December 2023 job market report

“What’s the job market like?”

The December 2023 KPMG & REC UK Report on Jobs is now out.

“Hiring slows again in November, driving the quickest rise in candidate supply for almost three years”.

The latest KPMG & REC UK REPORT ON JOBS has been published featuring survey results from mid-late November 2023.

The **full report is posted here .**

KPMG commented: ““The UK labour market remains tight as we move towards the end of a difficult year for the UK economy. Employers are reining in hiring and continuing with redundancies in response to the sustained economic slowdown. Businesses want to plan for the year ahead, but the prospect of faltering UK economic growth means the certainty they need isn’t there.”

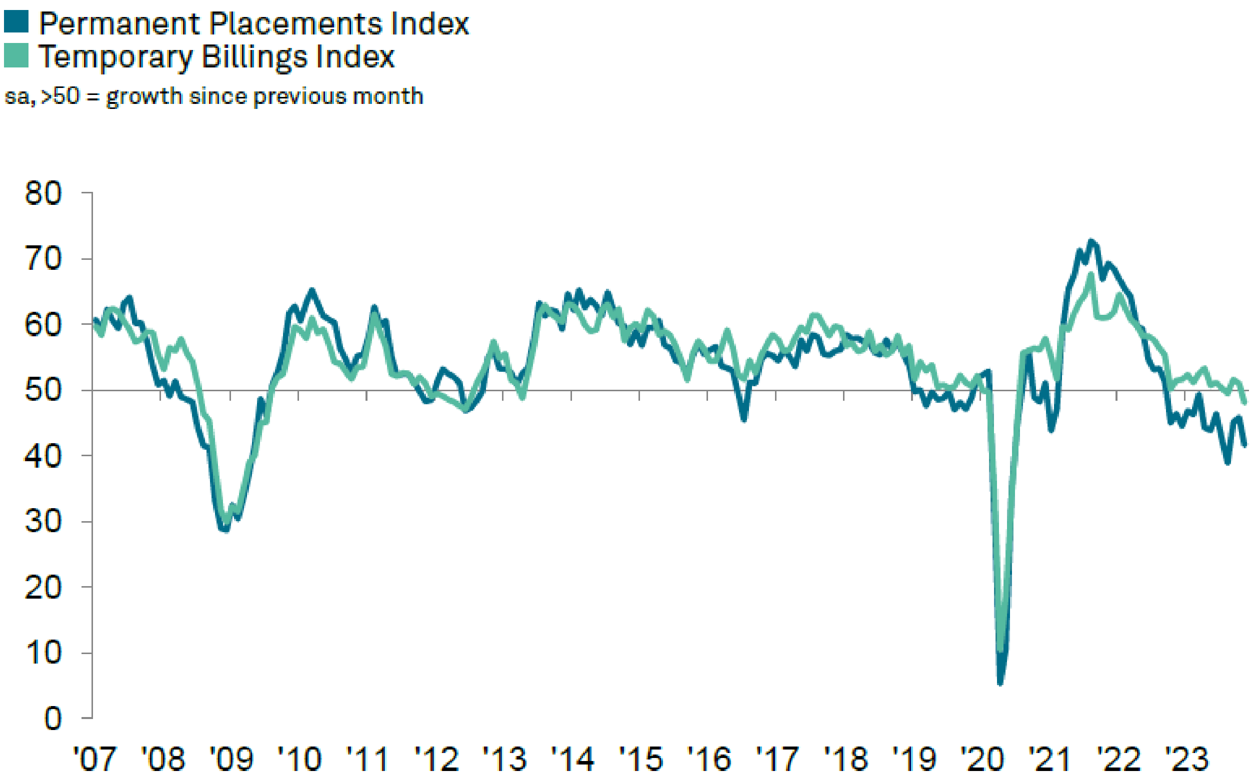
On a more optimistic note Neil Carberry, REC Chief Executive, said:

“The averages hide a great deal of variability in regions and sectors though. The Midlands and the North both saw strong performances for temporary and permanent roles, in sharp contrast with London and the South, with permanent hiring in London especially slow. The ongoing stronger performance of the private sector on new vacancies is also a notable positive signal.”

