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KPMG and REC, UK Report on Jobs

Economic uncertainty drives stronger rise in temp billings

Key findings

- Temp billings growth hits six-month high
 - Permanent staff appointments fall marginally
 - Availability of staff rises for first time since February 2021
- Data collected March 10-27

Summary

The latest **KPMG and REC, UK Report on Jobs** survey, compiled by S&P Global, showed that lingering economic uncertainty and rising costs continued to impact hiring trends in March. Recruiters recorded a marginal fall in permanent staff placements across the UK, while temp billings growth quickened to a six-month high.

Candidate availability meanwhile rose for the first time in just over two years, driven by a combination of relatively improved confidence among a number of job seekers, but also redundancies in some areas. At the same time, the rising cost of living and efforts to attract and secure suitable staff drove further marked increases in starting pay. Total vacancies continued on an upward trend, though growth edged down from February's four-month high.

The report is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies.

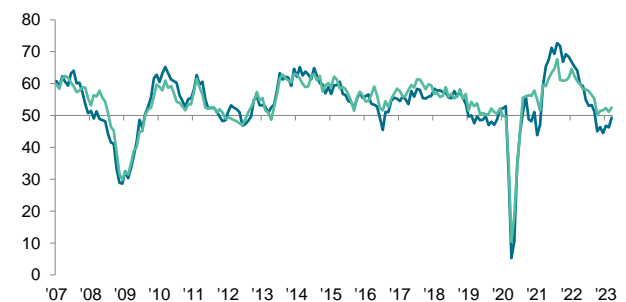
Softer fall in permanent placements, while temp billings growth accelerates

The latest survey brought signs of a relative improvement in hiring conditions during March. Although falling for the sixth month in a row, permanent placements decreased at a marginal pace that was the slowest seen over this period. There were reports of clients delaying decisions around hiring due to an uncertain economic

Permanent Placements Index

Temporary Billings

50.0 = no-change



Sources: KPMG, REC, S&P Global

climate and tighter budgets. At the same time, temp billings rose at the quickest rate since September 2022.

Candidate availability rises for first time in 25 months

The overall supply of workers increased for the first time since February 2021 at the end of the first quarter. The upturn was supported by modest rises in both permanent and temporary staff availability. A number of recruiters mentioned that a relative improvement in confidence among job seekers had helped to drive the uptick in candidate numbers, though redundancies were also cited as having increased staff supply.

Starting salary inflation remains sharp in March

Recruiters across the UK noted further increases in starting pay for permanent workers during March. Although edging down to the second-lowest for nearly two years, the rate of salary inflation was comfortably above the series average. Temp pay rates likewise rose sharply, albeit with growth easing fractionally to a three-month low. Higher salaries and wages were frequently linked to shortages of specific skills and cost-of-living pressures.

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Demand for staff continues to increase

March survey data pointed to a further marked increase in total vacancies, though the rate of growth eased slightly from February's four-month high. While the number of permanent roles expanded sharply, growth in temp vacancies moderated to a 26-month low in March.

Regional and Sector Variations

London saw a sharp fall in permanent placements, while declines were mild in the Midlands and the North of England. In contrast, the South of England recorded a renewed expansion in March.

Three of the four monitored English regions registered growth in temp billings, led by London. The Midlands was the only area to record a fall, albeit one that was mild overall.

Increases in demand for staff were registered across both the private and public sectors, albeit to varying degrees. The steepest increase in vacancies was seen for permanent workers in the private sector, where growth eased only fractionally from February. The softest expansion in demand was meanwhile signalled for temporary workers in the private sector.

All ten monitored job categories registered improved demand for permanent staff in March with the sole exception of Retail. The steepest increase in vacancies was signalled for Nursing/Medical/Care, followed by Engineering and Accounting/Financial.

Growth of demand for temporary workers was sustained across the majority of the employment categories monitored by the survey in March, led by Hotel & Catering. Temp Retail vacancies meanwhile stagnated, while demand for short-term Blue Collar staff fell solidly.

Comments

Commenting on the latest survey results, Claire Warnes, Partner, Skills and Productivity at KPMG UK, said:

"March was a curate's egg for the jobs market. Candidate availability improved for the first time in over two years as people regained the confidence to look for new roles, but economic uncertainty caused firms to make redundancies and often opt for temporary hires over permanent placements.

"This unease saw temporary billings rise at their quickest rate for six months and pay continue to increase in line with the cost of living.

"While the labour market continues to show resilience, it is nowhere near pre-pandemic levels of stability. The Government's Spring Budget included some support for workers, but it was a missed opportunity to provide much needed help for businesses to upskill their people, and to reskill those people who are economically inactive and want to return to work. Such coordinated actions are needed to fill the ever-widening skills gap."

Neil Carberry, REC Chief Executive, said:

"Over the past few weeks, we have seen a bit more confidence among employers, and this is reflected in this latest data. While the temporary market is still growing month-on-month, the permanent market contraction has eased significantly in March. After six months of slowing activity from last summer's peak, the market is now better described as flat than declining. This is the mark of an economy performing better than was expected at the end of last year, and means it is still a good time to be looking for work, with hospitality, healthcare, accountancy and financial roles all powering ahead.

"The big news is that candidate availability is up for the first time in more than two years. This suggests that, while the market is still tight, it should be getting gradually easier for firms to hire over the next few months. The continuing fast rate of pay growth is likely reflective of the impact of inflation on wage offers, as well as low labour supply. That means increasing pay is likely to persist, despite more people beginning to look for work.

"But this cautious optimism belies the scale of the challenge we face in tackling shortages and addressing economic inactivity. The recent Budget did call out the need to address labour market shortages, but the steps taken fell short of the more comprehensive workforce strategy that is needed if we are to avoid losing two Elizabeth Lines of growth every year from 2024. We need to put the people stuff first. Government can do more – but businesses too need to step up, as our Overcoming Shortages report showed."

Summary of data:

	Nov '22	Dec	Jan'23	Feb	Mar
Recruitment industry indicators:					
Permanent placements	46.4	44.5	46.8	46.3	49.3
Temporary/contract staff billings	51.5	51.6	52.3	51.1	52.5
Availability of Staff Index	43.8	45.9	46.3	47.5	51.4
Permanent staff	43.6	45.8	46.2	47.5	51.4
Temporary/contract staff	46.2	47.5	47.1	47.6	51.3
Salaries/Rates of Pay Indexes:					
Permanent salaries	62.0	61.9	60.8	61.3	61.1
Temp/Contract pay rates	59.6	56.8	61.1	57.6	57.5
Report on Jobs Vacancies Index	54.1	53.0	54.4	55.5	55.2
Permanent staff	54.0	52.8	54.3	55.5	55.4
Temporary staff	56.3	56.7	56.1	55.8	52.3

Unless otherwise indicated, any reading above 50.0 signals an increase or growth on the previous month, below 50.0 indicates a decrease or contraction. The greater the divergence from 50.0, the greater the rate of change signalled by the index. Data are adjusted for seasonality.

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Methodology

The KPMG and REC, UK Report on Jobs is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies.

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@hismarkit.com.

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

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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