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KPMG AND REC, UK REPORT ON JOBS: SOUTH OF ENGLAND

Permanent placements decline at softer pace at end of 2019

Key findings

- Softer fall in permanent staff appointments, while temp billings return to growth
- Vacancy trends remain historically weak
- Uncertainty continues to weigh on staff availability

Summary

Hiring conditions remained relatively subdued in the South of England at the end of 2019, according to the latest **KPMG and REC, UK Report on Jobs: South of England** survey. Permanent placements continued to decline, albeit at a softer pace than in November, while temp billings rose only modestly. Recruiters often mentioned that fewer vacancies and uncertainty around the outlook had impacted hiring decisions. Notably, demand for permanent staff fell at the end of 2019, while temp vacancies grew only slightly.

Uncertainty also weighed on the availability of staff, which continued to decline sharply in December. As a result, starting pay for both permanent and temporary workers increases markedly as part of efforts to attract and secure suitably skilled workers.

The KPMG and REC, UK Report on Jobs: South of England is compiled by IHS Markit from responses to questionnaires sent to around 150 recruitment and employment consultancies in the South of England.

Permanent staff appointments fall at softer pace

Recruitment consultancies in the South of England registered a tenth consecutive monthly fall in permanent placements at the end of 2019. That said, the rate of reduction was the weakest seen for three months and modest overall. Panellists often attributed the decline to fewer vacancies and uncertainty around the outlook. In contrast, permanent staff appointments across the UK increased for the first time in 12 months during December, although the uptick was only mild overall and subdued in the context of historical data.

Driving the overall rise were increases across the three remaining monitored English regions, the sharpest of which was recorded in the North of England.

Latest data signalled the first increase in billings received from the employment of temp workers in the South of England for three months in December. Some panel members indicated that the rise was supported by the commencement of previously delayed hiring decisions, as well as increased business requirements. That said, the rate of expansion was only modest. At the national level, temp billings growth quickened to the joint-fastest since April, supported by a broad-based upturn across all four monitored English regions. The Midlands recorded the quickest rise, followed by London. The softest increase was reported in the South of England.

Demand for permanent staff in the South of England fell fractionally in December, after broadly stagnating in November. Notably, the South was the only monitored region to register a fall in permanent staff vacancies. Growth of demand for perm workers at the national level strengthened slightly in December, but remained modest. Temp vacancies in the South rose only modestly at the end of the year, with the rate of expansion slower than the UK-wide trend.

Permanent candidate numbers contract sharply

Uncertainty related to Brexit and the general election, as well as skill shortages, were cited as key factors weighing on permanent candidate supply in the South of England at the end of 2019. Although easing slightly since November, the rate of contraction remained notably quicker than the historical average. The decline also outpaced the UK-wide trend for the tenth month in a row. At the national level, permanent staff availability fell markedly, despite the rate of decline easing from the previous month, driven by falls across all four monitored English regions. The steepest contraction was seen in the South of England, whilst the North of England recorded the softest rate of decline.

Recruitment consultancies in the South of England reported a further fall in the supply of short-term staff during December. Notably, the rate of reduction was the quickest for three months and sharp overall. Panel members often mentioned that a generally low unemployment rate and a reluctance to switch roles due to uncertainty had weighed on temporary candidate numbers. At the UK level, short-term staff supply fell at the quickest rate for six months, underpinned by steeper reductions in the Midlands and South of England. In London, temp labour supply fell only slightly, while the North bucked the overall trend and registered a marginal expansion.

Stronger rise in starting salaries in December

The seasonally adjusted Permanent Salaries Index remained above the neutral 50.0 mark, to signal a further rise in starting pay for permanent joiners in the South of England during December. Anecdotal evidence suggested that candidate shortages had driven up pay offers at the end of 2019. Although sharper than that

seen in November, the rate of inflation was notably softer than those seen at the start of the year. Starting salaries rose at a similarly sharp rate across the UK as a whole. Furthermore, all of the other three monitored English regions recorded a rise in starting salaries. The North of England reported the quickest increase, whilst London noted the softest rate of pay growth.

Recruitment consultancies in the South of England recorded a sustained increase in hourly rates of pay awarded to short-term staff during December. Furthermore, the rate of inflation quickened from November and was slightly sharper than the UK-wide trend. Recruiters that recorded higher temp wages often attributed this to efforts to attract suitably skilled workers. Of the four monitored English regions, pay growth was most marked in the South of England and London, whilst the North of England recorded the softest rise.

Comments

Commenting on the latest survey results, Ian Brokenshire, Senior Partner for KPMG in Plymouth, said:

“The South has presented a very different picture to the rest of the UK over the last month. Permanent and temp candidate supply fell at quicker rates than seen on average across the UK, and notably, the South was the only region to record a drop in both permanent placements and available permanent jobs.”

“It seems that the political picture is becoming less uncertain, and it will be really interesting to see whether this gives a confidence boost to businesses in the region. If so, it will be reflected in hiring decisions at the end of this month. The South has some catching up to do.”

Recruitment & Employment Confederation chief executive Neil Carberry said:

“After the uncertainty of 2019, there are some signs of a clearer outlook for hiring in today’s survey. With a new government in place and the path ahead looking more predictable, some businesses have decided that they have waited long enough. The rate of decrease in permanent placements in the South has slowed, and this should give encouragement to both recruiters and employers – let’s hope this is a sign of positive things to come.”

“Feedback from recruiters shows that the upcoming IR35 changes are affecting both placements and the availability of flexible workers. This is a delicate period for the jobs market, and is the worst time to push through sweeping changes to the way we tax contractors. It is right that government engages further with business on the changes, but they should also delay implementation until next year to allow time for a full, independent review and effective regulation of the umbrella sector. As it stands, the government risks damaging ethical businesses and encouraging non-compliance.”

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Methodology

The KPMG and REC, UK Report on Jobs: South of England is compiled by IHS Markit from responses to questionnaires sent to around 150 recruitment and employment consultancies in the South of England (defined as NUTS1 regions North West, Yorkshire & Humber and North East).

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.

Full reports and historical data from the KPMG and REC, UK Report on Jobs are available by subscription. Please contact economics@ihsmarkit.com.

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.

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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