

KPMG AND REC, UK REPORT ON JOBS

National lockdown weighs on recruitment decisions in February

KEY FINDINGS

Permanent placements decline again, while temp billings expand only modestly

Upturn in candidate availability slows sharply

Demand for staff broadly stable after drop in January

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:

“Business confidence remained subdued in February, with a further drop in permanent appointments and the lingering pandemic uncertainty still evident.

“The jobs market remains on hold with hiring decisions stalled, people reluctant to seek new roles and the growth in temporary billings has also slowed. However, it’s encouraging that it’s not seeing the big drop in vacancies or hiring that were seen in the first national lockdown.

“There’s a long way to go to rebuild confidence in the UK jobs market. But with the Covid roadmap to recovery in place and the Chancellor’s Budget announcement to further support businesses and individuals, there is reason for optimism for the UK’s future workforce.”

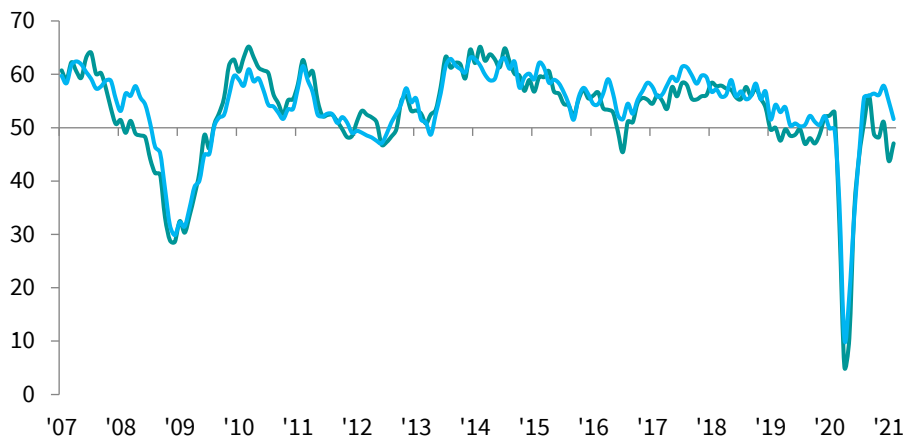
Neil Carberry, Chief Executive of the REC, said:

“Given the national lockdown that has been in place for the past two months, the labour market has coped remarkably well. Permanent placements have only fallen modestly, while vacancies and candidate availability have stabilised. Meanwhile, businesses have continued to use temporary work to help them through this tough period. We are well-positioned for a recovery as restrictions are lifted – but both businesses and workers will need help to do so.

“With that in mind, there was some good news in this week’s Budget. It was sensible to extend support measures like the furlough scheme and business tax deferrals while health restrictions are still in place, and expand support for the self-employed. But more could have been done to tackle the big economic transitions we face, encouraging growth and reducing unemployment. For example, cutting employers’ National Insurance to encourage job retention and creation, replacing the failed apprenticeship levy with a flexible levy that meets the economy’s needs, and investing in job finding services with recruiters at their heart.”

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 February are:

Permanent placements fall again, albeit at softer rate

The ongoing national lockdown to curb the spread of the coronavirus disease 2019 (COVID-19) led to a second successive monthly drop in permanent staff appointments in February, though the pace of decline weakened since January. At the same time, the expansion in temp billings was the softest seen in the current seven-month sequence of growth.

Demand for staff broadly stabilises in February

After falling solidly at the start of 2021, overall vacancies were broadly unchanged in February. Underlying data showed that permanent vacancies were close to stabilisation, while demand for temporary workers increased solidly.

