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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Permanent placements rise, but temporary billings fall in February

Key findings

- Renewed increase in permanent staff appointments
- Temp billings decline for the first time in six months
- Candidate availability deteriorates further

Summary

The latest **KPMG and REC, UK Report on Jobs: Midlands** signalled an increase in permanent staff appointments for the second time in three months during February. Meanwhile, temp billings fell for the first time since last August, although only mildly. Candidate availability continued to deteriorate sharply, but the rate of decline eased for both permanent and temporary 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.

Permanent placements rise mildly in February

The number of permanent staff appointments across the Midlands increased for the second time in three months during February. Survey respondents associated the rise with a higher volume of vacancies and subsiding uncertainty. The uptick was only mild, however, and subdued in the context of historical data.

Of the three monitored English regions to record an increase in permanent appointments in February, the rise was softest in the Midlands. London was the only region to report a fall.

Recruitment consultancies across the Midlands reported the first fall in temporary billings for six months in February. The rate of decline was only mild, however.

The reduction in the Midlands was part of a wider UK trend in February, with temp billings declining for the second month running across the UK as a whole. However, the fall in the Midlands was quicker than that seen at the national level.

February data signalled a further expansion in permanent vacancies across the Midlands. Moreover, the increase was the quickest since January 2019 and sharp overall. The rise in the Midlands was softer than the UK average, however.

Meanwhile, temporary vacancies across the Midlands continued to rise in February, as has been the case in each month for seven years. The latest uptick was the joint-quickest for a year and solid overall. That said, the rate of increase remained historically subdued.

Softest deterioration in permanent availability since July 2013

Permanent staff availability continued to decline in February, with panellists linking the reduction to candidate shortages amid increased competition. The fall was the softest for six-and-a-half years, however.

By comparison, permanent labour supply also fell at the UK level in February. The rate of decline was the joint-slowest since mid-2013 and broadly similar to that recorded in the Midlands.

Recruiters across the Midlands signalled a further reduction in the availability of temporary staff in February, extending the current sequence of decline to six-and-a-half years. The fall, albeit still sharp, was the softest since September last year.

Nonetheless, the Midlands recorded the sharpest reduction in temp labour supply across the four monitored English regions, followed by the South. Meanwhile, temp candidate availability was unchanged

on the month in London and rose slightly in the North of England.

Permanent salary inflation fastest since October 2018

February data highlighted a further increase in salaries awarded to permanent new joiners in the Midlands, with the rate of salary inflation the quickest since October 2018 and marked. Respondents commonly linked the rise with efforts to attract candidates amid shortages.

At the UK level, permanent salaries rose at the quickest pace for eight months, although the increase was not as sharp as that in the Midlands.

Average hourly pay for temporary staff increased in February, as has been the case in each month for the past seven years. The latest rise was the quickest for five months and solid, with panellists linking inflation with efforts to attract candidates.

Moreover, across the four monitored English regions, the Midlands recorded the sharpest uptick in temp wages. The rate of wage inflation was softest in the North.

Comments

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

“Businesses and recruiters across the Midlands will be feeling cautiously optimistic as the number of permanent staff appointments has increased once again. Political certainty has helped to revive confidence to recruit, resulting in a higher volume of vacancies – for both temporary and permanent roles.

“However, the supply of available talent is still an issue, as permanent staff availability has a long way to go before it meets the demand. And with the Chancellor’s Budget next week and the impact of Coronavirus still unravelling, businesses will need to take stock and consider the impact of any announcements or developments on their current workforce, as well as any future hiring decisions.”

Neil Carberry, Chief Executive at the REC, said:

“It’s great to see how the state of the jobs market has improved in the past few months. Businesses are feeling positive, placement numbers are up, and the number of vacancies is now rising at the quickest pace for over a year. It shows just how important stability can be. With a little confidence about where the economy is heading, employers can make clear plans for hiring and put them into practice. Politicians must be careful to maintain that stability – whether that’s in negotiations with the EU, or making sure that the tax and skills policies in next week’s Budget work for business. This is even more important given the impact that coronavirus may have on the economy in the spring.

“The stark outlier in this data is the much slower performance of the temporary market. With less than a month to go until the IR35 changes kick in, we’re hearing about more and more companies putting a blanket ban on hiring contractors – and we now see this influencing the availability of flexible workers too. The government urgently needs to stop and think about how to make these changes more effective. They should start by delaying implementation in order to properly regulate umbrella companies.”

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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.

February data were collected 12-24 February 2020

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 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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