

Embargoed until 0101 (UK) 8 April 2020

KPMG AND REC, UK REPORT ON JOBS: London

Hiring plunges in London amid COVID-19 pandemic

Key findings

- Permanent placements and temp billings drop sharply
- Temp worker supply shoots up
- Permanent salary growth weakens as business conditions falter

Data collected March 12-25

Summary

The latest **KPMG and REC, UK Report on Jobs** signalled a severe fall in permanent placements across London in March due to the coronavirus disease 2019 (COVID-19) pandemic. Recruiters often reported hiring freezes at London firms amid office and shop closures as the UK enforced new social distancing rules. Availability of permanent workers fell at the softest pace in 82 months as workers were made redundant, relaxing inflationary pressures on salaries, which rose to the weakest extent since last August.

Temp billings meanwhile dropped at a sharp pace as firms reduced demand for temporary workers and cut short-term staff wages at the fastest rate since February 2013.

The London report is compiled by IHS Markit from responses to questionnaires sent to around 100 recruitment and employment consultancies in the capital.

Record fall in permanent staff appointments

The COVID-19 pandemic led to a record drop in the appointment of permanent staff in London during March. Recruiters often mentioned that clients froze hiring due to business closures and social distancing rules, as well as the economic impact of the viral outbreak. The rate of decline was substantially stronger than that for the UK as a whole, which also recorded a sharp fall in permanent placements since February. London saw the strongest contraction overall, with the North of England registering the slowest.

The rate of decrease in temp billings at London recruitment consultancies accelerated rapidly in March. The respective seasonally adjusted index fell to a series low and indicated a quicker downturn in billings compared to the UK average. According to respondents, COVID-19 was a key factor behind the decrease, with recruiters highlighting hospitality and retail as areas of particular weakness. Again, the capital registered the fastest drop in temp billings of all four monitored English regions.

Consistent with the UK as a whole, job vacancies for permanent and temporary workers dropped in London. The rate of decline was sharp and much stronger than the national average in both cases. The latest downturn, due to the COVID-19 pandemic, compared with a solid increase in permanent vacancies and a modest rise in temp roles during February.

Permanent candidate numbers fall at softer pace

The supply of permanent staff in the capital decreased for the eighty-second month running in March. However, with some workers being made redundant due to COVID-19, the decrease in supply was the weakest seen in this sequence and modest overall. At the same time, some respondents noted that the virus outbreak made employees unwilling to change jobs. The drop in availability was slightly softer compared to the UK as a whole. All regions saw weaker candidate supply, bar the North of England which registered a second successive monthly expansion.

March data showed a large increase in the number of available temporary workers in London amid widespread closures of non-essential shops. The rate of growth was the fastest since July 2012 and compared with an unchanged worker pool in the previous survey period. London recorded a much quicker rise in temp candidate supply than the national trend, which saw the first overall increase for nearly seven years. The upturn at the UK level was also driven by more temp workers in the North of England and the South of England.

Starting salary growth softens to seven-month low

Recruitment consultancies in London registered a further increase in salaries paid to newly-employed permanent staff in March. The rate of inflation was the weakest for seven months, but slightly stronger than for the UK as a whole. Consultants noted that COVID-19 weighed on the overall uptick in the latest survey period. Starting salaries continued to rise in all four English regions, with the quickest upturn registered in the Midlands.

Comments

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

“Unsurprisingly, COVID-19 has already impacted the UK jobs market with recruitment activity falling away as uncertainty grips the nation. On a regional basis, London was the worst performer, and recorded the steepest drops in staff placements and vacancies during March.

“Firms are cancelling or postponing hiring decisions although, as you would expect, the demand for temporary healthcare professionals and manual labour workers saw a significant uptick.

“UK business needs to do what it can to adapt and survive this pandemic - and be able to emerge in the best position possible to ramp up once the crisis comes to an end.”

Latest survey data recorded a marginal drop in temporary worker wages in the capital during March, the first seen for a year and the quickest since February 2013. Panellists related this to firms expecting new IR35 rules to be implemented and switching temp employees to PAYE as a result. Nationwide, recruiters saw a slight increase in temp wages that was the weakest for over seven years. The Midlands and the South of England saw slower rises in wages, while the North of England recorded a modest decline.

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

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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 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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