

KPMG and REC, UK Report on Jobs: London

Rapid contraction in permanent placements

40.4

PERMANENT PLACEMENTS INDEX
MAY '23

55.5

TEMPORARY BILLINGS INDEX
MAY '23

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 staff hires fall markedly in May

Candidate availability improves amid reports of redundancies

Growth in starting salaries and hourly wages cools

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

"We're seeing employers across the capital taking an increasingly cautious approach to recruitment, preferring to hire contract and temporary staff over expensive permanent hires, as the economic uncertainty plays out."

"For those businesses who are in growth mode, there is an opportunity to take advantage of an expanding pool of workers as more people make themselves available for work, giving a boost to hiring plans and filling the skills gap."

"It remains a very volatile time for employers, who need an upskilled and reskilled workforce. In order to move quickly when the economic upturn arrives – and starting salaries are still increasing, Recruiters and employers need to think more creatively about how to attract and retain permanent staff to bring about stability – and the Government's new Local Skills Improvement Fund scratches the surface of the problem, but more needs to be done to urgently address the UK's widening skills gap."

Neil Carberry, REC Chief Executive, said:

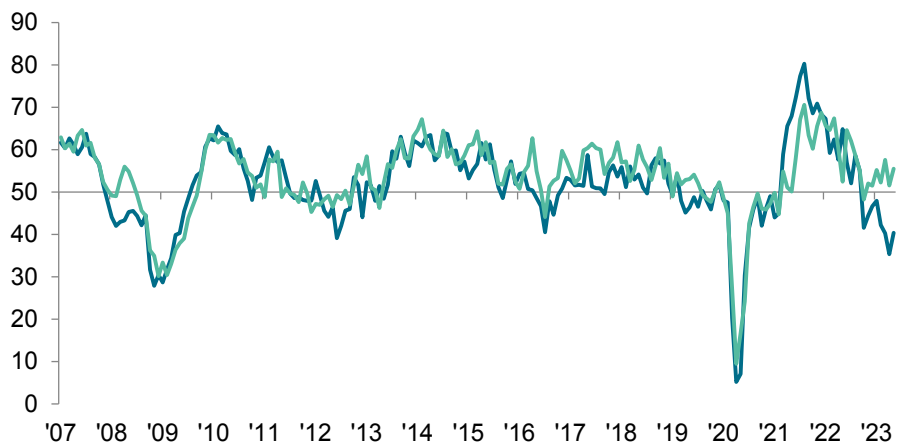
"We've been hearing more and more about differences between sectors in hiring rates over the past few months, and today's data really highlights this. Despite the overall temporary work market continuing to grow – and permanent hiring declining from the sugar rush of 2022 – the story can vary widely across different businesses as their economic outlook remains unclear."

"For hiring businesses, greater candidate availability will help resolve shortages, though inflation means wage growth remains high. In addition, candidates may have to change sectors in their job search, so there is not an automatic increase in candidate supply for shortage roles. All of this puts a premium on getting our response right as businesses – looking at skills development and widening the net of places that firms look for candidates. Recruiters can help with this."

"Government can play its part, too. Proper reform of the Apprenticeship Levy to deliver more flexible and effective training options could help speed sector-to-sector transfers, as could greater use of temporary working to help candidates get a start. Regulation also needs to treat temporary work as a positive option – not a second choice."

■ Permanent Placements Index
■ Temporary Billings Index

sa, >50 = growth since previous month

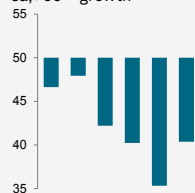


1 Staff appointments

Recruitment consultancies report on the number of people placed in permanent jobs each month, and their revenues (billings) received from placing people in temporary or contract positions at employers.

Permanent Placements Index

Dec '22 - May '23
sa, >50 = growth



Sharp, albeit softer contraction in permanent placements in May

Despite easing from April, the downturn in permanent placements across the Capital remained marked in May. Respondents linked the latest decrease to a slowdown in the jobs market and increased caution at clients concerning over the economic outlook.

All four of the English regions reported a contraction in permanent staff appointment in May, with London registering the quickest decrease for the fourth straight month.

