

KPMG and REC, UK Report on Jobs

Hiring activity growth slows again in July amid increased economic uncertainty

53.1

PERMANENT PLACEMENTS INDEX
JUL '22

57.7

TEMPORARY BILLINGS INDEX
JUL '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.

Slowest increase in permanent placements for 17 months

Demand for staff rises at softest rate since March 2021

Downturn in staff supply eases, but pay pressures remain acute

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

"The trend of uncertainty in the UK jobs market of the last few months continues, as overall hiring activity saw another slowdown in July. Given the challenging economic outlook, employers are rightly hesitant about their hiring plans. But to compound this, a lack of suitable candidates and an overall skills shortage in most sectors are keeping starting salaries high."

"As the cost-of-living crisis continues to bite - alongside rising inflation - workers may well choose to stay where they are rather than risk job security by moving now. So, a focus on upskilling existing workers and attracting talent remains absolutely essential for UK business to play its part in driving forward the economy."

Kate Shoesmith, Deputy CEO of the REC, said:

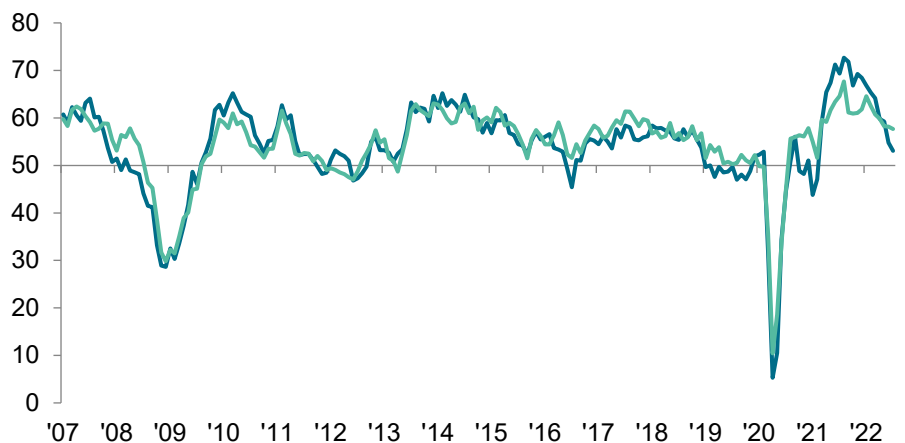
"The jobs market remains solid. Demand for staff continues to rise, as it has done since early 2021, rising in every sector. Starting salaries are still growing too, making this a good time for jobseekers to be looking for their next role."

"However, growth in permanent hiring has softened in recent months. We've seen that rising fuel and energy prices, inflation and labour shortages are impacting employer confidence. Labour and skills shortages are also restricting opportunities for both the private and public sector to meet consumer demand. Our latest report shows that these constraints could cost the UK economy up to £39 billion a year if we don't work to fix these issues now."

"So it's vital that both government and businesses start putting their people and their staffing strategies first. We know what needs to be done: there should be improved provision of skills training, increased employment from under-represented groups, and we need good transport, childcare and immigration systems."

■ 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 July are:

Softer expansion in overall recruitment activity

Latest survey data pointed to slower increases in both permanent staff appointments and temp billings at the start of the third quarter. In each case, the rate of expansion softened to the weakest in 17 months, as a number of firms commented that greater uncertainty towards the outlook and rising costs had led some clients to be more cautious around hiring decisions. The murkier outlook also contributed to the fact that temp billings rose more strongly than permanent staff appointments.

Vacancy growth dips to 16-month low

Recruitment consultancies signalled a further sharp increase in demand for staff during July. However, the rate of vacancy growth eased for the third month in a row and was the slowest recorded since March 2021. Underlying data pointed to softer increases in demand for both permanent and temporary staff, with the former seeing the more marked slowdown.

