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KPMG AND REC, UK REPORT ON JOBS: London

Permanent placements rise at strongest rate for ten months

Key findings

- Quicker upturn in permanent placements
- Temp and permanent staff supply fall at slower rates
- Salary inflation remains soft

Summary

The latest **KPMG and REC, UK Report on Jobs** indicated a stronger improvement in permanent placements in London during December, with the rate of growth at a ten-month high. Billings from the placement of temporary staff also rose at a faster pace. Vacancy growth accelerated but remained relatively weak as availability of both permanent and temporary staff continued to decline. Starting salary inflation was still subdued, although growth in temp wages strengthened to the quickest since July.

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

Quicker upturn in permanent placements

December data indicated a modest and faster increase in placements of permanent staff in London. The rate of growth was the quickest seen since last February, although only three of the months registered an upturn in this period. Recruiters often found that a rise in work contracts led to more placements. Growth in the capital was also in line with the UK as a whole, which recorded the first increase in permanent hires for a year. Only the South of England reported a decline.

Recruiters in London recorded a second consecutive month of rising temp billings in December, with the rate of increase quickening to a six-month high. Albeit softer than the series average, it was broadly in line with the national trend. As was the case with permanent hires, panellists linked the upturn in temporary staff billings to new work contracts. All four of the monitored English

regions signalled an uptick in temp billings, with the Midlands recording the quickest rise and the South of England seeing the softest.

The final month of the year saw faster increases in permanent and temporary vacancies in the capital. Permanent roles expanded at a marginal pace that was nonetheless the quickest seen since last July. Meanwhile, temporary job openings rose moderately, with the rate of growth the sharpest since last June.

Despite this, both types of vacancies in London rose at slower rates compared to the UK as a whole. Notably, the North of England recorded the quickest uplifts in both permanent and temporary job openings.

Permanent staff supply decreases at softer pace

There was a further reduction in the availability of permanent staff in London at the end of 2019. Adjusting for seasonal factors, the respective index signalled the slowest rate of depletion in four months, albeit still sharp overall. According to survey participants, workers remained cautious about moving jobs amid the current economic climate and upcoming Brexit date. The reduction in permanent staff supply across the UK as a whole was the softest for three months, albeit still marked and broad-based across all four monitored English regions.

Meanwhile, temporary staff availability in London decreased only marginally during December. The overall drop was one of the softest in the near six-and-a-half year sequence of decline. While some recruiters saw staff supply weaken due to concerns around new IR35 legislation, others saw an increase in candidate numbers. This contrasted with a sharp fall in temp staff supply across the UK that was the most marked since last June. The fastest deterioration was seen in the Midlands, followed by the South of England. In contrast, the North of England recorded an improvement in temp candidate availability.

Starting pay inflation remains cool

The rate of pay inflation for newly-placed permanent staff in London was relatively soft in December, accelerating only slightly from November and remaining below average for the current 79-month run of growth. Some recruiters highlighted new contracts and competition among employers as reasons for higher salaries. However, a rise in junior roles reportedly eased the overall rate of inflation. The capital recorded the weakest uplift in starting pay of all four monitored English regions, with the North of England seeing the quickest increase.

Comments

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

“It would appear that following the clarity of the election outcome, the jobs market finally began to show signs of life with permanent placements in London rising for the second month running.

“However, growth was modest and coming off a historically low base so UK business will be hoping for quick government action to get the UK back on the path to growth including an investment in upskilling the workforce. Lingering uncertainty around the Brexit deal to be secured will continue to weigh on employers’ decision making around hiring and investment over the coming months, as well as job-seekers desires to seek new opportunities.”

At the same time, December data indicated a solid rise in London wages for short-term workers, with the respective seasonally adjusted index at its highest in five months. Recruitment consultancies noted that higher demand for temporary staff mainly drove the rise in wages. Moreover, the capital outpaced the UK as a whole in terms of wage growth for the first time since October 2018, placing joint-first with the South of England in the regional rankings.

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

“After the uncertainty of 2019, there are some signs of a clearer outlook for hiring in today’s survey. With a new government in place and the path ahead looking more predictable, some businesses have decided that they have waited long enough. The quickest increase in permanent placements in London for almost a year should give encouragement to both recruiters and employers – let’s hope this is a sign of positive things to come.

“Feedback from recruiters shows that the upcoming IR35 changes are affecting both placements and the availability of flexible workers. This is a delicate period for the jobs market, and is the worst time to push through sweeping changes to the way we tax contractors. It is right that government engages further with business on the changes, but they should also delay implementation until next year to allow time for a full, independent review and effective regulation of the umbrella sector. As it stands, the government risks damaging ethical businesses and encouraging non-compliance.”

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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 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.

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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