

KPMG AND REC, UK REPORT ON JOBS

Record rise in starting salaries as candidate availability falls sharply

KEY FINDINGS

Supply of workers plummets, driving stronger increase in starting pay

Permanent placements and temp billings both rise rapidly

Vacancies expand at record pace

KEY DATA

Permanent Placements Index



Temporary Billings Index



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.

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

“With salaries for new hires increasing at their quickest rate in 24 years and a sharp rise in permanent placements in July, job seekers should be taking advantage of the buoyant market to land their dream role.

“But while companies want to invest in their business now restrictions are lifting, demand for new staff still outstrips supply due to low candidate availability. We know that reskilling and upskilling is needed to help people move between sectors, and there’s no doubt the ‘pingdemic’ has added an extra dimension to the recruitment challenge. Plus, with furlough due to end soon, there may be a downward pressure on pay to come.

“That’s why after a tough 18 months, businesses are now hoping for some much-needed stability in the labour market so they can focus on recovery and growth.”

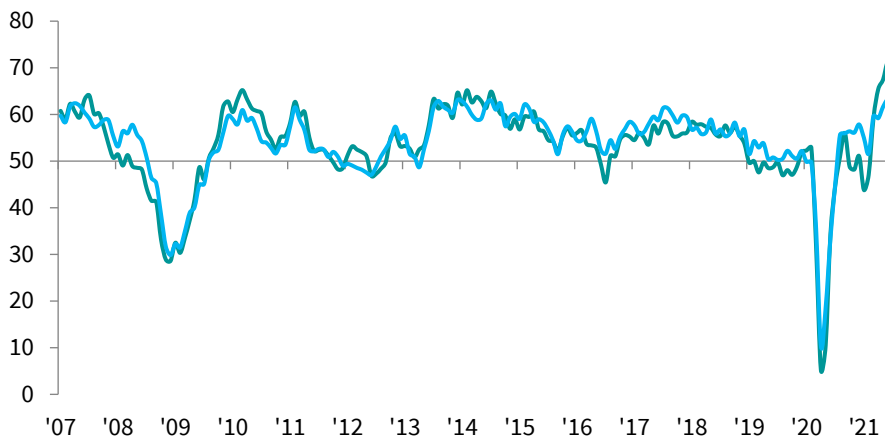
Kate Shoesmith, Deputy Chief Executive of the REC, said:

“This month’s data confirms that it is a good time to be looking for a new job. Employers are desperate to find good candidates for the many jobs on offer and this is reflected in starting salaries rising at the sharpest rate since the survey began in 1997. This will likely motivate more people to be on the lookout for new opportunities. The same goes for those on temporary contracts which are also seeing increased pay. Recruiters are working hard to fill places for employers eager to build back and recover but their job is made more difficult by worker shortages across all sectors.

“Pay increases alone, however, won’t solve the demand that has been building up over recent months. We need an immigration system that flexes to meet demand as was promised, and business and government need a long-term plan for skilling up workers. Skills shortages have been with us for a while and as our data shows are getting worse.”

Permanent Placements Index / Temporary Billings Index

sa, >50 = growth since previous month



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1 EXECUTIVE SUMMARY

The Report on Jobs is unique in providing the most comprehensive guide to the UK labour market, drawing on original survey data provided by recruitment consultancies and employers to provide the first indication each month of labour market trends.

The main findings for July are:

Further marked upturn in recruitment activity

Robust demand for staff and the further rollback of pandemic restrictions led to a sharp increase in the number of people placed into permanent job roles in July, with growth easing only slightly from June's all-time record. Temp billings meanwhile expanded at the quickest rate since June 1998.

Starting salaries increase at quickest pace on record...

Rising demand for staff and a further marked drop in candidate supply led permanent starting salaries to increase at a quicker pace. Notably, the rate of salary inflation was the sharpest seen in nearly 24 years of data collection. Moreover, temporary/contract staff hourly pay rates rose at the second-quickest rate since the survey began.

...amid unprecedented rise in demand for staff...

