

KPMG and REC, UK Report on Jobs

Uncertainty around the outlook leads to further caution around hiring

44.5

PERMANENT PLACEMENTS INDEX
DEC '22

51.6

TEMPORARY BILLINGS INDEX
DEC '22

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.

Permanent placements decline again...

...while temp billings continue to expand modestly

Softer rise in vacancies, as staff supply declines at weaker rate

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

"The challenging economic environment continues to constrain the jobs market, as December's data shows. The ongoing industrial relations turmoil in many sectors, along with the scarcity of available staff in all sectors, means that wage inflation may soften only slightly in the near term. Yet, at the same time, vacancy growth rates are trending down again this month from a historically high peak in July 2021, as employers continue to rein in permanent hiring and employees choose to stay put. Overall, the jobs market looks less than rosy at the start of 2023, so 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, Chief Executive of the REC, said:

"A slowdown in permanent placements is not unusual in December, but this one comes as part of a wider softening trend in the permanent market. Recruiters tell us that this was enhanced by firms pushing hiring activity back into January in the face of high inflation and economic uncertainty. The big test of the labour market will come this month. But overall activity levels remain high, with vacancies and starting rates of pay still growing. There is also plenty of demand for temporary workers, which is less affected by employer's long-term confidence. The overall picture is still of a robust labour market, although contraction in sectors such as construction is a particular concern given its significance to the health of the economy."

"As we move into 2023, the need to ensure our labour market can deliver economic growth and prosperity should be a critical concern to politicians. People telling recruiters that they are increasingly anxious about moving jobs is a concern in this regard – as a move is a great way to boost pay and build up skills. If people are less willing to move jobs, this could make shortages worse in the near term. That is why a stable economy, and support to address labour and skills shortages – from welfare to work support to immigration and skills reform, need to be major priorities for all the UK governments."

■ Permanent Placements Index
■ Temporary Billings Index

sa, >50 = growth since previous month



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1 Executive summary

The Report on Jobs is unique in providing the most comprehensive guide to the UK labour market, drawing on original survey data provided by recruitment consultancies and employers to provide the first indication each month of labour market trends.

The main findings for December are:

Permanent staff appointments fall at quicker pace

The number of people placed into permanent jobs fell for the third month running at the end of 2022, as increased economic uncertainty and pressure on budgets weighed on recruitment plans. The rate of reduction was the quickest seen since January 2021, when the third national lockdown dampened hiring. Temp billings meanwhile expanded further in December, though the rate of growth remained modest overall.

Overall growth of vacancies slips to 22-month low

Recruitment consultancies signalled a sustained rise in demand for staff in December. That said, the overall rate of vacancy growth weakened for the ninth straight month and was the slowest seen since the current period of recovery began in February 2021. This was driven by a weaker upturn in permanent staff demand, as temp vacancies expanded at a slightly quicker pace.

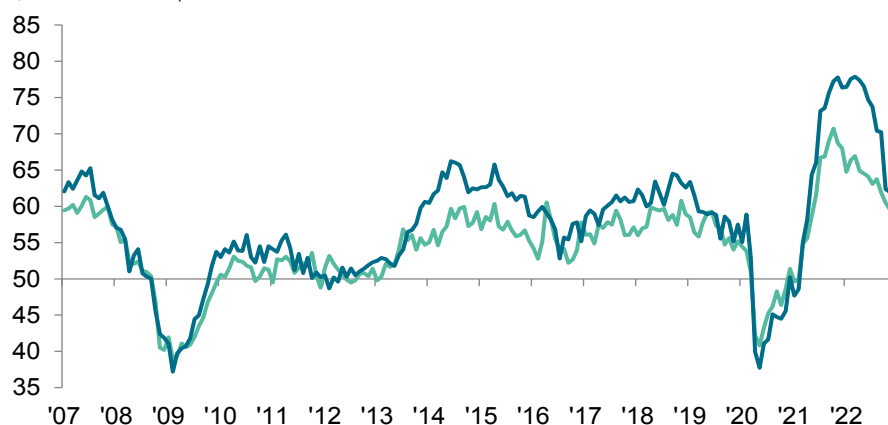
Candidate supply falls at softest pace since March 2021

Uncertainty surrounding the outlook also dampened candidate availability, as more people became cautious around seeking out new roles in the current climate. Combined with an already tight labour market, this drove further drops in the supply of both permanent and temporary labour. However, reports of redundancies in some areas meant that the overall rate of decline eased to the weakest in 21 months.

