

Hiring intentions continue to rise despite increased worries about the economy

Confidence

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

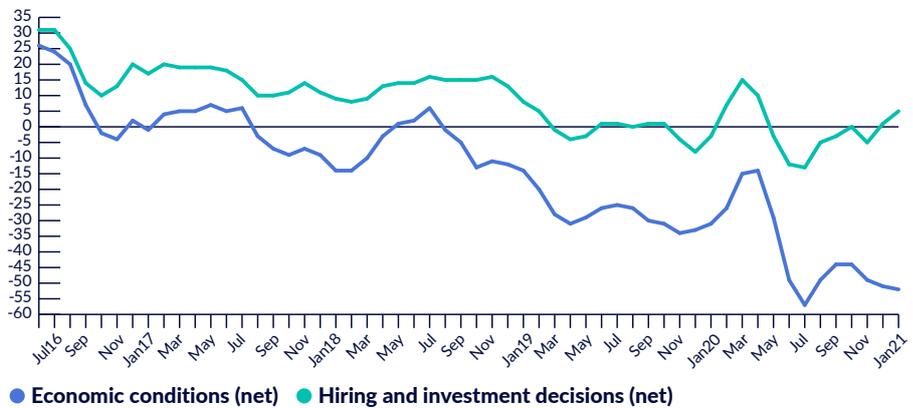


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=600).

Business confidence in the UK economy continued to deteriorate in October–December, with the balance of sentiment falling by one percentage point to net: -52. Despite this, employer confidence in making hiring and investment decisions made further strides into positive territory, rising by four percentage points from the previous rolling quarter to net: +5.



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



Employers' confidence in hiring and investments decisions improved

Employer confidence in making hiring and investment decisions further improved by four percentage points this quarter, sitting in positive territory at net: +5.

2



Intentions to hire permanent staff

Hiring intentions for permanent staff rose to net: +24 in both the short term and the medium term this quarter. This is compared to the net: +21 and net: +26, respectively, that we saw in October–December 2019.

3



Intentions to hire agency workers

At net: +5, short-term hiring intentions for agency workers was lower than in October–December 2019 (net: +9). In contrast, at net: +13, medium-term demand was ten percentage points higher than a year earlier.

4



Employers made more redundancies in the past year

Three in ten (28%) employers reporting making redundancies in the past 12 months, while two in five (39%) had reduced workers' hours. In both cases this was up from just 10% in the year to October–December 2019.

5



Employers satisfied with agency candidates

Levels of satisfaction with candidates presented by recruiters rose from 67% in October–December 2019 to 79% this quarter. Satisfaction with agencies themselves rose from 65% to 78% over the same period.

6



Employers named public health measures one their biggest challenges

In December 2020 just 17% of employers said that recruiting new staff would be one of their biggest challenges for 2021. Meanwhile 41% said that ongoing health restrictions would be one of their biggest challenges.

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

At net: +24, short-term hiring intentions for permanent staff were four percentage points higher than in the previous rolling quarter and three percentage points higher than in October–December 2019 (net: +21). Forecast demand continued to be higher in the public sector than the private sector, at net: +37 and net: +21, respectively. By region, demand was highest outside England (net: +27), where 16% of employers suggested that they expect to greatly increase their headcount.



% of respondents



A further 3.4% of respondents answered 'don't know' to this question. All who recruit permanent members of staff in any job function (n=457).

Outlook by employer size

Net balance of short-term expectations by employer size

The forecast for short-term hiring significantly improved this quarter amongst the UK's largest enterprises, increasing from net: +26 to net: +35, rolling quarter-on-quarter. Moreover, it increased to net: +49 in December alone. In contrast, forecast short-term demand amongst medium-sized employers fell by two percentage points, rolling quarter-on-quarter, to net: +24. Taking December in isolation, sentiment among mid-sized businesses ended the year at net: +19.



All who recruit permanent members of staff in any job function by size (micro & small n=242, medium n=120, large n=95). Figures are based on the % responding increase less the % responding decrease, analysed by size of employer.

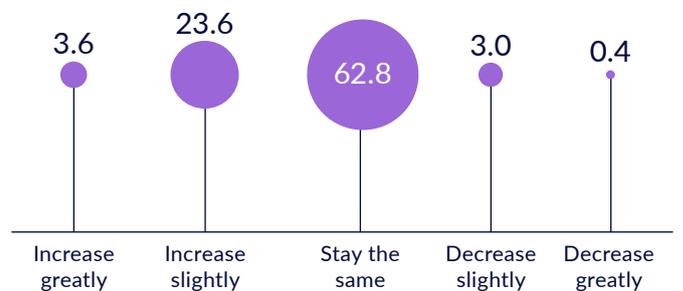
Medium-term outlook

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

Medium-term prospects for permanent hiring also rose to net: +24 this quarter, taking them to within two percentage points of the previous year's figure (net: +26). Moreover, sentiment improved across the quarter, from net: +17 in October to net: +31 in December. Regionally, forecast demand across October–December was highest in the North (net: +33) and in London (net: +31). This compared to net: +19 the Midlands and net: +16 outside England.



% of respondents

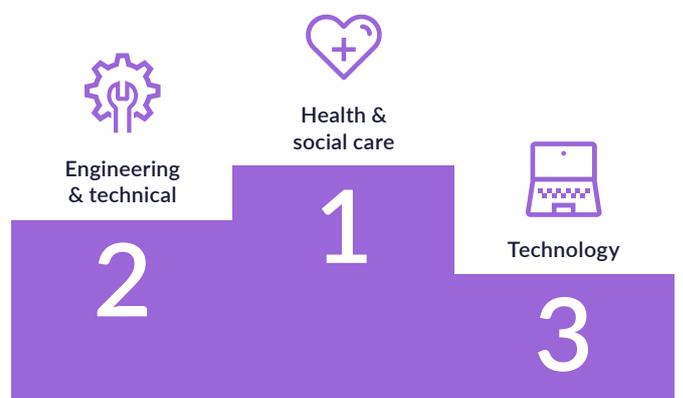


A further 6.6% of respondents answered 'don't know' to this question. All who recruit permanent members of staff in any job function (n=457).

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?

