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KPMG and REC, UK Report on Jobs

Uncertainty over the outlook weighs on recruitment activity in August

53.3

PERMANENT PLACEMENTS INDEX AUG '22

56.4

TEMPORARY BILLINGS INDEX AUG '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 placement growth remains subdued...

...while temp billings expand at softest rate since February 2021

Vacancy growth slips to 18-month low

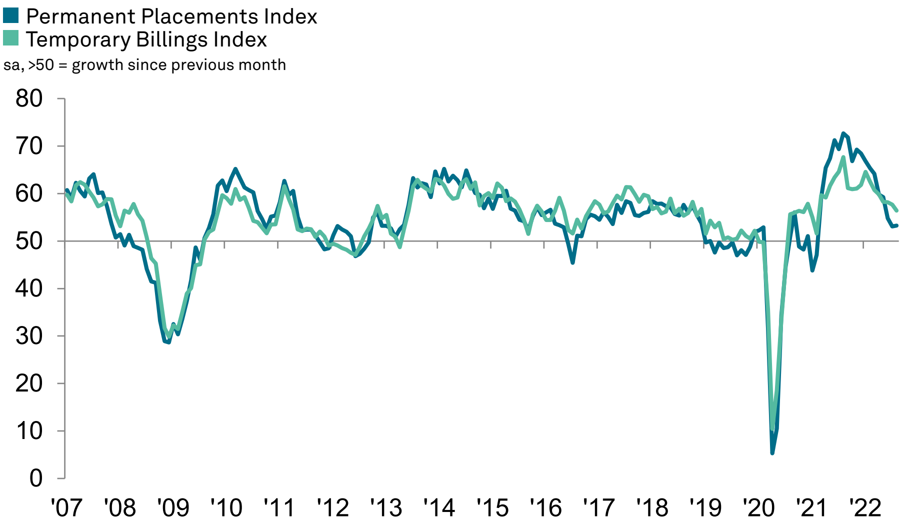
Commenting on the latest survey results, Claire Warnes, Head of Education, Skills and Productivity at KPMG UK, said:

"Unsurprisingly, the economic uncertainty continues to impact all aspects of business as we come to the end of the summer. August's data show an increasingly challenging jobs market, both in the sharp decline in the supply of candidates and in the slowdown in recruitment which we have seen for the last few months. Despite these challenges, it's vital that investment in people continues. Businesses may be better able to weather the economic storm through sustained investment in upskilling the available workforce."

Neil Carberry, Chief Executive of the REC, said:

"August was another month of growing placements across temporary and permanent roles. While the post-pandemic jobs rush is now abating, there were no real signs of a slowdown in employer demand. Indeed, reports from REC members suggest that any lowering of confidence in the market is driven primarily by candidates playing it safe, with the effect of further tightening the market. So it's no surprise that pay rates continue to rise, especially considering increasing inflation. In this market, hiring companies need to think hard about the right approach to getting the skills they need, working with professional recruiters.

"The big question is now about the sustainability of this positive position, as labour shortages damage growth and pay over the long term. Controlling inflation and a clear plan for growth are essential parts of making sure the UK is resilient to economic uncertainty. But both rely on our new Prime Minister and her team working with businesses to address shortages across our labour market. Radical reform of the failed apprenticeship levy, support on small business energy costs, an immigration policy that helps the economy and regulation that supports temporary work rather than penalising it, all have to be on the agenda."



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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 August are:

Economic uncertainty weighs on recruitment plans

UK recruitment consultancies signalled further increases in both permanent staff appointments and temp billings during August. That said, the rate of permanent placement growth was little-changed from July's 17-month low, while temp billings expanded at the softest pace for a year-and-a-half. While strong demand for workers and efforts to fill vacancies supported the overall upturn in hiring, there were reports that greater economic uncertainty, rising costs and candidate shortages had dampened growth.

