



KPMG AND REC, UK REPORT ON JOBS

Improved market confidence leads to strongest rise in permanent placements for over a year

KEY FINDINGS

Permanent staff appointments increase modestly...

...but temp billings fall for first time since April 2013

Permanent staff vacancies rise at quickest pace since last March

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:

“Following the UK exit of the EU, there are promising signs that the UK jobs market is finally on the up with the strongest rise in permanent places for over a year – good news for job hunters.

“However, with regulatory and trade negotiations all to play for, there is still a long way to go for a deal to be struck and businesses to have the clarity they need.

“Brexit is uncharted territory so the reality is the uncertainty will linger, but key investment decisions on hiring need to be made to build confidence and help get the UK back on the path to growth.”

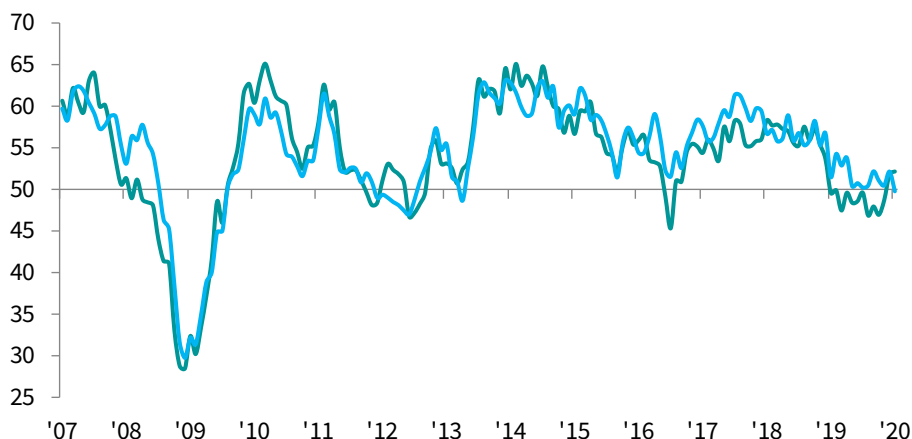
Neil Carberry, Chief Executive of the Recruitment & Employment Confederation, said:

“It’s good to see that businesses have grown in confidence over the past two months and taken the opportunity to restart hiring. Permanent placements are up again, and demand for staff has risen at the quickest rate for ten months. This is good news for employers, recruiters and candidates – all three can now get on with making the economy flourish in 2020.

“But the upcoming IR35 reforms are having a negative impact on the availability and placement of temporary workers. It is vital that people pay the right amount of tax and that the system is fair, but for both of those things to happen we think the government needs to pause and think again on how IR35 changes. The temporary labour market is being stifled, and that’s not good for employers or our economy.”

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 January are:

Permanent placement growth picks up in January

UK recruiters signalled a further increase in permanent staff appointments in January amid reports of improved business confidence following the general election. Though modest, the rate of growth was the quickest recorded for just over a year. In contrast, temp billings fell for the first time since April 2013, with a number of recruiters blaming this on upcoming changes to IR35 legislation.

Vacancy growth improves to ten-month high

Overall staff vacancies rose at the quickest pace for ten months in January, with growth largely driven by improved demand for permanent workers. Notably, permanent staff vacancies expanded at the steepest rate since last March, while growth of demand for short-term workers was unchanged from December.

Starting pay increases at softer pace...

