

KPMG AND REC, UK REPORT ON JOBS: LONDON

Recruitment activity falls sharply in February

KEY FINDINGS

Permanent staff appointments fall steeply again

Temp billings and vacancies drop at quickest rates since July 2020

Permanent candidate supply growth eases to 11-month low

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:

“Jobs activity in London remains on hold as both jobseekers and employers hold their breath in anticipation for Covid restrictions to start to lift in a few weeks.

“London has now seen an unprecedented 12 months of decline in the number of permanent job vacancies available in the UK’s economic powerhouse.

“There’s a long way to go to rebuild confidence in the UK jobs market. But with the Covid roadmap to recovery in place and the Chancellor’s Budget announcement to further support businesses and individuals, there is reason for optimism for the UK’s future workforce.”

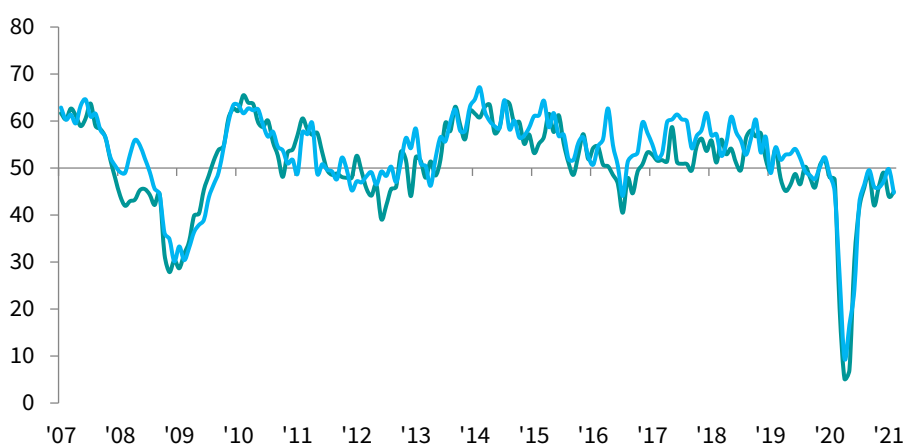
Neil Carberry, Chief Executive at the REC, said:

“Given the national lockdown that has been in place for the past two months, the UK’s labour market has coped relatively well. Permanent placements have only fallen modestly, while vacancies and candidate availability have broadly stabilised. Meanwhile, businesses have continued to use temporary work to help them through this tough period – although the market has struggled in London. We are well-positioned for a recovery as restrictions are lifted – but both businesses and workers will need help to do so.

“With that in mind, there was some good news in this week’s Budget. It was sensible to extend support measures like the furlough scheme and business tax deferrals while health restrictions are still in place, and expand support for the self-employed. But more could have been done to tackle the big economic transitions we face, encouraging growth and reducing unemployment. For example, cutting employers’ National Insurance to encourage job retention and creation, replacing the failed apprenticeship levy with a flexible levy that meets the economy’s needs, and investing in job finding services with recruiters at their heart.”

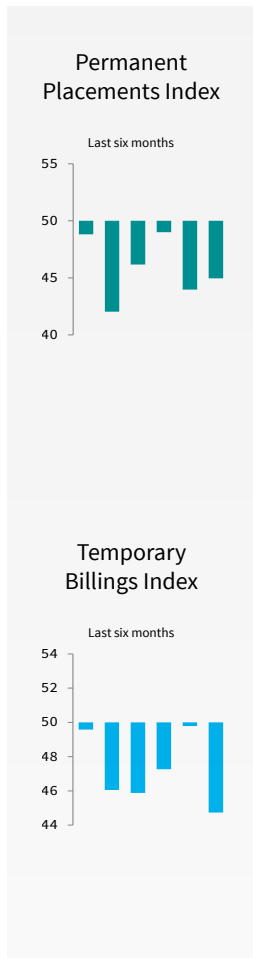
Permanent Placements Index / Temporary Billings Index

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.



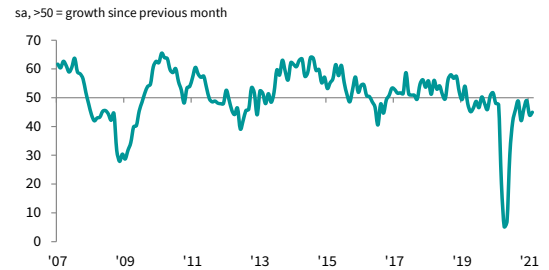
Permanent placements fall steeply

The number of permanent staff appointments in London continued to fall markedly during February, extending the current run of decline to 14 months. The rate of reduction softened slightly from that seen in January, but was still quicker than the UK trend. Surveyed recruiters largely attributed the drop in placements to industries that were shut or severely impacted by national lockdown measures. That said, some panellists saw an uptick in demand for workers in categories such as IT and construction.

