

# KPMG AND REC, UK REPORT ON JOBS

## Low candidate availability weighs on permanent placement growth at end of 2018

### KEY FINDINGS

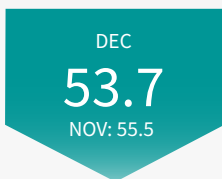
Permanent appointments rise at slowest rate since April 2017...

...as the supply of candidates falls sharply...

...leading to further marked increases in starting pay

### 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:

*"A lack of work ready candidates is really beginning to bite UK businesses and the situation is worsening. Many of the UK's main sectors are now struggling to hire staff. It really is a candidates market at the moment."*

*"A lot of people don't want to move jobs right now because there is so much uncertainty around. In addition, the supply of EU citizens entering the UK for work is slowing whilst every sector continues to take on more staff. This means a near-record number of vacancies are going unfilled and talent gaps in industries like engineering, finance, and IT are opening up."*

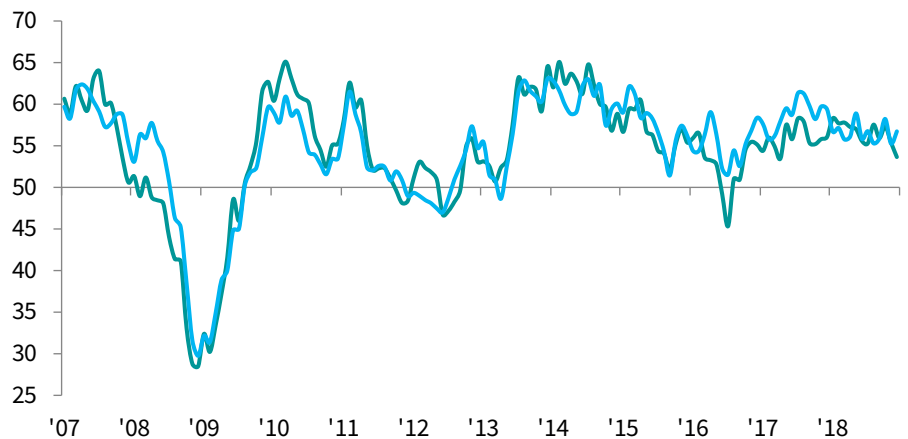
*"December is always a bit of lean period in the jobs market but Brexit has amplified that effect. Consequently companies are having to offer increasingly attractive and creative packages to tempt new talent on board. If you aren't looking forward to another year in your current job, now is a good time to go job hunting."*

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

*"It's no surprise that growth in new permanent jobs dropped to its lowest level in almost two years last month, because economic uncertainty is now affecting companies' hiring plans. But the underlying strength of our labour market is still there - vacancies are high and temporary placements rose in the run-up to Christmas. There are opportunities out there for people who want to change job in 2019."*

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 December are:

## Candidate availability continues to worsen...

Recruitment agencies signalled a further marked decline in the availability of candidates at the end of the year. The deterioration in permanent labour supply quickened since the previous month, while short-term staff numbers fell at a softer but still marked rate.

## ...leading to softer growth in permanent staff appointments

Low candidate supply weighed on permanent staff appointments during December. Though solid, the rate of expansion was the softest seen in 20 months. Temp billings meanwhile rose at a sharper rate, one that picked up from November's joint 25-month low.