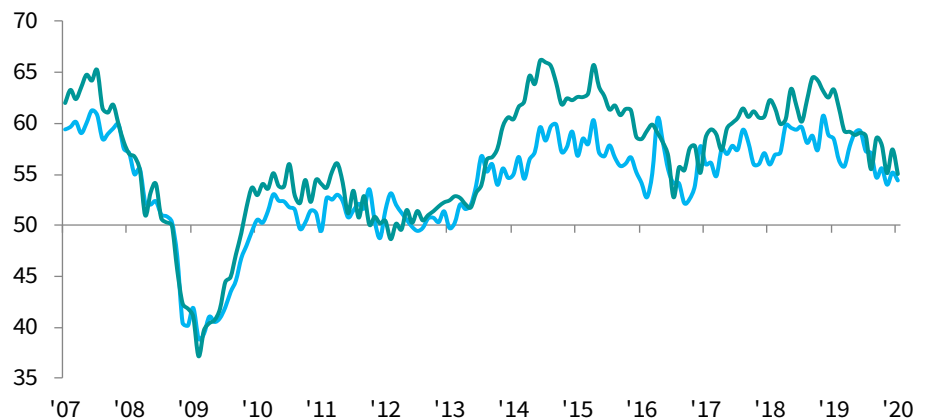
Latest data signalled softer increases in starting pay for both permanent and temporary workers in January. Though solid, the latest upturn in permanent starting salaries was the slowest for three-and-a-half years. Temp wage inflation was meanwhile among the softest recorded since late-2016.

...despite further marked drop in candidate supply

Slower rises in starting pay occurred despite a further sharp fall in candidate supply. Although the drop in permanent worker availability eased slightly at the start of 2020, the reduction in temp staff numbers was the most marked since last June.

Permanent Salaries Index / Temporary Wages Index

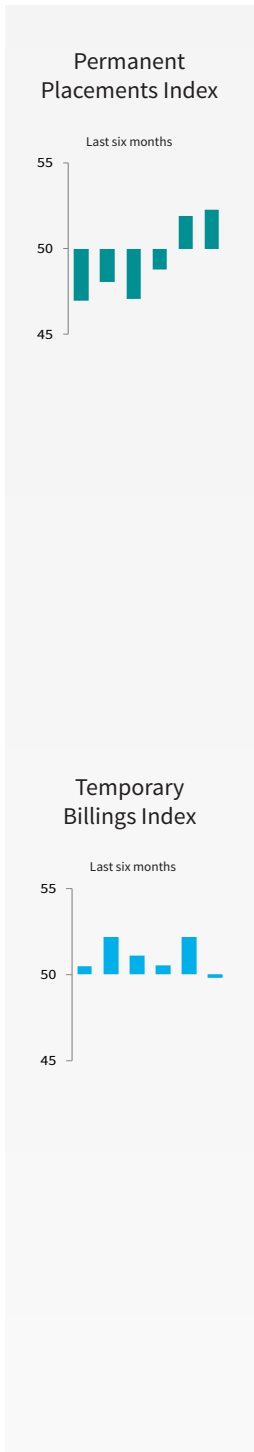
sa, >50 = inflation since previous month



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.

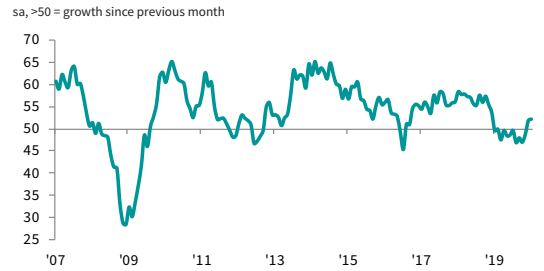


Strongest increase in permanent placements for 13 months

January survey data signalled a second successive monthly rise in the number of permanent staff appointments across the UK. The rate of expansion accelerated slightly to a 13-month high, but remained moderate overall. The increase in permanent placements was widely linked to a rebound in market confidence following the decisive general election result in December, which had led clients to push ahead with previously delayed recruitment plans. However, there were still reports that economic uncertainty had dampened overall growth.

Regional data pointed to divergent trends, with permanent staff appointments rising in the North and the South of England, but falling in London and the Midlands.

