

KPMG and REC, UK Report on Jobs

Upturn in hiring activity slows again amid candidate shortages

64.1

PERMANENT PLACEMENTS INDEX
MAR '22

60.7

TEMPORARY BILLINGS INDEX
MAR '22

The KPMG and REC, UK Report on Jobs is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 UK recruitment and employment consultancies.

Permanent staff appointments rise at slowest rate for a year

Labour supply falls rapidly, driving record rise in starting salaries

Overall vacancy growth hits six-month high

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

“There’s no end in sight to the deep-seated workforce challenges facing the UK economy. Once again this month, job vacancies are increasing while there are simply not enough candidates in all sectors to fill them. With fewer EU workers, the ongoing effects of the pandemic, the economic impacts of the war in Ukraine and cost of living pressures, many employers will continue to struggle to hire the talent and access the skills they need. With unemployment staying low, there are many great opportunities for job-seekers to join or rejoin the workforce in all sectors.”

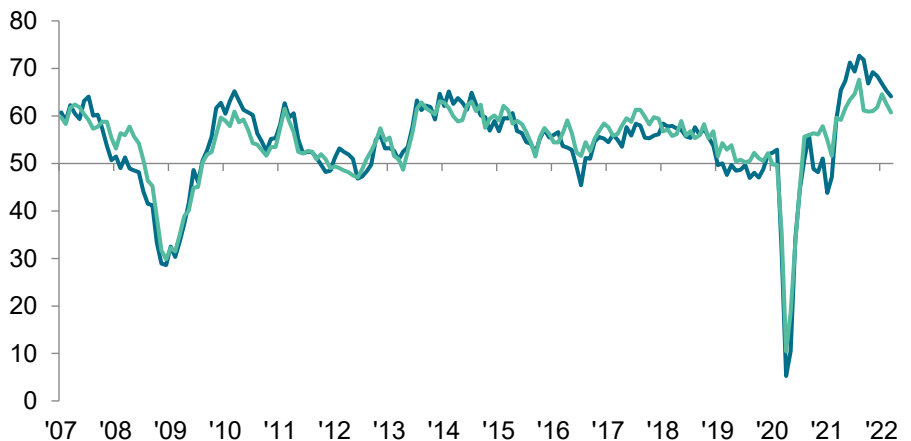
Neil Carberry, Chief Executive of the REC, said:

“We can clearly see that labour and skills shortages are driving inflation in these latest figures. Starting salaries for permanent staff are growing at a new record pace, partially due to demand for staff accelerating and partially as firms increase pay for all staff in the face of rising prices. Record COVID infection levels are also pushing up demand for temporary workers, particularly in blue collar and hospitality sectors, underpinning the ability of temps to seek higher rates.

“However, the overall number of placements being made is starting to stabilise. This is no surprise after a period of historically high growth, and in the face of more economic uncertainty. Even so, the jobs market is very tight. Businesses will need to broaden their searches and be creative in making their offer to candidates more attractive, in consultation with recruitment experts. But government can help by incentivising investment in skills and people during the inflation crisis.”

■ 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 March are:

March sees further slowdown in hiring activity

Latest survey data pointed to softer expansions in both permanent staff appointments and temp billings across the UK in March. Though elevated by historical standards, rates of increase fell to 12- and 11-month lows, respectively. Recruiters frequently mentioned that candidate shortages continued to weigh on their ability to fill vacancies.

Steepest drop in total staff supply since last November

The overall availability of workers in the UK continued to fall rapidly at the end of the first quarter. Notably, the rate of contraction was the steepest seen for four months, with a slightly quicker drop in permanent candidate numbers offsetting a softer fall in temp labour supply. Panellists often mentioned that a generally low unemployment rate, uncertainty related to the pandemic and Ukraine war, fewer EU workers and robust demand for staff had limited worker availability.

