

Business confidence in hiring continues to improve as lockdown exit plans announced

Confidence

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

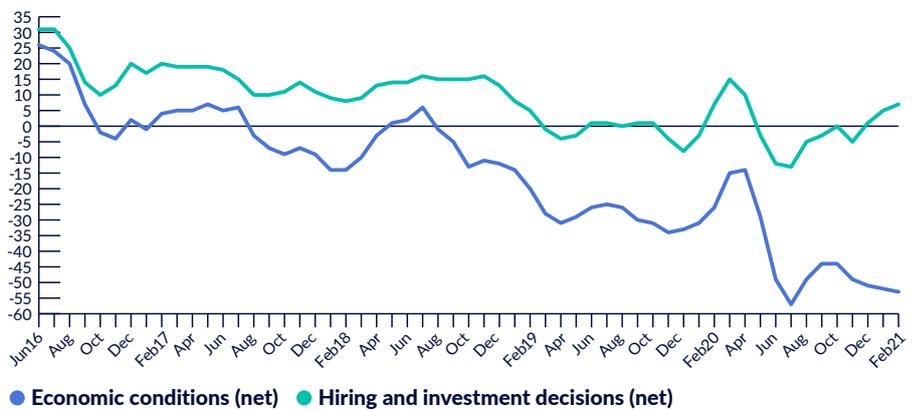


In view of the economic conditions, do you/does your organisation expect confidence in hiring and investment decisions to get...



All involved in hiring (n=600).

Business confidence in the UK economy further deteriorated in November–January, with the balance of sentiment falling by one percentage point to net: -53. Employer confidence in making hiring and investment decisions rose by two percentage points from the previous rolling quarter to net: +7. However, confidence levels were negative in January, at net: -4.



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



Employers' confidence in hiring and investment decisions improved

Employer confidence in making hiring and investment decisions rose to net: +7 in November 2020–January 2021. However, in January alone, sentiment was negative at net: -4.

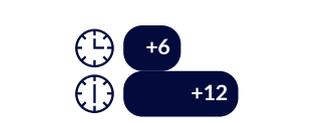
2



Intentions to hire permanent staff rose

Short-term hiring intentions for permanent staff were at net: +25, four percentage points higher than in November 2019–January 2020. At net: +26, medium-term sentiment was at the same level as last year.

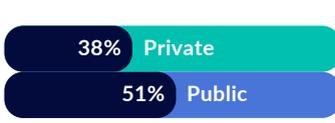
3



Intentions to hire agency workers also increased

Short-term forecast demand for temporary agency workers was higher than last year (net: +6 compared to net: -2). Similarly, at net: +12, medium-term demand was notably higher than last year (net: -4).

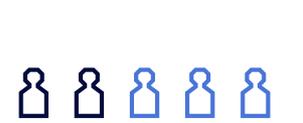
4



Employers increased staffing levels

Despite the pandemic, more than a third (38%) of private sector hirers and more than half (51%) of public sector employers had increased staffing levels in the previous 12 months.

5



Increase in employers who reduced workers' hours

However, two in five (40%) employers reported that they had reduced workers' hours over the previous year. This was a notable increase on the 12% who reported the same action in the year to November 2019–January 2020.

6



Satisfaction with recruitment agencies remained high

Satisfaction levels with recruitment agencies rose from 67% in November 2019–January 2020 to 75% this year. They declined across this quarter, however, from 80% in November 2020 to 66% in January 2021.

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?

Sentiment towards hiring permanent staff in the short term improved by one percentage point from the previous rolling quarter to net: +25. Moreover, this was four percentage points higher than in November 2019–January 2020. Regionally, forecast demand was highest in London (net: +29) and outside England (net: +34). In contrast, the balance of forecast demand was net: +21 in the Midlands.



% of respondents

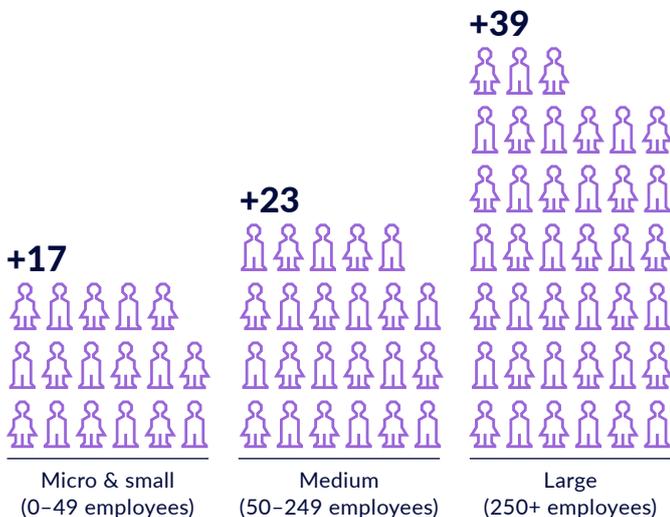


A further 4.1% of respondents answered 'don't know' to this question. All who recruit permanent members of staff in any job function (n=447).

Outlook by employer size

Net balance of short-term expectations by employer size

The short-term forecast for hiring remained notably strong this quarter amongst large UK enterprises. Moreover, at net: +39, this was 13 percentage points higher than in November 2019–January 2020 (net: +25). In January 2021, however, their hiring intentions were lower with the balance of sentiment falling to net: +12. In contrast, forecast demand remained static, year-on-year, amongst micro and small employers (net: +17) and medium-sized hirers (net: +23).



All who recruit permanent members of staff in any job function by size (micro & small n=241, medium n=110, large n=96). Figures are based on the % responding increase less the % responding decrease, analysed by size of employer.