## Demand for staff remains robust...

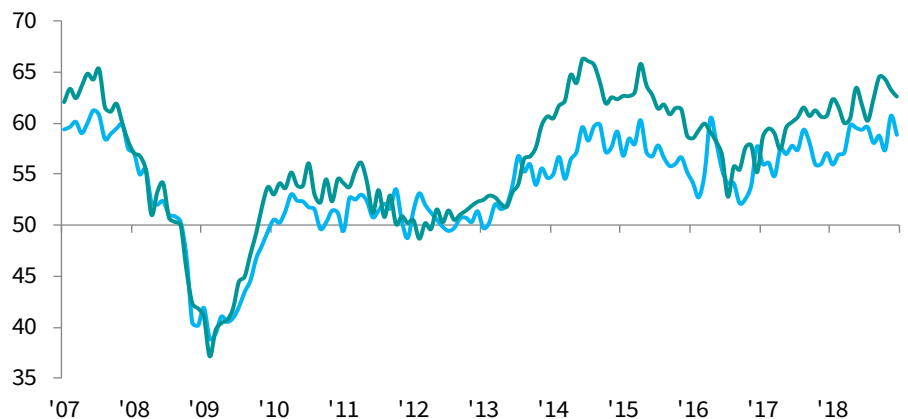
Vacancies rose for both permanent and temporary roles across the UK at the end of 2018. Notably, growth of demand for both types of worker was much stronger than seen on average over the survey's 21-year history.

## ...but shrinking staff supply drives pay rates higher

As demand for workers generally outstripped supply, starting pay continued to increase sharply for both permanent and short-term workers in December. The rate of starting salary inflation was among the quickest seen for over three years, while temp pay growth also remained sharp by historical standards.

Permanent Salaries Index / Temporary Wages Index

sa, >50 = inflation since previous month

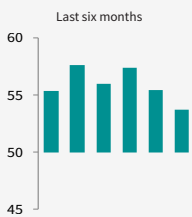


## 2 STAFF APPOINTMENTS

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



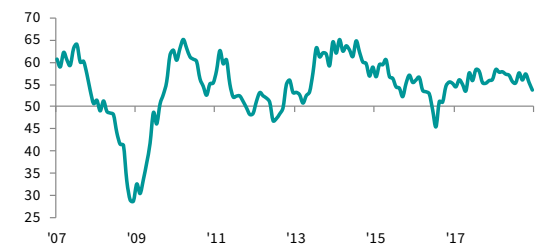
### Slowest increase in permanent placements for 20 months

As has been the case in each month since August 2016, the number of people placed into permanent job roles across the UK rose in December. Although solid, the rate of growth eased for the second month in a row to the softest since April 2017. Panellists commonly stated that strong demand for staff and greater efforts to secure suitable candidates quickly supported the latest rise in permanent placements. However, there were widespread reports that candidate shortages hampered overall growth, with some recruiters mentioning that people were nervous to seek out new roles due to Brexit uncertainty.

The South of England saw by far the sharpest increase in permanent staff appointments, while relatively mild expansions were seen across the remaining three English regions.

Permanent Placements Index

sa, >50 = growth since previous month

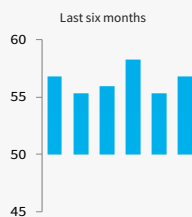


Permanent Placements Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Jul '18	55.4	49.6	57.4	62.3	53.9
Aug '18	57.6	56.3	55.6	55.2	56.0
Sep '18	56.0	58.0	53.4	52.5	54.1
Oct '18	57.4	56.7	58.6	55.1	55.2
Nov '18	55.5	57.4	56.5	55.2	51.0
Dec '18	53.7	51.9	59.0	50.2	50.8

Temporary Billings Index



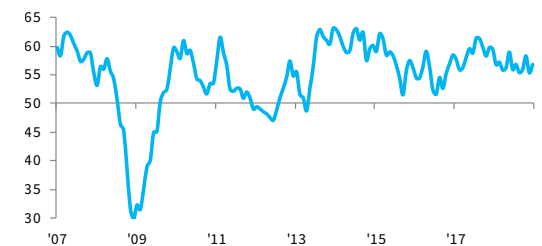
### Sharp rise in temp billings at end of 2018

Agencies' temporary/contract staff billings continued to increase in December. Notably, the rate of growth quickened from November and was sharper than its historical average. Anecdotal evidence suggested that greater demand for short-term staff predominantly stemmed from rising workloads at clients.

