

KPMG AND REC, UK REPORT ON JOBS

Permanent placements drop in October, but temp billings continue to rise sharply

KEY FINDINGS

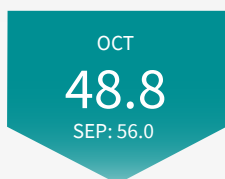
Renewed fall in permanent placements contrasts with quicker rise in temp billings

Overall vacancies decline, after rising in September

Substantial rise in candidate supply drives down starting 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:

“With a reluctance to recruit permanent staff and a big increase in people available for work, the impending lockdown puts the UK jobs market in a precarious position.

“While the furlough scheme extension may give a brief respite, it will fuel economic uncertainty and further dampen prospects for jobseekers, hitting hiring activity hard.

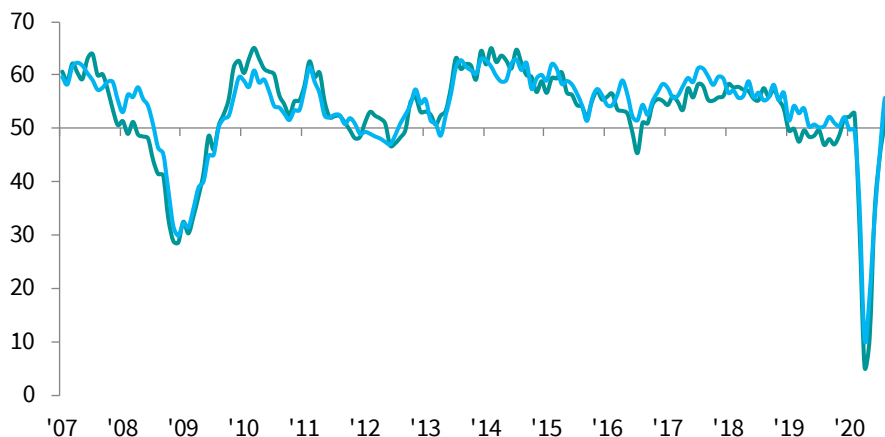
“The Government needs to ensure it offers enough financial support to UK business and opportunities for jobseekers to upskill as we continue to navigate through this crisis.”

Neil Carberry, Chief Executive of the REC, said:

“October brought a dose of realism after a quick economic bounce in the summer. While a new England-wide lockdown starts this week, similar restrictions were already in force in much of the UK last month. These figures show that hiring was still going on – and we believe that firms are better prepared to trade through these new restrictions than they were in March. Nevertheless, the outlook remains uncertain, and concerning. We face a challenging winter and temporary work will be a vital tool for keeping businesses going and people in work. All businesses are looking to Government to use the lockdown wisely and provide the Test and Trace system, vaccine and economic support that firms will need if they are to drive our recovery in 2021.”

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 October are:

Renewed fall in permanent staff appointments

Recruitment trends were mixed in October, with a renewed fall in permanent placements contrasting with a sharper increase in temp billings. According to recruitment consultancies, greater uncertainty over the outlook amid rising coronavirus disease 2019 (COVID-19) cases weighed on hiring activity, with firms often preferring to recruit short-term staff.

Overall demand for staff weakens

October survey data also pointed to a renewed drop in overall vacancies across the UK, albeit one that was only modest. The reduction was driven by reduced demand for permanent workers, as temporary vacancies rose for the third month in a row.

Candidate availability continues to increase sharply...

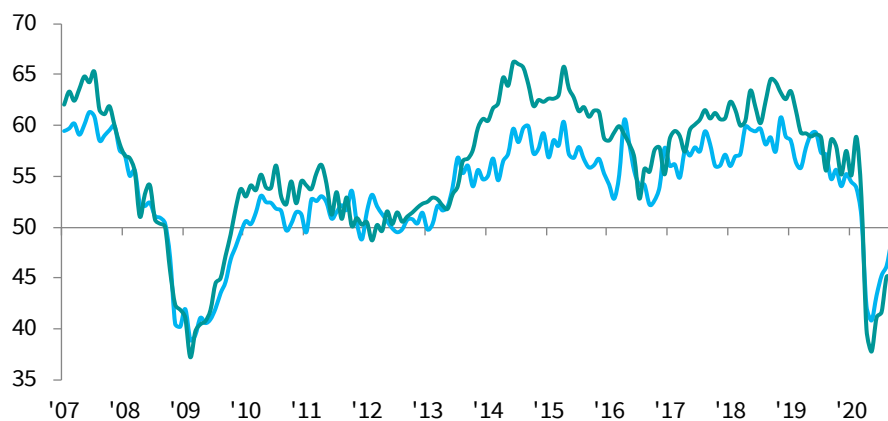
The supply of labour continued to expand sharply in October, despite the rate of growth easing to a five-month low. The availability of both permanent and temporary staff continued to rise at historically marked rates amid widespread reports of redundancies as well as concerns around job security.