Overall vacancies expand at slowest rate for 18 months

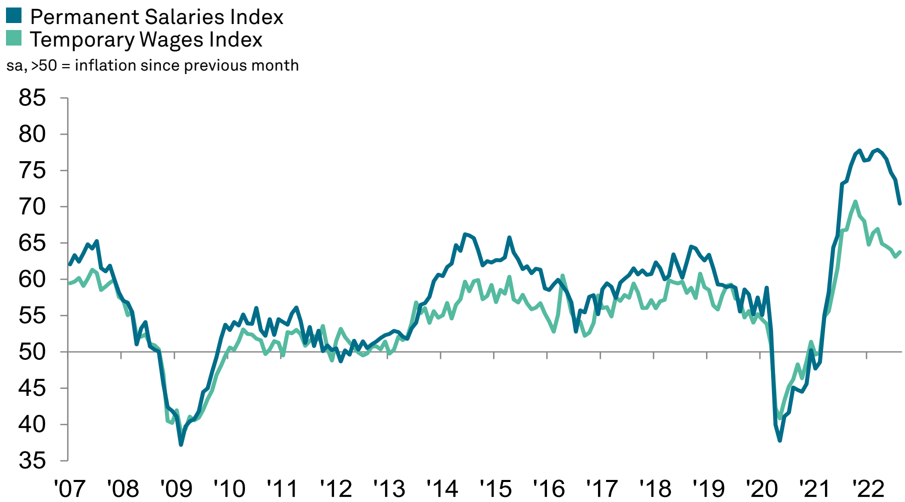
August survey data pointed to a further slowdown in growth of vacancies. Though sharp by historical standards, the latest increase in demand for staff was the weakest seen for 18 months, with recruiters signalling softer rises in both permanent and temporary vacancies.

Softest increase in starting salaries since June 2021

Average starting salaries for permanent staff continued to rise rapidly in August, though the rate of inflation softened further from March's survey record. Notably the rate of salary growth was the softest seen for over a year. Temp wages meanwhile rose at a slightly sharper pace, albeit one that was the second-slowest since June 2021. Higher rates of pay were frequently linked to intense competition for candidates and the rising cost of living.

Candidate availability falls at slightly weaker rate

The overall supply of candidates continued to fall sharply in August, with permanent worker availability deteriorating at a quicker pace than that seen for short-term staff. A generally tight labour market, fewer foreign workers and a reluctance to seek out new roles due to uncertainty weighed on staff supply. That said, the decline in total candidate numbers was the softest seen for 16 months.



2 Staff Appointments

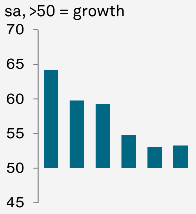
Recruitment consultancies report on the number of people placed in permanent jobs each month, and their revenues (billings) received from placing people in temporary or contract positions at employers.

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

Mar '22 - Aug '22

sa, >50 = growth



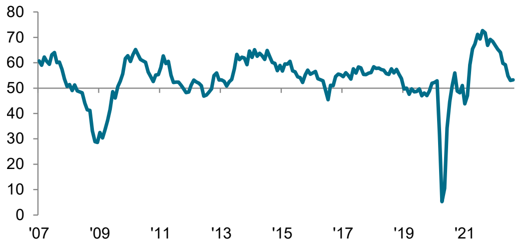
Permanent staff appointments continue to rise

Adjusted for seasonal factors, the Permanent Placements Index remained above the crucial 50.0 no-change mark in August, to signal a sustained increase in permanent staff appointments. Though solid, the rate of growth was only slightly quicker than that seen in July and the second-slowest recorded in the past 18 months. Recruiters often mentioned that greater overall demand for staff and the filling of vacancies had supported the latest upturn in placements. That said, there were also reports that a deteriorating economic outlook, rising costs and candidate shortages had limited growth.

Stronger increases in permanent placements in London and the Midlands helped to offset a slowdown in the South of England and a renewed fall in the North of England.

Permanent Placements Index

sa, >50 = growth since previous month



Permanent Placements Index

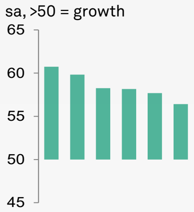
sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Mar '22	64.1	62.4	61.4	67.3	61.5
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

Temporary Billings Index

Mar '22 - Aug '22

sa, >50 = growth



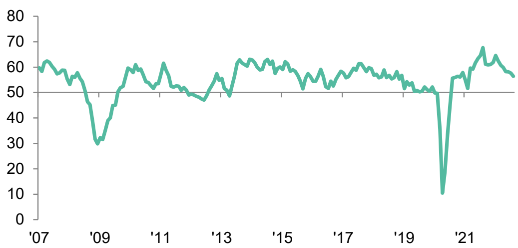
Temp billings expand at slowest rate for a year-and-a-half

Billings received from the employment of short-term/contract staff in the UK increased for the twenty-fifth month running in August. Though sharp and above the series average (55.2) the rate of growth softened for the seventh successive month and was the slowest seen since February 2021. According to anecdotal evidence, demand for temp staff was robust as clients were often keen to fill roles quickly in order to expand capacity and due to difficulties securing permanent workers. Where a reduction in temp billings was reported, this was often linked to low candidate availability, a slowdown in demand at some companies due to economic uncertainty and some clients preferring permanent hires.

