News Release

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KPMG and REC, UK Report on Jobs: Midlands

Slowest rise in permanent placements in 16 months

Key findings

Rises in permanent placements and temp billings slow

Accelerated reductions in staff availability

Growth in permanent vacancies slows to 15-month low

Data collected June 13-24.

Summary

The latest KPMG and REC, UK Report on Jobs: Midlands survey highlighted a slower rise in the number of permanent placements in the region at the midpoint of 2022. The rate of increase was the softest in the current 16-month sequence, albeit still strong overall. Meanwhile, temp billings saw the rate of increase decelerate steeply to only a modest pace. Demand for permanent and temporary staff rose also rose at a softer pace, as growth in permanent vacancies was the softest for 15 months. At the same time, the downturn in staff availability intensified for both permanent and temp workers.

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.

Permanent placements rise at slower pace

The number of permanent staff appointments across the Midlands increased further in June. While strong overall, the latest expansion was the softest in the current 16-month sequence of rising placements. Survey members often linked hiring to additional capacity requirements as demand increased, although some recruiters commented on a lack of suitably skilled candidates.

The uptick in permanent placements in the Midlands was the joint-fastest of the four monitored regions.

Temporary billings across the Midlands continued to rise at the end of the second quarter, though the rate of increase slowed sharply from May. Despite rising consistently for two years, the latest increase was the softest in this period and only modest. According to panellists, temporary staff were taken on amid difficulty in sourcing permanent staff, however there was evidence that firms were cutting back on temps due to increased cost burdens. The Midlands saw temp billings rise at the softest pace of the four monitored English regions.

June data highlighted another robust increase in the number of permanent vacancies in the Midlands. The upturn slowed from the previous survey period however, and was the slowest for 15 months. Moreover, the Midlands noted the slowest rise of the four monitored regions.

Demand for temporary staff also rose at a softer pace. The rate of increase remained strong, yet eased to the slowest since February 2021.

Permanent staff availability falls at quicker pace

Recruiters across the Midlands signalled a reduction in the supply of permanent staff for the fifteenth consecutive month during June. The reduction was commonly attributed to candidate shortages and hesitancy to change roles amid cost of living increases. The pace of the decrease accelerated from May and was the quickest recorded for eight months. The fall in the Midlands was the second-weakest of the monitored regions, ahead of the North of England.

The availability of temporary staff in the Midlands decreased further in June. According to anecdotal evidence, some suitably skilled staff had taken on roles already, resulting in a lack of available contractors. The reduction was the sixteenth in as many months and the steepest since February.

At the regional level, the decrease in temp candidates was broad-based, with the Midlands seeing the second-slowest fall, behind London.

Substantial rise in permanent starting salaries

Latest data highlighted a sustained substantial rise in salaries awarded to new permanent joiners in the Midlands at the end of the second quarter. The rate of increase eased from May, yet remained considerably above the long-term average.

Across the four monitored regions, the Midlands recorded the strongest rise in permanent salaries.

Recruiters across the Midlands recorded a nineteenth consecutive monthly increase in hourly pay rates for short-term staff during June. The rate of temp wage inflation rose for the first time in three months and was rapid overall. At the regional level, the Midlands saw the second-slowest rise in temp pay, ahead of London.

Comments

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

"Although the Midlands saw a further increase in the number of permanent job placements in June – its sixteenth consecutive monthly rise – demand for temporary workers in the region slowed sharply, a sign that economic pressures may be beginning to impact employers' confidence to grow.

"As more candidates become hesitant to change roles amid the spiralling rise in cost-of-living, employers in the region face the prospect of needing to offer greater financial incentives to retain talent, thereby exacerbating wage inflation. All this suggests that, after a sustained period of growth, the Midlands jobs market is becoming increasingly fragile."

Neil Carberry, Chief Executive of the REC, said:

"The labour market is still strong, with demand for new staff high. That said, today's data show that we are likely to be past the peak of the post-pandemic hiring spree. That pace of growth was always going to be temporary – the big question now is the effect that inflation has on pay and consumer demand over the course of the rest of the year. Whether we will see the market settle at close to normal levels, or see a slowdown, is unpredictable at this point.

"Part of the reason for unpredictability in the market is a slower economy accompanied by severe labour and skills shortages. These are already proving a constraint on growth in many firms. The government should be thinking about how to ensure all its departments enable greater labour market participation and encourage business investment funds to help address this.

"It is important to note that plenty of hiring is happening in this tight market – there are candidates out there for firms who get it right. Skilled recruitment professionals are at the heart of this, making a difference to opportunity and growth for companies and workers."

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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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