News Release

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

Softer decline in permanent placements in August

Key findings

▪ Weakest drop in permanent staff appointments for six months
▪ Record increase in permanent staff availability
▪ Starting rates of pay continue to fall

Data collected August 12-24

Summary

The latest KPMG and REC, UK Report on Jobs: North of England survey pointed to a softer decline in permanent placements during August, while temp billings expanded strongly. Meanwhile, staff availability rose substantially amid further reports of redundancies related to the coronavirus disease 2019 (COVID-19) pandemic. However, demand for both permanent and temporary staff continued to weaken. The combination of higher labour supply and weaker demand for workers drove falls in both starting salaries and temp wages, although rates of decline eased.

The report, which is compiled by IHS Markit, is based on responses to questionnaires sent to around 100 recruitment and employment consultancies in the North of England.

Decline in permanent placements continues to ease

Recruiters in the North of England recorded a further reduction in permanent staff appointments during August. The result extended the current sequence of decline to six months, however, the rate of contraction eased to the softest over this period. Anecdotal evidence suggested that the latest drop in permanent placements was driven by a hesitancy among clients to hire permanent staff amid the COVID-19 pandemic. Across the UK as a whole, recruitment consultants signalled the first increase in permanent staff appointments for six months during August. However, the rate of increase was only marginal overall. Across the four monitored English regions, only the South of England and the Midlands registered an uptick during August, with the pace of increase quicker in the former.

Following July’s marginal increase, temporary billings across the North of England rose markedly in August. In fact, the rate of growth accelerated to the quickest since September 2019, although it was slower than the UK average. Some recruiters noted firmer demand for short-term staff following the relaxation of restrictions related to COVID-19 and the recommencement of projects. At the national level, temp billings rose for the first time since December 2019. Moreover, the increase was sharp and the quickest in 20 months. The South of England registered the fastest rise in temp billings, followed by the Midlands and the North of England. Meanwhile, London was the only monitored English region to see a fall, although the rate of decline eased from July.

Demand for both permanent and temporary staff in the North of England continued to deteriorate midway through the third quarter. Permanent vacancies fell for the sixth month running. Moreover, the rate of reduction accelerated from July and was sharp overall. Temporary vacancies also fell at a quicker pace than in the previous survey period, falling solidly overall. This contrasted with a stabilisation of demand for short-term workers across the UK as a whole.

Record increase in permanent staff availability

Permanent staff availability in the North of England rose at the quickest pace in almost 23 years of data collection during August. The sharp increase was also faster than those registered in each of the other three monitored English regions. Anecdotal evidence indicated that the surge in labour supply was driven by redundancies related to COVID-19. The availability of permanent candidates at the UK level continued to rise markedly during August, with the latest increase the quickest since December 2008. Each of the other three monitored English regions registered steep increases in permanent labour supply.

In line with the trend for permanent availability, temporary labour supply expanded at a quicker pace in August. In fact, the latest increase in availability was the
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The sharpest since the height of the global financial crisis in April 2009. Recruiters often commented that the rise was driven by redundancies and workers being released following periods of furlough. The supply of temporary staff at the UK level increased for the sixth month running. The rise in August was the softest since May, but still rapid overall. At the regional level, London saw the most marked increase and the Midlands the slowest.

**Softer decline in permanent starters’ pay**

Starting salaries awarded to permanent staff across the North of England continued to fall during August. However, the rate of reduction eased to the softest in the current five-month sequence of decline. Anecdotal evidence suggested that a combination of weaker demand and an increased supply of labour added downward pressure on pay. Across the UK as a whole, salaries awarded to permanent new joiners fell for the fifth consecutive month, with the rate of decline still solid, despite easing. The reduction was broad based across the four monitored English regions, with London recording the quickest drop in permanent salaries, followed by the Midlands.

August data pointed to a further reduction in remuneration awarded to temporary staff across the North of England. The result extended the current run of decline that began in March. That said, the rate of decrease eased to the softest for five months and was slightly slower than the UK average. Temp wages across the UK also fell, with the rate of decline softening from July but remaining solid, nonetheless. At the regional level, London saw a sharper drop in temp wages than the other three monitored English regions. Meanwhile, the South of England registered the slowest fall.

**Comment**

Commenting on the latest survey results, Euan West, office senior partner for KPMG in Leeds, said:

“Within a relatively downbeat jobs picture the uptick in demand for temporary staff could mark a turning point, with businesses becoming more willing and able to hire, at least on a flexible basis.

“But with total candidate availability rising strongly a significant recruitment boost is needed to move the region’s jobs market towards levels seen pre-COVID – and with concerns around a possible second wave of infections, the winding down of the furlough scheme and a Brexit deal outcome, there are still many challenges ahead.

“This paves the way for the government to not only provide short-term support but also to offer jobseekers the means to retrain and upskill, helping the recovery in jobs and reviving the North’s productivity growth.”

Neil Carberry, Chief Executive of the REC, said:

“The softening of the downturn on permanent placements and further increase in temporary billings in the North is good news – though it is also expected, given we are comparing activity now with the lockdown. Temporary work is critical in any recovery - businesses turn to temps to help them ramp up and meet demand while the future looks uncertain. At the same time, it enables people to find work quickly. Past recessions show that temporary work bounces back more quickly – it is one of our jobs market’s biggest strengths and that’s really showing now.

“Slower growth in permanent staff appointments overall is concerning. It reflects the uncertainty businesses face about what will happen over coming months with the pandemic and Brexit. Government can take action to address this – by focussing on getting a trade deal in place and supporting businesses to keep people employed. A reduction to employers’ National Insurance Contributions, and greater flexibility on skills support would both help firms to maintain jobs and hire more people.”
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Methodology
The KPMG and REC, UK Report on Jobs. North of England is compiled by IHS Markit from responses to questionnaires sent to around 100 recruitment and employment consultancies in the North 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 in the UK

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. KPMG is a global network of professional firms providing Audit, Tax, Legal 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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