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

Joint-weakest rise in demand for permanent staff in over a decade

Key findings

- Marked reduction in permanent placements
- Continued declines in candidate numbers
- Growth in demand for staff slows

Summary

Demand for staff in the South of England increased at a slower rate during October, and at the joint-weakest pace in over a decade in the case of permanent vacancies. Brexit uncertainty was again a key feature of the latest survey, with caution among companies when making hiring decisions leading to a sharper fall in permanent placements and the first decline in temp billings for seven months. Caution was also evident among workers themselves, with a reluctance to move jobs in the current climate resulting in further marked reductions in candidate availability. Efforts to entice candidates led companies to offer increased 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.

Sharp fall in permanent placements

Recruitment consultancies in the South of England saw permanent placements decline for the eighth month running in October. Moreover, the rate of contraction was sharp, having accelerated to the fastest in four months. Respondents indicated that Brexit uncertainty had led to slower decision making, while a lack of candidates had also contributed to the fall. The reduction in permanent placements in the South was sharper than the UK average. The fastest rate of contraction was recorded in the Midlands, followed by the South of England. Only the North of England recorded an increase in placements.

Recruiters signalled a drop in billings from the employment of temporary staff in October, thereby

ending a six-month sequence of expansion. That said, the fall was only slight. Panellists often reported that contracts had come to an end, and had not been extended or replaced. A fall in temp was also seen in London. However, upturns in the Midlands and the North of England drove an increase across the UK as a whole.

Slight rises in demand for both permanent and temporary workers were registered in October. The increase in permanent vacancies was the joint-weakest in just over a decade of continuous expansion. Meanwhile, the rise in demand for temps was the joint-slowest since June 2012, equal with that seen in August. In both cases, vacancies in the South of England increased at a weaker pace than across the UK as a whole.

Quicker fall in permanent candidate numbers

October data pointed to another steep monthly reduction in permanent candidate numbers in the South of England. Moreover, the rate of decline accelerated to the fastest in four months. According to respondents, uncertainty around Brexit had resulted in caution among employees, and a reluctance to move roles until the situation becomes clearer. More than 36% of panellists noted a fall in permanent candidate numbers, against 13% that posted a rise. The South recorded the sharpest contraction of the four English regions.

Short-term staff supply continued to fall in the South of England during October, continuing the trend which began in September 2013. The pace of reduction was solid, but slower than that seen in the previous month. As was the case with permanent candidates, respondents indicated that temporary workers were reluctant to move from current roles amid ongoing uncertainty. The fall in temp candidate supply in the South was marginally quicker than the UK average, while the Midlands saw the fastest deterioration overall.

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Starting salary inflation at three-month high

Shortages of candidates meant that companies offered higher starting salaries for permanent placements to try and attract candidates. As a result, salaries rose sharply again in October, with the rate of inflation quickening to a three-month high. The rise in permanent starting pay in the South of England was the fastest of the four English regions covered by the survey, whilst the North of England noted the softest increase in permanent salaries.

October data pointed to a sharp monthly increase in wages for temporary workers in the South of England. Moreover, the rate of inflation quickened from that seen in September and was the sharpest of the four English regions, with the weakest being recorded in the North of England. Anecdotal evidence suggested that pay rates in the South had been raised in line with a shortage of candidates. Close to 16% of panellists reported a rise in temp wages, against 2% that posted a fall.

Comments

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

“Businesses in the South are still playing the waiting game. Until there’s a clear Brexit outcome in sight, we’re seeing continued caution around hiring in the region.

“For businesses who are feeling brave enough to recruit, they’re facing a decreasing talent pool with many would-be job seekers taking the view that now is not the right time to look for a new role. As a result, those who are job hunting can take advantage of the supply vs demand issue to command higher pay, and businesses are feeling the pinch as a result.”

Recruitment & Employment Confederation chief executive Neil Carberry said:

“These figures underline why this needs to be a jobs election. The labour market is strong, but permanent placements have now dropped for eight months in a row, and vacancies growth in the South has fallen to its lowest level for a decade. One bright spark is the temporary labour market, which continues to provide flexible work to people and businesses that need it during troubled times.

“Ending political uncertainty and getting companies hiring again is vital – but we must also look to the long term future of work. Jobs must be front and centre during this election campaign, and we will be launching our REC manifesto for work next week. We will be urging all political parties to run on policies which support and enhance the UK’s flexible labour market – allowing businesses to create jobs, employees to build careers and the economy to grow.”

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.

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