

Embargoed until 0101 (UK) 6 March 2020

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

Quickest rise in permanent placements since January 2018

Key findings

- Faster growth in permanent placements and temp billings
- First increase in permanent staff availability for just over seven years
- Demand for workers drives rise in permanent starters' pay

Summary

The latest **KPMG and REC, UK Report on Jobs: North of England** indicated that recruitment activity picked up midway through the first quarter of 2020. Permanent placements and temp billings both expanded at quicker rates, which was often linked to improved market confidence following last year's election. Furthermore, vacancy growth quickened for both permanent and temporary roles during February. At the same time, the supply of permanent workers rose for the first time since the start of 2013. Improved demand for staff meanwhile placed greater upward pressure on pay, with starting salaries increasing at the sharpest rate of seven months.

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.

Fastest rise in permanent staff appointments for over two years

Recruiters in the North of England reported a further rise in permanent placements during February, extending the current run of increase to six months. Moreover, the rate of growth accelerated for the third time in as many months to reach the fastest for just over two years. Panellists cited improved demand for workers due to a more stable political environment and greater confidence regarding Brexit. On a regional basis, permanent staff appointments rose in three of the four monitored English regions, led by the North of England.

London was the only region to register a decline in permanent placements during February.

Temporary billings in the North of England rose further during February. Notably, the latest increase was the fastest for five months and solid overall. When explaining the result, some recruiters suggested that improved clarity surrounding Brexit had boosted demand for temporary staff. In contrast, temp billings fell slightly at the national level for the second month running, driven by falls in the Midlands and London.

Both permanent and temporary staff vacancies in the North of England continued to rise during February. The increase in demand for permanent workers extended the current run of growth that began ten-and-a-half years ago, with the pace of expansion accelerating to the fastest since May 2019. The rise was marked overall and sharper than the UK average. Demand for temp staff also grew at the quickest rate since last May. The marked increase was faster than the national average.

First increase in permanent labour supply for over seven years

The availability of permanent staff across the North of England increased in the latest survey period. Though only modest overall, the reading represented the first improvement since January 2013. A number of recruiters suggested that upcoming IR35 legislation and increased certainty around Brexit had led to greater willingness to pursue and move roles. Across the UK as a whole, permanent candidate numbers declined at the slowest rate since mid-2013. Softer falls were registered in the Midlands and the South of England, while London recorded a slightly quicker rate of contraction.

Following a slight contraction in January, temporary labour supply in the North of England expanded in February. The result marked the third expansion in the past four months. The rate of growth was moderate overall, but contrasted with a further reduction in temp candidate supply at the national level. Some panel members commented that the upcoming IR35 reforms had contributed to higher short-term candidate numbers. On a regional basis, the North of England was

the only area to record an increase in temp labour supply, as further declines were seen in the Midlands and the South of England, while candidate numbers stagnated in London.

Sharpest rise in permanent starters pay for seven months

Starting pay awarded to permanent workers in the North of England continued to rise during February. Moreover, the rate of inflation accelerated to the quickest for seven months and was sharp overall. Some recruiters mentioned that higher pay was driven by

Comment

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

“While the ‘Boris bounce’ continues to be felt in the loosening of the national job market, it’s worth noting that prospects in the North have steadily been on the increase for the last six months. Indeed, a third month of accelerated recruitment indicates that businesses are indeed investing for growth.

“This ongoing investment in talent also brings with it added resilience and agility, which northern businesses will need to capitalise on any announcements in next week’s Budget. However, looking ahead, the current big unknown is the impact and influence the coronavirus may have on market confidence, let alone the lingering uncertainty around the actual Brexit deal.”

increased demand for workers. Starting salary inflation also quickened at the UK level, with all four monitored English regions stronger expansions.

Remuneration awarded to temporary staff in the North of England continued to rise in February, extending the current run of inflation that began in September 2012. Although the latest increase was fractionally faster than that registered in January, it remained historically subdued and was softest of all four monitored English regions. Nonetheless, the rate of temp pay growth also remained relatively muted at the national level.

Recruitment & Employment Confederation chief executive Neil Carberry said:

“It’s great to see how the state of the jobs market has improved in the past few months. Businesses are feeling positive, placement numbers are up, and the number of vacancies in the North is now rising at the quickest pace for almost a year. It shows just how important stability can be. With a little confidence about where the economy is heading, employers can make clear plans for hiring and put them into practice. Politicians must be careful to maintain that stability – whether that’s in negotiations with the EU, or making sure that the tax and skills policies in next week’s Budget work for business. This is even more important given the impact that coronavirus may have on the economy in the spring.

“The stark outlier in this data is the much slower performance of the temporary market. With less than a month to go until the IR35 changes kick in, we’re hearing about more and more companies putting a blanket ban on hiring contractors – and we now see this influencing the availability of flexible workers too. The government urgently needs to stop and think about how to make these changes more effective. They should start by delaying implementation in order to properly regulate umbrella companies.”

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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.

February data were collected 12-24 February 2020.

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 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.

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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