

KPMG and REC, UK Report on Jobs: Midlands

Permanent staff appointments fall further, but at slower rate

44.9

PERMANENT PLACEMENTS INDEX FEB '23

46.0

TEMPORARY BILLINGS INDEX FEB '23

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.

Sharpest drop in temp billings since first half of 2020

Permanent salary inflation picks up while temp pay growth eases

Strongest rise in permanent vacancies in six months

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

"The current economic outlook continues to impact hiring activity in the Midlands with permanent appointments falling further."

"Despite the rate of vacancy growth picking up, candidate shortages remain, with recruiters citing hesitancy to move roles and longstanding, systemic skills shortages. Vacancies are likely to continue outpacing appointments in the short term due to the decreasing candidate pool, however this is expected to change once the economic challenges have settled."

"As well as hiring experienced talent, employers are encouraged to continue to invest in upskilling current employees to build the workforce of the future."

Kate Shoesmith, REC Deputy Chief Executive, said:

"This is further proof of ongoing demand in the UK jobs market, coming on the back of our most recent Labour Market Tracker report which showed new job adverts in the UK at a 14-month high in February."

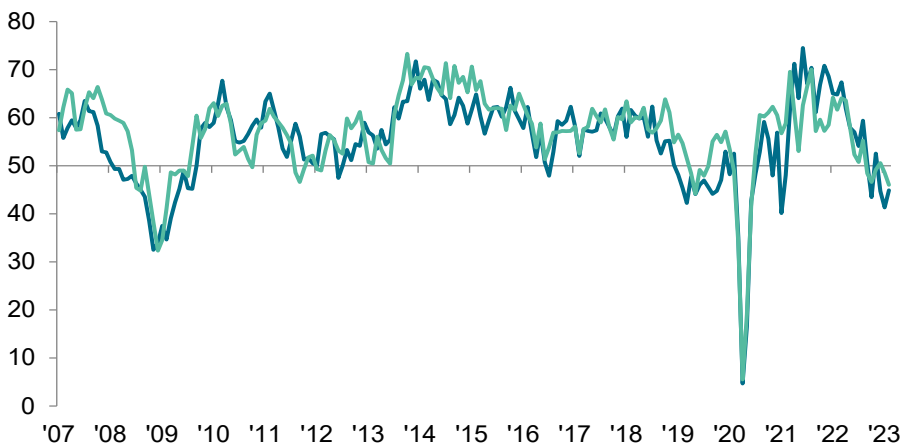
Commenting on today's report, Kate Shoesmith continued:

"Even though cautious hirers in the Midlands are working out what variable economic forecasts might mean for their business and staff, permanent vacancies still rose at the fastest rate in six months and vacancies for temporary staff also increased at a faster rate in this part of the UK. Temporary staffing ensures firms can continue to provide goods and services, and people can grow their careers - even when the economic outlook is unclear. The rising cost of living, plus difficulties attracting and securing suitably skilled staff are also driving increases in starting pay."

"What this latest Report on Jobs shows is serious labour and skills shortages are not behind us. The economy stands to lose up to £39 billion in GDP every year from 2024 unless business and government act now. Many businesses are doing what they can but the Spring Budget is the ideal opportunity to find a way forward together. The Chancellor must put people issues first, with innovative and refreshed policies on skills and tackling economic inactivity, and from immigration to childcare."

■ Permanent Placements Index
■ Temporary Billings Index

sa, >50 = growth since previous month

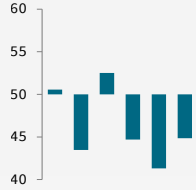


1 Staff appointments

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.

Permanent Placements Index

Sep '22 - Feb '23
sa, >50 = growth

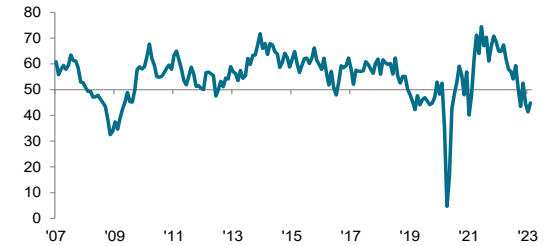


Weaker fall in permanent staff placements

The number of people placed into permanent roles in the Midlands fell for the third month running in February, the longest downturn since the first wave of the COVID-19 pandemic in 2020. Respondents noted recruitment freezes at clients, economic uncertainty and a lack of candidates. The rate of reduction in the Midlands was faster than the UK average, but eased from January's two-year record.

