



KPMG AND REC, UK REPORT ON JOBS

COVID-19 pandemic continues to weigh heavily on recruitment activity in May

KEY FINDINGS

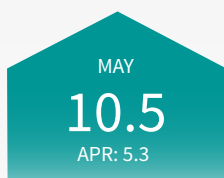
Permanent placements and temp billings decline further amid recruitment freezes

Availability of workers rises at quickest rate since July 2009

Weak demand for staff leads to downward pressure on pay

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:

“Lingering uncertainty around the COVID-19 pandemic, and when the outlook may improve, continues to take its toll on the UK jobs market.”

“Hiring plans which were put on hold in March remain on ice, with many businesses focusing on maintaining their current staff rather than expansion or replacement.”

“The number of people looking for work has risen at the quickest rate since July 2009 making it a highly competitive market. With a potential July stimulus package from the Government set to include a focus on retraining and skills, adaptability will be the key to success for jobseekers in 2020.”

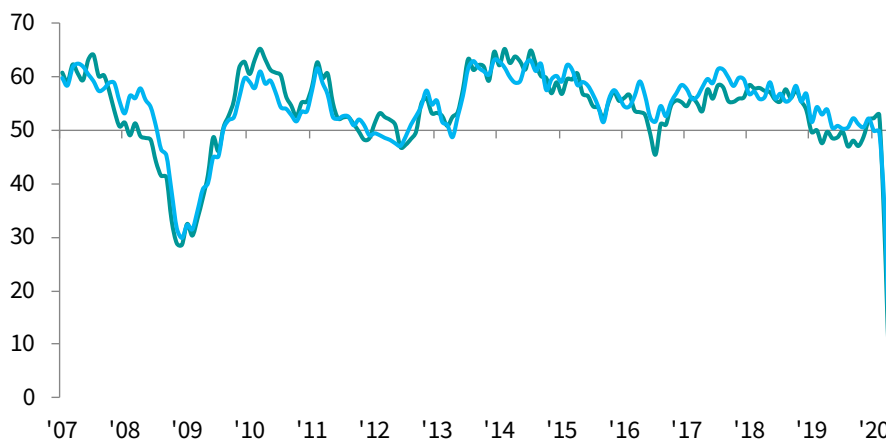
Neil Carberry, Chief Executive of the REC, said:

“Given the impact of the lockdown in early May, it’s no surprise that these figures look bleak. But in the two weeks since this data was collected, lockdown rules have been eased and the feedback we get from recruiters every day suggests that the slight improvements that we can see in the placements and vacancies data have continued. I’m also hearing from business leaders all over the country that things are starting to look up. There is a long way to go, but it’s time to talk about how we recover from this crisis.”

“Collaboration between government, businesses and recruiters will be vital as we try to get the economy up and running again. The UK’s staffing and recruitment companies are experts at helping people find work, and we are ready to support jobseekers in the months ahead.”

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 May are:

Permanent placements continue to fall sharply

May survey data indicated that hiring activity remained weak across the UK, as permanent placements and temp billings both fell at the second-sharpest rates on record. Recruiters frequently mentioned that the coronavirus disease 2019 (COVID-19) pandemic had led clients to cancel or postpone recruitment plans until the outlook improved.

Candidate supply rises at fastest pace since mid-2009

Recruitment consultancies signalled the quickest expansion in overall candidate availability since July 2009 during May. The upturn was driven by steeper increases in the availability of both permanent and short-term staff. Panellists often linked higher candidate numbers to redundancies and staff being placed on furlough due to COVID-19.

Starting salaries drop at steeper rate...

