



KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Permanent starting salaries rise at record pace in July

KEY FINDINGS

Step increases in starting pay for both permanent and temp roles

Demand for staff up sharply

Candidate availability continues to fall rapidly

KEY DATA

Permanent Placements Index



Temporary Billings Index



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.

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

“As employers compete for quality permanent candidates, it’s no surprise to see starting salaries rising as the demand for talent outpaces the supply. Now is certainly a good time for those searching for new roles to negotiate an attractive package.”

“While it’s encouraging to see how healthy the jobs market is looking across the Midlands, it’s crucial that the focus on reskilling and upskilling isn’t lost. This is particularly important for both businesses and those looking to move into different sectors, as this is a challenge that still needs addressing. Also, with furlough ending soon, jobseekers will be mindful that there may be a downward pressure on pay to come, so the reluctance to move roles is likely to remain.”

“Nevertheless, if the strength of the region’s job market and the resilience we’ve seen since last year is anything to go by, the bounce-back for the Midlands is well underway.”

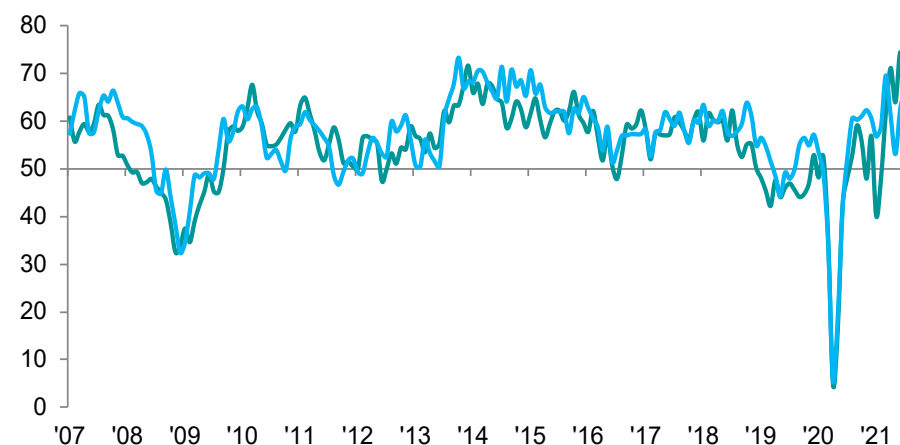
Kate Shoesmith, Deputy Chief Executive of the REC, said:

“This month’s data confirms that it is a good time to be a looking for a new job. Employers are desperate to find good candidates for the many jobs on offer and this is reflected in starting salaries rising at the sharpest rate since the survey began in 1997. This will likely motivate more people to be on the lookout for new opportunities. The same goes for those on temporary contracts which are also seeing increased pay. Recruiters are working hard to fill places for employers eager to build back and recover but their job is made more difficult by worker shortages across all sectors.”

“Pay increases alone, however, won’t solve the demand that has been building up over recent months. We need an immigration system that flexes to meet demand as was promised, and business and government need a long-term plan for skilling up workers. Skills shortages have been with us for a while and as our data shows are getting worse.”

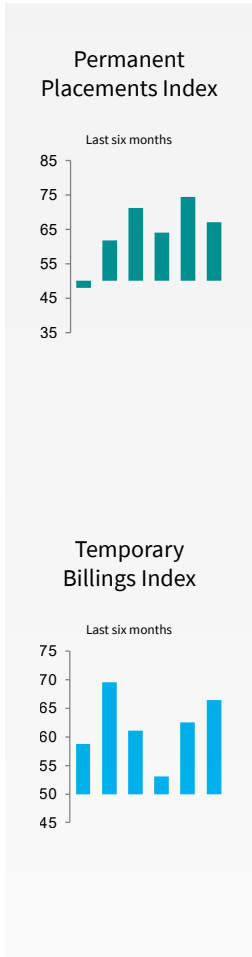
Permanent Placements Index / Temporary Billings Index

sa, >50 = growth since previous month



1 STAFF APPOINTMENTS

Recruitment consultancies report on the number of people placed in permanent jobs each month, and their revenues (billings) received from placing people in temporary or contract positions at employers.



Further strong rise in permanent placements

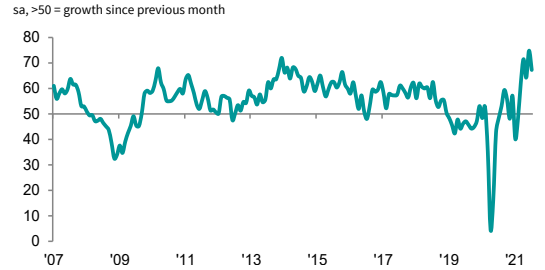
Although softening from the record pace seen in June, the rate of growth in permanent placements in the Midlands remained rapid at the start of the third quarter of the year. Recruitment consultancies indicated that placements had risen in line with greater demand for staff following the reopening of the economy.

