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

Permanent staff placements increase at weakest pace since August 2016 amid uncertain outlook

Key findings

- Slowest rise in permanent staff appointments in 30 months
- Candidate availability declines at softer pace
- Temp wage inflation at 27-month low

Summary

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.

The Report on Jobs is unique in providing the most comprehensive guide to the UK labour market, drawing on original survey data provided by recruitment consultancies and employers to provide the first indication each month of labour market trends.

Weakest rise in permanent placements in two-and-a-half years

February survey data indicated that permanent staff placements in the South of England rose only modestly. In fact, the latest increase was the least marked since August 2016, continuing a notable growth slowdown seen during the first quarter so far. Respondents found that candidate shortages and Brexit-related uncertainty curbed the upturn. Across England, higher permanent appointments in London and the South of England helped to offset falls in the Midlands and the North of England.

After a slight upturn in short-term staff billings in the South of England in January, there was a solid increase in February. Recruiters generally associated the rise with an improvement in the number of available contract roles. Nevertheless, the rate of expansion remained weaker than across the UK as a whole. Renewed increases in temp billings were seen in London and the

North of England, while the Midlands registered a softer but still sharp rate of expansion.

Demand for both permanent and temporary workers in the South of England increased further in February. Permanent job vacancies rose sharply overall. However, the rate of growth softened to a 28-month low. Notably the upturn was stronger than the average for the UK. Temporary job vacancies in the South of England also rose at a weakened pace, albeit one that was broadly in line with the national trend.

Permanent staff supply drops at softest rate in over two years

Candidate availability for permanent job roles in the South of England continued to decline sharply in February. Nevertheless, the rate of deterioration was the softest since January 2017, as some respondents saw candidate numbers increase in sectors such as automotive and construction. Mainly though, recruiters found that an uncertain outlook prevented people from searching for new jobs. Regionally, the quickest deterioration was in London and the weakest in the Midlands.

Recruiters in the South of England recorded a weaker fall in candidates for temporary/contract jobs during February. The rate of decrease was the slowest in six months and remained less marked than the national trend. Anecdotal evidence suggested that temp workers, particularly from the EU, are leaving the UK. Brexit uncertainty also remained a factor leading to fewer job seeker numbers. The downturn in temp staff supply in the UK eased since the start of 2019, but remained stronger than the historical average. London was the only covered English region to record a faster deterioration in February.

February reveals another sharp rise in permanent salaries

Average salaries awarded to newly-placed permanent workers in the South of England grew sharply in

February, in line with the current trend. The pace of increase was also faster than the UK average. Panellists that noted a rise associated this with a shortage of candidates as well as increased demand from employers. For the UK overall, the rate of growth in permanent starting salaries was the softest recorded since July 2018. The North of England was the only location to see the rate of inflation quicken from January.

Comment

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

"Recruitment is perhaps one of the clearest areas where the effects of Brexit can already be seen in the South. There has been a notable growth slowdown in permanent placements already this year, with recruiters reporting that Brexit uncertainty was stopping people from searching for new jobs."

"The situation is being managed in part by an increase in temporary placements as businesses look to cover gaps with contract staff. However, there are anecdotal reports of temporary workers, particularly those from the EU, leaving the UK ahead of Brexit."

"Businesses in the South will be keen more than ever to have clarity over what comes next. Particularly those that may be planning for a potentially busy tourist season as more and more people chose to holiday at home, in part again due to Brexit uncertainty."

Temporary staff wages in the South of England rose at a diminished rate in February, with inflation moderating to a 27-month low. Nonetheless, the survey still pointed to a sharp increase in pay rates, which respondents related to challenges in attracting new candidates. Overall for the UK, the rate of increase eased to the slowest for just over a year. Along with the South of England, softer growth in London contrasted with faster rises in the Midlands and North of England.

Recruitment & Employment Confederation chief executive Neil Carberry said:

"The resilience of employers and the British jobs market shines through in today's Report on Jobs. While numbers are clearly weaker than we have seen over the past few years, the survey suggests businesses are ready to create jobs if the investment environment is right. Recruiters are playing a crucial role in helping their clients fill gaps. With permanent vacancies rising in all sectors, the strongest demand is for IT and computing staff."

"As we draw closer to Brexit day, uncertainty and concern has grown, putting the sustainability of positive jobs news at risk. Firms are looking for politicians to find a solution to the current deadlock that gives them the certainty they need to invest and create jobs."

"In a separate survey of REC members this week, nearly half (45%) of respondents said that their biggest leadership challenge in dealing with Brexit was reassuring workers, candidates and staff."

"REC members are looking to the Chancellor to use next week's Spring Statement to inject stability and long-term thinking into our economic debate. A commitment to proper flexibility in the skills levy, an open but controlled approach to immigration after Brexit, and changes to government plans on contractor tax to protect compliant businesses are top of recruiters' agenda."

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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 22 offices across the UK with approximately 14,500 partners and staff. The UK firm recorded a revenue of £2.2 billion in the year ended 30 September 2017. KPMG is a global network of professional firms providing Audit, Tax, and Advisory services. It operates in 154 countries and territories and has 200,000 people 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 (Nasdaq: 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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