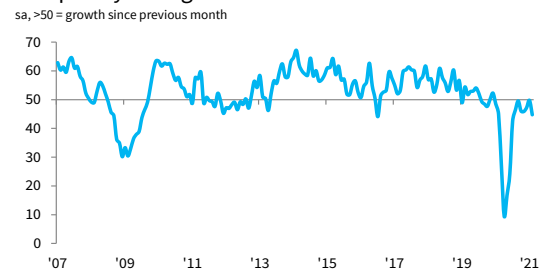
Temp billings decline at quickest pace for seven months

Tightened lockdown measures in London had a notable impact on temporary staff billings midway through the first quarter of the year. The respective seasonally adjusted index fell to its lowest in seven months, indicating a sharp decrease in temp billings. While the index remained far higher than the level seen during the first national lockdown, it contrasted with UK-wide data which signalled an uplift in temporary billings.

Permanent Placements Index



Temporary Billings Index



sa, >50 = growth since previous month

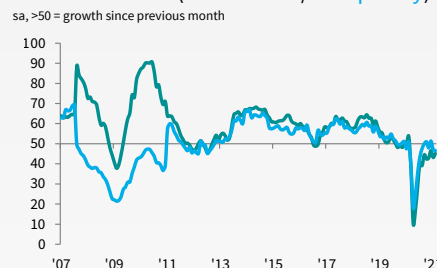
	Permanent		Temporary	
	UK	London	UK	London
Sep-20	56.0	48.8	56.0	49.6
Oct-20	48.8	42.0	56.4	46.1
Nov-20	48.2	46.2	56.1	45.9
Dec-20	51.1	49.0	57.9	47.3
Jan-21	43.8	44.0	55.0	49.8
Feb-21	47.1	45.0	51.6	44.7

JOB VACANCIES

February data pointed to a further sharp decline in open permanent roles across London, despite the rate of reduction easing since January. The UK also saw a drop in permanent staff vacancies, but only marginally overall.

Vacancies for temporary positions in London dropped for a second straight month, meanwhile, with the rate of decline little-changed since the start of the year. This contrasted with a solid rise in temp vacancies at the UK level.

Vacancies Index (Permanent / Temporary)

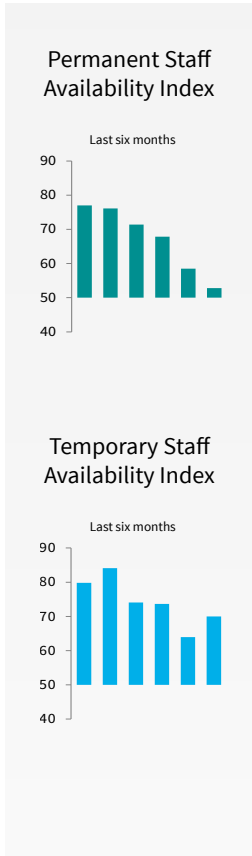


sa, >50 = growth since previous month

	Permanent		Temporary	
	UK	London	UK	London
Sep-20	50.0	44.5	53.8	49.9
Oct-20	47.4	42.5	52.8	50.9
Nov-20	46.6	43.1	51.9	48.0
Dec-20	50.1	46.8	54.7	51.1
Jan-21	45.5	43.4	51.4	46.6
Feb-21	49.7	45.2	53.0	46.5

2 STAFF AVAILABILITY

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



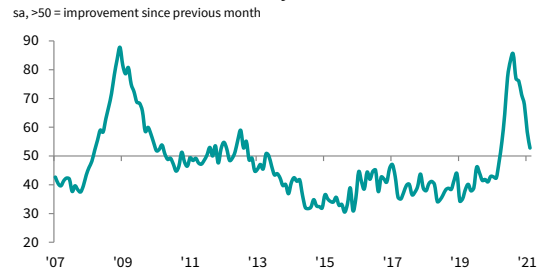
Permanent staff supply growth eases to 11-month low

Adjusted for seasonal variation, the London Permanent Staff Availability Index signalled a solid rise in the number of people looking for permanent jobs in February. That said, this marked the slowest increase in staff availability in the current 11-month sequence of growth, after having eased sharply from August's recent high. Staff redundancies drove the rise in availability, according to recruiters, but was partially offset by a drop in EU candidates and a reluctance to switch jobs during the national lockdown.

