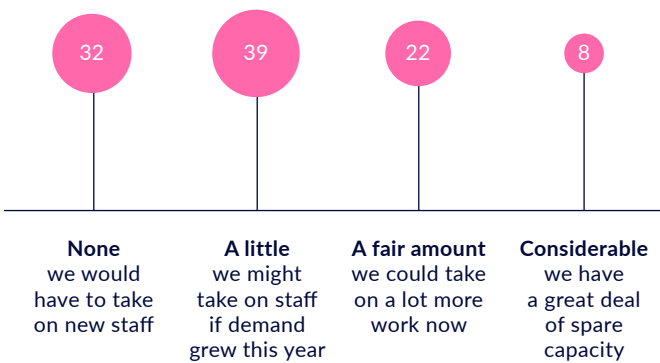
Source: GfK Consumer Confidence Barometer on behalf of the European Commission (January 2020).

Workforce capacity

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

Seven in ten (71%) employers indicated that they had either little or no spare workforce capacity this quarter. However, surplus capacity amongst hirers in London rose to 39%, almost double the figure a year earlier (21%). Surplus capacity amongst Midlands employers also rose significantly, from 16% to 29% year-on-year. Capacity increased within both micro/small (0-49 employee) enterprises, from 21% to 31%, and large (250+ employee) businesses, from 12% to 29%.

% of respondents



All involved in hiring (n=601).

Workforce planning

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

Fewer employers (48%) had increased their overall staffing levels in the year to November-January 2020 than had done when surveyed in the same period a year earlier (53%). One in ten (10%) employers made redundancies, down from 14% a year earlier. Conversely, more employers (62%) increased pay/earnings of their workforce, up from 58% a year earlier.

Workforce changes made in the last year

3 month rolling average to January 2020 - % of respondents



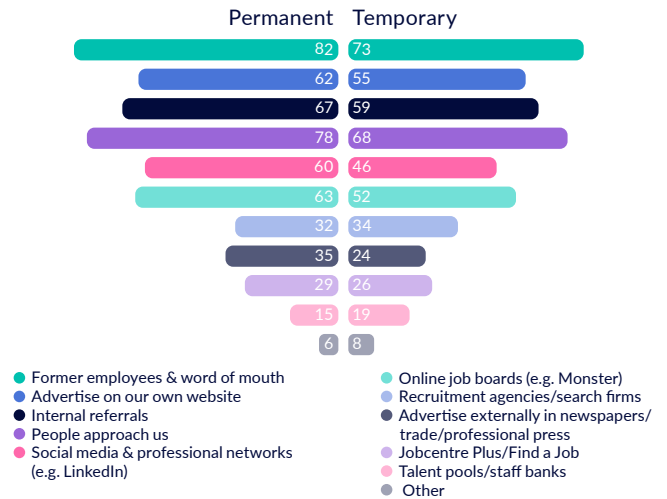
All involved in hiring (n=601).

Recruitment channels used

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

Former employees and word of mouth remains the most widely used recruitment channel by employers. For permanent hiring, the proportion using this channel rose from 68% to 82% year-on-year, while for sourcing temporary and contract workers it rose from 60% to 73%.

3 month rolling average to January 2020 - % of respondents



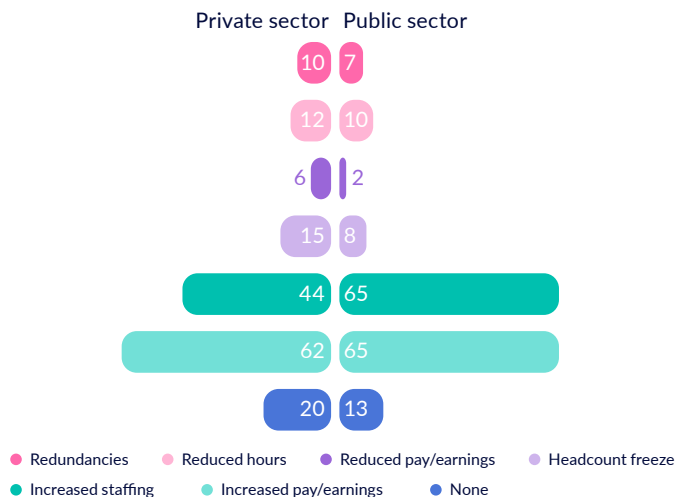
All who have recruited permanent staff (n=519), recruited temporary or contract workers (n=252).

