KPMG AND REC, UK REPORT ON JOBS

Employers scale back hiring plans in September as Brexit deadline looms

Key findings
- Permanent placements drop for seventh month in a row
- Weakest increase in vacancies for over seven-and-a-half years
- Availability of staff continues to drop amid uncertain outlook

Summary
Latest KPMG and REC, UK Report on Jobs data showed that heightened political and economic uncertainty regarding Brexit continued to weigh on hiring activity at the end of the third quarter.

Permament staff appointments fell for the seventh month in a row, while temp billings rose only modestly.

At the same time, growth of demand for staff softened in September, with overall vacancies rising at the weakest rate since January 2012. The supply of both permanent and temporary candidates continued to decline, which was often linked to the fact that people were becoming more hesitant to seek new jobs. The sustained drop in candidate numbers led to further upward pressure on rates of pay. Notably, starting salaries rose at a sharp and accelerated pace. However, temp wages increased at a rate that, though solid, was the softest since November 2016.

The report is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies.

Permanent placements fall further in September
An increasingly uncertain outlook continued to weigh on hiring activity in September, as permanent staff placements declined for the seventh month in a row. Growth of temp billings picked up slightly from August, but was only modest overall.

Permanent Placements / Temporary Billings

Demand for staff increases at slowest rate since January 2012
Vacancy growth eased for the second month in a row in September, with overall demand for staff rising only modestly. Notably, this marked the slowest expansion of vacancies since January 2012. Demand for permanent staff increased at the softest pace for 92 months, which offset a slightly stronger rise in temporary vacancies.

Availability of staff continues to fall sharply
September saw a further sharp fall in total candidate supply, despite the rate of contraction easing to the least marked since December 2016. Data showed that both permanent and temporary staff availability fell at the end of the third quarter, with the former seeing the steeper rate of reduction.

Permanent starters' salaries rise sharply
Starting salaries increased at a faster pace in September. The rate of inflation quickened from August's 32-month low to signal a sharp increase in pay overall. In contrast, temp pay rates rose at the softest pace since November 2016.

Continued…
Regional and Sector Variations

All four of the monitored English regions bar the North of England registered lower permanent staff appointments in September. That said, the increase in the North of England was only marginal. The North of England and the Midlands both registered marked increases in temp billings during September, while the South of England saw only a slight expansion. Meanwhile, a reduction was seen in London for the second month in a row.

September data showed that demand for staff continued to rise across the private sector, but was relatively weak in the public sector. Permanent staff vacancy growth in the private sector eased to a 92-month low, which contrasted with a sharper rise in temp vacancies. In the public sector, there was a marginal rise in short-term staff demand, but permanent vacancies fell again.

The strongest increases in permanent staff vacancies in September were seen in IT & Computing and Hotel & Catering. Construction and Retail were the only monitored sectors to signal reduced demand for permanent workers.

Demand for temporary staff increased in seven of the ten monitored job sectors during September, led by Nursing/Medical/Care. Retail continued to signal the steepest decline in short-term vacancies.

Comments

Commenting on the latest survey results, James Stewart, Vice Chair at KPMG, said:

“The Brexit impasse continues to affect the jobs market with employers stuck, unable to make informed decisions, and people unwilling to risk seeking new roles.

“Given that it’s the weakest increase in job vacancies since 2012 and the longest period that permanent staff appointments have fallen since the global financial crisis, it would seem that it’s proving difficult for businesses to shake off the heightened uncertainty and unknowns. So with the deadline fast approaching, they may well be waiting to get clarity on the future direction of Brexit before making any key decisions on hiring and investment.”

Neil Carberry, Recruitment & Employment Confederation chief executive, said:

“Businesses are positive about their own prospects, but ongoing Brexit uncertainty has led many firms to delay projects and hiring decisions. Vacancy growth has fallen to its lowest since 2012. The UK’s vibrant temporary work market is playing an important role in helping employers to manage the ongoing uncertainty and job-seekers to find work.

“There are deeper issues which must be addressed to secure the UK’s future prosperity. Productivity is falling, and there are skills shortages in vital sectors across the economy. Solving these problems must be top of the government’s to-do list once the Brexit deadlock has been broken.”
Methodology
The KPMG and REC, UK Report on Jobs is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of ‘higher’ responses and half the percentage of ‘unchanged’ responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the survey methodology, please contact economics@ihsmarkit.com.

Full reports and historical data from the KPMG and REC, UK Report on Jobs are available by subscription. Please contact economics@ihsmarkit.com.

About KPMG
KPMG LLP, a UK limited liability partnership, operates from 22 offices across the UK with approximately 16,300 partners and staff. The UK firm recorded a revenue of £2.338 billion in the year ended 30 September 2018. KPMG is a global network of professional firms providing Audit, Tax, and Advisory services. It operates in 154 countries and has 200,000 professionals working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

About REC
The REC is all about brilliant recruitment, which drives our economy and delivers opportunity to millions. As the voice of the recruitment industry, we champion high standards, speak up for great recruiters, and help them grow. Recruitment is a powerful tool for companies and candidates to build better futures for themselves and a strong economy for the UK. Find out more about the Recruitment & Employment Confederation at www.rec.uk.com.

About IHS Markit
IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world’s leading financial institutions.

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News Release

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