Weakest increase in candidate numbers since the onset of the pandemic

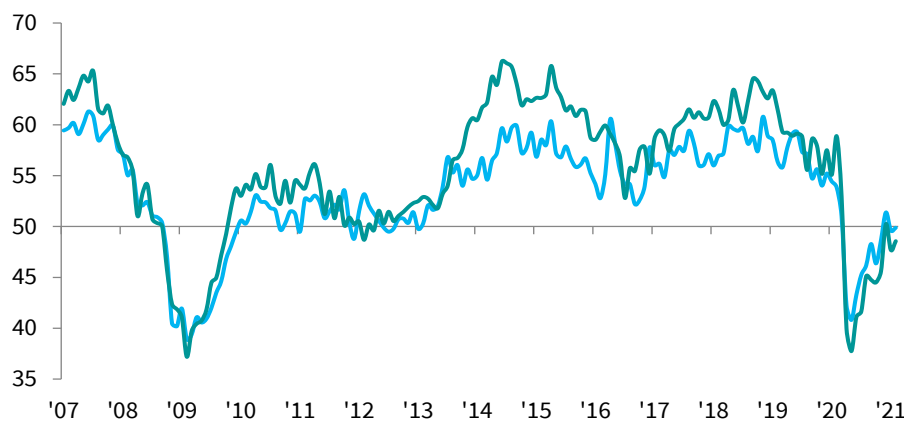
February data revealed only a fractional rise in staff supply, with the upturn the weakest seen since the current period of expansion began last April. While permanent worker availability was little-changed on the month, temp candidate numbers increased at a softer, but still marked, pace. Recruiters mentioned that the latest lockdown and concerns over job security had dampened candidate availability.

Starting pay falls again for permanent workers

Permanent starting salaries fell again in February, though the rate of reduction was only modest. At the same time, temp wages were broadly stable following a slight drop in January. Recruiters often mentioned that pay trends were relatively muted due to sluggish market conditions.

Permanent Salaries Index / Temporary Wages Index

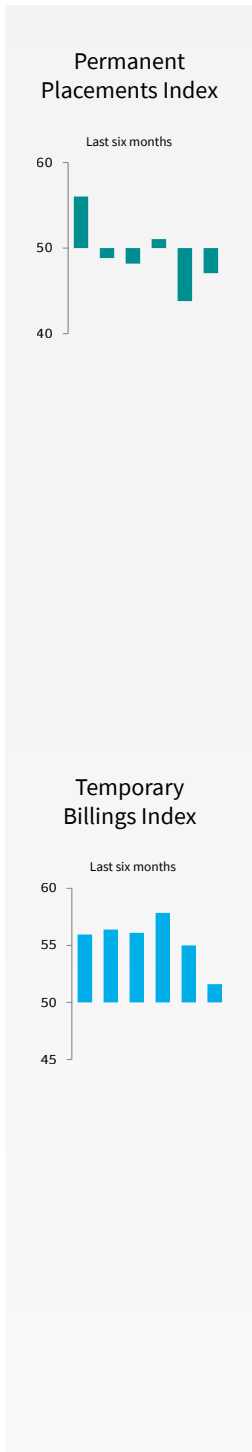
sa, >50 = inflation since previous month



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.



Softer decline in permanent placements

Recruitment consultancies in the UK signalled back-to-back monthly falls in the number of people placed into permanent positions in February. Though strong, the pace of decline was much weaker than that seen in January, when the third national lockdown began. Panel members often mentioned that clients had delayed hiring plans until restrictions related to COVID-19 begin to ease and business conditions start to normalise.

Permanent placements declined across all four monitored English regions bar the North of England. The South of England registered the sharpest rate of reduction overall, closely followed by London.

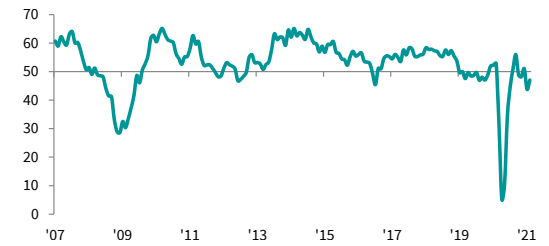
February sees notably softer rise in temp billings

Adjusted for seasonal influences, the Temporary Billings Index posted above the neutral 50.0 mark, to signal a further rise in billings received from the employment of temp workers in February. That said, the rate of growth was the softest seen in the current seven-month sequence of expansion and modest. Anecdotal evidence suggested that firmer demand for temp staff and new projects had boosted billings in the latest survey period. Others commented on relatively sluggish market conditions due to the latest national lockdown.