Availability of candidates falls at softer, but still sharp rate

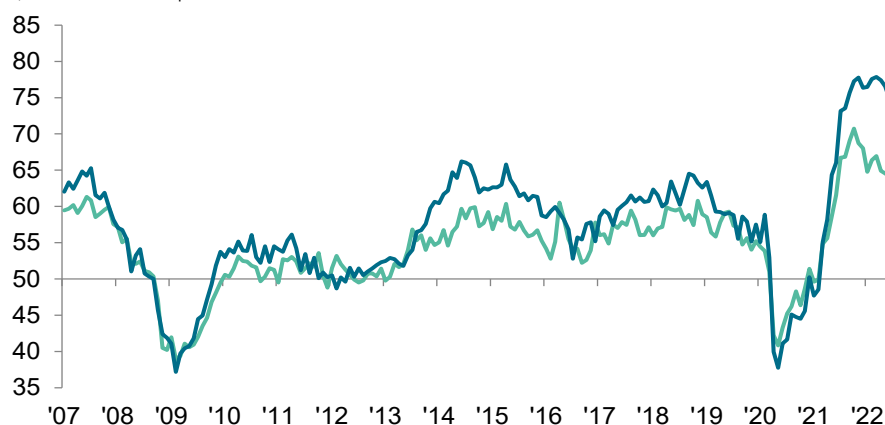
As has been the case since March 2021, the supply of workers across the UK fell during July. Though rapid and much quicker than the long-run average, the rate of reduction was the slowest seen in 15 months. Downturns in the availability of both permanent and temporary workers eased compared to June. Nonetheless, there were still widespread reports of skills shortages, fewer foreign workers and a greater hesitancy to seek out new roles due to increased economic uncertainty and concerns over job security.

Starting pay inflation eases only slightly

Amid the rising cost of living and greater competition for scarce staff, rates of starting pay continued to rise sharply for both permanent and short-term workers in July. The latest increase in starting salaries was the least marked for 11 months, however, while temp wage inflation softened to the slowest for just over a year.

■ Permanent Salaries Index
■ Temporary Wages Index

sa, >50 = inflation since previous month

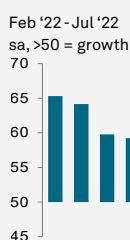


2 Staff Appointments

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 placement growth weakens again in July

UK recruitment consultancies signalled a further slowdown in growth of permanent staff appointments in July. Though solid, the latest increase was the softest recorded in the current 17-month period of expansion and slower than the series trend. Greater demand for staff and company expansions helped to drive permanent placements higher, according to panellists. However, growth was reportedly constrained by low candidate numbers, softer rises in vacancies, and delayed decision-making around new hires due to rising costs and economic uncertainty.

All four monitored English regions bar the North of England saw a weaker upturn in permanent staff appointments during July.

Permanent Placements Index

sa, >50 = growth since previous month

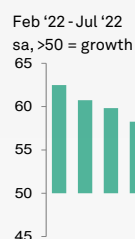


Permanent Placements Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Feb '22	65.3	59.2	63.2	64.8	67.4
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

Temporary Billings Index



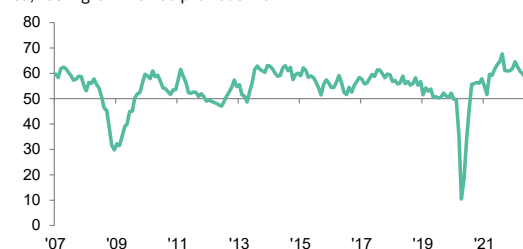
Softest increase in temp billings for 17 months

Adjusted for seasonal factors, the Temporary Billings Index pointed to another increase in billings received from the employment of temp/contract staff in July. Billings have now risen in each month for the past two years. The latest expansion was the softest seen since February 2021, but remained sharp overall. Robust demand for short-term staff was cited by recruiters, with some linking this to a preference for temp staff over permanent workers, but also the limited availability of permanent candidates.

On a regional basis, recruitment agencies in London saw the steepest increase in temp billings during July. The softest upturn was meanwhile recorded in the Midlands, where growth eased to a marginal pace.

