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KPMG and REC, UK Report on Jobs: North of England

Hiring activity slows in April amid candidate shortages

Key findings

Permanent placement and temp billings growth ease further

Candidate supply deteriorates once again amid skill shortages

Pay pressures remain steep as job vacancies rise sharply

Data collected 11-25 April

Summary

The latest KPMG and REC, UK Report on Jobs: North of England survey signalled a slowdown in hiring activity across the region in April as both permanent placement and temp billings growth were at their weakest in over a year. Candidate shortages, and reports of growing hesitancy among workers to leave their current roles, constrained available talent pools as staff supply fell further, although demand for staff continued to rise sharply. With competition for candidates remaining strong, pay pressures were elevated as permanent starting salaries and hourly pay rates for temps increased at a considerable pace.

The KPMG and REC, UK Report on Jobs: North of England is compiled by S&P Global from responses to questionnaires sent to around 150 recruitment and employment consultancies in the North of England.

Permanent placement growth eases to 14-month low in April

Recruitment agencies in the North of England signalled further growth in permanent placements during April. Where an increase was reported, this was often linked to greater business requirements at clients.

That said, the rate of expansion in permanent staff appointments slowed to a 14-month low and was the weakest of the four monitored English regions. Some recruiters highlighted candidate hesitancy and scarcity as drags on the upturn.

The seasonally adjusted Temporary Billings Index recorded above 50.0 in April, signalling a further expansion in billings received by recruiters in the North of England from the employment of short-term staff. However, the increase was the slowest in just over a year, with some survey respondents citing candidate shortages.

Compared to the other three monitored English regions, the North of England saw the softest expansion during April. London and Midlands-based recruiters saw slower increases in temp billings, while recruiters in the South of England recorded a quicker increase in comparison to March.

Demand for both permanent and temporary workers rose across the North of England once again during April. In both cases, rates of increase were sharp and above that seen for the UK as a whole.

That said, growth in job vacancies slowed since March. Permanent job openings rose at the weakest rate since October last year, while the increase in demand for temporary staff slowed to a four-month low.

Permanent staff supply continues to fall in April

As has been the case since February 2021, permanent staff availability across the North of England fell during April. The deterioration was sharp overall amid reports of heightened caution among candidates to leave their current positions due to economic uncertainty.

That said, the deterioration in permanent staff availability eased since March and was weaker than that seen for the UK overall. Softer decreases were also seen in London, the Midlands and the South of England.

According to latest survey data, temporary candidate supply across the North of England fell further at the start of the second quarter as the respective seasonally adjusted index remained below the 50.0 no-change mark.

While the downturn in supply was marked, it slowed to the weakest since March 2021. The drop in temp staff availability was also the weakest of the four monitored English regions.

Permanent starters' salary inflation remains steep

Salaries awarded to permanent new starters across the North of England continued to rise at a substantial rate during April. Strong competition for scarce candidates was a major driver of higher starting salaries, according to recruiters.

Overall, although the rate of inflation across the region eased to a three-month low, it remained among the fastest on record and outpaced those seen in the other three English areas monitored by the survey.

Latest survey data signalled another sharp increase in temporary wages across the North of England during April. Higher hourly pay rates were reportedly offered in an effort to attract the most skilled candidates across the market.

Although the rate of temp wage inflation slowed to a three-month low, it outpaced that seen for the UK as a whole.

Temporary wage inflation was also seen in the other three monitored English regions, led by the

South of England which was the sole region to report an acceleration

Comments

Euan West, office senior partner for Leeds at KPMG UK:

“After months of seeing these trends continue to head in the same direction, it is clear that this situation is not going to sort itself. We simply do not have enough candidates to fill the vacancies available and it seems that this problem is exacerbated further in the North where demand for workers is stronger than in the rest of the UK. This is not going to be a simple fix, businesses, working with the government, need to look at upskilling and reskilling people so they can fill these vacancies, otherwise we will be at an impasse where the vacancies remain unfilled and businesses are unable to hire the staff needed to fulfil their requirements.”

Neil Carberry, Chief Executive of the REC, said:

“The labour market has been tightening for months on end, driving near-record growth in starting salaries for new staff. With vacancy numbers also historically high, this is a great time to be looking for a job – and a pay rise to help meet the rising cost of living.

“The number of job placements being made is still growing, but at a more stable rate. Growth is now at its lowest level for a year. This is no surprise, given how hot the market has been. Employers need to get their offer to candidates right if they are going to succeed in this market. Enhancing diversity and inclusion, and effective early career hiring are also important elements of a winning approach – consulting a recruitment expert can help with all of this.”

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Methodology

The KPMG and REC, UK Report on Jobs: North of England is compiled by S&P Global 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 15,300 partners and staff. The UK firm recorded a revenue of £2.43 billion in the year ended 30 September 2021.

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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.

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