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# Labour Market Outlook: London viewpoint

Based on research from the Labour Market Outlook,  
Spring 2017, produced in partnership with the CIPD



# London viewpoint

London was always likely to be the place that was most affected by Brexit, but currently the City is not quite sure what's going to happen. Nearly half of respondents (44%), when asked about their financial situation, said that nothing had changed in the last 12 months and nothing is expected to in the coming year. That said, slightly more organisations think things will get worse in the coming year (net score -3%) compared to a positive view from the whole of the UK (net score +11%).

## Recruitment intentions

Despite this relative lack of confidence, more than two-thirds (69%) of London organisations are still planning to hire in the next few months.

Overall 43% expect their staffing levels to go up in the next three months, whilst 19% expect them to go down, this gives a balance of +25% (after rounding). In comparison, the UK has an employment balance of +20% for the coming three months.

Organisations in London are more likely to utilise professional networking sites and engage a recruitment agent when searching for talent. Cutting through a saturated market is key in this environment, which makes it slightly surprising that the level of uptake for referral programs is the same in London as the rest of the UK; 42% of employers in both London and the UK use a job referral scheme.

## Recruitment challenges and skills acquisition

While London is usually viewed as a skills-short market, the survey suggests that London organisations actually have fewer current vacancies open than the UK average – 6.91 in London, compared to 10 in the rest of the country. Given that they are also demonstrating a higher propensity to recruit, it might be possible to suggest that London is more capable of filling roles than the rest of the UK. While the skills are hard to acquire they are in London in the first place.

Of these vacancies half are viewed as 'hard-to-fill', the same level as the rest of the UK, and while the majority of these roles are hard to fill because of lack of skills it is a small majority (57%) and actually lower than the UK average (60%). So again the data suggests that in London it is less about a lack of skills as opposed to a lack of labour.

## The overall effect of recruitment practices in the next three months (London)

Increase staff level



Reduce staff level



Net Employment Score (rounded)



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In order to bridge these skills gaps, organisations will have to resort to investing in their current workforce, and while the proportion of organisations in London with a dedicated training budget is in line with the UK average it still leaves one in four (24%) without one.

In terms of developing their talent pipeline, London organisations are more likely to bring on younger workers and look to train them than organisations in other regions. Nearly one in four (24%) is looking to hire more new UK graduates and more than one in five (22%) are offering internships.

Interestingly, the level of London companies offering apprenticeships is far below the UK average (27% compared to 38% UK average); this could be to do with density of service organisations in London which don't traditionally look at apprenticeships. With the Apprenticeship Levy now in place it may be something that more London organisations will consider.

### Outlook for pay growth

The outlook for pay awards in London is very similar to the country as a whole. More than a third (34%) of organisations expect an increase within the next 12 months and those that can predict it, expect a rise of 1%. One in three (31%) are unsure what will happen as it will depend on organisational performance.

The top two reasons given by the rest of the country for sluggish wage growth (less than 2%) was public sector pay restraint and a stretch on organisational finances - this is true in the south but even more pronounced.

Compared to the rest of the country, rises in the National Living Wage have not been reported to have any effect in London. 15% of employers in the UK who raised pay by less than 2% blamed the increases in minimum wage, in London only 1% of these employers listed this as a cause. At the same time, twice as many employers in London blamed the rises in other labour costs (such as pensions and national insurance contributions) for constrained pay rises.

### The 'Brexit' effect

London does appear to employ a higher number of EU nationals than other parts of the country; nearly 70% of all London

employers claim to employ EU nationals which make up 20% of their workforce on average. That said, the biggest difference in London's workforce make-up is in non-UK nationals from outside EU, accounting for twice as much of the London workforce as the rest of the country. These individuals are unlikely to be affected by the future negotiations with Europe.

London's reasons for hiring EU nationals have a lot more to do with skills than anywhere else in the country. Language skills, job specific training, and IT skills are all mentioned considerably more. This suggests that London might find replacing the EU workforce more difficult than other regions.

### Why does your organisation employ EU nationals?

	UK	LONDON
Difficulty attracting UK nationals to low-skill roles	25%	15%
Better job-specific knowledge	18%	21%
Language skills	10%	20%
Better qualifications	10%	19%
IT skills	5%	8%

Read the full Labour Market Outlook, Spring 2017 report and find out how the research was conducted [here](#)