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KPMG | REC Recruitment & Employment Confederation

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

Recruitment boom continues, but momentum fades amid shrinking staff supply

KEY FINDINGS

Permanent placements and temp billings both rise sharply

Job vacancies rise at survey-record rate

Pay pressures build further amid deteriorating staff supply

KEY DATA

Permanent Placements Index

JUL
71.2
JUN: 71.8

Temporary Billings Index

JUL
64.4
JUN: 64.9

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.

Commenting on the latest survey results, Warren Middleton, office senior partner for KPMG in Manchester, said:

“With the decline of both permanent and temporary staff availability and such high demand in the jobs market for people with certain skills, we are seeing salary inflation as organisations compete for staff. It is clear some businesses are struggling to meet demand as we see a crunch point between staff having to self-isolate and low staff availability in the jobs market. Businesses must look at upskilling or reskilling potential candidates and if you are out of work, I’d encourage you to look at what skills are in short supply and consider changing sector.”

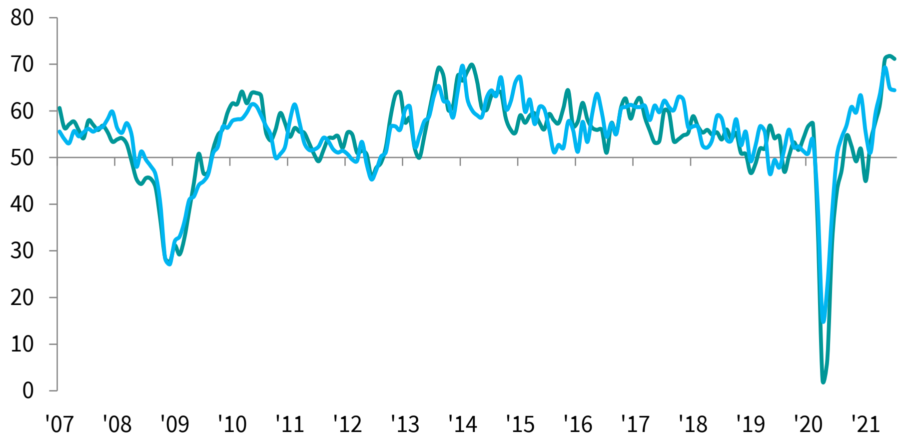
Kate Shoesmith, Deputy Chief Executive of the REC, said:

“This month’s data confirms that it is a good time to be a looking for a new job. Employers are desperate to find good candidates for the many jobs on offer and this is reflected in starting salaries rising at the sharpest rate since the survey began in 1997. This will likely motivate more people to be on the lookout for new opportunities. The same goes for those on temporary contracts which are also seeing increased pay. Recruiters are working hard to fill places for employers eager to build back and recover but their job is made more difficult by worker shortages across all sectors.

“Pay increases alone, however, won’t solve the demand that has been building up over recent months. We need an immigration system that flexes to meet demand as was promised, and business and government need a long-term plan for skilling up workers. Skills shortages have been with us for a while and as our data shows are getting worse.”

Permanent Placements Index / Temporary Billings Index

sa, >50 = growth since previous month



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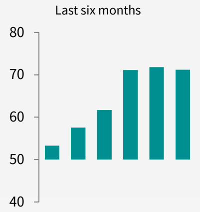
1 STAFF APPOINTMENTS

Recruitment consultancies report on the number of people placed in permanent jobs each month, and their revenues (billings) received from placing people in temporary or contract positions at employers.

Permanent Placements Index

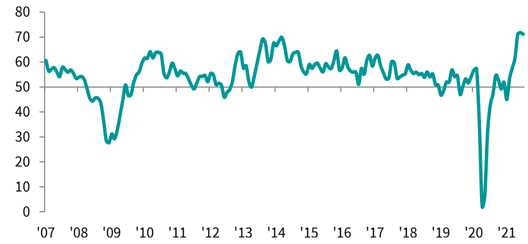


Permanent staff appointments grow at historically sharp rate

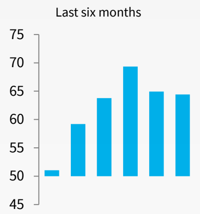
Growth in permanent staff placements across the North of England remained unprecedented in July, easing only marginally from June's survey record. The latest expansion marked six successive months of rising permanent staff appointments - the longest uninterrupted sequence since the pandemic began early last year - as recruiters reported rising activity levels at clients and greater demand for staff.