Key findings are:

- **Weak economic climate curbs hiring activity in November**
- **Overall candidate numbers rise at accelerated pace**
- **Slower increases in starting salaries and temp pay**
- **Vacancies decline slightly for second time in three months**
- **Greatest increases in demand were in Nursing/Medical and Engineering**
- **Job openings meanwhile fell in several sectors led by Construction closely followed by Executive/Professional and Retail**

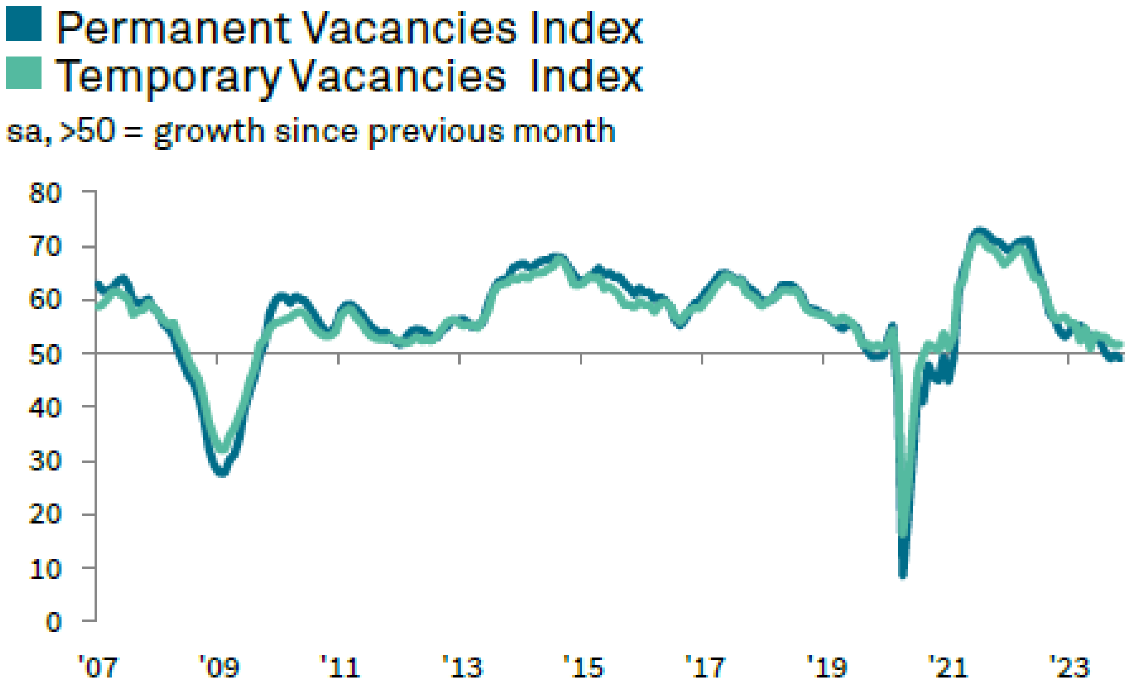
Appointments



A further drop in permanent placements during November, thereby stretching the current period of decline to 14 months. Notably, the rate of contraction accelerated to the second sharpest since June 2020, when hiring was hit during the initial phase of the pandemic. When explaining the latest reduction in permanent staff appointments, panel members often noted that employer confidence had receded amid the current economic climate. This in turn led to hiring freezes and reductions in vacancies.

London recorded by far the steepest reduction in permanent placements of all four monitored English regions. The Midlands was the only area to see an increase, albeit one that was mild overall.