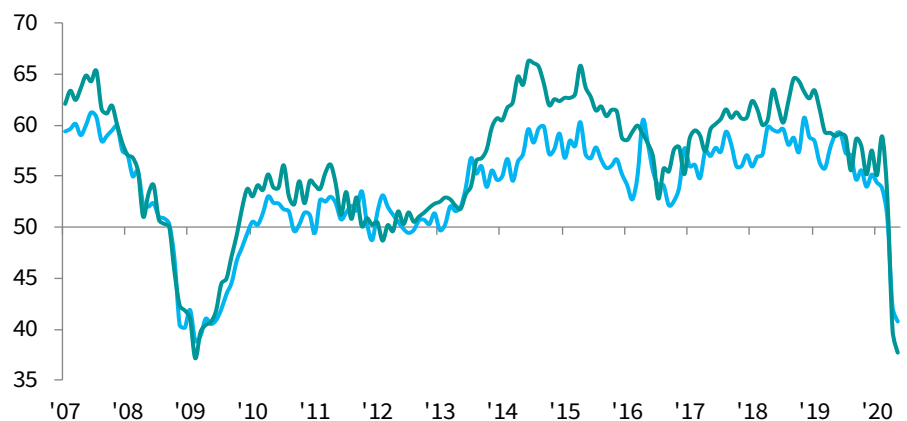
Permanent starter salaries fell for the second month running in May, and at the quickest rate since February 2009. Temp pay meanwhile declined at the fastest rate for 11 years. Recruiters often mentioned that weak demand for staff and budget cuts at clients had driven down pay in May.

... as demand for staff declines further

Overall vacancies fell at a substantial pace in May, despite the rate of reduction easing from April's survey record. Marked drops in demand continued to be signalled for both permanent and temporary workers, with the former noting the steeper rate of contraction.

Permanent Salaries Index / Temporary Wages Index

sa, >50 = inflation since previous month

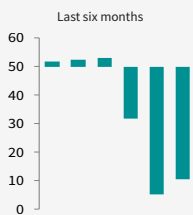


2 STAFF APPOINTMENTS

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



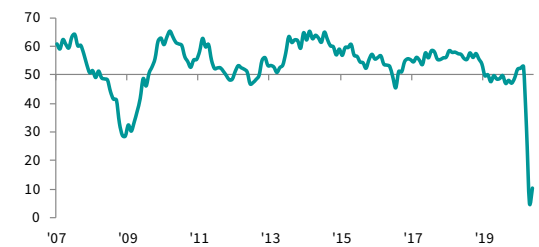
Permanent placements continue to fall sharply in May

The seasonally adjusted Permanent Placements Index remained well below the neutral 50.0 value in May to signal a further decline in permanent staff appointments. Although the pace of contraction eased from April's all-time record, it was nonetheless the second-quickest in over two decades of data collection. Panel members widely linked the fall to the COVID-19 pandemic, as clients delayed or cancelled hiring plans until the outbreak was under control and business operations returned to a more normal state.

Permanent placements fell sharply across all four monitored English regions in May, led by the North of England.

Permanent Placements Index

sa, >50 = growth since previous month

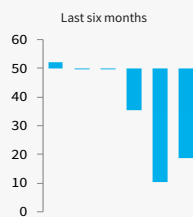


Permanent Placements Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
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
Apr '20	5.3	5.2	5.8	4.7	2.4
May '20	10.5	7.1	11.8	16.6	6.7

Temporary Billings Index



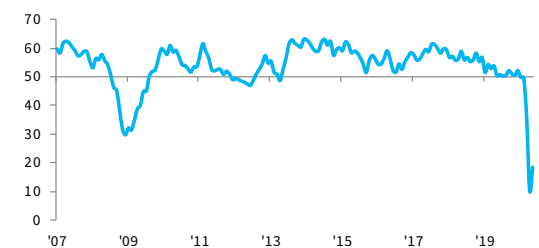
Downturn in temp billings eases but remains marked

The coronavirus outbreak also weighed on temporary hires, as highlighted by a further marked reduction in billings received from the employment of short-term workers during May. The decline was the second-fastest in the 22-and-a-half-year series history, surpassed only by April 2020. According to panel members, company closures and heightened uncertainty drove temp billings lower. Indeed, many recruiters mentioned that clients had reduced current temporary staff numbers or placed them on furlough.

Temp billings fell at softer, but nonetheless severe, rates across each of the four monitored English regions. The quickest fall was seen in the South of England.

