

KPMG and REC, UK Report on Jobs: London

Sharper reduction in permanent staff appointments in July

35.6

PERMANENT PLACEMENTS INDEX JUL '23

51.4

TEMPORARY BILLINGS INDEX JUL '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.

Rapid fall in permanent placements

Fastest rise in permanent labour supply since October 2020

Temp wage inflation slows notably

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 in London told us that their clients aren't yet confident enough in the economic outlook to commit to permanent hires, leading to the second-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 permanent labour supply since October 2020. This is good news for recruiters who have an even larger pool of candidates to place, but with the number of vacancies in the capital falling, 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."

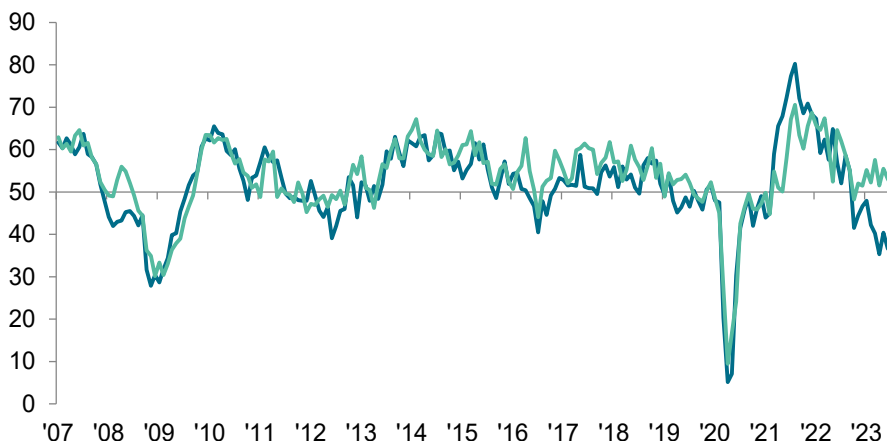
Neil Carberry, REC Chief Executive, said:

"The jobs market overall remains fairly robust in London with pay still rising, and unemployment low across the UK 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 rise in labour supply, especially for temps, 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 reasonable 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."

■ Permanent Placements Index
■ Temporary Billings Index

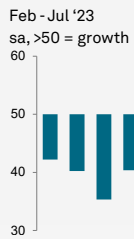
sa, >50 = growth since previous month



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

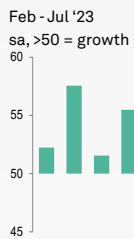


Marked deterioration in permanent placements

July survey data indicated a fall in permanent staff appointments across the capital for the tenth straight month. Moreover, the rate of contraction was the second-sharpest since June 2020 (after April 2023). Fewer vacancies, hiring freezes and shortages of candidates with specific skills were all linked to the latest reduction in permanent placements.

Of the four English regions monitored by the survey, London registered the steepest decline in permanent placements for the sixth successive month.

Temporary Billings Index



Growth in temp billings cools to nine-month low

Recruiters across London signalled a sustained rise in temp billings during July. A greater preference among businesses for contractual staff over permanent workers supported the latest upturn. That said, the rate of growth was the weakest seen over the current nine-month sequence of expansion and only mild.

Alongside the Midlands, London was the only other region to register a rise in billings at the start of the third quarter, with falls recorded in the North and South of England.

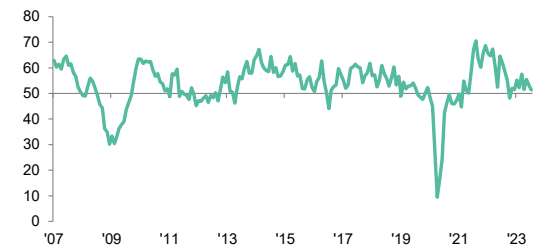
Permanent Placements Index

sa, >50 = growth since previous month



Temporary Billings Index

sa, >50 = growth since previous month



sa, >50 = growth since previous month

	Permanent		Temporary	
	UK	London	UK	London
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
Jun-23	46.4	36.6	51.1	53.1
Jul-23	42.4	35.6	50.2	51.4

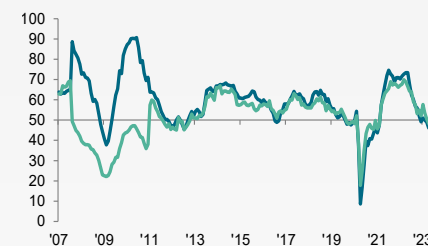
Job vacancies

Permanent and temp vacancies fell across the capital for the fifth and fourth consecutive month respectively in July. Moreover, London remained the only region to register drops in staff demand. Permanent roles fell solidly only, with the pace of decline unchanged from June. Meanwhile, demand for short-term staff declined at a quicker pace.

At the UK level, growth in demand for labour moderated, with both permanent and temp vacancies rising at historically subdued rates.

