



KPMG AND REC, UK REPORT ON JOBS

Recruitment activity falls sharply as COVID-19 pandemic hits the UK

KEY FINDINGS

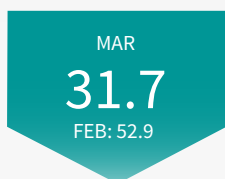
Permanent placements and temp billings fall at quickest rates since global financial crisis

Renewed drop in staff vacancies

Candidate availability falls at slowest rate since June 2013

KEY DATA

Permanent Placements Index



Temporary Billings Index



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.

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.

“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.”

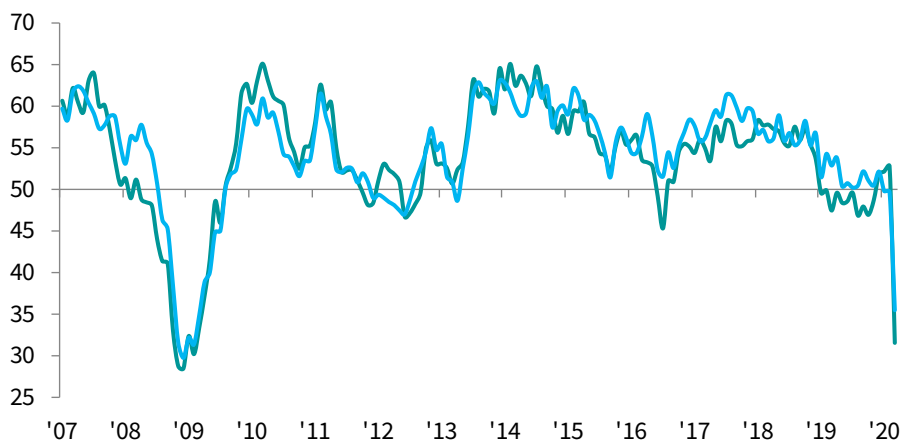
Neil Carberry, Chief Executive of the REC, said:

“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.”

Permanent Placements Index / Temporary Billings Index

sa, >50 = growth since previous month



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1 EXECUTIVE SUMMARY

The Report on Jobs is unique in providing the most comprehensive guide to the UK labour market, drawing on original survey data provided by recruitment consultancies and employers to provide the first indication each month of labour market trends.

The main findings for March are:

Quickest drop in recruitment activity since 2009

After rising in the prior three months, permanent staff placements declined sharply in March, with the rate of reduction the sharpest since February 2009. Panel members cited the COVID-19 pandemic had led many clients to cancel or postpone hiring decisions. Temp billings were also hit, with a combination of the virus and pending IR35 policy changes leading to the quickest reduction in billings for 11 years.

Demand for staff falls for first time in over a decade

Vacancy trends also deteriorated during March as the pandemic hit firms' appetite for staff. Demand for both permanent and temporary workers fell for the first time since the global financial crisis in 2009. Permanent staff vacancies fell at a quicker pace than temporary job openings, but rates of contraction were mild in both cases.

Candidate supply contracts only modestly

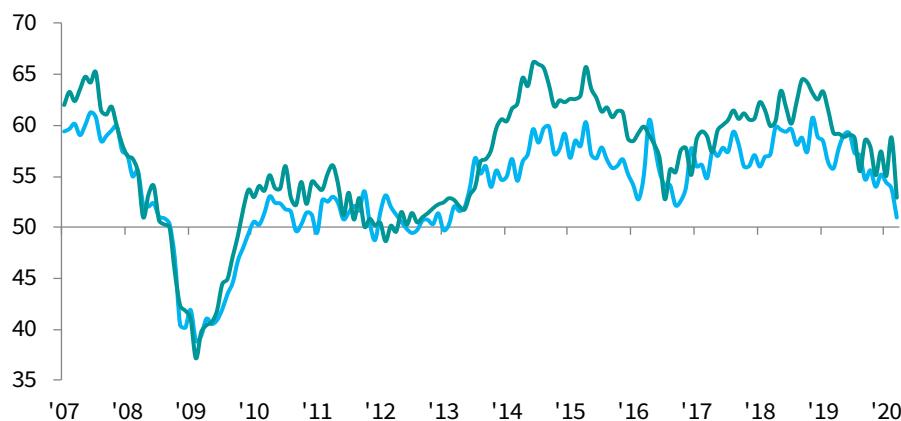
Recruitment consultancies signalled only a mild drop in candidate availability at the end of the first quarter, as there were some reports of redundancies due to COVID-19. Notably, permanent staff supply fell at the softest pace since June 2013, while temp candidate numbers expanded at the quickest rate since July 2012.