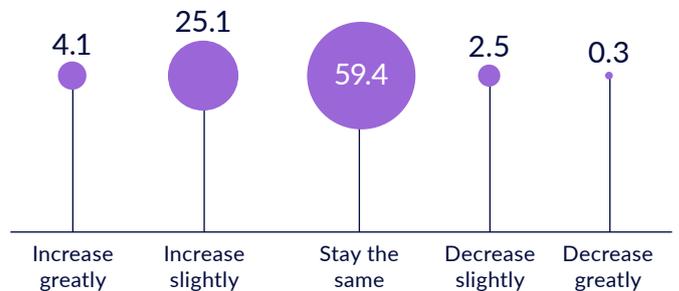
Medium-term outlook

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

Medium-term hiring intentions for permanent staff also continued to improve, rising by three percentage points from the previous rolling quarter to net: +26 – the same as in November 2019–January 2020. After the surge in optimism in December (net: +31), sentiment was unsurprisingly more subdued in January (net: +23). Regionally, forecast demand was highest in the North (net: +31) and in London and the South (net: +29), and lowest outside England (net: +14).



% of respondents

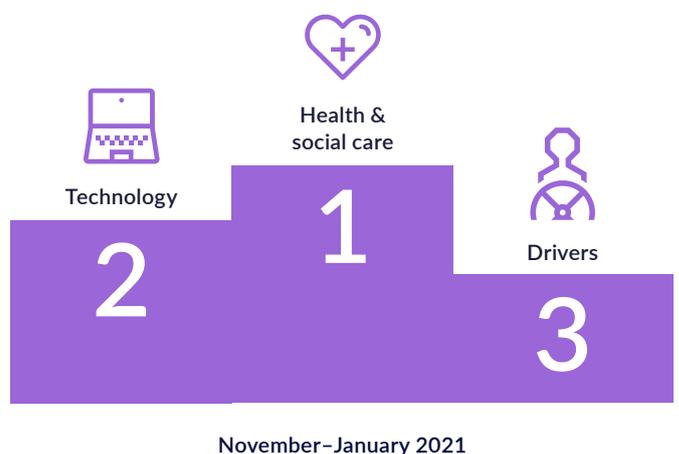


A further 8.7% of respondents answered 'don't know' to this question. All who recruit permanent members of staff in any job function (n=447).

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 the balance of forecast demand for permanent hiring at or above the previous year's levels, the fact that just 37% of employers anticipated a candidate shortage – compared to 49% in November 2019–January 2020 – suggests considerably heightened candidate availability. The return of Drivers as a top three category of concern is also noteworthy.



All who recruit permanent members of staff by sector (Technology n=120, Health & social care n=65, Drivers n=103). 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 improved by a further one percentage point from the previous rolling quarter and remained firmly in positive territory at net: +6. Moreover, this sits in contrast to the picture a year ago in November 2019–January 2020, when hiring intentions were at net: -2.



% of respondents

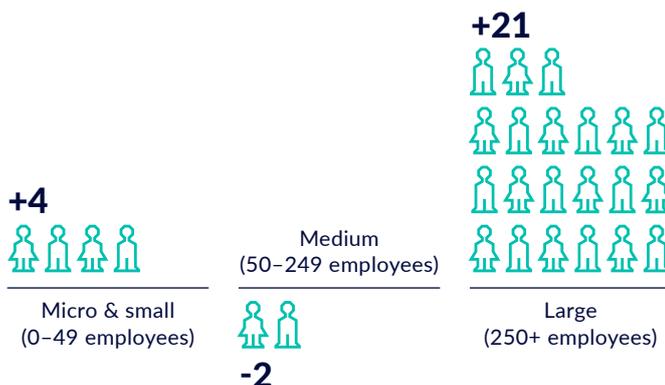


A further 7.4% of respondents answered 'don't know' to this question. All who recruit temporary agency workers in any job function (n=69).

Outlook by employer size

Net balance of short-term expectations by employer size

Indicative figures showed notable year-on-year changes in short-term demand for agency workers amongst large employers. At net: +21, this was notably higher than the net: +5 recorded in the last rolling quarter and the net: -16 recorded in November 2019–January 2020. In contrast, at net: -2, sentiment amongst medium-sized employers was significantly lower than last year (net: +18). Forecast demand amongst micro and small enterprises was at the same level as a year earlier (net: +4).



All who recruit temporary agency workers in any job function by size (micro & small n=28*, medium n=25*, large n=16*). Figures are based on the % responding increase less the % responding decrease, analysed by size of employer.

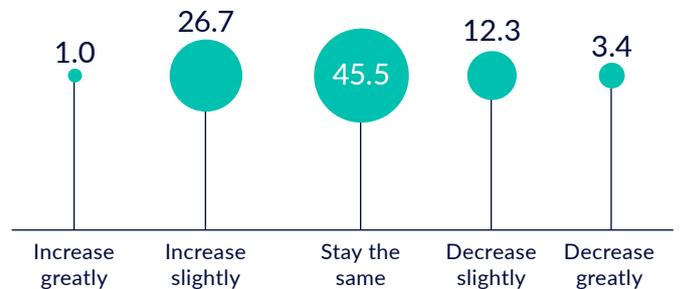
Medium-term outlook

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 dropped by one percentage point compared to the previous rolling quarter. At net: +12, however, they remained notably higher than recorded in November 2019–January 2020 (net: -4).



% of respondents



A further 11.1% of respondents answered 'don't know' to this question. All who recruit temporary agency workers in any job function (n=69).

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?

Just 26% of UK employers anticipated a shortage of temporary agency workers this quarter, a similar proportion as in November 2019–January 2020 (29%). Concern over the sufficient availability of agency drivers returned to the fore – the fact that it was also a top three concern among employers of permanent staff highlights a potentially acute shortage.



