News Release

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KPMG AND REC, UK REPORT ON JOBS: London

London posts worst trend for permanent hiring of all four English regions

Key findings

- Downturn in permanent staff appointments accelerates
- Candidate availability continues to deteriorate
- Rates of permanent salary and temp wage inflation soften

Summary

Brexit uncertainty continued to dampen recruitment activity in the capital, with survey participants linking challenging labour market conditions to a combination of candidate shortages, subdued vacancy growth and a reluctance among employed staff to seek other career opportunities.

The **KPMG and REC, UK Report on Jobs,** showed a sharper decline in permanent staff appointments in London during July, one that was the quickest regionally. Although temp billings continued to expand, growth softened to a four-month low and was historically weak.

Firms’ willingness to bump up rates of pay to attract suitable talent faded slightly, with the latest increases in starting salaries and temp rates the slowest in 31 and three months respectively. Factors curbing pay inflation included a moderation in the downturn of staff availability, contained inflation, subdued demand for workers and a broad stabilisation of salary expectations.

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

Permanent staff appointments decline markedly

Permanent placements in London decreased for the fifth straight month in July. The pace of contraction was marked and accelerated from June. Recruitment consultants in the capital linked the fall to uncertainty surrounding Brexit, candidate shortages and subdued growth of vacancies. The reduction in permanent staff appointments was faster than noted in the Midlands and the South of England. The North of England bucked the regional trend and posted growth.

Although agencies' billings from the recruitment of temporary/contract workers continued to rise, the rate of expansion eased at the start of the third quarter. The respective seasonally adjusted index was at a four-month low, but above the national average. According to panellists, market uncertainty restricted demand for short-term staff. A softer uptick in temp billings was also noted in the South of England, with contractions evident in the other two monitored English regions.

July data pointed to back-to-back increases in permanent job vacancies in London. The upturn was broadly similar to the slight pace noted in June, thereby remaining much weaker than its long-run trend. Permanent vacancy growth slowed in the Midlands, but accelerated in the South and North of England. The latter led the upturn.

Temp job positions in the capital rose further in July, taking the current sequence of growth to 81 months. However, the rate of expansion was only slight and among the weakest over this sequence. Similarly, slower increases were registered in the Midlands and the North of England, while an acceleration was evident in the South of England.

Slowest fall in permanent staff supply since January 2017

Permanent staff supply decreased for the seventy-fourth straight month in July, albeit to the least extent in two-and-a-half years. Anecdotal evidence indicated that uncertainty prevented employed people from seeking other career opportunities, but that redundancies among large corporations curbed the downturn in jobseeker numbers. Permanent staff availability worsened to the greatest extent in the South of England.

Despite falling for the seventy-second consecutive month in July, temp staff supply across London decreased marginally and at the slowest rate in this sequence. Panel members that reported a deterioration in temp availability mentioned shortages of healthcare, hospitality, catering and secretarial professionals. Those that noted an improvement commented on the excess supply of testers and analysts. By comparison, temp staff supply fell in the Midlands and the South of England, with growth noted in the North of England for the first time in close to six years.

Modest rise in permanent starting pay

Starting salaries for permanent hires in London increased further. That said, the rate of inflation softened to the slowest in over two-and-a-half years amid contained inflation, weak demand for workers and a broad stabilisation in salary expectations. Around 13% or survey members reported higher permanent starting salaries, while 81% indicated no change since June. While softer increases in permanent hire remuneration were noted in the Midlands and the South of England, inflation in the North of England climbed to a 13-month high.

Skill shortages continued to drive up rates of pay for temporary workers in the capital, but the latest rise was the weakest since April. Roughly 16% of recruitment agencies reported higher temp hourly pay, while 3% noted a reduction. The overall rate of wage inflation in London remained below the national average. The North of England overtook the Midlands in July and posted the steepest upturn in temp pay rates.

Comment

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

“Businesses continue to take a cautious approach to hiring as Brexit and economic uncertainty linger.

"Permanent staff appointments have fallen for the fifth month in a row, while overall demand remains lacklustre as firms delay recruitment decisions. Uncertainty is also impacting the supply of labour, as people are choosing to sit tight until the outlook is clearer.

"With the UK unemployment rate already at a four-decade low, candidate shortages in the labour market continued to push up rates of starting pay. This will likely cause concern for businesses looking to control their costs and recruit the right people for the long term. Ultimately, businesses will be eager to see a Brexit breakthrough in Westminster to help re-establish market confidence on hiring and investment.”

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

“Our flexible jobs market remains a key strength for the UK as we navigate an uncertain time. While we are seeing a concerning weaker trend in permanent placements bed in, the rate of change is slow, employment rates are high and starting salaries are growing. Businesses will be looking to politicians for a pragmatic way forward to help them turn this around – not just on Brexit, but on domestic policies too.

“The new government should be focused on delivering the negotiated exit from the EU businesses need, but also on avoiding damaging changes that will undermine the strength of our jobs market. An improved approach to immigration, reforms to the apprenticeship levy and avoiding hasty changes to contractor tax rules should be top of the list.

“In difficult times such as these, recruitment specialists are an invaluable source of local and industry expertise to businesses looking to hire new staff. The REC is helping its members to do this with our new, local workforce intelligence data, so that they can continue to provide employers with the right people to grow their business.”

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Contact

KPMG
Ed Fotheringham Smith
T: +44 (0) 7920 572490
Ed.FotheringhamSmith@KPMG.co.uk

REC
Josh Prentice
Comms & Research Officer
T: +44 (0)20 7009 2129
Josh.prentice@rec.uk.com

REC
Ciaran Price
PR Manager
T: +44 (0)20 7009 2192
ciaran.price@rec.uk.com

IHS Markit
Pollyanna De Lima
Principal Economist
T: 01491461075
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.

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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