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

Permanent staff hiring declines as national lockdown is reimposed

Key findings

- Permanent placements fall sharply, after slight increase in December...
- ...but temp billings continue to expand
- Availability of staff rises at notably slower pace

Data collected January 12-25

Summary

The reintroduction of national lockdown measures amid increased coronavirus disease 2019 (COVID-19) cases led to a renewed fall in permanent placements across the South of England in January, according to the latest **KPMG and REC, UK Report on Jobs: South of England** survey. Demand for permanent staff also fell, after a mild rise in December. In contrast, both temp billings and short-term vacancies rose at the start of the year, albeit at softer rates.

Latest data also revealed a fresh decline in starting salaries, while temp wages increased only slightly. Finally, the availability of both permanent and temporary staff expanded at notably slower rates, as pandemic-related job cuts were partly offset by a greater reluctance among workers to seek new roles due to greater economic uncertainty.

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.

Sharp drop in permanent staff appointments in January

After rising for the first time in three months in December, permanent placements in the South of England fell back into contraction in January. Furthermore, the rate of decline was the fastest seen since last June and sharp. Reports from panel members indicated that the reintroduction of national lockdown

measures and weaker market confidence had driven the renewed drop in permanent staff appointments. Placements also fell markedly at the national level, led by the Midlands. The North of England recorded the slowest fall in permanent placements, albeit one that was still solid.

Temp billings continued to rise across the South of England at the start of 2021, thereby stretching the current period of growth to six months. Though solid, the upturn was the softest seen over this period, however, and not as quick as the UK-wide average. Recruiters often mentioned that demand for short-term staff remained strong amid ongoing uncertainty around the outlook due to the pandemic. Across the four monitored English regions, the Midlands registered the quickest rate of growth, followed by the North of England. Elsewhere, London was the only region to see temp billings fall during the first month of 2021.

January data revealed a fresh decline in demand for permanent staff across the South of England. The rate of reduction was the quickest seen since last August, albeit modest overall and weaker than the national average. The number of temporary vacancies across the South of England meanwhile rose for the fifth successive month in January. That said, the rate of expansion was only marginal and not as strong as the UK-wide trend.

Notably slower increase in supply of permanent workers

The seasonally adjusted Permanent Staff Availability Index signalled a tenth successive monthly rise in the availability of permanent staff in the South of England during January. Though solid, the rate of expansion was the softest seen over this period and weaker than the UK trend. Redundancies related to the pandemic continued to push up candidate supply, according to recruiters. However, more workers were hesitant to seek new roles due to greater uncertainty. Each of the four monitored English regions saw permanent staff supply increase during January, with London recording the quickest uptick.

January survey data revealed a further slowdown in the rate of growth of temp candidate supply across the South of England. Notably, the latest upturn was the slowest recorded since last March, albeit marked overall. Temp candidate supply also rose to a weaker extent across the UK as a whole. Panel members frequently linked the expansion to pandemic-related layoffs. Nonetheless, there were also reports that fewer EU applicants and increased uncertainty over the outlook had weighed on the latest upturn in candidate numbers. On a regional basis, London saw the most marked rise in temporary candidate availability, while the Midlands was the only monitored region to record a decline.

Modest reduction in starting salaries

After increasing for the first time in nine months at the end of 2020, permanent starters' salaries in the South of England fell in January. That said, the rate of decline was only modest and slower than the UK average. The fall was also weaker than those seen throughout most of 2020. According to anecdotal evidence, the pandemic and subsequent rise in candidate availability had dampened starting salaries at the beginning of the year. Across the four monitored English regions the fall was broad based, although London recorded by far the steepest drop in permanent salaries.

Adjusted for seasonal factors, the South of England Temporary Wages Index signalled a back-to-back monthly increase in wages for short-term staff across the South of England in January. That said, the rate of inflation softened since December, and was only marginal. Meanwhile, temp pay fell slightly across the UK as a whole. At the regional level, a marked fall in London outweighed a slight rise in wages across the remaining three regions.

Comments

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

“Just as things were starting to look up in December, the latest lockdown – while undoubtably has saved lives – has done little for business confidence in our region.

“Outside of London, the South is falling behind other regions with both permanent and temporary recruitment.

“Businesses will be hoping for a confidence-boost in next month’s Budget, with a clear recovery plan from the government.”

Neil Carberry, Chief Executive of the REC, said:

“Economic uncertainty is weighing on employers’ minds even where they see potential for their own firm to grow, so it’s no surprise that temporary work is leading the jobs recovery. This emphasises again how important flexible forms of work are to helping businesses and public services react to the pandemic. Temporary work is also helping people get back into jobs more quickly after the recent spike in redundancy numbers.

“With the vaccination programme making progress, it’s likely that a path out of the pandemic is emerging. As that happens, we expect a strong recovery in permanent hiring. But businesses need Government help to bridge these last few months. Support for strained corporate cash flows is key. Extending furlough and reducing its cost to firms, supporting family business directors left out of support packages so far, and putting back repayments of deferred VAT and CBILs loans until the recovery would all help enormously.”

Contact

KPMG

Gill Carson
+44 (0) 7768 635843
gill.carson@kpmg.co.uk

REC

Ciaran Price
PR Manager
+44 (0)20 7009 2192
ciaran.price@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 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 21 offices across the UK with approximately 17,600 partners and staff. The UK firm recorded a revenue of £2.40 billion in the year ended 30 September 2019.

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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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