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

Permanent placements decline for first time in six months

Key findings

- Solid reduction in permanent staff appointments....
- ...but temp billings rebound
- Permanent starting salary inflation eases but remains elevated

Summary

The latest **KPMG and REC, UK Report on Jobs: North of England** signalled the first decline in permanent placements for six months.

The report, which is compiled by IHS Markit from responses to questionnaires sent to around 100 recruitment and employment consultancies in the North of England, pointed to a solid reduction in permanent staff appointments midway through the third quarter. This contrasted with a renewed increase in temp billings following three months of successive contraction. Meanwhile, the availability of both permanent and temporary workers fell, which underpinned further increases in starting salaries and temp wages.

First decline in permanent staff placements for six months

Recruiters in the North of England reported a reduction in permanent staff appointments for the first time since February during August. The rate of contraction was the quickest for seven months and solid overall. Moreover, the decline matched that seen across the UK as a whole. The decrease at the national level extended the current sequence of decline to six months, which marked the longest consecutive fall since mid-2009. The latest result was driven by reductions in all of the monitored regions except London, with the fastest deterioration reported in the Midlands.

After falling in each of the preceding three months, temporary billings in the North of England rebounded in August. That said, the rise was modest overall and

slower than the long-run average. Anecdotal evidence suggested that the upturn was driven by higher demand for short-term workers. Similarly, temporary staff billings continued to rise across the UK, with the rate of increase accelerating slightly from July. As well as the North of England, the South of England reported a rise. Meanwhile, temp billings were broadly unchanged in the Midlands and fell marginally in London.

Demand for both permanent and temporary workers in the North of England continued to rise midway through the third quarter. Permanent staff vacancies increased solidly, extending the current run of growth to ten years. However, the pace of expansion eased to the joint-slowest since August 2016. Demand for temporary workers also rose at a slower rate in August. Though stronger than the national average, the latest increase was the softest for just over seven years.

Permanent labour supply falls at a softer rate in August

Permanent staff availability in the North of England continued to fall in August, extending the current sequence of decline to just over six-and-a-half years. However, the rate of deterioration eased to the slowest since April 2017. Recruiters often commented that workers were unwilling to move jobs amid ongoing uncertainty surrounding Brexit. Across the UK, permanent labour supply continued to fall in August, but the pace of decline eased to the slowest since December 2016. Permanent staff availability decreased across all of the four monitored English regions. The rate of decline softened in the Midlands, while the South reported the quickest pace of deterioration overall.

Following a brief rise in temporary labour supply in the previous survey period, availability fell back into contraction territory during August. That said, the rate of reduction was softer than the UK average and only marginal overall. Anecdotal evidence often cited Brexit-related uncertainty as a key factor weighing on short-term worker supply. Temporary staff availability also fell at the national level. The decline was moderate overall, with temporary candidate numbers falling across all four monitored English regions.

Slowest rise in permanent starting pay for 18 months

Recruiters in the North of England continued to report a rise in permanent starting salaries midway through the third quarter. However, despite remaining historically elevated and quicker than the UK-wide trend, the rate of inflation eased to the softest for 18 months. At the national level, permanent starting salaries rose solidly in August, extending the current sequence of increase that began in May 2012. That said, the rate of inflation was the weakest in over two-and-a-half years and below the long-run series average. All four monitored English regions posted a rise in salaries, with inflationary

Comment

Commenting on the latest survey results, Nicola Quayle, Office Senior Partner at KPMG in Manchester said:

“Reports from the frontline of the North’s jobs market show that employer confidence is waning under the pressure of mounting economic and political uncertainty. This has made temporary hires more attractive compared to permanent roles in plugging more immediate resourcing needs. That said, the labour equation is further complicated as workers question whether they want to risk changing roles in the current climate – again shrinking the pool of available talent. Northern businesses and employees are looking for a Brexit breakthrough to restore market confidence and some visibility.”

pressures strongest in the South.

Remuneration awarded to temporary workers in the North of England continued to rise in August, extending the current run of increase to seven years. Although the rate of inflation eased slightly from the previous survey period, it remained stronger than the UK average and marked overall. Across the UK as a whole, temp wages rose sharply in August, despite the rate of inflation easing to the slowest since March. At the regional level, faster wage growth was recorded in the Midlands and the South, while wage inflation eased to only a moderate rate in London.

Recruitment & Employment Confederation chief executive Neil Carberry said:

“Today’s figures are a sobering reminder to politicians of all parties that national prosperity relies on businesses creating jobs and growing careers. Britain’s record on jobs is world-leading. It’s a key part of our economic success, with recruiters at the forefront of it. And there are still great opportunities out there for those looking for a new job and a boost in earnings.

“But all this rests on business confidence – the confidence to invest, to hire someone, to try something new – and it’s clear that things are getting harder. Across the UK, permanent placements have now dropped for six months in a row and vacancy growth is slowing. While we continue to benefit from the flexibility of our jobs market as demand for temps holds steady, today’s survey emphasises the real world impacts of the political and economic uncertainty businesses are facing.

“The first priority should be avoiding a damaging no-deal Brexit and giving some stability back to British businesses, so they can drive the prosperity of the whole country.”

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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

KPMG LLP, a UK limited liability partnership, operates from 22 offices across the UK with approximately 16,300 partners and staff. The UK firm recorded a revenue of £2.338 billion in the year ended 30 September 2018. KPMG is a global network of professional firms providing Audit, Tax, 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 all about brilliant recruitment, which drives our economy and delivers opportunity to millions. As the voice of the recruitment industry, we champion high standards, speak up for great recruiters, and help them grow. Recruitment is a powerful tool for companies and candidates to build better futures for themselves and a strong economy for the UK. 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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