



KPMG AND REC, UK REPORT ON JOBS

Recruitment activity continues to rise sharply in December

KEY FINDINGS

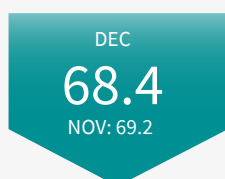
Recruiters signal further steep increases in permanent placements and temp billings

Candidate availability falls at slowest rate for eight months

Substantial upward pressure on starting pay

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:

"The UK jobs market rocketed to near historic levels as New Year approached. That's despite it losing a little fizz with the pace of accelerating demand for staff, wage and salary growth and vacancies all easing slightly. Employers in all sectors haven't lost their appetite to hire, but many will be frustrated by the pressure these inflationary and competitive conditions, which are likely to continue for some time, are putting on their operating costs and ability to expand."

"The data show that the availability of staff is particularly pressing in the health and care sector, where demand for qualified personnel is running far hotter than availability of permanent and temporary candidates to fill roles. This has been exacerbated by Omicron, through sickness to workers and the need to self-isolate."

"The availability of workers is testing the resolve of employers across the economy and will likely cause distortion in recruitment patterns as businesses shift focus from long-term growth to short-term cover. However, we shouldn't underestimate the business community's ability to adapt to these new conditions and look to training and technology solutions to find a way forward."

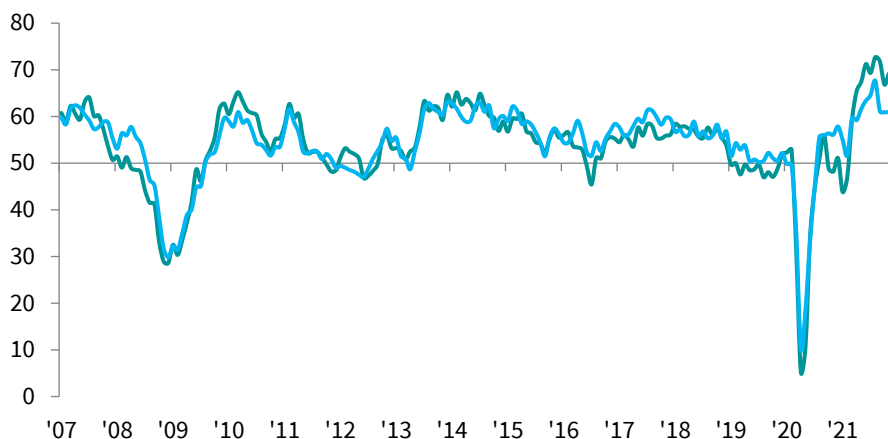
Neil Carberry, Chief Executive of the REC, said:

"2022 will be the year we discover staff shortages will outlive the pandemic as an economic issue. This survey shows again how tight the labour market was at the end of last year. Demand for staff is growing across every sector and region of the UK, and candidate availability is still falling. These trends have been slowing for the past few months, but that is not surprising considering the record pace of change earlier in the autumn of 2021."

"Businesses need to make sure they are reacting to the long-term challenges of this market, thinking harder about their offer to staff and how to shape their future workforce. Recruiters are ideally positioned to help employers with this, and support governments across the UK on the skills, immigration and tax reforms that are needed to keep us competitive."

Permanent Placements Index / Temporary Billings Index

sa, >50 = growth since previous month



CONTENTS

- 1 Executive summary
- 2 Staff appointments
- 3 Vacancies
- 4 Vacancies by sector
- 5 Staff availability
- 6 Demand for skills
- 7 Pay pressures
- 8 Special feature
- 9 Further information

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:

Hiring activity continues to rise sharply

Recruitment consultancies registered further substantial increases in both permanent placements and temp billings at the end of 2021 amid reports of robust demand for staff and greater client requirements. Permanent placement growth continued to outpace the upturn seen for temp billings.

Vacancy growth slips to eight-month low

December survey data signalled a further easing in the rate of total vacancy growth across the UK. The latest increase in demand for staff was the softest seen since April, albeit rapid overall. Softer increases in vacancies were signalled for both permanent and temporary roles.

