

# February 2024 job market report

## “What’s the job market like?”

The February 2024 KPMG & REC UK Report on Jobs is now out.

## “Starting salary growth eases amid further rise in staff supply...sustained and sharp drop in permanent placements...”.

The latest KPMG & REC UK REPORT ON JOBS has been published featuring survey results from mid-late January 2024.

The [full report is posted here](#)

Jon Holt, Chief Executive and Senior Partner of KPMG in the UK commented: "We're starting the year with the labour market remaining tight overall, though we are seeing the number of job seekers increasing as demand softens. All eyes will now be on the Chancellor's upcoming Budget"

Neil Carberry, REC Chief Executive, said:

“The labour market’s resilience is a great strength of the British economy – but it can’t last for ever without sustained economic growth. Pay has normalised, inflation is dropping and the hiring market has been cooling for a year now - it’s high time that the Bank of England starts releasing the brake pedal on our economy.”

## Key findings are:

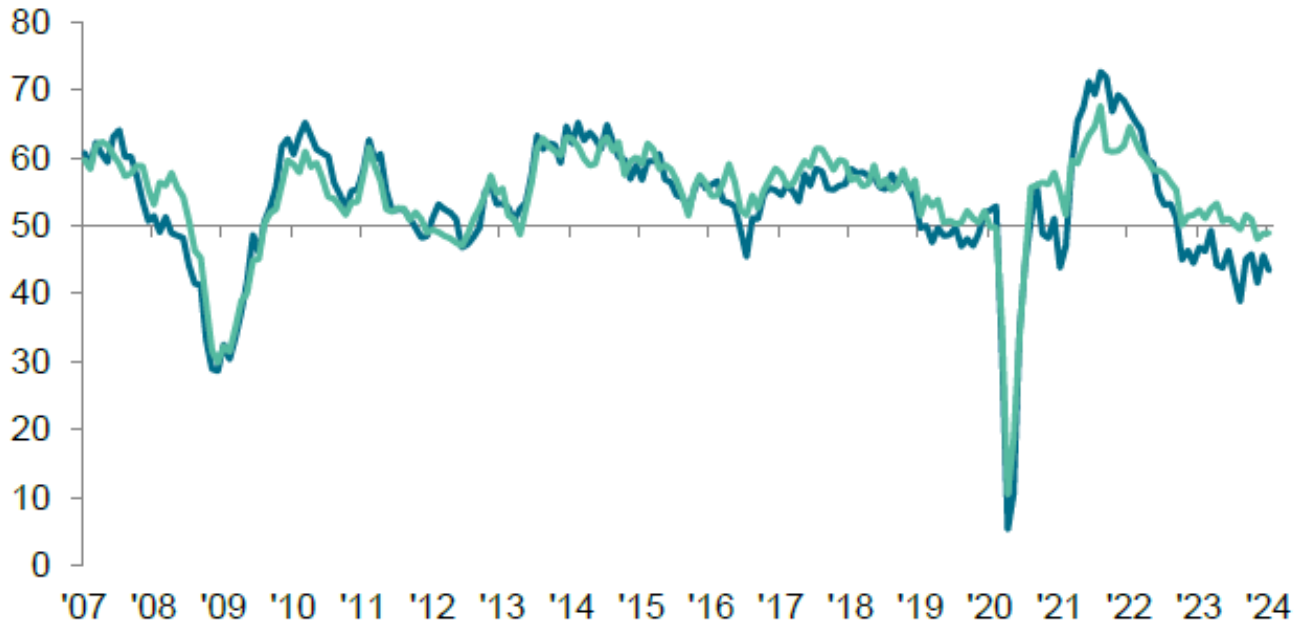
- **Uncertainty over the outlook continues to constrain hiring**
- **Overall demand for workers falls for third month running**
- **Permanent salary inflation slips to 34-month low**
- **Supply of candidates continues to increase**
- **Job openings down in many sectors led by Retail followed by Construction and IT & Computing**
- **“Executive and Professional” category unchanged**