Starting salary inflation hits new record

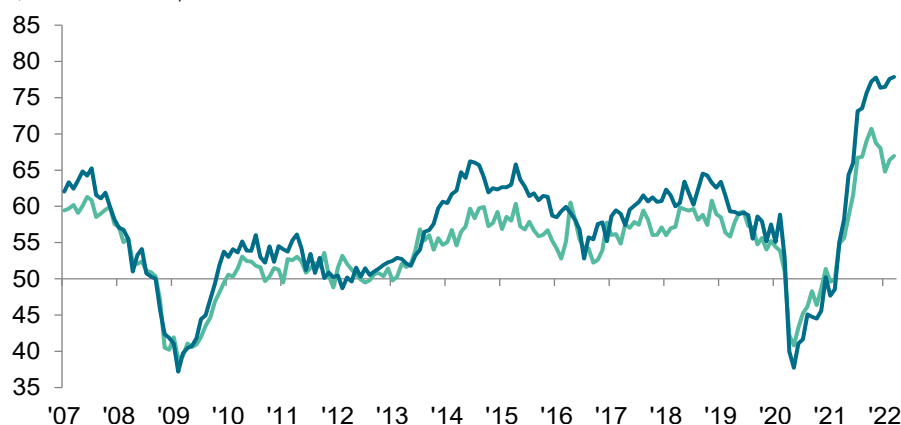
Recruitment consultancies signalled a further increase in permanent starting salaries in March. Moreover, the rate of inflation was the sharpest in 24-and-a-half years of data collection amid reports of intense competition for staff. Average wages for temp workers also rose in March, and at a rapid pace that was the quickest for three months.

Demand for staff increases at fastest rate for six months

Overall vacancies rose for the fourteenth month in a row in March, and at the quickest rate since last September. Recruiters indicated stronger rises in both permanent and temporary staff demand in the latest survey period, with the former noting the steeper rate of growth.

■ Permanent Salaries Index
■ Temporary Wages Index

sa, >50 = inflation since previous month

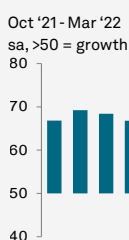


2 Staff Appointments

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



Softest increase in permanent placements for a year

Adjusted for seasonal factors, the Permanent Placements Index signalled an increase in permanent staff appointments across the UK for the thirteenth successive month in March. Though sharp and comfortably above the series average, the rate of growth slipped for the fourth month in a row and was the slowest since March 2021. The upturn was frequently attributed to strong demand for workers and rising vacancies. At the same time, panellists reported that a general lack of candidates had constrained overall growth.

The Midlands registered the sharpest increase in permanent placements of all four monitored English regions. The softest, but still marked, expansion was seen in the South of England.

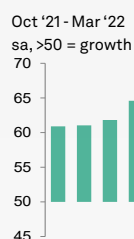
Permanent Placements Index



Permanent Placements Index

	UK	London	South	Midlands	North
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
Mar '22	64.1	62.4	61.4	67.3	61.5

Temporary Billings Index



Temp billings growth slows for second month running

Latest survey data indicated that growth of temp billings eased for the second month in a row in March. Notably, the rate of expansion was the slowest seen for 11 months, albeit strong by historical standards. The latest upturn was often attributed to rising business requirements at clients, and in some cases a lack of available permanent staff. Billings received from the recruitment of temp workers have now risen in each of the past 20 months.

All four monitored English regions noted marked upturns in temp billings at the end of the first quarter, led by London.

Temporary Billings Index

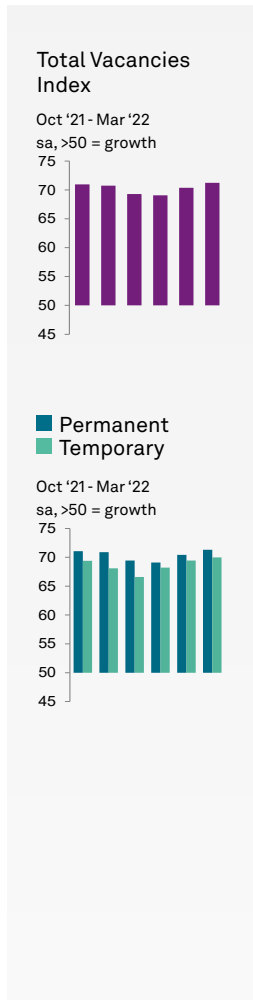


Temporary Billings Index

	UK	London	South	Midlands	North
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
Mar '22	60.7	67.4	56.4	64.0	58.0

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.



