

The most up-to-date source of monthly UK labour market data and analysis

Report on Jobs



The Report on Jobs is a monthly publication produced by NTC Economics and sponsored by the Recruitment and Employment Confederation and KPMG LLP.

The report features original survey data which provide the most up-to-date monthly picture of recruitment, employment, staff availability and employee earnings trends available.

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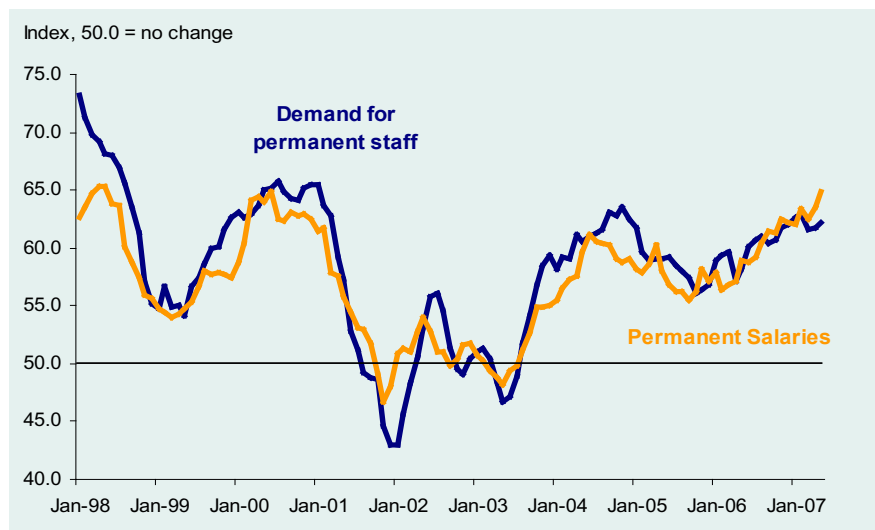
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Staff salaries rise at sharpest rate for almost seven years, as demand for staff continues to grow.



Key points from May survey:

- Growth of permanent placements and temp billings remained strong, despite easing slightly since April.
- Demand for permanent staff increased at the fastest rate for thirty-one months, while growth of demand for temp staff was little-changed on April's high.
- Engineering & Construction was the most in-demand category for both permanent and temp staff.
- Skill shortages widened on the month, with recruiters reporting sharper falls in candidate availability across both the permanent and temporary sectors.
- Strongest rise in permanent staff salaries for almost seven years. Temp pay inflation also accelerated since April.

Commenting on the latest survey results, Michael Carter, KPMG said:

"This latest evidence of a tightening labour market provides further evidence for the Monetary Policy Committee hawks. With demand for staff reportedly increasing but availability deteriorating, pay pressures are intensifying – particularly for permanent staff. A further interest rate rise is on the cards, perhaps as early as this week."

"This month, the Engineering and Construction is the fastest growing sector in the labour market. Already, we are witnessing the increased use of immigrant workers to supplement the UK workforce, who now occupy a wide variety of roles both permanent and temporary. Under plans announced by immigration minister Liam Byrne, the use of these workers will be tightly controlled from early 2008 bringing even more pressure on Engineering and Construction businesses, which are already under considerable pressure to deliver projects on time."

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, as well as data on national newspaper recruitment advertising, to provide the first indication each month of labour market trends.

The main findings for May are:

Growth of permanent placements and temp billings eased slightly, but remained strong

May data signalled a further substantial increase in permanent staff placements, albeit the weakest in three months. Growth of temporary/contract staff billings was also strong, albeit down slightly on April's near nine-year high.

