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KPMG AND REC UK REPORT ON JOBS: SOUTH OF ENGLAND

Permanent placements growth at eight-month high, but labour supply continues to decline

Key findings

- Permanent placements rise at fastest rate since February
- Overall staff availability falls further
- Starting salaries continue to rise sharply

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.

Faster growth of permanent placements

The number of permanent placements in the South of England grew at a sharp rate in October. Notably, the pace of expansion accelerated to an eight-month high. Recruitment agencies often commented on greater demand for staff in the current survey period. Permanent staff appointments continued to rise across the UK during October, with the rate of growth faster than that seen in September. The sharper increase was driven by quicker rises in three of the four monitored English regions. London was the only locality to post a softer upturn.

Temporary billings in the South of England rose markedly and at the quickest pace in five months in October. Latest survey data marked a continued pick-up in growth after August's 26-month low. However, the region lagged behind the UK trend for the seventh successive month. The remaining three English regions also posted faster rates of growth compared to

September.

The number of job vacancies in the South of England continued to rise in October. Vacancies of both permanent and temporary jobs rose sharply, the former at a marginally weaker rate than seen in September. Compared to the national averages, the South of England saw slightly faster growth in permanent vacancies, but a softer increase in temporary openings.

Fastest drop in permanent staff availability in nine months

The fall in permanent staff availability in the South of England was extended to 64 months in October, with the latest deterioration the steepest since January. Recruiters pointed to fewer candidates from abroad and less willingness to move jobs due to Brexit-related uncertainty. October data signalled the sharpest fall in permanent candidate availability in the UK since January, extending the current run of decline to 66 months. The steeper contraction in available permanent workers was driven by the South of England.

The availability of temporary staff in the South of England fell during October. Whilst the rate of decline was marginally weaker than seen in September, it remained sharp overall. As was the case with permanent staff availability, recruiters associated lower candidate numbers with reduced volumes and flexibility of domestic and foreign workers. There was also a fall in the availability of temporary workers across the UK. The overall pace of decline was quicker than in September. At the regional level, faster falls were seen in the Midlands, the North of England and London.

Starting salary growth remains solid

Permanent starting salary inflation in the South of England softened slightly in October, following September's 12-month high. That said, it remained historically strong overall, with panellists continuing to link this to skill shortages. The rate of inflation was broadly in line with the UK average, after having

outperformed the national benchmark in the prior two months. Salary growth was fastest in the South of England and slowest in London.

Wages awarded to short-term staff in the South of England rose modestly during October. The latest survey data marked the slowest increase in pay since January. Nonetheless, hourly pay for temp workers has now risen in each month for over six-and-a-half years. Pay given to temporary workers in the UK also rose in October. Though sharp, the increase in temp pay rates was weaker than that seen in September and the slowest for seven months. London posted the quickest rise, followed by the Midlands, the South of England and the North of England respectively

Comment

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

“The rise of permanent jobs available in the South of England reflects the business strength that we have been seeing throughout clients in the region. There is clearly uncertainty around Brexit but it hasn’t impacted growth yet.

“What is worrying, however, is the fast drop in available staff for these jobs. Although low unemployment as a factor is to be welcomed, the impact of leaving the EU is clearly resulting in there being less foreign workers available already.

“However, there are a couple of good future indications about the region. Firstly, there is less requirement for temporary workers in the South in comparison to the rest of the UK, and secondly, salary growth is also fastest in the South. It seems companies here are confident about the future and want to hire the right people for the long term.”

Neil Carberry, Chief Executive at the REC says:

“Skills shortages are a long-standing feature of our economy. They affect the ability of employers to grow and create jobs. That we have shortages in key skilled roles like IT, engineering and health is a sign that the right training and support is not in place for people to progress into these jobs from lower skilled work.

“While firms spend a lot every year on training, this mismatch persists. It’s time for businesses and government to work together to address it. Renewed investment from firms must be partnered with openness from Government to doing things differently, starting with the reform the Apprenticeship levy needs, turning it into a skills levy that supports all workers to have access to the training they need.”

“A new partnership is also necessary in our NHS. As we head towards winter we are once again seeing potential shortages of nursing, medical and social care staff. Working with recruiters to address this should be a Government policy priority - without access to agency workers key frontline services could be put under threat.”

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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.

The headline figure is the Permanent Placements Index, calculated from responses to the question "Is the number of people placed in permanent jobs higher, the same or lower than one month ago?".

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 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.

About IHS Markit

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