KPMG AND REC, UK REPORT ON JOBS:
SOUTH OF ENGLAND

Recruitment activity declines at weaker rate in July

Key findings
- Permanent placements and temp billings both fall at much slower rates
- Candidate supply rises at record pace due to redundancies
- Further falls in starting pay

Data collected July 13-27

Summary
The latest KPMG and REC, UK Report on Jobs: South of England survey showed a softer fall in overall recruitment activity across the region in July, with both permanent placements and temp billings falling at the slowest rates for five months. However, the coronavirus disease 2019 (COVID-19) pandemic continued to dampen appetite for staff, with vacancies falling further at the start of the third quarter. At the same time, recruiters reported the steepest increases in permanent and temporary labour supply on record due to redundancies and furloughed workers seeking new opportunities. The substantial rise in candidate numbers and weak demand for workers added further downward pressure on pay.

The KPMG and REC, UK Report on Jobs: South of England is compiled by IHS Markit from responses to questionnaires sent to around 150 recruitment and employment consultancies in the South of England.

Permanent staff appointments decline at softer pace
The number of people placed into permanent job roles in the South of England fell again in July. The rate of contraction was the softest seen in the current sequence of downturn and, though solid, was considerably weaker than April’s record pace. Recruiters frequently mentioned that the pandemic and greater economic uncertainty had led clients to maintain a cautious approach to staff hiring. Permanent placements also fell at a notably softer rate at the UK level, driven by slower reductions across all four monitored English regions. The Midlands saw the weakest decline in permanent staff appointments, while the quickest was seen in the capital.

Recruitment consultancies based in the South of England signalled a sustained drop in temp billings at the start of the third quarter. Panel members often blamed the fall on uncertainty stemming from the COVID-19 outbreak and subsequent decline in economic activity. The rate of reduction was the slowest recorded for five months, but still sharp. Temp billings also fell at a weaker pace at the national level in July. Mild increases in the Midlands and the North of England were offset by severe drops in the South of England and London.

Permanent staff vacancies in the South of England fell further in July, albeit at the softest rate since the current sequence of reduction began in March. The pace of decline was also slightly slower than that seen at the national level, albeit still sharp overall. Demand for short-term workers also fell at the softest rate since March. However, the rate of contraction remained substantial and continued to exceed that seen across the UK as a whole.

Permanent labour supply expands at record pace
Adjusted for seasonal factors, the Permanent Staff Availability Index signalled a sharp and accelerated rise in the availability of permanent workers in the South of England during July. Furthermore, the rate of growth was the steepest recorded since the survey began nearly 23 years ago and was quicker than the UK average. According to survey respondents, candidate availability increased due to redundancies and furloughed staff looking for new roles. Across the UK as a whole, permanent labour supply increased at the strongest pace since December 2008. All four monitored English regions bar the North of England registered steeper rates of growth compared to June.

Latest data signalled a further substantial rise in the number of available temporary workers in the South of England. Notably, the rate of expansion quickened to a new survey record, having exceeded June’s previous high. Rising candidate numbers were once again linked
to redundancies stemming from the COVID-19 pandemic. The supply of short-term staff rose at a record pace at the UK level, with the quickest upturn seen in the South of England. Nonetheless, substantial increases were also seen across the three other monitored English regions.

**Starting salaries continue to fall sharply**

As has been the case since April, salaries awarded to new permanent joiners across the South of England fell in July. The rate of reduction remained historically sharp, despite easing further from the record drop seen in May. Reports from recruiters widely linked the latest fall to rising candidate supply and weak demand for workers. Permanent starting salaries fell at a similarly severe rate across the UK as a whole. Sharp reductions in pay were recorded in all four monitored English regions except the Midlands, where starting salaries fell only mildly.

Adjusted for seasonal variation, the Temporary Wages Index remained below the neutral 50.0 threshold to signal a further drop in hourly pay rates for short-term staff in the South of England. That said, the rate of decline was the slowest seen in the current four-month sequence of reduction and only moderate. Where lower pay was recorded, recruiters generally linked this to increased candidate volumes. Temp wages fell solidly at the national level, led by a severe drop in the capital.

**Comments**

Commenting on the latest survey results, Ian Brokenshire, Senior Partner for KPMG in Plymouth, said:

“It’s quite shocking that the number of people looking for jobs in the South has grown at the fastest rate for 23 years.

“Many businesses are facing the sad reality that they can’t return to the ‘old normal’ just yet, and both permanent and temporary job hunters are competing for fewer jobs with lower salaries.

“While permanent and temporary vacancies are far from abundant, the fact that the fall in vacancies is slowing can give job hunters some slim hope that things will start to look up.”

Neil Carberry, Chief Executive of the REC, said:

“While permanent placements and temp billings still decreased last month across most areas of the country, the pace of decline has slowed hugely as the tide turned on lockdown. With the economy opening up through June and July, we would expect an improving trend in the coming months as firms recover from the worst of the crisis. The fact that demand is now increasing for temporary blue collar and construction workers is also a good sign.

“There are far fewer vacancies in the market than before March, and more people looking for jobs. Recruiters will be key to helping people build confidence and find work – but the reality is that Government needs to help kickstart hiring. Reducing employers’ National Insurance rates would cut the cost of hiring, and a good Brexit trade deal will also support stronger business confidence and investment.”
News Release

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Methodology
The KPMG and REC, UK Report on Jobs: South of England is compiled by IHS Markit from responses to questionnaires sent to around 150 recruitment and employment consultancies in the South of England (defined as NUTS1 regions North West, Yorkshire & Humber and North East).

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 21 offices across the UK with approximately 17,600 partners and staff. The UK firm recorded a revenue of £2.40 billion in the year ended 30 September 2019. KPMG is a global network of professional firms providing Audit, Tax, Legal and Advisory services. It operates in 154 countries and has 200,000 professionals working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

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 IHS Markit
IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world’s leading financial institutions.

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