All four monitored English regions recorded marked increases in temp billings, with the quickest expansion seen in London.

Temporary Billings Index

sa, >50 = growth since previous month



Temporary Billings Index

sa, >50 = growth since previous month

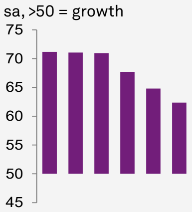
	UK	London	South	Midlands	North
Mar '22	60.7	67.4	56.4	64.0	58.0
Apr '22	59.8	60.3	57.0	63.6	55.2
May '22	58.3	52.5	56.9	57.9	61.6
Jun '22	58.2	64.6	53.5	52.3	62.3
Jul '22	57.7	62.0	55.3	50.7	59.6
Aug '22	56.4	58.7	58.0	55.2	55.0

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.

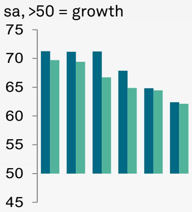
Total Vacancies Index

Mar '22 - Aug '22
sa, >50 = growth



Permanent
Temporary

Mar '22 - Aug '22
sa, >50 = growth



Vacancy growth slips to 18-month low

At 62.4 in August, the seasonally adjusted Total Vacancies Index declined from 64.8 in July to signal a slower increase in demand for staff. Though sharp and above the series average (57.7), the rate of growth was the softest seen for a year-and-a-half.

Permanent and temporary vacancies

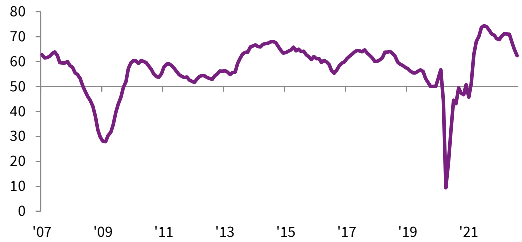
Recruiters recorded slower increases in temporary and permanent staff vacancies during August. Although rising markedly overall, both of the respective indices posted their lowest readings since February 2021.

Public & private sector vacancies

Latest data signalled a further slowdown in vacancy growth across the private and public sectors in August. The steepest increase in demand was seen for private sector staff - with permanent and temporary positions rising at identically sharp (albeit slower) rates. The weakest increase in vacancies was once again signalled for short-term positions in the public sector, where growth eased to a 17-month low.

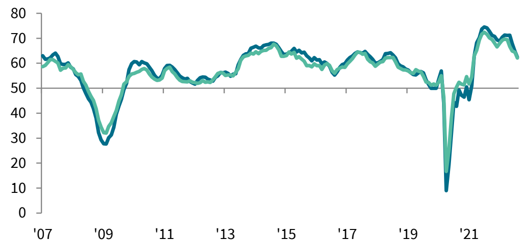
Total Vacancies Index

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.

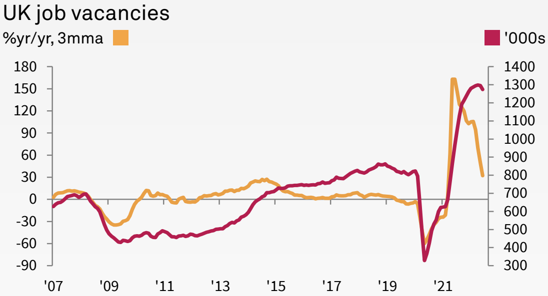
		Permanent			Temporary		
	Total	Total	Private*	Public*	Total	Private*	Public*
Mar '22	71.2	71.3	77.6	66.5	69.7	71.9	67.9
Apr '22	71.1	71.2	73.7	65.2	69.4	66.2	64.2
May '22	71.0	71.2	72.3	65.9	66.7	67.3	63.8
Jun '22	67.7	67.9	68.3	65.9	64.9	65.5	61.5
Jul '22	64.8	64.8	65.6	59.3	64.4	64.6	61.0
Aug '22	62.4	62.4	63.4	57.3	62.1	63.4	55.8

Official data: UK job vacancies

Data from the Office for National Statistics (ONS) signalled a slight fall in total vacancies during the three months to July. At 1,274,000, the overall number of vacant roles was down from 1,294,000 in the three months to April, which represented the first three-month-on-three-month decline for nearly two years.

