



KPMG AND REC, UK REPORT ON JOBS

Candidate shortages drive softer increase in recruitment activity in February

KEY FINDINGS

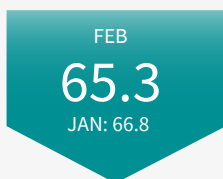
Slower rises in permanent placements and temp billings

Availability of staff falls at sharper rate, pay pressures intensify

Vacancy growth accelerates

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, Head of Education, Skills and Productivity at KPMG UK, said:

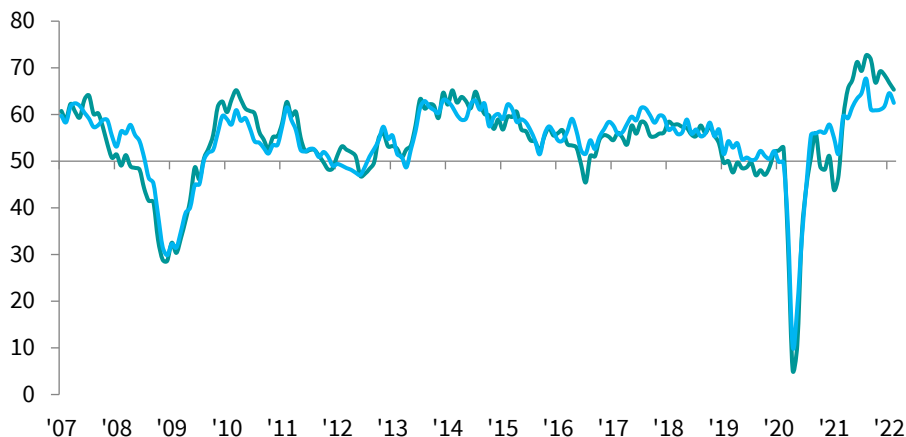
“While recruitment activity has slowed slightly, employers across all sectors continued to hire energetically during February, as their workloads increased and vacancy growth accelerated for the first time since last summer. But the lack of suitable candidates continued and fuelled yet further increases in starting salaries. The IT sector led the increase in demand for permanent staff, with hotel and catering close behind, possibly reflecting the reduction in pandemic measures across society. A sustained focus on skills shortages is required if all sectors of the economy are to leave winter behind and head into spring with confidence in the jobs market.”

Neil Carberry, Chief Executive of the REC, said:

“Candidate availability has now been dropping for a year, which shows the scale of the labour shortage the UK faces. Recruiters are filling record numbers of posts, but demand is still rising. Those firms that are meeting their needs are working more collaboratively with their recruiters to get their offer to candidates right. Meanwhile, government can help by working with business to support people back into the labour market and address skills gaps. At a time when firms and workers are hard-pressed by inflation, making sure businesses can invest in wages and training matters. Ramping up National Insurance is not the right way to go.”

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 February are:

Softer, but still rapid increase in hiring activity

UK recruitment consultancies recorded a further robust increase in hiring activity during February amid reports of rising workloads at clients and greater confidence in the outlook. That said, permanent placement growth eased to an 11-month low and temp billings also expanded at a softer pace, with recruiters frequently stating that candidate shortages had limited their ability to fill roles.

Candidate supply falls at quickest rate for three months

The total availability of candidates fell at the sharpest rate since last November in February, driven by steeper falls in both permanent and temp staff supply. Lower candidate numbers were generally attributed to ongoing tight labour market conditions and robust demand for staff. There were also reports that the pool of candidates was limited due to lingering pandemic-related uncertainty and fewer foreign applicants.