Vacancy growth picks up to six-month high

The seasonally adjusted Total Vacancies Index posted well above the neutral 50.0 level at 71.2 in March, up from 70.4 in February, to signal a sharp and accelerated rise in overall vacancies across the UK. Furthermore, the rate of expansion was the quickest seen since last September.

Permanent and temporary vacancies

Latest survey data pointed to rapid increases in demand for both permanent and temporary staff, with upturns hitting six- and seven-month highs, respectively.

Permanent vacancy growth continued to outpace that seen for short-term roles, as has been the case throughout the past year.

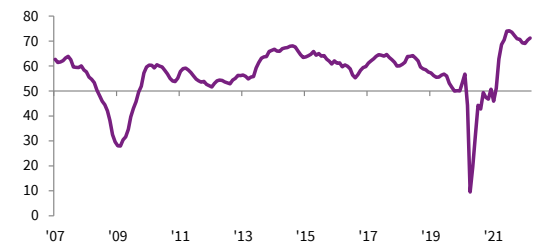
Public & private sector vacancies

Vacancies rose across both the private and public sector at the end of the first quarter.

The strongest expansion in demand was signalled for permanent staff in the private sector, while the softest increase in vacancies was seen for permanent staff in the public sector.

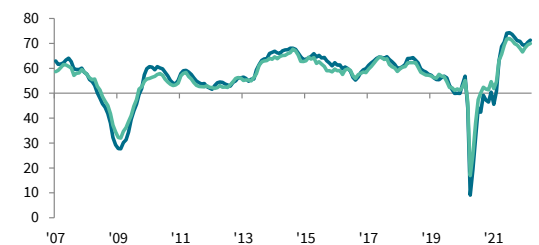
Total Vacancies Index

sa, >50 = growth since previous month



Permanent Vacancies Index
Temporary Vacancies Index

sa, >50 = growth since previous month



Vacancy Index summary

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

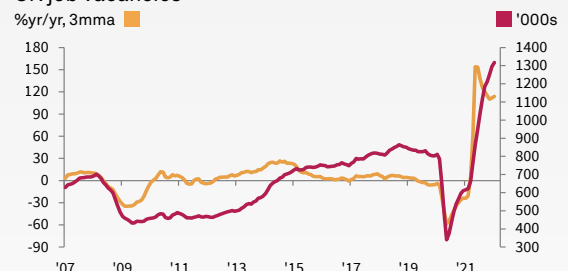
	Total	Permanent		Temporary			
		Total	Private*	Public*	Total	Private*	Public*
Oct '21	71.0	71.1	80.7	66.2	69.4	78.1	66.4
Nov '21	70.7	70.9	76.9	64.1	68.1	74.7	64.4
Dec '21	69.3	69.4	73.9	62.1	66.6	70.6	60.0
Jan '22	69.1	69.1	75.3	63.9	68.2	65.1	63.4
Feb '22	70.4	70.4	78.0	66.7	69.5	71.1	67.0
Mar '22	71.2	71.3	77.6	66.5	70.0	71.9	67.9

Official data: UK job vacancies

Latest data from the Office for National Statistics (ONS) signalled a sustained upturn in overall job vacancies across the UK in the three months to February 2022.

Compared to the same time a year ago, vacancies were up +114% to 1,318,000. This was the highest number of roles recorded since the series began in 2001. It was also +62.5% higher than the number of vacancies seen before the outbreak of the pandemic (811,000 in the three months to February 2020).

UK job vacancies



Source: Office for National Statistics.

4 Vacancies by sector

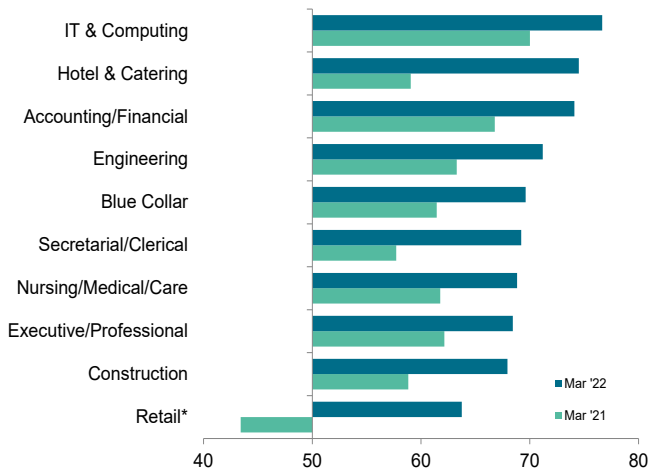
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

As has been the case in each of the prior four months, IT & Computing recorded the steepest increase in demand for permanent staff of all ten monitored sectors in March. The softest, but still sharp, rise in permanent vacancies was seen in Retail.