Temporary Billings Index

sa, >50 = growth since previous month



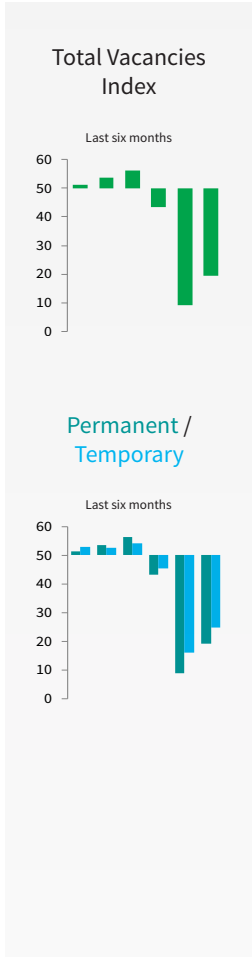
Temporary Billings Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
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
Apr '20	10.4	9.5	11.0	5.5	15.5
May '20	18.6	16.7	16.4	19.1	22.4

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 contracts further in May

Overall vacancies declined again in May, as shown by the seasonally adjusted Total Vacancies Index posting below the neutral 50.0 level at 19.3. Although this was up from April's record low of 9.3, the reading continued to signal a severe rate of reduction.

Permanent and temporary vacancies

Latest data signalled further marked drops in demand for both permanent and short-term staff in May. In both cases, the rate of contraction eased since April but remained considerable. Overall, permanent staff vacancies continued to deteriorate at a quicker pace than that seen for temp workers.

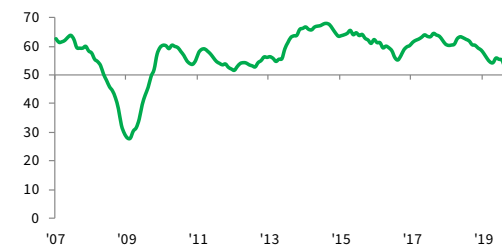
Public & private sector vacancies

Demand for staff declined across both the private and public sectors during May.

The steepest reductions in vacancies were once again seen in the private sector, though demand for public sector staff also fell at a historically sharp pace.

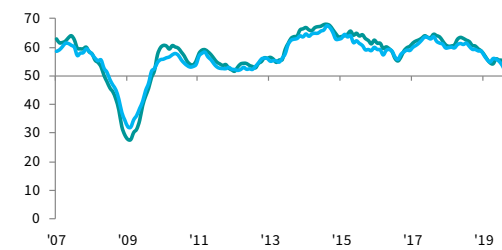
Total Vacancies Index

sa, >50 = growth since previous month



Permanent / Temporary

sa, >50 = growth since previous month



Vacancy Index summary

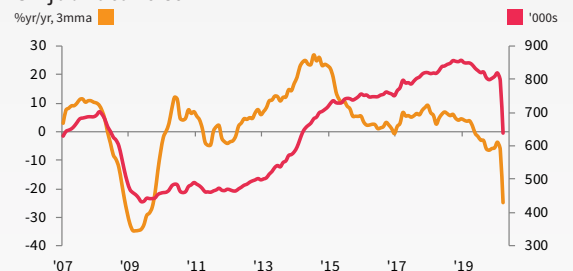
sa, >50 = growth since previous month. *Not seasonally adjusted.

	Permanent				Temporary		
	Total	Total	Private*	Public*	Total	Private*	Public*
Dec '19	51.3	51.2	52.3	45.8	52.9	53.3	51.0
Jan '20	53.5	53.6	60.4	47.8	52.4	49.5	47.6
Feb '20	56.1	56.2	65.8	51.1	54.1	57.1	53.5
Mar '20	43.3	43.2	42.3	47.4	45.2	44.2	50.3
Apr '20	9.3	8.9	2.9	14.7	16.1	8.0	24.6
May '20	19.3	19.0	18.6	21.2	24.7	23.7	29.8

OFFICIAL DATA: UK JOB VACANCIES

Latest labour market data from the Office for National Statistics (ONS) indicated that total job vacancies across the UK declined by -24.7% on an annual basis in the three months to April, which marked the quickest rate of reduction since the depths of the global financial crisis in 2009. At 637,000, the number of vacancies was the lowest since the opening quarter of 2014. The Report on Jobs Total Vacancies Index suggests that official vacancies may decline further through the rest of the second quarter.

UK job vacancies



Source: Office for National Statistics.

