

KPMG AND REC, UK REPORT ON JOBS

Employers scale back hiring plans in September as Brexit deadline looms

KEY FINDINGS

Permanent placements drop for seventh month in a row

Weakest increase in vacancies for over seven-and-a-half years

Availability of staff continues to drop amid uncertain outlook

KEY DATA

Permanent Placements Index



Temporary Billings Index



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.

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

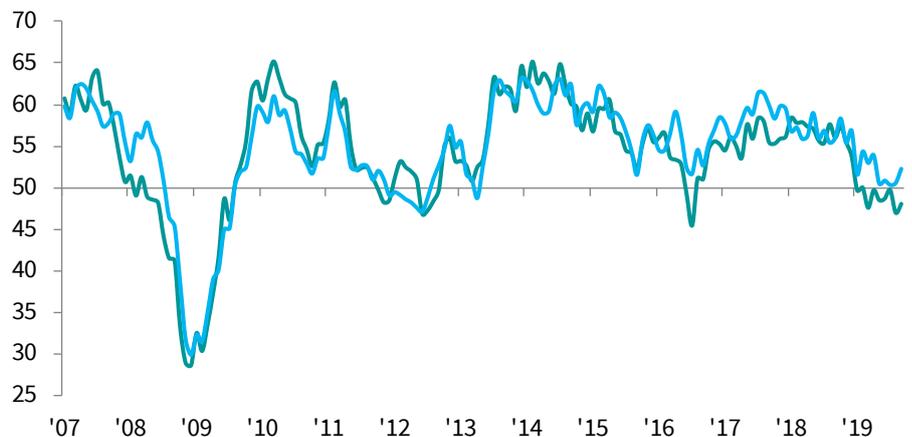
“The Brexit impasse continues to affect the jobs market with employers stuck, unable to make informed decisions, and people unwilling to risk seeking new roles. “Given that it’s the weakest increase in job vacancies since 2012 and the longest period that permanent staff appointments have fallen since the global financial crisis, it would seem that it’s proving difficult for businesses to shake off the heightened uncertainty and unknowns. So with the deadline fast approaching, they may well be waiting to get clarity on the future direction of Brexit before making any key decisions on hiring and investment.”

Neil Carberry, Chief Executive of the Recruitment & Employment Confederation, said:

“Businesses are positive about their own prospects, but ongoing Brexit uncertainty has led many firms to delay projects and hiring decisions. Vacancy growth has fallen to its lowest since 2012. The UK’s vibrant temporary work market is playing an important role in helping employers to manage the ongoing uncertainty and job-seekers to find work. “There are deeper issues which must be addressed to secure the UK’s future prosperity. Productivity is falling, and there are skills shortages in vital sectors across the economy. Solving these problems must be top of the government’s to-do list once the Brexit deadlock has been broken.”

Permanent Placements Index / Temporary Billings Index

sa, >50 = growth since previous month



CONTENTS

- [1 Executive summary](#)
- [2 Staff appointments](#)
- [3 Vacancies](#)
- [4 Vacancies by sector](#)
- [5 Staff availability](#)
- [6 Demand for skills](#)
- [7 Pay pressures](#)
- [8 Special feature](#)
- [9 Further information](#)

1 EXECUTIVE SUMMARY

The Report on Jobs is unique in providing the most comprehensive guide to the UK labour market, drawing on original survey data provided by recruitment consultancies and employers to provide the first indication each month of labour market trends.

The main findings for September are:

Permanent placements fall further in September

An increasingly uncertain outlook continued to weigh on hiring activity in September, as permanent staff placements declined for the seventh month in a row. Growth of temp billings picked up slightly from August, but was only modest overall.

Demand for staff increases at slowest rate since January 2012

Vacancy growth eased for the second month in a row in September, with overall demand for staff rising only modestly. Notably, this marked the slowest expansion of vacancies since January 2012. Demand for permanent staff increased at the softest pace for 92 months, which offset a slightly stronger rise in temporary vacancies.