Temporary Billings Index

sa, >50 = growth since previous month



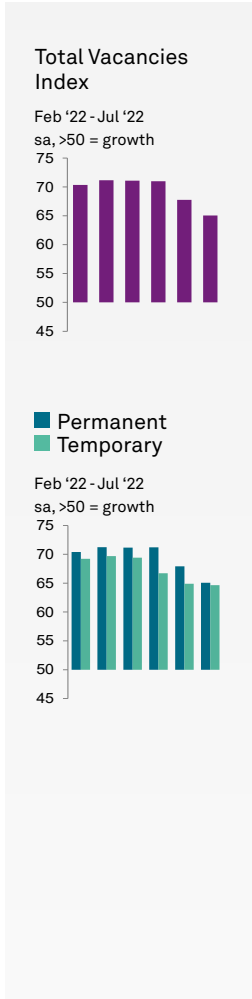
Temporary Billings Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Feb '22	62.5	64.6	62.2	61.7	63.7
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

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.



Demand for staff increases at slowest rate since March 2021

The seasonally adjusted Total Vacancies Index fell from 67.8 in June to 65.0 in July, to signal a steep albeit softer increase in vacancies. The rate of expansion weakened for the third month in a row, and was the slowest seen since March 2021.

Permanent and temporary vacancies

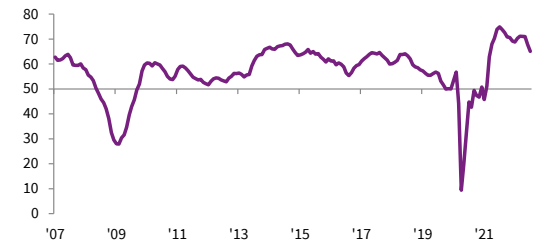
When broken down by job type, latest data showed that permanent staff demand increased at a slightly sharper pace than that seen for temporary workers. That said, both types of vacancies expanded at the softest rates for 16 months.

Public & private sector vacancies

The latest survey pointed to a broad-based increase in demand for staff across both the private and public sectors. The strongest increase in vacancies was signalled for permanent roles in the private sector, while the softest rise was noted for permanent roles in the public sector. That said, both sectors saw slower increases in demand for staff compared to the previous month.

Total Vacancies Index

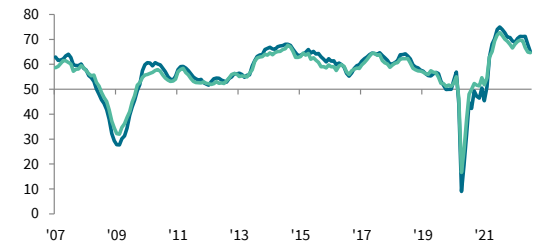
sa, >50 = growth since previous month



Permanent Vacancies Index

Temporary Vacancies Index

sa, >50 = growth since previous month



Vacancy Index summary

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

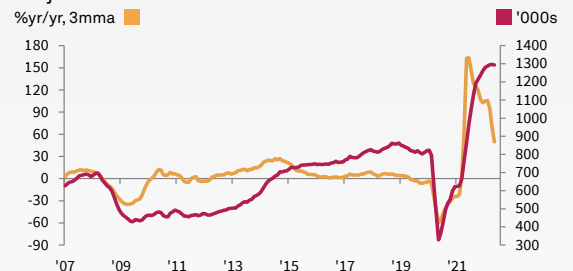
	Total	Permanent		Temporary			
		Total	Private*	Public*	Total	Private*	Public*
Feb '22	70.3	70.4	78.0	66.7	69.2	71.1	67.0
Mar '22	71.1	71.2	77.6	66.5	69.7	71.9	67.9
Apr '22	71.1	71.2	73.7	65.2	69.4	66.2	64.2
May '22	71.0	71.2	72.3	65.9	66.7	67.3	63.8
Jun '22	67.8	67.9	68.3	65.9	64.9	65.6	61.5
Jul '22	65.0	65.1	65.6	59.3	64.7	64.6	61.0

Official data: UK job vacancies

Data from the Office for National Statistics (ONS) showed that overall vacancies were broadly stable over the second quarter. Total vacancies stood at 1,294,000, which was down only slightly from an all-time record of 1,297,000 in the three months to May.

Although this was +49.6% higher than the number of vacancies recorded over the second quarter of 2021, it marked the softest year-on-year growth rate since the three months to April 2021.

UK job vacancies



Source: Office for National Statistics.