...leading to stronger falls in starting pay

A combination of rising candidate numbers and reduced client budgets contributed to further falls in starting pay at the start of the fourth quarter. Permanent starters' salaries and temp wages both fell markedly, with the rates of decline quickening since September.

Permanent Salaries Index / Temporary Wages Index

sa, >50 = inflation since previous month

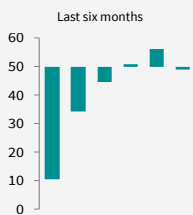


2 STAFF APPOINTMENTS

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



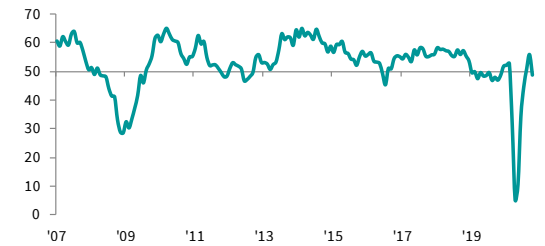
Permanent placements slip back into contraction

UK recruitment consultancies signalled a renewed drop in the number of people placed into permanent job roles in October. Though only modest, the reduction ended a two-month sequence of growth. According to anecdotal evidence, the fall was driven by greater uncertainty around the outlook amid rising COVID-19 cases, which led a number of clients to cancel or delay hiring plans. Some recruiters also mentioned that firms preferred to take on short-term staff instead of permanent workers.

Trends were mixed across the four English regions monitored by the survey. Growth of permanent placements in the Midlands and the North of England was offset by falls in the South of England and London.

Permanent Placements Index

sa, >50 = growth since previous month

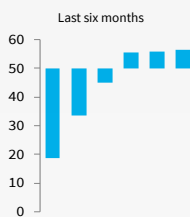


Permanent Placements Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
May '20	10.5	7.1	11.8	16.6	6.7
Jun '20	34.3	30.3	33.7	42.6	31.7
Jul '20	44.7	41.5	44.6	48.3	42.8
Aug '20	50.9	45.8	56.6	52.9	47.4
Sep '20	56.0	48.8	58.0	59.1	54.6
Oct '20	48.8	42.0	46.6	55.6	52.6

Temporary Billings Index



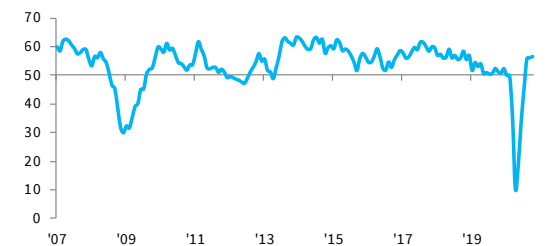
Temp billings growth picks up in October

Adjusted for seasonal factors, the Temporary Billings Index remained above the neutral 50.0 threshold, to signal a third consecutive monthly rise in billings received from the employment of short-term staff in October. Notably, the rate of expansion picked up slightly since September and was the quickest since December 2018. Panel members often commented that a gradual return to more normal market conditions, following the national lockdown earlier in the year, and the resumption of previously delayed projects had helped to lift billings. However, there were reports that subdued market confidence and uncertainty over any further lockdown measures had dampened overall growth.

As has been the case in the past three months, temp billings rose across all four monitored English regions bar London.

Temporary Billings Index

sa, >50 = growth since previous month



Temporary Billings Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
May '20	18.6	16.7	16.4	19.1	22.4
Jun '20	33.5	24.2	32.9	41.7	38.2
Jul '20	45.1	42.5	41.4	52.5	50.4
Aug '20	55.6	46.4	60.8	60.5	54.3
Sep '20	56.0	49.6	56.1	60.2	56.9
Oct '20	56.4	46.1	55.5	61.0	60.8

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.



