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KPMG AND REC, UK REPORT ON JOBS

Hiring activity growth accelerates in August, but candidate supply drops at record pace

Key findings

- Permanent placement growth hits record high
- Unprecedented drop in candidate supply drives sharper increases in pay
- Vacancy growth holds close to all-time high

Data collected August 12-24

Summary

The latest **KPMG and REC, UK Report on Jobs** survey signalled a further rapid increase in hiring activity during August, as improved confidence around the outlook led businesses to ramp up their recruitment plans.

Permanent placement growth hit a fresh series high, while temp billings also rose sharply, as overall vacancies expanded at a rate that was only slightly softer than July's record. However, an unprecedented drop in candidate availability and greater competition for workers led to a record increase in starting salaries for permanent staff and a steeper increase in pay for short-term roles.

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

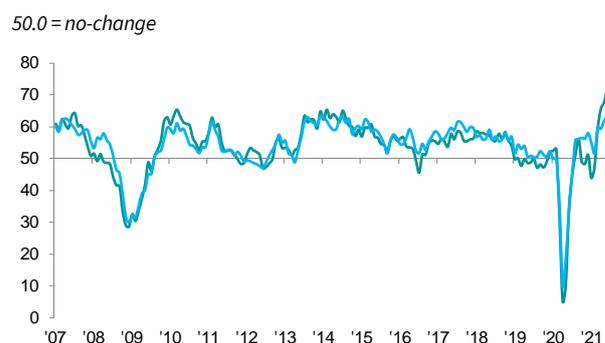
Sharpest increase in permanent placements on record

Increased economic activity amid looser COVID-19 restrictions and robust demand for staff led to a further sharp increase in hiring activity during August. Permanent staff appointments rose at a survey-record rate, while temp billings also expanded at a historically sharp pace.

Growth of demand for staff holds close to all-time high

Underscoring the improved employment outlook was

Permanent Placements / Temporary Billings



Sources: KPMG, REC, IHS Markit

a further rapid increase in overall vacancies during August. Vacancies expanded at a rate that was only slightly below July's all-time record, as demand for both permanent and temporary staff remained robust, despite growth softening slightly for both types of roles.

Availability of workers falls at unprecedented rate...

Candidate supply worsened to the greatest extent on record midway through the third quarter. Underlying data showed that unprecedented falls in permanent candidate numbers and temp staff supply had driven the latest deterioration in overall availability. The declines were widely associated with a reluctance among employees to switch roles due to the pandemic, fewer EU workers, furloughed staff and skill shortages.

...leading to sharper increases in starting pay

Increased competition for staff amid shrinking labour supply placed further upward pressure on starting pay. Notably, salaries for newly-placed permanent staff increased at the fastest rate seen in nearly 24 years of data collection, while temp wage inflation was the second-quickest on record.

Continued...

Regional and Sector Variations

All four monitored English regions recorded faster rises in permanent placements in the latest survey period. The increase was led by London where growth hit a fresh record high. Unprecedented upturns were also seen in the North and South of England.

London registered the fastest rise in temp billings during August, while the softest upturn was seen in the North of England. Notably, the latter was the only English region to register slower growth compared to July.

The private sector continued to record much stronger increases in vacancies than the public sector midway through the third quarter. The steepest increase in demand was signalled for permanent staff in the private sector. The softest, but still marked, rise in vacancies was meanwhile seen for permanent roles in the public sector.

All ten categories of permanent staff saw improvements in demand during August. The strongest growth was signalled for IT/Computing, closely followed by Hotel & Catering. Retail saw the softest, but still rapid, increase in vacancies.

Hotel & Catering was at the top of the rankings for temporary/contract staff demand during August. Nonetheless, short-term vacancies also rose sharply across all of the other nine monitored sectors. The slowest increase was seen for Construction.

Comments

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

“Candidate shortages continue to plague businesses, who are all recruiting from the same pool of talent and struggling to fill gaps. While record high permanent placements and higher starting salaries mean it remains a job seekers market, recruiters and employers have seen the most severe decline of candidate availability in the survey’s history and will be thinking about how to attract and retain new staff.”

“This crisis isn’t going away, and the winding down of the furlough scheme at the end of September – while potentially bringing more job hunters to the market – could also add fuel to the labour shortage fire. Many businesses will have changed their business model during the pandemic, and so significant numbers of staff returning from furlough may need reskilling to rejoin the workforce in the same or another sector.”

“Right now, businesses can lead the way by working with government and civic leaders to rapidly address the reskilling and upskilling that is so urgently needed.”

Neil Carberry, Chief Executive of the REC, said:

“In August, the number of staff available to start jobs fell at another new record rate, deepening the current labour shortage. Recruiters are working around the clock, placing more people into work than ever as these figures show. Switching the entire economy on over the summer has created a unique demand spike, and a short-term crisis.”

“But it would be a mistake for businesses to think of this as only a short-term issue. A number of factors mean that the UK labour market will remain tight for several years to come. Business leaders should be looking now at how they will build their future workforces, in partnership with recruiters, including the skills and career path development. But attracting and retaining staff also requires a serious assessment of why workers want to work with the firm – from management approaches to facilities, as well as pay. Government can help too, by aligning skills offers with business needs and making sure the new immigration system works. But government also must prioritise alleviating the immediate crisis – we’d like to see a joint forum where government departments and business can collaborate to tackle worker and skills shortages.”

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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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