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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Further reduction in staff availability weighs on permanent placements

Key findings

- Permanent placements and temp billings continue to contract
- Marked fall in the supply of permanent staff
- Pay rates increase sharply again

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.

Softest contraction in permanent placements for three months

Permanent placements made by recruiters across the Midlands continued to decrease in July, albeit at a slower pace. The decline was commonly linked to a softer rise in vacancies and a shortage of skilled labour. Other recruiters also mentioned that uncertainty had reduced the pool of available candidates. At the UK level, permanent placements fell further, but at only a fractional pace. The North was the only monitored English region to record a rise in placements.

Temp billings across the Midlands declined for the fourth successive month in July, with the rate of contraction picking up from that seen in June. The modest fall was in contrast to a slight expansion seen across the UK as a whole. Panellists stated that the rise in temp vacancies had moderated which had led to a further decrease in weekly billings. Of the monitored English regions, the overall expansion was supported by greater temp billings in the South and London.

Permanent vacancies released across the Midlands continued to increase in July, albeit at a slower rate. The pace of expansion eased from June's recent high and was softer than that seen across the UK as a whole. The sharper upturn across the UK was driven by a marked increase in the North and a strong rise in vacancies across the South.

At the same time, temp vacancies rose at only a marginal rate. The upturn in demand for candidates was the joint-weakest of the monitored English regions (alongside London). The increase in vacancies across the UK as a whole was solid but eased to the slowest for seven years.

Marked fall in permanent availability in July

The supply of permanent workers across the Midlands continued to contract in July, with the rate of decline accelerating from June. The pace of decrease was slower than the UK average and faster only than London. The fastest contraction in availability was seen across the South. Panellists in the Midlands stated that ongoing uncertainty surrounding Brexit had created a disincentive for people to move jobs.

July data signalled a further deterioration in temp candidate supply across the Midlands. The fall in temp availability was linked to uncertainty causing a shortage of skilled labour. Although faster than the UK average, the rate of decline was the slowest since March. Only the South registered a sharper decrease in availability.

Marked rise in permanent salaries in July

Recruiters across the Midlands continued to register a sharp rise in permanent salaries in July. Firms suggested that the marked increase was due to placements for more senior roles and efforts to entice skilled labour. The rate of salary inflation was the softest since March despite being faster than the UK average. Nonetheless, faster increases were seen in the North and South, with London signalling only a solid rise in permanent salaries.

Temp hourly rates across the Midlands continued to increase at a marked pace in July, with the rate of inflation easing only slightly from that seen in June. The rise in rates was sharper than the UK average for the second successive month, as staff shortages pushed wages higher. Among the monitored English regions, only the North recorded a quicker rise in temp hourly rates. The South registered the slowest increase of the four monitored English regions.

Comment

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

“The fall in permanent and temporary staff placements shows that companies in the Midlands are still taking a cautious approach to hiring as Brexit and economic uncertainty linger.

“With many holding off from job moves in the current environment, the candidate shortage has continued to push up rates of starting pay, particularly for senior roles.

“It’s no doubt a challenging time to recruit and find the best talent, given this period of uncertainty that we’re experiencing. However, businesses both locally and nationally, will be eager to see a Brexit breakthrough to help re-establish market confidence on hiring and investment.”

Neil Carberry, Chief Executive at the REC says:

“Our flexible jobs market remains a key strength for the UK as we navigate an uncertain time. While we are seeing a concerning weaker trend in permanent placements bed in, the rate of change is slow, employment rates are high and starting salaries are growing. Businesses will be looking to politicians for a pragmatic way forward to help them turn this around – not just on Brexit, but on domestic policies too.

“The new government should be focused on delivering the negotiated exit from the EU businesses need, but also on avoiding damaging changes that will undermine the strength of our jobs market. An improved approach to immigration, reforms to the apprenticeship levy and avoiding hasty changes to contractor tax rules should be top of the list.

“In difficult times such as these, recruitment specialists are an invaluable source of local and industry expertise to businesses looking to hire new staff. The REC is helping its members to do this with our new, local workforce intelligence data, so that they can continue to provide employers with the right people to grow their business.”

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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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