UK labour market

8TH August 2007

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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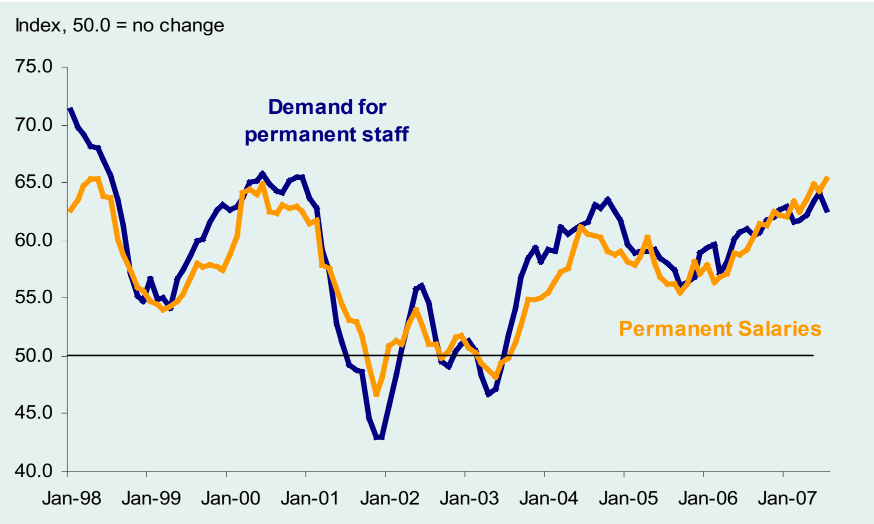
Labour market buoyant in July, as permanent salary inflation hit nine-year high and placements growth accelerated.



Key points from July survey:

- Permanent staff placements increased at the fastest pace for eighty-six months in July. Growth of temp billings was also robust, despite easing to a five-month low.
- Growth of demand for permanent staff eased from June's six-and-a-half year high, but remained strong. Demand for temp staff also rose at a sharp rate.
- Engineering & Construction remained the most in-demand category for both permanent and temporary staff.
- Permanent staff salary inflation reached its highest since May 1998. Temp pay inflation was close to June's thirty-one month peak.
- Permanent staff availability deteriorated at the fastest pace for thirty-two months in July. Temp availability also fell, but the rate of decline eased since June.

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

"July's survey results continue to reflect a buoyant labour market. The availability of staff has deteriorated at the fastest pace for over two years and employers need to continue to be creative in their recruitment strategies. With growth in the labour market population slowing down, due to the declining birth rates since the 1960s, it is increasingly important for employers to have attractive graduate recruitment programmes to find and retain the best candidates of the estimated 230,000 who left university in 2007.

"Arguably the most successful programmes are those which are structured with several stages, enabling graduates to build a relationship with the organisation as undergraduates and increasing their commitment to joining and remaining with the organisation. This can be a time-consuming and costly exercise which may not be feasible for smaller employers, but they can try to mirror the process with a targeted approach to attract and retain the right candidates. In any graduate recruitment campaign, employers also need to recognise changing priorities, with flexible working practices alongside rewarding, engaging and entertaining jobs, over and above job security."

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 July are:

Growth of permanent placements continued to strengthen...

The number of people placed in permanent jobs by recruitment consultancies across the UK rose at the strongest rate for over seven years in July. Growth of temporary/contract staff billings was also sharp, despite easing to a five-month low.

...while salary inflation accelerated

July data indicated that the rate of inflation of permanent staff salaries reached its fastest since May 1998. Meanwhile, temp pay inflation was only slightly down on June's thirty-one month high.

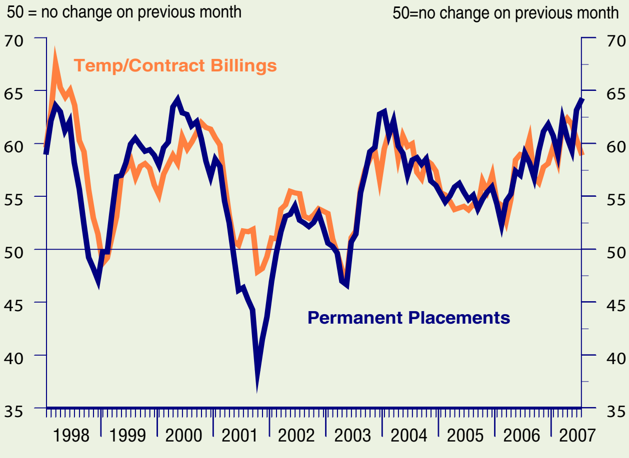
Skill shortages remained marked

Recruitment consultants reported significant difficulties finding suitably qualified staff in July. Permanent staff availability declined at the sharpest rate for thirty-two months, while temp availability also fell.

