News Release

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KPMG AND REC, UK REPORT ON JOBS

Permanent staff appointments decline at quickest rate for over three years

Key findings

- Hiring activity wanes due to heightened uncertainty
- Demand for staff increases at slowest rate since January 2012
- Pay pressures soften

Summary

The latest **KPMG and REC, UK Report on Jobs** indicated that labour market conditions softened in August. Permanent placements fell at the quickest rate for over three years as many employers chose to postpone staff hiring amid heightened political and economy uncertainty. Temp billings growth meanwhile remained stuck close to a 75-month low.

Total demand for staff rose at the weakest pace since the start of 2012, with both permanent and temporary vacancies rising at softer rates. An uncertain outlook also weighed on candidate numbers, as many people were reluctant to seek new roles in the current climate. However, the latest reduction in staff supply was the least marked for over two-and-a-half years. Starting pay for permanent and short-term workers consequently rose at softer rates.

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

Solid drop in permanent placements

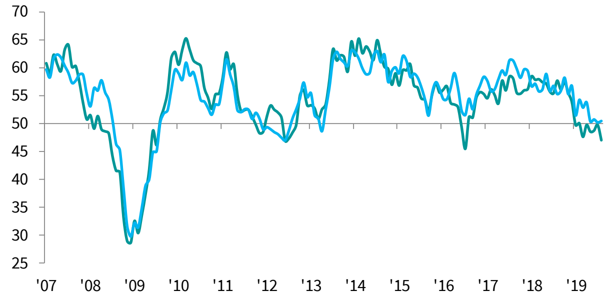
Recruitment consultancies signalled that the number of people placed into permanent job roles dropped for the sixth month running in August, as many firms delayed hiring decisions due to Brexit-related uncertainty. At the same time, temp billings continued to rise only marginally.

Vacancies increase at slowest pace since 2012

August data signalled the slowest increase in total job vacancies since January 2012. Growth of demand eased for both permanent and temporary staff, with the former expanding at the slowest rate for seven years and the latter at the softest pace for a decade.

Permanent Placements / Temporary Billings

50.0 = no-change



Sources: KPMG, REC, IHS Markit

Starting pay inflation softens

Starting salaries for permanent workers continued to rise in August amid reports of greater competition for staff. Though sharp, the rate of inflation was the slowest recorded since December 2016. Meanwhile, temp pay growth edged down to a five-month low.

Candidate supply contracts further in August

Although overall candidate availability deteriorated at the slowest pace for 32 months in August, the reduction remained much quicker than the historical trend. The fall was led by a further steep decline in permanent candidate numbers, as temp labour supply fell modestly.

Regional and Sector Variations

The Midlands, North and South of England all saw marked declines in permanent placements. Notably, it was the first reduction seen in the North of England for six months. London bucked the overall trend and saw a slight rise in permanent staff appointments in August. Temp billings growth was relatively muted in the North and South of England, while billings broadly stabilised in the Midlands. In contrast, London recorded a renewed fall, albeit only marginal.

Softer increases in vacancies were seen in the private sector, while public sector staff demand remained lacklustre. Private sector permanent vacancies rose at the softest rate since January 2012, while growth of demand for temp staff eased to a 79-month low. In the public sector, permanent staff vacancies fell again, and temp staff demand rose only modestly.

IT & Computing remained at the top of the league table in terms of permanent staff demand during August, followed by Hotel & Catering. Construction and Retail sector vacancies meanwhile contracted again.

Demand for temporary staff increased in half of the ten monitored sectors, led by Hotel & Catering and Nursing/Medical/Care. Of the five sectors which recorded lower vacancies, the steepest decline was seen in Retail.

Comments

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

"Brexit uncertainty continues to take its toll on the jobs market, evident by the quickest drop in permanent placements in over three years as employers delay hiring staff.

"Given the current climate, it's not a surprise but is still a concern to see that the demand for staff increased at the slowest rate since 2012 – and that people are reluctant to seek new roles. On the plus side however, the latest decline in staff supply was the least marked for over two and a half years amid greater competition, softening the pressures on pay.

"Looking ahead and with investment also contracting, businesses desperately need clarity on Brexit outcomes in order to re-build confidence in the jobs market and be able to make more informed decisions on their long-term hiring plans."

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

"Today's figures are a sobering reminder to politicians of all parties that national prosperity relies on businesses creating jobs and growing careers. Britain's record on jobs is world-leading. It's a key part of our economic success, with recruiters at the forefront of it. And there are still great opportunities out there for those looking for a new job and a boost in earnings.

"But all this rests on business confidence – the confidence to invest, to hire someone, to try something new – and it's clear that things are getting harder. Permanent placements have now dropped for six months in a row and vacancy growth is slowing. While we continue to benefit from the flexibility of our jobs market as demand for temps holds steady, today's survey emphasises the real world impacts of the political and economic uncertainty businesses are facing.

"The first priority should be avoiding a damaging no-deal Brexit and giving some stability back to British businesses, so they can drive the prosperity of the whole country."

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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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