Permanent Vacancies Index

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

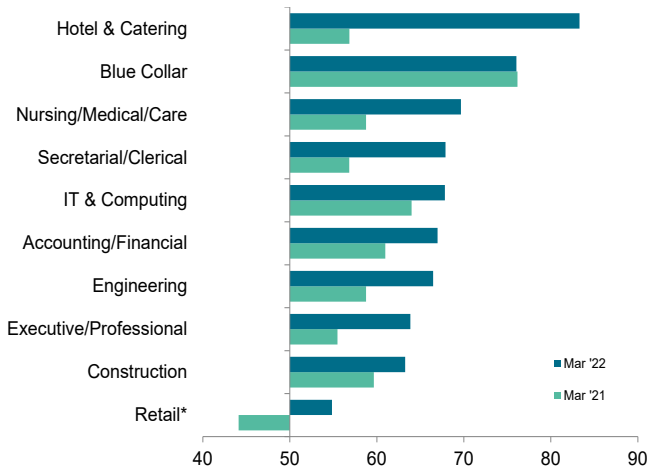


Temporary vacancies

March survey data also pointed to a broad-based increase in temporary staff demand, with Hotel & Catering topping the rankings. As was the case for permanent vacancies, the slowest increase in short-term roles was signalled for Retail.

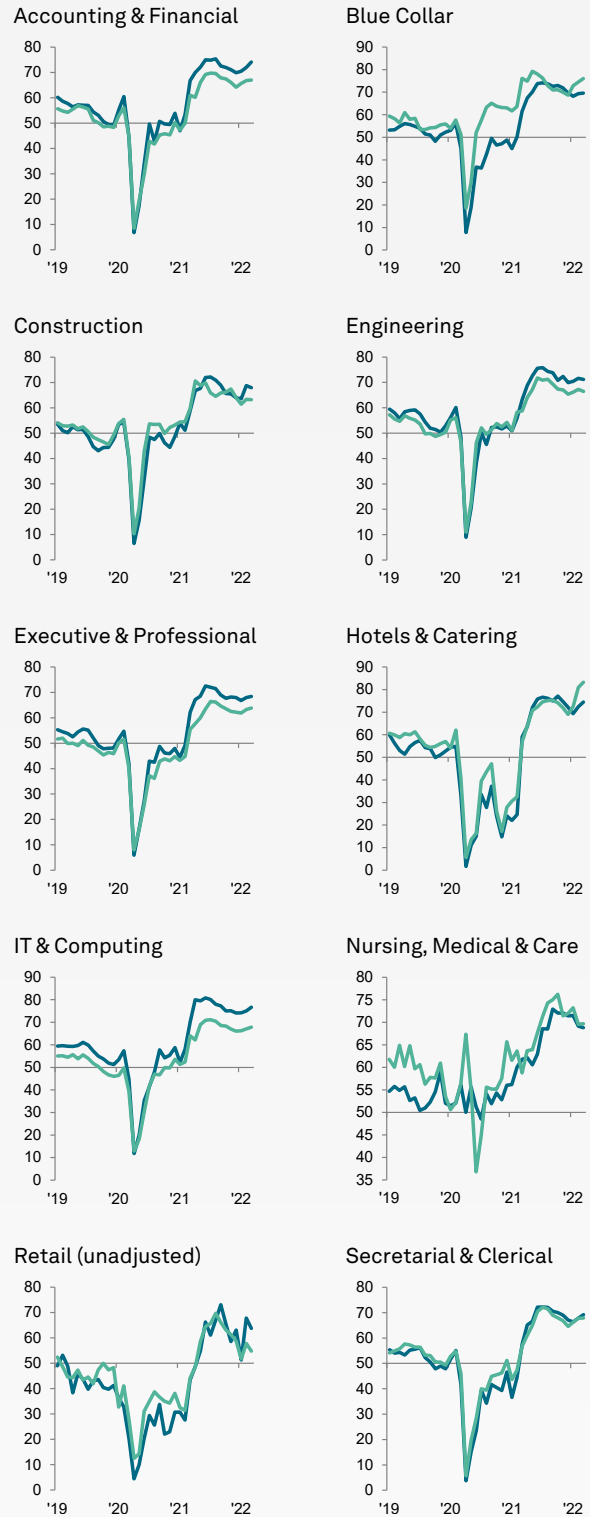
Temporary Vacancies Index

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



Vacancy index by sector

■ Permanent ■ Temporary
sa, >50 = growth since previous month

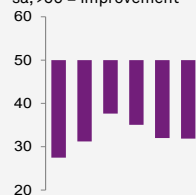


5 Staff availability

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

Oct '21 - Mar '22
sa, >50 = improvement



Overall candidate supply continues to decline rapidly

The seasonally adjusted Total Staff Availability Index posted below the neutral 50.0 threshold at 31.9 in March, down slightly from 32.0 in February, to signal a further steep drop in overall candidate supply. Candidate availability has now fallen in each of the past 13 months, with the latest reduction the quickest seen since last November.

The supply of both permanent and temporary staff fell again in March, with the former noting the steeper rate of contraction.

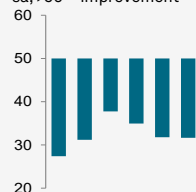
Total Staff Availability Index

sa, >50 = improvement since previous month



Permanent Staff Availability Index

Oct '21 - Mar '22
sa, >50 = improvement



Permanent candidate supply falls at quickest rate for four months

UK recruitment consultancies signalled a reduction in permanent candidate availability for the fourteenth month running in March. Panellists stated that demand for workers continued to outstrip supply amid a low unemployment rate. There were also reports that people were reluctant to switch roles due to uncertainty related to the pandemic and the Ukraine war, and of fewer EU workers.

The sharpest fall in permanent candidate numbers was seen in London, though historically marked reductions were also seen across the other three monitored English regions.

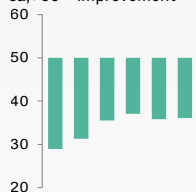