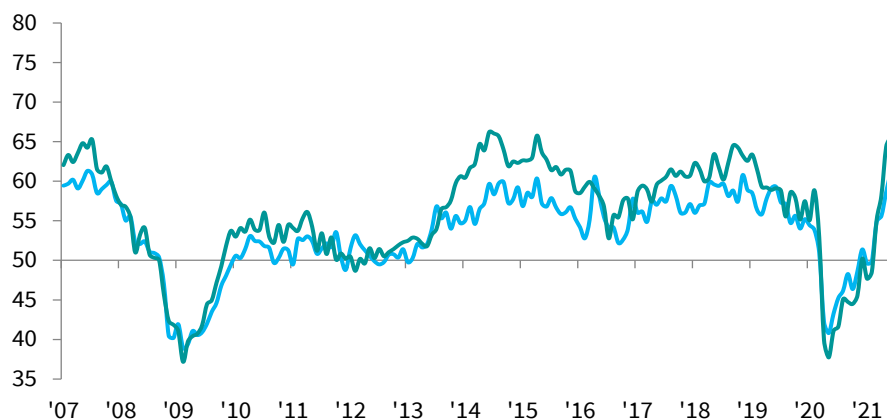
Latest vacancy data indicated faster increases in demand for both permanent and temporary workers in July. Growth of demand for permanent staff hit a fresh series record, while the upturn in temporary vacancies was the steepest since November 1997.

...and sharp drop in candidate supply

Ongoing uncertainty stemming from the pandemic and concerns over job security contributed to another severe drop in candidate availability in July. Brexit was also cited as a key factor reducing the supply of workers, particularly temporary staff. Overall, candidate numbers fell at the second-sharpest rate in the survey history, easing only slightly from June's record.

Permanent Salaries Index / Temporary Wages Index

sa, >50 = inflation since previous month



2 STAFF APPOINTMENTS

Recruitment consultancies report on the number of people placed in permanent jobs each month, and their revenues (billings) received from placing people in temporary or contract positions at employers.

An index reading above 50 signals a higher number of placements/billings than the previous month. Readings below 50 signal a decline compared with the previous month.

Permanent Placements Index



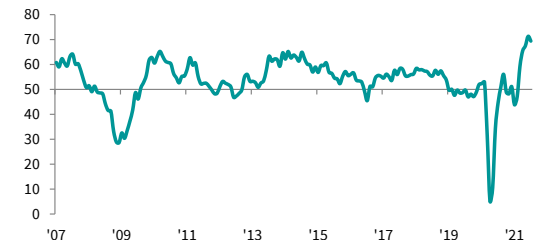
Further rapid rise in permanent placements

Permanent staff appointments across the UK increased for the fifth month running in July. Notably, the rate of expansion was the second-fastest seen since the survey began in October 1997, having softened only slightly from June's peak. More than half of the survey panel (52%) registered higher permanent placements, compared to less than 16% that noted a fall. The latest upturn was generally attributed to greater market activity and robust demand for staff as COVID-19 lockdown rules eased further across the UK.

Data broken down by region showed marked increases in permanent staff appointments across all four monitored English regions. London saw by far the quickest expansion, which was the fastest on record.

Permanent Placements Index

sa, >50 = growth since previous month

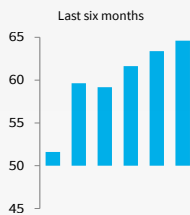


Permanent Placements Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Feb '21	47.1	45.0	44.3	48.0	53.3
Mar '21	59.2	58.9	60.9	61.7	57.5
Apr '21	65.4	65.5	64.1	71.2	61.7
May '21	67.4	67.9	66.7	64.0	71.1
Jun '21	71.2	72.3	69.3	74.5	71.8
Jul '21	69.3	77.3	64.9	67.0	71.2

