News Release

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KPMG AND REC, UK REPORT ON JOBS: London

New job placements plummet in April

Key findings

- Permanent and temporary staff appointments collapse
- Redundancies cause spike in staff availability
- Employers reduce starting salaries and wages sharply

Data collected April 7-24

Summary

The latest KPMG and REC, UK Report on Jobs signalled a record crash in the number of new job placements across the capital in April. Both permanent and temporary hires collapsed as firms extended hiring freezes and company shutdowns amid the UK-wide lockdown to fight the coronavirus disease 2019 (COVID-19) pandemic. A spike in redundancies and a large drop in vacancies meanwhile led to a sharp uptick in staff availability, while starting salaries were also steeply lowered.

The decline in temporary hires caused a sharp drop in temp billings at London-based recruiters, with the rate of decrease the fastest in the over 22-year series history.

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

Permanent staff placements collapse in April

Latest survey data indicated a further steep decline in the placement of permanent staff in London. The rate of decrease was the quickest ever recorded in the over 22-year series in April, beating March’s previous record. Recruiters overwhelmingly linked the fall in placements to coronavirus, mentioning that many employers had put hiring decisions on hold amid working-from-home policies and shutdowns. The decline was broadly on par with that seen at the national level, with all four monitored English regions seeing record drops in placements.

Recruitment consultancies in London reported a further reduction in billings received for the placement of temporary staff during April. In addition, the rate of decline followed the accelerating trend observed since February, as panellists highlighted a deterioration in demand for short-term staff amid the UK-wide lockdown. Over 86% of respondents saw lower temp billings compared to the end of the first quarter. At the national level, temp billings likewise fell at an unprecedented pace, albeit slightly slower than in London.

Job vacancies for both permanent and temporary workers in London collapsed in April, marking the second successive month of falling demand for staff. In both cases, the rate at which vacancies decreased was the sharpest seen since data collection began in 1997. However, falls in the number of open roles in the capital were slower compared to the UK-wide average for permanent and temporary staff positions.

Permanent staff supply rises for first time in nearly seven years

Adjusted for seasonal variation, the Permanent Staff Availability Index rose above the 50.0 neutral threshold in April, to signal a rise in the supply of permanent candidates in London. This was largely related to redundancies in the capital due to COVID-19, although some recruiters noted that prospective workers had job offers removed. Moreover, the overall increase in staff supply was sharp and the first in almost seven years. That said, it was weaker than the UK-wide trend, due to greater expansions in the other three recorded English regions.

London recruiters highlighted that redundancies of temporary workers and a reduction in hiring activity caused a further shift up in the number of available temporary staff in April. The increase was also quicker than seen in March, and the fastest since July 2009. Respondents mentioned that working-from-home policies meant that some employers had released contractors during the month. Rises in temp staff supply were broad-based across the UK, with the North of England seeing the quickest increase.
Starting salaries fall at steep pace

Salaries paid to newly-placed permanent staff in London were hugely impacted by the COVID-19 crisis during April. The seasonally adjusted Permanent Salaries Index signalled a sharp fall in earnings, ending a prior 82-month sequence of increase. Panelists reported that, of the few open positions in the capital, many employers advertised lower salaries than before. This trend was apparent across all monitored UK regions, with the country as a whole recording a weaker drop in starting salaries than in London. The capital saw the sharpest rise in pay, while the North of England registered the mildest.

Recruiters in London observed a second consecutive month of falling wages paid to new temporary staff at the start of the second quarter. Moreover, the decrease quickened to a substantial pace that was the fastest seen for almost 11 years. Hiring consultants linked the drop in wages to COVID-19 and the closure of businesses such as catering and retail outlets. Again, the capital recorded the quickest decline in temp pay of all four monitored English regions, with the slowest observed in the North of England.

Comments

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

“The COVID-19 pandemic continues to wreak havoc on the UK jobs market with a record drop in vacancies and recruitment plans frozen.

“The uncertainty over the outlook is weighing heavily on the nation – we estimate that as many as 13 million jobs are highly affected by the lockdown, representing just over a third of all jobs in the UK.

“It’s an unprecedented situation for UK business and resilience, then recovery, is key to navigating through the crisis. All eyes will also be on 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 Recruitment & Employment Confederation, 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: 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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