



TALENT TRENDS REPORT

OCTOBER 2026

Source: REC/KPMG data September 2026



Award-winning talent partner, trusted by growing companies across the UK

WHAT THE MARKET IS TELLING US | OCTOBER 2026

Last month we told you the restart looked real. September's data agreed. Permanent placements rose for a second month running, and the index reached its highest point in four years. Vacancies fell at their softest rate since August 2024. And for the first time in over two years, demand for permanent staff grew across the private sector.

But the most useful story in this month's data isn't the direction. It's the mix. Temp billings grew for a sixth straight month, yet at the softest pace of the run, and recruiters reported why: some employers are moving temp spend into permanent hires. At the same time, the candidate pool that has deepened every month for three and a half years grew at its slowest rate in three years. In London, it barely grew at all.

Put in simple terms, the market is rebalancing. The question for every people/talent leader this quarter is whether that rebalance happens by design or by default.

In this month's report, we take a closer look at what has changed in 30 days, the three shifts underneath the headlines, and a tool to pressure-test your next hiring move before the Budget does it for you.



“Last month we said the restart had started, this month the data agreed. Clients who spent four years leaning on flexible talent are now asking how to rebuild permanent hiring without losing that flexibility. That's a design question, not a volume question, and the organisations answering it this quarter will hire better and cheaper than those who wait for the Budget to decide for them.”

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WHAT CHANGED IN 30 DAYS

These six measures come from the KPMG/REC Report on Jobs, a monthly survey of around 400 UK recruitment consultancies. A reading above 50 means growth, below 50 means decline. We've put August and September side by side for a reason: one good month can be luck. Two in a row is a pattern you can plan around.

	AUGUST	SEPTEMBER
PERMANENT PLACEMENTS	50.5 The first rise in 47 months	50.9 Faster, and a four-year high for the index
TEMP BILLINGS	52.4 A fifth straight month of growth	50.9 Still growing, but employers are shifting budget to permanent
VACANCIES	47.0 Demand still easing	48.5 The softest fall in over two years
STARTING SALARIES	54.1 The fastest pay growth in seven months	53.4 Cooling for the first time in four months (room to make offers)
CANDIDATE AVAILABILITY	60.6 Still rising sharply	57.2 The slowest rise in three years. The pool is starting to drain
PRIVATE SECTOR PERMANENT DEMAND	50.0 On the line	52.9 The first growth in over two years

THE BACKDROP

The previous page is survey data: recruiters telling KPMG and the REC what they're seeing on the ground. This page is the official record. The ONS numbers run a few weeks behind, but when the survey and the statistics point the same way, as they do this month, the signal is worth trusting. Here's what the recovery is standing on:

VACANCIES

702,000

Down just 8,000 on the quarter. The long fall in official vacancies has slowed to a crawl, which is what a floor looks like.

UNEMPLOYMENT

4.9%

Broadly stable. Through four slow years the labour market bent without breaking, which is why recovery can start from here rather than from a hole.

PRIVATE SECTOR PAY GROWTH

3.2%

The slowest since late 2020. Cost headroom at exactly the moment hiring restarts. Benchmark now and your offers land before the market reprices.

PAYROLLED EMPLOYEES

-100,000

Around 100,000 fewer than a year ago. The recovery is real but young. It rewards planning, not euphoria.

EMPLOYER CONFIDENCE

+6 points

REC JobsOutlook shows confidence in hiring and investment improved six points over the summer. Still cautious, clearly warming.

Sources: ONS Labour Market Overview (15 September 2026 release; May-Jul 2026 LFS data, Jun-Aug vacancies). ONS notes LFS figures are 'official statistics in development'. REC JobsOutlook, Jun-Aug 2026.

Our view: alongside the REC survey, the picture is consistent. The foundations held, pay pressure has paused, and confidence is thawing. Steady enough to build on, and early enough to build cheaply.

THE PRIVATE SECTOR JUST SAID YES

Underneath September's headline sits the sharpest divide in this month's data. Private sector demand for permanent staff grew for the first time in over two years, while public sector demand kept falling at a marked rate. The two figures below are index readings, so above 50 means demand grew and below means it shrank. Which side of that line you sit on decides which market you're actually hiring in, and the plan should look different on each side.

PRIVATE SECTOR, PERMANENT DEMAND: 52.9

The first positive reading since 2024. The REC's Maxine Bligh called it directly: 'The signal from the private sector is that it is ready to invest.' Private sector temp demand rose too, which points to committed budgets rather than a one-month experiment.