Starting pay increases at slower, but still strong rate

The latest survey indicated that pay pressures continued to soften at the end of the year, but remained strong in the context of historical data. Notably, rates of both starting salary and temp pay growth hit their lowest since April 2021. Where higher rates of pay were reported, this was frequently linked to competition for scarce staff as well as the rising cost of living.

■ Permanent Salaries Index
 ■ Temporary Wages Index
 sa, >50 = inflation since previous month

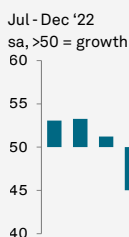


2 Staff Appointments

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.

An index reading above 50 signals a higher number of placements/billings than the previous month. Readings below 50 signal a decline compared with the previous month.

Permanent Placements Index



Permanent placements fall for third month running

Adjusted for seasonal factors, the Permanent Placements Index posted below the neutral 50.0 threshold to signal a further reduction in permanent staff appointments during December. The fall was the third in consecutive months and the steepest since January 2021, when hiring was suppressed by the third national lockdown. Increased economic uncertainty, the cost-of-living crisis, low candidate supply and pressure on clients budgets all drove the latest drop in placements.

All four monitored English regions noted lower permanent staff appointments at the end of 2022. The South of England saw the sharpest decline, while the softest was seen in London.

Permanent Placements Index

sa, >50 = growth since previous month

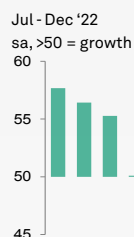


Permanent Placements Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Jul '22	53.1	52.1	52.6	54.1	52.3
Aug '22	53.3	58.6	51.4	59.4	47.1
Sep '22	51.2	55.1	48.1	50.6	51.8
Oct '22	45.0	41.5	48.9	43.5	45.5
Nov '22	46.4	44.4	45.8	52.5	45.7
Dec '22	44.5	46.6	40.6	44.7	44.5

Temporary Billings Index



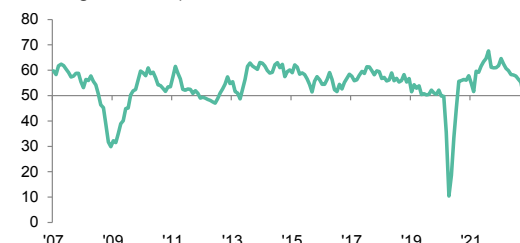
Temp billings growth remains modest

Billings received from the employment of short-term staff increased for the twenty-ninth month in a row during December. The rate of expansion edged up to the highest in three months, but remained mild overall and weaker than the series average (55.2). Recruiters that noted higher billings generally linked this to strong demand for temp workers and efforts to fill vacancies. However, a number of panellists mentioned that softer economic conditions and efforts to control costs had dampened clients' appetite for staff.

The South of England saw by far the steepest increase in temp billings of all four monitored English regions, while relatively mild upturns were seen elsewhere.

Temporary Billings Index

sa, >50 = growth since previous month



Temporary Billings Index

sa, >50 = growth since previous month

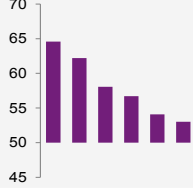
	UK	London	South	Midlands	North
Jul '22	57.7	62.0	55.3	50.7	59.6
Aug '22	56.4	58.7	58.0	55.2	55.0
Sep '22	55.3	55.1	55.4	48.4	56.9
Oct '22	50.1	48.2	57.3	46.6	46.8
Nov '22	51.5	52.0	56.5	49.2	45.4
Dec '22	51.6	51.5	55.9	50.6	50.8

3 Vacancies

Recruitment consultants are asked to specify whether the demand for staff from employers has changed on the previous month, thereby providing an indicator of the number of job vacancies.

