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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Hiring activity increases sharply in December

Key findings

- Both permanent placements and temp billings rise
- Slower increases in candidate availability
- Permanent salaries stabilise, while temp wages surge

Data were collected 04-17 December.

Summary

The latest **KPMG and REC, UK Report on Jobs: Midlands** highlighted a sharp increase in hiring activity across the Midlands at the close of the fourth quarter of 2020. Both permanent placements and temp billings rose markedly, amid reports that companies were filling vacancies following pandemic related hiring freezes. Meanwhile, candidate availability continued to improve, although the rate of increase for both permanent and short-term staff eased on the month. Turning to pay, permanent starting salaries were broadly stable in December, while the rate of temp wage inflation was the quickest since February amid a rapid upturn in demand for short-term staff.

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.

Renewed rise in permanent placements

Following a mild reduction in the previous survey period, the number of permanent staff appointments across the Midlands rose during December. Moreover, the rate of increase was elevated in the context of the series history and sharp. Companies were now filling vacancies following coronavirus disease 2019 (COVID-

19) related hiring freezes, according to respondents.

Across the four monitored English regions, the Midlands registered the sharpest increase in permanent placements in December.

Recruiters in the Midlands recorded a further rise in temp billings during December, extending the current sequence of increase to six months. Panellists noted that some firms were taking on staff in anticipation of higher demand. The latest rise was sharp, albeit the slowest since September.

Temp billings also rose at the UK level in December, but the upturn was slower than that in the Midlands.

The number of permanent vacancies across the Midlands declined for the third month running during December. That said, the rate of decline eased noticeably from November.

Meanwhile, demand for temp staff continued to rise at the close of the fourth quarter, with the rate of increase the quickest since September and sharp. At the regional level, only the North saw a faster rise in temporary vacancies than the Midlands.

Upturn in permanent staff supply eases, but remains sharp

December data highlighted another increase in the availability of permanent candidates in the Midlands, amid reports that redundancies and company closures had led to a surge in job seekers. The rate of increase slowed for the fifth month running, but was nonetheless marked overall.

Across the four monitored English regions, the Midlands saw the softest upturn in permanent staff supply during December.

As has been the case in each of the past nine months, recruiters in the Midlands registered an increase in temp staff supply during December. According to panellists, COVID-19 related lay-offs and redundancies resulted in a greater number of job seekers. Although still solid, the rate of increase was the slowest in the aforementioned

sequence.

As was the case for permanent staff, the Midlands recorded the slowest rise in temp staff supply across the four monitored English regions.

Permanent salaries stabilise in December

Following eight consecutive monthly reductions, average salaries awarded to permanent new joiners in the Midlands were broadly stable in December. The respective seasonally adjusted index gained nearly four points on the month and registered only just below the 50.0 mark.

Recruiters in the Midlands signalled an increase in average hourly pay rates for short term staff for the first time in three months during December. Notably, the rate of wage inflation was the quickest since February and sharp.

Temp wages also rose at the UK level during December, although the rate of increase was much faster in the Midlands.

Comments

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

“As anticipated, news of a vaccine has helped to boost business confidence across the Midlands, and this has had a knock-on effect on hiring. What’s encouraging to see, alongside the increase in demand for temp staff, is the rise in permanent job placements, which suggests that businesses are hiring with the long-term in mind.”

“However, the recent lockdown is sure to fuel economic uncertainty, alongside preparing for the new relationship with the EU and this will be weighing on the minds of business leaders and recruiters. That being said, there is hope for businesses and jobseekers as financial support from government continues and the vaccine rollout progresses.”

Neil Carberry, Chief Executive at the REC, said:

“The underlying strength of the British economy shone through in the December jobs figures. The biggest expansion in temporary recruitment since October 2018 shows how important the flexible jobs market is to that performance. Growing permanent placements and starting pay also emphasised the resilience of our economy.”

“The important thing now is to maintain as much of that momentum as possible through the new lockdown. With business cashflows under renewed pressure, helping employers protect and create jobs is essential. We need a long-term plan to support businesses across the supply chain – not just those required to close. This should include wider-spread reductions on business rates, support on VAT repayments and support for self-employed business owners previously cut out of schemes. We need big ticket items now, like a reduction in the cost of furlough and employers National Insurance to help firms retain and hire staff in the coming months, alongside delivery of the vaccine.”

“Regions have been recovering at different speeds and London continues to lag behind. London is home to some of the most deprived boroughs in the country, so this is particularly worrying. It underlines the urgency of action needed to help businesses retain workers and get the vaccine delivered.”

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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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