KPMG AND REC, UK REPORT ON JOBS: London

Recruitment downturn softens further in August

Key findings

- Permanent placements fall at slowest pace in six months
- Staff supply continues to rise sharply
- Permanent vacancies drop at faster rate than temp roles

Data collected August 12-24

Summary

The fall in recruitment activity across the capital continued to slow in August, according to the latest KPMG and REC, UK Report on Jobs. Permanent placements declined at the softest rate in six months, while temp billings dropped to the weakest extent since January. Nevertheless, high numbers of redundancies led to a further sharp increase in people searching for new jobs, placing further downward pressure on rates of starting pay.

Notably, the drop in hiring activity in London contrasted with what was seen at the UK level during August, with latest data signalling upturns in both permanent placements and temp billings for the first time since prior to the coronavirus disease 2019 (COVID-19) pandemic.

The London report is compiled by IHS Markit from responses to questionnaires sent to around 100 recruitment and employment consultancies in the capital.

Permanent staff appointments fall at slowest rate in six months

The number of people placed into permanent jobs in London decreased further in August. Many recruiters noted that the COVID-19 pandemic continued to impact firms’ hiring decisions. That said, the rate of decline slowed to the weakest since February, as some companies added employees due to rising business activity.

At the same time, the UK as a whole registered the first upturn in permanent staff appointments for six months. The rate of growth was marginal though, and driven by increased hiring in the Midlands and the South of England.

The decline in billings received through the appointment of short-term workers softened for the fourth successive month in August. Moreover, the rate of decrease was the least marked since January. Although the pandemic continued to suppress temp billings overall, some recruiters highlighted that some firms started to rehire temp workers amid a pick-up in business activity. London was the only monitored English region to see a drop in temp billings, with the UK as a whole recording a sharp increase.

London recruitment consultancies saw a steep decline in permanent vacancies midway through the third quarter. The reduction was sharper than seen in July, mirroring the trend for the UK as a whole. Meanwhile, the number of open temp roles decreased at the softest rate in six months across London. The drop in vacancies contrasted with a stabilisation at the national level, ending a run of decline stretching back to March.

Staff availability continues to soar

The number of people looking for permanent jobs in London continued to rise at a considerable pace during August. Panellists often attributed the uptick in staff availability to a rise in redundancies. Notably, the seasonally adjusted Permanent Staff Availability Index rose for the sixth month running, and signalled the quickest increase in supply since December 2008. However, the expansion was slightly slower than the UK average, with faster upturns recorded in the North of England and the South of England.

For the first time in six months, the seasonally adjusted Temporary Staff Availability Index fell in August, to signal a slower rise in London temp staff supply after a record increase in July. That said, the rate of growth remained marked and was the second-fastest in the near 23-year series history. Anecdotal evidence suggested that higher redundancies and a lack of vacancies drove the latest upturn in temporary staff
availability. Notably, the capital saw the quickest expansion of all four monitored English regions.

**Permanent starting pay falls at weakest rate in five months**

Adjusted for seasonality, the Permanent Salaries Index posted below the 50.0 threshold for the fifth successive month in August. The latest reading indicated a sharp fall in starting pay for permanent workers across London, albeit one that was the softest seen in the aforementioned period.

At the national level, starting salaries dropped for the fifth month running and was broad-based across all four monitored English regions. London saw the quickest fall, while the North of England registered the slowest.

With supply of temp workers across London still elevated, wages for newly placed short-term staff continued to decrease during August. The rate of reduction was the slowest in five months, but remained sharper than those seen across the other monitored English regions. The South of England registered the slowest decrease in temp rates.

**Comments**

Commenting on the latest survey results, James Stewart, Vice Chair at KPMG, said:

“Although hiring activity rose across the UK as a whole during August, London continued to see falls in both permanent placements and temporary billings, suggesting the region’s labour market is taking longer to recover from the pandemic than elsewhere.

“With total candidate availability rising at a near-record pace, strong and sustained rises in recruitment are needed to move the London jobs market back to levels seen pre-COVID. However, with concerns around a possible second wave of infections, the winding down of the furlough scheme and a Brexit deal outcome, there are still many challenges ahead.

“This paves the way for government to not only provide short-term support but also to offer jobseekers the means to retrain and upskill, helping the recovery in jobs and reviving the UK’s productivity growth.”

Neil Carberry, Chief Executive of the Recruitment & Employment Confederation, said:

“The softening of the downturn on permanent placements and temporary billings in London is good news – though it is also expected, given we are comparing activity now with the lockdown. Temporary work is critical in any recovery - businesses turn to temps to help them ramp up and 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 – it is one of our jobs market’s biggest strengths and that’s really showing now.

“Slower growth in permanent staff appointments overall is concerning. It reflects the uncertainty businesses face about what will happen over coming months with the pandemic and Brexit. Government can take action to address this – by focussing on getting a trade deal in place and supporting businesses to keep people employed. A reduction to employers’ National Insurance Contributions, and greater flexibility on skills support would both help firms to maintain jobs and hire more people.”

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Methodology
The KPMG and REC, UK Report on Jobs: London is compiled by IHS Markit from responses to questionnaires sent to around 100 recruitment and employment consultancies in London (defined as NUTS1 regions North West, Yorkshire & Humber and North East).

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. An 'index' is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the survey methodology, please contact economics@ihsmarkit.com.

Full reports and historical data from the KPMG and REC, UK Report on Jobs are available by subscription. Please contact economics@ihsmarkit.com.

About KPMG
KPMG LLP, a UK limited liability partnership, operates from 21 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, Legal and Advisory services. It operates in 154 countries and has 200,000 professionals working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

About REC
The REC is the voice of the recruitment industry, speaking up for great recruiters. We drive standards and empower recruitment businesses to build better futures for their candidates and themselves. We are champions of an industry which is fundamental to the strength of the UK economy. Find out more about the Recruitment & Employment Confederation at www.rec.uk.com.

About IHS Markit
IHS Markit (NYSE:INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world’s leading financial institutions.

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