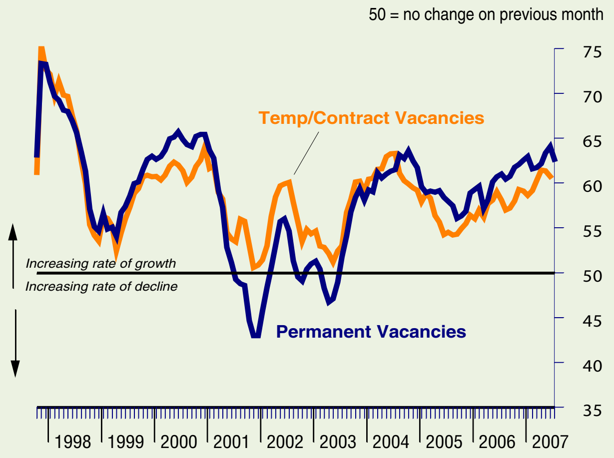
Robust demand for staff

Despite easing on June's six-and-a-half year high, growth of demand for permanent staff remained strong in July. Demand for temp staff also rose at a robust rate, albeit the slowest for five months.

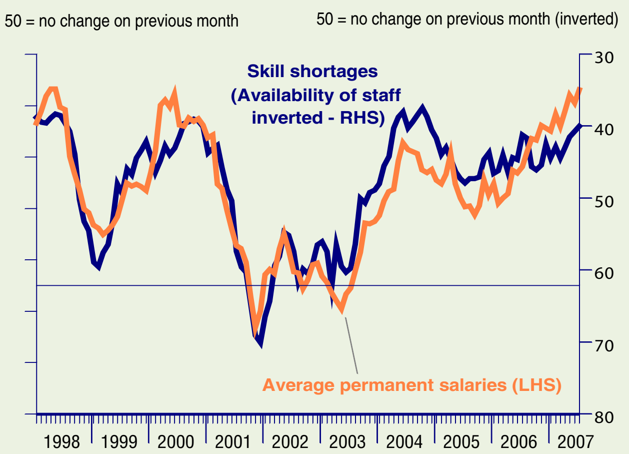
Staff Appointments



Demand for staff



Staff Availability and Earnings Growth



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.

Permanent staff placements rose at the strongest rate for over seven years in July. Temporary/contract staff billings also increased robustly, but the rate of expansion eased to a five-month low.

Permanent Placements

Growth of permanent placements fastest for over seven years

Recruitment consultancies continued to report a buoyant trend in permanent staff placements during the latest survey period, which they attributed to strong demand at client businesses. The rate of growth accelerated since June to an eighty-six month high, with over half of panellists indicating an increase in placements.

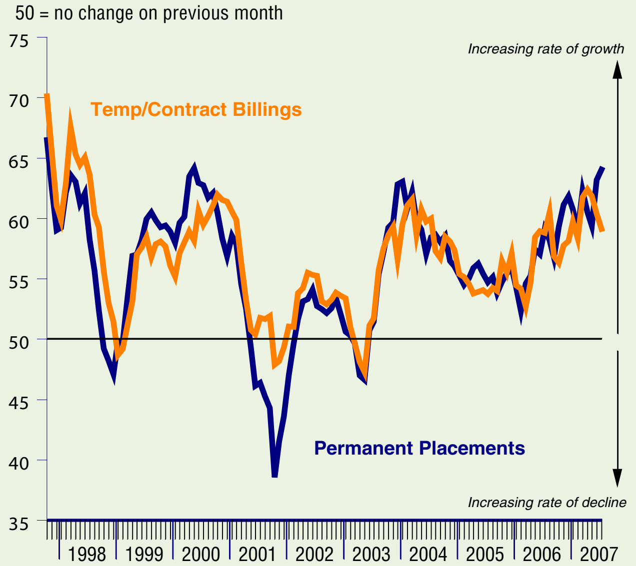
Temp/contract billings

Robust rise in temp billings, albeit the slowest for five months

The number of people placed in temporary/contract jobs continued to rise in July, extending the current period of expansion to fifty months. Despite easing to a five-month low, the rate of growth remained strong and above the series average. Anecdotal evidence suggested that higher temp billings were supported by a further expansion of short-term vacancies.

