

KPMG AND REC, UK REPORT ON JOBS

Slowdown in recruitment activity persists in June as market confidence remains subdued

KEY FINDINGS

Permanent placements decline for fifth time in six months

Temp billings expand only slightly

Vacancy growth holds close to multi-year low

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:

“Brexit stagnation continues to seize up the jobs market as the slowdown in recruitment activity continues. Permanent staff appointments fell again in June, the fourth month in a row, while subdued confidence ensured that growth in temporary billings remained historically weak.”

“As we approach the summer holidays, the worry is that vacancy growth – which held close to a multi-year low in June – is unlikely to bounce back as firms take a relatively cautious approach to hiring. Uncertainty is also likely to further dampen staff availability, as candidates are reluctant to change roles at this time. On a sector basis, IT & Computing continued to need more workers while construction and retail saw reduced demand.”

“Looking ahead, conditions across the labour market are likely to remain restrained against a backdrop of political and economic uncertainty before companies can start to make more informed decisions on their long-term hiring.”

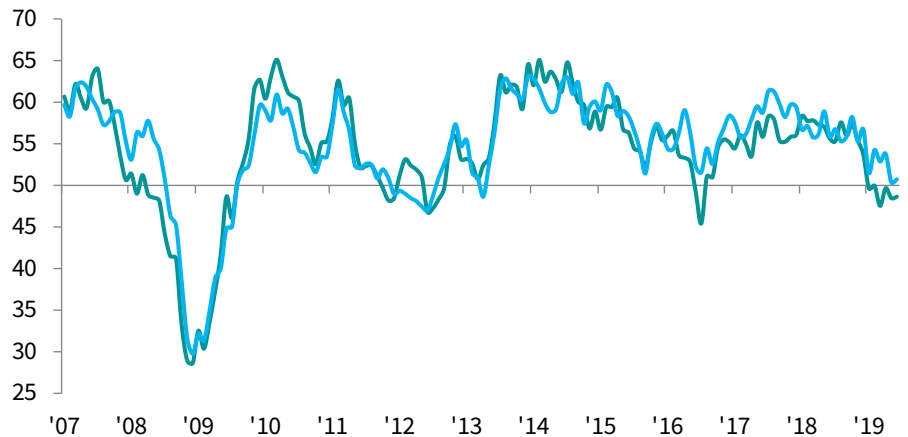
Neil Carberry, Chief Executive of the Recruitment & Employment Confederation, said:

“The jobs market has slowed a little, but one issue which shows no sign of relenting is the shortage of qualified candidates in some areas.”

“Agencies employing temporary workers do all they can to train them to fill these vacancies, but this is made more difficult by the constraints of the apprenticeship levy. It is high time that this policy was reformed.”

Permanent Placements Index / Temporary Billings Index

sa, >50 = growth since previous month



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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 June are:

Permanent placements continue to fall modestly

Latest data rounded off a disappointing end to the first half of 2019, with the number of people placed into permanent roles falling for the fifth time in six months. Though modest, the decline still marked a stark contrast to the robust hiring activity we saw through 2018, with a number of panellists blaming the fall on political and economic uncertainty. At the same, time temporary staff billings rose only slightly.

Demand for staff rises at subdued pace

Staff vacancies continued to increase during June, though the rate of expansion held close to April's multi-year low. Demand for temporary and permanent staff rose at rates that, though strong, remained weaker than seen on average over the survey's more than two-decade history.

Candidate availability drops amid uncertain outlook

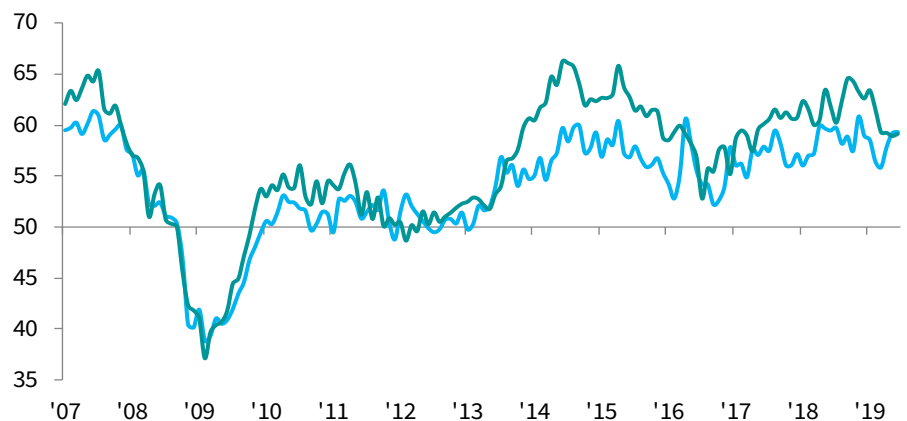
The total supply of candidates continued to decline sharply in June. According to panellists, a generally low unemployment rate and a reluctance to change roles due to heightened uncertainty led to the latest drop in candidate numbers. The deterioration in permanent worker availability continued to outpace that seen for temporary staff.

