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

Decline in permanent placements eases during June

Key findings

- Demand for workers deteriorates at a slower pace
- Labour supply expands at quicker rate
- Starting pay continues to fall

Data collected June 12-24

Summary

The latest **KPMG and REC, UK Report on Jobs: North of England** survey pointed to a softer decline in recruitment activity during June. Both permanent placements and temporary billings fell at slower rates compared to May, albeit still sharply overall. The reductions were predominantly driven by another steep contraction in demand for workers amid the coronavirus disease 2019 (COVID) pandemic. That said, the drop in vacancies eased for the second month running. Meanwhile, widespread reports of redundancies and furloughed workers led to another substantial increase in candidate availability. The plunge in demand for workers combined with rising staff supply led to sharp falls in starting salaries and temp wages.

The report, which is compiled by IHS Markit, is based on responses to questionnaires sent to around 100 recruitment and employment consultancies in the North of England.

Permanent placements decline at softer, but still marked, rate

Recruiters in the North of England reported another sharp reduction in permanent staff appointments during June. The result extended the current sequence of decline that began when lockdown restrictions were first introduced during March. That said, the rate of contraction was much softer than those registered in April and May. Anecdotal evidence suggested that a number of clients had imposed hiring freezes amid the coronavirus pandemic. Across the UK as a whole, permanent staff appointments declined for the fourth time in as many months in June. The latest fall was the

softest in the current sequence, albeit still marked overall. Each of the four monitored English regions registered a drop in permanent placements, with London recording the sharpest decline.

Temporary billings across the North of England decreased for the fourth month in a row during June. Though historically marked, the rate of contraction eased for the second month running to reach the softest since March. The decline was also slower than that seen across the UK as a whole. Recruiters often associated the latest reduction in temp billings with weaker demand for workers. At the national level, the rate of decline, although still marked, was the slowest since March. The contraction was broad-based and led by London, while the Midlands recorded the softest fall.

Demand for both permanent and temporary staff across the North of England continued to deteriorate in June, but rates of decline eased in both cases. Permanent vacancies fell for the fourth month in a row, and although the pace of contraction was sharper than the UK average, it eased to the slowest since March. Meanwhile, demand for temporary workers fell at a softer rate than at the national level, albeit still markedly overall.

Sharpest rise in permanent staff availability since December 2008

Permanent staff availability in the North of England continued to soar at the end of the second quarter. In fact, the rate of growth accelerated to the second-sharpest in nearly 23 years of data collection (behind December 2008). Anecdotal evidence suggested the surge in labour supply was driven by widespread coronavirus-related redundancies. The availability of permanent candidates across the UK as a whole also rose further, with the rate of expansion the quickest since January 2009. The North of England recorded the most marked rise, while London saw the slowest increase, albeit one that was still sharp overall.

June data pointed to another sharp increase in temporary staff availability across the North of England. Moreover, the rate of expansion accelerated for the

fourth month in a row to reach the quickest since May 2009. When explaining the rise in labour supply, recruiters suggested that many candidates were looking for short-term temporary positions while furloughed. The availability of temporary workers also expanded markedly at the national level, with the pace of increase accelerating to the quickest since data collection began in October 1997. Each of the four monitored English regions registered an increase in temporary labour supply, with the Midlands recording the quickest rise and London the slowest.

Permanent starters' pay falls for the third month in succession

Recruiters in the North of England recorded a sharp decline in permanent starting salaries for the third month in a row during June. The rate of reduction was slightly quicker than that registered in May, and close to April's recent record. Anecdotal evidence suggested that wages were suppressed by a combination of weak

demand for staff and rising labour supply. Across the UK as a whole, salaries awarded to permanent new joiners fell for the third month running during June, with the rate of decline remaining marked despite easing. The South of England registered the fastest reduction and the Midlands the slowest.

Remuneration awarded to temporary staff in the North of England continued to fall in June. Though sharp overall, the rate of reduction eased for the first time in the current four-month sequence of decline and was softer than the UK average. Some recruiters associated the latest decrease in wages to an excess supply of labour. At the national level, wages awarded to short-term staff fell at the softest rate in the current three-month sequence of deflation, albeit still sharply overall. Across the four monitored English regions, London recorded the most severe drop in temp pay, while the Midlands saw the softest fall.

Comment

Commenting on the latest survey results, Euan West, office senior partner for KPMG in Leeds, said:

“Despite an inevitable further drop in hiring activity for permanent and temporary staff, it is encouraging to see they both fell at softer rates than seen in April and May.

“However, the air of uncertainty around the COVID-19 pandemic will linger – and rebuilding confidence in the region’s jobs market will take time.

“All eyes will be on the Chancellor’s fiscal statement today, with job seekers hoping to see a focus on skills and retraining, while business will welcome further support packages so they can start to ramp up as lockdown eases, and recovery gets underway.”

Neil Carberry, Chief Executive of the REC, said:

“While there are signs that the worst declines are behind us, today’s figures show that it will be a while yet before we see job placements growing month on month. That’s no surprise, as businesses are focusing on bringing furloughed staff back to work, or making redundancies where they cannot be avoided. Recruiters will be key to helping those who lose their roles find new work – there are always vacancies out there for jobseekers, though they are at a lower level than normal right now.

“This is now a jobs crisis. Rishi Sunak should use today’s Summer Statement to boost job creation, with a cut in National Insurance designed to retain jobs and boost hiring. Action on skills will also be vital to getting people into growing sectors – including a more flexible approach to levy-funded training.”

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Methodology

The KPMG and REC, UK Report on Jobs: North of England is compiled by IHS Markit from responses to questionnaires sent to around 100 recruitment and employment consultancies in the North 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 in the UK

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. KPMG is a global network of professional firms providing Audit, Tax, Legal and Advisory services. It operates in 154 countries and has 200,000 professionals 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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