News Release

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

Permanent staff appointments decline at quickest rate since May 2009

Key findings

- Solid reduction in permanent placements
- Vacancies expand at weakest rates since 2012
- Availability of workers continues to fall sharply

Summary

Latest survey data pointed to subdued hiring trends across the South of England as lingering political and economic uncertainty weighed on recruitment plans. Notably, permanent staff appointments fell at the quickest pace in just over a decade, while temp billings growth eased to a three-month low. Demand for staff also softened, with permanent and temporary vacancies rising at the slowest rates since 2012. An uncertain outlook contributed to a further decline in staff availability, while greater competition for candidates continued to drive up rates of pay.

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.

Quickest drop in permanent placements since May 2009

Recruitment consultancies in the South of England signalled a steep and accelerated fall in the number of people placed into permanent jobs in June. Notably, the latest reduction was the fastest in just over 10 years, and extended the current sequence of decline to four months. According to panellists, greater political and economic uncertainty had dampened hiring activity. At the UK level, permanent placements fell for the fifth time in six months, albeit modestly. Furthermore, permanent staff appointments declined across all monitored English regions bar the North of England.

Latest data signalled a further rise in billings received from the employment of temporary workers in the South of England during June. Where an increase in temp billings was noted, this was often linked to firm demand for short-term workers. Though strong, the rate of expansion was the softest seen in the current three-month sequence of growth. Temp billings also expanded at the UK level, though the rate of growth remained marginal. London was the only other English region to record higher temp billings, as reductions were seen in the Midlands and North of England.

Demand for permanent workers in the South of England continued to rise in June. That said, the pace of expansion was the slowest recorded since January 2012 and weaker than the UK-wide trend.

Temporary vacancy growth in the South of England also slowed during June. Notably, the latest increase was the least marked since July 2012 and only modest. Across the UK as a whole, demand for short-term staff grew at a softer, but nevertheless solid, pace.

Availability of permanent workers falls sharply

June data signalled a further decline in permanent staff supply across the South of England. Notably, the rate of contraction quickened slightly to a three-month record. Recruiters that reported lower permanent candidate numbers generally linked this to skill shortages and a greater reluctance to switch roles amid an uncertain outlook. At the national level, permanent worker supply also fell sharply, despite the rate of reduction softening since May. The steepest fall was recorded in the South of England, while the softest was seen in the Midlands.

As has been the case since September 2013, the availability of temporary workers in the South of England fell during June. The rate of contraction accelerated slightly to a sharp pace that was broadly in line with that seen across the UK as a whole. Reduced candidate supply was often blamed by panellists on generally tight labour market conditions and fewer EU nationals. London also registered a quicker reduction in temp candidate supply during June, while rates of deterioration softened in the Midlands and the North of England.

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Starting salary inflation edges down to two-and-a-half-year low

June survey data signalled a further rise in salaries awarded to newly placed permanent staff in the South of England. Reports from panellists indicated that employers were having to increase pay offers due to candidate shortages and greater competition for staff. Though sharper than the national average, the rate of inflation was the softest seen for two-and-a-half years. On a regional basis, the quickest increase in starting salaries was seen in the Midlands, while the slowest was recorded in London.

Pay awarded to temporary staff in the South of England increased at a softer pace in June. Though marked overall, the latest rise was the slowest since February and the weakest seen of all four monitored English regions. Higher temp pay was often attributed to lower candidate supply. At the UK level, temp wage growth quickened to a seven-month high, supported by stronger rates of inflation across the three other surveyed English regions.

Comment

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

"The continuing political uncertainty is delaying business decisions, with many opting for short-term hires or putting a hold on hiring altogether, as evidenced by the sharpest decline in permanent appointments for a decade.

“Greater competition for the few roles available isn’t good news for job-seekers, however those who have been successful in securing a role have commanded higher pay.”

Recruitment & Employment Confederation chief executive Neil Carberry said:

“It’s no surprise that the jobs market has slowed a little in this time of uncertainty – but vacancy numbers remain high and there are still opportunities out there for people looking for their next step. Pay is rising too. Nevertheless, the gentle slowdown in permanent hiring and slow growth of temp billings is a reminder to all politicians that businesses and employees across the country are looking for a smooth path to a negotiated Brexit outcome.

“One issue which shows no sign of relenting is the shortage of qualified candidates in some areas, as availability of both permanent and temporary workers remains tight. Roles such as LGV and forklift drivers, healthcare assistants, as well as manufacturing and production staff are consistently listed as being in short supply.

“Agencies employing temporary workers do all they can to train them to fill these vacancies, but this is made more difficult by the constraints of the apprenticeship levy. It is high time that this policy was reformed. By allowing agencies to fund high-quality training for temps using the levy they pay, the government could provide progression opportunities for flexible workers, tackle the country’s skills shortages and boost the productivity of our economy.”

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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.

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 all about brilliant recruitment, which drives our economy and delivers opportunity to millions. As the voice of the recruitment industry, we champion high standards, speak up for great recruiters, and help them grow. Recruitment is a powerful tool for companies and candidates to build better futures for themselves and a strong economy for the UK. Find out more about the Recruitment & Employment Confederation at www.rec.uk.com.

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