Recruiters signal least severe drop in candidate numbers since April

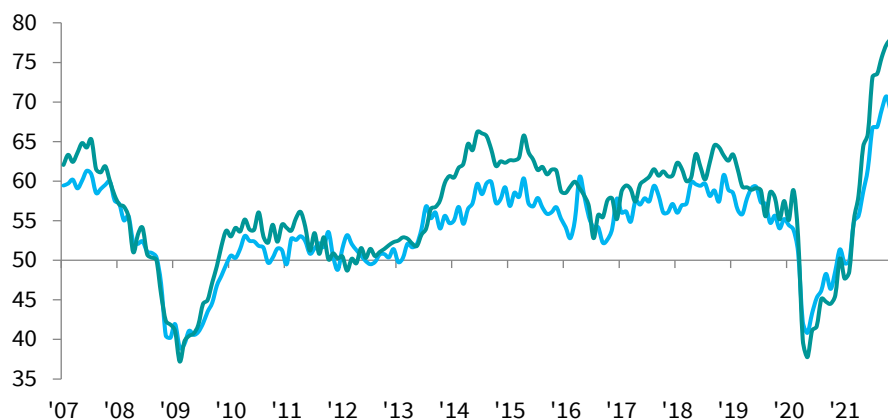
The supply of overall candidates continued to fall sharply during December, but the rate of deterioration eased for the fourth month running. Notably, the latest drop in candidate supply was the least severe since April. Nonetheless, recruiters noted that uncertainty around the pandemic and the economic outlook, a generally low unemployment rate and fewer foreign workers had weighed on candidate numbers.

Shortages continue to push up rates of starting pay

Starting salaries for permanent workers and temp hourly pay continued to rise rapidly in December, with the respective rates of inflation holding close to record-highs. Panellists frequently mentioned that starting salaries and wages had risen as demand for staff continued to outstrip supply.

Permanent Salaries Index / Temporary Wages Index

sa, >50 = inflation since previous month

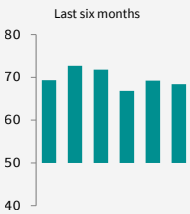


2 STAFF APPOINTMENTS

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



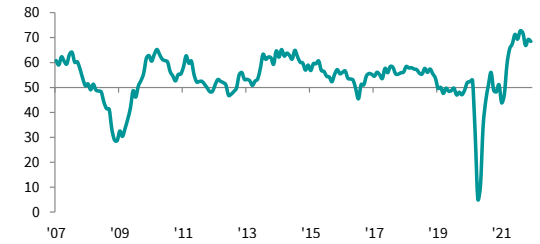
Permanent placement growth remains rapid in December

Recruitment consultancies across the UK signalled an increase in the number of people placed in permanent job positions in December, thereby stretching the current period of expansion to ten months. The rate of growth softened from November, but remained rapid and well above the series average (54.6). Survey respondents widely commented on increased market activity and greater demand for workers, with many businesses keen to fill vacancies. There were also mentions of a greater preference for permanent staff over temp workers.

Permanent staff appointments increased across all four monitored English regions in December, with the North of England registering the fastest upturn.

Permanent Placements Index

sa, >50 = growth since previous month

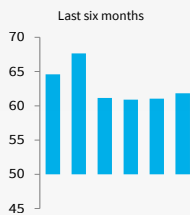


Permanent Placements Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Jul '21	69.3	77.3	64.9	67.0	71.2
Aug '21	72.7	80.3	71.2	70.4	72.3
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

Temporary Billings Index



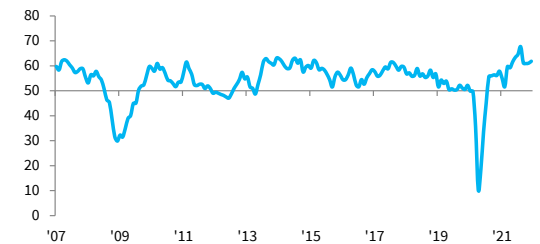
Temp billings expand at quickest rate for four months

Billings received from the employment of temporary workers increased for the seventeenth month running in December. The rate of growth edged up to a four-month high and was sharp overall. Recruiters linked the latest upturn to a steep increase in demand for workers and efforts to fill gaps amid ongoing staff shortages. There were also reports of clients having to hire short-term workers due to a lack of permanent candidates.

