

KPMG and REC, UK Report on Jobs

Hiring slows in September amid weaker economic outlook and candidate shortages

51.2

PERMANENT PLACEMENTS INDEX SEP '22

55.3

TEMPORARY BILLINGS INDEX SEP '22

Weakest rises in perm placements and temp billings for 19 months

Vacancies expand at slowest rate since February 2021

Candidate shortages and cost of living pushes up rates of pay

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

"The UK jobs market remained tight in September, with candidate shortages impacting recruiters' abilities to fill jobs. Deepening economic uncertainty has also meant that workers are choosing to stay put in current roles, rather than apply for new roles, leading to a moderation in the overall rate of vacancy growth. Some employers, even those who anticipate that the recession may be short, are taking steps now to contain costs, including hiring freezes. Those employers who continue to invest in their workforce, particularly upskilling, may find they weather the recession better and will be in a stronger position to benefit from the upturn as and when it comes."

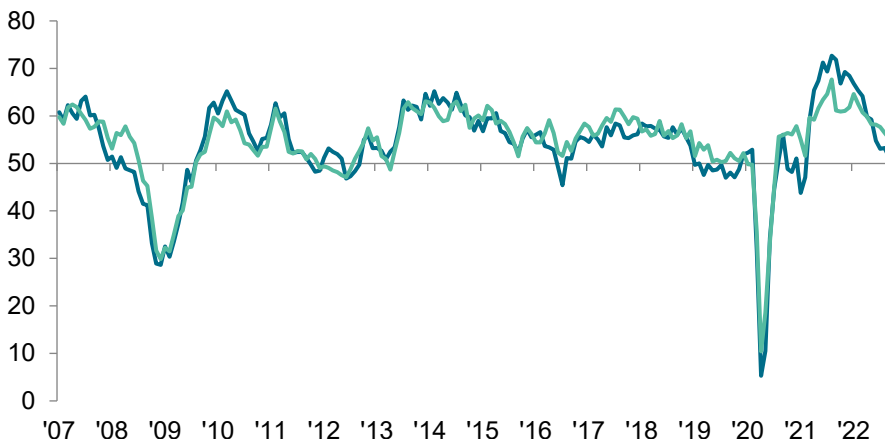
Neil Carberry, Chief Executive of the REC, said:

"The challenges we see in today's data reflects the underlying shortage of Labour the UK faces. With unemployment at record lows, pay continues to rise for both temporary and permanent workers starting new jobs, and activity levels across the recruitment and staffing industry remain high. While any economic slowdown this winter will affect the market, the extent of shortages mean that hiring will remain a focus for employers."

"The REC has shown that failing to address these issues could cost our economy massively in the years to come. While there is much that Government can do, like reforming the failed Apprenticeship Levy, a lot of the answers lie with hiring businesses. Firms need to work with skilled recruiters on offers that will maximise the skill base we have. There has never been a more important time for business leaders to put the people stuff first."

■ Permanent Placements Index
■ Temporary Billings Index

sa, >50 = growth since previous month



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.

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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 September are:

Recruitment activity slips to 19-month low in September

Relatively strong demand for staff and efforts to boost capacity supported a further increase in hiring activity at the end of the third quarter. However, the weaker economic climate and candidate shortages dampened overall growth. Notably, recruiters signalled the slowest increases in permanent staff appointments and temp billings for 19 months, with the former seeing only a mild expansion overall.

Growth of demand for staff weakest since February 2021

Overall vacancy growth softened for the sixth month in a row in September, to mark the slowest rise in demand for staff since February 2021. Weaker increases were signalled for both permanent and temporary vacancies, with the former noting the softer rate of expansion.

