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## KPMG and REC, UK Report on Jobs

### Starting salaries rise at slowest pace in four years

#### Key findings

Starting salaries increase only modestly in February...

...as staff availability picks up and vacancies fall further

Permanent placements and temp billings decline at softer rates

Data collected 10-24 February

#### Summary

UK labour market conditions continued to weaken midway through the first quarter of 2025, according to the latest **KPMG and REC UK Report on Jobs** survey, compiled by S&P Global. While declines in both permanent placements and temp billings eased, they remained marked overall as businesses commented on pausing or paring back hiring plans due to the subdued economic outlook and rising payroll costs.

Weaker demand for workers was also highlighted by a further drop in overall vacancies in February. The availability of staff meanwhile remained on an upward trajectory, with recruiters frequently commenting that redundancies had expanded the pool of available workers. The slowdown in staff demand and improved candidate numbers kept a lid on overall pay pressures. Notably, starting salaries rose at the weakest pace in four years.

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

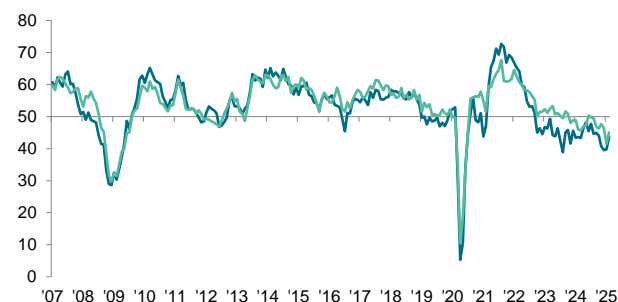
#### Softer deterioration in recruitment activity

The latest KPMG/REC Report on Jobs survey indicated that staff hiring continued to decline during February, but not as quickly as at the start of the year. Permanent staff appointments fell for the twenty-ninth month in a row amid reports that companies had paused or pared back hiring plans due to a weaker economic outlook and increased payroll costs. Though sharp, the latest drop in placements was the softest since last October.

Permanent Placements Index

Temporary Billings

50.0 = no-change



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

The downturn in temp billings meanwhile eased from January's 55-month record, but remained solid overall.

#### Starting salary inflation weakens to four-year low

The rate of starting salary inflation slowed for the second straight month in February. The respective seasonally adjusted index posted its lowest reading in four years and one that was well below the survey's average. There were reports that pay rates were showing signs of levelling off, which in turn was linked to weaker demand for staff, improved candidate numbers and tighter budgets. Temp pay growth meanwhile remained marginal.

#### Availability of workers increases at quicker pace

February data indicated faster increases in the availability of candidates for both permanent and temporary roles. Recruiters frequently attributed the upturn in staff availability to redundancies and fewer job opportunities amid a weaker economic backdrop. Overall, candidate supply increased at a sharp rate that was broadly in line with the average seen over 2024 as a whole.

#### Demand for staff continues to fall rapidly

Recruitment consultancies signalled a reduction in overall vacancies for the sixteenth month running in February. Notably, the respective seasonally adjusted index held close to January's 53-month low and was consistent with a

substantial drop in demand for workers. Permanent vacancies continued to decline at a slightly sharper pace than that seen for temporary roles.

## Regional and Sector Variations

All four monitored English regions registered a drop in permanent staff appointments during February, led by the North of England.

London recorded the sharpest drop in temp billings of all four monitored English regions, while the softest was seen in the Midlands.

February survey data pointed to a broad-based decline in demand for permanent workers. The Secretarial/Clerical, Executive/Professional and Retail sectors noted the steepest reductions in permanent vacancies, though marked falls were also seen elsewhere.

The quickest drop in demand for temporary staff was registered for Executive/Professional roles, followed by Retail and IT & Computing. Blue Collar recorded the softest drop in temp vacancies, and one that was only mild overall.

## Comments

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

*“While it is still a wait and see approach to hiring, with February data showing companies continue to hold back on recruitment, the softer decline could be an indication that expectations of further interest rate cuts and better than expected recent economic data are starting to release some of the pressures on business.*

*“But several headwinds to growth remain, and we should expect a Spring Statement that is fiscally constrained due to growing spending pressures and global uncertainty. Despite this uncertainty, businesses which are well capitalised will be looking for signals to support future planning and growth, and with that will come confidence to invest and create jobs.”*

Commenting, Neil Carberry, REC Chief Executive, said:

*“After a long winter, there are some hints of a turn in the labour market as we head into Spring. This is led by the private sector - despite recent tax rises – and that shouldn’t be missed. 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 areas still face skill shortages. 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 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](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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## 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](http://www.rec.uk.com).

## About S&P Global

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