Workforce planning by sector

At 44%, the proportion of private sector hirers that increased headcount in the year to November-January 2020 was significantly lower than the level highlighting headcount increases a year earlier (54%). Conversely, the proportion of public sector employers adding to their headcount in the preceding twelve months rose from 50% to 65%.

The proportion of private sector employers actioning a headcount freeze increased from 10% to 15% year-on-year. In contrast, the proportion within the public sector fell from 10% to 8%. Notably, one in five (20%) private sector employers had not made any changes to their workforce in the past year.

3 month rolling average to January 2020 - % of respondents

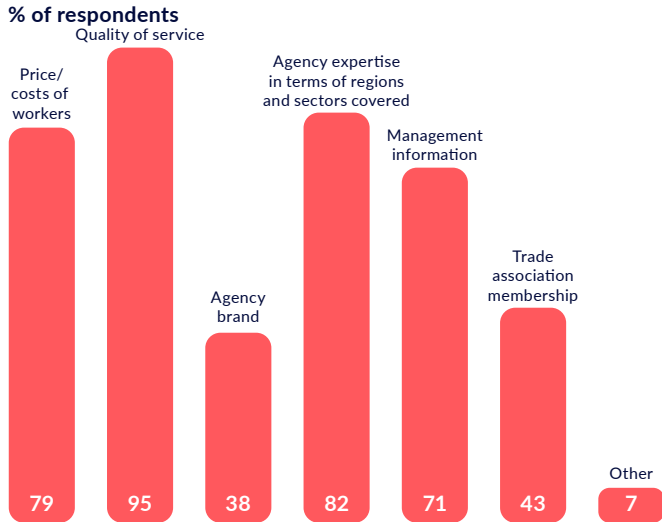


All in private sector (n=495), all in public sector (n=106).

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?

Seven in ten (71%) employers who recruit temporary agency workers stressed the importance of the provision of management information when selecting their recruitment partner. This factor was more important to public (84%) than private sector employers (69%).



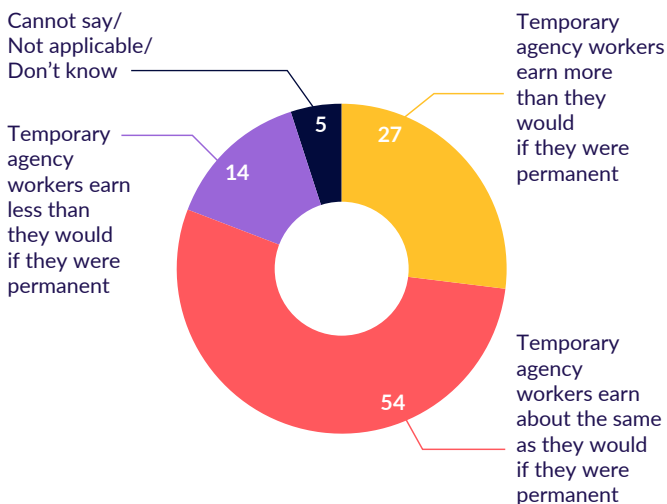
All who recruit temporary agency workers (n=86). Scores indicate the % responses stating the factor is quite or very important.

Agency worker pay rates

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

Two thirds (68%) of public sector employers of agency workers felt that these workers earned more than their permanent counterparts, compared with 20% of private sector employers. One in eight (13%) mid-sized (50-249 employee) enterprises felt agency workers earned more than they would if they were permanent, compared with 30% of large (250+ employee) organisations.

3 month rolling average to January 2020 - % of respondents

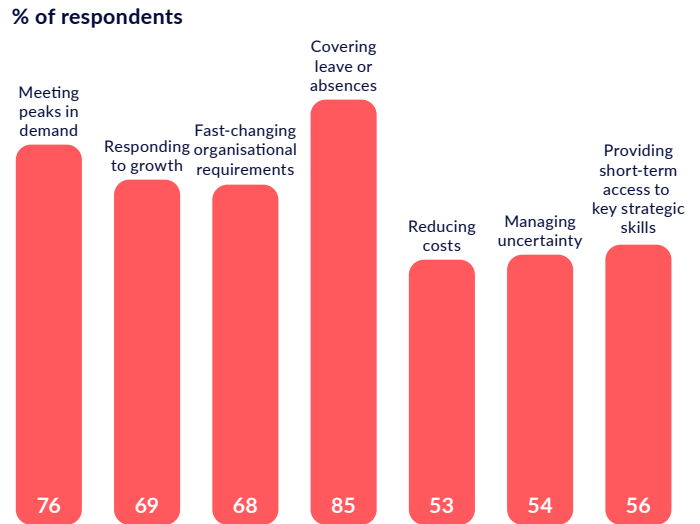


All who recruit temporary agency workers (n=86).