Vacancy growth accelerates for first time since last July

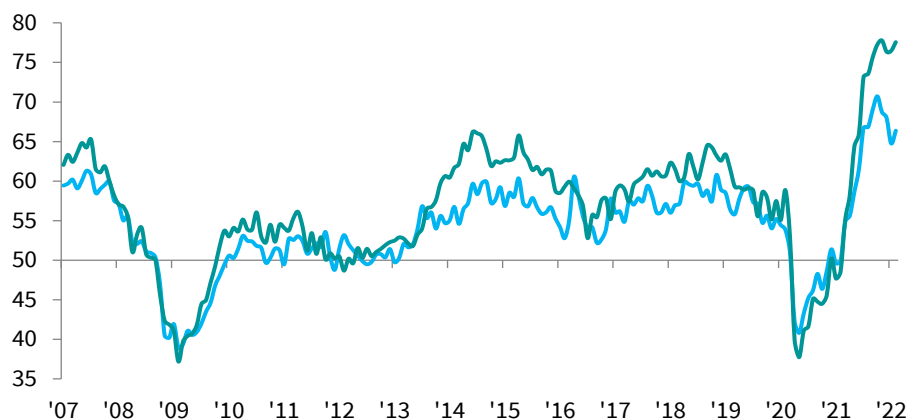
Overall vacancies expanded at the quickest rate for three months in February. This marked the first acceleration of growth since last July, and was driven by sharper rises in demand for both permanent and temporary staff.

Pay pressures sharpen in February

Recruiters continued to see intense competition for workers in February, leading to further steep increases in rates of starting pay for both permanent and short-term staff. Notably, permanent starters' salaries rose at the second-sharpest pace since data collection began in October 1997.

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



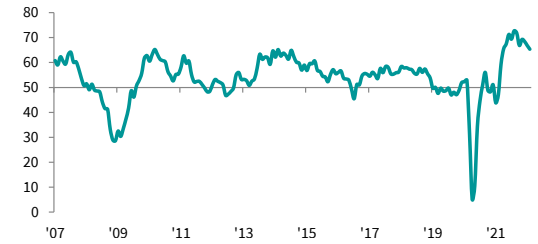
Permanent placement growth eases to 11-month low

The number of people placed into permanent job roles increased during February, as has been the case throughout the past 12 months. Though rapid and well above the series average, the rate of expansion softened for the third month in a row and was the slowest since March 2021. Recruitment consultancies frequently cited strong demand for staff amid rising activity levels at clients. However, there were also reports that shortages of candidates continued to limit recruiters' abilities to fill roles.

Data broken down by region showed that permanent staff appointments expanded at softer rates across all four English areas except the North of England, which also saw the sharpest overall increase.

Permanent Placements Index

sa, >50 = growth since previous month

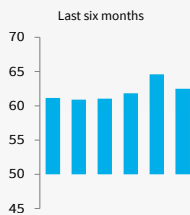


Permanent Placements Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Sep '21	71.8	72.1	71.5	61.1	77.2
Oct '21	66.8	68.6	65.4	66.8	67.5
Nov '21	69.2	70.8	67.1	70.8	70.0
Dec '21	68.4	68.3	68.0	68.6	69.4
Jan '22	66.8	67.3	67.5	65.0	62.2
Feb '22	65.3	59.2	63.2	64.8	67.4

Temporary Billings Index



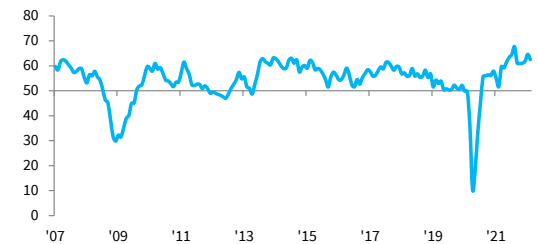
Temp billings rise at softer pace

Adjusted for seasonality, the Temporary Billings Index signalled an increase in temp billings received by UK recruiters for the nineteenth consecutive month in February. The rate of growth softened for the first time since last October, but remained sharp by historical standards. Higher billings were often attributed to increased market confidence and activity, and in some cases a preference for flexible workers due to lingering pandemic uncertainty.

The steepest increase in temp billings was recorded in London, followed closely by the North of England. That said, all four monitored English regions noted slower expansions that at the start of the year.

