News Release

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KPMG and REC, UK Report on Jobs: South of England

Candidate availability rises sharply as hiring activity remains subdued in June

Key findings

Permanent placements fall again, temp billings growth eases

Quickest rise in candidate supply since December 2020

Starting salary inflation falls to 27-month low

Data collected June 12-26

Summary

The latest KPMG and REC, UK Report on Jobs survey, compiled by S&P Global, revealed a further drop in permanent staff appointments across the South of England during June as lingering uncertainty over the outlook weighed on hiring decisions. At the same time, temp billings growth softened to a three-month low.

Reduced recruitment activity and redundancies led to stronger increases in the availability of staff across the region. Notably, both permanent and temp candidate numbers expanded at the sharpest rates since December 2020. Concurrently, there were signs of easing pay pressures, with starting salaries increasing at the softest pace in 27 months. Vacancy data meanwhile showed a softer rise in demand for permanent staff, but temp vacancies expanded at a quicker pace.

The KPMG and REC, UK Report on Jobs: South of England is compiled by S&P Global from responses to questionnaires sent to around 150 recruitment and employment consultancies in the South of England.

Permanent placements continue to decline markedly in June

The number of people placed into permanent jobs in the South of England declined for the third straight month in June. The rate of contraction eased from May's near three-year record but remained sharp overall. Recruiters frequently mentioned that a subdued business confidence around the outlook weighed on hiring decisions. Candidate shortages also limited placements, according to panellists.

Permanent staff appointments also fell further at the national level, albeit at a weaker pace than that seen in the South of England. As has been the case since February, London recorded the steepest reduction in placements out of the four monitored English regions.

Adjusted for seasonal influences, the Temporary Billings Index signalled an increase in billings received from the employment of short-term staff in the South of England for the thirty-fifth month in a row. Panel members often commented that the upturn was supported by firmer demand for temp workers. The rate of growth eased to the softest since March but remained solid overall. Notably, the expansion outpaced that seen across the UK as a whole for the third straight month.

All four monitored English areas bar the North of England registered higher temp billings during June, led by London.

Permanent job vacancies in the South of England rose again in June. Though strong, the rate of expansion moderated to a five-month low and was weaker than the series trend. In contrast, demand for temp workers increased at a steeper rate at the end of the second quarter. Nevertheless, the respective index was also below its long-run average.

Vacancies expanded at similar rates to those seen in the South of England across the UK as a whole during June.

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Sharpest rise in permanent labour supply since end of 2020

Latest data revealed that the number of candidates available for permanent jobs in the South of England increased at a sharp and accelerated rate in June. Furthermore, the pace of expansion was the steepest recorded for two-and-a-half years. The upturn was also slightly faster than that seen across the UK as a whole. Notably, London was the only monitored English area to register a steeper increase in permanent labour supply than the South of England. Redundancies were cited as a key reason pushing up candidate numbers, while some recruiters mentioned more people were willing to seek new roles.

The availability of temporary candidates in the South of England increased for the second straight month in June. The rate of growth quickened notably on the month and was the sharpest seen since December 2020. That said, the net gain was the softest seen of all four monitored English regions. Higher temp labour supply was often linked to lower activity levels at clients and more people looking for short-term roles.

Starting salary inflation moderates to 27-month low

Average starting salaries for permanent workers in the South of England continued to increase at the end of the second quarter. Though solid, the rate of pay growth was the softest seen since the current period of inflation began in March 2021. The increase was also the slowest recorded of all four English areas monitored by the survey. Competition for skilled candidates was cited as the principal factor driving up starting salaries during June.

The seasonally adjusted Temporary Wages Index posted above the neutral 50.0 level to signal a sustained rise in average wages in the South of England during June. The higher cost of living pushed up temp pay, according to panellists. The rate of wage growth slowed from May, however, and was the second-weakest seen in 2023 to date. Across the UK as a whole, temp wage inflation eased to a 26-month low but was slightly quicker than that seen in the South of England. On a regional basis, London saw the sharpest increase in temp wages during June.

Comments

Commenting on the latest survey results, Claire Warnes, Partner, Skills and Productivity at KPMG UK, said:

"The sharp upturn in candidate availability this month – the highest for two and a half years – is a big concern for the economy reflecting the effects of a sustained slowdown in recruitment along with increasing redundancies across many sectors.

"Employers are also tending towards temporary hires, given lingering economic uncertainty. And yet, the labour market remains reasonably resilient, with notable demand for skilled workers, both permanent and temporary, across a multitude of sectors this month.

"The evident mismatch between open vacancies and the skills of available candidates needs to be addressed urgently and a concerted focus on upskilling and reskilling is long overdue."

Neil Carberry, REC Chief Executive, said:

"There is a risk of seeing an element of Groundhog Day in June hiring, with permanent billing easing again and firms still turning to temporary staff in the face of uncertainty. But there was quite a lot of change in the shadows of the headline data. There was the sharpest rise in permanent labour supply since the end of 2020 in the South of England and the availability of temp candidates has improved sharply in the region. This is likely driven by people reacting to high inflation by stepping up their job search, and by some firms reshaping their businesses in a period of low growth. It's no surprise, therefore that starting salary inflation fell to a 27-month low.

"Despite these trends, the labour market remains very tight. There are still broad skills shortages, with accountancy, construction, engineering and nursing among those sectors struggling to find and retain workers. This is despite the supply of candidates across the UK job market having risen for four consecutive months.

"The growth in vacancies for staff in hotel & catering and blue-collar jobs in the South of England, and for temp positions in retail across the UK, suggest businesses anticipate that people are still prepared to spend their wages on goods and services despite the fall in their purchasing power and the wider cost-of-living crisis. This is backed by anecdotes from REC members noting that the warm weather in June was a significant driver of demand.

"Long-term progress rests on the UK being a great place to invest. A strong industrial strategy with people at its heart would help overcome labour and skills shortages, acknowledging the wide range of choices that people have about how they work. Progress should start with action on skills and immigration, but also accelerating steps on childcare, transport and back-to-work support, as set out in the REC's Overcoming Shortages report."

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Contact

KPMG
Tanya Holden
Deputy Head of Media Relations
+44 (0) 7874 888656
tanya.holden@kpmg.co.uk

REC
Hamant Verma
Communications Manager
T: +44 (0)20 7009 2129
Hamant.verma@rec.uk.com

S&P Global
Annabel Fiddes
Economics Associate Director
S&P Global Market Intelligence
T: +44 149 146 1010
annabel.fiddes@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0)7967 447 030
sabrina.mayeen@spglobal.com

Methodology

The KPMG and REC, UK Report on Jobs: South of England is compiled by S&P Global 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 20 offices across the UK with approximately 17,000 partners and staff. The UK firm recorded a revenue of £2.72 billion in the year ended 30 September 2022.

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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.

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