Permanent Placements Index



Permanent Placements Index

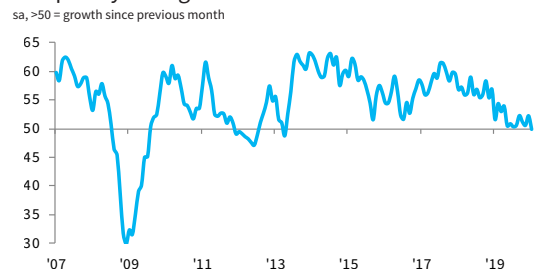
	UK	London	South	Midlands	North
Aug '19	47.0	50.3	47.0	45.6	47.0
Sep '19	48.1	48.0	49.6	44.1	50.3
Oct '19	47.1	45.9	45.6	44.8	53.3
Nov '19	48.8	50.6	45.3	47.0	51.7
Dec '19	51.9	51.7	48.4	52.9	54.1
Jan '20	52.3	48.0	52.4	48.2	56.7

Temp billings fall for first time since April 2013

UK recruitment consultancies indicated that billings received from the employment of short-term staff fell in January. Though only fractional, it marked the first reduction in temp billings for 81 months. Panel members that registered a decline often attributed this to the upcoming IR35 reforms. Some recruiters also cited a greater preference for permanent workers at the start of the year.

London and the South of England both recorded lower temp billings during January after increases in December. However, growth was sustained in the Midlands and the North of England.

Temporary Billings Index

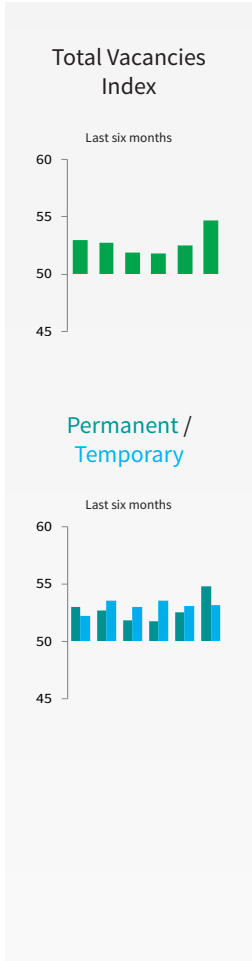


Temporary Billings Index

	UK	London	South	Midlands	North
Aug '19	50.5	49.4	50.3	49.9	51.6
Sep '19	52.2	48.5	50.8	55.0	56.0
Oct '19	51.1	47.7	48.9	56.5	52.2
Nov '19	50.5	50.2	47.6	54.9	52.4
Dec '19	52.2	52.3	51.3	57.1	51.4
Jan '20	49.8	48.5	49.1	53.4	50.9

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 picks up at start of 2020

The seasonally adjusted Total Vacancies Index rose from 52.5 in December to 54.7 in January, to signal a strong rise in demand for staff. Notably, it was the quickest increase in vacancies for ten months. That said, the rate of expansion remained weaker than the long-run series average.

Permanent and temporary vacancies

Permanent staff vacancies expanded solidly in January, with the rate of growth accelerating to the quickest since last March.

In contrast, growth of demand for short-term workers was unchanged from December. Though strong overall, the increase in temp vacancies remained among the weakest for ten years.

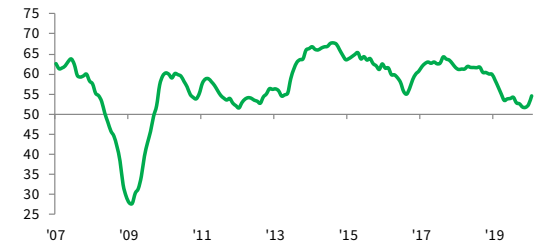
Public & private sector vacancies

Data broken down by public and private sector, which are not adjusted for seasonal factors, showed divergent trends.

Permanent staff vacancies rose at a sharp and accelerated pace in the private sector, but fell slightly in the public sector. Meanwhile, demand for temporary workers fell across both the private and public sectors.