Temporary Billings Index



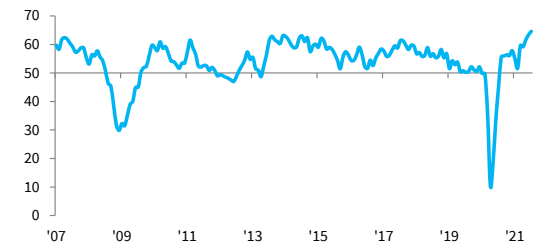
Temp billings expand at sharpest pace since June 1998

Recruitment agencies registered a further increase in temp billings at the start of the third quarter, with the rate of expansion quickening for the third month in a row. Furthermore, the rate of growth was the steepest seen for just over 23 years. Anecdotal evidence indicated that improved market confidence, higher levels of business activity and strong demand for staff had led clients to push forward with hiring plans.

The faster increase at the national level was supported by stronger rises in temp billings in London and the Midlands. Growth meanwhile softened in the South and North of England, but remained robust overall.

Temporary Billings Index

sa, >50 = growth since previous month



Temporary Billings Index

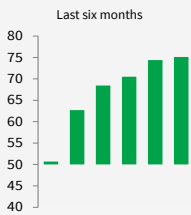
sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Feb '21	51.6	44.7	51.3	58.8	51.1
Mar '21	59.6	54.8	58.0	69.5	59.2
Apr '21	59.2	51.1	61.6	61.1	63.8
May '21	61.6	50.1	66.4	53.0	69.3
Jun '21	63.4	58.0	65.9	62.6	64.9
Jul '21	64.6	67.1	61.7	66.5	64.4

3 VACANCIES

Recruitment consultants are asked to specify whether the demand for staff from employers has changed on the previous month, thereby providing an indicator of the number of job vacancies.

Total Vacancies Index

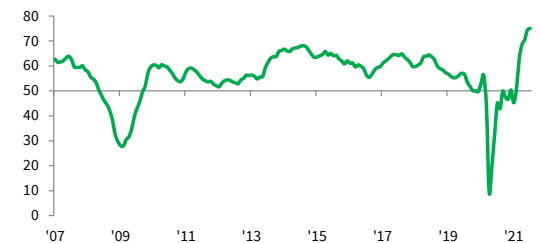


Vacancy growth hits fresh series record in July

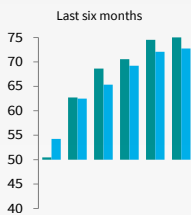
Recruitment agencies indicated that total demand for staff continued to strengthen in July. Notably, the rate of vacancy growth quickened for the fifth successive month and hit a fresh series high. The upturn was underpinned by quicker increases in both permanent and temporary vacancies.

Total Vacancies Index

sa, >50 = growth since previous month



Permanent / Temporary



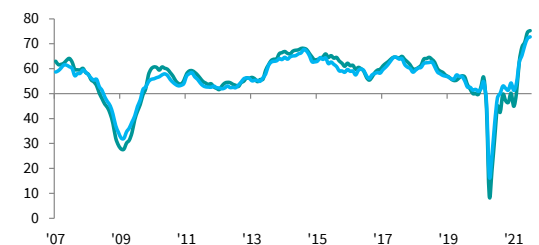
Permanent and temporary vacancies

Permanent vacancies expanded for the sixth month in a row during July. Moreover, the rate of growth edged up to hit a new survey record.

Demand for short-term staff also increased at a faster rate at the start of the third quarter. The latest rise in temporary vacancies was the quickest since November 1997.

Permanent / Temporary

sa, >50 = growth since previous month



Public & private sector vacancies

Stronger increases in vacancies across the private sector offset softer rises in the public sector during July.

In the private sector, demand for permanent staff expanded at a slightly quicker pace than for temporary workers. In contrast, short-term vacancies rose more quickly than permanent roles in the public sector.

Vacancy Index summary

sa, >50 = growth since previous month. *Not seasonally adjusted.