On a regional basis, the steepest increase in temp billings was seen in the Midlands. London meanwhile recorded a further decline, and one that was the quickest since mid-2020.

Permanent Placements Index

sa, >50 = growth since previous month



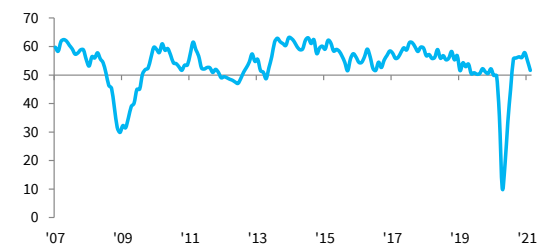
Permanent Placements Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Sep '20	56.0	48.8	58.0	59.1	54.6
Oct '20	48.8	42.0	46.6	55.6	52.6
Nov '20	48.2	46.2	49.5	48.0	49.2
Dec '20	51.1	49.0	51.2	56.9	51.9
Jan '21	43.8	44.0	42.2	40.1	45.0
Feb '21	47.1	45.0	44.3	48.0	53.3

Temporary Billings Index

sa, >50 = growth since previous month



Temporary Billings Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Sep '20	56.0	49.6	56.1	60.2	56.9
Oct '20	56.4	46.1	55.5	61.0	60.8
Nov '20	56.1	45.9	56.0	62.3	59.6
Dec '20	57.9	47.3	55.8	60.5	63.3
Jan '21	55.0	49.8	54.0	56.7	55.3
Feb '21	51.6	44.7	51.3	58.8	51.1

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 broadly stable in February

The Total Vacancies Index rose from 45.8 in January to 49.9 in February, indicating broadly stable demand for staff. This contrasted with a solid drop in vacancies at the start of the year when a tightening of measures to combat the spread of COVID-19 led to a renewed lockdown.

Permanent and temporary vacancies

After declining at the quickest rate for five months in January, demand for permanent workers nearly stabilised in February. This was highlighted by the respective seasonally adjusted index posting close to the 50.0 no-change mark. Demand for temporary staff increased for the seventh successive month. The rate of vacancy growth quickened since January and was solid.

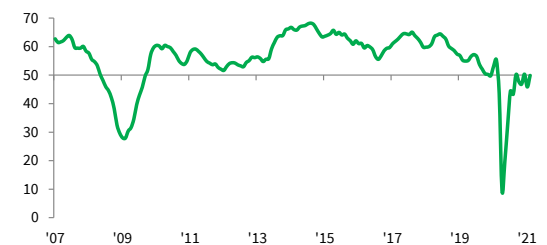
Public & private sector vacancies

Permanent vacancy trends diverged in February. In the public sector, demand for permanent staff fell sharply, while vacancies rose modestly across the private sector.

Open roles for short-term workers meanwhile rose strongly across both the private and public sector midway through the first quarter.

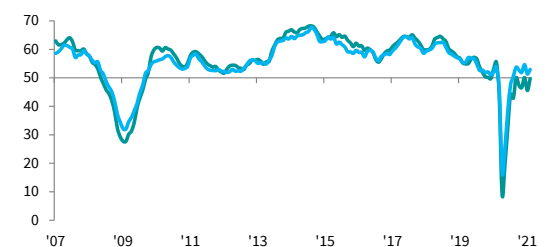
Total Vacancies Index

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.