Vacancies Index

■ Permanent
■ Temporary
sa, >50 = growth since previous month

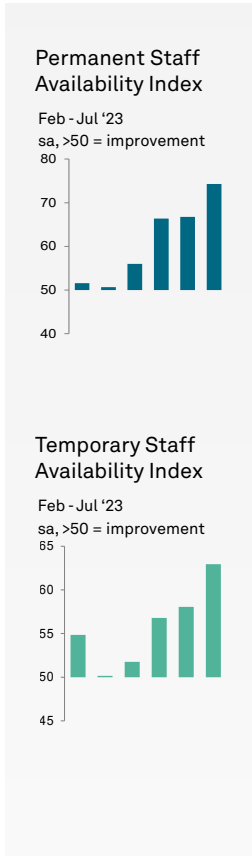


sa, >50 = growth since previous month

	Permanent		Temporary	
	UK	London	UK	London
Feb-23	55.3	50.0	55.6	53.6
Mar-23	55.2	49.0	52.2	50.6
Apr-23	54.4	46.2	54.8	48.4
May-23	53.0	45.2	50.9	46.7
Jun-23	52.6	45.6	53.6	49.5
Jul-23	52.3	45.6	53.1	47.1

2 Staff availability

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



Substantial rise in permanent staff availability

Candidate availability for permanent roles across London expanded sharply in July, thereby extending the current run of increase to eight months. The rate of growth picked up further from March and was the fastest seen since October 2020. Redundancies and a slowdown in hiring activity had reportedly pushed up the supply of permanent workers in July. Of the four English regions, London saw the most rapid upturn in permanent candidate supply by a notable margin.

Sharpest increase in temp candidates for nearly three years

As has been the case since the start of the year, short-term staff supply improved in London during July. Moreover, the pace of increase was the most pronounced in 29 months and rapid overall. The latest rise in temp staff availability was linked to more people seeking short-term roles and redundancies.

London registered the strongest increase in temp candidate numbers of all four monitored English areas.

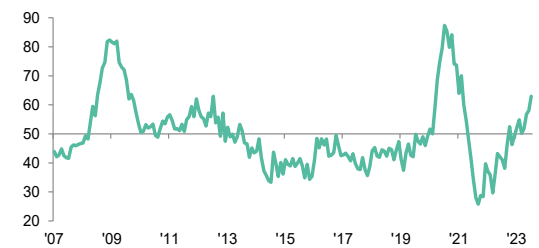
Permanent Staff Availability Index

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
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
Jun-23	57.6	66.8	58.0	58.1
Jul-23	61.6	74.3	58.8	62.9

3 Demand for skills

Skills in short supply: Permanent staff

Blue Collar	IT & Computing
Cleaners	Digital Technology
Drivers	
Construction	Nursing/Medical/Care
Quantity Surveyors	Carers
Engineering	Clinical Professionals
Electrical Engineers	Support Workers
Engineers	Secretarial/Clerical
Executive/Professional	Administration
Human Resources	Receptionist
Marketing	Support
Project Managers	Other
Hotel & Catering	All Types of Candidates
Chefs	Graduates
Hospitality	Sales

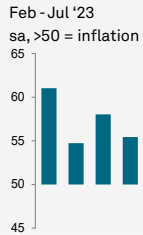
Skills in short supply: Temporary staff

Construction	Other
Labourers	All Types of Candidates
Executive/Professional	Commercial
Marketing	
Hotel & Catering	
Chefs	
Hospitality	
Housekeeping	
IT & Computing	
Digital	
Software Engineers	
Nursing/Medical/Care	
Social Workers	
Retail	
Retail	

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

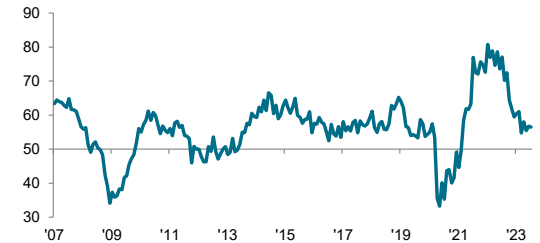


Starting salary inflation remains sharp

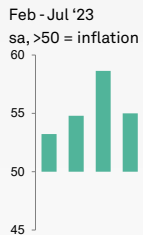
Recruitment consultancies in London signalled a further rise in salaries for newly-placed permanent staff during July. Panellists often mentioned that clients were willing to pay more in order to attract and secure high-calibre candidates. That said, while the rate of increase remained sharp overall, it remained much weaker than the average recorded over the current 29-month run of salary inflation. The rate of pay growth was also softer than that seen at the national level.

Permanent Salaries Index

sa, >50 = inflation since previous month



Temporary Wages Index

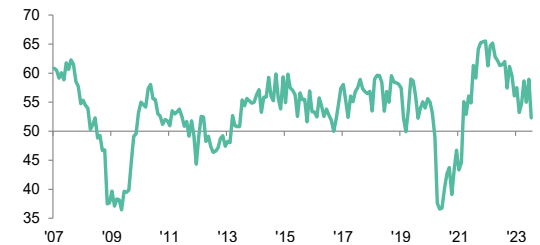


Notable easing of temp wage inflation

Temp wages increased modestly across London in July. Notably, the respective seasonally adjusted index fell sharply from June and pointed to the slowest rate of pay growth since the current sequence of inflation began in March 2021. Competition for highly-skilled labour was said to have contributed towards the latest uptick in hourly pay rates.