Regional data highlighted that the upturn in temp billings was broad-based across all four monitored English regions. The quickest expansion was seen in London, while the softest was in the Midlands.

Temporary Billings Index

sa, >50 = growth since previous month



Temporary Billings Index

sa, >50 = growth since previous month

	UK	London	South	Midlands	North
Jul '21	64.6	67.1	61.7	66.5	64.4
Aug '21	67.7	70.6	66.8	70.0	63.0
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

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 softens to eight-month low

Demand for staff continued to rise at the end of 2021, but the rate of expansion softened for the fifth month running. Though sharp and well above the long-run average (57.5), the increase was the slowest seen since April.

Permanent and temporary vacancies

Permanent vacancies continued to rise at a quicker rate than that seen for short-term roles in December. In both cases, rates of expansion eased to eight-month lows, however.

Demand for permanent staff has now risen for 11 months in a row, while temp worker demand has increased for 17 successive months.

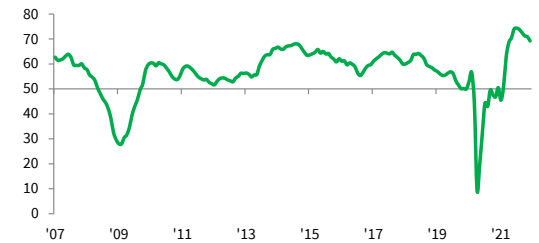
Public & private sector vacancies

Vacancies continued to increase at a stronger pace in the private sector than in the public sector in December.

The fastest growth rate was signalled for private sector permanent roles, while the softest rise was indicated for public sector temporary jobs.

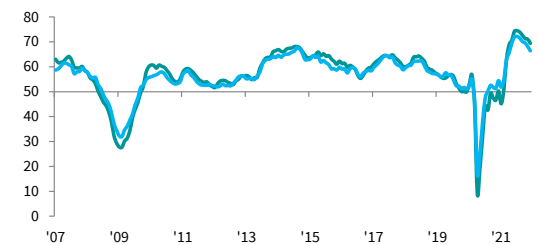
Total Vacancies Index

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.

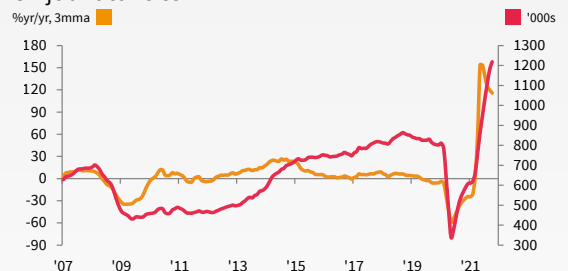
	Permanent				Temporary		
	Total	Total	Private*	Public*	Total	Private*	Public*
Jul '21	74.3	74.5	80.1	63.7	72.2	79.7	66.5
Aug '21	73.8	73.9	81.8	63.8	71.5	77.1	66.8
Sep '21	72.5	72.6	74.1	65.2	70.1	71.3	64.3
Oct '21	71.2	71.3	80.7	66.2	69.6	78.1	66.4
Nov '21	70.9	71.0	76.9	64.1	68.1	74.7	64.4
Dec '21	69.2	69.4	73.9	62.1	66.4	70.6	60.0

OFFICIAL DATA: UK JOB VACANCIES

Latest official data from the Office for National Statistics (ONS) indicated a further steep rise in vacancies across the UK during the three months to November.

Overall, vacancies have more than doubled compared to the same period a year ago (+115.8% increase), with 1,219,000 open roles recorded in the latest three-month period. This was up from 1,182,000 in the three months to October 2021 and a new record high. The number of vacancies was also significantly higher than the pre-pandemic level of 811,000 in the three months to February 2020.

UK job vacancies



Source: Office for National Statistics.