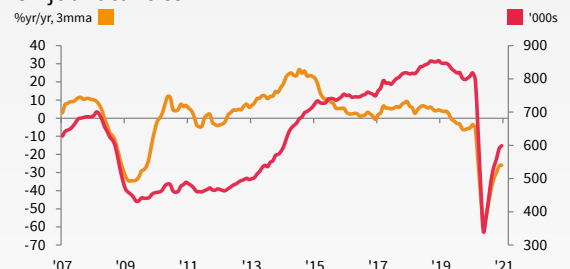
	Permanent				Temporary		
	Total	Total	Private*	Public*	Total	Private*	Public*
Sep '20	50.2	50.0	53.3	46.6	53.8	61.2	51.4
Oct '20	47.7	47.4	50.9	43.5	52.8	56.8	49.5
Nov '20	46.8	46.6	47.1	43.9	51.9	52.1	51.2
Dec '20	50.3	50.1	50.2	39.8	54.7	59.4	51.0
Jan '21	45.8	45.5	46.8	39.1	51.4	51.7	49.8
Feb '21	49.9	49.7	51.4	41.5	53.0	53.1	52.6

OFFICIAL DATA: UK JOB VACANCIES

Data from the Office for National Statistics (ONS) indicated a weaker recovery in vacancies in the three months to January. Total vacancies stood at 599,000, which was up only slightly from 590,000 in the preceding three-month period. As a result, vacancies were down -26.0% on an annual basis.

Nonetheless, the latest figure marks a further improvement from the nadir seen over the second quarter 2020, when vacancies dropped to 343,000.

UK job vacancies



Source: Office for National Statistics.

4 VACANCIES BY SECTOR

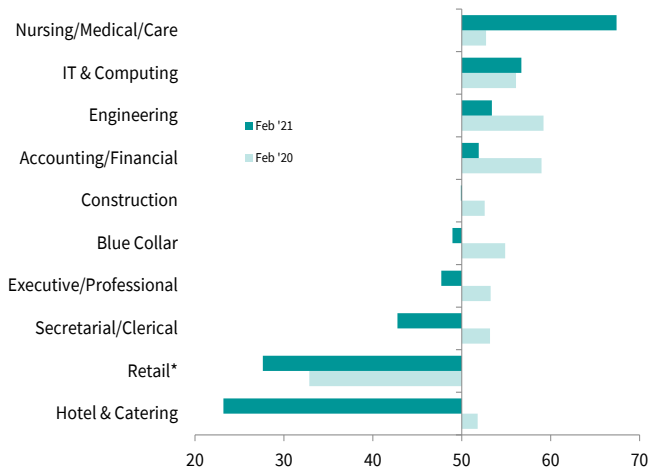
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

Demand for permanent staff rose across four of the ten monitored job categories in February. Nursing/Medical/Care saw by far the steepest increase, followed by IT & Computing. Hotel & Catering saw the sharpest drop in permanent vacancies.

Permanent Vacancies Index

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

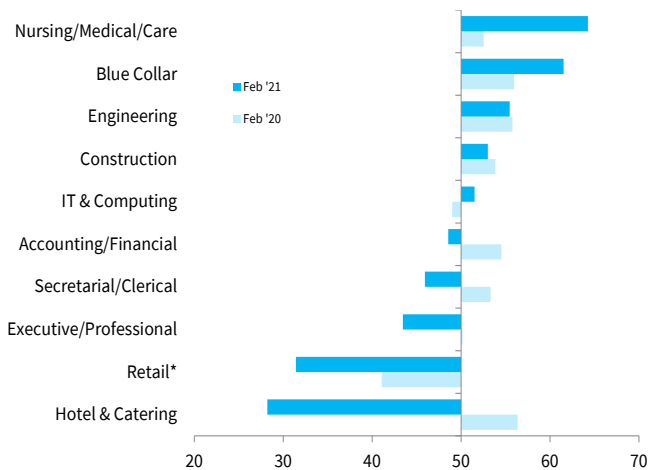


Temporary vacancies

Nursing/Medical/Care also topped the rankings in terms of temp vacancy growth in February, while Blue Collar placed second. Demand for temporary workers meanwhile fell markedly across the Hotel & Catering and Retail sectors.

