News Release

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KPMG AND REC, UK REPORT ON JOBS: London

London employers focus on hiring temporary workers amid uncertain outlook

Key findings

- Permanent hires fall; temp billings grow further
- Starting salary inflation remains weak...
- ...while temp pay increases sharply

Summary

Labour market conditions in London remained challenging in June, with uncertainty restricting staff supply and permanent hires. Employers instead hired short-term workers to support their businesses until the path to Brexit becomes clearer. At the same time, people in employment held on to their jobs, averting changes due to concerns over the outlook.

According to the **KPMG and REC, UK Report on Jobs,** such a trend meant that starting salaries for permanent staff rose only modestly in London, with recruiters bumping up pay for temporary workers considerably to attract suitable talent.

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

Uncertainty continues to dampen hiring activity

Recruitment consultancies signalled a further reduction in permanent staff appointments in London. In addition to market uncertainty, survey members highlighted a preference among clients for temporary workers. That said, the drop in hiring was only slight and the slowest in the current four-month sequence of contraction. Declines were also noted in the Midlands and the South of England, whereas the North of England recorded growth for the fourth straight month.

Agencies' billings received from the employment of short-term staff in London rose further in June, stretching the current period of expansion to five months. Furthermore, the upturn was solid and the quickest since February. According to panellists, temp billings growth was boosted by a lack of confidence to hire permanent workers. The South of England also registered higher temp billings, with reductions evident in the other two English regions.

June data showed a renewed increase in permanent job vacancies across the capital, following contractions in April and May. However, the pace of growth was marginal and the slowest of all four monitored English regions.

At the same time, short-term job openings in London rose at the fastest pace since February. Regionally, only the North of England posted a quicker rate of expansion.

Talent pool shrinks amid Brexit worries

Recruitment consultants continued to report fewer candidates willing to undertake permanent employment in London. Companies indicated that future uncertainty had prevented workers from searching for other opportunities. There were also mentions of shortages of experienced jobseekers and an unwillingness among clients to train junior candidates. Regionally, the sharpest drop in permanent staff supply was evident in the South of England and the slowest in the Midlands.

As has been the case for close to six years, temporary staff availability in the capital declined during June. The fall was marked and the quickest in four months. Anecdotal evidence highlighted shortages of candidates for marketing, administration, hospitality, accountancy and IT positions. The contraction in London was the sharpest of all four monitored English regions.

Starting salary inflation remains modest

Although pay awarded to newly-hired permanent staff continued to increase in June, the rate of inflation held close to May's 29-month low. Exactly 13% of panellists signalled higher starting salaries, with 81% indicating no change since May. The rise in London was by far the weakest out of all four monitored English regions. Starting pay inflation was led by the Midlands.

In contrast to the subdued trend for starting salaries, remuneration for temporary workers in London increased sharply in June. Furthermore, the rate of inflation remained much higher than its long-run average and was close to May's eight-month high. Survey participants suggested that a wide gap between staff supply and demand had boosted temp wages. Temp pay continued to rise across all four monitored English regions.

Comment

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

"Brexit stagnation continues to seize up the jobs market as the slowdown in recruitment activity continues. Permanent staff appointments fell again in June, the fourth month in a row, while subdued confidence ensured that growth in temporary billings remained historically weak.

"As we approach the summer holidays, the worry is that vacancy growth – which held close to a multi-year low in June – is unlikely to bounce back as firms take a relatively cautious approach to hiring. Uncertainty is also likely to further dampen staff availability, as candidates are reluctant to change roles at this time. On a sector basis, IT & Computing continued to need more workers while construction and retail saw reduced demand.

"Looking ahead, conditions across the labour market are likely to remain restrained against a backdrop of political and economic uncertainty before companies can start to make more informed decisions on their long-term hiring."

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

"It's no surprise that the jobs market has slowed a little in this time of uncertainty – but vacancy numbers remain high and there are still opportunities out there for people looking for their next step. Pay is rising too. Nevertheless, the gentle slowdown in permanent hiring and slow growth of temp billings is a reminder to all politicians that businesses and employees across the country are looking for a smooth path to a negotiated Brexit outcome.

"One issue which shows no sign of relenting is the shortage of qualified candidates in some areas, as availability of both permanent and temporary workers remains tight. Roles such as LGV and forklift drivers, healthcare assistants, as well as manufacturing and production staff are consistently listed as being in short supply.

"Agencies employing temporary workers do all they can to train them to fill these vacancies, but this is made more difficult by the constraints of the apprenticeship levy. It is high time that this policy was reformed. By allowing agencies to fund high-quality training for temps using the levy they pay, the government could provide progression opportunities for flexible workers, tackle the country's skills shortages and boost the productivity of our economy."

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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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