Slower increases in permanent and temp pay

The increasingly uncertain outlook and reduced demand for staff weighed on pay growth during March. Starting salaries rose at the weakest pace since July 2016, while temporary wage inflation eased to its slowest for just over seven years.

Permanent Salaries Index / Temporary Wages Index

sa, >50 = inflation since previous month

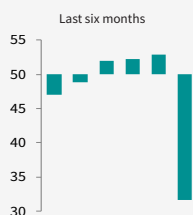


2 STAFF APPOINTMENTS

Recruitment consultancies report on the number of people placed in permanent jobs each month, and their revenues (billings) received from placing people in temporary or contract positions at employers.

An index reading above 50 signals a higher number of placements/billings than the previous month. Readings below 50 signal a decline compared with the previous month.

Permanent Placements Index

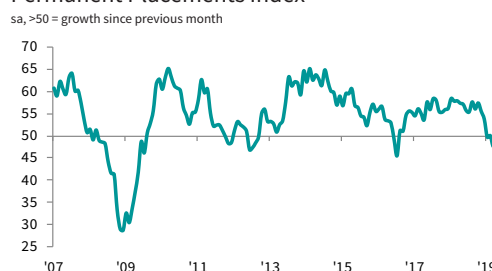


Permanent placements decline at fastest rate since February 2009

UK recruitment consultancies registered a renewed and substantial decline in permanent staff appointments at the end of the first quarter. The COVID-19 outbreak was widely cited as the driver of reduced hiring, as greater uncertainty over the outlook and measures to limit the spread of the virus led many clients to postpone or cancel recruitment plans. Furthermore, the rate of contraction was the steepest recorded since the depths of the global financial crisis in February 2009.

All four monitored English regions recorded severe falls in permanent staff appointments, led by London.

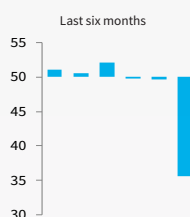
Permanent Placements Index



Permanent Placements Index

	UK	London	South	Midlands	North
Oct '19	47.1	45.9	45.6	44.8	53.3
Nov '19	48.8	50.6	45.3	47.0	51.7
Dec '19	51.9	51.7	48.4	52.9	54.1
Jan '20	52.3	48.0	52.4	48.2	56.7
Feb '20	52.9	47.5	53.9	52.5	57.3
Mar '20	31.7	20.3	32.0	35.1	35.3

Temporary Billings Index

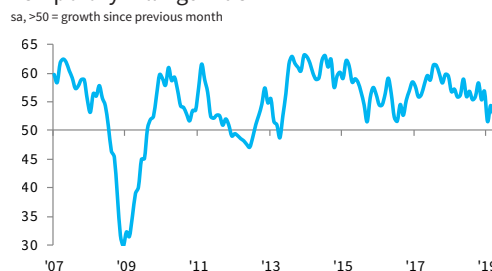


Temp billings fall at steepest rate for 11 years

Adjusted for seasonal factors, the Temporary Billings Index pointed to a fall in billings received from the employment of short-term staff for the third month running. That said, the rate of decline accelerated to the sharpest since March 2009. Recruiters frequently mentioned that the pandemic had adversely impacted temp billings, as clients became more wary of taking on new staff due to greater economic uncertainty. There were also some panel members commenting that pending changes to off-payroll rules (IR35) had weighed on billings.

Substantial reductions in temporary billings were seen across all monitored English regions. The steepest decline was in London, followed by the Midlands.