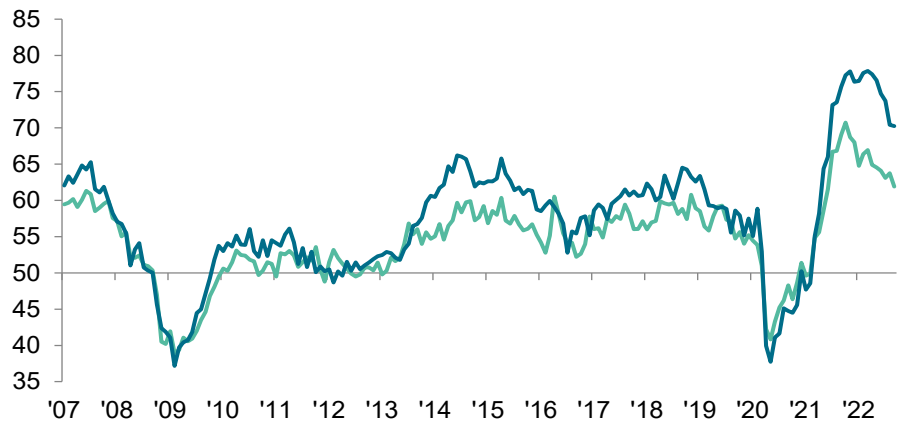
Pay pressures ease only slightly

The rising cost of living and competition for scarce workers drove further marked increases in starting pay for both permanent and short-term workers in the latest survey period. This was despite the rate of starting salary inflation moderating further from March's all-time record to a 15-month low. Temp wage growth also edged down to its weakest since June 2021.

Candidate supply continues to fall at historically sharp pace

Although there were further signs of the downturn in labour supply easing in September, candidate numbers continued to fall sharply overall. Permanent staff availability deteriorated at a quicker pace than that seen for temp workers. A key factor weighing on candidate numbers was a greater hesitancy among people to apply for new roles, driven by fears over the economic outlook. A generally low unemployment rate, skills shortages and Brexit also weighed on candidate availability.

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

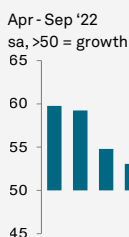


2 Staff Appointments

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 increase only modestly in September

UK recruitment consultancies signalled a notably softer rise in permanent staff appointments at the end of the third quarter. The latest upturn was the weakest recorded since the current period of expansion began in March 2021 and only mild overall. Higher placements were often linked to strong demand for staff and clients' efforts to increase capacity. However, there were reports that candidate shortages and increased caution around the outlook had dampened hiring activity.

Data split by region showed that London registered the steepest increase in permanent staff appointments. Upturns were relatively mild in the North of England and the Midlands, while the South of England saw the first reduction in 19 months.

Permanent Placements Index

sa, >50 = growth since previous month

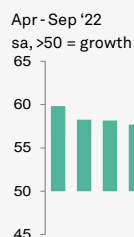


Permanent Placements Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Apr '22	59.8	57.6	59.8	61.9	56.0
May '22	59.2	64.8	54.0	57.9	61.6
Jun '22	54.8	57.0	53.0	57.0	50.1
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

Temporary Billings Index



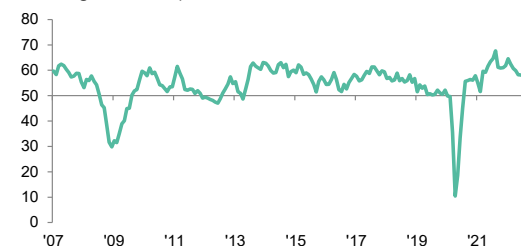
Sustained slowdown in temp billings growth

As has been the case since February, growth of temp billings at UK recruitment agencies weakened in September. Though marked and broadly in line with the series average, the rate of expansion was the softest seen for just over a year-and-a-half. Reports from panel members highlighted that greater demand for staff, new projects and efforts to fill roles quickly due to shortages of permanent workers had supported the latest upturn in temp billings. Nevertheless, some recruiters mentioned that weaker economic conditions and low candidate numbers had constrained growth.

Billings expanded at a softer rate in London and the South of England, but at a quicker rate in the North of England. The Midlands meanwhile registered a decline in temp billings for the first time in 27 months, albeit one that was modest overall.

