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

First decline in permanent placements since January 2021

Key findings

Renewed fall in permanent staff appointments during August

Vacancy growth remains strong but sees broad-based slowing

Pay pressures ease but staff availability continues to drop

Data collected 12-24 August

Summary

The latest KPMG and REC, UK Report on Jobs: North of England survey signalled the first reduction in permanent staff appointments across the region since the beginning of 2021 as ongoing candidate shortages and brewing economic uncertainty weighed on hiring activity. On the other hand, temp billings continued to rise as some recruiters reported a preference among clients for fixed-term staff. Nonetheless, the expansion was the weakest in 18 months.

Meanwhile, there was a continued increase in job vacancies, although growth in demand for both permanent and temporary workers slowed further. At the same time, candidate supply worsened across the North of England, leading to sustained upward pay pressures. That said, hourly pay rates and starting salaries both rose at softer paces in August.

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.

First drop in permanent staff appointments since January 2021

The seasonally adjusted Permanent Placements Index fell below the 50.0 mark in August for the

first time since January 2021, signalling a renewed reduction in permanent staff appointments across the North of England. According to surveyed recruiters, slowing vacancy numbers due to economic uncertainty and candidate shortages were factors.

The North of England was the only monitored English region to see permanent placements fall and contrasted with a slightly faster expansion at the overall UK level.

Billings received by recruiters in the North of England from the employment of temporary workers continued to rise in August. Some respondents mentioned a greater appetite for fixed-term staff. That said, the increase was the softest in a year-and-a-half and weakened notably from that seen in July.

All four monitored English regions saw temp billings rise, although the North of England recorded the weakest expansion.

Latest survey data continued to point to sharply rising job vacancy numbers across the North of England, although rates of increase eased further amid growing headwinds to the UK economy.

Both the number of permanent and temporary job openings increased at the softest pace since March 2021 during August. However in each case, expansions across the North of England outstripped those seen in the other three monitored English regions.

Permanent candidate availability deteriorates again in August

The availability of candidates to fill permanent roles across the North of England once again declined midway through the third quarter. Cautious sentiment within the jobs market, skills shortages and strong competition for workers

were reported as factors behind the dip in permanent labour supply.

Of the four monitored English regions, the North of England saw the quickest fall in permanent candidate numbers.

The seasonally adjusted Temporary Staff Availability Index registered below the neutral 50.0 mark in August, signalling a deterioration in candidate numbers for short-term roles across the North of England. Surveyed recruiters highlighted the lack of availability of skilled workers due to strong competition.

The rate of deterioration was sharp overall and slightly stronger than seen in July.

London posted the fastest reduction in supply of temporary candidates, with the slowest fall in the South of England.

Permanent salary inflation eases to 14-month low

Salaries awarded to new permanent joiners across the North of England rose sharply in August. Surveyed recruiters mentioned the need to offer higher pay to attract scarce candidates. That said, the rate of salary inflation was the softest since June 2021 as some companies were reluctant to raise their offers.

Of the four monitored English regions, the North of England recorded the weakest increase in August.

Latest survey data signalled increasing wages for short-term staff across the North of England during August. Although the rate of inflation was sharp, it was the slowest since May 2021.

Overall, the increase in temporary wages across the North of England remained weaker than that seen across the UK as a whole and was the slowest of the monitored English regions. The Midlands recorded the fastest pace of temp pay inflation.

Comments

Warren Middleton, Office Senior Partner at KPMG in Manchester, said:

“A difficult jobs market may be impacting the North even more acutely than the rest of the country. The North was the only region in August to slip into decline for permanent staff appointments, which follows it showing the most significant falls in candidate availability in the UK over the last few months.

“The reversal of such a long-term trend in recruitment may suggest that we’ve reached a tipping point in the market as confidence and appetite to grow deteriorates. The data coming out over the coming months will be extremely telling whether this is the result of a particularly subdued summer or further signs of more deep-rooted challenges. While there is a pressing need for business leaders to address cost inflation, we know they will have a better chance of weathering the economic storm if they sustain some investment in their people. Maintaining a skilled workforce is a defining characteristic of those organisations that can remain agile and adapt to such rapidly changing trading conditions.”

Neil Carberry, Chief Executive of the REC, said:

“August marked another month of rising temp billings in the North, though permanent staff placements fell compared to July. While the post-pandemic jobs rush is now abating, there were no real signs of a slowdown in employer demand. Indeed, reports from REC members suggest that any lowering of confidence in the market is driven primarily by candidates playing it safe, with the effect of further tightening the market. So it’s no surprise that pay rates continue to rise, especially considering increasing inflation. In this market, hiring companies need to think hard about the right approach to getting the skills they need, working with professional recruiters.

“The big question is now about the sustainability of this positive position, as labour shortages damage growth and pay over the long term. Controlling inflation and a clear plan for growth are essential parts of making sure the UK is resilient to economic uncertainty. But both rely on our new Prime Minister and her team working with businesses to address shortages across our labour market. Radical reform of the failed apprenticeship levy, support on small business energy costs, an immigration policy that helps the economy and regulation that supports temporary work rather than penalising it, all have to be on the agenda.”

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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.

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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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