Further broad-based expansion of demand for staff

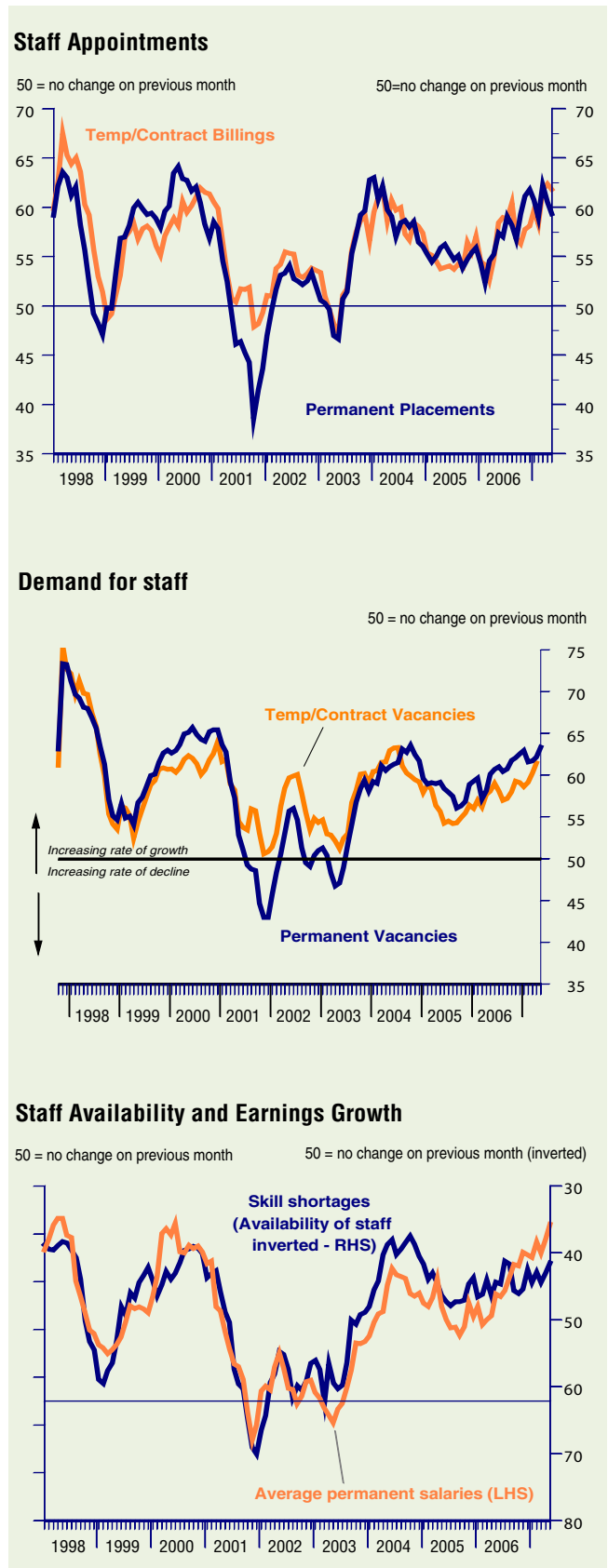
Staff appointments were driven higher by a further improvement in demand for staff during May. Permanent job vacancies rose at the sharpest rate for thirty-one months, while growth of temp vacancies was maintained at a rate close to April's thirty-three month high.

Increase in skill shortages...

Latest data suggested that skill shortages widened in May, as the rates of decline in permanent and temporary candidate availability accelerated to the sharpest for ten and seventeen months respectively.

...contributed to sharper inflation of staff pay

Recruitment consultancies continued to report significant upward pay pressures in May. Average starting salaries for permanent staff increased at the fastest pace for eighty-three months, while temp pay inflation quickened to a level broadly in line with March's peak.



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.

Latest data signalled further strong growth of permanent and temporary staff employment during May, continuing the trends seen in 2007 so far.

Permanent Placements

Robust rise in permanent placements...

The number of people placed in permanent jobs continued to rise in May, extending the current period of growth to four years. Panellists attributed higher placements to a further expansion of job vacancies. The rate of expansion of permanent appointments remained robust, despite easing slightly to a three-month low.

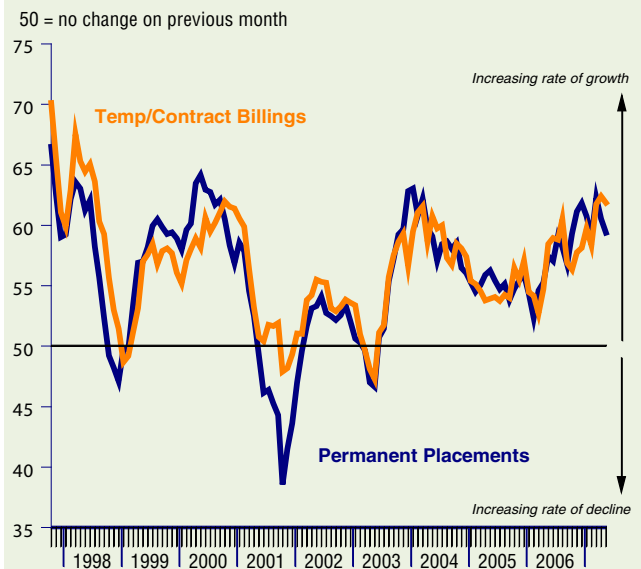
Temp/contract billings

...while growth of temp billings remained strong

Growth of temporary/contract staff billings eased slightly from April's near nine-year high in May, but was still strong. Respondents commented that a further expansion of demand for short-term staff had underpinned the latest increase in temp billings.

