

KPMG AND REC, UK REPORT ON JOBS

Permanent staff appointments increase for first time since September

KEY FINDINGS

Permanent placements rise marginally...

...while temp billings expand at sharpest pace since October 2018

Total demand for staff rises for first time in three months

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, James Stewart, Vice Chair at KPMG, said:

“The emergence of a vaccine did bring more confidence to the jobs market in December with a small increase in permanent appointments. Temporary billings were also sharply up across the UK although London was a notable exception.

“However, we will have to see what January brings with a new national lockdown sure to fuel economic uncertainty, alongside preparing and adapting to the new relationship with the EU.

“But with the UK leading the way on the vaccine roll out and continued government financial support, there is hopefully light at the end of the tunnel for both business and jobseekers.”

Neil Carberry, Chief Executive of the REC, said:

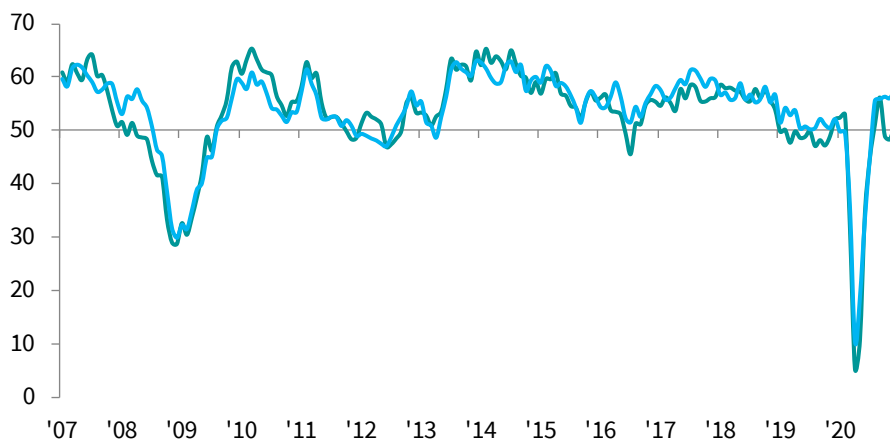
“The underlying strength of the British economy shone through in the December jobs figures. The biggest expansion in temporary recruitment since October 2018 shows how important the flexible jobs market is to that performance. Growing permanent placements and starting pay also emphasised the resilience of our economy.

“The important thing now is to maintain as much of that momentum as possible through the new lockdown. With business cashflows under renewed pressure, helping employers protect and create jobs is essential. We need a long-term plan to support businesses across the supply chain – not just those required to close. This should include wider-spread reductions on business rates, support on VAT repayments and support for self-employed business owners previously cut out of schemes. We need big ticket items now, like a reduction in the cost of furlough and employers National Insurance to help firms retain and hire staff in the coming months, alongside delivery of the vaccine.

“Regions have been recovering at different speeds and London continues to lag behind. London is home to some of the most deprived boroughs in the country, so this is particularly worrying. It underlines the urgency of action needed to help businesses retain workers and get the vaccine delivered.”

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 December are:

Renewed increase in permanent placements

December survey data revealed the first increase in permanent staff appointments since September, albeit one that was only slight. Recruiters indicated that the upturn was driven by increased market activity and greater confidence, partly due to recent vaccine news. Nonetheless, lingering uncertainty over the coronavirus disease 2019 (COVID-19) pandemic and Brexit led to the strongest increase in temp billings for over two years as companies opted to take on short-term workers.

Overall vacancies increase after two months of decline

Total demand for workers improved for the first time since September, albeit only slightly. The upturn was predominantly driven by an increase in temporary vacancies, the sharpest for 18 months, as demand for permanent staff expanded only marginally.