Temporary Billings Index

sa, >50 = growth since previous month



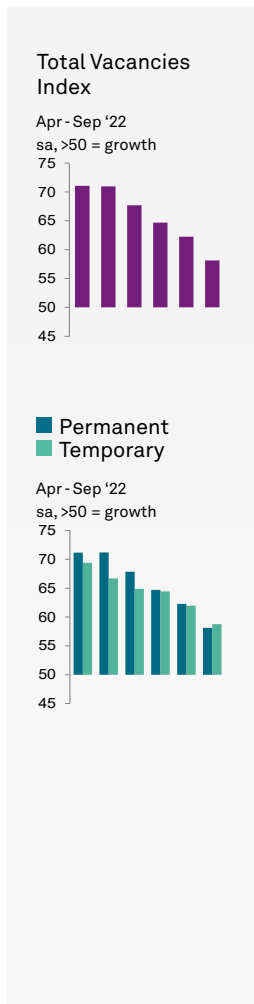
Temporary Billings Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Apr '22	59.8	60.3	57.0	63.6	55.2
May '22	58.3	52.5	56.9	57.9	61.6
Jun '22	58.2	64.6	53.5	52.3	62.3
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

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 increase at slowest rate for 19 months

The seasonally adjusted Total Vacancies Index fell from 62.2 in August to 58.1 in September, to signal a slower but still sharp rise in demand for workers. That said, the rate of growth was the weakest seen since the current period of expansion began in February 2021.

Permanent and temporary vacancies

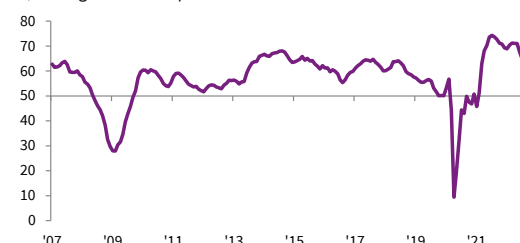
Latest survey data pointed to softer rises in demand for both permanent and temporary staff at the end of the third quarter. Temp vacancies expanded at a slightly quicker rate than that seen for permanent roles, though both indices hit their lowest levels for 19 months.

Public & private sector vacancies

The steepest increase in demand for staff was seen for temporary workers in the private sector during September. The softest expansion was meanwhile seen for permanent vacancies in the public sector. Notably, growth of demand slowed across all categories with the exception of temporary staff in the public sector.

Total Vacancies Index

sa, >50 = growth since previous month



Permanent Vacancies Index

sa, >50 = growth since previous month



Vacancy Index summary

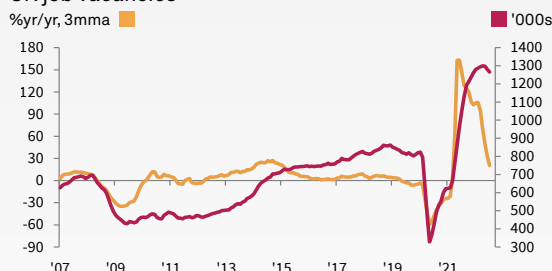
sa, >50 = growth since previous month. *Not seasonally adjusted.

	Total	Permanent		Temporary			
		Total	Private*	Public*	Total	Private*	Public*
Apr '22	71.1	71.2	73.7	65.2	69.4	66.2	64.2
May '22	71.0	71.2	72.3	65.8	66.7	67.3	63.8
Jun '22	67.7	67.8	68.2	65.8	64.9	65.5	61.5
Jul '22	64.7	64.7	65.6	59.3	64.4	64.6	61.0
Aug '22	62.2	62.3	63.3	57.2	62.0	63.2	55.6
Sep '22	58.1	58.1	60.0	55.1	58.8	62.5	56.0

Official data: UK job vacancies

Data from the Office for National Statistics (ONS) signalled a further slowdown in vacancy growth in the three months to August. At 1,266,000 the overall number of open roles was +20% higher than a year ago, but this marked the slowest annual rate of growth since the three months to April 2021. Furthermore, vacancies fell slightly compared to the prior three-month period (three months to May), when they hit an all-time high of 1,300,000.

UK job vacancies



Source: Office for National Statistics.