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
2007 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**
Jun	49.0	32.1	18.8	30.2	65.1	**63.2**
Jul	50.4	31.9	17.7	32.7	66.4	**64.1**

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
2007 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**
Jun	40.9	41.8	17.3	23.6	61.8	**60.4**
Jul	43.5	39.6	17.0	26.5	63.3	**59.1**

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 remained strong in July

Latest data signalled a further rise in job vacancies during July. Although the Report on Jobs Vacancies Index eased from June's seventy-eight month high of 63.9 to 62.5, it still signalled a substantial rate of demand growth.

Permanent staff vacancies

The seasonally adjusted Permanent Staff Vacancy Index continued to indicate a strong rate of demand growth in July, despite falling from June's six-and-a-half year high of 64.1 to 62.7.

Temp/contract vacancies

Growth of demand for temporary/contract staff remained sharp in July, albeit the slowest for five months, as signalled by a seasonally adjusted Temporary Staff Vacancy Index reading of 60.1, from 60.8 in June.

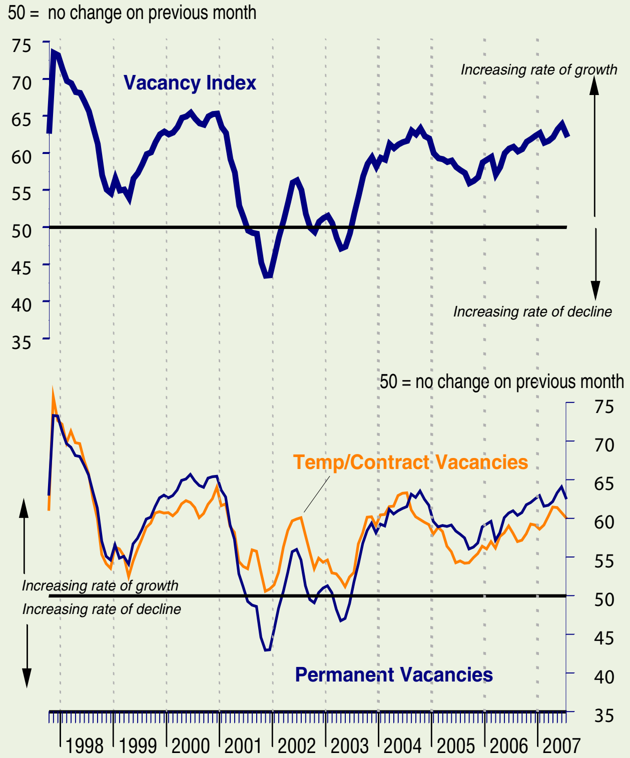
Other vacancy indicators

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 ninth consecutive month in June. However, the rate of growth eased slightly on May's thirty-two month high of 9.6% to 8.9%.

Growth of online recruiting accelerated in the first quarter of 2007, according to the latest available data. Internet job advertising was up 38.9% on a year earlier, the strongest rise for over one-and-a-half years.

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

	Mar	Apr	May	Jun	Jul
Job Vacancy Index (recruitment industry survey)					
50 = no change on previous month					
Total	61.6	62.2	63.2	63.9	62.5
Permanent Staff	61.7	62.2	63.4	64.1	62.7
Temporary Staff	60.3	61.5	61.4	60.8	60.1
Other key vacancy data					
Annual % change					
Job centre vacancies	8.0	8.6	9.6	8.9	n/a
Internet job ads*	38.9	--	--	--	--

* 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 broad categories of permanent staff employment monitored by the survey recorded improvements in demand during July. By far the strongest rate of expansion was signalled for Engineering/Construction. Robust growth of demand was generally indicated for office-based professions.

