News Release

Embargoed until 0001 (UK) 10 July 2023

KPMG and REC, UK Report on Jobs: London

Continued downturn in permanent placements, while temp billings rise further

Key findings

Downturn in permanent placements accelerates...

...while temp billings rise for the eighth straight month

Fastest upturn in permanent labour supply since end of 2020

Data collected June 12-26.

Summary

The latest KPMG and REC, UK Report on Jobs: London survey highlighted a notable divergence between permanent placements and temp billings in the capital during June. While the former registered an accelerated and marked decline, the latter rose solidly in June. According to recruiters, lingering uncertainty over the economic outlook often made temporary workers more attractive to clients. At the same time, candidate availability expanded further, in part fuelled by redundancies and fewer vacancies. However, rates of starting pay inflation remained strong, with firms continuing to offer higher salaries and wages in order to secure skilled labour.

The KPMG and REC, UK Report on Jobs: London is compiled by S&P Global from responses to questionnaires sent to around 100 recruitment and employment consultancies in London.

Permanent placements drop rapidly in June

June data signalled a decline in permanent staff appointments in the capital for the ninth consecutive month. The rate of decrease quickened from May and was rapid overall. According to panellists, a combination of fewer vacancies and a shortage of skilled candidates drove the latest reduction in placements. Recruiters also mentioned that increased caution around the economic outlook meant that some clients favoured short-term workers.

Of the four English regions monitored by the survey, London registered the steepest drop in placements for the fifth straight month. In contrast, the North of England registered a fresh rise in permanent staff appointments following three months of decline.

Recruiters across London recorded higher temp billings in June, thereby stretching the current run of expansion to eight months. Despite cooling since May, the pace of growth across the capital was solid and the quickest of the four monitored English areas. Primary to the upturn was the preference for temporary labour over permanent workers given the prevailing economic climate.

Of the four monitored English regions, the North of England was the only area to record a contraction in temp billings.

June data highlighted a fourth monthly fall in permanent staff vacancies across the capital. The rate of decrease was slightly softer than seen in May, but strong overall. Demand for temporary workers also fell, thereby extending the current sequence of reduction to three months. However, the downturn was the softest in the aforementioned sequence and only slight.

Of the four monitored English regions, London was the only area to report reduced demand for permanent and temp staff.

Growth in permanent staff supply quickest in 30 months

For the seventh straight month in June, permanent staff availability increased across the capital. Furthermore, the rate of expansion quickened to the fastest in two-and-a-half years. The rapid rise in permanent candidate availability was commonly linked to the completion of projects and redundancies.

Additionally, of the four monitored English regions, London saw by far the steepest upturn in permanent labour supply. The Midlands registered the weakest expansion in June, albeit one that was still sharp overall.

The supply of temporary workers in London increased during June for the sixth month running. The rate of growth quickened to a 27-month high and was rapid overall. According to recruiters, the latest upturn was due to more people seeking out short-term roles that were home-based, as well as candidates seeking to supplement their current income. However, the rate of expansion across London was the second-weakest of the four monitored English regions, behind the South of England.

Starting salary inflation remains strong

Salaries awarded to new permanent joiners in London rose at a sharp and accelerated pace in June, thereby stretching the current run of rising pay to 28 months. Salaries were raised to attract and secure skilled candidates, according to recruiters. The rate of inflation was broadly in line with the historical average, but weaker than that seen at the UK level.

Starting salaries at the UK level grew at the slowest pace in 26 months, with all four English regions bar London noting softer rates of inflation.

As has been the case since March 2021, wages paid to temporary workers in London increased during June. Moreover, the respective seasonally adjusted index rose to a seven-month high and posted above the series average. Panellists attributed the rapid rise in temp pay to skill shortages and the higher cost of living.

The rate of temp wage inflation across London outpaced those recorded across the three other monitored English regions, with the Midlands noting the softest rate of wage growth overall.

Comments

Commenting on the latest survey results, Anna Purchas, London Office Senior Partner at KPMG said:

“Employers are relying on temporary hires to fill their vacancies whilst they wait for the economic challenges to subside and conditions to improve. However, a skills shortage, coupled with the cost of living crisis has resulted in starting salaries for both permanent and temporary staff showing no sign of levelling off - placing extra pressure on businesses trying to grow.

"We'll have this year's graduating students out in the labour market in the next few weeks - it's a great time for employers to think now about what they need from their workforce and the skills they need in order to seize on the upturn when it arrives. Recruiting from different pools, such school leavers into apprenticeship or from our diverse and skilled university student population in London could really help to plug the skills gap in the capital and keep businesses growing.”

Neil Carberry, REC Chief Executive, said:

“There is a risk of seeing an element of Groundhog Day in June hiring, with permanent billing easing again and firms still turning to temporary staff in the face of uncertainty. But there was quite a lot of change in the shadows of the headline data. There was a significant step up in the number of candidates looking for a new permanent or temporary role. This is likely driven by people reacting to high inflation by stepping up their job search, and by some firms reshaping their businesses in a period of low growth. It’s no surprise, therefore, that the rate at which wages are rising for permanent placements is slightly weaker.

“Despite these trends, the labour market remains very tight. There are still broad skills shortages, with IT, construction and nursing among those sectors struggling to find and retain workers. This is despite the supply of candidates across the UK job market having risen for four consecutive months.

“The growth in vacancies for staff in hotel & catering and blue-collar jobs in London, and for temp positions in retail across the UK, suggest businesses anticipate that people are still prepared to spend their wages on goods and services despite the fall in their purchasing power and the wider cost-of-living crisis. This is backed by anecdotes from REC members noting that the warm weather in June was a significant driver of demand.

“Long-term progress rests on the UK being a great place to invest. A strong industrial strategy with people at its heart would help overcome labour and skills shortages, acknowledging the wide range of choices that people have about how they work. Progress should start with action on skills and immigration, but also accelerating steps on childcare, transport and back-to-work support, as set out in the REC’s Overcoming Shortages report.”

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Methodology

The KPMG and REC, UK Report on Jobs: London is compiled by S&P Global 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.

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

About KPMG

KPMG LLP, a UK limited liability partnership, operates from 20 offices across the UK with approximately 17,000 partners and staff. The UK firm recorded a revenue of £2.72 billion in the year ended 30 September 2022.

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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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