Pay pressures remain elevated due to skill shortages

Lower candidate availability continued to push up pay for both permanent and temporary workers during June. Permanent starting salaries rose sharply, despite the rate of inflation being among the softest seen for two years, while temp wage inflation quickened to a seven-month high.

Permanent Salaries Index / Temporary Wages Index

sa, >50 = inflation since previous month

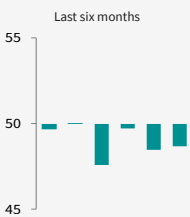


2 STAFF APPOINTMENTS

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



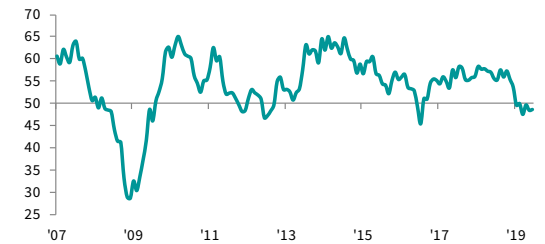
Permanent staff appointments continue to decline

June survey data indicated that the number of people placed into permanent job roles in the UK fell for the fifth time in the past six months. Though modest and little-changed from May, the contraction contrasted with marked increases in permanent placements through 2018. Reports from panel members indicated that Brexit-related uncertainty continued to weigh on hiring decisions. There were also mentions that demand for staff had softened, while low candidate availability had also impacted on recruitment activity.

Permanent staff appointments continued to fall in the Midlands, the South of England and London, but rose in the North of England.

Permanent Placements Index

sa, >50 = growth since previous month

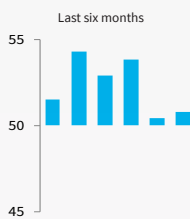


Permanent Placements Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Jan '19	49.7	49.3	52.6	48.1	46.7
Feb '19	50.0	54.0	51.7	45.4	48.6
Mar '19	47.6	47.9	48.6	42.2	52.0
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

Temporary Billings Index



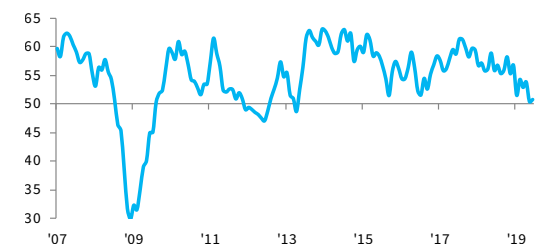
Temp billings growth remains marginal

UK recruitment consultancies signalled a further rise in billings received from the employment of short-term staff during June. Anecdotal evidence indicated that firm demand for temporary workers had supported the latest increase in billings. However, the rate of growth was similar to May's 73-month low and only slight.

On a regional basis, temp billings rose in London and the South of England, but declined in the Midlands and the North of England.

Temporary Billings Index

sa, >50 = growth since previous month



Temporary Billings Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Jan '19	51.5	48.9	50.5	56.5	49.2
Feb '19	54.3	54.4	52.7	54.7	52.4
Mar '19	52.9	51.8	48.7	51.5	56.7
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

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.



Growth of demand for staff remains close to multi-year low

The Total Vacancies Index remained above the crucial 50.0 no-change value at 54.2 in June, up fractionally from 54.1 in May, to signal a further increase in staff vacancies. Although indicative of a solid expansion, the rate of increase held close to April's 80-month low.