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.

Staff Appointments via Recruitment Consultancies



Permanent Staff Placements

Q. Please compare the number of staff placed in permanent positions with the number one month ago.

	Higher %	Same %	Lower %	Net +/-	Index 50 = no chg	S.Adj. Index
2006 Dec	33.5	36.9	29.6	3.9	52.0	61.8
2007 Jan	45.4	31.4	23.2	22.2	61.1	60.8
Feb	43.1	32.9	23.9	19.2	59.6	59.0
Mar	51.2	31.1	17.8	33.4	66.7	62.3
Apr	44.8	34.1	21.1	23.6	61.8	60.5
May	43.2	30.8	26.0	17.3	58.6	59.4

Temporary/Contract Staff Billings

Q. Please compare your billings received from the employment of temporary and contract staff with the situation one month ago.

	Higher %	Same %	Lower %	Net +/-	Index 50 = no chg	S.Adj. Index
2006 Dec	38.6	38.0	23.4	15.2	57.6	58.1
2007 Jan	24.8	38.5	36.7	-11.9	44.1	59.7
Feb	39.5	38.0	22.5	17.1	58.5	58.3
Mar	44.5	41.5	14.1	30.4	65.2	61.7
Apr	35.8	47.9	16.3	19.5	59.8	62.4
May	41.7	41.9	16.5	25.2	62.6	61.8

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

Growth of demand for staff continued to strengthen in May

The Report on Jobs Vacancies Index recorded 63.2 in May, up from 62.2 in April, its highest level for thirty-one months and indicative of a marked rate of expansion.

Permanent staff vacancies

Demand for permanent staff rose for a forty-seventh successive month in May. At 63.2, up from 62.2 in April, the seasonally adjusted Permanent Staff Vacancy Index pointed to the sharpest rate of growth since October 2004.

Temp/contract vacancies

The seasonally adjusted Temporary Staff Vacancy Index posted 61.4 in May, little-changed on April's thirty-three month high of 61.5. At that level, the index continued to signal a substantial rate of expansion in demand for temp workers.

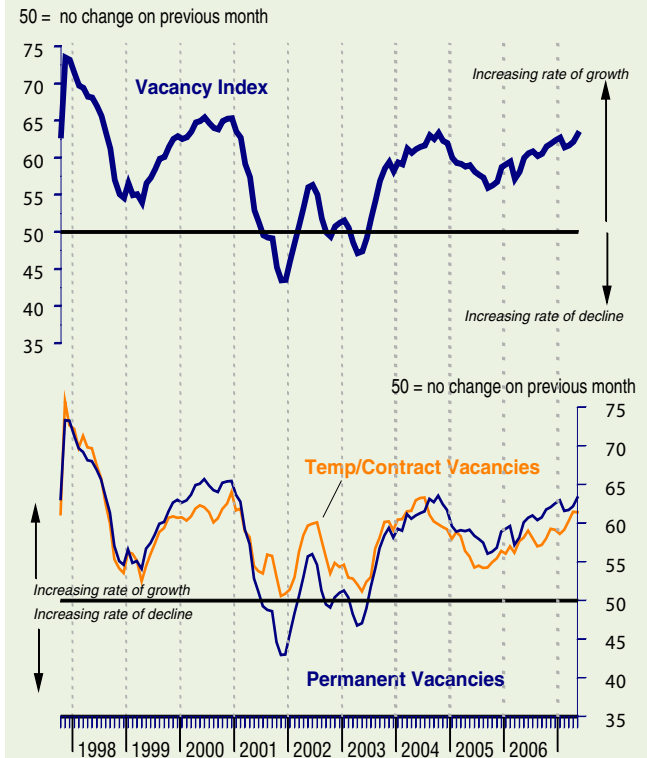
Other vacancy indicators

Government data on job centre vacancies, which tend to cover the lower end of the labour market, signalled a year-on-year increase for the seventh consecutive month in April. Furthermore, the rate of growth quickened to a thirty-one month high of 8.7%, from 7.9% in March.

