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KPMG and REC, UK Report on Jobs: London

London registers a renewed fall in permanent placements in May

Key findings

Permanent new joiners fall solidly...

... but temp billings rise for first time in six months

Demand for labour improves in May

Data collected May 12-22.

Summary

The latest KPMG and REC, UK Report on Jobs: London survey data indicated a renewed drop in new permanent joiners in May. The downturn was moderate but ended a two-month sequence of growth. Instead, billings received from temp workers rose for the first time in six months, as anecdotal evidence highlighted an increased preference for flexible workers.

Demand for labour improved across the capital, with permanent vacancies rising at a solid and accelerated pace in May. Moreover, temp vacancies rose for the first time in 22 months, and at a pace which was solid overall. Rising demand for staff was accompanied by stronger rates of increase in both permanent starting salaries and hourly wages. Meanwhile, redundancies continued to fuel marked expansions in the availability of candidates.

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.

Fresh decline in new permanent joiners

Recruiters across the capital indicated a fresh decline in permanent staff appointments during May. Although only moderate and weaker than the UK-wide average, the fall was the first since February. Survey respondents attributed the latest reduction in permanent placements to

reduced client activity and market uncertainty.

Of the four monitored regions, only the North of England registered a rise in new permanent joiners.

Billings received from short-term workers rose marginally across London in May, thereby ending a five-month sequence of contraction. Survey panellists reported that clients often cited an increased preference for flexible workers.

For the first time since December 2022, temp billings rose across all four monitored English regions. Growth was most pronounced in the South of England, and softest in the capital.

Permanent vacancies rose across the capital for a second month running in May. The pace of growth was solid and the fastest since October 2022. Moreover, of the four tracked English regions, London was the only area to register a rise.

Demand for temp workers improved for the first time in 22 months in London during May. Temp vacancies rose solidly and at a pace with was the fastest in nearly two-and-a-half years.

Marked rise in permanent staff supply

As has been the case since December 2022, a rise in permanent candidate availability was recorded in London during May. The rate of growth was quicker than seen in April and marked overall. Survey respondents commonly linked the increase to redundancies.

Of the four monitored English regions, only the North of England reported a stronger pace of growth in permanent staff supply than seen in London.

The supply of temp staff expanded across London at a marked and accelerated pace in May. In anecdotal evidence, panellists widely linked the increase to layoffs. Expansions have now been

noted in each month since January 2023.

Moreover, the rise in the capital was the most pronounced of the four monitored English regions. The softest expansion was once again recorded in the Midlands.

Sustained growth in starting salaries

Salaries awarded to new permanent joiners in the capital rose moderately in May. The rate of inflation was broadly unchanged since April and historically subdued, but the strongest of the four monitored English regions.

According to anecdotal evidence, salaries were raised in order to attract the right talent.

A second consecutive monthly increase in hourly wages for short-term workers across the capital was recorded during May. Although stronger than that seen in April and the UK average, the pace of inflation was moderate and weaker than the long-run average.

At a regional level, only the North of England registered a fall in temp wages.

Comments

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

“May’s figures suggest London employers are clear about their hiring and talent requirements, even if they remain cautious about making permanent appointments. While permanent placements dipped during the month, demand for staff strengthened significantly, with permanent vacancies rising at their fastest rate in more than three-and-a-half years and temporary vacancies returning to growth for the first time since 2024.

“That combination points to a labour market that is gathering momentum. Businesses appear to be planning for growth and creating opportunities, while retaining the flexibility to respond to an uncertain economic backdrop. At the same time, London continues to see some of the strongest salary growth in the country, underlining the competition for skilled talent. The key question now is whether growing demand for workers translates into a sustained recovery in hiring activity over the coming months.”

Neil Carberry, REC Chief Executive, said:

“The clearest story in the economy right now is momentum being held up by uncertainty. In the jobs market, that is where temporary work comes into its own. With businesses tapping the brakes on permanent hiring in the face of higher costs, the Gulf crisis and new employment red tape, temporary work is making up the gap. Temp billings increased for the first time in six months in London. This is a huge strength for workers and employers across the country, as it keeps the wheels turning in challenging times. Recognising this and backing our well-regulated temporary and contract workforce should be a priority for government, starting with big changes to the approach to zero hours rules.”

Contact

KPMG

Claire Barratt
Deputy Head of Media Relations
T: +44 (0)7923 439264
claire.barratt@kpmg.co.uk

REC

Hamant Verma
Communications Manager
T: +44 (0)20 7009 2129
Hamant.verma@rec.uk.com

S&P Global

Maryam Baluch
Economist
S&P Global Market Intelligence
T: +44 134 432 7213
maryam.baluch@spglobal.com

Hannah Brook
EMEA Communications Manager
S&P Global Market Intelligence
T: +44 7483 439 812
hannah.brook@spglobal.com
press.mi@spglobal.com

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.

Full reports and historical data from the KPMG and REC, UK Report on Jobs are available by subscription. Please contact 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.

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