November–January 2021

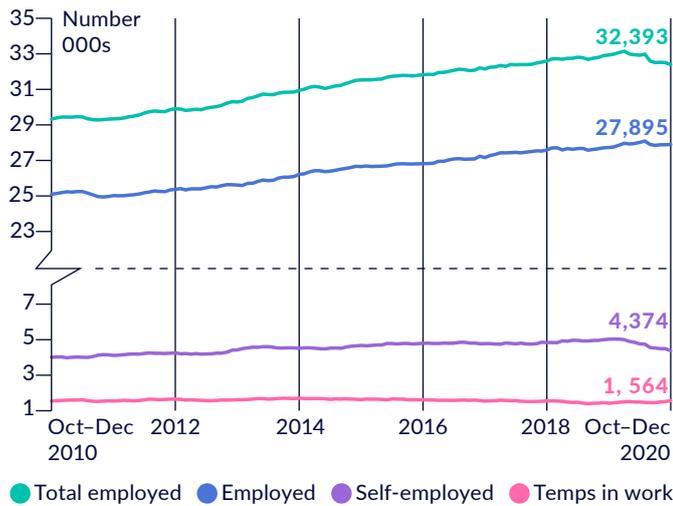
All who recruit temporary agency workers by sector (Drivers n=19*, Construction n=11*, Health & social care n=9*). This ranking is based on the proportion of employers who anticipate skills shortages. Rolling three month average.

Labour market dashboard

Total employment – permanent, temporary and self-employed

There were 32.4 million people employed in October–December 2020, 114,000 (0.4%) fewer than the previous quarter and 541,000 (1.6%) fewer than in the same period in 2019. The number of self-employed people fell by 152,000 (-3.4%) quarter-on-quarter and by 652,000 (13.0%) year-on-year. The self-employment rate is now 13.5%. In contrast, temporary employment – in all its guises – increased by 110,000 (7.6%) quarter-on-quarter, and by 142,000 (10.0%) year-on-year. This rise was largely courtesy of an increase in Fixed Term Contract (FTC) working.

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 for British employees (excluding bonuses) continued to surge in the year to October–December 2020, increasing to +3.3%. This was up from +2.8% in the previous rolling quarter. Total pay growth also improved in real terms to +3.8% in the year to October–December 2020, up from an adjusted +3.0% in September–November.

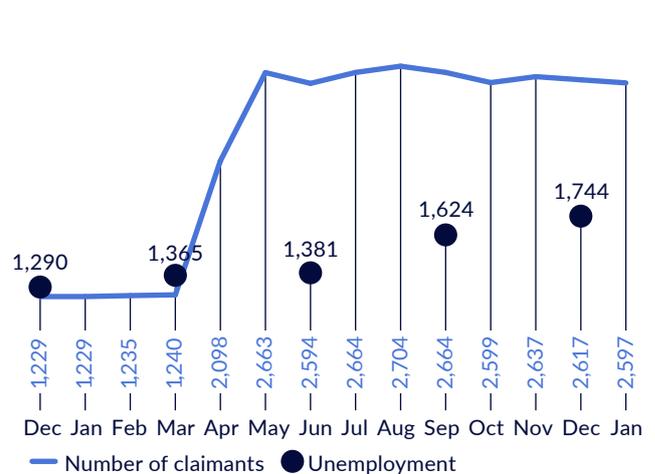
The ONS has cautioned, however, that current average pay growth rates are being pushed upwards by a fall in the number and proportion of lower-paid jobs compared with before the coronavirus pandemic.



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

Unemployment and claimant numbers

The unemployment rate increased to 5.1% in October–December 2020 from 5.0% in the previous rolling quarter and 3.8% in the final quarter of 2019. At 1.74 million, this represented a 121,000 (7.4%) quarterly increase and was 454,000 (35.2%) higher than a year earlier. There were 208,000 (39.9%) more unemployed 25–49-year-olds and 138,000 (47.8%) more unemployed people aged 50+ than in the final quarter of 2019. At 2.60 million the Claimant Count for January 2021 was 111% higher than a year earlier, but down by 0.8% (20,000) month-on-month.



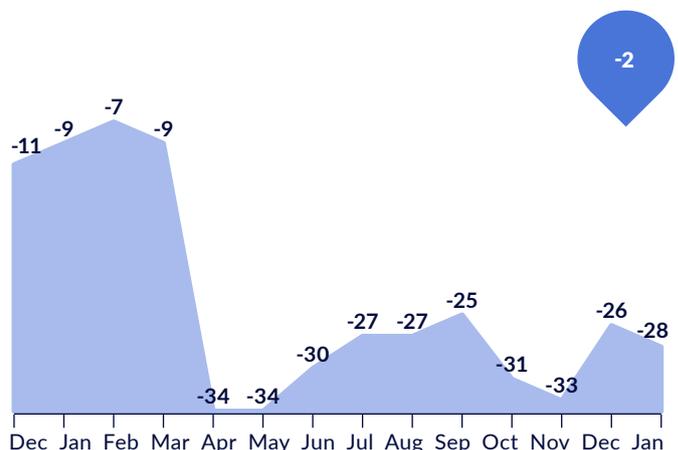
Source: Labour Market Statistics, February 2021: unemployment (quarterly) and seasonally adjusted claimant count (monthly).

Consumer confidence index

With the EU transition period now over and the nation in lockdown again, the GfK Consumer Confidence Index dropped by a relatively modest two points in January to -28.

The UK public's outlook for the economy over the next 12 months was the main driver of the downturn – dropping by nine points to a level 20 points lower than in January 2020.

In contrast, respondents' perspectives on the outlook for their own personal finances over the next 12 months was positive at +2, and just four points lower than last year. That said, at -24, the major purchase index was 25 points lower than in January 2020.