4 Vacancies by sector

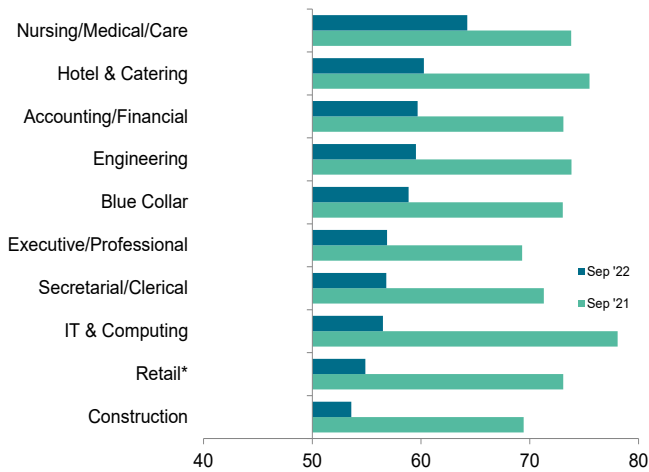
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

Growth of demand for permanent staff softened across nine of the ten monitored job categories in September, with Retail the sole exception. The strongest increase in permanent vacancies was signalled for Nursing/Medical/Care, while the weakest was seen for Construction.

Permanent Vacancies Index

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

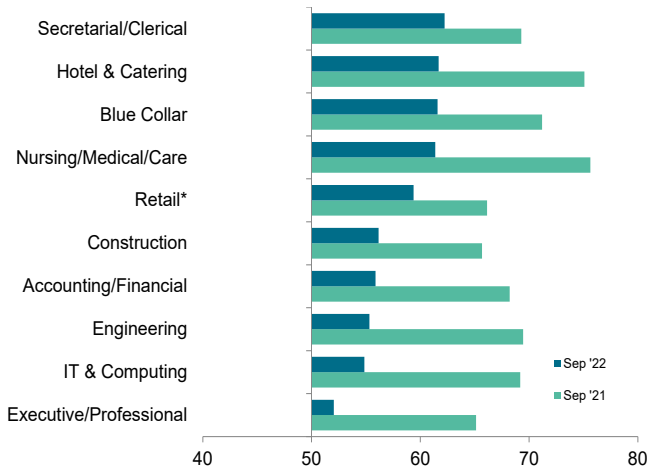


Temporary vacancies

Secretarial/Clerical saw the quickest rise in temporary vacancies during September, and was one of the two categories which did not register slower growth compared to August. Executive/Professional meanwhile saw the slowest increase in temp staff demand.

