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## KPMG and REC, UK Report on Jobs

### Recruitment activity dampened by uncertain outlook and candidate shortages in January

#### Key findings

Permanent placements decline, but temp billings rise further

Vacancy growth picks up slightly

Labour supply continues to fall, pay pressures remain elevated

Data collected January 12-25

#### Summary

A more cautious approach to staff hiring was evident at the start of 2023 amid ongoing economic uncertainty and cost pressures. The latest **KPMG and REC, UK Report on Jobs** survey, compiled by S&P Global, signalled a further fall in permanent staff hires, while temp billings increased modestly. Recruitment efforts were also dampened by ongoing candidate shortages, though there were further signs of the downturn in labour supply easing in January.

More encouragingly, overall vacancy growth picked up for the first time in nine months. The uptick remained slower than the survey's average, however. Nevertheless, pay pressures remained historically strong, as firms responded to greater competition for staff and the rising cost of living by increasing salaries and wages.

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

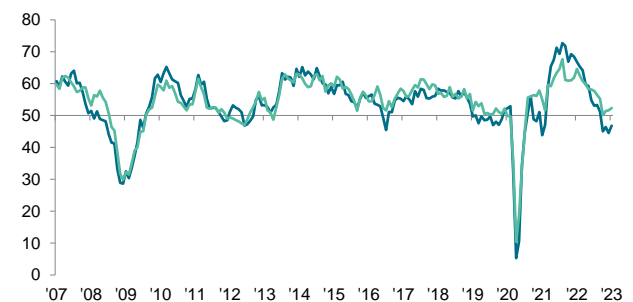
#### Permanent placements fall for fourth straight month

Lingering uncertainty over the economic outlook and hesitancy to commit to new permanent hires weighed on recruitment activity at the start of 2023. Permanent staff appointments fell for the fourth month in a row, albeit at the slowest rate over this period. Firms instead often leaned on temporary workers to fill vacancies. Temp

#### Permanent Placements Index

#### Temporary Billings

50.0 = no-change



Sources: KPMG, REC, S&P Global

billings rose at the quickest rate since last September, albeit mildly overall.

#### Growth of demand for staff picks up slightly

Recruiters signalled a stronger increase in demand for staff during January, with overall vacancies expanding at the quickest rate for three months. That said, the upturn remained softer than the survey's long-run trend. Temp vacancies rose at a stronger rate than permanent staff demand, but there was an improvement in growth for the latter and a slowdown for the former.

#### Starting pay inflation remains elevated

Starting salaries continued to climb sharply in January. The rate of inflation continued to soften from March 2022's all-time record, however, and was the slowest seen in 21 months. In contrast, temp pay inflation quickened to a four-month high at the start of the year. According to recruiters, candidate shortages pushed up rates of starting pay, while there were also mentions of the rising cost of living placing upward pressure on salaries and wages.

#### Overall candidate numbers fall at softer, but solid rate

The downturn in total candidate supply moderated further at the start of the year. Though

solid, the rate of contraction was the softest seen since March 2021 and much slower than the average over 2022 as a whole. A weaker fall in permanent labour supply helped to offset a quicker drop in temp candidate numbers. Recruiters frequently mentioned that the uncertain economic climate, concerns over job security and generally tight labour market conditions had limited the availability of workers.

## Regional and Sector Variations

The reduction in permanent staff appointments was broad-based across the four monitored English regions, with the Midlands seeing by far the steepest rate of decline.

Steep increases in temp billings were seen in the North of England and London, while a mild expansion was recorded in the South of England. The Midlands bucked the overall trend and registered a modest fall.

Rates of vacancy growth in the private sector continued to exceed those seen for the public sector at the start of 2023. The strongest upturn in demand was signalled for private sector permanent staff, while the softest was seen for permanent workers in the public sector.

Nine of the ten monitored job categories registered an increase in permanent staff demand in January, with the exception of Retail. Of the sectors that saw an expansion in vacancies, Nursing/Medical/Care posted the strongest growth and Hotel & Catering the weakest.

Nursing/Medical/Care also topped the rankings of temporary staff demand in January. Accounting/Financial and Secretarial/Clerical completed the top three in the league table. The only employment category to see reduced demand was Retail.

## Comments

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

*"January saw permanent vacancies rise at a quicker pace for the first time in nine months, with the rate of demand growth the strongest seen since last October, giving recruiters, employers and job hunters a reason to be cautiously optimistic for the year ahead.*

*"But, with the cost of living continuing to place upwards pressure on pay, job security causing low candidate supply and employers relying on temporary staff as permanent placements decline again, the jobs market remains volatile.*

*"Recruiters and employers should be thinking creatively about how to attract and retain permanent hires to bring about stability, including by taking on more apprentices across a range of age groups, and investing in upskilling and reskilling their existing staff."*

Neil Carberry, Chief Executive of the REC, said:

*"January's recruitment activity suggests that speculation about a shallower economic downturn may be justified. While permanent placements dropped for the fourth straight month, the pace of contraction slowed and temporary billings growth accelerated again. The temp market had its fastest month of growth since last September. Taking into account the high level of activity last summer and autumn, when the permanent slowdown started, activity levels for both permanent and temporary roles are still high – something which is reflected both in this survey and in feedback from REC members.*

*"Underpinning a sense of optimism, vacancies continued to expand for both temporary and permanent roles in January. While this will reflect activity that may have been delayed from the autumn, it is another sign of firms feeling confident to hire, even if they are leaning more to temporary hiring than normal in this uncertain environment. That is the power of our temporary work market – it gives us a way to ensure firms can grow and people can build their careers even when the picture is uncertain.*

*"The need to address the fundamental challenges our labour market faces has not changed with the turning of the year. From skills to tackling economic inactivity, and from immigration to childcare there is much that can be done in partnership with business to help our economy grow and workers to prosper. Ahead of the Budget, the Chancellor should put the people first across the whole of government. Every department has a role to play in getting growth going – and that starts with enabling our labour market."*

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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](mailto: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](mailto: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.

KPMG is a global organization of independent professional services firms providing Audit, Legal, Tax and Advisory services. It operates in 145 countries and territories with more than 236,000 partners and employees working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

## 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](http://www.rec.uk.com).

## About S&P Global

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