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KPMG and REC, UK Report on Jobs: London

Permanent staff appointments rise for the first time in eight months

Key findings

Solid and fresh growth in permanent placements

Downturn in temp billings eases

Pay pressures intensify

Data collected March 12-25.

Summary

London's labour market showed signs of emerging from its recent malaise, as indicated by the latest KPMG and REC UK Report, which highlighted a fresh rise in permanent placements in March. This marked only the second time in the last 30 survey periods where an increase was noted, with growth previously recorded in July 2024. Furthermore, the latest uptick was the most significant in this aforementioned sequence and contrasted with the UK-wide trend, where a stronger contraction was recorded. Additionally, the downturn in temporary billings softened to the weakest in eight months. Meanwhile, demand for both permanent and temporary staff declined further, although the rates of reduction eased in March. Pay pressures intensified, with recruiters reporting that businesses raised their pay to attract candidates with the right skill sets.

The supply of permanent candidates rose at a stronger rate in March, amid reports of redundancies. The supply of temporary staff rose at a marked, but moderated pace. The upturn was partially linked to more candidates seeking part-time roles.

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.

London records a fresh rise in permanent placements in March

In addition to July 2024, March was the only other

time during the last 30 survey periods in which the seasonally adjusted Permanent Placements Index posted above the neutral mark of 50.0, thus indicating an increase in placements during the month. The latest uptick was solid and the strongest in the aforementioned sequence. The return to growth in permanent staff hires was driven by reports of increased candidate availability.

Additionally, London bucked the wider trend, whereas the other three monitored English regions experienced further declines in the number of permanent placements.

As has been the case in each month since January 2024, temporary billings in London declined during March, driven by reports of reduced demand for short-term workers and cost-cutting initiatives. Although still sharp, the rate of decrease eased significantly, marking the slowest reduction in eight months and one that was weaker than that observed at the UK level.

Among the four monitored English regions, only the Midlands recorded a milder downturn in billings received from short-term workers than London.

Permanent vacancies fell sharply across London in March. However, the respective seasonally adjusted index rose for the first time in eight months, and indicated the least marked deterioration in demand for permanent workers since last September.

In fact, all four tracked English regions experienced softer rates of contraction in permanent vacancies during March, with London recording the weakest decline.

Temp vacancies across the capital fell for a seventh straight month in March. The rate of decrease was the weakest in three months, but sharp overall.

Of the four monitored English areas, London recorded the most significant deterioration. Elsewhere, the North of England was the only region to experience a more pronounced worsening in demand for temporary workers during March.

Notable uptick in permanent staff supply in March

Recruiters based in London recorded a marked rise in the availability of permanent workers during March. The rate of expansion quickened further from January's recent low to the fastest in 19 months and outpaced the UK-wide average. Panellists largely linked the uptick to redundancies.

Of the four monitored English regions, growth in permanent staff availability in the capital was only just surpassed by that recorded in the North of England.

Latest data revealed a substantial rise in the supply of temporary workers available in London. The rate of expansion remained above the long-run survey average, although easing notably from the recent peak observed in February. Panel members indicated that reduced demand for temporary workers, coupled with more candidates seeking supplementary work, underpinned the latest increase.

London experienced the second-strongest rate of growth in the availability of temporary staff, behind the North of England. That said, the capital was the only area of the four monitored English regions to record a slower rise in March.

Starting salaries rise at strongest pace in eight months

March data highlighted a sharp rise in starting salaries awarded to permanent new joiners across London, thereby extending the current run of salary inflation to over four years. The rate of increase was the fastest since July 2024. Anecdotal evidence suggested that the latest salary increase was due to the recruitment of more experienced positions and the necessity to attract the right candidates.

Moreover, of the four tracked English regions, London recorded the strongest rise in starting pay. Meanwhile, the North of England was the only area to record a decrease.

The seasonally adjusted Temporary Wages Index remained above the neutral 50.0 value in March,

signalling an increase in hourly rates for short-term workers across London for a sixth straight month. The uptick was the strongest in the year-to-date and solid overall. According to anecdotal evidence, upwards pressure on pay stemmed from changes to government policy.

In fact, for the first time in five months, all four monitored English regions saw hourly wages rise during March.

Comments

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

"It's encouraging to see signs of recovery in London's recruitment market, with permanent placements picking up for the first time in eight months, bucking the trend seen across the UK. Meanwhile there are fewer roles available, but the rate of decline is slowing, suggesting businesses are beginning to regain confidence."

"Whilst the pool of available candidates is growing, competition for skilled talent is also intensifying, meaning employers are continuing to raise starting salaries to secure the right people."

"Confidence may still be fragile, but these green shoots point to the importance of the Capital as a flagbearer for the broader UK economy."

Neil Carberry, REC Chief Executive, said:

"Today's report shows that there were some signs of progress in the jobs market in March with permanent hiring in London ticking up a little and the downturn in temp billings received from employment of temps in London easing significantly, marking the slowest reduction in eight months. The rise in starting salaries in London was the strongest in eight months, too. Given the substantial effects of the Government's decision to increase payroll taxes hugely, these figures were if anything slightly better than expected and suggest that there is potential in the market. Nevertheless, activity in the UK jobs market has now been subdued for almost two and a half years."

"A cyclical hiring upturn was always likely in 2025, but the near-term prospects for this have been made all the more uncertain by the actions of the US Government in upending the global trade system. We cannot ignore the immediate and second-order effects of this context even if the UK is better positioned than many nations to weather the storm. Announcing support for the auto sector is one thing but the faster we have clarity on how the industrial strategy will support all sectors the more likely employer sentiment on hiring and investing will remain stable. And it is even more important now that the Government reconsiders the scale of rising costs of employment after this week's rise in National Insurance – a full review of the impact of the Employment Rights Bill, and changes to simplify compliance costs, would be welcomed by businesses across the country."

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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.

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 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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