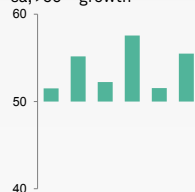
Permanent Placements Index

sa, >50 = growth since previous month



Temporary Billings Index

Dec '22 - May '23
sa, >50 = growth



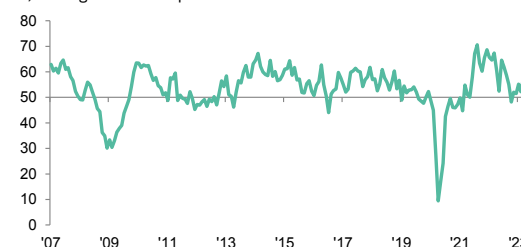
Growth in temp billings accelerates

Temp billings across London increased for the seventh successive month in May. The rate of expansion accelerated from April and was strong overall. According to anecdotal evidence, employers were often said to have a greater preference for contract workers over permanent staff.

A modest increase in temp billings was also observed at the UK level, with London leading the latest expansion.

Temporary Billings Index

sa, >50 = growth since previous month



sa, >50 = growth since previous month

	Permanent		Temporary	
	UK	London	UK	London
Dec-22	44.5	46.6	51.6	51.5
Jan-23	46.8	47.9	52.3	55.2
Feb-23	46.3	42.2	51.1	52.2
Mar-23	49.3	40.2	52.5	57.6
Apr-23	44.2	35.3	53.3	51.5
May-23	43.8	40.4	50.7	55.5

Job vacancies

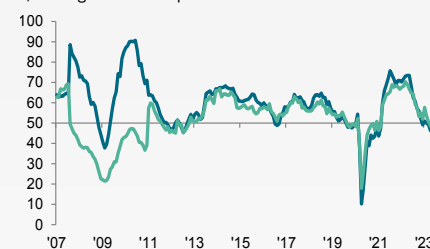
For the third straight month, demand for permanent staff in the capital fell in May. Moreover, the rate of contraction was the strongest since January 2021 and strong overall. Similarly, back-to-back contractions in temp vacancies was also reported across London, with the rate of decrease also the quickest since the beginning of 2021.

Notably, London went against the broader trend and was the only monitored English region to record contractions in permanent and temp vacancies in May.

Vacancies Index

■ Permanent
■ Temporary

sa, >50 = growth since previous month

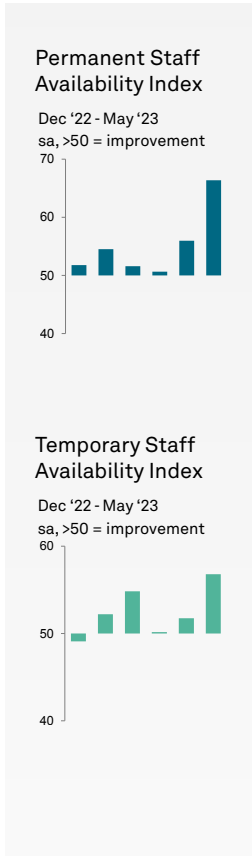


sa, >50 = growth since previous month

	Permanent		Temporary	
	UK	London	UK	London
Dec-22	52.9	49.2	56.8	51.9
Jan-23	54.5	51.0	56.1	57.7
Feb-23	55.6	50.0	55.8	53.6
Mar-23	55.5	49.3	52.3	50.6
Apr-23	54.6	46.4	55.1	48.7
May-23	53.6	45.2	51.0	46.9

2 Staff availability

Recruitment consultants are asked to report whether availability of permanent and temporary staff has changed on the previous month.



Permanent staff supply surges in May

The supply of permanent candidates expanded rapidly across London in May, thereby stretching the current sequence of growth to six months. The rate of increase accelerated for the second month running to the fastest since December 2020. Redundancies and increased demand for remote work were linked to the latest growth in candidate supply.

Moreover, the rate of increase in London was the strongest of the four English regions by a considerable margin.

Temp labour supply rises at quickest rate for 26 months

As has been the case since the start of the year, temp candidate availability in London increased during May. Moreover, the upturn was the strongest recorded in 26 months and rapid overall. Expansions in temp staff supply were attributed to the non-renewal of contracts and workers seeking to boost their income.

The rate of growth in temp staff availability across London outstripped that seen at the UK-wide level.