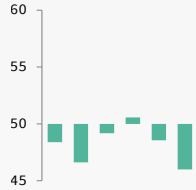
Permanent Placements Index

sa, >50 = growth since previous month



Temporary Billings Index

Sep '22 - Feb '23
sa, >50 = growth

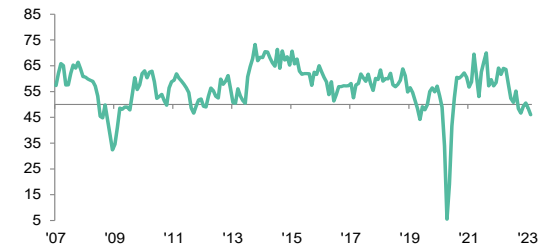


Sharper reduction in temp billings

Billings received from the employment of temporary staff in the Midlands declined further in February. Moreover, the latest reduction was the fastest since June 2020. Anecdotal evidence indicated that billings fell due to the non-replacement of temporary posts following departures, caution among clients and quiet periods due to economic uncertainty. The Midlands was the only English region to record a fall in temp billings in February.

Temporary Billings Index

sa, >50 = growth since previous month



sa, >50 = growth since previous month

	Permanent		Temporary	
	UK	Midlands	UK	Midlands
Sep-22	51.2	50.6	55.3	48.4
Oct-22	45.0	43.5	50.1	46.6
Nov-22	46.4	52.5	51.5	49.2
Dec-22	44.5	44.7	51.6	50.6
Jan-23	46.8	41.3	52.3	48.6
Feb-23	46.3	44.9	51.1	46.0

Job vacancies

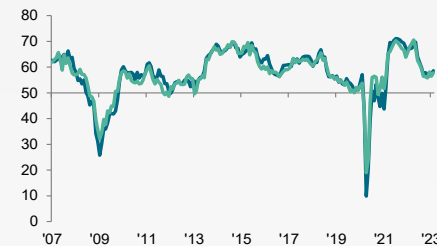
Demand for permanent staff in the Midlands rose for the twenty-fifth consecutive month in February. Moreover, vacancies rose at the fastest rate in six months, and one that was broadly in line with the long-run trend. Among the English regions, only the North registered a faster rise in permanent vacancies than the Midlands.

Vacancies for temporary staff also increased at a faster rate in February, albeit one that was slightly weaker than that seen for permanent roles.

Vacancies Index

■ Permanent
■ Temporary

sa, >50 = growth since previous month

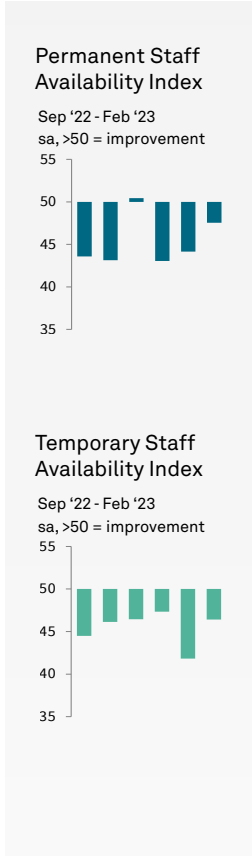


sa, >50 = growth since previous month

	Permanent		Temporary	
	UK	Midlands	UK	Midlands
Sep-22	58.0	57.1	58.8	56.4
Oct-22	56.7	57.8	56.3	56.3
Nov-22	54.0	57.4	56.3	55.9
Dec-22	52.8	56.6	56.7	58.2
Jan-23	54.4	57.5	56.1	56.6
Feb-23	55.6	58.6	55.9	57.8

2 Staff availability

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



Permanent staff supply shortfall eases in February

The seasonally adjusted Permanent Staff Availability Index signalled a third straight monthly fall in permanent candidate numbers in the Midlands in February. This was often linked by respondents to candidates' unwillingness to move roles given the current economic uncertainty. That said, the rate of decline slowed to a moderate pace, one that was in line with the UK trend.