Temporary Billings Index

sa, >50 = growth since previous month



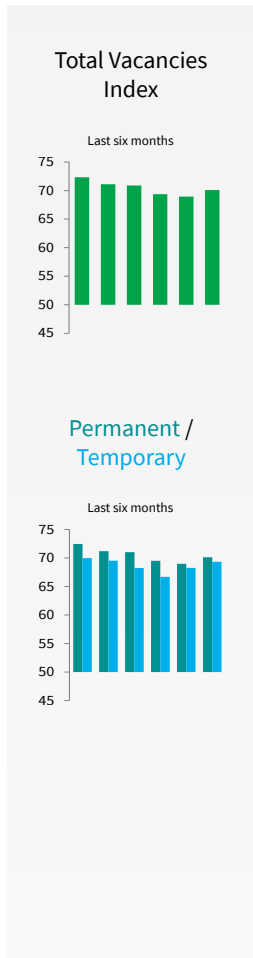
Temporary Billings Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Sep '21	61.1	63.4	59.0	57.2	64.9
Oct '21	60.9	60.2	58.3	59.6	63.7
Nov '21	61.0	65.5	58.8	57.2	61.4
Dec '21	61.8	68.7	62.1	58.5	60.3
Jan '22	64.6	65.7	64.0	64.2	68.8
Feb '22	62.5	64.6	62.2	61.7	63.7

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.



Sharpest increase in vacancies for three months

February survey data indicated that total vacancies increased at the quickest pace since last November and rapidly overall. Notably, it marked the first time that growth of overall demand for staff had picked up for seven months.

Permanent and temporary vacancies

The stronger rise in total vacancies was driven by quicker increases in both permanent and temporary roles in February.

Growth of permanent staff demand accelerated for the first time since last July, and was the sharpest for three months. Meanwhile, temp vacancy growth hit its highest since last October.

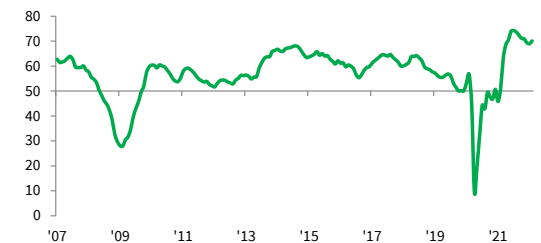
Public & private sector vacancies

Historically marked increases in vacancies continued to be seen across both the public and private sectors during February.

Growth of demand was strongest for permanent staff in the private sector. The slowest, but still steep, rise in vacancies was signalled for public sector permanent roles.

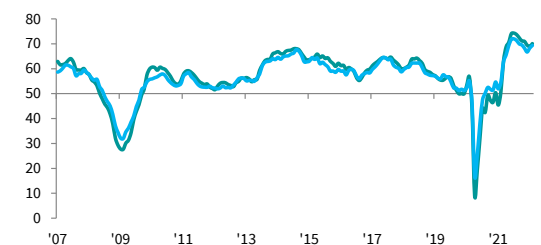
Total Vacancies Index

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.

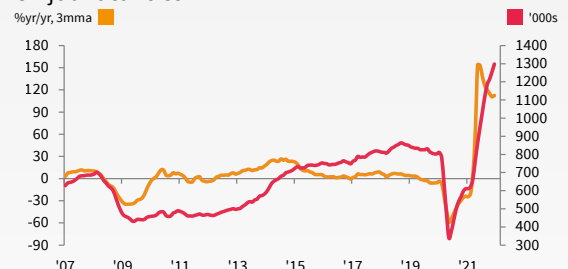
	Permanent				Temporary		
	Total	Total	Private*	Public*	Total	Private*	Public*
Sep '21	72.3	72.5	73.9	65.1	70.0	71.1	64.2
Oct '21	71.1	71.2	80.7	66.2	69.5	78.1	66.4
Nov '21	70.9	71.0	76.9	64.1	68.2	74.7	64.4
Dec '21	69.4	69.5	73.9	62.1	66.7	70.6	60.0
Jan '22	69.0	69.0	75.3	63.9	68.3	65.1	63.4
Feb '22	70.1	70.1	78.0	66.7	69.3	71.1	67.0

OFFICIAL DATA: UK JOB VACANCIES

Data from the Office for National Statistics (ONS) indicated a further rise in overall job vacancies across the UK in the three months to January 2022.

On an annual basis, vacancies more than doubled (+112.4%), rising to 1,298,000 in the latest period. This was up from 1,255,000 in the preceding three-month period and the highest number of vacancies seen since the series began in 2001. The figure was also +60% higher than the number of vacancies seen prior to the pandemic (811,000 in the three months to February 2020).

