

KPMG and REC, UK Report on Jobs

Lingering uncertainty around the outlook leads to greater reliance on temp staff in April

44.2

PERMANENT PLACEMENTS INDEX
APR '23

53.3

TEMPORARY BILLINGS INDEX
APR '23

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.

Temp billings expand at quickest rate in seven months...

... as permanent placements drop at steeper pace

Starting pay inflation remains sharp

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

"The preference for hiring short-term staff continued unabated into April. Businesses remain cautious about committing to permanent hires in the face of ongoing economic uncertainty, which led to the quickest increase in temporary billings for seven months."

"Recruitment freezes and candidates lacking the right skills were also cited as causing this divergence, with permanent staff appointments contracting at the fastest rate in two years."

"For businesses looking to hire there are some green shoots in candidate availability, as supply improved for the second month in a row. Starting rates of pay for both permanent and temporary positions are still rising at historically sharp rates, giving people an incentive to move roles."

"But skills shortages still dominate the market with no signs of progress. Government and businesses must do more to avert this skills crisis."

Neil Carberry, REC Chief Executive, said:

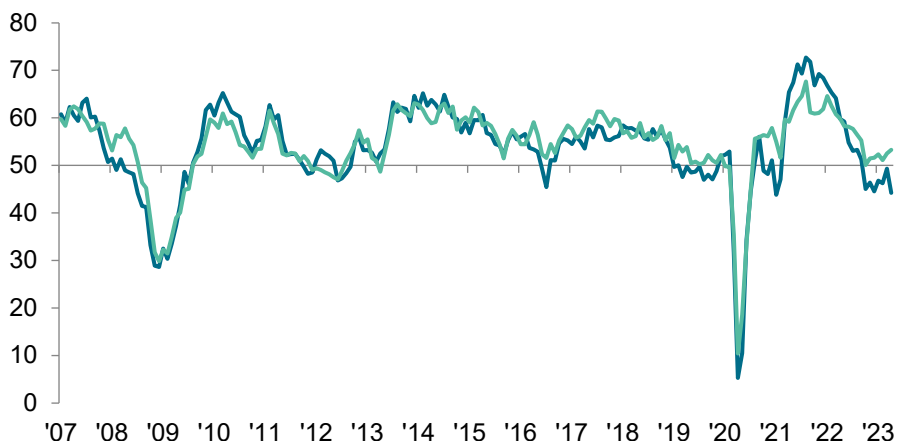
"This data shows how uncertain many employers are feeling right now. The good news is they still need to hire, as growing vacancies show. But firms are hedging their bets. After a better month in March, in April we saw permanent hiring fall back quickly and businesses turn to temps to help them through. London had a particularly difficult month."

"The picture varies for temporary recruitment too, with REC members reporting weaker demand in some sectors than others as sectors like logistics, driving and food are heavily affected by changing consumer behaviour. Taken together, however, there is still plenty of opportunity out there for jobseekers. Wages are rising strongly for both temps and new permanent hires in the face of inflation, even though candidate availability is finally starting to improve."

"For employers, hiring is unlikely to get easier soon. Those businesses that succeed will have good, long-term strategies for accessing talent from a wide range of sources, including retraining. Recruiters are well-placed to help with this. Nowhere is the need for a strong hiring strategy more obvious than in our largest employer, the NHS, where the failure to partner properly with NHS staffing suppliers is lengthening waiting times and costing the public purse more than necessary. Reforming NHS frameworks in partnership with the industry would be in the interests of patients, medical staff and the taxpayer."

■ 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 April are:

Temp billings growth quickens, but permanent staff appointments fall again

UK recruitment consultancies signalled a further shift in hiring preferences from permanent to temporary workers amid lingering economic uncertainty around the outlook and rising costs in April. Notably, permanent placements fell for the seventh month in a row, and at the quickest rate since the start of 2021. In contrast, temp billings expanded solidly, with the rate of growth the fastest for seven months.

Supply of workers improves for second month running

April data pointed to a sustained improvement in the availability of candidates. The rate at which labour supply improved quickened slightly on the month but remained modest overall. Underlying data showed that a slightly faster rise in permanent candidate numbers contrasted with a softer upturn in temp staff availability. Recruiters often linked higher staff supply to redundancies and workers looking for better paid roles amid the rising cost of living.

