

Embargoed until 0101 (UK) 8 March 2019

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

### Permanent placement growth restored in February

#### Key findings

- Renewed rise in permanent staff appointments...
- ...matched by return to growth of temp billings
- London leads starting salary inflation 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.

#### Renewed increase in permanent appointments

Recruitment consultancies in the capital signalled growth of permanent placements in February, reversing the decline noted at the start of 2019. Moreover, the respective seasonally adjusted index posted a reading that matched its long-run average. Survey participants indicated that, following a challenging January, clients resumed their hiring efforts. The South of England was the only other region to record growth, with back-to-back declines noted in the North of England and the Midlands.

After contracting in January for the first time in two-and-a-half years, temp billings in London increased during February. The pace of expansion was solid and broadly in line with the national average. Anecdotal evidence indicated stronger demand for contractors across digital change programmes as well as greater requirements due to Brexit. A renewed increase in temp billings was also evident in the North of England, with growth sustained in the South of England and the Midlands. The latter led the rise, despite seeing the upturn ease to a two-year low.

Permanent job vacancies in London continued to increase, taking the current stretch of growth to 29 months. Although marked, the pace of expansion eased to the weakest since November 2016 and was softer than the UK average. Slower increases were likewise evident in the South of England and the Midlands, with the North of England bucking the wider trend and posting a stronger upturn.

Temp vacancy growth in the capital re-accelerated in February, but the rate of expansion remained below both its long-run trend and the national average. Nevertheless, London was the only monitored English region to record a quicker rise in demand for temporary/contract staff.

#### Downturn in temp supply accelerates

Not only did temp availability in London decrease for the sixty-seventh straight month, but also at the quickest rate since November 2017. Furthermore, the contraction was more pronounced than noted at the UK level. There were reports of scarce labour for a wide range of roles, including translators, receptionists, marketing, catering, finance and developers. In contrast, slower reductions in temp availability were registered in the other three English regions.

February data pointed to a further drop in the number of people looking to undertake permanent employment in London. The rate of contraction remained steep, despite slowing from January. Panellists mentioned shortages of catering, financial, healthcare, IT and marketing professionals. The reduction in permanent staff availability in the capital was the fastest regionally, while the Midlands registered the slowest fall.

#### Starting salary inflation fastest across English regions

Average starting pay for permanent workers in London continued to increase midway through the first quarter, which survey participants linked to competition for staff. Although weakening to a four-month low, the rate of salary inflation was the highest of the four monitored English regions and above its long-run average. The

weakest upturn was recorded in the Midlands.

Although temporary/contract pay in the capital continued to increase, the rate of inflation waned. The modest rise noted in February was the slowest in 28 months and much weaker than seen across the UK. In

### Comment

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

*“It’s encouraging to see businesses have resumed their hiring efforts despite a dip in January. However, a continued lack of good candidates making themselves available to businesses with growth on their minds is a real concern for the future prosperity of London.*

*“Widespread skills shortages and a lack of good candidates is having an impact on key London sectors such as IT, hospitality, and nursing. This means candidates with the right skills are commanding ever higher premiums and pay growth is now at a 10-year high. This has seen pay outstripping living costs meaning people feel better off – which is good news, unless you are an employer, with SME businesses being most impacted.”*

fact, fewer than 9% of survey participants signalled higher temporary wages, with the vast majority (86%) noting no change. The North of England led the latest upturn in temp pay, followed by the Midlands.

Recruitment & Employment Confederation Chief Executive Neil Carberry said:

*“The resilience of employers and the British jobs market shines through in today’s Report on Jobs. While numbers are clearly weaker than we have seen over the past few years, the survey suggests businesses are ready to create jobs if the investment environment is right. Recruiters are playing a crucial role in helping their clients fill gaps. With permanent vacancies rising in all sectors, the strongest demand is for IT and computing staff.*

*“As we draw closer to Brexit day, uncertainty and concern has grown, putting the sustainability of positive jobs news at risk. Firms are looking for politicians to find a solution to the current deadlock that gives them the certainty they need to invest and create jobs.*

*“In a separate survey of REC members this week, nearly half (45%) of respondents said that their biggest leadership challenge in dealing with Brexit was reassuring workers, candidates and staff.*

*“REC members are looking to the Chancellor to use next week’s Spring Statement to inject stability and long-term thinking into our economic debate. A commitment to proper flexibility in the skills levy, an open but controlled approach to immigration after Brexit, and changes to government plans on contractor tax to protect compliant businesses are top of recruiters’ agenda.”*

## Contact

### KPMG

Paul Middleton  
+44 (0) 2076 942180  
+44 (0) 7387 257543  
[paul.middleton@kpmg.co.uk](mailto:paul.middleton@kpmg.co.uk)

### REC

Gorki Duhra  
REC Press Office  
T: 0207 009 2192  
[gorki.duhra@rec.uk.com](mailto:gorki.duhra@rec.uk.com)

### Speed Communications

Kerry Grove  
T: 0117 906 4517  
[kerry.grove@speedcomms.com](mailto:kerry.grove@speedcomms.com)

### IHS Markit

Pollyanna De Lima  
Principal Economist  
T: 0149 146 1075  
[pollyanna.delima@ihsmarkit.com](mailto:pollyanna.delima@ihsmarkit.com)

## 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 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

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

IHS Markit (Nasdaq: 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.



## Disclaimer

The intellectual property rights to these data are owned by or licensed to IHS Markit and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. IHS Markit is a registered trademark of IHS Markit Ltd and/or its affiliates.