Nevertheless, the figure remained very close to the all-time record of 1,299,000 (in the three months to May 2022), and was approximately 55% higher than the number of vacancies recorded just before the COVID-19 pandemic (823,000 in the three months to February 2020).

UK job vacancies



Source: Office for National Statistics.

4 Vacancies by sector

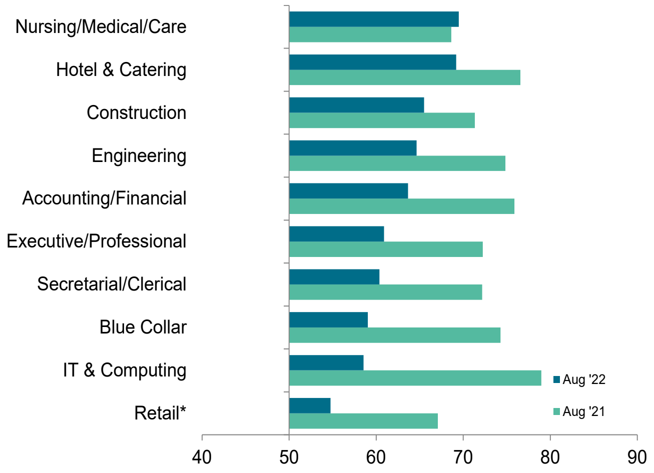
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

Nursing/Medical/Care topped the permanent staff demand league table in August, followed closely by Hotel & Catering. The softest upturn in vacancies was once again signalled for Retail.

