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KPMG and REC, UK Report on Jobs: South of England

Temp billings rise at fastest rate in three years

Key findings

Short-term hiring activity increases sharply...

...as permanent placements continue to fall at marked pace

Rates of pay growth weaken amid rapid rise in candidate supply

Data collected 12-22 May 2026

Summary

The latest KPMG and REC, UK Report on Jobs: South of England survey signalled a further steep reduction in permanent staff appointments across the region as weak confidence around the outlook often led companies to pullback on hiring plans. Companies that did take on workers often preferred more flexible staffing options, according to recruiters, which contributed to the steepest rise in temp billings for three years.

Vacancies data showed that permanent job openings declined at an accelerated pace, and one that exceeded that seen for temporary positions. Weaker demand for staff and further marked increases in candidate numbers dampened pay growth, with both starting salaries and temp wages increasing at slower rates than in April and ones that were well below their respective long-run trends.

The KPMG and REC, UK Report on Jobs: South of England is compiled by S&P Global from responses to questionnaires sent to around 150 recruitment and employment consultancies in the South of England.

Softer, but still marked fall in permanent placements

Latest survey data signalled that the downturn in permanent staff hiring across the South of England eased only slightly in May. Notably, the rate of contraction was the second-fastest recorded since last August and rapid overall. Subdued market conditions and low confidence around the business outlook weighed on placements, according to panel members, with hiring freezes and lower recruitment budgets cited in particular. The pace of decline across the South of England exceeded that seen at the national level for the fifth month in a row. In fact, only the Midlands recorded a steeper rate of contraction than that registered

locally.

Billings received from the employment of temporary workers across the South of England increased for the second month in a row in May. Furthermore, the rate of expansion accelerated to a three-year record and was sharp overall. According to recruiters, a preference for short-term staff amid the prevailing economic climate boosted billings in the latest survey period.

The South of England recorded the steepest increase of all four monitored English areas, while the softest was seen in London.

Demand for permanent workers across the South of England continued to deteriorate in May. Notably, the rate at which vacancies contracted was the most pronounced in eight months and quicker than the falls seen in the Midlands and North of England.

At the same time, demand for short-term staff fell at a solid rate that was unchanged from April. That said, this represented the joint-weakest reduction in temp vacancies for nearly two years. At the UK level, demand for temps fell only slightly.

Sharper rise in permanent candidate numbers

Recruiters operating in the South of England signalled another increase in the availability of permanent staff during May, thereby stretching the current period of expansion to 39 months. Notably, the rate of growth was the steepest recorded in 2026 to date and outpaced the UK-wide trend.

Where higher candidate numbers were reported, panellists generally linked this to redundancies and a slowdown in hiring activity.

Adjusted for seasonal influences, the Temporary Staff Availability Index pointed to a further marked increase in the supply of temp workers across the South of England in May. This was despite the rate of growth easing from April's five-month high. There were frequent reports that a general increase in unemployment and company layoffs had pushed up candidate numbers. On a regional basis, only the Midlands recorded a softer upturn in temp worker supply than that seen locally.

Starting salary inflation slips to seven-month low

Latest survey data pointed to an increase in permanent

starters' pay across the South of England for the seventh straight month in May. That said, the rate of growth was the weakest seen over this period and only marginal. The region also recorded the joint-slowest rise in salaries of all four monitored English areas, matching that seen in the Midlands. Higher living costs and competition for experienced staff had reportedly placed upward pressure on pay. However, there were also reports that tighter client budgets and rising candidate numbers had dampened overall growth.

As has been the case since last November, average rates of pay for short-term staff across the South of England increased in May. The rate of wage inflation eased notably from April, however, and was only modest. Historically marked increases in minimum wage rates and demand for niche skills were linked to the latest rise in pay. Nevertheless, recruiters also noted that great labour supply had shifted some wage-setting power back to employers.

Temp pay rates rose at a similarly modest pace across the UK as a whole.

Comments

David Williams, Bristol Office Senior Partner at KPMG UK, said:

“May’s figures suggest that the South’s jobs market is diverging. Employers are still reluctant to commit to permanent hiring, with tighter budgets and hiring freezes continuing to weigh on longer-term recruitment decisions. At the same time, the sharpest rise in temp billings for three years shows that businesses still need access to skills and capacity - they are just choosing to do so in a more flexible way.

“What stands out is that this shift is happening against a backdrop of rising candidate supply and softer pay growth, which points to some loss of momentum in the labour market for jobseekers. For businesses, that may ease immediate recruitment pressures, but it is not yet a sign of renewed confidence. The bigger picture is of a market that remains active, but cautious, with employers hedging their bets while they wait for stronger economic visibility.”

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. Temp billings growth hit a three-year high in May in the South of England. 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: South of England is compiled by S&P Global from responses to questionnaires sent to around 150 recruitment and employment consultancies in the South of England (defined as NUTS1 regions South East England, East of England and South West England).

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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