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KPMG AND REC, UK REPORT ON JOBS: London

Sharpest fall in permanent staff appointments for over two-and-a-half years

Key findings

- Permanent placements contract at sharper pace...
- ...despite slower reductions in candidate availability
- First drop in permanent vacancies since late-2016

Summary

April data from the **KPMG and REC, UK Report on Jobs** highlighted further challenges in the London labour market. Demand for permanent workers worsened for the first time in over two-and-a-half years, which coupled with candidate shortages led to a steeper fall in staff appointments. Trends for short-term employment were more favourable, with vacancies rising and temp billings growth accelerating. On the pay front, there was a renewed increase in wages, while starting salary inflation for permanent positions cooled to a nine-month low.

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

Sharpest fall in permanent placements since September 2016

Permanent staff appointments in the capital declined for the second successive month in April. Recruitment consultants attributed the reduction to caution around Brexit among firms and employees, as well as candidate shortages. Moreover, the pace of contraction was the quickest seen for over two-and-a-half years. In comparison, a softer reduction was noted in the Midlands, while the fall in the South of England matched that noted in March. The North was the only English region to register growth.

Recruitment agencies in London continued to signal higher billings received from the employment of short-term staff. Although moderate, the pace of expansion

accelerated from March. Some companies indicated increased client demand for temporary workers. Regionally, temp billings growth was also evident in the North and South of England, while the Midlands dipped into contraction.

For the first time since September 2016, permanent job vacancies in London decreased in April. The downturn was the only one seen on a regional basis, with growth evident in the other three English regions. At the UK level, growth was sustained but eased to an 80-month low.

Although demand for temp workers in the capital continued to expand, the pace of growth held close to March's 73-month low and was the weakest of the four English regions monitored. The North of England led the upturn in April.

Slower, albeit sharp, fall in candidate numbers for permanent jobs

The number of people willing to undertake permanent employment in London continued to decrease at the start of the second quarter. Anecdotal evidence pointed to apprehension among workers to switch jobs due to market uncertainty, and fewer EU applicants. Despite softening from March, the pace of contraction remained sharp. Slower rates of reduction were likewise evident in the other three English regions.

Candidate numbers for temporary positions decreased again in April. According to anecdotal evidence, the latest fall reflected a lack of clarity regarding Brexit and competition from online recruiting platforms. That said, the pace of contraction was the second-slowest in two-and-a-half years. The downturn was reportedly restrained by students signing up for temp jobs and the non-extension of existing contracts. The North of England also posted a softer decline in temp supply, while accelerations were registered in the Midlands and the South of England.

Continues...

Further slowdown in starting pay growth for permanent workers

Although pay awarded to newly-placed permanent workers continued to rise in London, inflation moderated for the fourth month in a row. In fact, the latest increase was the slowest since last July. On the one hand, panellists suggested that competition for staff exerted upward pressure on starting pay. On the other hand, there were reports of cooling labour market conditions. Starting pay inflation also softened in the

Comment

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

“This report shows how the UK jobs market has seized up, with both employers and candidates waiting to see which direction Brexit is going to go in. For now, this smothers the prospects for growth and makes it a lot harder for companies looking to innovate.

“Overall employers have hired fewer permanent staff in three of the past four months and most of the firms we’re speaking to say that uncertainty around Brexit is to blame. A subdued public sector is also contributing to the wider picture.

“On the supply side, a high rate of employment and the apprehension of potential candidates means there just aren’t a lot of suitably skilled people out there to hire anyway. This is an increasing problem for firms in technology, health, and engineering who are experiencing a skills gap.

“Concern over the long-term picture means now is a good time to be a temp’ with steep increases in pay for both day rate and short contract workers.”

North of England, with accelerations seen elsewhere.

After falling in March for the first time in six years, temp pay growth was resumed in April. Data suggested that a combination of higher demand for short-term staff and lower candidate availability exerted upward pressure on wages. The rate of inflation was solid overall, but below its long-run average. On a regional basis, the North of England led the broad-based rise in temp pay at the start of the second quarter.

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

“Today’s report shows the continued strength, agility and flexibility of the UK labour market. In uncertain times, employers are turning to temporary work to support their business and offer people opportunity while the long-term economic picture is unclear.

“There are signs that the jobs market is gently weakening for permanent roles, despite ongoing issues of skills and candidate shortages. This too is likely to be associated with uncertainty about the future path of our economy.

“We should be proud of how our jobs market has adapted to challenging circumstances. Resolving Brexit will bring some certainty, but we must also take bold steps to fix the underlying problems suggested by these figures, including reforming the apprenticeship levy to allow training for agency workers so that they can fill shortage roles.”

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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 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.

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.

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