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

Record increase in permanent staff appointments in September

Key findings

- Steeper rise in permanent placements, but temp billings growth softens
- Unprecedented increases in starting salaries and temp pay
- Availability of workers continues to drop rapidly

Data collected September 13-24

Summary

The latest **KPMG and REC, UK Report on Jobs: South of England** survey indicated a further surge in hiring activity across the region in September. Moreover, permanent placements expanded at the quickest rate since the survey began in October 1997. Temp billings growth also remained sharp, despite easing since August.

At the same time, recruiters reported further substantial increases in vacancies as economic activity picked up further. However, candidate shortages remained severe, with staff supply falling at a near-record pace, driving unprecedented increases in both starting salaries and temp wages.

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 placement growth hits fresh series high

Recruiters in the South of England signalled a seventh successive monthly increase in permanent placements during September. Notably, the rate of growth quickened since August to hit a fresh record high, but was slightly softer than the UK-wide average. According to panel members, the latest increase in permanent staff appointments was driven by greater activity at clients and stronger demand for staff.

At the regional level, the rise was broad-based and led by the North of England. The Midlands recorded the softest increase in permanent placements, albeit one that was still marked.

September survey data signalled a notably slower increase in billings received from the employment of short-term staff across the South of England. Though sharp and above the series trend, the rate of growth slipped to the weakest since March. Higher temp billings were frequently attributed to increased business requirements and efforts to fill vacancies. However, there were also reports of candidate shortages curbing overall growth.

Across the four monitored English regions, the North of England registered the quickest rate of temp billings growth and was the only region to note an acceleration.

Permanent staff vacancies in the South of England rose substantially in September, despite the rate of increase edging down to a four-month low. Growth of demand for permanent workers in the region was also slightly stronger than that seen at the national level.

Vacancies for temporary staff also expanded at a slower pace at the end of the third quarter. Though rapid overall, the latest upturn was the softest recorded since April.

Supply of permanent staff continues to fall rapidly

Adjusted for seasonal variation, the Permanent Staff Availability Index remained well below the neutral 50.0 level to signal a further severe drop in the supply of permanent workers across the South of England. Although easing from August's survey record, the rate of deterioration was the fourth-quickest in the series history and exceeded the national average.

Each of the four monitored English regions saw permanent staff supply fall in September, with the North and South of England recording the joint-sharpest reductions.

The supply of candidates for temporary roles in the

South of England fell for the seventh straight month in September. The rate of decline remained historically sharp, despite easing from August's series record. Greater demand for staff, fewer EU workers and a general shortage of skills were all cited by recruiters in the latest survey period.

London-based recruiters saw the most marked reduction in temporary candidate availability, while the South of England recorded the softest fall of the monitored English regions.

Unprecedented increase in permanent starters' salaries

Recruitment consultancies based in the South of England signalled a further increase in salaries awarded to new permanent joiners in September. Notably, the rate of inflation quickened to a new series record for the third month running. The increase was also broadly in line with that seen across the UK as a whole. Greater competition for scarce workers and efforts to attract job applicants were key drivers of the latest increase in pay.

Across the four monitored English regions, the rise in starting salaries was broad-based, with the North of England reporting the strongest inflation.

After slowing slightly in August, temp pay inflation quickened notably in September. Furthermore, the rate of increase was the sharpest ever seen in 24 years of data collection and outpaced the UK-wide trend. When explaining the latest upturn in temp pay, recruiters frequently mentioned shrinking candidate supply and rising demand for staff.

Steep increases in wages were seen across all four monitored English regions, led by the North of England.

Comments

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

"The record rate of permanent appointments during the last month clearly offers cause for optimism among businesses and jobseekers alike, as the South looks to leave the employment struggles of the pandemic behind."

"It remains to be seen, of course, what impact the recent end of the furlough scheme will have on firms' hiring intentions. And, following another month of declining worker availability, the region's businesses will need to continue to show resilience until a balance between demand and supply is restored, hopefully sooner rather than later."

Neil Carberry, Chief Executive of the REC, said:

"Demand for workers continued to grow last month, while staff availability fell at a near record pace. Competition for staff has led to the fastest growth in starting salaries since this survey began – not just in logistics and food processing, but in white collar professions as well. But we have all seen how labour shortages have affected our everyday lives over the past few weeks, whether that's an empty petrol station or fewer goods on supermarket shelves."

"The scale of the shortages we are seeing cannot be explained by one factor alone, but are a major challenge to businesses' ability to drive the prosperity of the UK in the months and years to come – supporting families and paying the taxes that fund public services. While the current crises will pass, rising input costs and further tax rises would only mean higher prices and lower investment in the medium term. It is essential that government works in partnership with business to deliver sustainable growth and rising wages, rather than a crisis-driven sugar rush. That includes working on policies that encourage business investment, an international outlook and skills development, especially at Levels 1 and 2 where shortages are most acute – this will also help unemployed young people get into work."

Contact

KPMG

Tanya Holden
+44 (0) 203 078 3996
tanya.holden@kpmg.co.uk

REC

Josh Prentice
Comms Manager
T: +44 (0)20 7009 2129
josh.prentice@rec.uk.com

IHS Markit

Annabel Fiddes
Economics Associate Director
+44 1491 461 010
annabel.fiddes@ihsmarkit.com

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 South East England, East of England and South West England).

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 21 offices across the UK with approximately 16,000 partners and staff. The UK firm recorded a revenue of £2.3 billion in the year ended 30 September 2020.

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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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