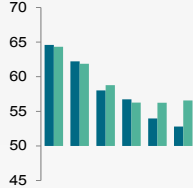
Total Vacancies Index

Jul - Dec '22
sa, >50 = growth



Permanent
Temporary

Jul - Dec '22
sa, >50 = growth



Growth of demand for staff moderates again in December

At 53.0 in December, the seasonally adjusted Total Vacancies Index fell from 54.1 in November to signal a further easing in the rate of growth. Although solid, the latest increase in demand for staff was the softest seen since the current period of increase began in February 2021.

Permanent and temporary vacancies

When broken down by vacancy type, the latest data pointed to divergent trends. Permanent staff demand increased at the softest pace in 22 months, albeit one that was solid overall. In contrast, temp vacancy growth picked up slightly to a three-month high and remained sharp.

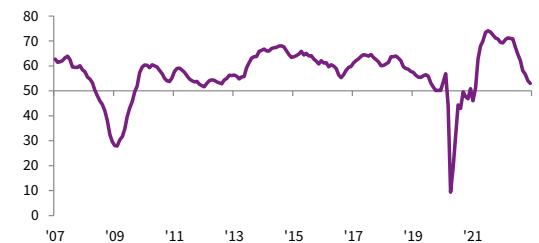
Public & private sector vacancies

Growth of demand for staff remained stronger across the private sector than the public sector at the end of 2022.

The steepest overall increase in vacancies was seen for temporary workers in the private sector, while the slowest was signalled for permanent public sector staff.

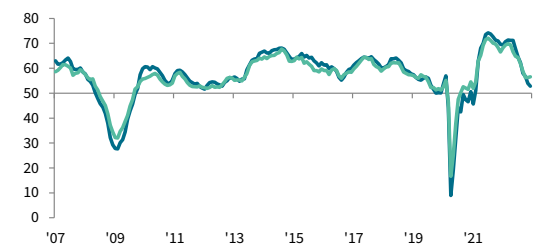
Total Vacancies Index

sa, >50 = growth since previous month



Permanent Vacancies Index
Temporary Vacancies Index

sa, >50 = growth since previous month



Vacancy Index summary

sa, >50 = growth since previous month. *Not seasonally adjusted.

	Total	Permanent		Temporary			
		Total	Private*	Public*	Total	Private*	Public*
Jul '22	64.6	64.6	65.6	59.3	64.3	64.6	61.0
Aug '22	62.2	62.2	63.2	57.2	61.9	63.1	55.6
Sep '22	58.1	58.0	60.0	55.1	58.8	62.5	56.0
Oct '22	56.7	56.7	57.0	55.3	56.3	56.7	54.2
Nov '22	54.1	54.0	54.1	53.2	56.2	57.5	49.9
Dec '22	53.0	52.8	53.0	51.8	56.6	57.4	52.2

Official data: UK job vacancies

Latest data from the Office for National Statistics (ONS) pointed to a further fall in overall vacancies in the three months to November. The number of open roles fell by 65,000 since the three months to August to 1,187,000, which marked the lowest level since the three months to September 2021. Notably, the latest results highlighted the first year-on-year decline in vacancies (-2.8%) since the first quarter of 2021.

Despite the downward trend, vacancies remain at a historically high level, having peaked at 1,300,000 in the three months to May.

UK job vacancies



Source: Office for National Statistics.

4 Vacancies by sector

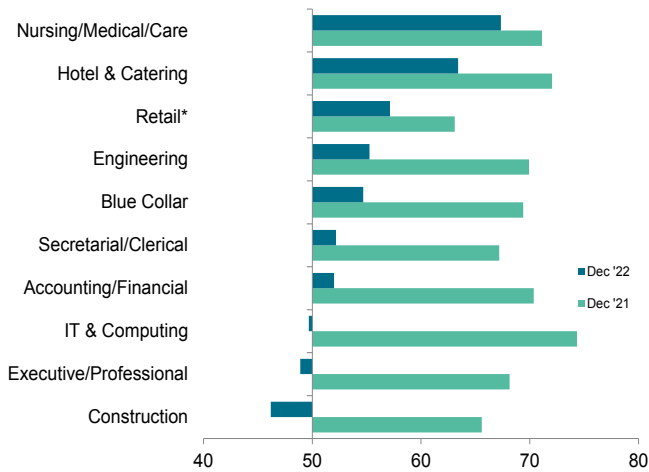
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

Demand for permanent staff increased in seven of the ten broad employment categories during December. The steepest upturn was seen for Nursing/Medical/Care, followed by Hotel & Catering. Meanwhile, Construction saw the quickest drop in vacancies.

