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KPMG and REC, UK Report on Jobs: London

Vacancy growth continues to slow in September

Key findings

Permanent placements and temp billings rise at softer rates

Weakest expansion in job vacancies for 19 months

Temp pay growth softens markedly as staff shortages ease

Data collected September 12-26

Summary

The latest KPMG and REC, UK Report on Jobs: London survey pointed to a sustained slowdown in vacancy growth across the capital at the end of the third quarter. Permanent and temporary vacancies both rose sharply, albeit to the least extent since early-2021. Permanent placement and temp billings growth also eased on the month. Salary pressures for permanent starters remained rapid, but there was a considerable easing in the rate of temp pay inflation to a 15-month low, amid evidence that cooling staff demand and greater redundancies due to a deteriorating market environment had helped to moderate candidate shortages.

The KPMG and REC, UK Report on Jobs: London is compiled by S&P Global from responses to questionnaires sent to around 100 recruitment and employment consultancies in London.

Permanent placements rise at softer pace in September

The latest survey of London recruitment consultancies pointed to a strong uptick in permanent staff placements in September. That said, the rate of growth softened from August and was the second-weakest recorded in the current 19-month expansionary sequence (after July's reading). While higher demand for staff drove an increase in hiring, some panellists found that a slowing market environment and a

continued lack of candidates weighed on momentum.

Meanwhile, the UK as a whole registered only a modest rise in permanent placements. London saw the quickest increase of the four monitored areas, whereas the South of England was the only region to see placements decline.

Billings received from the employment of short-term staff across London increased for the nineteenth successive month in September. The overall upturn was sharp and broadly aligned with the UK average, but slowed for the third month running to the softest since May. Some recruiters found that difficulties finding permanent staff had led employers to seek out contractors. Sharp rises in temp billings were also seen in the North of England and South of England, whereas the Midlands registered a modest decrease.

Permanent vacancy growth in London continued to cool in September, after reaching highs rarely seen since 2010 earlier in the year. In fact, the latest uplift was the softest registered for 19 months and slightly below the UK-wide trend.

Similarly, the number of temporary vacancies rose at a sharp, but softer pace in the latest survey period, and to a slightly lesser degree than seen at the national level. Moreover, the rise was the weakest since March 2021.

Permanent staff supply continues to fall sharply

The seasonally adjusted Permanent Staff Availability Index continued to signal a fall in permanent staff supply at the end of the third quarter, extending the current run of decline to 17 months. Though quicker than that seen in August and sharp by historical standards, the drop in availability was the second-slowest seen over this period, amid evidence that some employers had made redundancies. The drop in supply was also less marked than that seen at the UK level. The North of England recorded the

fastest fall in permanent staff availability.

The number of workers searching for short-term roles fell again in September, but moved closer to stabilisation following the record declines seen last year. Adjusted for seasonal variation, the Temporary Staff Supply Index rose to its highest since May 2021, signalling a much softer reduction in temp candidate availability than in the previous month, albeit one that was solid overall. Recruiters mentioned that a lack of overseas candidates and contractors moving to permanent jobs had kept staff supply down. Rates of reduction slowed in all four monitored English regions.

Permanent salary pressures tick higher in September

The seasonally adjusted Permanent Salaries Index remained well above the 50.0 no-change mark in September to signal a sharp increase in starting salaries across the capital. That said, despite accelerating, the rate of pay inflation was the second-softest in exactly one year. While panellists noted that a sustained imbalance between the demand and supply of workers drove pay offers upwards, others found that salary pressures had begun to ease due to slower vacancy growth. The rate of starting salary inflation was broadly unchanged at the UK level.

London recruiters saw a notable moderation in the rate of temporary wage inflation at the end of the third quarter. The latest increase in starting pay was sharp, but the least marked for 15 months. Softer wage pressures coincided with a further easing of temporary vacancy growth and a weaker fall in staff availability. A marked slowdown in temp wage inflation was also registered in the Midlands.

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Comments

Commenting on the latest survey results, Anna Purchas, London Office Senior Partner at KPMG said:

"As economic challenges continue to mount, jobs growth in the capital is starting to slow and cautious employers are thinking carefully before taking on new staff. Given the importance of the city to the future economic growth of the UK, London's recruitment slowdown could signal that the economy is about to get much more challenging. Businesses could weather any economic storm ahead through investment in upskilling the available workforce. A long term and sustained focus on investing in skills, including reskilling, is now paramount if we want our city's businesses to be able to grow and continue to be world leading."

Neil Carberry, Chief Executive of the REC, said:

"The challenges we see in today's data reflects the underlying shortage of labour the UK faces. With unemployment at record lows, pay continues to rise for both temporary and permanent workers starting new jobs, and activity levels across the recruitment and staffing industry remain high. While any economic slowdown this winter will affect the market, the extent of shortages mean that hiring will remain a focus for employers."

"The REC has shown that failing to address these issues could cost our economy massively in the years to come. While there is much that Government can do, like reforming the failed Apprenticeship Levy, a lot of the answers lie with hiring businesses. Firms need to work with skilled recruiters on offers that will maximise the skill base we have. There has never been a more important time for business leaders to put the people first."

Methodology

The KPMG and REC, UK Report on Jobs: London is compiled by S&P Global from responses to questionnaires sent to around 100 recruitment and employment consultancies in London.

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@ihsmarkit.com.

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

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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

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