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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Temp billings fall for the first time since February 2012 amid further Brexit uncertainty

Key findings

- Marginal contraction in temp billings
- Weakest fall in permanent placements for three months
- Decrease in permanent staff availability softens

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.

Slowest decline in permanent placements for three months

Recruiters across the Midlands registered a fourth successive monthly decline in permanent placements made in April. Panellists suggested that Brexit uncertainty and the resulting postponement of hiring had reduced placements. That said, the reduction in recruitment activity was the slowest for three months and only moderate overall. The Midlands registered a faster fall in permanent placements than the UK average. Only London indicated a quicker decline, with the North signalling a rise in recruitment.

The seasonally adjusted Temporary Billings Index signalled the first decrease in temp billings since February 2012 in April. The decline was linked to difficulties in the automotive sector, a lack of available candidates and further Brexit uncertainty. The fall was only marginal, however. Of the four monitored English regions, only the Midlands recorded a decline in temp billings. The UK as a whole indicated a solid rise, led by

the North.

The rise in permanent vacancies across the Midlands eased in April. The rate of growth was the softest since February 2012 and only marginal. The upturn remained below the UK average.

At the same time, growth in temporary vacancies also softened in April. The rise was moderate and the slowest since February 2013. The increase in vacancies was only faster than London and well below the UK average.

Permanent staff supply falls at softest pace since July 2016

Recruiters across the Midlands registered a further fall in permanent staff availability in April. Although sharp, the rate of decrease eased to the softest since July 2016 and was the slowest of the monitored English regions. Nevertheless, the decline was attributed to candidates prioritising job security due to ongoing Brexit uncertainty. At the UK level, the fall in permanent staff availability was sharp and led by the South which registered a further marked decrease in the supply of candidates. The North and London also recorded steep declines.

Temp staff availability decreased further in April. Although quickening from March, the decline was the second-slowest since September 2016. In line with permanent staff supply, recruiters noted that Brexit uncertainty was reducing the pool of available candidates. The fall was broadly in line with the UK average, which was sharp overall. The South signalled the fastest fall in temp staff availability. In contrast, London indicated the second-softest decrease since October 2016.

Fastest increase in starting salaries for three months

Permanent salaries across the Midlands continued to increase sharply in April. The rise in pay was linked to more senior roles becoming available and firms offering higher starting salaries due to candidate shortages. The

increase was the second-fastest of the four monitored English regions, behind the South. At the UK level, the rise in starting salaries for permanent workers was marked, but the slowest for two years. The rate of inflation in London eased further and was the softest since last July.

Adjusted for seasonal factors, the Temporary Wages Index signalled a further steep rise in temp pay in April. Recruiters stated that higher temp wages were linked to efforts by firms to remain competitive and attract candidates. The increase was in line with the UK average, but was softer than those seen in the North and South. London, on the other hand, registered a renewed rise in temp hourly rates following a slight fall in March.

Comment

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

“Whilst employers in the Midlands have continued to slow their hiring activity, the job market data for April showed signs of slight easing. However, the availability of permanent and temporary candidates fell, which is likely to be due to the apprehension of potential candidates and a high rate of employment. That being said, the fact that permanent salaries rose sharply in April will be encouraging, particularly for those looking for senior roles, as now is an opportune time to negotiate a good package.”

“Job security is always a top priority during times of uncertainty, political or otherwise, so I expect that what we’re seeing is likely to continue in the short-medium term at the very least.”

Neil Carberry, Chief Executive at the REC says:

“Today’s report shows the continued strength, agility and flexibility of the UK labour market. In uncertain times, employers are turning to temporary work to support their business and offer people opportunity while the long-term economic picture is unclear.”

“There are signs that the jobs market is gently weakening for permanent roles, despite ongoing issues of skills and candidate shortages. This too is likely to be associated with uncertainty about the future path of our economy.”

“We should be proud of how our jobs market has adapted to challenging circumstances. Resolving Brexit will bring some certainty, but we must also take bold steps to fix the underlying problems suggested by these figures, including reforming the apprenticeship levy to allow training for agency workers so that they can fill shortage roles.”

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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

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 (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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