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

December sees modest rise in permanent staff appointments

Key findings

- Renewed rise in permanent placements, while temp billings growth remains sharp
- Vacancies increase for both permanent and temp roles
- Mild increases in starting salaries and temp wages

Data collected December 4-17

Summary

The latest **KPMG and REC, UK Report on Jobs: South of England** survey revealed a renewed rise in permanent placements at the end of 2020 as demand for permanent staff improved. Temp billings growth meanwhile remained sharp as short-term vacancies increased at a quicker pace.

There were more positive signs in terms of pay, with starting salaries and temp wages both rising during December. However, widespread reports of redundancies stemming from the pandemic drove further marked increases in the availability of both permanent and temporary staff.

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 rise at end of 2020

After declining in the prior two months, the number of people placed into permanent job roles in the South of England increased during December. The rate of growth was modest and broadly in line with the UK-wide trend. Where higher permanent placements were reported, this was generally linked to a slight improvement in market confidence amid positive vaccine news and the resumption of previously delayed hiring plans. Permanent placements also returned to growth in the Midlands and the North of England, but declined again

in London.

Adjusted for seasonal factors, the Temporary Billings Index signalled a further rise in billings received from the employment of short-term workers across the South of England during December. The rate of expansion was little-changed from November and marked overall, albeit not as steep as that seen at the national level. Recruiters often commented on a further improvement in demand for temp staff at the end of 2020. All four monitored English regions bar London registered higher temp billings in December, with the steepest expansion seen in the North of England.

Permanent staff vacancies in the South of England rose for the first time for three months during December. Though modest, the rate of growth was quicker than that seen across the UK as a whole. Demand for temporary staff meanwhile rose for the fourth successive month at the end of the year. Notably, the latest rise in short-term vacancies was the quickest recorded for a year-and-a-half, albeit not quite as sharp as the UK average.

Softest increase in permanent labour supply since April

The availability of workers to fill permanent roles in the South of England rose further in December, thereby stretching the current sequence of expansion to nine months. Though sharp overall, the rate of increase was the least marked since April and slightly slower than the UK average. Panel members frequently mentioned that redundancies stemming from the pandemic pushed up candidate numbers in the latest survey period. Data broken down by region showed that the rise in permanent staff supply was broad-based and led by London.

As has been the case since March, the supply of short-term staff in the South of England increased in December. Although marked, particularly by historical standards, the upturn was the softest recorded in nine months. Growth was also not as sharp as that seen

across the UK as a whole. Company layoffs due to the pandemic were again linked to the latest upturn in temp worker availability. London recorded by far the steepest upturn in temp staff availability across the four monitored English regions, while the Midlands saw the slowest.

Starting salaries increase for first time since March

The seasonally adjusted Permanent Salaries Index pointed to a rise in salaries awarded to newly-placed permanent workers in the South of England at the end of the year, thereby ending an eight-month sequence of reduction. Though modest, the rate of growth was the quickest recorded since February and exceeded that seen at the national level. There were reports of some firms offering higher salaries to secure qualified workers. Permanent starters' pay was meanwhile broadly stable in the Midlands, but fell in the North of England and London.

Recruitment consultancies in the South of England signalled a renewed increase in average hourly pay rates for temp staff in December. The rate of inflation was modest, and broadly in line with that seen across the UK as a whole. That said, the upturn remained well below the long-run series average. Across the four monitored English regions, the Midlands recorded by far the sharpest rate of temp wage inflation. London saw temp rates decline for the tenth month running, however.

Comments

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

"The region ended the year on a high. A boost in confidence led to rising salaries and an increase in both permanent and temporary job placements.

"This upturn is likely to be short-lived with news of the latest lockdown, with many businesses now stalling recruitment until March.

"For some businesses impacted by the prospect of a no-deal Brexit – including our agrifood sector – the news of a deal means they can begin to look at forward investment with confidence for the first time in two years."

Neil Carberry, Chief Executive of the REC, said:

"The underlying strength of the British economy shone through in the December jobs figures. The biggest expansion in temporary recruitment since October 2018 shows how important the flexible jobs market is to that performance. Growing permanent placements and starting pay also emphasised the resilience of our economy.

"The important thing now is to maintain as much of that momentum as possible through the new lockdown. With business cashflows under renewed pressure, helping employers protect and create jobs is essential. We need a long-term plan to support businesses across the supply chain – not just those required to close. This should include wider-spread reductions on business rates, support on VAT repayments and support for self-employed business owners previously cut out of schemes. We need big ticket items now, like a reduction in the cost of furlough and employers National Insurance to help firms retain and hire staff in the coming months, alongside delivery of the vaccine.

"Regions have been recovering at different speeds and London continues to lag behind. London is home to some of the most deprived boroughs in the country, so this is particularly worrying. It underlines the urgency of action needed to help businesses retain workers and get the vaccine delivered."

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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.

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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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