Overall demand for staff declines in October

The Total Vacancies Index fell from 50.6 in September to 48.5 in October, to signal a renewed drop in overall vacancies. The rate of reduction was only modest, however, and much softer than those seen through the second quarter at the height of the pandemic.

Permanent and temporary vacancies

After a slight increase in September, demand for permanent workers declined at the start of the fourth quarter. Though only modest, it marked the seventh fall in the past eight months.

In contrast, temporary staff vacancies rose for the third month in a row. The rate of growth eased since September, but remained solid overall.

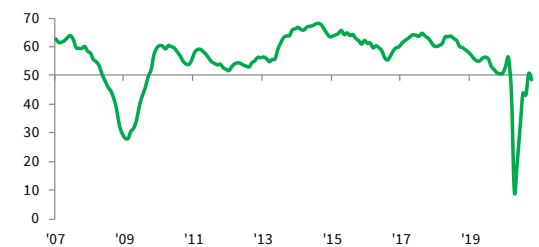
Public & private sector vacancies

Private sector vacancies rose further in October. Permanent roles expanded only slightly, however, contrasting with a sharp increase in temporary positions.

In the public sector, demand fell for both permanent and temporary workers, with the former noting the sharper rate of decline.

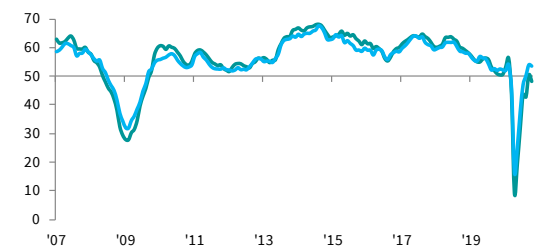
Total Vacancies Index

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.

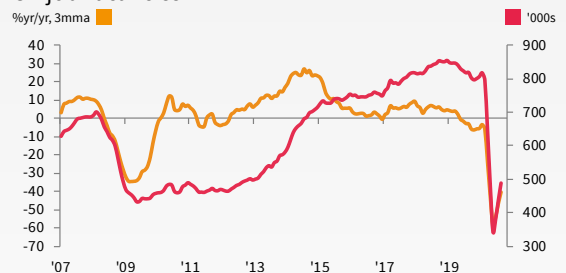
	Permanent				Temporary		
	Total	Total	Private*	Public*	Total	Private*	Public*
May '20	19.4	19.1	18.7	21.3	25.1	24.1	30.3
Jun '20	31.8	31.5	29.3	33.3	37.6	38.2	35.3
Jul '20	43.7	43.6	44.2	40.2	47.1	47.6	44.5
Aug '20	43.1	42.7	49.0	41.9	50.3	54.5	49.5
Sep '20	50.6	50.4	53.3	46.6	54.0	61.2	51.4
Oct '20	48.5	48.2	50.9	43.5	53.6	56.8	49.5

OFFICIAL DATA: UK JOB VACANCIES

Latest data from the Office for National Statistics (ONS) showed that overall job vacancies remained well below their pre-pandemic levels. In the three months to September, vacancies were -40.5% lower than a year ago.

Though down markedly on an annual basis, the number of vacancies rose from a nadir of 343,000 in the three months to June to 488,000 in the latest survey period. This was the biggest quarterly increase on record, driven by an easing of lockdown measures and the reopening of more parts of the economy.

UK job vacancies



Source: Office for National Statistics.

4 VACANCIES BY SECTOR

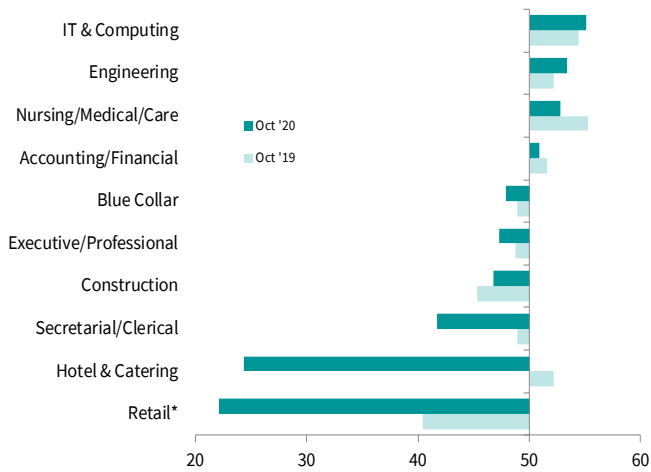
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

Demand for permanent workers fell across six of the ten monitored job sectors in October. Retail and Hotel & Catering saw by far the steepest falls in vacancies. Meanwhile, IT & Computing saw the strongest rise in permanent staff demand.

