

# 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.

## 1 Executive summary

## 2 Appointments

## 3 Vacancies

## 4 Sectoral demand

## 5 Staff availability

## 6 Pay pressures

## 7 Special feature

## NTC economics

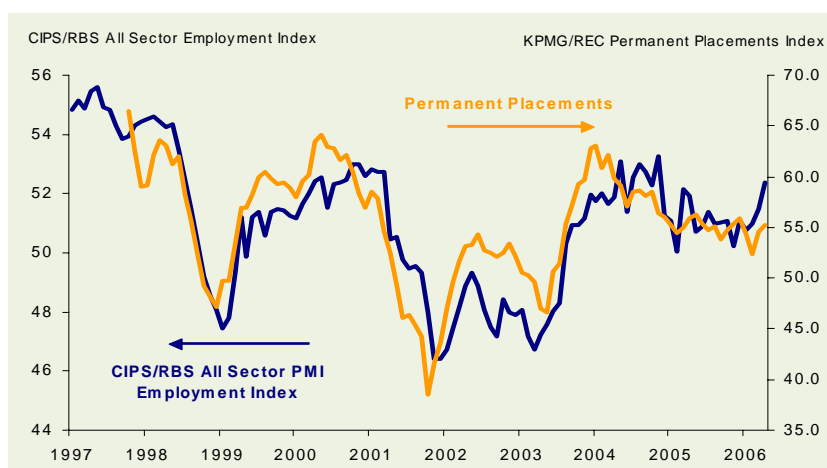
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## Growth of staff appointments hardened in April.



### Key points from April survey:

- Permanent staff placements and temporary staff billings rose at the sharpest rates in four months during April.
- April's closely-watched PMI surveys signalled a solid and broad-based expansion of UK private sector employment.
- Jobs growth was underpinned by a further robust rise in demand for staff at employers.
- Amongst permanent staff, the strongest improvement in demand was seen for IT & Computing employees. Engineering & Construction workers were the most sought-after type of temp staff.
- Latest data indicated an easing of skill shortages in April.
- Inflation of staff wages and salaries remained robust.

Commenting on the latest survey results, Michael Carter, People Services Partner at KPMG LLP, said:

"After a first quarter of subdued growth, the recruitment market is returning to the hive of activity we saw in 2005. Job vacancies continue to rise, but those vacancies seem less hard to fill, indicating that the skills shortage has eased. Anecdotally, this is partially explained by redundancies but also by the increased efforts of agencies in identifying candidates from advertising and other promotional activities. Another factor may also be the continued wage and salary inflation.

"Business confidence and activity seems to be increasing and this is reflected in higher demand for both permanent staff, particularly in IT and Computing and temporary staff, particularly in Engineering & Construction. In both categories, there is more and more use of managed service companies, which can assist in containing overall employment costs by enabling individuals to be paid both in salary and in dividends. This is despite announcements in the recent Budget that their effectiveness is under continuous review by the tax authorities. Such arrangements should therefore be used with care."

# 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 April are:

## Staff appointments rose at fastest rate in four months...

Growth of permanent staff placements picked up to a robust pace that was the sharpest in four months in April. Expansion of temporary/contract staff billings also picked up to a four-month high, recording a solid increase since March.

