News Release

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KPMG AND REC, UK REPORT ON JOBS

Permanent staff recruitment falls sharply in January

Key findings

- Renewed drop in permanent placements amid reintroduction of lockdown measures
- Uncertainty drives further marked rise in temp billings
- Total demand for staff declines solidly

Data collected January 12-25

Summary

Permanent staff appointments fell sharply in January, after a mild upturn in December, according to the latest **KPMG and REC, UK Report on Jobs** survey. The reduction was driven by the reintroduction of national lockdown measures amid a rise in coronavirus disease 2019 (COVID-19) cases. At the same time, greater uncertainty over the outlook drove a further marked increase in temp billings.

The resurgence of the virus also led to a renewed fall in demand for permanent staff, while growth in short-term vacancies moderated. Pay trends meanwhile weakened, with recruiters registering mild reductions in starting salaries and temp wages. Reports of redundancies related to COVID-19 led to a sustained increase in staff availability. However, the upturn was the softest seen for ten months, with recruiters indicating that a number of workers were reluctant to move roles in the current economic climate.

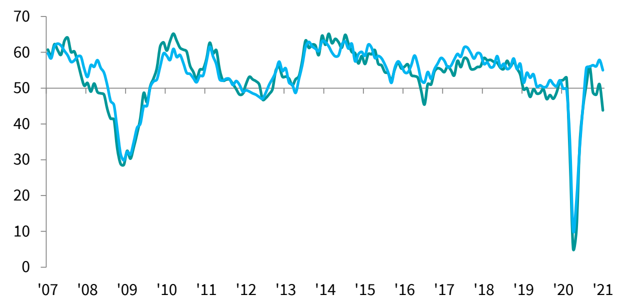
The report is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies.

Permanent placements fall, but temp billings continue to rise

A third national lockdown amid a rise in COVID-19 cases, and a subsequent drop in market confidence, led to a renewed contraction in permanent staff placements during January. The rate of decline was the steepest seen since last June, albeit not as severe as those seen during the first lockdown.

Permanent Placements / Temporary Billings

50.0 = no-change



Sources: KPMG, REC, IHS Markit

At the same time, greater uncertainty led to a further increase in the use of short-term staff, with temp billings rising strongly overall.

January sees fresh decline in overall vacancies

Latest survey data also revealed a fall in overall demand for workers at the start of the year, after a slight increase in December. The reduction was driven by a marked decline in demand for permanent staff, as temporary vacancies expanded modestly.

Availability of staff rises at weakest pace for ten months

The supply of candidates rose solidly in January, despite the rate of increase easing to a ten-month low. The slowdown was driven by softer expansions in both permanent and temporary candidate numbers. Recruiters frequently mentioned that redundancies had pushed up staff supply. However, there were also reports that greater uncertainty over the outlook had weighed on candidates' appetite for new roles.

Renewed fall in starting pay

Recruitment consultancies signalled renewed downward pressure on pay in January, as both starting salaries and temporary wages fell after increasing in December. That said, the rates of reduction were mild compared to those seen in 2020.

Continued…

Regional and Sector Variations

Data broken down by region indicated that permanent staff appointments fell across all four English regions monitored by the survey. Rates of decline were marked across the board, with the Midlands noting the steepest contraction.

Temp billings expanded across all four monitored English regions bar London. The Midlands registered the quickest upturn overall.

Demand for permanent staff declined across both the private and public sectors during January, with the latter registering the steeper rate of contraction. Temporary staff vacancies rose further in the private sector, albeit to a much weaker extent than in December, and were broadly stable in the public sector.

January data revealed that demand for permanent staff fell in six of the ten categories monitored by the survey, led by Hotel & Catering and Retail. Of the areas that noted higher vacancies, Nursing/Medical/Care registered the steepest increase.

Short-term vacancies rose across half of the monitored job categories at the start of 2021. Nursing/Medical/Care and Blue Collar noted the fastest rates of expansion. Meanwhile, Hotel & Catering languished at the bottom of the rankings.

Comments

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

"The latest national lockdown has knocked business confidence, evident by a renewed drop in permanent appointments as businesses put recruitment on hold.

"There has been an uptick in short-term vacancies, but these are mainly in blue collar and the medical response industry, indicating that they are filling a temporary need for staff rather than pointing to long-term job opportunities.

"However, there is cause for optimism as businesses carefully monitor the vaccine rollout and look forward to the Budget next month. It gives the Government the opportunity to further help the recovery in jobs and revive the UK's productivity growth."

Neil Carberry, Chief Executive of the REC, said:

"Economic uncertainty is weighing on employers' minds even where they see potential for their own firm to grow, so it's no surprise that temporary work is leading the jobs recovery. This emphasises again how important flexible forms of work are to helping businesses and public services react to the pandemic. Temporary work is also helping people get back into jobs more quickly after the recent spike in redundancy numbers.

"With the vaccination programme making progress, it's likely that a path out of the pandemic is emerging. As that happens, we expect a strong recovery in permanent hiring. But businesses need Government help to bridge these last few months. Support for strained corporate cash flows is key. Extending furlough and reducing its cost to firms, supporting family business directors left out of support packages so far, and putting back repayments of deferred VAT and CBILs loans until the recovery would all help enormously."

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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 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.

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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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