Permanent Vacancies Index

sa, >50 = growth since previous month. *Not seasonally adjusted.

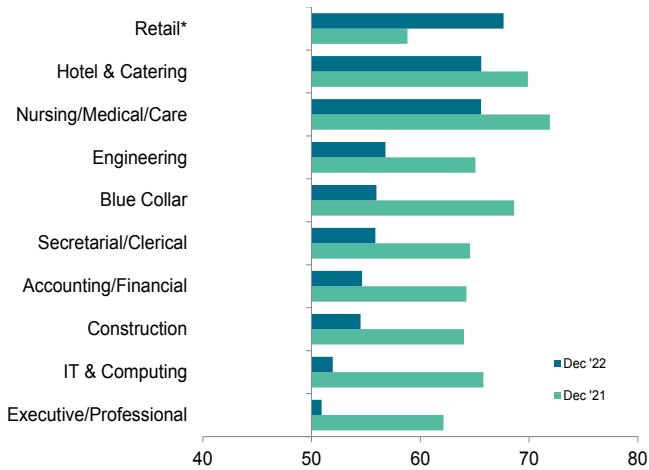


Temporary vacancies

Temporary staff vacancies increased across all ten monitored sectors at the end of 2022. Retail, Hotel & Catering and Nursing/Medical/Care saw the steepest rises in demand. Executive/Professional saw the slowest upturn, and one that was marginal overall.