Stronger increases in starting pay

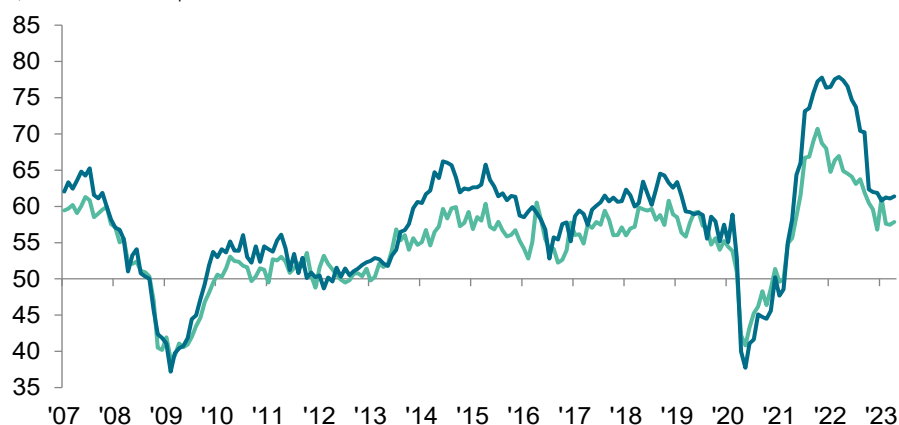
Starting salaries for permanent workers continued to rise at a historically sharp pace in April, with the rate of inflation picking up to a four-month high. At the same time, temp wage growth improved to the highest since January. Higher rates of starting pay were frequently attributed to efforts to attract and secure suitably-skilled staff and bumps to pay to reflect the higher cost of living.

Vacancy growth slips to three-month low

Although demand for staff continued to rise in April, the overall rate of vacancy growth slipped to a three-month low and remained weaker than the series long-run average. The softer upturn in demand was largely driven by a slower increase in permanent vacancies, as the number of temp roles increased at a sharper pace.

■ Permanent Salaries Index
■ Temporary Wages Index

sa, >50 = inflation since previous month

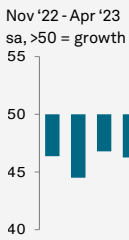


2 Staff Appointments

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



Steepest decline in permanent placements since January 2021

The seasonally adjusted Permanent Placements Index fell further below the neutral 50.0 value, to signal a quicker decline in permanent staff appointments during April. Permanent placements have now fallen in each of the past seven months, with the latest reduction the sharpest since January 2021. Weaker economic conditions and rising costs had led to recruitment freezes and delayed decision-making regarding staff hiring at clients, according to panellists. Some recruiters also mentioned that shortages of suitably-skilled candidates had impacted their ability to fill permanent positions.

All four monitored English regions noted lower permanent staff appointments in April, led by London.

Permanent Placements Index

sa, >50 = growth since previous month

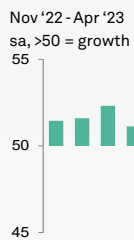


Permanent Placements Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Nov '22	46.4	44.4	45.8	52.5	45.7
Dec '22	44.5	46.6	40.6	44.7	44.5
Jan '23	46.8	47.9	45.9	41.3	48.3
Feb '23	46.3	42.2	47.1	44.9	51.5
Mar '23	49.3	40.2	51.2	49.0	49.7
Apr '23	44.2	35.3	46.2	44.7	43.8

Temporary Billings Index



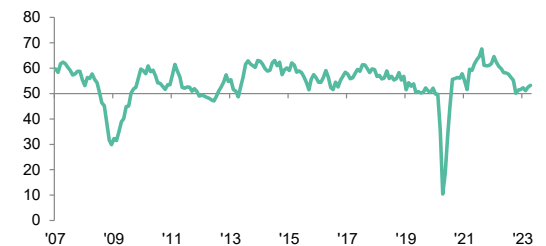
Quickest expansion in temp billings for seven months

Billings received from the employment of short-term staff increased again in April, stretching the current sequence of growth to 33 months. Notably, the rate of expansion picked up for the second straight month and was the quickest recorded since last September. Recruiters linked the latest upturn in temp billings to a preference for short-term staff over permanent workers due to lingering economic uncertainty.

