News Release

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KPMG and REC, UK Report on Jobs

Uncertainty around the outlook leads to further caution around hiring

Key findings

Permanent placements decline again...

...while temp billings continue to expand modestly

Softer rise in vacancies, as staff supply declines at weaker rate

Data collected December 06-19

Summary

Greater economic uncertainty, pressure on clients' budgets and low candidate numbers all dampened hiring activity at the end of 2022, according to the latest **KPMG and REC, UK Report on Jobs** survey, compiled by S&P Global. Permanent placements fell for the third month in a row, and at the quickest rate since the start of 2021, while billings for temp staff rose only modestly.

Growth of demand for workers also cooled, with overall vacancies rising at the slowest rate since February 2021. Concurrently, the downturn in candidate availability continued to ease. Turning to pay, starting salaries and temp wages both climbed higher in response to the greater cost of living and low candidate supply. However, rates of pay growth were the softest seen for 20 months.

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

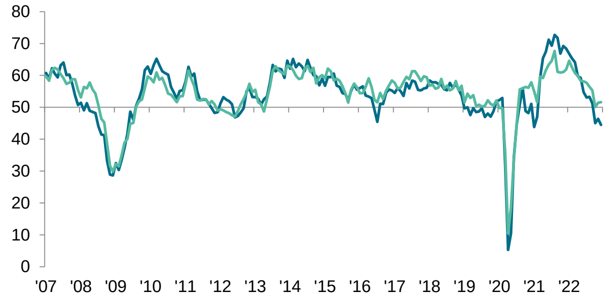
Permanent staff appointments fall at quicker pace

The number of people placed into permanent jobs fell for the third month running at the end of 2022, as increased economic uncertainty and pressure on budgets weighed on recruitment plans. The rate of reduction was the quickest seen since January 2021, when the third national

Permanent Placements Index

Temporary Billings

50.0 = no-change



Sources: KPMG, REC, S&P Global

lockdown dampened hiring. Temp billings meanwhile expanded further in December, though the rate of growth remained modest overall.

Overall growth of vacancies slips to 22-month low

Recruitment consultancies signalled a sustained rise in demand for staff in December. That said, the overall rate of vacancy growth weakened for the ninth straight month and was the slowest seen since the current period of recovery began in February 2021. This was driven by a weaker upturn in permanent staff demand, as temp vacancies expanded at a slightly quicker pace.

Candidate supply falls at softest pace since March 2021

Uncertainty surrounding the outlook also dampened candidate availability, as more people became cautious around seeking out new roles in the current climate. Combined with an already tight labour market, this drove further drops in the supply of both permanent and temporary labour. However, reports of redundancies in some areas meant that the overall rate of decline eased to the weakest in 21 months.

Continued...

Starting pay increases at slower, but still strong rate

The latest survey indicated that pay pressures continued to soften at the end of the year, but remained strong in the context of historical data. Notably, rates of both starting salary and temp pay growth hit their lowest since April 2021. Where higher rates of pay were reported, this was frequently linked to competition for scarce staff as well as the rising cost of living.

Regional and Sector Variations

All four monitored English regions noted lower permanent staff appointments at the end of 2022. The South of England saw the sharpest decline, while the softest was seen in London.

The South of England saw by far the steepest increase in temp billings of all four monitored English regions, while relatively mild upturns were seen elsewhere.

Growth of demand for staff remained stronger across the private sector than the public sector at the end of 2022. The steepest overall increase in vacancies was seen for temporary workers in the private sector, while the slowest was signalled for permanent public sector staff.

Demand for permanent staff increased in seven of the ten broad employment categories during December. The steepest upturn was seen for Nursing/Medical/Care, followed by Hotel & Catering. Meanwhile, Construction saw the quickest drop in vacancies.

Temporary staff vacancies increased across all ten monitored sectors at the end of 2022. Retail, Hotel & Catering and Nursing/Medical/Care saw the steepest rises in demand. Executive/Professional saw the slowest upturn, and one that was marginal overall.

Comments

Commenting on the latest survey results, Claire Warnes, Partner, Skills and Productivity at KPMG UK, said:

"The challenging economic environment continues to constrain the jobs market, as December's data shows. The ongoing industrial relations turmoil in many sectors, along with the scarcity of available staff in all sectors, means that wage inflation may soften only slightly in the near term. Yet, at the same time, vacancy growth rates are trending down again this month from a historically high peak in July 2021, as employers continue to rein in permanent hiring and employees choose to stay put. 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, but this one comes as part of a wider softening trend in the permanent market. Recruiters tell us that this was enhanced by firms pushing 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. But overall activity levels remain high, with vacancies and starting rates of pay still growing. There is also plenty of demand for temporary workers, which is less affected by employer's long-term confidence. The overall picture is still of a robust labour market, although contraction in sectors such as construction is a particular concern given its significance to the health of the economy.

"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. People telling recruiters that they are increasingly anxious about moving jobs is a concern in this regard – as a move is a great way to boost pay and build up skills. If people are less willing to move jobs, this could make shortages worse in the near term. That is why 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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Contact

KPMG
Chris Mostyn
Deputy Head of Media Relations
T: +44 (0)7512 448000
chris.mostyn@kpmg.co.uk

REC
Hamant Verma
Communications Manager
T: +44 (0)20 7009 2129
hamant.verma@rec.uk.com

S&P Global
Annabel Fiddes
Economics Associate Director
S&P Global Market Intelligence
T: +44 (0)1491 461 010
annabel.fiddes@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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@hismarkit.com.

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

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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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