

Embargoed until 0001 (UK) 08 November 2023

KPMG and REC, UK Report on Jobs

Caution around permanent staff hiring persists in October amid economic uncertainty

Key findings

Softer, but sustained fall in permanent staff appointments

Temp billings rise for second straight month

Candidate availability expands at sharper pace

Data collected October 12-25

Summary

The latest **KPMG and REC, UK Report on Jobs** survey, compiled by S&P Global, indicated that recruitment activity continued to be dampened by economic uncertainty in October. Permanent placements fell, albeit to the weakest extent in four months, as employers were hesitant to commit to new permanent hires. Temp billings meanwhile rose slightly as some firms looked for flexibility in workforces, according to recruiters.

The supply of candidates meanwhile rose at a sharp and accelerated pace. There were frequent reports that labour availability had risen due to redundancies and restructuring efforts at clients. At the same time, the rate of starting salary inflation slipped to a 31-month low, while temp wage growth remained historically muted. More positively, overall vacancies stabilised in October following a marginal drop in September.

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

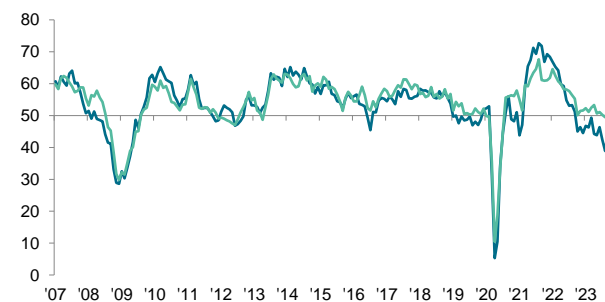
Permanent placements fall at softest pace since June

The latest recruitment survey signalled that a cautious hiring environment persisted across the UK during October. Notably, uncertainty around the economic outlook contributed to the thirteenth successive monthly reduction in permanent staff hires, albeit with the rate of decline easing to the weakest since June. At the

Permanent Placements Index

Temporary Billings

50.0 = no-change



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

same time, there was a back-to-back rise in temp billings as some employers preferred the flexibility of short-term staff in the current climate.

Sharper rise in overall candidate supply

The availability of candidates improved for the eighth straight month in October, and at a much sharper rate than in September. This was due to an accelerated upturn in permanent candidate numbers, as temp staff supply rose at a slightly softer (but still marked) pace. There were frequent reports that redundancies and subdued hiring activity had contributed to the latest increase in staff availability.

Starting salary inflation slips to 31-month low

Permanent starters' pay remained on an upward trend in October, though the rate of increase moderated to the weakest in just over two-and-a-half years. Nevertheless, the rate of salary inflation remained sharp and was in line with the series average. Recruiters often mentioned that employers had to up pay offers to secure suitably-skilled staff and to reflect the higher cost of living. Temp wages also increased, though the rate of growth held close to September's recent low.

Continued...

Demand for staff stabilises in October

Following a slight reduction in September, overall demand for staff stabilised in October. Underlying data highlighted that permanent vacancies fell only fractionally, while the number of temp positions increased modestly. That said, the latter marked the second-softest improvement in demand for short-term workers since January 2021.

Regional and Sector Variations

On a regional basis, London saw an accelerated and rapid decline in permanent placements that was the sharpest of all four English areas. Falls were also seen in the South and North of England, but a fractional rise was recorded in the Midlands.

Three of the four monitored English regions registered higher temp billings at the start of the fourth quarter, led by London. The North of England bucked the wider UK trend and recorded a modest reduction.

A slight increase in demand for permanent staff in the private sector helped to offset a further reduction across the public sector at the start of the final quarter of the year. Temporary vacancies continued to rise in the private sector, with the rate of growth picking up slightly from September. In contrast, demand for short-term staff in the public sector fell solidly.

Half of the ten monitored employment categories registered stronger demand for permanent workers at the start of the fourth quarter, led by Nursing/Medical/Care. The Construction and Retail sectors meanwhile saw the quickest drops in permanent staff vacancies.

Temporary staff vacancies expanded in six of the ten monitored employment sectors during October. The Hotel & Catering and Nursing/Medical/Care categories saw the strongest rates of growth. The sharpest reduction in demand was meanwhile seen for temporary Retail staff.

Comments

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

“The jobs market is facing a cyclical challenge – there are people out there who want to work, and there’s a decent availability of candidates, but they often do not have the right skills for the roles on offer. This means higher starting salaries are still being offered as businesses compete in the ongoing battle for talent.

“And while the rate of decline in permanent placements is the weakest since June – this follows more than a year of cautious hiring due to economic uncertainty and means many businesses are unable to commit to long-term strategies and instead are having to focus on the here and now, by employing temps. The sharper rise in available candidates is good news for recruiters, but this comes at the expense of employers who are making more redundancies as they tighten budgets due to ongoing high inflation.

“Looking across sectors, healthcare as ever is experiencing a mismatch in supply and demand - there are fewer clinical professionals available to manage a very busy service as we head into winter. While permanent workers are the panacea, this is where temporary contracts continue to provide the means to deploy skilled staff at short notice, but at a higher cost.

“With a weak economic outlook for the months ahead, employers will be hoping next year will bring the expected easing of inflation so they can focus on delivering growth for their businesses.”

Neil Carberry, REC Chief Executive, said:

“In many ways, the labour market is marking time waiting for the brakes to be taken off growth by the Bank of England. While permanent hiring is now declining more softly, temporary hiring continues to pick up the slack – with billings gently growing for most of this year on the back of rising wages. While the rate of pay growth has now returned to more normal parameters, it is still strong, especially in sectors where staff remain in short supply. That sectoral split is ever more pronounced, with challenging sectors like construction and IT sitting in a very different place to hospitality and healthcare, which continue to be affected by shortages. Looking to the Autumn Statement, businesses and Government need to be aware that the return of growth will reveal shortages more widely – action on skills, welfare-to-work programmes and immigration reform will be needed to prevent a return to growth being squandered.”

Neil Carberry added:

“Healthcare providers are ramping up their hiring ahead of the winter, but candidate supply is short. Agency medical staff are keeping wards open and getting patients treated - they need a bit more support from Government. Reforming capped on-framework agency rates so pay for temps working on-framework can rise for the first time in four years will save Government money as they will end up using far fewer emergency shifts, and it will reward a part of the NHS workforce that is too often overlooked.”

News Release



Recruitment
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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

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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