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

Softer rise in permanent placements as candidate supply contracts at faster rate

Key findings

- Slowest rise in permanent placements since April 2013
- Steeper falls in the availability of both permanent and temporary staff
- Strong demand for staff pushes up starting 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.

Slowest rise in permanent placements for 68 months

Recruitment agencies in the North of England signalled the softest increase in permanent staff appointments for over five-and-a-half years in December. The marginal expansion followed a second successive deceleration in the rate of growth. Some survey respondents indicated that Brexit uncertainty was having a negative effect on both the demand and supply of permanent staff. Permanent placements also continued to increase across the UK as a whole in December. Though solid, the latest rise was the softest recorded since April 2017. The slowdown was driven by weaker expansions in three of the four monitored English regions (the exception being the South of England).

Temp billings in the North of England expanded at an accelerated rate at the end of the fourth quarter. The increase was sharp overall and broadly in line with the average recorded for 2018. Panellists mentioned greater demand for workers as a result of rising activity at

clients. At the UK level, temp billings also grew at a faster rate than in November. The increase was also slightly quicker than the average for 2018. The South of England registered the steepest rate of expansion, while the Midlands was the only covered English region to report a softer rise.

Demand for permanent staff in the North of England rose at a sharp pace that was unchanged from November. That said, growth of demand remained softer than that seen earlier in the year. Temporary staff vacancies in the North of England also grew markedly at the end of the fourth quarter. In fact, the rate of expansion was the quickest recorded since August 2017 and faster than the UK average.

Sharpest fall in permanent candidate supply for one year

Permanent staff availability in the North of England continued to fall in December, extending the current sequence of contraction to 71 months. Moreover, the rate of decline was sharp overall and the fastest recorded in 2018. Some recruiters mentioned that candidates did not want to change jobs amid the current Brexit uncertainty. Across the UK as a whole, permanent labour supply fell for the sixty-eighth month in a row during December. The decline was quicker than that seen in November and sharp overall. At the regional level, permanent staff availability fell at faster rates in the South and North of England, and at weaker rates in London and the Midlands.

Temporary labour supply in the North of England fell at the sharpest rate since August during December, as the pace of decline accelerated for the third month in a row. That said, the reduction in short-term staff availability was softer than the UK average for the fourth consecutive month. At the national level, the rate of deterioration eased for the second month running to reach its least marked since March. In contrast to the North of England, the other three monitored English regions reported softer falls in temporary candidate availability.

Starting salary inflation accelerates at end of 2018

Permanent starting salaries in the North of England increased markedly in the final month of 2018. The pace of expansion was the joint-fastest in the past six months and far stronger than the historical average. According to panellists, higher pay was offered in order to attract suitably skilled candidates. At the national level, permanent starting salaries continued to rise sharply during December. This was despite the rate of inflation edging down further from September's recent peak. The national trend was driven by slower rises in the Midlands and the South of England.

Comment

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

“The North is creating a healthy and encouraging volume of new roles, but we might see a two-speed market emerging as Brexit approaches. While there is still strong growth in permanent vacancies, there seems to be evidence that uncertainty may be weighing down on long term planning, which has softened the pace at which those positions are opening up. Business leaders appear to be considering more flexible labour options right now so they can retain capacity, but also respond quickly if trading conditions change significantly.”

Remuneration for temporary staff in the North of England rose sharply during December. However, growth was slower than that seen in November and remained softer than the UK average for the fourth month in a row. Temp pay rates also rose at a softer pace at the national level during December. Nonetheless, the increase was still marked overall and faster than the average for 2018. The slowdown was broad-based, with all four of the monitored English regions recording slower rates of temp wage inflation.

Recruitment & Employment Confederation chief executive Neil Carberry said:

“It’s no surprise that growth in new permanent jobs dropped to its lowest level in almost two years last month, because economic uncertainty is now affecting companies’ hiring plans. But the underlying strength of our labour market is still there – vacancies are high and temporary placements rose in the run-up to Christmas. There are opportunities out there for people who want to change job in 2019.

“Businesses will be looking for certainty on Brexit plans soon, so that they can get on with driving growth and jobs. Recruiters will be helping employers to do that – high employment rates mean that there are significant shortages in some parts of our labour market.

“The pre-Christmas rush put a squeeze on logistics jobs in December so it was no surprise to see blue-collar roles topping the skills shortage list in this survey. Accounting, engineering, hospitality and healthcare all stand out as shortage sectors in today’s data.

“Continuing to fill roles like these in the coming months will be critical, so it is vital that the Government’s proposed new approach to immigration can fill shortages at all skill levels. But businesses can also help, by opening up career paths through more inclusive hiring practices as well as focusing on improved workplace training and links with education. Recruiters are uniquely placed to help employers with future workforce planning whatever the UK’s future relationship with the EU looks like.”

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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 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

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