## ...as demand for staff hardened...

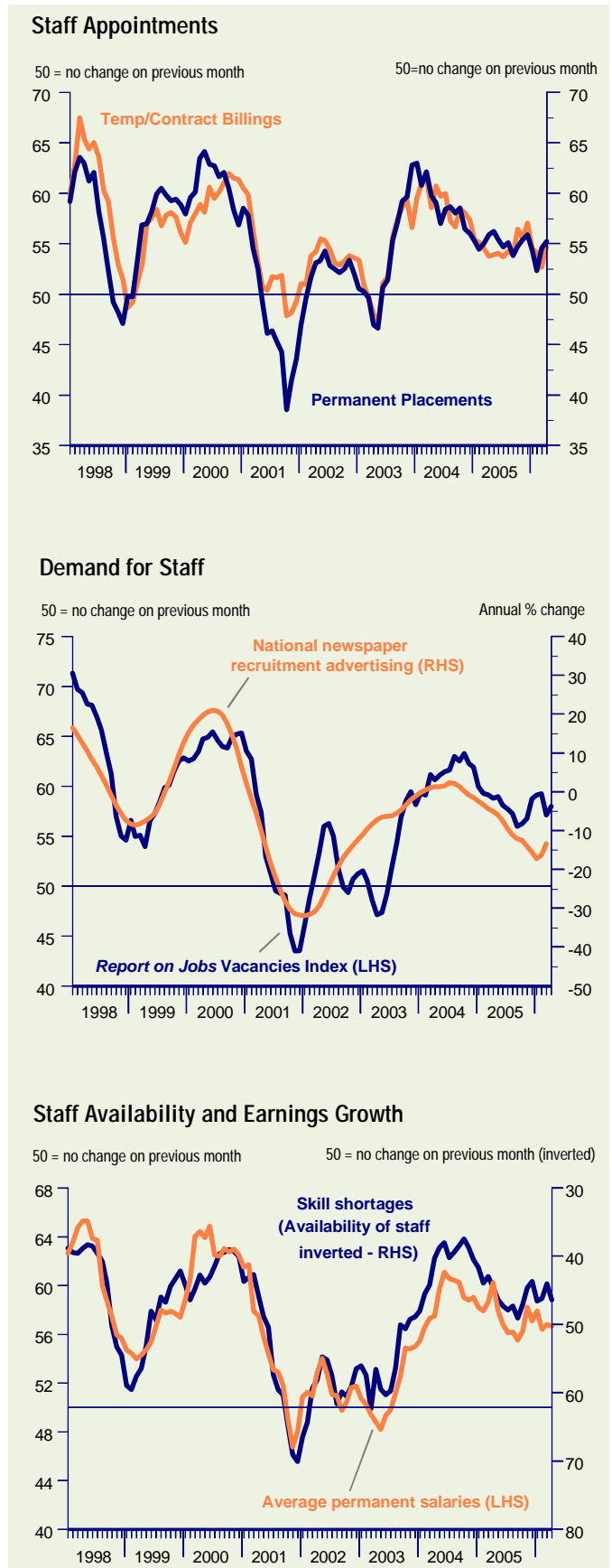
Recruitment consultancies reported a further substantial rise in job vacancies in April. Growth of demand for permanent staff remained marginally stronger than that for temporary employees, despite an acceleration in the latter to a thirteen-month high.

## ...and skill shortages eased

Although permanent staff availability continued to fall in April, the rate of decline eased to the weakest in three months, suggesting fewer skill shortages. The availability of temporary staff showed a fractional improvement during the latest survey period.

## Robust inflation of staff pay

A further sharp rise in staff pay was recorded in April, with consultants attributing higher wages and salaries to strong demand at employers. Inflation of permanent staff pay remained stronger than that for temporary staff.



# 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 survey data signalled further growth of recruitment consultancies' staff appointments in April. The rates of expansion of both permanent staff placements and temporary staff billings picked up to four-month highs.

April's PMI surveys highlighted a solid expansion of actual UK private sector staffing levels, with growth broad-based across manufacturing, services and construction. Service sector hiring picked up to a nine-month high, while manufacturing employment rose for the first time in over a year.

## Permanent placements

### Placements growth reached four-month high

The number of people placed in permanent jobs by recruitment consultancies rose for a thirty-fifth consecutive month in April. Over 40% of panellists indicated a rise in placements during the latest survey period, with growth generally attributed to increased vacancies at client companies. The rate of expansion of permanent placements accelerated to a robust pace that was the sharpest in four months.