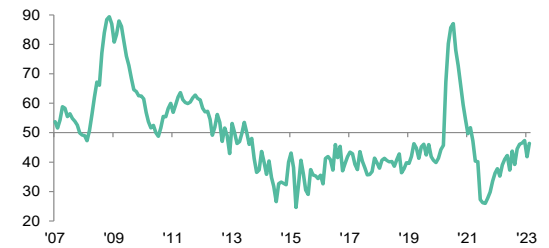
Downturn in temp candidate numbers eases

Recruitment consultancies based in the Midlands signalled a slower reduction in temp candidate supply in February, following a marked drop in the opening month of 2023. That said, the decline remained stronger than that seen at the UK level. Lower supply of candidates was often linked to an aversion to the job insecurity of temporary roles.

Permanent Staff Availability Index
sa, >50 = improvement since previous month



Temporary Staff Availability Index
sa, >50 = improvement since previous month



sa, >50 = improvement since previous month

	Permanent		Temporary	
	UK	Midlands	UK	Midlands
Sep-22	40.5	43.6	45.1	44.5
Oct-22	40.6	43.1	45.8	46.1
Nov-22	43.6	50.4	46.2	46.4
Dec-22	45.8	43.0	47.5	47.3
Jan-23	46.2	44.2	47.1	41.8
Feb-23	47.5	47.5	47.6	46.4

3 Demand for skills

Skills in short supply: Permanent staff

Accounting/Financial Accountants Auditors Credit controllers Payroll	IT & Computing Data engineers Dev ops IT SAP Security engineers Software developers	Secretarial/Clerical Office staff Other All types of candidates
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Skills in short supply: Temporary staff

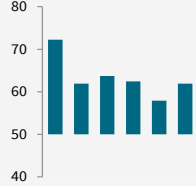
Accounting/Financial Accountants Auditors Credit controllers Payroll	Executive/Professional Architects IT & Computing Automation Data engineers Developers Security engineers Testers	Secretarial/Clerical Office staff Other All types of candidates Chefs Teachers
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4 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

Sep '22 - Feb '23
sa, >50 = inflation



Starting salary inflation picks up in February

Average salaries awarded to newly-placed permanent staff in the Midlands increased further in February, thereby stretching the current sequence of rising pay to two years. Moreover, the rate of salary growth strengthened from January, which had been the slowest in the current sequence. Higher salaries were linked to competition to attract and retain good staff. Salary inflation was slightly stronger than both the long-run average for the Midlands and the February UK figure.

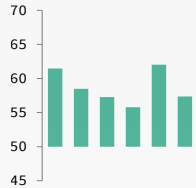
Permanent Salaries Index

sa, >50 = inflation since previous month



Temporary Wages Index

Sep '22 - Feb '23
sa, >50 = inflation

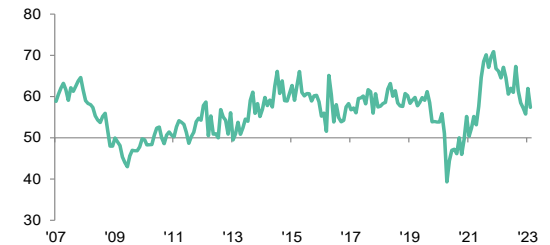


Temp wage growth slows in February

Average hourly pay for short-term staff in the Midlands rose for the twenty-seventh month running in February. Recruiters observed that firms raised temp wages due to wider inflationary pressures that were deterring candidates from taking temporary roles. That said, the rate of growth slowed from January's strong pace and was slightly below the long-run average.

