KPMG AND REC, UK REPORT ON JOBS

Staff appointments drop at much weaker pace in July

Key findings

- Notably softer falls in both permanent placements and temp billings
- Redundancies lead to near-record rise in candidate supply...
- ... resulting in further downward pressure on starting pay

Data collected July 13-27

Summary

The downturn in recruitment activity eased considerably during July, according to the latest KPMG and REC, UK Report on Jobs survey. Permanent staff appointments and temporary billings both fell at the softest rates for five months as more parts of the economy reopened, but the coronavirus disease 2019 (COVID-19) pandemic still weighed heavily on hiring decisions. Vacancies therefore continued to decline, albeit with the rate of reduction easing further from April’s record pace.

Widespread reports of redundancies meanwhile drove a substantial increase in the availability of workers, with the latest upturn the second-sharpest on record. Rising labour supply and tepid demand for staff led to further marked falls in starting pay.

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

Hiring activity falls at much slower pace

The latest survey showed that recruitment activity moved closer to stabilisation in July, with both permanent placements and temporary billings declining at much softer rates than in the prior four months. Nonetheless, reductions remained marked overall amid reports that the COVID-19 pandemic continued to weigh on clients’ hiring decisions.

Redundancies lead to sharper rise in staff supply

Recruitment consultancies signalled a steeper increase in overall candidate availability at the start of the third quarter, driven largely by redundancies stemming from the pandemic. Furthermore, the supply of temporary workers rose at the fastest rate in over two decades of data collection, while the upturn in permanent labour supply was the second-sharpest on record.

Starting pay continues to fall markedly

A combination of rising staff supply and subdued demand for workers added further downward pressure on starting pay in July. Starting salaries and temp pay both fell markedly in the latest survey period, despite rates of decline easing since June.

Vacancies contract at softer rate

Overall vacancies fell for the fifth month running in July, with marked falls signalled for both permanent and temporary positions. That said, the rates of contraction were notably slower than those recorded in the prior three months.

Regional and Sector Variations

All four monitored English regions recorded softer falls in permanent placements during July. The weakest decline was seen in the Midlands, while the fastest was...
in London.

On a regional basis, temp billings declined markedly in the South of England and London. Meanwhile, mild increases were reported in the Midlands and the North of England.

Vacancies declined at slower rates in both the private and public sectors in July. The public sector recorded steeper falls in permanent and temporary vacancies than in the private sector, but rates of contraction remained sharp across the board. Overall, the quickest drop in demand was signalled for permanent public sector workers.

Permanent staff vacancies declined across each of the ten monitored job categories in July. The steepest reductions were seen in the Retail and Hotel & Catering sectors. The weakest drop in demand was meanwhile seen for Engineering roles.

The only sectors to register higher temporary vacancies in July were Blue Collar and Construction. Of the eight remaining job categories that registered lower demand for short-term staff, the steepest decline in vacancies was seen in Retail.

Comments

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

“With the softest rates of decline seen for five months, it’s encouraging to see the downturn in recruitment easing as parts of the economy reopen.

“However, we are still a long way from being out of the woods, with hiring plans remaining on ice and the uncertain outlook still weighing heavily on business’ recruitment decisions.

“As the furlough scheme unwinds, unemployment is likely to rise further, proving both an opportunity and challenge for government to create training and skills programmes for jobseekers – and help bring confidence back to the UK workforce.”

Neil Carberry, Chief Executive of the REC, said:

“While permanent placements and temp billings still decreased last month across most areas of the country, the pace of decline has slowed hugely as the tide turned on lockdown. With the economy opening up through June and July, we would expect an improving trend in the coming months as firms recover from the worst of the crisis. The fact that demand is now increasing for temporary blue collar and construction workers is also a good sign.

“There are far fewer vacancies in the market than before March, and more people looking for jobs. Recruiters will be key to helping people build confidence and find work – but the reality is that Government needs to help kickstart hiring. Reducing employers’ National Insurance rates would cut the cost of hiring, and a good Brexit trade deal will also support stronger business confidence and investment.”
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 21 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, Legal and Advisory services. It operates in 154 countries and has 200,000 professionals 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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