

KPMG AND REC, UK REPORT ON JOBS: LONDON

Permanent staff appointments fall at softest rate for a year

KEY FINDINGS

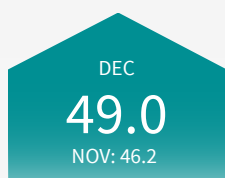
Declines in permanent placements and temporary billings ease in December

Renewed increase in demand for short-term staff

Permanent starting salaries near stabilising

KEY DATA

Permanent Placements Index



Temporary Billings Index



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.

Commenting on the latest survey results, Anna Purchas, Senior Partner for KPMG in London, said:

“The roll out of a vaccine did bring more confidence to London’s jobs market in December with the decline in placements softening. The uncertainty of the current environment saw employers tentatively dipping their toes back into the employment market with demand for short term staff on the rise.

“However, we will have to see what January brings with a new national lockdown sure to fuel economic uncertainty, alongside preparing and adapting to the new relationship with the EU.

“But with the UK leading the way on the vaccine roll out and continued government financial support, there is hopefully light at the end of the tunnel for both business and jobseekers.”

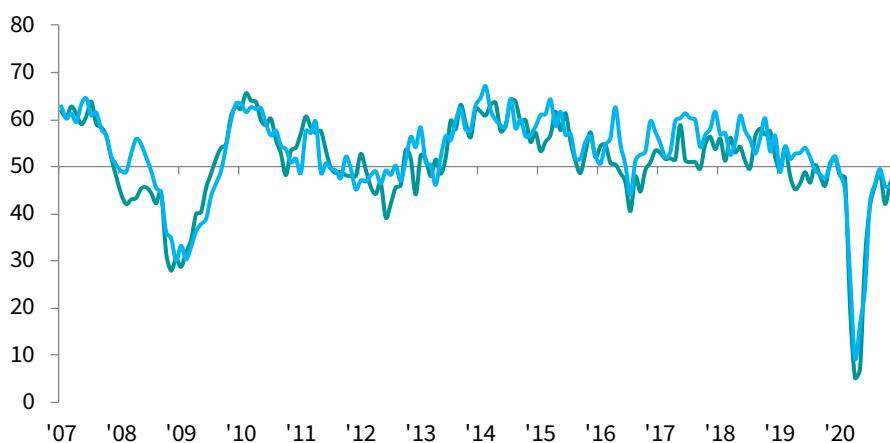
Neil Carberry, Chief Executive at the REC, said:

“Nationally, the underlying strength of the British economy shone through in the December jobs figures. The biggest expansion in temporary recruitment since October 2018 shows how important the flexible jobs market is to that performance. Growing permanent placements and starting pay also emphasised the resilience of our economy. But regions have been recovering at different speeds and London continues to lag behind. London is home to some of the most deprived boroughs in the country, so this is particularly worrying. It underlines the urgency of action needed to help businesses retain workers and get the vaccine delivered.

“With business cashflows under renewed pressure, helping employers protect and create jobs is essential. We need a long-term plan to support businesses across the supply chain – not just those required to close. This should include wider-spread reductions on business rates, support on VAT repayments and support for self-employed business owners previously cut out of schemes. We need big ticket items now, like a reduction in the cost of furlough and employers National Insurance to help firms retain and hire staff in the coming months, alongside delivery of the vaccine.”

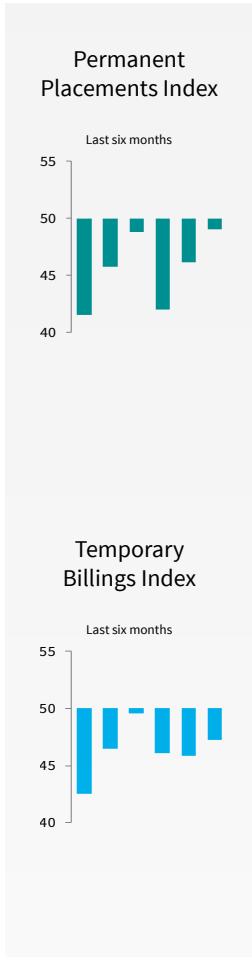
Permanent Placements Index / Temporary Billings Index

sa, >50 = growth since previous month



1 STAFF APPOINTMENTS

Recruitment consultancies report on the number of people placed in permanent jobs each month, and their revenues (billings) received from placing people in temporary or contract positions at employers.



