News Release

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

Hiring activity across the South of England picks up in February

Key findings

- Permanent placements and temp billings both rise solidly
- Demand for staff strengthens
- Availability of permanent workers falls at slowest rate since September 2016

Summary

Recruitment activity across the South of England gained momentum during February, according to the latest **KPMG and REC, UK Report on Jobs: South of England** survey. Permanent placements and temp billings both rose solidly amid reports of firmer demand for staff. Vacancies for permanent workers rose at the quickest rate for nearly a year, while demand for short-term staff also strengthened since January.

At the same time, there were signs that the current downturn in staff availability was easing. Permanent candidate numbers fell at the slowest rate since September 2016, while temp candidate supply contracted at the weakest rate for three months. Pay trends differed, however, with permanent starting salaries rising at a sharper pace while temp pay growth softened.

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.

Solid rise in permanent staff appointments

Adjusted for seasonal factors, the Permanent Placements Index signalled a solid and accelerated rise in permanent staff appointments in the South of England during February. Improved market confidence and a greater appetite for permanent staff had underpinned the latest expansion, according to panel members. Notably, the rate of growth was the quickest seen since December 2018 and stronger than the UK average. The only other monitored English region to register a stronger increase in permanent placements was the North of England.

Recruitment consultancies in the South of England registered a renewed rise in temp billings midway through the first quarter. Billings received from the employment of contract staff have now increased in two of the past three months, with the latest expansion the steepest since May last year. According to anecdotal evidence, firmer demand for short-term staff had lifted billings in the latest survey period. At the national level, however, temp billings fell slightly for the second month running, driven by falls in the Midlands and London.

Growth of demand for permanent workers in the South of England expanded at the sharpest pace for 11 months in February. That said, the upturn remained weaker than that seen at the national level. Temporary vacancies in the region also rose at a quicker pace during February. The solid increase was the steepest seen since May last year. However, demand for short-term staff also rose at a slower pace than seen across the UK as a whole.

Slowest reduction in permanent labour supply since September 2016

The availability of permanent candidates in the South of England fell further in February. Though solid and quicker than the UK average, the pace of decline was the slowest recorded for nearly three and a half years. Where lower candidate supply was reported, this was linked to lingering uncertainty related to Brexit. However, panellists also commented that people were generally more open to seek out new roles, or preferring permanent positions over contract ones. Data broken down by region showed that permanent candidate numbers fell across the board with the exception of the North of England.

The downturn in temporary worker availability in the South of England persisted in February, thereby stretching the current sequence of decline to six and a half years. The rate of deterioration eased from January to a three-month low, but remained strong overall. Furthermore, the rate of contraction remained quicker than the UK-wide trend. Reports from panel members indicated that the latest reduction in temp candidate supply was largely due to upcoming IR35 reforms and a generally high employment rate. Temporary candidate availability also fell in the Midlands, but was stable in London and rose in the North of England.

Starting salary inflation quickens in February

Starting pay awarded to newly-placed permanent workers in the South of England rose further in February. Recruiters often attributed higher salaries to a lack of suitably skilled candidates. The rate of inflation quickened from January's recent low, but remained among the softest seen over the past three and a half years. Furthermore, pay growth in the region lagged the national trend. Stronger increases in starting salaries were also seen across all of the three remaining English regions, led by the Midlands.

Average hourly rates of pay for short-term staff in the South of England increased at a softer pace in February. Notably, the rate of pay growth was the weakest recorded since late 2016 and slightly slower than the national average. Recruiters that registered higher temp wages indicated that this was due to a combination of upcoming IR35 reforms and firmer demand for staff. Short-term pay also expanded at a softer pace in London, while stronger rates of wage inflation were seen in the North of England and the Midlands.

Comments

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

“It’s encouraging to see a clear rise in both permanent and temporary placements throughout February, indicative of the clearer political and economic climate boosting firms’ hiring intentions. The slowing decline of staff availability signifies a productive period ahead for employers and job hunters alike.

“We now face a new uncertainty with the coronavirus outbreak but, while its long-term effect nationally and indeed worldwide is still to be seen, hopefully the region’s businesses can remain resilient in the coming months and their confidence to keep recruiting continues to grow.”

Recruitment & Employment Confederation chief executive Neil Carberry said:

“It’s great to see how the state of the jobs market has improved in the past few months. Businesses are feeling positive, placement numbers are up, and the number of vacancies in the South is now rising at the quickest pace for almost a year. It shows just how important stability can be. With a little confidence about where the economy is heading, employers can make clear plans for hiring and put them into practice. Politicians must be careful to maintain that stability – whether that’s in negotiations with the EU, or making sure that the tax and skills policies in next week’s Budget work for business. This is even more important given the impact that coronavirus may have on the economy in the spring.

“The stark outlier in this data is the much slower performance of the temporary market. With less than a month to go until the IR35 changes kick in, we’re hearing about more and more companies putting a blanket ban on hiring contractors – and we now see this influencing the availability of flexible workers too. The government urgently needs to stop and think about how to make these changes more effective. They should start by delaying implementation in order to properly regulate umbrella companies.”

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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.

February data were collected 12-24 February 2020.

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 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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