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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Third lockdown leads to steep drop in permanent placements across Midlands

Key findings

- Renewed fall in permanent appointments as firms hold off hiring decisions
- Upturn in temp billings sustained, but growth eases
- Supply of short-term staff falls for first time since last March

Data were collected 12-25 January 2021.

Summary

The latest **KPMG and REC, UK Report on Jobs: Midlands** highlighted a rapid decrease in the number of permanent staff appointments during January, amid reports that firms were postponing hiring decisions due to stricter coronavirus disease 2019 (COVID-19) lockdown measures and substantial uncertainty. Temp billings continued to rise, however, with the rate of increase sharp, despite easing. Demand and supply mismatches continued into the new year, as a renewed fall in demand for temp candidates coincided with a further upturn in vacancies.

Meanwhile, demand for permanent staff declined at the quickest rate for seven months, while permanent staff supply rose sharply again, linked by panellists to ongoing redundancies.

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 staff appointments fall steeply in January

January data highlighted a renewed drop in permanent placements across the Midlands, with anecdotal evidence attributing the fall to stricter lockdown measures and heightened uncertainty due to the pandemic. Furthermore, the rate of decline was the steepest since last May.

At the regional level, the downturn in permanent appointments was broad-based in January. The Midlands saw the most marked fall, followed by the South.

As has been the case in each month since July 2020, temp billings across the Midlands rose during January, as firms opted to take on temporary staff amid substantial uncertainty. The rate of increase was the slowest for six months, but still sharp overall.

Across the four monitored English regions, the Midlands registered the quickest upturn in temp billings.

Recruiters across the Midlands signalled a further reduction in the number of permanent vacancies in the first month of 2021. Moreover, the rate of decline was the quickest since June last year and sharp.

At the same time, demand for temporary staff in the Midlands rose, albeit at the slowest pace since the current sequence of increasing temporary vacancies began last July. The rate of growth was only slight overall.

Permanent staff availability rises at softer pace in January

A tenth successive monthly increase in permanent staff supply was recorded during January. Panellists attributed the latest upturn, which was sharp, to a greater number of job seekers as a consequence of COVID-19 related redundancies. The rate of increase slowed for the sixth straight month, although the Midlands nonetheless recorded a quicker upturn than at the UK level.

For the first time since March last year, the availability of temporary staff across the Midlands fell during January. The rate of decline was only fractional overall, however.

Moreover, the Midlands was the only English region of the four monitored to register a decrease in temp staff supply during January. Short-term candidate availability rose solidly across the UK as a whole.

Average salaries decline at moderate pace

Following a broad stabilisation in December, salaries awarded to permanent new joiners across the Midlands fell in January. According to respondents, companies were offering lower pay packages in an effort to reduce costs. The rate of reduction was moderate, but slower than those seen through much of 2020.

Across the four monitored English regions, only London saw a faster decrease in permanent salaries than the Midlands during January.

January data highlighted a further increase in average pay rates for short-term staff across the Midlands. The rate of wage inflation eased noticeably from December and was only fractional, however.

This contrasted with the trend across the UK as a whole, where temp wages fell slightly.

Comments

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

“It’s clear that business confidence has taken a hit with the latest national lockdown. As we’ve seen in some previous months, this has had a knock-on effect on permanent appointments as businesses press pause on long-term recruitment decisions.

“Demand for temporary staff, however, has risen, showing that many across the Midlands are still hiring, and the majority of these roles will be in the blue collar and medical industries. Starting salaries for permanent hires also saw a slight dip as companies seek to manage costs carefully amidst the uncertainty.

“Looking ahead, there is cause for optimism as the vaccine rollout continues, and with the Budget next month, many will be looking to the Government for measures to help the jobs market and revive the UK’s economy.”

Neil Carberry, Chief Executive at the REC, said:

“Economic uncertainty is weighing on employers’ minds even where they see potential for their own firm to grow, so it’s no surprise that temporary work is leading the jobs recovery. This emphasises again how important flexible forms of work are to helping businesses and public services react to the pandemic. Temporary work is also helping people get back into jobs more quickly after the recent spike in redundancy numbers.

“With the vaccination programme making progress, it’s likely that a path out of the pandemic is emerging. As that happens, we expect a strong recovery in permanent hiring. But businesses need Government help to bridge these last few months. Support for strained corporate cash flows is key. Extending furlough and reducing its cost to firms, supporting family business directors left out of support packages so far, and putting back repayments of deferred VAT and CBILs loans until the recovery would all help enormously.”

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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 17,600 partners and staff. The UK firm recorded a revenue of £2.40 billion in the year ended 30 September 2019. KPMG is a global network of professional firms providing Audit, Tax, and Advisory services. It operates in 147 countries and territories and has more than 219,000 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 the voice of the recruitment industry, speaking up for great recruiters. We drive standards and empower recruitment businesses to build better futures for their candidates and themselves. We are champions of an industry which is fundamental to the strength of the UK economy. 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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