Online recruiting continued to post strong growth in the fourth quarter of 2006, according to the latest available data. Internet job advertising was up 31.6% on a year earlier.

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.

Job Vacancies



Job Vacancy Indicators					
	Jan'07	Feb	Mar	Apr	May
Job Vacancy Index (recruitment industry survey)					
50 = no change on previous month					
Total	62.7	61.4	61.6	62.2	63.2
Permanent Staff	63.0	61.6	61.7	62.2	63.4
Temporary Staff	58.6	59.2	60.3	61.5	61.4
Other key vacancy data					
Annual % change					
Job centre vacancies	0.7	3.5	7.9	8.7	n/a
Internet job ads*	31.6	--	--	--	--
* Quarterly data only					
Sources: Job centre vacancies provided by Office for National Statistics Internet job ads provided by www.warc.com.					

4 Demand for staff by sector

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

Permanent Staff

All eight categories of permanent employment monitored by the survey registered improvements in demand during May. The strongest rise was recorded for Engineering & Construction workers, with growth reaching its highest level for over nine years. The weakest increase was observed for Blue Collar staff.

	This year		(Last year)	
	Rank	May'07	Rank	May'06
Engineer'g/Construction	1	71.1	(1)	(63.4)
Executive/Professional	2	65.7	(2)	(62.0)
Accounting/Financial	3	62.7	(4)	(60.6)
IT & Computing	4	62.5	(3)	(61.6)
Hotel & Catering	5	62.1	(6)	(56.6)
Secretarial/Clerical	6	61.8	(5)	(59.8)
Nursing/Medical/Care	7	57.9	(8)	(51.2)
Blue Collar	8	57.2	(7)	(52.2)

Temporary/contract staff

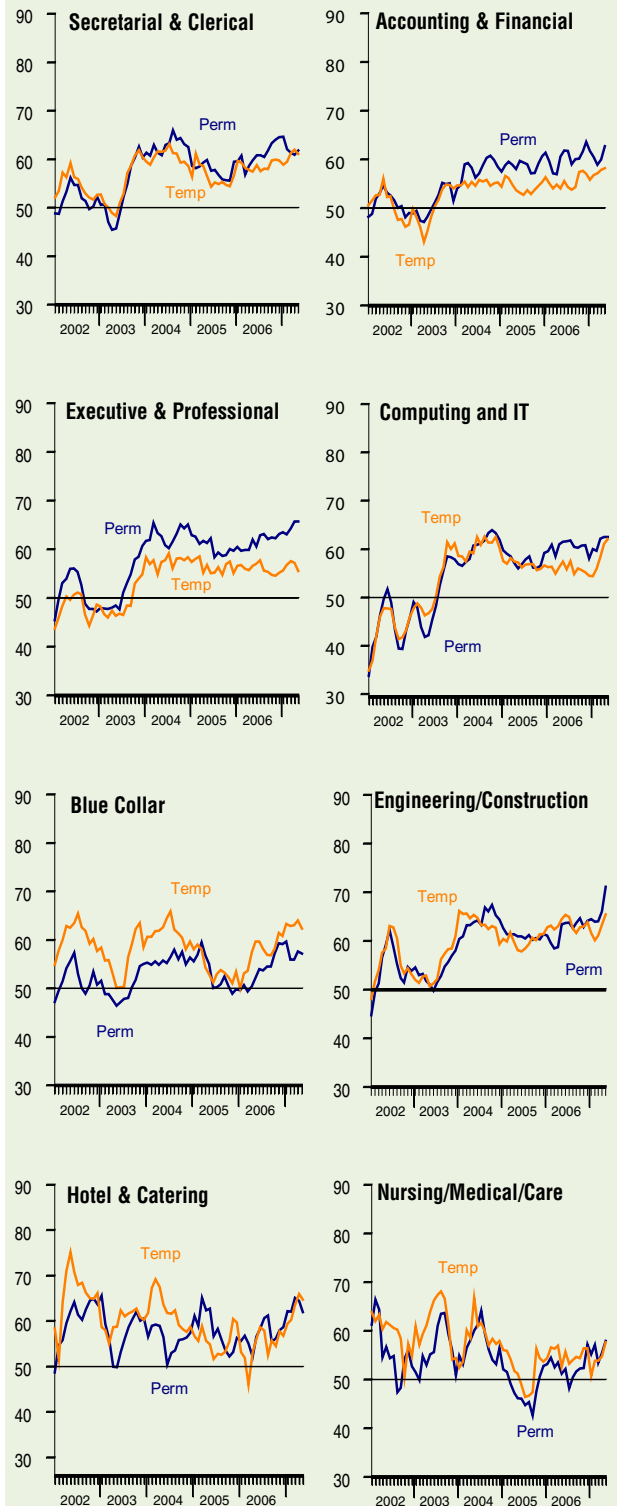
Latest data indicated improvements in demand for all eight main types of temporary/contract employee in May. Mirroring the trend for permanent staff, the sharpest growth was signalled for Engineering & Construction workers, with demand rising at the strongest rate for three years.

