Permanent placements and salaries rise at faster rates in April

Staff Appointments via Recruitment Consultancies

Key points from the April survey:

- Strongest increase in permanent staff appointments in eight months
- Temp billings growth eases to six-month low
- Acceleration of pay growth for permanent and temporary staff

Commenting on the latest survey results, Bernard Brown, Partner and Head of Business Services at KPMG, said:

"There has been a resurgence of recruitment into Britain’s boardrooms, with businesses poaching top talent to drive their companies forward. This surge of executive hires is a strong indication of underlying business sentiment and their ambitions for the future.

"However, while the highest paid are benefiting from the recovery, demand for permanent staff remains more muted in the manufacturing sector. This section of the market is often the first to stall in tough economic conditions and the last to recover, emphasising the divergent fortunes facing job seekers in today’s market.

"The declining pool of available labour continues to force pay up. With two in five recruiters in the UK reporting falling candidate availability, spiralling salary growth remains a concern as businesses bid against each other to secure skilled staff."
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 April are:

Permanent placements growth accelerates...
The number of people placed in permanent jobs by recruitment consultants continued to rise in April. Moreover, the rate of expansion quickened to an eight-month high. This reflected a stronger increase in demand for staff, with permanent vacancies rising at the fastest pace since October 2014.

...but temp billings rise at slower rate
Agencies’ short-term staff billings increased further in April, but the latest rise was the slowest in six months. This corresponded with a moderation in the rate of growth of demand for temporary/contract staff to the least marked since January.

Pay growth strengthens...
Growth of permanent staff salaries accelerated to a nine-month high in April, with panellists highlighting a combination of strong demand and skill shortages. Hourly rates of pay for temporary/contract staff meanwhile increased at the fastest pace since July 2007.

...amid tight candidate availability
The availability of staff to fill permanent roles deteriorated further in April, with the rate of contraction accelerating to the sharpest in five months. Temporary/contract staff availability meanwhile declined at a marked pace that was similar to that seen in March.
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.

Recruitment consultants reported further growth of staff appointments during April. However, differing trends were signalled in the rates of expansion of permanent placements and temporary billings.

Permanent placements rise at fastest rate in eight months

The number of people placed in permanent roles by recruitment consultancies increased for a thirty-first consecutive month in April. Moreover, the rate of expansion quickened to the fastest since August 2014. Anecdotal evidence suggested that higher placements were reflective of strong demand for staff at employers.

In a reversal of the trend seen in recent months, London saw the sharpest growth of permanent placements during April, while the slowest expansion was seen in the Midlands.

Temp billings growth eases to six-month low

Agencies’ billings from the employment of temporary/contract staff rose further in April. Although remaining marked, the rate of expansion moderated to the slowest since October 2014. Where an increase in short-term staff billings was reported, this was attributed by panellists to higher client activity levels.

The Midlands remained the strongest-performing region for temp billings in April, with the slowest growth indicated in the North.

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.
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. The summary indexes shown in this page are derived from the detailed sector data shown on page 5.

Demand for staff rises at strongest rate in six months
The Report on Jobs Vacancy Index climbed to 65.6 in April, from 65.4 in March, signalling the fastest growth of demand for staff since October 2014.
Permanent staff saw demand for their services rise at the strongest rate in six months, whereas temporary employees registered the least marked increase since January.

Public & private sector vacancies
Private sector demand for staff continued to rise at a stronger pace than that for public sector workers in April. The fastest rate of growth overall was signalled for private sector permanent employees.

Other vacancy indicators
Latest official data from the Office for National Statistics (ONS) signalled that vacancies rose 19.8% on an annual basis in the three months to March. That was the slowest growth since January 2014.
Meanwhile, internet-based recruitment spending was up 4.5% on a year-on-year basis in the fourth quarter of 2014. This was the weakest rise since the first quarter of 2013.

The Job Vacancies Index monitors the overall demand for staff at recruitment consultancies. An index reading above 50 signals a higher number of vacancies than the previous month. Readings below 50 signal a decline compared with the previous month.
Recruitment consultancies are requested to compare the demand for staff according to sector with the situation one month ago.

**Permanent Staff**

Executive/Professional was the most in-demand category for permanent staff in April, with Accounting/Financial in second place. The slowest growth was signalled for Hotel & Catering workers.

**Temporary/contract staff**

Nursing/Medical/Care led a broad-based expansion in demand for short-term staff during April. Secretarial/Clerical workers saw the next-strongest rise in demand, ahead of Blue Collar staff.

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*Non-seasonally adjusted data. Prior to April 2013 Engineering/Construction was reported as a single category.