# Appointments

■ Permanent Placements Index

■ Temporary Billings Index

sa, >50 = growth since previous month

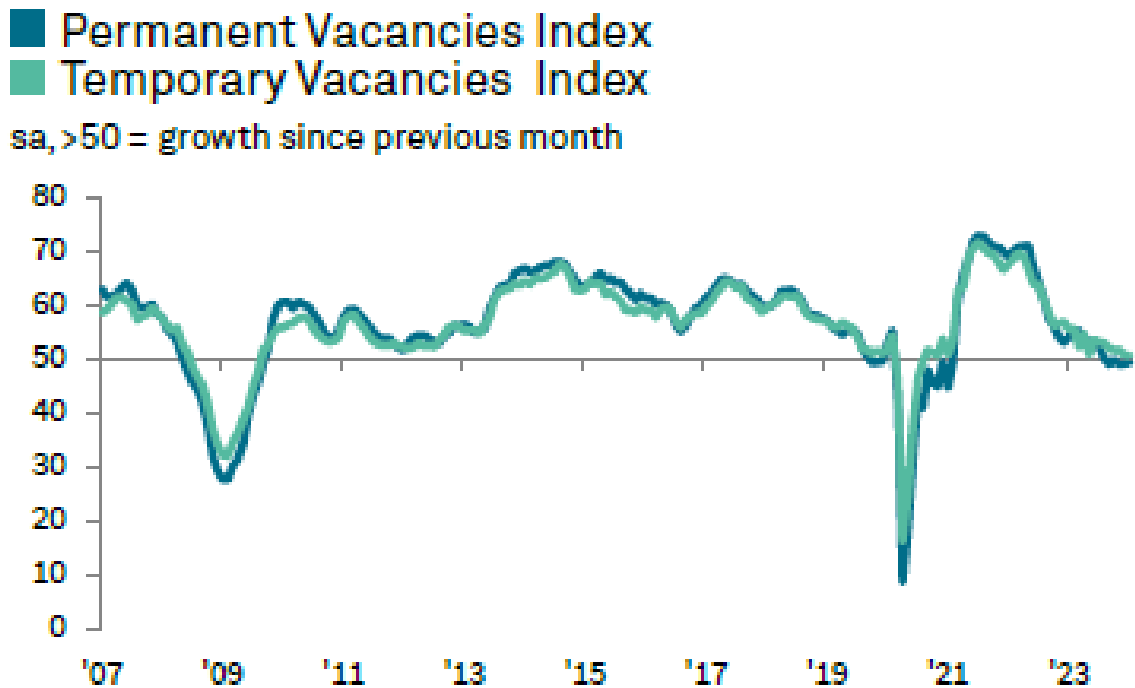


Since October 2022, the trend of decreasing permanent job placements in the UK has continued into the early part of this year, with the pace of decline intensifying to a level that was pronounced and slightly above the period's average.

Recruitment agencies pointed out that the uncertain economic forecast led many companies to put a hold on recruitment decisions. Additionally, a scarcity of job openings contributed to the reduced hiring activity in January.

The latest survey showed a widespread decrease in permanent staff appointments across all four monitored English regions, with the most significant drop observed in the Midlands, accompanied by considerable declines in other areas as well.

## Vacancies



### Vacancies fall for fourth time in past five months

For the fourth time in five months, job openings have decreased, with the Total Vacancies Index for January slightly rising to 49.4 from December's 49.3, indicating a minimal drop in workforce demand. This trend underscores a continued cautious approach to hiring across various sectors.

### Permanent vs. Temporary Roles

Data revealed a continuation in the decline of demand for permanent positions, marking the fifth consecutive month of reduction as the year 2024 began, though the decrease was modest. Conversely, temporary roles saw a slight increase in demand, albeit at the weakest rate observed since November 2020, reflecting a nuanced shift in hiring patterns.