Softest fall in permanent placements for 12 months

The number of people placed into permanent jobs across London decreased further in December, thereby extending the sequence of decline seen throughout 2020. However, the rate of reduction eased to the slowest in this period, and was marginal, as some recruiters saw a rise in hiring activity.

Nonetheless, the capital compared negatively against the UK trend, which recorded a first uplift in permanent staff appointments since September. According to respondents, enhanced coronavirus disease 2019 (COVID-19) restrictions in London drove the relative weakness in employment.

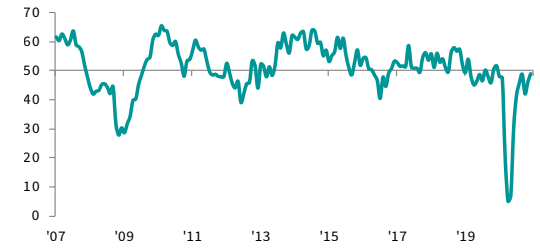
Moderate drop in temp billings

London-based recruitment consultancies registered a modest fall in billings from the placement of temporary staff at the end of the year. The pace of decline eased for the first time in three months, however, and was one of the weakest seen in the current 12-month downturn. Panellists linked the drop in billings to the impact of COVID-19 on business activity.

Meanwhile, the UK as a whole saw a fifth successive increase in temporary billings, and the sharpest for over two years.

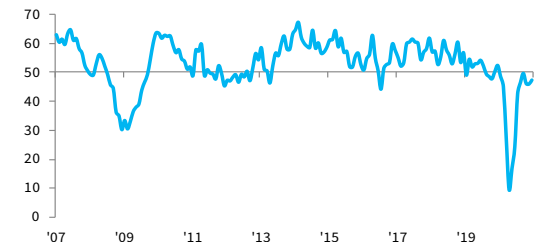
Permanent Placements Index

sa, >50 = growth since previous month



Temporary Billings Index

sa, >50 = growth since previous month



sa, >50 = growth since previous month

	Permanent		Temporary	
	UK	London	UK	London
Jul-20	44.7	41.5	45.1	42.5
Aug-20	50.9	45.8	55.6	46.4
Sep-20	56.0	48.8	56.0	49.6
Oct-20	48.8	42.0	56.4	46.1
Nov-20	48.2	46.2	56.1	45.9
Dec-20	51.1	49.0	57.9	47.3

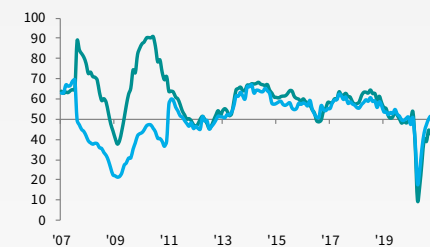
JOB VACANCIES

The rate of decline in permanent staff vacancies in London eased markedly in December, and to the softest for ten months. This contrasted with a slight rise in permanent vacancies at the UK level.

Meanwhile, there was a renewed increase in demand for short-term staff in the capital, as latest data indicated a moderate upturn in temp vacancies that was the strongest since July 2019. The rate of growth remained weaker than the UK trend, however.