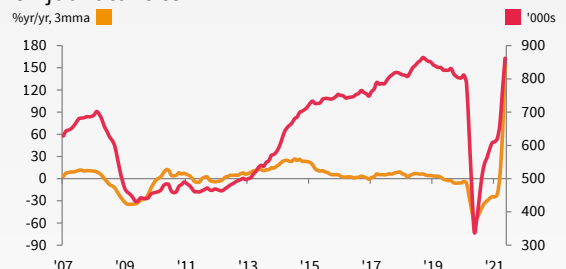
	Permanent				Temporary		
	Total	Total	Private*	Public*	Total	Private*	Public*
Feb '21	50.7	50.5	52.2	42.1	54.3	54.3	53.9
Mar '21	62.7	62.7	66.0	53.0	62.5	64.0	53.7
Apr '21	68.5	68.6	72.0	55.7	65.3	68.6	57.2
May '21	70.5	70.6	75.3	60.4	69.2	74.2	62.0
Jun '21	74.4	74.5	77.1	67.0	72.1	76.7	68.0
Jul '21	75.1	75.2	80.1	63.7	72.8	79.7	66.5

OFFICIAL DATA: UK JOB VACANCIES

Data from the Office for National Statistics (ONS) indicated continued robust growth of job vacancies in the three months to June. Overall, vacancies more than doubled from the same period a year ago (up +153.5%) as the economy continued to recover from the pandemic. This followed a +60.6% increase in the preceding three-month period and was by far the quickest rate of growth on record.

At 862,000, the number of vacancies was the highest seen since the three months to October 2018.

UK job vacancies



Source: Office for National Statistics.

4 VACANCIES BY SECTOR

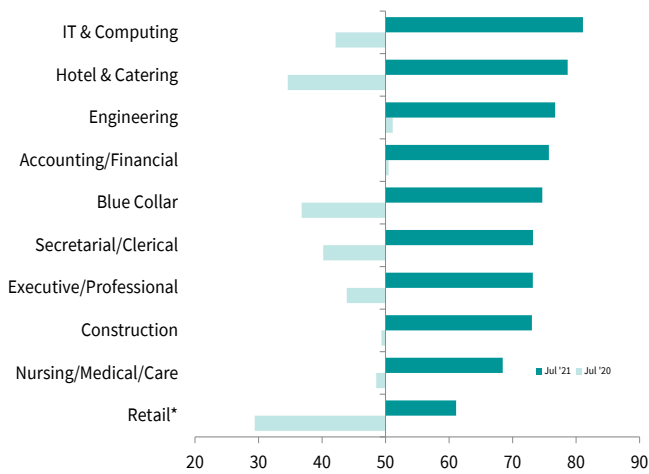
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

Demand for permanent staff rose across all of the ten monitored job categories during July, led by IT & Computing. Nonetheless, vacancy growth remained marked elsewhere. The softest expansion in demand was signalled for Retail workers.

Permanent Vacancies Index

sa, >50 = growth since previous month. *Not seasonally adjusted.

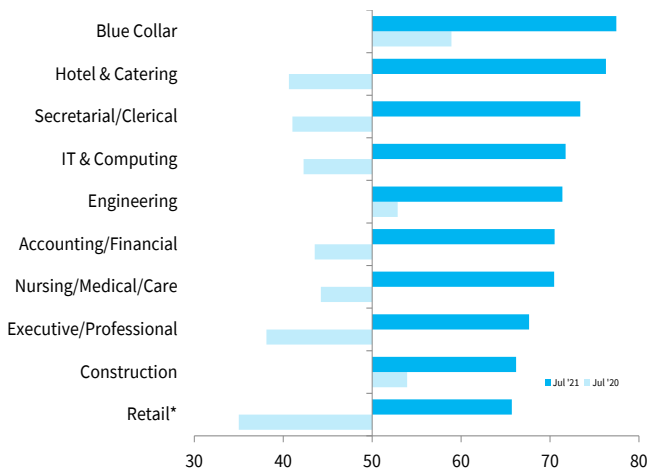


Temporary vacancies

July survey data signalled a broad-based upturn in demand for temporary workers. Blue Collar remained at the top of the rankings, followed closely by Hotel & Catering. As was the case for permanent vacancies, Retail saw the softest rise in demand.

