# UK labour market struggles as vacancies drop ahead of national insurance hike

The labour market continues to slacken, with job vacancies "tumbling" ahead of the national insurance increase in April, according to a closely monitored survey.

A new report from KPMG and the Recruitment and Employment Confederation (REC) indicates that demand for staff has seen its most significant drop since August 2020, as reported by City AM.

This sharp decline is particularly noticeable for permanent staff, with the contraction rate speeding up for the fifth month in a row. The survey also reveals a continued decrease in the number of individuals placed in new roles by recruitment agencies, extending the contraction period to 28 months.

Companies continued to reduce their workforce in January, leading to an increased supply of individuals seeking both permanent and temporary employment.

The report noted a general reluctance to hire due to impending changes to employment costs and a prevailing sense of business uncertainty.

Employment costs are set to rise in April when the government's national insurance increase and minimum wage hike take effect.

Businesses have warned that they may need to cut jobs, reduce wages, and increase prices in response to these measures, all while navigating the government's new package of employment rights.

Neil Carberry, CEO of the REC, commented on the situation: “An autumn of fiscal gloom, difficulty navigating significant upcoming tax rises and little progress on the practicalities of a costly new approach to employment rights are all acting as brakes on progress.”

The survey is set to reinforce concerns that the labour market is faltering due to a raft of measures implemented by the new government last year.

The latest data from the Office for National Statistics (ONS) indicates a significant decline in the number of payrolled employees, with 47,000 fewer in December, marking the most substantial decrease since November 2020.

Simon French, Chief Economist at Panmure Gordon, commented last week that the government’s actions bear “all the hallmarks of a labour market policy mistake by lumping on too much synchronously.”

As the labour market continues to weaken, January saw a dip in pay growth, which stayed well below the historical average.

“Although firms were again willing to pay higher starting salaries for good quality candidates, an increased availability of staff tended to weigh on pay growth,” noted the survey.

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