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KPMG AND REC, UK REPORT ON JOBS

Permanent placements rise at sharper rate in November

Key findings

- Hiring activity continues to expand strongly amid robust demand for workers
- Starting salary inflation hits fresh series high
- Candidate availability drops at slightly softer rate

Data collected November 12-24

Summary

UK recruiters signalled a further sharp increase in hiring activity midway through the fourth quarter, according to the latest **KPMG and REC, UK Report on Jobs** survey, with permanent placement growth quickening since October and temp billings continuing to rise strongly.

The upturns were supported by further marked increases in vacancies for both permanent and short-term staff, albeit with growth rates softening from October. At the same time, there was a slower, but still substantial, drop in overall candidate supply. A notable imbalance between the supply and demand for workers led to further increases in starting pay. Notably, the rate of starting salary inflation hit a fresh series record in November.

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

Steeper increase in permanent staff appointments

Robust demand for workers and efforts to fill vacancies drove a further strong increase in hiring activity during November. Permanent placements rose at a sharper rate than in October, the fifth-quickest on record, and one that continued to outpace that seen for temp billings.

Vacancy growth slips to six-month low, but remains robust overall

Demand for staff continued to rise rapidly across the UK in November. This was despite the rate of

Permanent Placements / Temporary Billings

50.0 = no-change



Sources: KPMG, REC, IHS Markit

expansion slipping to a six-month low. Underlying data indicated that both permanent and temporary vacancies increased at slightly softer rates compared to October.

Softest decline in total candidate supply since May

Latest data indicated that the downturn in candidate availability eased to its weakest since May during November. Nonetheless, the rate of decline remained substantial and among the quickest since data collection began in late 1997. Slower, but still rapid, falls were signalled for both permanent and temporary candidates, with recruiters often linking this to continued uncertainty around the pandemic, greater demand for staff and Brexit.

Permanent starters' salaries rise at unprecedented rate

Low candidate numbers and efforts to attract and secure workers drove further steep increases in pay for both permanent joiners and temporary staff in November. Furthermore, the rate of starting salary inflation accelerated to a fresh series high, while temp pay softened only slightly from October's all-time record.

Regional and Sector Variations

Sharp and accelerated rises in permanent placements

Continued...

were seen across all four monitored English regions in November. The Midlands and London posted the joint-strongest increases, while the slowest upturn was seen in the South of England.

London recorded the quickest increase in temp billings of all four monitored English regions in November. The softest, albeit still sharp, rise was seen in the Midlands.

November data signalled that growth of demand remained considerably stronger for private sector workers than public sector staff. The steepest increase in vacancies was recorded for permanent roles in the private sector, while the softest upturn was seen for permanent staff in the public sector.

IT & Computing posted the steepest increase in demand for permanent staff during November, followed closely by Hotel & Catering. The softest rise in permanent vacancies was seen in the Retail sector.

All ten monitored categories registered steep increases in temporary vacancies in November, led by Hotel & Catering. As was the case for permanent staff demand, Retail recorded the slowest increase in short-term vacancies.

Comments

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

“The confidence of businesses to hire remains reassuringly robust. We’ve seen nine months of growth in permanent placements and rising vacancies for the past 10 months as the economy bounces back. The data points to a strong end to the year, but that hunger to expand could be tested as the jobs market becomes ever tighter. The pace of demand for workers is running far faster than supply can keep up with, which is draining an already diminished pool of available talent and feeding into inflationary pressures.

“The current trajectory is unsustainable in the long run for businesses and the wider economic recovery. The priority must be to replenish the workforce and ensure businesses can access the talent they need. That means equipping job seekers with the skills that employers and new industries are looking for, increasing labour market flexibility and improving transport links.

“In the meantime, businesses need to have one eye on cost pressures and the other on attracting and retaining talent – no easy feat given the intense jobs market. Many will be looking to the new year – a traditional time for job seekers to begin searching for new opportunities – to fill gaps in resource.”

Neil Carberry, Chief Executive of the REC, said:

“Today’s figures emphasise again how far we have come this year – it is certainly a great Christmas if you’re looking for a job. This is always the busiest part of the year for recruiters, but demand for new staff across the autumn has been exceptional. Because of this high demand, starting salaries and temp rates continue to rise, making it even more attractive to be looking for a new opportunity in 2022. Hiring companies will need to make sure they get their offer right – not just on pay – and take an inclusive approach if they are to avoid losing out.”

“It’s too early to tell what the effect of the Omicron variant might be on the labour market – December may be slower than previous months as its effects feed through. Hospitality will be in the forefront of any changes as we approach the festive season, of course, and the impact of high inflation will also be felt as purses tighten in January. But the broader outlook is more positive for candidates, suggesting that the labour market will remain tight for some time to come. This will put a premium on skills development, and the flexibility to hire overseas when necessary. These two issues will be critical ones for the government to address next year – both levelling up and delivering a global Britain rely on them.”

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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.

Full reports and historical data from the KPMG and REC, UK Report on Jobs are available by subscription. Please contact 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.

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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