Permanent Vacancies Index

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

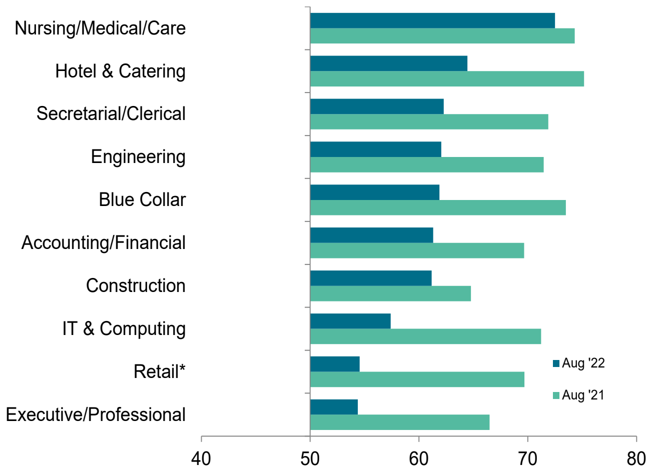


Temporary vacancies

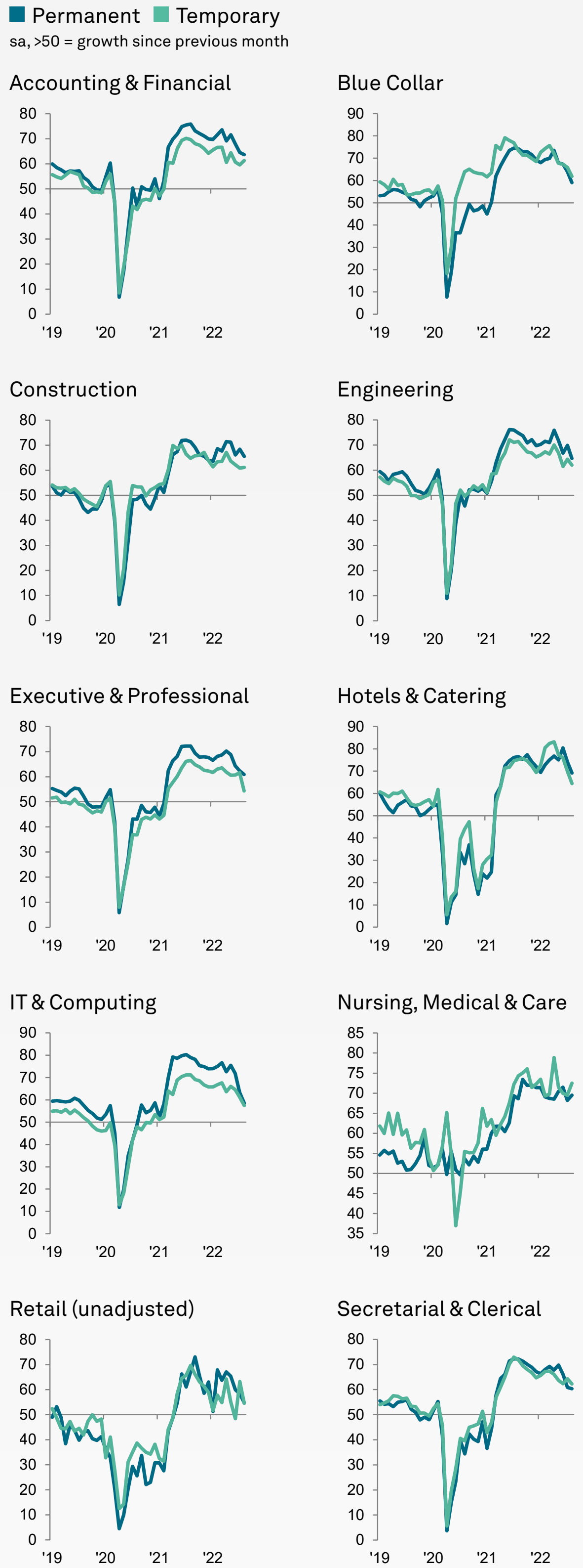
All ten monitored job categories recorded higher temporary vacancies midway through the third quarter. Nursing/Medical/Care signalled by far the steepest increase in demand for short-term workers, while Executive/Professional saw the weakest.

Temporary Vacancies Index

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



Vacancy index by sector



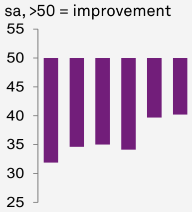
5 Staff availability

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

Mar '22 - Aug '22

sa, >50 = improvement

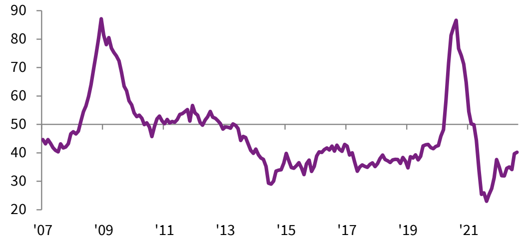


Overall candidate availability falls at softest rate in 16 months

The seasonally adjusted Total Staff Availability Index posted 40.2 in August, up from 39.7 in July and indicating a reduction in the overall availability of workers for the eighteenth successive month. That said, the rate of decline eased slightly on the month, and was the slowest recorded since April 2021. Nevertheless, the deterioration in staff supply remained much quicker than seen on average since the survey began in October 1997 (47.1).

Total Staff Availability Index

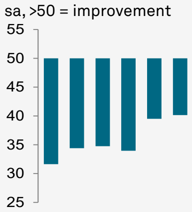
sa, >50 = improvement since previous month



Permanent Staff Availability Index

Mar '22 - Aug '22

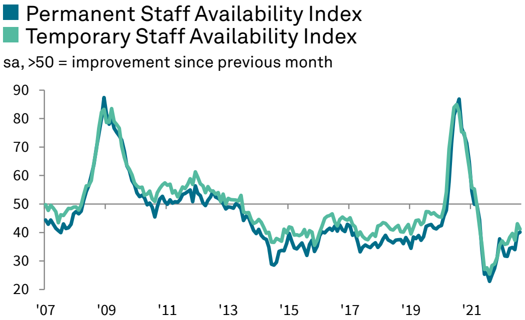
sa, >50 = improvement



Downturn in permanent staff supply continues to ease

The softer decline in overall candidate numbers was largely driven by a weaker drop in permanent worker availability during August. Although sharp overall, the reduction in permanent labour supply was the slowest seen for 16 months. Anecdotal evidence linked the latest decrease to a generally low unemployment rate and skills shortages, though there were also reports that greater uncertainty around the outlook and concerns over job security had deterred some people from seeking out new jobs.

On a regional basis, the quickest fall in permanent candidate numbers was seen in the North of England, while London saw the softest.



