KPMG AND REC, UK REPORT ON JOBS

Recruitment activity falls sharply as COVID-19 pandemic hits the UK

Key findings
- Permanent placements and temp billings fall at quickest rates since global financial crisis
- Renewed drop in staff vacancies
- Candidate availability falls at slowest rate since June 2013

Data collected March 12-25

Summary
The outbreak of Coronavirus Disease 2019 (COVID-19) had a detrimental impact on staff recruitment across the UK in March. The latest KPMG and REC, UK Report on Jobs survey signalled that permanent placements and temp billings both fell at the steepest rates since 2009 as firms cancelled or postponed plans to take on new staff.

Great uncertainty over the outlook underpinned the first reduction in overall vacancies for over a decade. Weaker demand for staff also led to a softening of pay pressures, with both permanent and temporary pay rising at slower rates.

The availability of staff continued to decline, but at the weakest rate since mid-2013 amid reports of increased redundancies.

The report is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies.

Quickest drop in recruitment activity since 2009
After rising in the prior three months, permanent staff placements declined sharply in March, with the rate of reduction the sharpest since February 2009. Panel members cited the COVID-19 pandemic had led many clients to cancel or postpone hiring decisions. Temp billings were also hit, with a combination of the virus and pending IR35 policy changes leading to the quickest reduction in billings for 11 years.

Demand for staff falls for first time in over a decade
Vacancy trends also deteriorated during March as the pandemic hit firms’ appetite for staff. Demand for both permanent and temporary workers fell for the first time since the global financial crisis in 2009. Permanent staff vacancies fell at a quicker pace than temporary job openings, but rates of contraction were mild in both cases.

Candidate supply contracts only modestly
Recruitment consultancies signalled only a mild drop in candidate availability at the end of the first quarter, as there were some reports of redundancies due to COVID-19. Notably, permanent staff supply fell at the softest pace since June 2013, while temp candidate numbers expanded at the quickest rate since July 2012.

Slower increases in permanent and temp pay
The increasingly uncertain outlook and reduced demand for staff weighed on pay growth during March. Starting salaries rose at the weakest pace since July 2016, while temporary wage inflation eased to its slowest for just over seven years.

Regional and Sector Variations
All four monitored English regions recorded severe falls in permanent staff appointments, led by London.

Continued…
Substantial reductions in temporary billings were seen across all monitored English regions. The steepest decline was in London, followed by the Midlands.

Latest data signalled divergent trends when it came to public and private sector vacancy splits. Demand for staff fell for both permanent and temporary workers across the private sector, with the quicker rate of reduction seen for permanent staff. Meanwhile, both permanent and short-term vacancies rose again across the public sector.

Permanent staff demand declined across eight of the ten monitored job categories at the end of the first quarter, led by Retail and Hotel & Catering. Nursing/Medical/Care and Engineering were the only sectors to record higher vacancies.

Only two monitored job categories posted higher levels of demand for temporary staff in March; Nursing/Medical/Care and Blue Collar. The steepest reductions in short-term vacancies were meanwhile seen in Retail and IT & Computing.

**Comments**

Commenting on the latest survey results, James Stewart, Vice Chair at KPMG, said:

"Unsurprisingly, COVID-19 has already impacted the UK jobs market with recruitment activity falling away as uncertainty grips the nation.

"Firms are cancelling or postponing hiring decisions although, as you would expect, the demand for temporary healthcare professionals and manual labour workers saw a significant uptick.

"UK business needs to do what it can to adapt and survive this pandemic - and be able to emerge in the best position possible to ramp up once the crisis comes to an end."

Neil Carberry, Chief Executive of the REC, said:

"The coronavirus pandemic has put the labour market on pause. It does mean massive disruption in the short term, but we need to remember that this has to be done in order to protect businesses and save lives.

"What we should be concerned about is how we stop that short-term disruption becoming longer-term economic depression. To do that we need to maintain employment levels as much as possible. Businesses in high-cashflow sectors like recruitment and hospitality need to be able to access government support much more quickly than they currently can, or they will not be able to afford to furlough their workers. This and other measures like government covering statutory sick pay for all firms will help people and firms to stay afloat now, and help the economy bounce back once the crisis is over."
News Release

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Methodology

The KPMG and REC, UK Report on Jobs is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies.

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 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, and Advisory services. It operates in 147 countries and territories and has more than 219,000 people 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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