4 VACANCIES BY SECTOR

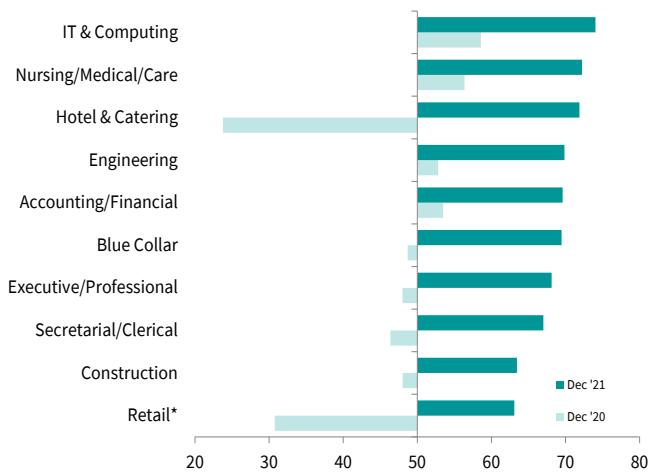
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

Permanent vacancies

IT & Computing was the most in-demand category for permanent staff during December, as was the case in the previous month. Nonetheless, steep increases in vacancies were also seen across the other nine monitored sectors.

Permanent Vacancies Index

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

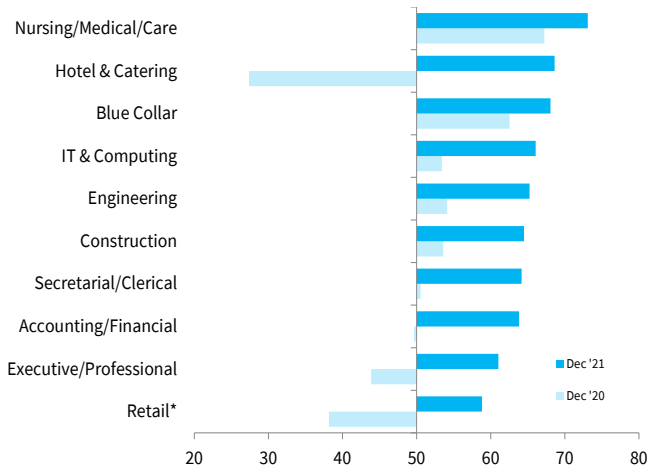


Temporary vacancies

Nursing/Medical/Care was at the top of the rankings for temporary staff vacancies at the end of the year. The softest increase in demand was meanwhile signalled for short-term Retail workers.

Temporary Vacancies Index

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

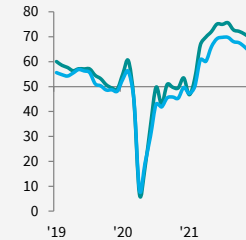


VACANCY INDEX BY SECTOR

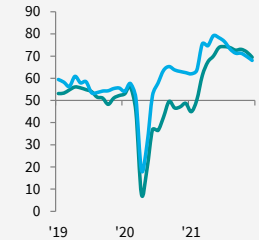
sa, >50 = growth since previous month

Permanent / Temporary

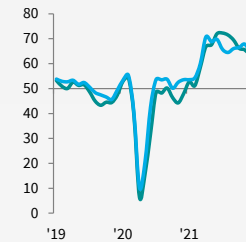
Accounting & Financial



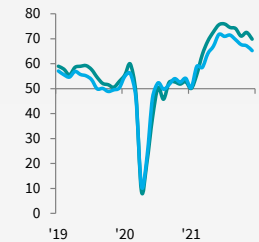
Blue Collar



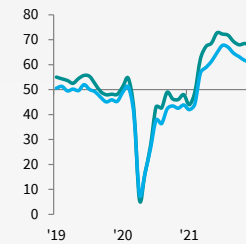
Construction



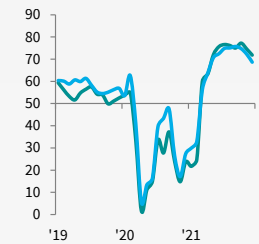
Engineering



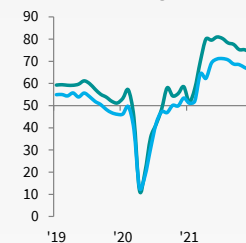
Executive & Professional



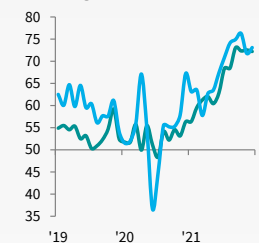
Hotels & Catering



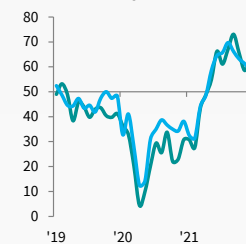
IT & Computing



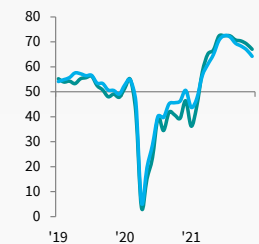
Nursing, Medical & Care



Retail (unadjusted)