The increase in permanent placements in the Midlands was slightly slower than that seen at the UK level.

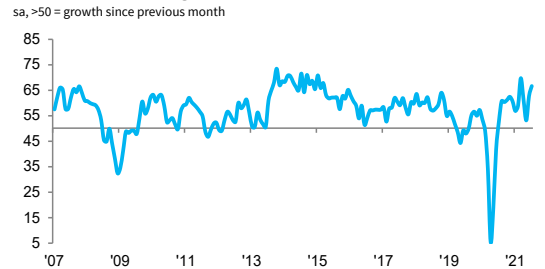
Growth of temp billings at four-month high

July data pointed to a sharp increase in temporary billings in the Midlands, with the rate of expansion accelerating to the fastest since March. Some respondents suggested that temps had been hired given some difficulty in sourcing permanent candidates. The rise in temp billings in the Midlands outpaced the UK average.

Permanent Placements Index



Temporary Billings Index



| | Permanent | | Temporary | |
|--------|-----------|----------|-----------|----------|
| | UK | Midlands | UK | Midlands |
| Feb-21 | 47.1 | 48.0 | 51.6 | 58.8 |
| Mar-21 | 59.2 | 61.7 | 59.6 | 69.5 |
| Apr-21 | 65.4 | 71.2 | 59.2 | 61.1 |
| May-21 | 67.4 | 64.0 | 61.6 | 53.0 |
| Jun-21 | 71.2 | 74.5 | 63.4 | 62.6 |
| Jul-21 | 69.3 | 67.0 | 64.6 | 66.5 |

JOB VACANCIES

Permanent vacancies increased at a considerable pace in the Midlands during July, with the rate of growth ticking down only slightly from June's record. In fact, the rise was the second-fastest since the series began in October 1997.

A similarly strong rise in demand for temporary staff was signalled at the start of the third quarter. Furthermore, the rate of expansion quickened for the sixth month running and was the fastest since March 1998.

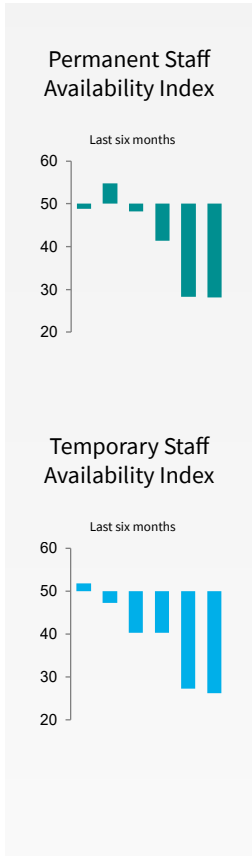
Vacancies Index (Permanent / Temporary)



| | Permanent | | Temporary | |
|--------|-----------|----------|-----------|----------|
| | UK | Midlands | UK | Midlands |
| Feb-21 | 50.5 | 51.3 | 54.3 | 55.9 |
| Mar-21 | 62.7 | 64.6 | 62.5 | 64.5 |
| Apr-21 | 68.6 | 70.6 | 65.3 | 66.7 |
| May-21 | 70.6 | 70.2 | 69.2 | 68.2 |
| Jun-21 | 74.5 | 71.8 | 72.1 | 70.3 |
| Jul-21 | 75.2 | 71.3 | 72.8 | 71.6 |

2 STAFF AVAILABILITY

Recruitment consultants are asked to report whether availability of permanent and temporary staff has changed on the previous month.



Steep decline in permanent candidate numbers

The Midlands saw a further substantial reduction in the supply of permanent candidates during July, with the rate of decline strengthening slightly to the most marked since August 2015. Anecdotal evidence suggested that people currently in jobs were reluctant to move at present given high levels of uncertainty. Close to 55% of recruitment consultancies signalled a reduction in permanent staff availability.

Near-record fall in temporary staff availability

Recruitment consultancies indicated that temporary candidate numbers decreased at a rapid pace in July. The pace of reduction was the sharpest since March 2015 and one of the strongest on record. A number of respondents indicated that Brexit had been a factor behind the drop in temporary staff numbers. The fall in temporary staff availability in the Midlands was the most marked of the four English regions covered by the survey.

Permanent Staff Availability Index



Temporary Staff Availability Index



| | Permanent | | Temporary | |
|--------|-----------|----------|-----------|----------|
| | UK | Midlands | UK | Midlands |
| Feb-21 | 49.9 | 48.8 | 55.3 | 51.7 |
| Mar-21 | 49.9 | 54.8 | 49.7 | 47.2 |
| Apr-21 | 44.5 | 48.2 | 42.2 | 40.3 |
| May-21 | 33.7 | 41.4 | 35.3 | 40.2 |
| Jun-21 | 25.3 | 28.3 | 27.0 | 27.3 |
| Jul-21 | 25.9 | 28.1 | 27.6 | 26.2 |

3 DEMAND FOR SKILLS

Recruitment consultancies are invited to specify any areas in which they have encountered skill shortages during the latest month.