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 employers this quarter highlighted the importance of agency workers in responding to growth (from 57% to 69%), managing organisational change (from 54% to 68%) and managing uncertainty (from 42% to 54%) compared with a year earlier.

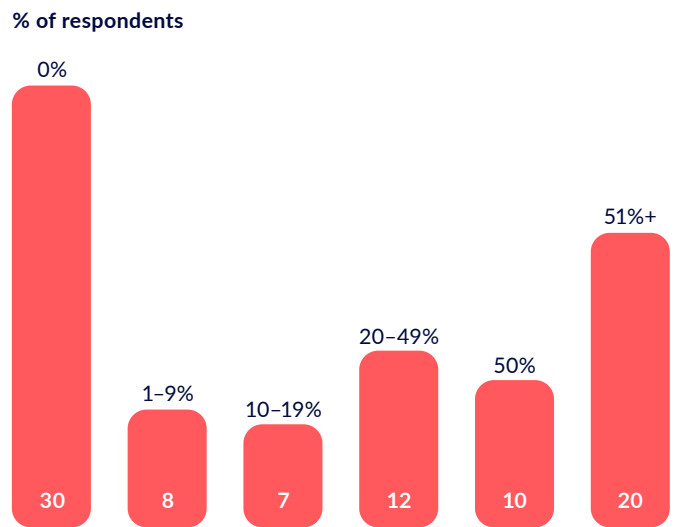


All who recruit temporary agency workers (n=86). Scores indicate % responses stating the factor is quite or very important.

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 that transfer at least 50% of temporary workers to permanent posts rose from 21% to 29% year-on-year. This included 41% of mid-sized (50-249 employee) enterprises, up from 26% a year earlier. In contrast, just 19% of large (250+ employee) organisations transfer at this rate. Regionally, the practice was noticeably more prevalent in the North (35%) than in London (25%).

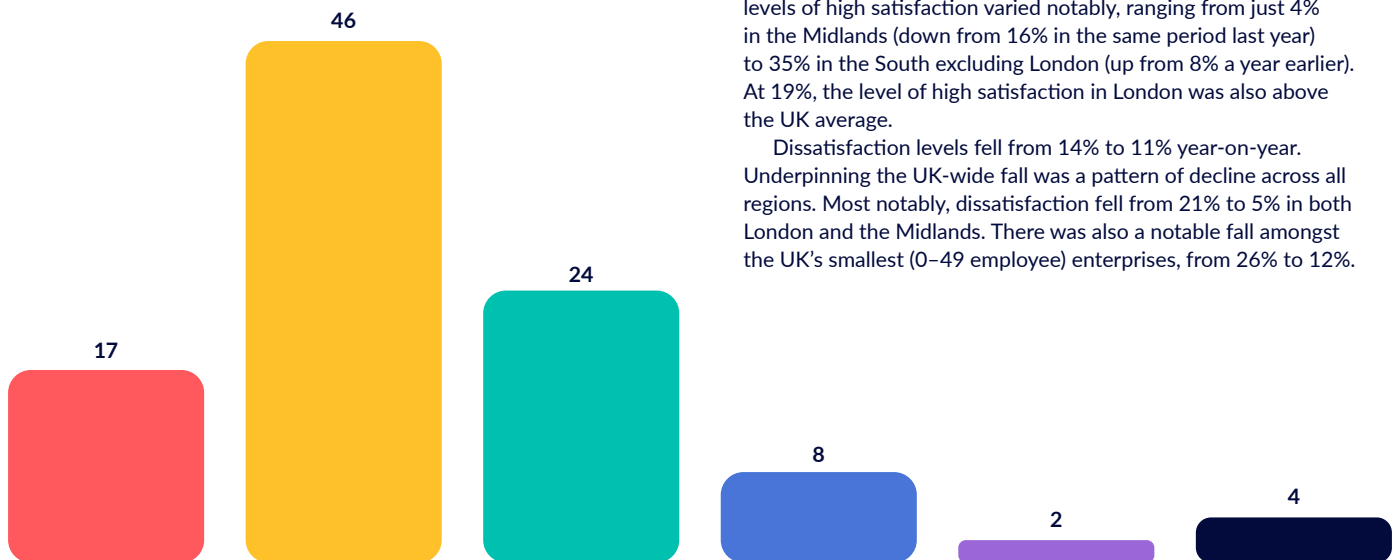


A further 14% of respondents answered don't know to this question. All who recruit temporary workers (n=252).

