

Embargoed until 0001 (UK) 8 June 2026

KPMG and REC, UK Report on Jobs

Temp billings increase at fastest rate in over three years, but permanent placements fall again in May

Key findings

Permanent placements fall markedly, and at quickest rate in ten months

Sharper upturn in candidate availability amid reports of redundancies

Temporary vacancies fall at slowest rate in 22 months

Data collected 12-22 May

Summary

Heightened uncertainty around the business outlook – linked to the war in Iran and UK political turbulence – led to the quickest fall in permanent staff recruitment for ten months in May, according to the latest KPMG and REC, UK Report on Jobs data. Instead, employers leaned on more flexible staffing solutions where higher headcounts were required, which supported a stronger rise in temp billings.

Vacancies data meanwhile showed that a steeper reduction in permanent staff demand offset a much slower reduction in short-term vacancies. Redundancies and a further drop in demand for workers drove another rapid increase in labour supply. Pay trends remained subdued, with both starting salaries and temp pay rising only modestly.

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

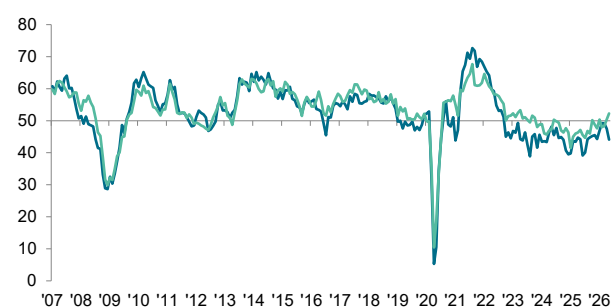
Market uncertainty drives quicker reduction in permanent staff hiring

In May, permanent placements declined at the fastest pace since last July, amid widespread reports that companies had pulled back on permanent hiring due to low confidence around the outlook and greater cost pressures. Employers that did want additional staff often

Permanent Placements Index

Temporary Billings Index

50.0 = no-change



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

looked to more flexible solutions instead, which supported the strongest rise in temp billings for over three years.

Overall demand for staff falls at slightly quicker pace

Latest data signalled the quickest reduction in overall vacancies for three months in May. This was driven by a more pronounced drop in permanent job opportunities, as demand for temporary workers moved closer to stabilisation. Indeed, the reduction in short-term vacancies was only marginal and the weakest in 22 months.

Supply of labour continues to rise rapidly

Recruitment consultancies reported a further sharp increase in the availability of candidates during May. Redundancies, fewer job opportunities and concerns over current job security all reportedly pushed up candidate numbers. Although quickening on the month, the upturn in permanent labour supply remained slower than typically seen in 2025. Temp worker availability meanwhile rose to the greatest extent in six months.

Pay growth remains tepid for both perm and temp staff

A notable improvement in candidate numbers,

lower demand for staff and tighter client budgets dampened rates of pay growth in May. Starting salaries and temp wages both increased at modest rates that were slightly softer than those seen in April and well below their historical averages.

Regional and Sector Variations

Data broken down by region highlighted marked falls in permanent placements across the Midlands and the South of England, alongside a renewed and solid decline in London. Although marginal, the North of England was the only region to post an increase.

All four monitored English regions posted an increase in temp billings during May, albeit to varying degrees. The steepest upturn was seen across the South of England, while the softest was in London.

The Nursing/Medical/Care sector was the only monitored area to register higher demand for permanent staff during May. Vacancies meanwhile stagnated across the Engineering sector and fell elsewhere. The sharpest drop in permanent job positions was seen in the Retail sector.

Four of the ten monitored job categories registered an improvement in demand for temporary staff during May, with Blue Collar seeing the strongest uplift in vacancies. Retail meanwhile recorded by far the quickest reduction in demand for short-term staff.

Comments

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

“Ongoing global and domestic uncertainty is making businesses more cautious, and that is increasingly reflected in hiring decisions. While some employers are turning to temporary contracts to retain flexibility, many permanent hiring plans are being delayed or put on hold.”

“Businesses need stability to plan and confidence to invest. With both still under pressure, the medium-term outlook for jobs remains subdued.”

Neil Carberry, REC Chief Executive, said:

“The clearest story in the economy right now is momentum being held up by uncertainty. In the jobs market, that is where temporary work comes into its own. With businesses tapping the brakes on permanent hiring in the face of higher costs, the Gulf crisis and new employment red tape, temporary work is making up the gap. May saw its fastest rate of growth in years. This is a huge strength for workers and employers across the country, as it keeps the wheels turning in challenging times. Recognising this and backing our well-regulated temporary and contract workforce should be a priority for Government, starting with big changes to the approach to zero hours rules.”

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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.

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