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

Recruitment activity continues to fall sharply amid COVID-19 pandemic

Key findings

- Substantial falls in permanent placements and temp billings
- Starting salaries decline at quickest rate on record
- Candidate availability rises sharply

Data collected May 12-22

Summary

The South of England's labour market remained under pressure in May, as the coronavirus disease 2019 (COVID-19) pandemic led to a further marked fall in recruitment activity. The latest **KPMG and REC, UK Report on Jobs: South of England** survey signalled steep reductions in permanent placements and temp billings, despite rates of decline easing from April. The pandemic also weighed heavily on demand for staff, with vacancies continuing to fall at a substantial pace. Consequently, starting pay fell at steeper rates for both permanent and temporary staff. The availability of workers meanwhile rose sharply amid reports of redundancies and businesses placing workers on furlough.

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 placements continue to decline markedly

Adjusted for seasonal factors, the Permanent Placements Index signalled a third successive monthly drop in the number of people placed into permanent jobs in the South of England during May. The rate of contraction eased only slightly from April's record pace and was the second-quickest since the survey began in October 1997. That said, the reduction was softer than the UK-wide trend. Panel members often mentioned that the COVID-19 pandemic and subsequent lockdown led to hiring freezes among clients. Permanent staff

appointments also fell sharply across the three other English regions monitored by the survey, with the quickest drop in the North of England.

Recruitment consultancies based in the South of England signalled a further steep reduction in billings received from the employment of short-term staff in May. Notably, the rate of reduction was substantial and exceeded only by April. According to recruiters, company closures and economic uncertainty weighed on billings. A considerable drop in temp billings was also seen at the UK level, albeit one that was not quite as severe as that seen in the South of England. Although all four English regions recorded softer falls compared to April, rates of decline remained severe overall.

Permanent vacancies continued to decline at a considerable pace in May, despite the rate of contraction easing from April's series record. Demand for permanent workers also fell at the national level, and at a slightly faster rate than in the South of England. Short-term vacancies also declined sharply midway through the second quarter. Although softer than that seen in April, the fall was nonetheless the second-fastest on record. Temp vacancies fell at a similarly sharp rate across the UK as a whole.

Sharpest increase in permanent labour supply since March 2009

Latest survey data signalled a back-to-back monthly rise in the availability of permanent candidates in the South of England. Notably, the rate of growth accelerated from April to reach the quickest since March 2009. The increase was also slightly quicker than that seen on average across the UK. The upturn in permanent staff supply was often linked by panel members to redundancies and people placed on furlough. Steep increases in permanent candidate numbers were also seen across the three other monitored English regions, with the Midlands recording the quickest rate of growth.

The supply of temporary candidates in the South of England increased at the sharpest rate in 22-and-a-half

years of data collection during May. The upturn also outpaced that seen across the UK as a whole. Recruiters often mentioned that temp staff supply rose as companies shed staff or placed workers on furlough due to the COVID-19 pandemic. Out of the four monitored English regions, the South of England and the Midlands registered the joint-quickest increase in temp candidate availability during May.

Starting salaries decline at survey-record rate

Starting salaries awarded to permanent staff in the South of England declined further in May. Moreover, the rate of reduction was the most severe since data collection began in October 1997 and substantial. The fall in starting pay also exceeded that seen at the

national level. Anecdotal evidence indicated that the COVID-19 pandemic and weaker demand for staff had placed downward pressure on salaries. Historically marked reductions in starting salaries were seen across all four monitored English regions in May, led by London.

Average hourly rates of pay for temporary workers in the South of England fell for the second straight month in May. The rate of decline quickened since April and was the steepest since April 2009. Lower pay was widely linked to the pandemic and reduced demand for workers. Temp wages also fell sharply across the UK as a whole, with London recording the steepest drop out of the four monitored English regions.

Comments

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

“The latest figures make uncomfortable reading, and it’s a worrying time for both employees and businesses in the region. It comes as no surprise that we’re seeing the sharpest falls in temp billings and permanent placements for decades, coupled with a drop in salaries. That said, it’s interesting to see that weekly earnings in the region are amongst the highest of all 12 UK regions, according to latest ONS data.”

“I have faith that the resilience of the region’s businesses will be evidenced in improving numbers in the coming months. Businesses now need to plan carefully to navigate the legal and logistical challenges as they exit lockdown.”

Neil Carberry, Chief Executive of the REC, said:

“Given the impact of the lockdown in early May, it’s no surprise that these figures look bleak. But in the two weeks since this data was collected, lockdown rules have been eased and the feedback we get from recruiters every day suggests that the slight improvements that we can see in the placements and vacancies data have continued. I’m also hearing from business leaders all over the country that things are starting to look up. There is a long way to go, but it’s time to talk about how we recover from this crisis.”

“Collaboration between government, businesses and recruiters will be vital as we try to get the economy up and running again. The UK’s staffing and recruitment companies are experts at helping people find work, and we are ready to support jobseekers in the months ahead.”

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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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