	This year		(Last year)	
	Rank	May'07	Rank	May'06
Engineer'g/Construction	1	65.4	(1)	(64.5)
Hotel & Catering	2	64.7	(6)	(56.0)
Blue Collar	3	62.3	(2)	(59.7)
IT & Computing	4	62.1	(4)	(57.5)
Secretarial/Clerical	5	61.2	(3)	(57.5)
Accounting/Financial	6	58.2	(7)	(54.1)
Nursing/Medical/Care	7	57.6	(8)	(52.6)
Executive/Professional	8	55.6	(5)	(56.7)

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.

Demand for staff

50 = no change on previous month



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.

Skill shortages increased again

May data suggested a rise in the incidence of skill shortages, as the availability of both permanent and temporary staff fell at faster rates than one month previously.

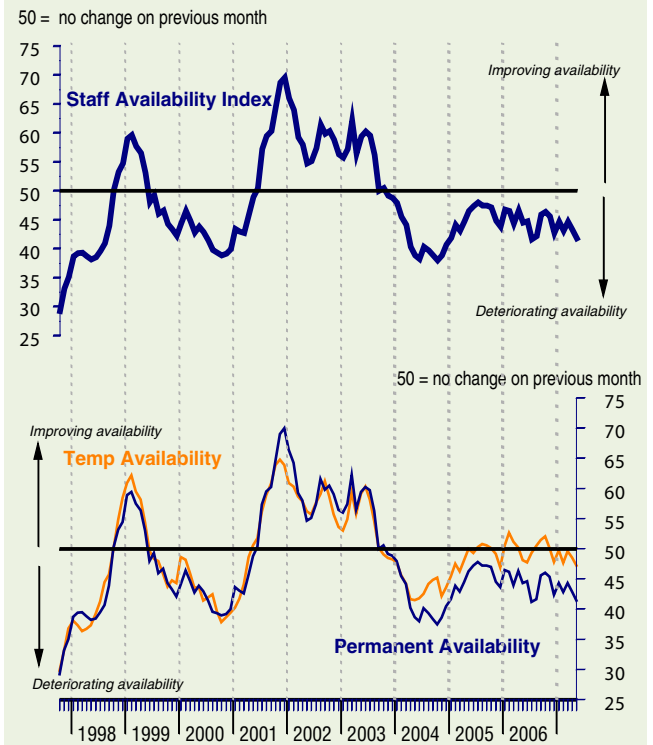
Availability of permanent staff

The availability of candidates to fill permanent vacancies declined for a forty-third consecutive month in May. Furthermore, the rate of deterioration accelerated to the sharpest since July 2006.

Availability of temporary/contract staff

Temporary/contract staff availability fell for the sixth month running in May, with the latest fall the most marked since December 2005. However, the rate of contraction remained less marked than for permanent staff.

Staff Availability



Availability of permanent staff

Q. Is the availability of candidates for permanent vacancies better, the same or worse than one month ago?

	Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2006 Dec	9.8	51.8	38.4	-28.5	35.7	42.4
2007 Jan	39.5	37.2	23.3	16.2	58.1	44.4
Feb	25.3	42.3	32.4	-7.2	46.4	42.9
Mar	19.8	49.5	30.6	-10.8	44.6	44.4
Apr	16.8	49.6	33.6	-16.8	41.6	42.9
May	13.6	53.3	33.1	-19.5	40.2	41.5

