KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Reduction in permanent placements eases further in July

Key findings
- Permanent appointments fall at softest rate since downturn began in March
- Temp billings rise for first time in six months
- Further breakneck increase in candidate availability

Data were collected 13-27 July.

Summary
The latest KPMG and REC, UK Report on Jobs: Midlands highlighted a further reduction in permanent appointments in July, although the rate of contraction was the softest in the current five-month sequence of falls. Meanwhile, temporary billings rose for the first time in six months, amid reports that looser lockdown restrictions led companies to resume hiring. Nonetheless, candidate availability continued to increase substantially as redundancies and lay-offs resulted in a greater number of job seekers. The supply of permanent staff rose at a series record pace, while the uptick for temp staff was the quickest for over 11 years.

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 modestly in July
Recruiters across the Midlands signalled a further reduction in permanent staff appointments during July, as adverse impacts from the COVID-19 pandemic continued to affect the jobs market. That said, the latest decline was the softest in the current five-month sequence of falls and only modest, with the Midlands registering the slowest reduction in permanent placements across the four monitored English regions.

Adjusted for seasonal factors, the Temporary Billings Index posted above the crucial 50.0 no-change mark in July to signal the first increase in temporary billings across the Midlands since January. Respondents linked the uptick to looser lockdown restrictions, allowing companies to reopen and resume hiring.

The trend in the Midlands contrasted favourably with that at the UK level, where temp billings declined for the seventh month running.

As has been the case in each month since March, a reduction in permanent vacancies in the Midlands was recorded in July. The rate of contraction softened noticeably from June and was only slight, however, with the Midlands seeing the softest reduction across the four monitored English regions.

Meanwhile, demand for temporary staff in the Midlands increased for the first time in five months during July. The uptick was the quickest since January 2019 and solid overall.

Permanent labour supply expands at record pace
As has been the case in each month since April, recruiters across the Midlands signalled an increase in the availability of permanent staff during July. Moreover, the seasonally adjusted Permanent Staff Availability Index rose further from June to register a fresh series record.

The Midlands also registered by far the fastest increase in permanent availability across the four monitored UK regions.

Amid reports of ongoing lay-offs and company closures, the supply of temporary staff in the Midlands expanded for the fourth month running in July. Moreover, the latest increase was the most marked since March 2009.

A similar trend was observed at the UK level, where temp staff demand increased at the fastest rate in nearly
23 years of data collection. Nonetheless, the rise at the national level was slightly softer than that in the Midlands.

**Permanent starting salaries fall only marginally**

A fourth consecutive reduction in salaries awarded to permanent new joiners in the Midlands was recorded in July. According to panellists, firms had tried to reduce staff costs amid the COVID-19 pandemic. The rate of deflation was the softest in the current sequence of decline and only marginal, however. The Midlands registered the weakest drop in salaries across the four monitored English regions.

Recruiters across the Midlands signalled another reduction in average hourly pay rates for short-term staff in July, extending the current sequence of wage deflation to four months. According to respondents, the rapid increase in the availability of staff, alongside efforts to keep company costs low, had pushed pay rates down. The pace of decline was the softest in the aforementioned sequence and only modest, however.

**Comments**

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

“Whilst it’s encouraging to see an easing in the reduction of permanent appointments in July, we can’t overlook the painful fact that the Midlands have experienced five consecutive months of falls, contributing to a volatile jobs market in the region.

“Just like the rest of the UK, this contraction in hiring activity reflects the real challenges COVID-19 has presented all businesses with. That includes the inability to recruit with little in the way of economic certainty to bolster decision making. Instead, it would appear that businesses favour flexibility currently – most likely in response to lockdown restrictions only just starting to ease. Indeed, temporary positions fared much better in the Midlands, bucking the national trend. The hope, of course, will be that the boost in temporary roles will enable businesses in the Midlands to find their feet faster.

“Despite the slightly better performance in July, we are still a long way from being out the woods. For most businesses, hiring plans remain on ice, with uncertainty weighing heavily on business’ recruitment decisions. Adding to the challenge, the furlough scheme will start to unwind, and unemployment is likely to rise further. The real challenge for government will be to create training and skills programmes for jobseekers, whilst also helping bring confidence back to the workforce as a whole.”

Neil Carberry, Chief Executive at the REC, said:

“While permanent placements still decreased last month, the pace of decline has slowed hugely as the tide turned on lockdown. With the economy opening up through June and July, we would expect an improving trend in the coming months as firms recover from the worst of the crisis. The fact that temp billings rose in the Midlands and demand is now increasing for temporary blue collar and construction workers is also a good sign.

“There are far fewer vacancies in the market than before March, and more people looking for jobs. Recruiters will be key to helping people build confidence and find work – but the reality is that Government needs to help kickstart hiring. Reducing employers’ National Insurance rates would cut the cost of hiring, and a good Brexit trade deal will also support stronger business confidence and investment.”
News Release

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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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