

United Kingdom

Recruiters report strongest rise in demand for staff for over 15 years

- Recruitment agencies report strongest rise in demand for staff since late-1990s
- Skill shortages at 10-year high drive pay rates higher

Recruitment agencies reported the strongest monthly rise in demand for permanent staff for fifteen and a half years in January. The surge in demand for staff, combined with dwindling availability of suitable candidates, pushed pay rates up sharply again.

The survey, conducted for KPMG and REC by Markit, found that the availability of candidates for permanent jobs deteriorated at a rate similar to the ten-year high recorded at the end of last year. Staff shortages were broad based across the economy, though skilled and experienced candidates in particular were able to command higher wages when being recruited as a result. Average wages have consequently grown at the fastest rate since late-2007 in the past two months.

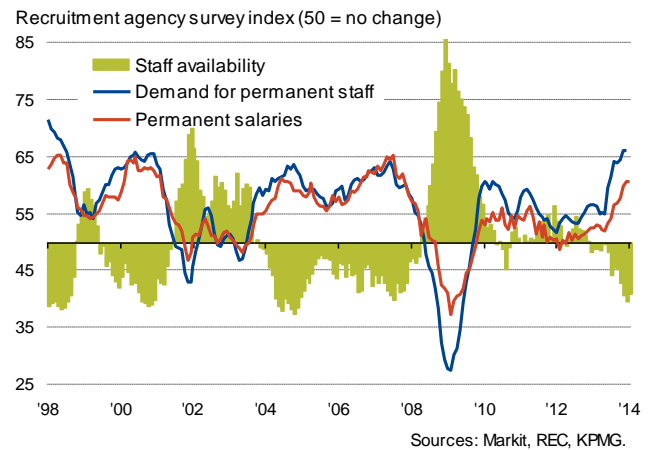
Average hourly rates charged for temporary staff appointments have also risen in recent months at a rate not seen since prior to the financial crisis.

The upturn in wage pressures signalled by the survey has yet to appear in the official pay data, the latest for which show wages growing at near-record low rate of just 0.9%. However, the official data are available only up to a period covering the three months to November, whereas the most recent survey data relate to January.

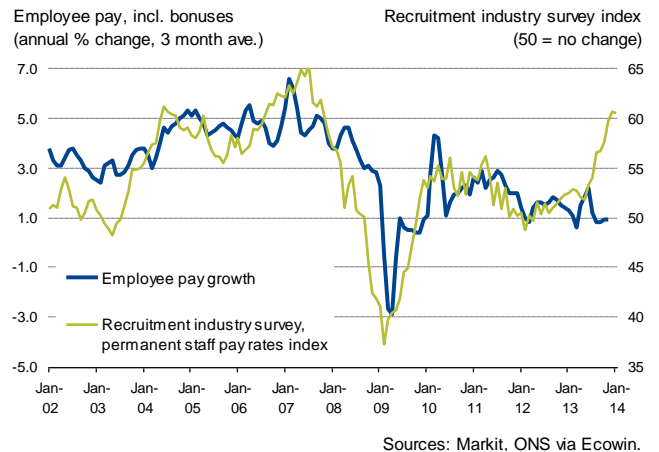
The weakness of the official pay data is something of a surprise, given the strength of the [labour market revival in recent months](#). Upturns in the recruitment industry survey and the [PMI survey's Employment Index](#), which is likewise signalling the steepest employment growth since the late-1990s, late last year were followed by official data showing a near-record jump in employment. The unemployment rate plummeted in response, as we [predicted it would last summer](#).

The further labour market improvement signalled by the surveys suggests that unemployment should continue to fall as we move into 2014.