### Sector-Specific Trends

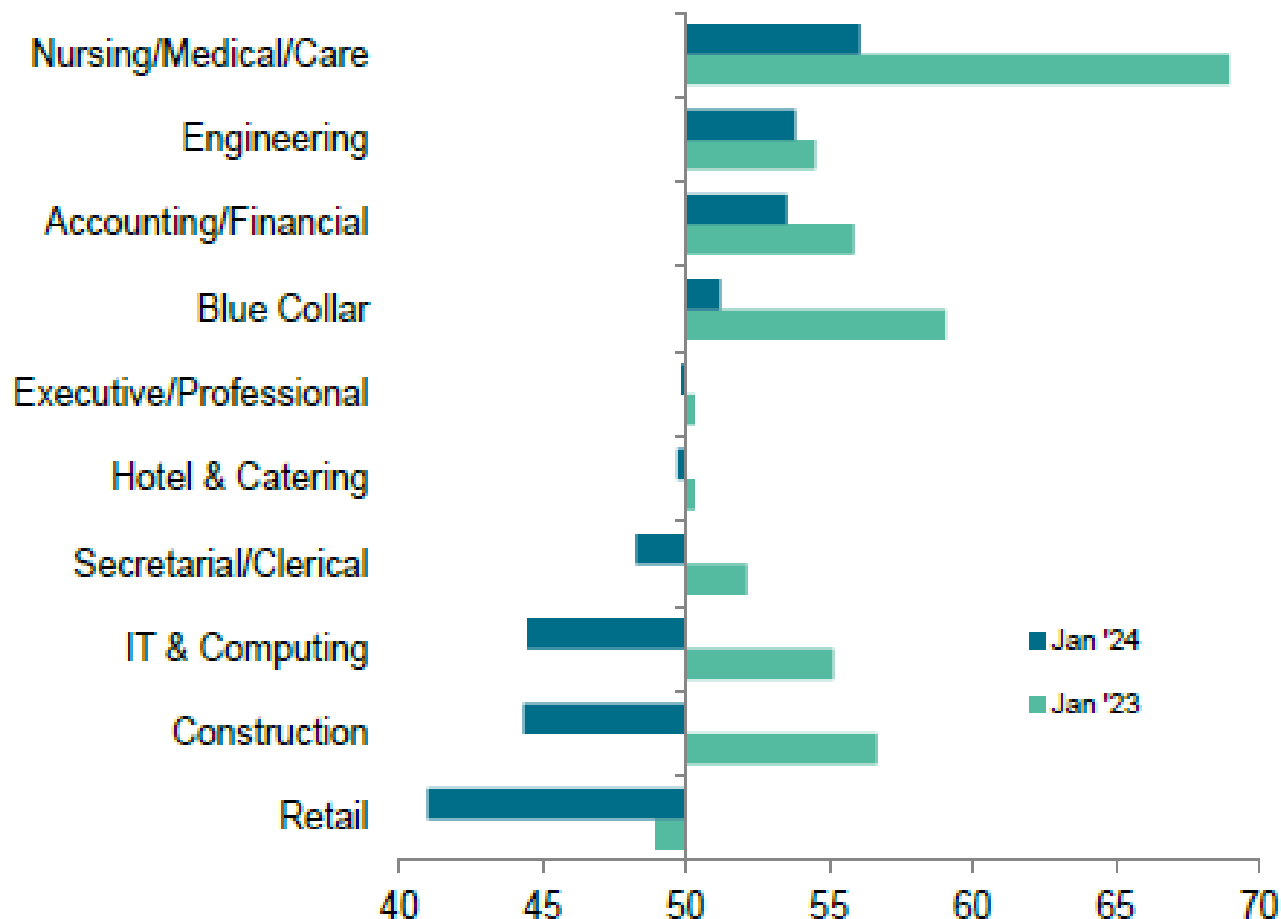
In the private sector, there was a noticeable, albeit modest, growth in staff vacancies, contrasting with a decline in the public sector during January. The most significant growth was recorded for temporary positions in the private sector, while the public sector experienced a pronounced drop in permanent job opportunities, highlighting a diverging demand for staff between the two sectors.

Permanent staff demand fell across just over half of the ten monitored job categories during January. The steepest rates of contraction were seen in the Retail, Construction and IT & Computing sectors.

Executive & Professional has staged a modest recovery while the strongest rise in vacancies was signalled for Nursing/Medical/Care roles.