Temp worker availability rises at quicker rate

After having slowed in each of the last three months, the rate of growth in temporary staff supply across London accelerated in February. The overall increase in candidate numbers was marked and much sharper than the national average. Recruiters highlighted that redundancies in sectors such as hospitality drove the latest rise, with some also noting increased turnover of short-term workers due to IR35.

Permanent Staff Availability Index



Temporary Staff Availability Index



sa, >50 = improvement since previous month

	Permanent		Temporary	
	UK	London	UK	London
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
Jan-21	54.4	58.5	55.7	64.0
Feb-21	49.9	52.8	55.3	70.0

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 Finance Risk	Nursing/Medical/Care Health Care Assistants
Executive/Professional Compliance Legal Marketing	Other Customer Service Dutch Speakers European Speakers German Speakers Health & Safety Sales Scandinavian Speakers
Hotel & Catering Chefs	
IT & Computing Developers Digital IT SAP Software Engineer	

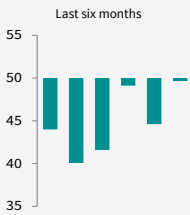
Skills in short supply: Temporary staff

Executive/Professional Legal
IT & Computing Developers Software Engineers Technology
Nursing/Medical/Care Health Care Assistants Social Workers Support Workers
Other Dutch Speakers European Speakers German Speakers Scandinavian Speakers

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

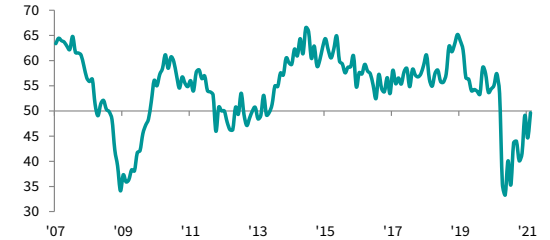


Slowest fall in permanent salaries for 11 months

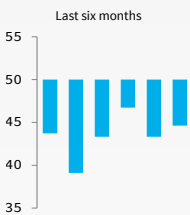
The latest survey data continued to indicate softer pay pressures in London midway through the opening quarter of the year. Firms reduced permanent starting salaries for the eleventh straight month, albeit to the weakest extent over this period and only slightly. Moreover, the drop in pay was not as marked as that seen across the UK as a whole. Recruiters seeing a fall in salaries linked this to lower demand for staff due to COVID-19, whereas some found that competition for high-level candidates drove salaries higher.

Permanent Salaries Index

sa, >50 = inflation since previous month



Temporary Wages Index

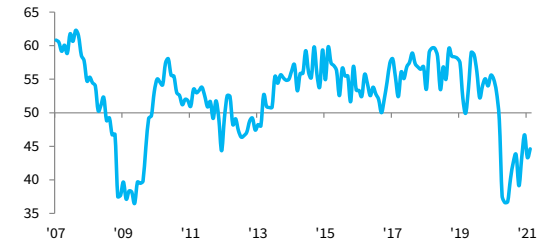


Temp pay declines sharply

Wages awarded to newly-placed temporary workers in London continued to fall sharply in February, thereby extending the current run of decline to a year. According to recruiters, lower vacancies and higher candidate supply mostly drove the reduction in pay. The pace of decrease softened slightly from the previous month, however, and was the third-weakest in the aforementioned sequence. At the same time, temp wages across the UK were broadly stable.

Temporary Wages Index

sa, >50 = inflation since previous month



sa, >50 = inflation since previous month

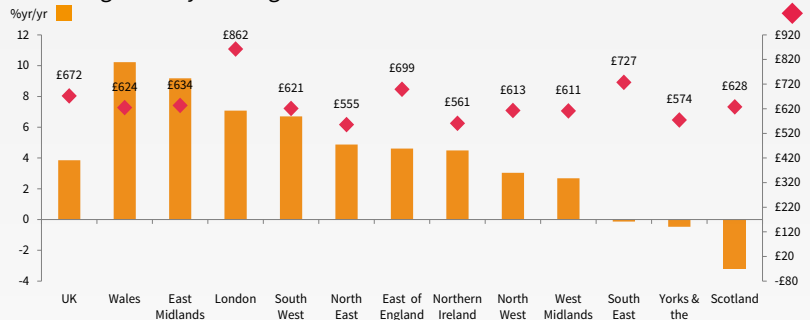
	Permanent		Temporary	
	UK	London	UK	London
Sep-20	44.7	44.0	48.3	43.7
Oct-20	44.5	40.1	46.4	39.1
Nov-20	45.6	41.6	48.6	43.3
Dec-20	50.2	49.1	51.4	46.7
Jan-21	47.7	44.6	49.6	43.3
Feb-21	48.6	49.6	49.9	44.6

OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Data from the Office for National Statistics signalled that average weekly earnings across the UK rose 3.8% year-on-year to £672 in the final quarter of 2020.