With hiring intentions for permanent staff at a higher level than last year, the fact that just 36% of employers anticipated a candidate shortage – compared to 49% in October–December 2019 – highlights that there are more candidates available for hire. Levels of concern were higher, however, about shortages of Health & social care, Engineering and Technology talent.



October–December 2020

All who recruit permanent members of staff by sector (Engineering & technical n=157, Health & social care n=60, Technology n=139). 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 three 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 (at net: +5), despite falling by one percentage point from the previous rolling quarter. However, this was lower than the level recorded in the same period last year (net: +9).



% of respondents

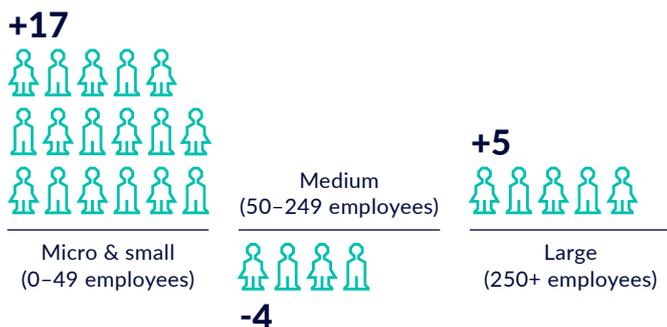


A further 5.4% of respondents answered 'don't know' to this question. All who recruit temporary agency workers in any job function (n=72).

Outlook by employer size

Net balance of short-term expectations by employer size

Indicative figures showed notable year-on-year changes in short-term hiring intentions for agency workers, by size of enterprise. Sentiment among medium-sized enterprises that employ agency workers dropped from net: +31 in October–December 2019 to net: -4 this quarter. In contrast, hiring intentions among the UK's largest enterprises rose from net: -5 to net: +5 over the same period. Forecast demand for agency workers also improved among micro and small employers, increasing by six percentage points from net: +11 to net: +17.



All who recruit temporary agency workers in any job function by size (micro & small n=28*, medium n=25*, large n=19*). 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?

Medium-term hiring intentions for temporary agency workers remained buoyant. The net balance increased by one percentage point from the previous rolling quarter to net: +13. Moreover, this was ten percentage points higher than in October–December 2019.



% of respondents

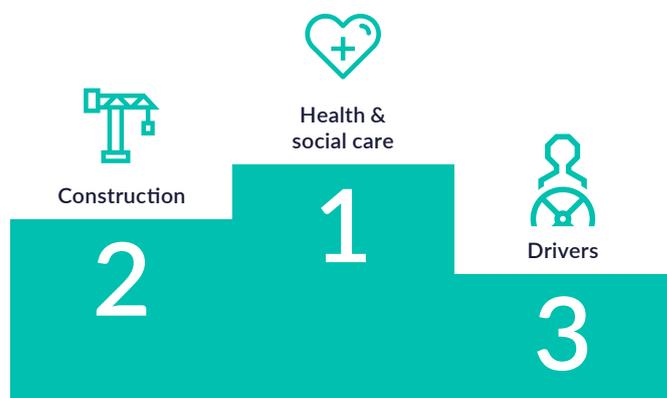


A further 13.8% of respondents answered 'don't know' to this question. All who recruit temporary agency workers in any job function (n=72).

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 who anticipated a shortage of these workers was slightly higher than a year earlier (27%). Concern was most acute over the sufficient availability of Health & social care workers among hirers of both permanent and agency staff.



October–December 2020

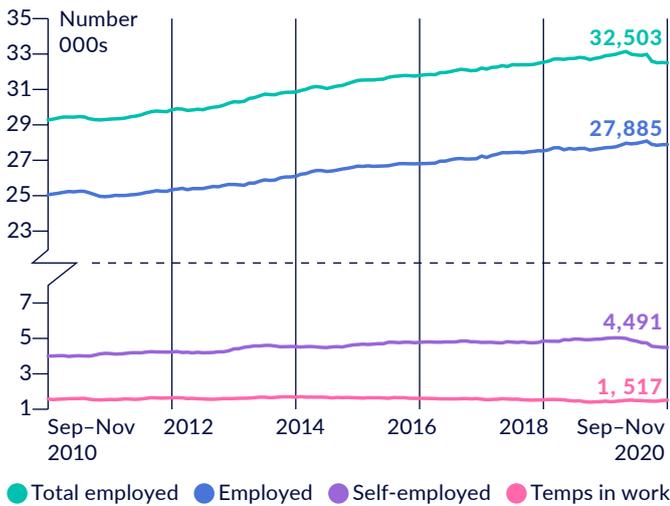
All who recruit temporary agency workers by sector (Drivers n=23*, Construction n=13*, Health & social care n=7*). This ranking is based on the proportion of employers who anticipate skills shortages. Rolling three month average.

Labour market dashboard

Total employment – permanent, temporary and self-employed

There were 32.5 million people employed in the UK in September–November 2020, a year-on-year fall of 1.2% (398,000). There were 6.2% (530,000) fewer people in part-time jobs and 0.5% (132,000) more in full-time work. The number of self-employed people was 10.2% (510,000) lower, year-on-year, whilst temporary employee numbers increased by 4.0% (58,000). The ONS continues to note, however, that many employed people are temporarily away from work without being paid. Many of those are likely to be on zero-hours contracts, a cohort that numbered 278,000 in November.

Total employment, employed and self-employed



Source: Labour Force Survey (LFS), ONS.

Real wage growth

In real terms (when adjusted for inflation), regular pay growth continued to surge in the year to September–November 2020, reaching 2.8%, up from 2.1% last rolling quarter. Similarly, real-terms total pay growth increased further to 2.8% in the year to September–November 2020, from an adjusted 2.1% last rolling quarter. The ONS cautioned, however, that current average pay growth rates are being impacted upwards by a fall in the number and proportion of lower-paid jobs compared with before the Coronavirus pandemic.

