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

### Permanent placements fall at quickest pace for six months

#### Key findings

- Permanent hires fall sharply
- Staff supply declines further
- Pay pressures remain solid

#### Summary

Permanent staff recruitment in London continued to decline in October, as firms struggled to find skilled candidates amid further uncertainty around Brexit and the economy. Furthermore, the rate of decline in permanent placements was sharp and the fastest since April. Weaker staff supply meanwhile led to a solid mark-up in starting salaries for permanent new joiners, although the rate of inflation softened from September's recent high.

The **KPMG and REC, UK Report on Jobs**, also showed the quickest monthly fall in temp billings in London for over three years. At the same time though, the drop in short-term candidate availability was among the weakest seen in the over six-year sequence of decline.

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

#### Permanent hires fall at sharp rate in October

Permanent placements in London dropped sharply over the course of October, according to the latest survey data. New hires have now fallen in seven out of the past eight months, with the most recent being the quickest since April. Recruiters continued to mention that a lack of candidates amid political uncertainty led to reduced placements. Furthermore, the rate of decline outpaced the UK-wide trend for the second consecutive month. Both the Midlands and the South of England recorded sharper falls in permanent placements than in London, while the North of England saw a solid increase.

Billings received for new temporary hires declined in October. Moreover, the rate at which billings dropped

was the fastest for 39 months, albeit only modest overall. Again, London was comparably weak in terms of temporary worker placement, as the latest fall compared with a rise in temp billings across the UK as a whole. The rate of growth nationwide was marginal though, and softer than in September. Only the Midlands and the North of England saw an increase in billings over the month.

Job vacancies for both permanent and temporary workers in London increased in October. Permanent job roles rose at a marginal pace, which compared with a slight reduction in vacancies during September. The increase was weaker than the UK average, which posted the softest rate of expansion since January 2012.

Temporary staff demand also grew marginally, and at a softer pace than seen across the UK for the thirteenth month in a row. That said, London was the only region to see an acceleration in vacancy growth in the latest survey period.

#### Staff supply falls solidly

London recruitment consultants reported a further drop in permanent staff availability in October, continuing the trend that began in June 2013. The rate of decline softened slightly from September, but was still relatively solid. As with recent months, panellists cited reluctance among workers to change jobs and lower EU candidates as reasons for reduced staff supply. At the UK level, there was a broadly similar fall in availability that was the strongest for four months due to quicker declines in the North and South of England.

Whilst the supply of temporary workers in London dropped further in October, the rate of reduction was marginal and one of the softest seen in the over six-year sequence of decline. It was also weaker than seen on average across the UK. According to some recruiters, uncertainty around new legislation deterred people from searching for temporary work. Elsewhere, the Midlands and North of England recorded faster declines in temporary staff supply compared to September, with the South of England seeing a slower decrease.

## Permanent salary inflation softens slightly from September

Salaries awarded to new permanent hires in London increased at a sharp pace during October. The rate of inflation slowed from the previous month, but was still the second-highest recorded since February. Often, panellists related the mark-up in salaries to tighter labour supply and increased competition among employers for skilled candidates. The UK as a whole also recorded an increase in permanent staff pay, as has been the case in each month since May 2012.

## Comment

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

*"Businesses are still waiting to hear that starting gun, and until there is some certainty around Brexit and now the election, employers continue to stall on creating vacancies and making permanent hires.*

*"It's not just businesses that are being cautious, however, and over October we've seen job-seekers become increasingly nervous about making a career change. The lucky few that do find jobs are continuing to demand higher pay as reflected in the rise in starting salaries and temp pay.*

*"At the national level, the IT and computing sector threw caution to the wind last month as the best performer in vacancy growth. Meanwhile, the medical sector is not far behind, and we also saw a sharp increase in the demand for temp staff in this sector."*

Recruiters in London saw a further increase in temporary wages at the start of the fourth quarter, as greater demand for workers continued to outstrip availability. Moreover, the rate at which pay rose was sharp and the quickest seen since July, although it remained weaker than the UK-wide trend, as has been the case since November 2018. The South of England recorded the sharpest rise in temp wages, while the North of England saw the slowest.

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

*"These figures underline why this needs to be a jobs election. The labour market is strong, but permanent placements have now dropped for seven of the last eight months in London, and vacancies growth is slow. One bright spark is the UK's temporary labour market, which continues to provide flexible work to people and businesses that need it during troubled times.*

*"Ending political uncertainty and getting companies hiring again is vital – but we must also look to the long term future of work. Jobs must be front and centre during this election campaign, and we will be launching our REC manifesto for work next week. We will be urging all political parties to run on policies which support and enhance the UK's flexible labour market – allowing businesses to create jobs, employees to build careers and the economy to grow."*

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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](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 all about brilliant recruitment, which drives our economy and delivers opportunity to millions. As the voice of the recruitment industry, we champion high standards, speak up for great recruiters, and help them grow. Recruitment is a powerful tool for companies and candidates to build better futures for themselves and a strong economy for the UK. Find out more about the Recruitment & Employment Confederation [www.rec.uk.com](http://www.rec.uk.com).

## About IHS Markit

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