Availability of staff continues to fall sharply

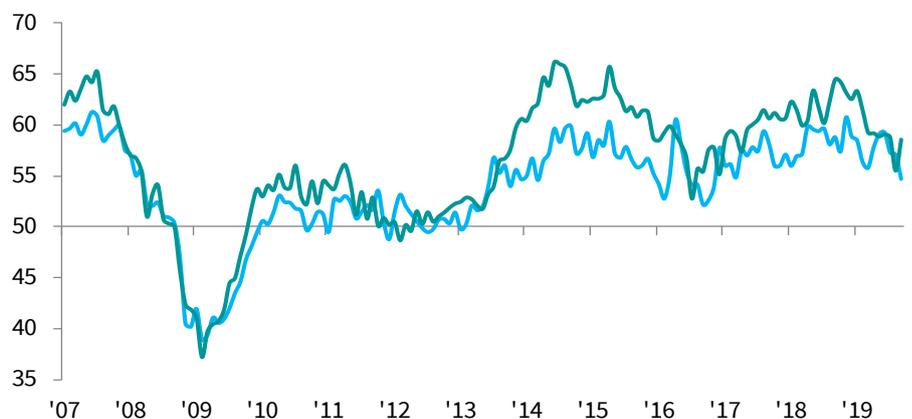
September saw a further sharp fall in total candidate supply, despite the rate of contraction easing to the least marked since December 2016. Data showed that both permanent and temporary staff availability fell at the end of the third quarter, with the former seeing the steeper rate of reduction.

Permanent starters' salaries rise sharply

Starting salaries increased at a faster pace in September. The rate of inflation quickened from August's 32-month low to signal a sharp increase in pay overall. In contrast, temp pay rates rose at the softest pace since November 2016.

Permanent Salaries Index / Temporary Wages Index

sa, >50 = inflation since previous month



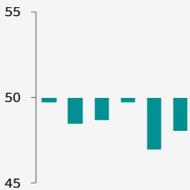
2 STAFF APPOINTMENTS

Recruitment consultancies report on the number of people placed in permanent jobs each month, and their revenues (billings) received from placing people in temporary or contract positions at employers.

An index reading above 50 signals a higher number of placements/billings than the previous month. Readings below 50 signal a decline compared with the previous month.

Permanent Placements Index

Last six months



Permanent placements fall again in September

The number of people placed into permanent jobs declined for the seventh consecutive month in September. The rate of reduction was modest overall, having eased from August's recent record. Nonetheless, it was still among the lowest index readings seen since the global financial crisis. Brexit-related uncertainty was by far the most commonly cited factor weighing on permanent placements, which led clients to delay or cancel hiring plans.

All four of the monitored English regions bar the North of England registered lower permanent staff appointments in September. That said, the increase in the North of England was only marginal.

Permanent Placements Index

sa, >50 = growth since previous month



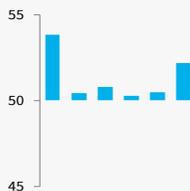
Permanent Placements Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Apr '19	49.7	45.1	48.6	47.7	52.0
May '19	48.5	46.4	46.9	44.1	56.9
Jun '19	48.7	48.7	45.0	46.0	54.1
Jul '19	49.7	46.5	48.2	46.9	54.6
Aug '19	47.0	50.3	47.0	45.6	47.0
Sep '19	48.1	48.0	49.6	44.1	50.3

Temporary Billings Index

Last six months



Temp billings growth improves to five-month high

Adjusted for seasonal factors, the Temporary Billings Index remained above the neutral 50.0 level to signal a further rise in billings received from the employment of short-term staff across the UK. The rate of expansion quickened for the second month in a row, but was modest overall. Notably, the pace of increase remained among the slowest seen since 2013. A number of panellists mentioned that employers were taking on temp staff as opposed to hiring permanent workers. At the same time, there were reports that uncertainty had delayed projects and hiring decisions, which had in turn weighed on overall growth.

The North of England and the Midlands both registered marked increases in temp billings during September, while the South of England saw only a slight expansion. Meanwhile, a reduction was seen in London for the second month in a row.

Temporary Billings Index

sa, >50 = growth since previous month



Temporary Billings Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Apr '19	53.8	52.8	55.3	48.4	55.4
May '19	50.4	53.0	56.0	44.2	46.6
Jun '19	50.8	54.1	53.0	49.1	49.5
Jul '19	50.3	52.1	52.7	47.9	47.9
Aug '19	50.5	49.4	50.3	49.9	51.6
Sep '19	52.2	48.5	50.8	55.0	56.0

3 VACANCIES

Recruitment consultants are asked to specify whether the demand for staff from employers has changed on the previous month, thereby providing an indicator of the number of job vacancies.



Vacancy growth weakens to 92-month low

At 52.6 in September, down from 52.8 in August, the Total Vacancies Index continued to signal rising staff demand at the end of the third quarter. However, the rate of vacancy growth was the slowest seen since January 2012 and much weaker than the historical trend.