Wales posted the strongest annual increase, up 10.2% to £624. The sharpest fall was seen in Scotland, where average weekly earnings were down -3.2% on the previous year to £628.

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

The number of permanent staff appointments across the UK fell for the second month in a row during February. The rate of decline was strong, although it did ease noticeably on the month. Across the four monitored regions, the South of England recorded the quickest fall, followed by London. The North of England was the only area to see permanent placements rise in February.

At the same time, temp billings increased again, but the upturn was the slowest in the current seven-month sequence of expansion and only mild. Across the four monitored English regions, a steep rise in temp billings in the Midlands and slight upturns in both the North and South of England were partially offset by a sharp decrease in London.

Candidate availability

February data highlighted a broadly unchanged supply of permanent candidates across the UK during February. Following a ten-month long sequence of increase, the respective seasonally adjusted index posted just below the 50.0 mark to signal broadly stable permanent staff availability. Regional trends highlighted divergences, as renewed falls in permanent staff supply in the Midlands and North of England were cancelled out by further rises in the South of England and London.

Meanwhile, the availability of temporary staff rose further. The rate of increase was the slowest for nearly a year, but nonetheless sharp. At the regional level, the upturn in temp staff supply was broad based, but London registered a markedly faster increase than the three remaining monitored English regions.

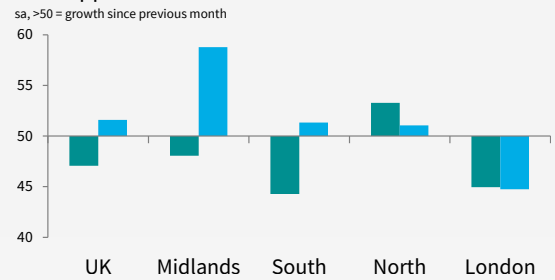
Pay pressures

There were further signs of deflationary pay pressures in the UK labour market during February, as salaries awarded to permanent new joiners fell. Declines were recorded in each of the four monitored English regions, with the South of England seeing the fastest reduction. Permanent salaries across the UK have now fallen in all but one of the past 11 months.

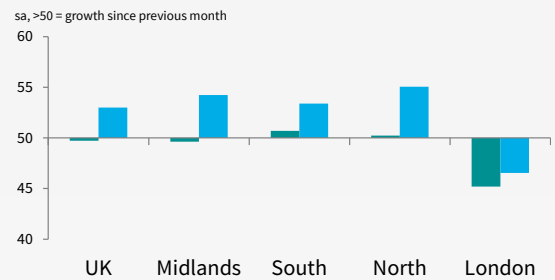
Turning to temporary pay, February data pointed to broadly stable hourly wage rates for short-term staff across the UK, with the respective seasonally adjusted index rising to just below the neutral 50.0 mark. Sustained wage inflation in the Midlands, South and North of England offset another sharp reduction in temp rates in London.

February 2021
Permanent / Temporary

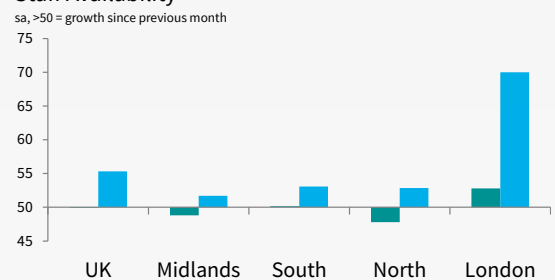
Staff Appointments



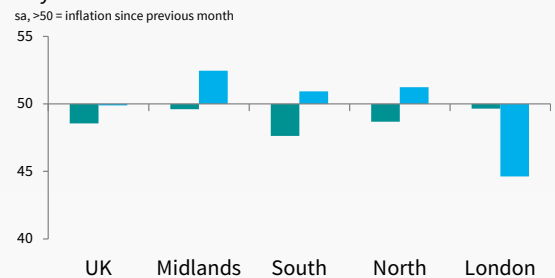
Vacancies



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.

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