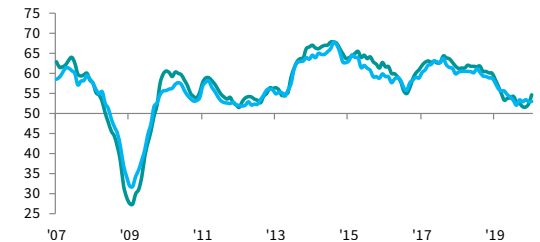
Total Vacancies Index

sa, >50 = growth since previous month



Permanent / Temporary

sa, >50 = growth since previous month



Vacancy Index summary

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

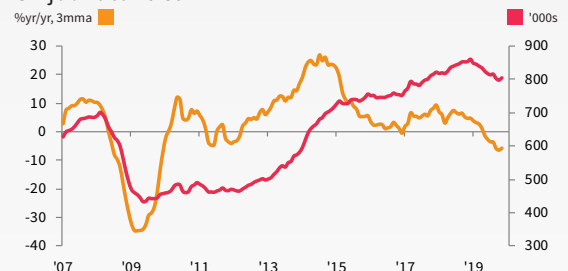
	Permanent				Temporary		
	Total	Total	Private*	Public*	Total	Private*	Public*
Aug '19	52.9	53.0	54.2	47.0	52.2	52.2	52.1
Sep '19	52.7	52.6	52.9	47.1	53.5	56.5	50.9
Oct '19	51.9	51.8	52.8	47.2	53.0	54.1	47.7
Nov '19	51.8	51.7	52.8	46.2	53.6	54.8	47.1
Dec '19	52.5	52.5	53.6	47.0	53.1	53.5	51.2
Jan '20	54.7	54.8	60.4	47.8	53.1	49.5	47.6

OFFICIAL DATA: UK JOB VACANCIES

Data from the Office for National Statistics (ONS) indicated that the total number of vacancies in the UK fell -5.7% compared to a year ago in the final three months of 2019. At 805,000, the number of vacancies was up slightly from 798,000 in the prior three-month period, but remained among the lowest seen for the past two years.

Nonetheless, this marked the first uptick for a year. Prior to this, vacancies had declined steadily from a record peak of 861,000 in the three months to January 2019.

UK job vacancies



Source: Office for National Statistics.

4 VACANCIES BY SECTOR

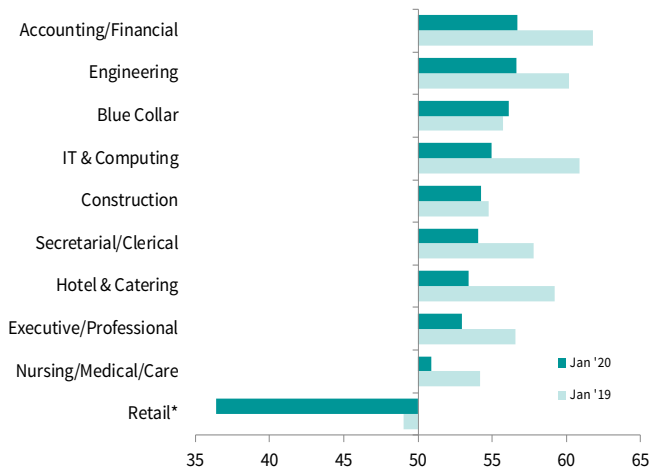
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

Increases in demand for permanent staff were recorded across all ten monitored job categories bar Retail at the start of 2020. The quickest expansion in vacancies was seen in Accounting/Financial, closely followed by Engineering.

