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

Permanent placements rise again in April

Key findings

- Modest rise in permanent staff appointments
- Fastest increase in temp pay for nine months
- Candidate supply falls at softer rate

Summary

The latest **KPMG and REC, UK Report on Jobs: North of England** pointed to a sustained rise in permanent placements during April.

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 an increase permanent staff hiring, as well as a further strong rise in temp billings. However, a sustained drop in labour supply continued to place upward pressure on pay.

Recruitment firms often commented that worker availability fell because people were unwilling to move jobs amid ongoing Brexit uncertainty.

Permanent placements rise for the second month in a row

Recruiters in the North of England recorded a second successive monthly increase in permanent staff appointments during April. The rate of growth was unchanged from March and moderate overall. Anecdotal evidence from recruitment firms indicated that increased demand for workers drove the latest rise in permanent staff appointments. Across the UK as a whole, hiring of permanent workers fell for the second month in a row. However, the rate of decline eased from March and was only marginal overall. At the regional level, three of the four monitored English locations recorded lower permanent staff placements, with the North of England being the only exception.

Temp billings in the North of England rose markedly at the start of the second quarter. However, the rate of increase eased from March and was slightly softer than the historical average. Some recruiters mentioned

rising business requirements at their clients when explaining the latest rise. At the national level, temporary billings also continued to increase. The latest rise extended the current sequence of growth to six years. Moreover, the rate of increase accelerated from March and was solid overall. The Midlands was the only monitored English region to record a decline.

April data pointed to a further rise in demand for both permanent and temporary staff in the North of England. The number of permanent staff vacancies increased sharply, registering the fastest rate of growth for six months. Moreover, permanent staff demand rose at a quicker pace than the UK average. Similarly, temporary positions in the North of England increased a sharper pace than in March. The rate of expansion reached its strongest since last December.

Permanent labour supply declines at slower pace

As has been the case in each month since February 2013, permanent staff availability in the North of England deteriorated during April. The rate of decline eased to its softest since November 2018, but remained sharp overall. When explaining the latest fall in permanent candidate numbers, recruiters often suggested that workers were reluctant to change jobs amid ongoing Brexit uncertainty. Across the UK as a whole, permanent labour supply continued to fall sharply, but the rate of reduction was the least marked in just over one year. At the regional level, there were slower declines recorded in each of the four monitored English locations. The quickest deterioration in availability was registered in the South of England, while the slowest was recorded in the Midlands.

Although temporary staff availability in the North of England continued to fall at the start of the second quarter, the rate of deterioration eased to its softest for six months. Recruitment consultancies typically attributed the latest decline in temp labour supply to a low level of unemployment and a lack of suitably skilled candidates. At the national level, the rate of decrease eased to its slowest since January 2017. There were softer declines in London and the North of England, and faster falls in the Midlands and the South of England.

Slowest increase in permanent starters' pay for seven months

Recruiters in the North of England reported a rise in permanent starting salaries for the eighty-sixth month in a row during April. However, the rate of inflation softened for the second month in a row, reaching its slowest since last September. Permanent starting salaries also continued to increase sharply across the UK in April. That said, the rate of inflation edged down to the slowest for two years. London also registered a less robust rises in starting salaries. However, rates of increase picked up in the Midlands and the South of England.

Comment

Commenting on the latest survey results, Nicola Quayle, Office Senior Partner at KPMG in Manchester said:

“The North continues to buck the national trend, delivering an albeit modest increase in permanent appointments for the second month running. Despite ongoing uncertainty, aspirational businesses in the region are clearly kicking on with their growth plans which is encouraging to see.”

“Workers are still exercising caution when moving within the job market, slowing the availability of skilled talent, which will frustrate those in business who want to expand now. While there is appetite to take on workers, employers won't want to overstretch themselves and are still hungry for temporary labour that will offer some flexibility if trading conditions change dramatically.”

Wages paid to temporary staff in the North of England continued to rise sharply at the start of the second quarter. Moreover, following the slowest increase for five months during March, the rate of inflation accelerated to the quickest since July 2018. At the national level, hourly pay rates for temporary staff grew at the fastest pace for three months. The South of England also recorded a quicker rise in temp wages, whereas the Midlands signalled the slowest rate of pay inflation since last October. Notably, London saw wages rise at a solid rate following a fractional decrease in March.

Recruitment & Employment Confederation chief executive Neil Carberry said:

“Today's report shows the continued strength, agility and flexibility of the UK labour market. In uncertain times, employers are turning to temporary work to support their business and offer people opportunity while the long-term economic picture is unclear.”

“There are signs that the jobs market is gently weakening for permanent roles, despite ongoing issues of skills and candidate shortages. This too is likely to be associated with uncertainty about the future path of our economy.”

“We should be proud of how our jobs market has adapted to challenging circumstances. Resolving Brexit will bring some certainty, but we must also take bold steps to fix the underlying problems suggested by these figures, including reforming the apprenticeship levy to allow training for agency workers so that they can fill shortage roles.”

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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

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 (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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