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

Hiring activity in the South of England remains weak in November

Key findings

- Permanent placements and temp billings continue to fall
- Permanent vacancy growth stuck at decade-low
- Softer increases in starting pay

Summary

Recruitment consultancies in the South of England registered a further deterioration in hiring activity during November. Permanent staff appointments and temp billings both declined, and at faster rates than in October. An uncertain outlook was widely linked to the weak hiring trend, with many firms noting that clients were cancelling or postponing decisions until there was greater clarity around the future. Furthermore, demand for staff remained historically subdued.

Uncertainty also weighed on candidate numbers, which continued to fall sharply in November. Although this placed further upward pressure on pay, increases in starting salaries and wages weakened since October.

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 placements decline at quickest rate since June

The seasonally adjusted Permanent Placements Index signalled a ninth successive monthly drop in permanent staff appointments across the South of England in November. There were numerous reports that employers were holding off or cancelling hiring plans due to political and economic uncertainty. Furthermore, the rate of reduction quickened to the most marked for five months and was solid overall. At the UK level, permanent staff appointments fell for the ninth month in a row, albeit at a modest pace. The Midlands was the only other monitored region to register a decline, as

permanent placements increased in London and the North of England.

Billings received from the employment of temporary staff in the South of England fell for the second month running in November. Though modest, the rate of decline was the strongest seen since mid-2012. Uncertainty was also highlighted as a key factor dampening temp billings. Notably, the South was the only monitored English region to record a fall. That said, temp billings rose only marginally across the UK as a whole.

Growth of demand for staff remained relatively subdued across the South of England in November. Permanent vacancies increased at a marginal pace that was unchanged from October's decade-low. Growth of demand for short-term workers meanwhile improved to a six-month high. That said, the upturns in both permanent and temporary vacancies remained weaker than those seen at the national level, and were subdued by historical standards.

Fastest reduction in permanent labour supply for five months

The number of people available to fill permanent job roles in the South of England fell further in November. The rate of deterioration accelerated to the steepest since June, and remained much quicker than the series average. According to anecdotal evidence, uncertainty stemming from the upcoming election and Brexit had deterred many people from seeking out new roles. At the national level, permanent labour supply also fell at the quickest rate for five months, with all four monitored English regions seeing marked reductions.

Adjusted for seasonal factors, the Temporary Staff Availability Index signalled a sustained drop in the supply of short-term staff in the South of England during November. Panel members linked the fall to a reluctance among candidates to change roles, concerns around upcoming IR35 changes and fewer EU workers. Though solid overall, the pace of deterioration was the

least marked for three months and slower than the national average. Of the four monitored English regions, the Midlands reported the steepest rate of reduction. Meanwhile, the North of England bucked the overall downward trend, registering a modest increase in temporary candidate supply.

Starting salaries rise at slowest rate for over three years

Recruitment consultancies in the South of England signalled a further increase in salaries awarded to permanent new joiners in November. Though still sharp overall, the rate of growth was the least marked since August 2016. Higher starting salaries were widely associated with candidate shortages and efforts to

attract skilled workers. A softer rate of permanent pay growth was also seen at the UK level. All monitored English regions bar the North of England saw slower increases in starting salaries compared to October.

Latest data indicated that remuneration awarded to temporary staff in the South of England rose for the ninety-second month running in November. Anecdotal evidence suggested that candidate shortages had led clients to up their wage offers. Though solid, the rate of wage inflation was slower than that seen in October and weaker than the average seen over the current period of pay growth. Across the UK as a whole, temp pay growth eased to a three-year low, with softer rates of inflation seen in three of the four monitored English regions.

Comments

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

"The jobs market in the South appears to have caught a winter cold. A decline in hires for permanent and temporary positions points to a business community that is a little under the weather. Political and economic clarity will be the perfect tonic for employers and address the lethargy that is holding back new roles being created and stopping job seekers from considering new opportunities."

Recruitment & Employment Confederation chief executive Neil Carberry said:

"Today's figures show exactly why this election needs to focus on work. The jobs market is still strong, but uncertainty is taking its toll. In the South, permanent placements have now fallen for nine months in a row and vacancies growth is at its weakest for a decade. Any incoming government must move quickly to boost business confidence and implement policies that will help companies and individuals to make great work happen."

"With that in mind, it was good to hear Sajid Javid say that a Conservative government would review the planned changes to IR35 if they win the general election, alongside similar commitments from Labour and the Liberal Democrats. Everyone should pay the right amount of tax - and that must mean thinking again and stopping 2020 implementation. Contractors and the self-employed are a vital part of the UK's flexible labour market, and current implementation plans risk rewarding those who avoid tax whilst punishing hundreds of thousands of compliant contractors and agencies. It is essential that these tax changes are only brought in when it's clear they can be implemented effectively, with proper regulation of umbrella companies and effective enforcement."

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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 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.

About IHS Markit

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