

KPMG and REC, UK Report on Jobs

Firms' hesitancy to hire weighs on permanent staff recruitment in February

46.3

PERMANENT PLACEMENTS INDEX
FEB '23

51.1

TEMPORARY BILLINGS INDEX
FEB '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.

Further fall in permanent placements, but temp billings rise

Vacancy growth improves for second month running

Softest reduction in candidate supply for nearly two years

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

"The current economic outlook continues to impact hiring activity as employers keep playing the short game by focusing on temporary hires, while permanent appointments fall for the fifth month in a row."

"Despite the rate of vacancy growth picking up to the best recorded in four months, candidate shortages remain, with recruiters citing hesitancy to move roles and longstanding, systemic skills shortages. Nursing, care and medical topped the rankings once again with highest demand for workers - both temporary and permanent."

"These factors combined continue to play into pay inflation as employers try to compete with the rising cost of living."

"What the economy needs now more than ever is a skilled workforce."

Kate Shoesmith, REC Deputy Chief Executive, said:

"This is further proof of ongoing demand in the UK jobs market, coming on the back of our most recent Labour Market Tracker report which showed new job adverts at a 14-month high in February."

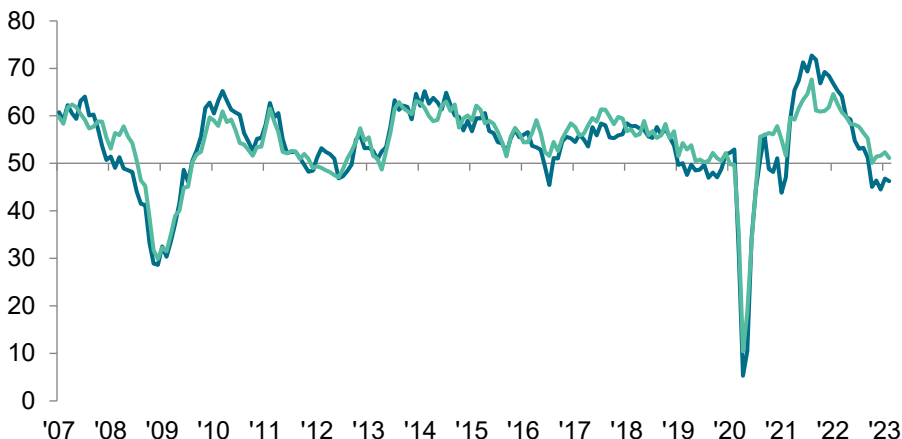
Commenting on today's report, Kate Shoesmith continued:

"As hirers work out what variable economic forecasts might mean for their business and staff, it makes sense that we continue to see temp billings hold up so well. Temporary staffing ensures firms can continue to provide goods and services, and people can grow their careers - even when the economic outlook is unclear. Demand for staff continued to expand across both the private and public sectors. The rising cost of living, plus difficulties attracting and securing suitably skilled staff are also driving increases in starting pay. It will be particularly important to watch for any early trends coming from this data on regional disparities in supply and demand in the labour market."

"What this latest Report on Jobs shows is serious labour and skills shortages are not behind us. The economy stands to lose up to £39 billion in GDP every year from 2024 unless business and government act now. Many businesses are doing what they can but the Spring Budget is the ideal opportunity to find a way forward together. The Chancellor must put people issues first, with innovative and refreshed policies on skills and tackling economic inactivity, and from immigration to childcare."

■ 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 February are:

February sees sustained fall in permanent placements

Permanent staff appointments across the UK fell for the fifth straight month in February, and at a slightly quicker pace than that seen in January. Recruiters often mentioned that clients adopted a more cautious approach to staff hires due to ongoing economic uncertainty. At the same time, billings for temporary workers continued to expand, albeit modestly.

Overall vacancy growth improves to four-month high

The latest survey indicated that overall vacancies continued to increase during February, with the rate of growth the best recorded for four months. Nevertheless, the upturn remained softer than that seen on average since the survey's inception over 25 years ago. Underlying data signalled that demand for permanent workers expanded at a quicker pace, while temp vacancy growth softened slightly.