Tentative improvement in starting pay rates

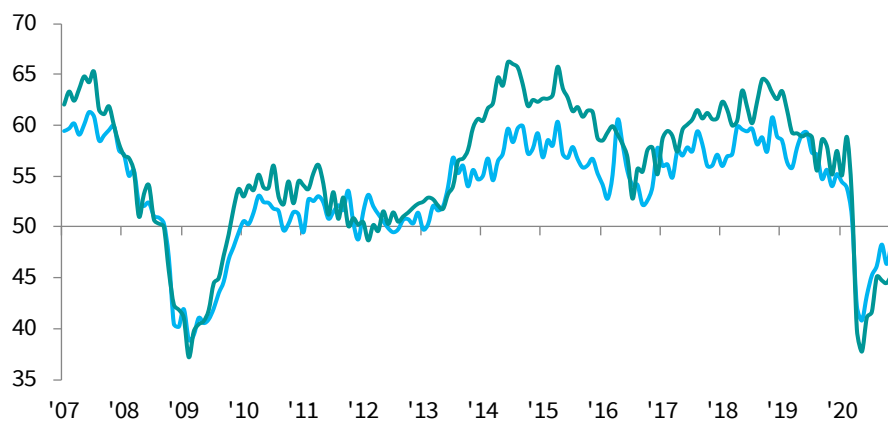
UK recruitment consultancies signalled a tentative improvement in pay trends for both permanent and temporary workers in December. Starting salaries and temp wages both increased for the first time since March. That said, permanent pay rose only fractionally and the upturn in temp wages was mild overall.

Candidate availability expands at slower, but still rapid, rate

Redundancies related to the pandemic and fears over current job security drove a further marked increase in the availability of both permanent and short-term staff in December. That said, the overall rate of expansion was the softest recorded since April.

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.

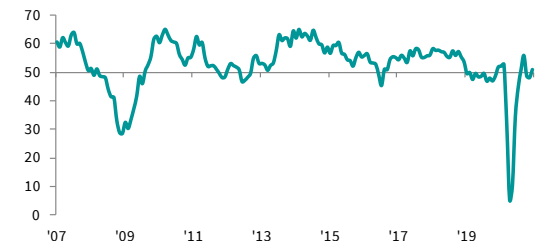
Marginal increase in permanent staff appointments

UK recruitment consultancies recorded a renewed rise in permanent placements at the end of 2020, thereby ending a two-month sequence of decline. That said, the rate of growth was only marginal. The upturn was generally attributed to increased business activity and an improvement in market confidence, partly due to recent vaccine news, which led clients to press on with previously delayed recruitment plans. However, there were also widespread reports that the COVID-19 pandemic, renewed lockdown measures and uncertainty over Brexit had dampened growth of permanent hires.

There were mixed trends across the four monitored English regions. While permanent placements rose in the South of England, the Midlands and the North of England, London recorded a further decline.

Permanent Placements Index

sa, >50 = growth since previous month



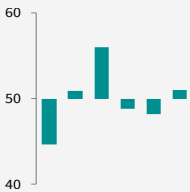
Permanent Placements Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Jul '20	44.7	41.5	44.6	48.3	42.8
Aug '20	50.9	45.8	56.6	52.9	47.4
Sep '20	56.0	48.8	58.0	59.1	54.6
Oct '20	48.8	42.0	46.6	55.6	52.6
Nov '20	48.2	46.2	49.5	48.0	49.2
Dec '20	51.1	49.0	51.2	56.9	51.9

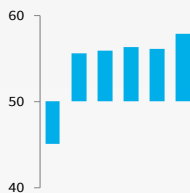
Permanent Placements Index

Last six months



Temporary Billings Index

Last six months



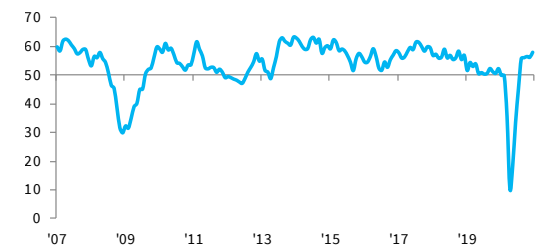
Temp billings expand at sharpest rate since October 2018

Latest survey data showed a sharp and accelerated rise in temp billings across the UK during December. Notably, the expansion was the steepest recorded since October 2018 and comfortably above the series average. Anecdotal evidence indicated that greater market activity had led firms to hire additional staff, with a preference for short-term workers as uncertainty intensified around the pandemic and Brexit. Temp billings have now risen for five consecutive months.

The South of England, the Midlands and the North of England all registered marked increases in temp billings. London was the only monitored English region to see a fall, which extended the current period of decline to 12 months.

