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KPMG AND REC UK REPORT ON JOBS: NORTH OF ENGLAND

Permanent staff hiring accelerates in the North of England

Key findings

- Permanent appointments and temp billings both rise at faster rates
- Stronger decline in staff availability
- Shortages push starting salary inflation to four-month high

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 staff appointments rise at a faster pace

October survey data for the North of England signalled a renewed acceleration in the hiring of permanent staff. Panellists commonly attributed growth to strong sales performance at clients. Permanent staff appointments also continued to rise across the UK during October, with the rate of growth faster than that seen in September. The sharper increase was driven by quicker rises in three of the four monitored English regions. London was the only locality to post a softer upturn.

After easing to a five-month low in September, temporary billings growth rebounded in the North of England to the fastest since July. Recruiters reported that greater demand for staff, particularly for industrial, construction and blue collar workers, boosted temp billings during October. There was also an overall increase in temporary staff billings across the UK during October. The marked expansion was the second-fastest seen so far this year as all four regions posted faster rates of growth compared to September.

The number of permanent vacancies in the North of England continued to rise during October. The sharp increase was faster than that seen in September and slightly quicker than the average across the UK. Similarly, the number of available jobs for temporary workers rose further at the start of the fourth quarter. The pace of expansion was the quickest in 14 months and outpaced the UK average.

Permanent staff availability continues to decline

The availability of permanent staff in the North of England continued to fall at the beginning of the final quarter, as it has done since February 2013. Recruiters reported another sharp decline, one that was faster than that seen in September. However, the rate of contraction remained softer than the average for 2018 so far. Anecdotal evidence pointed to a number of skill shortages including those of accountants, drivers, engineers and lawyers. October data also signalled the sharpest fall in permanent candidate availability across the UK since January, extending the current run of decline to 66 months. The steeper contraction in available permanent workers was driven by the South of England, which registered the strongest downturn of all English regions.

There was another sharp decline in temporary staff availability in the North of England during October. After softening in each of the past three months, the rate of contraction accelerated in the latest survey period. Panellists often mentioned widespread shortages of skilled workers in areas such as finance, payroll, engineers, IT and sales. At the national level, there was also a fall in the availability of temporary workers. The overall pace of decline was quicker than in September. At the regional level, faster falls in the Midlands and London contrasted with a softer contraction in the South of England.

Starting salary inflation reaches four-month high

October data pointed to a further sharp increase in remuneration offered to newly-placed permanent workers. Recovering from September's recent low, the rate of inflation accelerated to a four-month high in

October. Panellists regularly attributed higher starting salaries to skill shortages and the need to attract staff. UK permanent starting salaries rose markedly at the start of the fourth quarter. The pace of inflation was slightly slower than that seen during September, but elevated relative to the historical average. Salary growth was fastest in the South of England and slowest in London.

In the North of England, contract/temporary hourly pay rates increased again in October, but the rate of wage inflation slowed for the third month in a row. Notably, short-term pay expanded at the weakest rate since March. However, some recruiters explained that the continued increase was as a result of a greater need to attract workers, particularly in lower pay brackets. Across the UK, pay given to temporary workers also rose in October. Though sharp, the increase in temp pay rates was weaker than that seen in September and the slowest for seven months. London posted the quickest rise, followed by the Midlands, the South of England and the North of England respectively.

Comment

Commenting on the latest survey results, Chris Hearld, Northern Regional Chairman at KPMG UK said:

“Businesses in the North have been relentless in hiring new staff over the past few years and continue to do so, which points to a resilient and confident economy. But, as more job opportunities are created, the region is being hampered by chronic skills shortages – something that is proving to be a challenge for many of our clients. Competition for the best talent will be fierce and management teams will need to consider attracting recruits from beyond their local markets, which will also put upward pressure on wages.”

Neil Carberry, Chief Executive at the REC says:

“Skills shortages are a long-standing feature of our economy. They affect the ability of employers to grow and create jobs. That we have shortages in key skilled roles like IT, engineering and health is a sign that the right training and support is not in place for people to progress into these jobs from lower skilled work.

“While firms spend a lot every year on training, this mismatch persists. It’s time for businesses and government to work together to address it. Renewed investment from firms must be partnered with openness from Government to doing things differently, starting with the reform the Apprenticeship levy needs, turning it into a skills levy that supports all workers to have access to the training they need.”

“A new partnership is also necessary in our NHS. As we head towards winter we are once again seeing potential shortages of nursing, medical and social care staff. Working with recruiters to address this should be a Government policy priority - without access to agency workers key front line services could be put under threat.”

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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.

The headline figure is the Permanent Placements Index, calculated from responses to the question "Is the number of people placed in permanent jobs higher, the same or lower than one month ago?".

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

Jobs transform lives, which is why we are building the best recruitment industry in the world. As the professional body for recruitment we're determined to make businesses more successful by helping them secure the people they need. We are absolutely passionate and totally committed in this pursuit for recruiters, employers, and the people they hire. 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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