

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

Candidate availability rises sharply as hiring activity remains subdued in June

43.3

PERMANENT PLACEMENTS INDEX JUN '23

52.5

TEMPORARY BILLINGS INDEX JUN '23

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 fall again, temp billings growth eases

Quickest rise in candidate supply since December 2020

Starting salary inflation falls to 27-month low

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."

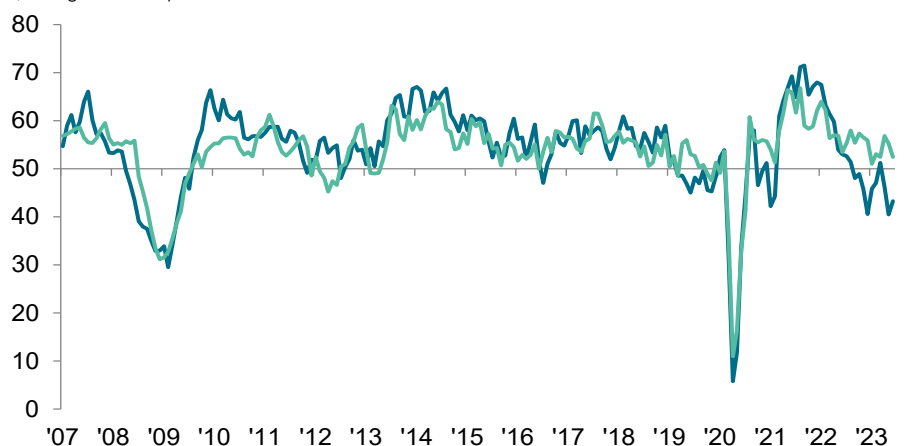
"Despite these trends, the labour market remains very tight. There are still broad skills shortages, with accountancy, construction, engineering and nursing among those sectors struggling to find and retain workers. This is despite the supply of candidates across the UK job market having risen for four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

■ Permanent Placements Index
■ Temporary Billings Index

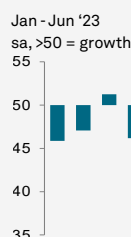
sa, >50 = growth since previous month



1 Staff appointments

Recruitment consultancies report on the number of people placed in permanent jobs each month, and their revenues (billings) received from placing people in temporary or contract positions at employers.

Permanent Placements Index

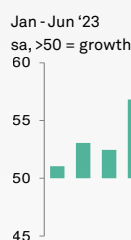


Permanent placements continue to decline markedly in June

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.

Temporary Billings Index



Temp billings growth moderates to three-month low

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.

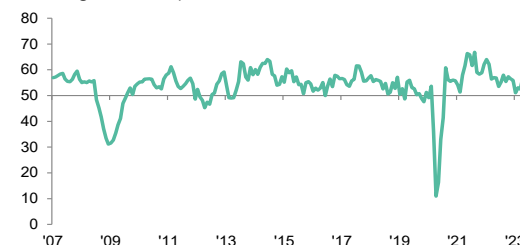
Permanent Placements Index

sa, >50 = growth since previous month



Temporary Billings Index

sa, >50 = growth since previous month



sa, >50 = growth since previous month

	Permanent		Temporary	
	UK	South	UK	South
Jan-23	46.8	45.9	52.3	51.0
Feb-23	46.3	47.1	51.1	53.1
Mar-23	49.3	51.2	52.5	52.5
Apr-23	44.2	46.2	53.3	56.8
May-23	43.8	40.5	50.7	55.2
Jun-23	46.4	43.3	51.1	52.5

Job vacancies

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.

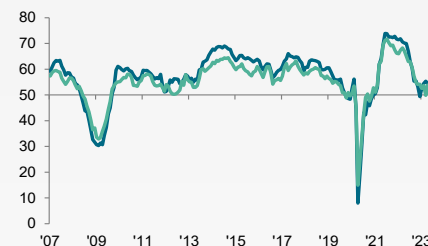
In contrast, demand for temp workers increased at a steeper rate at the end of the second quarter. Nevertheless, the respective index was also below its long-run average.

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

Vacancies Index

■ Permanent
■ Temporary

sa, >50 = growth since previous month

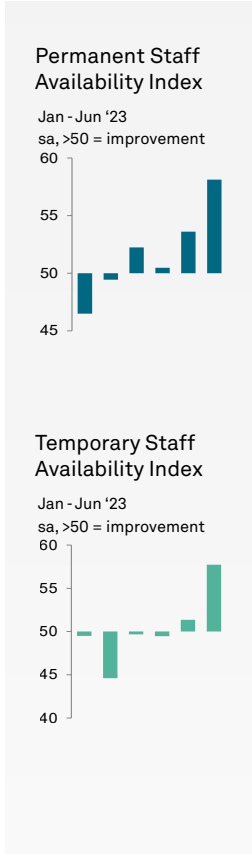


sa, >50 = growth since previous month

	Permanent		Temporary	
	UK	South	UK	South
Jan-23	54.1	52.6	55.6	52.5
Feb-23	55.3	54.5	55.6	53.7
Mar-23	55.2	55.4	52.2	49.9
Apr-23	54.4	54.6	54.8	53.8
May-23	53.0	54.0	50.9	50.3
Jun-23	52.6	52.8	53.6	53.5

2 Staff availability

Recruitment consultants are asked to report whether availability of permanent and temporary staff has changed on the previous month.



