News Release

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

Sharp decline in permanent placements amid COVID-19 outbreak

Key findings
- Quickest fall in permanent placements for 11 years
- Faster rises in both permanent and temporary labour supply
- Permanent starters' pay inflation softens

Data collected March 12-25

Summary

The latest KPMG and REC, UK Report on Jobs: North of England survey pointed to a severe reduction in recruitment activity during March. Both permanent placements and temporary billings fell at the quickest pace for 11 years, with the COVID-19 pandemic hampering demand for workers. This was exemplified by notably softer rises in both permanent and temporary staff vacancies. Meanwhile, redundancies related to the coronavirus led to a marked increase in candidate availability. Relatively muted growth of demand for workers and higher staff supply combined to weigh on overall pay pressures.

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.

Sharpest decline in permanent placements since March 2009

Recruiters in the North of England reported a decline in permanent staff appointments for the first time in seven months during March. The rate of decrease was the sharpest for 11 years, with substantial falls also recorded across the other three remaining English regions. Anecdotal evidence suggested hiring plans were pared back or cancelled amid the global COVID-19 outbreak. Across the UK as a whole, permanent staff placements declined at the quickest pace since February 2009 and one that was among the most marked since data collection began in October 1997.

March data pointed to a severe drop in temporary billings across the North of England. Moreover, the pace of decline was the quickest since March 2009. When explaining the decrease, many recruiters cited lower activity at their clients amid the COVID-19 pandemic. At the national level, temporary billings also fell at the fastest rate in 11 years, driven by marked reductions across all four monitored English regions.

Growth of demand for both permanent and temporary staff in the North of England eased in March. Permanent vacancies in the region rose at the slowest pace since August 2012 during March. That said, the result represented the only increase across the four monitored English regions. Similarly, demand for temporary staff expanded at the softest rate for eight years. Meanwhile, short-term vacancies declined across all of the other monitored English regions.

Fastest rise in permanent staff availability since August 2012

Permanent staff availability in the North of England rose for the second month in a row during March. Moreover, the rate of growth accelerated to the fastest since August 2012 and was solid overall. The increase in labour supply was the only one recorded across the four monitored English regions. Some recruiters suggested that redundancies related to COVID-19 had driven the rise in availability. Across the UK as a whole, permanent candidate availability continued to deteriorate, as has been the case in each month since May 2013. The rate of reduction was the softest since June 2013, however, and only mild.

Latest survey data revealed a sharp expansion in temporary candidate numbers in the North of England during March. The rise was the fastest for over seven-and-a-half years, driven by a combination of the pending IR35 legislation and the COVID-19 downturn. Moreover, the rate of increase was quicker than the UK average. At the national level, the supply of temporary staff increased for the first time in nearly seven years during March and solidly overall. Driving the uptick were
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increases in three of the four monitored English regions, with the exception being the Midlands.

**Permanent starters’ pay increases at softer rate**

Starting salaries awarded to permanent workers in the North of England continued to rise in March, extending the current sequence that began just over eight years ago. However, the rate of pay inflation eased to the softest since November 2012 and was slower than the national trend. Across the UK, salaries awarded to permanent joiners increased at the softest rate since July 2016.

Recruiters in the North of England reported a decline in temporary wages for the first time since August 2012 during March. Though modest overall, the pace of reduction was the quickest recorded for over a decade and contrasted with a marginal rise across the UK as a whole. Anecdotal evidence suggested the result was driven by softening demand conditions. On a regional basis, London also noted a decline, while the Midlands and South of England reported an uptick in temp wages.

**Comment**

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

“Unsurprisingly, COVID-19 has already impacted the northern jobs market with recruitment activity falling away as uncertainty grips the nation.

“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. We are also seeing firms expanding their offer in response to increased demand, particularly in e-commerce and grocery retail.”

“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.”

Recruitment & Employment Confederation chief executive Neil Carberry 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, 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

KPMG LLP, a UK limited liability partnership, operates from 22 offices across the UK with approximately 16,300 partners and staff. The UK firm recorded a revenue of £2.388 billion in the year ending 30 September 2018. KPMG is a global network of professional firms providing Audit, Tax, 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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