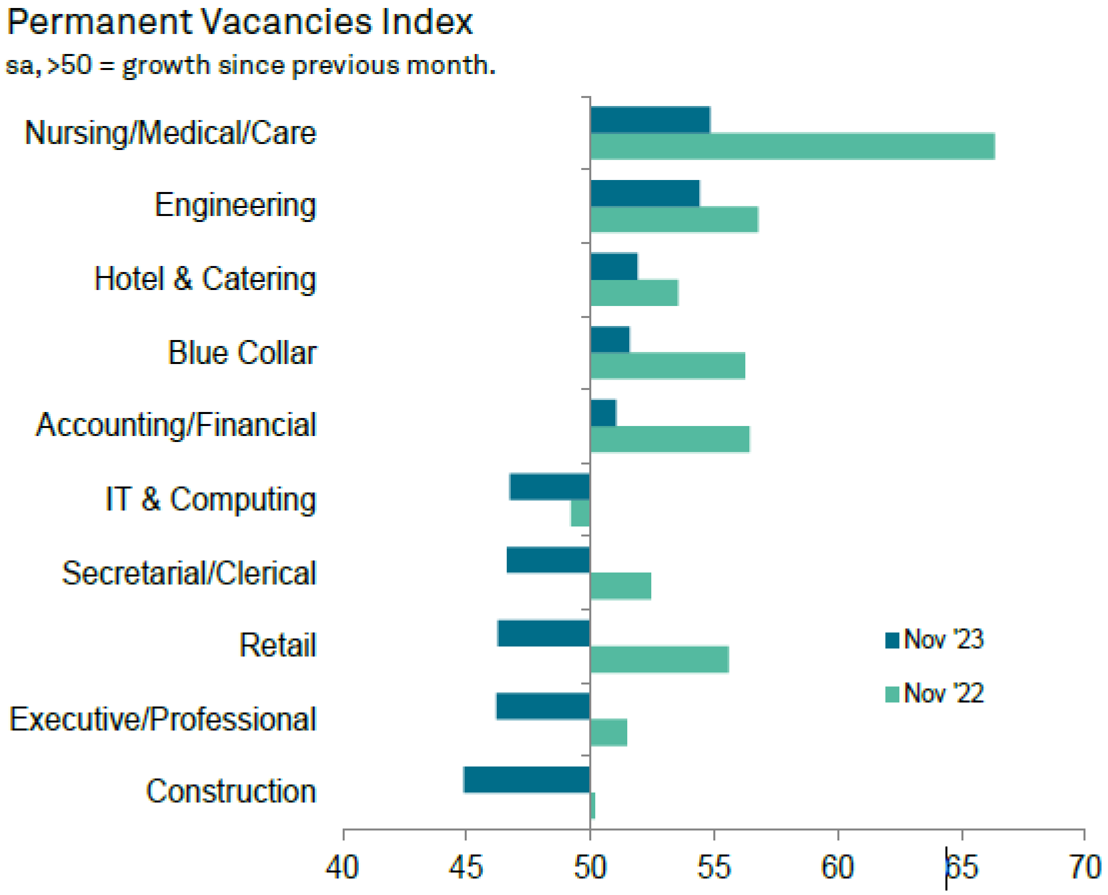
Vacancies



After stabilising in October, total demand for staff fell back into decline during November. Although the rate of reduction matched September's marginal pace, it was only the second time that overall vacancies have fallen since February 2021.

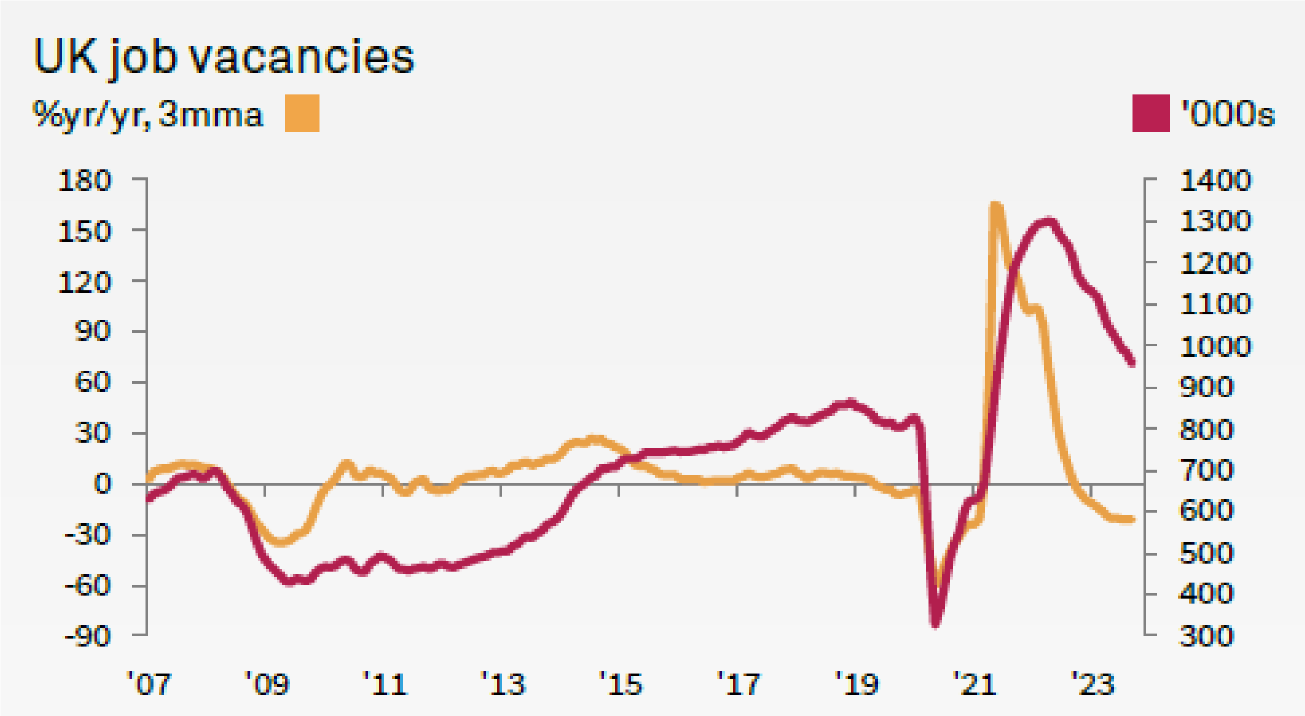
Latest data signalled that permanent vacancies fell in both the private and public sectors, with the latter noting the quicker rate of decline.