### Permanent Vacancies Index

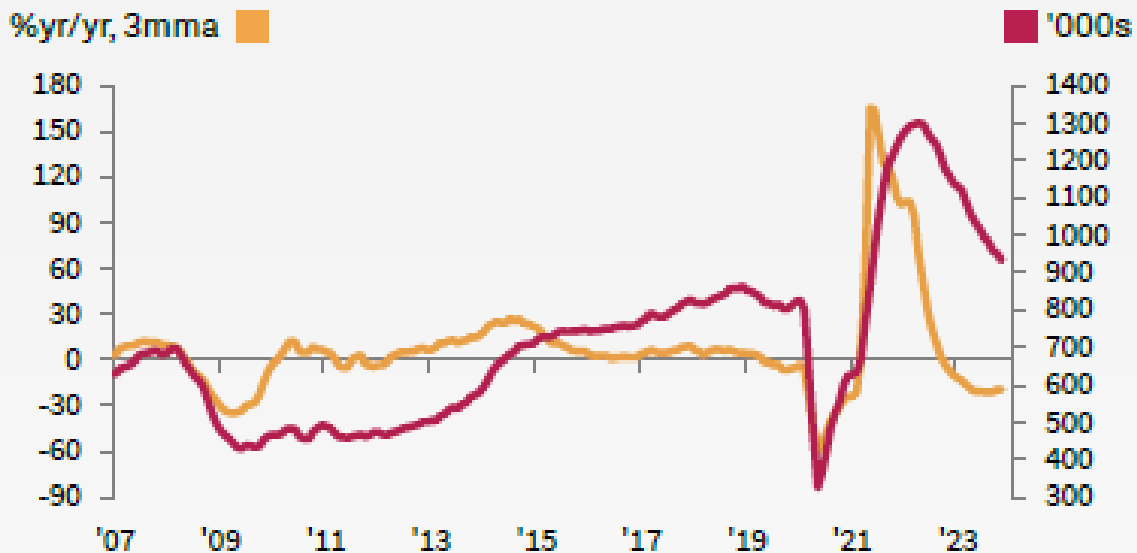
sa, >50 = growth since previous month.



The latest figures from the [Office for National Statistics \(ONS\)](#) indicate a downturn in job vacancies during the last quarter of 2023, with a decrease of 49,000 positions in the three months leading up to December, bringing the total to 934,000. This represents the smallest number of job openings in two and a half years.

Despite this decline, the current count of vacant positions remains over 100,000 above the level recorded just before the pandemic outbreak, which stood at 826,000 in the three-month period ending February 2020.

## UK job vacancies



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

## Staff availability

The overall supply of candidates across the UK expanded for the eleventh month running in January. The respective seasonally adjusted index posted comfortably above the no-change 50.0 threshold at 57.5, to signal a historically marked rate of growth. However, this was down from a reading of 59.7 in December, to indicate the softest increase since last September.

The latest survey pointed to slower rises in both permanent and temporary labour supply.

Recruitment consultancies across the UK registered a softer rise in permanent candidate availability at the start of the year. Though sharp in the context of historical data, the latest upturn was the least pronounced in four months. Where higher candidate numbers were recorded, panel members often linked this to redundancies and a slowdown in hiring activity.

All four monitored English regions saw the availability of permanent workers increase during January, led by London followed by the Midlands.

