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## KPMG AND REC UK REPORT ON JOBS: London

### Candidate shortages drive up starting salaries and temp pay rates

#### Key findings

- Labour supply falls at sharper rate...
- ...exerting upward pressure on starting salaries and temp pay
- Growth of permanent vacancies fastest regionally

#### 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.

#### Solid rise in permanent staff placements

The latest report on jobs indicated that more people were placed into permanent jobs in the capital, but growth softened from September's 16-month high. Recruitment consultancies that signalled greater numbers of permanent appointments cited strengthening demand for staff, while fewer job applications reportedly limited the extent of the overall increase. Permanent staff appointments in the UK rose at a quicker rate in October, supported by stronger increases in the other three English regions.

Temp billings in London rose in October, stretching the current sequence of expansion to 27 months. According to panellists, the upturn reflected increased client demand for short-term workers. Moreover, the pace of growth was sharp and the quickest since May. October data pointed to a widespread rise in temp billings, with rates of expansion also gathering pace in the other three English regions. The strongest increase was once again

noted in the Midlands and the weakest in the South of England. At the UK level, the latest expansion was the most pronounced since May.

Permanent job vacancies in London increased sharply in October, with recruiters indicating growth of roles in catering, compliance, IT, marketing, risk and sales. Despite easing to a four-month low, the pace of expansion was steep. Temp vacancies also rose at a sharp, albeit slower, rate. There were reports of greater demand for personal assistants, project managers, receptionists and banking & finance personnel.

#### Sharp deterioration in jobseeker numbers for permanent positions

October data pointed to a further decrease in the number of candidates willing to undertake full-time employment in London. Around one-third of recruitment consultancies reported a reduction in staff availability, while 11% signalled an improvement. The overall pace of contraction was sharp and quicker than that seen at the end of the third quarter. Permanent staff supply across the UK deteriorated to the greatest extent since the start of the year. The Midlands was the only area where a softer contraction was noted.

Not only did temp availability fall for the sixty-third month in a row, but also to the greatest extent in the year-to-date. Recruitment consultancies noted a wide range of skills in short supply, including administrators, baristas, chefs, developers, personal assistants, project managers, and receptionists. On a regional basis, temp supply decreased at the quickest pace in the Midlands. The South of England bucked the wider trend and saw a slightly slower rate of reduction. In the UK labour market, the fall in temp availability numbers was the most marked since November 2017.

#### London leads upturn in temp pay rates in October

London posted an increase in temp wage rates during October, taking the current sequence of inflation to just over two years. Recruiters reported competition for

scarce skills as the main factor bumping up pay. Although weaker than in September, the rate of increase was marked and the fastest of the four monitored English regions. Similarly, temp wage inflation eased in the other three tracked English regions. In the Midlands the latest rise was the slowest in ten months. In the South and North of England, rates of increase were at nine- and seven-month lows respectively.

Newly-placed permanent workers in London experienced an increase in salaries during October. The rate of inflation was the second-fastest in almost three-and-a-half years, behind that seen in September. Anecdotal evidence highlighted efforts to encourage applications for jobs amid skill shortages in the local labour market as the key reason for greater pay. The rise in permanent starting salaries was widespread across the other three English regions, with only the North of England registering a steeper rate of inflation. Despite recording a moderation from September, it was in the South of England that starting salaries increased to the greatest extent.

### Comment

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

*“Whilst it’s great to see the number of people in London getting into permanent work has risen, there is a worrying cloud on the horizon in the deterioration of the supply of jobseekers. This could be down to a general decline in the population growth of London, however as no-deal moves ever closer, there could also be a number of jobseekers waiting to see how Brexit plays out for London before deciding on their next move.*

*“As London is a business services hub, it is people who drive productivity, and with employers unable to fill their vacancies – it could have a negative impact on our productivity levels. The shortage of good candidates for roles is driving up salaries, and whilst that’s good for the economy, it’s not a sustainable situation for most employers, particularly at an SME level where profitability drives growth. Employers in London will need to think innovatively about how they can approach an impending skills shortage.”*

Neil Carberry, Chief Executive at the REC says:

*“Skills shortages are a long-standing feature of our economy. They affect the ability of employers to grow and create jobs. That we have shortages in key skilled roles like IT, engineering and health is a sign that the right training and support is not in place for people to progress into these jobs from lower skilled work.*

*“While firms spend a lot every year on training, this mismatch persists. It’s time for businesses and government to work together to address it. Renewed investment from firms must be partnered with openness from Government to doing things differently, starting with the reform the Apprenticeship levy needs, turning it into a skills levy that supports all workers to have access to the training they need.*

*“A new partnership is also necessary in our NHS. As we head towards winter we are once again seeing potential shortages of nursing, medical and social care staff. Working with recruiters to address this should be a Government policy priority - without access to agency workers key front line services could be put under threat.”*

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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.

The headline figure is the Permanent Placements Index, calculated from responses to the question "Is the number of people placed in permanent jobs higher, the same or lower than one month ago?".

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](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 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](http://www.rec.uk.com).

## About IHS Markit

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