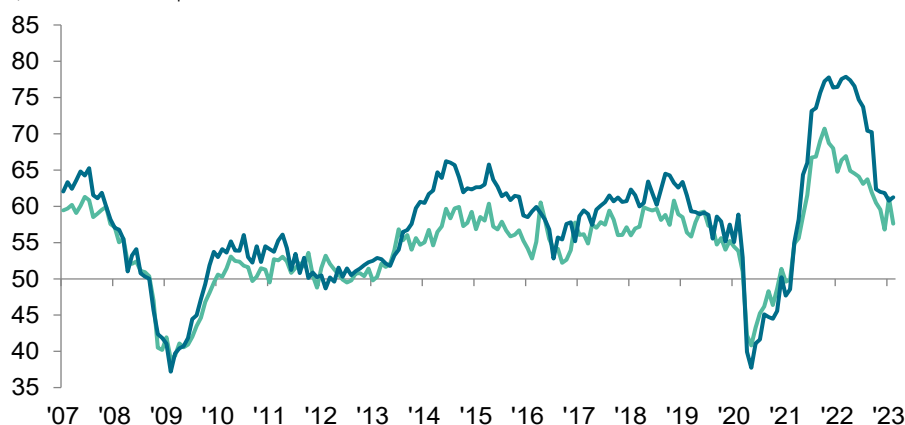
Softest fall in candidate supply since March 2021

Recruitment consultancies signalled that the current downturn in candidate availability continued to ease midway through the first quarter. Overall staff supply fell at a mild rate that was the slowest seen for nearly two years, which was underpinned by softer falls in both permanent and temp candidate numbers. Panel members often commented that workers were reluctant to seek out new roles in the current economic climate, while ongoing skill shortages also weighed on staff availability. However, some recruiters noted that the supply of workers had improved due to recent redundancies.

Rates of starting pay continue to rise sharply

The rising cost of living and difficulties attracting and securing suitably skilled staff drove further increases in starting pay for both permanent and temporary roles in February. Permanent starters' salaries continued to rise at a quicker pace than that seen for temp pay, though in both instances the rate of growth was the second-softest for nearly two years.

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

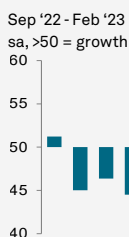


2 Staff Appointments

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 further in February

UK recruitment consultancies signalled a sustained reduction in the number of people placed into permanent job roles in February. Permanent staff appointments have now fallen in each of the past five months, with the latest decline slightly quicker than that seen in January and solid overall.

According to panel members, clients had often expressed a more cautious approach to recruitment and took longer to decide on new hires due to worries over the economic outlook. A lack of suitable candidates also dampened permanent placement numbers.

Three of the four monitored English regions recorded lower permanent placements, led by London. The North of England bucked the overall trend and saw a modest upturn.

Permanent Placements Index

sa, >50 = growth since previous month

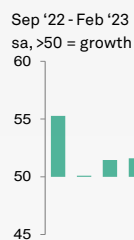


Permanent Placements Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
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
Jan '23	46.8	47.9	45.9	41.3	48.3
Feb '23	46.3	42.2	47.1	44.9	51.5

Temporary Billings Index



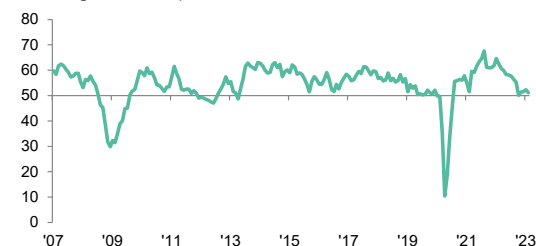
Temp billings increase modestly

Adjusted for seasonal factors, the Temporary Billings Index signalled an expansion in billings for short-term staff for the thirty-first successive month in February. Recruiters that registered an uptick in billings frequently commented that this was due to greater demand for temp workers compared to permanent staff. That said, the rate of growth softened from that seen at the start of the year and was only mild, as some panel members noted relatively subdued demand for staff and candidate shortages.