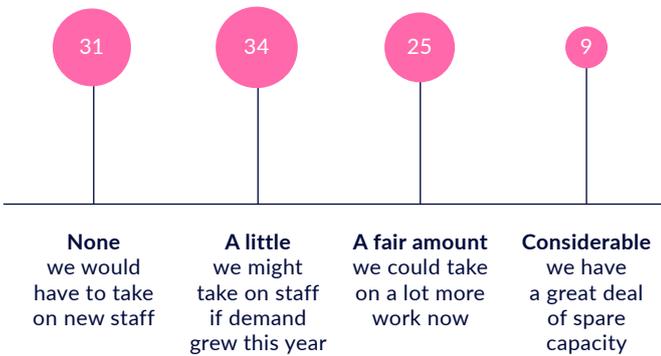
Source: GfK Consumer Confidence Barometer on behalf of the European Commission (January 2021).

Workforce capacity

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

At 34%, the proportion of UK employers with a fair or considerable amount of spare resource capacity was five percentage points higher than in November 2019–January 2020. This year-on-year increase was largely driven by regional surges within the Midlands (from 29% to 39%) and the devolved nations (from 26% to 35%), and by medium-sized (50–249 employee) enterprises (from 25% to 39%).

% of respondents



All involved in hiring (n=600).

Workforce planning

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

This quarter, two in five (40%) hirers reported that they had reduced workers' hours over the previous year. This was a notable increase on the 12% who reported the same action when surveyed in November 2019–January 2020. With this figure continuing to increase from previous rolling quarters, the practice remains commonplace ten months into the pandemic.

Workforce changes made in the last year – Three month rolling average to January 2021 – % of respondents



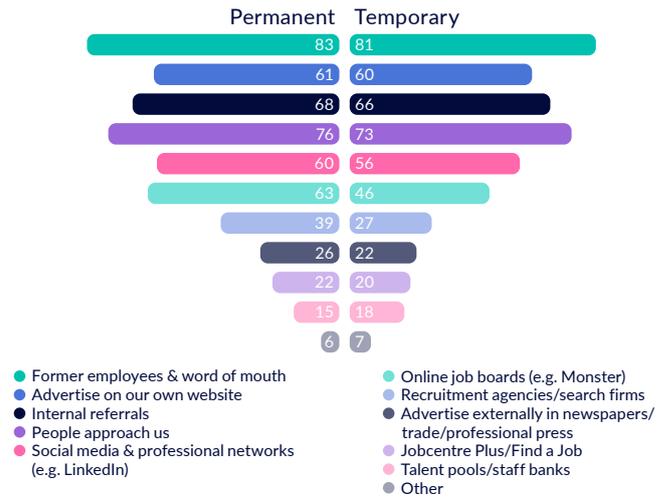
All involved in hiring (n=600).

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 use of Jobcentre Plus as a recruiting channel decreased across the year to November 2020–January 2021. Amongst those seeking to fill permanent posts, the proportion of hirers using it fell from 29% to 22%. Amongst those seeking to hire temporary or contract workers, the proportion fell from 26% to 20%.

Three month rolling average to January 2021 – % of respondents



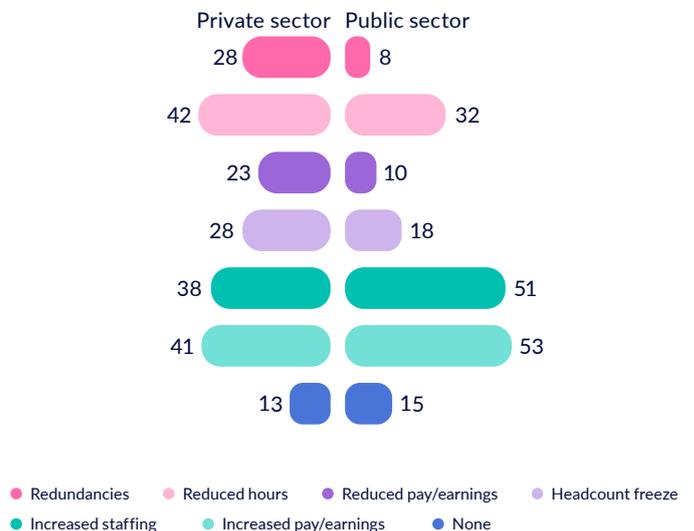
All who have recruited permanent staff (n=464), recruited temporary or contract workers (n=275).

Workforce planning by sector

Despite the pandemic, more than a third (38%) of private sector hirers and more than half (51%) of public sector employers had increased staffing levels in the previous 12 months. This compared to 44% and 65%, respectively, adding to their headcount in the year to November 2019–January 2020.

In contrast, the proportion of UK employers that had made redundancies over the last year remained significantly higher in the private sector (28%) than the public sector (8%).

Three month rolling average to January 2021 – % of respondents



All in private sector (n=539), all in public sector (n=61).

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?

An agency's expertise, in terms of regions and sectors covered, was cited by 89% of respondents this quarter as being an important criterion when selecting recruitment agency partners. This is a higher proportion than the 82% who stated that it was important when surveyed in November 2019-January 2020.



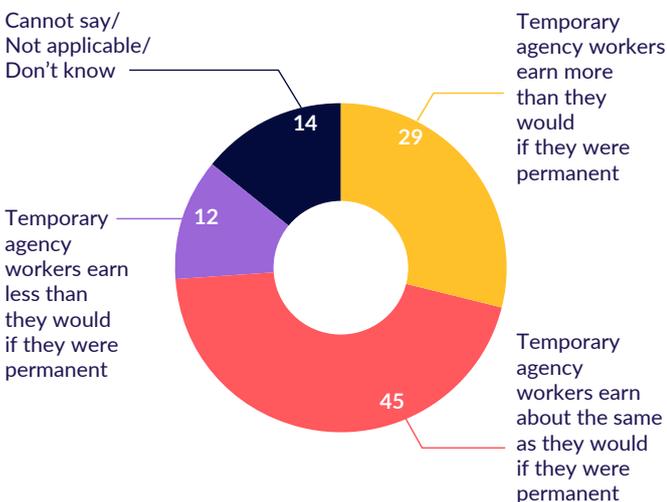
All who recruit temporary agency workers (n=76). Scores indicate the % responses stating the factor is quite or very important.