By sector, demand for permanent staff fell in half of the ten monitored categories. Construction saw the steepest rate of decline, followed by Executive/Professional. The Nursing/Medical/Care and Engineering sectors meanwhile saw the strongest upturns in demand.



Official data from the [Office for National Statistics (ONS)]() pointed to a further reduction in overall vacancies across the UK. The number of job opportunities fell by 45,000 in the three months to November to stand at 949,000. Vacancies have now fallen continuously on a three-month rolling basis since June 2022. As a result, the latest figure was the lowest recorded since the second quarter of 2021.

However, the number of open roles was nearly 16% above that registered just prior to the pandemic (826,000 in the three months to February 2020).



Source: Office for National Statistics via S&P Global Market Intelligence.

Staff availability

The seasonally adjusted Total Staff Availability Index rose from 59.0 in October to 61.9 in November, to signal a sharp and accelerated rise in the supply of candidates across the UK. Furthermore, the rate of growth was the fastest seen since December 2020.

Underlying data revealed that both permanent and temporary staff availability increased at steeper rates in the latest survey period.

Permanent staff supply has now expanded in each of the past nine months, with the latest increase the sharpest since December 2020. The improvement in availability was widely linked by panellists to redundancies and workers concerned over current job security. There were also some reports of workers seeking out higher paid roles amid rising living costs.

The supply of permanent labour increased rapidly across all four monitored English regions, led by the South of England.

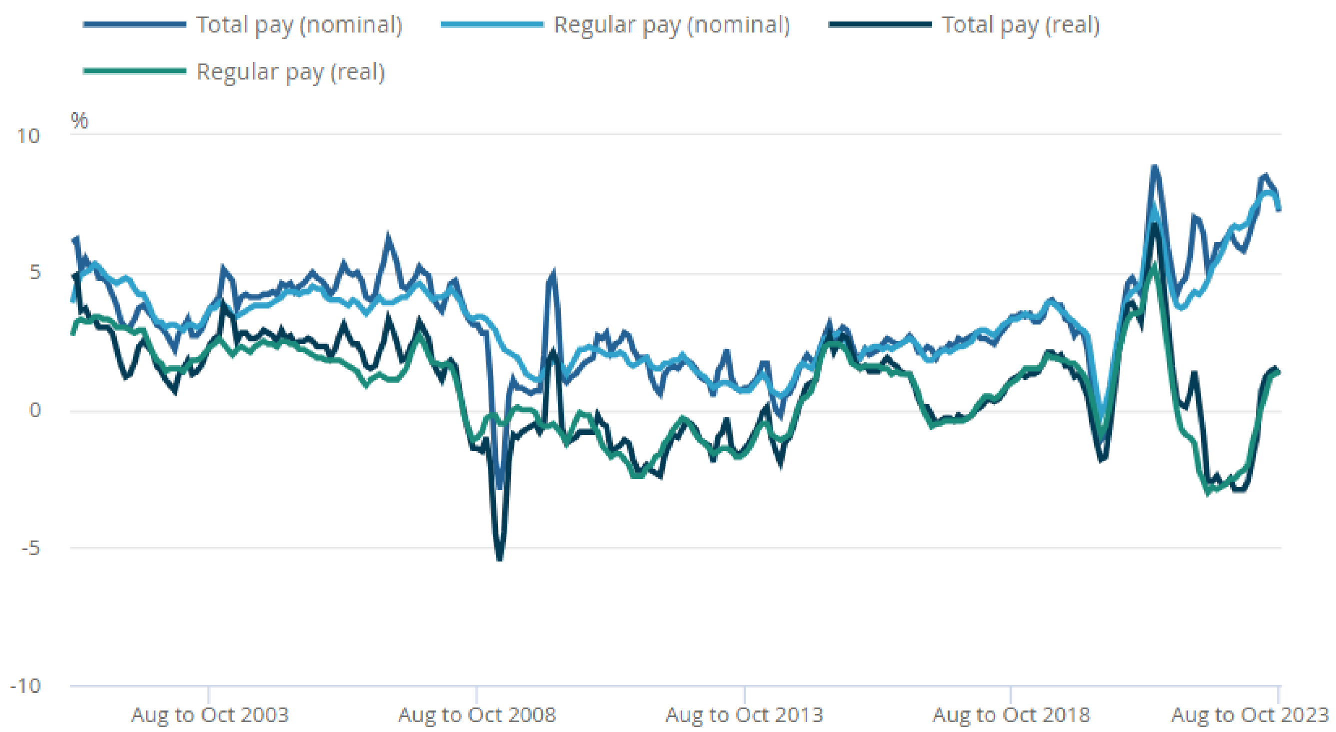
Slowest increase in permanent starters' pay since March 2021

