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KPMG AND REC, UK REPORT ON JOBS

COVID-19 pandemic continues to weigh heavily on recruitment activity in May

Key findings

- Permanent placements and temp billings decline further amid recruitment freezes
- Availability of workers rises at quickest rate since July 2009
- Weak demand for staff leads to downward pressure on pay

Data collected May 12-22

Summary

Recruitment activity continued to decline in May, with the latest **KPMG and REC, UK Report on Jobs** survey showing further marked falls in both permanent placements and temp billings following record drops in April. Survey respondents frequently mentioned that the coronavirus disease 2019 (COVID-19) pandemic and subsequent company closures had led clients to cancel or delay hiring plans.

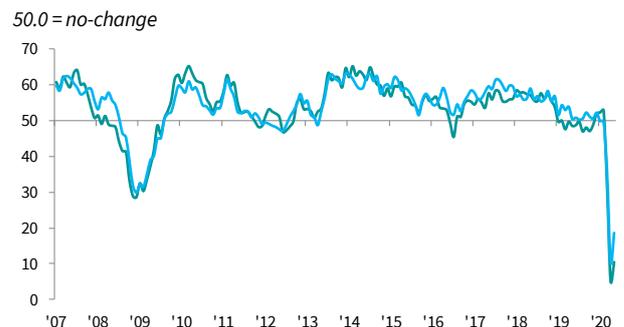
At the same time, reports of redundancies and furloughed staff led to the quickest increase in candidate availability since July 2009. However, a further marked drop in demand for staff, which was highlighted by a substantial drop in overall vacancies, led to steep falls in starting pay.

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

Permanent placements continue to fall sharply

May survey data indicated that hiring activity remained weak across the UK, as permanent placements and temp billings both fell at the second-sharpest rates on record. Recruiters frequently mentioned that the COVID-19 pandemic had led clients to cancel or postpone recruitment plans until the outlook improved.

Permanent Placements / Temporary Billings



Sources: KPMG, REC, IHS Markit

Candidate supply rises at fastest pace since mid-2009

Recruitment consultancies signalled the quickest expansion in overall candidate availability since July 2009 during May. The upturn was driven by steeper increases in the availability of both permanent and short-term staff. Panellists often linked higher candidate numbers to redundancies and staff being placed on furlough due to COVID-19.

Starting salaries drop at steeper rate...

Permanent starter salaries fell for the second month running in May, and at the quickest rate since February 2009. Temp pay meanwhile declined at the fastest rate for 11 years. Recruiters often mentioned that weak demand for staff and budget cuts at clients had driven down pay in May.

... as demand for staff declines further

Overall vacancies fell at a substantial pace in May, despite the rate of reduction easing from April's survey record. Marked drops in demand continued to be signalled for both permanent and temporary workers, with the former noting the steeper rate of contraction.

Regional and Sector Variations

Permanent placements fell sharply across all four monitored English regions in May, led by the North of England.

Continued...

Temp billings fell at softer, but nonetheless severe, rates across each of the four monitored English regions. The quickest fall was seen in the South of England.

Demand for staff declined across both the private and public sectors during May. The steepest reductions in vacancies were once again seen in the private sector, though demand for public sector staff also fell at a historically sharp pace.

Nine of the ten job categories registered a fall in demand for permanent staff during May. The steepest reduction was seen in Retail, closely followed by Hotel & Catering. Nursing/Medical/Care was the only sector to record higher vacancies.

Sharp falls in demand for temp workers were seen across all job categories except Nursing/Medical/Care midway through the second quarter. The most marked deteriorations were signalled for Hotel & Catering and Retail employees.

Comments

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

“Lingering uncertainty around the COVID-19 pandemic, and when the outlook may improve, continues to take its toll on the UK jobs market.

“Hiring plans which were put on hold in March remain on ice, with many businesses focusing on maintaining their current staff rather than expansion or replacement.

“The number of people looking for work has risen at the quickest rate since July 2009 making it a highly competitive market. With a potential July stimulus package from the Government set to include a focus on retraining and skills, adaptability will be the key to success for jobseekers in 2020.”

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 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 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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