Temporary Wages Index

sa, >50 = inflation since previous month



London recorded the weakest rate of growth in short-term pay of all four monitored English regions in July.

sa, >50 = inflation since previous month

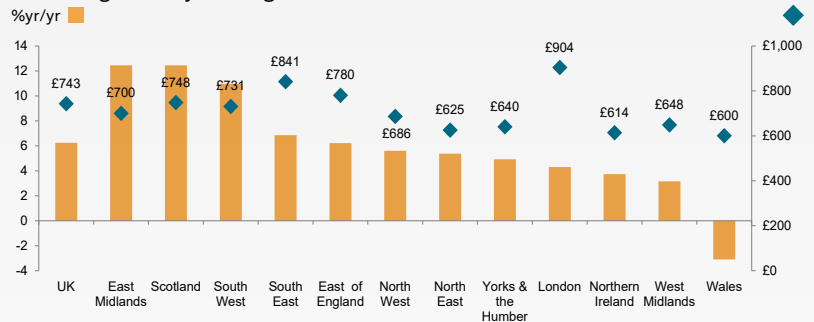
	Permanent		Temporary	
	UK	London	UK	London
Feb-23	61.3	61.0	57.6	53.2
Mar-23	61.1	54.7	57.5	54.8
Apr-23	61.4	58.0	57.9	58.6
May-23	59.6	55.4	57.4	55.0
Jun-23	58.6	56.7	56.4	59.0
Jul-23	58.3	56.5	54.6	52.3

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



Source: Office for National Statistics via S&P Global Market Intelligence.

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

Permanent staff appointments across the UK declined for the tenth month in a row during July. Moreover, the rate of contraction accelerated to the sharpest in just over three years. The reduction in permanent placements was broad-based among the four English regions monitored by the survey, with London seeing the most pronounced drop overall. The softest decline was meanwhile recorded in the Midlands.

July survey data signalled only a fractional rise in billings received from the employment of temp workers across the UK. Notably, the rate of growth was the second-weakest seen since the current period of expansion began three years ago. Mixed trends were seen at the regional level, with billings rising solidly in the Midlands and modestly in London. Mild falls were meanwhile seen in the South and North of England.

Candidate availability

The supply of permanent workers across the UK expanded for the fifth straight month in July. Notably, the rate of improvement was the quickest seen since December 2020 and rapid overall. Permanent candidate numbers increased across all four monitored English regions, and at sharper rates than in June. London recorded the steepest upturn overall.

The availability of temporary workers across the UK also rose at a sharp and accelerated pace at the start of the third quarter. The increase in short-term staff supply was in fact the most pronounced in 31 months. All English regions bar the South of England saw faster rises in temporary candidate numbers, with London seeing the quickest expansion overall.

Pay Pressures

Salaries for newly-placed permanent staff in the UK increased again in July. The rate of pay inflation slipped to a 27-month low, but remained sharp overall. Data broken down by English region showed that the strongest upturn in starting salaries was recorded by recruiters in the North of England, while the softest uptick was seen in the capital.

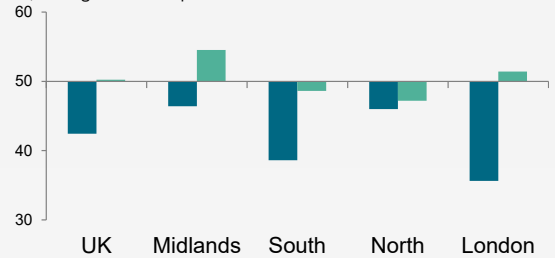
Average hourly rates of pay for temporary workers across the UK increased for the twenty-ninth month running in July. Though solid, the rate of wage growth was the weakest seen over the aforementioned period and below the series average. Slower rates of temp pay inflation were seen in London and the Midlands, which offset slightly stronger rises in the South and North of England.

July 2023

■ Permanent
■ Temporary

Staff Appointments

sa, >50 = growth since previous month



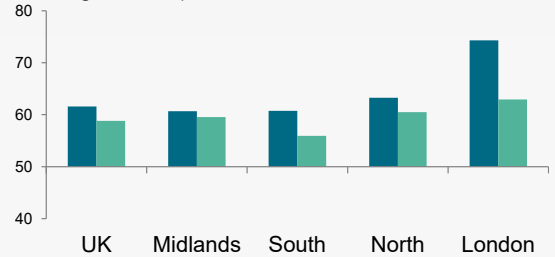
Vacancies

sa, >50 = growth since previous month



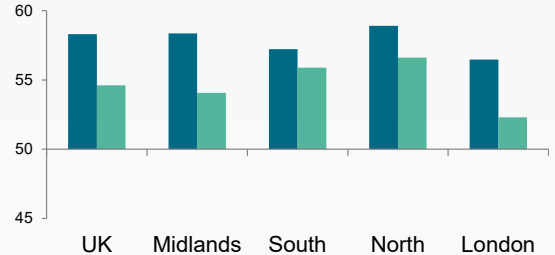
Staff Availability

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 12-25 July 2023.

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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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