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KPMG AND REC, UK REPORT ON JOBS: London

Growth of permanent placements surges to new record

Key findings

- Sharp increases in permanent placements and temp billings
- Steeper declines in the supply of candidates
- Permanent salary inflation accelerates amid supply and demand mismatch

Data collected June 11-24

Summary

The latest **KPMG and REC, UK Report on Jobs** survey pointed to a new record expansion in permanent placements in London midway through the year, with temp billings also up sharply. Marked improvements in demand for staff coincided with steep declines in candidate numbers. As a result, pay inflation was recorded, with permanent starting salaries rising particularly sharply.

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

Fresh record rise in permanent placements

The rate of growth in permanent placements in London surged to a new survey high in June, surpassing the previous record set in May. Recruitment consultancies have now recorded increases in permanent placements in each of the past four months as COVID-19 lockdown measures have been eased. There were some reports in June of rising demand for hospitality staff. Around 60% of respondents signalled an increase in permanent placements over the month. Across the four monitored English regions, the Midlands saw the fastest rise, followed by London. In fact, all four regions recorded a record upturn in permanent placements.

Temporary billings increased sharply at the end of the second quarter, after having been broadly unchanged during May. Moreover, the rate of expansion was the fastest since October 2018. Lockdown easing was

mentioned by those agencies that noted higher temp billings, with reports that some companies were using short-term staff to help them expand quickly. The rise in temporary billings in London was softer than the UK average. All four monitored English regions signalled a marked increase in temporary appointments, led by recruiters in the South of England.

June data pointed to a strong rise in vacancies for permanent workers in the capital. Moreover, the rate of expansion quickened for the third month running and was the sharpest since September 2010. A marked and accelerated increase in demand for temporary staff was also recorded during June, with the rate of growth quickening to the fastest in more than seven years. Vacancies for short-term positions have now risen in four successive months.

Steepest reduction in permanent candidates since November 2015

Recruitment consultants in London reported a steep reduction in the availability of permanent staff during June. The fall was the second in as many months and the most marked since November 2015. Respondents indicated a reluctance among workers to move roles, while sharp growth in permanent placements had also reduced the pool of available candidates. Survey-record falls in the North and South of England were signalled, with the latter indicating the quickest decrease of the monitored English regions.

Temporary staff availability decreased for the second successive month in June, with the rate of decline accelerating to the sharpest since February 2019. The fall in London was much softer than that seen at the UK level, however. A number of recruitment agencies indicated that a lack of migrant labour from the EU was behind the supply shortage of temporary staff. At the regional level, the downturn in temp staff supply was broad-based, with the North of England registering the steepest reduction overall, and one that was the fastest on record.

Permanent salary inflation accelerates

Average starting salaries for permanent staff in London

increased sharply again in June. Moreover, the rate of inflation quickened to the fastest in almost two-and-a-half years. Anecdotal evidence suggested that the increase in salaries reflected a combination of strong demand for permanent staff and a fall in the supply of candidates. The North of England saw the fastest rise in permanent salaries, and a series record.

June data pointed to a further increase in wages for

Comments

Commenting on the latest survey results, Anna Purchas, Senior Partner for KPMG in London, said:

“London’s recruitment market is booming, with record numbers of people getting into permanent roles as the city looks to rebuild following the pandemic.”

“There are huge red flags on the horizon right now for employers in London, with the sharpest rise in vacancies for permanent staff in over a decade. Businesses are struggling to fill vital roles as candidates remain nervous around moving roles and employers struggle to find the skills they need to enable London to meet its full potential for post-pandemic recovery.”

“With one of the highest unemployment levels in the country, the skills challenge in London is at an acute level. Businesses need to take the lead in reskilling their current workforce for the new digital future and working with education and training providers to train the staff they need in the future. We are at a critical point where a more tailored, relevant, flexible approach to help young Londoners transition from education to employment is needed.”

“As employers in London face recovery head on, they will need a laser focus on how they can get Londoners into careers and continue upskilling them to meet the digital needs of the future.”

temporary staff in the capital, extending the current sequence of inflation to four months. The latest increase was marked, albeit slower than that seen in May and weaker than the UK average. Temporary candidate shortages was the main factor leading to higher pay rates. Sustained wage inflation was recorded in all four monitored English regions, led by the Midlands.

Neil Carberry, Chief Executive of the REC, said:

“Recruiters are working flat out to fill roles across our economy. The jobs market is improving at the fastest pace we have ever seen, but it is still an unpredictable time. We can’t yet tell how much the ending of furlough and greater candidate confidence will help to meet this rising demand for staff. In some key shortage sectors like hospitality, food, driving and IT, more support is likely to be needed to avoid slowing the recovery. That means supporting transitions into growing sectors through unemployment support and new skills programmes, as well as making sure the new immigration system reacts to demand, as promised. But it also means that hiring companies need to re-assess their workforce plans. In a tight jobs market, working with professional recruiters to position your firm as an employer of choice is a must.”

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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.

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 21 offices across the UK with approximately 16,000 partners and staff. The UK firm recorded a revenue of £2.3 billion in the year ended 30 September 2020.

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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.

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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