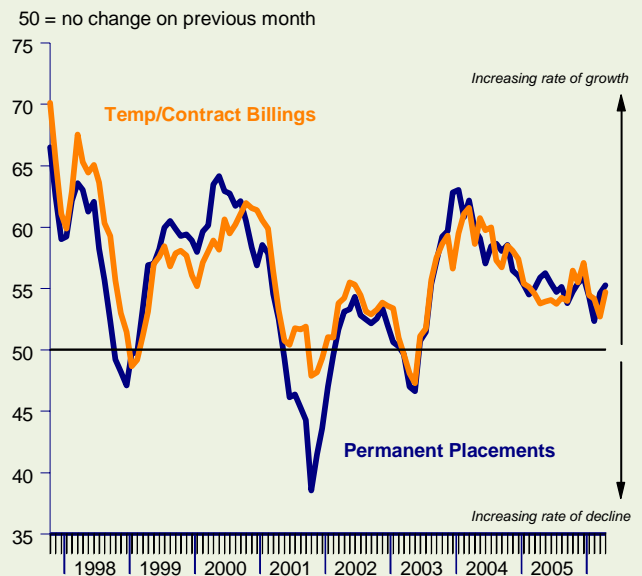
## Temp/contract billings

### Solid expansion of temp billings

Agencies' billings from the employment of temporary/contract staff continued to rise in April. Moreover, the latest expansion was solid and the most marked in four months. Approximately 30% of consultants reported an increase in temp billings during the latest month, commenting that growth had been underpinned by rising client demand.

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'd Index |
|--------|----------|--------|---------|---------|-----------------|----------------|
| Nov'05 | 33.6     | 37.5   | 28.9    | 4.7     | 52.3            | 55.4           |
| Dec    | 28.5     | 38.0   | 33.6    | -5.1    | 47.4            | 55.9           |
| Jan'06 | 41.2     | 30.5   | 28.3    | 12.9    | 56.5            | 54.3           |
| Feb    | 33.5     | 35.3   | 31.2    | 2.3     | 51.1            | 52.3           |
| Mar    | 39.4     | 37.5   | 23.1    | 16.3    | 58.1            | 54.6           |
| Apr    | 40.5     | 35.7   | 23.8    | 16.7    | 58.3            | 55.2           |

### 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'd Index |
|--------|----------|--------|---------|---------|-----------------|----------------|
| Nov'05 | 30.5     | 43.9   | 25.6    | 4.9     | 52.4            | 55.5           |
| Dec    | 37.9     | 39.1   | 23.0    | 14.8    | 57.4            | 57.1           |
| Jan'06 | 20.2     | 41.5   | 38.3    | -18.1   | 40.9            | 54.5           |
| Feb    | 38.0     | 36.3   | 25.7    | 12.2    | 56.1            | 54.2           |
| Mar    | 34.7     | 38.6   | 26.7    | 8.1     | 54.0            | 52.7           |
| Apr    | 30.3     | 45.6   | 24.1    | 6.1     | 53.1            | 54.7           |

# 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.

## Robust growth of demand for staff

The *Report on Jobs Vacancies Index* continued to suggest robust growth of demand for staff in April. A rise in the index from March's four-month low of 57.1, to 58.0, signalled that the rate of improvement had quickened slightly.

## Permanent staff vacancies

Latest data indicated that the number of permanent job vacancies rose for the thirty-fourth month in succession during April. The rate of growth of demand was strong and slightly sharper than in the previous month, as shown by a rise in the Permanent Staff Vacancy Index from 57.2, to 58.0. Consultants attributed higher demand for permanent staff to increasing levels of business activity and high confidence at client firms.

## Temp/contract vacancies

The rate of growth of demand for temporary/contract staff picked up to the strongest for thirteen months in April. This was highlighted by a rise in the Temporary Staff Vacancy Index from 56.4, to 57.6, a level indicative of sharp expansion.

## Other vacancy indicators

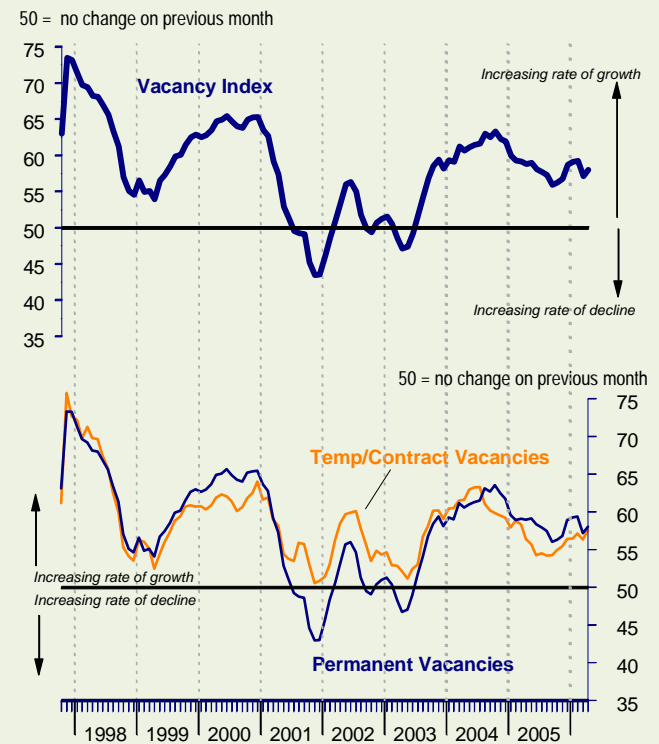
Government data on job centre vacancies, which tend to cover the lower end of the labour market, signalled a year-on-year decline for the ninth consecutive month in March. The rate of contraction quickened to 7.1%, from 6.5% in the previous month.

