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KPMG and REC, UK Report on Jobs

Muted confidence around the economic outlook drives steeper drop in permanent placements

Key findings

Permanent placements fall at quickest rate since June 2020

Upturn in candidate availability gathers pace

Pay pressures ease only slightly amid rising cost of living

Data collected July 12-25

Summary

Hiring activity across the UK continued to be dampened by a weak economic outlook and reduced confidence among businesses, according to the latest **KPMG and REC, UK Report on Jobs** survey, compiled by S&P Global. Permanent placements contracted at the quickest rate for just over three years, while temp billings growth weakened notably from June.

The overall availability of staff meanwhile rose at a substantial pace amid the slowdown in recruitment and reports of redundancies. Notably, the latest upturn in total labour supply was the steepest recorded since October 2009 when excluding the pandemic period. While there were signs of pay pressures moderating again in July, permanent salaries continued to rise at a sharp pace overall. Total vacancy growth meanwhile slowed further, hitting a 29-month low in July.

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

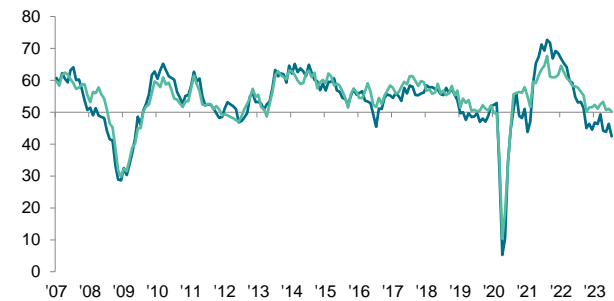
Accelerated drop in permanent staff appointments

A weaker economic climate and reduced market confidence weighed on recruitment activity during July, according to the latest survey data. Permanent staff appointments declined at the

Permanent Placements Index

Temporary Billings

50.0 = no-change



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

steepest pace for just over three years, as concerns over the outlook made clients hesitant to commit to new staff. Concurrently, growth in temp billings edged down to a fractional pace that was the slowest recorded since last October.

Sharper rise in candidate availability

The latest survey showed that faster increases in the supply of both temporary and permanent workers drove the sharpest upturn in overall labour supply since December 2020. There were frequent reports that redundancies and hiring freezes had underpinned the latest improvement in staff availability.

Salary inflation edges lower, but remains marked overall

Competition for skilled candidates and the increased cost of living continued to place upward pressure on rates of starting pay during July. Salaries for newly-placed permanent workers rose sharply, despite the rate of inflation slipping to the lowest since April 2021. Temp pay meanwhile increased at the softest pace in 29 months, albeit solidly overall.

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Overall vacancies expand at slowest rate in 29 months

Growth of demand for staff continued to moderate at the start of the third quarter. Notably, total vacancies increased at the slowest pace in 29 months, and one that was well below the series trend. The latest upturn in demand for permanent workers was the weakest seen over the current period of recovery that began in March 2021. Concurrently, the rate of short-term vacancy growth was among the slowest recorded over the past three years.

Regional and Sector Variations

All four monitored English regions posted a decline in permanent placements, led by London.

Divergent trends were seen for temp billings, which rose in the Midlands and London, but fell in the North and South of England.

The latest survey highlighted slightly stronger increases in demand for staff in the private sector, but rates of vacancy growth cooled in the public sector. The strongest overall upturn in demand was signalled for temporary workers in the private sector. Meanwhile, the weakest increase in vacancies was seen for short-term roles in the public sector, which rose only marginally.

Demand for permanent workers increased across the majority of monitored sectors during July. Blue Collar topped the rankings, closely followed by Hotel & Catering. However, demand for permanent staff in the IT & Computing and Secretarial/Clerical sectors weakened.

Hotel & Catering saw by far the steepest upturn in demand for temp workers of all ten categories in July. Strong rates of vacancy growth were also noted for Engineering and Blue Collar personnel. The Construction and Secretarial/Clerical sectors saw modest drops in demand.

Comments

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

“The latest survey results reflect the current Summer weather – damp, but with some possible bright skies on the horizon.

“Recruiters told us that their clients aren’t yet confident enough in the economic outlook to commit to permanent hires, leading to the steepest pace of decline in placements since June 2020. Conversely, the growth in billings for temporary workers weakened last month as job hunters hold out for permanent roles.

“Businesses are also still freezing hiring, with some redundancies, which led to the sharpest upturn in labour supply since December 2020. This is good news for recruiters who have an even larger pool of candidates to place, but with the number of vacancies available increasing at the slowest pace for nearly two and a half years, supply and demand are once again off balance.

“For job seekers, the ongoing competition for skilled workers and cost of living pressures are keeping starting salaries high, making it an attractive time to move roles, though they may be cautious about doing so.

“To rebalance the labour market and aid economic recovery, more focus on reversing the deepening skills gap would be a step in the right direction.”

Neil Carberry, REC Chief Executive, said:

“The jobs market overall remains fairly robust, with vacancies and pay still rising and unemployment low but there is a sense in today’s report that the economy will need some growth soon to sustain this positive picture. Permanent hiring has been slowing all year. To some extent this is normalisation as the post-pandemic boom abates – but it is also driven by uncertainty. This is seen in the scale of companies reshaping themselves while hiring in other areas – recruiters report that the quickest rise in labour supply since the pandemic has been driven by an increase in redundancies. But it is also obvious in the way firms are relying on temporary labour to keep things going in uncertain times. Temping keeps people in work when firms are uncertain about the future path of the economy – it is a huge UK success story.

“Hiring overall is still at a good level, and some sectors remain under pressure from significant labour shortages, including hospitality and construction – so there is opportunity out there for job seekers. But today’s report emphasises again that sustained positivity in our labour market rests on economic growth and investment in the UK. A proper industrial strategy that tackles the big issues we face and which fully encompasses workforce thinking around skills, transport, access to work and immigration is long overdue.”

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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@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.

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KPMG LLP, a UK limited liability partnership, operates from 20 offices across the UK with approximately 17,000 partners and staff. The UK firm recorded a revenue of £2.72 billion in the year ended 30 September 2022.

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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

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