Availability of temporary/contract staff

Q. Is the availability of candidates for temporary vacancies better, the same or worse than one month ago?

	Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2006 Dec	19.9	53.0	27.1	-7.3	46.4	47.8
2007 Jan	36.1	42.7	21.3	14.8	57.4	49.8
Feb	26.5	52.0	21.5	4.9	52.5	47.7
Mar	21.6	53.4	25.1	-3.5	48.3	49.6
Apr	16.7	61.3	22.0	-5.2	47.4	48.6
May	14.9	57.1	28.0	-13.1	43.5	47.3

Key permanent staff skills reported in short supply:

- Accounting/Financial:** Banking executives, Accounts staff, Finance, Credit control.
- Executive/Professional:** Project managers.
- IT/Computing:** IT sales, Support staff, Help desk, Digital media.
- Hotel/Catering:** Chefs.
- Engineering/Construction:** Experienced engineers.
- Blue Collar:** Heavy goods, Welders, Fitters.
- Other:** Sales, Customer service.

Key temp skills reported in short supply:

- Secretarial/Clerical:** Legal secretaries, PAs, Admin support.
- IT/Computing:** General IT.
- Hotel/Catering:** Chefs.
- Engineering/Construction:** Senior construction workers, Engineers.
- Blue Collar:** HGV drivers, General blue collar, Welders, Fitters.
- Other:** Call centre, Customer service.

6 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

Inflation of permanent staff salaries strengthened further in May, posting its highest level for eighty-three months. Around a third of consultancies signalled an increase in salaries during the latest survey period, which they mainly attributed to a shortage of quality candidates. There were also reports that higher average salaries reflected greater numbers of senior-level placements being made.

Temp/contract pay rates

Latest data highlighted a further strong rise in temporary/contract staff pay during May. The rate of inflation quickened to a level close to March's twenty-eight month peak, with almost a quarter of panellists reporting an increase in pay rates. There were a number of reports linking higher temp pay to the need to attract qualified candidates, amid ongoing skill shortages in certain areas.

UK average earnings

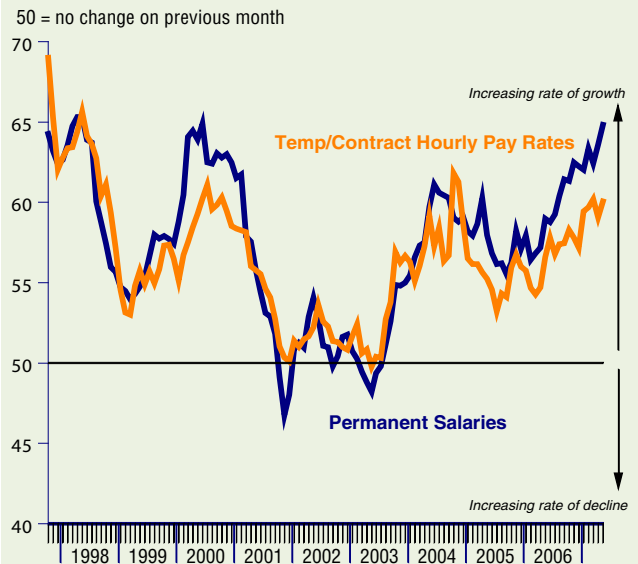
Data from the Office for National Statistics showed that year-on-year growth of employee earnings (including bonuses) eased a touch in March to 4.5%, from February's near three-year high of 4.6%. The service sector continued to record a sharper rate of pay growth than the manufacturing sector, although both registered weaker increases than one month previously.

Yr/yr % chg in employee earnings (3mma)

	2004	2005	2006	Dec'06	Jan'07	Feb	Mar
Whole economy	4.3	4.1	4.1	4.0	4.2	4.6	4.5
Manufacturing	3.7	3.6	5.2	4.6	4.0	3.6	3.4
Services	4.3	4.3	4.0	4.2	4.4	5.0	4.8
Private services	4.3	4.1	4.2	4.6	4.8	5.5	5.3



Pay Pressures



Permanent Salaries

Q. Are average salaries awarded to staff placed in permanent positions higher, the same or lower than one month ago?

	Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2006 Nov	27.0	70.3	2.7	24.3	62.2	62.5
Dec	21.1	77.6	1.4	19.7	59.9	62.3
2007 Jan	26.3	69.3	4.4	21.9	61.0	62.0
Feb	28.4	69.5	2.1	26.3	63.2	63.3
Mar	28.6	68.8	2.6	26.0	63.0	62.4
Apr	30.5	67.5	2.0	28.5	64.2	63.6
May	33.8	63.5	2.7	31.0	65.5	64.8

