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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Permanent placements rise strongly in November

Key findings

- Further upturn in permanent placements and temp billings
- Weakest rise in permanent starting salaries since July
- Supply of permanent workers declines at fastest rate since February 2016

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.

Strong rise in permanent placements

Recruitment agencies across the Midlands registered a strong expansion in permanent placements in November, with the rate of increase similar to that seen in October. Anecdotal evidence suggested that demand for permanent workers had strengthened following new contract wins. The pace of growth was just below the UK average, but overtook the North of England to be the third strongest English region. At the UK level, permanent staff placements rose markedly albeit at the weakest since July and the second-slowest recorded in 2018 so far. The softer performance was driven by slower increases in the North and South of England, with the former recording only a marginal upturn that was the joint-softest since April 2013.

Temp billings across the Midlands expanded at the fastest rate of the four monitored English regions. The marked increase was well above the UK average and

was commonly linked to robust demand for temporary workers. After expanding across the UK at the quickest rate for five months in October, the rate of growth in temp billings eased during November. Though still sharp overall, it was the joint-weakest increase seen for just over two years (on a par with August 2018).

The rate of increase in permanent vacancies across the Midlands remained sharp in November. That said, the upturn in demand for permanent workers was the weakest since August 2016.

Reflecting the trend seen across the UK as a whole, temporary vacancies rose at a faster rate in November. Although steep overall, the rate of increase was the second-weakest of the four monitored English regions, only fractionally faster than the South of England.

Fastest drop in permanent staff availability since February 2016

The availability of permanent staff fell further in November, according to recruitment agencies across the Midlands. The robust decline was the fastest of the four monitored English regions. Panellists attributed the reduction in permanent worker supply to uncertainty surrounding Brexit and a shortage of skilled workers. At the UK level, permanent staff availability fell for the sixty-seventh month in a row during November. Rates of contraction remained sharp in all four covered English regions. That said, the overall pace of decline was the softest since March, with both London and the South of England registering slower falls compared to October.

The supply of temporary labour declined further in November, albeit at a slightly slower rate. Nonetheless, the contraction was the quickest of the four monitored English regions. Reduced availability was commonly linked to skill shortages and an increase in contractors leaving the UK ahead of Brexit. Temp candidate numbers also contracted at a slower pace at the national level in November, registering the softest decline for three months. Slower reductions were also seen in London and the South of England. However, the overall drop was still historically marked and sharp

overall.

Starting salaries rise markedly in November

Permanent starting salaries increased at a sharp pace in November, albeit one that was below the UK average. Where a rise was reported, panellists linked this to higher skilled placements and efforts to attract candidates. The rate of pay inflation was the weakest since July, however, and only fractionally faster than the North of England which registered the slowest rise. Starting salaries for permanent staff also rose sharply across the UK as a whole, despite the rate of growth easing to a three-month low. Softer increases in pay in the Midlands and the North contrasted with faster rises in London and the South of England.

Hourly rates of pay for temp workers in the Midlands increased at the quickest rate since July. The marked rise in wages was only slower than the South of England. The rate of wage inflation was also broadly in line with the UK average. Hourly pay reportedly increased as firms were more inclined to offer bonuses or higher wages to entice candidates. Temporary pay rates across the UK increased at the fastest pace since July 2007. Stronger rates of wage inflation were seen in three of the four monitored English regions, with the steepest rise seen in the South of England.

Comment

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

“The job market in the Midlands remains buoyant for workers, with a rise in the number of vacancies. However for employers, the cliché of the war for talent is ever present.

“There is a clear scarcity of skills and it continues to put pressure on starting salaries, which are increasing. So it’s really important for the region’s employers to ensure that they have a strong proposition for future employees.”

Neil Carberry, Chief Executive at the REC says:

“Today’s report backs up what recruiters across the country are saying to us. High employment rates and a lack of willingness to change employer in this uncertain climate means fewer people are looking for jobs – despite rising pay and jobs being available.

“After a long run of strong performance, it seems that employers are getting more nervous as well. Although permanent and temporary placements continued to increase, the pace of growth has slowed since earlier in the autumn.

“Recruiters across the country are working hard to fill gaps in our labour market but in the run-up to Christmas, sectors like hospitality and warehousing are facing particular challenges as they ramp up to the festive season. More clarity on the future path of Brexit and immigration will underpin business and consumer confidence, ensuring the UK’s jobs performance remains strong.”

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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 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.

About IHS Markit

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