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KPMG AND REC, UK REPORT ON JOBS

Permanent staff appointments decline at start of 2019 amid uncertain outlook

Key findings

- Permanent placements fall for first time in two-and-a-half-years
- Vacancy growth edges down to 27-month low
- Sharper fall in candidate availability leads to further increases in starting pay

Summary

According to the latest **KPMG and REC, UK Report on Jobs**, rising economic uncertainty and ongoing candidate shortages weighted on UK labour market performance at the start of 2019.

The report, which is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies, showed that workers placed into permanent roles declined for the first time since mid-2016 during January, whilst growth in demand for staff softened to its lowest in over two years.

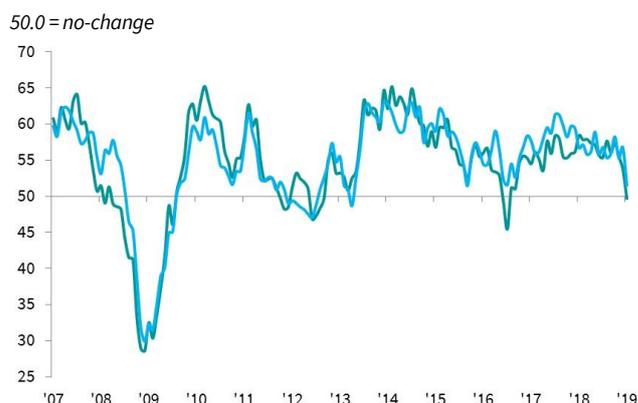
Latest data also showed that worker availability to take up new roles continued to decline. This was primarily linked to high UK employment levels, but also hesitancy amongst workers to switch positions given heightened Brexit uncertainty. Pay pressures subsequently remained high, with salaries and temp wages both increasing strongly since December.

Renewed fall in permanent placements

Looking at the latest survey results in greater detail, recruitment consultants registered the first drop in permanent staff appointments for two-and-a-half years in January amid concerns over Brexit and a further deterioration in candidate availability. Temp billings meanwhile rose at the joint-slowest pace in nearly six years of continuous growth.

Whilst demand for staff remained strong at the start of

Permanent Placements / Temporary Billings



Sources: KPMG, REC, IHS Markit

2019, overall vacancies increased at the slowest pace for 27 months. Notably, softer increases in demand were signalled for both permanent and temporary workers during January.

Candidate supply falls at quickest pace for 20 months sustaining pay pressures

The number of people available to take up new roles continued to decline sharply in January. Shrinking labour supply was often linked to high employment in the UK, as well as hesitancy among potential candidates to move roles amid Brexit-related uncertainty.

With vacancies rising and labour supply falling further, starting pay continued to increase sharply in January. Notably, permanent starters' salaries and temp wages both rose at historically strong rates.

Regional and Sector Variations

Data split by English regions showed that permanent placements fell in the Midlands, the North of England and London, with modest growth evident in the South of England. Temp billings increased in the Midlands and the South of England but fell in the North of England and

London.

Meanwhile, a softer rise in demand for staff in the private sector occurred alongside a renewed fall in public sector job vacancies during January.

In the private sector, growth of demand for permanent and temporary workers edged down to a 29- and 72-month low, respectively. Meanwhile, vacancies fell marginally for both permanent and temporary public sector staff.

The steepest increase in permanent staff demand was seen for Accounting/Financial, followed by Engineering and IT & Computing. The only sector to register lower permanent job vacancies was Retail.

Hotel & Catering topped the league table for demand for temporary staff in January, closely followed by Nursing/Medical/Care. Vacancies also rose across all other job sectors, with the weakest expansion seen in Retail.

Comments

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

“With Brexit just days away now, it’s definitely a nervous time for recruiters. January marked the first fall in permanent staff appointments since the referendum and we’ve seen a sharp decline in the number of candidates entering the jobs market. This is pushing up starting salaries at historically strong rates.

“Both employers and employees are in ‘wait and see mode’ now and there is little reason to believe the brakes will come off the jobs market before we find out what sort of Brexit the UK is about to experience.

“The majority of sectors across the UK economy are now more cautious, and hiring more slowly than they were 12 months ago. Indeed, the retail sector is actually shedding permanent staff.

“Nationally the number of permanent staff appointments has fallen considerably in the North region, Midlands region and London. The exception is the Southern region where the number of permanent staff appointments continues to grow, albeit more slowly.”

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

“This is the first month since July 2016 where permanent placement numbers have dropped, with weaker – but still positive – performance for temporary roles, and the lowest rate of vacancy growth for over two years. But we should be careful not to overreact – employment rates are high, and the performance of our labour market overall is still strong. We also know that key sectors such as accounting, engineering and IT are facing shortages.

“That said, the survey results are a sharp reminder to politicians in Westminster and in Brussels of the need to provide businesses with clarity about the path ahead, so they can invest with confidence.

“In the public sector, the NHS continues to find it particularly difficult to find care workers and nurses – the effects of which are being felt by patients and overworked existing staff. Along with other sector shortages, this again emphasises the need for pragmatism on immigration and a clear post-Brexit transition period.”

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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 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.

About IHS Markit

IHS Markit (Nasdaq: 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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