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

### Permanent placements fall amid uncertainty and reluctance to hire

#### Key findings

- First fall in permanent placements since July 2016
- Permanent salaries rise at faster pace amid skill shortages
- Supply of temp and permanent candidates contracts further

#### 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.

#### Moderate contraction in permanent placements

Recruitment agencies operating across the Midlands signalled the first fall in permanent placements since July 2016 in January. Panellists stated that firms were more hesitant to hire workers due to uncertainty. The decrease was only modest, but the second-fastest of the monitored English regions that registered a decline in permanent placements (behind the North). Only the South posted a rise in permanent placements, with contraction in the North, Midlands and London weighing on the UK average.

Temp billings received by recruitment firms in the Midlands continued to rise in January, extending the current sequence of expansion which began in March 2012. The rate of growth accelerated from December's 22-month low and was sharp overall. The rise in temp billings was also the fastest of the monitored English regions. Only the Midlands and South signalled a rise in temp billings, with London and the North indicating a contraction.

The pace of growth in permanent vacancies across the Midlands remained sharp in January. The upturn accelerated to a five-month high. Of the monitored English regions, the increase in available roles was slower than only the South.

Temporary vacancies also rose at a faster rate in January and at a pace slightly weaker than the UK average. That said, the increase was the fastest of the monitored English regions.

#### Further marked deterioration in permanent staff availability

January data signalled a continued fall in the availability of permanent staff across the Midlands. The deterioration in permanent labour supply was the weakest in three months and slightly less marked than the UK average. Panellists attributed the decrease to skill shortages and ongoing political uncertainty. The marked fall in supply was reflected across the monitored English regions, with London registering the fastest decline.

The supply of temp candidates declined further in January, with panellists attributing the fall to a shortage of skilled workers. The decrease quickened from that seen in December and was in line with the UK average. Moreover, the contraction in candidate availability was the most marked of the four English regions, which all saw temp worker availability decrease. The fall across the UK as a whole was the fastest since November 2017.

#### Permanent salaries rise at sharper rate in January

Starting salaries for permanent workers increased at a faster pace in January. Surveyed recruitment firms suggested that the sharper rise in starting salaries was linked to low candidate availability and skill shortages. That said, the rate of pay inflation was softer than the UK average and only quicker than the North. Permanent salaries increased at the fastest pace for three months at the UK level, with London signalling the sharpest upturn in starting salaries.

The rate of temp wage inflation eased slightly in January. Nonetheless, temp hourly rates in the Midlands increased at a steep pace that was broadly in line with the UK average and only slower than the South. Panellists stated that a further rise in hourly rates was due to skill shortages, especially among engineers and tradespeople. That said, the rate of wage inflation across the UK as a whole eased to a three-month low.

### Comment

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

“These latest figures show that Brexit is beginning to bite, for both those seeking to hire permanent workers and those looking for permanent employment, as the pressures from ongoing uncertainty continue to rise.

“However, the Midlands has a strong market for those who are looking for temporary roles, particularly in the engineering and trade industries, and hourly rates are on the rise, so now is a good time to negotiate a good deal.”

Neil Carberry, Chief Executive at the REC says:

“This is the first month since July 2016 where permanent placement numbers have dropped, with weaker – but still positive – performance for temporary roles, and the lowest rate of vacancy growth for over two years. But we should be careful not to overreact – employment rates are high, and the performance of our labour market overall is still strong. We also know that key sectors such as accounting, engineering and IT are facing shortages.

“That said, the survey results are a sharp reminder to politicians in Westminster and in Brussels of the need to provide businesses with clarity about the path ahead, so they can invest with confidence.

“In the public sector, the NHS continues to find it particularly difficult to find care workers and nurses – the effects of which are being felt by patients and overworked existing staff. Along with other sector shortages, this again emphasises the need for pragmatism on immigration and a clear post-Brexit transition period.”

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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

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](http://www.rec.uk.com).

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