Vacancies Index (Permanent / Temporary)

sa, >50 = growth since previous month

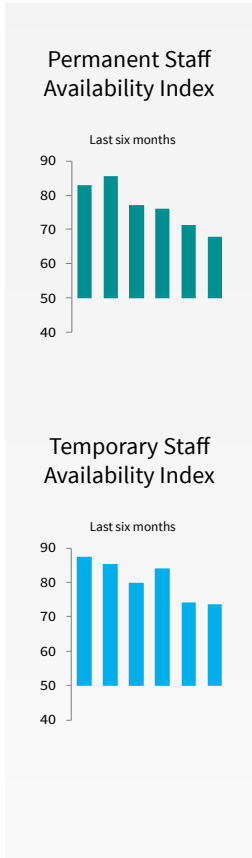


sa, >50 = growth since previous month

	Permanent		Temporary	
	UK	London	UK	London
Jul-20	43.7	40.4	47.2	43.3
Aug-20	42.7	39.1	50.6	47.5
Sep-20	50.2	44.6	53.8	50.2
Oct-20	47.5	42.6	53.0	51.3
Nov-20	46.7	43.4	52.3	48.3
Dec-20	50.3	47.1	55.8	52.4

2 STAFF AVAILABILITY

Recruitment consultants are asked to report whether availability of permanent and temporary staff has changed on the previous month.



Permanent candidate numbers expand at softer rate

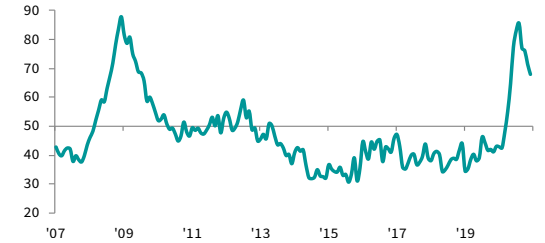
As has been the case in each of the past four months, the rate of growth in permanent staff availability in London softened during December. Nevertheless, the latest data pointed to a steep rise in candidate numbers overall, amid reports of high rates of redundancies. The number of people looking for permanent work across the UK also rose sharply, but at a slower rate than in the capital.

Further sharp rise in temp staff supply

The supply of short-term workers across London continued to rise substantially in the final month of 2020. The rate of increase remained much quicker than the UK average, but was nonetheless the weakest since April. Redundancies and a lack of work drove the rise in candidate numbers, according to recruiters.

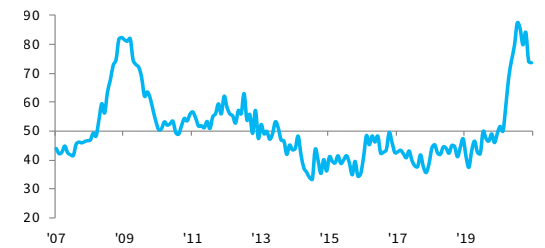
Permanent Staff Availability Index

sa, >50 = improvement since previous month



Temporary Staff Availability Index

sa, >50 = improvement since previous month



sa, >50 = improvement since previous month

	Permanent		Temporary	
	UK	London	UK	London
Jul-20	84.0	83.0	85.0	87.4
Aug-20	86.8	85.5	82.3	85.4
Sep-20	76.7	77.0	75.3	79.8
Oct-20	74.2	76.1	74.9	84.1
Nov-20	71.4	71.4	68.5	74.1
Dec-20	64.9	67.9	62.8	73.6

3 DEMAND FOR SKILLS

Recruitment consultancies are invited to specify any areas in which they have encountered skill shortages during the latest month.

Skills in short supply: Permanent staff

Accounting/Financial Auditors Risk	IT & Computing Cyber Security IT SAP
Construction Labourers	Nursing/Medical/Care Health Care Assistants
Engineering Engineers	Other Data Privacy German Speaker Sales
Executive/Professional Compliance Legal PR	
Hotel & Catering Chefs	

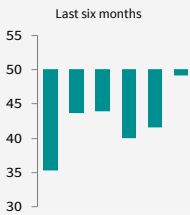
Skills in short supply: Temporary staff

Blue Collar Drivers Factory Food Processing Warehouse
Executive/Professional Legal
IT & Computing IT Technology SAP

4 PAY PRESSURES

The recruitment industry survey tracks both the average salaries awarded to people placed in permanent jobs each month, as well as average hourly rates of pay for temp/contract staff.

