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KPMG AND REC, UK REPORT ON JOBS

Uncertainty weighs on hiring and staff availability in February

Key findings

- Permanent placements unchanged, but temp billings expand at quicker pace
- Availability of staff continues to worsen
- Vacancy growth at near two-and-a-half-year low

Summary

The latest **KPMG and REC, UK Report on Jobs**, showed that the UK labour market registered a relatively lacklustre performance in February, with uncertainty regarding the outlook weighing on hiring and staff availability.

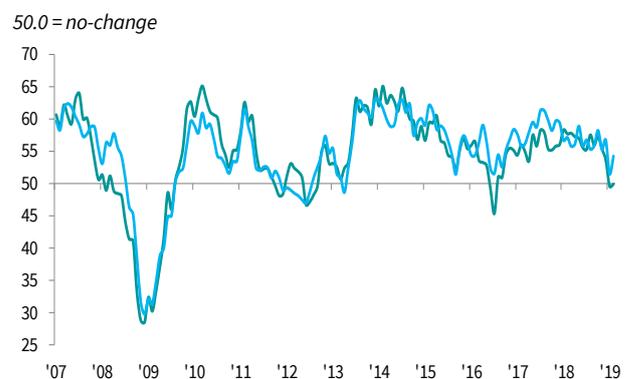
The report, which is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies, indicated that the number of people placed into permanent job roles was unchanged in February, following a slight fall at the start of 2019. In contrast, billings received from the employment of temp workers increased at a faster pace.

Recruiters generally linked subdued employment trends to an uncertain outlook and candidate shortages. Overall candidate supply continued to fall markedly in February, while staff vacancies expanded at the slowest rate for nearly two-and-a-half years. Low candidate availability nonetheless contributed to further strong increases in both starting salaries and temp wages in February.

Permanent placements stabilise in February

After a marginal drop at the start of the year, permanent staff appointments were unchanged in February. The broadly stagnant trend for the year so far contrasts with steep increases through 2018, with some panellists indicating that uncertainty around Brexit and a lack of suitably skilled candidates impacted on hiring. At the

Permanent Placements / Temporary Billings



Sources: KPMG, REC, IHS Markit

same time, temp billings rose at a steeper rate, after increasing only slightly in January.

A high employment rate across the UK, and hesitancy among workers to seek out new roles amid an uncertain outlook, led to a further steep drop in overall staff supply in February. Despite easing since January, the deteriorations in both permanent and temporary worker availability remained historically sharp.

Vacancies expand at slowest rate for 29 months

Although demand for staff continued to rise markedly, the rate of vacancy growth edged down for the second month running to a near two-and-a-half-year low. Softer increases in demand were signalled for both permanent and temporary staff in February.

Latest data pointed to a further sharp rise in starting salaries, with employers generally having to up pay offers to attract and secure candidates. That said, the latest increase was the softest seen for seven months. Temp wage inflation meanwhile eased to a 13-month low.

Continued...

Regional and Sector Variations

On a regional basis, greater permanent staff appointments in London and the South of England helped to offset falls in the Midlands and North of England. Renewed increases in temp billings were seen in London and the North of England, while growth was sustained in the Midlands and the South of England.

Demand for both private and public sector staff increased during February. Sharp increases were seen for both permanent and temporary job openings in the private sector. Modest growth of demand was meanwhile seen for permanent and short-term staff in the public sector, following reductions in January.

Permanent staff vacancies rose across all ten monitored categories during February. The steepest increase in demand was signalled for permanent IT/Computing workers, while the weakest was registered for Construction staff.

Nursing/Medical/Care topped the rankings for temporary staff demand midway through the first quarter. Vacancies also grew across the other categories monitored by the survey, with the exception of Retail.

Comments

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

“Overall the labour market has been incredibly resilient over the last couple of years as employers have opted to hire more permanent and temporary staff rather than invest in long term productivity gains. However in 2019 Brexit uncertainty is having an opposite and chilling effect on the jobs market, with firms reassessing their level of risk.

“With a decision on Brexit now imminent we’re seeing companies freeze or slow the pace of new hires, whilst at the same time the number of people looking to enter the jobs market has declined further. Vacancy growth is now back to the levels we saw around two and a half years ago.

“With unemployment at its lowest level since 1975, widespread skills shortages are also cooling the jobs market with the most acute issues to be found in sectors such as IT, engineering, and nursing. This means candidates with the right skills are commanding ever higher premiums and pay growth is now at a 10-year

high. This has seen pay outstripping living costs meaning people feel better off.

“Once a political decision is made on Brexit we expect a wave of pent-up investment to be released in parallel with a renewed focus on cost reduction. This should result in another busy time for the jobs market later this year.”

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

“The resilience of employers and the British jobs market shines through in today’s Report on Jobs. While numbers are clearly weaker than we have seen over the past few years, the survey suggests businesses are ready to create jobs if the investment environment is right. Recruiters are playing a crucial role in helping their clients fill gaps. With permanent vacancies rising in all sectors, the strongest demand is for IT and computing staff.

“As we draw closer to Brexit day, uncertainty and concern has grown, putting the sustainability of positive jobs news at risk. Firms are looking for politicians to find a solution to the current deadlock that gives them the certainty they need to invest and create jobs.

“In a separate survey of REC members this week, nearly half (45%) of respondents said that their biggest leadership challenge in dealing with Brexit was reassuring workers, candidates and staff.

“REC members are looking to the Chancellor to use next week’s Spring Statement to inject stability and long-term thinking into our economic debate. A commitment to proper flexibility in the skills levy, an open but controlled approach to immigration after Brexit, and changes to government plans on contractor tax to protect compliant businesses are top of recruiters’ agenda.”

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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

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 (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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