Agency worker pay rates

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

One in seven (14%) employers who use agency workers were uncertain as to whether they earned more or less than their permanent counterparts – significantly more than the 5% highlighting a lack of awareness 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 January 2021 – % of respondents



All who recruit temporary agency workers (n=76).

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 November 2019-January 2020, 56% of employers who hire temporary agency workers stated that these workers were important for short-term access to key strategic skills. This quarter, the figure was 65%, suggesting an increased need for specialist contingent workers.

% of respondents



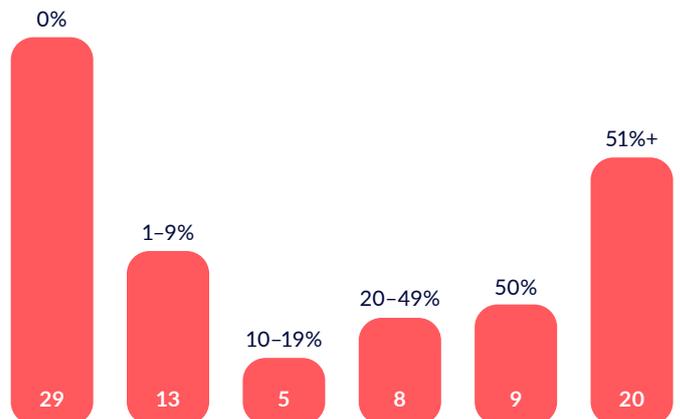
All who recruit temporary agency workers (n=76). Scores indicate % responses stating the factor is quite or very important.

Temporary to permanent

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

In November-January, three in ten (29%) employers indicated that they do not transfer any temporary workers to permanent posts. This was even higher within micro and small (0-49 employee) enterprises, where 41% reported this to be the case, compared to just 21% of medium-sized (50-249 employee) and 17% of large (250+ employee) organisations. A third of medium (33%) and large (36%) employers transfer half or more of their temporary workers to permanent positions.

% of respondents

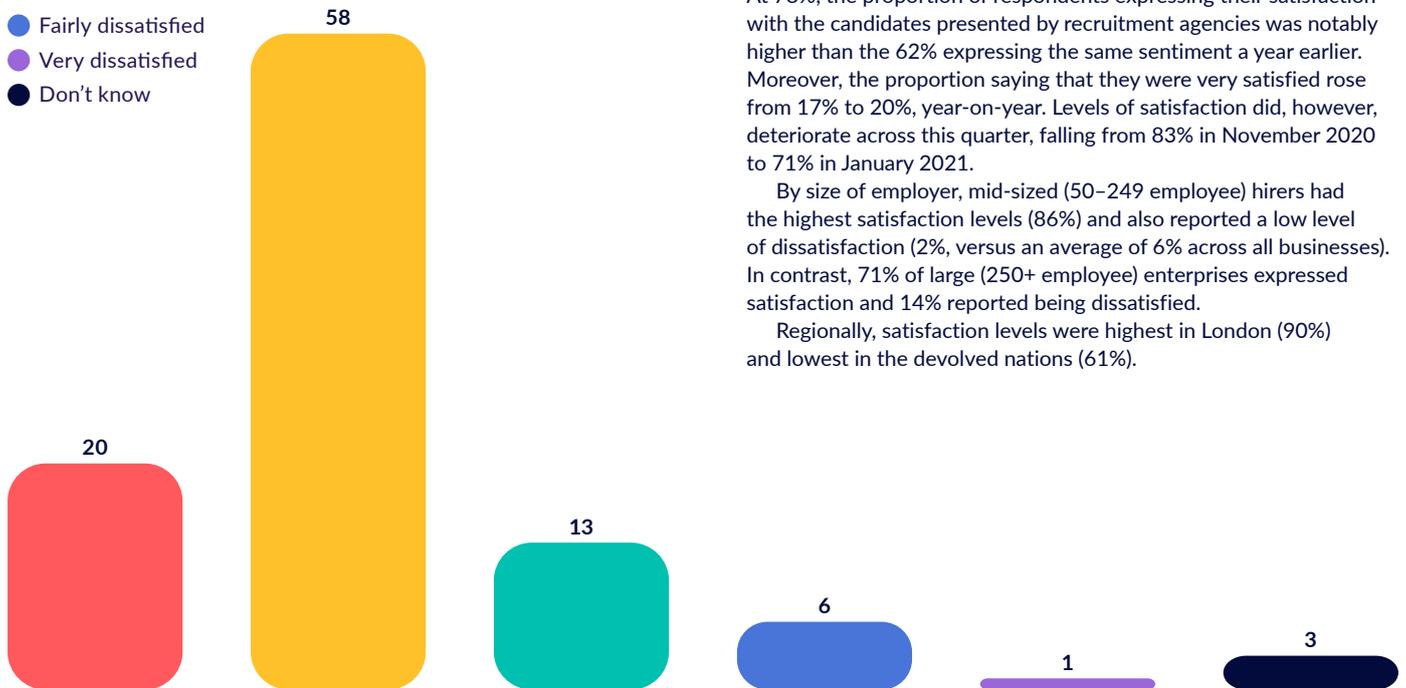


A further 16% of respondents answered 'don't know' to this question. All who recruit temporary workers (n=275).

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=195).

