

United Kingdom

Recruitment industry reports further surge in employment and wage growth

- **Employment agencies report near-record growth in permanent staff placements**
- **Wage growth for new recruits highest since 2007 amid increasing skill shortages**

Employment and recruitment agencies reported another month of surging demand for staff in February, with employment continuing to rise strongly and wages rising at a robust pace as employers offer more pay amid growing competition for a dwindling pool of suitable staff.

The survey, conducted for KPMG and REC by Markit, found that the number of people placed in permanent jobs rose at a rate not surpassed since 1997, the latest rise being equalled only by that seen in March 2010, when recruitment showed an initial rebound from the 2008-09 financial crisis.

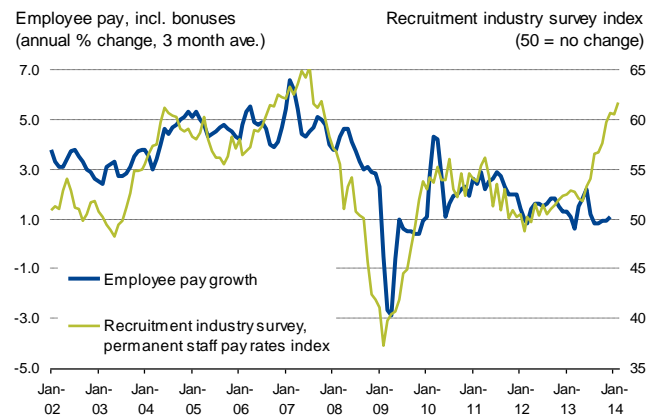
Employment is rising as employers seek to boost capacity alongside the strongest economic upturn that the country has seen since 2007. PMI™ surveys have shown the economy continuing to grow rapidly in the early months of 2014, with growth broad-based across manufacturing, services and construction.

Recruitment agencies reported that employers' demand for permanent staff showed a rise only marginally below than the fifteen-and-a-half year high recorded in January, meaning that the first two months of the year have seen the strongest upturn in firms' need for staff since the first half of 1998.

Increasing difficulties were reported, however, in finding suitable candidates to fill the vacant positions, meaning employers were having to hike pay offers to attract the right staff. Staff shortages were broad-based across the economy, though most intense for highly skilled and experienced candidates. Overall, the availability of permanent staff deteriorated at the sharpest rate since 2004.

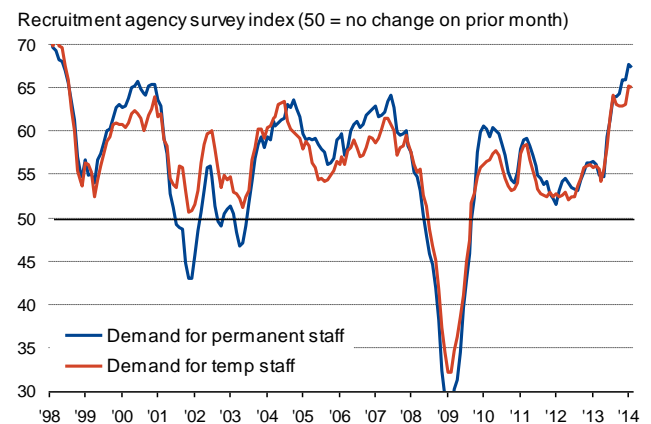
Salaries awarded to people taking up permanent positions consequently rose at the steepest rate since October 2007, building further on the already robust pace seen in prior months.

Pay growth



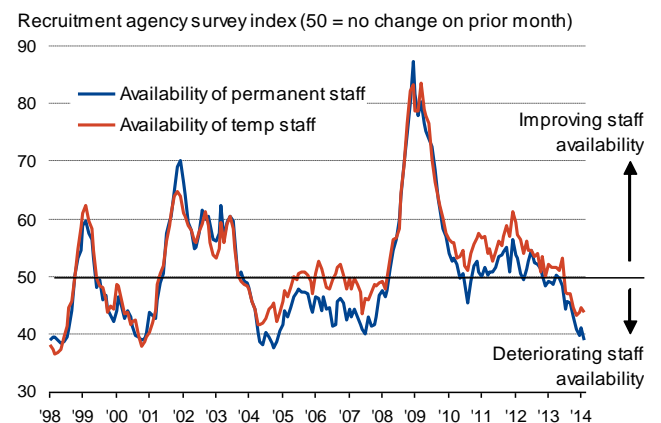
Sources: Markit, ONS via Ecowin.

