News Release

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KPMG AND REC, UK REPORT ON JOBS: London

Permanent placements fall at slower rate for third month running

Key findings
- Falls in permanent placements and temp billings soften
- Temp worker supply rises at record pace
- Starting salaries continue to decline

Data collected July 13-27

Summary
The latest KPMG and REC, UK Report on Jobs signalled that permanent placements across London fell at a considerably slower pace in July, as companies continued to transition out of the downturn caused by the coronavirus disease 2019 (COVID-19) pandemic. That said, the fall in staff appointments remained steep and stronger than those seen across the rest of England.

Further redundancies were seen in the capital, partly due to furlough schemes being wound down, leading to sharp increases in the supply of both permanent and temporary staff. Meanwhile, job shedding and lower vacancies led to a fourth successive monthly drop in starting salaries, as well as lower hourly pay rates for temp staff.

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 appointments fall at slower pace
Recruiters in London saw a further decline in permanent placements in July, thereby extending the current sequence of falling appointments to seven months. However, the rate of reduction continued to slow and was the least marked since February. According to panellists, the COVID-19 pandemic still led firms to place hiring plans on hold, although some started to see a pick-up in new roles.

Notably, the fall in placements across London was quicker than the UK trend for the fifth month running, amid slower declines in the North of England, the Midlands and the South of England.

Meanwhile, the decline in billings received from the employment of temporary staff in London continued to soften at the start of the third quarter. Recruiters saw a solid fall in temp billings overall, albeit one that was much slower than the nadir seen in April. However, the decline was still faster than that seen on average in the UK, which registered a seventh successive monthly reduction. Notably, both the North of England and the Midlands saw renewed increases in billings during July.

Permanent vacancies in London dropped for the fifth month running in July, but the rate of decline eased further from April’s record pace. The UK as a whole meanwhile saw a slower fall in vacancies, albeit one that was still sharp.

New roles for temporary staff in London fell steeply, and at a faster pace than those seen in the other three monitored English regions. That said, the rate of decline was the softest in the current five-month sequence of contraction.

Permanent worker pool widens
A high number of redundancies were reported by recruiters in London, leading to a further increase in permanent staff supply during July. The rate of expansion quickened from June and was the most marked since December 2008. Notably, staff availability has been driven higher in each month since April due to the impact of COVID-19, although the increase has remained softer than the UK average. The Midlands recorded the quickest rise in permanent labour supply across the four monitored English regions in the latest survey period.

The rate of growth in temporary staff supply across London accelerated to the sharpest in nearly 23 years of data collection during July. The latest increase in
availability was the fifth in as many months, and quicker than the UK trend. Panelists often highlighted that companies had ended furlough schemes and made temporary staff redundant, whereas others noted that more people were actively looking for work now that the pandemic has abated in the UK. All monitored English regions except the North of England saw growth in temp availability accelerate since June.

Fall in permanent salaries quickens

Recruitment consultancies in London registered a fourth consecutive month of falling salaries for new permanent employees in July. Moreover, there was a renewed acceleration in the rate of decline in wages, with latest data signalling a sharp drop overall. Where a fall was noted, panelists often attributed this to a lack of demand for workers. Starting salaries also fell nationwide in July, but at a weaker pace than in the capital. The Midlands registered the slowest reduction in pay for new permanent joiners, and one that was only mild overall.

Wages for new temporary workers in London also continued to decrease at the start of the third quarter. Lower hourly rates of pay were reportedly due to a lack of work amid the COVID-19 pandemic. Furthermore, the fall in wages remained sharp and was much faster than the UK-wide trend. Nonetheless, rates of decline eased across all four monitored English regions bar the North of England compared to the previous month.

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 across the capital 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 programs for jobseekers – and help bring confidence back to the UK workforce.”

Neil Carberry, Chief Executive of the Recruitment & Employment Confederation, 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.”

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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 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.

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