News Release

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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Softer rise in permanent placements in September

Key findings

- Uptick in permanent placements eases
- Temp billings rise at softest pace for four months
- Accelerated reduction in permanent staff availability

Data were collected 13-24 September 2021.

Summary

The latest **KPMG and REC, UK Report on Jobs: Midlands** highlighted a further increase in the number of permanent staff appointments during September. Though softening to the weakest in the current seven-month sequence, the rate of increase remained marked, as companies continued to hire amid a sustained increase in demand for staff. Similarly, temp billings continued to rise, however the rate of increase eased to the softest since May. Demand and supply mismatches continued during September, as the strongest fall in permanent staff availability since August 2015 coincided with a further robust upturn in vacancies.

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 staff appointments rise at softer pace

The number of permanent placements across the Midlands rose for the seventh successive month in September. The rate of increase softened from the previous survey period and was the softest in the current sequence. That said, the rise remained well above the series average. According to anecdotal evidence, companies kept up hiring amid stronger demand for staff.

Across the four monitored English regions, the Midlands saw the slowest upturn in permanent placements in September.

As has been the case in each of the last 15 months, temp billings in the Midlands rose during September. Though strong overall, the rate of increase was the slowest since May. Firms generally commented that while additional candidates were taken on ahead of an expected rise in demand, this was hindered by a lack of available temporary workers. The rise in temp billings in the Midlands was also slower than that seen at the national level.

Recruiters across the Midlands signalled a sustained increase in the number of permanent vacancies during September. The latest uptick was broadly unchanged from August, and remained close to survey record levels. That said, the rise in vacancies in the Midlands was the softest of the four English regions.

At the same time, temporary vacancies rose at a softer pace in September, with the rate of increase easing to the slowest since May.

Downturn in permanent staff availability accelerates

A sixth consecutive monthly decrease in permanent staff supply was recorded in September. Moreover, the pace of the fall quickened sharply and pushed the respective seasonally adjusted index to the lowest level since August 2015. Panellists commonly attributed the downturn to uncertainty about the jobs market making candidates more cautious about changing roles. The Midlands recorded the second-softest decline, behind London, as all four monitored regions saw staff availability fall.

The availability of temporary staff across the Midlands fell for the seventh month in a row during September. The rate of decline was marked overall, though eased from the previous survey period to the softest for four months.

All four monitored English regions recorded falls in temp staff supply in the latest survey period, with recruiters in the Midlands reporting the second-weakest decline, behind London.

Average starting salaries continue to rise rapidly

Salaries awarded to permanent new joiners across the Midlands increased at a robust pace in September. The rate of increase was the softest since June, though was still among the fastest in the history of the series. According to respondents, stronger demand for skilled workers amid shortages was a key factor in higher starting salaries. Only recruiters in London recorded a slower rise in average starting salaries than the Midlands.

Latest data highlighted a tenth consecutive increase in average pay rates for short-term staff in the Midlands. The rate of wage inflation softened to a three-month low, though remained marked overall.

All four English regions reported strong rises in temp rates, as only London-based recruiters reported a softer rise in wage inflation than those in the Midlands.

Comments

Commenting on the latest survey results, Claire Warnes, Head of Education, Skills and Productivity at KPMG UK, said:

"This month's rapid increase in starting salaries is being driven by a near record fall in candidate availability. While higher salaries are good for job seekers, wage growth alone is unlikely to help sustain economic recovery because of limited levers to bring people with the right skills to where the jobs are and increase productivity.

"The sharp rise in hiring activity is a reason to be hopeful, but competition is fierce. The end of the furlough scheme should be bringing tens of thousands of new people to the jobs market, but many do not have the right skills to transfer to the sectors with most demand. Reskilling and supporting people to move jobs which are in demand needs to be speeded up. Otherwise, we may see these clear tensions in the labour market turning into a workforce crisis in many sectors."

Neil Carberry, Chief Executive at the REC, said:

"Demand for workers continued to grow last month, while staff availability fell at a near record pace. Competition for staff has led to rapid growth in starting salaries – not just in logistics and food processing, but in white collar professions as well. But we have all seen how labour shortages have affected our everyday lives over the past few weeks, whether that's an empty petrol station or fewer goods on supermarket shelves.

"The scale of the shortages we are seeing cannot be explained by one factor alone, but are a major challenge to businesses' ability to drive the prosperity of the UK in the months and years to come – supporting families and paying the taxes that fund public services. While the current crises will pass, rising input costs and further tax rises would only mean higher prices and lower investment in the medium term. It is essential that government works in partnership with business to deliver sustainable growth and rising wages, rather than a crisis-driven sugar rush. That includes working on policies that encourage business investment, an international outlook and skills development, especially at Levels 1 and 2 where shortages are most acute – this will also help unemployed young people get into work."

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Contact

KPMG
Tanya Holden
+44 (0) 203 078 3996
tanya.holden@kpmg.co.uk

REC
Josh Prentice
Comms & Research Officer
T: 0207 009 2129
Josh.prentice@rec.uk.com

IHS Markit
Usamah Bhatti
Economist
T: 01344 328 370
usamah.bhatti@ihsmarkit.com

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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