Temporary Billings Index

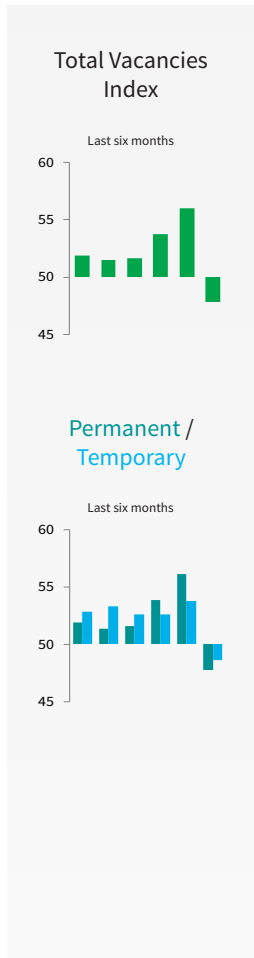


Temporary Billings Index

	UK	London	South	Midlands	North
Oct '19	51.1	47.7	48.9	56.5	52.2
Nov '19	50.5	50.2	47.6	54.9	52.4
Dec '19	52.2	52.3	51.3	57.1	51.4
Jan '20	49.8	48.5	49.1	53.4	50.9
Feb '20	49.7	45.0	53.6	48.9	53.7
Mar '20	35.6	27.2	36.1	33.9	40.1

3 VACANCIES

Recruitment consultants are asked to specify whether the demand for staff from employers has changed on the previous month, thereby providing an indicator of the number of job vacancies.



Demand for staff falls for the first time since September 2009

At 47.8 in March, the seasonally adjusted Total Vacancies Index fell from 56.0 in February to signal an overall reduction in demand for staff. Though only modest, it was the first time vacancies had declined for ten-and-a-half years.

Permanent and temporary vacancies

The drop in overall vacancies was driven by renewed falls in demand for both permanent and temporary workers. Demand for permanent staff fell for the first time since September 2009, while for temporary workers demand dipped for the first time since August 2009. Permanent staff vacancies fell at a faster rate than short-term ones, though rates of reduction were modest in both cases.

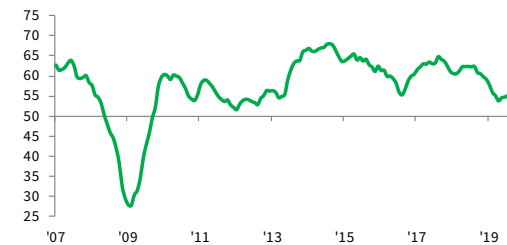
Public & private sector vacancies

Latest data signalled divergent trends when it came to public and private sector vacancy splits.

Demand for staff fell for both permanent and temporary workers across the private sector, with the quicker rate of reduction seen for permanent staff. Meanwhile, both permanent and short-term vacancies rose again across the public sector.

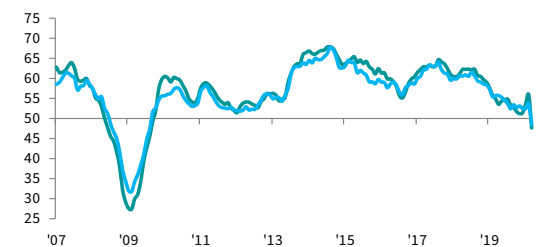
Total Vacancies Index

sa, >50 = growth since previous month



Permanent / Temporary

sa, >50 = growth since previous month



Vacancy Index summary

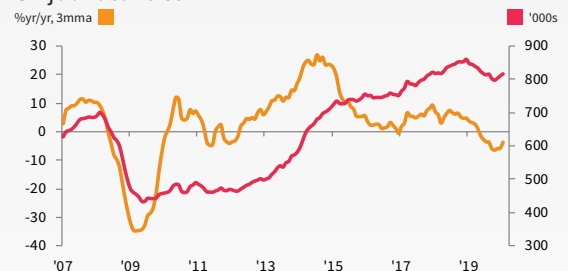
sa, >50 = growth since previous month. *Not seasonally adjusted.

