News Release

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KPMG AND REC, UK REPORT ON JOBS

Permanent staff appointments drop again amid election and Brexit uncertainty

Key findings

- Permanent placements decline further, while temp billings rise only slightly
- Slowest increase in vacancies for over a decade
- Starting pay inflation weakest since 2016

Summary

UK labour market conditions remained challenging in November, according to the latest **KPMG and REC, UK Report on Jobs**. Recruitment consultancies signalled a further reduction in the number of people placed into permanent positions, while temp billings rose only slightly. Subdued hiring trends were widely linked to uncertainty surrounding the upcoming election and Brexit, which had reportedly led to many clients to delay or cancel hiring plans.

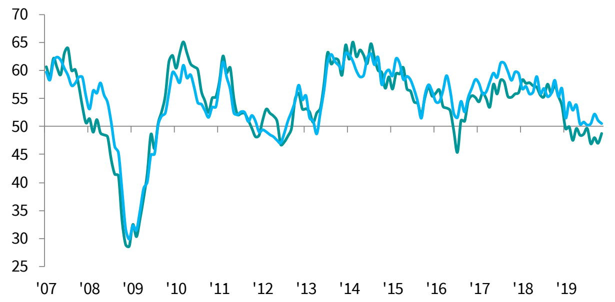
An uncertain outlook also weighed heavily on vacancies and candidate supply. Notably, demand for staff grew at the weakest pace for over a decade in November, while candidate numbers fell sharply overall. Pay pressures showed signs of softening, with both permanent and temporary pay rising at slower rates.

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

Permanent placements fall again in November

The number of people placed into permanent job roles fell for the ninth month running in November, albeit at the weakest rate since July. The reduction in permanent staff hiring was widely associated with heightened uncertainty around the outlook. Furthermore, growth in temp billings was only marginal.

Permanent Placements / Temporary Billings



Sources: KPMG, REC, IHS Markit

Growth of demand for staff at ten-year low

November saw the slowest increase in overall vacancies since the current upturn began in October 2009. The decline in the headline index was largely driven by a softer rise in demand for permanent staff, as temp vacancies expanded at a quicker pace. Nonetheless, rates of expansion remained historically subdued across both categories.

Slowest increase in starting pay since 2016

Latest data showed signs of a general easing in pay pressures midway through the final quarter of 2019. Permanent starting salaries increased at the slowest rate since December 2016, while temp wage inflation eased to a three-year low. Notably, both of the pay indicators fell below their long-run averages.

Uncertain outlook weighs on candidate supply

Recruiters widely commented that people were becoming increasingly reluctant to seek new roles due to uncertainty around the upcoming election and Brexit. Overall, candidate numbers fell at the quickest rate for five months, with permanent staff supply declining at a sharper pace than that seen for temp workers.

Regional and Sector Variations

Data broken down by region showed that permanent placements declined in the South of England and the

Midlands, but rose in the North of England and London. Meanwhile, the Midlands saw the quickest increase in temp billings. The South of England was the only monitored English region to register a decline in November.

The trend of rising private sector vacancies and falling demand for public sector staff persisted in November. In the private sector, permanent staff demand rose modestly overall, while temp vacancies rose solidly. In contrast, marked declines were seen for both permanent and short-term public sector staff.

Nursing/Medical/Care saw the sharpest increase in demand for permanent staff in November, followed by IT & Computing and Blue Collar. Of the three monitored sectors to report lower vacancies, the Retail sector saw the quickest rate of contraction.

Temporary staff demand increased across six of the ten sectors monitored by the survey in November. The steepest increase in vacancies was signalled for Nursing/Medical/Care. Construction meanwhile saw a marked fall in demand for temp staff.

Comments

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

“The uncertainty around the upcoming election and Brexit outcomes are playing havoc with the UK jobs market, as clearly employers and job-seekers are taking a wait and see approach before committing to growth or movement.

“However, as big business set out their strategies for the coming year, they will need to start making key decisions on hiring and investment, while those seeking new roles will be hoping to get their CV’s out in the New Year once the dust has settled.”

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

“Today’s figures show exactly why this election needs to focus on work. The jobs market is still strong, but uncertainty is taking its toll. Permanent placements have now fallen for nine months in a row and vacancies growth is at its weakest for a decade. Any incoming government must move quickly to boost business confidence and implement policies that will help companies and individuals to make great work happen.

“With that in mind, it was good to hear Sajid Javid say that a Conservative government would review the planned changes to IR35 if they win the general election, alongside similar commitments from Labour and the Liberal Democrats. Everyone should pay the right amount of tax - and that must mean thinking again and stopping 2020 implementation. Contractors and the self-employed are a vital part of the UK’s flexible labour market, and current implementation plans risk rewarding those who avoid tax whilst punishing hundreds of thousands of compliant contractors and agencies. It is essential that these tax changes are only brought in when it’s clear they can be implemented effectively, with proper regulation of umbrella companies and effective enforcement.”

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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

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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