News Release

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

Permanent placements increase solidly in June, as temp billings fall slightly

Key findings

- Solid rise in permanent staff placements
- Permanent candidate availability falls at softest rate in eight months
- Starting salaries increase sharply

Summary

The latest **KPMG and REC, UK Report on Jobs: North of England** signalled a slower rise in permanent placements during June, while temp billings declined further.

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, pointed to a softer, but still solid, rise in permanent staff placements in June. This contrasted with a marginal fall in temp billings. Meanwhile, another marked reduction in candidate supply contributed to sharp increases in starting pay.

Permanent placements rise solidly in June

The number of permanent staff appointments in the North of England increased solidly over the course of June, although the rate of growth was softer than that seen in May. Panellists that reported an expansion related this to strong demand for staff across multiple sectors. At the same time, recruitment consultancies across the UK recorded a fourth consecutive monthly reduction in permanent staff placements, as the other three monitored English regions saw declines.

For the second consecutive month, Northern recruitment consultants signalled a drop in temporary staff billings. However, the decline in June was notably weaker than in May, and marginal overall. Anecdotal evidence partly linked the fall in billings to a shift to permanent job roles. However, other recruiters saw increased demand for temporary staff during the month. Temp billings meanwhile rose slightly at the national level. Despite quickening from May, the rate of growth was the second-weakest in the current 74-month sequence of expansion. Higher temp billings in London and the South of England contrasted with slight declines in the Midlands and North of England.

Vacancies for permanent staff in the North of England continued to rise sharply at the end of the second quarter. The increase was softer than the 21-month high recorded in May, but remained stronger than the average for the UK. Similarly, the amount of unfilled temporary roles grew at a less marked pace in June compared to May, despite remaining quicker than the UK-wide trend.

Slowest fall in permanent staff availability in eight months

Latest survey data signalled another sharp fall in permanent staff availability in the North of England in June. That said, the rate of decline slowed to the least marked since October 2018. As with past months, recruiters found that Brexit-related uncertainty made people unwilling to change jobs. Skill shortages were also attributed to the fall in candidate numbers. Across the UK, permanent labour supply deteriorated in June. The rate of decline remained much quicker than the historical average, as all surveyed English regions registered an overall drop in candidate availability.

Recruiters in the North of England saw only a slight drop in the availability of temporary staff in June. It was the weakest decline recorded in the current 69-month sequence of deterioration. Some panellists continued to report a lack of skilled workers in the jobs market, reducing staff supply. Others meanwhile found that new technology and improved marketing helped to find temporary candidates for roles. Short-term staff availability across the UK dropped at a slightly less marked pace in June, although the overall decline remained sharp. Of the four monitored English regions, London saw the quickest rate of contraction.

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Starting salaries rise sharply in June

Salaries for new permanent staff in the North of England increased at a steep pace during June. The rate of inflation was broadly similar to the recent trend, only slightly softer than that seen in May but narrowly beating the UK average. Pay generally increased due to a shortage of candidates in the region, panellists noted. At the national level, the Midlands recorded the quickest rise in permanent starting salaries, while London continued to register the slowest increase.

Broadly in line with May's result, wages for short-term workers in the North of England increased sharply in June. Recruiters found that this was often caused by a lack of candidates for temporary roles. The rate of inflation matched that seen for the UK as a whole, which recorded the fastest rise in average hourly pay rates since last November. Faster wage growth was also recorded in the Midlands, while London and the South of England saw weaker increases in pay.

Comment

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

“There was a slowdown in recruitment activity across the North midway through 2019 as political and economic uncertainty persisted. Dented confidence and a more cautious approach to hiring from local firms has slowed permanent appointments and pushed temporary hires into reverse. Likewise, candidates will be increasingly reluctant to change roles until they can make more informed decisions on their futures and get a better view on the health of the economy.”

Recruitment & Employment Confederation chief executive Neil Carberry said:

“It’s no surprise that the jobs market has slowed a little in this time of uncertainty – but vacancy numbers remain high and there are still opportunities out there for people looking for their next step. Pay is rising too. Nevertheless, the gentle slowdown in temp billings and slower growth of permanent hiring is a reminder to all politicians that businesses and employees across the country are looking for a smooth path to a negotiated Brexit outcome.

“One issue which shows no sign of relenting is the shortage of qualified candidates in some areas, as availability of both permanent and temporary workers remains tight. Roles such as LGV and forklift drivers, healthcare assistants, as well as manufacturing and production staff are consistently listed as being in short supply.

“Agencies employing temporary workers do all they can to train them to fill these vacancies, but this is made more difficult by the constraints of the apprenticeship levy. It is high time that this policy was reformed. By allowing agencies to fund high-quality training for temps using the levy they pay, the government could provide progression opportunities for flexible workers, tackle the country’s skills shortages and boost the productivity of our economy.”

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Contact

KPMG
Ed Fotheringham Smith
+44 (0) 7920 572490
edfotheringhamsmith@kpmg.co.uk

REC
Josh Prentice
Comms & Research Officer
+44 (0)20 7009 2129
josh.prentice@rec.uk.com

IHS Markit
David Owen
Economist
T: +44-2070-646-237
david.owen@ihsmarkit.com

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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