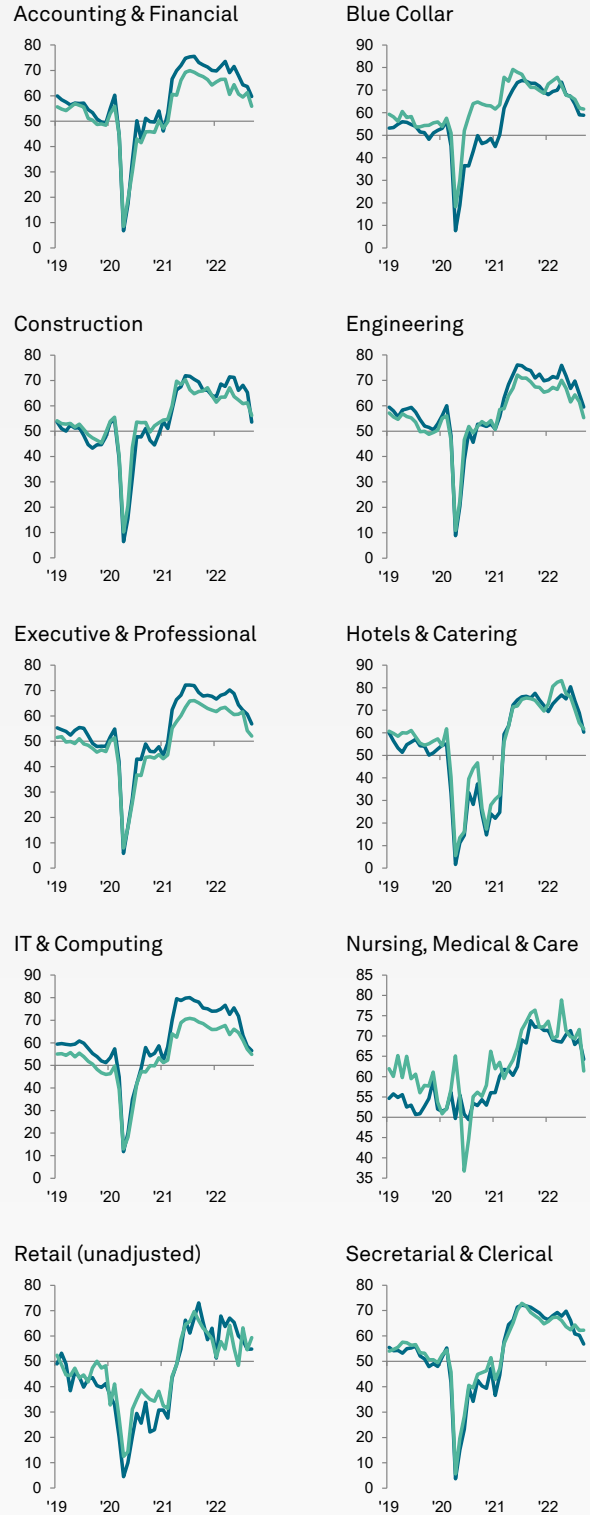
Temporary Vacancies Index

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



Vacancy index by sector

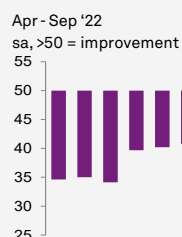
Permanent Temporary
sa, >50 = growth since previous month



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



Availability of staff continues to fall sharply

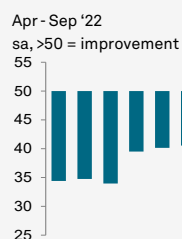
The overall supply of labour across the UK declined for the nineteenth successive month in September. Though sharp and much quicker than the series average, the rate of contraction was the least severe since April 2021.

The reduction was driven by further falls in both permanent and temporary candidate numbers, with the former noting the steeper rate of decline.

Total Staff Availability Index
sa, >50 = improvement since previous month



Permanent Staff Availability Index



Permanent candidate numbers decline markedly

Adjusted for seasonal factors, the Permanent Staff Availability Index posted below the neutral 50.0 threshold to signal a fall in permanent staff supply for the twentieth successive month in September. The pace of decline softened slightly to the weakest for nearly a year-and-a-half, but nevertheless remained historically sharp overall. A key factor weighing on candidate availability was increased market uncertainty, which often meant people were more hesitant to apply for new roles. Reduced candidate numbers were also linked to a generally low unemployment rate and Brexit.

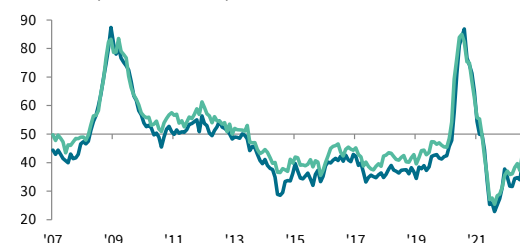
Permanent candidate numbers fell sharply across all four monitored English regions, led by the North of England.

Downturn in temp labour supply eases in September

September data signalled a further deterioration in temp candidate availability across the UK, thereby stretching the current period of reduction to 19 months. Recruiters indicated that fewer foreign workers due to Brexit, skill shortages and a preference for permanent jobs had driven the latest reduction in temp labour supply. Though sharp overall, the rate of decline was the softest seen since March 2021.

The North of England registered the steepest drop in short-term staff availability, while the softest was seen in the South of England.

