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

### Permanent placements rise for first time since August

#### Key findings

- Permanent and temporary placements grow marginally
- Staff supply deteriorates at faster pace
- Permanent starting pay growth eases

#### Summary

The latest **KPMG and REC, UK Report on Jobs** signalled a slight improvement in permanent placements in London, as recruiters highlighted a modest boost to labour market confidence in November. An upturn was also recorded for temp billings, the first in four months. With job roles being filled, the supply of both permanent and temporary candidates in the city fell further, and at sharper rates. Despite this, pay inflation for both worker types eased.

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

#### Slight rise in permanent placements

November data signalled an increase in permanent hires across London for the first time in three months. Recruiters highlighted that a boost in market confidence encouraged some firms to take on more staff. That said, whilst the rise in placements was the strongest seen for nine months, it was only marginal overall. At the national level, permanent hiring continued to decline, albeit at a softer pace. The number of filled roles fell in the Midlands and South of England, while the North of England registered a modest increase.

London recruitment consultancies reported a slight rise in billings received for the hiring of temporary staff in November. This contrasted with a moderate decrease during October, with the capital moving into alignment with the UK-wide trend of expansion. Panellists that saw an uptick in total billings related this to clients filling more roles with temporary rather than long-term staff.

At the regional level, both the Midlands and North of England saw increases in temp billings, with the South of England recording a second consecutive month of decline.

Permanent vacancies in London rose for the second month running during November. However, in line with October, the rate of growth was marginal and weaker than that seen across the UK as a whole. All four monitored areas registered higher vacancies in the latest survey period.

Recruiters also saw a slight increase in temporary job openings in London. The expansion was the strongest observed for three months but remained notably softer than the national average, with the Midlands, North and South of England seeing faster growth.

#### Permanent staff supply declines at faster rate

Permanent staff availability in London dropped at a sharp pace again in November. Moreover, the rate of decline quickened to the fastest since June, although it was broadly in line with that seen across the UK as a whole. According to recruiters, workers were less inclined to move jobs due to political uncertainty, leading to a lack of suitably-skilled candidates available in the city. The South of England recorded the sharpest drop in availability, with the North of England registering the slowest.

Meanwhile, November data signalled a solid fall in the availability of candidates for temporary jobs, after only a slight reduction was recorded in October. This brought the capital in line with the trend for the whole of the UK, with only the North of England noting higher temp staff availability. Moreover, it marked the fastest drop in temp staff supply in London for five months. With continued uncertainty around Brexit and the economy, consultancies often noted that candidates were less inclined to switch jobs.

## Starting salary inflation weakens markedly

Recruiters in London noted a relatively modest rise in permanent salaries during November. The rate of inflation dropped to the second-weakest in nearly three years, following sharp mark-ups in both September and October. It was also softer than the UK-wide average, beating only the Midlands. Where respondents saw a rise in pay, this was related to a lack of candidates. However, some recruiters noted that employers reduced salaries during the month.

## Comment

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

*“The uncertainty around the upcoming election and Brexit outcomes are playing havoc with the UK jobs market, as clearly employers and job-seekers are taking a wait and see approach before committing to growth or movement.*

*“However, as big business set out their strategies for the coming year, they will need to start making key decisions on hiring and investment, while those seeking new roles will be hoping to get their CV’s out in the New Year once the dust has settled.”*

At the same time, pay awarded to newly-placed temporary staff in London rose solidly in November, although the rate of inflation eased slightly from October. This brought the capital in line with the UK-wide trend, having lagged behind in terms of wage growth over the past 12 months. According to panellists, the latest uptick in starting pay was caused by demand for temporary staff exceeding supply. All four monitored areas saw a rise in temp pay rates, with the South of England recording the fastest.

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

*“Today’s figures show exactly why this election needs to focus on work. The jobs market is still strong, but uncertainty is taking its toll. In London, permanent placements have fallen for much of this year and vacancies growth is weak. Any incoming government must move quickly to boost business confidence and implement policies that will help companies and individuals to make great work happen.*

*“With that in mind, it was good to hear Sajid Javid say that a Conservative government would review the planned changes to IR35 if they win the general election, alongside similar commitments from Labour and the Liberal Democrats. Everyone should pay the right amount of tax - and that must mean thinking again and stopping 2020 implementation. Contractors and the self-employed are a vital part of the UK’s flexible labour market, and current implementation plans risk rewarding those who avoid tax whilst punishing hundreds of thousands of compliant contractors and agencies. It is essential that these tax changes are only brought in when it’s clear they can be implemented effectively, with proper regulation of umbrella companies and effective enforcement.*

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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 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 all about brilliant recruitment, which drives our economy and delivers opportunity to millions. As the voice of the recruitment industry, we champion high standards, speak up for great recruiters, and help them grow. Recruitment is a powerful tool for companies and candidates to build better futures for themselves and a strong economy for the UK. Find out more about the Recruitment & Employment Confederation [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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