Skills in short supply: Permanent staff

| | | |
|--|---|---|
| Accounting/Financial Accountants Auditors Book Keepers Credit Controllers Finance Payroll | Hotel & Catering Chefs | Other All Types of Candidates Customs Sales Supply Chain |
| Blue Collar Blue Collar Drivers Forklift Drivers Industrials Warehouse | IT & Computing Automation Testers Developers Digital IT Technology | |
| Construction Architectural Tech | Nursing/Medical/Care Hearing Aid Dispensers Healthcare Assistants Nurses Optometrists Pharmacists | |
| Engineering Engineers | Secretarial/Clerical Administration Clerical Office Staff | |
| Executive/Professional Legal | | |

Skills in short supply: Temporary staff

| | |
|--|---|
| Accounting/Financial Accountants Auditors Book Keepers Credit Controllers Payroll Taxation | Executive/Professional Management |
| Blue Collar Blue Collar Drivers Forklift Drivers HGV Drivers Industrials Production Warehouse Welders | Hotel & Catering Chefs |
| Construction Construction | IT & Computing Developers |
| Engineering Engineers | Nursing/Medical/Care Hearing Aid Dispensers Healthcare Assistants Nurses Pharmacists |
| | Other All Types of Candidates Security |

4 PAY PRESSURES

The recruitment industry survey tracks both the average salaries awarded to people placed in permanent jobs each month, as well as average hourly rates of pay for temp/contract staff.

Permanent Salaries Index



Record rise in permanent salaries

Permanent salaries for new joiners in the Midlands increased at the fastest pace in the survey's history in July, with the rate of inflation surpassing the previous record seen in November 2014. A combination of rising demand for staff and a lack of suitable candidates was behind the increase in permanent salaries.

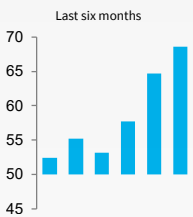
The rise in permanent salaries in the Midlands was the sharpest of the four English regions covered.

Permanent Salaries Index

sa, >50 = inflation since previous month



Temporary Wages Index

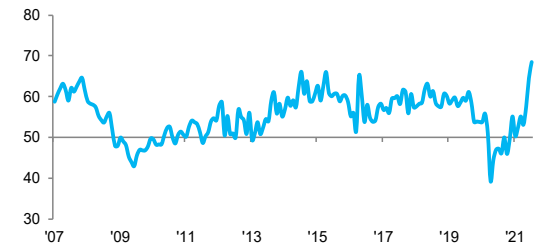


Temp wages surge higher

As was the case with permanent starting salaries, pay rates for temporary staff rose sharply during July. The rate of inflation was the fastest in just over 23 years, and one of the strongest since the survey began in October 1997. Recruitment consultancies indicated that candidate supply shortages had been the principal factor leading to higher pay rates. Around 40% of respondents indicated a rise in temporary wages, with the remainder seeing no change.

Temporary Wages Index

sa, >50 = inflation since previous month



sa, >50 = inflation since previous month

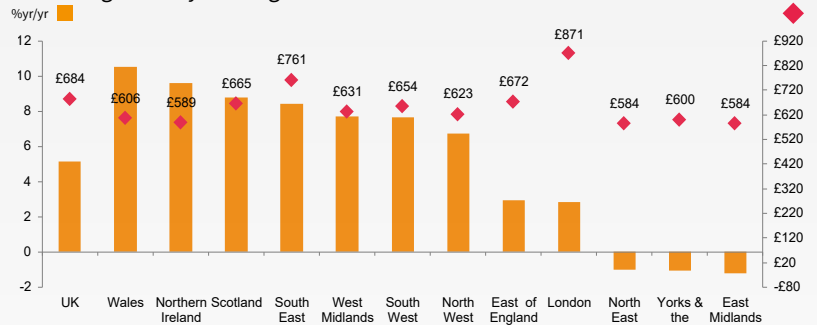
| | Permanent | | Temporary | |
|--------|-----------|----------|-----------|----------|
| | UK | Midlands | UK | Midlands |
| Feb-21 | 48.6 | 49.6 | 49.9 | 52.5 |
| Mar-21 | 55.1 | 58.3 | 54.8 | 55.2 |
| Apr-21 | 58.2 | 58.3 | 55.6 | 53.2 |
| May-21 | 64.4 | 63.3 | 58.6 | 57.7 |
| Jun-21 | 66.0 | 65.9 | 61.6 | 64.6 |
| Jul-21 | 73.2 | 77.9 | 66.7 | 68.6 |

OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Latest data from the Office for National Statistics indicated that average weekly earnings across the UK rose 5.1% on an annual basis to £684 in the first quarter of 2021.

