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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Stronger rise in permanent placements at the start of the fourth quarter

Key findings

- Quicker increases in permanent placements and temp billings
- Further steep reductions in staff availability
- Record increase in permanent starting salaries

Data were collected 12-25 October 2021.

Summary

The latest **KPMG and REC, UK Report on Jobs: Midlands** highlighted a further rise in the number of permanent placements in the region during October. The rate of increase quickened from the previous survey period while temp billings also saw an acceleration in the rate of increase. Demand for permanent and temporary staff remained strong, though a robust rise in vacancies contrasted with a marked downturn in candidate availability. On the pay front, permanent starting salaries gathered momentum in October, rising at the fastest pace since the survey began, while temp wages increased for the eleventh month running.

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.

Permanent placements rise at quicker pace

The number of permanent staff appointments across the Midlands increased rapidly in October. The rate of increase quickened from the previous month and extended the current sequence of growth to eight

months. Survey members often linked hiring to stronger market confidence amid increasing demand for permanent staff.

The uptick in permanent placements in the Midlands was the second slowest of the four monitored regions, ahead of the South of England.

Temporary billings across the Midlands rose sharply at the start of the fourth quarter, with the rate of increase quickening from September. The latest rise meant that temp billings have now increased in each of the last 16 months. According to panellists, temporary vacancies also rose amid difficulty in sourcing staff for permanent roles. The Midlands saw temp billings rise at a softer pace than the UK average.

October data highlighted another robust increase in the number of permanent vacancies across the Midlands. Moreover, the upturn was the second-strongest of the four monitored English regions. That said, the Midlands noted a softening in the rate of growth for the second consecutive month, with the latest rise the slowest since May.

Concurrently, demand for temporary staff continued to rise. The rate of increase slowed for the second month running, yet remained rapid overall.

Permanent staff supply falls at softest pace for five months

Recruiters across the Midlands signalled a reduction in the supply of permanent staff for the seventh consecutive month during October. The reduction was commonly attributed to hesitancy to change roles among candidates as well as a lack of adequately skilled workers. Though marked overall, the pace of the decrease was the slowest since May, and the softest of the four monitored English regions.

The availability of temporary staff in the Midlands decreased further in October. According to anecdotal evidence, a number of candidates were opting to take

permanent roles instead of temporary ones, which exacerbated existing shortages.

At the regional level, the decrease in temp staff supply was broad-based, with the Midlands seeing the second-softest fall, behind the North of England.

Record rise in permanent salaries

Latest data highlighted an unprecedented rise in salaries awarded to permanent new joiners in the Midlands at the start of the fourth quarter, with the rate of increase the fastest since the series began in October 1997. This extended the current sequence of inflation to eight months.

Across the four monitored English regions, the Midlands recorded the fastest rise in permanent salaries.

Recruiters across the Midlands recorded an eleventh consecutive monthly increase in hourly pay rates for short-term staff during October. The rate of temp wage inflation accelerated from the previous survey period and was rapid overall.

At the regional level, the Midlands saw the second-slowest rise in temp pay, ahead of London.

Comments

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

"It's encouraging to see that the jobs market across the Midlands continues to be buoyant. However, the data also suggests that people are still quite cautious, and potentially reluctant to move jobs, as we're seeing that those who are changing roles are opting for permanent positions rather than temporary. As we head into the festive period, it will be interesting to see whether this starts to shift given the usual demand for Christmas temps."

"That being said, the gap between the demand and supply of talent is not getting any smaller, which is why a focus on transferable skills is crucial, and businesses and Government must invest in training and development to ensure that the workforce is fit for the future."

Kate Shoesmith, Deputy CEO of the REC, said:

"This latest data shows the robust growth in the jobs market continuing. Starting salary growth has reached another record high as shortages continue to bite and companies compete to hire the staff they need. But we are starting to see signs that we are moving into a new phase of the recovery, as the initial bounceback in demand starts to ease."

"It's also important to note that these salary rises are not universal. Recruiters tell us that candidates in some sectors and regions have been able to secure a substantial pay rise, but many employers can't afford to offer this. As we move into the next stage of recovery, it's vital the government put measures in place that will help companies to invest and grow, stimulate the UK's productivity and support the levers that help those furthest from the jobs market into work. Last week's Budget was a start, but there needs to be a radical shift across government departments to collaborate in order to deliver a skills revolution in the UK. This will only be successful if government and business work together to plan for future workforce needs. Recruiters are keen to work with government in such a joint forum."

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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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