All four monitored English regions registered marked increases in temp billings at the end of 2018, led by the South 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
Jul '18	56.8	55.8	54.7	56.9	58.3
Aug '18	55.3	52.8	50.6	57.8	53.9
Sep '18	55.9	56.2	51.3	59.4	53.7
Oct '18	58.3	60.3	55.0	63.8	58.2
Nov '18	55.3	53.3	52.7	61.1	52.6
Dec '18	56.8	56.7	57.1	54.8	55.5

### 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.



#### Vacancies continue to rise sharply in December

At 60.1, the Report on Jobs Vacancies Index edged up from 60.0 in November and remained well above the neutral 50.0 level. The reading was consistent with a further sharp increase in demand for staff.

#### Permanent and temporary vacancies

The increase in vacancies was broad-based by job category, with data showing marked growth of both permanent and temporary positions.

Encouragingly, growth of demand for both job types picked up slightly from the previous month to identical, and historically sharp, rates.

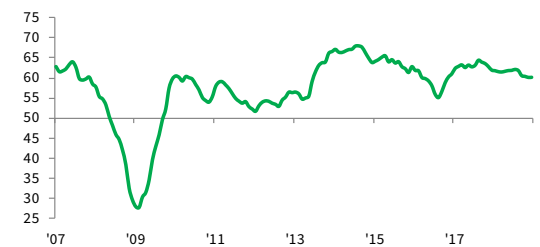
#### Public & private sector vacancies

Vacancies for both private and public sector staff increased further in December.

The steepest increases in demand were seen for temporary and permanent private sector workers. In the public sector, permanent staff vacancies expanded at a quicker pace, while demand for short-term staff rose at a softer but still solid rate.

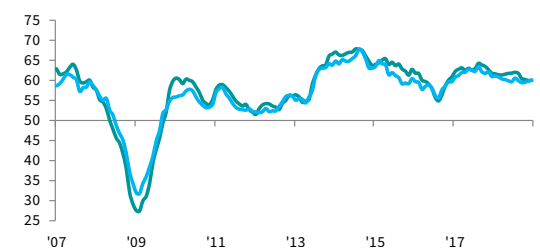
#### Total Vacancies Index

sa, >50 = growth since previous month



#### Permanent / Temporary

sa, >50 = growth since previous month



#### Vacancy Index summary

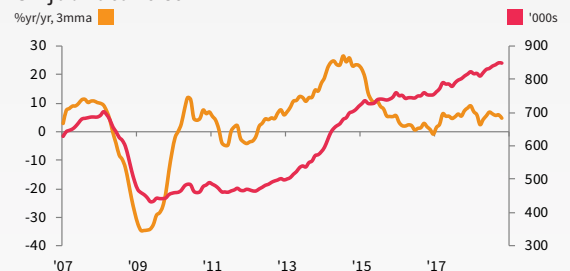
sa, >50 = growth since previous month. \*Not seasonally adjusted.

	Permanent				Temporary		
	Total	Total	Private*	Public*	Total	Private*	Public*
Jul '18	62.0	62.1	64.6	52.4	60.5	61.4	57.0
Aug '18	61.7	61.8	63.4	55.8	59.9	60.7	57.0
Sep '18	60.5	60.5	63.9	54.5	59.4	64.9	58.4
Oct '18	60.3	60.3	61.7	56.4	59.6	63.5	56.1
Nov '18	60.0	60.0	62.8	52.4	59.8	63.8	57.7
Dec '18	60.1	60.1	61.0	56.5	60.1	61.6	54.1

### OFFICIAL DATA: UK JOB VACANCIES

Latest official data from the Office for National Statistics (ONS) indicated that job vacancies rose by 4.8% in the three months to November compared to the same period last year. This followed a 6.0% increase in the three months to October. Overall, the total number of vacancies was at a near-record high of 848,000.

#### UK job vacancies



Source: Office for National Statistics.