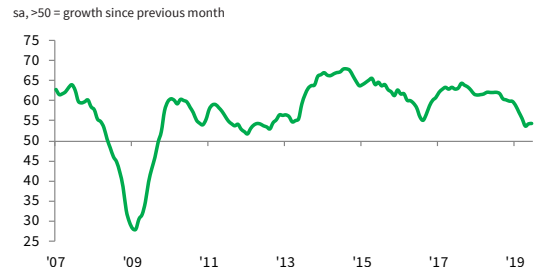
Permanent and temporary vacancies

Vacancies rose at a similarly strong pace for both temporary and permanent staff during June. The latest increase in permanent worker demand was the most marked for three months, albeit much weaker than the increases seen during 2018. Meanwhile, short-term staff vacancies rose at the softest pace since August 2012.

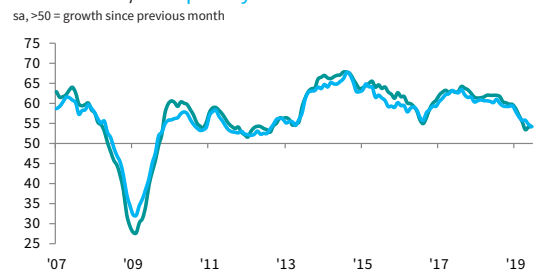
Public & private sector vacancies

The private sector continued to outperform the public sector in terms of vacancy growth in June. Demand for both permanent and temporary staff in the private sector expanded sharply. Meanwhile, in the public sector, temporary job vacancies rose only modestly and demand for permanent workers continued to contract.

Total Vacancies Index



Permanent / Temporary



Vacancy Index summary

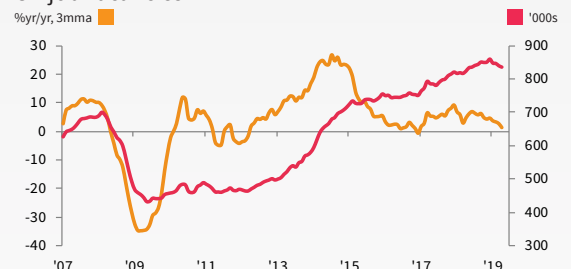
sa, >50 = growth since previous month. *Not seasonally adjusted.

	Permanent				Temporary		
	Total	Total	Private*	Public*	Total	Private*	Public*
Jan '19	58.7	58.7	59.6	49.1	57.9	53.6	49.2
Feb '19	57.1	57.1	58.9	52.4	56.6	58.5	52.2
Mar '19	55.5	55.5	55.9	45.0	55.7	55.9	50.8
Apr '19	53.6	53.5	54.3	49.4	55.7	56.7	50.8
May '19	54.1	54.1	55.5	49.1	54.7	56.6	53.7
Jun '19	54.2	54.2	55.5	48.0	54.1	54.5	52.4

OFFICIAL DATA: UK JOB VACANCIES

Latest official data from the Office for National Statistics (ONS) indicated that the number of job vacancies expanded by 1.5% on an annual basis to reach 837,000 in the three months to May. While the number remained close to the record high of 861,000, job openings have steadily declined over the past four survey periods.

UK job vacancies



Source: Office for National Statistics.

4 VACANCIES BY SECTOR

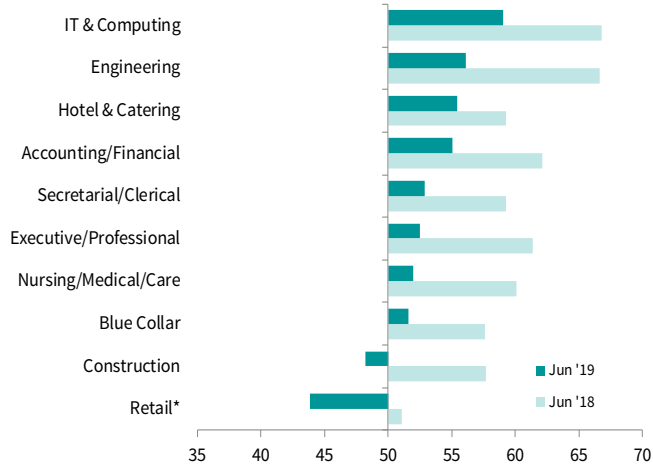
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

IT & Computing continued to lead the permanent staff demand rankings during June. A steep increase in vacancies was also seen for Engineering. The only two sectors to register reduced demand were Construction and Retail.

