

Embargoed until 0101 (UK) 9 January 2019

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

### Staff appointments increase at faster pace as demand for workers remains robust

#### Key findings

- Permanent placements and temp billings both rise sharply
- Demand strengthens for permanent and temp staff
- Candidate shortages persist, adding further upward pressure on 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.

#### Quicker rise in permanent staff placements

December data signalled a sharp and accelerated increase in the number of people placed into permanent job roles across the South of England. Notably, the rate of expansion was the second-fastest for 21 months (after February 2018). Recruitment agencies generally linked growth to higher business activity at clients and greater efforts to secure candidates in a timely manner, as candidate supply continued to deteriorate. The South of England also saw the quickest increase of all four monitored English regions, as softer rates of expansion were seen elsewhere. As a result, permanent placements at the UK level rose to the weakest extent since April 2017.

Recruitment consultancies in the South of England registered a further rise in billings received from the employment of temporary workers at the end of 2018. The rate of increase quickened since November and was

the strongest seen for nearly one year. According to panellists, demand for short-term workers stemmed from rising business requirements at clients. Temp billings growth also quickened at the UK level, with all regions bar the Midlands seeing stronger rates of expansion at the end of 2018.

December survey data pointed to marked increases in demand for both permanent and temporary workers in the South of England. Notably, permanent staff vacancies expanded at the quickest rate for just over a year. Growth of demand for permanent workers in the South of England was also the quickest seen of all four English regions monitored by the survey. Short-term positions across the region meanwhile rose at the joint-quickest rate for 11 months, albeit at a pace that was slightly weaker than the UK average.

#### Supply of permanent workers continues to fall sharply

The number of candidates available to fill permanent job positions in the South of England fell in December. Permanent staff supply has now contracted in each month for the past five-and-a-half years. The pace of decline quickened slightly since November and remained steeper than the UK trend. A generally high level of employment and a reluctance to move jobs due to Brexit-related uncertainty was linked by recruiters to the latest reduction in staff availability. The supply of permanent workers also fell markedly across the three remaining English regions, with the steepest decline seen in the Midlands.

Recruitment consultancies based in the South of England signalled a sustained fall in the supply of temp workers during December. Although the rate of reduction eased for the third month in a row, it remained sharp overall and was much quicker than the series average. That said, the fall was slightly softer than seen at the national level. As was the case with permanent candidates, the deterioration was commonly attributed to relatively low unemployment

and the impact of Brexit uncertainty. At the UK level, temp candidate numbers fell to the softest extent in nine months, with all regions except the North of England noting slower rates of deterioration.

### **Marked rise in permanent starting salaries at end of 2018**

The rate of starting salary inflation across the South of England remained historically sharp in December, despite softening to a five-month low. Recruiters in the region widely mentioned that competition for scarce candidates had contributed to the latest upturn in pay. That said, the rate of inflation was not quite as strong as seen across the UK as a whole. Softer rates of pay growth in the Midlands and South of England contrasted

### **Comment**

Commenting on the latest survey results, Andrew Hodgson, Partner at KPMG UK, said:

*“The South is bucking the UK trend by being the only English region to see a sharp increase in the number of people placed into permanent jobs at the close of 2018. It is also leading the way in terms of demand for permanent staff. This is thanks to the region having really active businesses; a positive sign as we go into 2019.*

*“The number of available candidates has continued to fall across the UK, with the South seeing a sharp reduction overall. People are wary about moving jobs amid Brexit uncertainty and there is a slow-down in the number of EU citizens coming to the UK for work. Consequently, businesses looking to recruit need to offer attractive packages to tempt new staff to join, particularly if they are in industries where there is a talent shortage such as engineering, finance and IT.”*

with accelerations in London and the North of England. Overall, starting salaries at the UK level rose at a pace that, though sharp, was the slowest since August.

Remuneration awarded to temporary workers across the South of England continued to rise sharply in December. This was despite the rate of increase softening from November. Anecdotal evidence generally linked the rise to low candidate supply, while there were also reports of workers successfully negotiating higher pay. The rate of wage inflation in the region was faster than the UK average for the second month in a row. The Midlands noted the quickest increase in temp wages overall, though rates of growth eased across all four monitored English regions.

Recruitment & Employment Confederation chief executive Neil Carberry said:

*“It’s no surprise that growth in new permanent jobs dropped to its lowest level in almost two years last month, because economic uncertainty is now affecting companies’ hiring plans. But the underlying strength of our labour market is still there – vacancies are high and temporary placements rose in the run-up to Christmas. There are opportunities out there for people who want to change job in 2019.*

*“Businesses will be looking for certainty on Brexit plans soon, so that they can get on with driving growth and jobs. Recruiters will be helping employers to do that – high employment rates mean that there are significant shortages in some parts of our labour market.*

*“The pre-Christmas rush put a squeeze on logistics jobs in December so it was no surprise to see blue-collar roles topping the skills shortage list in this survey. Accounting, engineering, hospitality and healthcare all stand out as shortage sectors in today’s data.*

*“Continuing to fill roles like these in the coming months will be critical, so it is vital that the Government’s proposed new approach to immigration can fill shortages at all skill levels. But businesses can also help, by opening up career paths through more inclusive hiring practices as well as focusing on improved workplace training and links with education. Recruiters are uniquely placed to help employers with future workforce planning whatever the UK’s future relationship with the EU looks like.”*

# News Release



Embargoed until 0101 (UK) 9 January 2019

## Contact

### KPMG

Paul Middleton  
+44 (0) 2076 942180  
+44 (0) 7387 257543  
[paul.middleton@kpmg.co.uk](mailto:paul.middleton@kpmg.co.uk)

### REC

Gorki Duhra  
REC Press Office  
T: 0207 009 2192  
[gorki.duhra@rec.uk.com](mailto:gorki.duhra@rec.uk.com)

### Speed Communications

Kerry Grove  
T: 0117 906 4517  
[kerry.grove@speedcomms.com](mailto:kerry.grove@speedcomms.com)

### IHS Markit

Annabel Fiddes  
Principal Economist  
T: 01491 461010  
[annabel.fiddes@ihsmarkit.com](mailto: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 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

Jobs transform lives, which is why we are building the best recruitment industry in the world. As the professional body for recruitment we're determined to make businesses more successful by helping them secure the people they need. We are absolutely passionate and totally committed in this pursuit for recruiters, employers, and the people they hire. Find out more about the Recruitment & Employment Confederation at [www.rec.uk.com](http://www.rec.uk.com).

## About IHS Markit

IHS Markit (Nasdaq: 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

## Disclaimer

The intellectual property rights to these data are owned by or licensed to IHS Markit and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. IHS Markit is a registered trademark of IHS Markit Ltd and/or its affiliates.