

UK labour market

KPMG/REC Report on Jobs provided early warning of sharp labour market downturn

Key findings

- **Survey of recruitment consultancies accurately signalled weakening trend.**
- **Latest official statistics confirm slump in job market.**

Latest data from the Office for National Statistics (ONS), released Wednesday 12th November, paint a grim picture of the state of the UK job market as the recession tightens its grip on the economy.

During Q3, headline unemployment rose above 1.8 million for the first time since the end of 1997, amid widespread predictions that the total will exceed 2 million by Christmas. The official unemployment rate of 5.8% was the highest since 2000.

Worsening business confidence was reflected in the latest data on vacancy levels, which showed a decrease of 40,000 to 589,000 in the three months to the end of October.

The findings corroborate recent evidence from the **KPMG/REC Report on Jobs**, produced by Markit Economics and compiled from a monthly poll of recruitment consultancies. The latest report, published 5th November, was characterised by all key measures – vacancies, pay and appointments in the permanent and temporary sectors – standing at survey-record lows during October, while candidate availability hit a series high.

Recruiters indicated that only the healthcare sector escaped a fall in demand for staff; the steepest drop in vacancies was recorded in financial services.

Report on Jobs data were amongst the earliest labour market indicators to flag a turning point in the latter part of 2007, as demand for staff began to cool following the earliest stage of the credit crunch, and before weakness

Chart 1: Vacancies

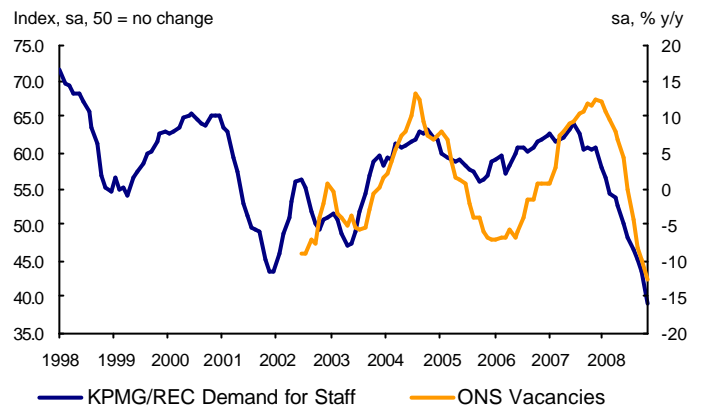
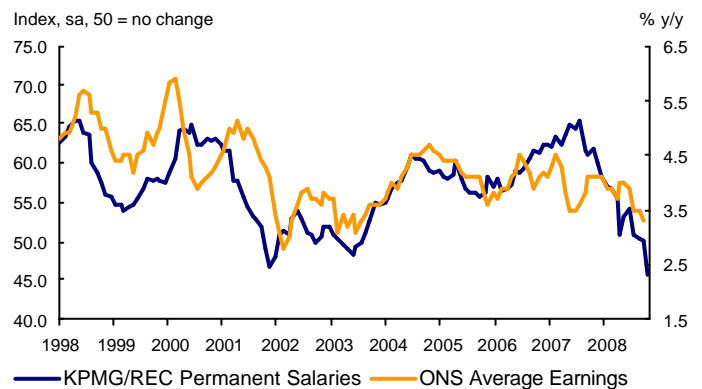


Chart 2: Employee pay



Sources: Markit Economics, Office for National Statistics.

became broadly apparent in the ONS figures. This was followed by a sharp deceleration in vacancies during the past year as conditions in the wider economy worsened (see chart 1).

Turning back to the latest month's survey findings, permanent staff salaries showed an outright decline for the first time in over five years during October, clearly illustrating the loss of bargaining power amongst job seekers amid increasing redundancies and rapidly rising levels of candidate availability.

Again, this was a theme flagged up early by the Report on Jobs, which has indicated rapidly receding pay pressures throughout the past year (see chart 2).

This evidence supported the beliefs of those such as David Blanchflower of the Bank of England's monetary policy committee that a soft labour market would prevent high inflation from sparking a wage-price spiral, a view that has now gained broader acceptance.

To find out how to receive data for the KPMG/REC Report on Jobs, published 3rd December, or to obtain a copy of the KPMG/REC Report on Jobs, please contact economics@markit.com.

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