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## KPMG AND REC, UK REPORT ON JOBS

### Hiring activity remains muted in May as uncertainty lingers around the outlook

#### Key findings

- Modest decline in permanent staff placements
- Temp billings growth at 73-month low
- Demand for staff rises at historically subdued pace

#### Summary

The latest **KPMG and REC, UK Report on Jobs**, signalled that hiring trends remained subdued across the UK amid ongoing Brexit-related uncertainty. Permanent staff appointments fell at a slightly quicker pace than in April, while temp billings expanded at the slowest rate for over six years. At the same time, subdued confidence impacted on both the demand and supply of labour, with vacancy growth staying close to a multi-year low and staff availability declining further.

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 permanent placements declined for the fourth time in the past five months during May. At the same time, billings received from the employment of short-term workers rose only marginally.

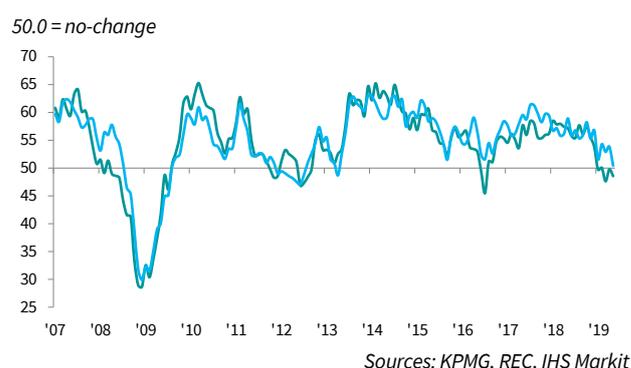
#### Permanent placements fall again in May

The number of people placed into permanent job roles fell for the fourth time in the past five months in May, and at a quicker pace than in April. At the same time, temp billings expanded only marginally, with growth hitting a 73-month low. There were many reports that hiring activity was dampened by uncertainty, but also mentions that demand for staff had weakened compared to earlier in the year.

#### Vacancy growth holds close to multi-year low

Recruitment agencies signalled a slightly stronger rise in overall vacancies during May, but growth remained

#### Permanent Placements / Temporary Billings



close to April's 80-month low. Although both permanent and temporary job openings rose solidly, rates of increase remained notably weaker than their historical averages.

#### Uncertainty weighs on candidate supply

Ongoing Brexit-related uncertainty and generally tight labour market conditions were cited as key factors weighing on candidate availability during May. Furthermore, both permanent and temporary staff supply declined at faster rates than in April.

#### Starting salary inflation softens to 25-month low

Although salaries awarded to permanent starters continued to grow sharply in May, the rate of inflation was the least marked for just over two years. In contrast, temp wages increased at the quickest pace for six months. Panellists commonly stated that competition for scarce workers continued to place upward pressure on pay.

#### Regional and Sector Variations

Three of the four monitored English regions registered lower permanent staff appointments, with the Midlands seeing the quickest rate of decline. The North bucked the overall trend and saw a marked increase in permanent placements. Temp billings expanded in the South of England and in London during May. However,

a further decline was seen in the Midlands while the North of England registered the first reduction since January.

Vacancy growth continued to be largely driven by the private sector, according to the latest data. Sharp increases in demand were seen for both permanent and temporary workers in the private sector during May. In the public sector, temp vacancies rose at a steeper pace, but demand for permanent staff fell for the third month in a row.

Demand for permanent staff remained strongest in IT & Computing in May, closely followed by Engineering. The only two monitored sectors to register lower permanent job vacancies were Construction and Retail.

Nursing/Medical/Care saw the sharpest increase in temporary staff demand during May. A marked expansion in vacancies was also seen for Hotels & Catering. In contrast, demand for temp workers fell in Construction, Retail and Executive/Professional.

### Comments

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

“Brexit uncertainty continues to dampen the jobs market as companies kept their recruitment decisions on hold in May. Permanent staff appointments fell at a slightly faster pace than in April, while subdued confidence ensured that growth in temporary billings hit a six-year low.

“Of increasing concern is that uncertainty is feeding through to weaker growth in job vacancies, while the supply of candidates fell sharply as people are becoming more risk averse with regards to switching roles. Relatively muted trends for permanent staff vacancies were seen across the board, with retail, construction and executive/professional hit particularly badly.

“We expect the labour market to remain in stalemate over the summer as the contest for a new Prime Minister kicks off. Companies are unlikely to make any dramatic investment decisions until a new leader is in place and have more insight on the future direction of Brexit.”

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

“The jobs market is still creating opportunities for those looking for work. With vacancies rising and starting salaries going up sharply, it is worth people talking to recruiters about that next step in their career. Sectors like IT, engineering and healthcare are hiring strongly, while the North of England showed the best performance in terms of regions.

“Overall, though, the survey again shows what uncertainty does to hiring plans. Total permanent placements fell again this month while temporary billings grew only marginally. Recruiters are reporting that demand for staff is slowing and their clients are reducing business activity on average. Worryingly, these trends are most pronounced in key sectors like retail and construction.”

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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](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 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](http://www.rec.uk.com).

## About IHS Markit

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