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

### London sees marked rise in permanent placements

#### Key findings

- Permanent staff appointment growth accelerates...
- ...amid strong upswing in vacancies
- Candidate shortages drive starting salary inflation to 42-month peak

#### 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.

#### Marked upturn in permanent staff appointments

November data showed a fourth successive monthly rise in permanent placements across the capital, which recruitment consultancies linked to robust demand for staff. Moreover, the rate of expansion accelerated since October and was above its long-run average. Staff appointments at the UK level increased at the weakest pace in four months as faster growth in London and the Midlands were more than offset by slowdowns in the North and South of England.

Although temporary billings in London continued to expand in November, growth lost momentum. The rise was moderate in the context of historical survey data and the weakest in three months. Panellists that signalled higher temp billings cited greater client numbers. Similarly, temp billings growth eased in the other three English regions, resulting in the joint-weakest upturn across the UK in over two years.

Latest data continued to point to vacancy growth in London. Demand for permanent workers strengthened from October's four-month low and was quicker than

seen across the UK as a whole. Moreover, London led the increase on a regional basis, followed by the South of England where growth also picked up. Softer rises were noted in the Midlands and the North of England.

Temp vacancies in the capital also expanded at a quicker pace, one that matched the UK average. The Midlands was the only other English region to register a faster upturn in demand for short-term workers, with softer rises noted elsewhere.

#### Downturn in permanent staff supply eases

Lower unemployment, fewer candidate numbers and a reluctance among workers to switch jobs reportedly led to another deterioration in permanent staff availability in London. However, the rate of reduction moderated to the slowest in one year and was softer than across the UK as a whole. The steepest downturn in labour for permanent jobs was evident in the Midlands, followed by the South, the North and then London.

November data highlighted another decrease in jobseekers willing to take part-time jobs in the capital, stretching the current sequence of reduction to sixty-four months. Companies mentioned a hesitancy among workers to move jobs and a decline in overseas candidates as the main factors causing the latest drop. Although sharp, the contraction softened from October. Across the UK, temp labour supply dipped sharply, though at the weakest rate in three months amid softer contractions in the Midlands and the South of England too.

#### Starting salary inflation ticks higher

A combination of candidate shortages, strong demand for staff and counteroffers led to a further increase in starting pay for permanent workers in the capital. Moreover, the rate of salary inflation was sharp and the strongest in three-and-a-half years. The rise in London was similar to that noted at the national level. The South of England continued to post the steepest upturn in starting salaries on a regional basis, the fourth month in a row in which this has been the case.

Temp pay rates in London increased further midway

through the final quarter of 2018, but the rate of wage inflation moderated to a three-month low. Nevertheless, the rise was sharp and above the average for the 21-year survey history. Competition for workers and skill shortages were the main factors leading to upward pay pressures, according to recruitment consultancies. Wage inflation at the UK level climbed to the highest in close to eleven-and-a-half years as stronger increases were recorded in the remaining three English regions.

## Comment

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

*“The current employment situation in London is good news for job seekers but there are some worrying clouds on the horizon for employers who are facing a shortage of good candidates and a bigger wage bill in getting their vacancies filled. Employers in the capital are driving the sharpest salary inflation seen in over three years - great news for the economy and good news for the taxman, but an unsustainable situation for most employers, particularly at an SME level where profitability drives growth.*

*“The forecast is not looking very positive for employers in London. A decline in overseas candidates is already being highlighted as one of the main factors for the fall in the supply of good quality staff in the capital and we expect this to continue to deteriorate over the coming months. As a business services hub it is people who drive the capital’s productivity and with employers facing the prospect of being unable to fill their vacancies – it could have a negative impact on our productivity levels and London’s economy as a whole.”*

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Recruitment & Employment Confederation chief executive Neil Carberry said:

*“Today’s report backs up what recruiters across the country are saying to us. High employment rates and a lack of willingness to change employer in this uncertain climate means fewer people are looking for jobs – despite rising pay and jobs being available.*

*“After a long run of strong performance, it seems that employers are getting more nervous as well. Although permanent and temporary placements continued to increase, the pace of growth has slowed since earlier in the autumn.*

*“Recruiters across the country are working hard to fill gaps in our labour market but in the run-up to Christmas, sectors like hospitality and warehousing are facing particular challenges as they ramp up to the festive season. More clarity on the future path of Brexit and immigration will underpin business and consumer confidence, ensuring the UK’s jobs performance remains strong.”*

## 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 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](http://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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