News Release

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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Permanent placements decline further amid faster deterioration in staff availability

Key findings

- Permanent placements fall for eleventh consecutive month
- Staff supply deteriorates further
- Temp billings rise for third month running

Summary

The latest **KPMG and REC, UK Report on Jobs: Midlands** signalled a further reduction in permanent placements in the region during November amid lingering political uncertainty and reduced staff availability. Meanwhile, temp billings rose solidly, despite the pace of expansion easing to a three-month low. At the same time, pay pressures softened in the latest survey period, with both starting salaries and wages rising at relatively subdued rates.

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.

Rate of contraction in permanent placements eases in November

The number of permanent staff appointments across the Midlands continued to fall in November, as has been the case in each of the past 11 months. The decline was moderate overall, with anecdotal evidence linking it to continued political uncertainty. The reduction was the slowest since April, however.

Of the four monitored English regions, only the Midlands and the South reported a decline in permanent placements, with the South recording a sharper fall.

Recruitment firms across the Midlands reported an increase in temporary billings in November, extending the current sequence of increase to three months. The latest rise was solid overall, albeit the softest in the aforementioned sequence.

The Midlands reported the sharpest uptick of the four monitored English regions, followed by the North. The South was the only area to record a decline in temp billings in November.

November data signalled a further uptick in permanent vacancies across the Midlands. The increase was only marginal, however, and among the softest in the current 94-month sequence of growth. That said, the rise in the Midlands outpaced the UK average.

Meanwhile, temporary vacancies across the Midlands rose further in November, with the rate of growth accelerating to an eight-month high. The increase in the Midlands was solid, and in line with that seen at the UK level. All four of the monitored English regions registered an increase in temp staff demand in November, the sharpest of which was seen in the North.

Permanent staff supply falls sharply in November

Recruiters in the Midlands reported a further reduction in the availability of permanent candidates in November, stretching the current sequence of decline to more than six-and-a-half years. Respondents associated the latest fall, which was sharp overall, with economic and political uncertainty.

That said, of the four monitored English regions, only the South reported a softer rate of decline than that seen the Midlands.

Temporary staff availability continued to fall in November, as has been the case in each month since August 2013. Respondents linked the decline to candidate shortages amid continued Brexit uncertainty. Moreover, the latest reduction was the fastest since January and marked overall.

For the second month running, the Midlands reported the quickest contraction across the four monitored English regions, with the rate of decline notably faster than the UK average. Falls were also recorded in the South and London, while the North bucked the downward trend and was the only area to record a rise in temporary staff availability in November.

Rate of permanent salary inflation eases to six-and-a-half year low

November survey data signalled a further increase in permanent staff salaries. The rise was only marginal overall, however, with the rate of inflation easing to the slowest since May 2013.

All of the four monitored English regions reported an increase in permanent salaries in November. The Midlands reported the softest rise, while the rate of salary inflation was sharpest in the North.

Average hourly pay rates for temporary staff rose further in November, as has been the case in each month since February 2013. The latest increase was solid overall, with anecdotal evidence linking inflation to stronger demand for temps alongside candidate shortages.

The increase was among the slowest in the aforementioned sequence of inflation, despite quickening slightly from October. All of the four monitored English regions recorded a rise in temporary wages in November. The South reported the sharpest increase, followed by London and the Midlands, while the rate of wage inflation was softest in the North.

Comment

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

"The festive period is usually a good time for those who are seeking Christmas temp roles, particularly whilst average hourly pay rates are on the rise. So now's a good time for anyone who's looking to make some extra cash over the Christmas season.

"We've seen a consistent decline in permanent placements for almost a year now and it seems unlikely that we'll see this shift before going into the New Year. Employers will be hoping for a more stable political environment in 2020 to enable them to confidently plan and invest in hiring new talent."

Neil Carberry, Chief Executive at the REC, said:

"Today's figures show exactly why this election needs to focus on work. The jobs market is still strong, but uncertainty is taking its toll. In the Midlands, permanent placements have now fallen for 11 months in a row and vacancies growth is around its weakest for a decade. Any incoming government must move quickly to boost business confidence and implement policies that will help companies and individuals to make great work happen.

"With that in mind, it was good to hear Sajid Javid say that a Conservative government would review the planned changes to IR35 if they win the general election, alongside similar commitments from Labour and the Liberal Democrats. Everyone should pay the right amount of tax - and that must mean thinking again and stopping 2020 implementation. Contractors and the self-employed are a vital part of the UK's flexible labour market, and current implementation plans risk rewarding those who avoid tax whilst punishing hundreds of thousands of compliant contractors and agencies. It is essential that these tax changes are only brought in when it's clear they can be implemented effectively, with proper regulation of umbrella companies and effective enforcement."

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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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