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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Permanent placements fall at a faster pace in August amid marked decrease in availability

Key findings

- Permanent placements and temporary billings continue to decline
- Marked fall in temporary staff availability
- Slowest increase in permanent salaries for over three years

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.

Quickest drop in permanent placements since May

The number of permanent staff appointments fell again in August, as has been the case throughout 2019 so far. The rate of decrease quickened to the fastest in three months and was strong overall. Panellists reported that political uncertainty and a shortage of candidates were key factors behind the decline.

Permanent placements also fell at the UK level. With the exception of London, all monitored regions reported a contraction in permanent placements, with the Midlands reporting the sharpest decline.

For the fifth consecutive month, the seasonally adjusted Temporary Billings Index posted below the 50.0 neutral mark, albeit only fractionally. As a result, recruiters across the Midlands registered broadly unchanged temp billings in August. Where a fall was noted however, anecdotal evidence linked the decline to a shortage of candidates and political uncertainty.

Of the four monitored English regions, only the Midlands and London registered a fall, with the UK as a whole recording a fractional rise, driven by a marginal increase in the North.

August data signalled a solid rise in permanent vacancies across the Midlands, with the rate of expansion quickening from July. Moreover, the rate of increase was the strongest of the four monitored English regions. Demand for permanent candidates also increased at the UK level, as all of the monitored English regions reported an increase in vacancies.

Meanwhile, recruiters signalled a rise in temporary vacancies, albeit at the softest pace seen in the current three-month sequence of expansion. The upturn in demand for temporary workers in the Midlands was the second-weakest of the monitored regions, with only the South of England reporting slower growth. The increase in vacancies was mirrored across at the UK level, as both London and the North recorded a rise in demand for temporary workers.

Second-softest fall in permanent availability since July 2013

Permanent staff availability continued to fall in August, stretching the current sequence of decline to almost six-and-a-half years. That said, the decline was the second-softest seen since July 2013, and slowest across the four monitored English regions. Where a contraction was recorded, panellists commonly attributed this to political uncertainty. The supply of permanent labour fell markedly across the UK as a whole, with the South reporting the sharpest decline.

Adjusted for seasonal factors, the Temporary Staff Availability Index pointed to a marked fall in the supply of temporary workers in the Midlands, extending the current sequence of decline that began in August 2013. The rate of reduction quickened to the strongest since May.

The Midlands reported the strongest contraction across the four monitored English regions, as was faster than the UK trend. Whilst the South and London recorded declines broadly in line with the UK average, the fall in the North was the slowest of the four monitored English regions.

Rate of salary inflation eases to over three-year low

August data signalled a slowdown in the pace of permanent salary inflation, as the rate of increase softened to its slowest since July 2016. That said, salaries continued to rise broadly in line with the UK average. Recruiters in the Midlands associated the solid overall increase to staff shortages driving up wage levels. Inflation eased across the UK as a whole, with all the three remaining English regions reporting slower rates of wage inflation.

Average hourly pay rates for temporary staff rose further in August, with the rate of inflation quickening to the fastest since July 2018. Panellists stated that strong demand for candidates and staff shortages pushed up wages.

The rise in rates was quicker than the UK average for the third consecutive month, with the Midlands reporting the fastest increase in temporary wages across the four monitored English regions, followed closely by the North. Temporary rates also increased in both the South of England and London, with the latter registering only a moderate pace of inflation.

Comment

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

“Given the current climate, the decline in permanent appointments doesn’t come as a surprise, as this has been the case for 2019 so far, however, it is a concern, particularly for those making recruitment decisions.

“Meanwhile, for temporary roles, the Midlands saw the fastest rise in temporary pay compared to the rest of the country, so for those in the market for contract roles, the demand is certainly there across the region.

“Looking ahead and with investment also contracting, businesses desperately need clarity on Brexit outcomes in order to re-build confidence in the jobs market and be able to make more informed decisions on their long-term hiring plans.”

Neil Carberry, Chief Executive at the REC says:

“Today’s figures are a sobering reminder to politicians of all parties that national prosperity relies on businesses creating jobs and growing careers. Britain’s record on jobs is world-leading. It’s a key part of our economic success, with recruiters at the forefront of it. And there are still great opportunities out there for those looking for a new job and a boost in earnings.

“But all this rests on business confidence – the confidence to invest, to hire someone, to try something new – and it’s clear that things are getting harder. Across the UK, permanent placements have now dropped for six months in a row and vacancy growth is slowing. While we continue to benefit from the flexibility of our jobs market as demand for temps holds steady, today’s survey emphasises the real world impacts of the political and economic uncertainty businesses are facing.

“The first priority should be avoiding a damaging no-deal Brexit and giving some stability back to British businesses, so they can drive the prosperity of the whole country.”

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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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