Temporary Vacancies Index

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

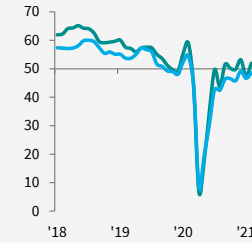


VACANCY INDEX BY SECTOR

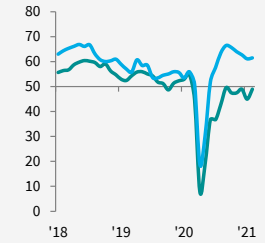
sa, >50 = growth since previous month

Permanent / Temporary

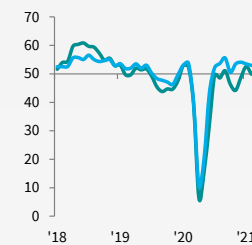
Accounting & Financial



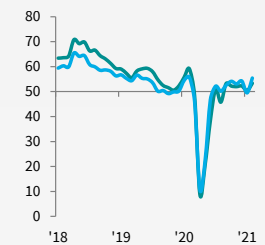
Blue Collar



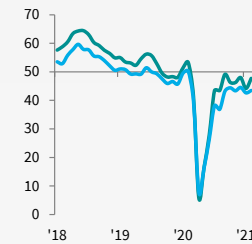
Construction



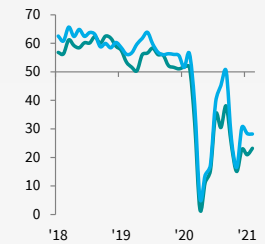
Engineering



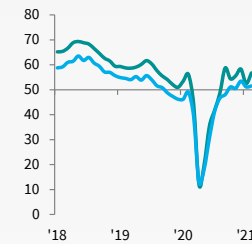
Executive & Professional



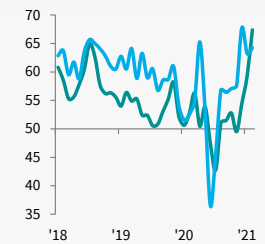
Hotels & Catering



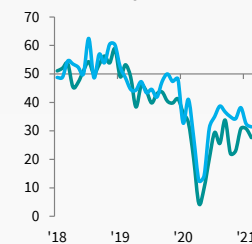
IT & Computing



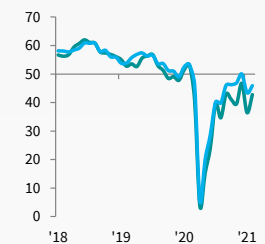
Nursing, Medical & Care



Retail (unadjusted)

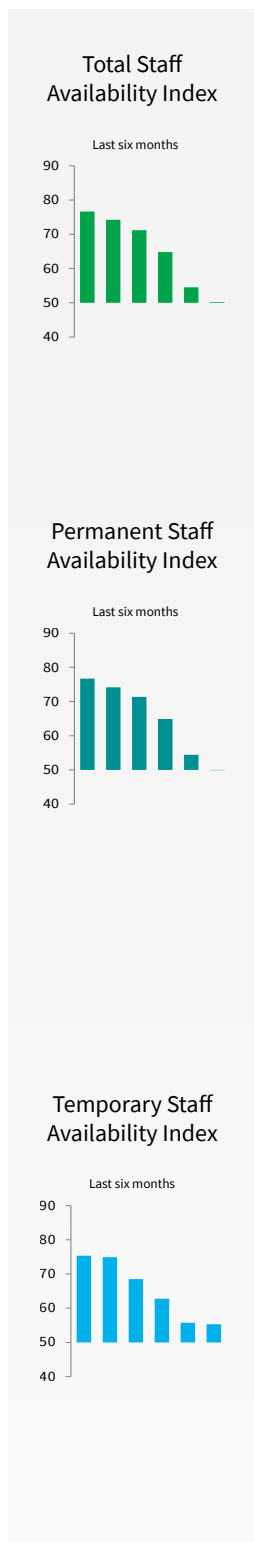


Secretarial & Clerical



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.