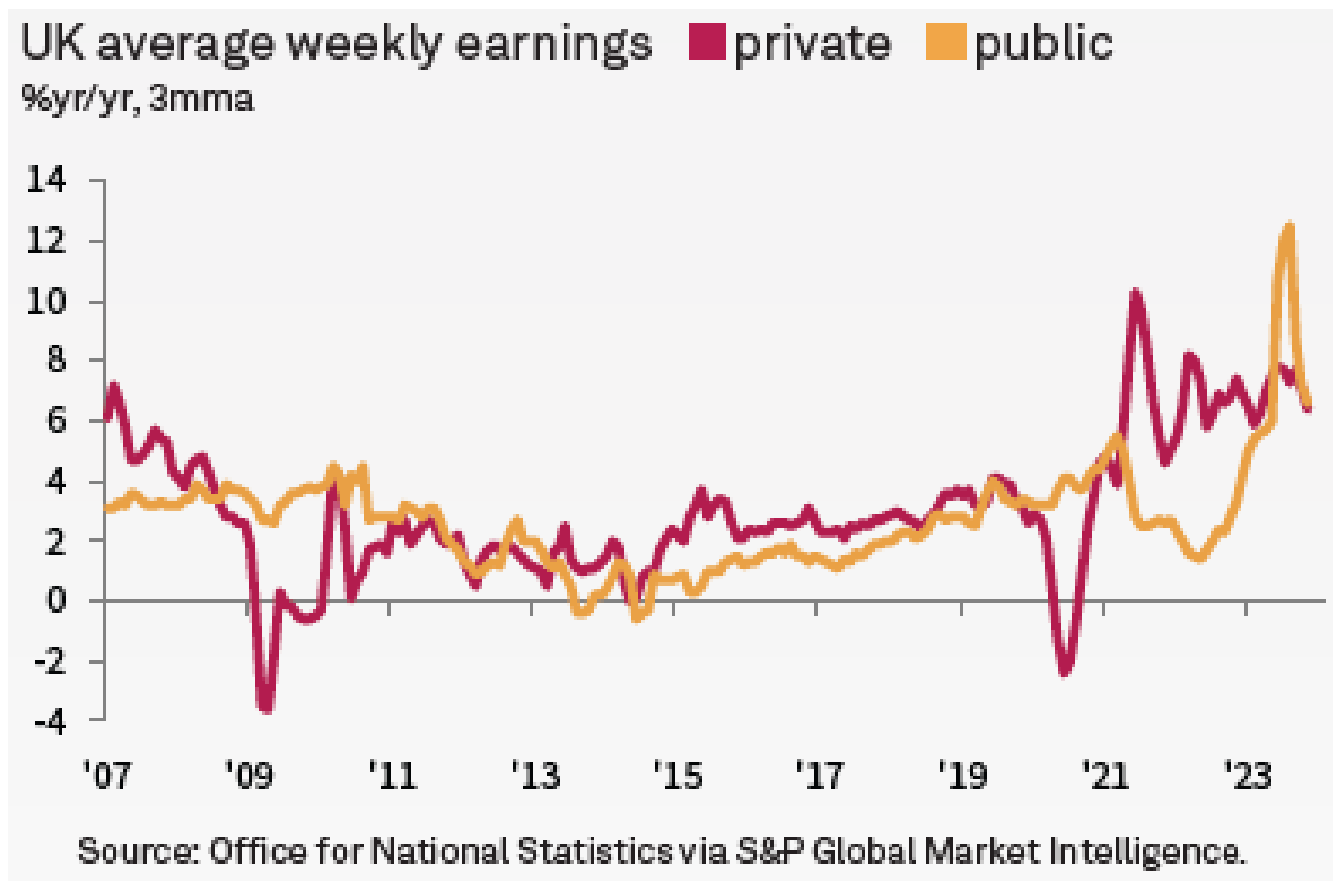
## Starting salary growth dips to 34-month low

Average salaries awarded to new permanent joiners continued to increase across the UK at the start of 2024. Whilst sharp, the rate of pay growth slipped to the softest since March 2021 and moved further below the historical average (57.4). The higher cost of living and competition for skilled workers had placed further pressure on starting salaries, according to recruiters. However, there were also reports of tighter client budgets and more stable salaries after a strong period of growth.

Starting salary inflation eased significantly in the Midlands but with modest upturns in the other the regions.

[ONS Data](#) released 13 February shows annual growth in regular earnings (excluding bonuses) was 6.2% in October to December 2023, and annual growth in employees' average total earnings (including bonuses) was 5.8% in October to December 2023.

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 1.4% and for regular pay rose on the year by 1.8% in October to December 2023.



