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## London Job Market Slumps Amid Tax Hikes and Regulatory Burdens

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London's employment landscape has taken a significant hit, with hiring plummeting as businesses grapple with mounting costs and regulatory pressures. The capital's job market is reeling from a combination of tax increases and new employment laws, which have left employers cautious and constrained.

Permanent staff appointments in London, defined as roles without a fixed end date, dropped at the fastest pace in 22 months in June, according to a report by KPMG and the Recruitment and Employment Confederation (REC). Temporary staffing also suffered, with billings, a measure of recruitment agency income from temporary placement, falling at the sharpest rate since February. The report highlights a broader decline in job vacancies, driven by subdued demand across the capital.

Neil Carberry, REC Chief Executive, noted in a recent interview: “The labour market is fluctuating, with employers adopting a cautious stance. They’re hiring only when necessary, not when opportunities arise. The tax hikes introduced earlier this year have left deep scars on business confidence.”

The pool of job seekers has swelled rapidly, fuelled by redundancies and tighter corporate budgets. This trend reflects a broader sense of unease among employers navigating an increasingly challenging economic environment.

The decline in permanent vacancies marks the eleventh consecutive month of reductions in London, with June’s fall being the most severe in four months. The financial services and hospitality sectors have been particularly hard-hit, with job cuts showing no signs of abating.

Businesses have voiced concerns over the government’s decision to raise employers’ National Insurance Contributions (NICs) by 1.2 per cent, effective from April. This tax increase, introduced in Rachel Reeves’ first Budget, has drawn sharp criticism. Andrew Griffith, shadow business secretary, called for an urgent reversal of what he described as “a barrage of tax and regulatory burdens,” especially after data revealed the UK economy contracted by 0.1 per cent in May.

The hospitality sector has been particularly battered, with Office for National Statistics (ONS) figures revealing a loss of 69,000 jobs since the tax hike. Kate Nicholls, chief executive of UKHospitality, warned in a recent statement: “If these trends persist, we could see up to 200,000 jobs, nearly six per cent of the sector’s 3.5 million workforce, wiped out within a year.”

Adding to the strain, the government’s decision to lower the salary threshold for employers’ NICs to £5,000 has increased costs for businesses. Meanwhile, Deputy Prime Minister Angela Rayner’s Employment Rights Bill has introduced additional complexities, making

recruitment processes more cumbersome. Firms also cite the recent rise in the National Minimum Wage as a further hurdle.

The Confederation of British Industry (CBI) reports that financial services firms anticipate further headcount reductions in the coming months. The combination of higher taxes, stricter regulations, and economic uncertainty has forced employers to scale back ambitions, with many opting for cost-cutting over expansion.

As London's job market continues to falter, businesses are urging policymakers to reconsider the current approach. The mounting pressures of taxation and red tape risk stifling growth and eroding confidence in an already fragile economy.