The North of England saw the steepest increase in temp billings during February. The only monitored English area to report a fall was the Midlands.

Temporary Billings Index

sa, >50 = growth since previous month



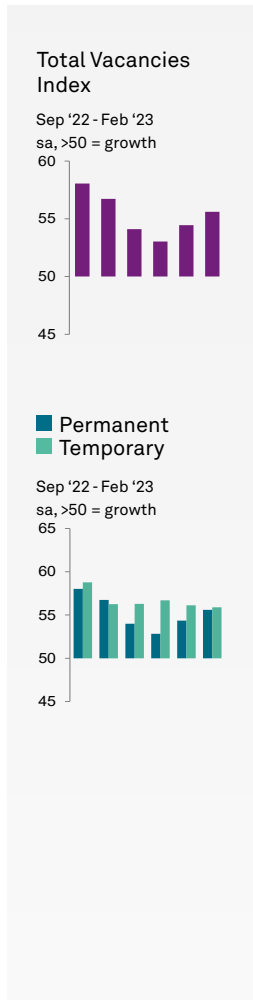
Temporary Billings Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
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	51.6	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

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.



Strongest increase in vacancies for four months

The seasonally adjusted Total Vacancies Index increased from 54.5 in January to 55.6 in February, to signal an improvement in overall demand for staff for the twenty-fifth month in a row. The rate of expansion was the sharpest recorded since last October, albeit below the series trend (57.7).

Permanent and temporary vacancies

Supporting the quicker upturn in total vacancies was a stronger increase in permanent staff demand during February. Permanent roles expanded at a sharp pace that was the quickest for four months. Demand for short-term staff meanwhile rose at the softest rate for two years, albeit one that remained marked overall.

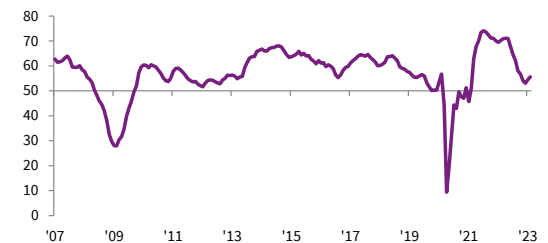
Public & private sector vacancies

Demand for staff continued to expand across both the private and public sectors midway through the first quarter.

The quickest increase in vacancies was signalled for temporary staff in the public sector, closely followed by permanent workers in the private sector. The softest upturn in vacancies was recorded for temporary roles in the private sector.

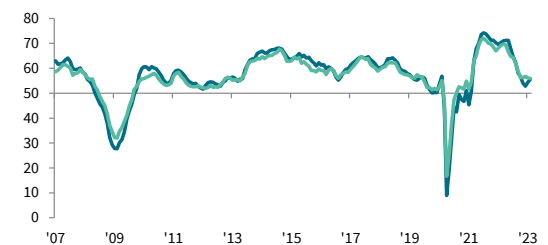
Total Vacancies Index

sa, >50 = growth since previous month



Permanent Vacancies Index and Temporary Vacancies Index

sa, >50 = growth since previous month



Vacancy Index summary

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

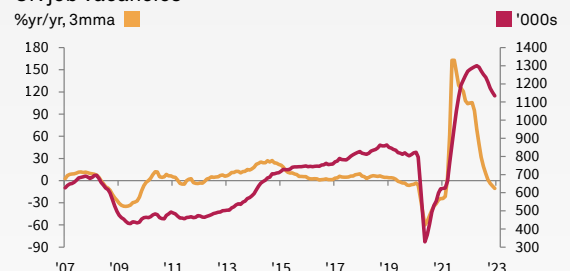
	Permanent				Temporary		
	Total	Total	Private*	Public*	Total	Private*	Public*
Sep '22	58.1	58.0	60.0	55.1	58.8	62.5	56.0
Oct '22	56.7	56.7	57.0	55.3	56.3	56.7	54.2
Nov '22	54.1	54.0	54.1	53.3	56.3	57.6	50.0
Dec '22	53.0	52.8	53.0	51.8	56.7	57.6	52.4
Jan '23	54.5	54.4	58.5	51.1	56.1	54.6	51.9
Feb '23	55.6	55.6	55.9	55.1	55.9	53.8	56.6

Official data: UK job vacancies

Latest data from the Office for National Statistics (ONS) showed that overall vacancies remained on a downward trend in the three months to January.