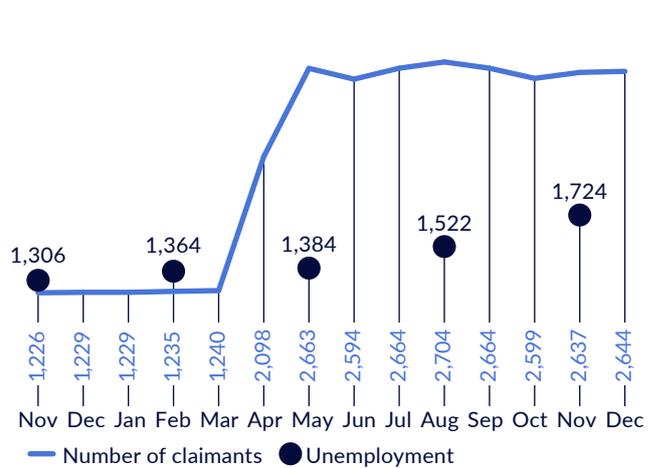
% regular real pay annual growth



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

Unemployment and claimant numbers

The unemployment rate was 5.0% in September–November 2020, compared to 4.9% in the last rolling quarter and 3.8% in the same period last year. There were 1.7 million people unemployed, a 13.3% (202,000) increase on the previous quarter and 32.0% (418,000) higher than a year earlier. Year-on-year, there were 30.2% (117,000) more unemployed 18–24-year-olds – an unemployment rate of 13.2%. There were also 33.1% (179,000) more unemployed 25–49-year-olds than a year earlier and 45.9% (130,000) more unemployed people aged 50+. The Claimant Count plateaued in December at 2.6 million, but remained 115.2% (1.4 million) higher than a year earlier.



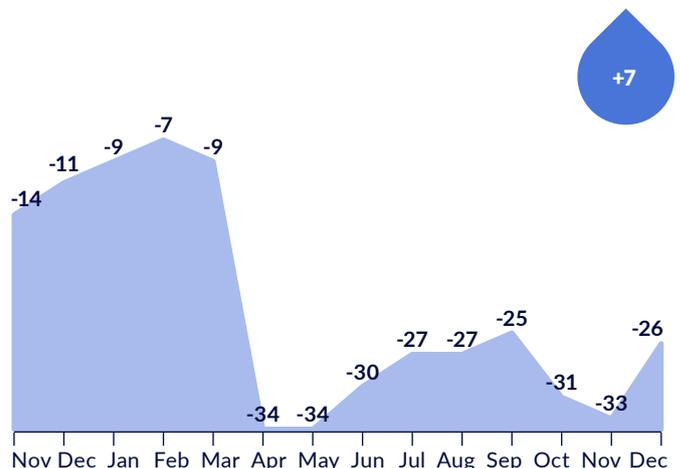
Source: Labour Market Statistics, January 2021: unemployment (quarterly) and seasonally adjusted claimant count (monthly).

Consumer confidence index

Despite the end of the Brexit transition period fast approaching and the nation heading towards another lockdown, the GfK Consumer Confidence Index improved by seven points in December, to -26. However, it remained 11 points lower than a year earlier.

The UK public's outlook for the economy over the next 12 months also improved, rising by a startling 15 points to -35. This was still 27 points lower than in December 2019, however.

And in terms of how this affected their perspective on their personal finances over the next 12 months, this barometer improved by eight points to +3 – the only barometer in positive territory in December.



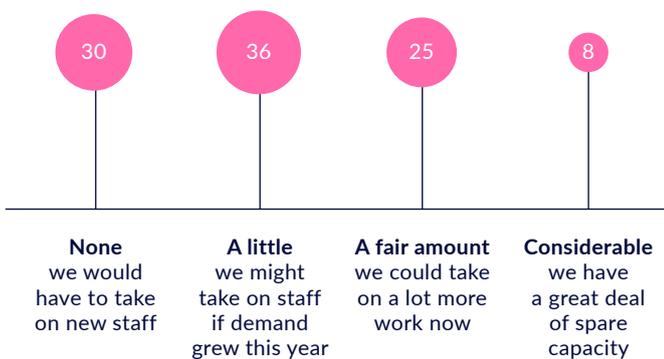
Source: GfK Consumer Confidence Barometer on behalf of the European Commission (December 2020).

Workforce capacity

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

Across October–December 2020, employers in the North reported the highest instance of working without any spare resource capacity. This was cited by 38% of respondents, compared to the average of 30% across the UK. When coupled with those who said they only had a little spare capacity, in the North the percentage rose to 77% (vs. 67% across the UK). Large (250+ employee) organisations were also feeling the strain, with 36% reporting no spare workforce capacity.

% of respondents



All involved in hiring (n=600).

Workforce planning

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

This quarter, 28% of UK employers reported making redundancies in the previous 12 months, almost three times the figure recorded in the year to October–December 2019 (10%). Additionally, two in five (39%) reported that they had reduced workers' hours – a stark comparison to the figure of one in ten (10%) reporting the same in October–December 2019.

Workforce changes made in the last year – Three month rolling average to December 2020 – % of respondents



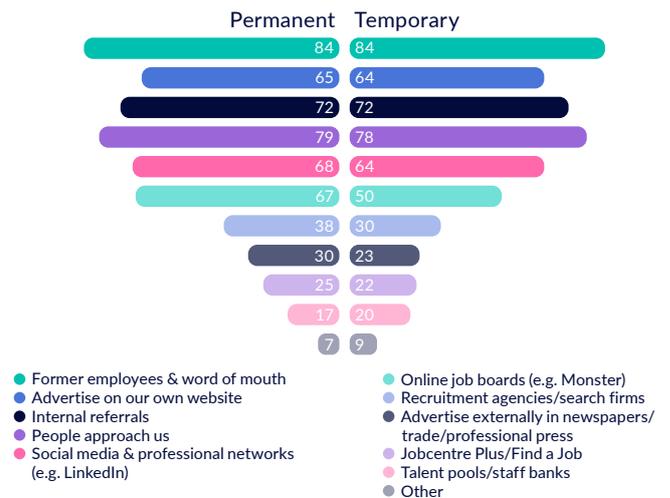
All involved in hiring (n=600).

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 rise in the use of internal referrals to source temporary and contract staff continues, with 72% of respondents citing this activity in October–December 2020 compared to 59% a year earlier. Similarly, the proportion reporting that temps and contractors are approaching them directly rose from 68% to 78% year-on-year.

Three month rolling average to December 2020 – % of respondents



All who have recruited permanent staff (n=476), recruited temporary or contract workers (n=234).