Permanent Vacancies Index

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

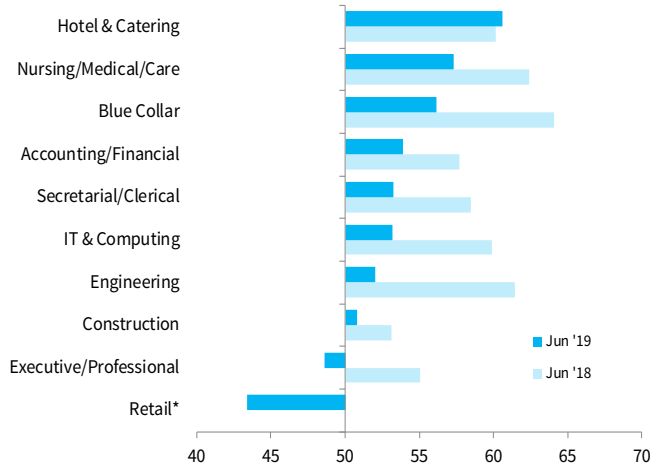


Temporary vacancies

Eight of the ten monitored sectors recorded higher demand for short-term staff in June, led by Hotel & Catering and Nursing/Medical/Care. In contrast, temporary vacancies fell markedly for Retail workers.

Temporary Vacancies Index

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

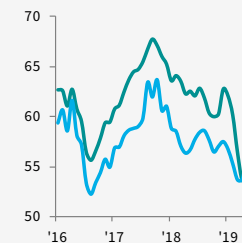


VACANCY INDEX BY SECTOR

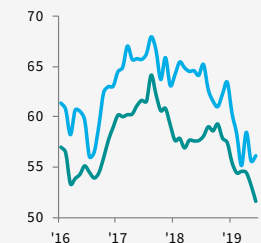
sa, >50 = growth since previous month

Permanent / Temporary

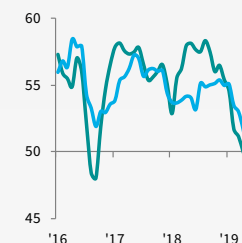
Accounting & Financial



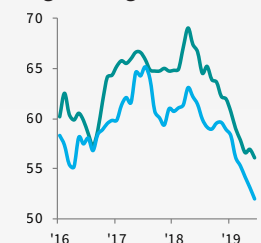
Blue Collar



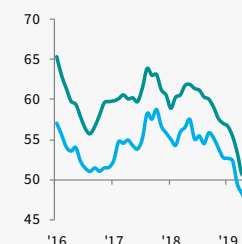
Construction



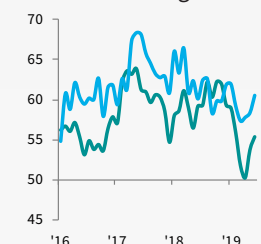
Engineering



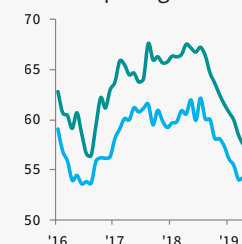
Executive & Professional



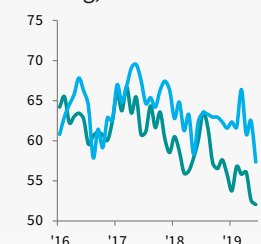
Hotels & Catering



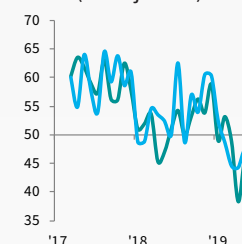
IT & Computing



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.

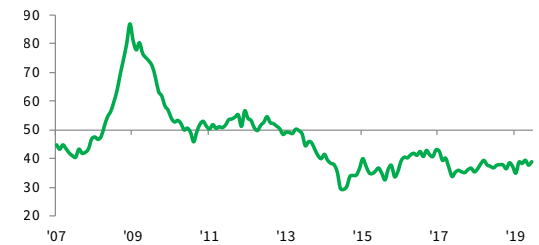
Overall supply of candidates continues to decline sharply

The Total Staff Availability Index posted below the neutral 50.0 level to signal a deterioration in overall worker supply for the seventy-fourth month running in June. The rate of contraction remained sharp, despite easing slightly since May.

Marked reductions were observed for both temporary and permanent worker availability, with the latter seeing the steeper rate of decline.