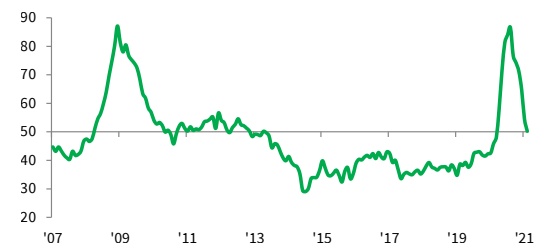
Availability of workers rises only fractionally in February

The seasonally adjusted Total Staff Availability Index posted slightly above the neutral 50.0 level in February, to signal only a fractional rise in the supply of candidates. This marked the weakest upturn in availability since the current sequence of expansion began last April.

The slowdown was largely driven by broadly stagnant permanent candidate numbers, as temporary staff supply continued to rise.

Total Staff Availability Index

sa, >50 = improvement since previous month



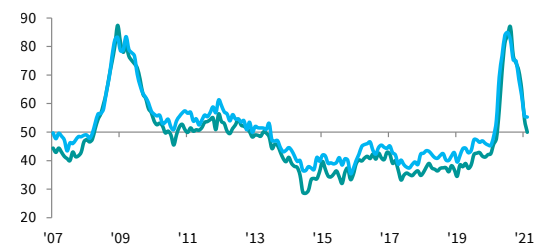
Permanent candidate numbers broadly stabilise

The availability of staff for permanent roles was little-changed from the previous month in February. This contrasted with notable increases in each of the prior ten months. While recruiters mentioned that redundancies stemming from the pandemic had increased candidate numbers, there were also reports that the latest lockdown, and greater market uncertainty, had meant many workers were less willing to put themselves forward for new roles.

Permanent labour supply rose in London and the South of England, but declined in the Midlands and the North of England.

Permanent / Temporary

sa, >50 = improvement since previous month



Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Sep '20	76.7	77.0	75.7	83.0	74.1
Oct '20	74.2	76.1	76.9	71.2	73.4
Nov '20	71.4	71.4	72.8	70.0	72.3
Dec '20	64.9	67.9	64.6	63.1	67.3
Jan '21	54.4	58.5	53.6	56.7	50.3
Feb '21	49.9	52.8	50.2	48.8	47.8

Growth in temp staff supply edges down to 11-month low

February survey data revealed a further increase in the availability of workers for short-term roles across the UK. Anecdotal evidence indicated that company layoffs due to COVID-19 had driven up temporary candidate numbers. Though marked and above the long-run series average, the rate of growth eased for the seventh month in a row to the softest since March 2020.

The supply of short-term staff rose across all four monitored English regions, with London seeing by far the steepest rate of increase.

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Sep '20	75.3	79.8	77.7	72.8	68.6
Oct '20	74.9	84.1	77.6	66.1	72.5
Nov '20	68.5	74.1	70.7	59.4	70.5
Dec '20	62.8	73.6	61.0	54.6	61.8
Jan '21	55.7	64.0	55.2	49.6	55.9
Feb '21	55.3	70.0	53.1	51.7	52.8

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 Management Accountants Payroll Risk Taxation	IT/Computing Agile Project Manager Analysts Automation Testers BI C# CAD CNC Cyber Cyber Security Data Scientists Developers Digital IT PHP Developers Programmers Python SAP Software Software Engineers Technology	German Speakers Health & Safety Life Sciences Logistics Microbiologists Sales Scandinavian Speakers Semi Skilled Skilled Stock Controllers
Blue Collar Drivers Forklift Drivers LGV Drivers Warehouse Welders	Nursing/Medical/Care Carers Clinical Research Managers Health Care Assistants Hearing Aid Dispensers Medical Nurses Optometrists Support Workers	
Construction Architectural Tech Architecture Quantity Surveyors	Retail E-commerce Retail	
Engineering Civil Engineers Engineers Senior Electronic Engineers Technicians	Secretarial/Clerical Administration Office Staff	
Executive/Professional Compliance Directors Executive Human Resources Legal Management Marketing Project Managers	Other All Types of Candidates Customer Service Customs Dutch Speakers European Speakers Freight	
Hotel/Catering Chefs		

