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KPMG AND REC, UK REPORT ON JOBS: London

Candidate shortages push starting salary inflation to 53-month record

Key findings

- Sustained fall in staff supply drives starting pay higher
- Agencies signal weaker rise in permanent appointments...
- ...despite robust uptick in job vacancies

Summary

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.

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.

Permanent staff appointments increase at softer pace

Recruitment consultancies in the capital placed more workers into permanent jobs for the fifth month running in December. However, the upturn was modest and the weakest in this sequence. A hesitancy among staff to change career as well as shortages of EU candidates curbed growth, according to survey participants. Softer increases in permanent appointments were also evident in two other English regions, with the South of England bucking the wider trend and recording accelerated growth. At the UK level, the rise was the slowest in 20 months.

December saw the expansion in agencies' billings received from the employment of short-term staff in London pick-up from November's recent low. The upturn was stronger than the long-run series average and in line with the UK trend. Anecdotal evidence suggested that additional clients had been secured over

the month, leading to the rise in temp billings. On a regional basis, the increase was led by the South of England

Demand for permanent labour in the capital continued to expand sharply at the end of the year. Although the pace of growth moderated to a six-month low, it remained above the UK-wide average. Job vacancies in the South of England increased at a quicker pace, while the upturn in the North of England matched that noted in November.

Temp vacancies in London rose at a pace that was below the national trend. The increase was nevertheless robust by historical standards, despite easing from November. A slower expansion was likewise registered in the Midlands, with growth gathering momentum in the other two English regions.

Softer, albeit marked, drop in permanent staff availability

The number of jobseekers willing to undertake full-time employment in the capital continued to decline in December. Despite being marked, the pace of reduction was the weakest seen since November 2017. Brexit uncertainty was cited as a key reason leading to candidate shortages in London at the end of the year. Across the UK as a whole, the fall in permanent staff availability quickened at the end of the year due to sharper contractions in the North and South of England.

Remaining below the 50.0 no-change mark, the seasonally adjusted Temporary Staff Availability Index continued to point to candidate shortages in London. However, rising to a 26-month high, the latest figure was indicative of a slower and only modest pace of reduction. At the UK level, a softer contraction was likewise noted, though one that remained more pronounced than in London. Only the North of England recorded a quicker drop in temp availability in December.

Continues...

Permanent starting pay inflation reaches 53-month peak

Amid reports of candidate shortages and counteroffers, starting pay awarded for permanent labour in the capital continued to increase in December. Furthermore, the rate of salary inflation accelerated to the strongest for just under four-and-a-half years and was the sharpest regionally. By comparison, starting salary inflation at the UK level eased to a four-month low.

Comment

Commenting on the latest survey results, Bina Mehta, Partner at KPMG UK said:

“Although December is always a bit of lean period in the jobs market, the impact of Brexit has amplified that effect, particularly in London. Employers are having to offer increasingly attractive and creative packages to tempt new talent on board. With salary inflation at a 53-month high, this is an unsustainable situation for many employers, particularly at an SME level where profitability drives growth.

“As a business services hub it is people who drive the Capital’s productivity and with employers facing the prospect of being unable to fill their vacancies – it could have a negative impact on our productivity levels and London’s economy as a whole.

“There is good news for experienced staff however, and if you aren’t looking forward to another year in your current job, now is a good time to go job hunting.”

December data highlighted a twenty-seventh successive monthly rise in temporary wages across London. The increase was marked and broadly similar to those seen in October and November. According to survey members, competition for scarce skills continued to feed through to higher pay rates. The rate of wage inflation in the capital was the weakest on a regional basis, however, despite softer rises also being noted elsewhere.

Neil Carberry, Recruitment & Employment Confederation chief executive, said:

“It’s no surprise that growth in new permanent jobs dropped to its lowest level in almost two years last month, because economic uncertainty is now affecting companies’ hiring plans. But the underlying strength of our labour market is still there – vacancies are high and temporary placements rose in the run-up to Christmas. There are opportunities out there for people who want to change job in 2019.

“Businesses will be looking for certainty on Brexit plans soon, so that they can get on with driving growth and jobs. Recruiters will be helping employers to do that – high employment rates mean that there are significant shortages in some parts of our labour market.

“The pre-Christmas rush put a squeeze on logistics jobs in December so it was no surprise to see blue-collar roles topping the skills shortage list in this survey. Accounting, engineering, hospitality and healthcare all stand out as shortage sectors in today’s data.

“Continuing to fill roles like these in the coming months will be critical, so it is vital that the Government’s proposed new approach to immigration can fill shortages at all skill levels. But businesses can also help, by opening up career paths through more inclusive hiring practices as well as focusing on improved workplace training and links with education. Recruiters are uniquely placed to help employers with future workforce planning whatever the UK’s future relationship with the EU looks like.”

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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. 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.

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 22 offices across the UK with approximately 14,500 partners and staff. The UK firm recorded a revenue of £2.2 billion in the year ended 30 September 2017. KPMG is a global network of professional firms providing Audit, Tax, and Advisory services. It operates in 154 countries and territories and has 200,000 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

Jobs transform lives, which is why we are building the best recruitment industry in the world. As the professional body for recruitment we're determined to make businesses more successful by helping them secure the people they need. We are absolutely passionate and totally committed in this pursuit for recruiters, employers, and the people they hire. Find out more about the Recruitment & Employment Confederation at www.rec.uk.com.

About IHS Markit

IHS Markit (Nasdaq: 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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