## 4 VACANCIES BY SECTOR

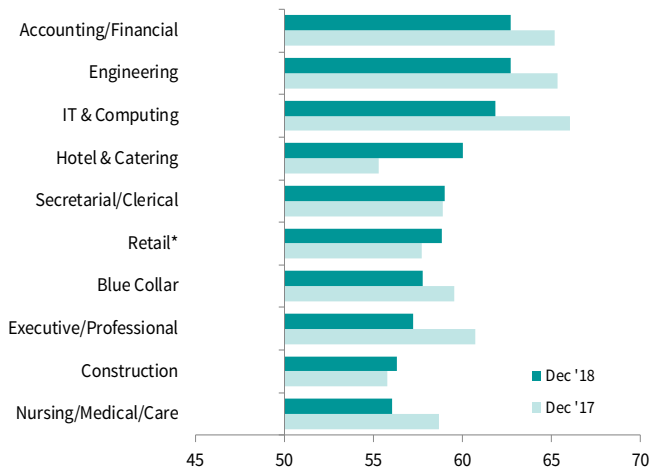
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

### Permanent vacancies

Accounting & Financial and Engineering were the most in-demand categories for permanent staff at the end of 2018. Nonetheless, marked increases in vacancies were also seen across all other monitored sectors.

#### Permanent Vacancies Index

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

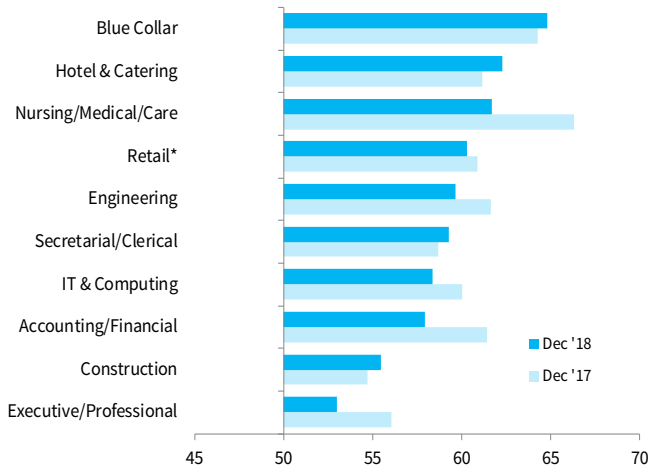


### Temporary vacancies

Blue Collar remained at the top of the rankings for temporary/contract staff demand during December. Short-term vacancies also rose across all of the other nine monitored categories. The slowest increase was seen for Executive/Professional staff.

