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

Solid contraction in permanent appointments as candidate supply falls at faster pace

Key findings

- First decline in permanent placements for 77 months
- Faster falls in both permanent and temp availability
- Staff shortages lead to further rises in pay

Summary

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.

The Report on Jobs is unique in providing the most comprehensive guide to the UK labour market, drawing on original survey data provided by recruitment consultancies and employers to provide the first indication each month of labour market trends.

Permanent staff placements fall for the first time in 77 months

January data pointed to a renewed fall in the number of people placed into permanent job roles across the North of England. The reduction was the first seen since August 2012, and the fastest for just over six-and-a-half years. Some recruitment agencies commented on a hesitancy in hiring among their clients due to Brexit-related uncertainty. Permanent staff appointments also fell at the national level at the start of 2019. Albeit only marginal, the decline was driven by contractions in three of the four monitored English regions. The South of England was the only area to record growth.

Billings received from the employment of short-term workers in the North of England fell for the first time in six-and-a-half years during January. Although recruitment consultancies reported only a marginal rate of decline overall, the result contrasted with a modest expansion across the UK as a whole. The latest UK-wide

increase was, however, the softest since September 2015, with a reduction in the capital also weighing on the UK average. The Midlands posted the fastest rate of growth, outpacing the South of England.

January survey data pointed to softer increases in demand for both permanent and temporary workers in the North of England. Notably, permanent staff vacancies grew at the slowest rate for 29 months. Despite registering a solid rise overall, growth of demand was softer than that seen at the national level. Short-term positions also rose at the weakest rate since August 2016, and at a pace that was slower than the UK average.

Sharpest fall in permanent candidate supply for 13 months

The number of candidates available to fill permanent job positions in the North of England fell in January. Permanent staff supply has now contracted in each month for the past six years. Moreover, the pace of decline quickened compared to December, registering the fastest fall since December 2017. Recruitment consultancies suggested that shortages were primarily for skilled workers. Across the UK as a whole, permanent labour supply fell at the sharpest pace since May 2017, extending the current run of decline to 69 months. The steeper contraction in available permanent workers was driven by London, which registered its strongest downturn for eight months and the fastest across all English regions.

The availability of temporary staff in the North of England fell during January, with the rate of decline accelerating to the quickest in five months. As was the case with permanent staff availability, recruiters mentioned a shortage of skilled workers. At the national level, there was also a fall in availability of temporary workers in January. The overall pace of decline was sharp and the fastest for 14 months. At the regional level, quicker falls in all four monitored English regions drove the latest decline, with the Midlands recording the sharpest contraction.

Permanent starters' pay continues to rise sharply

The rate of starting salary inflation across the North of England remained sharp in January, despite softening from December. Recruiters in the region widely mentioned that competition for scarce candidates had contributed to the latest upturn in pay. That said, the rate of inflation was not as strong as seen across the country as a whole. UK permanent starting salaries rose markedly during January. The pace of inflation accelerated to its fastest since October 2018. Quicker salary growth in the Midlands and South of England contrasted with a slower expansion in London.

Remuneration awarded to temporary workers across the North of England increased strongly in January. This was despite wage growth easing to its slowest since October 2018. Some anecdotal evidence linked the latest rise to a shortage of skilled workers. Pay inflation in the region was softer than the UK average for the fifth month in a row. Though sharp overall, the increase in temp pay rates across the UK was weaker than that seen in December and the slowest for three months. The South of England posted the quickest rise, followed by the Midlands, London and the North of England respectively.

Comment

Commenting on the latest survey results, Chris Hearld, Northern Regional Chairman at KPMG UK said:

“Northern businesses might want to hire staff, but a chronic shortage of labour – particularly skilled workers – is now starting to bite. Not only will companies feel under resourced, they are also seeing wage and salary demands increase which will put more pressure on the bottom line.

“The message coming from the data is clear – the local business community needs to make sure that it continues to invest in creating, attracting and retaining talent if it to remain resilient and competitive.”

Recruitment & Employment Confederation chief executive Neil Carberry said:

“This is the first month since July 2016 where permanent placement numbers have dropped, with weaker – but still positive – performance for temporary roles, and the lowest rate of vacancy growth for over two years. But we should be careful not to overreact – employment rates are high, and the performance of our labour market overall is still strong. We also know that key sectors such as accounting, engineering and IT are facing shortages.

“That said, the survey results are a sharp reminder to politicians in Westminster and in Brussels of the need to provide businesses with clarity about the path ahead, so they can invest with confidence.

“In the public sector, the NHS continues to find it particularly difficult to find care workers and nurses – the effects of which are being felt by patients and overworked existing staff. Along with other sector shortages, this again emphasises the need for pragmatism on immigration and a clear post-Brexit transition period.”

Contact

KPMG

Paul Middleton
+44 (0) 2076 942180
+44 (0) 7387 257543
paul.middleton@kpmg.co.uk

REC

Gorki Duhra
REC Press Office
T: 0207 009 2192
gorki.duhra@rec.uk.com

Speed Communications

Kerry Grove
T: 0117 906 4517
kerry.grove@speedcomms.com

IHS Markit

Eliot Kerr
Economist
T: +44-2031-593-381
eliot.kerr@ihsmarkit.com

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 14,500 partners and staff. The UK firm recorded a revenue of £2.2 billion in the year ended 30 September 2017. KPMG is a global network of professional firms providing Audit, Tax, and Advisory services. It operates in 154 countries and territories and has 200,000 people 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

Jobs transform lives, which is why we are building the best recruitment industry in the world. As the professional body for recruitment we're determined to make businesses more successful by helping them secure the people they need. We are absolutely passionate and totally committed in this pursuit for recruiters, employers, and the people they hire. Find out more about the Recruitment & Employment Confederation at www.rec.uk.com.

About IHS Markit

IHS Markit (Nasdaq: 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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