Workforce planning by sector

Whilst a third (32%) of private sector hirers had made redundancies in the last year, just 12% of those in the public sector had done this. And whilst a third (34%) within the private sector had instituted a headcount freeze, this was the case for just one in six (16%) in the public sector.

The practice of reducing workers' hours was extremely commonplace across both sectors. This was recorded by 41% of private and 30% of public sector hirers in the year to October–December 2020 – up from 9% and 13%, respectively, in the previous year.

Three month rolling average to December 2020 – % of respondents



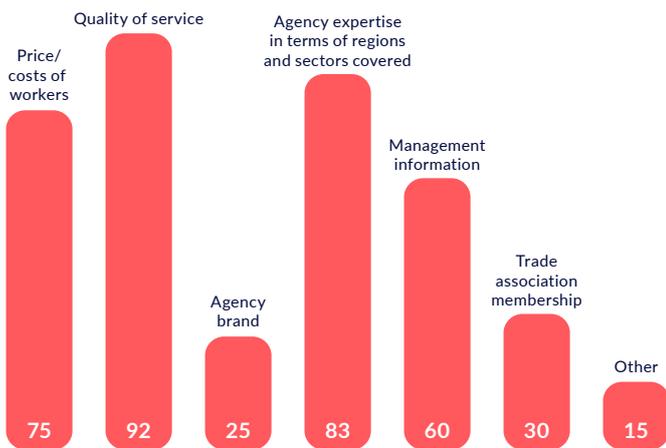
All in private sector (n=532), all in public sector (n=68).

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 importance placed on an agency's ability to provide management information reduced significantly, year-on-year. This was cited as a key selection criterion by 60% of those who hire agency workers in October–December 2020, down from 76% a year earlier. This quarter, 21% said it was very important, down from 36% last year.

% of respondents



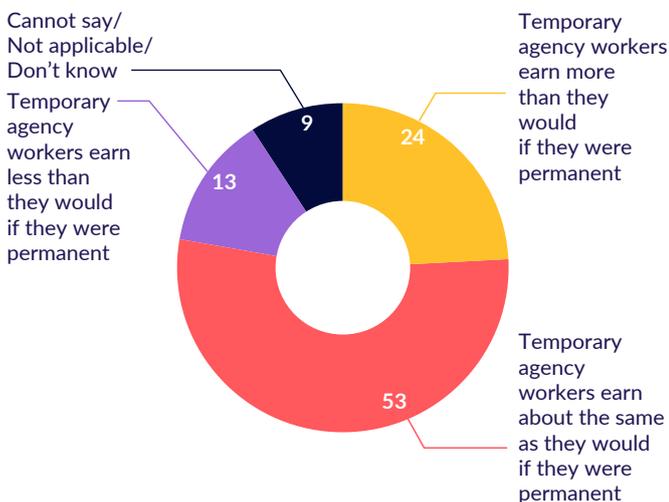
All who recruit temporary agency workers (n=80). Scores indicate the % responses stating the factor is quite or very important.

Agency worker pay rates

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

One in ten (9%) hirers who use agency workers who were uncertain as to whether they earned more or less than if they were permanent, significantly more than the 3% who said this last year. This is likely to result both from a change in how agency workers are currently being deployed during the pandemic and uncertainty relating to the impending IR35 changes.

Three month rolling average to December 2020 - % 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?

In October–December 2019, 80% of employers who hire temporary agency workers said they were important for them to cover leave or absences. This year, that figure was just 63%, suggesting a significant reduction in current need for cover. In contrast, the proportion highlighting the importance of agency workers for short-term access to key strategic skills rose from 48% to 54%.

% of respondents



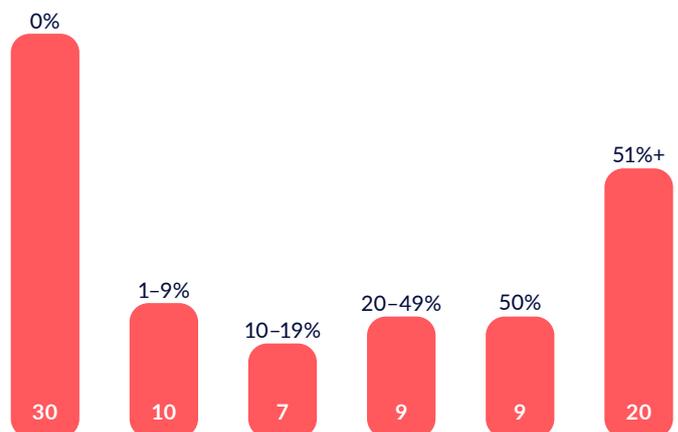
All who recruit temporary agency workers (n=80). Scores indicate % responses stating the factor is quite or very important.

Temporary to permanent

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

This quarter, three in ten (29%) employers of temporary workers said that they transfer at least half of them to permanent posts each year – a similar proportion to October–December 2019 (30%). Two in five (42%) medium-sized (50–249 employee) businesses reported making this number of temp to perm transfers, a notably higher proportion than amongst large (250+ employee) enterprises or micro/small (0–49 employee) businesses (34% and 20%, respectively).