Agency dashboard

% of respondents

- Very satisfied
- Fairly satisfied
- Neither satisfied nor dissatisfied
- Fairly dissatisfied
- Very dissatisfied
- Don't know



All who use recruitment agencies (n=194).

Satisfaction with candidates

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

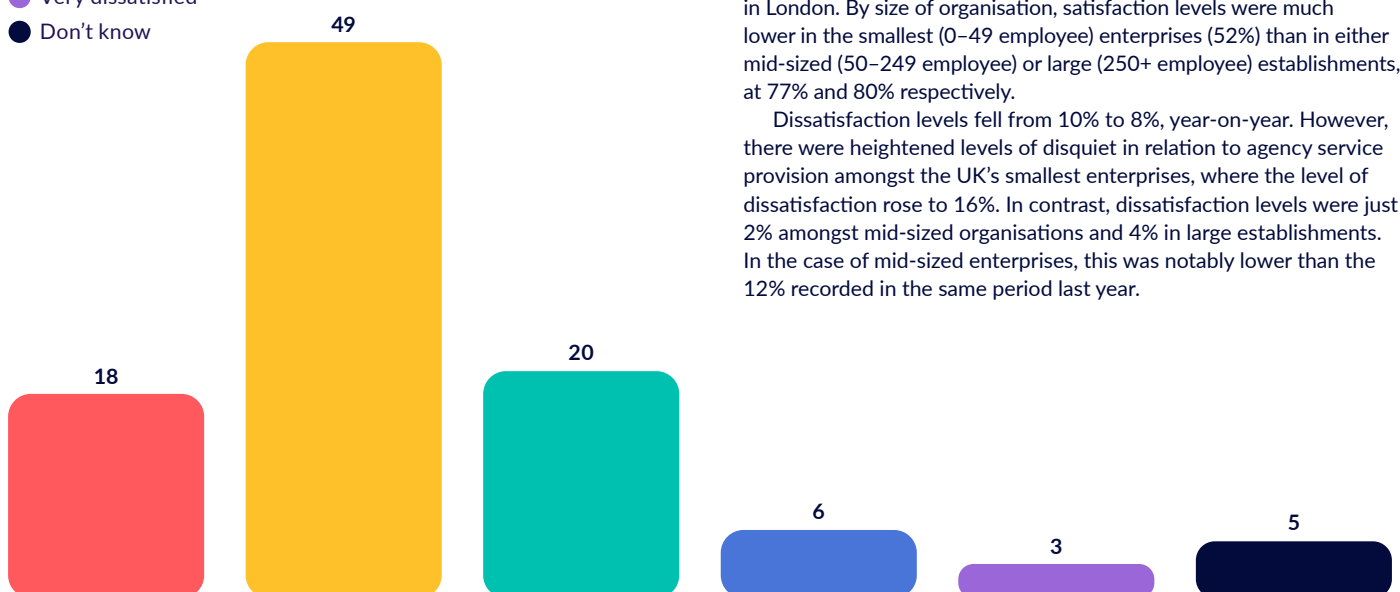
In November 2019–January 2020, three in five (62%) UK hirers expressed satisfaction with the candidates presented by partner agencies. This was similar to the figure recorded a year earlier (64%).

Of the 62% of UK hirers expressing satisfaction, 17% were very satisfied – up from 12% a year earlier. Regionally, however, levels of high satisfaction varied notably, ranging from just 4% in the Midlands (down from 16% in the same period last year) to 35% in the South excluding London (up from 8% a year earlier). At 19%, the level of high satisfaction in London was also above the UK average.

Dissatisfaction levels fell from 14% to 11% year-on-year. Underpinning the UK-wide fall was a pattern of decline across all regions. Most notably, dissatisfaction fell from 21% to 5% in both London and the Midlands. There was also a notable fall amongst the UK's smallest (0–49 employee) enterprises, from 26% to 12%.

% of respondents

- Very satisfied
- Fairly satisfied
- Neither satisfied nor dissatisfied
- Fairly dissatisfied
- Very dissatisfied
- Don't know



All who use recruitment agencies (n=194).

Satisfaction with agencies

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

At 67% this quarter, employers' overall satisfaction level with their agency partners was just marginally lower than the level recorded a year earlier (69%). Regional variations were much greater this year than last, however, and ranged from 55% in the North to 84% in London. By size of organisation, satisfaction levels were much lower in the smallest (0–49 employee) enterprises (52%) than in either mid-sized (50–249 employee) or large (250+ employee) establishments, at 77% and 80% respectively.