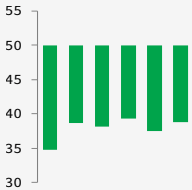
Total Staff Availability Index

sa, >50 = improvement since previous month



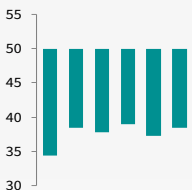
Total Staff Availability Index

Last six months



Permanent Staff Availability Index

Last six months



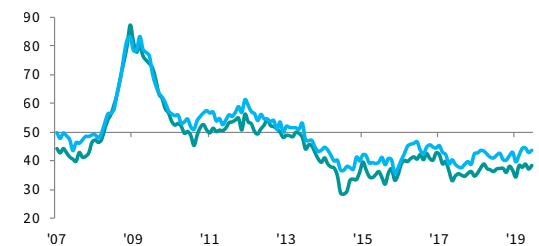
Steep drop in permanent worker availability

Recruitment consultancies signalled a further reduction in the availability of workers to fill permanent jobs in June. Companies often linked the fall to heightened uncertainty towards the outlook, which had led people to become more reluctant to move roles. Others commented that a generally low unemployment rate and skill shortages had weighed on candidate supply. The rate of reduction remained historically sharp, despite easing slightly since May.

Permanent candidate numbers continued to fall across all four monitor English regions.

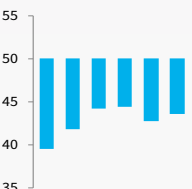
Permanent / Temporary

sa, >50 = improvement since previous month



Temporary Staff Availability Index

Last six months



Temporary staff supply falls markedly in June

Latest survey data pointed to a sustained drop in short-term staff availability across the UK in June. The rate of deterioration was sharp, despite easing since May, and much quicker than the series long-run average (49.5). Anecdotal evidence indicated that a relatively high employment rate and fewer EU workers had weighed on temporary worker supply.

The steepest fall in short-term candidate numbers was seen in London, while the softest was recorded in the North of England.

Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Jan '19	34.5	34.4	36.2	35.8	35.9
Feb '19	38.5	35.1	39.1	40.8	37.6
Mar '19	37.8	38.4	35.4	40.9	37.2
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

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Jan '19	39.5	41.2	42.5	39.5	42.1
Feb '19	41.8	37.4	44.6	41.9	43.6
Mar '19	44.2	43.3	45.2	46.3	42.6
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

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 Payroll Pensions Admin Risk Taxation	Chefs Hospitality Kitchen Porters
Blue Collar Drivers Forklift Drivers LGV Drivers Manufacturing Mechanics Production Warehouse Welders	IT/Computing Analysts C# CAD Cyber Data Professionals Developers Digital Gaming IT Java Oracle Specialists PHP Developers Revit Software Software Engineers Technical Sales Technology
Construction Construction Construction Sales Quantity Surveyors	Nursing/Medical/Care Chemists Health Care Assistants Nurses
Engineering CCTV Engineers Design Engineers Electronics Designers Engineers Industrial Engineers Mechanical Engineers Senior Electronic Engineers Technicians	Retail E-commerce Retail
Executive/Professional Compliance Executives Law Management Marketing Portal Fee PR Productivity Analysis Project Managers Recruitment Consultants Scientists	Secretarial/Clerical Administration Office Staff Personal Assistant Receptionist
Hotel/Catering Baristas Catering	Other B2B Buyers Call Centre Commercial Creative Customer Service Ecologists Graduates Qualified Candidates Real Estate Sales Security Semi-Skilled Workers Skilled Workers Telesales

Skills in short supply: Temporary staff

Accounting/Financial Accountants Auditors Book Keepers Credit Controllers Finance Payroll Pensions Admin	Python Software Technology
Blue Collar Blue Collar Drivers Forklift Drivers HGV Drivers Industrials LGV Drivers Production Sewing Machinists Warehouse Welders	Nursing/Medical/Care Carers Doctors Health Care Assistants Health Professionals Nurses
Construction Construction	Retail E-commerce
Engineering Engineers Industrial Engineers Senior Electronic Engineers	Secretarial/Clerical Administration Receptionist
Executive/Professional Human Resources Law Marketing Portal Fee PR Productivity Analysis Project Managers Scientists	Other B2B Buyers Call Centre Creative Customer Service Facilities Graduates Qualified Candidates Sales Skilled Workers Teachers Telesales Unskilled Workers
Hotel/Catering Baristas Catering Chefs Hospitality Kitchen Porters	
IT/Computing CAD Developers Digital Gaming IT Oracle Specialists	