4 VACANCIES BY SECTOR

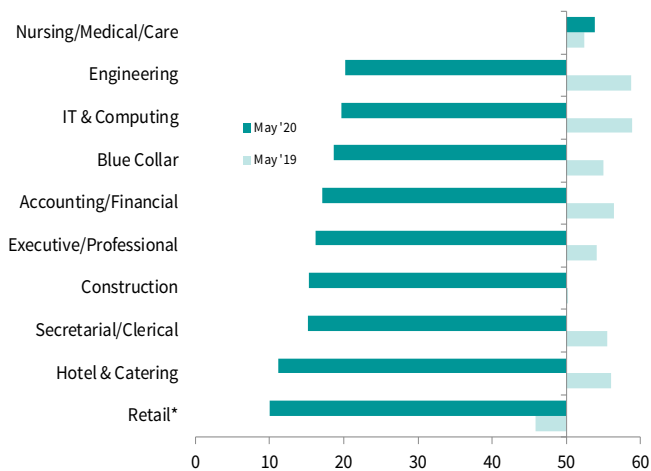
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

Nine of the ten job categories registered a fall in demand for permanent staff during May. The steepest reduction was seen in Retail, closely followed by Hotel & Catering. Nursing/Medical/Care was the only sector to record higher vacancies.

Permanent Vacancies Index

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

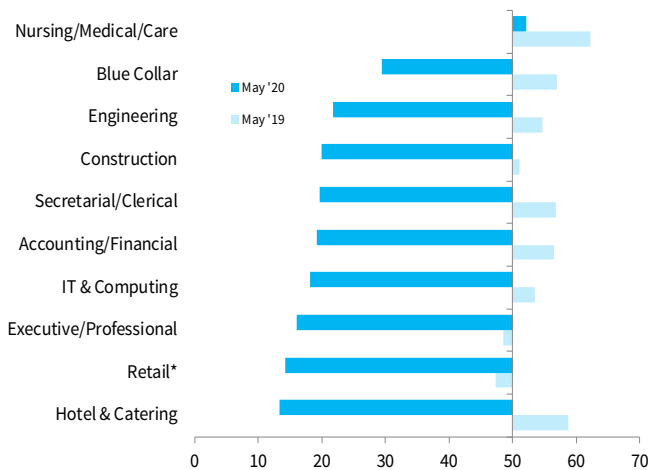


Temporary vacancies

Sharp falls in demand for temp workers were seen across all job categories except Nursing/Medical/Care midway through the second quarter. The most marked deteriorations were signalled for Hotel & Catering and Retail employees.

