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## KPMG and REC, UK Report on Jobs: London

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### Downturn in permanent staff placements weakest in four months

#### Key findings

Permanent new joiners fall solidly, but at weaker pace

Pay pressures ease

Vacancies fall rapidly, but at reduced rates

Data collected February 10-23.

#### Summary

The latest KPMG and REC, UK Report on Jobs: London survey data indicated a sharp reduction in new permanent joiners in February. That said, the downturn eased notably since January and was the least pronounced in four months. In contrast, temp billings fell at a stronger pace, with London recording the steepest decline of the four monitored English regions. Demand for workers continued to deteriorate across the capital, with permanent and temp vacancies continuing to fall sharply. The rates of decrease did ease in February, however. Meanwhile, the availability of candidates rose at marked but weaker rates midway through the first quarter of the year.

Turning to pay, both starting salaries awarded to permanent new joiners and hourly wages for temps increased across the capital. The rates of inflation were solid overall, albeit softer than in January.

#### Downturn in permanent staff placements eases

Recruiters based in London recorded an eleventh straight monthly decrease in permanent staff appointments in February. The rate of contraction was solid, despite easing further to the weakest in four months. According to recruiters, subdued demand and economic uncertainty weighed on hiring decisions.

Of the four monitored English regions, only the North of England recorded a rise in permanent

placements during February.

A second straight monthly fall in billings received from short-term workers was recorded across the capital in January. The pace of decrease was solid, but eased on the month. According to survey respondents, reduced workloads at clients was behind the fall in billings.

Adjusted for seasonal factors, the Temporary Billings Index signalled a third straight monthly reduction in billings received from the employment of short-term staff in London during February. The rate of contraction was sharp and the fastest in five months. According to panel members, subdued market conditions was a key reason for the latest reduction.

In fact, of the four monitored English regions, London recorded the steepest reduction in temp billings. Meanwhile, growth was limited to the Midlands.

Demand for permanent staff across London deteriorated in February. The pace of worsening was rapid and stronger than the UK-wide average, albeit the least pronounced in nine months. Permanent vacancies have now fallen on a monthly basis since August 2024.

February survey data signalled a sharp but softer reduction in temp vacancies in London. Despite printing a six-month high, the respective seasonally adjusted index for London remained the lowest among the four monitored English regions.

Of the four tracked English regions, expansions in both permanent and temp vacancies were limited to the North of England.

#### Weakest rise in permanent candidate supply for 13 months

Recruiters based in London recorded a rise in

permanent staff supply in February. While the rate of expansion softened to a 13-month low, it was sharp overall. Where an increase was noted, panellists frequently cited redundancies.

London recorded the least pronounced expansion in the availability of permanent candidates of the four monitored English regions and was the only area where the pace of increase slowed. Growth in permanent candidate numbers was most pronounced across the North of England.

Temporary candidate numbers rose across London during February, thereby stretching the run of growth to 38 months. The rate of expansion was marked and faster than that seen at the UK level, but moderated further since last November to a ten-month low. Recruiters in the region often attributed the latest increase to contract completion and redundancies.

Of the four tracked English regions, the Midlands was the only area to record a drop in temp staff supply.

### **Sustained and strong starting salary inflation**

As has been the case since March 2021, salaries awarded to new permanent joiners in London rose in February. The rate of inflation was solid and only slightly weaker than seen in January.

All four monitored English regions recorded a rise in permanent salaries, although the rates of increase were relatively muted in each case.

Hourly rates of pay for short-term staff across London rose for a second month running in February. While the rate of temp wage inflation eased since January (a trend which was noted across all the four monitored English regions), but was solid overall. In fact, London indicated the most pronounced increase in temp pay of the four tracked English regions.

Recruiters linked higher rates of pay across the capital to increased contracts for senior candidates.

### **Comments**

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

*“London’s labour market remained under pressure in February, with permanent placements falling again. However, the pace of decline easing to a four-month low suggests the market may be starting to stabilise after a challenging start to the year.*

*“At the same time, the pool of available candidates continues to grow. For employers seeking out talent this represents a significant opportunity to secure the skills they need while supply is high. However, whether this represents an overall positive for the market will be borne out over the coming months with continued increases in candidate availability signalling more cautious approaches being applied as businesses hold back on hiring decisions in the hope of stronger economic conditions.*

*“As the market finds its footing, the focus will increasingly shift to how London builds the skills it needs for the future. Initiatives like City Hall’s Inclusive Talent Strategy could play an important role in helping prepare Londoners for the jobs of tomorrow, while ensuring London’s businesses can access the skills and talent they need to support long-term growth.”*

Neil Carberry, REC Chief Executive, said:

*“There may still be a few bumpy months to come, especially in light of global instability, but the stabilising trend we have seen so far this year has continued. The report suggests that the worst of the hiring slowdown in the UK has passed but it is by no means a source of unalloyed celebration for London, where subdued demand and economic uncertainty weighed on hiring decisions, in contrast to the North and the Midlands.*

*“A real turnaround requires growing confidence amongst businesses and consumers. There is cash in the system to spend if consumers and businesses feel better – a core goal of policy should be to tackle this by reducing the cost of doing business, which will in turn address the rising cost of living. From a more practical approach to the Employment Rights Act, to energy costs, the impact of business tax rises and planning reform, there is plenty to do that could back businesses to grow and create jobs sustainably.”*

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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@spglobal.com](mailto:economics@spglobal.com).

Full reports and historical data from the KPMG and REC, UK Report on Jobs are available by subscription. Please contact [economics@spglobal.com](mailto:economics@spglobal.com).

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On 1 October 2024, KPMG UK and KPMG Switzerland merged to form KPMG UK/Swiss Group, scaling our strengths and amplifying the difference we make.

KPMG International Limited is a global organisation of independent professional services firms providing Audit, Tax and Advisory services in 138 countries and territories. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

## 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).

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