## London job market

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

The headlines are “Steep decline in permanent staff appointments”

January's survey results indicated a sixteenth consecutive month of decline in permanent staff placements within the capital, with the pace of decrease accelerating from December, resulting in a rapid overall contraction. A combination of fewer job openings and a growing hesitation among candidates to switch positions reportedly contributed to the downturn in recruitment activities. The decline in permanent placements occurred at the same rate on a nationwide basis.

Following a modest expansion in December, recruitment agencies based in London recorded a renewed drop in temp staff billings during January. The decline was the most marked in nearly three years.

In January, the demand for permanent staff in London continued to decline, marking an 11-month streak of reduction. The pace of this downturn intensified from December, resulting in a robust and more pronounced contraction compared to the national average.

Conversely, the capital experienced a fourth consecutive month of increasing demand for short-term staff in January, with the growth in temporary job vacancies being significant and surpassing the UK-wide rate.

Since December 2022, every month has witnessed an increase in the number of permanent job seekers in London, continuing into January. Although the seasonally adjusted index for this group dipped to its lowest point in four months, it still indicated a significant overall growth in the pool of permanent candidates. The recent surge in available candidates was partially attributed to job cuts.

## **Regional comparison**

### **Staff Appointments**

In January, the UK experienced a continued decline in the placement of individuals into permanent positions, marking the sixteenth consecutive month of reduction. The decrease intensified from December, ranking among the most significant in the observed period. Sharp declines in permanent staff appointments were noted across all four monitored English regions, with the Midlands experiencing the fastest drop, closely followed by the South of England.

Temporary billings in the UK also saw a decline for the third consecutive month. However, this reduction was relatively mild and marked the least severe in the ongoing series of decreases. The North and South of England reported increases in temporary billings for January, with the rates of growth reaching their highest in ten and eight months, respectively. In contrast, significant decreases were observed in London and the Midlands.

### **Candidate Availability**

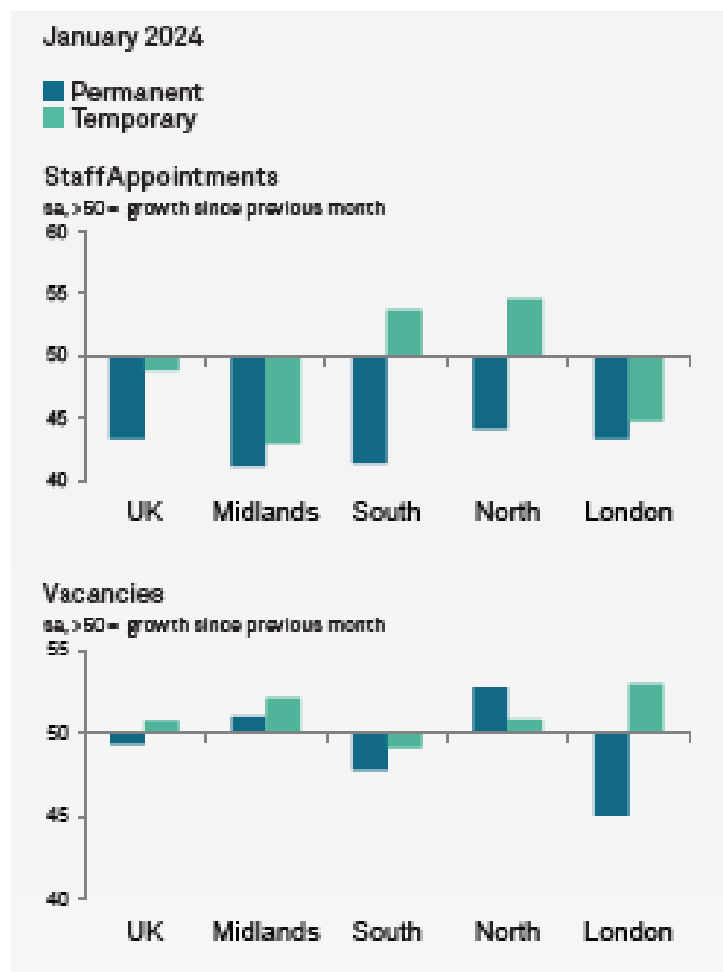
The availability of candidates for permanent positions in the UK saw an increase at the beginning of 2024, continuing an 11-month trend of growth. However, the pace of this increase slowed compared to December, marking the most modest rise since September. An increase in the supply of permanent staff was observed across all monitored English regions, with the most pronounced growth in London.