Data broken down by English region showed the steepest increase in temp billings in the South of England. The Midlands bucked the wider trend and was the only area to register a reduction.

Temporary Billings Index

sa, >50 = growth since previous month



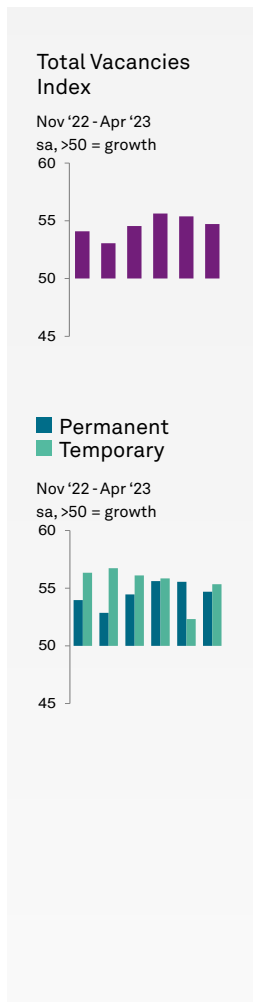
Temporary Billings Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Nov '22	51.5	52.0	56.5	49.2	45.4
Dec '22	51.6	51.5	55.9	50.6	50.8
Jan '23	52.3	55.2	51.0	48.6	56.7
Feb '23	51.1	52.2	53.1	46.0	53.5
Mar '23	52.5	57.6	52.5	48.2	54.9
Apr '23	53.3	51.5	56.8	47.2	54.2

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.



Vacancy growth edges down to three-month low

The seasonally adjusted Total Vacancies Index posted above the neutral 50.0 threshold at 54.7 in April, to signal a strong increase in overall demand for workers. That said, the index slipped from 55.4 in March, and pointed to the softest upturn in three months that was also slower than the series average (57.7).

Permanent and temporary vacancies

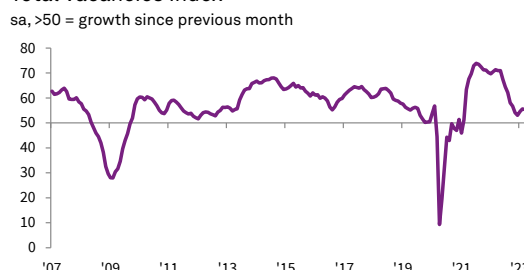
April survey data pointed to an accelerated rise in temp vacancies. The respective index rose notably from March's 26-month low and pointed to a sharp upturn in demand. Demand for permanent workers also rose markedly, though the rate of vacancy growth edged down to a three-month low.

Public & private sector vacancies

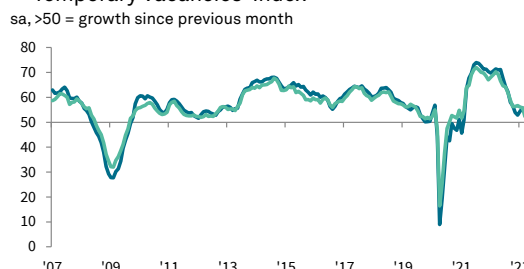
Vacancies continued to increase across both the private and public sectors at the start of the second quarter.

Growth of demand for temporary staff improved to similarly sharp rates across both sectors. Permanent staff vacancies meanwhile rose at a quicker rate in the public sector than in the private sector, with the latter seeing the softest upturn in demand for four months.

Total Vacancies Index



Permanent Vacancies Index
Temporary Vacancies Index



Vacancy Index summary

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

	Total	Permanent		Temporary			
		Total	Private*	Public*	Total	Private*	Public*
Nov '22	54.1	54.0	54.1	53.2	56.3	57.6	50.0
Dec '22	53.1	52.9	53.1	51.8	56.7	57.6	52.4
Jan '23	54.5	54.5	58.5	51.1	56.1	54.6	51.9
Feb '23	55.6	55.6	55.9	55.1	55.8	53.8	56.6
Mar '23	55.4	55.6	55.9	53.7	52.3	52.2	52.9
Apr '23	54.7	54.7	54.5	55.4	55.3	55.3	55.5

Official data: UK job vacancies

Latest data from the Office for National Statistics (ONS) showed that overall vacancies fell for the tenth successive period in the three months to March 2023.