	This year		(Last year)	
	Rank	Jul'07	Rank	Jul'06
Engineer'g/Construction	1	72.1	(1)	(63.8)
Executive/Professional	2	64.1	(2)	(62.9)
Accounting/Financial	3	62.5	(4)	(61.8)
IT & Computing	4	62.0	(3)	(61.9)
Secretarial/Clerical	5	61.2	(5)	(60.9)
Nursing/Medical/Care	6	58.9	(8)	(48.2)
Blue Collar	7	57.1	(7)	(53.8)
Hotel & Catering	8	57.0	(6)	(60.7)

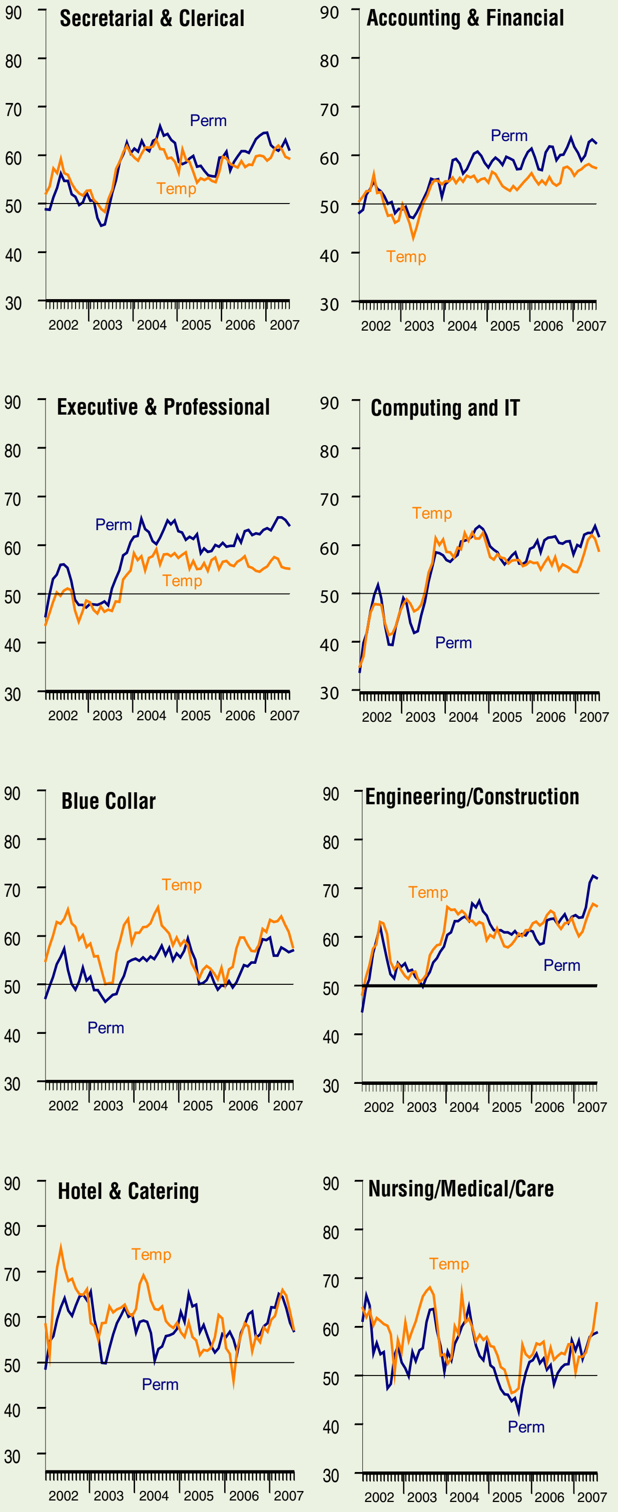
Temporary/contract staff

Engineering/Construction was the most sought-after temp category in July. A strong rate of demand growth was also signalled for Nursing/Medical/Care. Higher levels of job vacancies were broad-based across all eight main areas of temp employment.

	This year		(Last year)	
	Rank	Jul'07	Rank	Jul'06
Engineer'g/Construction	1	66.3	(1)	(64.9)
Nursing/Medical/Care	2	64.9	(8)	(53.3)
Secretarial/Clerical	3	59.4	(5)	(57.6)
IT & Computing	4	58.9	(6)	(57.5)
Blue Collar	5	57.8	(2)	(58.2)
Accounting/Financial	6	57.4	(7)	(54.3)
Hotel & Catering	7	57.4	(3)	(58.0)
Executive/Professional	8	55.2	(4)	(57.7)

Demand for staff

50 = no change on previous month



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.

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.

Further drop in candidate availability

July's survey data signalled that the availability of candidates to fill job vacancies continued to fall. Skill shortages were again more pronounced in the permanent staff sector.