#### Temporary Vacancies Index

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

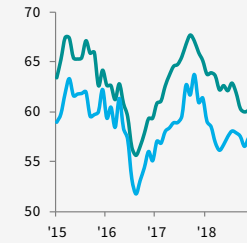


### VACANCY INDEX BY SECTOR

sa, >50 = growth since previous month

Permanent / Temporary

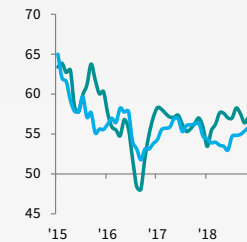
#### Accounting & Financial



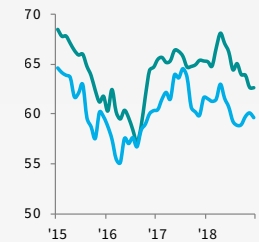
#### Blue Collar



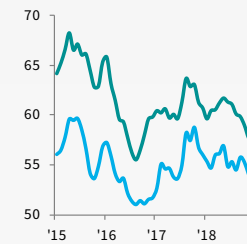
#### Construction



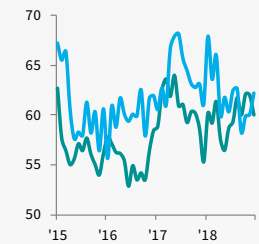
#### Engineering



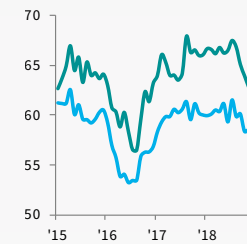
#### Executive & Professional



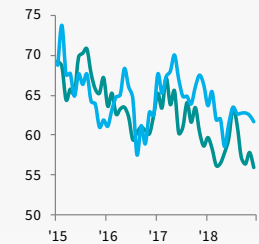
#### Hotels & Catering



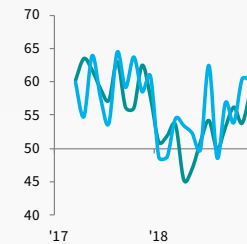
#### IT & Computing



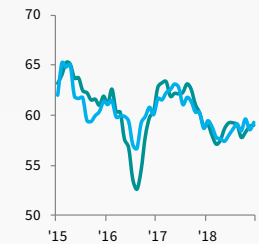
#### Nursing, Medical & Care



#### Retail (unadjusted)



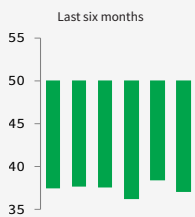
#### Secretarial & Clerical



## 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**



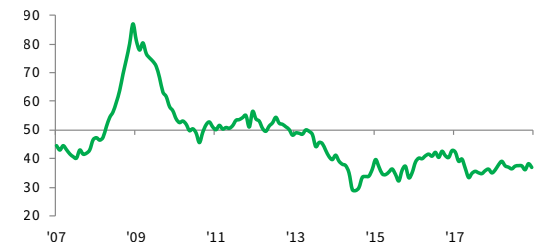
### Overall supply of candidates declines at quicker pace

The availability of workers continued to fall sharply at the end of 2018, with the rate of reduction quickening slightly since November.

The supply of permanent candidates continued to contract at a steeper rate than for temporary staff. While the reduction in permanent worker availability accelerated since the previous month, the drop in short-term staff numbers softened slightly.

**Total Staff Availability Index**

sa, >50 = improvement since previous month



**Permanent Staff Availability Index**



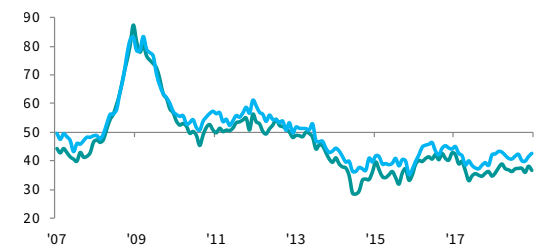
### Permanent staff supply falls at faster rate

Permanent staff availability deteriorated further at the end of the year, thereby extending the current downward trend to 68 months. Furthermore, the rate of contraction quickened since November and was sharper than seen on average over this period. Recruitment agencies linked the fall to generally tight labour market conditions and a reluctance among workers to change roles due to uncertainties around Brexit.

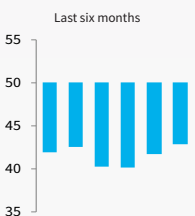
The supply of permanent staff fell across all four monitored English regions in December, with the steepest reduction seen in the Midlands.

**Permanent / Temporary**

sa, >50 = improvement since previous month



**Temporary Staff Availability Index**



### Availability of short-term workers deteriorates further

Although the number of candidates available for short-term work declined at a softer pace in December, the reduction remained sharp overall. Furthermore, the fall was much quicker than seen on average over the series history. A generally high employment rate and fewer workers from the EU were cited as key factors weighing on temp staff supply.

The Midlands registered the quickest fall in temp worker availability, though historically marked falls were also seen elsewhere.