Permanent Staff Availability Index
Temporary Staff Availability Index
sa, >50 = improvement since previous month



Permanent Staff Availability Index
sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Apr '22	34.4	29.1	35.3	38.1	35.2
May '22	34.8	41.1	32.6	35.0	36.0
Jun '22	34.0	34.7	35.0	32.6	31.2
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

Temporary Staff Availability Index
sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Apr '22	38.3	36.1	36.6	41.0	41.7
May '22	39.7	43.2	37.8	42.3	41.9
Jun '22	37.3	42.1	36.0	37.3	35.2
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

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 Auditors Book Keepers Credit Controllers Estimators Finance Payroll Purchase Ledger Taxation	Executive/Professional Business Analysts Digital Marketing Human Resources Legal Legal Secretarial Management Marketing Project Managers Recruitment Consultants	Secretarial/Clerical Administration Office Staff Personal Assistant
Blue Collar Blue Collar Drivers Electricians HGV Drivers HVAC Industrials Manufacturing Mechanics Refrigeration Security Guards Shipping Warehouse Welders	Hotel/Catering Catering Chefs Hospitality	Other All Types of Candidates Commercial Customer Service German Speakers Health & Safety Life Sciences Logistics Sales Skilled Supply Chain Teachers
Construction Architectural Tech Construction Quantity Surveyors Surveyors	IT/Computing CAD Cyber Security Developers Digital IT Software Engineers Technical Sales Technology	
Engineering Design Engineers Electrical Engineers Engineers Mechanical Engineers Technicians	Nursing/Medical/Care Carers Healthcare Assistants Hearing Aid Dispensers Medical Nurses Optometrists Pharmacists Social Workers	

Skills in short supply: Temporary staff

Accounting/Financial Accountants Auditors Book Keepers Credit Controllers Finance Payroll Taxation	Hotel/Catering Catering Chefs Hospitality	Unskilled
Blue Collar Blue Collar Carpenters Decorators Drivers Electricians HGV Drivers Industrials Labour Manufacturing Rail Security Guards Warehouse Welders	IT/Computing Cyber Security Developers IT Technology	
Construction Bricklayers Construction Labourers	Nursing/Medical/Care Carers Hearing Aid Dispensers Nurses Optometrists Pharmacists Social Workers	
Engineering Engineers	Retail Retail	
Executive/Professional Human Resources Legal Secretarial	Secretarial/Clerical Administration Clerical Office Staff Receptionist	
	Other All Types of Candidates Customer Service Graduates Logistics Skilled Supply Chain Teachers	

Skills in excess supply: Permanent staff

Accounting/Financial Finance	Nursing/Medical/Care Carers
Blue Collar Site Managers Warehouse	Secretarial/Clerical Administration Clerical
Executive/Professional Human Resources Project Managers Recruitment Consultants	Other Customer Service Graduates Home Workers Interior Designers Logistics Sales Skilled Testers Unemployable Unskilled
Hotel/Catering Hospitality	
IT/Computing IT	

Skills in excess supply: Temporary staff

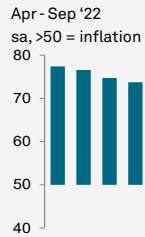
Blue Collar Drivers Factory Site Managers Warehouse	Secretarial/Clerical Administration
Executive/Professional Business Analysts Human Resources Project Managers	Other All Types of Candidates Customer Service Home Workers Unskilled
IT/Computing IT	
Nursing/Medical/Care Carers	
Retail Retail	

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.

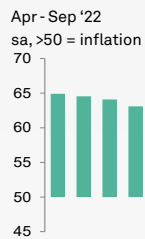
7 Pay pressures

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 pay for permanent staff rises at softer, but still rapid pace

Starting salaries for permanent workers in the UK increased for the nineteenth month running in September. The rate of inflation remained rapid, despite edging down to its lowest since June 2021. Approximately 44% of recruiters noted higher starting salaries, compared to just 2% that saw a decline, with firms often linking the upturn to greater competition for staff and the higher cost of living.

On a regional basis, London saw the steepest increase in permanent pay, though rates of inflation remained sharp elsewhere.

