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

### Recruitment activity surges in August

#### Key findings

- Permanent staff appointments expand at record rate
- Unprecedented decline in availability of workers
- Starting salary inflation hits fresh series high

Data collected August 12-24

#### Summary

The latest **KPMG and REC, UK Report on Jobs: South of England** survey signalled a sharper increase in recruitment activity during August. Permanent staff appointments rose at the fastest rate on record and temp billings growth hit its highest since April 1998 as demand for staff continued to expand rapidly.

The supply of labour fell further, however, with both permanent and temporary staff availability falling at the sharpest rates in nearly 24 years of data collection. The imbalance of demand for and supply of workers led to a record increase in starting salaries and a further marked rise in temp 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.

#### Record increase in permanent placements during August

After slowing in July, growth of permanent staff appointments across the South of England accelerated to a fresh series high in August. The rapid upturn was frequently linked by recruiters to increased market activity following the relaxation of pandemic measures and greater demand for staff. However, the pace of expansion remained softer than that seen across the UK as a whole.

All four monitored English regions signalled a substantial rise in permanent placements during August, led by London.

Adjusted for seasonal factors, the Temporary Billings Index signalled a thirteenth successive monthly increase in billings received from the employment of short-term staff in the South of England during August. Anecdotal evidence attributed growth to rising business requirements at clients. Notably, the rate of expansion quickened for the first time in three months and was among the sharpest since data collection began nearly 24 years ago. The upturn was slightly slower than the UK average, however.

Regional data showed that London once again posted the steepest increase in temp billings, while the softest expansion was seen in the North of England.

Recruiters in the South of England recorded a further steep increase in demand for permanent staff during August. This was despite the rate of growth easing further from June's recent high. Permanent vacancies rose at an identical and rapid pace across the UK as a whole.

Demand for temp staff in the South of England also rose sharply in August, with the upturn outpacing the national trend. This was despite the rate of growth also slipping to a three-month low.

#### Availability of permanent candidates drops at record pace

Recruitment agencies based in the South of England indicated a severe drop in the supply of permanent candidates during August. Moreover, the rate of deterioration quickened to the sharpest in the survey history, surpassing the previous record set in June, and outpaced the national average. Lower staff availability was often attributed to a reduced pool of active jobseekers (often due to pandemic-related uncertainty), Brexit and furloughed staff.

Regional trends highlighted that the fall was broad-based, with London and the North of England also reporting series-record reductions in available staff. The latter registered the steepest fall overall.

The seasonally adjusted Temporary Staff Availability Index fell further into contraction territory during

August, to signal the sharpest fall in temp labour supply in the South of England on record. The reduction was also faster than that seen across the other three monitored English regions. Recruiters indicated that greater demand for staff, fewer workers from the EU, the furlough scheme and general skill shortages had weighed on temporary labour supply.

## **Starting salary inflation accelerates to fresh record high**

Latest survey data pointed to a marked and accelerated rise in starting salaries for permanent workers in the South of England during August. Furthermore, the rate of inflation was the quickest seen since data collection began in October 1997, albeit not quite as sharp as that seen at the national level. Candidate shortages and efforts to secure skilled staff had placed further upward pressure on pay, according to recruiters.

All four monitored English regions recorded increases, with Midlands-based recruiters seeing the strongest rate of inflation.

Average hourly rates of pay for short-term/contract staff in the South of England rose for the ninth month running in August. Although easing from July's more than two-decade peak, it remained rapid overall and was the fourth-quickest in the series history. That said, the rate of inflation was slightly softer than the UK-wide trend. Reports from panel members indicated that strong demand for staff and low candidate supply had driven up rates of pay in the latest survey period.

Temporary wage inflation was sustained across the four monitored English regions in August, with the Midlands on top of the rankings.

## **Comments**

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

*"It's clearly very encouraging to see demand for workers across the South remain strong, and permanent appointments rising at a record rate is indicative of that. However, the region still faces a significant shortage of permanent and temporary staff, with availability now plummeting at the fastest rate since this survey began 24 years ago. This is a reminder that the impact of the pandemic and of Brexit may well be felt for some time to come, and businesses will need to remain resilient, and efficient with the resource available to them, until a balance between demand and supply is established."*

Neil Carberry, Chief Executive of the REC, said:

*"In August, the number of staff available to start jobs fell at another new record rate, deepening the current labour shortage. Recruiters are working around the clock, placing more people into work than ever as these figures show. Switching the entire economy on over the summer has created a unique demand spike, and a short-term crisis."*

*"But it would be a mistake for businesses to think of this as only a short-term issue. A number of factors mean that the UK labour market will remain tight for several years to come. Business leaders should be looking now at how they will build their future workforces, in partnership with recruiters, including the skills and career path development. But attracting and retaining staff also requires a serious assessment of why workers want to work with the firm – from management approaches to facilities, as well as pay. Government can help too, by aligning skills offers with business needs and making sure the new immigration system works. But government also must prioritise alleviating the immediate crisis – we'd like to see a joint forum where government departments and business can collaborate to tackle worker and skills shortages."*

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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.

KPMG is a global organization of independent professional services firms providing Audit, Legal, Tax and Advisory services. It operates in 147 countries and territories and has more than 219,000 people working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

## 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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