Temporary Billings Index

sa, >50 = growth since previous month



Temporary Billings Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Jul '20	45.1	42.5	41.4	52.5	50.4
Aug '20	55.6	46.4	60.8	60.5	54.3
Sep '20	56.0	49.6	56.1	60.2	56.9
Oct '20	56.4	46.1	55.5	61.0	60.8
Nov '20	56.1	45.9	56.0	62.3	59.6
Dec '20	57.9	47.3	55.8	60.5	63.3

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.



Overall vacancies increased slightly at the end of 2020

The Total Vacancies Index rose from 47.0 in November to 50.6 in December, to signal a renewed increase in overall demand for workers. That said, the rate of expansion was only marginal and much weaker than the long-run series trend.

Permanent and temporary vacancies

December survey data revealed a sharp increase in temp vacancies, with the rate of growth the quickest for a year-and-a-half.

Demand for permanent workers meanwhile rose for the first time since September at the end of 2020. However, the upturn was only slight.

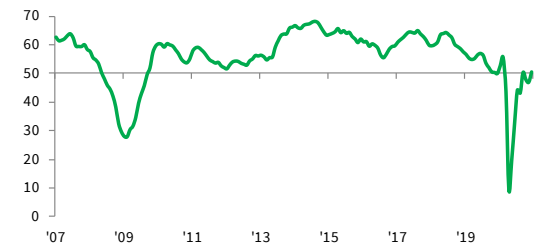
Public & private sector vacancies

Vacancies for both permanent and temporary staff in the private sector rose during December. The increase in demand for permanent staff was modest overall, while temp roles expanded sharply.

In contrast, demand fell for both permanent and temporary staff in the public sector, with the former noting the steeper rate of decline.

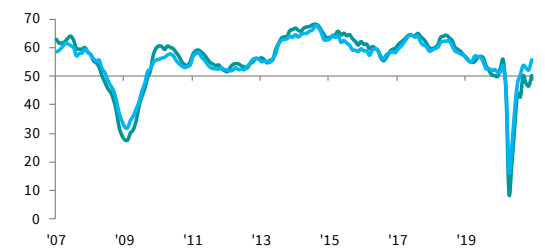
Total Vacancies Index

sa, >50 = growth since previous month



Permanent / Temporary

sa, >50 = growth since previous month



Vacancy Index summary

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

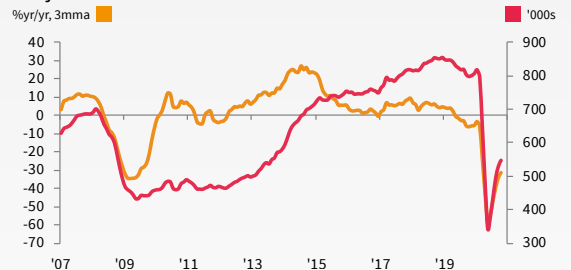
	Permanent				Temporary		
	Total	Total	Private*	Public*	Total	Private*	Public*
Jul '20	44.2	44.0	44.7	40.6	47.5	48.0	44.9
Aug '20	43.2	42.7	49.0	41.9	50.6	54.5	49.5
Sep '20	50.4	50.2	53.3	46.6	53.8	61.2	51.4
Oct '20	47.8	47.5	50.9	43.5	53.0	56.8	49.5
Nov '20	47.0	46.7	47.2	44.0	52.3	52.4	51.5
Dec '20	50.6	50.3	52.1	41.2	55.8	57.2	49.0

OFFICIAL DATA: UK JOB VACANCIES

Data from the Office for National Statistics (ONS) revealed that overall UK job vacancies continued to steadily increase from the nadir seen in June's survey period, but remained well below that seen at the start of the year.

Total vacancies were down -31.5% on an annual basis in the three months to November, which translated into 547,000 vacant roles overall. Nonetheless, the figure marked a further improvement from the record low seen in the three months to June (343,000).

UK job vacancies



Source: Office for National Statistics.