Dissatisfaction levels fell from 10% to 8%, year-on-year. However, there were heightened levels of disquiet in relation to agency service provision amongst the UK's smallest enterprises, where the level of dissatisfaction rose to 16%. In contrast, dissatisfaction levels were just 2% amongst mid-sized organisations and 4% in large establishments. In the case of mid-sized enterprises, this was notably lower than the 12% recorded in the same period last year.

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 November 2019–January 2020. Above-average levels of forecast short-term demand for permanent hires continued within Health & social care (up one point to net: +37) and Technology (up three points to net: +32). In contrast, demand for permanent staff in Hospitality fell by eight percentage points to net: +15. Permanent staff demand in Industrial job functions also fell by seven percentage points to net: +15.

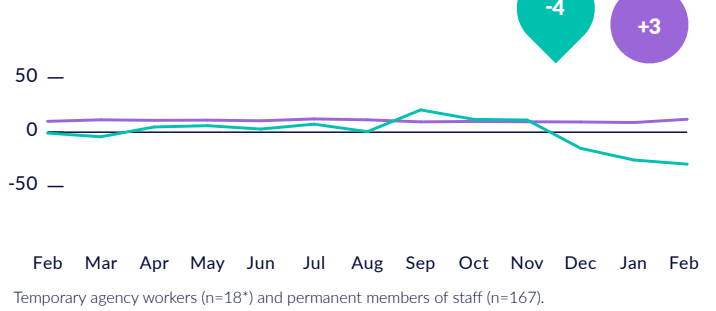
A downturn in forecast short-term demand for temporary agency workers continued within Executive recruitment/interim (down 18 percentage points to net: -56), Legal & HR (down 22 percentage points to -20) and amongst Office professionals (down 17 percentage points to net: -13). In contrast, anticipated demand for Technology workers was buoyant, up 11 percentage points to net: +32. This is potentially due to the increasing need to replace workers unsettled by the IR35 reforms.

- Temporary
- Permanent

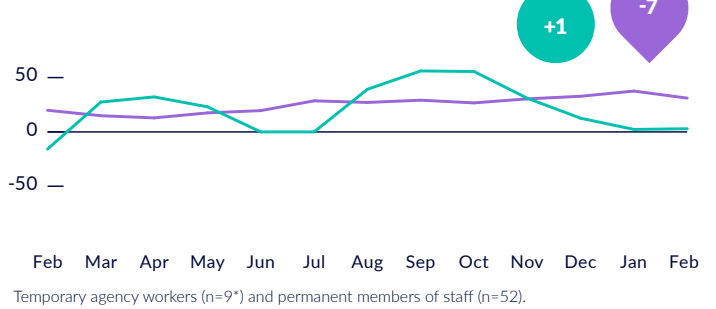
The charts show the month on month increase/decrease in sector prospects using the most recent three months' rolling average values, against a zero base.

This 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.