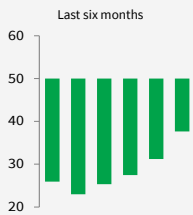
Secretarial & Clerical



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



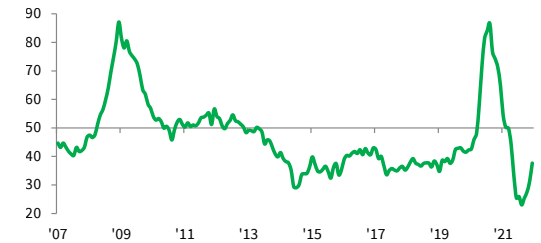
Weakest decline in overall candidate availability since April

The overall availability of candidates across the UK fell for the tenth successive month in December. Though rapid, the rate of reduction was the softest seen since April, as signalled by the seasonally adjusted Total Staff Availability Index rising from 31.2 in November to 37.6.

Slower declines in the supply of both permanent and temporary labour were registered in the latest survey period.

Total Staff Availability Index

sa, >50 = improvement since previous month



Permanent Staff Availability Index



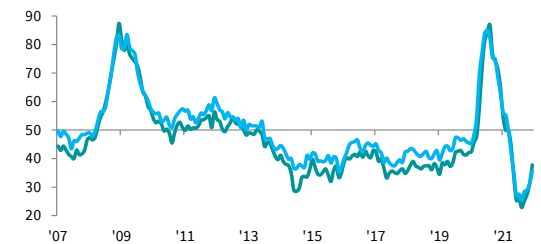
Permanent candidate numbers fall at slower rate

Adjusted for seasonal factors, the Permanent Staff Availability Index pointed to a sustained drop in the number of permanent candidates during December. Though sharp and much quicker than the series average, the rate of deterioration eased for the fourth month in a row and was the weakest since April. Lower permanent staff supply was generally linked to strong demand for staff, a low unemployment rate and hesitancy among workers to look for new roles amid ongoing uncertainty around the pandemic.

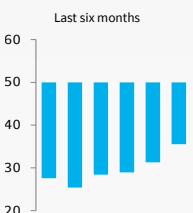
All four monitored English regions noted slower declines in permanent candidate numbers, with the weakest reduction seen in London.

Permanent / Temporary

sa, >50 = improvement since previous month



Temporary Staff Availability Index



Deterioration in temp labour supply eases in December

Latest survey data showed that the downturn in temporary staff availability also eased at the end of the year. Though rapid overall, the drop in short-term staff supply was the slowest seen since April. A general shortage of skilled candidates, fewer foreign workers, a preference for permanent roles and ongoing uncertainty related to COVID-19 were all cited as factors reducing the pool of available candidates.

The steepest decline in temporary candidate numbers was seen in the South of England, while the softest was in London.

Permanent Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Jul '21	25.9	29.8	24.0	28.1	24.6
Aug '21	22.8	23.6	21.0	29.8	20.8
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

Temporary Staff Availability Index

sa, >50 = improvement since previous month

	UK	London	South	Midlands	North
Jul '21	27.6	34.3	26.6	26.2	27.1
Aug '21	25.4	28.0	23.7	25.9	27.5
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

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 Chartered Accountants Credit Controllers Estimators Finance Payroll Taxation	Hotel/Catering Catering Chefs Hospitality	Graduates Health & Safety Logistics Sales Scandinavian Speakers Skilled Supervisors Supply Chain Telesales White Collar
Blue Collar Blue Collar Distribution Drivers Electricians Forklift Drivers Industrials LGV Drivers Manufacturing Production Warehouse	IT/Computing BI C# CAD Data Professionals Developers Digital IT Social Media Software Software Engineers Technical Sales Technology	
Construction Architectural Tech Construction	Nursing/Medical/Care Carers Chemists Nurses Pharmacists Social Workers	
Engineering Engineers Mechanical Engineers Senior Electronic Engineers Technicians	Retail Retail	
Executive/Professional Compliance Human Resources Law Legal Management Marketing PR Professional Project Managers Recruitment Consultants	Secretarial/Clerical Administration Clerical Office Staff Personal Assistant Receptionist	
	Other All Types of Candidates Call Centre Commercial Customer Service Designers Dutch Speakers General Operatives German Speakers	