Nationally, the availability of temporary candidates through recruitment agencies saw a notable rise, albeit at the slowest pace since the previous May. Both London and the Midlands experienced an increase in the rate of candidate availability, whereas the North and South of England saw more moderate expansions.

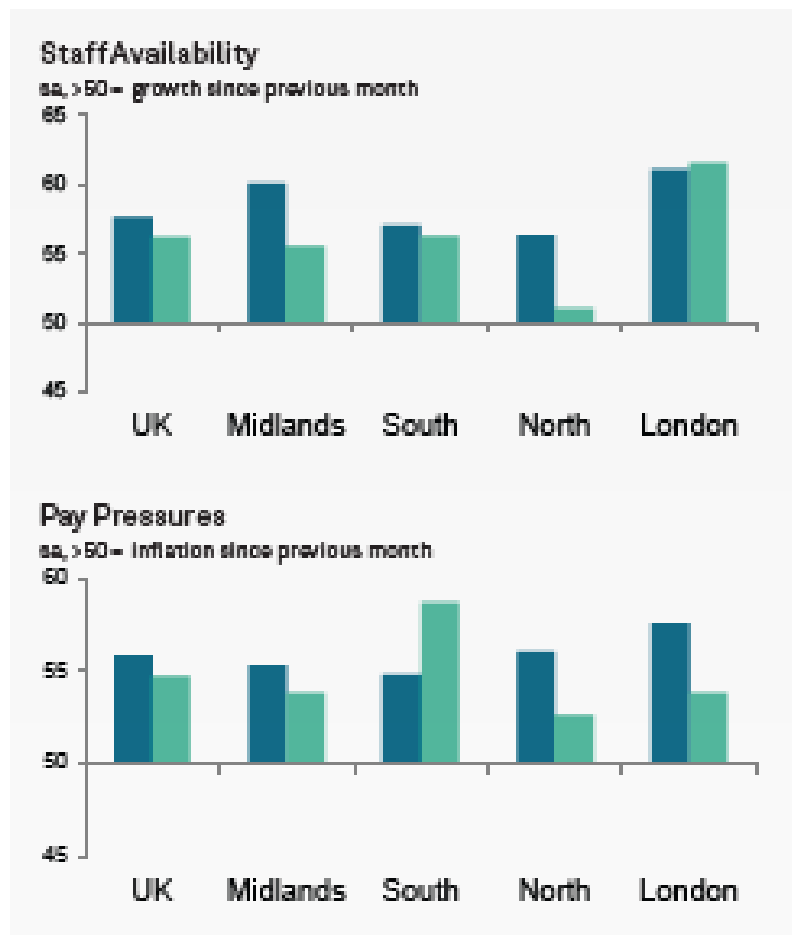
## Pay Pressure

The average starting salary for new permanent positions in the UK continued to rise in January, extending the ongoing trend of wage inflation to 35 months. Although the rate of salary growth decreased to its lowest since March 2021, it remained significantly high. London witnessed the largest increase in starting salaries, followed by the North of England, with the South of England experiencing the most modest rise.

Temporary wages in the UK also increased in January, with the rate of wage growth for short-term positions reaching its highest in five months and remaining robust. Both the South of England and London saw an acceleration in temporary wage growth, whereas the Midlands and the North of England experienced a slowdown in hourly pay inflation compared to the previous survey period.







## Other data and reports

The Institute for Employment Studies also published a key analysis dated 13 February.

Their [briefing note](#) sets out analysis of the Labour Market Statistics.

The current state of the labour market is somewhat more troubling than previously anticipated. The employment rate has dropped by nearly one percentage point, and the rate of 'economic inactivity'—which accounts for individuals not participating in the labour force, either by not seeking or not being available for work—has increased by more than one percentage point compared to last month's estimates. This change is a result of the Office for National Statistics' (ONS) recent reweighting process, which has notably raised the estimated population size and resulted in a greater increase in the number of unemployed individuals compared to those employed.

