KPMG AND REC, UK REPORT ON JOBS: London

Collapse in permanent placements drives salaries down at record pace in May

**Key findings**
- Steep decline in permanent placements
- Staff availability soars as vacancies collapse
- Permanent starting pay slides at record pace

Data collected May 12-22

**Summary**

The latest KPMG and REC, UK Report on Jobs signalled further steep declines in placements across London during May, as businesses massively reduced hiring amid the coronavirus disease 2019 (COVID-19) pandemic and associated lockdown measures. Vacancies decreased at a sharp pace, while a large number of redundancies and furloughing of staff led to the quickest rise in permanent staff supply since August 2009. Even more notably, starting pay awarded to newly-placed permanent staff fell at the quickest rate in over 22 years of data collection.

At the same time, temporary staff billings collapsed further in May, as hiring activity fell markedly and wages declined at a near-record pace. A sharp drop in demand for contractors meanwhile led to the quickest rise in availability of temporary workers for 11 years.

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

**Steep decline in permanent placements**

Recruitment consultancies in the capital saw a further considerable decline in the number of permanent placements during May. The respective seasonally adjusted index ticked up from April, but was still the second-lowest in over 22 years of data collection. The COVID-19 pandemic continued to have a substantial impact on firms’ hiring decisions, according to recruiters, with business closures, cancellations of new hires and growing economic uncertainty all noted. All monitored English regions saw sharp falls in permanent placements in May, the steepest seen in the North of England and the slowest registered in the Midlands.

London recruiters reported a severe decline in receipts from the hiring of temporary staff in May. In line with that seen for permanent placements, the rate at which temp billings fell softened from April, but was still the second-quickest on record and sharper than the UK average. Respondents commented that temp contracts were often not renewed due to the lockdown, with office closures also leading to fewer hires. Both the Midlands and North of England recorded softer falls in temp billings when compared with the South of England and the capital, where declines were sharper, despite slowing.

The lockdown across the UK in May led to another sharp decrease in vacancies for both permanent and temporary workers in London, as companies reportedly put hiring plans on hold due to COVID-19. The rate of decline for both types of vacancies eased since April, although they remained marked by historical standards and outpaced that seen across the UK as a whole.

**Availability of permanent staff soars**

The seasonally adjusted Permanent Staff Availability Index rose to its highest since August 2009 in May, to signal a marked increase in the supply of permanent workers in London. The rate of growth was notably quicker than in April, which saw the first uptick in nearly seven years. Recruiters noted that a large number of redundancies and furloughing had primarily contributed to the rise in availability. Nevertheless, the upturn was softer than the trend seen for the UK, which was driven by quicker rises in the other three English regions.

The availability of short-term staff continued to increase in London during May, thereby extending the run of expansion to three months. Furthermore, the rate of growth in the labour pool accelerated to the quickest in
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just over 11 years, but remained slightly weaker than the UK average. According to recruiters, lockdown measures and their effect on business activity had led to a huge increase in temporary worker unemployment. Both the Midlands and the South of England recorded the fastest rises in temp staff availability in the latest survey period.

**Permanent starting pay slides at record pace**

London businesses reduced pay given to newly-placed permanent staff at a record rate in May, according to recruitment consultancies. The seasonally adjusted Permanent Salaries Index fell to its lowest ever since the series began in October 1997 (surpassing the previous record set in December 2008). Moreover, the fall in salaries was quicker than the UK average for the second month in a row, and the most marked of all monitored English regions.

Recruiters in the capital meanwhile reported a further drop in wages given to new temporary staff during May. Moreover, the rate of reduction was marked and only marginally slower than the survey record set exactly 11 years ago. Panellists widely linked the fall in wages to weaker employment amid the COVID-19 pandemic, noting that contractors were willing to accept lower rates during the lockdown. The fall in temp wages in London compared with slower, but still sharp, decreases in pay across the rest of England.

**Comments**

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

“Lingering uncertainty around the COVID-19 pandemic, and when the outlook may improve, continues to take its toll on the London jobs market.

“Hiring plans which were put on hold in March remain on ice, with many businesses focusing on maintaining their current staff rather than expansion or replacement.

“The number of people looking for work has risen at the quickest rate since 2009 making it a highly competitive market. With a potential July stimulus package from the Government set to include a focus on retraining and skills, adaptability will be the key to success for jobseekers in 2020.”

Neil Carberry, Chief Executive of the Recruitment & Employment Confederation, said:

“Given the impact of the lockdown in early May, it’s no surprise that these figures look bleak. But in the two weeks since this data was collected, lockdown rules have been eased and the feedback we get from recruiters every day suggests that the slight improvements that we can see in the placements and vacancies data have continued. I’m also hearing from business leaders all over the country that things are starting to look up. There is a long way to go, but it’s time to talk about how we recover from this crisis.

“Collaboration between government, businesses and recruiters will be vital as we try to get the economy up and running again. The UK’s staffing and recruitment companies are experts at helping people find work, and we are ready to support jobseekers in the months ahead.”

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Methodology
The KPMG and REC, UK Report on Jobs: London is compiled by IHS Markit from responses to questionnaires sent to around 100 recruitment and employment consultancies in London (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 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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