Temporary Vacancies Index

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

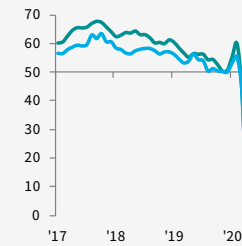


VACANCY INDEX BY SECTOR

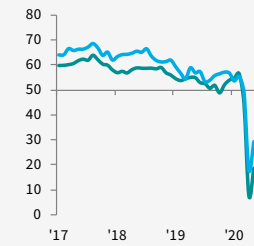
sa, >50 = growth since previous month

Permanent / Temporary

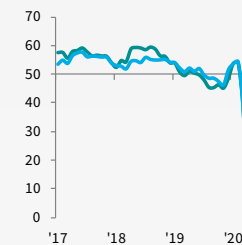
Accounting & Financial



Blue Collar



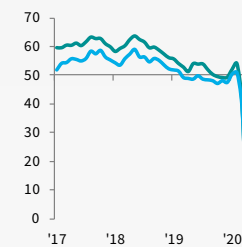
Construction



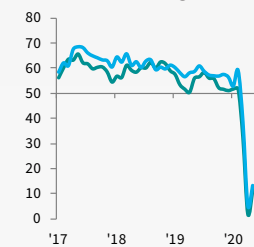
Engineering



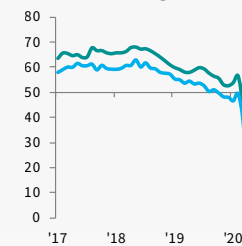
Executive & Professional



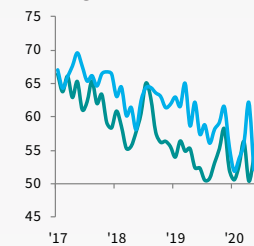
Hotels & Catering



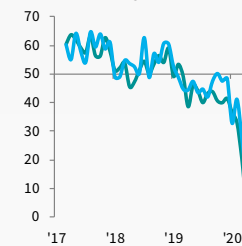
IT & Computing



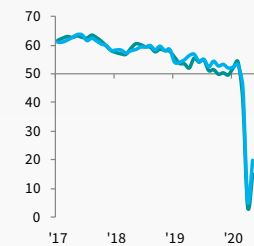
Nursing, Medical & Care



Retail (unadjusted)



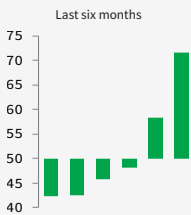
Secretarial & Clerical



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



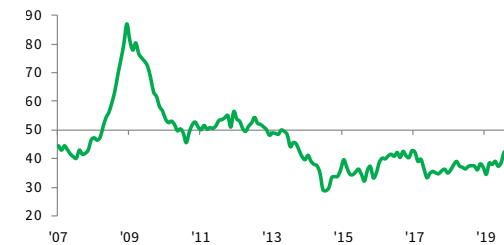
Steepest increase in total staff availability since July 2009

UK recruiters signalled a sharp and accelerated rise in the overall availability of candidates during May. Furthermore, the rate of expansion was the fastest since July 2009 and among the quickest in the survey's 22-and-a-half year history.

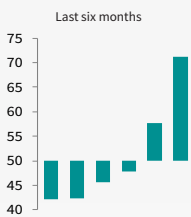
The increase in supply was driven by faster rises in both permanent and temporary staff, with the latter registering the sharper rate of growth.

Total Staff Availability Index

sa, >50 = improvement since previous month



Permanent Staff Availability Index



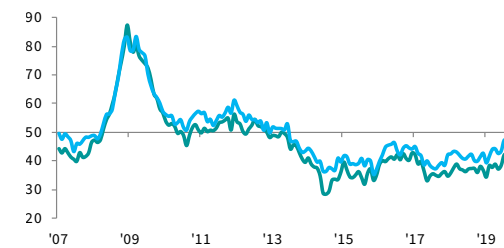
Permanent candidate numbers rise at substantial pace

The availability of candidates for permanent roles continued to rise in May. Furthermore, the rate of growth picked up from April and was the sharpest recorded since July 2009. Panel members often linked the increase to redundancies stemming from the COVID-19 outbreak. Several recruiters also mentioned that staff placed on furlough were seeking new roles due to fears of being made redundant in the coming months.

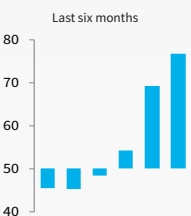
Permanent candidate supply rose sharply across all four monitored English regions, led by the Midlands.

Permanent / Temporary

sa, >50 = improvement since previous month



Temporary Staff Availability Index



Quickest increase in temp labour supply for nearly 11 years

Adjusted for seasonal factors, the Temporary Staff Availability Index signalled a second successive monthly rise in the number of candidates available for short-term work. The rate of expansion was the steepest seen since June 2009 and substantial. Recruitment consultancies attributed the upturn to company layoffs and workers placed on furlough.

Sharper increases in permanent staff availability were seen across all four monitored English regions.

Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
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
Apr '20	57.7	55.0	57.3	62.1	61.9
May '20	71.2	64.6	72.0	82.4	71.2

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
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
Apr '20	69.3	68.5	70.3	67.3	71.8
May '20	76.7	74.5	80.3	80.3	74.1

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 Credit Controllers Estimators Finance Financial Analysts Risk Taxation	Technology
Blue Collar HGV Drivers	Nursing/Medical/Care Carers Nurses
Construction Planners Quantity Surveyors	Secretarial/Clerical Office Staff
Engineering Design Engineers Engineers HVAC Engineers Mechanical Engineers Senior Electronic Engineers Technicians	Other All Sales
Executive/Professional Compliance Digital Marketing Executives Management	
Hotel/Catering Chefs	
IT/Computing C# CNC Data Scientists Database Developers Design Managers Developers IT Java Software Engineers	