Permanent Staff Availability Index

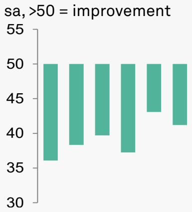
sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Mar '22	31.6	21.9	31.8	35.0	34.8
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

Temporary Staff Availability Index

Mar '22 - Aug '22

sa, >50 = improvement



Availability of temp workers falls at quicker rate

August survey data indicated a renewed acceleration in the rate of decline in temp staff availability. The rate of deterioration was much quicker than seen on average (49.4) and sharp overall. That said, it was the second-slowest seen since April 2021. The latest reduction was attributed to strong demand for staff and low supply, while fewer overseas workers and a preference for permanent positions also restricted the pool of temporary candidates.

All four monitored English regions registered faster drops in temp labour supply, led by London.

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Mar '22	36.1	29.7	36.9	39.0	37.6
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

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

Blue Collar
Drivers
Electricians
Industrials
Manufacturing
Security Guards
Site Managers
Warehouse

Construction
Construction

Engineering
Design Engineers
Engineers
Mechanical Engineers
Technicians

Executive/ Professional
Digital Marketing
Human Resources
Legal
Marketing
Project Managers
Recruitment Consultants
Scientists

Hotel/Catering
Catering
Chefs
Hospitality

IT/Computing
.Net
CAD
Data Engineers
Developers
Digital
IT
Software
Technical Sales
Technology

Nursing/Medical/ Care
Healthcare Assistants
Nurses
Social Workers

Retail
E-commerce
Retail

Secretarial/Clerical
Administration
Clerical
Office Staff
Receptionist

Other
All Types of Candidates
Buyers
Commercial
Customer Service
Graduates
Life Sciences
Logistics
Sales
Skilled
Supply Chain
Team Leaders
Unskilled

Skills in short supply: Temporary staff

Accounting/Financial
Accountants
Auditors
Book Keepers
Credit Controllers
Finance
Payroll
Taxation

Blue Collar
Blue Collar
Carpenters
Decorators
Drivers
Electricians
HGV Drivers
Industrials
Manufacturing
Production
Security Guards
Warehouse
Welders

Construction
Architectural Tech
Bricklayers
Construction
Construction Site
Labourers
Managers

Engineering
Engineers
Marine Engineers

Executive/ Professional
Business Analysts

Hotel/Catering
Catering
Chefs
Kitchen Porters

IT/Computing
Developers
Digital
IT
Software
Technology

Nursing/Medical/ Care
Carers
Healthcare Assistants
Nurses
Social Workers
Support Workers

Retail
Retail

Secretarial/Clerical
Administration
Clerical
Office Staff
Receptionist
Secretary

Other
All Types of Candidates
Call Centre
Customer Service
Customs
Graduates
Logistics
Skilled
Students
Unskilled

Skills in excess supply: Permanent staff

Accounting/Financial
Financial Controllers
Payroll

Blue Collar
Warehouse

Executive/ Professional
Executives
Human Resources
Project Managers

IT/Computing
Analysts
IT

Secretarial/Clerical
Administration
Personal Assistant

Other
Customer Service
Graduates
Sales
Testers

Skills in excess supply: Temporary staff

Accounting/Financial
Payroll

Blue Collar
Factory
Site Managers

Engineering
Design Engineers

Executive/ Professional
Project Managers

IT/Computing
Analysts
IT

Retail
Retail

Secretarial/Clerical
Administration

Other
Customer Service
Graduates
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.

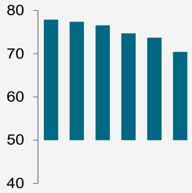
7 Pay pressures

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

Mar '22 - Aug '22

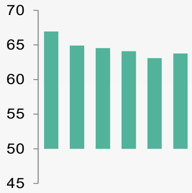
sa, >50 = inflation



Temporary Wages Index

Mar '22 - Aug '22

sa, >50 = inflation



Starting salary inflation edges down to 14-month low

UK recruitment consultancies signalled a sustained and sharp increase in salaries awarded to new permanent joiners during August. That said, the rate of inflation eased for the fifth month in a row to the softest since June 2021. Staff shortages and competition for candidates had reportedly pushed up salaries, as well as the higher cost of living.

