

NORTH EAST HIRING CONFIDENCE DIPS IN FACE OF SKILLS MISMATCH

MANPOWERGROUP EMPLOYMENT OUTLOOK SURVEY REVEALS THAT EMPLOYERS' CONFIDENCE HAS FALLEN BELOW THE NATIONAL AVERAGE

- **Outlook of +5% for the region**
- **Employers struggling to find enough qualified candidates in areas such as engineering**
- **Fall in demand for jobs in driving and warehousing**

13 MARCH 2018: On the day of the Chancellor's first Spring Statement, employers in the North East are becoming more cautious about hiring, according to ManpowerGroup, the world's workforce experts.

The ManpowerGroup Employment Outlook Survey is based on responses from 2,102 UK employers. It asks whether employers intend to hire additional workers or reduce the size of their workforce in the coming quarter. It is the most comprehensive, forward-looking employment survey of its kind and is used as a key economic statistic by both the Bank of England and the UK government.

Amanda White, Head of Specialist Markets for Manpower, said: "The green shoots of optimism we saw last quarter seemed to have been killed off during the recent cold snap, with hiring confidence in the North East trailing the national average at +5% this quarter. Demand for jobs in driving and warehousing is continuing a downward trend in the wake of the Christmas peak and despite industries such as engineering proving popular with would-be applicants, employers are not finding a large enough pool of suitably qualified candidates."

"While the highest-skilled employees in specialised roles are seeing their wages going up, the remainder of would-be employees find themselves competing for oversubscribed job roles such as in call-centres and energy sales companies. With all of these structural employment issues, concerns about Brexit seem to have taken a back seat, and with a relatively low number of EU migrants in this region compared to elsewhere in the country, employers are yet to feel any significant Brexit impact."

Nationally, employers have recorded their highest level of jobs optimism in over a year, with an Outlook of +6%. This unexpected lift comes amid sluggish macro-economic data and continuing uncertainty about how we will leave the EU, despite the Brexit clock ticking. But there are worrying signs that surface-level optimism is masking a more uncertain reality.

James Hick, Managing Director for ManpowerGroup Enterprise comments: "This surprise jump in confidence could actually be a mirage. Take the best-performing sector, Hospitality, which is up seven points to +16%, a huge fourteen-point rise since this time last year. On the surface, this might look like a sector that is firing on all cylinders, but this is at odds with the

almost daily diet of news about struggles in the sector, such as Jamie's Italian and Byron Burger. Our view on the data is that it shows how desperate employers are to fill vacancies in an industry that is heavily dependent on immigration, with up to 24%¹ of all staff coming from the EU. Given that the sector employs around 3 million people, losing that proportion of the workforce would leave a shortfall of three-quarters of a million people. In recent weeks we've seen more reports that the number of EU workers arriving in the UK is falling – particularly those from eastern Europe – and employers are racing to make up the shortfall.”

Now that the Bank of England has warned that it plans to raise interest rates at an accelerated pace over the next two years, there's also a question mark over the impact this will have on the economy. We are seeing early signs of caution in the bellwether sectors of Manufacturing and Construction, which are often the first to show signs of economic strain. Manufacturing is down by three points to +4%, a sign that the Brexit currency boost to the sector might be coming to an end.

Hick again: “The Construction sector has experienced a huge drop in hiring confidence this quarter, with a six-point fall to just +1%, down 12 points on this time last year. This chimes with recent PMI data showing a slowdown in all activity, even housebuilding, which saw its worst performance since July 2016. Despite political commitments around housing, the data raises questions around the future of policies such as Help to Buy. This uncertainty is causing developers to sit on their hands – a stance which may have been exacerbated by the recent house price falls in London.”

With a sluggish housing market and a flat Outlook in finance and business services from last quarter (+6%), London sits towards the bottom of the regional table with an Outlook of +2%. Only Yorkshire and the Humber is more pessimistic with a seven-point fall to +1%. Meanwhile, the picture is a bit rosier in some other parts of the country. The East tops the regional charts at +10%, and although confidence in the East Midlands (+9%) and West Midlands (+9%) has fallen two points each from last quarter, they are still riding high in the regional table, and the Midlands remains a strong engine for national growth.

For further information, please contact:

Brunswick – Imran Jina 020 7404 5959

Email: manpower@brunswickgroup.com

Twitter: [#MEOSUK](https://twitter.com/MEOSUK)

NOTES TO EDITORS

A 'Net Employment Outlook' is calculated by subtracting those employers who plan to reduce staffing levels from those who plan to hire staff. A positive result indicates that more employers plan to increase rather than decrease staffing levels; a negative result reflects the opposite. [% increase - % decrease]

Commentary and full details on every sector and region can be found in the survey report at manpowergroup.co.uk/meos, or by calling the Press Office on 0207 404 5959/ manpower@brunswickgroup.com

For international comparisons and visual library with graphs, visit manpowergroup.com

¹ KPMG report on labour migration in the hospitality sector, March 2017

<http://www.bha.org.uk/wordpress/wp-content/uploads/2017/05/BHA-EU-migration-final-report-170518-public-vSTC.pdf>

Commentary is based on seasonally adjusted data where available. Full survey results for each of the 42 countries and territories included in this quarter's survey, plus regional and global comparisons, can be found in the ManpowerGroup Press Room at www.manpowergroup.com/meos. In addition, all tables and graphs from the full report are available to be downloaded for use in publication or broadcast from the ManpowerGroup Web site at: <http://www.manpowergroup.com/press/meos.cfm>

Note that in Quarter 2 2008, the Survey adopted the TRAMO-SEATS model for seasonal adjustment of data. As a result, you may notice some seasonally adjusted data points change slightly from previous reports. This model is recommended by the Eurostat department of the European Union and the European Central Bank, and is widely used internationally.

About the Survey

The world leader in innovative workforce solutions, ManpowerGroup releases the Manpower Employment Outlook Survey quarterly to measure employers' intentions to increase or decrease the number of employees in their workforce during the next quarter. It is the longest running, most extensive, forward-looking employment survey in the world, polling nearly 59,000 employers in 42 countries and territories. The survey serves as a bellwether of labour market trends and activities and is regularly used to inform the Bank of England's Inflation Reports, as well as a regular data source for the European Commission, informing its EU Employment Situation and Social Outlook report the *Monthly Monitor*. ManpowerGroup's independent survey data is also sourced by financial analysts and economists around the world to help determine where labour markets are headed.

About ManpowerGroup

ManpowerGroup® (NYSE: MAN), the leading global workforce solutions company, helps organizations transform in a fast-changing world of work by sourcing, assessing, developing and managing the talent that enables them to win. We develop innovative solutions for over 400,000 clients and connect 3+ million people to meaningful, sustainable work across a wide range of industries and skills. Our expert family of brands – Manpower®, Experis®, Right Management® and ManpowerGroup® Solutions – creates substantially more value for candidates and clients across 80 countries and territories and has done so for nearly 70 years. In 2017, ManpowerGroup was named one of the World's Most Ethical Companies for the seventh consecutive year and one of Fortune's Most Admired Companies, confirming our position as the most trusted and admired brand in the industry. See how ManpowerGroup is powering the future of work: www.manpowergroup.com