4 Vacancies by sector

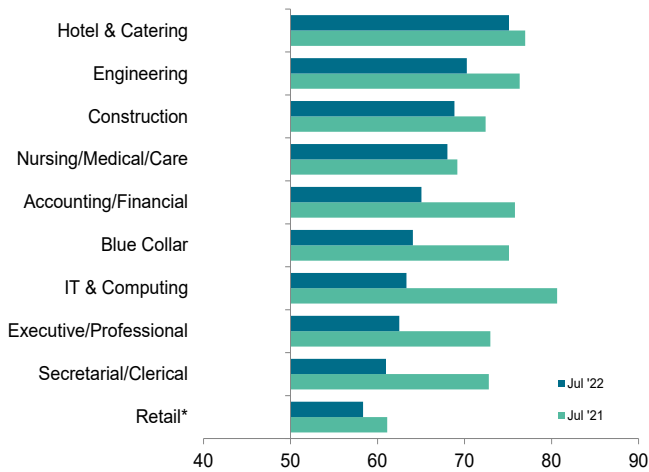
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

Vacancies expanded markedly across all ten monitored job categories during July, albeit with rates of growth softer than those recorded a year ago. Hotel & Catering topped the rankings at the start of the third quarter of 2022, while Retail remained at the bottom.

Permanent Vacancies Index

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

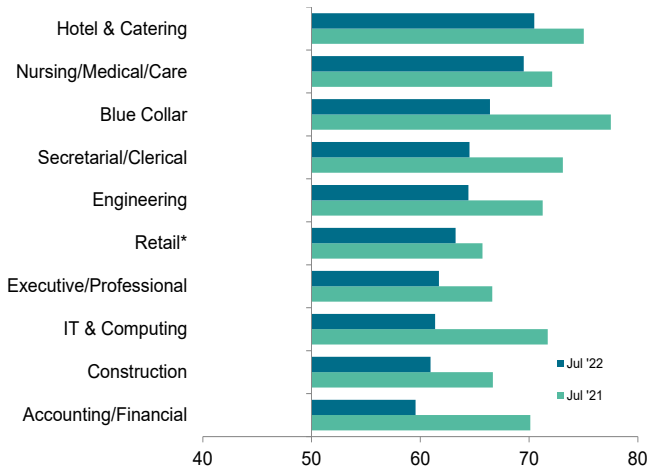


Temporary vacancies

Latest survey data pointed to a broad-based upturn in demand for temporary staff in July, with Hotel & Catering noting the strongest increase in vacancies. The softest increase in demand for short-term workers was meanwhile seen in Accounting/Financial.