Total Vacancies Index



Permanent and temporary vacancies

Growth of demand for permanent staff softened in September, but improved slightly for temp workers.

Permanent vacancies expanded at a modest pace that was the slowest since the start of 2012. Meanwhile, temp staff demand strengthened from August's recent low, but remained subdued.

Permanent / Temporary



Public & private sector vacancies

September data showed that demand for staff continued to rise across the private sector, but was relatively weak in the public sector.

Permanent staff vacancy growth in the private sector eased to a 92-month low, which contrasted with a sharper rise in temp vacancies. In the public sector, there was a marginal rise in short-term staff demand, but permanent vacancies fell again.

Vacancy Index summary

sa, >50 = growth since previous month. *Not seasonally adjusted.

	Permanent				Temporary		
	Total	Total	Private*	Public*	Total	Private*	Public*
Apr '19	53.6	53.5	54.3	49.5	55.8	56.8	50.9
May '19	54.1	54.0	55.5	49.1	54.7	56.6	53.7
Jun '19	54.1	54.1	55.3	47.9	54.1	54.5	52.3
Jul '19	54.4	54.4	57.4	47.1	53.3	56.7	49.6
Aug '19	52.8	52.8	54.0	46.9	52.1	52.1	52.0
Sep '19	52.6	52.5	52.9	47.1	53.3	56.5	50.9

OFFICIAL DATA: UK JOB VACANCIES

Latest data from the Office for National Statistics (ONS) showed that the total number of job vacancies across the UK fell by -3.8% year-on-year to stand at 812,000 in the three months to August. Vacancies have now fallen in each three-month period since the start of the year, when the total number of unfilled roles peaked at 861,000. Notably, the number of job vacancies now stands at its lowest since the three months to November 2017.

UK job vacancies



Source: Office for National Statistics.

4 VACANCIES BY SECTOR

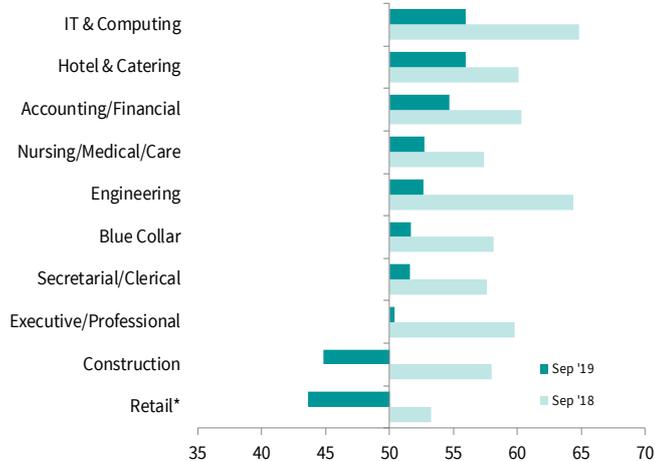
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

The strongest increases in permanent staff vacancies in September were seen in IT & Computing and Hotel & Catering. Construction and Retail were the only monitored sectors to signal reduced demand for permanent workers.

Permanent Vacancies Index

sa, >50 = growth since previous month. *Not seasonally adjusted.

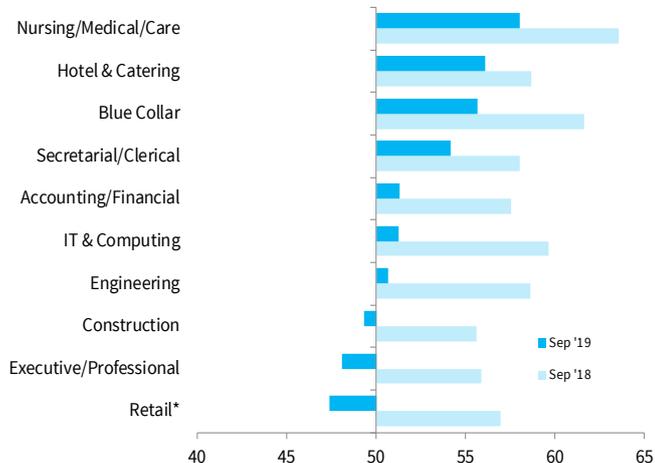


Temporary vacancies

Demand for temporary staff increased in seven of the ten monitored job sectors during September, led by Nursing/Medical/Care. Retail continued to signal the steepest decline in short-term vacancies.

Temporary Vacancies Index

sa, >50 = growth since previous month. *Not seasonally adjusted.



