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

Permanent staff appointments continue to rise strongly in November

Key findings

- Strong rise in permanent placements, but only modest expansion in temp billings
- Candidate availability continues to fall markedly...
- ...leading to sharper increases in pay

Summary

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.

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.

Permanent placements continue to rise markedly

Recruitment consultancies in the South of England signalled a sustained rise in the number of people placed in to permanent jobs during November, thereby extending the current sequence of expansion to 28 months. Despite easing from October's eight-month record, growth remained strong overall and continued to outpace the UK average. Panellists that reported higher placements widely commented on rising demand for staff across their client bases. At the national level, permanent staff appointments rose at the slowest pace since July. Along with softer growth in the South, the North of England recorded only a marginal upturn that was the joint-softest since April 2013.

Billings received from the employment of temporary/contract workers in the South of England increased at a slower pace in November. The rate of expansion was modest and below the average seen over the current near two-and-a-half year sequence of

growth. The upturn was also softer than seen at the national level, as has been the case in each of the past eight months. Anecdotal evidence indicated that candidate shortages weighed on temp billings growth. At the UK level, temp billings expanded at the joint-weakest rate seen for just over two years (on a par with August 2018). All four monitored English regions reported softer growth in temp billings in November.

Demand for staff continued to rise sharply in the South of England midway through the fourth quarter. Growth of permanent vacancies reached a three-month record and outpaced the UK average. Meanwhile, though still marked, the latest increase in demand for temporary workers was the softest seen since June, and weaker than all other monitored English regions.

Permanent labour supply declines at softest pace for 20 months

After falling at the quickest pace for nine months in October, the deterioration in permanent staff availability eased in November. Notably, the latest drop in supply was the least marked since March 2017, albeit still sharp overall. Nonetheless, the rate of contraction remained stronger than that seen at the UK level. Widespread skills shortages and uncertainty around Brexit had reportedly led to the latest fall in candidate numbers. London also registered a softer reduction compared to October, while faster declines were seen in the Midlands and the North of England.

November survey data pointed to a sustained and marked decline in the supply of temporary workers in the South of England. This was despite the rate of reduction easing for the second month in a row. The availability of short-term workers fell at a similarly sharp pace across the UK as a whole. All four monitored English regions bar the North of England saw softer declines in temp staff supply compared to October.

Permanent starting salaries continue to rise substantially

Salaries awarded to permanent starters in the South of England continued to rise markedly in November. Furthermore, the rate of increase quickened slightly since October and was among the fastest seen since data collection began over 20 years ago. The pace of salary inflation was also sharper than that at the national level. Recruiters widely linked the rise to demand for staff outstripping supply, resulting in greater competition for workers. The South of England and London both saw stronger increases in starting salaries in November, while rates of inflation softened in the Midlands and the North of England.

Temp pay rates rose sharply in November, with the rate of inflation hitting a seven-month high. According to anecdotal evidence, wages rose due to a lack of available staff to fill roles. Furthermore, the rate of pay growth in the region was quicker than seen on average across the UK as a whole. Notably, the rate of wage inflation at the national level accelerated to its fastest since July 2007, supported by stronger rises in the Midlands as well as the North and South of England. In contrast, temp pay growth eased fractionally in London.

Comment

Commenting on the latest survey results Karen Witton, South Regional Chair at KPMG, said:

“It is very encouraging for the region that the number of permanent roles available in the South West are growing at a quicker pace than the national average, and that the salaries on offer for the positions are strong, having risen markedly in the last month, at what is in fact one of the fastest rates seen in 20 years.”

“This does reflect the business strength that we have been seeing via our clients in the South West. Clearly there is a great deal of political uncertainty around at present, but it is reassuring that it is not impacting growth in the region.”

Recruitment & Employment Confederation chief executive Neil Carberry said:

“Today’s report backs up what recruiters across the country are saying to us. High employment rates and a lack of willingness to change employer in this uncertain climate means fewer people are looking for jobs – despite rising pay and jobs being available.”

“After a long run of strong performance, it seems that employers are getting more nervous as well. Although permanent and temporary placements continued to increase, the pace of growth has slowed since earlier in the autumn.”

“Recruiters across the country are working hard to fill gaps in our labour market but in the run-up to Christmas, sectors like hospitality and warehousing are facing particular challenges as they ramp up to the festive season. More clarity on the future path of Brexit and immigration will underpin business and consumer confidence, ensuring the UK’s jobs performance remains strong.”

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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 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

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