The strongest annual rise was seen in Wales, where earnings rose 10.5% to £606. Out of the three regions to register a fall in average weekly earnings, the steepest reduction was seen in the East Midlands, where earnings dropped -1.2% on the previous year to £584.

UK average weekly earnings



Source: Office for National Statistics.

5 REGIONAL COMPARISON

The KPMG and REC UK Report on Jobs: Midlands is one of four regional reports tracking labour market trends across England. Reports are also available for London, the South of England and the North of England.

Staff appointments

Permanent placements continued to rise rapidly in the UK during July. Although the rate of expansion ticked down from June's record, it was still the second-fastest since the survey began. All four English regions saw permanent placements increase strongly, with the fastest expansion in London. The softest rise was in the South of England.

A substantial increase in temporary billings was also recorded in July, with the rate of growth the fastest in just over 23 years. As was the case with permanent placements, London posted the steepest increase in temporary billings, with the South of England seeing the least marked expansion.

Candidate availability

Permanent candidate availability continued to fall sharply across the UK at the start of the third quarter. The rate of decline was the second-fastest in the survey's history, having eased only marginally from the record posted in June. Steep reductions in permanent candidate numbers were seen across all four monitored UK regions, with the sharpest fall in the South of England.

In line with the picture for permanent candidate availability, the supply of temporary staff also declined rapidly in the UK during July, despite the rate of reduction slowing slightly from the previous month's survey record. The Midlands registered the most marked deterioration in temp candidate supply, with the softest decline in London.

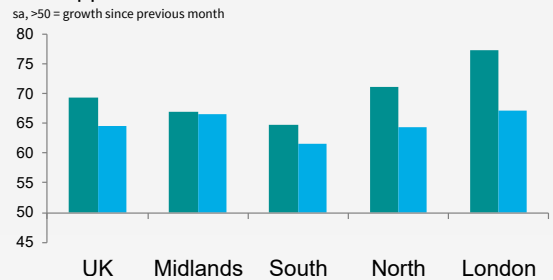
Pay Pressures

A combination of rising demand for staff and sharply falling candidate numbers resulted in a record increase in starting salaries for permanent staff in the UK, with the rate of inflation surpassing the previous record from June 2014. All four English regions also saw permanent salaries rise at unprecedented rates, with the sharpest increase seen in the Midlands.

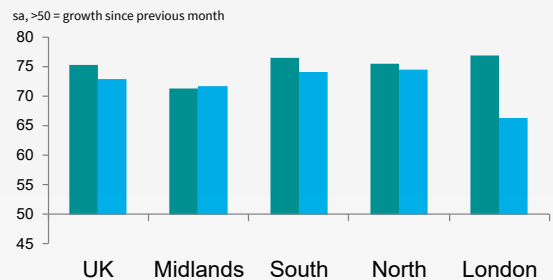
The latest rise in temporary pay rates fell just short of the series record, but was nonetheless substantial. In fact, the rate of inflation across the UK was second only to the record posted in the first month of data collection in October 1997. The Midlands recorded the steepest increase in temp pay, closely followed by the South of England and North of England. The softest pace of inflation was signalled in London.

July 2021
Permanent / Temporary

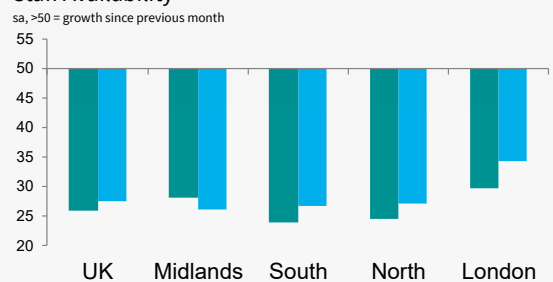
Staff Appointments



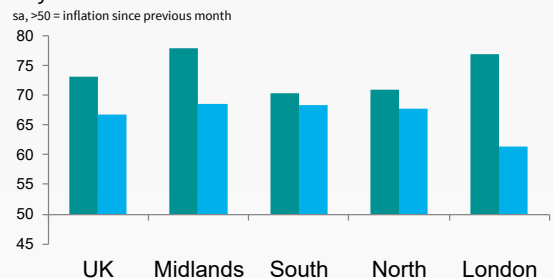
Vacancies



Staff Availability



Pay Pressures



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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.

July data were collected 12-26 July 2021.

For further information on the survey methodology, please contact economics@ihsmarkit.com.

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KPMG LLP, a UK limited liability partnership, operates from 21 offices across the UK with approximately 16,000 partners and staff. The UK firm recorded a revenue of £2.3 billion in the year ended 30 September 2020.

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