UK job vacancies



Source: Office for National Statistics.

4 VACANCIES BY SECTOR

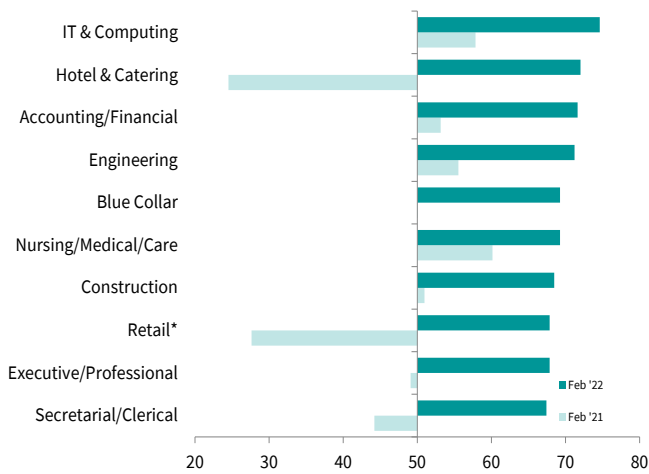
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

Sharp increases in permanent staff demand were seen across all ten monitored job categories midway through the first quarter. IT & Computing led the upturn, followed closely by Hotel & Catering. Secretarial/Clerical saw the softest increase.

Permanent Vacancies Index

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

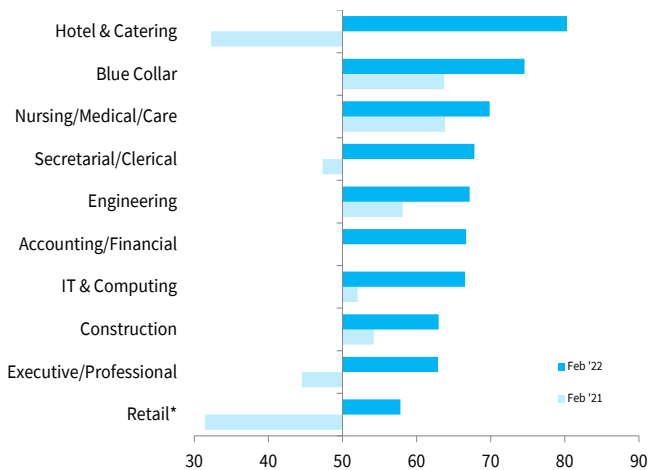


Temporary vacancies

Hotel & Catering topped the rankings in terms of temporary staff demand in February, followed by Blue Collar. Nonetheless, historically sharp rises in vacancies were also seen across the remaining eight categories monitored by the survey.