The number of open roles fell by 76,000 compared to the prior three-month period (three months to October 2022) to 1,134,000, to mark the lowest level of vacancies since the three months to September 2021. That said, the figure was nearly +38% higher than that registered just before the pandemic (823,000 in the three months to February 2020).

UK job vacancies



Source: Office for National Statistics.

4 Vacancies by sector

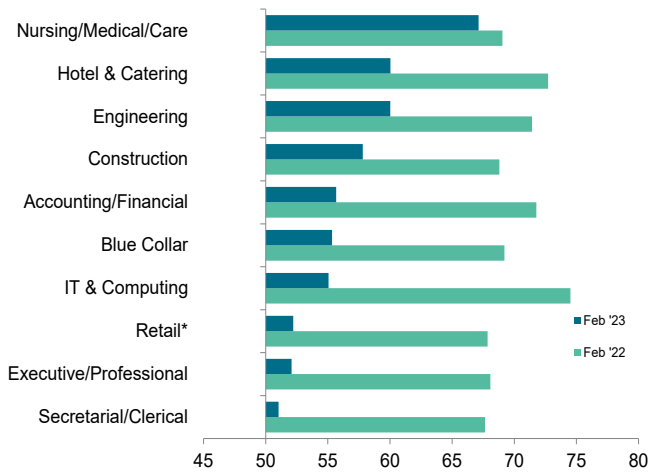
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

Demand for permanent workers increased across all ten monitored job categories during February. Nursing/Medical/Care topped the rankings once again, while Secretarial/Clerical saw the softest expansion in vacancies.

Permanent Vacancies Index

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

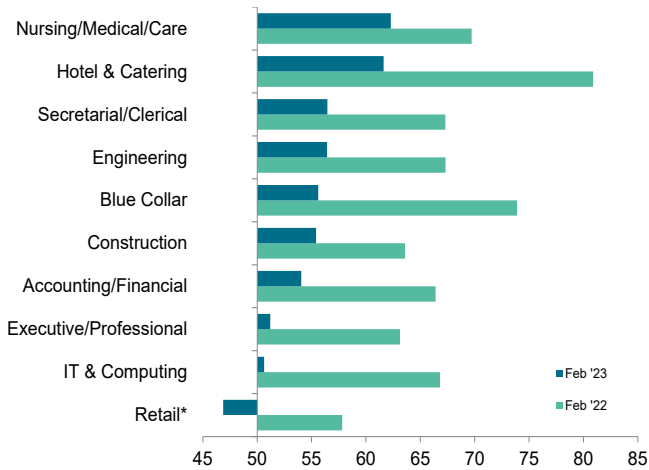


Temporary vacancies

February survey data indicated that demand for short-term staff rose quickest for Nursing/Medical/Care roles, followed closely by Hotel & Catering. Retail was the only employment area to see a fall in demand for temporary workers.