The number of jobs advertised in the national press continued to fall on an annual basis in March – extending the current downturn to seventeen successive months. However, the rate of decline eased from 16.2% in February, to 13.3%, the slowest in five months. That reflected a softer fall in private sector job ads, while public sector advertisements rose modestly for the first time since last October.

Internet recruitment advertising continued to post substantial growth in 2005 Q4 (the latest period for which data were available), recording a year-on-year rise of 17%.

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

|  | Dec'05 | Jan'06 | Feb  | Mar  | Apr  |
|--|--------|--------|------|------|------|
| <b>Job Vacancy Index (recruitment industry survey)</b> |        |        |      |      |      |
| 50 = no change on previous month                       |        |        |      |      |      |
| Total  | 58.8   | 59.1   | 59.3 | 57.1 | 58.0 |
| Permanent Staff  | 58.9   | 59.3   | 59.4 | 57.2 | 58.0 |
| Temporary Staff  | 56.4   | 56.5   | 57.1 | 56.4 | 57.6 |

### Other key vacancy data:

|                        | Annual % change |       |       |       |     |
|------------------------|-----------------|-------|-------|-------|-----|
| Job centre vacancies   | -7.7            | -7.2  | -6.5  | -7.1  | n/a |
| National press job ads | -15.4           | -17.2 | -16.2 | -13.3 | n/a |
| Private sector         | -23.5           | -27.6 | -19.7 | -13.7 | n/a |
| Public sector          | -22.8           | -20.9 | -16.8 | 1.5   | n/a |
| Internet job ads*      | 17.0            | --    | --    | --    | --  |

\* Quarterly data only

Sources: Job centre vacancies provided by Office for National Statistics  
 National press ads provided by Nielsen MMS.  
 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

According to the latest data, demand rose for seven of the eight broad categories of permanent staff monitored by the survey in April. Top of the demand for staff league table (below) were IT & Computing employees, with growth accelerating to a seventeen-month high. Demand was weakest for Blue Collar staff, recording a marginal fall since the previous month.

|                         | This year |         | (Last year) |         |
|-------------------------|-----------|---------|-------------|---------|
|                         | Rank      | Apr '06 | Rank        | Apr '05 |
| IT & Computing          | 1         | 61.9    | (6)         | (57.7)  |
| Executive/Professional  | 2         | 59.4    | (2)         | (61.3)  |
| Secretarial/Clerical    | 3         | 58.6    | (4)         | (59.4)  |
| Engineer'g/Construction | 4         | 58.4    | (3)         | (61.1)  |
| Accounting/Financial    | 5         | 56.1    | (5)         | (58.3)  |
| Nursing/Medical/Care    | 6         | 53.1    | (8)         | (46.9)  |
| Hotel & Catering        | 7         | 51.4    | (1)         | (61.7)  |
| Blue Collar             | 8         | 49.7    | (7)         | (56.2)  |