Skills in excess supply: Permanent staff

Accounting/Financial Accountants	Retail E-commerce Retail Store Managers	Juniors Sales Testers Unskilled Workers
Blue Collar Industrials Manufacturing Warehouse	Secretarial/Clerical Administration Personal Assistant	
Executive/Professional Business Analysts Executives Management Project Managers	Other B2B Creative Customer Service Graduates	

Skills in excess supply: Temporary staff

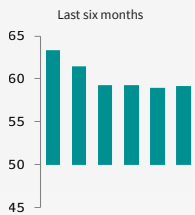
Blue Collar Warehouse	Secretarial/Clerical Administration Personal Assistant
Executive/Professional Project Managers	Other Customer Service Juniors Purchasing Managers
IT/Computing Programmers	
Nursing/Medical/Care Healthcare Assistants Support Workers	
Retail Retail Staff	

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

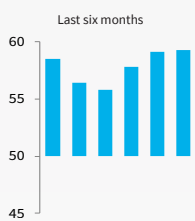


Starting salaries continue to rise sharply

UK recruitment consultancies signalled higher salaries for permanent starters in June, thereby stretching the current trend to 86 months. Although the rate of inflation was among the softest seen for over two years, it remained sharp overall. According to panel members, competition for scarce staff and skill shortages placed upward pressure on pay.

Starting salaries rose across all four English regions, led by the Midlands.

Temporary Wages Index

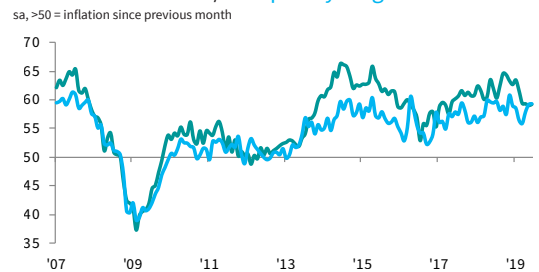


Temp pay inflation quickens to seven-month high

Average hourly wages awarded to temporary staff rose for the seventy-seventh month running in June. Candidate shortages were reported by panellists as the principal driver of higher pay. Furthermore, the rate of inflation edged up to the sharpest recorded since November 2018.

All four monitored English regions recorded higher wages for temporary staff, with the quickest rate of increase seen in the Midlands.

Permanent Salaries / Temporary Wages



Permanent Salaries Index

	UK	London	South	Midlands	North
Jan '19	63.4	64.0	63.7	62.0	60.5
Feb '19	61.5	62.1	61.9	58.7	61.5
Mar '19	59.3	56.6	59.9	56.1	61.3
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

Temporary Wages Index

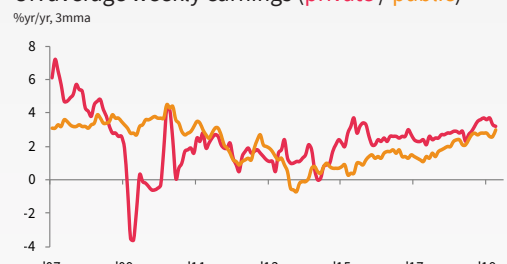
	UK	London	South	Midlands	North
Jan '19	58.5	57.4	60.4	58.4	55.8
Feb '19	56.4	52.2	54.6	59.2	60.4
Mar '19	55.8	49.9	57.6	59.8	55.2
Apr '19	57.8	53.6	59.0	57.8	61.0
May '19	59.1	59.0	61.7	58.6	58.8
Jun '19	59.3	58.7	55.5	59.8	59.3

OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Latest data from the Office for National Statistics showed that employee earnings (including bonuses) increased by 3.1% year-on-year in the three months to April. This followed an increase of 3.3% in the previous three-month period, to indicate a further softening since peaking at 3.5% earlier in the year. That said, the current period of pay growth remains the most marked for approximately a decade.

The softening was predominantly driven by the private sector, which saw pay growth ease to 3.2% over the three months to April compared to a year ago. This offset the quickest increase in public sector earnings for over seven-and-a-half years (3.0%).

UK average weekly earnings (private / public)



Source: Office for National Statistics.