	Permanent				Temporary		
	Total	Total	Private*	Public*	Total	Private*	Public*
Oct '19	51.9	51.9	52.8	47.2	52.9	53.9	47.6
Nov '19	51.5	51.4	52.5	45.9	53.3	54.6	46.9
Dec '19	51.6	51.6	52.7	46.2	52.6	53.0	50.7
Jan '20	53.8	53.8	60.4	47.8	52.6	49.5	47.6
Feb '20	56.0	56.1	65.8	51.1	53.8	57.1	53.5
Mar '20	47.8	47.8	46.9	52.5	48.6	47.5	54.1

OFFICIAL DATA: UK JOB VACANCIES

Latest labour market data from the Office for National Statistics (ONS) indicated that total job vacancies across the UK were down -3.7% on an annual basis in the three months to February. At 817,000, the number of vacancies nonetheless remained high in the context of historical data, having increased in the past two three-month periods. However, the deterioration in the UK Report on Jobs Total Vacancies Index suggests that the official numbers may weaken at the end of the first quarter.

UK job vacancies



Source: Office for National Statistics.

4 VACANCIES BY SECTOR

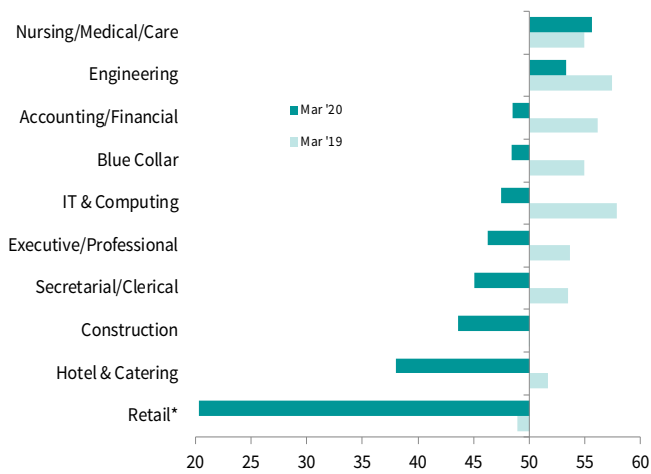
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

Permanent staff demand declined across eight of the ten monitored job categories at the end of the first quarter, led by Retail and Hotel & Catering. Nursing/Medical/Care and Engineering were the only sectors to record higher vacancies.

Permanent Vacancies Index

sa, >50 = growth since previous month. *Not seasonally adjusted.

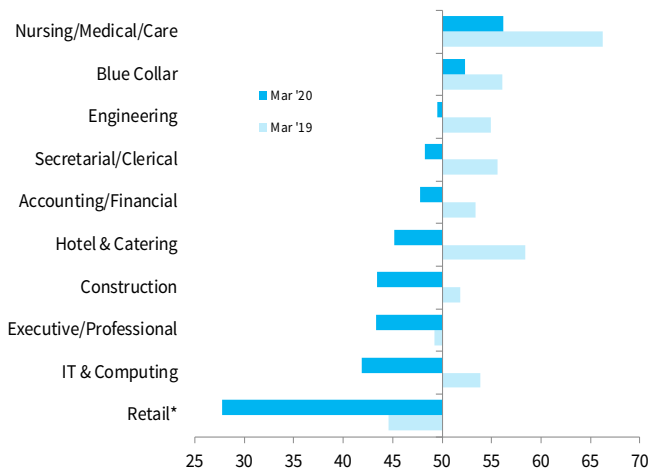


Temporary vacancies

Only two monitored job categories posted higher levels of demand for temporary staff in March; Nursing/Medical/Care and Blue Collar. The steepest reductions in short-term vacancies were meanwhile seen in Retail and IT & Computing.

Temporary Vacancies Index

sa, >50 = growth since previous month. *Not seasonally adjusted.