## Temporary/Contract Staff

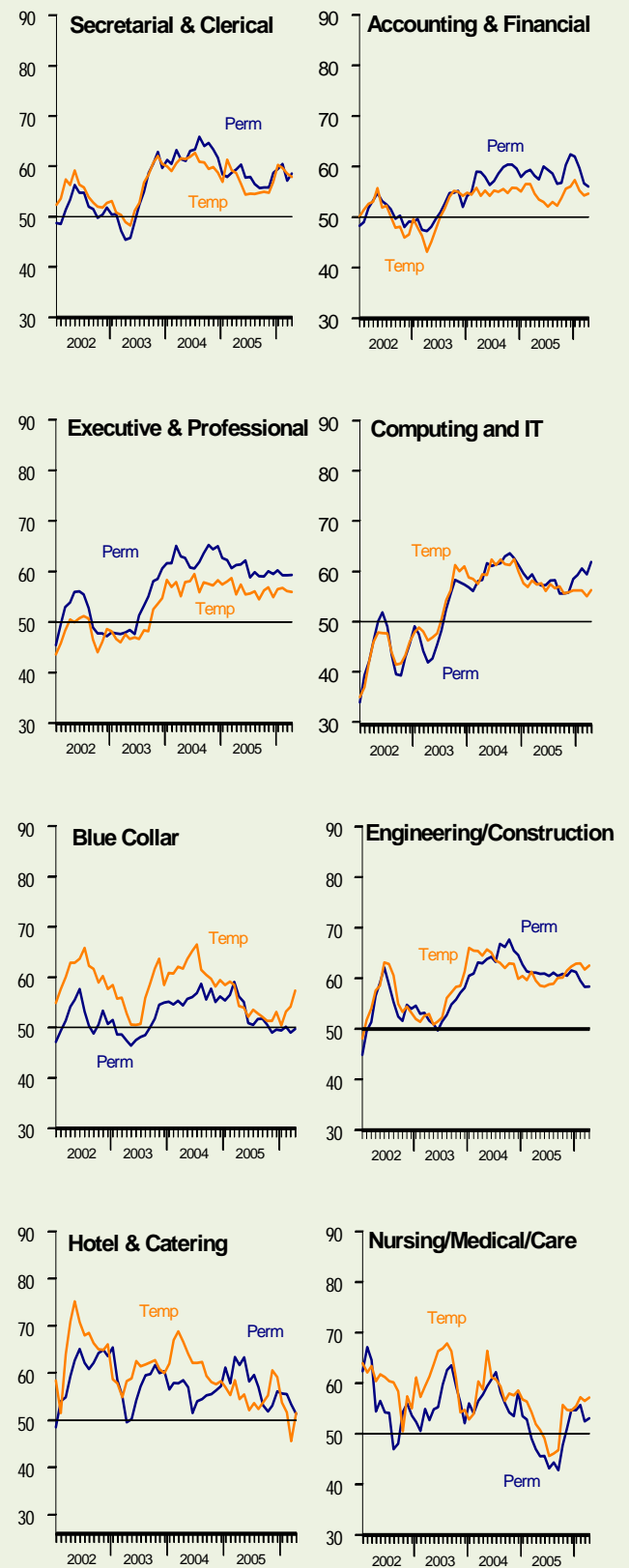
Improvements in demand were recorded for all types of temporary/contract staff in April. The strongest rise was again signalled for Engineering & Construction workers. Hotel & Catering continued to register the weakest trend, though modest growth during the latest survey period represented an improvement on the decline seen in March.

|                         | This year |         | (Last year) |         |
|-------------------------|-----------|---------|-------------|---------|
|                         | Rank      | Apr '06 | Rank        | Apr '05 |
| Engineer'g/Construction | 1         | 62.5    | (1)         | (59.5)  |
| Secretarial/Clerical    | 2         | 57.9    | (2)         | (58.7)  |
| Blue Collar             | 3         | 57.4    | (7)         | (54.3)  |
| Nursing/Medical/Care    | 4         | 57.2    | (8)         | (51.9)  |
| IT & Computing          | 5         | 56.3    | (3)         | (57.4)  |
| Executive/Professional  | 6         | 56.0    | (4)         | (55.5)  |
| Accounting/Financial    | 7         | 54.7    | (5)         | (54.7)  |
| Hotel & Catering        | 8         | 51.6    | (6)         | (54.6)  |

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.

## Easing of skill shortages in April

Recruitment consultants continued to report difficulties in finding suitably qualified staff during April. However, the latest data suggested that skill shortages were less marked than in the previous month, as permanent candidate availability declined at a slower pace, while temp availability showed a fractional improvement.

### Availability of permanent staff

Permanent staff availability declined for a thirtieth successive month during April, with a number of skill-sets reported to have been in short-supply. Although still solid, the rate of deterioration eased to the slowest in three months. There were some reports linking better permanent staff availability to recent redundancies.