Permanent Vacancies Index

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

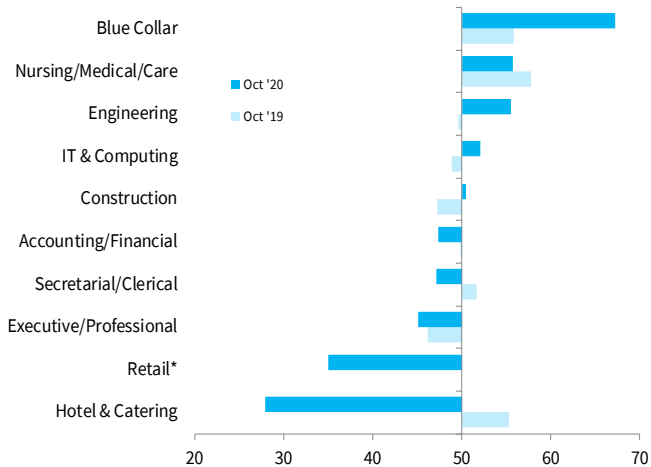


Temporary vacancies

The steepest increase in short-term vacancies was once again seen in Blue Collar in October, followed by Nursing/Medical/Care. Of the five sectors to note reduced demand for temp staff, the most marked falls were seen in Hotel & Catering and Retail.

Temporary Vacancies Index

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

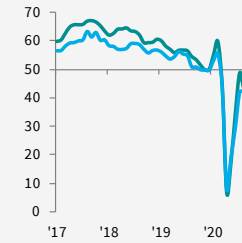


VACANCY INDEX BY SECTOR

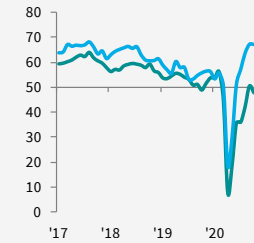
sa, >50 = growth since previous month

Permanent / Temporary

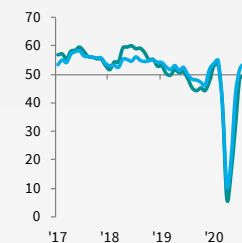
Accounting & Financial



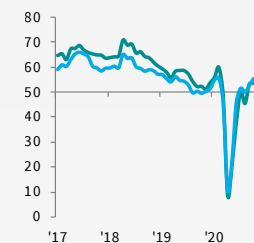
Blue Collar



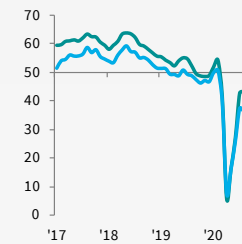
Construction



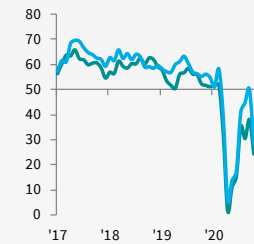
Engineering



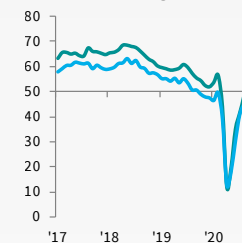
Executive & Professional



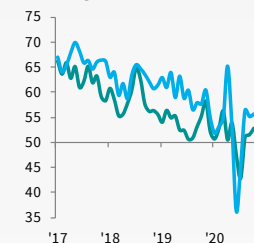
Hotels & Catering



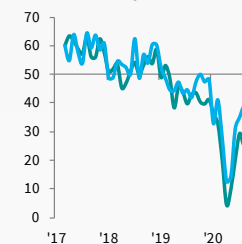
IT & Computing



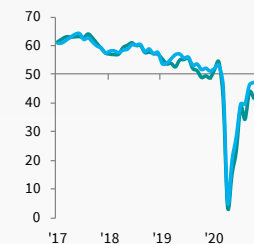
Nursing, Medical & Care



Retail (unadjusted)