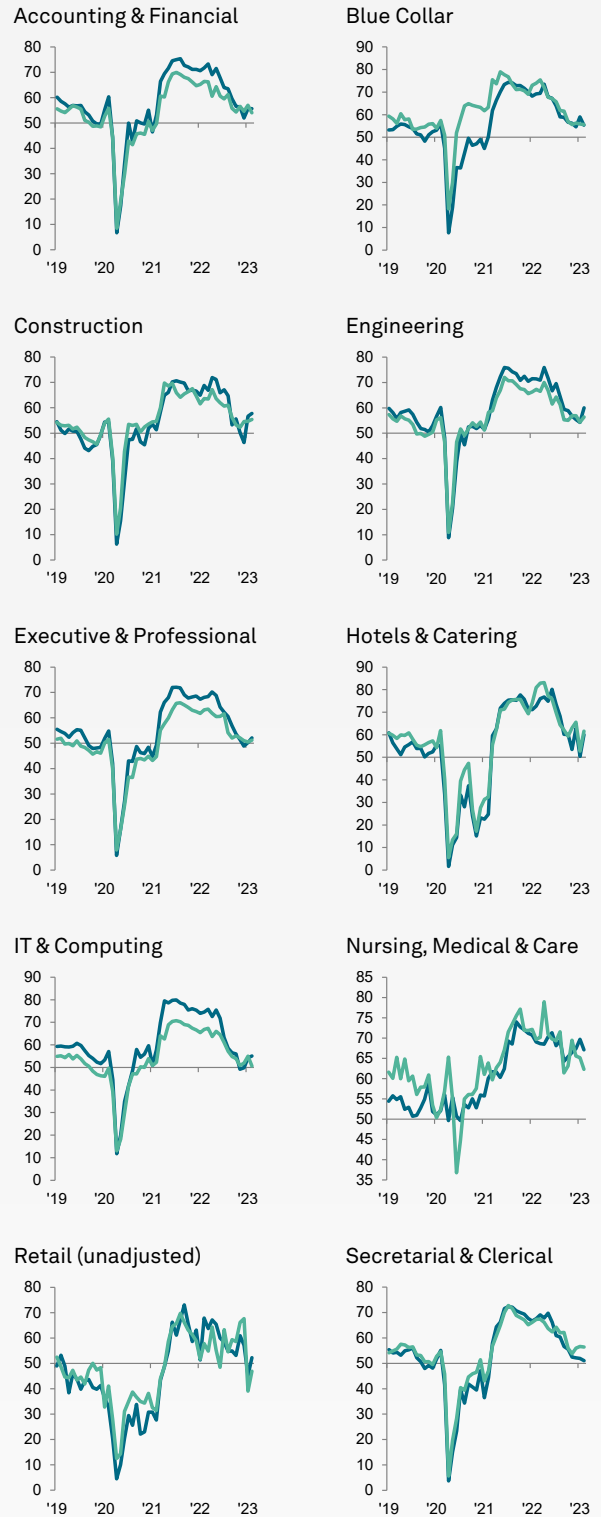
Temporary Vacancies Index

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



Vacancy index by sector

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

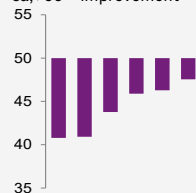


5 Staff availability

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

Sep '22 - Feb '23
sa, >50 = improvement



Staff availability falls at slowest rate for nearly two years

The overall supply of labour in the UK continued to decline midway through the first quarter, as signalled by the respective seasonally adjusted index remaining below the neutral 50.0 threshold. However, the pace of deterioration was the softest seen for almost two years and only modest.

The latest survey indicated that both permanent and temporary candidate numbers declined at slower rates compared to January.

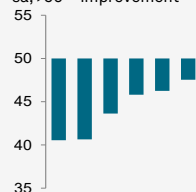
Total Staff Availability Index

sa, >50 = improvement since previous month



Permanent Staff Availability Index

Sep '22 - Feb '23
sa, >50 = improvement



Mild drop in permanent labour supply

The availability of permanent staff across the UK remained on a downward trend in February, thereby stretching the current sequence of reduction to 25 months. That said, the rate of contraction was the slowest recorded since March 2021 and only modest. Where lower permanent candidate numbers were reported, recruiters generally attributed this to market uncertainty and the cost-of-living crisis, which has driven a greater reluctance among workers to seek new roles. Nevertheless, a number of panel members noted higher labour supply due to redundancies.

Permanent staff availability rose in London but fell in the other three monitored English areas.

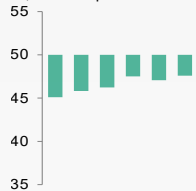
Permanent Staff Availability Index

sa, >50 = improvement since previous month



Temporary Staff Availability Index

Sep '22 - Feb '23
sa, >50 = improvement



Weakest reduction in temp candidate numbers for 23 months

As has been the case since March 2021, the supply of temporary workers declined during February. According to surveyed recruiters, candidate numbers were down as many workers preferred permanent job roles, but also due to a general shortage of skilled staff. However, the pace of deterioration was the slowest seen in nearly two years and only mild, with some recruiters noting that job shedding at some firms and relatively muted demand for staff had pushed up candidate numbers.

