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KPMG and REC, UK Report on Jobs

Permanent staff vacancies decline at the steepest rate since August 2020

Key findings

Redundancies reported, hitting demand for staff and placements

Pay growth weakens at start of 2025

Staff availability increases, albeit to a weaker degree

Data collected 09-27 January

Summary

The **KPMG and REC UK Report on Jobs** survey, compiled by S&P Global, signalled a further deterioration in the health of the UK labour market at the start of 2025, with demand for staff and placements both continuing to decline. Recruitment consultants reported redundancies at clients, and that the higher cost of employing staff related to government policies had continued to weigh on hiring activity. Temp billings were especially hard hit, falling at the fastest rate since June 2020.

Reflective of challenging market conditions, vacancies declined to the greatest degree since August 2020, whilst staff availability continued to rise. Permanent pay inflation subsequently softened, remaining modest and well below its historical trend level.

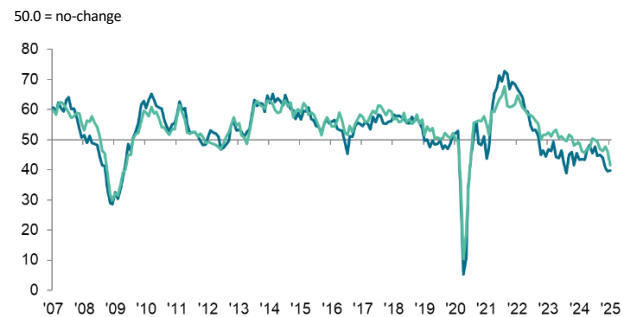
The report is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies.

Fastest decline in temp billings since mid-2020

The first KPMG/REC Report on Jobs survey of 2025 revealed a further steep drop in permanent placements as falling demand for workers and a general air of business uncertainty weighed on the UK labour market. Extending the current period of contraction to 28 months, January’s survey showed that permanent placements declined at a pace little changed on December’s 16-month record.

Permanent Placements Index

Temporary Billings



Sources: KPMG, REC, S&P Global PMI.

There were again reports of a reluctance to hire staff given upcoming changes to the cost of employing staff. Temp billings meanwhile fell to the greatest degree in over four-and-a-half years as the pace of contraction accelerated noticeably since the end of 2024.

Pay inflation weakens at the start of 2025

Permanent salary growth softened during January, easing to a modest level that remained amongst the slowest in the current sequence of inflation (that began in March 2021) and was well below the historical trend. Although firms were again willing to pay higher starting salaries for good quality candidates, an increased availability of staff tended to weigh on pay growth. Temp rates rose to an even slower degree, with inflation marginal and the weakest in the current four-month growth sequence.

Vacancies continue to tumble

Demand for staff continued to decline noticeably during January, overall falling to the greatest degree since August 2020. Vacancy numbers fell especially sharply for permanent workers, with the rate of contraction accelerating for the fifth successive month to a near four-and-a-half-year peak. That said, temp workers also fell at a steeper pace (the sharpest recorded by the survey since June 2020).

Staff availability continues to rise, but to slower degree

Amid widespread reports of a growing volume of redundancies at firms in January – linked in turn to challenging market conditions for businesses – both permanent and temporary staff availability increased. However, the overall rate of growth softened since December to their slowest in just under a year.

Regional and Sector Variations

By far the steepest reduction in permanent placements was seen in the North of England. Rates of contraction nonetheless remained sharp across all three other monitored regions.

Apart from the Midlands, where a fractional increase was recorded, all English regions registered drops in temp billings led by the South of England and London.

In January, permanent staff vacancies declined across all the categories covered by the survey. Executive/Professional recorded the steepest contraction again, followed by Secretarial/Clerical.

All sub-sectors recorded a decline in temp vacancies during January. Rates of contraction were also generally steeper, with the sharpest reduction seen for Executive/Professional.

Comments

Commenting on the latest survey results, Jon Holt, Group Chief Executive and UK Senior Partner KPMG, said:

"Businesses continue to hold back on recruitment, leading to permanent and temporary placements falling steeply again in January.

"While firms are still willing to pay for top talent, increased staff availability weighed on pay growth. This cooling may have encouraged the Bank of England's decision to cut rates last week.

"It is unlikely that we will see any significant improvements in the survey data over the near term, as hiring stays muted and staff availability continues to rise. Yet business leaders are ready for growth signals and gradual rate cuts could start to translate into greater confidence to plan and invest."

Commenting, Neil Carberry, REC Chief Executive, said:

"Businesses entered the year uncertain on the growth path, and that has driven a "wait and see" approach to hiring. Around the country, REC members report that clients have plans and are hopeful for the year ahead - but firms are slowing investment until they see more momentum in the economy. Last week's move on interest rates was timely as a way of boosting confidence. The more central role of growth in Government thinking since the Chancellor's speech last month will also help. But it takes time, and real action, to build business confidence. An autumn of fiscal gloom, difficulty navigating significant upcoming tax rises and little progress on the practicalities of a costly new approach to employment rights are all acting as brakes on progress. As well as the monetary stimulus to growth, it's time for greater clarity on how the Government will use its industrial strategy to drive the growth of the whole economy."

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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@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.

About KPMG UK

KPMG LLP, a UK limited liability partnership, operates from 20 offices across the UK with approximately 18,000 partners and staff. The UK firm recorded a revenue of £2.96 billion in the year ended 30 September 2023.

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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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