% of respondents

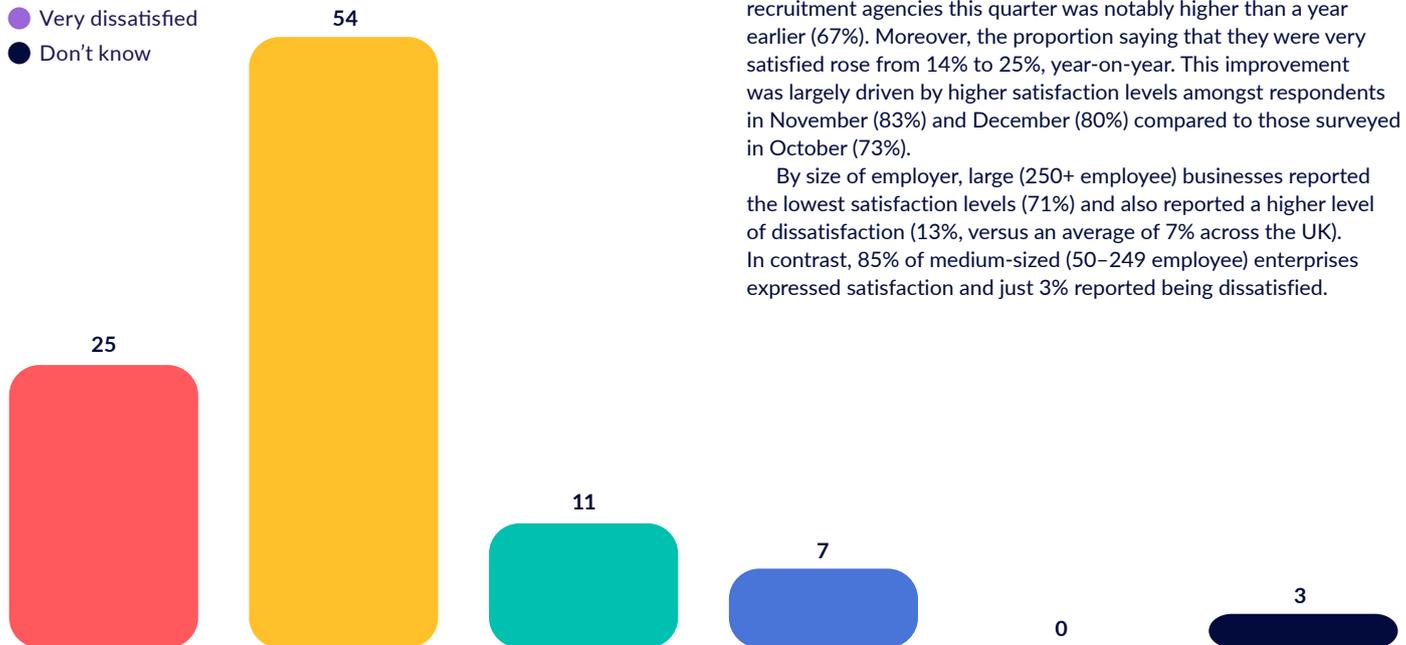


A further 16% of respondents answered 'don't know' to this question. All who recruit temporary workers (n=234).

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=201).

Satisfaction with candidates

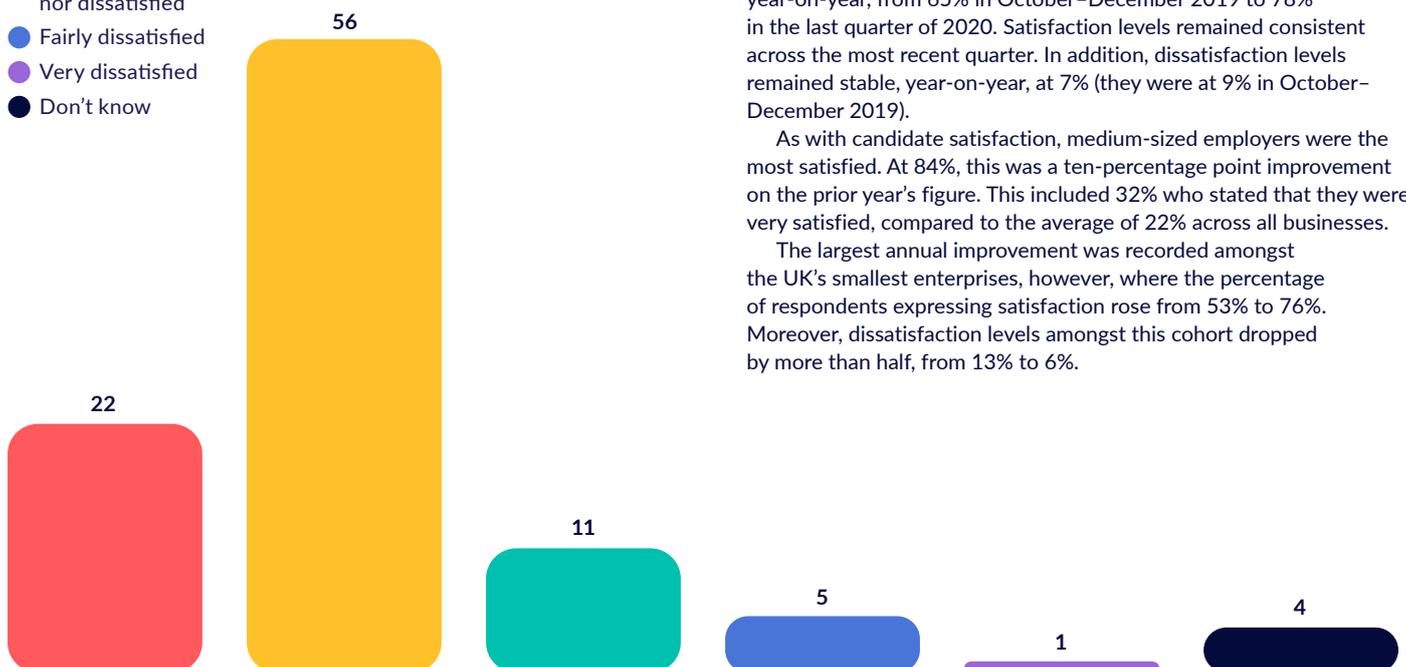
How satisfied or dissatisfied are you with the quality of candidates presented to you by your recruitment agencies?

At 79% in October–December 2020, the proportion of respondents expressing their satisfaction with the candidates presented by recruitment agencies this quarter was notably higher than a year earlier (67%). Moreover, the proportion saying that they were very satisfied rose from 14% to 25%, year-on-year. This improvement was largely driven by higher satisfaction levels amongst respondents in November (83%) and December (80%) compared to those surveyed in October (73%).

By size of employer, large (250+ employee) businesses reported the lowest satisfaction levels (71%) and also reported a higher level of dissatisfaction (13%, versus an average of 7% across the UK). In contrast, 85% of medium-sized (50–249 employee) enterprises expressed satisfaction and just 3% reported being dissatisfied.

% of respondents

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



All who use recruitment agencies (n=201).

