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## KPMG AND REC UK REPORT ON JOBS: MIDLANDS

### Temp billings rise at fastest rate since December 2015

#### Key findings

- Quickest rise in temp billings of the four English regions
- Permanent placements expand strongly
- Starting salaries increase at marked pace

#### 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.

#### Permanent placements rise strongly in October

Recruitment agencies across the Midlands reported a strong expansion in permanent placements in October. Panellists commonly linked the rise to greater demand for permanent workers. The rate of growth accelerated, but remained the weakest of the four monitored English regions. Permanent staff appointments continued to rise across the UK during October, with the rate of growth faster than that seen in September. The sharper increase was driven by quicker rises in three of the four monitored English regions. London was the only locality to post a softer upturn.

Temporary billings continued to rise in October, with recruitment agencies in the Midlands recording the quickest increase in almost three years. Moreover, the upturn was the strongest of the four monitored English regions. There was an overall increase in temporary staff billings across the UK during October. The marked expansion was the second-fastest seen so far this year as all four regions posted quicker rates of growth

compared to September.

Demand for permanent workers in the Midlands remained substantial in October, despite the rate of growth easing to the softest since August 2016. Similarly, the expansion in temporary vacancies was sharp, but the least robust in over two years. Rates of increase in both permanent and temporary vacancies were below the respective UK averages.

#### Marked decline in supply of permanent workers in October

The availability of permanent staff across the Midlands continued to fall in October. Although softer than the UK average, the decrease in worker supply was marked overall. Panellists suggested that political uncertainty and skill shortages were behind the fall in permanent staff availability. October data signalled the sharpest fall in permanent candidate availability in the UK since January, extending the current run of decline to 66 months. The steeper contraction in available permanent workers was driven by the South of England, where the downturn was the strongest of all English regions.

Temp staff availability continued to decline markedly, according to recruitment agencies in the Midlands. Panellists stated that the decrease was due to skill shortages and fewer non-UK candidates in the labour market. Moreover, the fall in temp supply workers was the fastest of the four English regions. There was also a fall in the availability of temporary workers across the UK, with the latest decline the sharpest in almost one year. At the regional level, faster falls in the North of England and London contrasted with a softer contraction in the South of England.

#### Permanent salaries rise markedly

Permanent starting salaries increased further in October, extending the trend that began in April 2013. Although slightly weaker than that seen in September, the rate of inflation was marked overall and the second-fastest of the four English regions (behind the South of England). Recruitment firms in the Midlands commonly

noted that starting salaries increased amid efforts to attract skilled workers. UK permanent starting salaries rose markedly at the start of the fourth quarter. The pace of inflation was slightly slower than that seen during September, but elevated relative to the historical average. Salary growth was slowest in London.

Temp pay rates across the Midlands rose at the softest rate in the year-to-date. That said, the pace of inflation was steep and faster than the UK average. Recruitment companies in the Midlands reported that clients lifted hourly rates in an effort to attract workers due to skills shortages. Though sharp, the increase in temp pay rates across the UK as a whole was the slowest for seven months. London posted the quickest rise, followed by the Midlands, the South of England and the North of England respectively.

### Comment

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

*“The rise in temping and the number of people being placed into agency roles is reflective of the society in which we live today. Whilst temping often gets a bad reputation, being able to work in different environments brings plenty of benefits, such as picking up new skills and learning how to use new systems, and, it also gives people a chance to network.”*

*“If we want to boost productivity across the region, then upskilling staff, regardless of whether they’re permanent or not, can only be a good thing. However, it’s clear that the competition for talent is fierce, particularly for IT, engineering, nursing and care staff, so employers need to find different and innovative ways to attract the skills they want, and this might include looking outside of the local market.”*

Neil Carberry, Chief Executive at the REC says:

*“Skills shortages are a long-standing feature of our economy. They affect the ability of employers to grow and create jobs. That we have shortages in key skilled roles like IT, engineering and health is a sign that the right training and support is not in place for people to progress into these jobs from lower skilled work.”*

*“While firms spend a lot every year on training, this mismatch persists. It’s time for businesses and government to work together to address it. Renewed investment from firms must be partnered with openness from Government to doing things differently, starting with the reform the Apprenticeship levy needs, turning it into a skills levy that supports all workers to have access to the training they need.”*

*“A new partnership is also necessary in our NHS. As we head towards winter we are once again seeing potential shortages of nursing, medical and social care staff. Working with recruiters to address this should be a Government policy priority - without access to agency workers key front line services could be put under threat.”*

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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.

The headline figure is the Permanent Placements Index, calculated from responses to the question "Is the number of people placed in permanent jobs higher, the same or lower than one month ago?".

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).

## 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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