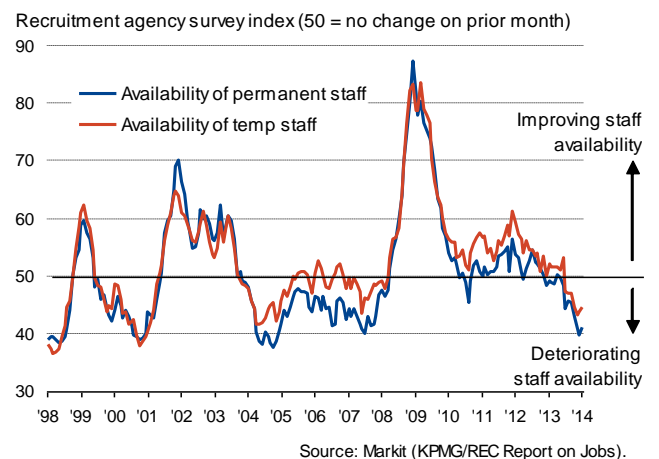
Pay rates rise as labour market tightens



Pay growth



Recruitment survey staff availability



With the labour market tightening to the extent that we have been seeing in recent months, it would be highly unusual for pay to not rise as a consequence, as the recruitment agencies are already reporting.

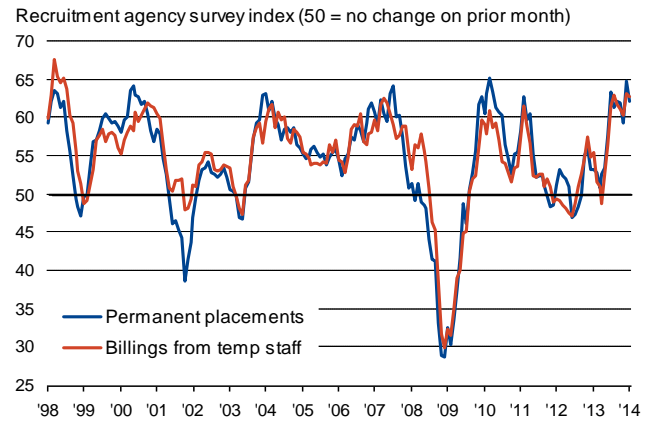
Higher pay, and certainly pay that rises faster than inflation, has been a missing ingredient of the UK's economic recovery over the past five years. However, the rising pay pressures signalled by the recruitment industry suggests that 2014 should see pay start to rise above inflation, which fell to 2% at the end of last year.

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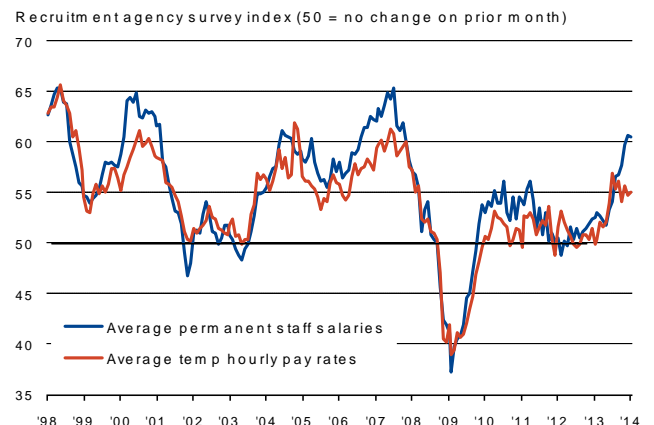
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 For further information, please visit www.markit.com

Permanent placements and temp staff revenues



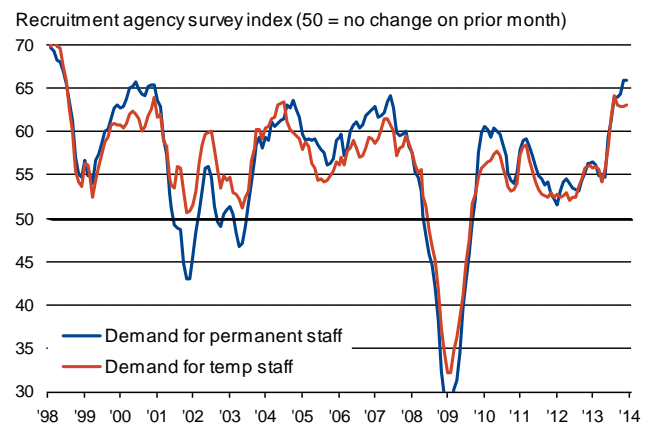
Source: Markit (KPMG/REC Report on Jobs).

Recruitment survey pay rates



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

Demand for staff



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