VACANCY INDEX BY SECTOR

sa, >50 = growth since previous month

Permanent / Temporary

Accounting & Financial



Blue Collar



Construction



Engineering



Executive & Professional



Hotels & Catering



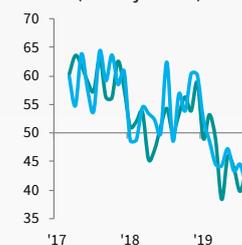
IT & Computing



Nursing, Medical & Care



Retail (unadjusted)



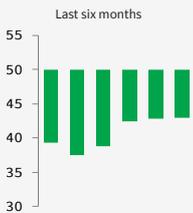
Secretarial & Clerical



5 STAFF AVAILABILITY

Recruitment consultants are asked to report whether availability of permanent and temporary staff has changed on the previous month. An overall indicator of staff availability is also calculated.

Total Staff Availability Index



Availability of staff declines at joint-lowest rate for six years

Latest survey data pointed to a further marked drop in the overall availability of candidates in September. That said, the rate of contraction was the joint-weakest for six years.

The supply of permanent workers fell at a slower (but still sharp) rate, while the availability of temporary workers declined at a slightly quicker pace.

Total Staff Availability Index

sa, >50 = improvement since previous month



Permanent Staff Availability Index



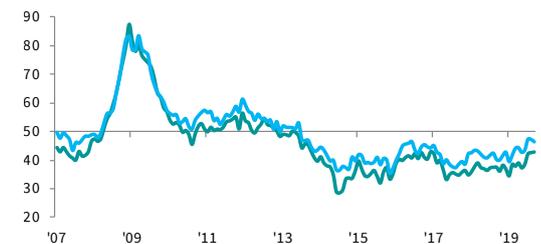
Decline in permanent staff supply eases slightly

Recruitment consultancies signalled a further drop in the availability of workers available to fill permanent job roles in September. The rate of reduction was the least marked in 33 months, albeit still sharp. Panel members reported that market uncertainty weighed on candidate numbers, as people were generally reluctant to seek new roles in the current climate.

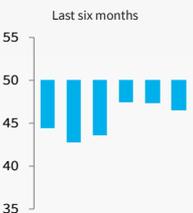
Permanent worker supply fell across all four monitored English regions, with the steepest decline seen in London.

Permanent / Temporary

sa, >50 = improvement since previous month



Temporary Staff Availability Index



Temporary worker availability deteriorates further

As has been the case since July 2013, the number of candidates available for short-term jobs declined during September. The pace of contraction was solid, having accelerated slightly since August. However, the decline was still much softer than that seen on average over the current period of falling availability.

The South of England recorded the quickest drop in temporary staff supply, while the weakest was seen in the North of England.

Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Apr '19	39.0	40.2	36.0	43.9	38.0
May '19	37.3	37.9	36.4	39.6	38.3
Jun '19	38.5	39.0	35.8	44.9	39.2
Jul '19	42.1	46.1	39.4	43.6	42.4
Aug '19	42.6	44.2	39.4	44.4	43.4
Sep '19	42.8	41.5	42.3	42.0	45.7

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Apr '19	44.4	46.5	42.7	44.8	44.9
May '19	42.8	42.6	44.1	41.2	45.0
Jun '19	43.6	42.2	43.5	45.2	49.1
Jul '19	47.4	49.8	44.2	46.1	50.6
Aug '19	47.3	47.5	47.3	42.4	49.0
Sep '19	46.5	46.5	44.3	46.0	49.3

6 DEMAND FOR SKILLS

Recruitment consultancies are invited to specify any areas in which they have encountered skill shortages during the latest month.

Skills in short supply: Permanent staff

Accounting/Financial Accountants Auditors Book Keepers Credit Controllers Estimators Finance Pensions Admin Risk Tax professionals Taxation	IT/Computing Analysts Automation Testers CAD Cyber Security Data Professionals Developers Digital IT Java Scala Software Technical Technology
Blue Collar Drivers Forklift Drivers LGV Drivers Manufacturing Production Unskilled Labour Warehouse Welders	Nursing/Medical/Care Childcare Clinical Research Staff Health Care Assistants Health Professionals Nurses Pharmacists Social Workers
Construction Construction Labourers Quantity Surveyors	Secretarial/Clerical Administration Clerical Office Staff Personal Assistant Receptionist
Engineering Design Engineers Electrical Engineers Engineers Mechanical Engineers Senior Electronic Engineers System Engineers Technicians	Retail Retail
Executive/Professional Compliance Digital Marketing Executives Human Resources Law Management Marketing Portal Fee PR Scientists	Other B2B Buyers Call Centre Commercial Customer Service Designers Dutch Speakers Ecologists German Speakers Sales Scandinavian Speakers Semi Skilled Skilled
Hotel/Catering Baristas Chefs Hospitality Kitchen Porters	

