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KPMG AND REC, UK REPORT ON JOBS: MIDLANDS

Unprecedented drop in permanent placements as COVID-19 pandemic worsens

Key findings

- Permanent placements and temp billings decline at record rates
- Marked reduction in pay rates
- Unparalleled drops in permanent and temp vacancies

Data were collected 07-24 April.

Summary

The latest **KPMG and REC, UK Report on Jobs: Midlands** highlighted an unprecedented drop in permanent staff appointments in April, as the coronavirus disease 2019 (COVID-19) pandemic continued to hit the jobs market. Meanwhile, temporary billings also declined at the quickest rate recorded since the survey's inception in October 1997, with the fall in the Midlands the sharpest across the four monitored English regions. Concurrently, vacancies for both permanent and temporary staff fell at unparalleled rates, while muted demand for candidates led to marked reductions in pay rates.

The report is compiled by IHS Markit from responses to questionnaires sent to around 100 recruitment and employment consultancies in the Midlands.

The Report on Jobs is unique in providing the most comprehensive guide to the UK labour market, drawing on original survey data provided by recruitment consultancies and employers to provide the first indication each month of labour market trends.

Unprecedented reduction in permanent placements

For the second time in as many months, recruitment consultants across the Midlands recorded a fall in permanent staff appointments during April. The seasonally adjusted Permanent Placements Index

dropped 30.4 points on the month to the lowest level in over 22 years of data collection, and signalled an unprecedented rate of decline. Anecdotal evidence overwhelmingly blamed the drop on impacts stemming from COVID-19, including staff lay-offs, company closures and quarantine measures.

April data signalled a third successive reduction in temporary billings across the Midlands, with the rate of decline the most marked since the series began in October 1997. As was the case for permanent placements, respondents linked the fall to the COVID-19 outbreak.

Furthermore, the Midlands recorded the sharpest decline in temp billings across the four monitored English regions.

Permanent vacancies across the Midlands fell for the second month running in April, with the rate of decline the most marked since the series began in October 1997. The reduction in the Midlands was slightly softer than that recorded at the UK level, however.

At the same time, temporary vacancies across the Midlands declined further during April. The rate of reduction was the quickest on record, albeit not as steep as that seen for permanent vacancies.

First increase in permanent staff availability in seven years

Permanent staff availability rose during April, thereby ending a survey record 83-month sequence of consecutive monthly falls. Furthermore, the rate of expansion was the fastest since September 2009 and marked overall. Respondents frequently noted that redundancies and job cuts amid the COVID-19 pandemic had led to a huge increase in the number candidates.

Across the four monitored English regions, the Midlands reported the quickest rise.

Recruiters across the Midlands signalled the first improvement in the availability of temporary staff since June 2013 during April. As was the case for permanent staff supply, respondents linked the increase to job cuts and lay-offs stemming from COVID-19. The rise was the most marked since August 2009.

The increase in temp labour supply in the Midlands was the softest across the four monitored English regions, however.

Permanent salaries decline markedly in April

April data highlighted the first reduction in salaries awarded to permanent new joiners in the Midlands for seven-and-a-half years during April, amid reports of a slack labour market and falling vacancies in the face of emergency measures to halt the COVID-19 pandemic. Moreover, the decline was the most severe in over 22 years of data collection.

Following more than seven years of consecutive monthly increases, average hourly pay for short-term staff fell during April. Panellists reported that firms were reducing rates due to COVID-19. The rate of decline was the quickest recorded since the series began in late-1997 and was marked overall.

Across the four monitored English regions, only London recorded a sharper reduction in temp hourly pay than the Midlands.

Comments

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

“As the COVID-19 pandemic continues, its effects are being felt heavily by many, both across the Midlands and nationally, particularly by those looking for jobs and those in recruitment.

“A few months ago we were talking about permanent salaries being on the rise and the war for talent as permanent candidate availability wasn’t matching the demand locally. However, now things have shifted as uncertainty has once again caused businesses to pause hiring plans and focus on navigating through the current crisis.

“All eyes will be on the Government’s forthcoming announcement on easing restrictions so confidence in the jobs market can start to rebuild.”

Neil Carberry, Chief Executive at the REC, said:

“These numbers set records in all the wrong ways – but they are not unexpected, given the lockdown and the hit the economy is taking. While fighting the virus must remain our priority, the strain the lockdown is placing the economy under cannot be sustained indefinitely without very significant and long-lasting effects on unemployment and job creation.”

“The good news is that the capacity for our economy to recover quickly is definitely there – but we won’t get back to strong growth instantly when the lockdown eases. Government needs to work with businesses to ensure that the support they have offered tapers out as the economy returns to normal, rather than leaving firms facing a cliff-edge and having to cut costs quickly through things like higher redundancies. This approach will also allow firms to invest in the future – creating new jobs to drive the economy and help the UK bounce back.”

Contact

KPMG

Gill Carson
+44 (0) 7768 635843
gill.carson@kpmg.co.uk

REC

Josh Prentice
Comms & Research Officer
T: 0207 009 2129
Josh.prentice@rec.uk.com

REC

Ciaran Price
PR Manager
T: +44 (0)20 7009 2192
ciaran.price@rec.uk.com

IHS Markit

Lewis Cooper
Economist
T: 01491 461019
lewis.cooper@ihsmarkit.com

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.

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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