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

### Permanent staff appointments fall again in February

#### Key findings

- Further decline in permanent placements amid uncertain outlook
- Permanent and temp staff availability deteriorates
- Starting pay inflation remains marked

#### 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.

#### Permanent placements decline in February

Permanent staff appointments in the North of England fell for the second month in a row during February. Some recruiters suggested that the decline was related to Brexit uncertainty. That said, the latest reduction was only moderate overall, with the rate of contraction having eased from January. At the UK level, permanent staff placements stabilised in February, following the first contraction for two-and-a-half years in January. Broken down by region, higher permanent appointments in London and the South of England helped to offset falls in the Midlands and the North of England.

February data pointed to a rebound in temp billings in the North of England. The modest increase represented a recovery after the first contraction for six-and-a-half years in January. However, the rate of expansion was softer than across the UK as a whole, where temporary billings rose markedly. A renewed increase was also seen in London, while growth picked up in the South of England. The Midlands registered a softer, but still sharp, rate of expansion.

Demand for both permanent and temporary staff in the North of England continued to rise during February. Permanent job vacancies grew solidly, with the rate of increase accelerating slightly from January. However, the expansion remained softer than the national trend. Although marked overall, the latest rise in short-term vacancies was unchanged from January's 29-month low, and below the UK average.

#### Softer fall in permanent staff availability

Permanent staff supply continued to fall in February, extending the current sequence of contraction to just over six years. Panellists suggested that the latest decrease was caused by a combination of high employment and a reluctance to seek new roles amid Brexit uncertainty. The rate of reduction remained sharp overall, despite easing from January. Across the UK as a whole, latest survey data pointed to another fall in permanent staff supply. However, February's decline was the softest for just under a year, with slower reductions recorded in each of the four covered English regions. The rate of deterioration was quickest in London, and weakest in the Midlands.

Recruiters in the North of England reported a further decline in the supply of temporary candidates midway through the first quarter. The rate of deterioration weakened from January, but was still sharp overall. Some panel members associated the contraction with temporary workers leaving the UK. At the national level, there was also a decrease in temporary worker availability during February. The rate of reduction eased since the start of 2019, but remained stronger than the historical average. London was the only covered English region to record a faster deterioration in short-term staff supply in February.

#### Starting salaries rise at sharper rate

Latest survey data pointed to a rise in starting salaries offered to permanent workers in the North of England. Moreover, the rate of inflation accelerated since the start of the year and was in line with the UK average. Recruitment consultancies regularly commented that higher pay offers were required to attract sufficiently

skilled candidates. Across the UK as a whole, permanent starting salaries continued to increase sharply during February. That said, the rate of growth was the softest recorded since July 2018, with slower rises in three of the four monitored English regions. The North of England was the only location to see the rate of inflation quicken from January.

Wages received by short-term staff in the North of

### Comment

Commenting on the latest survey results, James Stewart, Vice Chair at KPMG, said:

*“Overall the labour market has been incredibly resilient over the last couple of years as employers have opted to hire more permanent and temporary staff rather than invest in long term productivity gains. However in 2019 Brexit uncertainty is having an opposite and chilling effect on the jobs market, with firms reassessing their level of risk.*

*“With a decision on Brexit now imminent we’re seeing companies freeze or slow the pace of new hires, whilst at the same time the number of people looking to enter the jobs market has declined further. Vacancy growth is now back to the levels we saw around two and a half years ago.*

*“With unemployment at its lowest level since 1975, widespread skills shortages are also cooling the jobs market with the most acute issues to be found in sectors such as IT, engineering, and nursing. This means candidates with the right skills are commanding ever higher premiums and pay growth is now at a 10-year high. This has seen pay outstripping living costs meaning people feel better off.*

*“Once a political decision is made on Brexit we expect a wave of pent-up investment to be released in parallel with a renewed focus on cost reduction. This should result in another busy time for the jobs market later this year.”*

England rose markedly during February. Notably, the pace of increase quickened to the sharpest for seven months. The rise was also faster than the UK average for the first time since last August. At the UK level, temp wages also grew, despite the rate of increase easing to the slowest for just over a year. Faster rises in the Midlands and North of England contrasted with softer growth in London and the South of England.

Recruitment & Employment Confederation chief executive Neil Carberry said:

*“The resilience of employers and the British jobs market shines through in today’s Report on Jobs. While numbers are clearly weaker than we have seen over the past few years, the survey suggests businesses are ready to create jobs if the investment environment is right. Recruiters are playing a crucial role in helping their clients fill gaps. With permanent vacancies rising in all sectors, the strongest demand is for IT and computing staff.*

*“As we draw closer to Brexit day, uncertainty and concern has grown, putting the sustainability of positive jobs news at risk. Firms are looking for politicians to find a solution to the current deadlock that gives them the certainty they need to invest and create jobs.*

*“In a separate survey of REC members this week, nearly half (45%) of respondents said that their biggest leadership challenge in dealing with Brexit was reassuring workers, candidates and staff.*

*“REC members are looking to the Chancellor to use next week’s Spring Statement to inject stability and long-term thinking into our economic debate. A commitment to proper flexibility in the skills levy, an open but controlled approach to immigration after Brexit, and changes to government plans on contractor tax to protect compliant businesses are top of recruiters’ agenda.”*

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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](mailto: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](mailto: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](http://www.rec.uk.com).

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