Demand for staff



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

Staff availability



Starting salaries tend to be a good leading indicator of average wages in the economy as a whole. The survey therefore suggests that the official data could start to show significant upwards pressure on wages and salaries. The latest data, which relate to the three months to December, show average pay growing at an unusually, historically weak annual rate of just 1.1% (and 1.0% if bonuses and overtime are excluded).

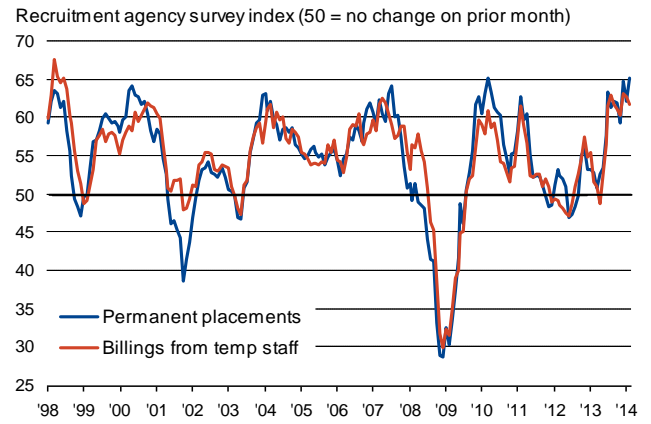
The weakness of the official pay data is a surprise, given the upturn in the labour market. Unemployment has fallen sharply since last summer and employment increased by 369,000 in the second half of last year, but pay growth has not accelerated, according to the Office for National Statistics. We therefore suspect that either the official data have been skewed or biased downward in recent months, or that the official data will soon catch-up with the survey.

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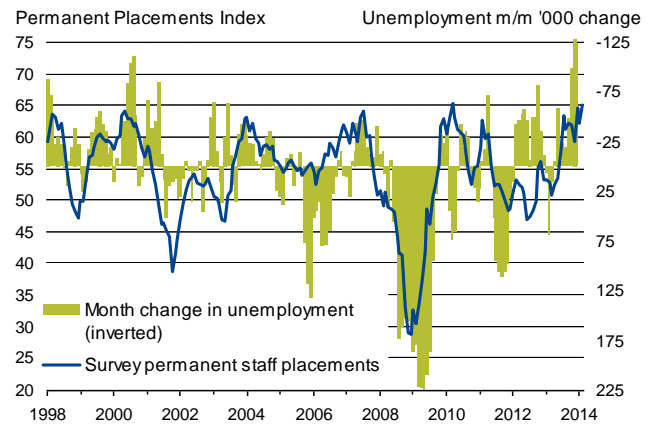
[Click here](#) for more PMI and economic commentary.
 For further information, please visit www.markit.com

Permanent placements and temp staff revenues



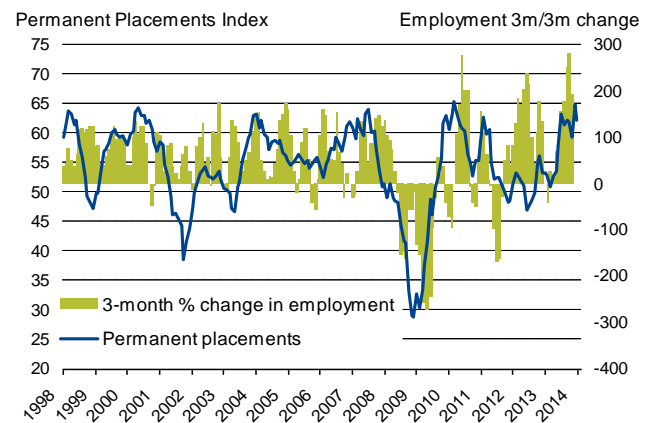
Source: Markit (KPMG/REC Report on Jobs).

Recruitment survey and unemployment



Sources: ONS, Markit.

Recruitment survey and employment



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