Temporary Vacancies Index

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

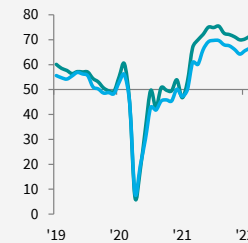


VACANCY INDEX BY SECTOR

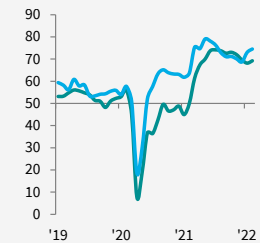
sa, >50 = growth since previous month

Permanent / Temporary

Accounting & Financial



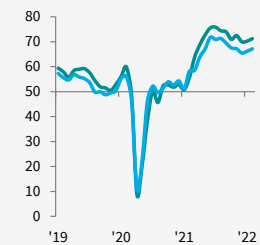
Blue Collar



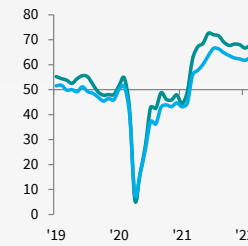
Construction



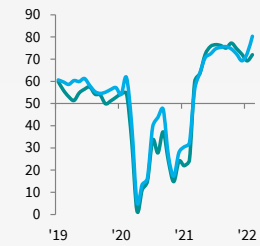
Engineering



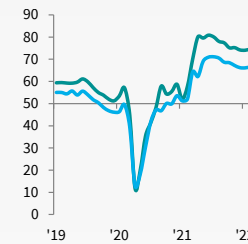
Executive & Professional



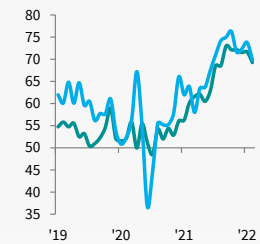
Hotels & Catering



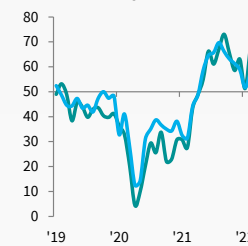
IT & Computing



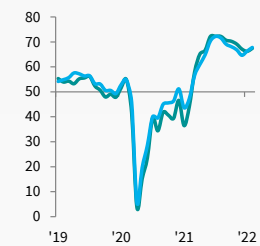
Nursing, Medical & Care



Retail (unadjusted)



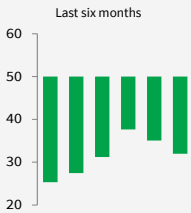
Secretarial & Clerical



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



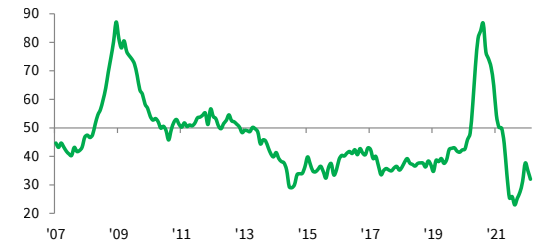
Quickest drop in overall candidate availability for three months

The total supply of candidates fell for the twelfth month running in February. Notably, the rate of decline quickened since the start of the year, with the respective Total Staff Availability Index falling from 35.1 to 32.0 in February. Although not as rapid as the falls seen in mid-2021, the pace of decline was nonetheless substantial and the quickest for three months.

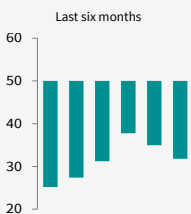
Underlying data highlighted quicker drops in both permanent and temp labour supply in February.

Total Staff Availability Index

sa, >50 = improvement since previous month



Permanent Staff Availability Index



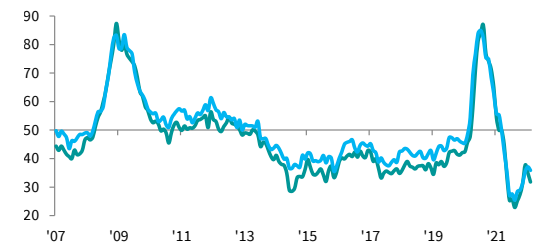
Decline in permanent labour supply gathers pace

The availability of permanent workers across the UK declined further in February, thereby stretching the current sequence of reduction to 13 months. Moreover, the rate of deterioration accelerated to the fastest since last November, and was among the sharpest seen since the series began in 1997. Where lower permanent staff supply was reported, it was often associated with robust demand for workers, fewer candidates from the EU, a general lack of skilled labour and hesitancy among people to take on new roles due to the pandemic.

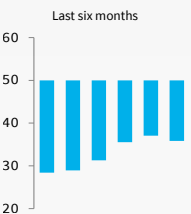
On a regional basis, London saw the steepest reduction in permanent candidate numbers, and the Midlands the softest.

Permanent / Temporary

sa, >50 = improvement since previous month



Temporary Staff Availability Index



Slightly faster reduction in temporary candidate numbers

After easing in the prior five months, the downturn in temporary candidate availability quickened during February. The reduction was substantial overall, albeit the second-softest over the past 10 months. According to recruiters, there was a general lack of candidates amid strong demand, fewer applicants from overseas (particularly the EU) and also a preference among some workers for permanent positions.

All four monitored English regions registered rapid falls in temp staff supply, led by the South of England and the Midlands.

Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Sep '21	25.2	26.4	24.3	25.4	24.3
Oct '21	27.4	26.3	28.5	32.2	24.4
Nov '21	31.2	32.2	29.7	35.3	29.4
Dec '21	37.8	41.5	35.9	37.1	38.8
Jan '22	34.9	33.1	34.4	35.2	34.0
Feb '22	31.8	25.4	30.5	35.6	35.2

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Sep '21	28.4	25.8	28.8	27.8	28.6
Oct '21	28.9	28.8	27.7	29.8	30.7
Nov '21	31.3	28.4	28.8	33.6	32.8
Dec '21	35.5	39.7	33.5	36.3	34.0
Jan '22	37.1	37.1	38.9	37.8	34.4
Feb '22	35.8	35.9	35.1	35.2	39.4

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 Estimators Finance Financial Controllers Payroll Taxation	Hotel/Catering Chefs Hospitality
Blue Collar Drivers Factory HVAC Manufacturing Mechanics Production Refrigeration Security Guards Warehouse	IT/Computing Analysts Automation Testers CAD Developers Digital Infrastructure Analysts IT Software Software Engineers Technical Sales Technology
Construction Architectural Tech Construction Quantity Surveyors	Nursing/Medical/Care Carers Healthcare Assistants Nurses
Engineering Electrical Engineers Engineers Industrial Engineers Senior Electronic Engineers Technicians	Retail Retail
Executive/Professional B2B Corporate Affairs Executive Human Resources Legal Management Marketing PR Professional Project Managers Recruitment Consultants	Secretarial/Clerical Administration Office Staff Personal Assistant Secretary
	Other All Types of Candidates Commercial Customer Service Dutch Speakers German Speakers Operations Sales Scandinavian Speakers Skilled Supply Chain Telesales Unskilled

Skills in short supply: Temporary staff

Accounting/Financial Accountants Auditors Book Keepers Credit Controllers Finance Payroll	Developers Digital IT Software Engineers Technical Sales Technology
Blue Collar Blue Collar Drivers Factory Forklift Drivers HGV Drivers Industrials Machine Operators Manufacturing Production Security Guards Warehouse	Nursing/Medical/Care Carers Healthcare Assistants Nurses Social Workers
Construction Architectural Tech Bricklayers Labourers	Retail Retail
Engineering Engineers Industrial Engineers	Secretarial/Clerical Administration Office Staff Receptionist Secretary
Executive/Professional Human Resources Legal Marketing PR Project Managers	Other All Types of Candidates Call Centre Customer Service Dutch Speakers German Speakers Logistics Sales Scandinavian Speakers Skilled Supervisors Supply Chain Unskilled
Hotel/Catering Chefs Hospitality	
IT/Computing Analysts Automation Testers	

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

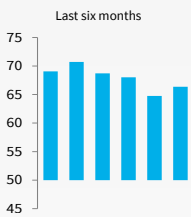


Near-record increase in starting salaries

UK recruitment consultancies signalled a further rapid increase in starting salaries during February. Furthermore, the rate of inflation accelerated to the second-sharpest on record, beaten only by that seen last November. There were widespread reports that salaries for new permanent joiners had risen as demand for staff far exceeded supply, as well as efforts to attract applicants.

The North of England saw the sharpest increase in salaries of all four monitored English regions.

Temporary Wages Index

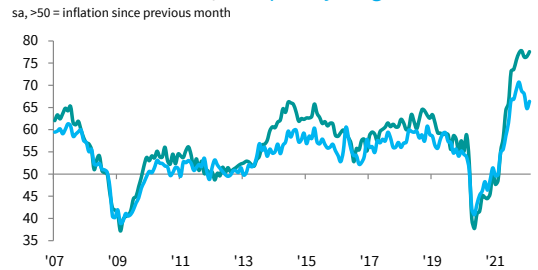


Sharper increase in temp pay

After softening in each of the prior three months, the rate of temp pay inflation accelerated in February. Wages rose sharply overall, with the rate of increase much faster than the long-run series average (55.1). That said, the upturn was the second-slowest seen since last June. According to panellists, pay for short-term staff increased due to greater competition for scarce workers and in order to secure staff with the right skills.

The North of England saw the steepest rate of wage growth, followed by the South of England.