Temporary Wages Index

sa, >50 = inflation since previous month



sa, >50 = inflation since previous month

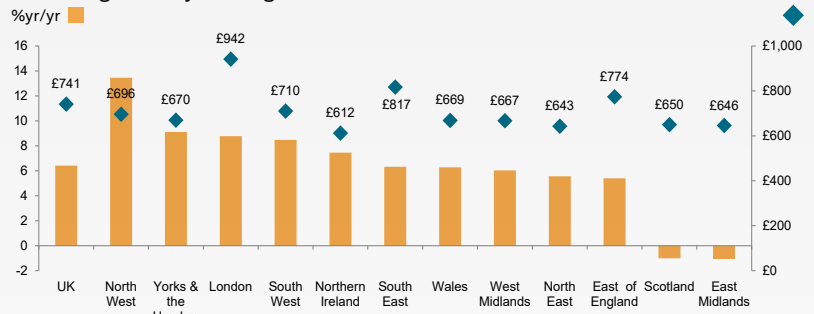
	Permanent		Temporary	
	UK	Midlands	UK	Midlands
Sep-22	70.2	72.2	61.9	61.5
Oct-22	62.4	61.9	60.5	58.5
Nov-22	62.0	63.7	59.6	57.3
Dec-22	61.9	62.5	56.8	55.8
Jan-23	60.8	57.9	61.1	62.0
Feb-23	61.3	61.9	57.6	57.4

Official data: UK average weekly earnings

Latest data published by the Office for National Statistics showed that average weekly earnings across the UK increased 6.4% on an annual basis to £741 over the final quarter of 2022.

The North West registered the steepest rate of pay growth (13.5% to £696), followed by Yorkshire & the Humber (9.1% to £670). Only two regions reported a reduction in average earnings, namely Scotland and the East Midlands, with pay falling by 1.0% in both areas to £650 and £646, respectively.

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

The number of people placed into permanent jobs across the UK fell for the fifth successive month in February. The rate of decline was slightly faster than in January, but slower than the trend over the fourth quarter of 2022. Three English regions registered a drop in permanent staff appointments, with the quickest reduction seen in London. Permanent staff placements rose in the North.

In contrast, billings received from the employment of short-term staff across the UK rose further. Three English areas saw higher temp billings in February, with the North of England again leading the upturn. Temp billings fell in the Midlands, however, helping to drive the UK rate of growth to the weakest in four months.

Candidate availability

The availability of staff for permanent roles across the UK contracted in February, as has been the case for just over two years. The rate of deterioration eased for the eighth successive month, however, to the softest seen since March 2021. The North of England posted the steepest drop in permanent candidate numbers, and the South the weakest. London was again the only monitored English region to see an improvement in permanent candidate supply.

At the UK level, the number of temporary candidates fell for the twenty-fourth month running but at the slowest rate since March 2021, the first month in that sequence. Temp availability in London rose the most in nearly two years. Among the three English regions to post falling temp supply, the fastest decline was seen in the South.

Pay Pressures

Average starting pay for permanent UK workers rose in February, extending the current sequence of inflation to two years. The rate of growth picked up on the month for the first time in nearly a year, remaining above the long-run series trend but still the second-weakest in 22 months. On a regional basis, the steepest increase in starting salaries was seen in the North of England and the softest in the South.

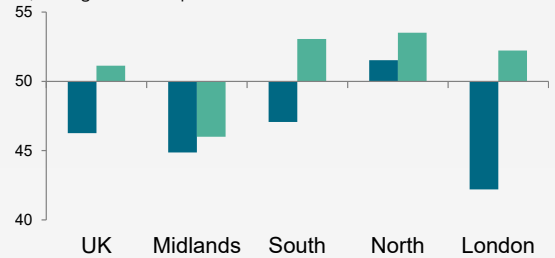
February survey data pointed to the second-weakest UK temp wage inflation in 22 months. That said, the latest increase in short-term pay remained stronger than the long-run trend. All four monitored English regions recorded higher temp wages at the start of the year, with the sharpest rate of inflation seen in the South and the weakest in London.

February 2023

■ Permanent
■ Temporary

Staff Appointments

sa, >50 = growth since previous month



Vacancies

sa, >50 = growth since previous month



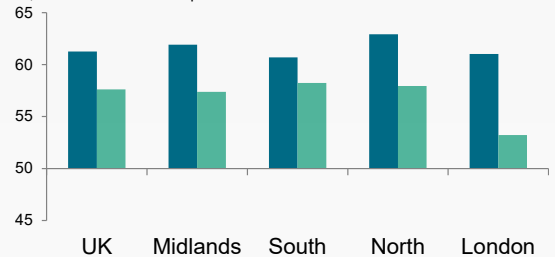
Staff Availability

sa, >50 = growth since previous month



Pay Pressures

sa, >50 = inflation since previous month



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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.

Survey Dates

Data were collected 10-22 February 2023.

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