Permanent Staff Availability Index

sa, >50 = improvement since previous month



Temporary Staff Availability Index

Oct '21 - Mar '22
sa, >50 = improvement



Further marked drop in temporary candidate numbers

March survey data signalled a further substantial deterioration in the availability of temporary staff. The rate of contraction was rapid and much quicker than the series average (49.6), but eased slightly since February. Notably, the pace of decline has softened in six of the past seven months. Recruiters often commented on a broad-based shortage of candidates, fewer EU workers and robust demand for workers. There were also reports of candidates preferring permanent positions over short-term roles.

London recorded the sharpest drop in temp staff supply, and the Midlands the softest.

Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
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
Mar '22	31.6	21.9	31.8	35.0	34.8

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
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
Mar '22	36.1	29.7	36.9	39.0	37.6

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 Payroll Purchase Ledger Taxation	Executive/Professional Business Development Human Resources Legal Marketing Marketing Executives PR Project Managers Recruitment Consultants	Retail Retail
Blue Collar Blue Collar Drivers HGV Drivers Manufacturing Mechanics Production Security Guards Sewing Machinists Site Managers Warehouse Welders	Hotel/Catering Catering Chefs Hospitality Kitchen Porters	Secretarial/Clerical Administration Office Staff Personal Assistant Receptionist Secretary
Construction Architectural Tech Construction Labourers Quantity Surveyors	IT/Computing C# CAD Data Professionals Developers Digital IT Software Technical Sales Technology	Other All Types of Candidates Buyers Call Centre Commercial Customer Service German Speakers Life Sciences Logistics Multilingual Sales Skilled Supply Chain Teachers Telemarketing
Engineering Engineers Hardware Engineers Senior Electronic Technicians	Nursing/Medical/Care Carers Healthcare Assistants Hearing Aid Dispensers Nurses Optometrists Pharmacists	