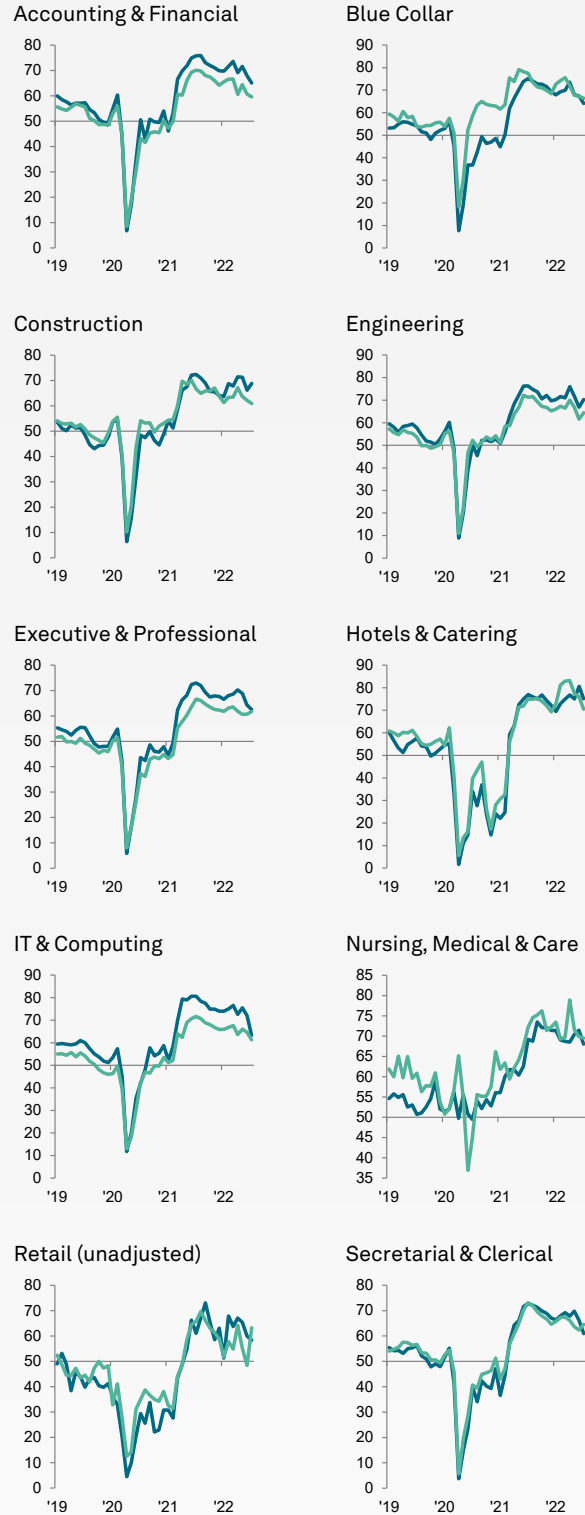
Temporary Vacancies Index

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



Vacancy index by sector

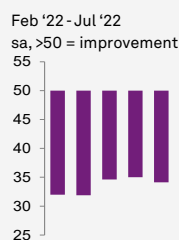
■ Permanent ■ Temporary
sa, >50 = growth since previous month



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



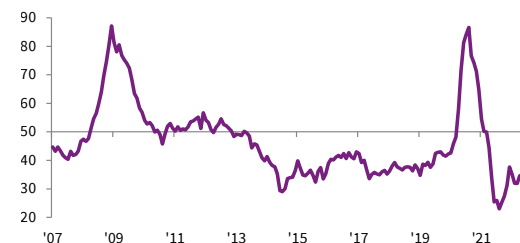
Total staff supply falls at softest rate since April 2021

The seasonally adjusted Total Staff Availability Index remained below the neutral 50.0 mark to signal a fall in overall candidate supply for the seventeenth successive month in July. That said, the index rose from 34.1 in June to 39.7, to signal the weakest rate of deterioration since April 2021.

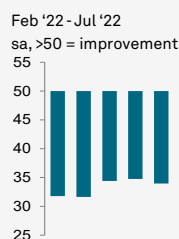
Nevertheless, the drop in staff supply remained rapid overall, and was driven by further falls in both permanent and temporary candidate numbers.

Total Staff Availability Index

sa, >50 = improvement since previous month



Permanent Staff Availability Index



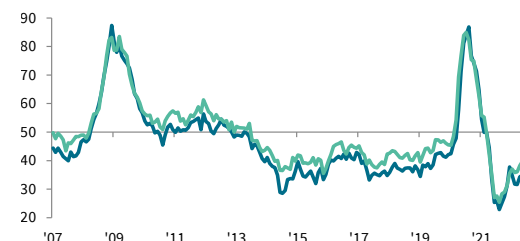
Weaker reduction in permanent candidate availability

The availability of permanent staff decreased in July, as has been the case for the past year-and-a-half. Though sharp and much quicker than the series average (47.0), the rate of deterioration was the least severe since April 2021. When explaining the latest drop in candidate numbers, recruiters cited a general shortage of skills, and that people were becoming more hesitant to seek or switch to new roles due to greater economic uncertainty.

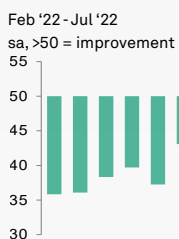
Permanent candidate supply fell at softer, but still rapid rates across all four monitored English regions in July.

Permanent Staff Availability Index

sa, >50 = improvement since previous month



Temporary Staff Availability Index



Temp candidate numbers decline at slowest rate in 16 months

The downturn in temp labour supply also eased at the start of the third quarter. Though marked by historical standards, the latest reduction in short-term staff availability was the weakest seen since March 2021. According to anecdotal evidence, temp candidate numbers declined due to a combination of ongoing labour shortages, Brexit, and a preference among some people for permanent roles.

Weaker drops in temp candidate availability in the Midlands, South and North of England offset a slightly stronger reduction in the capital.

Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Feb '22	31.8	25.4	30.5	35.6	35.2
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

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Feb '22	35.8	35.9	35.1	35.2	39.4
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

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 ACCA Accountants Auditors Book Keepers CIMA Credit Controllers Estimators Finance Finance Directors Payroll Purchase Ledger Taxation	Maintenance Engineers Mechanical Engineers Technicians Executive/Professional B2B Business Development Human Resources Legal Management Marketing Project Managers Recruitment Consultants	Nursing/Medical/Care Carers Chemists Healthcare Assistants Hearing Aid Dispensers Nurses Optometrists Pharmacists Social Workers Secretarial/Clerical Administration Clerical Office Staff Receptionist
Blue Collar Blue Collar Decorators Drivers Electricians HGV Drivers Industrials Manufacturing Production Security Guards Site Managers Warehouse Welders	Hotel/Catering Catering Chefs Hospitality	Other All Types of Candidates Call Centre Commercial Customer Service German Speakers Logistics Quality Control Sales Skilled Supply Chain Telemarketing
Construction Architectural Tech Construction Construction Site Managers Quantity Surveyors	IT/Computing Analysts BI C# CAD Cloud Engineers Data Professionals Design Managers Developers Digital IT Software Software Engineers Technical Sales Technology	
Engineering Electrical Engineers Engineers		

Skills in short supply: Temporary staff

Accounting/Financial ACCA Accountants Auditors Book Keepers CIMA Credit Controllers Finance Finance Directors Payroll Taxation	Engineers Executive/Professional Business Development Legal Management Marketing Project Managers Hotel/Catering Catering Chefs Hospitality Kitchen Porters	Secretarial/Clerical Administration Office Staff Receptionist Other All Types of Candidates Call Centre Customer Service Education General Assistants Languages Sales Semi Skilled Skilled Supervisors Supply Chain Telemarketing Telesales Testers Unskilled
Blue Collar Blue Collar Carpenters Decorators Drivers Electricians Forklift Drivers HGV Drivers Industrials Manufacturing Security Guards Site Managers Trades Warehouse Welders	IT/Computing Developers IT Software Technology Nursing/Medical/Care Carers Doctors Healthcare Assistants Hearing Aid Dispensers Nurses Optometrists Pharmacists Social Workers	
Construction Architectural Tech Bricklayers Construction Construction Site Labourers Managers	Retail Retail	
Engineering Design Engineers		

Skills in excess supply: Permanent staff

Accounting/Financial Finance	IT/Computing Developers IT
Blue Collar Automotive Site Managers	Nursing/Medical/Care Carers
Construction Construction Labourers	Secretarial/Clerical Administration Clerical Office Staff Personal Assistant
Engineering Engineers	Other Customer Service Graduates Skilled Unskilled
Executive/Professional Human Resources Project Managers	

Skills in excess supply: Temporary staff

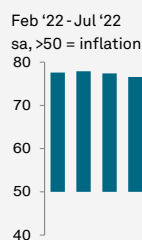
Blue Collar Factory Site Managers	Nursing/Medical/Care Healthcare Assistants Nurses
Construction Construction Labourers	Retail Retail
Engineering Engineers	Secretarial/Clerical Administration
Executive/Professional Project Managers Purchasing Manager	Other Customer Service Sales Unskilled
IT/Computing 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.

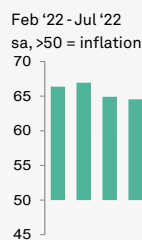
6 Pay pressures

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



Temporary Wages Index



Starting pay for permanent staff continues to rise sharply

Starting salaries for permanent workers continued to increase in July, thereby stretching the current period of inflation to 17 months. The rate of pay growth was rapid, albeit the softest seen since August 2021. Nearly half of recruiters (47%) noted higher starting salaries, compared to 2% that saw a fall, with firms often attributing higher pay to low candidate numbers, intense competition for staff and the rising cost of living.

Steep increases in permanent starters' pay were seen across all four monitored English regions, led by London.

