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KPMG and REC, UK Report on Jobs

Lingering uncertainty around the outlook leads to greater reliance on temp staff in April

Key findings

Temp billings expand at quickest rate in seven months...

... as permanent placements drop at steeper pace

Starting pay inflation remains sharp

Data collected April 12-24

Summary

Ongoing uncertainty around the economic outlook and more cautious hiring policies continued to drive divergent recruitment trends in April. The latest **KPMG and REC, UK Report on Jobs** survey, compiled by S&P Global, showed that a preference for short-term staff pushed up temp billings growth to a seven-month high, while permanent staff appointments contracted at the fastest pace in over two years.

Staff availability improved for the second month in a row in April. The latest upturn was often linked to redundancies, but also more people seeking higher paid roles due to the rising cost of living. Notably, rates of starting pay for both permanent and temporary workers strengthened. Efforts to attract and secure suitably-skilled staff and higher living costs were cited as key drivers of pay growth. Vacancy trends likewise diverged, with a softer rise in permanent staff demand contrasting with a sharper increase in temp positions.

The report is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies.

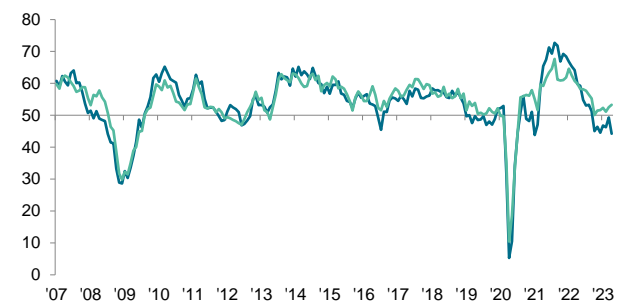
Temp billings growth quickens, but permanent staff appointments fall again

UK recruitment consultancies signalled a further shift in hiring preferences from permanent to temporary workers amid lingering economic

Permanent Placements Index

Temporary Billings

50.0 = no-change



Sources: KPMG, REC, S&P Global

uncertainty around the outlook and rising costs in April. Notably, permanent placements fell for the seventh month in a row, and at the quickest rate since the start of 2021. In contrast, temp billings expanded solidly, with the rate of growth the fastest for seven months.

Supply of workers improves for second month running

April data pointed to a sustained improvement in the availability of candidates. The rate at which labour supply improved quickened slightly on the month but remained modest overall. Underlying data showed that a slightly faster rise in permanent candidate numbers contrasted with a softer upturn in temp staff availability. Recruiters often linked higher staff supply to redundancies and workers looking for better paid roles amid the rising cost of living.

Stronger increases in starting pay

Starting salaries for permanent workers continued to rise at a historically sharp pace in April, with the rate of inflation picking up to a four-month high. At the same time, temp wage growth improved to the highest since January. Higher rates of starting pay were frequently attributed to efforts to attract and secure suitably-skilled staff and bumps to pay to reflect the higher cost of living.

Vacancy growth slips to three-month low

Although demand for staff continued to rise in April, the overall rate of vacancy growth slipped to a three-month low and remained weaker than the series long-run average. The softer upturn in demand was largely driven by a slower increase in permanent vacancies, as the number of temp roles increased at a sharper pace.

Regional and Sector Variations

All four monitored English regions noted lower permanent staff appointments in April, led by London.

Data broken down by English region showed the steepest increase in temp billings in the South of England. The Midlands bucked the wider trend and was the only area to register a reduction.

Vacancies continued to increase across both the private and public sectors at the start of the second quarter. Growth of demand for temporary staff improved to similarly sharp rates across both sectors. Permanent staff vacancies meanwhile rose at a quicker rate in the public sector than in the private sector, with the latter seeing the softest upturn in demand for four months.

Permanent vacancies increased in nine of the ten monitored job sectors during April. Engineering topped the rankings, closely followed by Accounting/Financial. Retail was the only category to register a fall in demand.

Nursing/Medical/Care topped the temporary staff demand league table at the start of the second quarter, followed by Hotel & Catering and Engineering. The only monitored sector to see reduced demand for short-term staff was Retail.

Comments

Commenting on the latest survey results, Claire Warnes, Partner, Skills and Productivity at KPMG UK, said:

“The preference for hiring short-term staff continued unabated into April. Businesses remain cautious about committing to permanent hires in the face of ongoing economic uncertainty, which led to the quickest increase in temporary billings for seven months.”

“Recruitment freezes and candidates lacking the right skills were also cited as causing this divergence, with permanent staff appointments contracting at the fastest rate in two years.”

“For businesses looking to hire there are some green shoots in candidate availability, as supply improved for the second month in a row. Starting rates of pay for both permanent and temporary positions are still rising at historically sharp rates, giving people an incentive to move roles.”

“But skills shortages still dominate the market with no signs of progress. Government and businesses must do more to avert this skills crisis.”

Neil Carberry, REC Chief Executive, said:

“This data shows how uncertain many employers are feeling right now. The good news is they still need to hire, as growing vacancies show. But firms are hedging their bets. After a better month in March, in April we saw permanent hiring fall back quickly and businesses turn to temps to help them through. London had a particularly difficult month.”

“The picture varies for temporary recruitment too, with REC members reporting weaker demand in some sectors than others as sectors like logistics, driving and food are heavily affected by changing consumer behaviour. Taken together, however, there is still plenty of opportunity out there for jobseekers. Wages are rising strongly for both temps and new permanent hires in the face of inflation, even though candidate availability is finally starting to improve.”

“For employers, hiring is unlikely to get easier soon. Those businesses that succeed will have good, long-term strategies for accessing talent from a wide range of sources, including retraining. Recruiters are well-placed to help with this. Nowhere is the need for a strong hiring strategy more obvious than in our largest employer, the NHS, where the failure to partner properly with NHS staffing suppliers is lengthening waiting times and costing the public purse more than necessary. Reforming NHS frameworks in partnership with the industry would be in the interests of patients, medical staff and the taxpayer.”

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Methodology

The KPMG and REC, UK Report on Jobs is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies.

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@hismarkit.com.

Full reports and historical data from the KPMG and REC, UK Report on Jobs are available by subscription. Please contact economics@hismarkit.com.

About KPMG

KPMG LLP, a UK limited liability partnership, operates from 22 offices across the UK with approximately 15,300 partners and staff. The UK firm recorded a revenue of £2.43 billion in the year ended 30 September 2021.

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About REC

The REC is the voice of the recruitment industry, speaking up for great recruiters. We drive standards and empower recruitment businesses to build better futures for their candidates and themselves. We are champions of an industry which is fundamental to the strength of the UK economy. Find out more about the Recruitment & Employment Confederation at www.rec.uk.com.

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