Skills in short supply: Temporary staff

Accounting/Financial Accountants Auditors Book Keepers Credit Controllers Finance Payroll Taxation	Cyber Data Scientists Developers IT Java Software Software Engineers Technology
Blue Collar Cleaners Drivers Electricians Forklift Drivers HGV Drivers Labour LGV Drivers Manufacturing Production Rail Sewing Machinists Upholsters Warehouse Welders	Nursing/Medical/Care Carers Chemists Doctors Healthcare Assistants Hearing Aid Dispensers Nurses Optometrists Pharmacists Social Workers Support Workers
Construction Architectural Tech Bricklayers Construction Labourers	Secretarial/Clerical Administration Office Staff
Engineering Engineers	Other All Types of Candidates Commercial Dutch Speakers European Speakers Freight German Speakers Logistics Microbiologists Sales Scandinavian Speakers Semi Skilled Skilled Stock Controllers
Executive/Professional Human Resources Legal Management Operations Managers	
IT/Computing Automation Testers BI C# CNC	

Skills in excess supply: Permanent staff

Accounting/Financial Accountants CFOs Finance Finance Directors Financial Controllers Payroll	IT/Computing IT Technology	Sales Testers Unskilled
Blue Collar Site Managers	Retail Retail	
Executive/Professional Business Analysts Executives Human Resources Management Marketing Project Managers	Secretarial/Clerical Administration Office Staff Personal Assistant Receptionist Secretary	
Hotel/Catering Catering Chefs Hospitality	Other All Types of Candidates Aviation Commercial Customer Service General Managers Graduates Leisure Logistics	

Skills in excess supply: Temporary staff

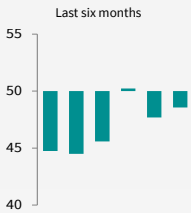
Accounting/Financial Finance Directors	Hospitality	Operations Sales Unskilled
Blue Collar Automotive Electricians Unskilled Labour	IT & Computing IT Media Programmers Technology	
Construction Construction Labourers	Retail Retail	
Engineering Engineers	Secretarial/Clerical Administration Clerical Office Staff Secretary	
Executive/Professional Business Analysts Executives Management Marketing Project Managers	Other All Types of Candidates Aviation Commercial Customer Service Graduates Non-English Speakers	
Hotel/Catering Catering		

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

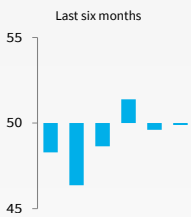


Permanent starting pay falls at softer pace

Average starting salaries for people placed in permanent jobs fell for the second month running in February. The rate of reduction eased from that seen in January, however, and was mild overall. When explaining the latest decline in starting pay, recruiters often cited the ongoing impact of the pandemic and sluggish market conditions.

All four monitored English regions recorded lower starting salaries in February, with the quickest fall seen in the South of England.

Temporary Wages Index



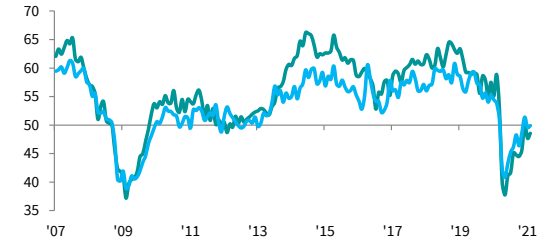
Temp wages broadly stabilise in February

After a marginal drop in January, the seasonally adjusted Temporary Wages Index signalled that temp pay broadly stabilised during February. Reports from panel members indicated that wages were little-changed from the previous month due to high candidate availability and the ongoing national lockdown.