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. Redundancies were cited as a key reason pushing up candidate numbers, while some recruiters mentioned more people were willing to seek new roles.

Availability of temp candidates improves sharply

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.

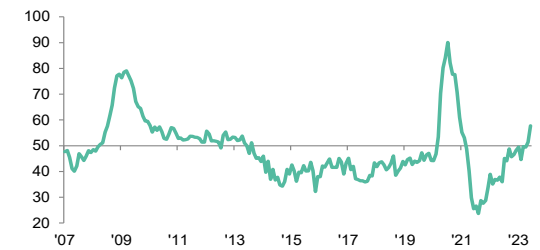
Permanent Staff Availability Index

sa, >50 = improvement since previous month



Temporary Staff Availability Index

sa, >50 = improvement since previous month



sa, >50 = improvement since previous month

	Permanent		Temporary	
	UK	South	UK	South
Jan-23	46.2	46.5	47.1	49.5
Feb-23	47.5	49.4	47.6	44.6
Mar-23	51.4	52.2	51.3	49.7
Apr-23	51.6	50.5	50.2	49.5
May-23	55.8	53.6	52.9	51.3
Jun-23	57.6	58.1	58.0	57.7

3 Demand for skills

Skills in short supply: Permanent staff

Accounting/Financial Accountants Auditors Book Keepers Credit Controllers Finance Payroll Taxation	Executive/Professional Legal Management Hotel & Catering Catering Hospitality IT/Computing Cyber Security Developers IT Software Technology Nursing/Medical/Care Carers Nurses Occupational Therapist Support Workers Secretarial/Clerical Administration	Other All Types of Candidates Sales Skilled Teachers Unskilled
Blue Collar Drivers Manufacturing Mechanics Security Guards Warehouse		
Construction Architectural Tech		
Engineering Electrical Engineers Engineers Senior Electronic Engineers Technicians		

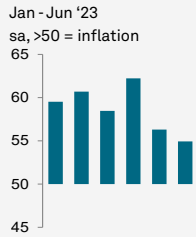
Skills in short supply: Temporary staff

Blue Collar Blue Collar Drivers Manufacturing Warehouse Welders Engineering Engineers Executive/Professional Project Managers Hotel & Catering Chefs Hospitality Kitchen Porters IT/Computing Cyber Security Software Technology	Nursing/Medical/Care Carers Support Workers Secretarial/Clerical Administration Other Sales Telesales
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4 Pay pressures

The recruitment industry survey tracks both the average salaries awarded to people placed in permanent jobs each month, as well as average hourly rates of pay for temp/contract staff.

Permanent Salaries Index



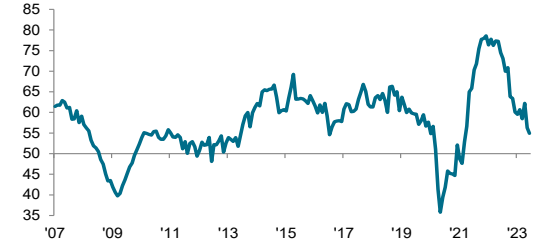
Starting salary inflation moderates to 27-month low

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.

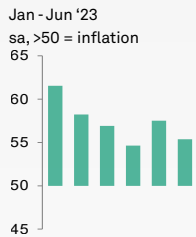
Competition for skilled candidates was cited as the principal factor driving up starting salaries during June.

Permanent Salaries Index

sa, >50 = inflation since previous month



Temporary Wages Index

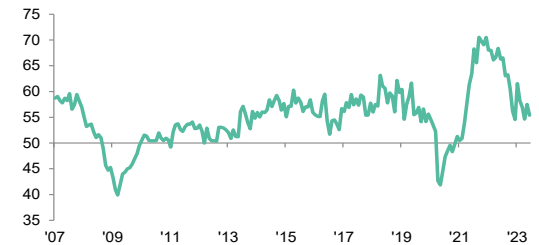


Softer increase in temp pay

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.

