News Release

Embargoed until 0101 (UK) 6 September 2019

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

Permanent placements fall solidly in August

Key findings

- Faster decline in permanent placements, while temp billings rise only slightly
- Permanent vacancies increase at slowest pace since 2012
- Starting salary inflation softens to three-year low

Summary

Latest survey data signalled a quicker drop in permanent staff appointments in the South of England, while temp billings growth weakened to a marginal pace. Uncertainty remained a key factor weighing on hiring activity and demand for workers, according to recruitment consultancies, who also reported relatively weak rises in both permanent and temporary vacancies. Subdued confidence also impacted candidate supply, which fell again in August, as people were hesitant to look for new roles in the current climate. Pay pressures meanwhile remained softer than seen at the start of the year, with starting salary inflation easing to a three-year low.

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.

Solid decline in permanent staff appointments

Adjusted for seasonal influences, the Permanent Placements Index indicated that permanent staff appointments in the South of England declined for the sixth month running in August. Notably, the rate of contraction quickened to a solid pace that matched that seen at the national level. According to anecdotal evidence, Brexit-related uncertainty and fewer-than-anticipated vacancies had dampened hiring in August. Furthermore, permanent placements declined in all of the monitored regions except London, with the fastest deterioration reported in the Midlands.

Although billings received from the employment of temporary staff continued to increase during August, the rate of expansion weakened notably. The latest upturn was the slowest in five months and marginal overall. Reports from panel members indicated that relatively muted demand for staff and decisions to delay projects had limited growth. Temp billings also rose only slightly across the UK as a whole, driven by the North of England, which posted the strongest increase. The Midlands registered broadly unchanged temporary billings, whilst London posted a marginal fall.

August data signalled that both permanent and temporary staff vacancies increased at softer rates in the South of England. Though solid, growth of demand for permanent workers was the weakest since January 2012. Nonetheless, the latest upturn matched the UK-wide trend. Temp staff demand meanwhile rose only slightly across the region. The rate of expansion was the weakest recorded for 86 months and below the national average.

Availability of permanent workers continues to fall sharply

Recruitment consultancies in the South of England registered a further drop in permanent worker availability in August. Although the rate of deterioration was among the softest seen for the past three years, it remained sharp overall. The fall was often linked to an uncertain outlook, which had made candidates hesitant to seek new jobs. Permanent labour supply also fell across the UK in August, albeit at the slowest rate since December 2016. Permanent staff availability decreased across all of the four monitored English regions, with the South reporting the quickest deterioration.

The supply of short-term workers in the South of England fell again in August. That said, the rate of reduction was the weakest in the current six-year sequence of decline and only modest. Recruiters indicated that skill shortages and uncertainty surrounding Brexit had weighed on candidate numbers. Temporary worker availability also deteriorated modestly at the UK level, with the pace of decline matching that seen in the South. The reduction was most marked in the Midlands, contrasting with only a marginal fall in the North of England.

News Release

Starting salary inflation eases to three-year low

Adjusted for seasonal factors, the Permanent Salaries Index signalled a sustained rise in pay awarded to newly-placed permanent staff in the South of England. Anecdotal evidence indicated that employers were having to up pay offers in order to attract candidates. Though sharp, the rate of salary growth was the weakest recorded for three years. At the UK level, the rate of inflation was the softest in over two-and-a-half years. All four monitored English regions posted a rise in salaries, with inflationary pressures strongest in the South.

Latest survey data indicated that average hourly pay rates given to short-term staff in the South of England increased again in August. Despite quickening to a three-month high, the rate of wage inflation nonetheless remained among the slowest seen in the past two-and-a-half years. Temp pay also rose at the national level, with the rate of growth broadly in line with that seen in the South. Faster wage growth was also recorded in the Midlands, whilst the North saw a fractional slowdown and wage inflation eased to only a moderate rate in London.

Comments

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

"It's clear employees in the region are becoming more risk-averse when it comes to switching roles, with permanent candidate supply in the South declining at the sharpest rate in August compared to the rest of the country.

"It also comes as no surprise that hiring intentions among businesses in the South continue to fall – with lingering economic and political uncertainty making it increasingly difficult for firms to plan ahead.

"The situation is being managed in part by an increase in temporary placements as businesses look to cover gaps with contract staff.

"However, with companies being under-resourced, they are also seeing wage and salary demands increase, which will put more pressure on the bottom line.

"Looking ahead, conditions across the labour market are likely to remain restrained against a backdrop of uncertainty - with businesses and employees looking for a Brexit breakthrough to restore market confidence."

Recruitment & Employment Confederation chief executive Neil Carberry said:

"Today's figures are a sobering reminder to politicians of all parties that national prosperity relies on businesses creating jobs and growing careers. Britain's record on jobs is world-leading. It's a key part of our economic success, with recruiters at the forefront of it. And there are still great opportunities out there for those looking for a new job and a boost in earnings.

"But all this rests on business confidence – the confidence to invest, to hire someone, to try something new – and it's clear that things are getting harder. Across the UK, permanent placements have now dropped for six months in a row and vacancy growth is slowing. While we continue to benefit from the flexibility of our jobs market as demand for temps holds steady, today's survey emphasises the real world impacts of the political and economic uncertainty businesses are facing.

"The first priority should be avoiding a damaging no-deal Brexit and giving some stability back to British businesses, so they can drive the prosperity of the whole country."

News Release

Contact

KPMG
Gill Carson
+44 (0) 7768 635843
gill.carson@kpmg.co.uk

REC
Josh Prentice
Comms & Research Officer
T: +44 (0)20 7009 2129
josh.prentice@rec.uk.com

REC
Ciaran Price
PR Manager
+44 (0)20 7009 2192
ciaran.price@rec.uk.com

IHS Markit
Annabel Fiddes
Principal Economist
+44 1491 461 010
annabel.fiddes@ihsmarkit.com

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.

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.

Disclaimer

The intellectual property rights to these data are owned by or licensed to IHS Markit and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. IHS Markit is a registered trademark of IHS Markit Ltd and/or its affiliates.