Even when comparing revised figures to other revised data, the outlook remains poor. The employment growth observed throughout 2022 has either come to a halt or is barely moving, and economic inactivity rates are on the rise. Presently, nearly 700,000 more individuals are unemployed compared to the period before the pandemic, with the increase largely attributed to people being out of the labour force due to long-term illnesses.

February 2024's Labour Market Statistics also highlight concerning trends among youth, with a record number of young individuals not engaged in full-time education or part of the labour force, totalling nearly 750,000.

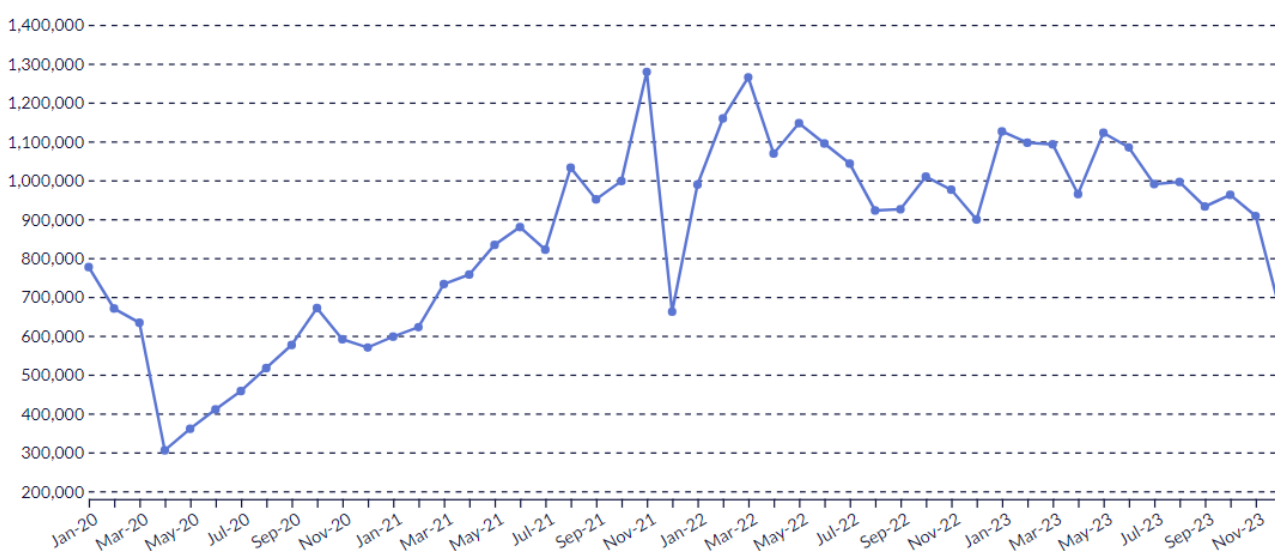
Despite this sluggish recovery, the unemployment rate remains low at 3.8%, with still robust vacancy numbers (930,000) and a 6.2% annual increase in pay, although these figures have declined from their previous highs. This suggests that while employment rates are disappointing, the demand within the labour market is relatively strong but is not matched by an adequate supply of labour. This imbalance is likely to further constrain economic growth and impact living standards negatively.

There are some other positive aspects in the latest data. Despite the downward revisions, there's no indication that higher interest rates are driving the labour market towards a severe downturn. Short-term unemployment rates have not increased recently, redundancies remain low, and job vacancies are still plentiful. Additionally, the revised population figures from the Labour Force Survey (LFS) indicate that the total employment level this year is the highest on record, even though employment growth is not keeping up with population growth.

The REC's [Labour Market Tracker](#), last updated in January, has been in gentle decline in recent months (apart from the December seasonal dip) but down overall on the earlier part of 2023 .

### Monthly new job postings

This chart shows how the number of new job adverts being posted in the UK each month has changed since the beginning of 2020.



The most recent quarterly [ManpowerGroup Employment Outlook Survey](#) for Q1 2024 is 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](mailto:chris.sale@prismrec.co.uk)***