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

### Downturn in recruitment activity across the capital quickens in October

#### Key findings

- Sharper falls in permanent placements and temp billings
- Staff supply continues to rise sharply
- Starting salaries fall at steepest rate since July

Data collected October 12-26

#### Summary

The latest **KPMG and REC, UK Report on Jobs** survey pointed to a sharper fall in hiring activity in London, with both permanent placements and temp billings declining at the quickest rates for three months in October. Recruiters across the capital frequently mentioned that the ongoing coronavirus disease 2019 (COVID-19) pandemic continued to impact hiring decisions. Moreover, demand for permanent staff weakened notably, while redundancies drove a further marked rise in staff availability.

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

#### Permanent staff appointments fall at sharper pace

Recruiters in London reported a tenth consecutive monthly fall in permanent placements in October. Moreover, the pace of decline accelerated since September and was the sharpest for three months. A number of recruitment consultancies highlighted that the coronavirus disease 2019 (COVID-19) pandemic still weighed heavily on hiring decisions in the capital.

The UK as a whole saw a renewed contraction in permanent placements in October, albeit one that was modest overall. Expansions in the Midlands and North of England were more than offset by falls in the capital and South of England.

Latest data indicated a further reduction in billings

received for temporary staff placements made by recruitment firms in London. Despite moving toward stabilisation in September, the rate of contraction quickened in October and was solid. Recruiters in London continued to link the fall to the economic impact of the COVID-19 pandemic. In contrast, temporary billings increased for a third successive month at the UK level, with the pace of expansion quickening in October. Moreover, London was the only monitored region to indicate a fall in temporary billings.

Recruitment consultancies in the capital saw a further decline in permanent vacancies in the latest survey period, with the pace of reduction accelerating from September and substantial overall. Meanwhile, there was a renewed fall in permanent vacancies at the UK level, albeit only modest. Temporary vacancies in London rose for the second month in a row in October. The overall pace of expansion quickened since the previous month, but remained slower than the UK average.

#### Permanent staff supply expands at slower, but still marked, rate

The seasonally adjusted Permanent Staff Availability Index pointed to a sustained increase in the number of people looking for permanent work in London. The rate of expansion slowed again in October, but remained historically sharp and was slightly faster than the UK-wide average. Anecdotal evidence suggested that widespread redundancies stemming from the pandemic had contributed to a greater supply of candidates.

At the regional level, the uptick was broad-based and led by the South England. The Midlands meanwhile saw the softest rate of increase, although growth remained marked overall.

The number of candidates looking for temporary work in London expanded for an eighth consecutive month in October. Notably, the increase in the supply of temp staff gathered pace compared to September and was among the sharpest seen in the survey's history.

Recruiters often attributed the upturn to contractors being more widely available due to their release by companies amid the ongoing pandemic. Furthermore, the capital saw the sharpest rise in temp staff availability of all four monitored English regions.

### Fall in permanent starting pay accelerates

Recruitment consultancies in London reported a further decrease in salaries for new permanent joiners in October. The rate of decline was substantial and quickened from the already-sharp drop recorded in the previous survey period. Furthermore, the rate of decrease outpaced the UK average for a seventh consecutive month. Panel members frequently linked lower starting pay to the rise in candidate supply.

### Comments

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

*“With a reluctance to recruit permanent staff and a big increase in people available for work, the impending lockdown puts the UK jobs market in a precarious position.*

*“While the furlough scheme extension may give a brief respite, it will fuel economic uncertainty and further dampen prospects for jobseekers, hitting hiring activity hard.*

*“The Government needs to ensure it offers enough financial support to UK business and opportunities for jobseekers to upskill as we continue to navigate through this crisis.”*

Reduced starting salaries were reported across all four monitored English regions, with rates of decrease accelerating in all areas bar the North of England.

Hourly wages for temporary workers in London were reduced for the eighth month running in October. The rate of decline was the sharpest since June and among the quickest since the survey began in 1997. The fall in October was commonly attributed to the impact of the COVID-19 pandemic and higher candidate availability. Moreover, firms in London registered a much sharper fall in wages compared to the other three monitored English regions.

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

*“October brought a dose of realism after a quick economic bounce in the summer. While a new England-wide lockdown starts this week, similar restrictions were already in force in much of the UK last month. These figures show that hiring was still going on – and we believe that firms are better prepared to trade through these new restrictions than they were in March. Nevertheless, the outlook remains uncertain, and concerning. We face a challenging winter and temporary work will be a vital tool for keeping businesses going and people in work. All businesses are looking to Government to use the lockdown wisely and provide the Test and Trace system, vaccine and economic support that firms will need if they are to drive our recovery in 2021.”*

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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 21 offices across the UK with approximately 17,600 partners and staff. The UK firm recorded a revenue of £2.40 billion in the year ended 30 September 2019.

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## 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](http://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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