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

### Permanent placements decline at softer pace during July

#### Key findings

- Modest reduction in permanent placements
- Vacancy growth picks up slightly, but remains subdued
- Permanent candidate supply falls at slowest rate for two-and-a-half years

#### Summary

Recruitment consultancies across the South of England indicated that subdued market confidence continued to weigh on labour market conditions in July. Permanent staff appointments fell for the fifth month in a row, albeit at a softer pace than in June, while temp billings increased at the slowest rate since March. While there was a slightly stronger rise in vacancies, growth remained lacklustre compared to recent years. Brexit-related uncertainty also weighed on candidate supply, though the availability of both permanent and temporary workers deteriorated at softer rates compared to the previous month. Starting pay inflation remained marked overall, as competition for staff continued to place upward pressure on salaries and wages.

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.

#### Permanent staff placements fall at weaker pace

July survey data indicated that permanent placements in the South of England fell for the fifth month running. That said, the rate of decline eased to a modest pace that was the softest since April. The latest reduction was generally linked by recruiters to candidate shortages and delayed decision-making among clients due to greater market uncertainty. Permanent staff appointments also fell further at the national level, albeit marginally. The latest result was driven by reductions in three of the four monitored English regions, with only the North of England recording an

increase.

Recruitment consultancies based in the South of England reported a further rise in billings received from the employment of temporary staff in July. According to anecdotal evidence, greater usage of short-term staff underpinned the latest rise in temp billings. Though solid, the rate of increase edged down to a four-month low. London also recorded an increase in temp billings, but falls were seen across the Midlands and the North of England. Consequently, temporary staff billings across the UK as a whole grew at the softest pace since the current run of expansion began in May 2013.

Latest data signalled further increases in demand for both permanent and temporary staff in the South of England. Permanent vacancies rose sharply overall, with the rate of growth quickening to a four-month record. Notably, the upturn outpaced that seen at the national level. Demand for temporary staff meanwhile grew at a modest pace, despite the rate of increase quickening since June. The expansion also remained slower than the UK-wide trend.

#### Permanent staff supply falls at weakest rate for two-and-a-half years

The availability of candidates to fulfil permanent job roles in the South of England fell further in July. Though still sharp, the rate of deterioration was the softest seen in two-and-a-half years. Panel members linked the latest reduction in permanent staff supply to a reluctance among candidates to change roles due to uncertain market conditions, as well as a generally low unemployment rate. At the UK level, permanent candidate availability also fell at a weaker, but still marked, pace. On a regional basis, only the Midlands reported a faster reduction in permanent worker supply in July.

Adjusted for seasonal variation, the Temporary Staff Availability Index pointed to a further sharp fall in the supply of temporary workers in the South of England. This was despite the rate of reduction easing to the least marked in four months. Recruiters often cited a high employment rate across the region when explaining the

fall in availability. Temp staff supply across the UK as a whole declined at only a modest rate that was the softest recorded for just over six years. Short-term candidate availability fell in all monitored regions bar the North of England.

### Softest increase in starting salaries for 31 months

Recruitment consultancies in the South of England registered a further rise in starting salaries for newly-placed permanent workers. Reports from panellists indicated that skill shortages had pushed up pay in the latest survey period. Though sharp and above the historical average, the rate of inflation edged down to its softest for just over two-and-a-half years. Starting salary growth softened to a 27-month low at the national level, but remained robust. The quickest increase in permanent starters' pay was seen in the North of England.

Average hourly pay rates for short-term staff in the South of England continued to rise in July, thereby stretching the current sequence of growth to 88 months. Where higher temp pay was reported, this was generally attributed to increased competition for workers. The pace of inflation was sharp overall, having picked up slightly since June. In contrast, temp wage growth eased to a four-month low at the national level amid weaker increases in the Midlands and London.

### Comment

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

*“Political uncertainty is still biting in the South. Businesses continue to put off long-term decisions and relied heavily on temporary staff in July. When compared with the rest of the country, temporary staff appointments in the South rose at the highest rate last month. This is despite the fact that both temporary and permanent availability grew at the slowest rate compared with other regions – with workers nervous about switching roles thanks to the uncertainty.”*

*“In terms of skills shortages in the South – to name just a few – accounting and finance, construction, and hospitality are being particularly hard hit for both temporary and permanent vacancies.”*

*“Greater competition for workers means we’ve seen yet another increase in permanent and temporary wages,*

*but average weekly earnings in the South still lag behind most regions at £571 a week.”*

Recruitment & Employment Confederation chief executive Neil Carberry said:

*“Our flexible jobs market remains a key strength for the UK as we navigate an uncertain time. While we are seeing a concerning weaker trend in permanent placements bed in, the rate of change is slow, employment rates are high and starting salaries are growing. Businesses will be looking to politicians for a pragmatic way forward to help them turn this around – not just on Brexit, but on domestic policies too.”*

*“The new government should be focused on delivering the negotiated exit from the EU businesses need, but also on avoiding damaging changes that will undermine the strength of our jobs market. An improved approach to immigration, reforms to the apprenticeship levy and avoiding hasty changes to contractor tax rules should be top of the list.”*

*“In difficult times such as these, recruitment specialists are an invaluable source of local and industry expertise to businesses looking to hire new staff. The REC is helping its members to do this with our new, local workforce intelligence data, so that they can continue to provide employers with the right people to grow their business.”*

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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](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 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](http://www.rec.uk.com).

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