Permanent Placements Index

sa, >50 = growth since previous month



Temporary Billings Index



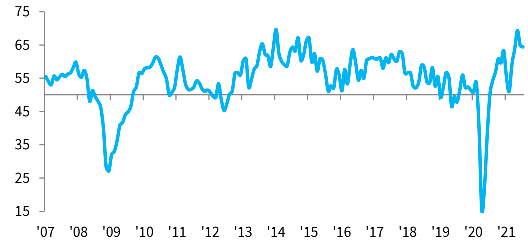
Temp billings growth remains marked in July

Recruitment consultancies in the North of England signalled another steep month of growth in temp billings during July. This was despite the rate of increase edging slightly lower to its weakest since April.

In comparison to the UK as a whole, the North of England registered a marginally slower rise in temporary billings.

Temporary Billings Index

sa, >50 = growth since previous month



sa, >50 = growth since previous month

	Permanent		Temporary	
	UK	North	UK	North
Feb-21	47.1	53.3	51.6	51.1
Mar-21	59.2	57.5	59.6	59.2
Apr-21	65.4	61.7	59.2	63.8
May-21	67.4	71.1	61.6	69.3
Jun-21	71.2	71.8	63.4	64.9
Jul-21	69.3	71.2	64.6	64.4

JOB VACANCIES

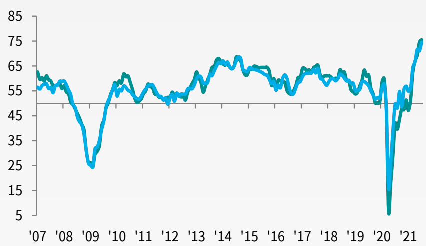
Demand for staff in the North of England remained considerable during July, with job vacancies for both permanent and temporary staff rising at accelerated rates when compared to June.

Growth in permanent job openings across the North of England quickened to a fresh survey high, outpacing the previous record set in June.

Similarly, temporary staff vacancies in the North of England increased at a survey-record rate that was also the fastest of the four monitored English regions.

Vacancies Index (Permanent / Temporary)

sa, >50 = growth since previous month



sa, >50 = growth since previous month

	Permanent		Temporary	
	UK	North	UK	North
Feb-21	50.5	51.4	54.3	56.2
Mar-21	62.7	62.4	62.5	64.4
Apr-21	68.6	67.0	65.3	66.7
May-21	70.6	69.3	69.2	71.7
Jun-21	74.5	74.6	72.1	71.1
Jul-21	75.2	75.5	72.8	74.5

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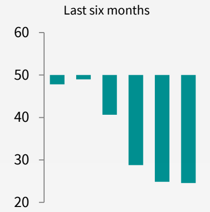
2 STAFF AVAILABILITY

Recruitment consultants are asked to report whether availability of permanent and temporary staff has changed on the previous month.

Permanent Staff Availability Index



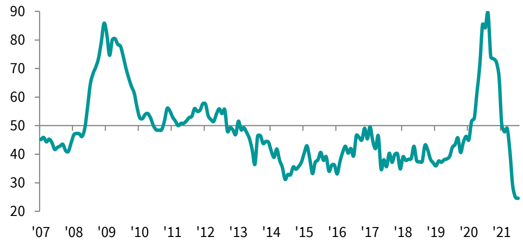
Permanent staff supply deteriorates at survey-record pace

The availability of permanent staff in the North of England continued to decline at a substantial pace in July. The latest drop in supply was the worst on record, surpassing the previous nadir seen in June. Anecdotal evidence linked the fall to pandemic-related uncertainty, and a greater reluctance among people to seek out new roles.

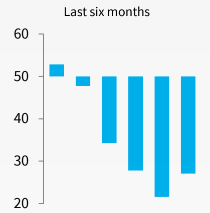
Of the four monitored English regions, only the South of England observed a faster deterioration in permanent candidate numbers.

Permanent Staff Availability Index

sa, >50 = improvement since previous month



Temporary Staff Availability Index



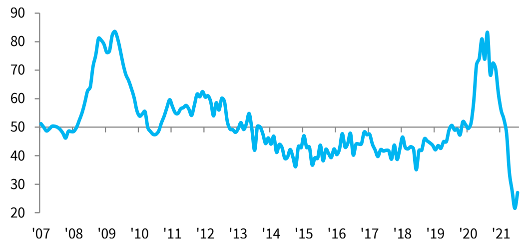
Temp staff availability records slower decline in July

The trend in temp staff supply across the North of England remained negative in July, with latest survey data signalling another considerable decline. That said, the extent to which temp staff availability fell was softer than June's record and it was the first time since October 2020 that the respective seasonally adjusted index has increased.

In relation to the UK-wide trend, the North of England observed a slightly faster deterioration in temp staff supply.

