News Release

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# KPMG and REC, UK Report on Jobs: Midlands

## Permanent placement growth slows to 17-month low in July

### Key findings

Growth of permanent placements and temp billings decelerate

Slowest rise in permanent salaries for 13 months

Permanent staff supply falls at softest pace since May 2021

Data collected July 12-25.

### Summary

The latest KPMG and REC, UK Report on Jobs: Midlands survey highlighted a further expansion in permanent placements and temporary billings in July. That said, the rates of increase slowed to the softest in the respective 17 and 25-month sequences of growth. The rise in permanent salaries eased for the second month running to the slowest since June 2021, while inflation of hourly pay rates for temporary staff also eased. Finally, skilled staff shortages contributed to a further marked reduction in permanent candidate availability, albeit one that was the least marked since May 2021.

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.

### Softest rise in permanent placements in 17 months

The rate of growth in permanent placements across the Midlands slowed at the start of the third quarter. The increase was solid overall but the softest seen in the current 17-month sequence of growth. Recruitment consultancies indicated that while demand for staff remained high, there were several reports that job offers were turned downed in favour of other opportunities amid candidate shortages. The increase in the Midlands was the fastest of the four monitored English regions.

July data pointed to a continued increase in temporary billings in the Midlands. That said, the rate of expansion was much slower than seen earlier in the year and was only marginal. Respondents suggested that clients were increasingly making existing temporary staff permanent or not renewing temporary contracts.

Growth in temp billings in the Midlands was the weakest of the monitored regions and well below the national level.

Permanent vacancies increased at a marked pace in the Midlands during July. The rate of increase softened for the second successive month and led to the slowest rise in permanent vacancies for 17 months. The rise in the Midlands was also the slowest of the four monitored English regions.

Demand for temporary staff also rose steeply in the latest survey period. The pace of expansion eased from June to the softest since February 2021 and was weaker than the national average.

### Softer decline in permanent candidate numbers

The Midlands saw a further reduction in the supply of permanent candidates during July. The rate of decrease remained marked, yet eased considerably to the slowest since May 2021. Anecdotal evidence suggested that people were reluctant to move at present due to economic headwinds and the cost of living crisis. At the national level, the reduction in the availability of permanent staff was quicker than that seen in the Midlands.

Recruitment consultancies indicated that temporary candidate numbers decreased at a robust pace in July. That said, the pace of reduction slowed from June to reach the softest for 16 months. A number of respondents indicated that skills shortages had contributed to the lack of available staff for temp roles.

The reduction in temp staff availability in the Midlands was the second-slowest of the four monitored regions, behind the South of England.

**Permanent salary growth eases to 13-month low**

Salaries for permanent new joiners in the Midlands increased for the seventeenth month in a row in July. While historically elevated, the rate of inflation eased to the softest since June 2021. Recruiters noted a lack of suitable candidates and pressure to increase salaries to entice staff were behind the rise in permanent salaries. The increase in permanent salaries in the Midlands was the slowest of the four English regions covered, however.

Hourly pay rates for temporary staff rose markedly during July. The rate of inflation eased from that seen in June and was the second-softest recorded in the past 14 months. Recruitment consultancies indicated that candidate supply shortages had been a leading factor behind higher pay rates. On a regional basis, the increase in the Midlands was the slowest of the four monitored regions.

**Comments**

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

*"The trend of uncertainty in the UK jobs market of the last few months continues, as overall hiring activity saw another slowdown in July. Given the challenging economic outlook, employers are rightly hesitant about their hiring plans. But to compound this, a lack of suitable candidates and an overall skills shortage in most sectors are keeping starting salaries high.*

*"As the cost-of-living crisis continues to bite - alongside rising inflation - some workers may well choose to stay where they are rather than risk job security by moving now. However, it's important to note that it is still very much a candidate's market – and so, businesses should not only be offering competitive salaries, but additional opportunities for development and upskilling to ensure that they are attracting the talent they need."*

Kate Shoesmith, Deputy CEO of the REC, said:

*"The jobs market remains solid. Demand for staff continues to rise, as it has done since early 2021, rising in every sector. Starting salaries are still growing too, making this a good time for jobseekers to be looking for their next role.*

*"However, growth in permanent hiring has softened in recent months. We've seen that rising fuel and energy prices, inflation and labour shortages are impacting employer confidence. Labour and skills shortages are also restricting opportunities for both the private and public sector to meet consumer demand. Our latest report shows that these constraints could cost the UK economy up to £39 billion a year if we don't work to fix these issues now.*

*"So it's vital that both government and businesses start putting their people and their staffing strategies first. We know what needs to be done: there should be improved provision of skills training, increased employment from under-represented groups, and we need good transport, childcare and immigration systems."*

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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.

## About KPMG

KPMG LLP, a UK limited liability partnership, operates from 22 offices across the UK with approximately 15,300 partners and staff. The UK firm recorded a revenue of £2.43 billion in the year ended 30 September 2021.

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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.

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