VACANCY INDEX BY SECTOR

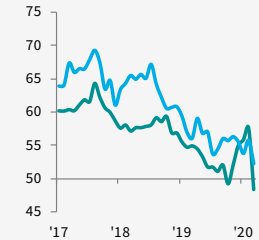
sa, >50 = growth since previous month

Permanent / Temporary

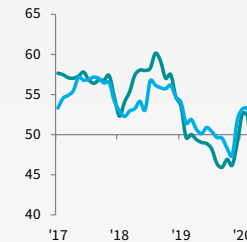
Accounting & Financial



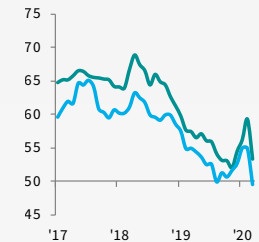
Blue Collar



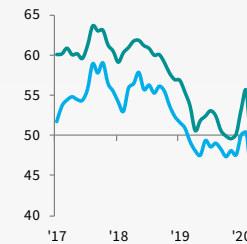
Construction



Engineering



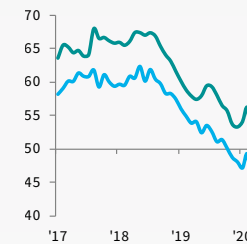
Executive & Professional



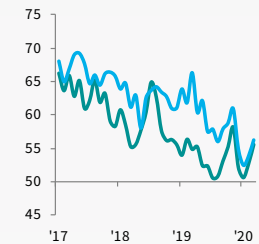
Hotels & Catering



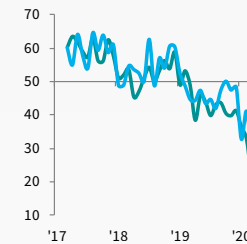
IT & Computing



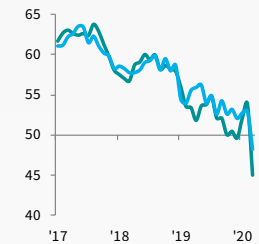
Nursing, Medical & Care



Retail (unadjusted)



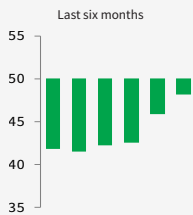
Secretarial & Clerical



5 STAFF AVAILABILITY

Recruitment consultants are asked to report whether availability of permanent and temporary staff has changed on the previous month. An overall indicator of staff availability is also calculated.

Total Staff Availability Index



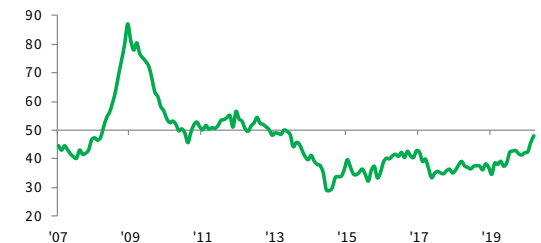
Modest decline in overall staff availability in March

The availability of staff dipped again at the end of the first quarter. However, the rate of decline weakened for the fourth consecutive month and was the slowest recorded since June 2013.

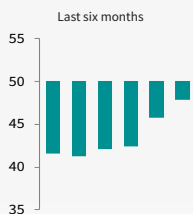
While recruiters signalled only a mild reduction in permanent labour supply, the availability of temporary workers rose for the first time since mid-2013.

Total Staff Availability Index

sa, >50 = improvement since previous month



Permanent Staff Availability Index



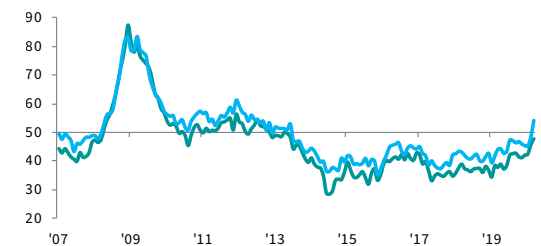
Weakest reduction in permanent staff supply for 81 months

Latest data pointed to only a modest drop in permanent labour supply during March. Furthermore, the rate of decline was the slowest since June 2013 and weaker than the historical trend. Panellists often mentioned that the outbreak of COVID-19 and greater economic uncertainty had led people to become reluctant to seek new roles. At the same time, recruiters mentioned that redundancies related to the pandemic, as well as pending IR35 legislation changes, had increased permanent staff supply.

