

Embargoed until 0101 (UK) 8 September 2022

KPMG and REC, UK Report on Jobs: Midlands

Sharper rises in both permanent placements and temporary billings in August

Key findings

Rates of expansion accelerate amid strong demand for staff

Candidate availability falls sharply again

Marked acceleration in temp wage inflation

Data collected August 12-24.

Summary

The latest KPMG and REC, UK Report on Jobs: Midlands survey pointed to further sharp increases in permanent placements and temporary billings as demand for staff continued to rise strongly. This, allied with further marked falls in candidate numbers, fed through to further increases in staff pay, with temporary pay inflation accelerating particularly sharply over the month.

The KPMG and REC, UK Report on Jobs: Midlands is compiled by S&P Global from responses to questionnaires sent to around 100 recruitment and employment consultancies in the Midlands.

Sharp increase in permanent placements

August data pointed to a sharp rise in permanent placements in the Midlands, with the rate of expansion accelerating to the fastest in four months. Permanent placements in the region have increased on a monthly basis throughout the past year-and-a-half, with the latest expansion the sharpest of the English regions covered. Where placements rose, recruitment firms mainly linked this to increasing demand for staff.

A sharp increase in permanent placements was also seen in London, while the North of England posted a fall for the first time in 19 months.

Growth of temp billings accelerates

After having softened to a 25-month low in July, the rate of expansion in temp billings reaccelerated in August. The latest rise was marked and the fastest since May. That said, the increase in the Midlands was softer than the UK average. Anecdotal evidence suggested that growth of temp billings reflected both demand for contract work and difficulties for firms to find suitable permanent candidates.

Temp billings increased across all four monitored English regions, with the sharpest rise in London.

Vacancies for both permanent and temporary positions continued to increase sharply during August, although in both cases rates of expansion softened over the month.

Demand for permanent staff rose for the nineteenth month running, albeit to the least extent for a year-and-a-half. This was also the case with regards to demand for temporary staff, where the sharp pace of growth was nonetheless the weakest since February 2021.

Permanent candidate numbers fall sharply

A reluctance among workers to change roles given wider economic uncertainty contributed to a further steep decline in the availability of candidates for permanent positions in the Midlands during August. The reduction in candidate numbers was steeper than that seen in the previous month, and broadly in line with the UK average. Permanent staff availability has deteriorated in each month since April 2021.

The North of England posted the fastest fall in permanent staff availability, with the softest decline in London.

Steep decline in temporary staff availability

In line with the picture for permanent candidates, the availability of temporary staff declined at a sharp and accelerated pace midway through the third quarter. Some recruitment firms signalled that candidates were more interested in permanent roles at present. The drop in temporary staff availability in the Midlands was the second-sharpest of the English regions covered, behind London.

Further steep rise in permanent salaries

Midlands recruitment companies indicated that salaries for new permanent joiners continued to increase sharply during August, with the rate of inflation ticking up from that seen in July. Rises in salaries reflected candidate shortages, with hires able to demand higher pay in order to move roles.

The increase in the Midlands was the strongest of the four monitored English regions. The North of England registered the softest pace of inflation.

Marked acceleration in temp wage inflation

The rate of inflation in hourly wages for temporary staff accelerated sharply in August and was the strongest since November last year. The rise in the Midlands was by far the steepest of the English regions covered by the report. Anecdotal evidence indicated that a combination of rising demand for staff and falling candidate availability had been behind the increase.

Of the four monitored English regions, the slowest rise was in the North of England, but inflation was still substantial here nonetheless.

Comments

Commenting on the latest survey results, Claire Warnes, Head of Education, Skills and Productivity at KPMG UK, said:

“Unsurprisingly, the economic uncertainty continues to impact all aspects of business as we come to the end of the summer. August’s data show an increasingly challenging jobs market, both in the sharp decline in the supply of candidates and in the slowdown in recruitment which we have seen for the last few months. Despite these challenges, it’s vital that investment in people continues. Businesses may be better able to weather the economic storm through sustained investment in upskilling the available workforce.”

Neil Carberry, Chief Executive of the REC, said:

“August was another month of growing placements across temporary and permanent roles. While the post-pandemic jobs rush is now abating, there were no real signs of a slowdown in employer demand. Indeed, reports from REC members suggest that any lowering of confidence in the market is driven primarily by candidates playing it safe, with the effect of further tightening the market. So it’s no surprise that pay rates continue to rise, especially considering increasing inflation. In this market, hiring companies need to think hard about the right approach to getting the skills they need, working with professional recruiters.

“The big question is now about the sustainability of this positive position, as labour shortages damage growth and pay over the long term. Controlling inflation and a clear plan for growth are essential parts of making sure the UK is resilient to economic uncertainty. But both rely on our new Prime Minister and her team working with businesses to address shortages across our labour market. Radical reform of the failed apprenticeship levy, support on small business energy costs, an immigration policy that helps the economy and regulation that supports temporary work rather than penalising it, all have to be on the agenda.”

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Methodology

The KPMG and REC, UK Report on Jobs: Midlands is compiled by S&P Global 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.

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