News Release

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KPMG and REC, UK Report on Jobs: Midlands

Permanent staff appointments fall at stronger rate, but temp billings increase

Key findings

Temp billings rise for the first time since December

Softest increase in permanent starting salaries for 28 months

Staff availability rises sharply

Data were collected 12-26 June 2023.

Summary

The KPMG and REC, UK Report on Jobs: Midlands survey, compiled by S&P Global, showed that permanent staff placements declined further at the end of the second quarter of 2023, with respondents often noting recruitment freezes and economic uncertainty. While the reduction in permanent placements extended into a seventh month, temp billings returned to growth territory for the first time since the end of last year and at the fastest pace since August 2022. Recruiters signalled a pivot to requiring more flexible staff and an increasing number of people looking for temporary work. The supply of both permanent and temp candidates rose sharply, with the latter seeing the strongest increase since November 2020.

Pay pressures continued to soften during June, with the latest round of permanent starting salary inflation the slowest in the current 28-month sequence, while hourly pay rates for temporary staff increased at the weakest pace in 26 months.

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.

Sharper fall in permanent staff placements

The number of people placed into permanent roles in the Midlands fell for the seventh successive month in June. Respondents noted recruitment freezes at clients and economic uncertainty as the key factors behind the decrease. The rate of reduction was solid overall and broadly in line with the decline registered at the UK level.

Billings received from the employment of temporary staff in the Midlands returned to growth territory in June. The increase was the first recorded in 2023 and the strongest seen in ten months. Anecdotal evidence indicated that clients were looking to take on more flexible staff.

The rise in temp billings in the Midlands was the weakest of the three English regions that posted an expansion in June, with only the North of England recording a reduction.

Demand for permanent staff in the Midlands rose for the twenty-ninth consecutive month in June. The increase in vacancies was strong, but softened from that seen in May and was weaker than the series average. Among the English regions, the Midlands saw the second-fastest rise in vacancies, behind the North of England.

Vacancies for temporary staff rose at a sharper rate in June meanwhile, and one that was stronger than the national average.

Permanent staff availability improves further in June

The seasonally adjusted Permanent Staff Availability Index signalled a third successive monthly rise in permanent candidate numbers in the Midlands in June. This was often linked to more candidates being available due to previous redundancies.

That said, the rate of growth in candidate numbers in the Midlands was the weakest of the four monitored English regions.

Recruitment consultancies based in the Midlands signalled an accelerated increase in temp candidate supply at the end of the second quarter. The uptick was marked, and the strongest recorded since November 2020 amid an increase in the number of people looking for work.

The increase in the Midlands was the strongest of the four English regions.

Starting salary inflation slows sharply

Average salaries awarded to new permanent joiners in the Midlands increased for the twenty-eighth time in as many months in June. That said, the rate of salary growth eased to the slowest in the current sequence. Higher salaries were linked to efforts to attract suitably skilled staff.

Salary inflation in the Midlands was the second-slowest of the monitored regions, ahead of the South of England.

Average hourly pay for short-term staff in the Midlands rose again in June, extending the current sequence to 31 months. Recruiters observed that firms raised temp wages due to clients paying more to retain staff as market competition remained strong. That said, the rate of wage growth slowed from May and was the weakest since April 2021, as well as the softest of the four English regions.

Comments

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

"While June's data shows demand for permanent staff, the actual placements fell showing hesitancy from businesses to hire and commit to candidates that may not meet all of the requirements. This is supported by the accelerated increase in temporary candidates as they give employers the opportunity to 'try without committing'.

"Similarly to other UK regions, we continue to see a skills shortage in the tech, blue collar and professional sectors, highlighting the need for businesses to continue investing in upskilling current staff and working closely with local education providers to ensure a synergy between available courses and the skills needed to boost the region."

Neil Carberry, REC Chief Executive, said:

"There is a risk of seeing an element of Groundhog Day in June hiring, with permanent billing easing again and firms turning to temporary staff in the face of uncertainty. But there was quite a lot of change in the shadows of the headline data. There was a significant step up in the number of candidates looking for a new permanent or temporary role. This is likely driven by people reacting to high inflation by stepping up their job search, and by some firms reshaping their businesses in a period of low growth. It's no surprise, therefore that the rate at which wages are rising eased.

"Despite these trends, the labour market remains very tight. There are still broad skills shortages, with accountancy and construction among those sectors struggling to find and retain workers. This is despite the supply of candidates across the job market continuing to rise in the Midlands, and for four consecutive months across the UK.

"The growth in vacancies for staff in hotel & catering and blue-collar jobs in Midlands, and for temp positions in retail across the UK, suggest businesses anticipate that people are still prepared to spend their wages on goods and services despite the fall in their purchasing power and the wider cost-of-living crisis. This is backed by anecdotes from REC members noting that the warm weather in June was a significant driver of demand.

"Long-term progress rests on the UK being a great place to invest. A strong industrial strategy with people at its heart would help overcome labour and skills shortages, acknowledging the wide range of choices that people have about how they work. Progress should start with action on skills and immigration, but also accelerating steps on childcare, transport and back-to-work support, as set out in the REC's Overcoming Shortages report."

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Contact

KPMG
Tanya Holden
Deputy Head of Media Relations
M: +44 (0) 7874 888 656
tanya.holden@kpmg.co.uk

REC
Hamant Verma
Communications Manager
T: +44 (0)20 7009 2129
Hamant.verma@rec.uk.com

S&P Global
Usamah Bhatti
Economist
S&P Global Market Intelligence
T: +44 1344 328 370
usamah.bhatti@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0)7967 447 030
sabrina.mayeen@spglobal.com

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.

About KPMG UK

KPMG LLP, a UK limited liability partnership, operates from 20 offices across the UK with approximately 17,000 partners and staff. The UK firm recorded a revenue of £2.72 billion in the year ended 30 September 2022.

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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 S&P Global

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