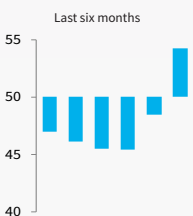
Permanent candidate numbers fell across all monitored English regions except the North.

Permanent / Temporary

sa, >50 = improvement since previous month



Temporary Staff Availability Index



Temporary candidate numbers rise at quickest pace since July 2012

Recruitment consultancies signalled a renewed increase in the availability of short-term staff during March, thereby ending an 80-month sequence of reduction. Furthermore, the rate of expansion was the strongest recorded since July 2012. Survey respondents attributed the upturn to job losses related to the COVID-19 outbreak and upcoming changes to IR35 rules.

Data broken down by region indicated that short-term staff supply rose across the majority of English areas, led by the North of England. The Midlands bucked the overall trend, and registered a further reduction in temp candidate numbers.

Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Oct '19	41.6	41.9	39.2	43.3	40.6
Nov '19	41.2	41.0	38.6	43.0	44.2
Dec '19	42.1	42.9	39.1	43.5	46.2
Jan '20	42.4	42.8	40.6	43.0	45.0
Feb '20	45.7	42.4	44.5	45.6	51.5
Mar '20	47.8	48.1	46.4	48.9	52.7

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Oct '19	47.0	49.0	46.4	41.9	47.3
Nov '19	46.1	46.0	47.1	40.6	51.9
Dec '19	45.5	49.2	44.3	39.8	50.9
Jan '20	45.4	51.6	44.2	41.3	49.6
Feb '20	48.5	50.0	46.8	44.3	51.4
Mar '20	54.3	58.9	53.4	45.7	59.1

6 DEMAND FOR SKILLS

Recruitment consultancies are invited to specify any areas in which they have encountered skill shortages during the latest month.

Skills in short supply: Permanent staff

Accounting/Financial Accountants Auditors Book Keepers Credit Controllers Estimators Finance Investment Paraplanners Payroll Pensions Admin Risk Tax professionals Taxation	IT/Computing Analysts Data Professionals Data Scientists Design Managers Developers IT Software Technology
Blue Collar Cleaners Drivers Forklift Drivers LGV Drivers Production Warehouse	Nursing/Medical/Care Carers HADS Opticians Social Workers
Construction Construction Quantity Surveyors White Collar Construction	Secretarial/Clerical Office Staff Receptionist
Engineering Civil Engineers Design Engineers Engineers Mechanical Engineers Senior Electronic Engineers Technicians	Other All Buyers Customer Service Sales Skilled
Executive/Professional Compliance Executives Law Legal Legal Secretarial Management Portal Fee Project Managers	All Buyers Customer Service Sales Skilled
Hotel/Catering Baristas Catering Chefs Hospitality Kitchen Porters	

Skills in short supply: Temporary staff

Accounting/Financial Accountants Credit Controllers Finance Payroll Pensions Admin	Nursing/Medical/Care Carers HADS Nurses Optometrist Social Workers
Blue Collar Blue Collar Cleaners Decorators Drivers Forklift Drivers HGV Drivers Industrials LGV Drivers Manufacturing Mechanics Production Warehouse Welders	Secretarial/Clerical Administration Office Staff Receptionist
Construction Construction Stress Engineer	Other All Buyers Call Centre Customer Service General Assistants Languages Sales Skilled Team Leaders Unskilled
Engineering Design Engineers Engineers	
Executive/Professional Legal Legal Secretarial Portal Fee	
Hotel/Catering Baristas Chefs Front of House Hospitality Kitchen Porters	
IT/Computing Developers IT Java PHP Developers Ruby Software Technology	

Skills in excess supply: Permanent staff

Accounting/Financial Accountants Credit Controllers Finance Financial Controllers	Executive/Professional Human Resources Management Project Managers	Clerical Office Staff Personal Assistant
Blue Collar Blue Collar Production Site Managers Warehouse	Hotel/Catering Hospitality	Other All Customer Service Graduates Sales Telesales Testers Unemployable Unskilled
Construction Construction	IT/Computing IT Staff Technology	
Engineering Engineers	Retail Retail	
	Secretarial/Clerical Administration	