Permanent Vacancies Index

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

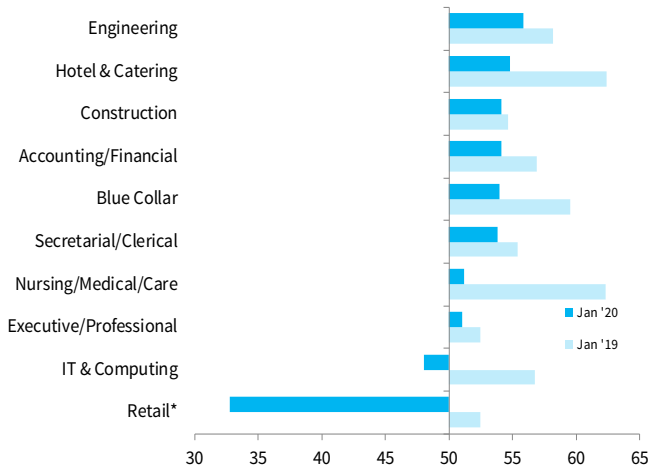


Temporary vacancies

The majority of monitored job sectors noted greater demand for short-term workers in January, with the strongest increase seen in Engineering. Only two sectors recorded lower demand for temp workers, namely Retail and IT & Computing.

Temporary Vacancies Index

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



VACANCY INDEX BY SECTOR

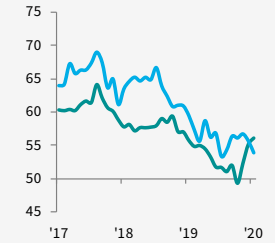
sa, >50 = growth since previous month

Permanent / Temporary

Accounting & Financial



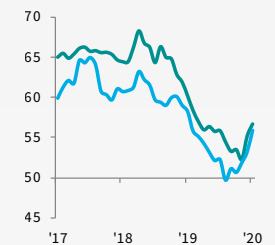
Blue Collar



Construction



Engineering



Executive & Professional



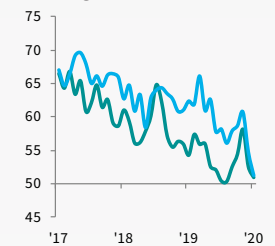
Hotels & Catering



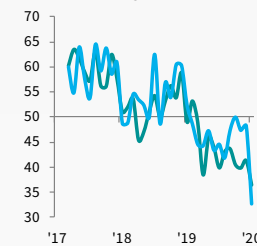
IT & Computing



Nursing, Medical & Care



Retail (unadjusted)



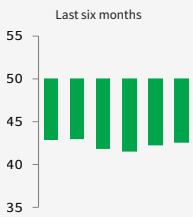
Secretarial & Clerical



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



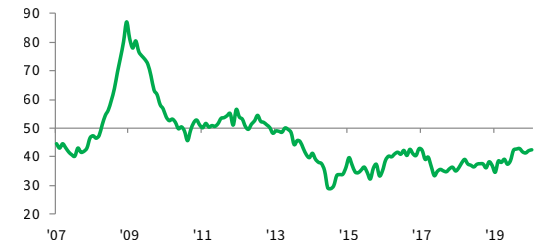
Total staff availability falls at softest rate for four months

Adjusted for seasonal factors, the Total Staff Availability Index signalled a further marked deterioration in the number of candidates available to fill roles. Staff supply has now fallen continuously since May 2013, though the latest reduction was the least marked for four months.

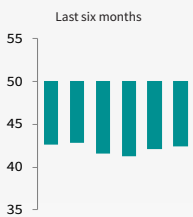
Underlying data indicated that both permanent and temporary candidate supply fell sharply in January.

Total Staff Availability Index

sa, >50 = improvement since previous month



Permanent Staff Availability Index



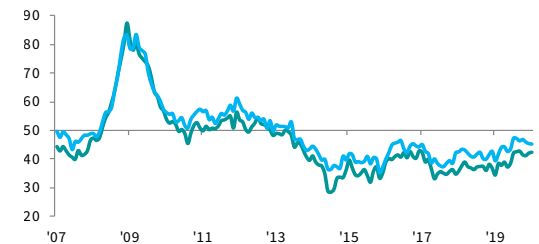
Decline in permanent staff supply eases slightly

Recruitment consultancies across the UK recorded a further drop in the number of people available to fill permanent jobs in January. Panel members often linked the fall to lingering uncertainty around the outlook, fewer EU workers and a high employment rate. The rate of contraction remained historically sharp overall, despite easing for the second month in a row.