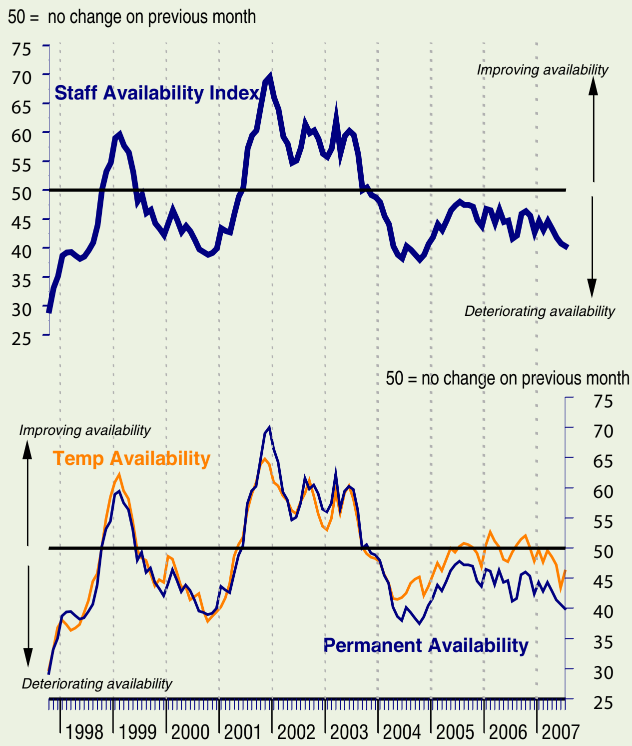
Availability of permanent staff

The rate of decline in permanent staff availability accelerated to the sharpest for thirty-two months in July. Anecdotal evidence pointed to skill shortages across a range of professions.

Availability of temporary/contract staff

Temporary/contract staff availability fell for the eighth straight month in July. However, the rate of deterioration eased since June.

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
2007 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**
Jun	12.9	48.8	38.3	-25.5	37.3	**40.7**
Jul	14.6	50.1	35.3	-20.7	39.6	**40.0**

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
2007 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**
Jun	21.9	47.1	31.0	-9.2	45.4	**43.4**
Jul	25.6	52.6	21.8	3.9	51.9	**46.2**

Key permanent staff skills reported in short supply:

Accounting/Financial: Newly qualified accountants, Accounts staff.
Executive/Professional: Middle managers, Legal staff.
Secretarial/Clerical: Reception managers.
IT/Computing: IT sales, Help desk.
Hotel/Catering: Chefs.
Engineering/Construction: Electrical engineers, Experienced engineers.
Blue Collar: LGV drivers.
Other: Sales.

Key temp skills reported in short supply:

Accounting/Financial: General financial staff.
Executive/Professional: Housing personnel.
Secretarial/Clerical: Legal secretaries, Telephonists.
IT/Computing: Help desk.
Hotel/Catering: Chefs.
Engineering/Construction: All types of engineers, Welders, Construction trades.
Blue Collar: HGV/LGV drivers, Blue collar.
Other: Call centre, Customer service, Freelance designers, Commercial staff.

6 Pay pressures

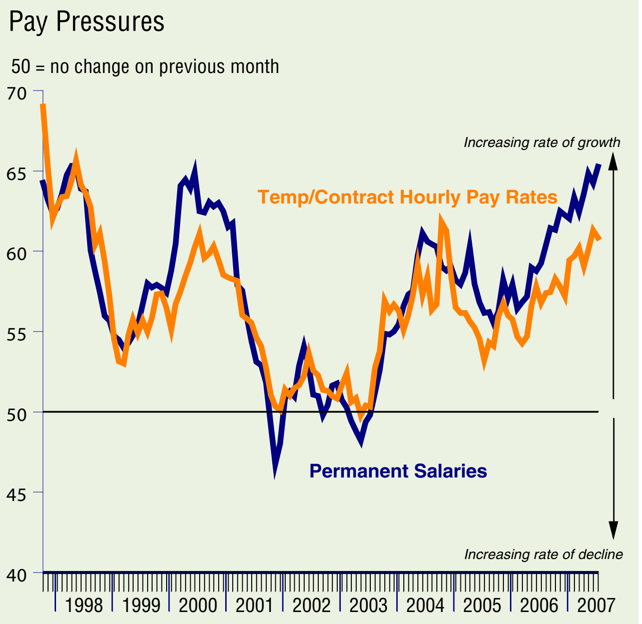
The recruitment industry survey tracks both the average salaries awarded to people placed in permanent jobs each month, as well as average hourly rates of pay for temp/contract staff.

