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## KPMG AND REC, UK REPORT ON JOBS

### Low candidate availability weighs on permanent placement growth at end of 2018

#### Key findings

- Permanent appointments rise at slowest rate since April 2017...
- ...as the supply of candidates falls sharply...
- ...leading to further marked increases in starting pay

#### Summary

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.

The Report on Jobs is unique in providing the most comprehensive guide to the UK labour market, drawing on original survey data provided by recruitment consultancies and employers to provide the first indication each month of labour market trends.

#### Candidate availability continues to worsen...

Recruitment agencies signalled a further marked decline in the availability of candidates at the end of the year. The deterioration in permanent labour supply quickened since the previous month, while short-term staff numbers fell at a softer but still marked rate.

#### ...leading to softer growth in permanent staff appointments

Low candidate supply weighed on permanent staff appointments during December. Though solid, the rate of expansion was the softest seen in 20 months. Temp billings meanwhile rose at a sharper rate, one that picked up from November's joint 25-month low.

#### Demand for staff remains robust...

Vacancies rose for both permanent and temporary roles

across the UK at the end of 2018. Notably, growth of demand for both types of worker was much stronger than seen on average over the survey's 21-year history.

#### ...but shrinking staff supply drives pay rates higher

As demand for workers generally outstripped supply, starting pay continued to increase sharply for both permanent and short-term workers in December. The rate of starting salary inflation was among the quickest seen for over three years, while temp pay growth also remained sharp by historical standards.

#### Regional variation

The South of England saw by far the sharpest increase in permanent staff appointments, while relatively mild expansions were seen across the remaining three English regions.

All four monitored English regions registered marked increases in temp billings at the end of 2018, led by the South of England.

#### Sector variation

Vacancies for both private and public sector staff increased further in December.

The steepest increases in demand were seen for temporary and permanent private sector workers. In the public sector, permanent staff vacancies expanded at a quicker pace, while demand for short-term staff rose at a softer but still solid rate.

Accounting & Financial and Engineering were the most in-demand categories for permanent staff at the end of 2018. Nonetheless, marked increases in vacancies were also seen across all other monitored sectors.

Blue Collar remained at the top of the rankings for temporary/contract staff demand during December. Short-term vacancies also rose across all of the other nine monitored categories. The slowest increase was

seen for Executive/Professional staff.

### Comments

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

“A lack of work ready candidates is really beginning to bite UK businesses and the situation is worsening. Many of the UK’s main sectors are now struggling to hire staff. It really is a candidates market at the moment.

“A lot of people don’t want to move jobs right now because there is so much uncertainty around. In addition, the supply of EU citizens entering the UK for work is slowing whilst every sector continues to take on more staff. This means a near-record number of vacancies are going unfilled and talent gaps in industries like engineering, finance, and IT are opening up.

“December is always a bit of lean period in the jobs market but Brexit has amplified that effect. Consequently companies are having to offer increasingly attractive and creative packages to tempt new talent on board. If you aren’t looking forward to another year in your current job, now is a good time to go job hunting.”

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

“It’s no surprise that growth in new permanent jobs dropped to its lowest level in almost two years last month, because economic uncertainty is now affecting companies’ hiring plans. But the underlying strength of our labour market is still there – vacancies are high and temporary placements rose in the run-up to Christmas. There are opportunities out there for people who want to change job in 2019.

“Businesses will be looking for certainty on Brexit plans soon, so that they can get on with driving growth and jobs. Recruiters will be helping employers to do that – high employment rates mean that there are significant shortages in some parts of our labour market.

“The pre-Christmas rush put a squeeze on logistics jobs in December so it was no surprise to see blue-collar roles topping the skills shortage list in this survey. Accounting, engineering, hospitality and healthcare all stand out as shortage sectors in today’s data.

“Continuing to fill roles like these in the coming months will be critical, so it is vital that the Government’s proposed new approach to immigration can fill shortages at all skill levels. But businesses can also help, by opening up career paths through more inclusive hiring practices as well as focusing on improved workplace training and links with education. Recruiters are uniquely placed to help employers with future workforce planning whatever the UK’s future relationship with the EU looks like.”

## Contact

### KPMG

Paul Middleton  
+44 (0) 2076 942180  
+44 (0) 7387 257543  
[paul.middleton@kpmg.co.uk](mailto:paul.middleton@kpmg.co.uk)

### REC

Gorki Duhra  
REC Press Office  
T: 0207 009 2192  
[gorki.duhra@rec.uk.com](mailto:gorki.duhra@rec.uk.com)

### Speed Communications

Kerry Grove  
T: 0117 906 4517  
[kerry.grove@speedcomms.com](mailto:kerry.grove@speedcomms.com)

### IHS Markit

Annabel Fiddes  
Principal Economist  
+44 1491 461 010  
[annabel.fiddes@ihsmarkit.com](mailto:annabel.fiddes@ihsmarkit.com)

## 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](mailto: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](mailto:economics@ihsmarkit.com).

## About KPMG

KPMG LLP, a UK limited liability partnership, operates from 22 offices across the UK with approximately 14,500 partners and staff. The UK firm recorded a revenue of £2.2 billion in the year ended 30 September 2017. KPMG is a global network of professional firms providing Audit, Tax, and Advisory services. It operates in 154 countries and territories and has 200,000 people 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

Jobs transform lives, which is why we are building the best recruitment industry in the world. As the professional body for recruitment we're determined to make businesses more successful by helping them secure the people they need. We are absolutely passionate and totally committed in this pursuit for recruiters, employers, and the people they hire. Find out more about the Recruitment & Employment Confederation at [www.rec.uk.com](http://www.rec.uk.com).

## About IHS Markit

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