Temporary Wages Index

sa, >50 = inflation since previous month



sa, >50 = inflation since previous month

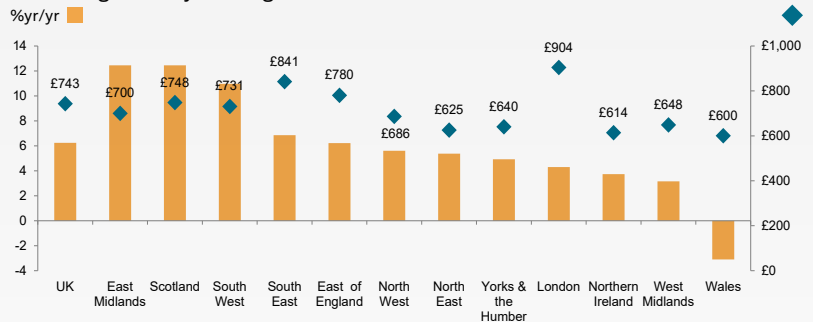
	Permanent		Temporary	
	UK	South	UK	South
Jan-23	60.8	59.5	61.1	61.5
Feb-23	61.3	60.7	57.6	58.2
Mar-23	61.1	58.5	57.5	56.9
Apr-23	61.4	62.2	57.9	54.6
May-23	59.6	56.3	57.4	57.5
Jun-23	58.6	54.9	56.4	55.4

Official data: UK average weekly earnings

Data from the Office for National Statistics indicated that average weekly earnings across the UK increased by 6.2% year-on-year to £743 over the opening quarter of 2023.

Average pay increased across all but one of the 12 UK regions, with the East Midlands (12.5% to £700), Scotland (12.4% to £748) and the South West (11% to £731) recording the steepest rates of growth. Wales was the only region to see earnings decline, with pay falling -3.1% to £600.

UK average weekly earnings



Source: Office for National Statistics via S&P Global Market Intelligence.

5 Regional comparison

The KPMG and REC, UK Report on Jobs: South of England is one of four regional reports tracking labour market trends across England. Reports are also available for London, the Midlands and the North of England.

Staff appointments

The number of people placed into permanent jobs across the UK fell for the ninth consecutive month in June. That said, the rate of decline eased from May and was the softest seen for three months. Three of the four monitored English regions registered a drop in permanent staff appointments, with the quickest reduction seen in London. Permanent staff placements rose in the North of England.

In contrast, billings received from temporary staff employment rose for the thirty-fifth consecutive month. There was a renewed rise in temp billings in the Midlands, while London and the South of England recorded sustained albeit softer increases. Recruiters in the North saw the sharpest reduction since November 2022, however.

Candidate availability

The availability of staff for permanent roles across the UK rose at the end of the second quarter, as has been the case for the past four months. The rate of increase accelerated from that seen in May and was the strongest signalled since December 2020. All four monitored regions saw a sharp rise in June, led by London where the rate of increase hit a two-and-a-half year high.

At the UK level, the number of temporary candidates rose for the fourth month running in June, and at a strong pace that was the quickest since the end of 2020. The Midlands led the rise, but all four monitored English regions saw a stronger upturn in candidate availability.

Pay Pressures

Average starting pay for permanent workers rose in the UK during June, taking the current sequence of salary inflation to 28 months. The rate of growth eased on the month however, and was the weakest seen since April 2021. On a regional basis, the steepest increase in starting salaries was seen in the North of England and the softest in the South.

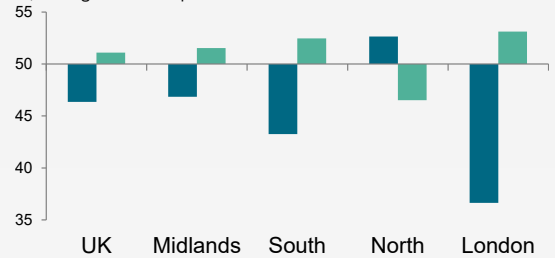
Latest survey data pointed to the weakest UK temp wage inflation in 26 months. That said, the latest increase in pay for short-term staff remained stronger than the long-run trend. All four monitored English regions recorded higher temp wages in June, with the sharpest rate of inflation seen in London. The softest increase was in the Midlands.

June 2023

■ Permanent
■ Temporary

Staff Appointments

sa, >50 = growth since previous month



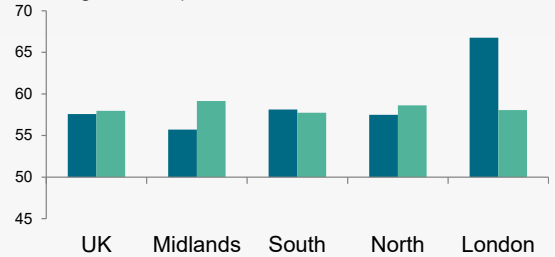
Vacancies

sa, >50 = growth since previous month



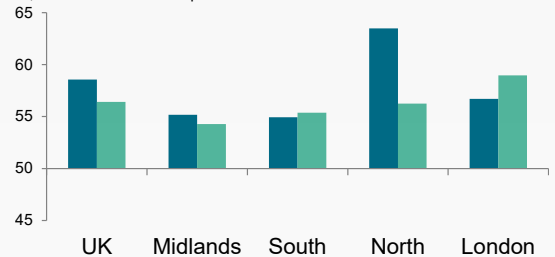
Staff Availability

sa, >50 = growth since previous month



Pay Pressures

sa, >50 = inflation since previous month



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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.

Survey Dates

Data were collected 12-26 June 2023.

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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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