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

### Permanent vacancies in London fall for third straight month in May

#### Key findings

- Demand for permanent workers worsens further...
- ...curbing starting pay inflation
- Permanent staff appointments contract solidly

#### Summary

Lingering uncertainty continued to impair the London labour market during May. According to the **KPMG and REC, UK Report on Jobs** an unclear outlook translated into further reductions in permanent job vacancies and placements, with companies instead creating short-term positions and taking on temporary staff. As a result, starting salary inflation cooled to a 29-month low, while temp pay rose to the greatest extent since September 2018.

The London report – compiled by IHS Markit from responses to questionnaires sent to around 100 recruitment and employment consultancies in the capital – showed that the talent pool continued to shrink as current workers remained unwilling to switch jobs and EU applicant numbers dropped. Steeper falls were noted for both permanent and temporary staff supply.

#### Permanent appointments fall for third straight month

May data highlighted a third consecutive decline in permanent staff placements in the capital. According to recruitment consultants, challenging market conditions, reduced client activity and lower demand for staff all contributed to the latest drop. Despite easing from April, the pace of contraction remained solid and quicker than at the UK level. Reductions were also noted in two other English regions, the sole exception being the North where growth hit a 16-month high.

Temp billings continued to increase in London, stretching the current period of expansion to four months. Moreover, the upturn was solid and the

strongest since February. Anecdotal evidence highlighted a preference for temporary workers among clients, linked in part to lower permanent candidate availability. The South of England also saw an increase in temp billings, with declines noted elsewhere.

Permanent job vacancies in London decreased for the second straight month in May, with the contraction broadly similar to April. Notably, the fall was the only seen regionally as growth was sustained elsewhere. The North of England continued to post the strongest rate of expansion.

Temporary vacancies in the capital rose further, though the pace of growth eased to the weakest in the current 79-month period of expansion. Growth was sustained in both the South and North of England, while there was broadly no change in temp positions across the Midlands.

#### Steeper fall in permanent staff availability

Recruiters continued to signal shortages of candidates for permanent roles in London. Moreover, the contraction noted in May was sharp and accelerated from April. According to panellists, existing workers were reluctant to switch jobs amid lingering Brexit uncertainty. There were also reports of fewer EU jobseekers and tight labour market conditions. Regionally, the steepest fall was recorded in the South of England.

The availability of people willing to undertake temporary jobs in London deteriorated again in May, with around one-third of panellists signalling a reduction. Furthermore, the pace of contraction was marked and the fastest since February. Anecdotal evidence pointed to shortages of foreign language speakers, engineers, chefs and IT staff. A quicker drop was also noted in the Midlands, with softer reduction evident in the North and South of England.

#### Starting pay inflation slides to 29-month low

Permanent starting salaries in London continued to rise, but the rate of inflation moderated considerably during

May. In fact, the latest increase was the weakest registered since December 2016, and the slowest noted across the four monitored English regions.

Ongoing growth of demand for temporary workers, coupled with candidate shortages, continued to push up

rates of temp pay in London. The overall rate of wage inflation was sharp and the strongest since last September, though broadly in line with the UK average. The increase in the capital was the second-fastest of the four tracked English regions, behind the South.

## Comment

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

*“Brexit uncertainty continues to dampen the UK jobs market as companies kept their recruitment decisions on hold in May. Permanent staff appointments fell at a slightly faster pace than in April, while subdued confidence ensured that growth in temporary billings hit a six-year low.*

*“Of increasing concern is that uncertainty is feeding through to weaker growth in job vacancies, while the supply of candidates fell sharply as people are becoming more risk averse with regards to switching roles. Relatively muted trends for permanent staff vacancies were seen across the board, with retail, construction and executive/professional hit particularly badly.*

*“We expect the labour market to remain in stalemate over the summer as the contest for a new Prime Minister kicks off. Companies are unlikely to make any dramatic investment decisions until a new leader is in place and have more insight on the future direction of Brexit.”*

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

*“The UK jobs market is still creating opportunities for those looking for work. With total vacancies rising and starting salaries going up sharply, it is worth people talking to recruiters about that next step in their career. Sectors like IT, engineering and healthcare are hiring strongly, while the North of England showed the best performance in terms of regions.*

*“Overall, though, the survey again shows what uncertainty does to hiring plans. Permanent placements fell again this month, while temporary billings grew in London. Recruiters are reporting that demand for staff is slowing and their clients are reducing business activity on average. Worryingly, these trends are most pronounced in key sectors like retail and construction.”*

## Contact

### KPMG

Ed Fotheringham Smith

+44 (0) 7920 572490

[Ed.FotheringhamSmith@KPMG.co.uk](mailto:Ed.FotheringhamSmith@KPMG.co.uk)

### REC

Josh Prentice

Comms & Research Officer

T: +44 (0)20 7009 2129

[Josh.prentice@rec.uk.com](mailto:Josh.prentice@rec.uk.com)

### Speed Communications

Kerry Grove

T: 0117 906 4517

[kerry.grove@speedcomms.com](mailto:kerry.grove@speedcomms.com)

### IHS Markit

Pollyanna De Lima

Principal Economist

T: 0149 146 1075

[pollyanna.delima@ihsmarkit.com](mailto: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](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

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