

Embargoed until 0101 (UK) 5 November 2021

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

Softer upturn in hiring activity in October amid further severe drop in candidate supply

Key findings

- Slower increases in permanent placements and temp billings
- Candidate availability continues to drop rapidly as demand for staff rises further
- Starting salary inflation hits fresh series peak

Data collected October 12-25

Summary

The **KPMG and REC, UK Report on Jobs: South of England** survey pointed to a slightly slower, but still strong, rise in recruitment activity at the start of the final quarter. Recruiters in the region indicated that candidate shortages had dampened growth of both permanent placements and temp billings.

Staff availability fell rapidly overall which, combined with further strong increases in demand for workers, drove substantial rises in starting pay. Notably, permanent starters' salaries increased at the quickest rate in over 24 years of data collection, while temp wage inflation held close to a record high.

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.

Softest increase in permanent placements since July

The number of people placed into permanent roles in the South of England rose for the eighth month in a row during October. The upturn was often attributed to increased activity at clients and firmer demand for staff as economic conditions continued to improve. However, there were reports of candidate shortages dampening the latest expansion. Though sharp and much quicker than the series average, the rate of growth was the softest seen since July and the slowest of all four monitored English regions.

London saw the fastest rise, followed by the North of England. That said, all regions barring the Midlands saw the rate of growth in permanent placements ease in October.

Recruitment consultancies based in the South of England registered a further rise in temp billings at the start of the fourth quarter. According to anecdotal evidence, billings rose due to improved market conditions and robust demand for workers, though labour shortages were cited as a factor weighing on the rate of expansion.

Although sharp, the rate of temp billings growth was the slowest seen for seven months and weaker than those seen across the other three English regions monitored by the survey. Overall, the North of England registered the quickest rise in temp billings, followed by London.

October data signalled a further rapid increase in permanent staff vacancies in the South of England. This was despite the rate of growth edging down to a five-month low. The upturn was also the quickest seen of all four monitored English regions for the second month in a row.

Temporary vacancies also expanded at a considerable pace across the region in October. The increase was fractionally faster than that seen in September and matched that seen at the national level.

Downturn in permanent candidate supply eases slightly

The availability of permanent staff in the South of England declined again at the start of the final quarter. The rate of deterioration remained substantial, despite easing further from August's record to a five-month low. Recruiters frequently linked the reduction to hesitancy among workers to seek out new roles, strong demand for staff and Brexit.

Across the four monitored English regions, only the Midlands saw a softer fall in permanent candidate numbers in October.

As has been the case since March, the number of candidates available for short-term roles in the South of England fell during October. The rate of decline quickened slightly since September and was among the fastest recorded in more than 24 years of data collection. The pace of contraction was also the quickest seen across all four monitored English regions. Anecdotal evidence attributed the decline to low unemployment, robust demand for staff and a greater preference for permanent roles.

On a regional basis, the slowest drop in temp candidate numbers was seen in the North of England, albeit one that remained severe overall.

Starting salary inflation hits fresh series record in October

Adjusted for seasonal factors, the Permanent Salaries Index signalled a sharp and accelerated rise in salaries awarded to new permanent joiners in the South of England in October. Furthermore, the rate of pay inflation reached a fresh series peak for the fourth straight month and was slightly quicker than the national average.

According to recruiters, increased competition for staff and efforts to entice applicants had driven the latest upturn in starting salaries.

The Midlands saw the fastest rise in permanent salaries followed by the South of England, both of which recorded series record increases in permanent salaries.

Average hourly rates of pay for temp workers in the South of England rose sharply in October, with the rate of inflation easing only slightly from September's series peak. That said, the increase was slightly slower than that seen on average across the UK. Where higher temp pay was reported, it was generally linked to low candidate supply and efforts to attract applicants.

Sustained wage inflation was recorded in all four monitored English regions led by a record rise in the North of England.

Comments

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

"While both permanent and temporary appointments across the South remained on the rise during October, the rate of increase has now slowed. This is in part due to ongoing staff shortages and the disparity between employer need and candidate availability, with starting salaries continuing to creep up as a result.

"Businesses in the region so eagerly looking to move on from the disruption caused by the pandemic will be hoping a balance between demand and supply is restored sooner rather than later."

Kate Shoesmith, Deputy CEO of the REC, said:

"This latest data shows the robust growth in the jobs market continuing. Starting salary growth has reached another record high as shortages continue to bite and companies compete to hire the staff they need. But we are starting to see signs that we are moving into a new phase of the recovery, as the initial bounceback in demand starts to ease.

"It's also important to note that these salary rises are not universal. Recruiters tell us that candidates in some sectors and regions have been able to secure a substantial pay rise, but many employers can't afford to offer this. As we move into the next stage of recovery, it's vital the government put measures in place that will help companies to invest and grow, stimulate the UK's productivity and support the levers that help those furthest from the jobs market into work. Last week's Budget was a start, but there needs to be a radical shift across government departments to collaborate in order to deliver a skills revolution in the UK. This will only be successful if government and business work together to plan for future workforce needs. Recruiters are keen to work with government in such a joint forum."

Contact

KPMG

Tanya Holden
+44 (0) 203 078 3996
tanya.holden@kpmg.co.uk

REC

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

IHS Markit

Annabel Fiddes
Economics Associate Director
+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 South East England, East of England and South West England).

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 16,000 partners and staff. The UK firm recorded a revenue of £2.3 billion in the year ended 30 September 2020.

KPMG is a global organization of independent professional services firms providing Audit, Legal, Tax and Advisory services. It operates in 147 countries and territories and has more than 219,000 people working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

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.