Skills in short supply: Temporary staff

Accounting/Financial Accountants Auditors Credit Controllers Risk	Other All Health & Safety Semi Skilled
Blue Collar Cleaners Drivers Industrials Warehouse Welders	
Construction Design Engineers Engineers Hardware Engineers	
Engineering Design Engineers Engineers	
IT/Computing Analysts Data Scientists Database Developers IT Technology	
Nursing/Medical/Care Carers Health Care Assistants Nurses Pharmacists Social Workers	
Retail Retail	
Secretarial/Clerical Administration Office Staff	

Skills in excess supply: Permanent staff

Accounting/Financial Accountants Book Keepers Credit Controllers Finance	Programmers
Blue Collar Blue Collar Drivers	Retail E-commerce Retail
Executive/Professional Business Analysts Management Marketing Project Managers Recruitment Consultants Scientists	Secretarial/Clerical Administration Office Staff Secretary
Hotel/Catering Chefs Hospitality	Other All Commercial Customer Service Graduates Sales Unskilled
IT/Computing IT	

Skills in excess supply: Temporary staff

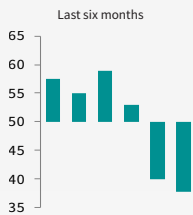
Accounting/Financial Accountants Book Keepers Credit Controllers Finance	Hotel/Catering Catering Hospitality	Customer Service Sales Semi Skilled Unskilled
Blue Collar Blue Collar Drivers Manufacturing Warehouse	IT/Computing IT Technology	
Construction Labourers	Nursing/Medical/Care Doctors Nurses	
Executive/Professional Human Resources Marketing Operations Managers Project Managers Purchasing Manager Scientists	Retail E-commerce Retail	
	Secretarial/Clerical Administration Clerical Receptionist	
	Other All Commercial	

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

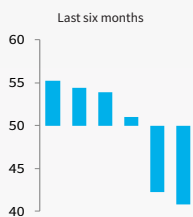


Steepest decline in starting salaries since February 2009

Starting salaries awarded to newly placed permanent staff fell for the second successive month in May. Recruiters that registered lower pay often linked this to greater market uncertainty and budget cuts. Notably, the rate of reduction quickened to the second-steepest on record, exceeded only by that seen in February 2009.

Regional data signalled a broad-based decline in starting salaries, which was led by London.

Temporary Wages Index



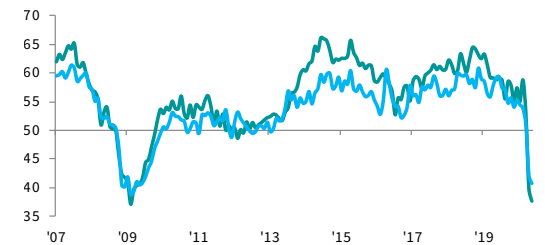
Temp pay falls at quickest rate for 11 years

Hourly rates of pay for staff in temporary employment fell at a sharp and accelerated rate midway through the second quarter. Moreover, the pace of reduction was the most marked since May 2009. A number of panel members noted that clients renegotiated temp pay rates as demand conditions weakened and budgets were placed under greater strain due to COVID-19.

Notable drops in wages were seen across all four monitored English regions, with the steepest fall seen in London.

Permanent Salaries / Temporary Wages

sa, >50 = inflation since previous month



Permanent Salaries Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
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
Apr '20	39.9	35.5	41.3	38.3	41.5
May '20	37.7	33.3	35.8	41.8	42.7

Temporary Wages Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
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
Apr '20	42.2	37.6	42.7	39.3	45.6
May '20	40.8	36.6	41.9	44.4	42.4

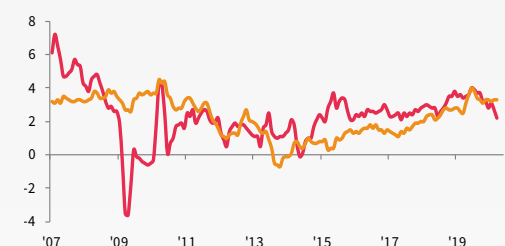
OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Employee earnings (including bonuses) rose by 2.4% year-on-year over the first quarter of 2020, according to the latest data published by the Office for National Statistics. This was slower than the 2.8% expansion seen in the three months to February 2020, and the slowest rate of growth since the three months to June 2018.