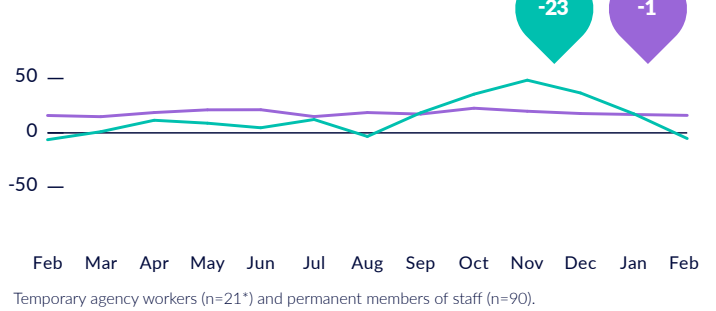
Accounting & financial services



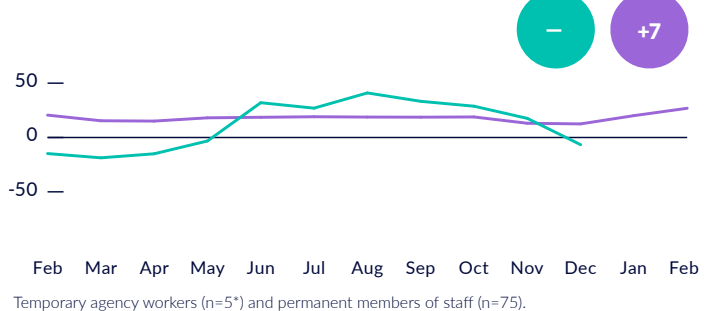
Construction



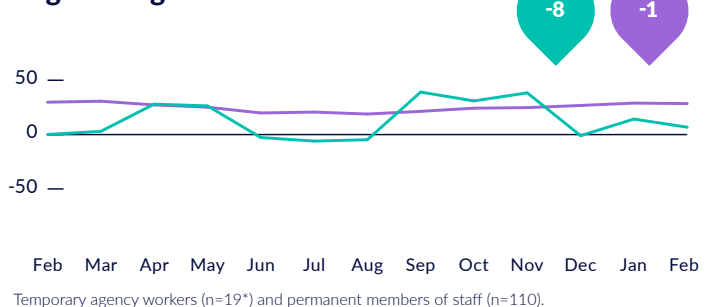
Drivers



Education

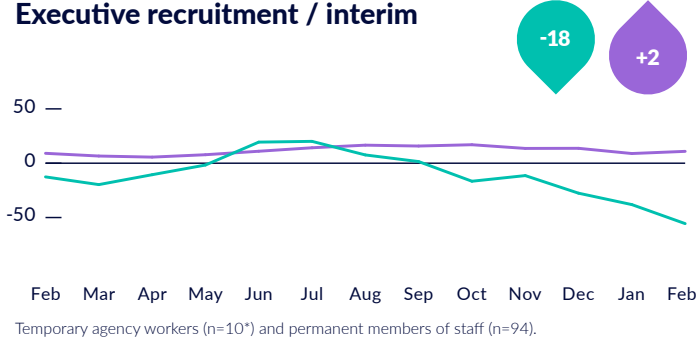


Engineering & technical

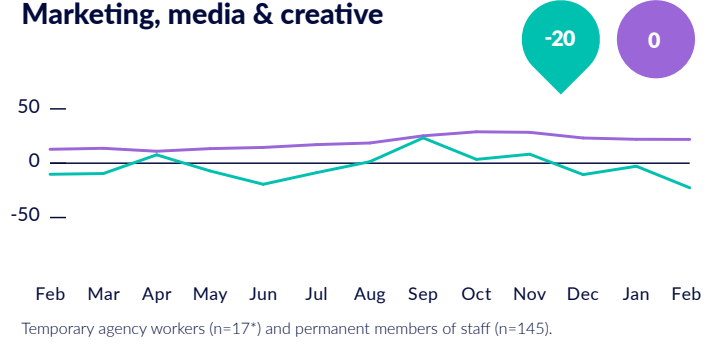


Sector prospects

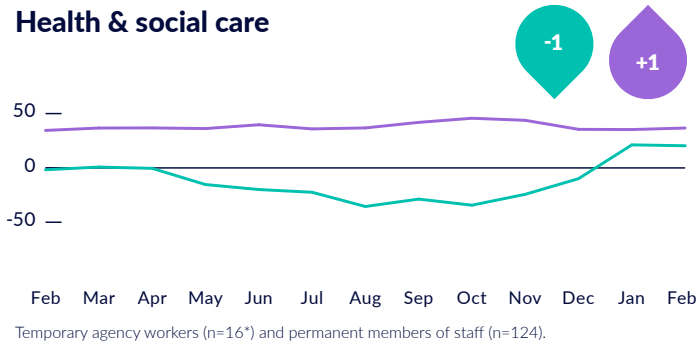
Executive recruitment / interim



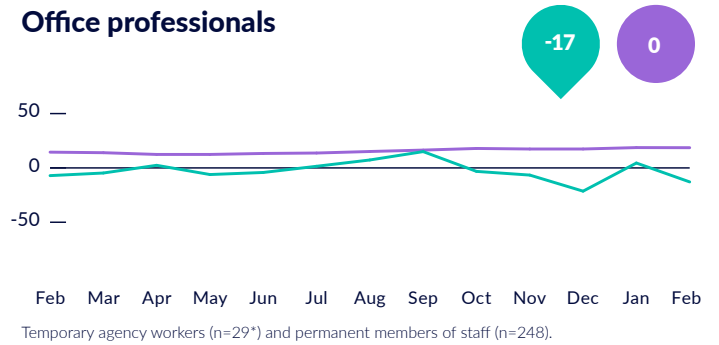
Marketing, media & creative



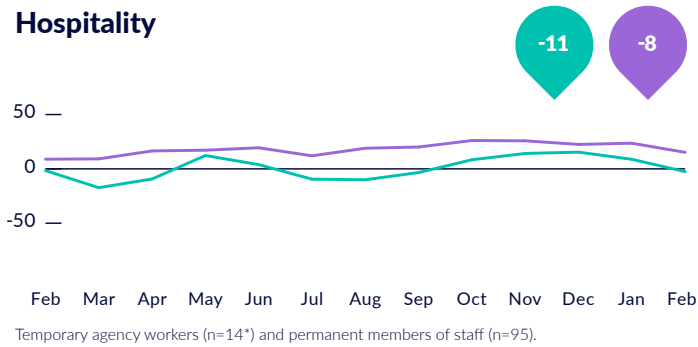
Health & social care



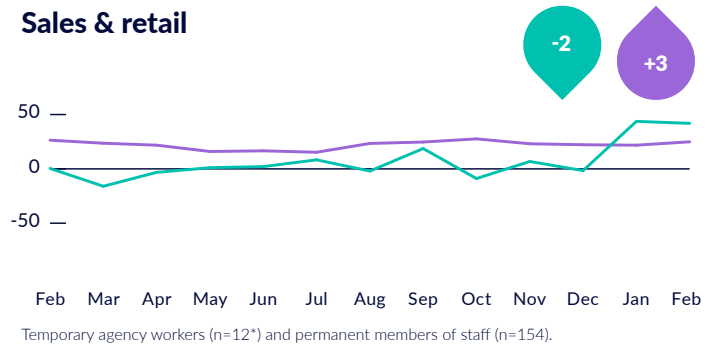
Office professionals



