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KPMG and REC, UK Report on Jobs

Permanent placements and vacancies fall at accelerated rates in December

Key findings

Cost concerns and redundancies reported at UK companies

Pay continues to rise for high quality candidates

Staff availability increases to the greatest degree in six months

Data collected December 5-17

Summary

December's **KPMG and REC, UK Report on Jobs** survey, compiled by S&P Global, highlighted a further decline in permanent placements at UK companies. Firms were reported by recruitment consultants to be further considering the employment cost implications of the late October government Budget, and as such placements fell to the greatest degree since August 2023. Temp billings also declined for similar reasons, and at a faster pace than in November.

However, companies remained willing to pay higher starting salaries for talented candidates, which helped to explain an acceleration in the pace of permanent pay inflation to a four-month high.

Pay growth was nonetheless limited by the continued expansion of staff availability, with recruitment consultants noting redundancies at firms during December.

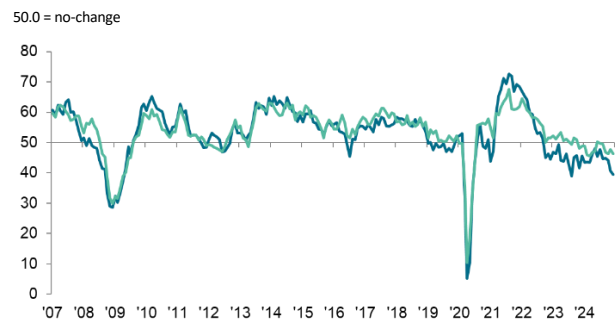
The report is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies.

Accelerated fall in permanent placements signalled in December

The end of 2024 saw the fastest decline in permanent placements since August 2023, according to the latest KPMG/REC Report on Jobs survey. Respondents noted a lack of market

Permanent Placements Index

Temporary Billings



Sources: KPMG, REC, S&P Global PMI.

demand for candidates amid evidence of a growing cost consciousness amongst firms especially in the context of the recent government Budget and the announced rise in employee National Insurance contributions. Temp billings similarly declined in December, and to a greater extent than typically seen during 2024.

Upturn in permanent salary pay recorded in December

Despite a drop in permanent placements, there was an acceleration in the rate of starting salary inflation during December as firms remained willing to raise pay for high quality staff (and in some instances as part of talent retention programmes). Overall, the increase in perm salaries was the best in four months, although inflation remained well below trend. Similarly, temp pay rates rose modestly in December amid reports that a high supply of candidates was limiting pay inflation.

Vacancies continue to contract sharply

In December, vacancy numbers declined again, with the rate of contraction picking up since November to the steepest recorded in well over four years. Permanent staff saw the biggest drop in demand since August 2020. Although not as severe as perm workers, the decline for temp staff was the greatest in four-and-a-half years.

Staff availability rises at an accelerated pace

Recruitment consultants reported another steep increase in staff availability during December. Overall,

the expansion in availability was the sharpest since June. The upturn in growth was primarily driven by the permanent staff category, although temp worker availability also rose sharply at the end of 2024.

Regional and Sector Variations

Permanent placements were down across England. Especially acute declines were seen in the North and South of England. A noticeably slower fall in placements was registered in London.

The Midlands bucked a wider market trend in December by registering some modest growth in temp billings. All other English regions saw a contraction, led by the South of England.

Latest data showed that permanent staff vacancies were down across all sub-sectors for the second month running in December. The steepest rate of contraction was seen for Executive/Professional followed by IT/Computing.

Once again, of the sub-sectors covered, only Blue Collar and Hotel/Catering recorded an increase in temp vacancies during December. Executive/Professional saw the steepest rate of contraction.

Comments

Commenting on the latest survey results, Jon Holt, Group Chief Executive and UK Senior Partner KPMG, said:

“As we start the new year, it’s a muted one for the UK jobs market. December’s data shows weakening demand causing the biggest contraction in vacancies since August 2020, coupled with hiring intention declining at a pace not seen for 16 months.

“The hiring market could continue to show signs of caution in the short-term, as businesses pause to stock of higher employment costs, a more gradual pace of interest rate cuts and rising inflation.

“However as 2025 progresses and UK economic growth picks up, businesses will need new talent. Salary inflation being at its steepest in four months shows they are still willing to compete for it.

“Chief Execs will certainly also be counting on new policies which support their 2025 growth ambitions and boost confidence to invest.”

Commenting, Neil Carberry, REC Chief Executive, said:

“This report emphasises a weak mood in some businesses as they built their budgets for this year, and made changes designed to save on costs after a tough Budget. That said, sentiment can change quickly. December is always a hiring low point, and a new year brings new hope – with inflation under control, low unemployment and economic growth expected, the fundamentals are better than many appreciate. It is what happens now, as firms return to the market in January, that will decide the path ahead. Recruitment is one to watch in early 2025 because it is one of the earliest indicators of a broader economic recovery, with any sign of a turn hugely significant with the sector contributing a massive £44.4bn to the UK economy in 2023.”

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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@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.

About KPMG UK

KPMG LLP, a UK limited liability partnership, operates from 20 offices across the UK with approximately 18,000 partners and staff. The UK firm recorded a revenue of £2.96 billion in the year ended 30 September 2023.

KPMG is a global organisation of independent professional services firms providing Audit, Legal, Tax and Advisory services. It operates in 143 countries and territories with more than 273,000 partners and employees working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

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.

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