Satisfaction with agencies

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

Satisfaction levels with recruitment agencies in general also rose year-on-year, from 65% in October–December 2019 to 78% in the last quarter of 2020. Satisfaction levels remained consistent across the most recent quarter. In addition, dissatisfaction levels remained stable, year-on-year, at 7% (they were at 9% in October–December 2019).

As with candidate satisfaction, medium-sized employers were the most satisfied. At 84%, this was a ten-percentage point improvement on the prior year's figure. This included 32% who stated that they were very satisfied, compared to the average of 22% across all businesses.

The largest annual improvement was recorded amongst the UK's smallest enterprises, however, where the percentage of respondents expressing satisfaction rose from 53% to 76%. Moreover, dissatisfaction levels amongst this cohort dropped by more than half, from 13% to 6%.

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 three months?

Forecast short-term demand for permanent hiring was notably above average (net: +24) in three occupational groups this quarter. It was particularly heightened within Health & social care, with the balance up by four percentage points from the previous rolling quarter to net: +59. It also continued to rise within Construction (up by four percentage points to net: +35) and Technology (up by seven percentage points to net: +31).

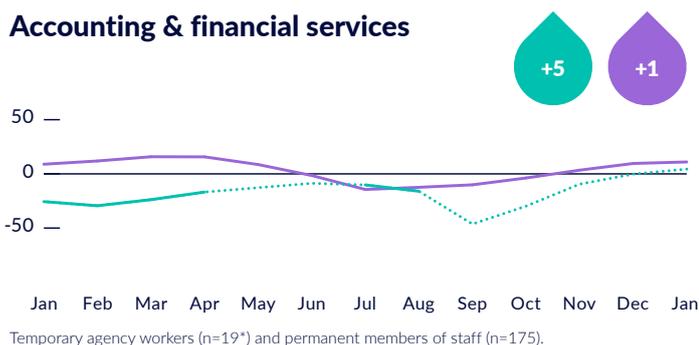
Indicative figures for temporary agency workers highlighted notably above average, and increasing, demand for Drivers (up by 12 percentage points to net: +20). There was also a rise in Construction (up by six percentage points to net: +41).

Temporary 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.

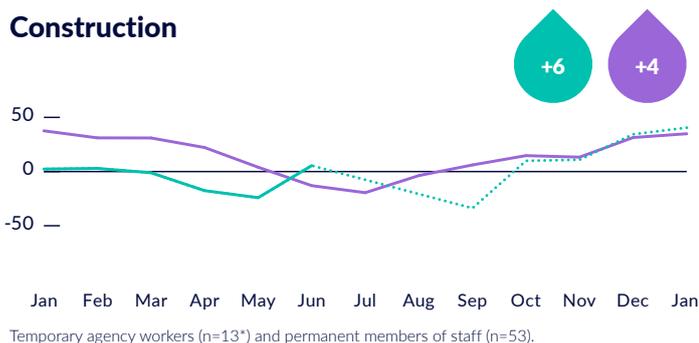
Permanent

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. A dotted line shows where the net figure for predicted change in demand has been estimated, due to a small base size.

