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

### Temp billings expand at fastest rate since June 1998

#### Key findings

- Hiring activity rises rapidly as COVID-19 restrictions ease further
- Vacancies increase at quickest rate for over 23 years
- Downturn in candidate availability intensifies

Data collected May 12-24

#### Summary

The further relaxation of COVID-19 restrictions and the reopening of more parts of the economy led to another rapid increase in hiring activity in May, according to the latest **KPMG and REC, UK Report on Jobs: South of England** survey. The steady return to more normal business conditions led to the quickest increase in temp billings since mid-1998, and the sharpest rise in permanent placements since August 2014.

However, lingering pandemic-related uncertainty, Brexit, IR35 legislation and furloughed workers all weighed heavily on candidate supply, which contracted sharply in May. As a result, rates of starting pay increased further as demand for staff continued to surge.

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.

#### Substantial rise in permanent staff appointments

Recruitment consultants in the South of England signalled a third consecutive monthly rise in permanent staff appointments during May. Notably, the rate of growth was the steepest recorded since August 2014. Panel members generally linked the upturn to increased business activity and stronger market confidence following the recent easing of COVID-19 restrictions.

At the national level, permanent placements also rose rapidly, and at a slightly faster pace than seen in the

South of England.

Latest survey data indicated a further acceleration in the rate of growth in temp billings during May. Furthermore, the respective seasonally adjusted index pointed to the quickest upturn for nearly 23 years, with the expansion also exceeding the UK-wide trend. Anecdotal evidence linked the rise to stronger demand for workers amid an easing of lockdown measures and the return to more normal business conditions.

Recruiters based in the South of England signalled a substantial increase in demand for permanent workers in May. Moreover, the rate of growth was the sharpest since January 1998, and the quickest of all four monitored English regions.

The number of temporary roles also expanded rapidly during May, with the rate of increase the steepest since March 1998. Growth of temp vacancies in the South of England also exceeded the national average.

#### Supply of permanent staff declines rapidly in May

The availability of permanent workers in the South of England deteriorated for the third month running in May. The rate of decline accelerated notably since April, and was the most severe since June 2017. The fall was also quicker than the UK-wide trend. According to panellists, concerns over changing roles amid the pandemic, skills shortages, fewer EU workers and the furlough scheme had all reduced the pool of available workers.

The seasonally adjusted Temporary Staff Availability Index fell sharply lower in May, to signal the quickest drop in short-term candidate supply in the South of England on record. The deterioration was also faster than that seen across the UK as a whole. When explaining the latest drop in temp staff numbers, recruiters often commented on Brexit, pandemic-related uncertainty, IR35 legislation and workers on furlough.

*Continued...*

## Starting salary inflation hits two-and-a-half-year high in May

Salaries for newly-placed permanent staff in the South of England rose for the third successive month in May. The rate of inflation accelerated since April and was the sharpest recorded since November 2018. The increase was also slightly faster than the UK-wide trend. Recruiters generally attributed the latest rise in starting salaries to lower candidate supply and greater competition for workers.

The rate of temp wage inflation picked up across the South of England for the fourth month running in May. Notably, the increase in average hourly pay was the quickest seen since May 2019, with a number of recruiters commenting that temp wages rose in order to attract scarce candidates. Pay for short-term staff also rose at the UK level, albeit at a weaker pace than that seen in the South of England.

## Comments

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

*“No one could have predicted six months ago that we’d be seeing activity in the temporary billings space that has been unseen for over 20 years.*

*“The return to a more normal way of life has also prompted the impressive increase in permanent placements. However, this may be hindered in the coming months by lack of available candidates, particularly as many of our overseas workers have now returned home. That said, we may see renewed confidence among potential local job hunters who see now as a good time to change roles, after putting plans on ice for a year.”*

Kate Shoesmith, Deputy CEO of the REC, said:

*“We now have a consistent picture over the past few months to show that confidence is growing and hiring plans are in motion. The data is mirroring exactly what recruiters tell us daily. In the South, permanent placements are growing at the fastest pace since 2014, and temp billings at the quickest for 23 years.*

*“So now is the time for action. With demand spiking, the skills and labour shortages that already existed in the UK have come into sharper focus – and COVID has only made them worse. This is the most pressing issue in the jobs market right now, and has the potential to slow down the recovery. Employers must think about how they can attract the staff they need, for example by looking at the wage and benefits package on offer – there is particular demand for more flexible and hybrid work. But government also needs to urgently look at improving access to work and opportunities for everyone to participate in training that will lead to a job. This should start with careers information that signals where job openings are being created and funding for the relevant work-related training.”*

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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 South East England, East of England and South West England).

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 21 offices across the UK with approximately 16,000 partners and staff. The UK firm recorded a revenue of £2.3 billion in the year ended 30 September 2020.

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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](http://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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