

Embargoed until 0101 (UK) 8 March 2019

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

### Permanent placements fall at fastest pace since August 2009 amid a shortage of candidates

#### Key findings

- Shortage of skilled workers drives permanent placements down further
- Temp billings rise at slowest pace for two years
- Permanent salaries increase sharply

#### Summary

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.

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.

#### Faster decline in permanent placements

Recruitment firms across the Midlands signalled the fastest fall in permanent placements since August 2009 in February. The decrease was attributed to a shortage of candidates and intense competition for staff. Some recruitment firms also noted that companies were taking on fewer new hires due to ongoing political uncertainty surrounding Brexit. Furthermore, the Midlands was one of two monitored regions to register a contraction (alongside the North). In contrast, the South and London registered increases in permanent placements.

Temp billings across the Midlands continued to rise at a solid pace in February as firms reported a pick up in demand for temporary workers. That said, the rate of expansion in temp billings eased to the slowest in two years and was below the long-run series average. Nevertheless, the rise in temp billings was the fastest of the four monitored English regions and quicker than the UK average. All four monitored English regions reported an upturn in temp billings.

The rate of expansion in permanent vacancies softened in February, with the pace of increase dipping to the slowest in six years. Moreover, the rise was the weakest of the four monitored English regions.

Temporary vacancies also increased at a slower pace in February. The upturn in demand for candidates was the weakest since February 2013 and below the UK average.

#### Permanent staff supply falls at softer pace

Permanent staff availability continued to decrease in February, albeit at a softer pace. Recruitment firms across the Midlands registered a sharp, but slower fall in the supply of permanent candidates. Panellists suggested that a shortage of candidates stemmed from uncertainty surrounding Brexit. Moreover, the decline was the weakest of the four monitored English regions. Recruitment firms in London registered the sharpest fall.

Temporary candidate availability declined at a slightly slower pace in February, with survey respondents registering the weakest fall since last September. Recruitment firms in the Midlands stated that skilled workers were in short supply. The rate of contraction was broadly in line with the UK average. All four monitored English regions reported a fall in supply, with the fastest decrease registered in London which reflected the trend seen for permanent staff.

#### Permanent salaries rise at softest rate for 14 months

Permanent salaries rose further in February, albeit at a slower pace. The rate of salary inflation eased to a 14-month low but was sharp overall. Recruitment firms attributed the rise to low unemployment levels and efforts to attract skilled candidates. Nevertheless, the pace of increase was the weakest of the four monitored English regions and below the UK average. The sharpest increase in permanent salaries was noted in London.

Temp wages increased at a quicker rate in February,

accelerating from that seen in January. The rate of inflation was above the UK average and the second-fastest of the four monitored English regions. Panellists cited skills shortages as a key driving factor behind hourly wage growth. All four monitored English regions reported a rise in temp wages, with companies in the North registering the quickest increase.

### Comment

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

“The Brexit effect seems to be taking its toll on the jobs market in the Midlands, with uncertainty causing firms to press pause on their hiring plans, particularly with permanent roles. However, as the candidate shortage increases, so does competition, so jobseekers are in a good position to negotiate for the best offer.

“Looking ahead, once we have clarity on Brexit, companies should be in a better position to invest, which will result in a busy period for the jobs market later this year.”

Neil Carberry, Chief Executive at the REC says:

“The resilience of employers and the British jobs market shines through in today’s Report on Jobs. While numbers are clearly weaker than we have seen over the past few years, the survey suggests businesses are ready to create jobs if the investment environment is right. Recruiters are playing a crucial role in helping their clients fill gaps. With permanent vacancies rising in all sectors, the strongest demand is for IT and computing staff.

“As we draw closer to Brexit day, uncertainty and concern has grown, putting the sustainability of positive jobs news at risk. Firms are looking for politicians to find a solution to the current deadlock that gives them the certainty they need to invest and create jobs.

“In a separate survey of REC members this week, nearly half (45%) of respondents said that their biggest leadership challenge in dealing with Brexit was reassuring workers, candidates and staff.

“REC members are looking to the Chancellor to use next week’s Spring Statement to inject stability and long-term thinking into our economic debate. A commitment to proper flexibility in the skills levy, an open but controlled approach to immigration after Brexit, and changes to government plans on contractor tax to protect compliant businesses are top of recruiters’ agenda.”

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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 14,500 partners and staff. The UK firm recorded a revenue of £2.2 billion in the year ended 30 September 2017. KPMG is a global network of professional firms providing Audit, Tax, and Advisory services. It operates in 154 countries and territories and has 200,000 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 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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## News Release



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