News Release

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KPMG and REC, UK Report on Jobs: London

Permanent placements fall at a sharper pace in February

Key findings

Permanent staff placements fall amid economic uncertainty

Growth in temp billings softens from January

A fresh drop in permanent vacancies during February

Data collected February 10-22.

Summary

According to the latest KPMG and REC, UK Report on Jobs: London survey, permanent staff appointments decreased at an accelerated pace across the capital in February with anecdotal evidence stating delayed hiring decisions. Moreover, shrouded in economic uncertainty, demand for permanent staff fell for the second month in the last three survey periods. However, temp billings rose for the fourth month running, suggesting a preference for short-term workers across the capital.

Some recruiters noted that redundancies had led to improved candidate availability, with both permanent and temp staff availability increasing during the latest survey period. However, skill shortages resulted to a further rise in pay as firms focused on securing skilled workers.

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.

Accelerated fall in permanent staff placements

The number of permanent staff appointments across London decreased sharply in February. The rate of reduction was the fastest since the current run of decrease began last October. Panel members linked the downturn to lengthier hiring processes and market uncertainty.

Of the four English regions monitored by the survey, London registered the sharpest contraction in the number of workers placed in permanent roles. The North of England was the only region to report an expansion and for the first time in five months.

Temp billings across London increased for the fourth successive month in February. The rate of expansion softened from January's five-month high but was solid overall. Growth in new projects and greater demand for short-term workers helped drive the upturn in hiring according to surveyed companies.

An increase in temp billing was also seen at the UK level. However, the upturn was softer than in London and eased to a four-month low. The Midlands was the only region to report a contraction in temp billings for the second consecutive month.

Demand for permanent staff fell in London following an upturn in January. A fall has now been registered in two of the last three survey periods. While the rate of decrease was mild overall, London was the only monitored English region to report a downturn in demand.

Temp vacancy numbers rose solidly in London, extending the current run of growth to two years. That said, the rate of increase softened from January’s recent high and was softer than the UK-wide average.

Permanent staff availability rises for the third month running

February data signalled a third monthly increase in the availability of permanent candidates in London. Despite easing from January's recent high, the pace of expansion contrasted with the downturn seen over much of the past two years. A slowdown in hiring and redundancies continued to drive up the supply of permanent staff.

Of the four monitored English regions, only London reported growth in permanent candidate availability.

For the second month running, recruiters across London indicated a rise in the supply of temporary staff. Moreover, the rate of increase quickened from January to the fastest since March 2021 and was historically strong. Panellists linked the latest uptick to current projects wrapping up, layoffs and growth in overseas candidates.

S&P Global

Again, only London reported growth in the availability of temp staff of the four English regions. The South of England led the nationwide downturn.

Steep rise in permanent salaries

Starting salaries for new joiners rose in February, extending the trend observed since March 2021. The rate of salary inflation edged up further from December's 21-month low and was rapid overall. Recruiters often reported that firms across London raised their pay to attract talent amid skills shortages.

The pace of growth in starting salaries in London was slightly weaker than the UK average. On a regional basis, the steepest increase in pay was seen in the North of England and the softest in the South.

Temp wages rose across the capital in February. Anecdotal evidence linked the rise in hourly wages to increased competitiveness. That said, the pace of growth eased from January, with the latest upturn among the softest in the current two year run of expansion and the weakest of the four monitored English regions.

Comments

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

"We're seeing London employers are slowly putting the brakes on hiring permanent staff - running lengthier processes or delaying making a decision - amid salary inflation and a continued challenging economic environment.

"With the number of people available for work increasing, the pressure should be easing for those businesses with a long term growth strategy looking to fill key roles. However, finding people with the right skills is key, and we still see wage inflation. With such a volatile jobs market in the capital, those employers who hold their nerve and invest in retention, skills and recruitment now, are most likely to benefit most when the economic upturn comes."

Kate Shoesmith, Deputy Chief Executive of the REC, said:

"The decrease in demand for permanent staff in London was mild and temp vacancy numbers rose solidly in the capital.

"As hirers work out what variable economic forecasts might mean for their business and staff, it makes sense that we continue to see temp billings hold up so well. Temporary staffing ensures firms can continue to provide goods and services, and people can grow their careers - even when the economic outlook is unclear. The rising cost of living, plus difficulties attracting and securing suitably skilled staff are also driving increases in starting pay.

"What this latest Report on Jobs shows is serious labour and skills shortages are not behind us. The economy stands to lose up to £39 billion in GDP every year from 2024 unless business and government act now. Many businesses are doing what they can but the Spring Budget is the ideal opportunity to find a way forward together. The Chancellor must put people issues first, with innovative and refreshed policies on skills and tackling economic inactivity, and from immigration to childcare."

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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@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.

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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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.

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