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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Permanent placements fall sharply in October as uncertainty lingers

Key findings

- Tenth consecutive fall in permanent placements
- Candidate availability continues to deteriorate
- Temp billings rise further and at a steep rate

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.

Permanent placements fall sharply in October

Recruiters in the Midlands signalled a tenth consecutive fall in permanent placements in October. Respondents linked the decline, which was sharp overall, to ongoing Brexit uncertainty. Despite easing, the pace of the reduction was among the fastest for over a decade.

The decline in permanent placements in the Midlands was the most marked of all four monitored English regions. Only the North registered an increase during the latest survey period, with the UK as a whole reporting a moderate reduction.

Temp billings received by recruitment firms in the Midlands increased for the second consecutive month in October. The rise quickened from September to a steep rate that was notably faster than the increase seen at the UK level.

Of the four monitored English regions, only the Midlands and the North reported an uptick in temp billings in October, with the rise in the Midlands outpacing that seen in the North.

Permanent vacancies in the Midlands increased further in October. The rise was only marginal and eased to the second-slowest since May. The expansion in the Midlands was slightly softer than that seen at the UK level.

Demand for temporary staff also rose during the latest survey period. The pace of increase eased from September and was marginal overall. Temporary vacancies also increased at the UK level. All of the four monitored English regions reported an uptick. The rise in the Midlands was slower than only the North.

Sharp deterioration in permanent availability

October data highlighted a further reduction in the availability of permanent candidates, thereby extending the current sequence of contraction which began in May 2013. Respondents linked the decline, which was steep overall, to ongoing political uncertainty. The fall was sharper than the series historical average.

This trend was mirrored at the national level, with the UK as a whole registering a sharp decline in the supply of permanent candidates. All four of the monitored English regions reported a decline in permanent staff availability, with the Midlands posting the softest fall.

Recruiters in the Midlands continued to signal a reduction in the availability of temporary candidates in October. The decline was attributed by panellists to a fall in the number of migrant workers in the labour market amid further Brexit uncertainty. Moreover, the fall was robust and the fastest since May.

A decline in temp labour supply was seen across all four of the monitored English regions for the third month in a row. The sharpest fall was seen in the Midlands, with London reporting the weakest decrease.

Permanent salaries rise at second-softest rate since September 2016

Permanent starting salaries received by candidates in the Midlands rose further during the latest survey

period, extending the current sequence of wage growth to over six-and-a-half years. Panellists attributed the rise to efforts to attract candidates amid shortages. The increase was historically solid overall.

That said, the rate of salary inflation eased to the second-softest for over three years and was slightly below the UK average.

Average hourly pay for temporary staff increased in October, as has been the case in every month since February 2013. The rise was only modest in the context of the series history, however. The rate of wage inflation eased to the slowest since September 2016.

At the UK level, hourly pay for temp staff rose solidly. The increase across the UK as a whole was quicker than that seen in the Midlands.

Comment

Commenting on the latest survey results, Karl Edge, Midlands Regional Chair at KPMG, said:

“The job market in the Midlands saw a continued fall in permanent placements last month, as political uncertainty continued and for many, recruitment decisions remain on hold.

“With the Christmas period fast approaching, the decline in temp labour is one to watch, as typically, retailers and warehouses ramp up their hiring around this time to manage the Christmas shopping rush.

“Those who are in the market for either a temporary or permanent role will be pleased to know that salaries and wages are on the rise, due to increasing competition for talent, so now is a good time to negotiate a great package.”

Neil Carberry, Chief Executive at the REC says:

“These figures underline why this needs to be a jobs election. The labour market is strong, but permanent placements have now dropped for ten months in a row in the Midlands, and vacancies growth is slow. One bright spark is the temporary labour market, which continues to provide flexible work to people and businesses that need it during troubled times.

“Ending political uncertainty and getting companies hiring again is vital – but we must also look to the long term future of work. Jobs must be front and centre during this election campaign, and we will be launching our REC manifesto for work next week. We will be urging all political parties to run on policies which support and enhance the UK’s flexible labour market – allowing businesses to create jobs, employees to build careers and the economy to grow.”

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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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