

Embargoed until 0101 (UK) 6 December 2019

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

Permanent placements growth eases in November

Key findings

- Modest rise in permanent staff appointments
- Vacancy growth remains relatively subdued
- Temp labour supply expands at quickest pace since May 2013

Summary

The latest **KPMG and REC, UK Report on Jobs: North of England** pointed to a softer rise in permanent placements in the region midway through 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 modest increase in permanent appointments, as well as a lacklustre rise in temp billings. Demand for both permanent and temporary workers remained relatively subdued. Meanwhile, temp labour supply grew at the quickest rate since May 2013 amid incoming regulatory change.

Modest increase in permanent staff appointments

Recruiters in the North of England recorded another increase in permanent placements midway through the fourth quarter. Anecdotal evidence suggested that the rise was driven by stronger demand for workers. That said, the rate of growth softened from October and was modest overall. At the UK level, recruitment consultancies reported a ninth consecutive monthly fall in permanent staff appointments. The rate of decline eased to the softest since July and was only mild, however. Driving the latest reduction were falls in two of the four monitored English regions, led by the South of England.

November data pointed to a further rise in temporary billings across the North of England, extending the current run of expansion to four months. Although slightly quicker than that recorded in October, the rate of increase remained modest overall. Across the UK as a

whole, temp billings also continued to rise. That said, the increase was the softest for three months and only marginal. At the regional level, growth was also reported in the Midlands and London, with former recording the quickest increase of all four monitored English regions. The South of England noted a second successive monthly decline, albeit modest.

Demand for both permanent and temporary workers in the North of England continued to grow midway through the fourth quarter. The latest rise in permanent vacancies was fractionally quicker than that registered in October, but remained modest overall. That said, the rate of growth was faster than the UK average. Meanwhile, demand for temporary staff increased at the quickest pace since July. The marked rise was the fastest recorded of the four monitored English regions.

Permanent staff availability falls at softer rate

Permanent staff availability in the North of England continued to decline midway through the fourth quarter. However, the rate of deterioration eased from October, when it was the quickest for four months. Some recruiters cited Brexit uncertainty when explaining the latest reduction in candidate numbers. At the national level, permanent candidate availability also continued to deteriorate, with the pace of decline accelerating to the fastest for five months and remaining marked overall. The reduction was driven by falls across all of the four monitored English regions, with the South of England posting the fastest rate of contraction.

Temporary labour supply in the North of England grew for the first time in four months during November. Though modest, the rate of improvement was the quickest since May 2013. The increase in the North of England was the only one seen across the four monitored English regions. Some recruiters suggested that upcoming changes to IR35 had driven the rise in availability. Across the UK as a whole, the supply of temporary candidates fell in November, with the pace of decline accelerating from October to a solid rate overall. Of the four monitored English regions, the Midlands reported the steepest rate of reduction.

Permanent starting salaries rise markedly

Permanent starters' pay continued to increase midway through the fourth quarter, extending the current run of inflation that began in March 2012. The latest rise was the quickest recorded across the four covered English regions and sharp overall. Anecdotal evidence suggested that higher pay was needed to attract skilled workers. At the national level, permanent starting salaries rose in November, as has been the case in every month since May 2012. The latest increase was solid, albeit the slowest for almost three years. All of the four monitored English regions reported a rise in permanent

starters' pay.

Remuneration awarded to temporary workers in the North of England rose further in November. However, the rate of inflation eased for the fourth month in a row to reach the softest since February 2018. Moreover, the increase in temp pay was the slowest recorded of all four monitored English regions. Across the UK as a whole, November data highlighted a further increase in average hourly pay for temporary workers. The rate of wage inflation eased, however, and was the slowest for three years. The South of England recorded the strongest rate of pay growth.

Comment

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

“It has turned a little frosty for the Northern jobs market as we head into a festive period gripped by a general election and an impending Brexit deadline. The figures show that employers in the region are more confident than much of the rest of the country in making new hires, but the growth is relatively modest when compared to previous months. We don't expect the thaw to set in until the new year when the outlook for many businesses becomes clearer.”

Recruitment & Employment Confederation chief executive Neil Carberry said:

“Today's figures show exactly why this election needs to focus on work. The jobs market is still strong, but uncertainty is taking its toll. In the North, permanent placements have increased again but vacancies growth is around its weakest for a decade. Any incoming government must move quickly to boost business confidence and implement policies that will help companies and individuals to make great work happen.

“With that in mind, it was good to hear Sajid Javid say that a Conservative government would review the planned changes to IR35 if they win the general election, alongside similar commitments from Labour and the Liberal Democrats. Everyone should pay the right amount of tax - and that must mean thinking again and stopping 2020 implementation. Contractors and the self-employed are a vital part of the UK's flexible labour market, and current implementation plans risk rewarding those who avoid tax whilst punishing hundreds of thousands of compliant contractors and agencies. It is essential that these tax changes are only brought in when it's clear they can be implemented effectively, with proper regulation of umbrella companies and effective enforcement.”

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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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