

Embargoed until 0101 (UK) 7 February 2020

## KPMG AND REC, UK REPORT ON JOBS: London

### Renewed drop in permanent placements in January

#### Key findings

- First decline in permanent hires for three months
- Temp staff supply rises for first time since July 2013
- Permanent pay inflation quickens

#### Summary

The latest **KPMG and REC, UK Report on Jobs** pointed to a decline in permanent placements in London at the start of the year. This marked the first decrease for three months as firms reportedly reduced hiring activity amid difficult economic conditions. Temp billings in London also decreased, in line with a slight contraction on average across the UK.

Nevertheless, starting salary inflation quickened for the second month in a row amid a continued reduction of staff availability. By contrast, the supply of temporary workers in the capital rose for the first time in six-and-a-half years as short-term contractors looked to secure new work before IR35 legislation is implemented.

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

#### First decline in permanent placements for three months

January data pointed to a renewed decline in permanent staff appointments in London, the first recorded since October last year. Recruiters often commented that employers had paused hiring decisions amid challenging market conditions. That said, the overall drop in placements was only modest, with other recruiters highlighting new contracts with companies. By comparison, the UK as a whole saw the quickest increase in permanent hires since December 2018, driven by upticks in both the North and South of England.

Billings received from the hiring of temporary staff in London decreased in January, following a modest improvement at the end of 2019. The rate of decline was moderate, albeit one of the quickest for three-and-a-half years. Lower temp billings in the capital reflected the UK-wide trend, which recorded the first overall drop since April 2013. The South of England also saw weaker billings revenues, whereas increases were reported in the Midlands and North of England.

Meanwhile, London-based recruiters signalled greater demand for permanent workers at the start of the year, with the rate of vacancy growth strengthening to an 11-month high. However, it remained weaker than the national trend. By contrast, roles for short-term workers fell for the first time since October 2012. The capital was the only monitored English region to record lower temp vacancies, though the rate of decline was marginal.

#### Permanent staff supply drops sharply

January survey data signalled another steep reduction in the availability of permanent staff in London. The rate of decline was broadly unchanged from December, but softer than the average seen for 2019. As with recent months, panellists related the reduction to market uncertainty and a fall in EU candidate numbers. A similar drop in supply was seen at the UK-wide level, albeit with the rate of contraction slowing from the previous month. The quickest decrease was recorded in the South of England, with the North of England registering the slowest.

Recruiters in London meanwhile saw an improvement in the availability of temporary staff during January, marking the first monthly increase in candidate supply for six-and-a-half years. According to respondents, this was due to workers switching roles prior to IR35 legislation. The rate of expansion was moderate overall, but contrasted with a sharp drop in temp staff supply across the UK as a whole due to declines in the other three monitored English regions.

## Salary inflation quickens for second month running

Starting salaries for permanent staff in London rose at a faster pace in the first month of 2020. The rate of inflation was strong, albeit weaker than the average for the current 80-month sequence of rising pay. According to recruiters, the uptick was due to higher demand for permanent workers. The capital matched the UK-wide trend in terms of salary growth, outpaced by the Midlands only.

## Comments

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

*“Following the UK exit of the EU, there are promising signs that the UK jobs market is finally on the up with the strongest rise in permanent places for over a year – good news for job hunters. The positive hiring trend was not evident in the capital, however, as permanent staff appointments and temporary billings fell in London at the start of 2020.*

*“With regulatory and trade negotiations all to play for, there is still a long way to go for a deal to be struck and businesses to have the clarity they need.*

*“Brexit is uncharted territory so the reality is the uncertainty will linger, but key investment decisions on hiring need to be made to build confidence and help get the UK back on the path to growth.”*

There was another sharp rise in pay for newly-hired short-term staff in London over the course of January. The rate of inflation slowed from December, though it was above the UK average for the second month running. Moreover, London recorded the quickest rise in temp wages out of all four monitored English regions, while the North of England registered the slowest.

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

*“It’s good to see that businesses have grown in confidence over the past two months and taken the opportunity to restart hiring. In the UK as a whole permanent placements are up again, and demand for staff has risen at the quickest rate for eleven months in London. This is good news for employers, recruiters and candidates – all three can now get on with making the economy flourish in 2020.*

*“But the upcoming IR35 reforms are having a negative impact on the availability and placement of temporary workers. It is vital that people pay the right amount of tax and that the system is fair, but for both of those things to happen we think the government needs to pause and think again on how IR35 changes. The temporary labour market is being stifled, and that’s not good for employers or our economy.”*

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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.

January data were collected 13-27 January 2020.

For further information on the survey methodology, please contact [economics@ihsmarkit.com](mailto: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](mailto:economics@ihsmarkit.com).

## About KPMG

KPMG LLP, a UK limited liability partnership, operates from 22 offices across the UK with approximately 16,300 partners and staff. The UK firm recorded a revenue of £2.338 billion in the year ended 30 September 2018. KPMG is a global network of professional firms providing Audit, Tax, 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](http://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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