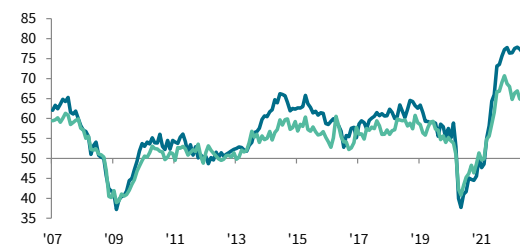
Temp wage inflation edges down to 13-month low

The increased cost of living and candidate shortages drove a further rise in average hourly wages for short-term staff during July. Temp pay has now risen continuously since March 2021. Though sharp and above the series average (55.2), the rate of inflation was the softest seen in just over a year.

The South of England recorded the fastest increase in temp wages at the start of the third quarter, while the softest upturn was seen in the Midlands.

Permanent Salaries Index

sa, >50 = inflation since previous month



Permanent Salaries Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Feb '22	77.6	76.9	77.8	74.5	82.0
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

Temporary Wages Index

sa, >50 = inflation since previous month

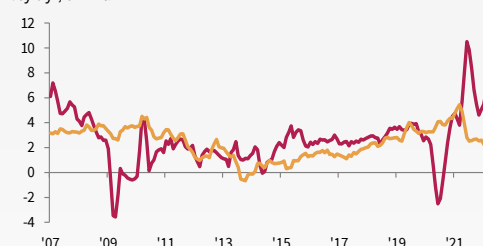
	UK	London	South	Midlands	North
Feb '22	66.4	64.7	68.0	64.5	68.3
Mar '22	66.9	65.2	66.1	67.1	70.8
Apr '22	64.9	62.8	66.6	64.6	66.4
May '22	64.5	62.2	68.4	60.6	64.3
Jun '22	64.1	61.3	66.3	62.0	65.5
Jul '22	63.1	61.5	66.5	61.0	61.4

Official data: UK average weekly earnings

Data from the Office for National Statistics (ONS) showed that employee earnings (including bonuses) continued to rise strongly over the three months to May 2022. This was despite the rate of growth easing from +6.8% year-on-year in the prior three-month period to +6.2%. Furthermore, this was still among the steepest increases in pay seen since the series began over two decades ago.

The slowdown was driven by a softer increase in private sector pay (+7.2%, down from +8.0%), as public sector earnings growth held steady at +1.5%.

UK average weekly earnings



Source: Office for National Statistics.

8 Special feature

This section features data from the Recruitment and Employment Confederation

Uncertainty and rising costs prompt strategy to overcome shortages

The UK business community is losing confidence in the economy, with the labour market still very tight and inflation continuing to increase. [Rising prices for motor fuels and food made the largest contributions to the rise in inflation](#), with CIP inflation reaching a 40-year high of 9.4% in June.

However the latest data from the [Office for National Statistics \(ONS\)](#) continues to prove that it is a great time to be looking for work, as job vacancies are at near record highs, and companies are raising pay to help attract staff. However, we are still far from pre-pandemic levels of employment, and the number of people not in work and not looking for work is still very high.

We are seeing slight improvements there, but not quickly enough. Many firms are still struggling with labour and skills shortages, and these will constrain economic growth over the longer term. The REC's latest report, [Overcoming Shortages](#), shows exactly how much damage could be done if we don't take the necessary steps to solve these shortages and get the UK economy growing strongly again. With a 10% surge in demand across the economy, and the labour market restricted by shortages, we could see a 1.2% fall in expected GDP and productivity by 2027 – costing the economy anywhere between £30 billion and £39 billion a year. This figure is just short of the entire current defence budget, or two whole Elizabeth Lines.

In this report we turned to businesses across the UK for their views, as well as looking to Canada and Germany for things we could learn. The best outcome for the UK labour market is for both businesses and governments to change behaviour and put people planning at the top of their list, rather than dealing with recruitment as a cost to be minimised.

The government will need to dedicate resources to create a future workforce strategy, outlining the skills that the UK economy will need over the coming years. This means putting in place policies for skills, immigration, regional investment, and labour market activation. But many of the actions lie with businesses, which need to push workforce planning up the agenda at leadership and board level. By engaging in workforce planning in partnership with various stakeholders including recruiters; investing in skills; implementing equality, diversity and inclusion policies; and making sure they provide attractive working conditions, businesses can ensure they have the workers they need to grow sustainably and succeed in the long-term.

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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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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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