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KPMG and REC, UK Report on Jobs

Increased staff availability weighs on pay growth

Key findings

Further decline in recruitment activity signalled

Slower increases in starting pay recorded

Fastest rise in candidate availability for four months

Data collected March 12-22

Summary

The latest **KPMG and REC, UK Report on Jobs** survey, compiled by S&P Global, continued to signal falling levels of recruitment activity in March. Amid reports of hiring freezes and cost cutting at clients, recruitment consultants signalled another marked decline in permanent placements as well as the steepest contraction in temp billings since July 2020.

Latest data signalled a fifth consecutive monthly decline in the demand for staff, with the rate of contraction only slightly slower than February's 37-month record. With demand falling, and evidence of a greater number of redundancies, overall candidate supply increased at the steepest pace for four months. This weighed on pay growth. Starting salaries rose at their slowest rate for over three years, whilst temporary wage inflation eased to a four-month low.

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

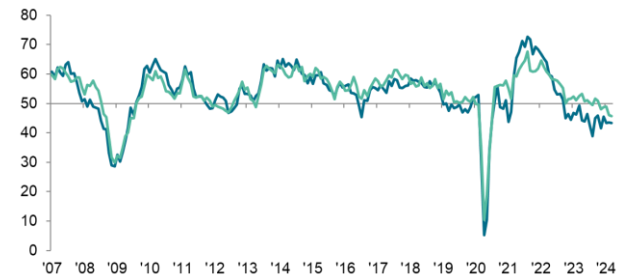
Recruitment activity continues to decline in March

Permanent staff appointments in the UK continued to fall in March, extending the current downturn to a year-and-a-half. An uncertain economic outlook and ongoing recruitment freezes were reported by recruiters as reasons for the latest decline. Budget constraints also reportedly weighed on temp billings during March, which fell to the steepest degree since July 2020.

Permanent Placements Index

Temporary Billings

50.0 = no-change



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

Permanent staff pay growth lowest in over three years

Starting pay levels for both permanent and temporary workers continued to increase during March. Higher pay generally reflected efforts to attract better candidates. However, amid an upturn in candidate supply, rates of pay growth continued to slide. Overall, permanent staff salaries rose at the weakest rate in over three years, whilst for temp wages the increase was the slowest in four months. In both instances, growth rates were also below their respective survey trends.

Further decline in staff demand signalled

Latest data showed that demand for all workers fell for a fifth successive month in March. Although the rate of contraction was softer than in February, it remained historically marked. Permanent staff demand continued to fall at a noticeably faster rate than for temp workers, which again fell only marginally.

Labour supply continues to increase during March

March saw a rapid and accelerated increase in the availability of staff. Latest data marked the thirteenth successive month that growth has been registered, and the latest rise was the steepest recorded since last November. Higher volumes of redundancies and cost cutting at firms reportedly led to an increase in candidate availability. Permanent and temporary staff availability both increased sharply.

Regional and Sector Variations

There were reductions in the number of permanent placements across all four monitored English regions in the latest survey period. The sharpest contraction was recorded in the South of England.

The downturn in temporary billings was common across all four English regions, with the steepest decline recorded for London.

In March, eight out of ten broad sectors covered by the survey experienced a drop in demand for permanent vacancies, the exceptions being Engineering and Blue Collar. The sharpest fall in demand was recorded in the Retail category, followed by IT & Computing.

Temporary vacancies increased for Blue Collar, Engineering and Hotels & Catering workers in March, with solid growth rates recorded in each instance. Like permanent vacancies, the steepest downturn in demand for temporary staff was seen for Retail.

Comments

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

“Persistent economic uncertainty has led to many business leaders delaying major investment decisions and relying on savings for growth during the first quarter of the year. But they are optimistic about the outlook improving.

“And while March’s survey data indicates ongoing weak demand in the labour market with a sharp rise in candidate availability, relatively low levels of UK unemployment together with falling inflation could pave the way for economic recovery.

“There are still headwinds, but it’s time for the UK economy to get its groove back - and UK businesses will be ready when the Bank of England makes its interest rate cuts. This may not lead to an instant rebound, but confidence to invest will increase, improving demand, and the economic outlook should start moving in the right direction.”

Neil Carberry, REC Chief Executive, said:

“Economic growth has been sidelined for too long and must be at the heart of this year’s General Election campaign. Today’s data shows the economy in a holding pattern waiting for inflation and interest rates to ease, so that firms can get to investing. The decline in permanent placements has been steady for some months now, with temporary recruitment still robust, if falling back from the record highs of 2022/3. Employers appear to be leaning on temporary work while they are uncertain about the path of the economy.

“The data here should support a decision by the Bank of England’s Monetary Policy Committee to loosen its grip on growth in the near-term future. Pay growth has slowed significantly, and is now below the survey’s long-term average for new permanent roles. Some sectors – like the bellwether firms in construction – need a clear signal. In other areas, particularly engineering, demand remains high, emphasising the importance of a new approach to skills from governments across the UK, led by reform of the Apprenticeship Levy. The uptick in the need for blue collar staff may be a sign of consumer confidence starting to return – but it also emphasises again how labour shortages may constrain growth when it returns. A proper industrial strategy, with a meaningful and practical workforce element to it, is long overdue.”

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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.

About S&P Global

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