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## KPMG AND REC, UK REPORT ON JOBS: London

### Decline in permanent placements slows in June

#### Key findings

- Permanent placements fall at softer rate
- Growth in staff supply accelerates
- Starting salaries fall sharply

Data collected June 12-24

#### Summary

The latest **KPMG and REC, UK Report on Jobs** pointed to a slower downturn in the London jobs market in June, as both permanent placements and temp billings declined at much softer rates than seen in April and May at the height of the coronavirus disease 2019 (COVID-19) pandemic. Vacancies also fell at the weakest rate in three months. Nevertheless, the downturn remained historically sharp, with high levels of London employees being made redundant and staff supply climbing at an accelerated pace. Weaker staff demand also led to another steep cut in starting salaries, the third monthly reduction in a row.

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

#### Permanent placements fall at softer rate

The number of permanent placements at London employers dropped for the sixth consecutive month in June, as the COVID-19 pandemic continued to impact firms' hiring decisions. Many recruiters commented that there was no hiring during the month, although some saw an uplift in sectors that have resumed operations.

Notably, the rate at which placements fell was much softer than in May, but still steep overall. London saw the quickest fall in permanent hires of all four monitored English regions, while the Midlands registered by far the slowest decrease.

Billings received from the hiring of temporary staff in London declined further over the course of June, thereby extending the run of contraction to six months.

After hitting a record low in April, the seasonally adjusted Temporary Billings Index rose for the second month in a row. That said, it still indicated a substantial fall in billings that was also much sharper than the UK average. Panellists linked the fall in temp hires to the economic downturn caused by COVID-19.

Recruitment consultancies meanwhile saw a sharp reduction in open roles for permanent workers at the end of the second quarter. The rate of decline was the weakest for three months, however, after falling at a record pace in April. Similarly, the number of temp positions slid at a substantial - albeit weaker - pace in June, driven by reduced hiring activity at London firms. As was seen for permanent vacancies, the drop was faster than the UK trend.

#### Quicker rise in permanent staff supply

Recruitment consultants observed an even faster increase in the availability of permanent staff during June, after expansions were recorded in April and May. Adjusting for seasonal factors, the respective index indicated the sharpest rise in candidate supply since March 2009. Nevertheless, the remaining three monitored English regions saw even quicker increases, the fastest of which was registered in the North of England.

London recruiters largely attributed the rise in permanent staff availability to higher redundancies. In addition, some noted that more contractors were searching for permanent roles.

The seasonally adjusted Temporary Staff Availability Index rose even further in June, to signal a steep accumulation in the number of candidates looking for temp roles in London. In fact, the index neared its series record set in December 2008, and marked the fastest expansion in supply for over 11 years. However, sharper upticks were recorded in the North of England, the South of England and the Midlands.

Panellists in London highlighted that the ending of contracts, redundancies and the availability of furloughed workers all contributed to higher temp worker supply.

## Permanent starting salaries slip for third month running

Recruiters in London found that starting salaries for permanent employees fell again in June, following sharp reductions in both April and May. The latest decline was the softest in this period, but still marked overall, with over 21% of panellists reporting lower salaries than the previous month. The drop in starting pay in the capital was also slightly quicker than seen across the UK as a whole.

## Comments

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

*“Despite an inevitable further drop in hiring activity for permanent and temporary staff, it is encouraging to see they both fell at softer rates than seen in April and May.*

*“However, the air of uncertainty around the COVID-19 pandemic will linger – and rebuilding confidence in the UK jobs market will take time.*

*“All eyes will be on the Chancellor’s fiscal statement today, with job seekers hoping to see a focus on skills and retraining. While UK business will welcome further support packages so they can start to ramp up as lockdown eases, and recovery gets underway.”*

Pay awarded to new temporary staff in London continued to fall during June, thereby stretching the sequence of decline to four months. Moreover, the rate of decrease remained substantial and one of the sharpest ever seen in the series history (since October 1997). The fall was widely attributed by recruiters to the COVID-19 pandemic and lack of demand for new workers. Temp pay meanwhile fell at a slower pace at the UK level.

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

*“While there are signs that the worst declines are behind us, today’s figures show that it will be a while yet before we see job placements growing month on month. That’s no surprise, as businesses are focusing on bringing furloughed staff back to work, or making redundancies where they cannot be avoided. Recruiters will be key to helping those who lose their roles find new work – there are always vacancies out there for jobseekers, though they are at a lower level than normal right now.*

*“This is now a jobs crisis. Rishi Sunak should use today’s Summer Statement to boost job creation, with a cut in National Insurance designed to retain jobs and boost hiring. Action on skills will also be vital to getting people into growing sectors – including a more flexible approach to levy-funded training.”*

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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](mailto: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](mailto: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](http://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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