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

### Permanent staff appointments fall slightly in September

#### Key findings

- Permanent placements decline again, while temp billings growth remains marginal
- Permanent staff vacancy growth eases to 92-month low
- Availability of workers continues to deteriorate

#### Summary

Hiring activity in the South of England remained subdued in September, with permanent staff appointments declining for the seventh month in a row. At the same time, temp billings expanded only marginally, with the pace of increase holding close to August's recent low. Recruiters indicated that Brexit-related uncertainty not only impacted demand for staff, but also the supply of workers. The availability of candidates continued to fall sharply at the end of the third quarter, while vacancies rose only modestly. Nonetheless, a relatively low unemployment rate and greater competition for workers continued to push up rates of 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.

#### Permanent placements decline only slightly

Recruitment consultancies based in the South of England signalled that permanent staff appointments decreased again in September. That said, the reduction was only slight and the weakest seen in the current seven-month sequence of decline. It was also slower than the UK-wide trend. Reports from panellists indicated that demand for staff had softened due to ongoing market uncertainty related to Brexit. Permanent placements also declined in the Midlands and London, and at faster rates than that seen in the South of England. The North bucked the overall trend, recording a renewed increase in permanent staff appointments.

Billings received from the employment of short-term staff in the South of England continued to rise at the end of the third quarter. Recruiters that noted higher temp billings linked this to a general increase in demand for short-term staff. That said, the rate of expansion held close to August's recent low and was marginal. Across the UK as a whole, temp billings expanded modestly, with growth also subdued by historical standards. Marked increases in temp billings were seen in the North of England and the Midlands, while London registered a modest fall.

Vacancies for both permanent and temporary workers in the South of England rose at subdued rates in September. Growth of demand for permanent staff in the region was the least marked since January 2012. The latest upturn was moderate, albeit in line with the UK average. Although temporary vacancies expanded at a quicker pace than in August, the rate of increase was only modest and slower than the UK-wide trend.

#### Softer, but still sharp, reduction in permanent labour supply

The availability of permanent workers in the South of England continued to contract markedly in September. This was despite the rate of reduction easing to the weakest for three years. Recruiters widely reported that Brexit-related uncertainty was the main factor weighing on permanent candidate numbers. The supply of permanent staff also fell sharply across the UK as a whole, albeit at a slightly softer rate than in the South. The slowest reduction was seen in the North of England, while the quickest was in London.

September data signalled a steeper reduction in short-term staff supply across the South of England. That said, the rate of deterioration remained weaker than seen on average since the current downward trend began in September 2013. The availability of temporary workers at the UK level also fell at a quicker rate than in August. While this trend was mainly driven by the South, a sharper reduction in short-term candidate numbers was also evident in the capital.

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## Starting salaries continue to rise sharply

Salaries awarded to newly-placed permanent staff in the South of England rose further in September. The rate of inflation was sharp, and picked up slightly from August's recent low. Panel members that registered higher starting salaries attributed this to efforts to attract candidates. Starting pay for permanent staff also increased at a sharper rate at the national level. Notably the upturn across the UK as a whole was steeper than that recorded in the South of England, with all four monitored English regions registering faster rates of inflation.

Adjusted for seasonal factors, the Temporary Wages Index signalled a sustained rise in temp pay in the South of England during September. Though solid, the rate of growth eased to the least marked since November 2016. A softer increase in average hourly rates of pay was also seen across the UK as a whole, though the rate of inflation continued to outpace that seen across the South of England. The steepest increase was once again noted in the Midlands, while the softest was seen in London.

## Comments

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

*“Businesses in the South of England are facing a real challenge – they are working harder than ever to find the right candidates from a shrinking pool of labour and are trying to convince people to make a career move while there is still so much uncertainty hanging over the economy. To make matters more difficult, company wage bills are taking an increasingly larger bite at company finances as market forces tilt in favour of job hunters. That said, the same fears over a lack of visibility are also starting to put a gentle brake on hiring decisions too. While many still appreciate the need to press on with growth plans and can’t afford to stand still, some business leaders are hitting pause – at least in the short term. I think everyone will agree that we’re all looking for a breakthrough in the Brexit wrangling in the coming weeks to free up the labour market.”*

Recruitment & Employment Confederation chief executive Neil Carberry said:

*“Businesses are positive about their own prospects, but ongoing Brexit uncertainty has led many firms to delay projects and hiring decisions. Vacancy growth has fallen to its lowest since 2012. The UK’s vibrant temporary work market is playing an important role in helping employers to manage the ongoing uncertainty and job-seekers to find work.*

*“There are deeper issues which must be addressed to secure the UK’s future prosperity. Productivity is falling, and there are skills shortages in vital sectors across the economy. Solving these problems must be top of the government’s to-do list once the Brexit deadlock has been broken.”*

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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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