Temporary Vacancies Index

sa, >50 = growth since previous month. *Not seasonally adjusted.

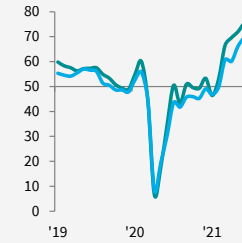


VACANCY INDEX BY SECTOR

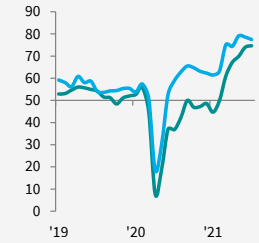
sa, >50 = growth since previous month

Permanent / Temporary

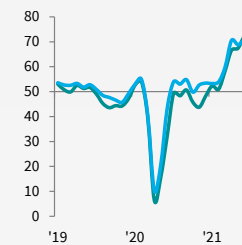
Accounting & Financial



Blue Collar



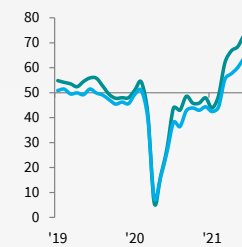
Construction



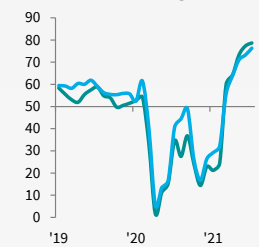
Engineering



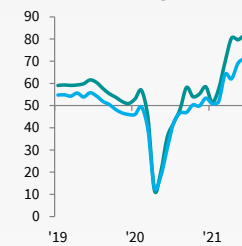
Executive & Professional



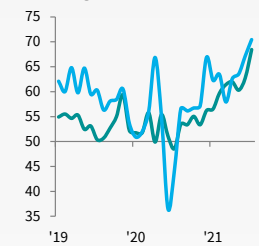
Hotels & Catering



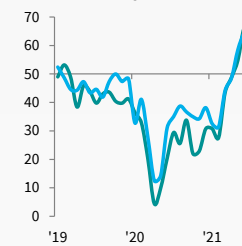
IT & Computing



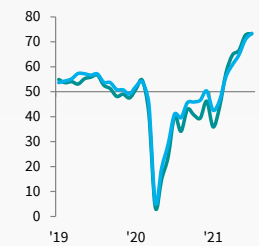
Nursing, Medical & Care



Retail (unadjusted)



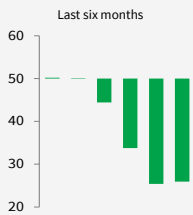
Secretarial & Clerical



5 STAFF AVAILABILITY

Recruitment consultants are asked to report whether availability of permanent and temporary staff has changed on the previous month. An overall indicator of staff availability is also calculated.

Total Staff Availability Index



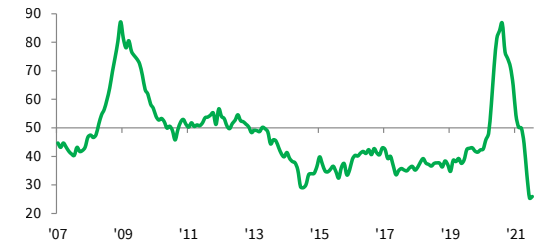
Total staff availability continues to decline rapidly

The index measuring total candidate availability posted well below the neutral 50.0 level in July to signal another substantial decline in labour supply. Notably, the rate of reduction eased only slightly from June's survey record and was the second-steepest seen since the survey began nearly 24 years ago.

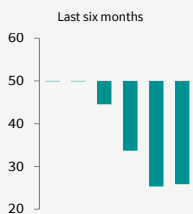
Latest data showed that both permanent and temporary candidate numbers continued to plummet in July.

