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

Solid rise in permanent staff appointments during October

Key findings

- Permanent placements growth accelerates
- Softer increase in temporary billings
- Both permanent and temporary pay inflation eases

Summary

The latest **KPMG and REC, UK Report on Jobs: North of England** pointed to a stronger upturn in permanent staff placements in the region, at the start of the fourth quarter.

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, revealed a solid increase in permanent appointments, as well as a modest rise in temp billings. Demand for both permanent and temporary workers continued to increase, but the supply of labour fell further, adding to upward pressure on wages.

Solid growth in permanent staff appointments

Following a subdued expansion in September, permanent placements across the North of England rose solidly at the start of the fourth quarter. Notably, the increase was the only one recorded in the four monitored English regions. Recruiters mentioned increased demand from their clients when explaining the latest rise. At the UK level, permanent staff appointments fell for an eighth consecutive month. Moreover, the rate of reduction was the second-quickest since July 2016 and solid overall. The decline was driven by decreases in each of the other three monitored English regions. The fastest rate of contraction was recorded in the Midlands, followed by the South of England.

Recruiters in the North of England reported an increase in temporary billings for the third month in a row during October. Anecdotal evidence pointed to higher demand

for workers in manufacturing, retail and distribution. However, the rate of growth eased from September and was modest overall. Across the UK as a whole, temp billings also rose. The increase lost momentum from September, however, and was only marginal overall. As well as in the North, there was an upturn in the Midlands, but reductions were seen in London and the South of England.

Demand for permanent workers in the North of England continued to increase in October. Although the latest rise was the fastest recorded across all monitored English regions, it was the slowest upturn seen in the North since August 2012 and modest overall. Meanwhile, temporary vacancies in the North of England continued to grow at a solid rate. The latest rise was slightly slower than that recorded in September, but was quicker than the UK-wide average.

Permanent staff availability declines at sharper rate

Permanent staff availability in the North of England continued to fall at the start of the fourth quarter, extending the current run of contraction that began in February 2013. Moreover, the rate of deterioration accelerated to reach the fastest for four months. Many recruiters suggested that candidates were unwilling to move roles amid continued uncertainty surrounding Brexit. At the national level, survey data pointed to another decline in the supply of permanent staff. The fall was marked overall and the quickest since June, driven by reductions across all four of the monitored English regions. The steepest rate of contraction was seen in the South of England.

For the third time in as many months, temp labour supply across the North of England fell in October. The rate of decline was the fastest since May and solid overall. That said, the reduction was slightly softer than the UK-wide average and the second slowest across the four monitored English regions. Across the UK as a whole, temporary candidate availability also deteriorated. That said, the pace of decline eased from September and was among the slowest in the current sequence of falling candidate numbers which began in July 2013. The reduction was broad-based across all

four monitored English regions, with the Midlands noting the quickest deterioration in temp labour supply overall.

Permanent starting salaries rise at a slower pace

Starting salaries awarded to permanent workers in the North of England continued to rise at the start of the fourth quarter. Recruiters often noted that higher pay was required to attract candidates with relevant skills. That said, the rate of salary inflation was the softest since August 2016 and the least marked across the four monitored English regions. At the national level, permanent starting pay also increased. The rate of growth softened from September, but remained elevated in the context of historical data. The South of

Comment

Nicola Quayle, Office Senior Partner at KPMG in Manchester, said:

“As the UK heads to the polls next month, adding to existing uncertainty, it’s encouraging to see northern businesses bucking the national trend and pressing on with their expansion plans – another feather in the cap for the North’s robust economy. For the region to continue to thrive, it’s critical that businesses have the confidence to continue recruiting for permanent roles while allowing for more flexible billings to ensure the right mix of talent and resource. This latest acceleration is a welcome change from the high levels of caution we’ve seen throughout the year.”

England recorded the quickest rate of pay inflation for new joiners.

Remuneration awarded to temporary staff rose at a slower pace in the North of England during October. Though solid overall, the latest increase was the softest since March 2018 and lagged behind the UK-wide average. Where recruiters recorded wage inflation, they often linked this to candidate shortages. Across the UK as a whole, the rate of pay growth accelerated from September. That said, the rise was the second-slowest since March 2017. Similar to the trend in permanent starting pay, the South of England reported the fastest rate of increase of all four monitored English regions.

Recruitment & Employment Confederation chief executive Neil Carberry said:

“These figures underline why this needs to be a jobs election. The labour market is strong, with permanent placements rising in the North, but vacancies growth has fallen to its lowest level since August 2012. One bright spark is the temporary labour market, which continues to provide flexible work to people and businesses that need it during troubled times.

“Ending political uncertainty and getting companies hiring again is vital – but we must also look to the long term future of work. Jobs must be front and centre during this election campaign, and we will be launching our REC manifesto for work next week. We will be urging all political parties to run on policies which support and enhance the UK’s flexible labour market – allowing businesses to create jobs, employees to build careers and the economy to grow.”

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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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