At 1,105,000, the total number of vacancies fell by 46,000 compared to the final quarter of 2022, to reach the lowest figure since the three months to August 2021. Nevertheless, this was still just over a third (+33.8%) higher than the number of open roles recorded just before the onset of the pandemic (826,000 in the three months to February 2020).

UK job vacancies



Source: Office for National Statistics.

4 Vacancies by sector

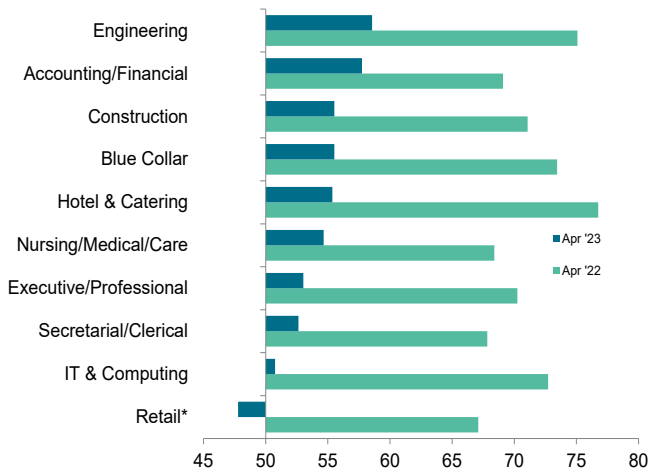
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

Permanent vacancies increased in nine of the ten monitored job sectors during April. Engineering topped the rankings, closely followed by Accounting/Financial. Retail was the only category to register a fall in demand.

Permanent Vacancies Index

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

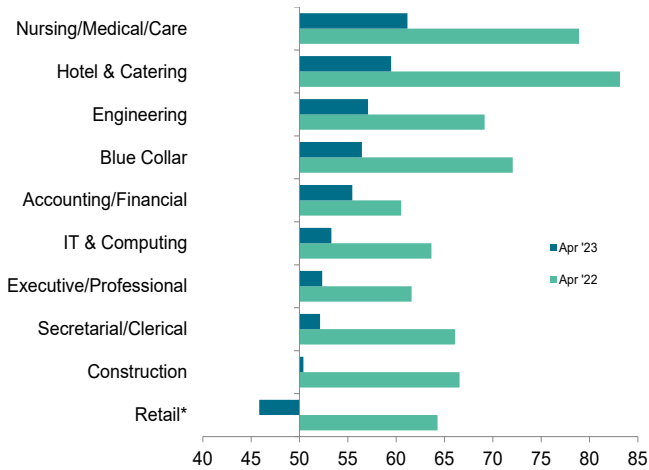


Temporary vacancies

Nursing/Medical/Care topped the temporary staff demand league table at the start of the second quarter, followed by Hotel & Catering and Engineering. The only monitored sector to see reduced demand for short-term staff was Retail.

