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KPMG AND REC, UK REPORT ON JOBS

Candidate shortages lead to softer rise in hiring and record growth of starting pay

Key findings

- Recruitment activity slows slightly, hampered by candidate shortages
- Starting salaries and temp pay both increase at record rates
- Vacancy growth remains robust, but softens since September

Data collected October 12-25

Summary

The latest **KPMG and REC, UK Report on Jobs** survey signalled a further marked rise in hiring activity at the start of the final quarter of the year. However, growth of both permanent staff appointments and temp billings softened to a six-month low, as candidate shortages weighed on recruiters' ability to place new hires. Overall candidate availability dropped sharply and at one the fastest rates on record.

Total vacancies expanded at a slightly softer, but still robust, rate in October. Strong demand for staff and a steep fall in labour supply drove the sharpest increases in starting pay since the survey began in October 1997.

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

Permanent placement growth eases but remains sharp

October data signalled a further strong rise in recruitment activity across the UK, with both permanent placements and temp billings rising steeply. That said, the rates of expansion were the softest seen for six months, as a number of recruiters mentioned that candidate shortages had weighed on their ability to fill roles.

Permanent Placements / Temporary Billings

50.0 = no-change



Sources: KPMG, REC, IHS Markit

Candidate shortages remain severe

The overall availability of staff declined again at the start of the fourth quarter. The rate of deterioration eased further from August's all-time record, but was nonetheless the fifth-sharpest seen since the survey began in October 1997. Reduced candidate availability was often linked to a combination of high demand for staff, general labour shortages, fewer foreign workers and hesitancy among employees to switch or seek out new roles.

Growth of demand for staff softens only slightly

Although growth of demand for staff slipped to a five-month low in October, it remained substantial overall and much quicker than the series average. Slower, but still strong, increases in vacancies were signalled for both permanent and temporary roles.

Starting pay inflation accelerates again in October

A combination of candidate scarcity and robust demand for staff added further upward pressure on rates of starting pay. Notably, both starting salaries and temp wages increased at the quickest rates seen in over 24 years of data collection, as companies offered higher pay to attract and secure staff.

Continued...

Regional and Sector Variations

Out of the four monitored English regions, only the Midlands noted a stronger rise in permanent placements, as rates of increase slowed elsewhere. Nonetheless, growth remained sharp across all four areas.

The North of England posted the sharpest rise in temp billings of all four monitored English regions. The softest upturn was meanwhile seen in the South of England.

Vacancies continued to rise more sharply in the private than public sector in October, with the steepest increase in demand seen for permanent staff in the private sector. The slowest upturn in demand was seen for permanent workers in the public sector, though growth remained sharp overall.

Demand for permanent workers rose across all ten monitored job categories at the start of the fourth quarter. Hotel & Catering saw the steepest increase in demand for permanent staff. Retail saw the softest rise in vacancies, albeit one that was still sharp.

Nursing/Medical/Care topped the rankings for temporary staff demand in October, followed by Hotel & Catering. Nonetheless, robust increases in vacancies were also seen across the other eight categories monitored by the survey.

Comments

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

"While it's encouraging to see hiring activity increase in October, the recovery was at the softest rate recorded in six months due to the ongoing deterioration of candidate availability. Employees are hesitant to switch roles and sectors, which could impact the bounce-back recruiters have experienced since the easing of pandemic restrictions.

"Unsurprisingly, with the ongoing pressures on our health and care services, demand for temporary nursing and care staff tops this month's rankings.

"More broadly, companies are still offering higher salaries to attract and secure talent - with starting pay inflation reaching another record high this month - but we know this isn't the answer to boosting productivity.

"Job seekers need to feel confident that the skills and qualifications they've gained in one sector are valued in another. That's why employers and Government must urgently invest in training and development if they are to attract a wider range of candidates into these high demand sectors."

Kate Shoesmith, Deputy CEO of the REC, said:

"This latest data shows the robust growth in the jobs market continuing. Starting salary growth has reached another record high as shortages continue to bite and companies compete to hire the staff they need. But we are starting to see signs that we are moving into a new phase of the recovery, as the initial bounceback in demand starts to ease.

"It's also important to note that these salary rises are not universal. Recruiters tell us that candidates in some sectors and regions have been able to secure a substantial pay rise, but many employers can't afford to offer this. As we move into the next stage of recovery, it's vital the government put measures in place that will help companies to invest and grow, stimulate the UK's productivity and support the levers that help those furthest from the jobs market into work. Last week's Budget was a start, but there needs to be a radical shift across government departments to collaborate in order to deliver a skills revolution in the UK. This will only be successful if government and business work together to plan for future workforce needs. Recruiters are keen to work with government in such a joint forum."

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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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