

# BREXIT AND THE UK LABOUR MARKET

## SUMMARY

IPPR and Burning Glass Technologies have, working in partnership, produced new analysis of online job vacancies both before and after the UK's referendum vote to leave the European Union. The analysis compares jobs advertised online in key sectors across England in May/June and July/August 2016 with the same periods in the previous three years (2013, 2014 and 2015). This data offers some of the first insights into labour market trends ahead of official lagged indicators.

The analysis finds that there was an uncharacteristic downturn in job postings in the finance sector between May/June and July/August in 2016 – particularly in the Greater London region. For example, there was a 13.6 per cent drop in postings for jobs in the finance sector in London, for roles including chief executives and senior officials, managers, and quality and regulatory professionals. Job postings for the finance sector as a percentage of those across the whole economy decreased between May/June and July/August 2016 across every region in England – the only year in the past four in which this trend can be observed. Our analysis finds that, across most sectors of the labour market, employer recruitment patterns in the two months before and after the Brexit vote (May/June and July/August) were in line with previous trends.

## ANALYSIS

### **There was a downturn in jobs advertised in the finance sector pre- and post-EU referendum vote compared with the same period in previous years**

There was an uncharacteristic downturn in job postings in the finance sector during the period May/June to July/August in 2016 compared with the same period in previous years. There was a 10 per cent drop in job postings in the finance sector across England, and a 13.6 per cent drop in London.

**TABLE 1**

**Percentage drop in number of job postings in the finance sector in England between May/June and July/August 2016**

Region	Drop in postings
East Midlands	4.8%
East of England	11.0%
London	13.6%
North East	12.8%
North West	11.4%
South East	4.8%
South West	3.6%
West Midlands	6.2%
Yorkshire and the Humber	11.2%
<b>England (total)</b>	<b>10.1%</b>

Job postings for the finance sector as a percentage of the whole economy decreased in the period May/June to July/August across every region in England in 2016 – the only year in the past four in which this trend has occurred. The drop in the number of advertised jobs can be seen in the most skilled as well as less skilled roles, and across all salary ranges:

- chief executives and senior officials (mean advertised salary: £83k) – 26 per cent drop
- managers and proprietors in other services (mean advertised salary: £68k) – 29 per cent drop
- quality and regulatory professionals (mean advertised salary: £59k) – 24 per cent drop
- administrative occupations: finance (mean advertised salary: £46k) – 29 per cent drop
- other administrative occupations (mean advertised salary: £32k) – 32 per cent drop.

The only uncharacteristic upturns in postings among job categories within the finance sector was for legal professionals working in the sector, with a 21 per cent rise in postings, and customer service occupations within finance, with a 34 per cent rise in postings. All of the other most frequently posted occupations suffered a *drop* in postings of between 5 and 33 per cent.

While postings for legal professionals and customer service occupations in the finance sector have risen during the May/June–July/August period of previous years (notably 2013), these rises were associated with rises in almost all of the frequently posted occupations within the sector.

### **Recruitment patterns pre and post-EU referendum vote are in line with existing trends across most sectors of the labour market other than finance**

Recruitment patterns pre- and post-EU referendum vote in sectors other than finance are broadly in line with existing trends across most sectors of the labour market. There are expected fluctuations across occupation groups of plus or minus 10 per cent of postings. It is important to note that while these changes are visible in the data, a certain amount of variability is normal (for example, as a result of seasonal trends) and these do not represent particularly unusual or uncharacteristic shifts in posting behaviour compared to previous years.

## **DISCUSSION**

Official labour market figures based on the Labour Force Survey provide headline data on employment and unemployment rates. However, the real-time online data used in our analysis presented here can provide a more immediate picture of trends in specific industries or occupations. This data shows a downturn in recruitment in the finance sector since the EU referendum vote relative to the same period in previous years. It is striking that almost all job categories within the sector appear to have been affected by this downturn, from chief executives to those in administrative roles. The downturn may reflect the fall in employer optimism identified in the finance sector by a survey of employer intentions published

earlier this month,<sup>1</sup> which found that employer optimism in relation to employment intentions had fallen in six out of nine key sectors, including the finance sector.

