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# KPMG AND REC, UK REPORT ON JOBS

## Permanent staff appointments rise at record pace as pandemic restrictions ease further in May

### Key findings

- Rapid increases in permanent placements and temp billings
- Vacancy growth hits highest since January 1998...
- ...but supply of workers drops at quickest rate for four years

Data collected May 12-24

### Summary

A further easing of COVID-19 restrictions and the reopening of more sectors of the economy spurred a marked increase in hiring activity in May, according to the latest **KPMG and REC, UK Report on Jobs** survey, compiled by IHS Markit. Permanent staff appointments rose at a record pace, while temp billings growth was also historically sharp. Demand for workers increased at the fastest rate for over 23 years.

At the same time, the deterioration in staff supply intensified, with overall candidate availability declining at the quickest rate since May 2017. Lower staff supply and rising vacancies led to further increases in starting pay, with both starting salaries and temp pay expanding at sharper rates than in April.

The report is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies.

#### Unprecedented increase in permanent placements as more parts of UK economy reopen

Improved market confidence amid a further reopening of the UK economy contributed to the sharpest increase in permanent placements in over 23-and-a-half years of data collection in May. Temp billings also rose rapidly, expanding at the quickest rate for more than six years.

### Permanent Placements / Temporary Billings

50.0 = no-change



Sources: KPMG, REC, IHS Markit

#### Demand for staff rises at near-record pace

May survey data also highlighted a sharp and accelerated rise in vacancies, with the latest upturn the most marked since January 1998. Substantial increases in demand were signalled for both permanent and temporary staff, with the former seeing the slightly steeper rate of growth.

#### Staff availability deteriorates rapidly

The decline in total candidate availability gathered pace midway through the second quarter. The latest reduction in overall staff supply was the most severe for four years and rapid, with both permanent and short-term candidates falling at substantial rates. Lower worker availability was frequently linked to lingering pandemic uncertainty and a subsequent reluctance to seek out new roles, fewer EU candidates and furloughed staff.

#### Steeper increases in starting pay

Greater demand for workers and a generally low supply of candidates pushed up rates of starting pay again in May. Starting salaries for permanent staff rose to the greatest extent since September 2018, while temp wage inflation hit a near two-year high.

Continued...

## Regional and Sector Variations

The North of England saw the steepest increase in permanent staff appointments of all four monitored English regions, though rates of growth were also sharp elsewhere.

The sharpest rise in temp billings was seen in the North of England, followed by the South of England. Meanwhile, the Midlands recorded a relatively modest rate of growth, while billings were broadly stagnant in London.

Vacancies continued to rise more sharply in the private than the public sector, with the quickest increase in demand seen for permanent staff in the private sector. The softest growth of demand was seen for permanent workers in the public sector, though the upturn was nonetheless sharp overall.

Demand for permanent workers rose across all ten monitored job categories during May. The steepest increases in vacancies were seen in IT & Computing and Hotel & Catering. Retail meanwhile saw the softest expansion in demand.

May survey data also pointed to a broad-based increase in temporary staff vacancies. Blue Collar saw the sharpest increase in demand for temp workers, though marked increases were also seen across the other nine monitored job categories.

## Comments

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

“With demand for workers in May increasing at the fastest rate in 23 years, the jobs market seems to be firing on all cylinders, and we need this momentum to continue for our economy and businesses to fully bounce back.

“But the deterioration in staff supply intensified this month, with overall candidate availability declining at the quickest rate since May 2017. This is a worrying trend and the message is clear: we need businesses and recruiters working alongside Government to urgently address the skills gap by supporting candidates and employees to upskill and reskill to move into new roles. This will be crucial to our recovery from the pandemic and the levelling up of opportunities across the UK.”

Kate Shoesmith, Deputy CEO of the REC, said:

“We now have a consistent picture over the past few months to show that confidence is growing and hiring plans are in motion. The data is mirroring exactly what recruiters tell us daily. Permanent placements are growing at the fastest pace we’ve ever seen, and temp billings at the quickest for six years.

“So now is the time for action. With demand spiking, the skills and labour shortages that already existed in the UK have come into sharper focus – and COVID has only made them worse. This is the most pressing issue in the jobs market right now, and has the potential to slow down the recovery. Employers must think about how they can attract the staff they need, for example by looking at the wage and benefits package on offer – there is particular demand for more flexible and hybrid work. But government also needs to urgently look at improving access to work and opportunities for everyone to participate in training that will lead to a job. This should start with careers information that signals where job openings are being created and funding for the relevant work-related training.”

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## Methodology

The KPMG and REC, UK Report on Jobs is compiled by IHS Markit 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](mailto:economics@ihsmarkit.com).

Full reports and historical data from the KPMG and REC, UK Report on Jobs are available by subscription. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

## About KPMG

KPMG LLP, a UK limited liability partnership, operates from 21 offices across the UK with approximately 16,000 partners and staff. The UK firm recorded a revenue of £2.3 billion in the year ended 30 September 2020.

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## About REC

The REC is the voice of the recruitment industry, speaking up for great recruiters. We drive standards and empower recruitment businesses to build better futures for their candidates and themselves. We are champions of an industry which is fundamental to the strength of the UK economy. Find out more about the Recruitment & Employment Confederation at [www.rec.uk.com](http://www.rec.uk.com).

## About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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