News Release

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KPMG AND REC, UK REPORT ON JOBS:
London

Permanent placements fall at faster rate in February

Key findings
- Hiring decreases as staff availability remains weak
- Temp billings drop sharply amid incoming IR35 rules
- Permanent vacancy growth quickens to 12-month high

Summary
The latest KPMG and REC, UK Report on Jobs pointed to further weakness in the hiring of permanent staff in London during February. Placements fell for the second month running, and at a quicker pace than in January, bucking the overall UK trend of expansion. The decline came despite the strongest rise in vacancies for almost a year, placing greater pressure on permanent salaries across the capital.

Meanwhile, temp billings dropped at the fastest rate in over three-and-a-half years, as companies reportedly lowered the hiring of contract staff as uncertainty grew around the impact of IR35 reforms in April. Temp wage growth weakened to a six-month low, while candidate numbers were unchanged following the first uplift in six-and-a-half years during January.

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

Permanent placements fall again in February

London recruitment consultants saw a further decline in the placement of permanent staff in the second month of 2020. The rate of contraction was solid and the fastest in four months, with recruiters generally linking this to delays in assignments and a weaker hiring market. The capital continued to diverge from the UK as a whole, which saw placements grow at the strongest rate since the end of 2018. All three remaining English regions recorded higher permanent staff appointments compared to January.

Similar to permanent placements, the rate of decline in temporary staff billings at London recruiters quickened in February. The sharp fall in billings was the most marked since July 2016, and one that far outpaced the UK average. Respondents commonly linked this to companies restricting temporary hires amid incoming IR35 legislation and searching for permanent staff instead. The Midlands also recorded a drop in temp billings during February, whereas the South of England and North of England registered solid upturns.

In line with an improvement across the country, the rate of growth in permanent staff vacancies in London accelerated to a 12-month high during February. The overall increase remained slower than the UK average, however, and the weakest of all four monitored English regions. Meanwhile, London recruiters saw a renewed expansion in vacancies for temporary staff, although the pace of growth was only modest. The capital also saw a slower rise in new temp roles than at the national level, again outpaced by the Midlands, North of England and South of England.

Decline in permanent staff supply remains strong

The availability of permanent staff in London decreased sharply in February, following the trend of decline observed since June 2013. The rate at which supply fell was slightly quicker than in January, and compared with a slower, but still solid, reduction in permanent staff supply across the UK as a whole. Recruiters in the capital continued to link the fall in availability with reduced EU candidates, due to uncertainty around UK-EU trade talks. The North of England bucked the trend, posting the first improvement in candidate supply since the start of 2013.

Following the first increase in temp candidate supply for six-and-a-half years in January, latest data showed candidate numbers unchanged during February. Some consultancies saw availability rise due to firms laying off temp workers before IR35 reforms come into force. However, other panellists noted candidates switching to permanent positions, reducing the supply of temporary labour. An increase in temp availability in the North of England contrasted with reductions in the Midlands and South of England.
Permanent salary inflation ticks up

Salaries paid to newly-hired permanent staff in London rose at a quicker pace for the third month running in February. However, the rate of inflation dipped below the UK-wide trend, which recorded the quickest increase in salaries for eight months due to faster rises in all four monitored English regions. According to anecdotal evidence, upward pressure on wages in London came from reduced candidate numbers and a rise in senior roles.

February data signalled a solid increase in wages given to new temporary staff across London. That said, the rate of growth was the weakest since last August, and softer than the average for the series. Recruiters found that IR35 reforms sometimes led employers to offer lower wages, which partly offset those firms that raised staffing fees. The Midlands recorded the quickest increase in newly-hired temp wages, while the North of England registered the slowest.

Comments

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

“London’s jobs market remained relatively weak in February, with the survey highlighting further falls in both permanent placements and temporary billings.

“Looking ahead, the current big unknown is the impact and influence the coronavirus may have on market confidence, let alone the lingering uncertainty around the actual Brexit deal.

“Businesses will be hoping that next week’s Budget provides some relief and investment to help get the UK back on the path to growth.”

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

“It’s great to see how the state of the jobs market has improved in the past few months. Businesses are feeling more positive, and the number of vacancies in London is now rising at the quickest pace for a year. It shows just how important stability can be. With a little confidence about where the economy is heading, employers can make clear plans for hiring and put them into practice. Politicians must be careful to maintain that stability – whether that’s in negotiations with the EU or making sure that the tax and skills policies in next week’s Budget work for business. This is even more important given the impact that coronavirus may have on the economy in the spring.

“The stark outlier in this data is the much slower performance of the temporary market. With less than a month to go until the IR35 changes kick in, we’re hearing about more and more companies putting a blanket ban on hiring contractors – and we now see this influencing the availability of flexible workers too. The government urgently needs to stop and think about how to make these changes more effective. They should start by delaying implementation in order to properly regulate umbrella companies.”

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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 NorthWest, 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.

February data were collected 12-24 February 2020.

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 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 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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