The steepest reduction in temp staff supply was seen in the South of England. London was the only monitored area to see availability improve.

Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
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
Jan '23	46.2	54.5	46.5	44.2	44.2
Feb '23	47.5	51.6	49.4	47.5	45.7

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
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
Jan '23	47.1	52.2	49.5	41.8	43.5
Feb '23	47.6	54.8	44.6	46.4	47.5

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 Credit Controllers Finance Financial Controllers Financial Services Payroll Taxation	Hotel/Catering Chefs Hospitality IT/Computing Data Engineers Data Scientists Developers Digital IT Media SAP Software Software Engineers Technology Nursing/Medical/Care Carers Doctors Healthcare Assistants Nurses Occupational Therapist Paramedics Physiotherapist Social Workers Secretarial/Clerical Administration Office Staff Personal Assistant Secretary Other All Types of Candidates Customer Service Sales	Security Skilled Supply Chain
Blue Collar Blue Collar Drivers Industrials Manufacturing Mechanics Security Guards Warehouse		
Construction Construction Quantity Surveyors		
Engineering Electrical Engineers Engineers Senior Electronic Engineers Technicians		
Executive/Professional Business Analysts Executives Human Resources Marketing Project Managers Real Estate		

Skills in short supply: Temporary staff

Accounting/Financial Accountants Auditors Book Keepers Credit Controllers Finance Financial Controllers Financial Services Payroll	Hotel/Catering Chefs Hospitality IT/Computing Automation Testers Cyber Cyber Security Data Engineers Developers IT Software Technology Nursing/Medical/Care Carers Doctors Healthcare Assistants Nurses Paramedics Social Workers Support Workers Retail Retail Secretarial/Clerical Administration Office Staff Personal Assistant Receptionist Other All Types of Candidates Customer Service Languages	Sales Skilled Supervisors Teachers
Blue Collar Blue Collar Drivers Forklift Drivers Industrials Manufacturing Mechanics Security Guards Welders		
Construction Architectural Tech Bricklayers Construction Labourers		
Engineering Engineers Technicians		
Executive/Professional Executives Human Resources Management Marketing Project Managers		

Skills in excess supply: Permanent staff

Accounting/Financial Finance Finance Directors	IT/Computing Developers IT Programmers Software Technology Nursing/Medical/Care Carers Nurses Retail Retail Other All Types of Candidates Graduates Sales Skilled Teachers	Unskilled
Blue Collar HGV Drivers Manufacturing Site Managers Warehouse		
Engineering Engineers		
Executive/Professional Business Analysts Human Resources Project Managers Recruitment Consultants		

Skills in excess supply: Temporary staff

Blue Collar Blue Collar Carpenters Cleaners Decorators HGV Drivers Industrials Site Managers Warehouse Executive/Professional Business Analysts Marketing Project Managers Purchasing Manager Hotel/Catering Hospitality	IT/Computing IT Nursing/Medical/Care Doctors Healthcare Assistants Nurses Other All Types of Candidates Teachers Unskilled
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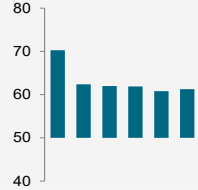
Note : Skills can be reported as being both in short supply and excess supply as we survey various recruitment agencies across the country, so there is geographical variation as well as the possibility of candidates with particular skills being concentrated in certain areas.

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.

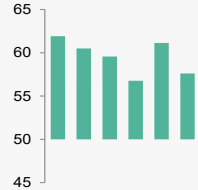
Permanent Salaries Index

Sep '22 - Feb '23
sa, >50 = inflation



Temporary Wages Index

Sep '22 - Feb '23
sa, >50 = inflation



Permanent starters' pay continues to rise sharply

The seasonally adjusted Permanent Salaries Index remained comfortably above the neutral 50.0 value in February, to signal a further rise in pay for permanent new joiners. Higher salaries were widely linked to efforts to attract and secure candidates, as well as the rising cost of living. The rate of inflation quickened slightly on the month and was sharp overall. That said, the upturn was the second-softest seen since April 2021.