Total Staff Availability Index

sa, >50 = improvement since previous month



Permanent Staff Availability Index



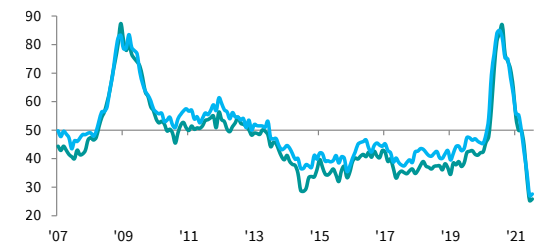
Drop in permanent candidate numbers remains severe

In line with the recent sharp increase in demand for staff, the availability of candidates for permanent roles fell further in July. Moreover, the rate of contraction was only surpassed by June's all-time record and remained rapid. When explaining the latest drop in availability, recruiters commented that candidates were often hesitant to take up new roles due to ongoing COVID-19 uncertainty, while Brexit and a generally low level of unemployment also weighed on staff supply.

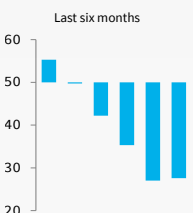
Historically sharp falls in permanent candidate numbers were seen across all four monitored English regions, led by the South of England.

Permanent / Temporary

sa, >50 = improvement since previous month



Temporary Staff Availability Index



Downturn in temp labour supply eases only slightly

The supply of short-term labour across the UK fell sharply in July, with the rate of reduction easing only slightly from June's record pace. Brexit, and the subsequent drop in European workers, was a key factor weighing on temporary candidate numbers, while concerns around job security due to lingering pandemic uncertainty and robust levels of hiring activity also reduced the pool of available workers.

The Midlands recorded the fastest reduction in temporary worker availability during July, while London saw the softest contraction.

Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Feb '21	49.9	52.8	50.2	48.8	47.8
Mar '21	49.9	56.2	44.9	54.8	49.0
Apr '21	44.5	51.5	41.6	48.2	40.6
May '21	33.7	42.2	30.2	41.4	28.8
Jun '21	25.3	32.4	21.3	28.3	24.9
Jul '21	25.9	29.8	24.0	28.1	24.6

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Feb '21	55.3	70.0	53.1	51.7	52.8
Mar '21	49.7	60.1	48.8	47.2	47.8
Apr '21	42.2	54.5	40.2	40.3	34.3
May '21	35.3	47.8	29.8	40.2	27.8
Jun '21	27.0	41.4	25.6	27.3	21.6
Jul '21	27.6	34.3	26.6	26.2	27.1

6 DEMAND FOR SKILLS

Recruitment consultancies are invited to specify any areas in which they have encountered skill shortages during the latest month.

Skills in short supply: Permanent staff

Accounting/Financial Accountants Auditors Book Keepers Credit Controllers Finance Financial Controllers Payroll Taxation	Hotel/Catering Catering Chefs Hospitality IT/Computing Agile Project Manager Automation Testers Azure BI C# Data Professionals Developers Digital IT Software Engineers Technology Nursing/Medical/Care Carers Clinical Leads Healthcare Assistants Hearing Aid Dispensers Nurses Optometrists Pharmacists Support Workers	Graduates Logistics Sales Scandinavian Speakers Skilled Supply Chain Telesales
Blue Collar Automotive Blue Collar Drivers Forklift Drivers HGV Drivers HVAC Industrials Manufacturing Production Refrigeration Warehouse	Retail Retail	
Construction Architectural Tech Builders Construction Labourers	Secretarial/Clerical Administration Clerical Office Staff Receptionist	
Engineering Engineers Hardware Engineers Radio-Frequency Engineer Senior Electronic Engineers Technicians	Other All Types of Candidates Buyers Customer Service Customs Dutch Speakers Education German Speakers	
Executive/Professional B2B Human Resources Legal Management Marketing Procurement Project Managers		

