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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Permanent placements fall at slower rate amid softer decrease in staff availability

Key findings

- Permanent placements fall at softer pace
- Permanent staff availability declines at slowest rate since July 2013
- Salaries rise markedly amid efforts to attract candidates

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.

Rate of contraction in permanent placements eases in June

Recruiters across the Midlands continued to record a fall in permanent placements in June. The decrease was solid overall, but less marked than in May. Panellists stated that the decline in placements was due to firms choosing to take on temporary rather than permanent staff amid Brexit uncertainty. The decrease seen in the Midlands was faster than the UK average and slower than only the South. The only English region to register a rise in placements was the North.

Temp billings received by recruiters in the Midlands decreased for the third successive month in June, albeit at the softest pace in the current sequence of decline. The downturn was linked to a slowdown in the automotive sector and cost cutting initiatives. Only the Midlands and the North recorded a fall in temp billings in June, with the South and London signalling a further increase.

Permanent vacancies increased strongly across the Midlands in June, with the rate of growth accelerating to a five-month high. The expansion was the second-strongest of the monitored English regions, behind only the North.

Meanwhile, recruiters signalled a renewed rise in temp vacancies in June. The rise was moderate overall following broadly unchanged levels in May. All four English regions indicated a rise in temp vacancies, led by the North which registered a strong increase.

Softest fall in permanent availability since July 2013

The supply of permanent staff continued to fall in June, albeit at the slowest rate of the four monitored English regions. The pace of contraction in availability was the least marked for almost six years. Although firms stated that ongoing Brexit uncertainty had led to fewer candidates in the labour market, some noted that local redundancies had caused a softer fall in the supply of workers. The UK as a whole signalled a marked contraction in the supply of permanent candidates, with the South indicating the fastest fall.

The supply of temporary candidates in the Midlands declined at the softest pace for three months in June, albeit one that was strong overall. Anecdotal evidence suggested the fall was linked to tight labour market conditions and a decrease in EU workers. The rate of contraction was the second-slowest of the monitored English regions, with the North registering only a marginal decrease. All four English regions registered a decrease in temp worker availability. The quickest contraction was seen in London which noted a marked fall.

Permanent salaries rise at fastest rate since last October

Permanent starting salaries received by candidates in the Midlands rose at a marked pace in June, with the rate of inflation quickening to an eight-month high. Panellists stated that tight labour market conditions

had driven salaries higher due to a lack of candidates. The rate of increase in the Midlands was the quickest of the four monitored English regions, with London recording the softest rise in salaries.

Temp hourly rates in the Midlands rose at the fastest pace for three months in June, with the rate of wage inflation topping the regional rankings. A shortage of candidates reportedly drove the quicker increase. The rise in temp pay in the Midlands was closely followed by a sharp increase in the North. The softest rate of inflation, however, was registered in the South.

Comment

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

“The Midlands saw a decrease in most areas for recruitment activity in June, and as political and economic uncertainty continues, this trend will too.”

“Whilst the number of permanent vacancies has started to bounce back, availability of people for those roles dropped again last month, albeit not as quickly as we’ve seen in previous months. With all of the uncertainty at the moment, stability is a high priority, so for many, now isn’t an ideal time to change jobs.”

“We are also seeing Brexit bite a little, making the UK seem less attractive to EU nationals, and this was reflected in the fall in availability of temporary workers, which was attributed partially to a decrease in the number of available EU workers.”

Neil Carberry, Chief Executive at the REC says:

“It’s no surprise that the jobs market has slowed a little in this time of uncertainty – but vacancy numbers remain high and there are still opportunities out there for people looking for their next step. Pay is rising too. Nevertheless, the gentle slowdown in permanent hiring and temp billings is a reminder to all politicians that businesses and employees across the country are looking for a smooth path to a negotiated Brexit outcome.”

“One issue which shows no sign of relenting is the shortage of qualified candidates in some areas, as availability of both permanent and temporary workers remains tight. Roles such as LGV and forklift drivers, healthcare assistants, as well as manufacturing and production staff are consistently listed as being in short supply.”

“Agencies employing temporary workers do all they can to train them to fill these vacancies, but this is made more difficult by the constraints of the apprenticeship levy. It is high time that this policy was reformed. By allowing agencies to fund high-quality training for temps using the levy they pay, the government could provide progression opportunities for flexible workers, tackle the country’s skills shortages and boost the productivity of our economy.”

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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 (Nasdaq: 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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