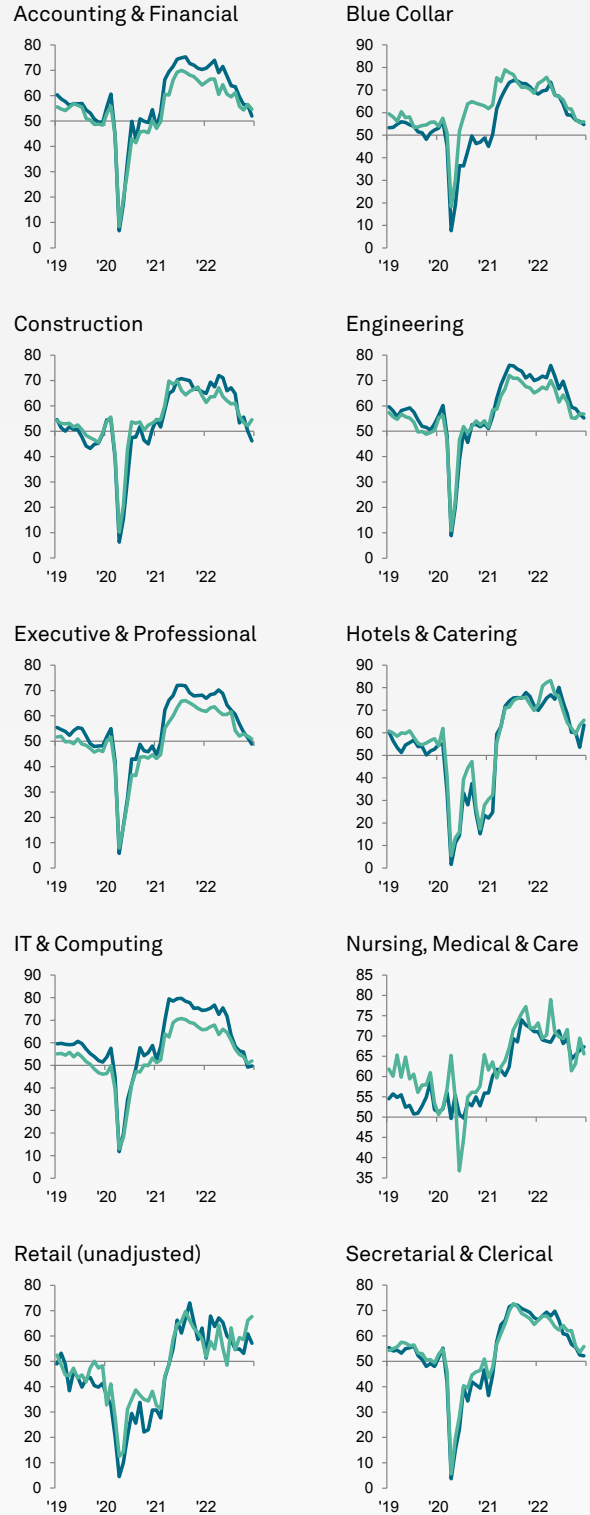
Temporary Vacancies Index

sa, >50 = growth since previous month. *Not seasonally adjusted.



Vacancy index by sector

Permanent Temporary
sa, >50 = growth since previous month

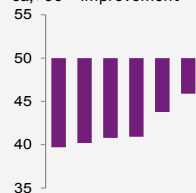


5 Staff availability

Recruitment consultants are asked to report whether availability of permanent and temporary staff has changed on the previous month. An overall indicator of staff availability is also calculated.

Total Staff Availability Index

Jul - Dec '22
sa, >50 = improvement



Supply of labour falls at slowest rate in 21 months

The seasonally adjusted Total Staff Availability Index rose from 43.8 in November to 45.9 in December, to signal a softer but sustained fall in overall candidate numbers. Though solid, the latest decline in staff availability was the weakest recorded since March 2021.

The latest survey highlighted that the supply of permanent staff continued to fall at a faster rate than that seen for temporary workers.

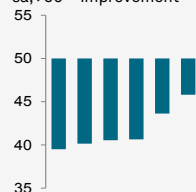
Total Staff Availability Index

sa, >50 = improvement since previous month



Permanent Staff Availability Index

Jul - Dec '22
sa, >50 = improvement



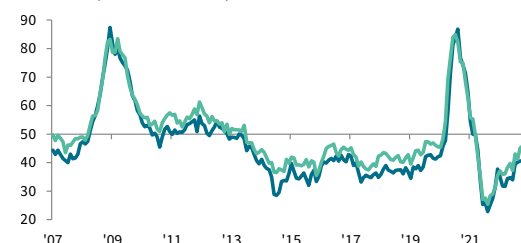
Permanent candidate numbers fall at weaker pace

Latest survey data pointed to a further drop in permanent staff availability across the UK during December. Though solid, the rate of deterioration was the slowest seen in 21 months. Worries over the economic outlook had reportedly deterred many people from seeking out new roles in the latest survey period. A low unemployment rate and skills shortages were also cited as factors limiting the pool of available workers. However, a number of recruiters noted that redundancies had helped to lift candidate numbers in some areas.

All four monitored English regions bar London noted falls in permanent labour supply. The steepest reduction was seen in the Midlands.

Permanent Staff Availability Index

sa, >50 = improvement since previous month



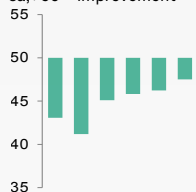
Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Jul '22	39.5	37.6	41.1	40.5	39.0
Aug '22	40.1	43.3	40.2	39.9	37.0
Sep '22	40.5	42.8	40.3	43.6	36.3
Oct '22	40.6	43.0	40.9	43.1	36.9
Nov '22	43.6	49.7	48.1	50.4	33.2
Dec '22	45.8	51.8	49.2	43.0	44.8

Temporary Staff Availability Index

Jul - Dec '22
sa, >50 = improvement



Temp candidate supply moves closer to stabilisation

The availability of short-term staff fell for the twenty-second month running in December. That said, the rate of decline eased for the fourth month in a row, with the respective seasonally adjusted index pointing to only a modest reduction that was the softest since March 2021. Recruitment consultancies often mentioned that temp labour supply had fallen as candidates often preferred the security of permanent roles, but also due to a high employment rate and fewer foreign workers.