Permanent salaries

Average starting salaries awarded to successful candidates placed in permanent jobs continued to rise in July, extending the current upturn to four years. Moreover, the rate of inflation accelerated to the sharpest since May 1998. Around a third of panellists reported increased salaries during the latest survey period, citing strong demand for permanent staff at client companies and greater numbers of senior-level placements.

Temp/contract pay rates

The rate of inflation of temporary/contract staff hourly pay eased marginally on June's thirty-one month high in July, but remained strong. Competition for quality temps was reported as being a factor underpinning higher pay.



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
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**
Jun	31.4	66.1	2.5	28.9	64.5	**64.2**
Jul	33.6	63.4	3.0	30.5	65.3	**65.3**

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
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**
Jun	22.6	75.9	1.5	21.1	60.6	**61.3**
Jul	22.2	76.1	1.7	20.5	60.2	**60.9**

UK average earnings

Data from the Office for National Statistics showed that year-on-year growth of employee earnings (including bonuses) eased to an eighteen-month low of 3.5% in May, from 4.1% in April. The slowdown was driven by a sharp moderation in growth of service sector pay, as manufacturing earnings growth accelerated.

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

	2004	2005	2006	Feb'07	Mar	Apr	May
Whole economy	**4.3**	**4.1**	**4.1**	4.6	4.5	4.1	3.5
Manufacturing	**3.7**	**3.6**	**5.2**	3.6	3.5	3.4	3.7
Services	**4.3**	**4.3**	**4.0**	5.0	4.7	4.2	3.4
Private services	**4.3**	**4.1**	**4.2**	5.5	5.2	4.5	3.6

7 Feature | recruitment difficulties

Labour shortages worsening

With job market conditions showing continued strength and unemployment on a downward trend, it comes as no surprise to see various survey-based indicators pointing to worsening recruitment difficulties.

According to the *Report on Jobs*, the availability of both permanent and temporary staff declined at the fastest rates for two-and-a-half years in the second quarter of 2007 (see chart and table on right).

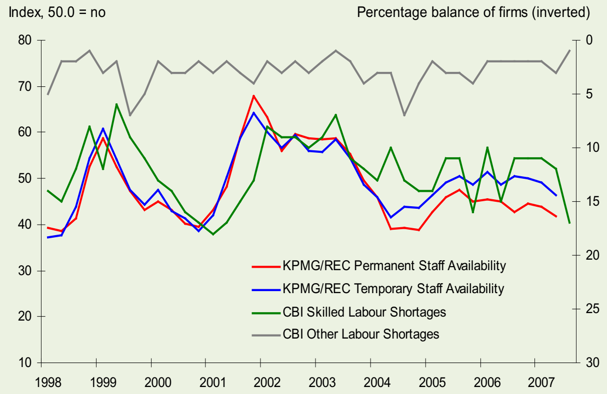
The latest Confederation of British Industry (CBI) Industrial Trends Survey signals that skill shortages are on the rise in the manufacturing. Firms surveyed by the CBI anticipate shortages of skilled labour to be a factor limiting output in Q3, with the net balance of panellists expecting this to be the case the highest for six years.

In contrast, very few manufacturers anticipate a shortage of unskilled workers to be a factor restricting output.

The British Chambers of Commerce (BCC) survey of industrial firms tallies with the CBI data – recruitment during Q2 was the hardest since the first quarter of 2005 (following a two-year period where staff were more freely available).

However, recruitment remains less of a problem in manufacturing than in the service sector, according to the BCC data.

Report on Jobs v CBI recruitment difficulties



Summary of survey data

	Average (1998-)	2006 Q1	Q2	Q3	Q4	2007 Q1	Q2	Q3*	Jul
Availability of staff (quarterly averages)									
Report on Jobs Permanent Staff Availability	48.1	45.6	45.1	42.8	44.6	43.9	41.7	n/a	40.0
Report on Jobs Temporary Staff Availability	49.5	51.5	48.7	50.4	50.0	49.0	46.4	n/a	46.2
Recruitment difficulties									
BCC: manufacturing	62	39	43	48	43	40	53	n/a	n/a
BCC: services	62	62	60	60	59	62	62	n/a	n/a
Factors likely to limit output									
CBI: Skilled labour	12	10	15	11	11	11	12	17	n/a
CBI: Other labour	3	2	2	2	2	2	3	1	n/a

* Forecast

Sources: NTC, BCC, CBI

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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 400 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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