Skills in short supply: Temporary staff

Accounting/Financial Accountants Auditors Book Keepers Credit Controllers Finance Payroll Taxation	Developers Digital IT Software Engineers Technology
Blue Collar Blue Collar Decorators Drivers Forklift Drivers HGV Drivers Industrials Manufacturing Production Warehouse Welders	Nursing/Medical/Care Carers Doctors Healthcare Assistants Hearing Aid Dispensers Nurses Pharmacists Support Workers
Construction Bricklayers Construction Joiners Labourers	Retail E-commerce Retail
Engineering Engineers	Secretarial/Clerical Administration Clerical Receptionist
Executive/Professional Human Resources Legal Management Purchasing Managers	Other All Types of Candidates Buyers Customer Service Dutch Speakers German Speakers Sales Scandinavian Speakers Security Skilled Unskilled
Hotel/Catering Catering Chefs Hospitality	
IT/Computing Cyber Data Professionals	

Skills in excess supply: Permanent staff

Accounting/Financial Accountants Management Accountants	Retail Retail
Blue Collar Blue Collar Production	Secretarial/Clerical Administration Secretary
Engineering Engineers	Other All Types of Candidates Call Centre Customer Service Graduates Juniors Sales Testers Unemployable Unskilled
Executive/Professional Business Analysts Human Resources Management Project Managers	
Hotel/Catering Catering Hospitality	
IT/Computing IT	

Skills in excess supply: Temporary staff

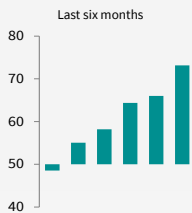
Blue Collar Blue Collar
Executive/Professional Human Resources Project Managers
Hotel/Catering Hospitality
Retail Retail
Secretarial/Clerical Administration Clerical
Other All Types of Candidates Unskilled

Note : Skills can be reported as being both in short supply and excess supply as we survey various recruitment agencies across the country, so there is geographical variation as well as the possibility of candidates with particular skills being concentrated in certain areas.

7 PAY PRESSURES

The recruitment industry survey tracks both the average salaries awarded to people placed in permanent jobs each month, as well as average hourly rates of pay for temp/contract staff.

Permanent Salaries Index

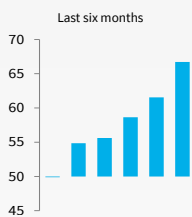


Record increase in starting salaries

The rate of starting salary inflation quickened for the fourth month running in July. Moreover, it was the sharpest increase in starting pay for new permanent joiners since the survey began in October 1997. Around 48% of recruiters noted higher starting salaries, while just 1% saw a fall, with panel members frequently stating that demand for staff continued to outstrip supply.

All four monitored English regions noted steeper increases in starting salaries, led by the Midlands.

Temporary Wages Index



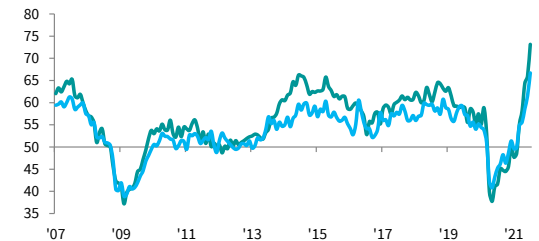
Temp pay inflation quickens notably in July

Adjusted for seasonal factors, the Temporary Wages Index pointed to a sharp and accelerated rise in temp pay during July. The rate of wage inflation was only exceeded by that recorded at the start of the survey in October 1997. As was the case for salaries, panellists indicated that robust demand for workers and a lack of candidates had driven the latest rise in temp pay.

The steepest increase in wages was seen in the Midlands, though rates of inflation quickened across all four monitored English regions.

Permanent Salaries / Temporary Wages

sa, >50 = inflation since previous month



Permanent Salaries Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Feb '21	48.6	49.6	47.6	49.6	48.7
Mar '21	55.1	58.4	52.9	58.3	50.3
Apr '21	58.2	61.9	56.6	58.3	55.9
May '21	64.4	61.7	65.0	63.3	64.4
Jun '21	66.0	63.3	65.8	65.9	68.0
Jul '21	73.2	76.9	70.3	77.9	70.9