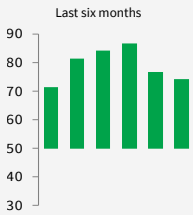
Secretarial & Clerical



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



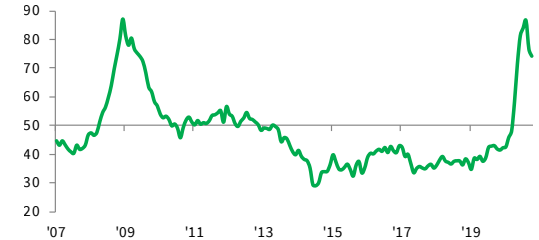
Availability of candidates continues to rise at substantial pace

As has been the case since April, the overall supply of candidates increased at the start of the fourth quarter. Although easing further from August's recent high, the rate of growth remained substantial and among the quickest seen since the global financial crisis.

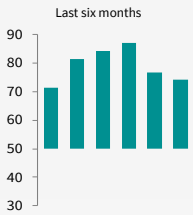
The upturn was driven by further marked rises in both temporary and permanent labour supply.

Total Staff Availability Index

sa, >50 = improvement since previous month



Permanent Staff Availability Index



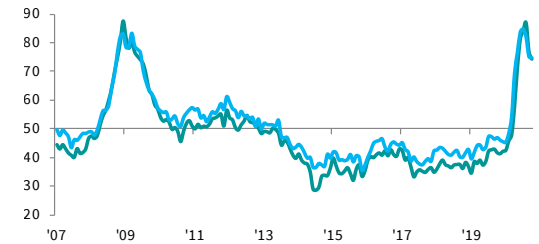
Softer, but still sharp, rise in supply of permanent staff

Adjusted for seasonal factors, the Permanent Staff Availability Index continued to signal a marked expansion in the number of permanent candidates in October. This was despite the rate of expansion easing to a five-month low. Reports from panellists frequently mentioned that redundancies, or fear of further redundancies due to the pandemic, had driven the latest increase in permanent labour supply.

The upturn in permanent staff availability was widespread across all four monitored English regions, led by the South of England.

Permanent / Temporary

sa, >50 = improvement since previous month



Temporary Staff Availability Index



Temp worker availability continues to increase markedly

The availability of temporary staff across the UK also rose at the start of the fourth quarter. The rate of growth was substantial and much quicker than the long-run series average, despite slipping to a six-month low. Recruiters often linked the rise to the impact of the pandemic, which had resulted in company lay-offs and the delay or cancellation of short-term projects.

Historically marked increases in temporary candidate availability were recorded across all four monitored English regions. The quickest rate of growth was seen in London and the slowest in the Midlands.

Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
May '20	71.2	64.6	72.0	82.4	71.2
Jun '20	81.2	77.3	82.5	84.9	85.4
Jul '20	84.0	83.0	84.6	91.6	84.2
Aug '20	86.8	85.5	89.0	85.0	89.4
Sep '20	76.7	77.0	75.7	83.0	74.1
Oct '20	74.2	76.1	76.9	71.2	73.4

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
May '20	76.7	74.5	80.3	80.3	74.1
Jun '20	83.9	79.5	84.2	85.7	81.0
Jul '20	85.0	87.4	90.1	87.1	73.9
Aug '20	82.3	85.4	82.2	78.0	83.3
Sep '20	75.3	79.8	77.7	72.8	68.6
Oct '20	74.9	84.1	77.6	66.1	72.5

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 Planners Paraplanners Payroll Risk Taxation	Scientists Hotel & Catering Chefs Hospitality	German Speakers Microbiologists Sales Semi Skilled Skilled Telesales
Blue Collar Drivers Forklift Drivers HGV Drivers HVAC Manufacturing Refrigeration Warehouse	IT/Computing Analysts AWS Cloud Azure BI C# CNC Data Professionals Data Scientists Database Developers Design Managers Developers Digital IT Python Software SQL Technology Teradata	
Construction Construction Planners Quantity Surveyors	Nursing/Medical/Care Carers Health Care Assistants Hearing Aid Dispensers Nurses Optometrist	
Engineering Design Engineers Engineers Hardware Engineers Radio-Frequency Engineer Senior Electronic Engineers Technicians	Retail E-commerce Retail	
Executive/Professional Business Development Compliance Digital Marketing Executives Human Resources Law Legal Management Patent Attorneys Professional Project Managers	Secretarial/Clerical Administration Office Staff	
	Other Agricultural Commercial	

