KPMG AND REC, UK REPORT ON JOBS

Uncertain outlook continues to dampen recruitment activity during July

Key findings

- Permanent staff appointments fall for fifth month running
- Temp billings growth edges down to 75-month low
- Staff availability declines at softest pace for two-and-a-half years

Summary

Ongoing political and economic uncertainty continued to weigh on recruitment activity in July, according to the latest KPMG and REC, UK Report on Jobs. Permanent staff appointments declined for the fifth month in a row, albeit marginally, while temp billings expanded at the slowest rate for 75 months.

Subdued confidence not only impacted on hiring decisions, but the availability of workers, which declined further in July. That said, the overall rate of deterioration was the softest seen for two-and-a-half years, helped by only a modest decline in temporary candidate supply. Nonetheless, skill shortages continued to push up rates of starting pay for both permanent and short-term staff.

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

Hiring trend remains subdued in July

The number of people placed into permanent roles fell for the sixth time in the past seven months in July, albeit marginally. At the same time, temp billings growth weakened to a 75-month low, rising only slightly overall. Panellists linked widely muted recruitment activity to lingering political and economic uncertainty.

Vacancy growth picks up slightly

Overall demand for staff continued to expand in July, with the rate of growth edging up to a four-month high.

Permanent Placements / Temporary Billings

That said, the increase remained among the weakest since late-2012. While demand for permanent workers picked up slightly, temporary vacancies expanded at the slowest rate for seven years.

Softer deterioration in candidate availability

Recruitment consultancies registered a further decline in candidate availability, which was commonly attributed to a high employment rate and lingering market uncertainty. However, the downturn in total candidate supply was the least marked for two-and-a-half years, with both permanent and temporary staff numbers falling at softer rates.

Starting salary inflation at 27-month low

Starting salaries awarded to newly placed permanent staff rose further amid reports of greater competition for workers. The rate of inflation, though sharp, was the softest seen since April 2017. Temporary pay rates also rose at a weaker pace.

Regional and Sector Variations

Data split by English region indicated that permanent placements declined in London, the South of England and the Midlands. The North of England meanwhile registered an increase for the fifth month in a row. The South of England and London both registered higher temp billings, while falls were seen in the Midlands and the North of England.
Vacancies rose further across the private sector during July, but declined in the public sector. In the private sector, demand strengthened for both permanent and temporary staff, with vacancies growing sharply in each case. However, public sector permanent vacancies declined for the fifth month in a row, while short-term staff demand fell for the first time since January.

The steepest increase in demand for permanent staff was once again seen for IT & Computing. The only sectors to see reduced vacancies were Construction and Retail. That said, trends weakened across all monitored sectors compared to a year ago.

Temporary staff demand rose across seven of the ten monitored job categories in July, led by Hotel & Catering. Retail saw the steepest overall reduction in short-term vacancies, while demand also fell in Executive/Professional and Construction.

Comments

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

“Businesses continue to take a cautious approach to hiring as Brexit and economic uncertainty linger.

“Permanent staff appointments have fallen for the fifth month in a row, while overall demand remains lacklustre as firms delay recruitment decisions. Uncertainty is also impacting the supply of labour, as people are choosing to sit tight until the outlook is clearer.

“With the UK unemployment rate already at a four-decade low, candidate shortages in the labour market continued to push up rates of starting pay. This will likely cause concern for businesses looking to control their costs and recruit the right people for the long term. Ultimately, businesses will be eager to see a Brexit breakthrough in Westminster to help re-establish market confidence on hiring and investment.”

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

“Our flexible jobs market remains a key strength for the UK as we navigate an uncertain time. While we are seeing a concerning weaker trend in permanent placements bed in, the rate of change is slow, employment rates are high and starting salaries are growing. Businesses will be looking to politicians for a pragmatic way forward to help them turn this around – not just on Brexit, but on domestic policies too.

“The new government should be focused on delivering the negotiated exit from the EU businesses need, but also on avoiding damaging changes that will undermine the strength of our jobs market. An improved approach to immigration, reforms to the apprenticeship levy and avoiding hasty changes to contractor tax rules should be top of the list.

“In difficult times such as these, recruitment specialists are an invaluable source of local and industry expertise to businesses looking to hire new staff. The REC is helping its members to do this with our new, local workforce intelligence data, so that they can continue to provide employers with the right people to grow their business.”
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.

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