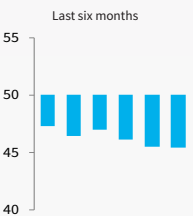
All four monitored English regions saw marked falls in permanent labour supply, with the quickest decline registered in the South of England.

Permanent / Temporary

sa, >50 = improvement since previous month



Temporary Staff Availability Index



Steepest drop in temp candidate numbers for seven months

The seasonally adjusted Temporary Staff Availability Index remained below the neutral 50.0 value in January, to extend the current sequence of falling temp labour supply to 79 months. The rate of deterioration accelerated fractionally from December, to mark the quickest decline since last June. The upcoming changes to IR35 legislation and a low unemployment rate were cited as key factors dampening short-term staff supply.

Temp candidate numbers fell across all four monitored English regions bar London.

Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Aug '19	42.6	44.2	39.4	44.4	43.4
Sep '19	42.8	41.5	42.3	42.0	45.7
Oct '19	41.6	41.9	39.2	43.3	40.6
Nov '19	41.2	41.0	38.6	43.0	44.2
Dec '19	42.1	42.9	39.1	43.5	46.2
Jan '20	42.4	42.8	40.6	43.0	45.0

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Aug '19	47.3	47.5	47.3	42.4	49.0
Sep '19	46.5	46.5	44.3	46.0	49.3
Oct '19	47.0	49.0	46.4	41.9	47.3
Nov '19	46.1	46.0	47.1	40.6	51.9
Dec '19	45.5	49.2	44.3	39.8	50.9
Jan '20	45.4	51.6	44.2	41.3	49.6

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 Financial Analysts Paraplanners Pensions Admin Risk Taxation	Hotel/Catering Baristas Catering Chefs Front of House Hospitality Kitchen Porters
Blue Collar Forklift Drivers HGV Drivers Machine Operators Production Warehouse	IT/Computing Analysts CAD Data Professionals Data Scientists Database Developers Design Managers Developers IT Software Engineers Technical Sales Technology
Construction Architectural Tech Construction Construction Sales Quantity Surveyors	Nursing/Medical/Care HADs Medical Nurses Optometrists Pharmacists Support Workers
Engineering Design Engineers Electrical Engineers Engineers Maintenance Engineers Mechanical Engineers Senior Electronic Engineers System Engineers Technicians	Retail Retail
Executive/Professional Compliance Directors Executive Geologists Legal Legal Secretarial Management Marketing Marketing Executives Portal Fee Professional Project Managers Solicitors	Secretarial/Clerical Administration Office Staff Receptionist
	Other All Buyers Call Centre Customer Service German Speakers Quality Control Sales Semi Skilled Skilled Supply Chain Telesales

Skills in short supply: Temporary staff

Accounting/Financial Accountants Auditors Credit Controllers Finance Finance Directors Financial Controllers PAYE Payroll Pensions Admin Risk	IT/Computing C# CAD Data Scientists Database Developers Developers IT Java Technology
Blue Collar Blue Collar Decorators Drivers Factory Forklift Drivers HGV Drivers Labour LGV Drivers Machine Operators Manufacturing Packers Plumbers Production Rail Warehouse Welders	Nursing/Medical/Care Doctors HADs Health Care Assistants Nurses Optometrists Paramedics
Construction Construction Planners Quantity Surveyors	Secretarial/Clerical Administration Office Staff Receptionist
Engineering Design Engineers Engineers System Engineers	Other All Buyers Customer Service Health & Safety Skilled Unskilled White Collar
Executive/Professional Legal Legal Secretarial Marketing Portal Fee	
Hotel/Catering Baristas Catering Chefs Hospitality Kitchen Porters	