Permanent Salaries / Temporary Wages



Permanent Salaries Index

	UK	London	South	Midlands	North
Sep '21	75.7	72.1	75.5	73.5	81.0
Oct '21	77.2	75.7	77.7	79.7	75.9
Nov '21	77.8	74.7	77.9	84.4	75.1
Dec '21	76.4	72.6	78.6	74.4	76.0
Jan '22	76.5	80.8	76.4	75.6	76.6
Feb '22	77.6	76.9	77.8	74.5	82.0

Temporary Wages Index

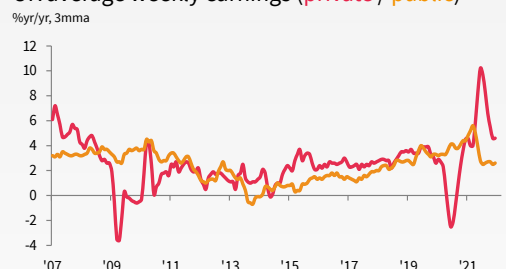
	UK	London	South	Midlands	North
Sep '21	69.1	64.1	70.5	67.1	73.3
Oct '21	70.7	65.3	69.8	69.6	74.4
Nov '21	68.7	65.4	69.1	70.9	70.8
Dec '21	68.0	65.5	70.5	66.8	69.3
Jan '22	64.8	61.3	68.0	66.2	62.5
Feb '22	66.4	64.7	68.0	64.5	68.3

OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Data from the Office for National Statistics (ONS) indicated that employee earnings (including bonuses) increased +4.3% on an annual basis in the three months to December. This was slightly quicker than the +4.2% increase seen in the prior three-month period, but still among the softest growth rates seen over the past year.

Underling data showed that earnings growth in the private sector held steady at +4.6% in the final three months of 2021. Meanwhile, public sector pay growth ticked up from +2.5% to +2.6%.

UK average weekly earnings (private / public)



Source: Office for National Statistics.

8 SPECIAL FEATURE

This section features data from the Recruitment and Employment Confederation

UNCERTAINTY CONTINUES AS A NEW THREAT EMERGES

This year has been off to a rocky start for the UK economy. The cost of living continues to rise, which led the Bank of England's [Monetary Policy Committee](#) to hike the base rate to tackle rising inflation. If this was not enough, the outbreak of war in Ukraine will likely result in consequences for economies across the world.

However, the REC's latest [JobsOutlook](#) survey indicated early signs of a recovery in business confidence levels as the Omicron wave receded. In the three months to January, their confidence in the UK economy improved by six percentage points to net: -5. The survey also found that employers' confidence in making hiring and investment decisions rose to net: +17 over the same period. While intentions to hire permanent staff in the short and medium term both improved, hiring intentions remained highest for temporary workers in the short term (net: +28). This indicates that business will continue to rely on temps to keep them going through the current uncertainty, in the same way they have done throughout the course of the pandemic.

Intentions are one thing, but reality is another. The latest release by the [Office of National Statistics](#) continued to show just how tight the labour market is. Vacancies continued their upwards trend, while unemployment continued to decrease in this rolling quarter – meaning there are fewer candidates available to fill the gaps. Another red flag is the stubbornly high numbers of economically inactive people. Much of this is fuelled by older workers leaving the labour market earlier than expected, either by choice or long-term sickness. The Institute of Employment Studies now estimates that the [labour force is 1.15 million smaller](#) than it would have been if pre-pandemic trends had continued.

One of the biggest challenges in the labour market at the moment is staff retention. The rising cost of living and the tight labour market has caused significant inflation in starting salaries for both temps and permanent employees. In combination with the rise in National Insurance in April, this is creating a perfect storm of rising costs for businesses. And the situation will get worse before it gets better, with some predicting inflation will rise to 7% over the next few months before it starts going down again.

This will further increase the financial pressure on businesses. With many unable to keep up with the rate of increase, they will have to think carefully about their offer to staff to make it more appealing to stay. [Recruiters play a vital role in the labour market](#), placing hundreds of thousands of people into temporary and permanent work every day. But most staffing firms also stretch beyond traditional recruitment. Now recruiters provide an array of services, from business advice and consultancy for clients to interview coaching and career advice for candidates. As we continue to adapt to the current environment and move on to dealing with the next challenges, it's clear just how valuable recruiters are – as an integral part of the professional services sector.

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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

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