Temporary Staff Availability Index

sa, >50 = improvement since previous month



sa, >50 = improvement since previous month

	Permanent		Temporary	
	UK	North	UK	North
Feb-21	49.9	47.8	55.3	52.8
Mar-21	49.9	49.0	49.7	47.8
Apr-21	44.5	40.6	42.2	34.3
May-21	33.7	28.8	35.3	27.8
Jun-21	25.3	24.9	27.0	21.6
Jul-21	25.9	24.6	27.6	27.1

3 DEMAND FOR SKILLS

Recruitment consultancies are invited to specify any areas in which they have encountered skill shortages during the latest month.

Skills in short supply: Permanent staff

Accounting/Financial
Accountants
Auditors
Credit Controllers
Estimators
Finance
Payroll
Taxation

Blue Collar
Manufacturing
HVAC

Engineering
Engineers

Executive/Professional
Human Resources
Legal
Management
Marketing
Project Managers

IT/Computing
Agile Project Managers
Azure
BI
C#
Developers
Digital
IT
Software Engineers
Technology

Nursing/Medical/Care
Clinical Leads
Nurses
Support Workers

Retail
Retail
E-commerce

Secretarial/Clerical
Administration
Office Staff

Other
Buyers
Customer Service
Customs
Logistics
Sales

Skills in short supply: Temporary staff

Accounting/Financial
Accountants
Credit Controllers
Payroll

Blue Collar
Blue Collar
Decorators
Drivers
Forklift Drivers
Industrials
Manufacturing
Warehouse
Welders

Construction
Bricklayers
Joiners
Labourers

Engineering
Engineers

Executive/Professional
Human Resources
Legal

IT/Computing
Digital
IT
Technology

Nursing/Medical/Care
Doctors
Nurses
Support Workers

Retail
E-commerce
Retail

Secretarial/Clerical
Administration
Receptionist

Other
Buyers
Customer Service
Sales

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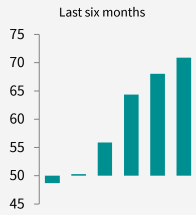
4 PAY PRESSURES

The recruitment industry survey tracks both the average salaries awarded to people placed in permanent jobs each month, as well as average hourly rates of pay for temp/contract staff.

Permanent Salaries Index



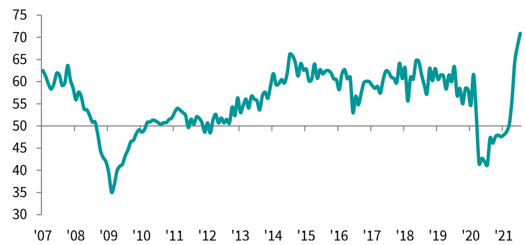
Permanent staff salary inflation accelerates to new high

Recruitment agencies in the North of England recorded higher starting salaries for permanent new joiners when compared with June. Moreover, the rate of increase accelerated for a fourth month running to reach a new survey record. Recruiters frequently mentioned that salaries had increased in order to attract scarce candidates.

That being said, although the rate of starting salary inflation was substantial, it was below that seen at the UK level.

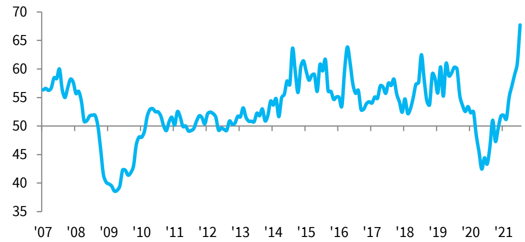
Permanent Salaries Index

sa, >50 = inflation since previous month

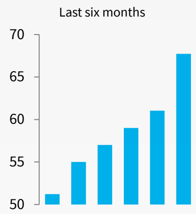


Temporary Wages Index

sa, >50 = inflation since previous month



Temporary Wages Index



Temp pay rates increase at sharpest pace since March 1998

As has been the case since last December, survey data pointed to increased contract staff pay across the North of England in July. Overall, the rate of wage inflation accelerated notably from the previous month and reached its highest for over 23 years.

Furthermore, temporary pay increased at a faster rate in the North of England when compared to that for the UK as a whole.

sa, >50 = inflation since previous month

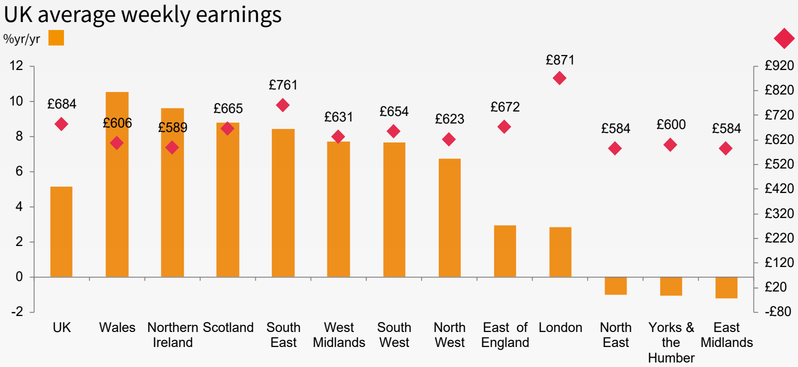
	Permanent		Temporary	
	UK	North	UK	North
Feb-21	48.6	48.7	49.9	51.2
Mar-21	55.1	50.3	54.8	55.0
Apr-21	58.2	55.9	55.6	57.0
May-21	64.4	64.4	58.6	59.0
Jun-21	66.0	68.0	61.6	61.0
Jul-21	73.2	70.9	66.7	67.7

OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Latest data from the Office for National Statistics indicated that average weekly earnings across the UK rose 5.1% on an annual basis to £684 in the first quarter of 2021.

The strongest annual rise was seen in Wales, where earnings rose 10.5% to £606. Out of the three regions to register a fall in average weekly earnings, the steepest reduction was seen in the East Midlands, where earnings dropped -1.2% on the previous year to £584.

UK average weekly earnings



Source: Office for National Statistics.

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5 REGIONAL COMPARISON

The KPMG and REC, UK Report on Jobs: North of England is one of four regional reports tracking labour market trends across England. Reports are also available for London, the South of England and the Midlands.

Staff appointments

Permanent placements continued to rise rapidly in the UK during July. Although the rate of expansion ticked down from June's record, it was still the second-fastest since the survey began. All four English regions saw permanent placements increase strongly, with the fastest expansion in London. The softest rise was in the South of England.

A substantial increase in temporary billings was also recorded in July, with the rate of growth the fastest in just over 23 years. As was the case with permanent placements, London posted the steepest increase in temporary billings, with the South of England seeing the least marked expansion.

Candidate availability

Permanent candidate availability continued to fall sharply across the UK at the start of the third quarter. The rate of decline was the second-fastest in the survey's history, having eased only marginally from the record posted in June. Steep reductions in permanent candidate numbers were seen across all four monitored UK regions, with the sharpest fall in the South of England.

In line with the picture for permanent candidate availability, the supply of temporary staff also declined rapidly in the UK during July, despite the rate of reduction slowing slightly from the previous month's survey record. The Midlands registered the most marked deterioration in temp candidate supply, with the softest decline in London.

Pay Pressures

A combination of rising demand for staff and sharply falling candidate numbers resulted in a record increase in starting salaries for permanent staff in the UK, with the rate of inflation surpassing the previous record from June 2014. All four English regions also saw permanent salaries rise at unprecedented rates, with the sharpest increase seen in the Midlands.

The latest rise in temporary pay rates fell just short of the series record, but was nonetheless substantial. In fact, the rate of inflation across the UK was second only to the record posted in the first month of data collection in October 1997. The Midlands recorded the steepest increase in temp pay, closely followed by the South of England and North of England. The softest pace of inflation was signalled in London.

July 2021

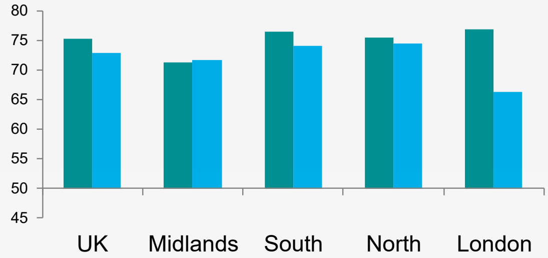
Permanent / Temporary

Staff Appointments

sa, >50 = growth since previous month

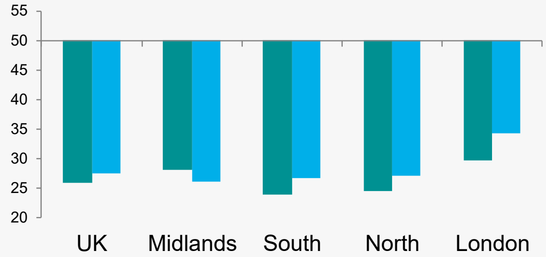
Vacancies

sa, >50 = growth since previous month



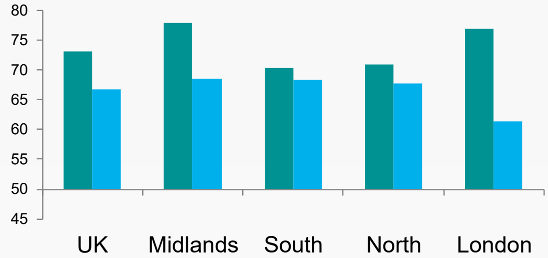
Staff Availability

sa, >50 = growth since previous month



Pay Pressures

sa, >50 = inflation since previous month



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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.

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