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KPMG and REC, UK Report on Jobs

Uncertainty over the outlook weighs on recruitment activity in August

Key findings

Permanent placement growth remains subdued...

...while temp billings expand at softest rate since February 2021

Vacancy growth slips to 18-month low

Data collected August 12-24

Summary

The **KPMG and REC, UK Report on Jobs** survey, compiled by S&P Global, highlighted a further increase in recruitment activity during August. However, the expansion in permanent placements was little-changed from July's 17-month low, while temp billings growth was the weakest seen for a year-and-a-half. The recent slowdown in hiring reflected greater economic uncertainty, rising costs and candidate shortages, according to recruiters.

August survey data also signalled a further easing in vacancy growth, which slipped to an 18-month low. Total candidate numbers fell at a slightly softer, but still rapid pace, which combined with the increased cost of living led to further sharp increases in starting pay for both permanent and temporary staff.

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

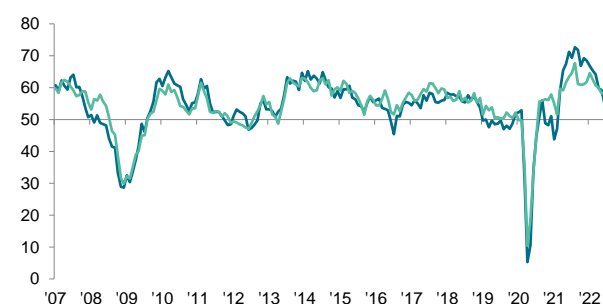
Economic uncertainty weighs on recruitment plans

UK recruitment consultancies signalled further increases in both permanent staff appointments and temp billings during August. That said, the rate of permanent placement growth was little-changed from July's 17-month low, while temp billings expanded at the softest pace for a year-and-a-half. While strong demand for workers and

Permanent Placements Index

Temporary Billings

50.0 = no-change



Sources: KPMG, REC, S&P Global

efforts to fill vacancies supported the overall upturn in hiring, there were reports that greater economic uncertainty, rising costs and candidate shortages had dampened growth.

Overall vacancies expand at slowest rate for 18 months

August survey data pointed to a further slowdown in growth of vacancies. Though sharp by historical standards, the latest increase in demand for staff was the weakest seen for 18 months, with recruiters signalling softer rises in both permanent and temporary vacancies.

Softest increase in starting salaries since June 2021

Average starting salaries for permanent staff continued to rise rapidly in August, though the rate of inflation softened further from March's survey record. Notably the rate of salary growth was the softest seen for over a year. Temp wages meanwhile rose at a slightly sharper pace, albeit one that was the second-slowest since June 2021. Higher rates of pay were frequently linked to intense competition for candidates and the rising cost of living.

Candidate availability falls at slightly weaker rate

The overall supply of candidates continued to fall

sharply in August, with permanent worker availability deteriorating at a quicker pace than that seen for short-term staff. A generally tight labour market, fewer foreign workers and a reluctance to seek out new roles due to uncertainty weighed on staff supply. That said, the decline in total candidate numbers was the softest seen for 16 months.

Regional and Sector Variations

Stronger increases in permanent placements in London and the Midlands helped to offset a slowdown in the South of England and a renewed fall in the North of England.

All four monitored English regions recorded marked increases in temp billings, with the quickest expansion seen in London.

Latest data signalled a further slowdown in vacancy growth across the private and public sectors in August. The steepest increase in demand was seen for private sector staff - with permanent and temporary positions rising at identically sharp (albeit slower) rates. The weakest increase in vacancies was once again signalled for short-term positions in the public sector, where growth eased to a 17-month low.

Nursing/Medical/Care topped the permanent staff demand league table in August, followed closely by Hotel & Catering. The softest upturn in vacancies was once again signalled for Retail.

All ten monitored job categories recorded higher temporary vacancies midway through the third quarter. Nursing/Medical/Care signalled by far the steepest increase in demand for short-term workers, while Executive/Professional saw the weakest.

Comments

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

“Unsurprisingly, the economic uncertainty continues to impact all aspects of business as we come to the end of the summer. August’s data show an increasingly challenging jobs market, both in the sharp decline in the supply of candidates and in the slowdown in recruitment which we have seen for the last few months. Despite these challenges, it’s vital that investment in people continues. Businesses may be better able to weather the economic storm through sustained investment in upskilling the available workforce.”

Neil Carberry, Chief Executive of the REC, said:

“August was another month of growing placements across temporary and permanent roles. While the post-pandemic jobs rush is now abating, there were no real signs of a slowdown in employer demand. Indeed, reports from REC members suggest that any lowering of confidence in the market is driven primarily by candidates playing it safe, with the effect of further tightening the market. So it’s no surprise that pay rates continue to rise, especially considering increasing inflation. In this market, hiring companies need to think hard about the right approach to getting the skills they need, working with professional recruiters.

“The big question is now about the sustainability of this positive position, as labour shortages damage growth and pay over the long term. Controlling inflation and a clear plan for growth are essential parts of making sure the UK is resilient to economic uncertainty. But both rely on our new Prime Minister and her team working with businesses to address shortages across our labour market. Radical reform of the failed apprenticeship levy, support on small business energy costs, an immigration policy that helps the economy and regulation that supports temporary work rather than penalising it, all have to be on the agenda.”

Contact

KPMG

Chris Mostyn
Deputy Head of Media Relations
T: +44 (0)7512 448000
chris.mostyn@kpmg.co.uk

REC

Shazia Ejaz
Director of Campaigns
T: +44 (0)20 7009 2157
shazia.ejaz@rec.uk.com

S&P Global

Annabel Fiddes
Economics Associate Director
S&P Global Market Intelligence
T: +44 (0)1491 461 010
annabel.fiddes@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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@hismarkit.com.

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

About KPMG

KPMG LLP, a UK limited liability partnership, operates from 22 offices across the UK with approximately 15,300 partners and staff. The UK firm recorded a revenue of £2.43 billion in the year ended 30 September 2021.

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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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