Panellists signalled that the rate of starting salary inflation across the UK moderated again during November. While strong overall, the latest increase in permanent pay was the softest seen in 32 months and slipped below the series long-run average. Competition for candidates with sought after skills was cited as the main driver of salary growth. However, there were some reports that companies were under greater budgetary pressures.

Starting salary inflation eased in all four monitored English regions bar the Midlands.

However [ONS Data] released 12 December shows annual growth in regular earnings (excluding bonuses) was 7.3% in August to October 2023: this growth continues to remain strong but is not as high as in recent periods. Annual growth in real terms (adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH)) for total pay rose on the year by 1.3% in August to October 2023.

Average weekly earnings annual growth rates in Great Britain, seasonally adjusted, January to March 2001 to August to October 2023



London job market

KPMG and REC also produce a [London job market analysis.]

The headlines are “Strongest fall in permanent placements in three and-a-half years…..redundancies contribute to marked upturn in labour supply”.

November data signalled a marked reduction in permanent placements in London, thereby extending the current period of decline to 14 months. Moreover, the respective seasonally adjusted index plunged to the lowest since May 2020 when hiring was hit by the initial wave of the COVID-19 pandemic. Weaker employer confidence regarding the broader economic outlook and subsequent hiring freezes and drops in vacancies were linked by panellists to the latest fall.

