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

Fastest increase in permanent staff appointments since January 2018

Key findings

- Permanent staff appointments rise at marked pace...
- ... but temp billings decline solidly
- Lower candidate supply pushes up starting pay

Summary

The latest **KPMG and REC, UK Report on Jobs: North of England** pointed to a sustained rise in permanent placements during May, but a renewed fall in temp billings.

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 quicker rise in permanent staff placements in May. This contrasted with a solid decline in temp billings. Meanwhile, a further marked reduction in candidate supply contributed to steep increases in starting pay.

Sharpest rise in permanent placements since January 2018

Recruiters in the North of England reported a rise in permanent staff appointments during May. Moreover, the rate of increase accelerated to the fastest for 16 months and was sharp overall. Anecdotal evidence generally attributed the expansion to a rise in demand for permanent workers. In contrast, permanent staff appointments declined across the UK as a whole, where the rate of contraction accelerated slightly from April. The fall was driven by contractions in three of the four monitored English regions, led by the Midlands.

Billings received from the employment of temporary workers in the North of England fell for the first time since January in May. The rate of contraction was solid overall and the quickest for almost seven years. Panellists often linked the reduction to a lack of vacancies at their clients. Temp billings meanwhile rose

only marginally at the national level. Notably, the rate of growth eased to the slowest seen over the current 73-month period of expansion. At the regional level, increases in the South of England and London helped to offset declines in the North of England and the Midlands.

May survey data pointed to sharper growth in demand for both permanent and temporary staff in the North of England. Permanent staff vacancies in the region rose at the quickest pace since August 2017, expanding sharply overall. Meanwhile, demand for temporary staff in the North of England increased at the fastest rate for five months. Notably, the expansions were both stronger than those seen for the UK as a whole.

Slightly softer fall in permanent staff availability during May

May data signalled a further decline in permanent labour supply in the North of England, extending the current sequence of contraction to 76 months. The rate of deterioration was slightly slower than in April, but remained faster than the historical average. Recruiters suggested that the latest reduction was driven by Brexit-related uncertainty and a lack of skilled candidates. Across the UK as a whole, permanent labour supply also deteriorated in May. The rate of reduction was the quickest for four months, driven by sharper contractions in London and the Midlands. Nonetheless, there were also marked declines in permanent staff availability in both the North and South of England.

The availability of temporary staff in the North of England deteriorated for the sixty-eighth month in a row during May. The pace of decline was broadly consistent with that in seen April and marked overall. When explaining the latest fall, panellists often mentioned shortages of skilled candidates and a low level of unemployment. At the national level, temporary staff availability also continued to fall midway through the second quarter. Moreover, the rate of decrease accelerated to the quickest since February and was historically marked. Recruiters noted sharp declines in

each of the four monitored English regions, with the Midlands and London recording the steepest rates of contraction.

Permanent starting salary inflation at three-month high

Recruiters in the North of England recorded a further rise in permanent starting salaries midway through the second quarter, with the rate of inflation accelerating to the quickest in three months. Anecdotal evidence suggested that a combination of skill shortages and higher demand underpinned the latest increase in pay. Permanent starting salaries across the UK also continued to increase in May, extending the current sequence of growth to just over seven years. The rate of inflation remained historically sharp, despite easing to

Comment

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

“The North is charging ahead and making really positive gains in permanent job placements. However, whilst these figures might be an encouraging sign of the region’s health, we should not become complacent and be mindful of a gloomier national picture. There is also still much more that can be done to improve the local skills base. We need to prioritise building a workforce for the future to sustain economic growth and help the North become more resilient to economic and political disruption.”

the softest since April 2017. At the regional level, the steepest rise in permanent starting pay was registered in the North of England, while the weakest was seen in London.

As has been the case in each month since September 2012, average hourly pay given to short-term workers increased during May. The latest rise was sharp overall, despite easing from April. According to panellists, low candidate supply and increased demand for workers contributed to the sustained rise in temp wages. At the national level, remuneration for temporary staff rose at a faster pace. The rate of wage inflation ticked up to the quickest for six months and was sharp overall. The quicker increase was supported by faster rises in each of the other three monitored English regions.

Recruitment & Employment Confederation chief executive Neil Carberry said:

“The jobs market is still creating opportunities for those looking for work. With vacancies rising and starting salaries going up sharply, it is worth people talking to recruiters about that next step in their career. Sectors like IT, engineering and healthcare are hiring strongly, while the North of England showed the best performance in terms of regions.

“Overall, though, the survey again shows what uncertainty does to hiring plans. Permanent placements grew again in the North this month but fell in the UK as a whole. Some recruiters are reporting that their clients are reducing business activity on average. Worryingly, these trends are most pronounced in key sectors like retail and construction.”

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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 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 (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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