4 VACANCIES BY SECTOR

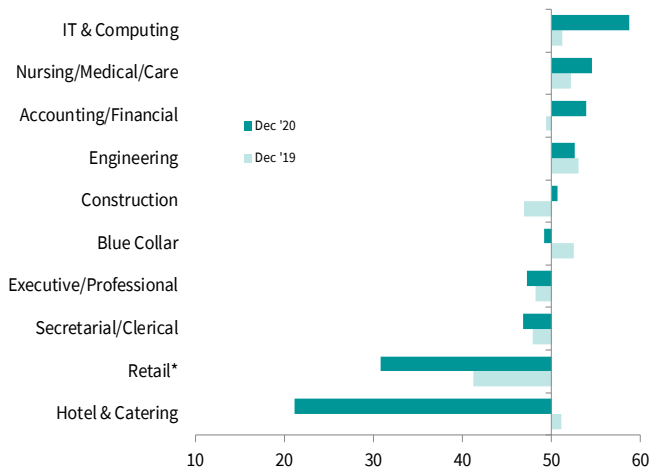
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

Half of the ten monitored job categories recorded greater demand for permanent staff at the end of 2020. IT & Computing and Nursing/Medical/Care saw the steepest rates of expansion. Hotel/Catering meanwhile saw the sharpest drop in vacancies.

Permanent Vacancies Index

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

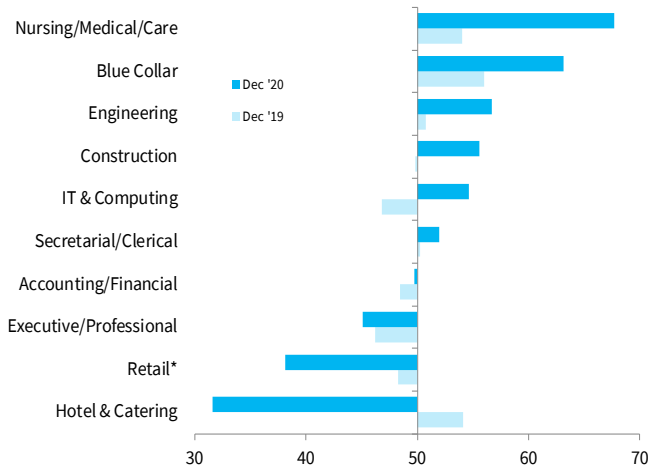


Temporary vacancies

Nursing/Medical/Care registered the sharpest rise in temporary vacancies during December, followed by Blue Collar. Of the four sectors to note lower demand for short-term staff, Hotel & Catering saw the steepest rate of contraction.

Temporary Vacancies Index

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

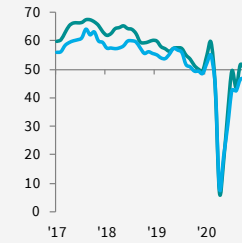


VACANCY INDEX BY SECTOR

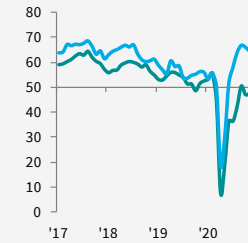
sa, >50 = growth since previous month

Permanent / Temporary

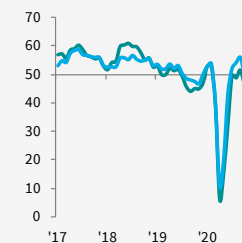
Accounting & Financial



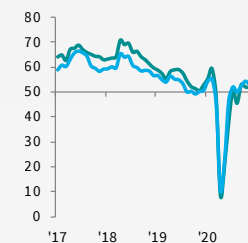
Blue Collar



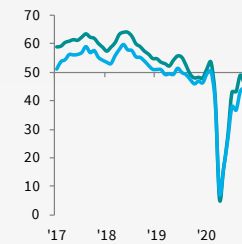
Construction



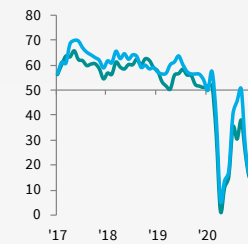
Engineering



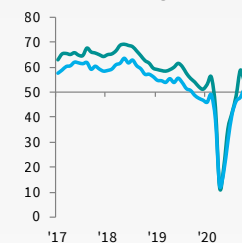
Executive & Professional



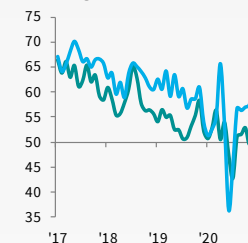
Hotels & Catering



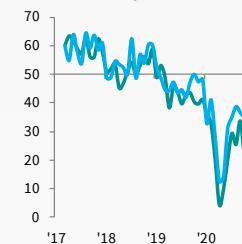
IT & Computing



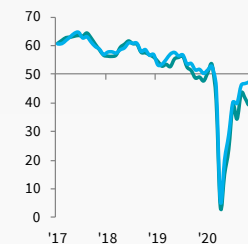
Nursing, Medical & Care



Retail (unadjusted)



