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KPMG AND REC, UK REPORT ON JOBS: London

Permanent placements fall amid quicker decline in staff availability

Key findings

- Renewed fall in permanent placements in September
- Both types of staff supply deteriorate at sharper rates
- Permanent salary inflation jumps to seven-month high

Summary

Hiring activity in London slowed down in September, as recruiters saw a renewed fall in permanent placements. Staff availability continued to decline, and at a faster pace than in August for both types of staff, as economic uncertainty still weighed on workers' decision making. As such, pay pressures jumped up during the month, with the rates of inflation climbing for both temp wages and starting salaries.

The **KPMG and REC, UK Report on Jobs**, also showed a second consecutive monthly fall in temp billings, with the rate of decline accelerating to the quickest since July 2016.

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

Renewed fall in permanent placements in September

After recording a fractional increase in August, survey data indicated a renewed decline in permanent placements at London recruitment agencies during September. Recruiters often linked the drop with slower decision making by employers amid market uncertainty. The rate of reduction in new hires was broadly in line with the UK-wide trend, albeit only modest overall. The sharpest decline was recorded in the Midlands, while the North was the only region to see an increase in permanent placements.

Meanwhile, recruitment consultants in London recorded a second successive monthly contraction in billings received for temporary placements in September. Moreover, the rate of decline accelerated from August to the quickest since July 2016. The latest result contrasted with the UK average, which indicated a moderate increase in temp billings driven by growth in the North and Midlands.

For the first time since May, the number of permanent vacancies in London fell from the previous month. September data indicated only a marginal drop, which contrasted with a modest expansion across the UK as a whole. That said, the national rate of growth was the weakest recorded since January 2012.

At the same time, temporary vacancies in the capital increased in September, although the rate of growth was marginal and weaker than the national trend. The North of England saw the fastest rise in new temporary roles, with London recording the slowest.

Permanent staff supply deteriorates at sharper rate

There was a further decrease in the availability of permanent staff in London during September, according to latest survey data. Furthermore, the rate of decline sharpened for the second month running and was faster than the average across the UK for the first time since February. Where a drop in supply was noted, panellists cited growing uncertainty in the economy. All four surveyed English regions noted a fall in permanent candidate availability, with the North of England registering the softest decline.

The supply of temporary workers in the London jobs market fell for the seventy-fourth successive month in September. Recruiters noted a solid drop in availability since August, although the rate of reduction remained notably softer than the average seen in the current period of decline. Nonetheless, the deterioration matched that seen across the UK as a whole. The South of England registered the steepest fall in worker supply, while the North of England recorded the slowest.

Permanent salary inflation jumps to seven-month high

Salaries awarded to newly-placed permanent staff in London increased sharply over the course of September. The rate of inflation accelerated markedly from August to the quickest in seven months. That said, this brought the capital in line with the average rise in salaries observed across the UK as a whole. In fact, all four monitored English regions saw a broadly similar increase.

Comment

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

“The Brexit impasse continues to affect the jobs market with employers stuck, unable to make informed decisions, and people unwilling to risk seeking new roles.

“Given that the UK as a whole saw the weakest increase in job vacancies since 2012 and the longest period that permanent staff appointments have fallen since the global financial crisis, it would seem that it’s proving difficult for businesses to shake off the heightened uncertainty and unknowns. So with the deadline fast approaching, they may well be waiting to get clarity on the future direction of Brexit before making any key decisions on hiring and investment.”

September data indicated a solid, and stronger, increase of pay received by new temporary workers in London. Panellists commonly attributed this to a lack of candidates for jobs. However, whilst the rate of inflation quickened from August, it remained weaker than the average in the year-to-date and was softer than the national trend. The UK as a whole saw the slowest increase in temp pay since November 2016.

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

“Businesses are positive about their own prospects, but ongoing Brexit uncertainty has led many firms to delay projects and hiring decisions. Vacancy growth has fallen to its lowest since 2012. The UK’s vibrant temporary work market is playing an important role in helping employers to manage the ongoing uncertainty and job-seekers to find work.

“There are deeper issues which must be addressed to secure the UK’s future prosperity. Productivity is falling, and there are skills shortages in vital sectors across the economy. Solving these problems must be top of the government’s to-do list once the Brexit deadlock has been broken.”

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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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