Satisfaction with candidates

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

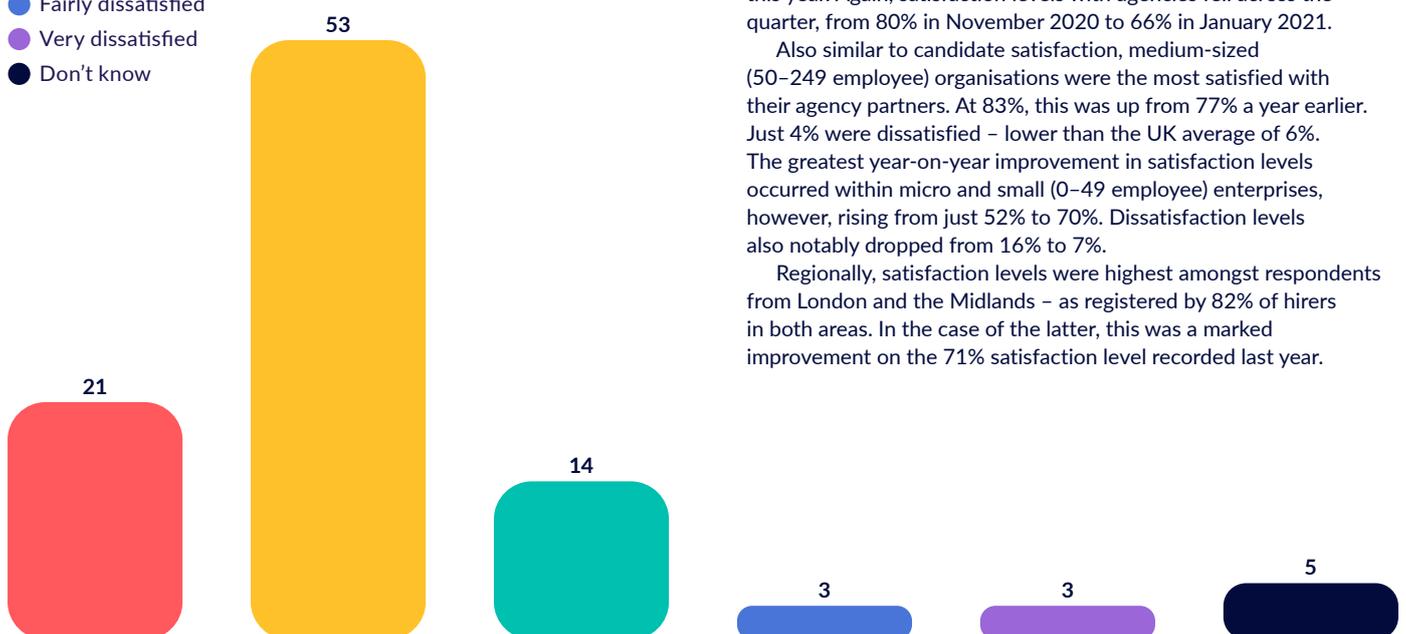
At 78%, the proportion of respondents expressing their satisfaction with the candidates presented by recruitment agencies was notably higher than the 62% expressing the same sentiment a year earlier. Moreover, the proportion saying that they were very satisfied rose from 17% to 20%, year-on-year. Levels of satisfaction did, however, deteriorate across this quarter, falling from 83% in November 2020 to 71% in January 2021.

By size of employer, mid-sized (50–249 employee) hirers had the highest satisfaction levels (86%) and also reported a low level of dissatisfaction (2%, versus an average of 6% across all businesses). In contrast, 71% of large (250+ employee) enterprises expressed satisfaction and 14% reported being dissatisfied.

Regionally, satisfaction levels were highest in London (90%) and lowest in the devolved nations (61%).

% of respondents

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



All who use recruitment agencies (n=195).

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 themselves also rose, year-on-year, from 67% in November 2019–January 2020 to 75% this year. Again, satisfaction levels with agencies fell across the quarter, from 80% in November 2020 to 66% in January 2021.

Also similar to candidate satisfaction, medium-sized (50–249 employee) organisations were the most satisfied with their agency partners. At 83%, this was up from 77% a year earlier. Just 4% were dissatisfied – lower than the UK average of 6%. The greatest year-on-year improvement in satisfaction levels occurred within micro and small (0–49 employee) enterprises, however, rising from just 52% to 70%. Dissatisfaction levels also notably dropped from 16% to 7%.

Regionally, satisfaction levels were highest amongst respondents from London and the Midlands – as registered by 82% of hirers in both areas. In the case of the latter, this was a marked improvement on the 71% satisfaction level recorded 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 three months?

Forecast short-term demand for permanent staff was notably above average in four occupational groups this quarter. At net: +52 in Health & social care, demand was eight percentage points lower than the last rolling quarter, although it remained high. In contrast, forecast demand in Construction rose by 12 points to net: +46. Demand also continued to rise for permanent Drivers (up five points to net: +35) and Technology staff (up four points to net: +35).

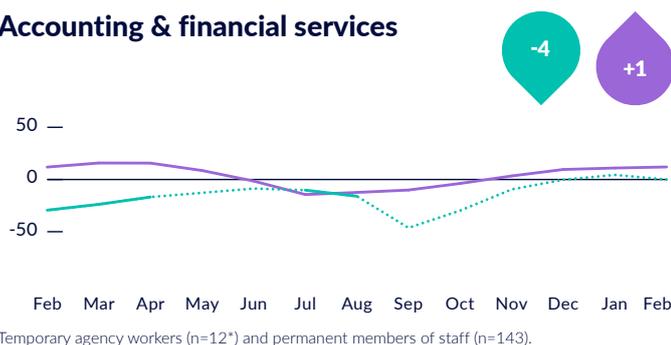
Indicative figures for temporary agency workers suggested notably above average and increasing demand for Drivers (up 17 points to net: +37) and in Construction (up 17 points to net: +58).

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.

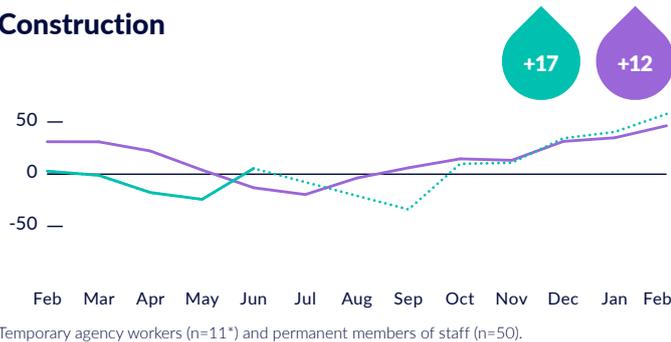
Permanent

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.