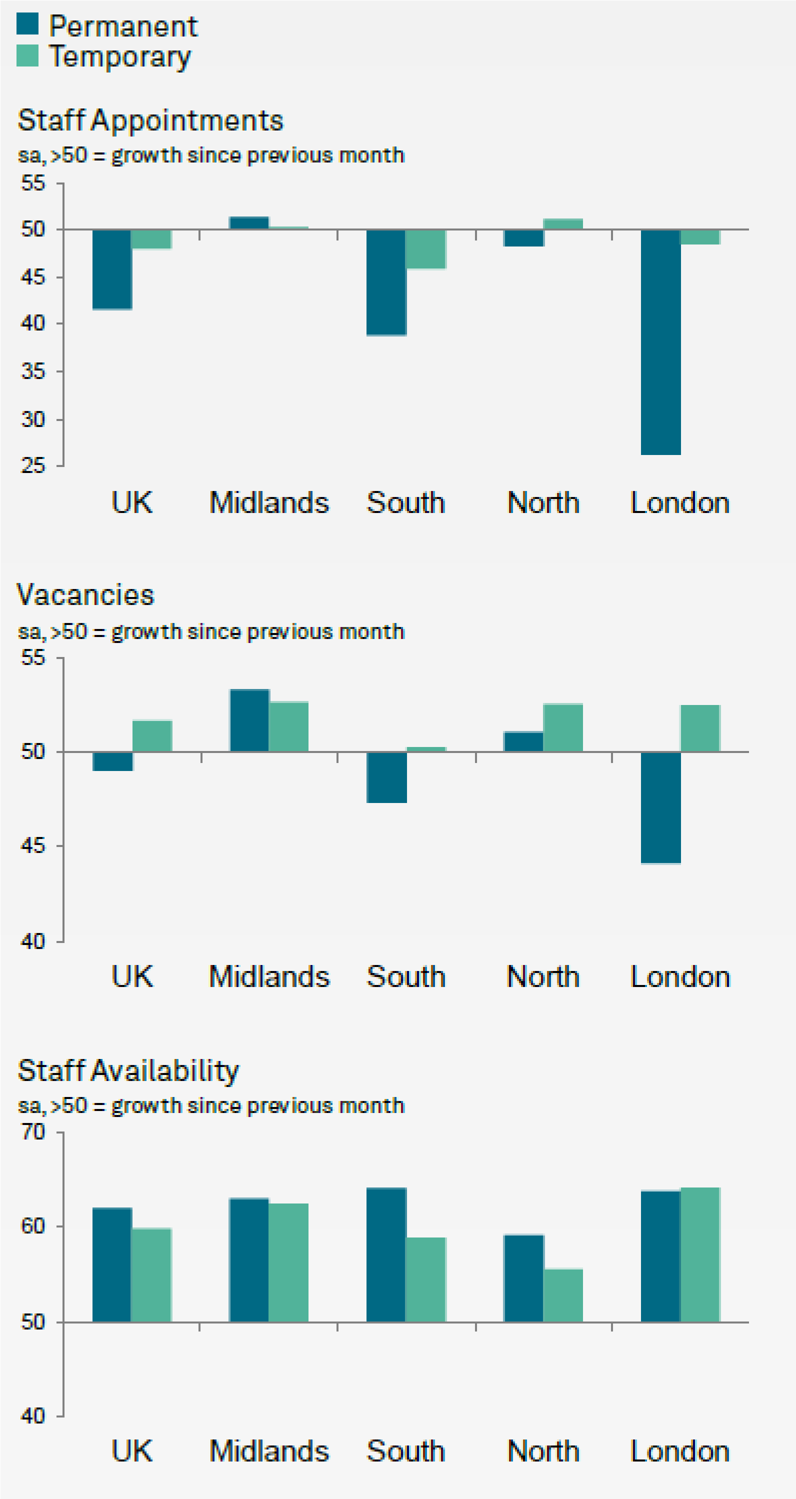
Following back-to-back expansions in September and October, temp billings fell modestly across the capital during November.

The number of candidates for permanent positions in London increased during November, thereby extending the current run of expansion to a year. The rate of growth accelerated to a three-month high and was rapid overall.

London-based recruiters signalled a ninth consecutive monthly fall in demand for permanent labour in November. Moreover, the pace of reduction was the steepest since January 2021 and sharp overall.

Meanwhile, temp vacancies grew across the capital for the second month running. The rate of growth quickened since October but was modest overall.