PUBLIC SECTOR, PERMANENT DEMAND: 44.5

Still contracting, with short-term public demand falling too. Cost discipline is now a permanent feature of public and public-adjacent hiring, not a phase. Here, efficiency, visibility of spend and flexible capacity matter more, not less.

SECTOR BY SECTOR

Demand returned first in IT and computing, engineering, construction and accounting and financial roles; retail and hospitality fell furthest. (These figures are not seasonally adjusted, so treat the direction as the story rather than the decimal.)



Our view: 'the market is recovering' is now too blunt a statement to plan with.

Build hiring capability that can flex to your sector's reality, not the national average's.

THE REBALANCE: THREE SHIFTS UNDERNEATH THE HEADLINES

The headline numbers tell you the market has turned. They don't tell you how it's turning, and that's where the planning value sits. Look underneath September's data and the weight is moving in three directions at once: between temp and perm, between regions, and from a deep candidate pool towards a draining one. None of these shifts is finished, which means you still get a say in how they land on your business.

1 FROM TEMP-LED TO PERM-READY

Temp billings have grown six months straight, but September's slowdown, alongside the first rise in private sector permanent vacancies in over two years, says employers are starting to convert. The risk isn't converting. It's converting without a plan: swapping agile capacity for fixed cost one panic hire at a time.

2 FROM LONDON-LED TO NATIONAL

London started the restart; in September the North of England led it, with the fastest growth in permanent placements and the sharpest pay rises. Midlands close behind. If your hiring plan prices every region like the capital, it's now wrong in both directions.