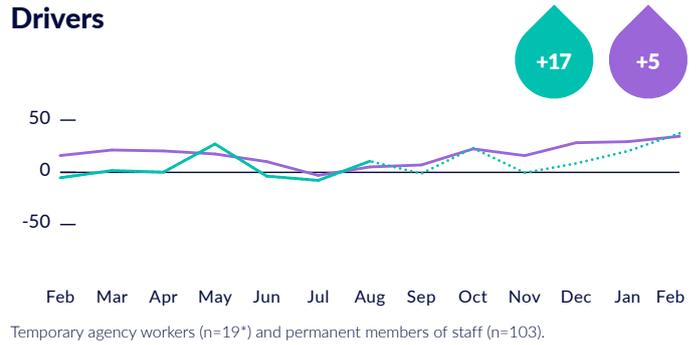
Accounting & financial services



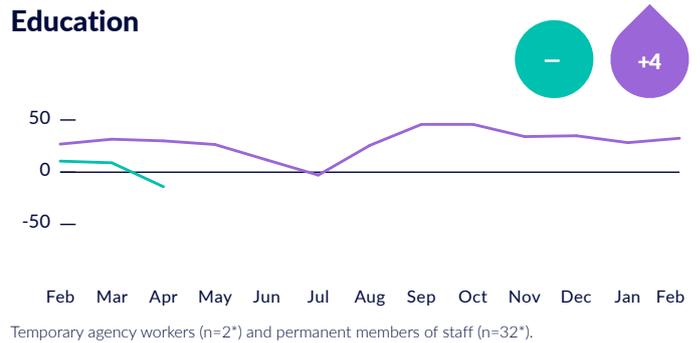
Construction



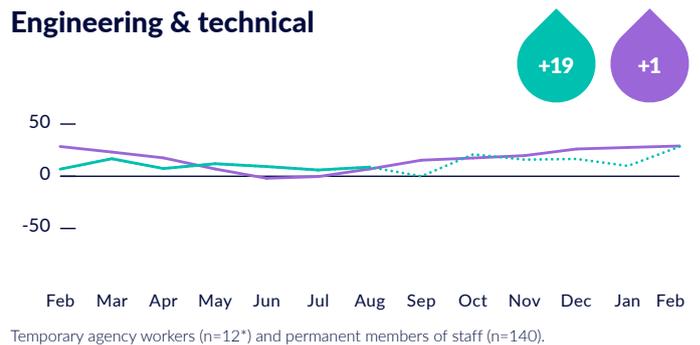
Drivers



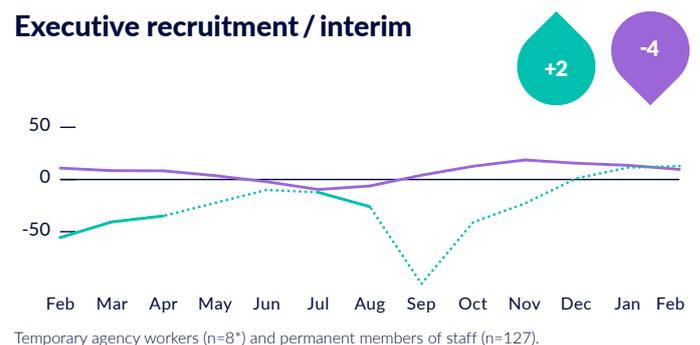
Education



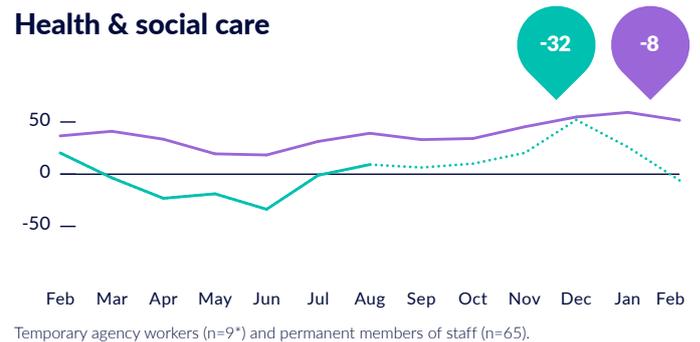
Engineering & technical



Executive recruitment / interim



Health & social care

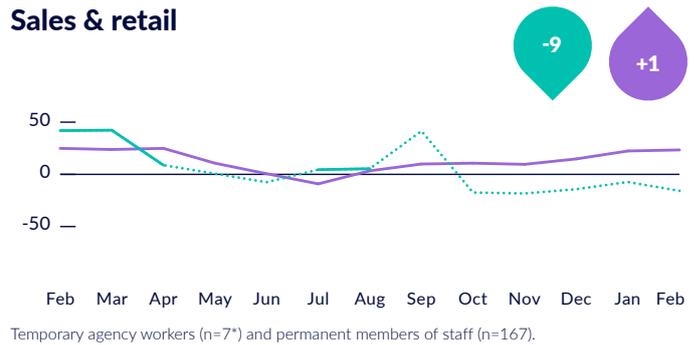


Sector prospects

Hospitality



Sales & retail



Industrial



Technology



Legal & HR



Topical question

Which of these services, if any, would your business find most useful from your recruitment agency partner(s) in 2021?