**Permanent Staff Availability Index**

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Jul '18	37.3	36.4	35.1	39.8	37.3
Aug '18	37.4	38.3	34.0	37.5	37.4
Sep '18	37.5	38.8	33.7	36.8	43.1
Oct '18	36.1	38.5	31.6	37.8	41.5
Nov '18	38.2	41.7	37.1	34.8	38.3
Dec '18	36.8	43.8	35.7	35.1	37.0

**Temporary Staff Availability Index**

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Jul '18	41.9	42.3	43.2	38.6	41.8
Aug '18	42.5	45.0	46.0	40.8	41.9
Sep '18	40.3	44.6	38.5	42.8	45.9
Oct '18	40.1	41.1	40.2	36.4	45.2
Nov '18	41.7	44.4	41.4	37.7	44.5
Dec '18	42.8	47.3	43.9	39.8	43.7

## 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

<b>Accounting/Financial</b>	Waiters/Waitresses
Accountants	<b>IT/Computing</b>
Accounts	Automation
Audit	Analytics
Banking	C#
Compliance	CAD
Credit Controllers	Cyber Security
Estimators	Data
Finance	DevOps
Financial Services	Digital
Risk	Gaming
Tax	IT
Treasury	Software Developers
Underwriters	Software Engineers
<b>Blue Collar</b>	Systems Architects
Drivers	Technology
Forklift Truck Drivers	<b>Nursing/Medical/Care</b>
LGV Drivers	Care Workers
Production Managers	Dispensing Opticians
Skilled Workers	Healthcare
Unskilled Workers	Healthcare Assistants
Vehicle Technicians	Hearing Aid Dispensers
Welders	Home Carers
<b>Construction</b>	Nurses
Architects	Optometrists
Construction	Support Workers
Construction Sales	<b>Retail</b>
Quantity Surveyors	Retail Staff
<b>Engineering</b>	<b>Secretarial/Clerical</b>
Civil Engineers	Clerical
CNC Operators	Office Staff
Electrical Engineers	Pensions Administrator
Electronic Design Engineers	Personal Assistants
Engineers	Receptionists
Mechanical Engineers	<b>Other</b>
Oil & Gas Process Engineers	B2B Sales
Rail	Buyers
System Engineers	Customer Services
Technicians	Graduates
<b>Executive/Professional</b>	Sales
HR	Security
Law	Teachers
Legal Secretaries	Technical Sales
Litigation Executives	Telesales
Marketing	
Portal Fee Earners	
Project Managers	
Science	
<b>Hotel/Catering</b>	
Baristas	
Catering	
Chefs	
Hospitality	

### Skills in short supply: Temporary staff

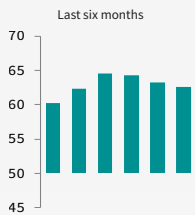
<b>Accounting/Financial</b>	Software Developers
Accountants	<b>Nursing/Medical/Care</b>
Accounts	Care Workers
Audit	Childcare
Banking	Healthcare Assistants
Compliance	Home Carers
Credit Controllers	Optometrists
Finance	Support Workers
Payroll	<b>Secretarial/Clerical</b>
Risk	Administration
Treasury	Clerical
<b>Blue Collar</b>	Office Staff
Blue Collar	Pensions Administrator
Cleaners	Receptionists
Drivers	<b>Other</b>
HGV Drivers	B2B Sales
Industrial	Buyers
LGV Drivers	Customer Service
Low Skilled Workers	Sales
Production	Telesales
Site Managers	
Skilled Manufacturing	
Warehouse	
<b>Construction</b>	
Construction	
Rail Supervisors	
<b>Engineering</b>	
Energy Process Engineers	
Engineers	
Mechanical Design Engineers	
Rail	
<b>Executive/Professional</b>	
Business Analysts	
Legal	
Legal Secretaries	
Litigation Executives	
Marketing	
Portal Fee Earners	
Science	
<b>Hotel/Catering</b>	
Catering	
Chefs	
Hospitality	
<b>IT/Computing</b>	
CAD	
Cyber Security	
Data	
DevOps	
Full Stack Developers	
IT	
JavaScript Developers	
Oracle Fusion	
PHP Developers	



## 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

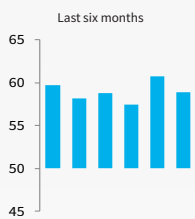


### Further steep increase in permanent starters' pay

UK recruitment consultancies signalled a further rise in permanent starting salaries during December. Panellists widely commented that clients were having to offer higher pay to attract and secure new staff amid a shrinking pool of available workers. Despite edging down further from September's recent peak, the rate of growth remained sharp and well above the series average.

