News Release

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

Hiring activity rises sharply, but labour supply constraints dampen momentum

**Key findings**

- Permanent placement growth slows, but remains steep
- Demand for staff continues to rise at substantial rate...
- ...but deteriorating supply keeps pay pressures elevated

Data collected October 12-25

**Summary**

The latest KPMG and REC, UK Report on Jobs: North of England survey showed strong hiring activity across the region during October, although growth momentum faded as candidate numbers continued to shrink. Both permanent placements and temporary billings increased sharply over the month as rising workloads and stronger business confidence supported greater recruitment. Meanwhile, there were further steep increases in job vacancies, but with labour supply deteriorating sharply, strong competition for staff kept pay pressures at an elevated level.

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.

**Permanent placement growth softens, but remains steep**

The seasonally adjusted Permanent Placements Index remained above the 50.0 no-change mark in October, but slumped by almost ten points, signalling a notable slowdown in growth of permanent staff appointments across the North of England.

That said, the index was still indicative of one of the sharpest expansions in the survey history. Increased confidence and strong demand for permanent staff was reported by recruiters.

Across the four monitored English regions, London saw the fastest rise, followed by the North of England. That said, all regions barring the Midlands saw the rate of growth in permanent placements ease in October.

Recruitment consultants in the North of England recorded increased billings from the employment of short-term staff during October. Respondents linked the upturn to higher workloads at clients. Some recruiters also mentioned that short-term staff were drafted in as a stop-gap until positions were filled on a permanent basis.

Overall, temp billings growth in the North of England was sharp and the strongest of the four monitored English regions.

Demand for permanent staff in the North of England continued to rise at a considerable pace during October, despite the rate of expansion easing to a five-month low. In fact, permanent job vacancies increased at a rate which, prior to June, was unprecedented.

Latest survey data also signalled a substantial rise in temporary job openings across the North of England. While the increase was the weakest since June, it was the sharpest of the four monitored English regions for a fourth straight month.

**Further sharp decline in permanent candidate supply**

The supply of candidates available to fill permanent positions in the North of England continued to decline at a steep rate during October. The deterioration was little-changed from September and among the fastest on record.

According to surveyed recruiters, nervousness among candidates to move roles was a major restraint on permanent staff supply.

The North of England registered the quickest deterioration in permanent candidate numbers of all four monitored English regions in October, while the softest decline was seen in the Midlands.
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Recruitment agencies in the North of England recorded the slowest decline in temp candidate availability since April during the latest survey period. Nonetheless, supply continued to shrink sharply, which panellists attributed to high staff demand and limited pools of suitably-skilled candidates.

In comparison to the other monitored English regions, the North of England recorded the softest contraction in temp staff availability.

**Permanent starting salaries rise substantially once again**

Latest survey data pointed to another steep increase in starting salaries awarded to new permanent joiners in the North of England, despite the rate of inflation easing to a three-month low. Overall, the latest increase was the third-sharpest on record, outpaced only by those seen in the two previous months.

Anecdotal evidence suggested that excess demand for staff had pressured businesses to offer more competitive salaries.

The Midlands saw the fastest rise in permanent salaries followed by the South of England, both of which recorded series record increases in permanent salaries.

Pay pressures for temporary workers continued to build during October, with the rate of wage inflation rising for an eighth month in a row to reach a new survey peak. Increased temporary pay rates were overwhelmingly attributed by recruiters to candidate shortages.

Furthermore, The North of England recorded the quickest rate of temp wage inflation of the four monitored English regions by a notable margin.

**Comment**

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

“The demand for staff continues to be strong despite permanent placements slowing down due to lack of candidate availability. Many skills are in short supply, meaning there are not enough people with the right skills to fill the amount of vacancies. While this is clearly a problem in well-talked about sectors such as hospitality and retail, and with HGV drivers, this has become a widespread problem across many sectors, with companies struggling to find qualified staff. It is important that businesses and the government look at ways to provide skills to those looking for work who may not have relevant experience but who are keen to learn and who may have some transferable skills.

“While this is clearly a challenging time for businesses as they try to attract and retain staff while dealing with substantial rising costs, the labour supply constraints have meant that this is a great time to be looking for a job, as salaries and wages continue to increase to attract candidates.”

Kate Shoesmith, Deputy CEO of the REC, said:

“This latest data shows the robust growth in the jobs market continuing. Starting salary growth is still at near-record highs as shortages continue to bite and companies compete to hire the staff they need. But we are starting to see signs that we are moving into a new phase of the recovery, as the initial bounceback in demand starts to ease.

"It's also important to note that these salary rises are not universal. Recruiters tell us that candidates in some sectors and regions have been able to secure a substantial pay rise, but many employers can't afford to offer this. As we move into the next stage of recovery, it's vital the government put measures in place that will help companies to invest and grow, stimulate the UK's productivity and support the levers that help those furthest from the jobs market into work. Last week's Budget was a start, but there needs to be a radical shift across government departments to collaborate in order to deliver a skills revolution in the UK. This will only be successful if government and business work together to plan for future workforce needs. Recruiters are keen to work with government in such a joint forum."
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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.

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**About KPMG**

KPMG LLP, a UK limited liability partnership, operates from 21 offices across the UK with approximately 16,000 partners and staff. The UK firm recorded a revenue of £2.3 billion in the year ended 30 September 2020.

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**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.

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