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

Permanent placements increase for the first time in nearly a year

Key findings

- Modest expansion in permanent staff appointments
- Temp billings fall for third time in four months
- Pay pressures ease

Summary

Recruiters in the South of England recorded a renewed upturn in permanent staff appointments at the start of the year, according to the latest **KPMG and REC, UK Report on Jobs: South of England** survey. However, temp billings fell back into contraction territory following a mild increase in December. Vacancy trends diverged, with permanent staff vacancies expanding at a quicker pace while demand for temp workers cooled.

Starting pay for both permanent and short-term staff both rose at softer rates during January. Notably, starting salary inflation eased to a three-and-a-half year low. At the same time, the availability of workers continued to deteriorate sharply, with lower staff supply often linked to lingering economic uncertainty.

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 return to growth

The number of people placed into permanent roles in the South of England rose for the first time in 11 months in January. Though modest, the rate of expansion was the strongest recorded since January 2019. Recruiters that registered an increase indicated that this was due to greater confidence among clients following the general election and the filling of outstanding vacancies. The upturn in permanent placements was broadly in line with the trend seen across the UK as a whole. The steepest increase in permanent staff appointments was seen in the North of England. Meanwhile, the Midlands

and London posted renewed reductions.

Adjusted for seasonal influences, the Temporary Billings Index slipped back below the neutral 50.0 level in January to signal a renewed fall in temp billings in the South of England. Short-term staff billings have now declined in three of the past four months, though the latest reduction was only slight. Anecdotal evidence indicated that relatively subdued demand for temp workers had weighed on billings in January. At the national level, temp billings also fell, albeit fractionally, driven by reductions in the South of England and London. Elsewhere, increases were reported in the Midlands and the North of England.

Permanent staff vacancies expanded at a quicker pace in the South of England during January. Though moderate, the latest upturn was the quickest recorded for five months. However, growth of demand for permanent staff rose at a sharper pace at the national level. Recruiters in the South of England signalled a softer rise in temp vacancies at the start of the year. Growth eased to a mild pace that was the slowest for three months. The upturn also lagged that seen across the UK as a whole.

Downturn in permanent staff availability eases slightly

The number of candidates available for permanent jobs in the South of England continued to decline during January. That said, the rate of deterioration was the least marked for four months. Reports from panel members indicated that uncertainty over the outlook had led people to become more reluctant to seek new roles. January data highlighted a further reduction in the availability of permanent candidates across the UK, extending the current sequence of decline to over six-and-a-half years. The latest fall was underpinned by declines across all of the four monitored English regions, the sharpest of which was recorded in the South of England, followed by London.

The seasonally adjusted Temporary Staff Availability

Index remained below the neutral 50.0 threshold to signal a sustained fall in short-term labour supply in the South of England. The rate of contraction quickened slightly from December and was the steepest for six months. The fall was also sharper than that seen across the UK as a whole. Lower temporary candidate supply was often attributed to impending IR35 changes and fewer people looking for short-term roles. Of the four monitored English regions, the Midlands recorded the sharpest fall in temp labour supply. London was the only region to record an increase.

Softest increase in starting salaries since July 2016

Average starting salaries for permanent workers in the South of England continued to rise at the start of 2020. According to panel members, low candidate availability continued to place upward pressure on starting pay. Though solid overall, the rate of inflation was the

slowest recorded for three-and-a-half years. Salary growth also softened at the national level, and was similar to that seen in the South of England. January data indicated that all of the four monitored English regions reported an uptick, the sharpest of which was in the Midlands.

Recruiters based in the South of England registered a softer rise in temp wages in January. Notably, the rate of pay growth was among the slowest recorded since late-2016, albeit solid overall. Higher average hourly pay rates were largely linked to a low unemployment rate and greater competition for workers. Temp wage growth also eased across the UK as a whole at the start of 2020. London recorded the quickest rise of the four monitored English regions, whilst the weakest was seen in the North of England.

Comments

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

“In December it was clear that the South had some catching up to do, and finally it seems the region’s businesses have got the message. With geopolitical uncertainty easing significantly towards the end of last year, we are seeing some movement in the permanent jobs market with vacancies and placements rising at last. This is great news for job hunters.

“Temporary candidates and billings meanwhile fell during January, with the former declining at the fastest pace for six months. However, I could surmise that this is partly to do with renewed confidence among businesses in some sectors to recruit for permanent candidates.”

Recruitment & Employment Confederation chief executive Neil Carberry said:

“It’s good to see that businesses have grown in confidence over the past two months and taken the opportunity to restart hiring. In the South permanent placements are up, and demand for staff has risen at the quickest rate for five months. This is good news for employers, recruiters and candidates – all three can now get on with making the economy flourish in 2020.

“But the upcoming IR35 reforms are having a negative impact on the availability and placement of temporary workers. It is vital that people pay the right amount of tax and that the system is fair, but for both of those things to happen we think the government needs to pause and think again on how IR35 changes. The temporary labour market is being stifled, and that’s not good for employers or our economy.”

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.

January data were collected 13-27 January 2020.

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 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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