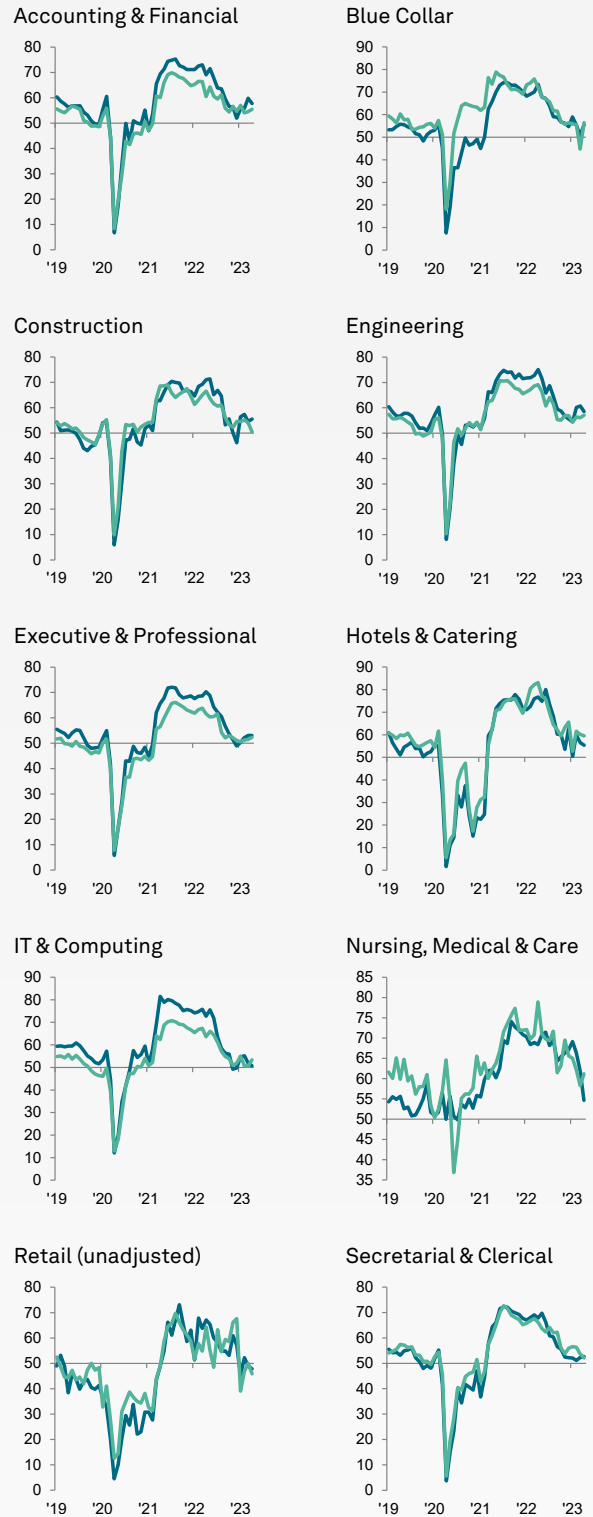
Temporary Vacancies Index

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



Vacancy index by sector

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

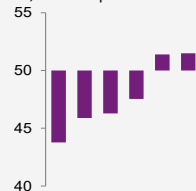


5 Staff availability

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

Nov '22 - Apr '23
sa, >50 = improvement



Labour supply expands for second month in a row

The seasonally adjusted Total Staff Availability Index pointed to back-to-back increases in overall candidate supply in April. Though only modest, the rate of expansion was the quickest recorded since January 2021, and contrasted with steep declines for much of the past two years.

Underlying data indicated that the upturn was largely driven by increased permanent candidate numbers, as temp staff supply rose only fractionally.

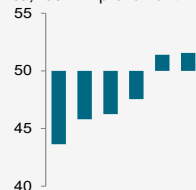
Total Staff Availability Index

sa, >50 = improvement since previous month



Permanent Staff Availability Index

Nov '22 - Apr '23
sa, >50 = improvement



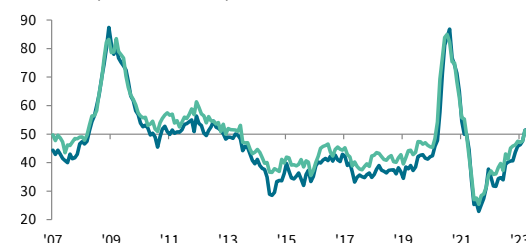
Availability of permanent staff improves modestly

The availability of staff for permanent positions across the UK increase for the second month in a row in April. Though modest, the rate of improvement was slightly faster than that seen in March and the best recorded since January 2021. Higher permanent labour supply was most commonly linked to an increase in job seekers due to redundancies and reduced hiring activity. There were also reports that some people were more willing to apply for new roles to secure higher paid positions amid the rising cost of living.

All four monitored English regions registered increased permanent candidate availability, with London seeing by far the steepest upturn.

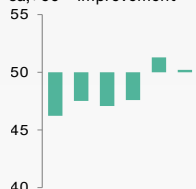
Permanent Staff Availability Index

sa, >50 = improvement since previous month



Temporary Staff Availability Index

Nov '22 - Apr '23
sa, >50 = improvement



Softer increase in temp candidate supply

After rising for the first time in just over two years in March, recruiters signalled a further improvement in temp staff supply during April. That said, the rate of growth weakened on the month and was only fractional. Recruiters often commented that the availability of workers for short-term roles had increased due to redundancies, weaker-than-anticipated demand for temp staff, and a preference among candidates for permanent roles.

