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KPMG AND REC, UK REPORT ON JOBS

Permanent placements rise at quickest rate for 14 months as demand for staff continues to improve

Key findings

- Stronger rise in permanent placements, but temp billings fall again
- Vacancies increase at quickest pace since January 2019
- Weakest decline in overall staff availability since mid-2013

Summary

The latest **KPMG and REC, UK Report on Jobs** survey signalled a stronger rise in permanent placements during February, but temp billings continued to fall largely due to upcoming IR35 legislation changes. Nonetheless, total demand for staff expanded at the quickest rate for over a year, which was often linked to a sustained improvement in market confidence since last year's general election. At the same time, the overall supply of candidates fell at the weakest rate since June 2013, with some recruiters mentioning that people were more willing to seek out new roles.

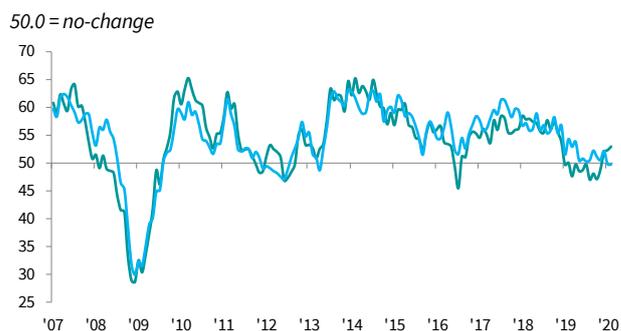
Starting pay for permanent staff rose at a quicker pace amid greater competition for workers. However, temp wage inflation softened to a 40-month low.

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

Solid increase in permanent staff appointments...

The number of people placed into permanent job roles rose again during February, and at the quickest rate for 14 months. Recruiters linked the upturn to a sustained improvement in market confidence following last year's general election. At the same time, there was a slight fall in temp billings for the second month running, which was often blamed on the upcoming private sector IR35 rollout.

Permanent Placements / Temporary Billings



Sources: KPMG, REC, IHS Markit

...as job vacancies increase at sharper rate

February data signalled a sharp and accelerated rise in demand for staff, with the rate of vacancy growth the quickest for just over one year. The stronger increase was supported by firmer demand for both permanent and short-term staff, with the former noting the quicker rate of expansion.

Downturn in worker availability eases

The overall drop in candidate supply was the weakest recorded since June 2013 in February. Recruiters commented that improved confidence among workers and upcoming changes to IR35 legislation had both contributed to the slower decline in candidate numbers.

Starting salary growth picks up in February

Greater demand for workers and a lack of suitably skilled candidates led to a further rise in permanent starting salaries. Furthermore, the rate of inflation was the sharpest recorded since June 2019. Meanwhile, average hourly rates of pay for temp workers rose at a slower, but still solid, pace.

Regional and Sector Variations

The North of England saw the steepest increase in permanent staff appointments of all monitored English regions. The only area to report a decline was London,

Continued...

where placements fell for the second month in a row. Regional data highlighted divergent trends when it came to temp billings, with increases in the North and South of England contrasting with falls in the Midlands and London.

Higher vacancies were signalled for both the public and private sectors during February.

The private sector registered sharp rises in demand for permanent and temporary staff in the latest survey period. Meanwhile, there were renewed upturns in public sector vacancies for both permanent and short-term roles.

Permanent vacancies rose across all monitored job sectors with the exception of Retail in February. The quickest increase in demand for permanent workers was seen in Accounting/Financial, followed closely by Engineering.

The vast majority of monitored job categories saw higher demand for contract staff midway through the first quarter. The strongest increases in temporary vacancies were seen in Hotel & Catering and Engineering.

Comments

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

“The upturn in the UK jobs market remains steady, evidenced by a further rise in the number of people placed into permanent job roles and at the quickest rate in 14 months.

“However, looking ahead, the current big unknown is the impact and influence the coronavirus may have on market confidence, let alone the lingering uncertainty around the actual Brexit deal.

“Businesses will be hoping that next week’s Budget provides some relief and investment to help get the UK back on the path to growth.”

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

“It’s great to see how the state of the jobs market has improved in the past few months. Businesses are feeling positive, placement numbers are up, and the number of vacancies is now rising at the quickest pace for over a year. It shows just how important stability can be. With a little confidence about where the economy is heading, employers can make clear plans for hiring and put them into practice. Politicians must be careful to maintain that stability – whether that’s in negotiations with the EU, or making sure that the tax and skills policies in next week’s Budget work for business. This is even more important given the impact that coronavirus may have on the economy in the spring.

“The stark outlier in this data is the much slower performance of the temporary market. With less than a month to go until the IR35 changes kick in, we’re hearing about more and more companies putting a blanket ban on hiring contractors – and we now see this influencing the availability of flexible workers too. The government urgently needs to stop and think about how to make these changes more effective. They should start by delaying implementation in order to properly regulate umbrella companies.”

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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.

February data were collected 12-24 February 2020.

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 the voice of the recruitment industry, speaking up for great recruiters. We drive standards and empower recruitment businesses to build better futures for their candidates and themselves. We are champions of an industry which is fundamental to the strength of the UK economy. 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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