Skills in short supply: Temporary staff

Accounting/Financial Accountants Auditors Book Keepers Credit Controllers Finance Payroll Purchase Ledger Taxation	IT/Computing Developers IT Software Software Engineers Technology
Blue Collar Blue Collar Drivers Forklift Drivers Industrials Labour LGV Drivers Manufacturing Packers Production Warehouse Welders	Nursing/Medical/Care Carers Dentists Doctors Hearing Aid Dispensers Nurses Opticians Pharmacists Social Workers
Construction Architectural Tech Labourers	Secretarial/Clerical Administration Clerical Personal Assistant Receptionist
Engineering Design Engineers Engineers Hardware Engineers	Other All Types of Candidates Call Centre Customer Service Dutch Speakers Education General Assistants German Speakers Sales Scandinavian Speakers Semi Skilled Skilled Supervisors Teachers Telesales Unskilled
Executive/Professional Compliance Human Resources Legal Marketing Project Managers	
Hotel/Catering Catering Chefs Front of House Hospitality Kitchen Porters	

Skills in excess supply: Permanent staff

Accounting/Financial Finance Directors	Office Support Staff Personal Assistant
Blue Collar Warehouse	Other Commercial Customer Service Graduates Sales Testers Unskilled
Executive/Professional Human Resources Legal Marketing Project Managers	
Hotel/Catering Hospitality	
IT/Computing IT	
Retail Retail	
Secretarial/Clerical Administration Office Staff	

Skills in excess supply: Temporary staff

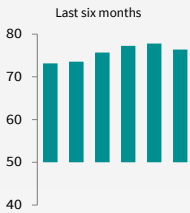
Accounting/Financial Accountants
Blue Collar Operatives
Executive/Professional Marketing Project Managers Purchasing Manager
Hotel/Catering Hospitality
IT/Computing IT
Retail Retail
Other Customer Service

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

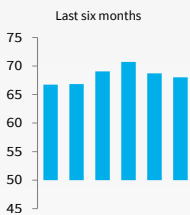


Permanent starters' pay continues to rise at substantial pace

Starting salaries for permanent workers rose for the tenth consecutive month in December. The rate of inflation eased from November's all-time peak, but was nonetheless the third-fastest recorded since the survey began in October 1997. Recruiters frequently mentioned that salaries had risen as demand for workers outstripped supply, and clients had to hike pay to secure staff.

Rapid increases in starting salaries were seen across all four monitored English regions.

Temporary Wages Index

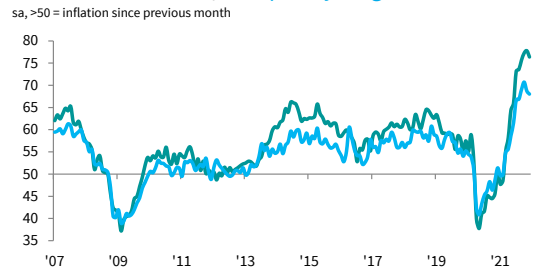


Temp wage inflation edges down to four-month low

Temporary/contract staff hourly pay rates rose further in December, with panellists citing strong demand for short-term staff and low candidate availability. Despite softening slightly to a four-month low, the rate of wage inflation was sharp and among the quickest on record.

The South of England registered the steepest increase in temp pay of all four monitored English regions, while the slowest rise was seen in London.