Temporary Wages Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Feb '21	49.9	44.6	50.9	52.5	51.2
Mar '21	54.8	55.1	54.0	55.2	55.0
Apr '21	55.6	52.9	57.6	53.2	57.0
May '21	58.6	56.1	61.4	57.7	59.0
Jun '21	61.6	54.9	63.4	64.6	61.0
Jul '21	66.7	61.3	68.3	68.6	67.7

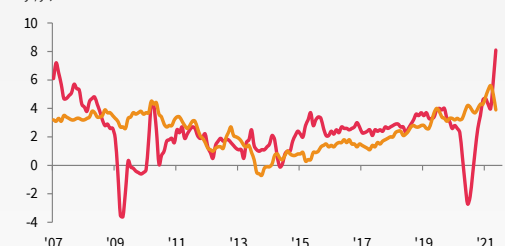
OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Data from the Office for National Statistics (ONS) showed that employee earnings (including bonuses) rose +7.3% on an annual basis in the three months to May 2021. This was an acceleration from +5.7% in the preceding three-month period and marked the steepest rate of growth in the series history. However, the ONS have stated this is largely driven by a compositional effect of a fall in the number and proportion of lower-paid employee jobs since the onset of the pandemic, and a comparison against a low base period.

Earnings growth improved to +8.1% in the private sector, but softened to +3.9% in the public sector.

UK average weekly earnings (private / public)

%yr/yr, 3mma



Source: Office for National Statistics.

8 SPECIAL FEATURE

This section features data from the Recruitment and Employment Confederation

A NEW CHALLENGE TO THE UK RECOVERY

[The Coronavirus Job Retention Scheme \(CJRS\)](#) was introduced in late March 2020 as a vital support measure for employers and their employees during the COVID-19 pandemic. We are now only two months away from the scheme being closed at the end of September, and the latest figures show the number of people on furlough has fallen from a peak of 5.1 million in January to 1.9 million at the end of June 2021.

Data from REC's latest [JobsOutlook](#) shows a further increase in confidence in the economy amongst British employers. In April-June, the barometer rose by six percentage points to net: +17, sitting in positive territory for the second month in a row. Employers' confidence in making new hires and investing in their business (net: +33) was at the highest level since the survey began in mid-2016. Hiring intentions for permanent staff in the short term (in the next three months) and the medium term (in the next 4-12 months) remained buoyant at net: +23 and net: +26 respectively.

Importantly, we've also seen this increased confidence being translated into a real-world hiring activity with more jobs being created and advertised online. The REC's latest [Jobs Recovery Tracker](#) indicated there were a total of 1.57 million active job adverts in the UK in the week 12-18 July. In the same week there were 194,000 new job adverts. Demand for workers has remained stable since early June 2021.

The Office of National Statistics' [Labour Market Overview](#) data for July provided further evidence of this increased demand as restrictions were lifted. The number of job vacancies in the three months to June 2021 was 9.9% (77,500) above its pre-pandemic level. This was the first time it has surpassed this level in 15 months. Another notable increase was in the number of [payrolled employees](#). In June 2021, there were 356,000 more employees than in May 2021, adding to a total of 28.9 million – although this is still 206,000 below the pre-pandemic level.

But despite all this good news, a new issue threatens to slow down the recovery further in the UK now that all social distancing restrictions have been lifted and the number of COVID cases has risen. The so-called 'pingdemic' has proven to be a major challenge for essential industries like public transport, logistics and retail. Employers who endured during the pandemic now struggle to keep their operations open as more of their staff are pinged by the NHS Test and Trace app. Many organisations are calling for the government to act and resolve this issue to prevent the recovery from cooling off and undoing the successes of the past few months.

Recruiters have been working flat out to fill positions in what could be the tightest labour market in recent years. According to the REC's [Recruitment and Recovery report](#), the industry supports £86 billion in GVA across the economy, the equivalent of 4.3% of GDP. Throughout the pandemic, the recruitment industry has helped keep vital services running. As the CJRS comes to an end in September, the industry is likely to play a key role in helping displaced workers find new jobs, helping companies adapt to shifts such as the rise of remote working, and helping build a more diverse and inclusive labour market.

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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.

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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.

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