Skills in excess supply: Temporary staff

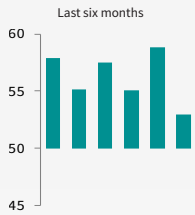
Accounting/Financial Accountants Finance	Executive/Professional Human Resources Project Managers Purchasing Manager	Office Staff Personal Assistant
Blue Collar Blue Collar Manufacturing Production Warehouse	Hotel/Catering Hospitality	Other All Customer Service Graduates Testers Unskilled
Construction Construction Labourers	IT/Computing IT Staff Technology	
Engineering Engineers	Retail Retail	
	Secretarial/Clerical Administration	

Note : Skills can be reported as being both in short supply and excess supply as we survey various recruitment agencies across the country, so there is geographical variation as well as the possibility of candidates with particular skills being concentrated in certain areas.

7 PAY PRESSURES

The recruitment industry survey tracks both the average salaries awarded to people placed in permanent jobs each month, as well as average hourly rates of pay for temp/contract staff.

Permanent Salaries Index

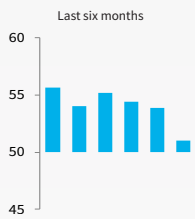


Starting salary inflation softens to 44-month low

Salaries awarded to newly-placed permanent workers continued to rise in March. Though solid, the rate of increase was the slowest recorded since July 2016. Higher pay was generally linked to candidate shortages, but there were also reports that the COVID-19 outbreak and subsequent softening of demand for staff had weighed on salary growth.

All four monitored English regions noted slower increases in starting salaries during March.

Temporary Wages Index



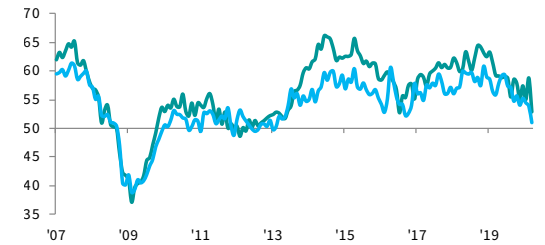
Slowest rise in temp wages for just over seven years

Adjusted for seasonality, the Temporary Wages Index pointed to only a marginal rise in average hourly rates of pay for short-term staff in March. Notably, the rate of pay growth was the slowest since the current sequence of expansion began in February 2013. Lower staff demand was a key driver of softer wage inflation, according to panel members.

Temp pay rose in the South of England and the Midlands, but fell in London and the North of England.

Permanent Salaries / Temporary Wages

sa, >50 = inflation since previous month



Permanent Salaries Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Oct '19	57.9	57.5	59.5	56.0	55.0
Nov '19	55.2	53.7	56.7	52.9	58.4
Dec '19	57.5	54.4	57.6	57.6	58.2
Jan '20	55.1	55.1	54.8	56.8	54.7
Feb '20	58.9	57.4	56.6	62.9	61.6
Mar '20	52.9	53.5	51.1	54.5	52.3

Temporary Wages Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Oct '19	55.6	55.1	56.6	53.9	53.6
Nov '19	54.0	54.0	54.2	54.0	52.5
Dec '19	55.2	55.6	55.6	53.8	53.4
Jan '20	54.4	55.0	54.7	53.9	52.3
Feb '20	53.9	53.1	53.5	55.9	52.5
Mar '20	51.0	49.0	52.2	51.1	48.4

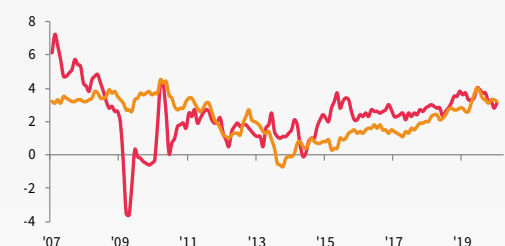
OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Data from the Office for National Statistics showed that employee earnings (including bonuses) rose 3.1% on an annual basis in the three months to January 2020. This was faster than the 2.9% rate of growth reported over the final quarter of 2019, but still weaker than the average over the past year.

