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KPMG and REC, UK Report on Jobs: London

London records sharper fall in permanent placements in January

Key findings

Steep decline in permanent staff appointments

Renewed fall in temp billings

Starting salaries continue to rise sharply amid rising living costs

Data collected January 11-25.

Summary

The latest KPMG and REC, UK Report on Jobs: London survey pointed to a reduction in recruitment activity across the capital at the start of the year, as economic uncertainty made it challenging for employers to commit to new hires. Permanent placements fell sharply, with recruiters reporting muted demand for staff and hesitancy among candidates to seek new job opportunities. Additionally, a fresh fall in temp billings was recorded during the latest survey period. Concurrently, permanent vacancies continued to fall, and at a quicker rate, but temporary job postings continued to increase. Finally, rates of starting pay inflation accelerated slightly on the month, as firms sought to attract suitably-skilled workers and keep up with inflation.

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.

Steeper decline in permanent placements

January survey data revealed a sixteenth successive monthly fall in permanent staff appointments across the capital. The rate of contraction quickened from December and was rapid overall. Fewer vacancies and an increased reluctance among candidates to move roles were said to have weighed on hiring activity.

Permanent placements fell at an identical pace at

the national level. The three other monitored English regions also recorded a reduction in permanent staff appointments during January.

Following a modest expansion in December, recruitment agencies based in London recorded a renewed drop in temp staff billings during January. The decline was the most marked in nearly three years and solid overall. Billings have now fallen in two of the last three months.

Moreover, the downturn in temp billings across London exceeded that seen on average across the UK as a whole. The only other English region to report a fall was the Midlands. Meanwhile, both the North and South of England recorded a solid rise in billings.

Demand for permanent staff in London deteriorated in January, thereby extending the current run of decrease to 11 months. The rate of contraction accelerated from December to one that was solid and sharper than the national trend. Alongside London, the South of England was the only other monitored English region to record a decrease in permanent vacancies.

In contrast, demand for short-term staff improved for the fourth month running across the capital in January. The rise in temp vacancies was strong overall and quicker than the UK average. Meanwhile, the South of England was the only monitored English area to register lower temp vacancies for the second successive month.

Growth in permanent staff supply softens, but remains marked

As has been the case in each month since December 2022, London recruiters saw a rise in the availability of permanent job seekers in January. While the respective seasonally adjusted index slipped to a four-month low, it signalled a marked rise in permanent candidate

numbers overall. The latest upturn was partly linked to redundancies.

All four monitored English regions recorded a rise in permanent staff supply during January, with London leading the expansion. The slowest improvement was recorded across the North of England, though even here the rate of increase was sharp overall.

Temporary candidate numbers increased rapidly across London during January, with expansions now noted in each of the past 13 months. The rate of growth quickened from December and was much sharper than the long-run average. Panellists noted that reduced recruitment activity and a greater preference for temporary roles drove up the supply of temp candidates.

Of the four monitored English areas, London recorded the strongest upturn in temp worker supply for the third month running. The North of England signalled the weakest expansion in temp candidate numbers at the start of the year.

Sustained rise in permanent salaries

Salaries awarded to permanent new joiners rose sharply across London in January. The rate of inflation quickened from December and was the strongest of the four monitored English regions. Recruiters noted that salaries continued to trend up with clients looking to attract high quality talent amid ongoing increases in living costs.

All four monitored English regions bar the Midlands saw starting salaries rise at a stronger pace in January.

Temp hourly pay rates also increased in the capital at the start of the year. Though solid, the pace of inflation was broadly unchanged from that seen in December and slightly softer than the historical trend. Notably, temp wages grew at a quicker rate across the UK as a whole.

Of the four monitored English regions, the South of England saw by far the steepest increase in temp pay, while the North of England recorded the weakest.

Comments

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

“New year, new job? Traditionally January is the busiest month for recruiters but with the economic conditions remaining challenging, both employers and job seekers are taking a very cautious approach to recruitment with the number of permanent roles available declining and the available talent pool growing less steadily.

“Starting salaries are still on the rise for those candidates that can fill highly skilled roles but businesses are facing a host of cost challenges and are walking a fine line between attracting new talent and retaining existing employees through pay rises.

“With the recruitment landscape at a standstill for the moment, those employers looking to minimise a talent drain from their business need to focus on re-skilling existing staff, offering flexible benefits and looking at work life balance policies in order to keep staff motivated.

“The current jobs market in London remains volatile, and recruiters and employers need to think more creatively about how to attract and retain permanent staff to bring about stability. As we celebrate Apprenticeship Week, taking on an apprentice can also be a cost-effective way to tackle skills gaps, grow talent and develop a motivated and qualified workforce where they are needed most. Those 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, REC Chief Executive, said:

“The labour market’s resilience is a great strength of the British economy - but it can’t last for ever without sustained economic growth. Pay in London is moving to something that looks more pre-pandemic normal and that is true for the UK. And with inflation dropping and the hiring market cooling for a year now - it’s high time that the Bank of England starts releasing the brake pedal on our economy.

“The Chancellor has the perfect opportunity in the Spring Budget to give some clear signals on growth. A long-term plan to tackle skills and labour shortages, economic inactivity and weak productivity is essential. A Spring Budget full of practical steps on skills, welfare to work and the cost of doing business will help hugely.

“We can get the wheels of investment turning by recognising that the people stuff matters as much as capital expenditure. Investment in new industries and technologies such as green skills and AI is great and necessary, but we must get more of firms thinking about how they organise work, and how to build new skills to fuel local economies across the UK.”

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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@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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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

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