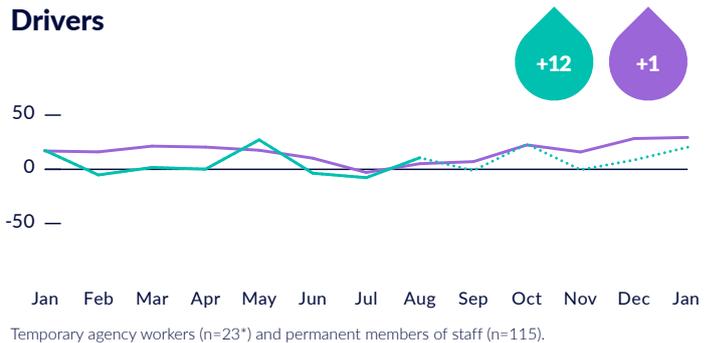
Accounting & financial services



Construction



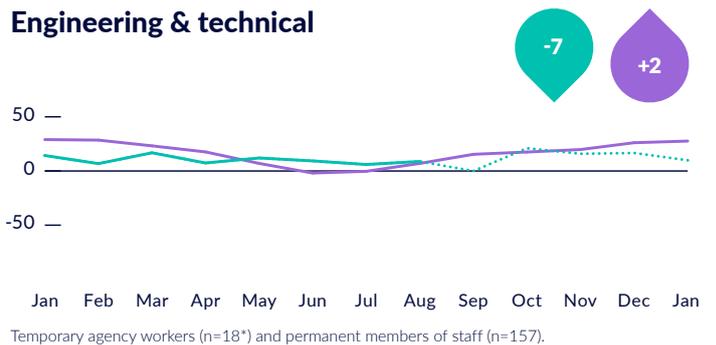
Drivers



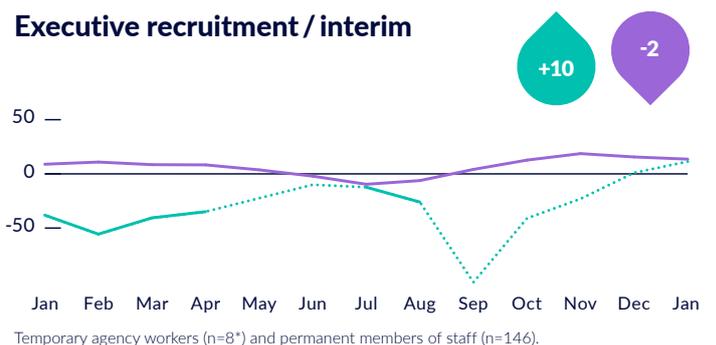
Education



Engineering & technical



Executive recruitment / interim

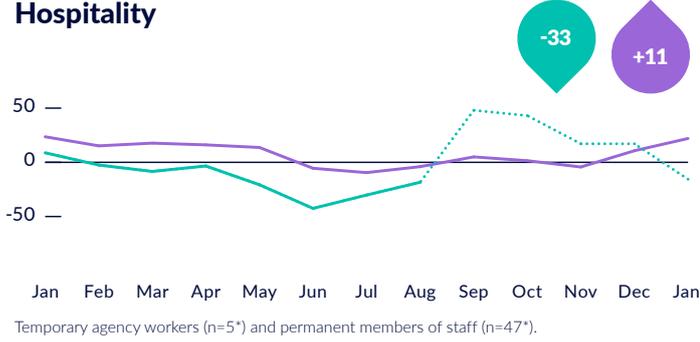


Health & social care

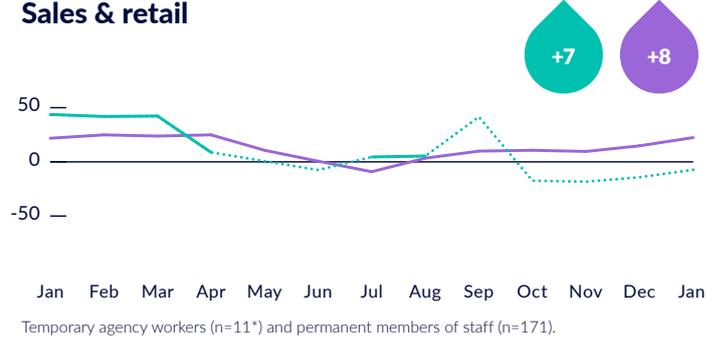


Sector prospects

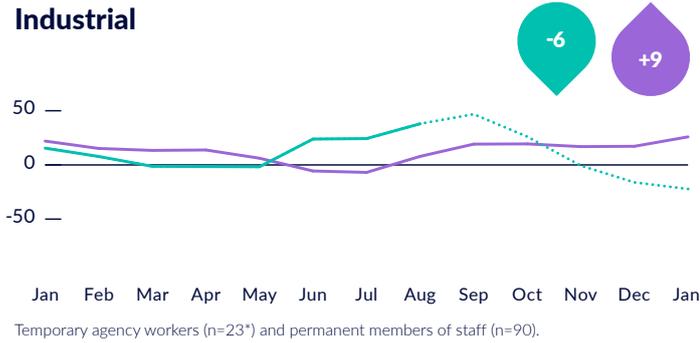
Hospitality



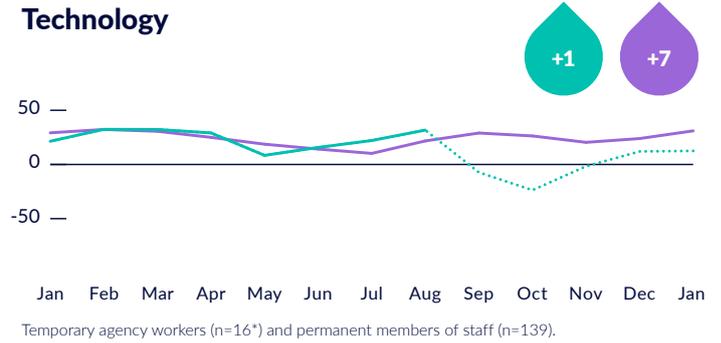
Sales & retail



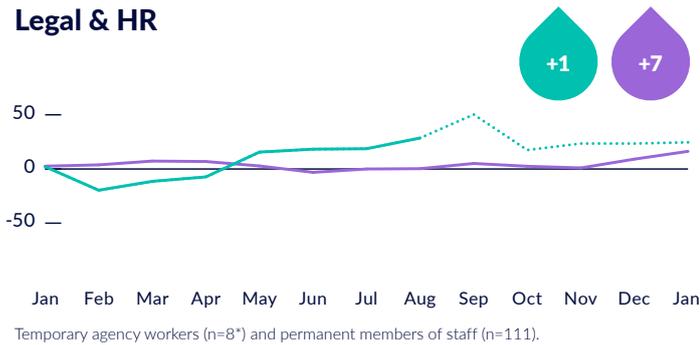
Industrial



Technology

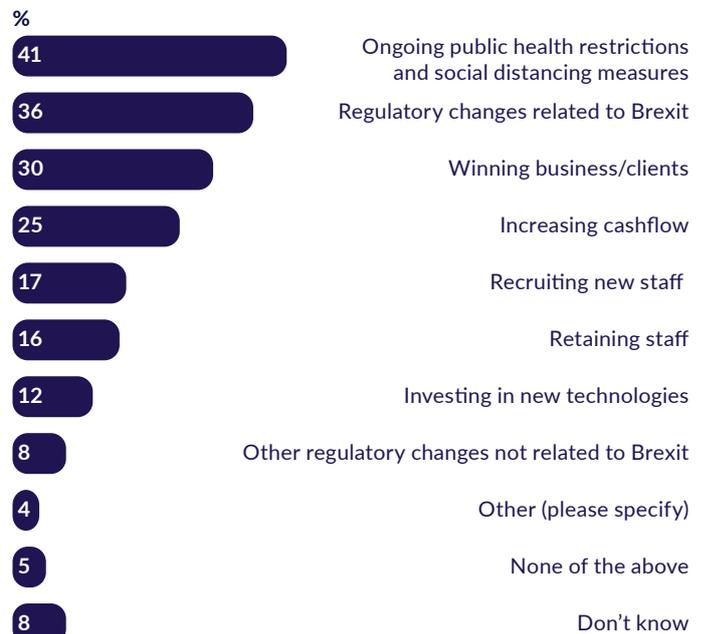


Legal & HR



Topical question

Which of the following, if any, do you expect to be the biggest challenges for your business in 2021?

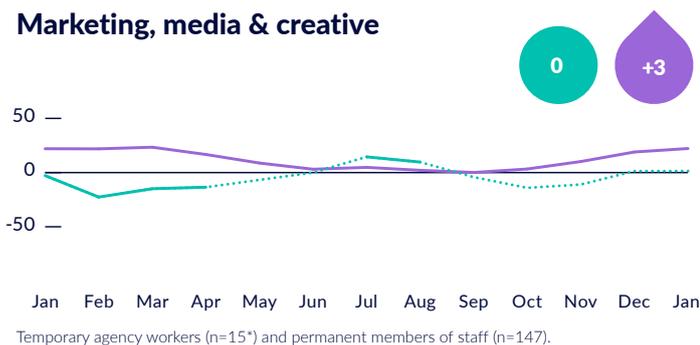


All involved in hiring, surveyed in December 2020 (n=200).