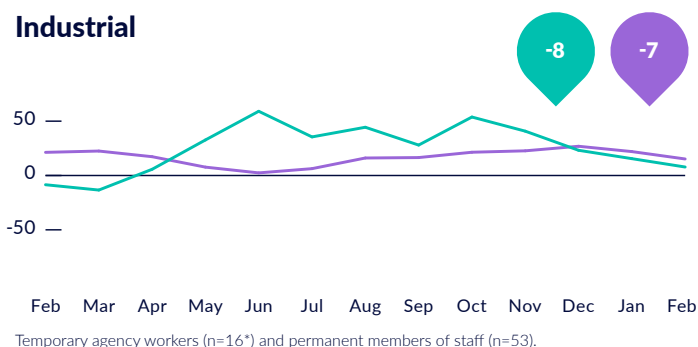
Hospitality



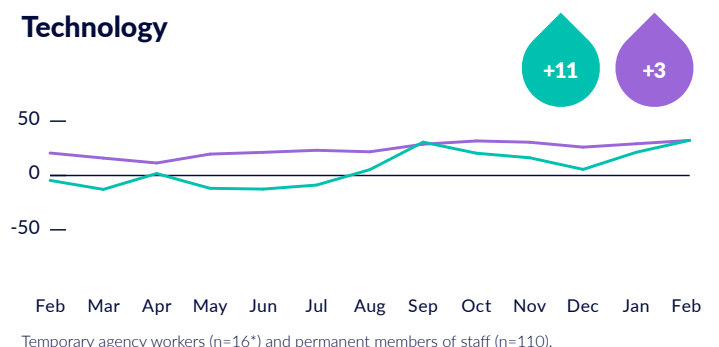
Sales & retail



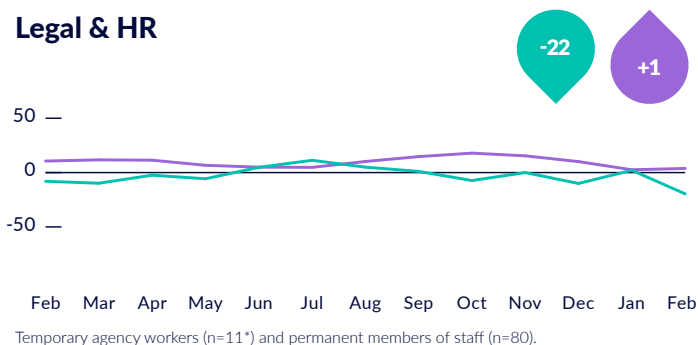
Industrial



Technology



Legal & HR



Unemployment rate forecast to edge down to 3.7%

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

The latest nowcast model update anticipates a fall of 12,000 in the Labour Force Survey measure of UK unemployment in the three months to January. This would lead to a reduction in the unemployment rate from an already historically low level of 3.8% to 3.7%, which would mark the lowest figure since 1974.