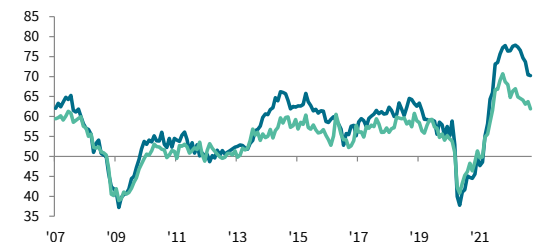
Temp wage inflation slips to 15-month low

Candidate shortages and the rising cost of living also drove a further increase in pay for short-term staff in September. Average hourly wages have now increased in each of the past 19 months. The rate of inflation edged down to its lowest since June 2021, but remained sharp in the context of historical data.

Higher temp wages were recorded across all four monitored English regions, with the South of England noting the steepest rate of inflation.

Permanent Salaries Index

sa, >50 = inflation since previous month



Permanent Salaries Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Apr '22	77.4	74.6	77.4	73.6	79.8
May '22	76.6	78.6	77.3	76.5	72.1
Jun '22	74.7	73.5	74.5	75.0	73.2
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

Temporary Wages Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Apr '22	64.9	62.8	66.6	64.6	66.4
May '22	64.5	62.2	68.4	60.6	64.3
Jun '22	64.1	61.3	66.3	62.0	65.5
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

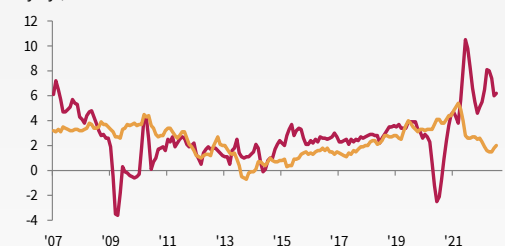
Official data: UK average weekly earnings

Latest data from the Office for National Statistics (ONS) showed that employee earnings (including bonuses) rose +5.5% year-on-year in the three months to July. This marked a slightly quicker rate of growth than that seen over the second quarter (+5.2%), but remained below the increases seen earlier in 2022.

The improvement was driven by quicker rises in both private (+6.2%, up from +6.0%) and public (+2.0%, up from +1.8%) sector earnings.

UK average weekly earnings

■ private ■ public
%yr/yr, 3mma



Source: Office for National Statistics.

8 Special feature

This section features data from the Recruitment and Employment Confederation

Employer confidence drops, job vacancies follow suit

As we enter Q4, economic uncertainty heightens with the rising inflation and interest rates. It is no surprise to see employers' confidence and job postings cooling-off with the current economic climate.

The REC's latest [JobsOutlook](#) shows that in June-August 2022, business confidence in the UK economy fell by a further 9% from the previous rolling quarter. Employers' confidence in making hiring and investment decisions also fell by 7%, the lowest figure on record since our data collection began at the start of 2022. Along with employers' confidence, job vacancies also dropped to levels seen in the beginning of the year, according to the REC's latest [Labour Market Tracker](#). In the week of 19-25 September, active job adverts hit a low of 1.45 million, but this is still a high level relative to pre-pandemic, reflecting the impact of skills shortages.

Although active job postings have cooled down, employment and hours worked are still below pre-pandemic levels. Unemployment has also hit its lowest point in decades. The latest figures from the [Office for National Statistics \(ONS\)](#) reveal that the unemployment rate for May to July 2022 decreased by 0.2% on the quarter to 3.6%, the lowest rate since May to July 1974. This shows that employers are still hiring and the lowest unemployment rate in decades means recruitment remains significant to the UK economy.

The [Office for National Statistics \(ONS\)](#) also discloses that the economic inactivity rate is increased by 0.4% on the quarter to 21.7% in May to July 2022. Despite unemployment plumbing new depths, economic participation is falling, and the continued strong labour demand makes the labour market one of the tightest we've seen. Looking at economic inactivity by reason, the increase in the latest three-month period was driven by those who are students or having long-term sickness.

While returning the National Insurance levels and repealing the changes to IR35 will provide some relief to businesses, labour shortages and economic inactivity are still key issues that need to be tackled. Without action on productivity, higher inflation and higher interest rates will remain. This emphasises the need to attract and support people back into the labour market. Government and businesses need to collaborate to bring young people into the workforce by reforming the skills system. They also need to ensure we have an immigration system that is responsive to the needs of our economy.

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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.

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