The softer increase in earnings was driven by weaker private sector pay growth, which eased to a near three-year low of 2.2%. In contrast, public sector earnings growth held steady at 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

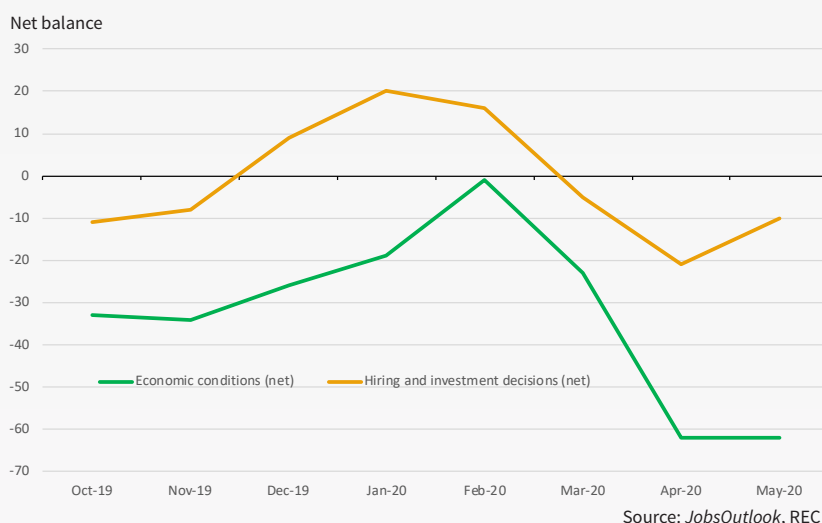
EMPLOYER SURVEY INDICATES THE WORST MAY BE BEHIND US

It’s clear that the coronavirus pandemic has had a profound effect on the UK’s economy and labour market. Since the lockdown measures were introduced in March, many businesses have either closed temporarily or shut their doors for good. This has meant a knock-on effect on workers, with many having been furloughed, had their hours reduced, or lost their jobs completely.

These effects can be seen clearly in the REC’s survey of employers. In April, the *JobsOutlook* survey found that business confidence in the prospects for the UK economy was at a net level of -62, the lowest level recorded in the four years that the survey has been running. Employers’ confidence in making hiring and investment decisions in their own businesses also fell to a record low of net: -21.

The most recent *JobsOutlook* survey, conducted during the first two weeks of May, also shows the effect this has had on workers. One in three (31%) employers said that they had reduced the hours of their workforce in the year to May 2020, while one in six (17%) had reduced their pay/earnings. In comparison, 11% had reduced hours and just 2% had reduced pay/earnings in the year to March 2020, before the lockdown measures were introduced.

However, figures from May’s report also indicate that the worst could be behind us. While confidence in the economy remained at a record low, levels of confidence in hiring had improved by 11 percentage points, to net: -10.



Short-term demand for staff also increased slightly between April and May. Employers’ intentions to hire permanent staff in the next three months rose from net: -9 to net: -5, which could indicate the labour market starting to open up again following the May’s announcements that lockdown measures would gradually be eased across the UK.

It’s encouraging to see that employers’ intentions to hire staff in the next 4-12 months has remained positive throughout this period. Medium-term demand now sits at net: +6 for both permanent staff and temporary agency workers. We can be sure that firms will start to hire staff in the coming months, and the economy will recover as they do.

Another indicator that the worst may be over is job postings data. The REC has recently launched the *Jobs Recovery Tracker* in partnership with Emsi, which will track the number of job adverts in different sectors and local areas across the UK in the coming months. And while the first batch of data shows that the labour market is still in decline overall, there are pockets of growth, especially in rural areas such as south Norfolk, Omagh, the North East and the Scottish borders. There is also growth in postings for certain roles, like security guards, cleaners and roofers.

We are likely to see positive signs for other occupations in the near future as more workplaces start to open. Recruiters will be at the forefront of this recovery, and we are ready to work with employers and government to get people back into work where they are needed most.

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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.

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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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