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KPMG AND REC, UK REPORT ON JOBS

Recruitment activity picks up at the end of 2019

Key findings

- Permanent placements rise for first time in a year
- Vacancy growth remains near decade low
- Staff availability continues to fall sharply

Summary

The latest **KPMG and REC, UK Report on Jobs** showed that hiring conditions improved at the end of 2019. Permanent staff appointments rose for the first time in a year, while temp billings growth picked up from November. According to panellists, some firms had approved new hires following a long period of delayed decision-making and rising business requirements. However, rates of expansion were notably weaker than seen on average over the survey history.

At the same time, demand for staff continued to increase at a relatively sluggish pace, with vacancy growth stuck near a decade low. Lingering uncertainty related to Brexit, alongside generally tight labour market conditions, fed through to a further marked fall in candidate numbers. As a result, starting pay rose for both permanent and short-term staff, and at slightly quicker rates than in November.

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

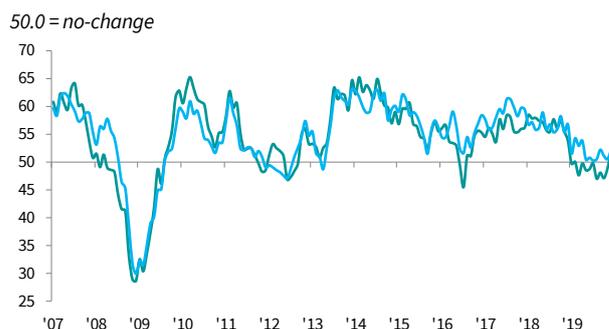
Renewed rise in permanent placements

December data signalled the first rise in permanent staff appointments for a year, though growth was only modest. The upturn was linked to higher business activity, the commencement of previously delayed hiring plans and the upcoming IR35 legislation changes. Concurrently, temp billings also rose modestly at the end of the year.

Vacancies continue to expand at subdued pace

Although growth of demand for staff strengthened slightly from November, the rate of expansion

Permanent Placements / Temporary Billings



Sources: KPMG, REC, IHS Markit

remained close to a decade-low and was modest overall. While permanent vacancies rose at the quickest pace for three months, growth of demand for temp workers softened since November.

Overall candidate availability falls markedly

The number of people available for new roles continued to decline sharply in December, despite the rate of deterioration softening since November. Recruiters often blamed lower candidate availability to lingering uncertainty and skill shortages. Permanent staff supply contracted at a quicker pace than that seen for short-term workers.

Pay pressures pick up slightly

Starting pay rose further for both permanent and temporary staff at the end of the year, with rates of growth picking up from November's recent lows. Though sharp overall, the increases in starting salaries and temp wages remained among the softest seen over the past three years, however.

Regional and Sector Variations

Permanent staff appointments rose in London, the Midlands and the North of England, but declined further in the South of England. Detailed regional data highlighted increases in temp billings across all four monitored areas, with the Midlands seeing by far the steepest rate of growth.

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Demand for staff continued to increase across the private sector, while mixed trends were seen for public sector vacancies.

Solid rises in demand were seen for both permanent and temp staff in the private sector, though rates of growth remained historically subdued. In the public sector, vacancies rose for temp workers but fell for permanent roles.

Permanent vacancies rose in eight of the ten sectors monitored by the survey at the end of the year. The steepest increases were seen in Blue Collar and Engineering. In contrast, Retail registered a further marked fall in demand for permanent workers.

Hotel & Catering topped the rankings in terms of temporary staff vacancies in December, followed by Blue Collar. The only sectors to record lower demand for short-term staff were IT & Computing, Retail and Executive & Professional.

Comments

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

“It would appear that following the clarity of the election outcome, the jobs market finally began to show signs of life with permanent placements rising for the first time in a year.

“However, growth was modest and coming off a historically low base so UK business will be hoping for quick government action to get the UK back on the path to growth including an investment in upskilling the workforce. Lingering uncertainty around the Brexit deal to be secured will continue to weigh on employers’ decision making around hiring and investment over the coming months, as well as job-seekers’ desires to seek new opportunities.”

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

“After the uncertainty of 2019, there are some signs of a clearer outlook for hiring in today’s survey. With a new government in place and the path ahead looking more predictable, some businesses have decided that they have waited long enough. The first increase in permanent placements for a year should give encouragement to both recruiters and employers – let’s hope this is a sign of positive things to come.

“Feedback from recruiters shows that the upcoming IR35 changes are affecting both placements and the availability of flexible workers. This is a delicate period for the jobs market, and is the worst time to push through sweeping changes to the way we tax contractors. It is right that government engages further with business on the changes, but they should also delay implementation until next year to allow time for a full, independent review and effective regulation of the umbrella sector. As it stands, the government risks damaging ethical businesses and encouraging non-compliance.”

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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 the voice of the recruitment industry, speaking up for great recruiters. We drive standards and empower recruitment businesses to build better futures for their candidates and themselves. We are champions of an industry which is fundamental to the strength of the UK economy. 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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