Skills in short supply: Temporary staff

Accounting/Financial Accountants Auditors Credit Controllers Finance Finance Directors Payroll Pensions Admin	Nursing/Medical/Care Carers Health Professionals Nurses Social Workers Support Workers
Blue Collar Blue Collar Decorators Drivers Electricians Forklift Drivers HGV Drivers Industrials LGV Drivers Plumbers Production Shipping Trades Warehouse	Secretarial/Clerical Administration Medical Secretaries Office Staff Personal Assistant Receptionists Secretary
Construction Construction	Other B2B Buyers Customer Service Dutch Speakers German Speakers Logistics Skilled Testers Unskilled White Collar
Engineering Design Engineers Engineers Mechanical Engineers System Engineers	
Executive/Professional Law Marketing Portal Fee Scientists	
Hotel/Catering Baristas Chefs Front of House Hospitality Kitchen Porters	
IT/Computing C# CNC Developers IT Java Technology	

Skills in excess supply: Permanent staff

Accounting/Financial Accountants Finance Finance Directors	Management Marketing Project Managers	Secretarial/Clerical Administration Clerical Personal Assistant
Blue Collar Blue Collar Factory Site Managers Warehouse	Hotel/Catering Hospitality Waitressing	Other Call Centre Customer Service Graduates Sales Testers Unskilled
Engineering Engineers	IT/Computing IT	
Executive/Professional Human Resources Law	Nursing/Medical/Care Nurses Social Workers	
	Retail Retail	

Skills in excess supply: Temporary staff

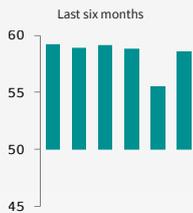
Blue Collar Manufacturing Site Managers Warehouse	Nursing/Medical/Care Healthcare Assistants
Executive/Professional Business Analysts Project Managers	Retail Retail Staff
Hotel/Catering Hospitality	Secretarial/Clerical Administration Clerical Personal Assistant
IT/Computing IT Programmers	Other Graduates Juniors Testers Unskilled

Note: Skills can be reported as being both in short supply and excess supply as we survey various recruitment agencies across the country, so there is geographical variation as well as the possibility of candidates with particular skills being concentrated in certain areas.

7 PAY PRESSURES

The recruitment industry survey tracks both the average salaries awarded to people placed in permanent jobs each month, as well as average hourly rates of pay for temp/contract staff.

Permanent Salaries Index

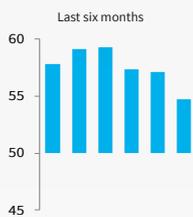


Starting salary inflation picks up in September

Recruiters signalled a sustained rise in starting salaries awarded to permanent staff in September. Notably, the rate of inflation was sharp, having accelerated from August's recent low. Nonetheless, it was still softer than seen on average over the current sequence of rising starting pay. Higher salaries were generally linked to increased competition for workers.

All four monitored English regions recorded stronger increases in starting pay in September.

Temporary Wages Index



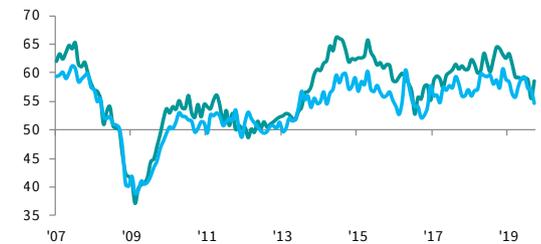
Softest increase in temp pay since November 2016

Latest data indicated that temp wage growth softened for the third month running in September. Recruitment consultancies that recorded higher hourly rates of pay generally linked this to tight labour market conditions and increased competition for staff. Though solid overall, the rate of expansion was the slowest since November 2016.

The steepest increase in temp wages was seen in the Midlands, while the softest was in London.