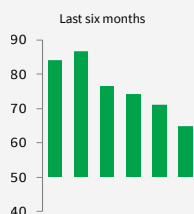
Secretarial & Clerical



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



Growth of candidate numbers continues to ease in December

Adjusted for seasonal factors, the Total Staff Availability Index signalled an increase in overall candidate availability for the ninth month running in December. However, the rate of expansion continued to ease from August's recent high and, though sharp, was the least marked since April.

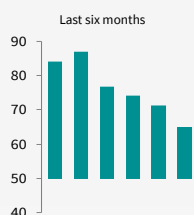
Slower increases in both permanent and temporary staff supply were registered at the end of the year.

Total Staff Availability Index

sa, >50 = improvement since previous month



Permanent Staff Availability Index



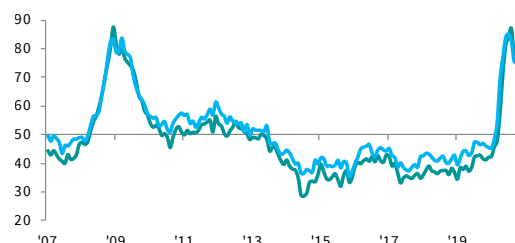
Softest increase in permanent staff availability since April

Latest survey data revealed a further rise in the number of candidates seeking permanent roles during December. The rate of expansion remained sharp, despite easing to an eight-month low. Recruiters frequently linked higher permanent labour supply to redundancies related to the pandemic and people seeking new roles due to concerns over current job security.

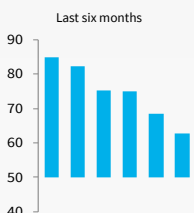
Data broken down by region showed a broad-based upturn in permanent candidate numbers, with the steepest increase seen in the capital.

Permanent / Temporary

sa, >50 = improvement since previous month



Temporary Staff Availability Index



Supply of short-term workers expands at slowest rate for nine months

Recruitment consultancies pointed to a further expansion of temp candidate supply in December, thereby stretching the current period of growth to ten months. The pace of expansion eased for the fifth month in a row, however, and was the softest seen since March. Nonetheless, the rise was still among the quickest recorded since the global financial crisis and sharp.

On a regional basis, London reported the quickest increase in temp candidate numbers, while the slowest upturn was seen in the Midlands.

Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Jul '20	84.0	83.0	84.6	91.6	84.2
Aug '20	86.8	85.5	89.0	85.0	89.4
Sep '20	76.7	77.0	75.7	83.0	74.1
Oct '20	74.2	76.1	76.9	71.2	73.4
Nov '20	71.4	71.4	72.8	70.0	72.3
Dec '20	64.9	67.9	64.6	63.1	67.3

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Jul '20	85.0	87.4	90.1	87.1	73.9
Aug '20	82.3	85.4	82.2	78.0	83.3
Sep '20	75.3	79.8	77.7	72.8	68.6
Oct '20	74.9	84.1	77.6	66.1	72.5
Nov '20	68.5	74.1	70.7	59.4	70.5
Dec '20	62.8	73.6	61.0	54.6	61.8

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 Chartered Accountants Credit Controllers Estimators Finance Insurance Payroll Risk Taxation	Solicitors	Lab Technicians Languages Sales Scientific Semi Skilled Skilled Telesales Unskilled
Blue Collar Blue Collar Drivers Forklift Drivers HGV Drivers LGV Drivers Manufacturing Production Warehouse	Hotel & Catering Chefs	
Construction Architectural Tech Labourers Quantity Surveyors	IT/Computing Agile Project Manager Analysts Automation Testers BI C# Cloud Engineers CNC Cyber Data Professionals Data Scientists Developers Digital IT Maximo SAP Software Technology	
Engineering Engineers Hardware Engineers HVAC Engineers Radio-Frequency Engineers Senior Electronic Engineers Technicians	Nursing/Medical/Care Care Home Managers Carers Healthcare Assistants Hearing Aid Dispensers Medical Nurses Optometrist Pharmacists	
Executive/Professional Compliance Digital Marketing Human Resources Legal Management Marketing Operations Managers PR Project Managers Regulatory Professionals	Secretarial/Clerical Administration Personal Assistant Receptionist	
	Other All Types of Candidates Customs Clearance Data Privacy Experienced German Speakers	

