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## KPMG and REC, UK Report on Jobs: London

### Hiring activity remains in decline across the capital

#### Key findings

Rapid, but moderated downturns in permanent placements and temp billings

Redundancies continue to drive an increase in candidate supply

Vacancies fall at steeper rates

Data collected February 10-24.

#### Summary

The latest KPMG and REC, UK Report on Jobs revealed a further downturn in hiring activity across London during February. Notably, both permanent placements and temporary billings declined sharply, although the rates of reduction showed some moderation. Conservative hiring practices were largely attributed to ongoing economic uncertainty and recent changes to labour policies following the Budget, which have influenced hiring strategies. In response to these challenging economic conditions, the number of vacancies throughout the capital further diminished. When excluding the pandemic months, the latest declines in demand for both permanent and temporary staff were the most substantial since the Global Financial Crisis. The drop in vacancies, coupled with an increase in redundancies, led to a surge in staff availability. Temporary staff availability rose at a particularly rapid pace.

Finally, regarding pay pressures, February witnessed an intensification as companies aimed to attract skilled workers. However, the rates of increase were historically low.

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.

#### Permanent placements decline sharply, albeit at moderated pace

The number of people placed into permanent roles in London fell for a seventh straight month in

February. The downturn was attributed to an array of reasons including the forthcoming increase in National Insurance Contributions and minimum wage hikes, economic uncertainties stemming from the October Budget and geopolitical instability.

That said, the rate at which permanent placements fell was the weakest since October 2024. In fact, all four monitored English regions noted softer rates of contraction.

Adjusted for seasonal variation, the Temporary Billings Index noted a fourteenth straight monthly reduction in temp billings across London in February. The rate of decrease moderated from that seen in January but was rapid overall. According to anecdotal evidence, the decrease was attributed to clients cutting costs, alongside contract pauses and completions. Economic uncertainty was also cited.

A widespread fall in temp billings was seen across the four monitored English regions, the first such occurrence in nearly a year. London posted the strongest decrease.

Demand for workers deteriorated rapidly across the capital in February. The seventh successive monthly decline in permanent vacancies was the strongest since October 2020, although less severe than the national average.

Additionally, temp vacancies in London have fallen on a monthly basis since September 2024. The rate of reduction was the most pronounced since mid-2020 and the strongest among the four English regions monitored.

#### Permanent candidate supply rises at quicker and sharp rate

As has been the case since December 2022, the availability of permanent workers in London rose rapidly in February. The rate of growth accelerated from January. The upturn in permanent staff supply was often linked by respondents to redundancies. Firms also noted that with fewer job opportunities, more

candidates were entering the market, thus creating heightened competition among job seekers.

February survey data pointed to a substantial rise in temp staff supply across the capital. The rate of expansion quickened notably and was the most pronounced in four years. In fact, excluding the pandemic months, the latest upturn was the strongest seen since the Global Financial Crisis. Redundancies were often behind the latest uptick.

Of the four English regions under observation, the rate at which short-term candidate availability rose in London was the strongest by a substantial margin. Meanwhile, the South of England recorded the softest increase, albeit one which was still sharp overall.

### **Stronger increase in starting salaries in February**

Salaries awarded to newly-placed permanent staff in London rose further in February. The rate of salary inflation was sharp and quickened from January. Panel members attributed the increase in starting salaries to efforts aimed at attracting skilled candidates.

Moreover, salary growth across London outpaced the national average. The Midlands was the only other region to experience a rise in permanent salaries, while the remaining two regions reported a decline.

Average hourly rates of pay for short-term staff in the capital rose modestly in February, thereby stretching the current run of growth to five months. The rate of increase was slightly stronger than seen at the start of the year and outpaced the UK-wide average.

All four monitored English regions saw upticks in temporary pay, except for the South of England, where pay rates were unchanged.

### **Comments**

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

*“Hiring activity in London remained subdued in February, as a challenging macro-economic picture and pay pressures led to notable slowdowns in both permanent staff hiring and temporary billings. The capital saw the steepest fall in short-term billings of all UK regions, but it was encouraging to see the decline in permanent placements ease to the slowest for four months, suggesting the market may be bottoming out as firms begin to look ahead to the new tax year.”*

Neil Carberry, REC Chief Executive, said:

*“After a long winter, there are some hints of a turn in the labour market in the UK as we head into Spring. This is led by the private sector in the UK - despite recent tax rises – and that should not be missed. The rate at which permanent placements fell was the weakest since October 2024 in London.*

*“Enabling companies to grow is at the heart of our prosperity – the Chancellor must use the Spring Statement to build their confidence in growth. At the moment, though, things are still slow as companies hold their breath in the face of significant costs rises from April with changes to National Insurance and the National Living Wage. Getting the Industrial Strategy flying is a key part of this – for the whole economy, not just key sectors - as is addressing policies in the Employment Rights Bill so they do not prove to be a brake on growth.*

*“Despite a long slowdown, some sectors still face skill shortages in the UK, although this is slightly less so in London than elsewhere in the country. This comes from mismatches, training gaps and the impact of an ageing population. Addressing productivity through technology and better management will be critical to addressing this, and recruitment firms will be key partners for businesses in changing their approach. Pay growth is easing and broadly unchanged across much of the country which should please the Bank of England rate setters.”*

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## 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](mailto: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](mailto:economics@spglobal.com).

## About KPMG UK

KPMG LLP, a UK limited liability partnership, operates across the UK with approximately 17,000 partners and staff. The UK firm recorded a revenue of £2.99 billion in the year ended 30 September 2024.

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