Skills in short supply: Temporary staff

Accounting/Financial Accountants Auditors Credit Controllers Finance Payroll Risk Taxation	Data Scientists Database Developers Developers IT Python Technology Teradata
Blue Collar Blue Collar Decorators Drivers Forklift Drivers HGV Drivers Industrials Labour LGV Drivers Manufacturing Warehouse Welders	Nursing/Medical/Care Carers Health Care Assistants Hearing Aid Dispensers Nurses Optometrist
Construction Bricklayers Construction	Retail Butchers E-commerce Order Pickers
Engineering Engineers Senior Electronic Engineers	Secretarial/Clerical Administration
Executive/Professional Legal Professional	Other Call Centre Microbiologists Skilled Telesales Upholsterers
Hotel & Catering Catering Chefs Hospitality Kitchen Porters	
IT/Computing AWS Cloud Azure BI	

Skills in excess supply: Permanent staff

Accounting/Financial Accountants Accounts Payable Book Keepers Credit Controllers Finance Financial Controllers	Management Marketing Operations Managers Project Managers Real Estate Solicitors	Commercial Customer Service General Managers Graduates Juniors Logistics Operations Retired Sales Service Managers Testers Unskilled
Blue Collar Site Managers Warehouse	Hotel/Catering Chefs Hospitality	
Construction Construction	IT/Computing IT	
Engineering Engineers Technicians	Retail Retail	
Executive/Professional Business Analysts Business Development Executives Managers	Secretarial/Clerical Administration Office Staff	
	Other All Types of Candidates Aviation	

Skills in excess supply: Temporary staff

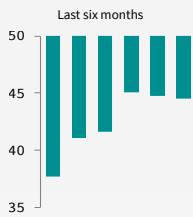
Accounting/Financial Accountants Accounts Payable Book Keepers Credit Controllers Finance	Project Managers	Other All Types of Candidates Aviation Commercial Customer Service Graduates Leisure Unskilled
Blue Collar Blue Collar Electricians Factory Warehouse	Hotel/Catering Catering Hospitality Hotel	
Construction Construction	IT & Computing IT Programmers	
Engineering Engineers	Nursing/Medical/Care Doctors	
Executive/Professional Business Analysts Executives Management Marketing	Retail E-commerce Retail	
	Secretarial/Clerical Administration Clerical Office Staff Receptionist Secretary	

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

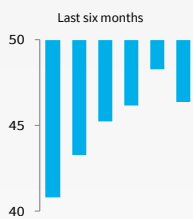


October data points to further marked drop in starting salaries

Recruitment consultancies signalled a seventh successive monthly decline in permanent starters' salaries during October. Furthermore, the rate of reduction picked up to the fastest since July and was sharp overall. Panellists frequently attributed the drop to greater candidate availability and an increased willingness among workers to accept lower salary offers in order to secure roles.

London recorded the most marked fall in salaries, while the North of England saw the weakest.

Temporary Wages Index



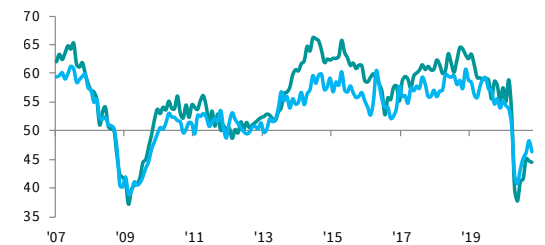
Temporary pay declines at faster rate

Latest data pointed to a further fall in average hourly rates of pay for short-term staff in October, thereby stretching the current sequence of decline to seven months. Notably, the rate of reduction quickened from September and was solid, albeit not as severe as those seen during the height of the pandemic. A combination of reduced client budgets and higher staff availability was reportedly behind the latest drop in temp wages.

Temp pay fell across all four monitored English regions, with the sharpest fall seen in the capital.