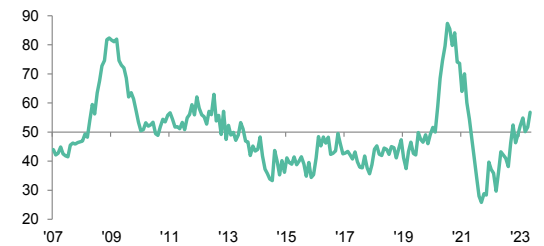
Permanent Staff Availability Index

sa, >50 = improvement since previous month



Temporary Staff Availability Index

sa, >50 = improvement since previous month



sa, >50 = improvement since previous month

	Permanent		Temporary	
	UK	London	UK	London
Dec-22	45.8	51.8	47.5	49.1
Jan-23	46.2	54.5	47.1	52.2
Feb-23	47.5	51.6	47.6	54.8
Mar-23	51.4	50.6	51.3	50.2
Apr-23	51.6	56.0	50.2	51.8
May-23	55.8	66.4	52.9	56.8

3 Demand for skills

Skills in short supply: Permanent staff

Blue Collar	Nursing/Medical/Care
Drivers	Carers
Rail	Doctors
Construction	Nurses
Quantity Surveyors	Occupational
Construction	Paramedics
Engineering	Social Workers
Electrical Engineers	Therapist
Executive/Professional	Other
PR	All Types of Candidates
Hotel & Catering	Sales
Chefs	
Hospitality	
IT & Computing	
IT	
Technology	

Skills in short supply: Temporary staff

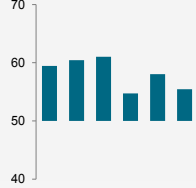
Blue Collar	Retail
Rail	Retail
Security Guards	Other
Construction	All Types of Candidates
Labourers	
Quantity Surveyors	
Hotel & Catering	
Chefs	
Hospitality	
Housekeeping	
IT & Computing	
Digital	
Software Engineers	
Nursing/Medical/Care	
Social Workers	

4 Pay pressures

The recruitment industry survey tracks both the average salaries awarded to people placed in permanent jobs each month, as well as average hourly rates of pay for temp/contract staff.

Permanent Salaries Index

Dec '22 - May '23
sa, >50 = inflation



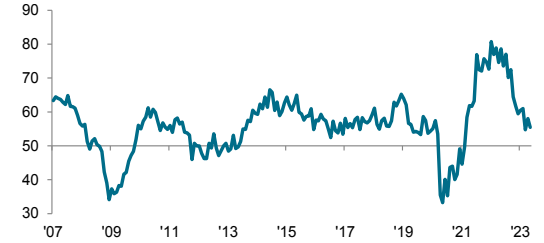
Growth in permanent salaries moderates

London saw an increase in permanent salaries during May. The pace of salary inflation was strong despite easing on the month and being historically subdued. The cost-of-living crisis and increased demand for experienced staff were linked to the latest uplift in starting salaries.

That said, London recorded the weakest rise in starting pay of the four English regions.

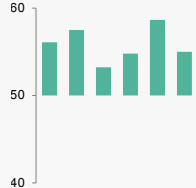
Permanent Salaries Index

sa, >50 = inflation since previous month



Temporary Wages Index

Dec '22 - May '23
sa, >50 = inflation



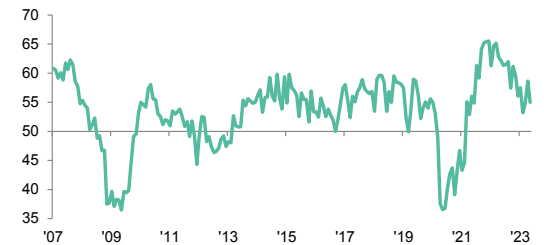
Temp wage inflation cools in May

Temp wages rose across London during May, thereby extending the current sequence of increase to twenty-seven consecutive months. The rate of growth moderated from April's five-month high but remained sharp overall.

The rate of growth in hourly wages across London was muted in comparison to the increase seen across the UK as a whole.

Temporary Wages Index

sa, >50 = inflation since previous month



sa, >50 = inflation since previous month

	Permanent		Temporary	
	UK	London	UK	London
Dec-22	61.9	59.5	56.8	56.1
Jan-23	60.8	60.4	61.1	57.5
Feb-23	61.3	61.0	57.6	53.2
Mar-23	61.1	54.7	57.5	54.8
Apr-23	61.4	58.0	57.9	58.6
May-23	59.6	55.4	57.4	55.0

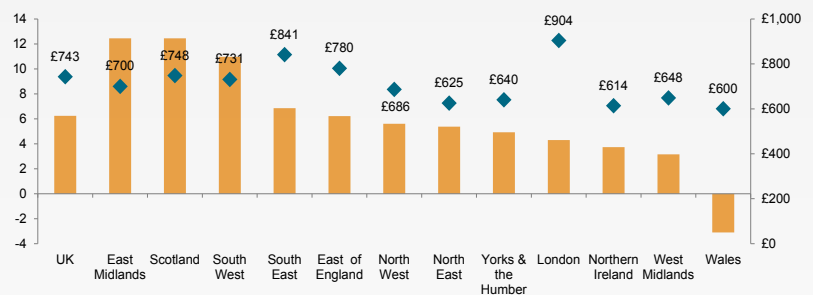
Official data: UK average weekly earnings

Data from the Office for National Statistics indicated that average weekly earnings across the UK increased by 6.2% year-on-year to £743 over the opening quarter of 2023.

