News Release

Embargoed until 0101 (UK) 5 November 2021

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

## Strong vacancy growth and sharp falls in candidate numbers lead to rapid pay inflation

### Key findings

- Permanent placements and temporary billings rise sharply
- Rapid falls in candidate availability
- Near-record increase in permanent salaries

Data collected October 12-25


### Summary

The latest **KPMG and REC, UK Report on Jobs** survey for London signalled an ongoing imbalance between demand for staff in the capital and the supply of candidates. Permanent placements were up at one of the strongest rates on record, while vacancies continued to rise rapidly. The supply of candidates declined at a near-record pace, however. This imbalance led to strong pay inflation, with rates of increase in both permanent starting salaries and temporary pay accelerating.


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

**Permanent placements up sharply again in October**

Recruitment consultancies in London signalled a further rapid rise in permanent placements at the start of the final quarter of the year, in line with increasing demand for staff. Although softening further from August's record, the pace of expansion was still at a level unprecedented prior to the current surge in placements. The increase in permanent placements in the capital was the fastest of the four English regions covered by the survey, followed by the North of England. That said, all regions barring the Midlands saw the rate of growth in permanent placements ease in October.

Consistent with the picture for permanent placements, temporary billings also increased sharply again in London during October, extending the current sequence of growth to eight months in the process. The rate of expansion eased for the second month running, but remained well above the series average. More than 46% of respondents signalled a rise in temporary billings during the month, against 18% that posted a fall. All four monitored English regions signalled a marked increase in temporary billings, led by recruiters in the North of England.

As has been the case in each of the past eight months, recruitment consultancies in the capital signalled an increase in demand for permanent staff in October. Although remaining rapid, the rate of expansion eased for the third month running to the softest since April. The rate of growth in vacancies for temporary positions accelerated, meanwhile, and was substantial. That said, the rise in London was softer than the UK average. Demand for temps has increased in each month since March.

**Near-record fall in permanent staff availability**

The current sequence of unprecedented falls in permanent candidate numbers in London continued at the start of the fourth quarter. The availability of permanent staff fell substantially, at a faster pace than in September and at a rate that was only marginally weaker than August's record. Among the reasons for the latest fall in candidate numbers were signs of an unwillingness among people to move jobs and the impact of Brexit. Permanent staff supply in London fell more quickly than the UK average, while the Midlands saw the softest fall in permanent staff availability.

As well as seeing a sharp drop in permanent candidate numbers in October, recruitment consultants in the capital also registered a further substantial fall in temporary staff availability. A lack of overseas candidates, often due to Brexit, and a desire among some workers to remain in permanent positions were behind the latest decline. Although slowing to the weakest in three months, the latest drop in candidate numbers for temporary positions was among the sharpest since the survey began. At the regional level, the downturn in temp staff supply was broad-based, with the South of England registering the steepest reduction overall and being the only region to record a quicker fall in temp staff availability.

**Sharpest increase in temp wages since June 1998**

A combination of rising demand for staff and sharp falls in their availability resulted in a further rapid increase in starting salaries for permanent staff as companies competed for candidates. The rate of inflation was second only to the record posted in July. That said, the increase in permanent salaries in London was the slowest of the four English regions. The Midlands saw the fastest rise in permanent salaries followed by the South of England, both of which recorded series record increases in permanent salaries.

Temporary pay rates increased at the sharpest pace in more than 23 years in October amid a large supply and demand imbalance. Despite the rate of inflation in the capital being one of the strongest on record, it was still the slowest of the four English regions covered by the survey. Around 38% of respondents registered an increase in temporary wages, against 7% that posted a decrease. Sustained wage inflation was recorded in all four monitored English regions led by a record rise in the North of England.

## Comments

Commenting on the latest survey results, Anna Purchas, London Office Senior Partner at KPMG UK, said:

*“London continues to move full steam ahead into recovery with near-record demand for both permanent and temporary staff.*

*“The high demand for staff in the capital and worrying decline in available candidates has resulted in employers offering higher salaries to attract and secure talent. Starting salary inflation accelerated notably this month - but we know this isn’t a long-term solution, or the answer to boosting productivity and is a particular issue for our SME businesses.*

*“The growing gulf between the amount of roles vacant with employers and the number people available to fill them is a warning signal that both employers and Government must urgently invest in training and development if they are to attract a wider range of candidates into these high demand sectors that are so important to London’s economy and our global position.”*

Kate Shoesmith, Deputy CEO of the REC, said:

*“This latest data shows the robust growth in the jobs market continuing. Starting salary growth is still at near-record highs as shortages continue to bite and companies compete to hire the staff they need. But we are starting to see signs that we are moving into a new phase of the recovery, as the initial bounceback in demand starts to ease.*

*“It's also important to note that these salary rises are not universal. Recruiters tell us that candidates in some sectors and regions have been able to secure a substantial pay rise, but many employers can't afford to offer this. As we move into the next stage of recovery, it's vital the government put measures in place that will help companies to invest and grow, stimulate the UK's productivity and support the levers that help those furthest from the jobs market into work. Last week's Budget was a start, but there needs to be a radical shift across government departments to collaborate in order to deliver a skills revolution in the UK. This will only be successful if government and business work together to plan for future workforce needs. Recruiters are keen to work with government in such a joint forum.”*

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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.

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 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.

## 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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