The North of England and London registered further improvements in temp labour supply, which offset mild falls in the South of England and the Midlands.

Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Nov '22	43.6	49.7	48.1	50.4	33.2
Dec '22	45.8	51.8	49.2	43.0	44.8
Jan '23	46.2	54.5	46.5	44.2	44.2
Feb '23	47.5	51.6	49.4	47.5	45.7
Mar '23	51.4	50.6	52.2	49.1	56.5
Apr '23	51.6	56.0	50.5	50.3	51.7

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Nov '22	46.2	46.3	46.6	46.4	50.1
Dec '22	47.5	49.1	48.3	47.3	47.1
Jan '23	47.1	52.2	49.5	41.8	43.5
Feb '23	47.6	54.8	44.6	46.4	47.5
Mar '23	51.3	50.2	49.7	49.5	55.2
Apr '23	50.2	51.8	49.5	48.8	54.6

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 Finance Financial Controllers Payroll Taxation	Marketing PR Procurement Project Managers Hotel/Catering Chefs Hospitality IT/Computing Automation Testers Cyber Security Data Engineers Data Scientists Developers IT Programmers Software Software Engineers Technology	Secretarial/Clerical Administration Office Staff Other All Types of Candidates Commercial Customer Service Logistics Sales Security Skilled Supply Chain Teachers Telesales
Blue Collar Blue Collar Drivers HVAC Industrials Manufacturing Mechanics Refrigeration Warehouse Welders	Nursing/Medical/Care Carers Doctors Healthcare Assistants Nurses Occupational Therapist Paramedics Physiotherapist Social Workers Support Workers	
Construction Architectural Tech Cladders Quantity Surveyors	Retail Retail	
Engineering Design Engineers Electrical Engineers Engineers Technicians		
Executive/Professional Compliance Human Resources Legal		

Skills in short supply: Temporary staff

Accounting/Financial Accountants Auditors Book Keepers Credit Controllers Finance Payroll Blue Collar Blue Collar Drivers Forklift Drivers HGV Drivers Manufacturing Production Security Guards Warehouse Welders	IT/Computing Developers IT Programmers Software Technology Nursing/Medical/Care Carers Nurses Social Workers Support Workers Retail Retail Secretarial/Clerical Administration Office Staff Receptionist Other All Types of Candidates Call Centre Customer Service Security Skilled Teachers Unskilled
Construction Bricklayers Construction Labourers	
Engineering Engineers	
Executive/Professional Human Resources Management Project Managers	
Hotel/Catering Chefs Hospitality	

Skills in excess supply: Permanent staff

Accounting/Financial Accountants Finance Directors Management Accountants	IT/Computing IT Programmers Technology
Blue Collar Manufacturing Site Managers	Nursing/Medical/Care Carers
Engineering Engineers	Secretarial/Clerical Administration Clerical
Executive/Professional Business Analysts Human Resources Management Marketing Project Managers Recruitment Consultants	Other Customer Service Graduates Sales Testers Unskilled

Skills in excess supply: Temporary staff

Blue Collar Blue Collar Decorators Site Managers Warehouse	Nursing/Medical/Care Carers Doctors Healthcare Assistants Nurses
Executive/Professional Business Analysts Project Managers	Secretarial/Clerical Administration
Hotel/Catering Hospitality	Other Logistics Unskilled
IT/Computing Digital IT	

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.



Starting salary inflation ticks up to four-month high

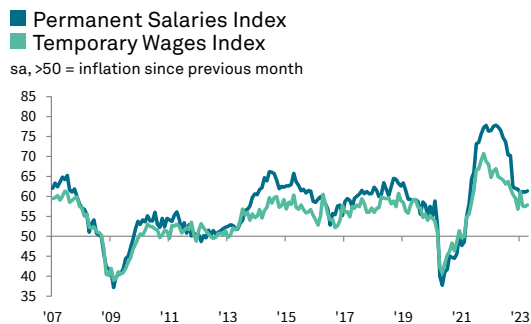
As has been the case since March 2021, average starting salaries for UK workers increased during April. Although below the average seen over this period, the rate of pay growth improved to a four-month high and remained sharp overall. Increased competition to attract and secure suitably-skilled staff and the rising cost of living were cited as key drivers of salary inflation in the latest survey period.