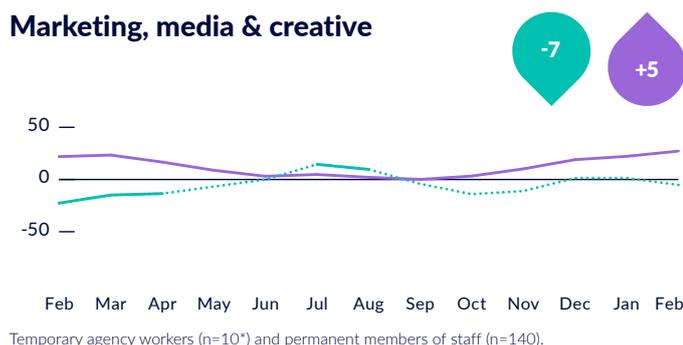


All involved in hiring, surveyed in January 2021 (n=200).

With hiring intentions for permanent and temporary staff high and rising, it is no surprise that when asked which service they would find most useful from a recruitment agency in 2021, providing high quality candidates was the service selected by the highest proportion of employers (28%).

A notable one in six (16%) employers said that the most useful service would be advice on training and upskilling their staff, with many looking to upskill current staff as opposed to or as well as taking on new hires to maximise productivity. Just 8% said they would find advice on increasing diversity and inclusion a useful service from recruiters.

Marketing, media & creative



Office professionals



REC-IHS Markit predictive model

Unemployment rate expected to edge up to 5.2%

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

The latest nowcast model predicts a rise in the Labour Force Survey measure of UK unemployment of 87,000 in the three months to January. This would lead to an increase in the unemployment rate from 5.1% to 5.2%. This would mark the highest unemployment rate since the three months to October 2015.

The model therefore signals a thirteenth consecutive increase in unemployment, with a rise of 121,000 reported by the ONS in the three months to December.

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 strict lockdown measures in January 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

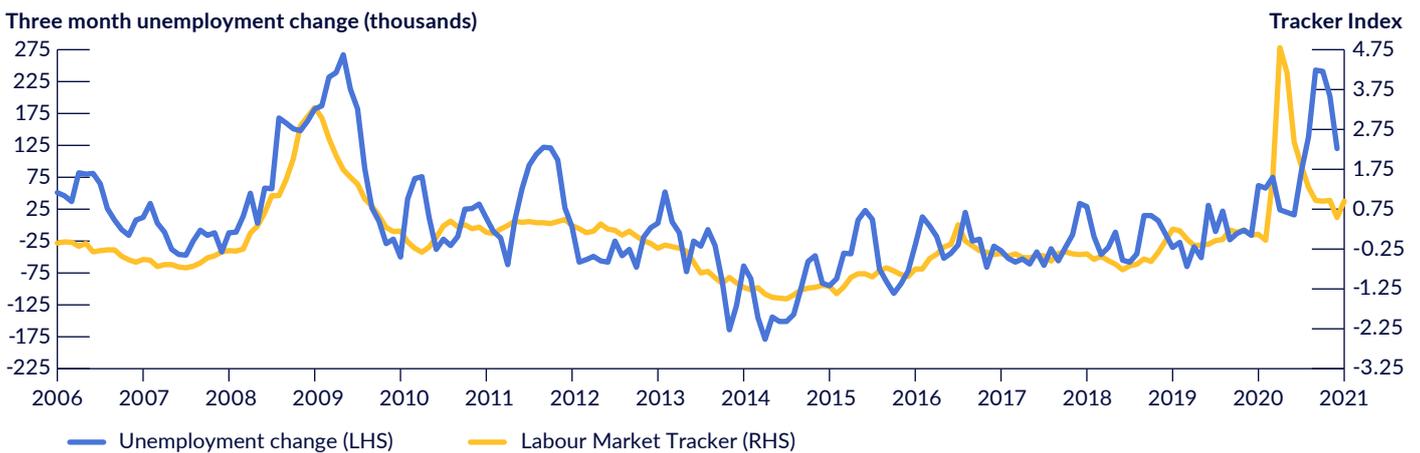
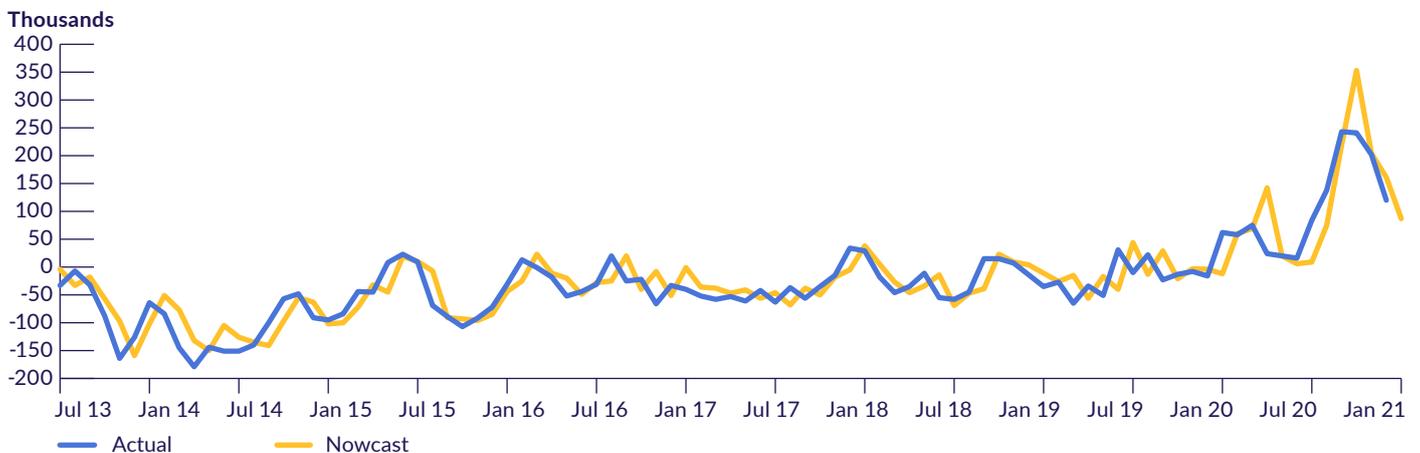


Chart 2: three month unemployment change



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