Regional comparison



Other data and reports

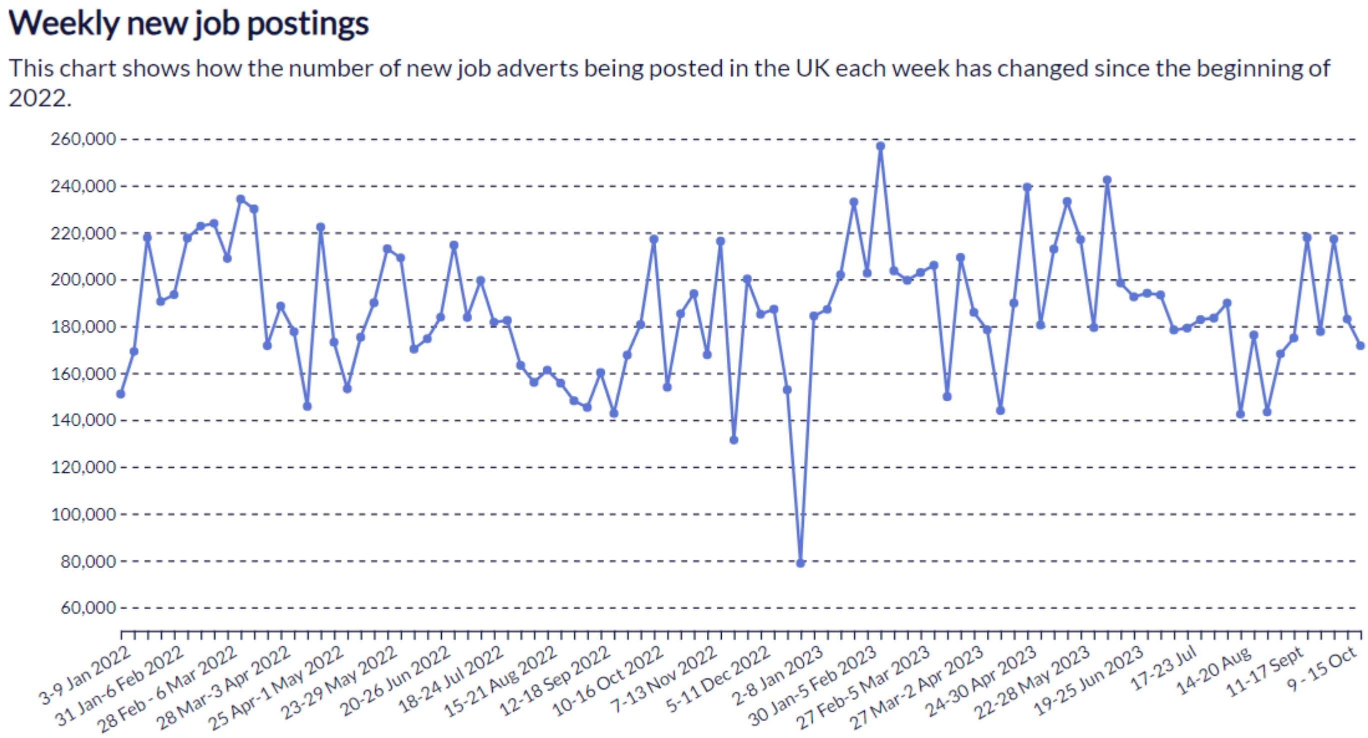
The Institute for Employment Studies also published a key analysis dated 12 December.

Their briefing note sets out analysis of the Labour Market Statistics. They show that the labour market is continuing to cool off, as the impacts from higher interest rates and rising costs of living continue to feed through. However they suggest there is little sign so far of any significant deterioration in the labour market, with headline estimates of employment, unemployment and economic inactivity (the measure of those not looking and/ or not available for work) again exactly the same as those published last month. Nonetheless, there are clear signs of things slowing down, in particular:

- Vacancies falling again, for the seventeenth time in a row. These are now down by over a quarter on their peak, with recent falls largest in many private sector services, manufacturing and construction – all industries that are likely to be more exposed to a slowdown in demand.
- Pay growth down sharply in the most recent month – from an annual increase of 7.7% in the year to September to an increase of 6.3% in the year to October. So while pay is still growing pretty strongly, the rate of growth is slowing at the same time that rate of inflation is also falling. This in turn means that pay in 'real terms' appears to be levelling off and is barely higher than it was in 2009.

Alongside this, but not published in today's statistics, there are also signs that redundancies may start to increase in the coming months – with 'HR1' statistics published last week showing that nearly 40 thousand people were notified as being at risk of redundancy in November, the highest monthly figure since late 2020.

The Labour Market Tracker, not updated since late October, is largely unchanged in recent months but down overall on the earlier part of 2023 .



The latest quarterly [ManpowerGroup Employment Outlook Survey]() for Q1 2024 is also out, dated mid December 2023.

The strongest hiring is anticipated in North America (34%), followed by Asia Pacific (30%), South and Central Americas (28%), and Europe, Middle East, and Africa (23%).

By country, the strongest hiring plans are reported in India (37%), the Netherlands (37%), and Costa Rica (35%), and the U.S. (35%), while the weakest outlooks are in Hungary (10%), Japan (10%), Czech Republic (8%), and Argentina (2%)

UK is just above average at 27%

Employers in Hungary (+20%), Poland (+18%), and the Netherlands (+17%) reported the largest year-over-year increases in hiring outlook, while Argentina (-10%), Peru (-10%), Israel (-11%), and Panama (-18%) saw the steepest declines.

The UK was well above average at 8%

The IT industry had the brightest global hiring outlook at 36%, followed by Financials & Real Estate at 34%, and Communication Services at 31%

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.

For more information on the job market, or to discuss your hiring or career plans please contact Chris Sale, Managing Director, Prism Executive Recruitment via chris.sale@prismrec.co.uk