Skills in excess supply: Permanent staff

Accounting/Financial Accountants	Project Managers	Other Complaint Handlers Customer Service Graduates Unemployable Unskilled
Blue Collar Blue Collar Factory Forklift Drivers Manufacturing Production Site Managers Warehouse	Hotel/Catering Catering Hospitality Hotel	
Executive/Professional Executives Human Resources Management Marketing	Retail Retail	
	Secretarial/Clerical Administration Clerical Office Staff Personal Assistant	

Skills in excess supply: Temporary staff

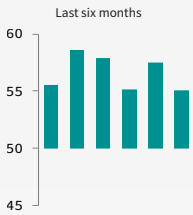
Accounting/Financial Finance	Project Managers	Clerical Personal Assistant
Blue Collar Blue Collar Decorators LGV Drivers Manufacturing Production Warehouse	Hotel/Catering Hospitality	Other Complaint Handlers Customer Service Graduates Team Leaders Unskilled
Construction Joiners Labourers	IT/Computing Technology	
Executive/Professional Operations Managers	Nursing/Medical/Care Carers Doctors Health Care Assistants	
	Retail Retail	
	Secretarial/Clerical Administration	

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.

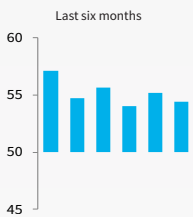
7 PAY PRESSURES

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



Temporary Wages Index



Starting salary inflation slips to three-and-a-half-year low

Salaries awarded to newly-placed permanent staff continued to increase at the start of 2020. Though solid overall, the rate of inflation was the softest recorded since July 2016. According to recruiters, clients were having to up their pay offers in order to attract applicants in an already tight labour market.

Softer rises in starting salaries were seen in all four monitored English regions with the exception of London.

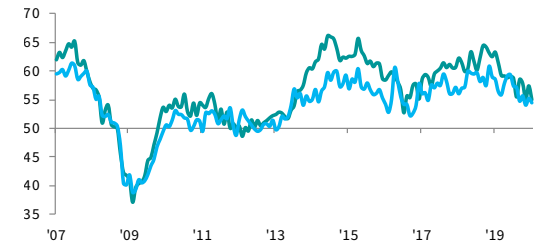
Temp wage growth eases in January

Average hourly wage rates for short-term staff also rose further during January. The rate of increase was strong overall, despite easing to the second-slowest since November 2016. Panel members frequently mentioned that a low supply of temp workers had placed upward pressure on wages.

On a regional basis, the quickest increase in short-term pay was seen in London and the weakest in the North of England.

Permanent Salaries / Temporary Wages

sa, >50 = inflation since previous month



Permanent Salaries Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Aug '19	55.5	53.3	57.1	55.3	56.9
Sep '19	58.6	58.6	58.0	58.6	58.5
Oct '19	57.9	57.5	59.5	56.0	55.0
Nov '19	55.2	53.7	56.7	52.9	58.4
Dec '19	57.5	54.4	57.6	57.6	58.2
Jan '20	55.1	55.1	54.8	56.8	54.7

Temporary Wages Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Aug '19	57.1	52.2	56.9	61.2	60.0
Sep '19	54.7	54.0	54.1	58.6	55.4
Oct '19	55.6	55.1	56.6	53.9	53.6
Nov '19	54.0	54.0	54.2	54.0	52.5
Dec '19	55.2	55.6	55.6	53.8	53.4
Jan '20	54.4	55.0	54.7	53.9	52.3

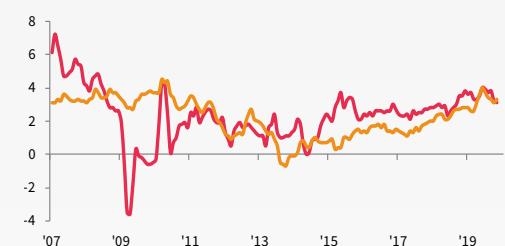
OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Latest data from the Office for National Statistics signalled that employee earnings (including bonuses) increased 3.2% on an annual basis in the three months to November. This was unchanged from the prior three-month period, and marked the weakest period of pay growth since mid 2018.

