News Release

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KPMG AND REC, UK REPORT ON JOBS:
London

Permanent placements rise, but temporary billings fall in August

Key findings

- First rise in permanent placements since February
- Temp billings fall marginally
- Growth in permanent salaries weakens to 37-month low

Summary

Hiring activity in London appeared positive during August, with permanent placements growing for the first time in six months. Staff mobility still weakened, however, as uncertainty from Brexit and economic conditions weighed on jobseeker numbers. As such, pay pressures continued to rise, albeit to weaker extents than in July.

The **KPMG and REC, UK Report on Jobs,** meanwhile showed the first fall in temp billings since January, although the rate of reduction was slight.

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

First rise in permanent placements since February

Placements of permanent candidates into staff roles in London increased marginally in August, as indicated by recruitment consultants in the city. It was only the second monthly rise in appointments in the year so far. Panellists cited stronger requirements from clients for permanent staff, some due to other employees leaving the company. That said, the high level of political uncertainty led to further reductions in placements at other consultancies. Meanwhile, permanent placements continued to fall across the UK in August, extending the current sequence of decline to six months, the longest since mid-2009.

In contrast to permanent placements, the seasonally adjusted Temporary Billings Index fell into negative territory in August. This indicated the first decline in payments received from the hiring of temporary candidates in London for seven months. Overall though, the reduction was weaker than that observed during January, and only marginal. Meanwhile, the UK as a whole recorded a modest increase in temp billings. The North of England posted the strongest increase in billings, with the South also seeing a rise while the Midlands registered broadly unchanged levels.

August data signalled a further increase in the number of vacancies for permanent staff in London. However, the rate of growth weakened to only a marginal pace that was the softest in the current three-month run of expansion. Only the Midlands recorded a faster rise in vacancies from July.

Job openings for temporary staff in London also rose over the month. Notably, the rate of growth was stronger than the UK-wide trend for the first time since September 2018. This was due to weaker increases among the other three monitored English regions, with the South registering the softest growth.

Permanent staff supply falls at slightly faster rate

The availability of candidates to fulfil permanent roles within London fell further in August. Whilst the rate of decline accelerated from July, which saw the weakest fall in 30 months, it was still subdued compared to the recent trend. As with previous survey periods, recruiters linked the drop in permanent staff supply to market uncertainty and a reduction in the number of EU candidates. Across the UK as a whole, the decline in permanent labour supply eased to the slowest since December 2016, with contractions observed in all four monitored English regions.

Meanwhile, there was a further monthly contraction in staff availability for temporary roles in London during August. Panellists attributed the fall to a lack of candidates due to political uncertainty. The overall decline in temp staff supply was modest and quicker than in July, as well as broadly in line with the average for the UK as a whole. All four monitored English regions registered a contraction. The Midlands saw the most marked reduction in staff availability, contrasting with only a marginal fall in the North of England.

Growth in permanent salaries weakens to 37-month low

Recruitment consultants based in London reported a softer uptick in salaries paid to newly-placed permanent staff in August. In fact, the rate of increase was the least marked since July 2016, and still below the UK-wide average. Panellists that saw pay pressures rise commented on employers raising them to attract higher quality candidates amid difficulties in acquiring staff. All four monitored English regions posted a rise in salaries, with inflationary pressures strongest in the South.

At the same time, recruiters in London saw only a modest rise in average hourly pay rates for short-term staff over August, with the increase slowing for the third month running. This indicated a greater divergence between inflation of temporary wages in London and the whole of the UK, with the latter remaining stronger. As with recent months, skills shortages in the city were again reported by consultancies as driving up wages. The Midlands and the South of England recorded faster rises in temporary staff pay, whilst the North saw a fractional slowdown.

Comment

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

"Brexit uncertainty continues to take its toll on the jobs market, evident by only a marginal rise in permanent placements in the capital as many employers delay hiring staff.

"Given the current climate, it's not a surprise but is still a concern to see that the demand for staff increased at one of the slowest rates since 2012 – and that people are reluctant to seek new roles. On the plus side however, the latest decline in staff supply was the least marked for over two and a half years amid greater competition, softening the pressures on pay.

"Looking ahead and with investment also contracting, businesses desperately need clarity on Brexit outcomes in order to re-build confidence in the jobs market and be able to make more informed decisions on their long-term hiring plans."

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

"Today's figures are a sobering reminder to politicians of all parties that national prosperity relies on businesses creating jobs and growing careers. Britain's record on jobs is world-leading. It's a key part of our economic success, with recruiters at the forefront of it. And there are still great opportunities out there for those looking for a new job and a boost in earnings.

"But all this rests on business confidence – the confidence to invest, to hire someone, to try something new – and it's clear that things are getting harder. Across the UK, permanent placements have now dropped for six months in a row and vacancy growth is slowing. While we continue to benefit from the flexibility of our jobs market as demand for temps holds steady, today's survey emphasises the real-world impacts of the political and economic uncertainty businesses are facing.

"The first priority should be avoiding a damaging no-deal Brexit and giving some stability back to British businesses, so they can drive the prosperity of the whole country."

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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.

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 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.

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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