Permanent Salaries / Temporary Wages

sa, >50 = inflation since previous month



Permanent Salaries Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
May '20	37.7	33.3	35.8	41.8	42.7
Jun '20	41.1	40.1	39.4	45.0	42.0
Jul '20	41.6	35.3	41.9	48.8	41.2
Aug '20	45.1	43.6	45.8	44.6	47.3
Sep '20	44.7	44.0	45.2	44.2	46.1
Oct '20	44.5	40.1	45.1	43.4	47.6

Temporary Wages Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
May '20	40.8	36.6	41.9	44.4	42.4
Jun '20	43.3	36.8	44.6	47.0	44.4
Jul '20	45.2	40.2	47.3	47.3	43.3
Aug '20	46.2	42.6	48.5	46.2	46.4
Sep '20	48.3	43.7	49.6	50.1	51.0
Oct '20	46.4	39.1	48.3	46.0	47.3

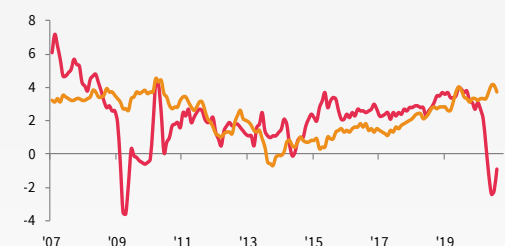
OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Data from the Office for National Statistics showed that employee earnings (including bonuses) was unchanged compared to a year ago in the three months to August. Nonetheless, the stable pay trend contrasted with a drop in earnings in the previous three-month period (when pay fell by -1.0%).

Sector trends diverged, with another drop in private sector pay contrasting with a further rise in public sector earnings. That said, the rate of reduction in the private sector eased from -2.2% to -0.9% in the latest three-month period, while pay growth in the public sector softened from +4.1% to +3.7%.

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

RECRUITERS WILL BE CRUCIAL LIFELINE FOR JOBSEEKERS THROUGH A DIFFICULT WINTER

Through the summer months we have seen some signs of recovery in the labour market. With the first wave of coronavirus receding, businesses began to open and optimism grew. But with case numbers now growing and lockdowns being imposed, we are likely looking at a difficult winter for jobs. Recruiters will have a vital role to play in keeping the economy going and supporting recovery, placing people in work and helping them transition into roles where there is demand.

Employer confidence had been steadily growing through the summer as health restrictions were eased. The REC's *JobsOutlook* survey found that their confidence levels had improved from the record lows of the spring, and that an increasing proportion of employers expected to increase the number of staff they hired in the short term.

As a consequence, we saw signs that demand had started to grow. Official vacancy numbers from the ONS showed a rise from 343,000 in April-June to 488,000 in July-September. Our latest Jobs Recovery Tracker found that in the week of 5-11 October there were 33% more active job adverts than there were three months earlier.

However, the week of 5-11 October also saw the first week-on-week fall in job adverts since July. With the number of COVID-19 cases rising in many areas and further health restrictions being introduced, it was no surprise to see the hospitality sector hit hard, particularly in Scotland and Northern Ireland. The government's test, track and trace system will be essential to helping the economy recover – its effectiveness is a matter of survival for many businesses.

The Job Retention Scheme was vital during the height of the pandemic, supporting more than nine million jobs so far. While the scheme was extended at the last minute and many businesses will be able to use this, as well as the other government support schemes, to ride out the next few months, we have seen large numbers of companies announce redundancies recently. Unemployment levels will continue to rise through the winter. There is no doubt that the next few months will be challenging.

However, none of us are passive actors in this crisis. The government support schemes will help, but recruitment agencies and agency workers also have a vital role to play. Recruiters are specialists in facilitating career transitions and supporting people to get jobs. We also know that temporary work is critical in any recovery. Businesses turn to temps to help them meet demand while the future looks uncertain. At the same time, it enables people to find work quickly. Past recessions show that temporary work bounces back more quickly – and as the data from Report on Jobs shows, this recession is no different.

One of the labour market's biggest strengths is its flexibility, and recruiters are key in mobilising the temporary workforce and getting the economy moving again. The sector will be crucial as we head into this difficult winter.

The REC is one of the government's Business Representative Organisations supporting the response to COVID-19, representing the recruitment industry in key policy debates. If any recruiters have queries they would like to submit, please email covidsupport@rec.uk.com.

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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.

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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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