Permanent Salaries / Temporary Wages

sa, >50 = inflation since previous month



Permanent Salaries Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Apr '19	59.2	56.3	60.8	59.7	58.3
May '19	58.9	54.0	59.9	60.5	61.5
Jun '19	59.1	54.3	59.7	62.2	60.0
Jul '19	58.8	53.9	59.6	59.1	63.4
Aug '19	55.5	53.3	57.1	55.3	56.9
Sep '19	58.6	58.6	58.0	58.6	58.5

Temporary Wages Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Apr '19	57.8	53.6	59.0	57.8	61.0
May '19	59.1	59.0	61.7	58.6	58.8
Jun '19	59.3	58.7	55.5	59.8	59.3
Jul '19	57.3	56.1	55.8	59.1	60.3
Aug '19	57.1	52.2	56.9	61.2	60.0
Sep '19	54.7	54.0	54.1	58.6	55.4

OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Latest data from the Office for National Statistics indicated that employee earnings (including bonuses) increased by 4.0% on an annual basis in the three months to July. This was stronger than the 3.8% rise seen in the three months to June, to highlight the quickest rate of pay growth since mid-2008.

The private sector recorded the strongest increase in earnings, with the rate of expansion quickening from 4.0% to 4.1% in the latest three-month period. Pay growth across the public sector also remained strong, despite easing from 4.0% to 3.7%.

UK average weekly earnings (private / public)

%yr/yr, 3mma



Source: Office for National Statistics.

8 SPECIAL FEATURE

This section features data from the Recruitment and Employment Confederation's survey of employers

BREXIT UNCERTAINTY HAS TANGIBLE CONSEQUENCES FOR THE LABOUR MARKET

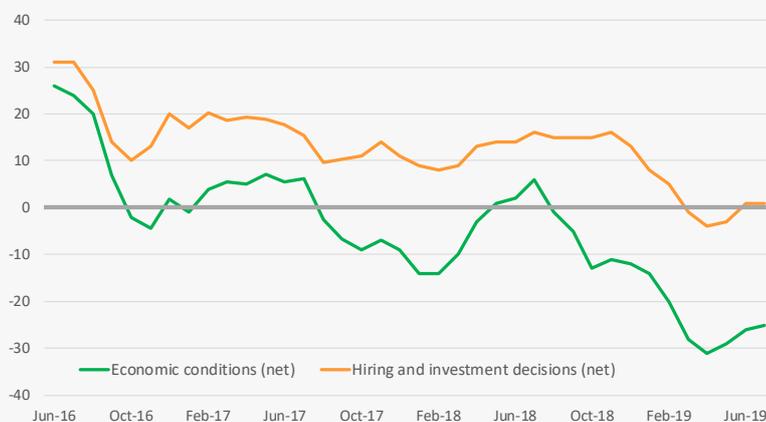
With the Brexit deadline moving closer, there is still a great deal of uncertainty about how this divisive issue will be resolved. Throughout the last three and a half years, the jobs market has remained resilient, with more than 32.7 million people in work and the unemployment rate reaching the lowest since the final quarter of 1974. But this situation could not last forever, and over the past few months, it has become apparent that the continuing political and economic uncertainty has started to have an effect on the jobs market.

Permanent placements have now been declining, albeit slowly, for seven months in a row, and the positive trends in temporary billings and vacancies growth have also weakened. Meanwhile, candidate availability continues to decline, and according to a recent report from the Recruitment and Employment Confederation (REC), half (49 per cent) of UK employers have expressed concern about the sufficient availability of suitable candidates for permanent roles. Worryingly, these concerns are most acute in vital sectors such as Health and Social Care.

The REC's JobsOutlook report also provides an explanation for the weakening of the labour market – falling business confidence. Since July 2018, the measure of employers' confidence in the UK economy has fallen from a net figure of +6 to -30. This decline becomes even starker when we compare it to June 2016, before the EU referendum, when confidence levels were at net: +26.

Employers' confidence

net balance (better vs worse)



The prosperity and success of the UK economy depends on businesses being able to invest in their workers, create jobs and grow. But all this rests on business confidence, and it is clear that the political and economic uncertainty that employers are facing is starting to have tangible consequences. What the business community needs is clarity on what the future is going to look like – only then can they start to invest and hire with confidence.

In the meantime, there are many things recruiters can do to show their worth and provide extra value to their clients. Nine in ten (87 per cent) employers say that an agency's expertise in terms of the regions or sectors they cover is an important factor for them when deciding which recruitment partners to work with. By embracing data and sharing their deep knowledge of the labour market, recruiters can make themselves indispensable to employers during these turbulent times.

¹ REC, (2019) Jobs Outlook. Monthly reports available at: www.rec.uk.com/research

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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.

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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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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