Marked increases in starting salaries were seen across all four monitored English regions.

### Temporary Wages Index

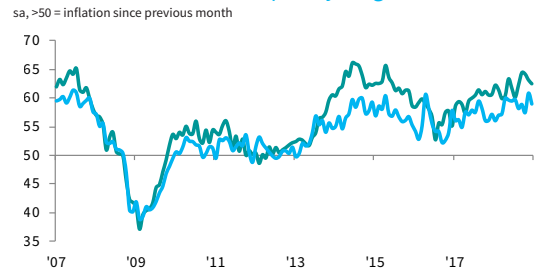


### Temp pay growth remains historically sharp

Temp wages continued to increase in December and at a rate that was much stronger than its long-run average. This was despite the rate of growth softening from November's 11-year high. Recruiters reported that a lack of available short-term workers had underpinned the latest increase in temp pay.

All four English regions monitored by the survey registered steep rises in wages, led by the Midlands.

### Permanent Salaries / Temporary Wages



### Permanent Salaries Index

	UK	London	South	Midlands	North
Jul '18	60.2	55.7	60.0	59.8	61.7
Aug '18	62.4	57.4	66.2	62.7	59.3
Sep '18	64.5	62.9	66.4	65.3	57.3
Oct '18	64.3	61.8	64.2	63.8	63.0
Nov '18	63.2	63.3	65.0	60.3	60.2
Dec '18	62.6	65.2	60.4	59.3	63.0

### Temporary Wages Index

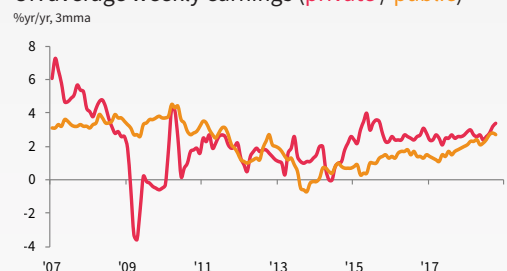
	UK	London	South	Midlands	North
Jul '18	59.7	56.8	57.8	61.4	62.5
Aug '18	58.1	55.0	59.7	58.5	58.2
Sep '18	58.8	59.6	59.2	57.7	54.4
Oct '18	57.4	58.5	56.0	57.6	53.8
Nov '18	60.8	58.3	62.2	60.7	59.1
Dec '18	58.9	58.1	59.8	60.3	58.3

## OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Data from the Office for National Statistics showed that employee earnings (including bonuses) increased by 3.3% compared to a year ago in the three months to October. This followed a 3.1% rise in the three months to September, and marked the quickest rate of pay growth for ten years.

The stronger increase in earnings was predominantly driven by faster pay growth across the private sector, which strengthened to 3.4%. Nonetheless, the rate of expansion in public sector earnings was among the quickest seen for the past seven years at 2.7%.

### UK average weekly earnings (private / public)



Source: Office for National Statistics.



## 8 FEATURE: EMPLOYMENT

This section features official data from the Office for National Statistics about UK employment trends

### UK employment rate joint-highest on record

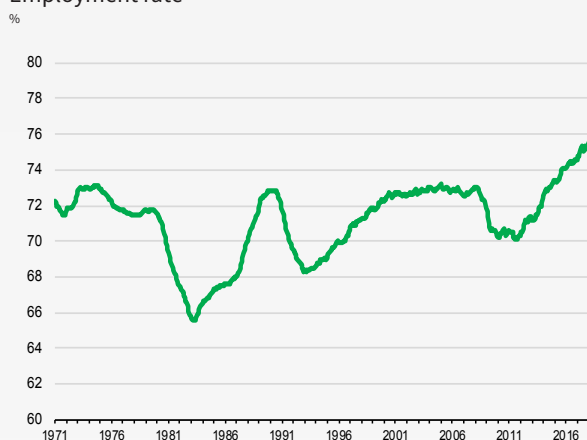
The UK employment rate stood at 75.7% in the three months to October, according to latest data published by the Office for National Statistics (ONS). This is the joint-highest reading since the series began in 1971, and marked a firm recovery since dipping to 70.1% in the aftermath of the global financial crisis.