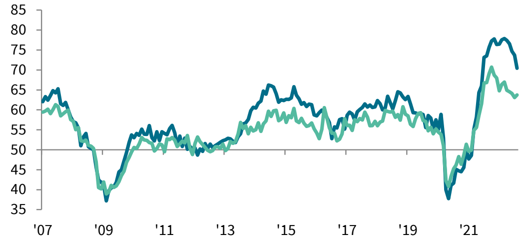
Slower, but still sharp increases in permanent salaries were seen in all four monitored English regions bar the Midlands.

Stronger rise in temp pay during August

The seasonally adjusted Temporary Wages Index remained comfortably above the neutral 50.0 threshold to signal a further marked increase in average hourly rates of pay for short-term staff in August. The rate of inflation picked up slightly from July, but was nonetheless the second-softest seen in 14 months. Recruiters frequently mentioned that increased living costs and low candidate supply had driven up wages.

The Midlands registered the sharpest upturn in temp pay, while the softest was seen in the North of England.

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



Permanent Salaries Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Mar '22	77.9	78.9	76.2	74.1	81.6
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

Temporary Wages Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Mar '22	66.9	65.2	66.1	67.1	70.8
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

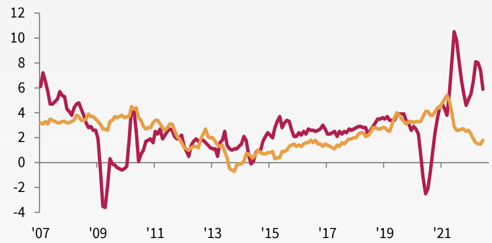
Official data: UK average weekly earnings

Data from the Office for National Statistics (ONS) indicated that employee earnings (including bonuses) increased +5.1% on an annual basis over the second quarter of 2022. Although still strong by historical standards, this marked the softest rate of growth since the three months to January 2022.

Underlying data showed that the weaker rate of growth was driven by a slower increase in private sector pay (+5.9%, down from +7.4%), as public sector earnings rose at a slightly quicker pace (+1.8%, up from +1.5%).

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

Vacancies hit all-time high as economic uncertainty continues

Economic uncertainty in the UK continues to heighten and employers' confidence continues to drop. The UK economy remains turbulent as record vacancy numbers highlight the risk posed by labour shortages.

The REC's latest *JobsOutlook* shows that in May-July 2022, business confidence in the UK economy fell by a further 5% from the previous rolling quarter. Employers' confidence in making hiring and investment decisions also fell by 5%. The latest *KPMG and REC UK Report on Jobs* survey showed that permanent staff appointments continued to expand at a relatively subdued pace and temp billings growth edged down to its lowest for 18 months, as increased uncertainty around the outlook led some businesses to become more cautious around staff hiring.

However, according to the REC's latest *Labour Market Tracker*, active job adverts hit a record high of 2.08 million for 2022. The rising number of active postings likely reflects job adverts being left open for longer, with employers across the country struggling to attract candidates for their vacancies. Businesses are desperate to hire new staff despite uncertainty in the economy, and the increase in temporary workers emphasises the vital role this type of engagement plays in helping firms stay productive when skills are scarce. Despite rising inflation and energy costs, there is no sign that the labour market is starting to shrink.

Starting salaries are also growing strongly for employers to stay competitive. However, the Institute for Employment Studies points out that pay overall continues to fall sharply in real terms. Soaring inflation is wiping out strong nominal pay growth, pushing 'real' pay into the negative – falling by 2.2% in real terms in the private sector and by 5.6% in real terms in the public sector. Inflation is also driving up operating costs for businesses. With companies struggling to cover theses rises through higher productivity, higher prices are passed on to customers. Business surveys are showing labour costs as a key driver of rising prices.

The UK labour market has previously met higher demand with higher supply, but this link has now been broken. All of this only stresses the importance of businesses working with professional recruiters on their workforce planning. Part of the solution will be more inclusive recruitment processes, but it also means investing in training and ensuring working conditions and benefits are competitive enough to help attract and retain talented people, so that your business can stay productive during uncertain times.

Contact

KPMG
Chris Mostyn
Deputy Head of Media Relations
T: +44 (0)7512 448000
chris.mostyn@kpmg.co.uk

REC
Shazia Ejaz
Director of Campaigns
T: +44 (0)20 7009 2157
shazia.ejaz@rec.uk.com

S&P Global
Annabel Fiddes
Economics Associate Director
S&P Global Market Intelligence
T: +44 149 146 1010
annabel.fiddes@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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.

About S&P Global
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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.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.