Data are presented in the form of diffusion indices whereby a reading of 50 indicates no change on the previous month. Readings above 50 signal stronger demand than a month ago. Readings below 50 signal weaker demand than a month ago.
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.

Availability of permanent staff
The availability of candidates for permanent roles continued to deteriorate in April. The latest fall was the sharpest since last November, with around 41% of panellists reporting lower availability versus 9% noting an improvement.

Midlands-based agencies registered the steepest reduction in permanent candidate availability.

Availability of temp/contract staff
The rate of decline in temporary/contract staff availability remained marked in April. Panellists reported that skill shortages were evident for a range of occupations.

Temporary/contract staff availability was down in each of the four English regions, with the sharpest drop indicated in the Midlands.

Key permanent staff skills reported in short supply:*  
**Accountancy/Financial:** Accounts, Audit, Compliance, Finance, Risk, Treasury. **Blue Collar:** Drivers, Semi-skilled Machine Operatives. **Construction:** Estimators, Quantity Surveyors, Site Managers. **Engineering:** Automotive, CAD, Engineers. **Executive/Professional:** Management, Marketing, Media, Solicitors. **Hotels/Catering:** Chefs. **IT/Computing:** Business Analysts, C++, Developers, Digital, Java, Linux, .Net, PHP, Sharepoint, SQL. **Nursing/Medical/Care:** Care Workers, Nurses. **Secretarial/Clerical:** Admin, Junior Office, PAs. **Other:** Estate Agents, Export, Sales, Teachers.

Key temp skills reported in short supply:*  
**Accountancy/Financial:** Audit, Compliance, Treasury. **Blue Collar:** Bricklayers, Drivers, Electricians, Forklift, Joiners, Machine Operatives. **Engineering:** Aerospace, Automotive, Engineers. **IT/Computing:** Business Intelligence, Digital, Java, PHP, SQL. **Nursing/Medical/Care:** Care Workers. **Secretarial/Clerical:** Admin, PAs. **Other:** Sales, Teachers, Telemarketers.

*consultants are invited to specify any areas in which they have encountered skill shortages during the latest month
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
Average starting salaries for people placed in permanent jobs continued to rise in April. The rate of growth was strong, having accelerated to the sharpest since July 2014. Approximately 37% of panellists reported higher salaries, compared with just 2% that indicated a decline. A combination of strong demand for staff and shortages of skilled candidates was cited by respondents as the driver of salary inflation.

The South led a broad-based upturn in permanent salaries during April.

Temp/contract pay rates
Temporary/contract staff hourly pay rates increased further in April. Although less marked than the rise in permanent salaries, inflation was nonetheless strong and the fastest since July 2007.

The sharpest temp pay growth was reported by Midlands-based agencies in the latest month.

UK average weekly earnings
Data from the Office for National Statistics indicated that annual growth of employee earnings (including bonuses) eased to 1.7% in the three months to February. That was the slowest since the three months to October 2014. Private sector pay growth moderated but remained stronger than that indicated in the public sector.

Yr/yr % chg in average weekly earnings (3mma)

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Public sector
Private sector

Pay Pressures

Permanent Salaries

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Temporary/Contract Pay Rates

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Feature | Predictive model

Introducing a ‘nowcasting’ model to predict the UK headline unemployment rate

The REC and Markit have developed a model to ‘nowcast’ the UK’s headline unemployment rate. The current nowcast is for a drop in the Labour Force Survey measure of unemployment by 71,700 in the three months to March. This would bring the unemployment rate down to 5.5%. The Office for National Statistics (ONS) will publish statistics for the three months to March on the 13th May 2015.

The latest nowcast reflects upbeat recent survey data which has signalled strong hiring intentions and activity in early 2015. As shown in the chart on the right, the model has done a good job at pre-empting shifts in the official data over the past 18 months or so, barring a handful of upside surprises (reflective of the better-than-expected performance of the UK labour market, which has tended to capture many commentators by surprise).

The model draws on a range of official, survey and internet search data, which are available on a more timely basis than the target variable, to provide a view of underlying conditions in the labour market. The model features in the REC’s monthly JobsOutlook report. The next JobsOutlook report, out on the 20th of May 2015, will include a nowcast for the three months to April. For more information about the report call 0207 009 2100 or email pressoffice@rec.uk.com

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Recruitment Industry Survey

The monthly survey features original research data collected via questionnaire by Markit from a panel of 400 UK recruitment and employment consultancies. In 2013/14, 1,155,932 people were employed in either temporary or contract work through consultancies and 634,608 people were placed in permanent positions through consultancies. Monthly survey data were first collected in October 1997 and are collected in the end of each month, with respondents asked to specify the direction of change in a number of survey variables. Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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