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

COVID-19 pandemic leads to record fall in hiring activity in April

Key findings

- Permanent placements and temp billings both decline at record rates
- Renewed falls in both starting salaries and temp pay
- Demand for staff deteriorates at fastest rate in series history

Data collected April 7-24

Summary

The coronavirus disease 2019 (COVID-19) pandemic and the subsequent emergency lockdown of the UK underpinned a record drop in recruitment activity in the South of England during April. Notably, the latest **KPMG and REC, UK Report on Jobs: South of England** survey recorded the most marked declines in permanent staff placements and temporary billings across the region since the survey began over two decades ago. Hiring freezes also led to a record drop in vacancies, while starting pay fell sharply. The availability of workers across the region meanwhile rose notably amid reports of redundancies and company closures.

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 fall at record pace

The number of people placed into permanent job roles in the South of England fell for the second month running in April. Furthermore, the rate of decline gathered pace since March and was the most severe in the survey's more than 22-year history. Recruiters in the region frequently cited that the COVID-19 pandemic and associated restrictive measures had led clients to implement hiring freezes. Record falls in permanent staff appointments were also seen across the three

other monitored English regions, leading to an unprecedented decline at the UK level.

The seasonally adjusted Temporary Billings Index signalled a back-to-back monthly drop in billings received from the employment of short-term staff in the South of England. The rate of reduction was substantial and the steepest recorded by the survey by a considerable margin. Panel members widely linked the decline to the pandemic, subsequent company closures and greater economic uncertainty. A similarly sharp drop in temp billings was seen across the UK as a whole, driven by record falls across all monitored English regions.

Demand for staff across the South of England deteriorated substantially at the start of the second quarter. Permanent vacancies fell sharply and at the steepest rate since the survey began in October 1997. A record drop in demand for permanent staff was also seen at the UK level. Temporary vacancies in the South of England likewise fell at an unprecedented rate. Notably, the reduction in short-term positions was slightly faster than seen across the UK as a whole.

Availability of permanent candidates rises for first time since June 2013

After having fallen in each of the past 81 months, the supply of permanent staff in the South of England increased during April. Moreover, the rate of growth was the sharpest seen since October 2009. The increase was attributed by panel members to company layoffs and decisions to furlough staff due to the pandemic. A renewed upturn in permanent worker supply was also seen at the UK level, with the rate of expansion similar to that seen for the South of England and marked. The quickest increase in permanent candidate numbers was seen in the Midlands, while the softest was in the capital.

Recruitment consultancies signalled a second successive monthly rise in the number of temporary candidates in April. The rate of expansion picked up sharply since March and was the steepest recorded

since June 2009. Temporary company closures and redundancies were cited as key factors driving the uptick. A substantial increase in temp labour supply was also seen at the UK level. The North of England recorded the sharpest rate of expansion of all four monitored English regions, although substantial rates of growth were seen throughout the nation.

Starting salaries fall for the first time since June 2012

After rising only slightly in March, latest survey data signalled an outright decline in average starting salaries for permanent workers in April. Not only was it the first time that permanent starters' salaries had fallen since June 2012, but the rate of reduction was the quickest in 11 years. Anecdotal evidence indicated that the

coronavirus pandemic led clients to cut salary offers. Notably, all four monitored English regions registered renewed falls in starting salaries, with the quickest reduction seen in London.

The seasonally adjusted Temporary Wages Index signalled a renewed drop in short-term pay in April, to mark the first fall in wages since January 2011. Moreover, the rate of reduction was the most severe since April 2009. Recruiters often mentioned that temp pay had fallen as clients faced rising costs and uncertainty due to the COVID-19 pandemic. Short-term pay also fell at the national level, driven by falls across all four monitored English regions, with the steepest decrease once again noted in the capital.

Comments

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

“As significant as April’s results are in terms of the history of this survey, they are hardly surprising given the current circumstances. Like the rest of the UK, COVID-19 continues to wreak havoc across the South of England jobs market, with the economic uncertainty it is causing weighing heavily on the region’s firms.

“All businesses in the South can do is remain resilient and adapt as necessary to survive this pandemic, as we await the Government’s forthcoming announcement on easing current restrictions so confidence in the jobs market can start to rebuild.”

Neil Carberry, Chief Executive of 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.”

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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 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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