While a renewed drop in temp candidate availability was seen in the North of England, softer falls were registered elsewhere.

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Jul '22	43.1	41.0	45.1	43.8	40.9
Aug '22	41.2	38.1	44.2	39.1	39.2
Sep '22	45.1	46.1	48.8	44.5	41.9
Oct '22	45.8	52.4	45.7	46.1	45.0
Nov '22	46.2	46.3	46.6	46.4	50.1
Dec '22	47.5	49.1	48.3	47.3	47.1

6 Demand for skills

Recruitment consultancies are invited to specify any areas in which they have encountered skill shortages during the latest month.

Skills in short supply: Permanent staff

Accounting/Financial Accountants Accounts Payable Auditors Book Keepers Credit Controllers Finance Payroll Taxation	Legal Management Marketing PR Procurement Project Managers Recruitment Consultants	Pharmacists Therapist
Blue Collar Blue Collar HGV Drivers Industrials Manufacturing Mechanics Security Guards Sewing Machinists	Hotel/Catering Catering Chefs Hospitality Housekeeping	Retail Butchers Retail
Construction Architectural Tech Construction Quantity Surveyors	IT/Computing Analysts Cyber Security Data Engineers Data Professionals Developers Digital Infrastructure Analysts IT Software Software Engineers Technology	Secretarial/Clerical Administration Office Staff
Engineering Electrical Engineers Engineers Maintenance Engineers Mechanical Engineers Senior Electronic Engineers Technicians	Nursing/Medical/Care Carers Doctors Healthcare Assistants Hearing Aid Dispensers Nurses Occupational Therapist Optometrists Paramedics	Other All Types of Candidates Commercial Customer Service Education Graduates Sales Security Skilled Supply Chain Teachers Telemarketing Unskilled
Executive/Professional B2B Business Analysts Human Resources		

Skills in short supply: Temporary staff

Accounting/Financial Accountants Accounts Payable Auditors Credit Controllers Finance Payroll Taxation	Project Managers	Other All Types of Candidates Customer Service Education General Assistants Health & Safety Teachers Unskilled
Blue Collar Blue Collar Carpenters Drivers HGV Drivers Industrials Manufacturing Pest Control Rail Security Guards Sewing Machinists Warehouse Welders	Hotel/Catering Catering Chefs Hospitality Housekeeping Kitchen Porters	
Construction Architectural Tech Bricklayers Labourers	IT/Computing Analysts Cyber Security Data Engineers Data Professionals Developers IT Software Software Engineers Technology	
Engineering Engineers Industrial Engineers	Nursing/Medical/Care Healthcare Assistants Hearing Aid Dispensers Nurses Optometrists Pharmacists Social Workers	
Executive/Professional Human Resources Legal Secretarial Management	Retail Butchers Retail	
	Secretarial/Clerical Administration Office Staff Receptionist	

Skills in excess supply: Permanent staff

Blue Collar HGV Drivers Industrials Site Managers	Retail Retail
Engineering Engineers	Secretarial/Clerical Administration Clerical Personal Assistant
Executive/Professional Directors Human Resources Marketing Project Managers	Other Customer Service Graduates Remote Workers Sales Unskilled
IT/Computing IT Software Technology	

Skills in excess supply: Temporary staff

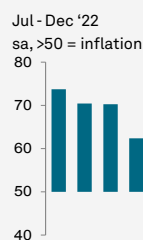
Blue Collar Decorators Drivers HGV Drivers Manufacturing Site Managers Warehouse	IT
Executive/Professional Digital Marketing Directors Project Managers	Nursing/Medical/Care Healthcare Assistants
Hotel/Catering Catering Hospitality	Retail Retail
IT/Computing Analysts	Secretarial/Clerical Administration Clerical
	Other Customer Service Graduates Security Unskilled

Note : Skills can be reported as being both in short supply and excess supply as we survey various recruitment agencies across the country, so there is geographical variation as well as the possibility of candidates with particular skills being concentrated in certain areas.