Average pay increased across all but one of the 12 UK regions, with the East Midlands (12.5% to £700), Scotland (12.4% to £748) and the South West (11% to £731) recording the steepest rates of growth. Wales was the only region to see earnings decline, with pay falling -3.1% to £600.

UK average weekly earnings

%yr/yr



Source: Office for National Statistics.

5 Regional comparison

The KPMG and REC, UK Report on Jobs: London is one of four regional reports tracking labour market trends across England. Reports are also available for the South of England, the Midlands and the North of England.

Staff appointments

The number of people placed into permanent jobs across the UK fell for the eighth month running in May. The rate of decline strengthened from April and was the joint-strongest since June 2020. All four monitored English regions registered a drop in permanent staff appointments, with the quickest reduction seen in London.

In contrast, temporary billings continued to rise across the UK, the thirty-fourth successive month in which that has been the case. The rate of expansion was only slight, however, and the softest since last October. Both London and the South of England saw further upticks in May, while there was a renewed decline in the North of England. The strongest decrease was noted in the Midlands.

Candidate availability

The availability of staff for permanent roles across the UK increased in May, extending the current sequence of growth to three months. The rate of accumulation was steep and the sharpest recorded since December 2020. All four monitored English regions saw an uptick in permanent staff supply, the sharpest of which was recorded in London.

At the national level, the number of temporary candidates rose at a moderate rate that was the quickest for 27 months. For the first time since February 2021, all four of the monitored English regions saw temp staff availability increase, with the North of England seeing the strongest upturn, closely followed by London.

Pay Pressures

Average starting pay for permanent new joiners in the UK continued to increase during May, thereby stretching the current sequence of inflation to 27 months. The rate of growth slipped to the lowest since April 2021, but remained marked overall. On a regional basis, the steepest increase in starting salaries was seen in the North of England, followed closely by the Midlands. The softest increase was recorded in London.

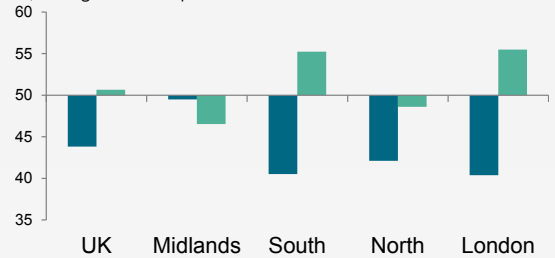
Latest survey data pointed to a further rise in temp wages across the UK in May. Notably, the latest increase in short-term pay was the slowest since April 2021. All four monitored English regions saw a sustained increase in temp wage inflation, with the strongest rise recorded in the North of England while the slowest increase was seen in London.

May 2023

■ Permanent
■ Temporary

Staff Appointments

sa, >50 = growth since previous month



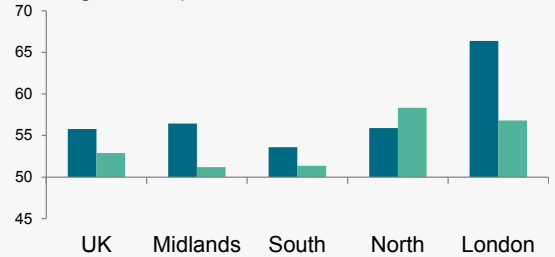
Vacancies

sa, >50 = growth since previous month



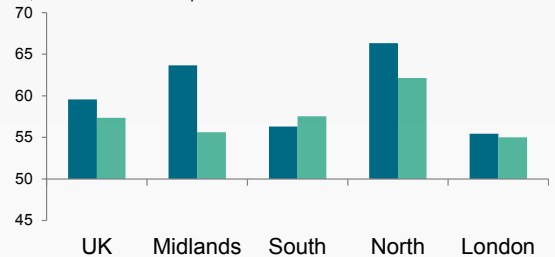
Staff Availability

sa, >50 = growth since previous month



Pay Pressures

sa, >50 = inflation since previous month



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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.

Survey Dates

Data were collected 11-24 May 2023.

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