News Release

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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Solid fall in permanent placements amid further uncertainty in September

Key findings

- Quickest fall in permanent placements since May
- Continued decline in candidate availability
- First rise in temp billings for six months

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.

Fastest fall in permanent placements for four months

Permanent placements made by recruiters across the Midlands continued to decline in September, extending the current sequence of contraction to nine months. The pace of reduction accelerated to the quickest since May and was solid overall. Anecdotal evidence linked the fall to political uncertainty.

Permanent placements also fell at the UK level. With the exception of the North, all of the monitored English regions reported a fall in permanent placements. The decline was sharpest in the Midlands.

For the first time since March, the seasonally adjusted Temporary Billings Index posted above the 50.0 neutral mark in September. The rise was marked overall, and the fastest seen since January.

Moreover, the pace of the increase in the Midlands was well above the UK average. The quickest rise, however, was seen in the North. London was the only monitored region to report a decline in temp billings in September.

Permanent vacancies continued to rise across the Midlands in September, as has been the case in each month since February 2012. The latest increase was solid overall, albeit the slowest since May.

Demand for permanent candidates also rose at the UK level, albeit at the slowest pace since February 2012. At the regional level, the rate of growth in the Midlands was slower only than the North.

Meanwhile, recruiters highlighted a further rise in temporary vacancies and at the quickest pace seen in three months. Overall, the increase was modest and the second-fastest of the four monitored regions, behind the North. The UK as a whole reported a moderate rise in temp vacancies in September, albeit slower than the series average.

Sharpest fall in permanent availability since May

The supply of permanent staff in the Midlands continued to fall in September, thereby extending the current sequence of contraction that began in May 2013. The fall was marked overall, and the sharpest in four months. Panellists linked the reduction to political uncertainty.

Permanent staff availability declined across all of the four monitored English regions, with the reduction in the Midlands faster than the UK average.

Temporary staff availability continued to drop in September, as has been the case for just over six years. Respondents associated the latest fall with uncertainty, particularly surrounding Brexit. That said, the reduction softened from that seen in August.

The decline in temp labour supply was seen across the four monitored English regions. The UK as a whole registered a solid decline that was the fastest in three months. The sharpest fall was reported in the South, followed by the Midlands.

Sharp uptick in salary inflation following recent low

Permanent salaries increased in September, with the rate of inflation accelerating from August's recent low. Panellists reported the increase was due to competition for candidates, linked to falling availability.

The rise was sharp overall, with the rate of salary inflation in the Midlands the joint-quickest across the four monitored English regions, alongside London. At the UK level, starting salaries also continued to rise sharply, with the rate of inflation quickening from August.

Average hourly pay for temporary staff rose in September, as has been the case in every month since February 2013. The increase was steep, with anecdotal evidence linking inflation to competitive pressures pushing up wages. The rate of inflation, however, eased to the slowest in four months.

Survey data for the UK as a whole highlighted a weaker rate of wage inflation, with the latest increase the slowest since November 2016. Nonetheless, the Midlands reported the fastest rise in temporary wages across all of the four monitored English regions.

Comment

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

"The end of October is fast approaching, so it's no surprise that permanent placements have fallen, and the Midlands experienced this fall at the fastest rate compared to the rest of the country. Reflecting this is the increase in temp billings – the first for six months in the region – as employers avoid committing to permanent hires in wake of the uncertainty. It's good news for employees though, as they can command higher pay while the supply of permanent talent remains low."

Neil Carberry, Chief Executive at the REC says:

"Businesses are positive about their own prospects, but ongoing Brexit uncertainty has led many firms to delay projects and hiring decisions. Vacancy growth has fallen to its lowest since 2012. The UK's vibrant temporary work market is playing an important role in helping employers to manage the ongoing uncertainty and job-seekers to find work.

"There are deeper issues which must be addressed to secure the UK's future prosperity. Productivity is falling, and there are skills shortages in vital sectors across the economy. Solving these problems must be top of the government's to-do list once the Brexit deadlock has been broken."

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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 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.

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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