

United Kingdom

Pay growth at six-year high amid growing skill shortages

- **Increasingly widespread skill shortages reported as demand for staff shows largest surge since 1998**
- **Salaries offered to people taking up permanent jobs rise at steepest rate in six years**

Recruitment agencies reported that demand for staff grew at the fastest rate since mid-1998 in November. However, the availability of staff was reported to have deteriorated sharply, causing employers to offer higher salaries to fill vacancies. Pay growth hit a six-year high as a result.

Markit's survey of the recruitment industry, conducted on behalf of REC and KPMG, showed that the surge in demand for staff was led by the need to fill permanent positions, though demand for temporary staff also rose at a rate rarely reached over the survey's 16-year history.

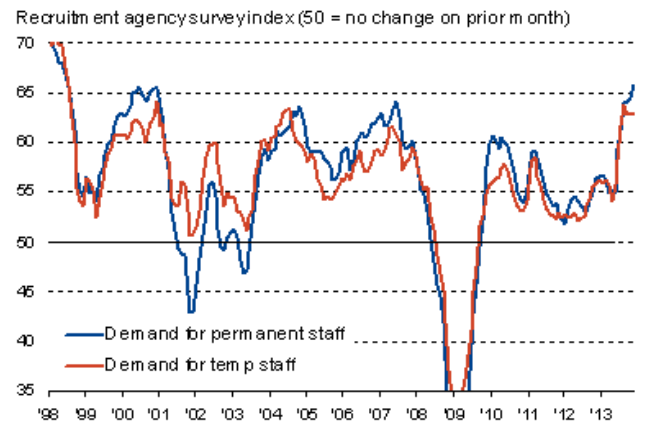
However, recruiters reported that the availability of suitable candidates to fill the vacant positions deteriorated sharply. The availability of permanent staff declined at the fastest rate for six years, while the drop in availability of temp and contract staff was the largest for nine years.

The increase in skill shortages signalled by the declining availability of candidates was a factor behind slower growth in the number of people placed in permanent jobs in November, which rose at the slowest pace for five months. However, both permanent placements and billing received from temp staff appointments continued to rise at near-record rates.

With demand for staff surging but the availability of staff declining, employers had to offer higher salaries to attract suitable candidates. Salaries offered to people filling permanent positions rose at the fastest rate for six years as a result.

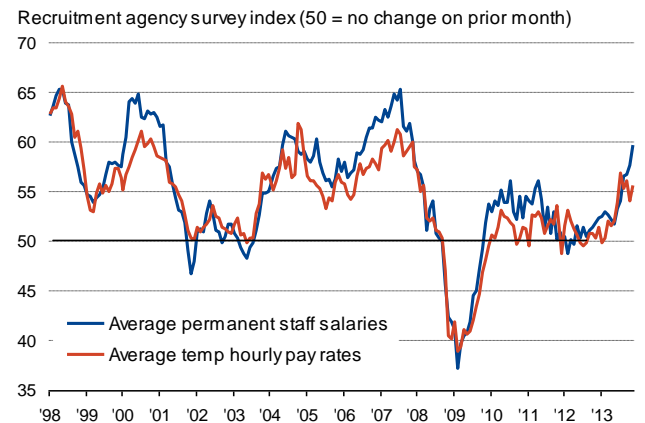
The upbeat Report on Jobs follows the [PMI surveys](#) which likewise showed employment growing at a rate not seen since the late-1990s in recent months.

Demand for staff



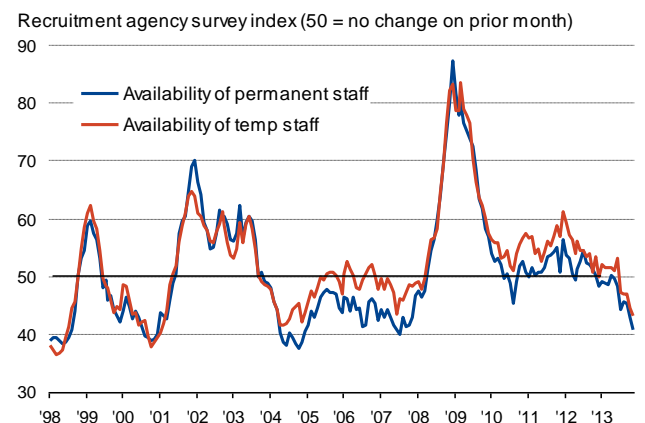
Source: Markit (KPMG/REC Report on Jobs).

Recruitment survey pay rates



Source: Markit (KPMG/REC Report on Jobs).

Recruitment survey staff availability

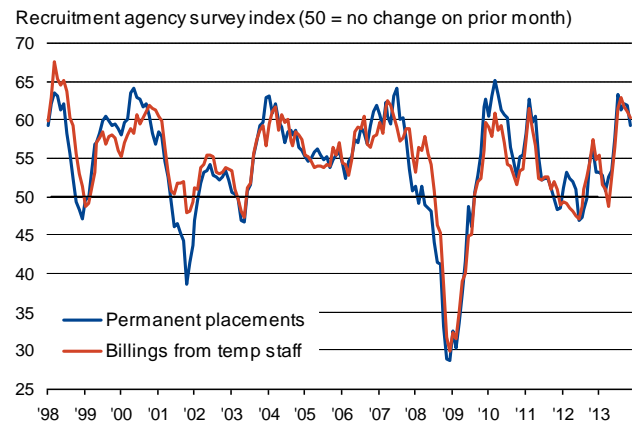


Source: Markit (KPMG/REC Report on Jobs).

The recruitment survey data have provided a reliable guide to official labour market data in the past, and the increase in the survey's pay measures suggest that pay growth could soon rise markedly from the meagre 0.7% annual rate seen in the official data during the three months to September.

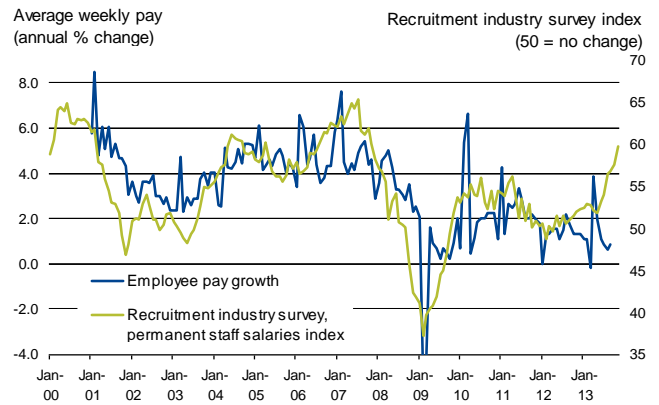
If we bear in mind that the survey covers salaries offered to people taking up new permanent positions, which will lead salary growth in the overall economy, we should start to see salary growth pick up in the New Year.

Permanent placements and temp staff revenues



Source: Markit (KPMG/REC Report on Jobs).

Pay growth



Sources: Markit, REC, KPMG, ONS via Ecow in.

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