Pay growth picked up in the private sector from 2.8% to 3.1% in the latest three-month period. However, earnings across the public sector expanded by 3.2%, which was down slightly from 3.3%.

UK average weekly earnings (private / public)

%yr/yr, 3mma



Source: Office for National Statistics.

8 SPECIAL FEATURE

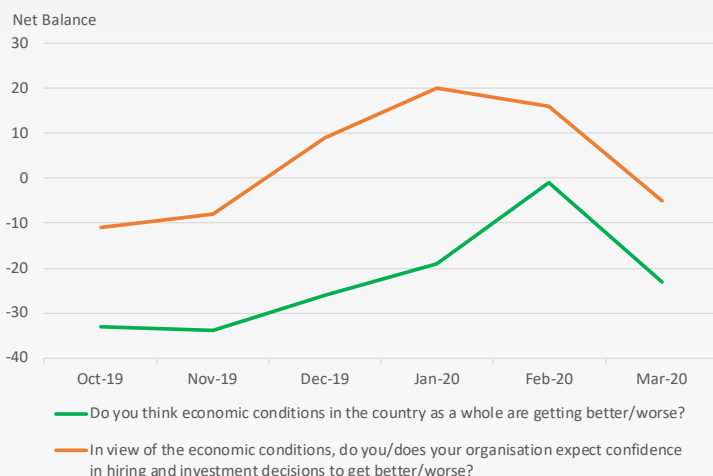
This section features data from the Recruitment and Employment Confederation’s survey of employers

COVID-19 OUTBREAK CAUSES THE UK’S LABOUR MARKET TO STALL

The spread of coronavirus hit employers hard in the first part of the UK slowdown to fight the virus, according to *JobsOutlook* data collected between 2 March and 20 March¹.

Employer confidence

The latest figures show that employer confidence in the UK economy dropped by 22 percentage points between February and March, from a net figure of -1 to -23. This was mainly driven by a dive in sentiment among small businesses in particular. As a result of the unprecedented nature of the coronavirus crisis, confidence in making hiring and investment decisions fell by 21 percentage points compared with the previous month. The balance of confidence has now returned to negative territory (net: -5).



Some employers have still been looking to bring on staff in the short term. Encouragingly, forecast demand for temporary agency workers has increased from net: -2 in February to net: +13 in March, as some key firms in supply chains looked to bring in flexible staff to deal with the fast-changing landscape at the onset of the crisis. In the medium-term, demand for permanent staff fell by 12 percentage points to net: +17 in March – with a drop of 19 points amongst small businesses. Demand in Health & social care (net: +31) was notably higher than the average.

Pressing concerns

Despite the government taking bold measures to protect workers and help businesses survive the shutdown, the primary concern is cashflow². Thousands of businesses, small and medium-sized firms in particular, are already struggling to access cash to pay the salaries of their employees and their suppliers. In a survey of recruiters on 26 March, three in four (76%) participants said they were concerned about cashflow.

As a result, businesses are looking at furloughing staff. In the same survey of recruiters, three in five (59%) participants stated they were considering furloughing staff in order to manage the impact of the coronavirus crisis on their business. Meanwhile, as homeworking becomes the new norm for many businesses, the concern has been about managing a remote workforce effectively and keeping staff motivated during these uncertain times.

With permanent placements and temporary billings falling at the quickest rates since 2009, it is vital for recruiters to adapt quickly to the new circumstances, avoid making instant decisions and review their plans. This will help them strengthen their position now and bounce back quickly when the market returns to normality.

¹ By comparison, the March 2020 UK Report on Jobs data were collected 12-25 March 2020

² For all the latest updates from the Government, visit the REC’s COVID-19 hub at: <https://www.rec.uk.com/news-and-policy/coronavirus-covid-19-hub>

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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 ecomomics@ihsmarkit.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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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.

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