Regional data indicated that a marked fall in temp pay in the capital was largely offset by mild upturns in the Midlands, South and 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
Sep '20	44.7	44.0	45.2	44.2	46.1
Oct '20	44.5	40.1	45.1	43.4	47.6
Nov '20	45.6	41.6	44.7	46.1	47.9
Dec '20	50.2	49.1	52.1	49.9	47.6
Jan '21	47.7	44.6	48.8	47.6	48.0
Feb '21	48.6	49.6	47.6	49.6	48.7

Temporary Wages Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Sep '20	48.3	43.7	49.6	50.1	51.0
Oct '20	46.4	39.1	48.3	46.0	47.3
Nov '20	48.6	43.3	49.8	49.7	49.6
Dec '20	51.4	46.7	51.3	55.2	51.7
Jan '21	49.6	43.3	50.5	50.4	51.9
Feb '21	49.9	44.6	50.9	52.5	51.2

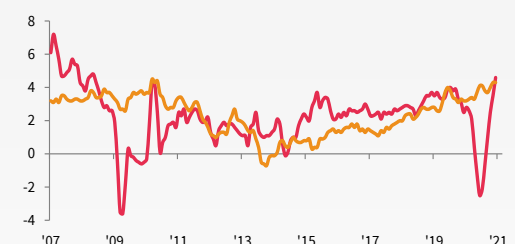
OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Latest data from the Office for National Statistics showed that employee earnings (including bonuses) increased +4.7% year-on-year in the final three months of 2020. This was quicker than the +3.7% increase seen in the preceding three-month period and marked the strongest expansion since early-2008. The higher figure was partly due to the delayed payment of bonuses, while greater job losses among low pay sectors and fewer new entrants into the labour market also likely drove the reading higher.

Steep increases in pay were recorded across both the private and public sectors (+4.6% and +4.3%, respectively) during the three months to December 2020.

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

NOW IS THE TIME FOR RECRUITERS TO HELP CREATE A MORE INCLUSIVE LABOUR MARKET

Now the UK's lockdown exit plans have been set out and as the economy gradually starts to open again, many businesses will see this as a return towards normality. But in many ways, the world of work will look very different post-Covid. Alongside the changes the pandemic has forced on us, we now have a chance to create a better labour market – and one important way we can do this is by making it more inclusive and making sure companies provide opportunities for a more diverse range of people.

There has been a great deal of progress on diversity and inclusion in recent years. In the REC's new [Recruitment and recovery](#) study, we found that almost two thirds (64%) of businesses believed they were doing well at reducing unconscious bias. But we all know that there is much more still to do. We've all seen the gender pay gap statistics and the studies showing how CVs with a white-sounding name are far more likely to get a response than those with a name from an ethnic minority – even when the content is identical.

Our Recruitment and recovery report also found some worrying signs of a lack of focus from employers. Just three in ten companies said that they were focusing more on increasing the diversity of their workforce, and 45% of SMEs admitted that increasing the diversity of their staff was not a priority. No wonder less than half (44%) of the British public thought that the process of recruitment was inclusive to people like them.

The recruitment process can be an incredibly important tool in improving inclusion in a business. Anonymising CVs, using diverse interview panels, offering flexible working options from the outset – all of these can be valuable steps to increasing the range of candidates who will apply for a role or improving the selection process. But while both businesses and the public say that these are important in principle, in practice they are rare.

This is where professional recruitment businesses can prove their worth. Many businesses have taken their eye off the ball on inclusion – understandably due to the pandemic – but it is up to their recruitment partners to remind them how important this issue is and the many ways that it can benefit both their bottom line and the people working for them. And we know this can work – two in three (63%) companies said that working with a recruitment agency had helped them increase the diversity of new hires.

For recruiters, this means helping clients to audit and evaluate their selection and hiring processes regularly, specifically with diversity and inclusion in mind, as well as advising them on whether they might need to bring in tools like unconscious bias training for hiring managers, anonymising CVs, and standardised selection criteria that can help judge which candidate is right for a role, no matter their background.

With so much change already having happened in the labour market and more on the horizon, now is the perfect time to change things for the better, and make the future of work a more inclusive one.

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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 economics@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 21 offices across the UK with approximately 16,000 partners and staff. The UK firm recorded a revenue of £2.3 billion in the year ended 30 September 2020.

KPMG is a global organization of independent professional services firms providing Audit, Legal, 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. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

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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