Skills in short supply: Temporary staff

Accounting/Financial Accountants Auditors Chartered Accountants Credit Controllers Finance Paraplanners Payroll	Data Scientists Database Developers Developers IT Maximo SAP Software Technology
Blue Collar Blue Collar Decorators Drivers Factory Food Process Forklift Drivers HGV Drivers Industrials Labour LGV Drivers Manufacturing Production Warehouse	Nursing/Medical/Care Carers Clinical Professionals Doctors Healthcare Assistants Hearing Aid Dispensers Nurses Optometrist
Construction Architectural Tech Construction	Secretarial/Clerical Administration Receptionist
Engineering Design Engineers Engineers System Engineers Technicians	Other All Types of Candidates Customer Service Sales Security Skilled Teachers Unskilled
Executive/Professional Legal Regulatory Professionals	
IT/Computing Analysts Automation Testers BI C# Cyber Cyber Security	

Skills in excess supply: Permanent staff

Accounting/Financial Accountants Accounts Payable Book Keepers Credit Controllers Finance	Marketing Operations Managers Project Managers	Other All Types of Candidates Aviation Commercial Customer Service Graduates Operations Product Managers Retired Sales Unskilled
Blue Collar Factory Industrials Manufacturing Production Site Managers Warehouse	Hotel/Catering Hospitality	
Engineering Engineers	IT/Computing Computing IT Technology	
Executive/Professional Business Analysts Executives Human Resources Management	Nursing/Medical/Care Support Workers	
	Retail Retail Sales Staff	
	Secretarial/Clerical Administration Office Staff Personal Assistant Secretaries	

Skills in excess supply: Temporary staff

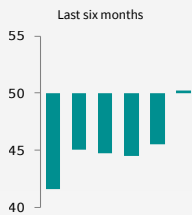
Accounting/Financial Accountants	IT & Computing IT Technology	Unskilled
Blue Collar Electricians Factory Production Warehouse	Nursing/Medical/Care Pharmacists	
Construction Labourers	Retail Retail	
Executive/Professional Business Analysts Business Development Directors Executives Human Resources Management Marketing Project Managers	Secretarial/Clerical Administration Clerical Personal Assistant Secretaries	
Hotel/Catering Hospitality	Other All Types of Candidates Aviation Commercial Customer Service Graduates Operations Product Managers	

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

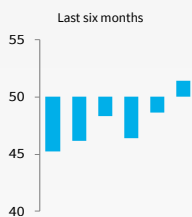


Fractional increase in permanent starters' salaries

December data signalled a fractional rise in salaries awarded to new permanent joiners. This ended an eight-month period of falling pay. There were reports of some firms offering higher pay to secure quality candidates. However, recruiters also noted that the pandemic and rising candidate supply had weighed on overall growth.

Starting salaries rose in the South of England, were broadly stagnant in the Midlands, and fell in London and the North of England.

Temporary Wages Index



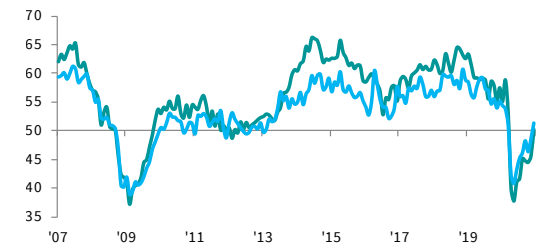
Temp wages rise for first time since March

Average hourly rates of pay for temporary staff across the UK increased for the first time in nine months in December. That said, the rate of growth was only modest and weaker than the long-run series average. Where higher temp pay was recorded, it was generally attributed to efforts to secure skilled workers, but there were still reports that higher staff availability had curbed overall wage inflation.

All four monitored English regions bar London registered higher temp pay in December.

