

Embargoed until 0101 (UK) 9 May 2019

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

### Permanent staff appointments decline for second month running in April

#### Key findings

- April sees further modest fall in permanent placements...
- ...but temp billings rise markedly
- Slowest growth in demand for permanent staff since August 2012

#### Summary

Latest survey data signalled a further fall in permanent staff appointments in the South of England during April, that was often linked to cautious hiring policies amid an uncertain outlook. However, billings from the employment of temporary staff rose markedly after a modest decline in March.

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.

April survey data also pointed to a slower increase in staff vacancies, with demand for permanent workers rising at the softest pace since August 2012. Pay pressures picked up slightly, as highlighted by stronger increases in starting pay, driven by a further sharp drop in candidate availability.

#### Permanent placements fall again in April

Recruitment consultants in the South of England signalled a second successive monthly decline in the number of people placed into permanent job roles in April. That said, the rate of reduction was unchanged from March and moderate. Panellists that reported lower permanent staff appointments commonly linked this to delayed hiring decisions and increased uncertainty due to Brexit. Permanent placements also fell at the national level in April, albeit at a marginal rate. Three of the four monitored English regions recorded lower permanent staff appointments, with the North of

England being the exception.

April survey data pointed to a marked increase in billings received from the employment of temporary/contract workers in the South of England. This contrasted with a modest reduction at the end of the first quarter. The rate of expansion was the quickest seen in the year to date and stronger than the UK-wide average. According to recruiters, increased activity at clients contributed to the rise in temp billings. On a regional basis, the Midlands was the only monitored location to record a decline in temp billings during April.

Though solid and above the national average, growth of demand for permanent workers in the South of England softened further in April. Notably, the latest increase in vacancies was the least marked since August 2012. April survey data also pointed to a softer increase in demand for temporary staff across the South of England. Though strong, the latest increase in short-term vacancies was the slowest recorded for just under six years, and weaker than the UK-wide trend.

#### Steep decline in permanent candidate supply

The number of people available for permanent roles in the South of England declined further during April. Despite easing slightly from March, the rate of deterioration remained historically sharp and quicker than the national trend. According to anecdotal evidence, reduced candidate supply was due to a generally low unemployment rate and greater reluctance to change job roles amid an uncertain economic outlook. Although permanent labour supply across the UK continued to fall sharply in April, the rate of reduction was the least marked in just over one year. Notably, all four monitored English locations registered softer declines in permanent candidates numbers, with the weakest deterioration seen in the Midlands.

As has been the case in each month since September 2013, the supply of short-term workers in the South of England fell in April. Notably, the rate of reduction was the quickest seen for three months and remained much

faster than the long-run series trend. Recruiters that registered a deterioration pointed to a high employment rate, greater market uncertainty and fewer EU candidates. At the national level, temp candidate numbers fell at the slowest rate since January 2017, which was largely driven by softer falls in London and the North of England.

### **Starting salary inflation quickens in April**

Recruitment consultancies based in the South of England signalled a further sharp increase in salaries given to permanent starters in April. Notably, the rate of inflation picked up from March's recent low and was stronger than that seen across the UK as a whole. Skill shortages and greater competition for scarce candidates were cited as key drivers of salary growth. At

### **Comment**

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

*"The uncertainty around Brexit continues to dominate the job market in the South, with April seeing a further drop in the demand for permanent staff. Things look brighter when it comes to temporary placements though, with last month seeing a significant rise in this area. Pay for temporary workers is also high in a bid to attract applicants from a small pool.*

*"With there being a good chance of Brexit uncertainty continuing for several months, a wise move could be for businesses to get one step ahead of their competitors who have put everything on hold, by continuing as normal and snapping up those skilled candidates that are looking for a change over the summer!"*

the national level, however, starting salary inflation edged down to a two-year low, with both the North of England and London recording softer rates of increase.

The rate of temp wage inflation in the South of England picked up for the second month running in April. Furthermore, the rate of growth was sharp and quicker than the national average. Reports from panellists indicated that higher hourly pay rates were offered in order to attract applicants amid widespread candidate shortages. At the UK level, average hourly pay grew at the quickest rate for three months in April. The stronger rise was supported by faster rates of expansion in the North and South of England, alongside a renewed increase in the capital.

Recruitment & Employment Confederation chief executive Neil Carberry said:

*"Employers are turning to temporary work to support their business and offer people opportunity while the long-term economic picture is unclear.*

*"We should be proud of how our jobs market has adapted to challenging circumstances. Resolving Brexit will bring some certainty, but we must also take bold steps to fix the underlying problems suggested by these figures."*

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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](mailto: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](mailto: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

The REC is all about brilliant recruitment, which drives our economy and delivers opportunity to millions. As the voice of the recruitment industry, we champion high standards, speak up for great recruiters, and help them grow. Recruitment is a powerful tool for companies and candidates to build better futures for themselves and a strong economy for the UK. Find out more about the Recruitment & Employment Confederation at [www.rec.uk.com](http://www.rec.uk.com).

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