

Embargoed until 0101 (UK) 8 February 2019

KPMG AND REC, UK REPORT ON JOBS: London

Permanent placements contract for first time in six months

Key findings

- Slight decline in permanent staff appointments
- First fall in temp billings for two-and-a-half years
- Firms lift starting pay sharply to attract candidates

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.

Permanent placements fall in January

For the first time in six months, permanent staff appointments in London declined during January. Some survey participants indicated that recruitment had been put on hold due to political and economic uncertainties, while others cited skill shortages. That said, the rate of contraction was marginal overall. Decreases were also noted in the Midlands and the North of England, with the South of England bucking the trend and registering growth.

Recruitment consultancies recorded a reduction in temp billings at the start of 2019. Although only slight, the fall interrupted a 29-month period of expansion. Anecdotal evidence pointed to the non-renewal of contracts that came to an end. The trend for the capital contrasted with sustained, albeit weaker, growth at the UK level.

Although demand for permanent workers in London continued to rise in January, growth lost further momentum. The expansion was the slowest in over two years. The only region to see a faster increase was the Midlands.

Short-term vacancies in the capital likewise increased to a lesser extent. The upturn was the weakest since November 2016 and below its long-run average. Expansion rates in the South and North of England were at 25- and 29-month lows, while the rise in the Midlands quickened from December.

Steeper deterioration in permanent candidate supply

Permanent staff availability in London decreased further in January. The contraction was the second-quickest in over three years, slower only than that recorded last May. According to panel members, there was a particular shortage of EU candidates. A sharper reduction in permanent staff supply was likewise noted at the UK level.

Amid reports of staff demand exceeding supply, the availability of candidates for short-term jobs in London continued to decrease in January. The respective index has been in contraction territory throughout the past five-and-a-half years, with the latest figure indicative of a faster pace of reduction than seen in December. Quicker declines were also noted in the other three monitored English regions.

Starting salary inflation remains elevated

Salaries awarded to new joiners in the capital rose in January, as has been the case since mid-2013. Despite easing from December, the rate of inflation was the second-strongest in over three-and-a-half years and the highest of the four English regions. Competition for scarce labour, coupled with a hesitancy among workers to switch jobs, boosted starting salaries. At the UK level, permanent pay growth was at a three-month high.

A higher cost of living and competition for candidates reportedly led companies to lift temporary wage rates in January. The pace of inflation softened to a five-month low, but remained robust and above its long-run average. However, the rise in temp pay in London was less marked than for the UK overall.

Comment

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

“This is a worrying start to the year for London employers who, despite creating jobs are facing a perfect storm of economic uncertainty and a dwindling talent pool.

“A decline in overseas candidates, and nervous jobseekers staying put to see how Brexit plays out has left many employers in the Capital facing a war for talent and a much bigger wage bill in getting their vacancies filled.

“As a business services hub it is people who drive the capital’s productivity and unless the current situation changes quickly, it will no doubt have a negative impact on our productivity levels and London’s economy as a whole.”

Recruitment & Employment Confederation Chief Executive Neil Carberry said:

“This is the first month since July 2016 where permanent placement numbers have dropped, with weaker – but still positive – performance for temporary roles, and the lowest rate of vacancy growth for over two years. But we should be careful not to overreact – employment rates are high, and the performance of our labour market overall is still strong. We also know that key sectors such as accounting, engineering and IT are facing shortages.

“That said, the survey results are a sharp reminder to politicians in Westminster and in Brussels of the need to provide businesses with clarity about the path ahead, so they can invest with confidence.

“In the public sector, the NHS continues to find it particularly difficult to find care workers and nurses – the effects of which are being felt by patients and overworked existing staff. Along with other sector shortages, this again emphasises the need for pragmatism on immigration and a clear post-Brexit transition period.”

Contact

KPMG

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

REC

Gorki Duhra
REC Press Office
T: 0207 009 2192
gorki.duhra@rec.uk.com

Speed Communications

Kerry Grove
T: 0117 906 4517
kerry.grove@speedcomms.com

IHS Markit

Pollyanna De Lima
Principal Economist
T: 0149 146 1075
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.

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

Jobs transform lives, which is why we are building the best recruitment industry in the world. As the professional body for recruitment we're determined to make businesses more successful by helping them secure the people they need. We are absolutely passionate and totally committed in this pursuit for recruiters, employers, and the people they hire. Find out more about the Recruitment & Employment Confederation at 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.