Skills in short supply: Temporary staff

Accounting/Financial Accountants Auditors Credit Controllers Finance Payroll Purchase Ledger Taxation	Executive/Professional Human Resources Legal Project Managers	Receptionist
Blue Collar Blue Collar Cleaners Drivers Forklift Drivers HGV Drivers Industrials Manufacturing Packers Production Security Guards Trades Unskilled Labour Warehouse Welders	Hotel/Catering Baristas Catering Chefs	Other All Types of Candidates Buyers Call Centre Commercial Customer Service European Speakers German Speakers Graduates Multilingual Sales Skilled Telemarketing Unskilled
Construction Architectural Tech Bricklayers Construction Labourers	IT/Computing Automation Testers Developers Digital IT Java Software Engineers Technology	
Engineering Electrical Engineers Engineers	Nursing/Medical/Care Carers Dentists Doctors Healthcare Assistants Hearing Aid Dispensers Nurses Optometrists Pharmacists	
	Retail Retail	
	Secretarial/Clerical Administration Office Staff	

Skills in excess supply: Permanent staff

Accounting/Financial Finance Directors	IT/Computing Developers IT Technology	Sales Unskilled
Blue Collar Site Managers Warehouse	Nursing/Medical/Care Pharmacists	
Engineering Engineers	Retail Retail	
Executive/Professional Directors Human Resources Operations Managers Project Managers Scientists	Secretarial/Clerical Administration Clerical Office Staff Personal Assistant	
Hotel/Catering Hospitality	Other Customer Service Graduates	

Skills in excess supply: Temporary staff

Blue Collar Blue Collar Decorators Drivers Electricians Industrials Plumbers Warehouse	Nursing/Medical/Care Healthcare Assistants
Executive/Professional Project Managers	Retail Retail
Hotel/Catering Hospitality	Secretarial/Clerical Administration Clerical
IT/Computing IT	Other Customer Service Graduates Testers 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.

8 Special feature

This section features data from the Recruitment and Employment Confederation

Economic uncertainty continues as a new threat emerges

The UK economy has bounced back from the shock of the pandemic, with [GDP back to the levels seen in Q4 2019](#) and [unemployment back to just 3.9%](#). While the UK's recovery has been going for several months, we have another threat to worry about – a downturn in living standards.

Driven by rising inflation, the cost of living crisis for UK households is likely going to be the defining economic feature of this year. And while no one can be certain of how much prices and earnings will rise, the Russian-Ukrainian war has further disrupted supply chains and pushed inflation up, affecting living standards even more across Europe.

However, according to the [Resolution Foundation](#), it is actually weak productivity rather than high inflation that is threatening living standards the most. And if we want to see meaningful economic growth, we need to make sure productivity and wage growth perform better than expected in years to come.

Signs of wider business concern could be detected in the REC's latest *JobsOutlook* survey. In the three months to February, business confidence in the UK economy declined by two percentage points to net: -7, after a five percentage point increase in the previous quarter. However, while employers were uncertain about the UK's economic prospects, they were more optimistic when it came to their hiring and investment decisions. The survey found that UK firms' hiring confidence remained buoyant at net: +13, signalling their desire to take on new staff in the coming months.

Moreover, the latest release by the [Office of National Statistics](#) continued to reveal troubling news for the labour market. We've seen another record high number of job vacancies, and at the same time a significant increase in economic inactivity – people who are out of work but not looking for a new job. Combined with low unemployment, this means there are more workers exiting the labour market and fewer people to take on the vacant positions. That makes the market extremely difficult to recruit from, adding even more financial pressure on businesses.

And while businesses are doing what they can on pay, rising inflation is seriously impacting their ability to do so. In real terms, average pay has fallen compared to last year. A more sustainable strategy to ease the pressure on the economy and keep inflation down will be to focus on ensuring employment rates and hours worked recover to pre-pandemic levels. A big part of this will be encouraging people back into the labour market, especially older people who have taken early retirement. Governments and business leaders across the UK need to work together and try to resolve these issues sooner rather than later.

As labour market specialists, recruiters will once again play a key role in this task – from helping government with activation schemes to supporting employers with attracting people from all backgrounds back into work.

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Methodology

The KPMG and REC, UK Report on Jobs is compiled by S&P Global 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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KPMG LLP, a UK limited liability partnership, operates from 22 offices across the UK with approximately 15,300 partners and staff. The UK firm recorded a revenue of £2.43 billion in the year ended 30 September 2021.

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About REC

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