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

Recruitment activity rebounds in August

Key findings

- Permanent placements and temp billings both rise sharply
- Redundancies lead to a further marked increase in staff supply
- Softer drops in starting salaries and temp wages

Data collected August 12-24

Summary

Hiring activity across the South of England rebounded sharply in August as more parts of the economy reopened, according to the latest **KPMG and REC, UK Report on Jobs: South of England** survey. Permanent placements and temp billings both expanded at marked rates, with growth of the latter hitting a three-year high amid evidence of increased market activity. However, reports of redundancies led to a substantial increase in the supply of candidates. A combination of rising staff supply, reduced client budgets and subdued vacancy trends placed further downward pressure on starting pay, though rates of decline were not as severe as those seen in July.

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 staff appointments rise sharply in August

Adjusted for seasonal factors, the Permanent Placements Index signalled a renewed increase in permanent staff appointments in August, thereby ending a five-month sequence of decline. Furthermore, the rate of expansion was the sharpest seen since December 2018. Where higher permanent placements were reported, this was generally linked to greater market activity as more parts of the economy began to reopen following the coronavirus disease 2019 (COVID-19) lockdown. Across the UK as a whole, permanent staff appointments rose for the first time in six months. However, the rate of increase was only marginal overall.

Across the four monitored English regions, only the South of England and the Midlands registered an uptick during August, while reductions were seen in the North of England and London.

Billings received from the employment of temporary staff in the South of England also rose in August, after declining in each of the prior five months. The rate of growth was the steepest for three years and substantial. Panellists indicated that the reopening of the economy and recommencement of works had led to higher temp billings, while there were also mentions of clients preferring short-term workers to permanent staff. At the national level, temp billings expanded at the sharpest rate in 20 months. The South of England registered the fastest rise in temp billings, followed by the Midlands and the North of England. Meanwhile, London was the only monitored English region to see a fall.

Permanent vacancies continued to decline at a quicker pace than for temporary roles in the South of England in August. Demand for permanent workers fell sharply overall, with the rate of decline little-changed from the previous month. That said, the reduction was softer than that seen across the UK as a whole. In contrast, short-term roles in the South of England fell at a marginal pace that was the slowest in six months. Temp vacancies stabilised at the national level.

Record increase in permanent staff availability

Recruiters in the South of England registered a further substantial increase in the number of permanent candidates during August. Notably, the rate of expansion exceeded that seen in July to signal the steepest rate of growth in nearly 23 years of data collection. Respondents widely cited redundancies as the key factor driving up staff availability. Permanent staff supply at the UK level rose at the second-fastest pace on record, with all four monitored English regions posting historically sharp rates of growth.

The seasonally adjusted Temporary Staff Availability Index remained well above the neutral 50.0 level in August to signal a further sharp rise in temp candidate availability across the South of England. Though not as

quick as those seen in the prior two months, the rate of expansion was historically marked. Redundancies stemming from the COVID-19 pandemic were frequently mentioned by panel members as having pushed up candidate numbers in August. Across the UK as a whole, the supply of temporary staff increased for the sixth month running. The rise in August was the softest since May, but still rapid overall. At the regional level, London saw the most marked increase, while the Midlands registered the slowest.

Permanent starters' salaries decline at weaker pace

August data signalled that permanent starters' salaries in the South of England fell for the fifth month running. The rate of decline was solid, although it eased further from May's record pace and was the softest seen over this period. A combination of reduced client budgets, muted demand for staff and greater worker availability depressed pay, according to panel members. Starting salaries also fell solidly across the UK as a whole. The reduction was broad based across the four monitored English regions, with London recording the quickest drop in permanent salaries, followed by the Midlands.

The downturn in average hourly pay for short-term staff eased further in August, with the latest drop in wages the least marked for five months. Notably, pay fell only modestly overall. Respondents often mentioned that the pandemic continued to weigh on wages in August. Across the UK as a whole, temp pay fell at a softer, but still solid, rate in August. At the regional level, London saw a sharper drop in wages than the other three monitored English regions. Meanwhile, the South of England registered the slowest fall.

Comments

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

"It's absolutely fantastic that the region has seen the sharpest increase in both temporary and permanent placements compared to the rest of the country. Is there finally light at the end of the tunnel?"

"Perhaps not, when you consider that vacancies are still declining at a rapid pace. The region's unemployed are facing serious competition for each role, despite falling salaries."

Neil Carberry, Chief Executive of the REC, said:

"A return to growth on permanent placements and temporary billings is good news – though it is also expected, given we are comparing activity now with the lockdown. Temporary work is critical in any recovery – businesses turn to temps to help them ramp up and meet demand while the future looks uncertain. At the same time, it enables people to find work quickly. Past recessions show that temporary work bounces back more quickly – it is one of our jobs market's biggest strengths and that's really showing now."

"Slower growth in permanent staff appointments is concerning. It reflects the uncertainty businesses face about what will happen over coming months with the pandemic and Brexit. Government can take action to address this – by focussing on getting a trade deal in place and supporting businesses to keep people employed. A reduction to employers' National Insurance Contributions, and greater flexibility on skills support would both help firms to maintain jobs and hire more people."

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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 21 offices across the UK with approximately 17,600 partners and staff. The UK firm recorded a revenue of £2.40 billion in the year ended 30 September 2019. KPMG is a global network of professional firms providing Audit, Tax, Legal 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 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.

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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