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

Permanent staff appointments rise at slowest rate for over a year in January

Key findings

- Slower increase in staff appointments amid uncertain outlook
- Candidate availability continues to fall sharply
- Starting pay rises at historically marked rate

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.

Slowest rise in permanent placements for 14 months

January survey data signalled that permanent staff appointments in the South of England rose at a softer pace. Moreover, the latest upturn was the least marked for 14 months. Survey respondents often mentioned that candidate shortages had weighed on growth, but there were also reports that uncertainty over the outlook had delayed hiring decisions. Nonetheless, the increase contrasted with a renewed fall in placements at the national level. Furthermore, the South of England was the only English region monitored by the survey that recorded higher permanent staff appointments, with falls noted elsewhere.

January survey data also signalled a weaker rise in billings received from the employment of short-term staff in the South of England. Growth was marginal overall, having eased to the slowest over the current 31-month sequence of expansion. Temp billings also rose at a noticeably slower rate across the UK as a whole.

Temp billings rose markedly in the Midlands but fell in the North of England and London.

Demand for both permanent and temporary workers in the South of England continued to increase in January. Permanent job vacancies rose sharply overall, despite the rate of growth softening from December. Notably, growth of demand for permanent staff outstripped the UK average. Though still marked, the latest increase in short-term vacancies in the South was the slowest for just over two years and weaker than the national trend.

January sees further marked decline in permanent staff supply

The availability of candidates willing to undertake permanent job roles in the South of England continued to deteriorate at the start of 2019. The rate of reduction remained much stronger than seen on average over the survey's two-decade history, despite easing slightly since December. Panellists often mentioned that people were reluctant to move jobs amid Brexit-related uncertainty. Permanent candidate availability also fell at a slightly softer pace in the Midlands. However, accelerated declines in the North of England and London contributed to the quickest reduction in permanent staff supply across the UK as a whole for 20 months.

January data pointed to a sustained fall in the supply of temporary candidates in the South of England. The rate of deterioration accelerated slightly from December and was sharp overall. A number of recruiters mentioned that people were hesitant to seek out new jobs due to an uncertain outlook.

Temp candidate availability also fell further at the national level, and at a quicker pace than seen in the South of England. Notably, all four monitored English regions saw faster declines in short-term candidate supply at the start of the year, led by the Midlands.

Starting salaries rise at sharper rate at start of 2019

Latest survey data signalled a further rise in starting salaries offered to permanent staff in the South of England. Furthermore, the rate of inflation accelerated since the end of 2018 and was much sharper than the series average. Recruitment consultancies regularly linked higher pay to low staff availability and increased use of counteroffers. Starting salaries rose at a similarly sharp pace across the UK as a whole, supported by steep increases across all four monitored English regions.

Comment

Commenting on the latest survey results, Andrew Hodgson, Senior Partner at KPMG UK, said:

“The South is in a strong economic position, with a burgeoning tech industry which is helping the region stay ahead of the rest of the UK when it comes to the number of jobs on offer.”

“However with Brexit so close it is unavoidably starting to cast a shadow on the region. It continues to be very tough to find available candidates, This is a concern as a large percentage of talent in the tech’ industry comes from overseas. For those that are looking for a change, there is room to negotiate a good deal.”

Pay awarded to short-term staff in the South of England also rose strongly at the start of the year. Moreover, the rate of growth quickened since December, and was among the fastest seen since the survey began over 21 years ago. Higher temp wages were often linked by respondents to efforts to attract applicants and secure staff. Short-term pay also rose markedly at the national level, though the pace of inflation was not as steep as that seen in the South. Moreover, temp pay increased at softer rates across the remaining three English regions, with the softest expansion seen in the North of England.

Recruitment & Employment Confederation chief executive Neil Carberry said:

“This is the first month since July 2016 where permanent placement numbers have dropped, with weaker – but still positive – performance for temporary roles, and the lowest rate of vacancy growth for over two years. But we should be careful not to overreact – employment rates are high, and the performance of our labour market overall is still strong. We also know that key sectors such as accounting, engineering and IT are facing shortages.

“That said, the survey results are a sharp reminder to politicians in Westminster and in Brussels of the need to provide businesses with clarity about the path ahead, so they can invest with confidence.

“In the public sector, the NHS continues to find it particularly difficult to find care workers and nurses – the effects of which are being felt by patients and overworked existing staff. Along with other sector shortages, this again emphasises the need for pragmatism on immigration and a clear post-Brexit transition period.”

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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 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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