The North of England registered the quickest increase in starting salaries in February.

Temp pay growth softens in February

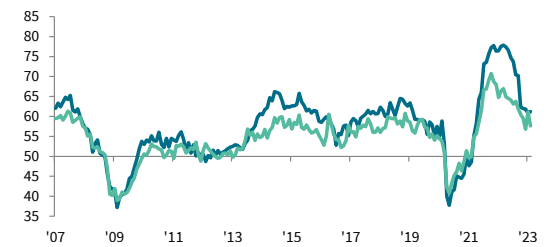
Recruitment consultancies across the UK saw a further increase in average hourly rates of pay for short-term staff in February. Though sharp, the rate of wage growth softened from January and was the second-softest seen in nearly two years. Anecdotal evidence indicated that the higher cost of living and efforts to attract job applicants had pushed up pay rates in February.

The South of England registered the steepest increase in temp pay, while the slowest was seen in London.

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
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
Jan '23	60.8	60.4	59.5	57.9	60.9
Feb '23	61.3	61.0	60.7	61.9	62.9

Temporary Wages Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
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
Jan '23	61.1	57.5	61.5	62.0	60.0
Feb '23	57.6	53.2	58.2	57.4	57.9

Official data: UK average weekly earnings

Data from the Office for National Statistics (ONS) showed that employee earnings (including bonuses) increased +5.9% on an annual basis over the final quarter of 2022. Though sharp by historical standards, this marked the softest rate of pay growth since the three months to July 2022.

The weaker upturn in earnings reflected a slower increase in pay across the private sector (+6.4%, down from +6.8% in the three months to September 2022), as public sector earnings growth strengthened to +4.2% from +2.4% over the same period.

UK average weekly earnings



Source: Office for National Statistics.

8 Special feature

This section features data from the Recruitment and Employment Confederation

Zero hours contracts at record high

February's figures showed a continued increase of workforce participation, in a welcome sign that the UK's labour market is improving. But the accompanying increase in zero hours contracts may raise concern in some quarters. While zero hours contracts are different from temporary contracts and are used productively across different industries, the need for government to provide greater clarity on workers' rights is apparent.

The latest data from the [Office for National Statistics](#) showed a record-high net flow out of economic inactivity between July to September (Q3) and October to December (Q4) 2022. More than half (62%) of the people joining the workforce in that period came from economic inactivity. This is good news for the UK's as more people join the labour market and enter work.

At the same time, the ONS also reported a rise in zero hours contracts in Q4 2022, to a record high of 1.13 million. Compared to the same period in 2021, this is a 9.6% increase, showing how important flexible workers are to our labour market. But we caution that this should be seen within the context of workforce participation increasing overall.

In the week of 6-12 Feb 2023, the REC's [Labour Market Tracker](#) found that new job postings hit a 14-month high, with 256,855 new jobs being advertised. Particularly, roles in industries where zero hours contracts are common such as bar staff (+15.1%), cleaners and domestics (+11%), waiters and waitresses (+7.6), and sales and retail assistants (+4.8%) all saw substantial growth during this period.

As [Resolution Foundation](#) claims, the rise in zero hours contracts is a reminder of the need to boost the quality of work, not just the quantity. But while zero hours contracts can pose risks to some employees where the contracts are combined with other restrictions on working, such contracts are often misunderstood. They are not inherently exploitative and are used effectively in many sectors.

The REC has been campaigning for the creation of a Single Enforcement Body (SEB). Combining the remit of several government organisations that govern different labour compliance issues, the SEB is intended to be a one stop shop for all labour issues to improve clarity on workers' rights. Zero hours contracts are increasingly popular and the number of people engaged on such contracts is continuing to rise each year. Improving the quality of work for workers of all types should be a priority for the upcoming [Spring Budget](#).

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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 10-22 February 2023.

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