The employment rate equates to nearly 32.5 million people in work; the highest on record. Broken down by sector, data show that the recovery of the labour market was predominantly driven by job creation across the private sector. Notably, the number of workers in the private sector has increased from less than 22 million in 2009 to approximately 25.4 million in Q3 2018. Meanwhile, the number of people working in the public sector has fallen from around 7.3 million in 2009 to just under 7 million in the penultimate quarter of 2018.

Broken down by industry, official data show that Human Health & Social Work Activities (4.3 million) and Wholesale, Retail & Repair of Motor Vehicles (4.2 million) had the greatest number of workers. Education (3.3 million), Manufacturing (2.9 million) and Professional, Scientific & Technical Activities (2.4 million) completed the top five in the employment industry rankings.

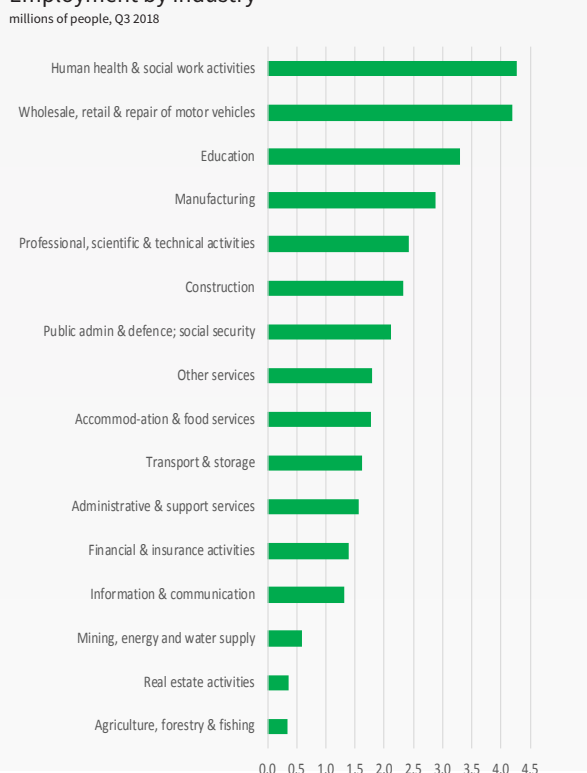
In numerical terms, the industry which has seen the biggest increase in workers since the start of 2009 was Professional, Scientific & Technical Activities (which includes architects, engineers and scientific researchers), rising by nearly 600,000. This was closely followed by Human Health & Social Work Activities, which saw the number of people employed rise by approximately 500,000.

Employment rate



Source: Office for National Statistics.

Employment by Industry



Source: Office for National Statistics.

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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](mailto:economics@ihsmarkit.com).

### About IHS Markit

IHS Markit (Nasdaq: 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 14,500 partners and staff. The UK firm recorded a revenue of £2.2 billion in the year ended 30 September 2017. KPMG is a global network of professional firms providing Audit, Tax, and Advisory services. It operates in 154 countries and territories and has 200,000 people 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

Jobs transform lives, which is why we are building the best recruitment industry in the world. As the professional body for recruitment we're determined to make businesses more successful by helping them secure the people they need. We are absolutely passionate and totally committed in this pursuit for recruiters, employers, and the people they hire. Find out more about the Recruitment & Employment Confederation at [www.rec.uk.com](http://www.rec.uk.com).

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