Permanent Salaries / Temporary Wages



Permanent Salaries Index

	UK	London	South	Midlands	North
Jul '21	73.2	76.9	70.3	77.9	70.9
Aug '21	73.5	72.5	71.8	77.8	76.8
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

Temporary Wages Index

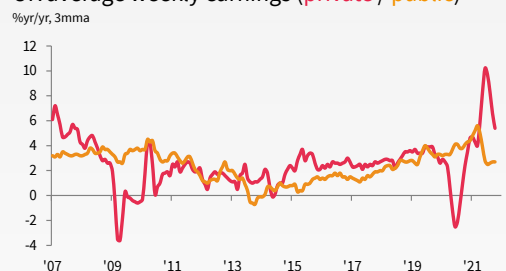
	UK	London	South	Midlands	North
Jul '21	66.7	61.3	68.3	68.6	67.7
Aug '21	66.8	59.2	65.6	70.2	68.4
Sep '21	69.1	64.1	70.5	67.1	73.3
Oct '21	70.7	65.3	69.8	69.6	74.4
Nov '21	68.7	65.4	69.1	70.9	70.8
Dec '21	68.0	65.5	70.5	66.8	69.3

OFFICIAL DATA: UK AVERAGE WEEKLY EARNINGS

Data from the Office for National Statistics (ONS) showed that employee earnings (including bonuses) increased +4.9% year-on-year in the three months to October. This followed a +5.9% rise in the preceding three-month period, and signalled the slowest pace of earnings growth since the three months to March.

In the private sector, pay rose +5.4% compared to a year ago over the three months to October, which was weaker than the +6.6% increase in the prior three-month period. In contrast, public sector earnings growth was unchanged at +2.7%.

UK average weekly earnings (private / public)



Source: Office for National Statistics.

8 SPECIAL FEATURE

This section features data from the Recruitment and Employment Confederation

LABOUR MARKET PROVIDES A BRIGHT SPOT IN THE GLOOMY START TO 2022

The new year has been off to a rocky start. The Omicron variant is surging across the UK and much of the rest of the world. Economists' predictions for 2022 are generally pessimistic, with the cost of living rising and the effects of Brexit continuing to take their toll.

However, the labour market provides us with a bright spot in the gloom. The latest [ONS labour market overview](#) indicated that the employment rate continues to rise, while unemployment decreased once again in the three months to October. That translates to [257,000](#) more payrolled employees in November 2021 than the previous month. And at its current level, the number of payrolled employees is 1.5% higher than its pre-pandemic level.

Moreover, job vacancies hit another record high in the three months to November with expansion in all but one industry. This is also consistent with the latest [REC Jobs Recovery Tracker](#), as well as Report on Jobs data, which showed continued growth in new job adverts throughout November 2021. This increased demand for workers will likely continue in early 2022 and will put additional pressure on already strained industries like hospitality, logistics and health and social care.

Though employers are becoming more unsure about the UK's economic prospects, they remain positive about their intentions to hire workers in the coming months. The REC's latest [JobsOutlook](#) indicated that in the three months to November, a larger proportion of the surveyed businesses were intending to hire staff than make redundancies (net: +11). Hiring intentions for both permanent and temporary staff remain in positive territory.

However, labour and skills shortages continue to be major challenges to the UK's recovery. COVID and Brexit have combined to create the perfect storm, and there are now an estimated one million fewer workers in the labour market than before the pandemic. And the pandemic is not over yet. At the end of December there were a million new COVID cases a week in the UK. This will have serious implications for both businesses and public services as worker absences are likely to further widen the gaps in staffing.

However, early data suggest that while Omicron appears to be more transmissible, cases are less severe than previous variants. When combined with the high vaccination rate, this should give us more hope that this wave will not be as serious as last winter.

There is no denying that the first quarter of 2022 will be difficult for both businesses and workers alike. The new variant has raised many questions about the new ways of working and once again we find ourselves in times of uncertainty. As labour market experts, recruiters are in a unique position to support both workers and businesses to navigate challenging times like these.

The REC's latest [Recruitment industry status report](#) showed that the wider industry contributed £35.9 billion in Gross Value Added (GVA) to the UK economy in 2020, during the deepest recession in 300 years. During 2020, recruiters placed an average of 980,000 temporary workers on assignment every day, around the same number as 2019. They also placed 450,000 people into new permanent roles over the course of the year, despite the lockdowns and other restrictions.

The recruitment industry has the skills to help offset some of the pressure on employers by making sure they find the right candidates to fill vacancies, and also advising them on workforce planning and talent management. This could be another tough year, which provides both a problem and an opportunity for enterprising recruiters.

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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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