Permanent Salaries Index

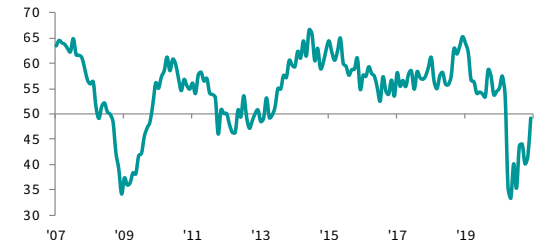


Starting salaries for permanent staff near stabilisation

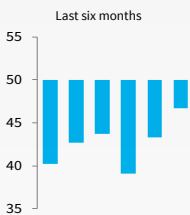
Permanent starters' pay in London fell for the ninth month running in December, but only slightly overall, as the seasonally adjusted Permanent Salaries Index moved close to the 50.0 neutral mark. While a lack of business activity led to weaker pay at some companies, other firms offered higher salaries amid efforts to attract stronger candidates. At the same time, starting salaries increased slightly on a nationwide basis, marking the first month of inflation since March.

Permanent Salaries Index

sa, >50 = inflation since previous month



Temporary Wages Index

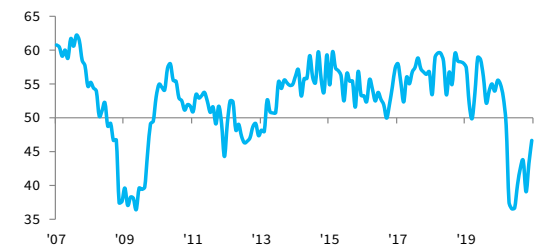


Temp wages decline at softest rate since March

Pay awarded to temporary workers in London fell solidly at the end of the year, thereby extending the current sequence of contraction to ten months. However, the rate of decrease slowed further from October, and was the softest since March. This was in part due to a rise in demand for short-term staff.

Temporary Wages Index

sa, >50 = inflation since previous month



As was the case for permanent salaries, latest data pointed to a renewed rise in temporary staff wages across the UK as a whole in December.

sa, >50 = inflation since previous month

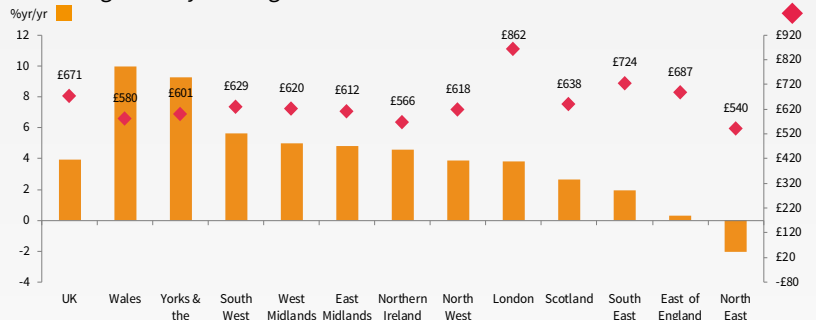
	Permanent		Temporary	
	UK	London	UK	London
Jul-20	41.6	35.3	45.2	40.2
Aug-20	45.1	43.6	46.2	42.6
Sep-20	44.7	44.0	48.3	43.7
Oct-20	44.5	40.1	46.4	39.1
Nov-20	45.6	41.6	48.6	43.3
Dec-20	50.2	49.1	51.4	46.7

OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Latest data from the Office for National Statistics indicated that average weekly earnings across the UK rose 4.0% on an annual basis over the third quarter of 2020 to £671.

On a regional basis, Wales recorded the strongest increase in pay, with earnings rising 10% on the year to £580. The only area to see a reduction in pay was the North East, where earnings fell 2.1% to £540.

UK average weekly earnings



Source: Office for National Statistics.

