Key findings

- Quickest drops in permanent placements and temp billings since early-2009
- Staff vacancies decline
- Slower increases in pay for both permanent and temp staff

Data collected March 12-25

Summary

The outbreak of the Coronavirus Disease 2019 (COVID-19) pandemic led to a severe drop in hiring activity across the South of England in March, according to the latest KPMG and REC, UK Report on Jobs: South of England survey. Permanent staff appointments and temp billings fell at the quickest rates since the global financial crisis as clients cancelled or delayed their recruitment plans due to an increasingly uncertain outlook. Consequently, vacancies declined for both permanent and temporary staff, and weaker increases were seen for starting salaries and temp pay.

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 fall to greatest extent since February 2009

Recruitment consultancies in the South of England registered a renewed and substantial decline in permanent staff appointments during March. Furthermore, the rate of reduction was the quickest seen for just over 11 years. Panel members noted that the outbreak of COVID-19 had prompted clients to cancel or delay staff hiring. Sharp drops in permanent placements were also seen across the three other monitored English regions, with the steepest fall recorded in the capital.

After rising solidly in February, billings received from the employment of temp workers in the South of England fell sharply in March. Moreover, the decline was the steepest recorded since March 2009 and similar to the UK-wide trend. Recruiters frequently mentioned that clients had pared back hiring plans due to the outbreak of the virus and its wider impact on the economy. However, there were also reports that pending IR35 policy changes had adversely impacted billings. Regional data showed that London suffered the fastest drop in temp billings, while the North of England noted the slowest rate of decline.

March survey data pointed to renewed falls in both permanent and temporary staff vacancies in the South of England. Demand for permanent staff in the region fell at a pace that, though modest, was the quickest since August 2009. Permanent vacancies decreased at a similarly mild rate across the UK as a whole. Meanwhile, demand for short-term workers fell for the first time in over ten-and-a-half years, albeit at a slight rate that was broadly in line with the UK trend.

Permanent candidate supply falls at slowest pace since September 2013

The downturn in permanent candidate numbers across the South of England continued to ease in March. Though solid and quicker than the UK average, the latest drop in permanent labour supply was the slowest for six-and-a-half years. Reports from panel members commonly linked the reduction to the outbreak of COVID-19, subsequent restrictions around movement, and less willingness to seek out new roles. At the regional level, the softest fall was reported in the Midlands. Meanwhile, the North of England was the only region to record an increase in the availability of permanent candidates.

Adjusted for seasonal factors, the Temporary Staff Availability Index posted above the neutral 50.0 threshold to signal the first rise in temp labour supply across the South of England since August 2013. The solid
increase in candidates was often attributed to redundancies related to the virus and a slowdown in economic activity. Temporary candidate numbers also rose across the UK as a whole, and at a faster pace than seen in the South of England. Increases in temp labour supply were recorded across three of the four monitored English regions, the sharpest of which was in the North of England. Meanwhile, the Midlands reported a further decline.

Weakest increase in starting salaries since November 2012

March survey data signalled a notable easing in the rate of starting salary inflation in the South of England. Furthermore, the latest rise in salaries was the slowest since late-2012 and only slight. Higher pay was generally linked to lower candidate numbers, but there were also reports that softer demand for staff had weighed on the latest upturn. Starting salaries also expanded at a weaker pace across the UK as a whole, though growth remained quicker than in the South of England. Softer rates of inflation were recorded across all four monitored English regions during March.

Recruiters in the South of England recorded an easing in the rate of temp pay growth for the third month running in March. Notably, the rate of inflation was the slowest seen since July 2016 and modest. While some panellists mentioned that pay increased due to candidate shortages, others indicated that reduced appetite for staff had dampened growth. Across the UK as a whole, temp pay rose only marginally at the end of the first quarter. The only other monitored English region to record an increase in wages was the Midlands, with London and the North of England noting mild declines.

Comments

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

“As with the rest of the UK, the ongoing uncertainty caused by COVID-19 is now gripping the South’s jobs market. Following an encouraging upturn in February, we are now seeing a sharp decline in both permanent and temporary hires, indeed at the fastest rate for more than a decade.

“The region’s firms need to remain resilient and do what they can to adapt to and survive this pandemic, to be able to emerge in the best position possible to ramp up once this crisis comes to an end.”

Neil Carberry, Chief Executive of the REC, said:

“The coronavirus pandemic has put the labour market on pause. It does mean massive disruption in the short term, but we need to remember that this has to be done in order to protect businesses and save lives.

“What we should be concerned about is how we stop that short-term disruption becoming longer-term economic depression. To do that we need to maintain employment levels as much as possible. Businesses in high-cashflow sectors like recruitment and hospitality need to be able to access government support much more quickly than they currently can, or they will not be able to afford to furlough their workers. This and other measures like government covering statutory sick pay for all firms will help people and firms to stay afloat now, and help the economy bounce back once the crisis is over.”
News Release

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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

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