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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Permanent placements rise only fractionally amid candidate shortages

Key findings

- Slowest rise in permanent placements in 29 months
- Weakest increase in temp billings since February 2017
- Further declines in permanent and temp labour supply

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.

Fractional rise in permanent placements

Recruitment agencies across the Midlands registered only a fractional rise in permanent placements in December. The increase was the weakest in the current 29-month sequence of expansion and was the slowest of all four monitored English regions. Anecdotal evidence suggested that stronger than normal demand in November had not been matched in December. At the national level, permanent placements continued to increase in December. Though solid, the latest rise was the softest recorded since April 2017. The slowdown was driven by weaker expansions in three of the four monitored English regions.

Billings received from the employment of temp workers rose at a solid, but weaker rate in December. Although firms stated that clients required more temporary workers, some noted that candidate availability was low. The rate of expansion eased to an

almost two-year low and was the slowest across the four monitored English regions. At the same time, UK temp billings grew at a faster rate than in November. The sharp increase was also slightly quicker than the average for 2018.

The rate of increase in permanent vacancies across the Midlands remained sharp in December, despite a much slower rise in permanent placements. Nonetheless, the pace of expansion was the weakest since April 2013 and well below the UK average.

Vacancies requiring temporary workers also continued to grow at a steep pace. In contrast to the trend seen across the UK as a whole, the rate of growth softened however.

Sharp deterioration in permanent staff availability

The supply of permanent staff in the Midlands continued to fall at a steep rate in December, according to recruitment agencies in the region. The decline was attributed to uncertainty in the market stemming from Brexit. For the second successive month, the decrease was the fastest of all four monitored English regions. At the UK level, permanent labour supply fell for the sixty-eighth month in a row during December. The decline was quicker than that seen in November and sharp overall.

The decline in temp labour supply eased for the second month running in December. Although still steep and faster than the UK average, the fall was the softest since September. The contraction in temp supply was linked to a reduction in the number of migrant workers in the labour market and skill shortages. That said, the weaker fall in availability was partly attributed to redundancies in the area's auto industry which has led to a number of candidates entering the labour market. Meanwhile, there was a softer decrease in temporary worker availability across the UK during December. The rate of deterioration eased for the second month in a row to reach its least marked pace since March.

Sharp increase in starting salaries in December

Starting salaries for permanent workers rose at a steep pace in December, albeit one that was below the UK average. The Midlands registered the slowest rate of wage inflation across the four monitored English regions, with the pace of increase easing for the third consecutive month. The rise in starting salaries was generally linked to candidate shortages. At the national level, permanent starting salaries continued to rise sharply during December. This was despite the rate of inflation edging down further from September's recent peak.

The Midlands registered a marked rise in temp hourly rates in December. Although slightly weaker than that seen in November, the pace of wage inflation was sharp in the context of the series history and compared to the UK average. A lack of staff availability and skill shortages reportedly led to greater hourly rates. Similar to the trend for permanent salaries, temp pay rates rose at a softer rate at the national level during December. Nonetheless, the increase was still sharp overall and faster than the average for 2018.

Comment

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

“With the number of available vacancies rising at a slower pace than all other English regions, it's evident that the job market in the Midlands is facing some pressures.

“December is typically a bit of a quieter period in the jobs market but Brexit has amplified that effect. The uncertainty this brings means that not many will want to move jobs. Consequently, employers need to offer increasingly attractive and creative packages to bring new employees on board.”

Neil Carberry, Chief Executive at the REC says:

“It's no surprise that growth in new permanent jobs dropped to its lowest level in almost two years last month, because economic uncertainty is now affecting companies' hiring plans. But the underlying strength of our labour market is still there – vacancies are high and temporary placements rose in the run-up to Christmas. There are opportunities out there for people who want to change job in 2019.

“Businesses will be looking for certainty on Brexit plans soon, so that they can get on with driving growth and jobs. Recruiters will be helping employers to do that – high employment rates mean that there are significant shortages in some parts of our labour market.

“The pre-Christmas rush put a squeeze on logistics jobs in December so it was no surprise to see blue-collar roles topping the skills shortage list in this survey. Accounting, engineering, hospitality and healthcare all stand out as shortage sectors in today's data.

“Continuing to fill roles like these in the coming months will be critical, so it is vital that the Government's proposed new approach to immigration can fill shortages at all skill levels. But businesses can also help, by opening up career paths through more inclusive hiring practices as well as focusing on improved workplace training and links with education. Recruiters are uniquely placed to help employers with future workforce planning whatever the UK's future relationship with the EU looks like.”

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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 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

Jobs transform lives, which is why we are building the best recruitment industry in the world. As the professional body for recruitment we're determined to make businesses more successful by helping them secure the people they need. We are absolutely passionate and totally committed in this pursuit for recruiters, employers, and the people they hire. 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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