5 REGIONAL COMPARISON

The KPMG and REC, UK Report on Jobs: London is one of four regional reports tracking labour market trends across England. Reports are also available for the South of England, the Midlands and the North of England.

Staff appointments

December data highlighted a renewed rise in permanent placements across the UK following two successive monthly declines. The rate of increase was marginal overall, and subdued in the context of historical data. At the regional level, the sharpest rise in permanent staff appointments was recorded in the Midlands. Elsewhere, London was the only English region of the four monitored to register a fall.

Meanwhile, temp billings across the UK rose for the fifth month running during December, with the rate of increase the quickest since October 2018. Across the four monitored English regions, the North of England saw the most marked upturn in temp billings, followed by the Midlands. As was the case for permanent staff, London was the only monitored region to see a decline in temp billings at the close of the fourth quarter.

Candidate availability

The availability of permanent candidates across the UK increased further in December. The latest uptick was the slowest for eight months, but nonetheless sharp overall. At the regional level, the rise in permanent staff supply was broad-based and led by London.

At the same time, temp staff supply rose for the tenth straight month, although the rate of increase eased noticeably and was the softest since March. London recorded by far the steepest upturn in temp staff availability across the four monitored English regions, and the Midlands the weakest.

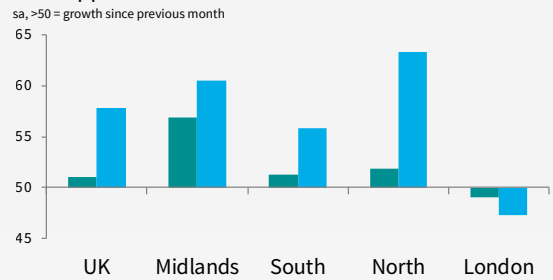
Pay pressures

Upwards pay pressures returned during December. Salaries awarded to permanent new joiners across the UK rose for the first time since March, although the rate of inflation was only fractional. There was noticeable disparity at the regional level in December, with the overall increase in starting salaries driven by the South. Permanent starters' pay was meanwhile broadly stable in the Midlands, but fell in the North of England and London.

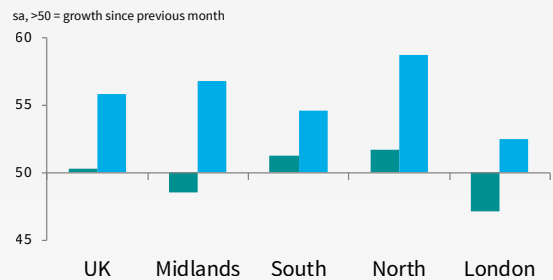
Average hourly pay rates for short term staff also rose for the first time in nine months, although the increase was marginal overall. Across the four monitored English regions, the Midlands recorded the sharpest rate of temp wage inflation, followed by the North of England. London saw temp rates decline for the tenth month running, however.

December 2020
Permanent / Temporary

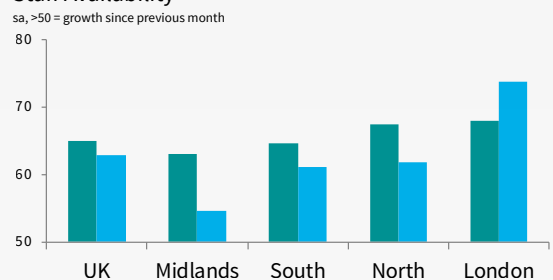
Staff Appointments



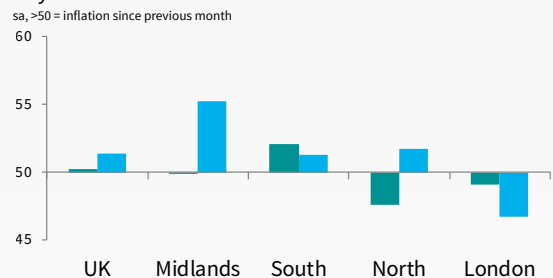
Vacancies



Staff Availability



Pay Pressures



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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.

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.

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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