Permanent Salaries / Temporary Wages

sa, >50 = inflation since previous month



Permanent Salaries Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Jul '20	41.6	35.3	41.9	48.8	41.2
Aug '20	45.1	43.6	45.8	44.6	47.3
Sep '20	44.7	44.0	45.2	44.2	46.1
Oct '20	44.5	40.1	45.1	43.4	47.6
Nov '20	45.6	41.6	44.7	46.1	47.9
Dec '20	50.2	49.1	52.1	49.9	47.6

Temporary Wages Index

sa, >50 = inflation since previous month

	UK	London	South	Midlands	North
Jul '20	45.2	40.2	47.3	47.3	43.3
Aug '20	46.2	42.6	48.5	46.2	46.4
Sep '20	48.3	43.7	49.6	50.1	51.0
Oct '20	46.4	39.1	48.3	46.0	47.3
Nov '20	48.6	43.3	49.8	49.7	49.6
Dec '20	51.4	46.7	51.3	55.2	51.7

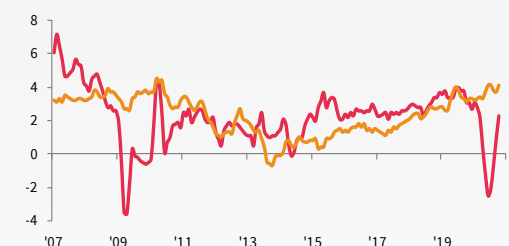
OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Data from the Office for National Statistics signalled that employee earnings (including bonuses) increased +2.7% year-on-year in the three months to October. This was up from a +1.4% rise in the preceding three-month period, and the strongest rate of growth seen since the three months to February.

The upturn in earnings was supported by faster increases in both private and public sector pay. In the private sector, earnings expanded +2.3% (its highest since the three months to February), while pay growth edged up to +4.1% 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

RESILIENT RECRUITMENT INDUSTRY READY TO HELP THE UK BOUNCE BACK IN 2021

This was a year like no other. 2020 has been, without a doubt, one of the toughest years for the recruitment industry in living memory. But in these unprecedented circumstances, recruiters have stepped up, supporting vital industries, helping the NHS care for patients and keeping the UK open for business wherever it could. The REC's latest UK recruitment industry status report found that in 2019, the staffing industry made around a million permanent placements and there were over 985,000 temporary and contract workers on assignment every day. This meant that the sector's 31,000 enterprises contributed £42.3 billion to the UK economy, accounting for around 2.1% of UK direct GVA.

But having started 2020 in a strong position, the impact of COVID-19 on the labour market and recruitment industry has been profound. After the pandemic hit the UK in earnest and lockdown measures were introduced in late March, business confidence and hiring activity plummeted – as data from Report on Jobs shows. And though placement and vacancy numbers recovered through the late summer and autumn, especially for temporary work, rising COVID-19 case numbers and new restrictions have slowed the recovery.

All this means that 2020 saw a significant decline in both placement numbers by recruiters and their contribution to the economy. The REC estimates that the direct GVA of the industry fell by 22% between 2019 and 2020, while the number of permanent placements dropped by around 19%. The number of temporary and contract workers on assignment every day was also around 30% lower than it was in 2019.

The pandemic has presented a huge challenge for people and businesses across the UK, including the staffing industry. However, many recruitment companies have used the crisis as an opportunity to adapt, learning lessons and evolving their business. Many have focused on building and maintaining strong relationships with their clients and candidates, while others have shifted their focus towards different sectors or types of recruitment.

It is this flexibility that is one of the major strengths of the UK labour market and its recruitment sector. While it has been a struggle, the industry has risen to the challenges of 2020, supplying the vital workers that many businesses needed to stay afloat and placing hundreds of thousands of people into jobs during an unprecedented economic crisis.

We will need a strong recruitment industry in the months to come, as unemployment levels rise and more people need to be supported into work. But as a vital part of the professional services sector that empowers businesses and builds better futures for candidates, the UK's recruiters are ready to help make great work happen in 2021.

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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.

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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KPMG LLP, a UK limited liability partnership, operates from 21 offices across the UK with approximately 17,600 partners and staff. The UK firm recorded a revenue of £2.40 billion in the year ended 30 September 2019.

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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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