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

### Steepest fall in permanent staff placements since July 2009

#### Key findings

- Permanent placements decline at quickest rate for nearly 10 years...
- ...contrasting with marked increase in temp billings
- Demand for staff rises at relatively subdued pace

#### Summary

Recruitment consultancies in the South of England signalled the quickest drop in permanent appointments for nearly 10 years in May amid reports of delayed hiring decisions and low candidate supply. Meanwhile, billings received from the employment of temporary workers rose at a sharper pace.

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.

Recruiters in the region registered a relatively muted increase in demand for staff during May. Notably, latest data indicated that permanent job vacancies expanded at the slowest pace since February 2012. At the same time, pay pressures remained sharper than that seen at the national level amid a sustained drop in candidate supply.

#### Steeper decline in permanent staff appointments

Permanent placements across the South of England fell for the third successive month in May. Notably, the rate of reduction was the quickest recorded since July 2009 and solid overall. Recruiters widely linked the decline to delayed hiring decisions, reduced candidate availability and softer demand conditions. Permanent staff appointments also fell at the national level in May, albeit at a modest rate. The only monitored English region to record an increase in permanent placements was the North of England.

Recruitment agencies in the South of England signalled a sharp and accelerated rise in billings received from the employment of temporary workers during May.

Furthermore, the rate of growth was the quickest seen in the year to date. Relatively firm demand for short-term staff was linked by panellists to the latest upturn. In contrast, temporary billings increased at the weakest rate for 73 months across the UK as a whole. While billings also rose across London, falls were seen in the Midlands and North of England.

The South of England saw relatively subdued increases in both permanent and temporary staff vacancies in May. Though solid and on par with the UK average, growth of demand for permanent staff in the region expanded at the slowest rate since February 2012. At the same time, temporary vacancies in the South rose at the joint-weakest pace since May 2013. Growth of temp staff demand in the region also lagged the national trend for the fifth month in a row.

#### Permanent candidate numbers fall sharply

The supply of permanent candidates in the South of England contracted for the seventy-first month in a row during May. Despite easing to the least marked since February, the pace of reduction remained historically sharp. Panel members often stated that uncertainty around the outlook had made people reluctant to seek out new roles. A sharp drop in permanent staff supply was also seen at the UK level, albeit one that was slightly softer than that recorded for the South. Moreover, all of the three remaining English regions monitored by the survey registered steep declines in permanent labour supply.

The number of candidates available for temporary work in the South of England fell further in May, thereby stretching the current sequence of deterioration to 69 months. Although the rate of reduction softened since April and was slower than the UK-wide trend, it remained sharp in the context of the series history. Recruitment agencies generally attributed the fall to greater economic uncertainty and tight labour market conditions. Sharper drops in temp candidate numbers were seen in the Midlands and London, while the rate of deterioration was broadly unchanged in the North of England.

### Starting salaries continue to rise sharply

Salaries awarded to permanent starters in the South of England rose further during May. Despite easing since April, the rate of pay growth remained sharper than the long-run series average and above the national trend. Higher salaries were widely linked to greater competition for workers amid increasingly tight labour market conditions. At the UK level, starting salaries rose at a pace that, though marked, was the softest seen for just over two years. This was predominantly driven by weaker pay inflation in London.

### Comment

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

*"As political uncertainty only increases it's not that surprising to see that permanent placements are continuing to decline – last month at the quickest rate in a decade. It's down to businesses both delaying hiring decisions until there is more clarity, and candidates delaying a job move during this rocky period."*

*"The upside for the South is that the increased uncertainty from the contest for a new Prime Minister has correlated with the region's quickest increase in temporary billings this year. This actually bucks the UK trend, where growth in temp billings weakened to a six-year low. This increase in the use of temporary staff could be linked to a willingness for businesses in the region to not stall as uncertainty increases."*

*"Businesses would be wise to be bold and snap up any good temporary staff for the long term – once the hiatus is over there will be a rush on the job market so it's a smart way of staying ahead of competitors."*

Recruitment consultants based in the South of England signalled a sustained rise in temp wages in May. According to panellists, low candidate availability had driven up pay in the latest survey period. Notably, the rate of inflation accelerated for the third month running to the sharpest seen since last November. The pace of pay growth in the region also outstripped the national average for the third time in as many months. Wage inflation also accelerated across the Midlands and London but softened slightly in the North of England.

Recruitment & Employment Confederation chief executive Neil Carberry said:

*"The jobs market is still creating opportunities for those looking for work. With vacancies rising and starting salaries going up sharply, it is worth people talking to recruiters about that next step in their career. Sectors like IT, engineering and healthcare are hiring strongly, while the North of England showed the best performance in terms of regions."*

*"Overall, though, the survey again shows what uncertainty does to hiring plans. Permanent placements fell again this month while temporary billings grew strongly in the South. Recruiters are reporting that demand for staff is slowing and their clients are reducing business activity on average. Worryingly, these trends are most pronounced in key sectors like retail and construction."*

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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).

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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 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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