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## KPMG AND REC, UK REPORT ON JOBS

### Improved market confidence leads to strongest rise in permanent placements for over a year

#### Key findings

- Permanent staff appointments increase modestly...
- ...but temp billings fall for first time since April 2013
- Permanent staff vacancies rise at quickest pace since last March

#### Summary

January marked the first back-to-back increase in permanent staff appointments for over a year amid reports of firmer market confidence, according to the latest **KPMG and REC, UK Report on Jobs**. However, billings received from the employment of temporary staff fell slightly for the first time since early 2013. Vacancy trends also highlighted strengthening demand for permanent workers, while temp vacancy growth steadied.

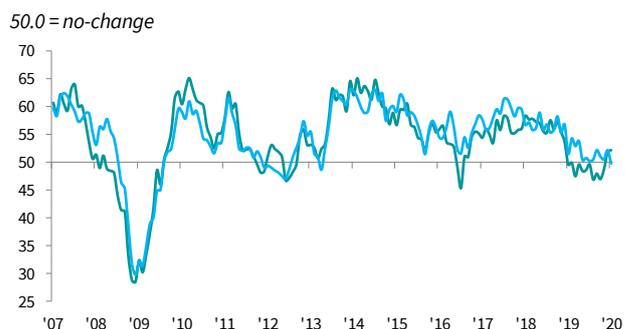
However, concerns over the outlook and an already low unemployment rate continued to weigh on the supply of workers. January data pointed to further steep reductions in both permanent and temporary candidate numbers, with the former noting the quicker rate of decline. Pay pressures were meanwhile relatively subdued, with permanent starting salaries rising at the softest pace for three-and-a-half years.

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

#### Permanent placement growth picks up in January

UK recruiters signalled a further increase in permanent staff appointments in January amid reports of improved business confidence following the general election. Though modest, the rate of growth was the quickest recorded for just over a year. In contrast, temp billings fell for the first time since April 2013, with a number of recruiters blaming this on upcoming changes to IR35 legislation.

#### Permanent Placements / Temporary Billings



Sources: KPMG, REC, IHS Markit

#### Vacancy growth improves to ten-month high

The total number of staff vacancies across the UK rose at the quickest pace for ten months in January, with growth largely driven by improved demand for permanent workers. Notably, permanent staff vacancies expanded at the steepest rate since last March, while growth of demand for short-term workers was unchanged from December.

#### Starting pay increases at softer pace...

Latest data signalled softer increases in starting pay for both permanent and temporary workers in January. Though solid, the latest upturn in permanent starting salaries was the slowest seen for three-and-a-half years. Temp wage inflation was meanwhile among the softest recorded since late-2016.

#### ...despite further marked drop in candidate supply

Slower rises in starting pay occurred despite further sharp falls in candidate supplies. Although the drop in permanent worker availability eased slightly at the start of 2020, the reduction in temp staff numbers the most marked seen since last June.

#### Regional and Sector Variations

Regional data pointed to divergent trends, with permanent staff appointments rising in the North and

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the South of England, but falling in London and the Midlands. London and the South of England both recorded lower temp billings during January after increases in December. However, growth was sustained in the Midlands and the North of England.

Data broken down by public and private sectors, which are not adjusted for seasonal factors, showed divergent vacancy trends.

Permanent staff vacancies rose at a sharp and accelerated pace in the private sector, but fell slightly in the public sector. Meanwhile, demand for temporary workers fell across both monitored sectors.

Increases in demand for permanent staff were recorded across all ten monitored job categories bar Retail at the start of 2020. The quickest expansion in vacancies was seen in Accounting/Financial, closely followed by Engineering.

The majority of monitored sectors noted greater demand for short-term workers in January, with the strongest increase seen in Engineering. Only two sectors recorded lower demand for temp workers, namely Retail and IT & Computing.

## Comments

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

“Following the UK exit of the EU, there are promising signs that the UK jobs market is finally on the up with the strongest rise in permanent places for over a year – good news for job hunters.

“However, with regulatory and trade negotiations all to play for, there is still a long way to go for a deal to be struck and businesses to have the clarity they need.

“Brexit is uncharted territory so the reality is the uncertainty will linger, but key investment decisions on hiring need to be made to build confidence and help get the UK back on the path to growth.”

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

“It’s good to see that businesses have grown in confidence over the past two months and taken the opportunity to restart hiring. Permanent placements are up again, and demand for staff has risen at the quickest rate for ten months. This is good news for employers, recruiters and candidates – all three can now get on with making the economy flourish in 2020.

“But the upcoming IR35 reforms are having a negative impact on the availability and placement of temporary workers. It is vital that people pay the right amount of tax and that the system is fair, but for both of those things to happen we think the government needs to pause and think again on how IR35 changes. The temporary labour market is being stifled, and that’s not good for employers or our economy.”

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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.

January data were collected 13-27 January 2020.

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 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](http://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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