8 FEATURE: TRAINING FOR TEMPS

This section features data from the Recruitment and Employment Confederation’s surveys of employers and recruiters

REFORMING THE APPRENTICESHIP LEVY TO BENEFIT WORKERS, BUSINESSES AND THE ECONOMY

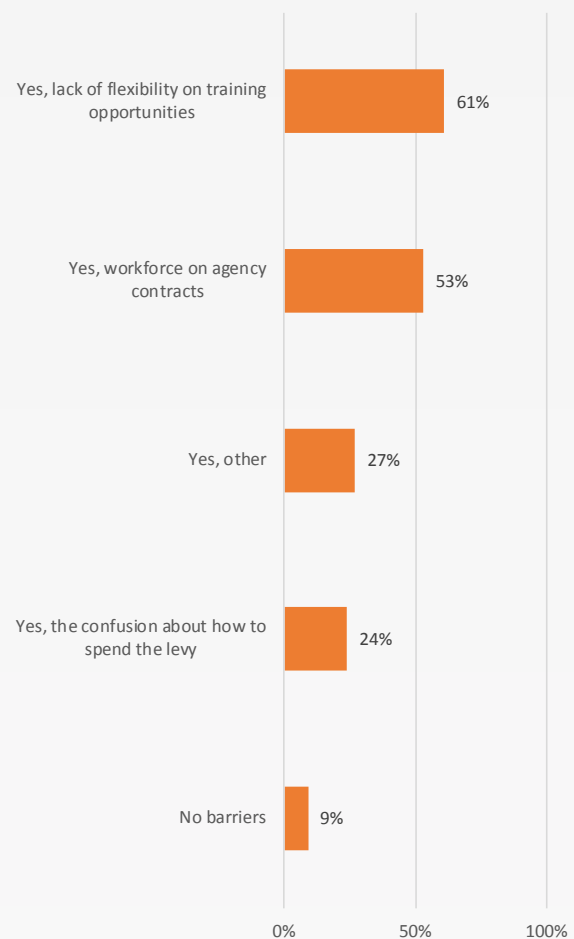
The training and upskilling of an organisation’s workforce is conducive to increasing productivity and supporting economic growth. In recent years, there have been significant changes in the skills and training agenda, including the introduction of the apprenticeship levy – a contribution by employers with an annual pay bill exceeding £3 million. However, two years since its implementation and as the world of work is changing, it has become clear that reform is needed to make the policy work properly for employees and employers.

Recruitment and employment consultancies supply temporary agency workers to employers across all industries primarily to meet peaks in demand, cover leave or absences, and to offer access to key skills in the short-term. According to the REC, over 670 members – the vast majority of which are SMEs that supply agency workers – pay over £110 million into the apprenticeship levy every year. The levy can only be spent on accredited apprenticeship programmes, which are a minimum of one-year long and demand 20 per cent off-the-job training. This means that in 2017/18 approximately 960,000 out of 1,020,000 temporary and contract workers, who were on assignment for less than 12 months, were automatically cut off from training opportunities through the apprenticeship levy.

In a survey of levy-paying REC members conducted in March through to April 2019, almost half (47 per cent) of respondents have been unable to use any of the funds paid into their account so far. Recruiters identified a lack of flexibility on training opportunities and the fact that their workforce is on agency contracts as key barriers to using the apprenticeship funds. Indeed, survey data reveals that 95 per cent have been unable to use funds on apprenticeship programmes for temporary agency workers, with approximately £104 million of combined unused funds left in their pot. Notably, businesses pay into the levy on a monthly basis and from April 2019 they began to lose money that has been in their account for longer than 24 months. This is of particular concern, as recruiters identify a range of skills and relevant qualifications required to meet demand of temporary staff¹.

Apprenticeships by their very nature and structure do not lend themselves to short-term contracts, but there are a number of shorter-term training options that would be beneficial to temporary staff and which a more flexible training levy could support. Such programmes can address skill gaps across industries, including some of those that the Report on Jobs has been reporting monthly, help workers on temporary contracts access new jobs and progress, and support economic growth.

Are there any barriers to you using the apprenticeship levy funds? (Tick all that apply)



Base: REC members who pay the apprenticeship levy (n=75)
Source: REC.

¹ For a detailed analysis of the way the apprenticeship levy is currently structured and the impact on businesses and temporary workers, see the REC report *Training for temps: broadening the apprenticeship levy to benefit flexible workers*, July 2019. Available at: https://www.rec.uk.com/_data/assets/pdf_file/0004/503437/Training-for-temps_Broadening-the-apprenticeship-levy-to-benefit-flexible-workers-2019.pdf

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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 ecomomics@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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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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