The North of England recorded the quickest increase in starting salaries, though sharp rates of growth were also seen elsewhere.

Slightly quicker rise in temp pay rates

UK recruitment consultancies registered a further steep increase in average pay for short-term staff at the start of the second quarter. Notably, the rate of wage inflation ticked up to the sharpest seen since January. Where higher average hourly pay rates were registered, recruiters often linked this to the higher cost of living and shortages of skilled workers.

Temp pay rates increased across all four monitored English regions during April, with the North of England posting the quickest rate of inflation.



Permanent Salaries Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Nov '22	62.0	61.7	63.4	63.7	58.9
Dec '22	61.9	59.5	60.1	62.5	61.7
Jan '23	60.8	60.4	59.5	57.9	60.9
Feb '23	61.3	61.0	60.7	61.9	62.9
Mar '23	61.1	54.7	58.5	60.9	67.3
Apr '23	61.4	58.0	62.2	59.7	65.7

Temporary Wages Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Nov '22	59.6	59.5	56.2	57.3	62.6
Dec '22	56.8	56.1	54.6	55.8	58.1
Jan '23	61.1	57.5	61.5	62.0	60.0
Feb '23	57.6	53.2	58.2	57.4	57.9
Mar '23	57.5	54.8	56.9	56.9	60.7
Apr '23	57.9	58.6	54.6	54.4	62.9

Official data: UK average weekly earnings

Data from the Office for National Statistics (ONS) showed that employee earnings growth (including bonuses) held steady at +5.9% in the three months to February 2023. Although softer than most of those seen in the second half of 2022, the rate of inflation remained sharp in the context of the series history.

A slightly softer increase in pay in the private sector (+6.1%; its lowest since the three months to June 2022) was offset by stronger earnings growth in the public sector. Notably, the latter recorded the quickest rise in pay for nearly two years (+5.3%).

UK average weekly earnings %yr/yr, 3mma



Source: Office for National Statistics.

8 Special feature

This section features data from the Recruitment and Employment Confederation

Labour market improves but skills shortages still dominate

In spite of the uncertain economic outlook, the UK labour market continues to perform strongly with employment rising and unemployment remaining low. But while the workforce has expanded in recent months, the labour market remains tight as demand for staff stays above pre-pandemic levels, suggesting that employers are still finding hiring difficult.

Similar to last month, the latest data from the [Office for National Statistics \(ONS\)](#) showed some improvements in workforce participation. The employment rate in December 2022 to February 2023 improved by 0.2% and the economic inactivity rate decreased by 0.4% compared to the previous rolling quarter. With the unemployment rate remained broadly flat, the UK's labour market continues to show signs of recovery.

However, other data from the ONS points to the persisting challenges of the current labour market. Although the number of vacancies fell on the quarter for the ninth consecutive period in January to March 2023, it still remained 304,000 above the January to March 2020 pre-pandemic levels. Similarly, total hours worked increased in December 2022 to February 2023, but remained 1.7 million below the December 2019 to February 2020 pre-pandemic levels. In addition, the number of people who are economically inactive remained 0.9% higher than before the pandemic, and economic inactivity due to long-term sickness rose again to a record high in December 2022 to February 2023. Major issues in the labour market still need to be resolved.

As the [Institute of Employment Studies](#) comments, progress in the labour market is painfully slow and many of those who are most disadvantaged are struggling to get into work even as the economy continues to create jobs. The defining features of the UK's labour market are still skills shortages and economic inactivity. Addressing these will be vital to increase productivity and economic growth.

The recent Spring Budget was right to put the challenge of labour availability at the heart of the UK growth story. But a lot more needs to be done to ensure sustainable growth, especially in skills reform and supporting those who want to work to return to the workforce. The REC has been campaigning for a more flexible immigration system and more flexibility in the use of the apprenticeship levy funds to help fill the skills gaps. From healthcare to childcare to flexible working, businesses and Governments also need to be working together to boost labour supply.

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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 12-24 April 2023.

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