It is likely that employer confidence in London's finance sector has been affected by the lack of certainty over the City of London's so-called 'financial services passport', which allows banks to sell their services to customers from the EU. Retaining access to the EU's free markets in goods and services (respectively) is crucial to maintaining growth in living standards. IPPR has argued<sup>2</sup> that passporting rights should be retained over and above membership of the customs union – and that the UK should be prepared to pay a higher fee to the EU in exchange for those rights.

Uncertainty around the future of freedom of movement will also be of concern to employers, particularly those in key sectors that are facing skills shortages. IPPR has argued<sup>3</sup> against a highly restrictive approach to reforming the current EU free movement rules, in order to safeguard sectors that are highly reliant on EU migration. Instead, we have proposed that the government should seek to negotiate an emergency brake on EU free movement, according to occupation, sector or location, in order to address concerns about the pressures of migration without harming key sectors and employers.

Minimal fluctuations in overall recruitment trends (outside the finance sector) suggest caution on the part of employers as they 'wait and see' what impact the vote has on the wider economy. This is consistent with official jobs figures published by the ONS earlier this month (for May to July 2016),<sup>4</sup> which showed that the UK's employment rate held strong in the month following the referendum vote, with a slight increase in the number of people in work. (This increase is unlikely to be reflected in online data as it can be attributed to the continued rise in self-employment and part-time work.)

Pre-referendum Treasury forecasts and other independent economic commentators predicted that a vote to leave the EU would have a negative impact on the UK economy and on the employment rate. Any widespread impact on employment prospects is only likely to be observable over the medium to longer term, as negotiations over the UK's trading relationship with Europe and the rest of the world begin. However, the data presented in this briefing shows that in the shorter term, uncertainty in the aftermath of the vote might be having an impact on the finance sector.

---

1 <http://www.manpowergroup.co.uk/the-word-on-work/meos-q416/>

2 <http://www.ippr.org/blog/what-new-deal-should-we-strike-with-the-eu>

3 <http://www.ippr.org/blog/what-new-deal-should-we-strike-with-the-eu>

4 <https://www.ons.gov.uk/surveys/informationforhouseholdsandindividuals/householdandindividualsurveys/labourforcesurvey/ifs>

---

## About the data

### *About IPPR*

IPPR is collaborating with Burning Glass to produce cutting-edge labour market analysis as part of our New Skills at Work programme.<sup>5</sup> IPPR aims to influence policy in the present and reinvent progressive politics in the future, and is dedicated to the better country that Britain can become. With nearly 60 staff across four offices throughout the UK, IPPR is Britain's only national thinktank with a truly national presence.

Our independent research is wide ranging: it covers the economy, work, skills, transport, democracy, the environment, education, energy, migration and healthcare among many other areas. See <http://www.ippr.org/>

### *About Burning Glass data*

Burning Glass Technologies delivers job market analytics that empower employers, workers, and educators to make data-driven decisions. The company's technology analyses hundreds of millions of job postings and real-life career transitions to provide insight into labour market patterns. This real-time strategic intelligence offers insights such as which jobs are most in demand, the specific skills that employers need, and the career directions that offer the highest potential for workers.

Burning Glass data is collected, coded and aggregated in real time. It is based on the wording used by employers in job postings, and can provide valuable snapshots of what employer requirements are for particular roles.

Burning Glass data is able to provide more immediate analysis than many traditional data sources. While overall job-posting behaviour for the whole economy may not show signs of fluctuation, individual sectors and occupations may be experiencing fluctuations that are not characteristic when compared to previous years. Due to continuous improvement of Burning Glass parsing technology and technique, absolute posting numbers in the data can fluctuate – for example, when further sources are added or obsolete ones removed. Burning Glass recommends that their data is used for comparison of percentage composition instead of total numbers.

### *About the methods used in this analysis*

All analysis compares job postings for May/June to the postings of July/August in each year from 2013 to 2016. Percentages expressed are the *percentage change in total postings between these two periods for each year and a given occupation group* (defined using the three-digit SOC code) or industry sector (defined using the two-digit SIC code).

---

*For further information, contact Clare McNeil, associate director work and families at IPPR ([c.mcneil@ippr.org](mailto:c.mcneil@ippr.org)) and Hal Bonella, research manager at Burning Glass Technologies ([hbonella@burning-glass.com](mailto:hbonella@burning-glass.com)).*

---

<sup>5</sup> <http://www.ippr.org/major-programmes/new-skills-at-work>