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

Permanent placements increase at slowest rate for a year-and-a-half

Key findings

Permanent staff appointments rise only modestly

Softer increases in starting salaries and temp pay

Growth of demand for staff eases to 18-month low

Data collected August 12-24

Summary

The latest KPMG and REC, UK Report on Jobs: South of England survey showed a further slowdown in permanent staff hiring across the region as economic uncertainty and rising costs weighed on recruitment decisions. Temp billings growth meanwhile picked up to a six-month high, as more clients preferred short-term staff.

Though still sharp, the latest increases in demand for permanent and temporary staff were the softest seen for 18 months. Pay pressures also appeared to ease, as rates of inflation moderated for both starting salaries and temp wages. Though much slower than the falls seen this time last year, the latest drop in candidate availability remained marked, with ongoing labour shortages exacerbated by an increased hesitancy among some people to seek out new roles due to greater market uncertainty.

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.

Slowest increase in permanent placements for 18 months

Recruiters based in the South of England signalled an increase in permanent placements

for the eighteenth month running in August. That said, the rate of expansion eased to a modest pace that was the weakest seen over this period. The increase was also slower than the UK-wide trend. While there were reports of some clients taking on additional staff to expand and fill vacancies, a number of recruiters noted that low candidate supply, rising costs and concerns over the economic outlook had constrained growth.

Data for other English regions showed sharp increases in permanent placements in the Midlands and London during August, while the North of England posted a fall for the first time in 19 months.

Billings received by recruiters in the South of England for the employment of temporary staff rose again in August. Furthermore, the rate of expansion was the sharpest recorded for six months. Efforts to increase capacity, a preference for short-term staff and difficulties sourcing permanent workers all drove the latest upturn in temp billings. On a regional basis, only London registered a quicker rise in billings during August.

Latest survey data pointed to a further slowdown in rates of vacancy growth across the South of England during August. Demand for permanent and temporary workers increased at the slowest rates for a year-and-a-half, albeit still sharply overall. While growth of demand for staff also weakened at the national level, the upturns were slightly quicker than those seen in the South of England.

Availability of permanent staff continues to fall sharply

Adjusted for seasonal factors, the Permanent Staff Availability Index pointed to a sustained drop in permanent candidate numbers across the South of England during August. Though

sharp and slightly quicker than that seen in July, the rate of deterioration was the second-slowest seen over the past 16 months. Recruiters often mentioned that skill shortages and hesitancy to seek out or switch jobs due to economic uncertainty had weighed on candidate numbers.

On a regional basis, the North of England posted the fastest fall in permanent staff availability, with the softest decline in London.

The supply of workers for short-term positions in the South of England fell for the eighteenth consecutive month in August. The rate of contraction accelerated from the previous month, but was nevertheless the second-slowest recorded since March 2021. The reduction was also the weakest seen of all four monitored English regions. Where a decline in temp labour availability was reported, panellists often blamed this on strong demand for staff, high employment and a preference for permanent roles.

Starting salary inflation slips to 14-month low

As has been the case since March 2021, starting salaries for permanent joiners in the South of England increased during August. Though rapid and well above the series long-run trend (57.8), the rate of inflation was the softest seen since June 2021 and slightly below the national average. According to panellists, increased competition for scarce candidates and the higher cost of living pushed up starting salaries. However, there were also reports of clients becoming increasingly reluctant to increase pay offers due to budget constraints.

The Midlands posted the fastest rise in starting salaries, and was the only English region to see a sharper increase than in July. The North of England registered the softest pace of inflation.

Recruiters based in the South of England signalled a sustained rise in average hourly rates of pay for short-term staff in August. The rate of wage growth edged down to a 15-month low, but remained sharp overall. Panellists often mentioned that pay had increased as demand for staff continued to outstrip supply. Out of the four monitored English regions, only the Midlands recorded a quicker increase in temp pay in the latest survey period.

Comments

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

“Unsurprisingly, the economic uncertainty continues to impact all aspects of business as we come to the end of the summer. August’s data show an increasingly challenging jobs market, both in the sharp decline in the supply of candidates and in the slowdown in recruitment which we have seen for the last few months. Despite these challenges, it’s vital that investment in people continues. Businesses may be better able to weather the economic storm through sustained investment in upskilling the available workforce.”

Neil Carberry, Chief Executive of the REC, said:

“August was another month of growing placements across temporary and permanent roles. While the post-pandemic jobs rush is now abating, there were no real signs of a slowdown in employer demand. Indeed, reports from REC members suggest that any lowering of confidence in the market is driven primarily by candidates playing it safe, with the effect of further tightening the market. So it’s no surprise that pay rates continue to rise, especially considering increasing inflation. In this market, hiring companies need to think hard about the right approach to getting the skills they need, working with professional recruiters.

“The big question is now about the sustainability of this positive position, as labour shortages damage growth and pay over the long term. Controlling inflation and a clear plan for growth are essential parts of making sure the UK is resilient to economic uncertainty. But both rely on our new Prime Minister and her team working with businesses to address shortages across our labour market. Radical reform of the failed apprenticeship levy, support on small business energy costs, an immigration policy that helps the economy and regulation that supports temporary work rather than penalising it, all have to be on the agenda.”

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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.

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KPMG LLP, a UK limited liability partnership, operates from 22 offices across the UK with approximately 15,300 partners and staff. The UK firm recorded a revenue of £2.43 billion in the year ended 30 September 2021.

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