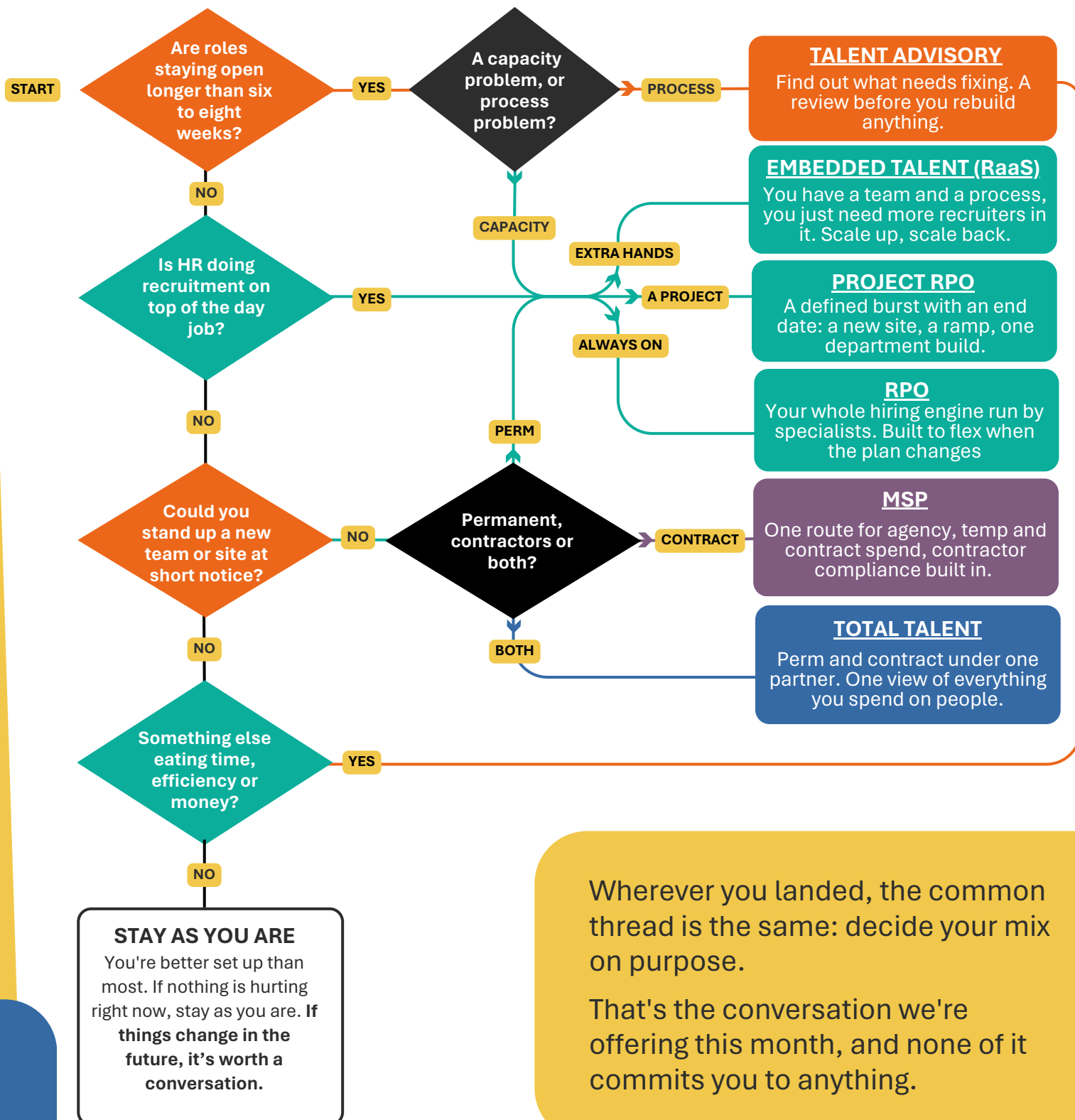
3 FROM DEEP POOL TO DRAINING POOL

Candidate availability rose at its slowest pace in three years, and in London it was close to flat. The buyer's market in talent is still here, but it has a sell-by date, and September was the first month you could read it on the label.

Our view: none of these shifts is a reason to rush. Together they're a reason to decide. Mix, geography and timing are all still choices this quarter. In six months the market will have made them for you.

WHAT'S YOUR NEXT MOVE?

Six pages of data are only useful if they change what you do next. So here it is as a decision. Answer each question as things actually are, not as the plan says, and see where you land



THREE TRADES THE MARKET IS OFFERING

Every stage of a hiring market hands someone an advantage. This stage, where demand is returning but nobody is queuing yet, hands it to the prepared: the groundwork that costs serious money in a busy market is briefly cheap. Three trades worth making while that's still true:

TRADE 1

TERMS BEFORE VOLUME

Reset supplier arrangements while volume is low and you set the terms. Wait until the market confirms itself and the terms set you.

TRADE 2

BENCHMARKS BEFORE SPRING

Pay growth just cooled for the first time in four months. Benchmarks built now stay accurate through winter. Benchmarks built in spring will be chasing a market that has already moved.

TRADE 3

SPEED BEFORE THE QUEUE

Approval chains and interview logistics are cheapest to fix when nobody's queuing. Every week cut from time-to-hire now compounds through every hire of the recovery.

None of these trades commits you to a single hire. Each one simply makes the next decision cheaper, faster and better informed.

PLANNING THROUGH THE BUDGET

The Autumn Budget lands later this month, and both KPMG and the REC have asked the Chancellor for the same thing: conditions that convert confidence into investment. You can't plan the Budget, but you can plan through it. Hiring capability that scales with demand rather than ahead of it is how you bank the upside of a good Budget without carrying the cost of a bad one.

ONE GOOD MONTH, OR A CONSISTENT QUARTER?

Before you take any of this to a board or a budget holder, it's fair to ask whether one survey having a good month proves anything. So here's the same question put to four separate sources.

Exhibit A: placements.

Permanent placements stabilised in July, rose in August, rose faster in September. Temp billings grew throughout. Both sides of the market moving together for the first time in years.

Exhibit B: job adverts.

The REC's Labour Market Tracker counted 1.70 million active postings in August, up 10.4% on a year earlier, with growth recorded in every UK region.

Exhibit C: employer confidence.

JobsOutlook showed confidence in hiring and investment improving six points over the summer. Confidence data usually moves before hiring data does.

Exhibit D: the official floor.

ONS vacancies fell just 8,000 in the latest quarter, while unemployment held broadly stable at 4.9%.

A single index can flatter, which is why we won't plan on one.

Any one of these measures could be noise. Four independent measures agreeing is a trend, and trends in hiring reward the organisations that notice them one quarter early rather than one quarter late.

Four measures agreeing is the market giving you a quarter's notice. Everything we've covered in this report is how to use it: where demand is returning, how the mix is shifting, and the moves that cost least while the market is still deciding.

DECIDE YOUR MIX FIRST

September's data says the rebalance is underway. The weeks before the Budget are your window to choose your mix deliberately. No commitment, just a working session with people who do this every day.

Complimentary 30-minute hiring mix review, covering:

- Your talent mix versus the market's direction
- Your route through the decision tree
- The roles worth benchmarking before spring
- What deliberate rebalancing looks like for you



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