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KPMG and REC, UK Report on Jobs: London

London records a solid reduction in permanent new joiners in October

Key findings

Softer, but still solid decline in permanent placements

Downturn in temp billings weakest in five months

Marked reductions in permanent and temp vacancies

Data collected October 09-27.

Summary

The latest KPMG and REC, UK Report on Jobs: London survey highlighted a further streamlining of payroll numbers in October. Permanent placements were reduced solidly, although the pace of decrease was slightly weaker than seen in September. The downturn in temp billings eased markedly, meanwhile. The rate of contraction was the weakest in five months and mild overall.

According to anecdotal evidence, redundancies and reduced demand for labour, as shown by rapid reductions in vacancies, were said to have fuelled marked and stronger expansions in the supply of both permanent and short-term workers. Consequently, businesses raised their pay at softer rates.

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.

Downturn in permanent placements eases

A seventh consecutive monthly decline in permanent placements across London was recorded in October. The pace of reduction was solid, albeit weaker than that seen in the previous month. Where decreases were noted, surveyed recruiters often cited fewer open vacancies as the reason.

While all four monitored English regions saw marked decreases in permanent placements, London recorded the least pronounced decline. The North of England indicated the steepest reduction.

Temp billings received from short-term workers across the capital fell in October, thereby stretching the current run of decrease to 22 months. That said, following a rapid decline in September, the pace of reduction eased noticeably to indicate only a slight fall, one which was the slowest since May.

That said, London went against the broader UK trend, which highlighted a fresh uptick in temp billings in October. The South of England also recorded a decrease, while rises were observed in the Midlands and the North of England.

As has been the case in each month since August 2024, recruiters based in London noted a decline in permanent vacancies in October. The pace of decrease was only slightly weaker than the recent high observed in September and marked overall.

Demand for temporary workers also deteriorated at the start of the final quarter. The pace at which temp vacancies fell was rapid and the strongest in six months.

Both permanent and temp vacancies fell at rates stronger than their respective UK-wide averages.

Redundancies fuel sharp rise in permanent staff supply

Adjusted for seasonal variation, the Permanent Staff Availability Index rose in October and signalled a marked increase in the supply of permanent candidates in London. The uptick was again largely attributed to redundancies. Expansions have now been noted for nearly three years.

Moreover, London was the only English area monitored where the supply of permanent staff increased at a stronger rate in October. The pace of expansion was the second-fastest among the four regions tracked, just behind that observed in the South of England.

The availability of workers looking for temporary positions rose across the capital in October, stretching the current run of increase to 34 months. The pace of growth was the fastest since the recent high seen in August. Anecdotal evidence often noted that redundancies had pushed up candidate numbers.

The rate at which temp staff availability rose across London equalled the UK-wide average. The remaining three tracked English areas also saw marked expansions, with the South of England leading the upturn.

Starting salary inflation slowest for a year

Starting salaries for permanent joiners in the capital increased in October. Where salaries rose, recruiters attributed this to the onboarding of senior roles and demand for higher skilled candidates. That said, the rate of salary inflation eased to a 12-month low and was mild overall, amid reports of cost-saving measures.

Of the four monitored areas, the Midlands was the only other region where permanent salaries rose. Meanwhile, rates continued to fall across the North and South of England.

London recruiters reported a rise in temporary pay rates in October. Respondents indicated that competition for suitably skilled workers had driven up hourly pay. Albeit being the strongest of the four monitored English regions, the pace of inflation across London eased slightly on the month to the slowest since February and was historically subdued.

The Midlands also experienced a rise in hourly wages, but the North and South of England recorded reductions.

Comments

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

“London’s job market showed some tentative signs of stabilising in October, but the overall picture remains fragile. Employers are cautious, reflecting

ongoing economic uncertainty and a continued focus on managing costs in the short term. Many are biding their time ahead of the Autumn Budget in a few weeks’ time.

“For those businesses who are planning beyond the short term, the combination of slowing salary inflation for permanent staff and more professionals entering the market is creating a valuable opportunity for those willing to invest to secure the talent and skills they’ll need for the future.

“There’s growing momentum around this kind of longer-term workforce planning. The launch of London’s Inclusive Talent Strategy, a comprehensive plan that places future skills at the heart of the capital’s economic growth, is a timely reminder that while short-term challenges persist, London is already looking ahead to build a more resilient, inclusive and future-ready jobs market.”

Neil Carberry, REC Chief Executive, said:

“Today’s data reflects the more positive outlook in the UK we have been hearing from recruiters since the start of the autumn. They aren’t exuberant – partly because the all-important London market is lagging the upward curve. That may change soon, as the reduction in temp billings in London eased noticeably and the reduction in permanent placements in London was weaker than the month before.

“But we have been here before – there was a similar mood in the UK jobs market before the Chancellor’s Halloween Budget last year. The huge surprise increase in payroll taxes then shocked the market and we have seen the results of that, as businesses predicted then, in higher unemployment and redundancy. As we go into Budget 2025, there can be no repeat. If Government cares about growth, as it claims, measures must stoke business investment, not deter it.

“The Budget must give employers confidence to invest, with a focus on unlocking potential through delivering on skills reform, supporting business investment and reforming the approach to the Employment Rights Bill, which needs a dose of practicality and realism.”

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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