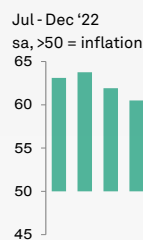
7 Pay pressures

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



Temporary Wages Index



Starting salary inflation edges down again in December

Average salaries awarded to new permanent joiners increased again in December, thereby stretching the current period of rising pay to 22 months. That said, the rate of inflation retreated further from March's all-time record, and was the softest seen since April 2021. Nevertheless, the upturn remained sharper than the series average (57.3). When explaining the latest increase in starting pay, panellists often cited greater competition for scarce staff.

All four monitored English regions noted marked increases in permanent salaries.

Temp wages increase at weakest rate for 20 months

Average hourly wages for short-term staff also rose at a softer pace at the end of the year. The rate of inflation was the slowest seen since April 2021, albeit remained sharp overall. According to anecdotal evidence, clients had to up their pay offers due to the rising cost of living and candidate shortages.

The sharpest increase in temp wages was seen in the North of England, while the softest was in the South of England.

Permanent Salaries Index

Temporary Wages Index



Permanent Salaries Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Jul '22	73.7	77.0	73.1	71.4	73.1
Aug '22	70.4	70.2	70.0	72.1	68.3
Sep '22	70.2	72.5	70.9	72.2	68.3
Oct '22	62.4	64.5	63.8	61.9	63.8
Nov '22	62.0	61.7	63.4	63.7	58.9
Dec '22	61.9	59.5	60.1	62.5	61.7

Temporary Wages Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Jul '22	63.1	61.5	66.5	61.0	61.4
Aug '22	63.8	62.0	63.1	67.4	60.0
Sep '22	61.9	57.4	63.3	61.5	63.2
Oct '22	60.5	61.2	60.6	58.5	59.1
Nov '22	59.6	59.5	56.2	57.3	62.6
Dec '22	56.8	56.1	54.6	55.8	58.1

Official data: UK average weekly earnings

Data from the Office for National Statistics (ONS) signalled that employee earnings (including bonuses) increased +6.1% on an annual basis in the three months to October. This was up from +6.0% in the preceding three-month period, and among the strongest rates of pay growth recorded over the past 15 years.

The gap between public and private sector pay growth persisted in the latest period. This was despite the former seeing a stronger rate of increase (+2.9%, from +2.4%), and the latter posting stable pay growth (at +6.8%).

UK average weekly earnings



Source: Office for National Statistics.

8 Special feature

This section features data from the Recruitment and Employment Confederation

Demand from employers continues to remain strong as 2023 begins

If unpredictability was a buzzword of 2022, then economic uncertainty is likely a watchword for 2023. Rising interest rates have left many businesses unsure of what the future holds, such as their ability to pay their debts. And there is anxiety because the UK is experiencing its first double-digit inflation in four decades, making it difficult for businesses to predict their costs. Yet against this backdrop, vacancy data suggests that demand from employers for workers remains very high as the UK's candidate supply remains low.

The latest data from the [Office for National Statistics \(ONS\)](#) shows that in September to November 2022, the estimated number of vacancies fell by 65,000 on the quarter to 1,187,000. Despite this, job openings in all industries remained above their pre-pandemic January to March 2020 levels.

Throughout 2022, the employment, unemployment and economic inactivity rates tracked at very similar levels with only marginal changes. The employment rate is still far below pre-pandemic levels with the unemployment rate remaining close to record lows, suggesting that there had been fewer hours worked than before the pandemic. The data continues to demonstrate signs of a tight labour, making hiring difficult for employers.

Employers are turning to temporary workers to meet business needs. The number of temporary workers continued its recent rise, with more than 1.6 million temporary workers helping to keep the country's economy ticking over in August to October 2022. Temporary workers have always been crucial to our economy, especially in the run up to the festive Christmas period.

Looking ahead, a tight UK labour market is going to continue to hold back economic growth and squeeze living standards further. We encourage businesses to work with recruiters on strategies to increase productivity, and the Government must address skills shortages and migration policy. From right to work checks to proactive employment support, there are many tools to boost labour supply in the new year.

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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@ihsmarkit.com.

Survey Dates

Data were collected 06-19 December 2022.

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