The model therefore signals a fifth consecutive decline in unemployment, with a decrease of 16,000 reported by the ONS in the final three months of 2019. 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

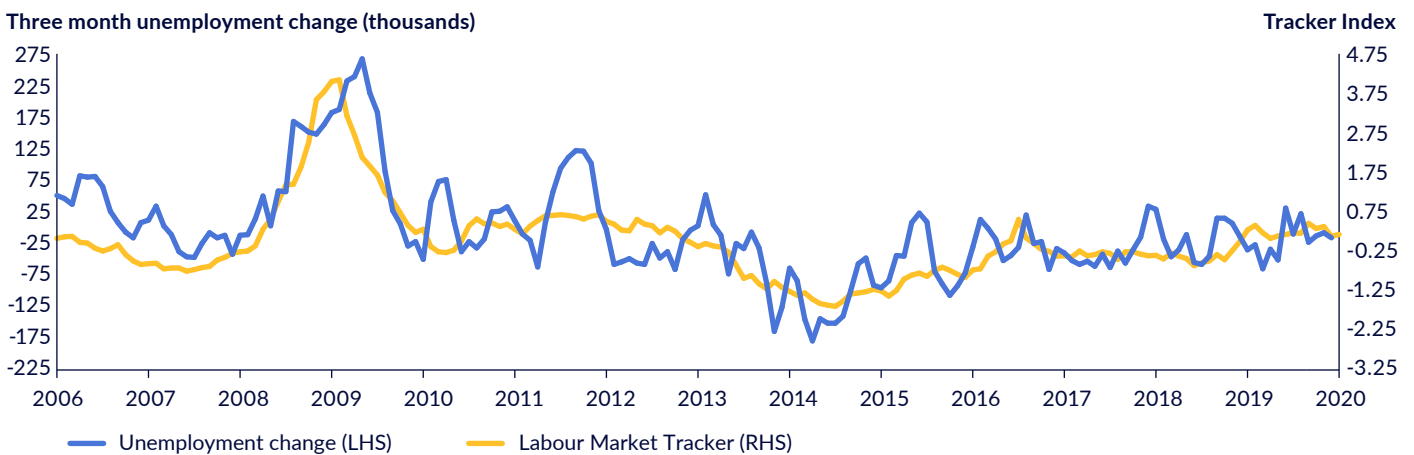
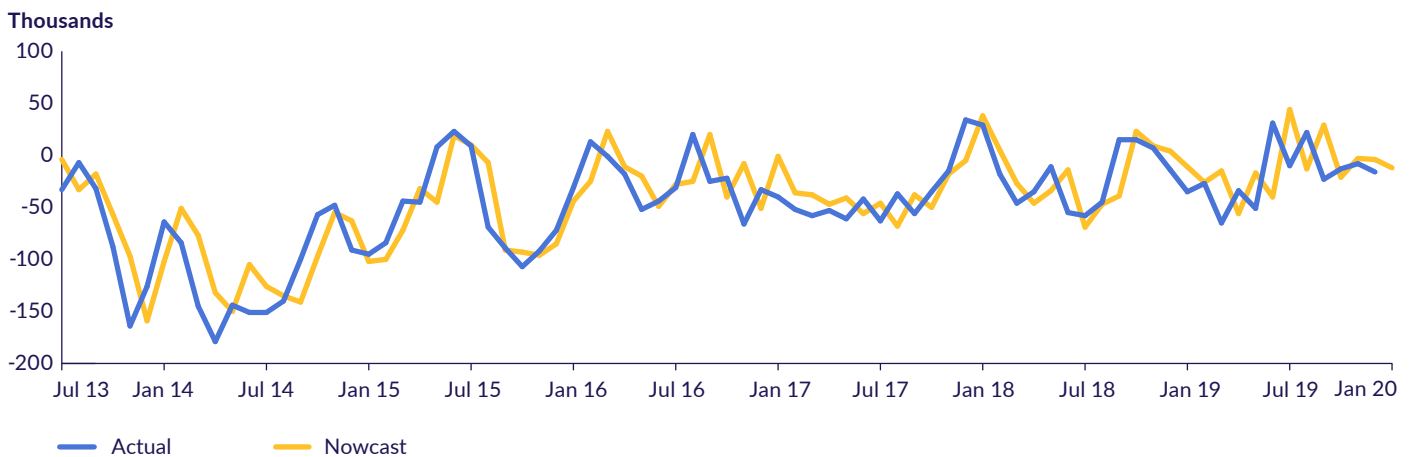


Chart 2: three month unemployment change



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