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KPMG AND REC, UK REPORT ON JOBS

Slowdown in recruitment activity persists in June as market confidence remains subdued

Key findings

- Permanent placements decline for fifth time in six months
- Temp billings expand only slightly
- Vacancy growth holds close to multi-year low

Summary

The **KPMG and REC, UK Report on Jobs** indicated that the soft patch in recruitment activity persisted in June as political and economic uncertainty weighed on hiring decisions. The number of people placed into permanent job roles fell for the fourth month in a row, while temp billings expanded at a historically subdued pace. Uncertainty also impacted on vacancy growth, which was stuck close to a multi-year low, and dampened staff availability. Skill shortages fed through to further marked increases in pay.

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 hiring activity remained muted in June as permanent placements fell further. Temp billings rose only marginally, to highlight the weakest patch of growth since the current upturn began in May 2013.

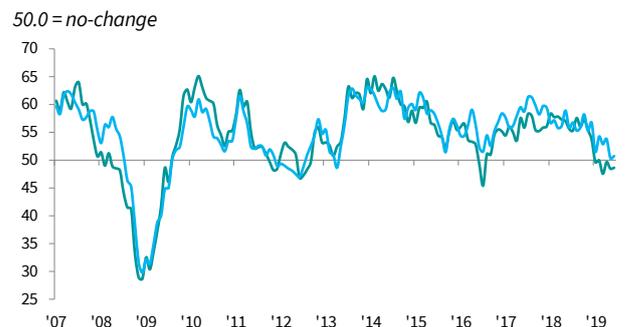
Permanent placements continue to fall modestly

Latest data rounded off a disappointing end to the first half of 2019, with the number of people placed into permanent roles falling for the fifth time in six months. Though modest, the decline still marked a stark contrast to the robust hiring activity we saw through 2018, with a number of panellists blaming the fall on political and economic uncertainty. At the same, time temporary staff billings rose only slightly.

Demand for staff rises at subdued pace

Staff vacancies continued to increase during June, though the rate of expansion held close to April's

Permanent Placements / Temporary Billings



Sources: KPMG, REC, IHS Markit

multi-year low. Demand for temporary and permanent staff rose at rates that, though strong, remained weaker than seen on average over the survey's more than two-decade history.

Candidate availability drops amid uncertain outlook

The total supply of candidates continued to decline sharply in June. According to panellists, a generally low unemployment rate and a reluctance to change roles due to heightened uncertainty led to the latest drop in candidate numbers. The deterioration in permanent worker availability continued to outpace that seen for temporary staff.

Pay pressures remain elevated due to skill shortages

Lower candidate availability continued to push up pay for both permanent and temporary workers during June. Permanent starting salaries rose sharply, despite the rate of inflation being among the softest seen for two years, while temp wage inflation quickened to a seven-month high.

Regional and Sector Variations

Permanent staff appointments continued to fall in the Midlands, the South of England and London, but rose in the North of England. Regional data meanwhile indicated that temp billings rose in London and the

South of England, but declined in the Midlands and the North of England.

The private sector continued to outperform the public sector in terms of vacancy growth in June. Demand for both permanent and temporary staff in the private sector expanded sharply. Meanwhile, in the public sector, temporary job vacancies rose only modestly and demand for permanent workers continued to contract.

IT & Computing continued to lead the permanent staff demand rankings during June. A steep increase in vacancies was also seen for Engineering. The only two sectors to register reduced demand were Construction and Retail.

Eight of the ten monitored sectors recorded higher demand for short-term staff in June, led by Hotel & Catering and Nursing/Medical/Care. In contrast, temporary vacancies fell markedly for Retail workers.

Comments

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

“Brexit stagnation continues to seize up the jobs market as the slowdown in recruitment activity continues. Permanent staff appointments fell again in June, the fourth month in a row, while subdued confidence ensured that growth in temporary billings remained historically weak.

“As we approach the summer holidays, the worry is that vacancy growth – which held close to a multi-year low in June – is unlikely to bounce back as firms take a relatively cautious approach to hiring. Uncertainty is also likely to further dampen staff availability, as candidates are reluctant to change roles at this time. On a sector basis, IT & Computing continued to need more workers while construction and retail saw reduced demand.

“Looking ahead, conditions across the labour market are likely to remain restrained against a backdrop of political and economic uncertainty before companies can start to make more informed decisions on their long-term hiring.”

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

“It’s no surprise that the jobs market has slowed a little in this time of uncertainty – but vacancy numbers remain high and there are still opportunities out there for people looking for their next step. Pay is rising too. Nevertheless, the gentle slowdown in permanent hiring and slower growth of temp billings is a reminder to all politicians that businesses and employees across the country are looking for a smooth path to a negotiated Brexit outcome.

“One issue which shows no sign of relenting is the shortage of qualified candidates in some areas, as availability of both permanent and temporary workers remains tight. Roles such as LGV and forklift drivers, healthcare assistants, as well as manufacturing and production staff are consistently listed as being in short supply.

“Agencies employing temporary workers do all they can to train them to fill these vacancies, but this is made more difficult by the constraints of the apprenticeship levy. It is high time that this policy was reformed. By allowing agencies to fund high-quality training for temps using the levy they pay, the government could provide progression opportunities for flexible workers, tackle the country’s skills shortages and boost the productivity of 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.

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 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

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