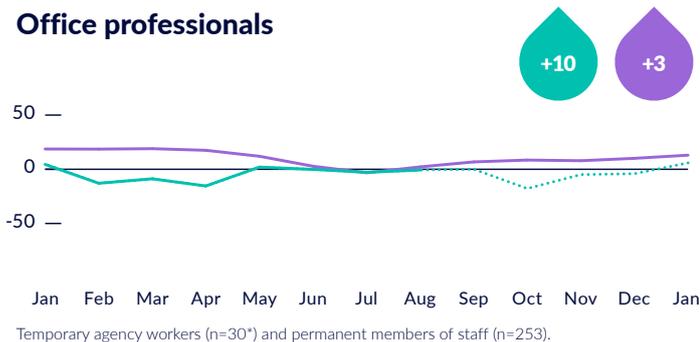
Unsurprisingly, the two biggest challenges for 2021 reported by employers were ongoing public health measures related to COVID-19 (41%) and regulatory changes related to Brexit (36%).

A much smaller proportion of employers considered workforce challenges to be among their greatest concerns. Just 17% said that recruiting new staff would be one of their biggest challenges this year, and 16% said the same for retaining their current staff. Given the high levels of anticipated demand for staff and much lower levels of concern about staff shortages, this could be because employers believe that they will not struggle to find workers to meet their needs this year.

Marketing, media & creative



Office professionals



UK unemployment rate forecast to rise to 5.2%

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

The nowcast model forecasts an increase in the Labour Force Survey measure of UK unemployment of 161,000 in the three months to December. Consequently, the unemployment rate is expected to rise from 5.0% to 5.2%, the highest level since the three months to October 2015. The ONS will publish this data on 23 February 2021.

The model signals a twelfth consecutive increase in unemployment, with a rise of 202,000 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. However, the resurgence of COVID-19 and the reintroduction of tighter public health measures, continue to add to uncertainty over the outlook for both the labour market and wider economy.

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

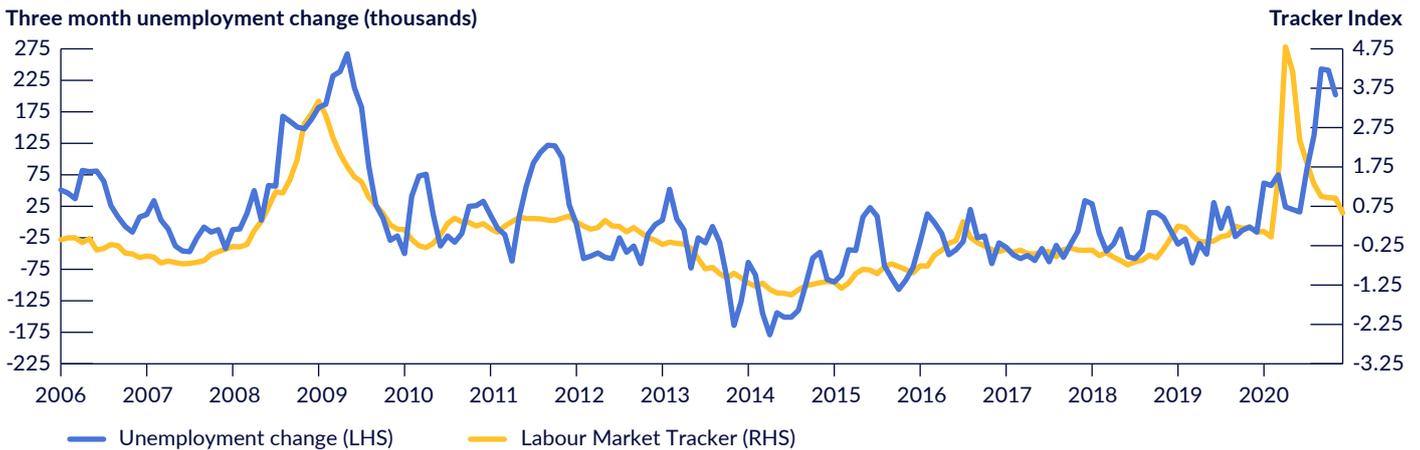
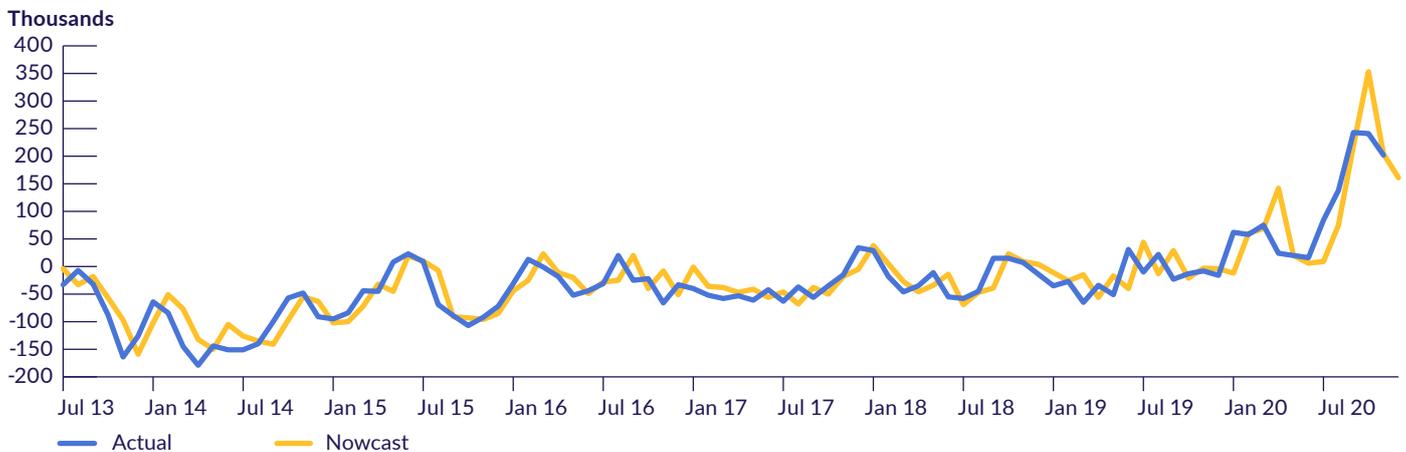


Chart 2: three month unemployment change



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