News Release

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KPMG and REC, UK Report on Jobs: London

Softer fall in permanent placements across London during December

Key findings

Permanent staff appointments fall for the third month running...

...but temp billings continue to rise in December

Strong competition for staff results in further sharp rises in pay

Data collected December 06-19

Summary

The latest KPMG and REC, UK Report on Jobs: London survey indicated a third consecutive monthly decline in permanent staff hiring during December. That said, the rate of reduction was the softest seen over this period. In contrast, temp billings continued to rise for the second month running, albeit at a slightly softer pace. Amid reports of redundancies, firms also noted the first increase in the supply of permanent staff since April 2021. At the same time, ongoing labour and skill shortages meant that firms continued to bump pay in order to attract and secure workers. However, latest data revealed a further moderation in rates of both starting salary and temp wage inflation in December.

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 softens

December survey data signalled a further fall in permanent staff appointments across London, thereby extending the current run of reduction to three months. According to anecdotal evidence, placements fell due to labour shortages and a slowdown in market conditions. That said, the rate of contraction was the softest in the aforementioned sequence and the weakest of all four monitored English regions, with the South of England registering the sharpest reduction.

Billings received from the employment of temporary workers across the capital rose for the second successive month in December. The uptick was in part linked to greater demand for short-term staff. That said, the rate of growth eased since November to a modest pace that was notably weaker than those seen earlier in 2022.

All four monitored English regions registered higher temp billings during December, with the strongest expansion recorded in the South of England.

Recruiters across London reported a fall in permanent staff vacancies during December, marking the first month of contraction since February 2021. Moreover, while being mild overall, the latest reduction contrasted with a further expansion across the UK as a whole.

Temporary vacancy growth eased from November, with the mild upturn the softest seen in the current 22-month run of expansion. Moreover, the rate of temp vacancy growth remained weaker than the national average.

Permanent staff supply rises for the first time in 20 months

The latest survey data revealed a modest rise in permanent staff availability during December. The respective seasonally adjusted index ticked up for the fifth time in the last six months, with the latest reading printing above the crucial 50.0 mark for the first time since April 2021. Some panellists mentioned that redundancies had helped to increase candidate numbers.

Moreover, of the four monitored English regions, London was the only area that bucked the overall trend of declining permanent staff supply.

The number of candidates available for short-term roles in London fell during December. The rate of decline softened to a marginal pace, however, and was the weakest seen across all four monitored English regions.

Market uncertainty, Brexit and skill shortages were all linked to the latest fall in temp candidate numbers.

Temp staff availability fell across all four monitored English regions, with the North of England registering the quickest downturn.

Starting salary inflation moderates again

Salaries awarded to newly-placed permanent staff across London continued to rise sharply in December amid reports of ongoing efforts to attract candidates. That said, the rate of growth softened for the third consecutive month, and was the softest recorded since the current 22-month run of increase began in March 2021.

Moreover, of the four English regions monitored by the survey, recruiters across London noted the weakest rate of growth in starting salaries.

Similar to the ongoing moderation in starting salary growth, temp wages also rose at a softer rate in December. The pace of wage inflation was the weakest since June 2021. Nonetheless, the latest uptick was strong overall as increased competition for staff and the higher cost of living drove up average hourly wages.

Average hourly wages grew at a softer pace across all four English regions during December, with all areas reporting weaker rates of growth than their respective historical averages.

Comments

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

"London employers continue to approach recruitment with caution, with some choosing to hire temporary staff over expensive permanent placements, as the UK rides out the recession. Whilst many London businesses continue to focus on growth, rising starting salaries to fill vacancies are putting pressure on businesses already facing an ever growing cost environment. However, this could start to subside as the capital bucks the UK trend, and more candidates make themselves available for permanent roles. Overall, the jobs market looks less than rosy at the start of 2023, so employers who hold their nerve and continue to invest in skills in particular are likely to benefit most when the economic upturn comes."

Neil Carberry, Chief Executive of the REC, said:

"A slowdown in permanent placements is not unusual in December. Recruiters tell us that this was because firms pushed hiring activity back into January in the face of high inflation and economic uncertainty. The big test of the labour market will come this month.

"The Capital bucked the trend in England of declining permanent staff supply. It is still a good time to get a job with salaries awarded to newly-placed permanent staff rising sharply in London. There is plenty of demand for temporary workers in London but market uncertainty, Brexit and skill shortages are cited by recruiters as reasons for the fall in temp candidate numbers.

"As we move into 2023, the need to ensure our labour market can deliver economic growth and prosperity should be a critical concern to politicians. A stable economy and support to address labour and skills shortages – from welfare to work support to immigration and skills reform - need to be major priorities for all the UK governments."

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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@ihsmarkit.com.

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

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