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## KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

### Faster fall in permanent placements amid quicker decrease in staff availability

#### Key findings

- Sharp decline in permanent placements
- Strongest fall in temp billings since February 2009
- Staff availability continues to decrease despite further rise in vacancies

#### Summary

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.

#### Strong fall in permanent placements in May

Recruitment firms in the Midlands reported a quicker decrease in permanent placements made in May. The decrease was strong overall and the fastest of the monitored English regions. Panellists stated that the decline was linked to further Brexit uncertainty, greater competition for candidates and a slower rise in vacancies. The UK as a whole registered a marginal fall in permanent placements overall, with only the North signalling a rise in placed workers.

Temp billings received by recruiters fell for the second month running in May. The decrease was strong overall and the quickest for over a decade. Cutbacks in temp hiring were attributed to automotive sector weakness, and a drop in demand at engineering and manufacturing firms. Only the Midlands and the North registered a fall, with the UK as a whole recording a fractional rise in temp billings. The South and London signalled sharp and solid increases in temp billings, respectively.

May survey data signalled a slight rise in permanent vacancies across the Midlands. The upturn moderated

and was the softest since the current sequence of expansion began in February 2012. Permanent vacancies across the UK increased solidly, and at a quicker rate than that seen in April.

Meanwhile, temp vacancies were broadly unchanged in May. The respective seasonally adjusted index dipped below the crucial 50.0 mark for the first time since January 2013. At the UK level, temp vacancies rose solidly in May.

#### Permanent staff availability falls at fastest pace for four months

Permanent staff supply decreased at a marked rate in May, thereby extending the current sequence of contraction that began in May 2013. The pace of decline was the quickest since January. That said, the fall in availability was the softest of the monitored English regions. The supply of permanent labour fell markedly in May across the UK as a whole, with the fastest contraction registered in the South.

The availability of temporary staff fell further in May, with the rate of decline accelerating to a four-month high. The decrease in temp staff supply was sharp and the fastest of the monitored English regions. Similarly, temp availability declined at a steep rate at the UK level. Panellists suggested the fall was due to fewer non-UK candidates in the labour market and ongoing Brexit uncertainty.

#### Marked rise in permanent starting salaries

Firms in the Midlands registered the second-fastest rise in permanent starting salaries across the four monitored English regions in May, behind the North. The robust increase in wages was linked to greater competition for candidates and tighter labour market conditions. At the UK level, permanent salaries increased at a steep rate. Only London and the South registered slower rises in May.

Temp rates rose at a sharp pace in May, with the rate of inflation accelerating from that seen in April. Nonetheless, the increase was the slowest of the four

English regions. Temp hourly rates increased markedly across the UK as a whole, with the South recording the quickest rise in pay.

### Comment

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

*"Brexit uncertainty continues to dampen the job market, with the latest data showing that businesses across the Midlands are cutting back on hiring. With the region being an automotive and manufacturing heartland, these sectors in particular are under significant pressure in an increasingly challenging environment, and this is affecting the number of temporary vacancies available. For those looking to hire permanent candidates, competition remains fierce and this has driven the rise in starting salaries."*

*"Overall, we expect the labour market to remain in stalemate over the summer as the contest for a new Prime Minister kicks off. Companies are unlikely to make any dramatic investment decisions until a new leader is in place and more insight is given on the future direction of Brexit."*

Neil Carberry, Chief Executive at the REC says:

*"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. Both permanent placements and temporary billings fell again this month in the Midlands. Recruiters are reporting that demand for staff is slowing and 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: 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](mailto: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](mailto: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](http://www.rec.uk.com).

## About IHS Markit

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