In the private sector, earnings rose 3.1%, which was down from 3.2% and the slowest increase for over a year. Meanwhile, public sector pay growth picked up slightly from 3.1% to 3.3% in the latest three-month period.

UK average weekly earnings (private / public)

%yr/yr, 3mma



Source: Office for National Statistics.

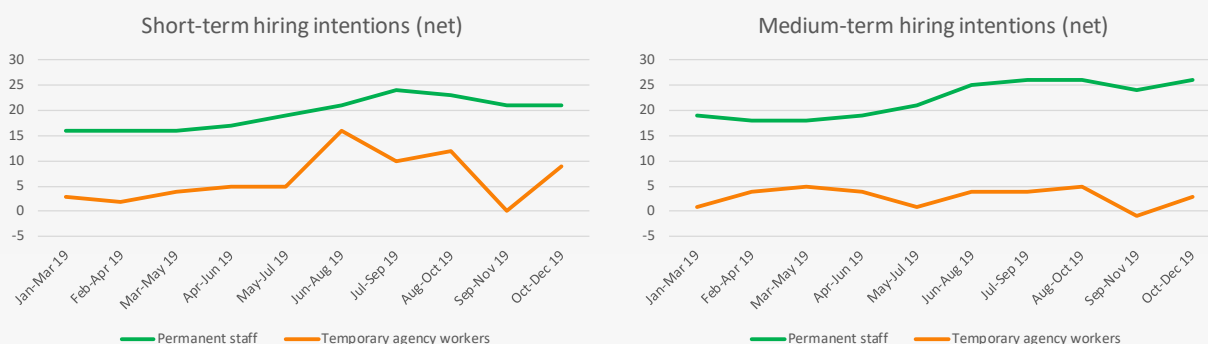
8 SPECIAL FEATURE

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

SKILLS SHORTAGES AND IMMIGRATION POLICY

For the majority of 2019, we saw the number of permanent placements made by recruiters drop each month. But according to the REC’s *JobsOutlook* survey, the hiring intentions of employers remained positive throughout this period. Businesses expected to hire more staff both in the short term (the following three months) and medium term (the following 12 months). Short-term hiring intentions for permanent staff reached a peak of net: +24 in July-September 2019, while short-term demand for temporary agency workers peaked in June-August 2019 at net: +16.

The conclusion we can draw is that employers have been wanting to bring in new staff for many months, but the ongoing uncertainty over Brexit and the general election caused many of them to put off hiring until there was more clarity. Now that they have a clearer idea of what the world outside their window will look like, business confidence and hiring activity are improving.



However, intentions are one thing and being able to access the right candidates is another. Staff availability has been dropping in the UK for almost seven years. Business leaders have been increasingly worried about skills shortages, and with demand for staff increasing, these shortages could get worse. According to the most recent *JobsOutlook* survey, half (49%) of employers of permanent staff were concerned about finding a shortage of appropriate candidates for permanent roles. What’s more, the sectors causing the most concern – health and social care, construction, engineering, hospitality – are the ones where demand is high.

Sectors like these are also particularly likely to be affected by a more restrictive immigration system. Last week, the government’s Migration Advisory Committee (MAC) published its report on a points-based immigration system and salary thresholds for migrants coming to work in the UK. They have recommended that the salary threshold be lowered from £30,000 to £25,600, which would help businesses hire the workers they need. The MAC also acknowledged that a points-based system would negatively impact industries which rely more on lower-skilled migration. However, the report stopped short of recommending a temporary work visa to help address major skills shortages across the economy – something the REC advocates.

Recruiters have reported that they have seen fewer EU migrants arriving in the UK for work over the past few years, because of the uncertainty over Brexit. These migrant workers are a vital part of the workforce in the NHS, social care, construction and many other sectors, and without them, the UK’s skills shortages will only get worse in the short term. The UK needs a temporary work route to allow these crucial industries to recruit the staff they need at all pay levels.

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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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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.

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