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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Further rapid decline in hiring activity in May as lockdown restrictions continue

Key findings

- Permanent appointments and temp billings fall substantially
- Quickest rise in staff supply since the global financial crisis
- Starting salaries and temp pay continue to decline

Data were collected 12-22 May.

Summary

The latest **KPMG and REC, UK Report on Jobs: Midlands** highlighted a further rapid reduction in hiring activity in May, with both permanent appointments and temporary billings declining at the second-quickest rates on record. Meanwhile, candidate availability rose further, with the increase the quickest seen since the global financial crisis in 2009. Amid the demand and supply imbalance, firms sought to reduce staff costs as both starting salaries and temp pay rates fell for the second month in a row.

The report is compiled by IHS Markit from responses to questionnaires sent to around 100 recruitment and employment consultancies in the Midlands.

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.

Further substantial reduction in permanent placements

Recruitment agencies in the Midlands signalled a further rapid reduction in the number of permanent staff appointments during May, extending the current sequence of decline to three months. According to respondents, firms had continued to delay hiring

decisions amid the coronavirus disease 2019 (COVID-19) pandemic. The rate of reduction softened from April, but was still the second-quickest since the survey began in late-1997.

That said, the fall in the Midlands was the softest seen across the four monitored English regions.

Latest survey data indicated a further steep decline in billings received for the placement of temporary staff in May, with anecdotal evidence linking the drop to the impact of restrictions implemented to tackle the COVID-19 crisis. The fall was among the quickest on record, albeit not as marked as in April, with nearly 70% of respondents recording lower temp billings.

Temp billings also fell at the UK level in May, with the drop outstripping that seen in the Midlands.

Job vacancies for permanent workers in the Midlands declined for the third month running in May. The rate at which vacancies decreased softened from April, but was the second-quickest recorded since the survey's inception in October 1997. That said, of the four monitored regions, the Midlands registered the softest rate of decline.

Temporary vacancies followed a similar trend, with the decline among the most marked in the series history, despite softening from April's record.

Steep increase in permanent candidate availability

May data highlighted a second consecutive increase in the supply of permanent staff in the Midlands. According to panellists, this was largely related to redundancies and the non-renewal of contracts due to the COVID-19 pandemic. The rate of increase was the most marked since the midst of the global financial crisis in December 2008.

Of the four monitored English regions, the Midlands saw the most rapid increase in permanent candidate availability.

Recruitment consultancies across the Midlands signalled a back-to-back rise in the number of temporary candidates during May. Moreover, the rate of expansion accelerated to the quickest since the midst of the financial crisis in May 2009. Anecdotal evidence linked the uptick to job losses and falling demand for candidates as a result of the COVID-19 pandemic.

Moreover, the Midlands recorded the joint-fastest increase in temp labour supply across the four monitored English regions, along with the South of England.

Further marked fall in permanent salaries

May data highlighted a reduction in salaries awarded to permanent new joiners in the Midlands, extending the current sequence of decline to two months. Panellists reported that, of the few open positions in the Midlands, many employers were offering lower salaries in order to reduce staff costs amid the COVID-19 pandemic.

Permanent salaries also fell at the UK level during May, with the drop at the national level outpacing that in the Midlands.

Temp hourly wages decline again in May

Recruiters in the Midlands signalled a second consecutive reduction in temporary staff wages during May. The rate of decline was among the quickest recorded in over 22 years of data collection and solid, albeit softer than April's record.

Across the four monitored English regions the Midlands recorded the slowest reduction.

Comments

Commenting on the latest survey results, Kate Holt, People Consulting Partner at KPMG, said:

“As uncertainty around the COVID-19 pandemic continues to impact the jobs market locally and nationally, it's unsurprising that supply and demand levels are imbalanced. Whilst some restrictions are slowly being eased, most businesses are still focused on maintaining their current staffing levels and business continuity, rather than replacement or expansion.”

“Local businesses may take some comfort in the fact that when compared to other English regions, the Midlands registered the softest decline in available job vacancies, showing some signs of resilience.”

“Across the UK as a whole, the number of people looking for work has risen at the quickest rate since July 2009 making it a highly competitive market. With a potential July stimulus package from the Government set to include a focus on retraining and skills, adaptability will be the key to success for jobseekers in 2020.”

Neil Carberry, Chief Executive at the REC, said:

“Given the impact of the lockdown in early May, it's no surprise that these figures look bleak. But in the two weeks since this data was collected, lockdown rules have been eased and the feedback we get from recruiters every day suggests that the slight improvements that we can see in the placements and vacancies data have continued. I'm also hearing from business leaders all over the country that things are starting to look up. There is a long way to go, but it's time to talk about how we recover from this crisis.”

“Collaboration between government, businesses and recruiters will be vital as we try to get the economy up and running again. The UK's staffing and recruitment companies are experts at helping people find work, and we are ready to support jobseekers in the months ahead.”

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Methodology

The KPMG and REC, UK Report on Jobs: Midlands is compiled by IHS Markit from responses to questionnaires sent to around 100 recruitment and employment consultancies in the Midlands (defined as NUTS1 regions West Midlands and East Midlands).

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 17,600 partners and staff. The UK firm recorded a revenue of £2.40 billion in the year ended 30 September 2019. KPMG is a global network of professional firms providing Audit, Tax, and Advisory services. It operates in 147 countries and territories and has more than 219,000 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

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.

About IHS Markit

IHS Markit (NYSE: 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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