Temporary/Contract Pay Rates

Q. Are average hourly pay rates for temporary/contract staff higher, the same or lower than one month ago?

	Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2006 Nov	21.8	74.0	4.2	17.6	58.8	57.8
Dec	15.3	81.0	3.7	11.5	55.8	57.2
2007 Jan	18.5	77.9	3.6	14.9	57.5	59.4
Feb	20.6	76.6	2.7	17.9	58.9	59.7
Mar	23.0	72.5	4.4	18.6	59.3	60.2
Apr	19.2	76.8	4.0	15.1	57.6	59.1
May	24.6	74.0	1.4	23.2	61.6	60.1

7 Feature | employee earnings

Experimental ONS pay series points to stronger pay pressures than Average Earnings Index

Official data tracking employee pay have remained quite subdued of late, with the most up-to-date figures from the Average Earnings Index (AEI) signalling annual pay growth (excluding bonuses) of 3.7% in March (see chart 1).

In contrast, an experimental series being developed by the Office for National Statistics tracking Average Weekly Earnings (AWE) has been showing a more robust trend over the past year. The underlying rate of pay growth as measured by AWE in March was 6.0%, much higher than that signalled by AEI and more in line with the strong pay inflation reported by recruitment consultancies in the *Report on Jobs* (see chart 2).

The Bank of England's Monetary Policy Committee have been keenly following developments in the experimental series, with Governor Mervyn King commenting in May:

"The new index of average weekly earnings which the ONS is producing is showing a higher path that needs to be resolved and explained in a way that's not immediately clear to us."

"So I think it's too early to say, well, the danger's passed" he added, in reference to the MPC's concern that pay growth may accelerate in response to higher inflation.

The AWE series has several key differences in methodology compared with AEI. These include the use of improved techniques for estimation, monthly updating of the weighting structure as opposed to annually, and the measurement of earnings in pounds and pence rather than in index form.

Chart 1: AEI vs Permanent Salaries

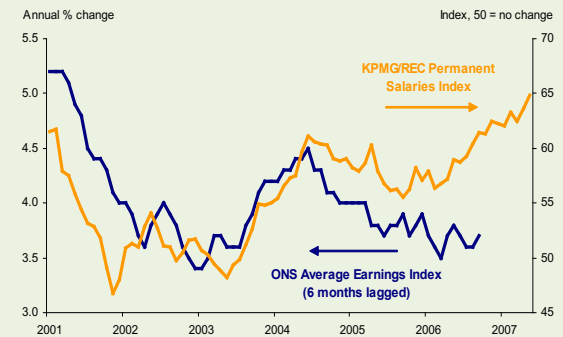
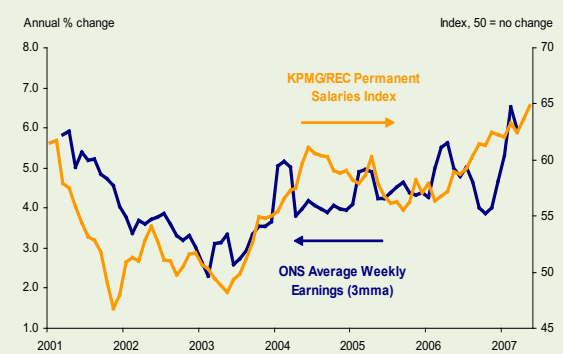


Chart 2: AWE vs Permanent Salaries



Sources: ONS, NTC



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The REC is the association for the £24.5 billion private recruitment and staffing industry in the UK with over 8,000 recruitment agencies and 5,500 recruitment consultants in membership. There are 1.2 million temporary workers registered with UK agencies and up to one million temporary workers are deployed in industry, commerce and public services every day.



NTC is one of Europe's largest specialist providers of business research and information.

Current research includes monthly surveys in the UK, Germany, France, Italy, Spain, Russia, Poland, Hong Kong and Ireland. It's work is widely used by central banks, government, business and the financial markets.

Recruitment Industry Survey

The monthly survey features original research data collected via questionnaire by NTC from a panel of 600 UK recruitment and employment consultancies. In 2003/4, some 1,516,000 people were employed in either temporary or contract work through consultancies and over 565,500 people were placed in permanent positions through consultancies. Data for the monthly survey 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.

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