### Availability of temporary/contract staff

The availability of temporary/contract staff rose for the fourth month running in April. However, the latest improvement was only negligible. According to anecdotal evidence, some agencies found additional candidates as a result of increased advertising and promotional work.

#### Key permanent staff skills reported in short supply:

**Accounting/Financial:** Financial advisers, Audit seniors, Tax specialists.

**IT/Computing:** General IT, Systems engineers.

**Secretarial/Clerical:** Secretaries.

**Hotel/Catering:** Chefs.

**Engineering/Construction:** Experienced engineers, Telecommunications, Project managers, Architects.

**Other:** Librarians.

#### Key temp skills reported in short supply:

**Secretarial/Clerical:** Secretaries, Legal secretaries.

**Accounting/Financial:** Financial markets.

**Nursing/Medical/Care:** Medical secretaries, Care workers.

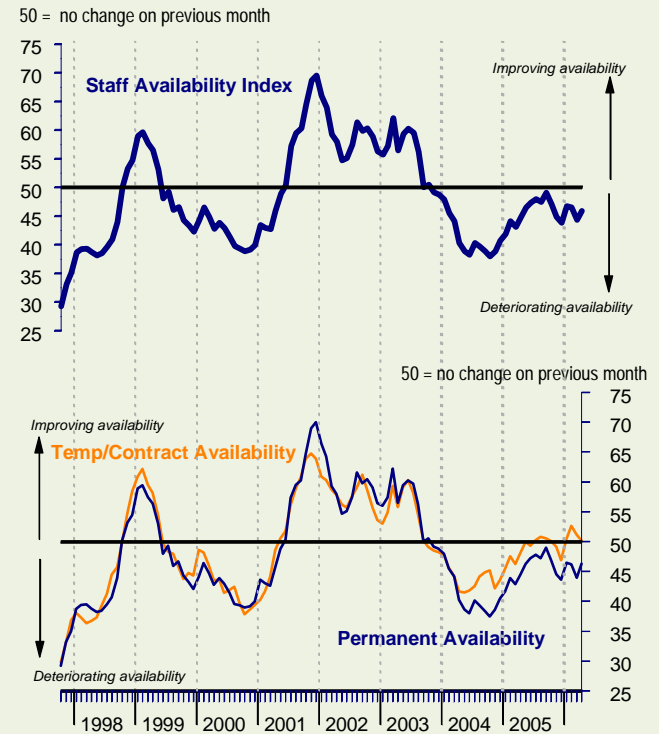
**Hotel/Catering:** Chefs, Catering staff.

**Engineering/Construction:** Process engineers, Planning engineers, Construction staff, Telecommunications, Oil & gas.

**Blue Collar:** Drivers, General blue collar.

**Other:** Call centre 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 50=no chg | S. Adj'd Index |
|--------|----------|--------|---------|---------|-----------------|----------------|
| Nov'05 | 16.6     | 54.9   | 28.5    | -11.9   | 44.0            | 44.6           |
| Dec    | 13.1     | 49.6   | 37.2    | -24.1   | 38.0            | 43.7           |
| Jan'06 | 37.2     | 42.6   | 20.2    | 17.0    | 58.5            | 46.5           |
| Feb    | 25.0     | 47.3   | 27.7    | -2.7    | 48.7            | 46.2           |
| Mar    | 19.2     | 47.0   | 33.8    | -14.7   | 42.7            | 44.0           |
| Apr    | 22.3     | 49.0   | 28.7    | -6.4    | 46.8            | 46.4           |

### 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 50=no chg | S. Adj'd Index |
|--------|----------|--------|---------|---------|-----------------|----------------|
| Nov'05 | 19.1     | 58.9   | 22.0    | -2.8    | 48.6            | 49.2           |
| Dec    | 16.9     | 59.3   | 23.9    | -7.0    | 46.5            | 46.9           |
| Jan'06 | 34.4     | 45.2   | 20.4    | 14.0    | 57.0            | 50.6           |
| Feb    | 31.3     | 51.1   | 17.6    | 13.7    | 56.9            | 52.7           |
| Mar    | 21.8     | 52.6   | 25.6    | -3.8    | 48.1            | 51.2           |
| Apr    | 23.3     | 52.9   | 23.8    | -0.4    | 49.8            | 50.2           |

# 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.

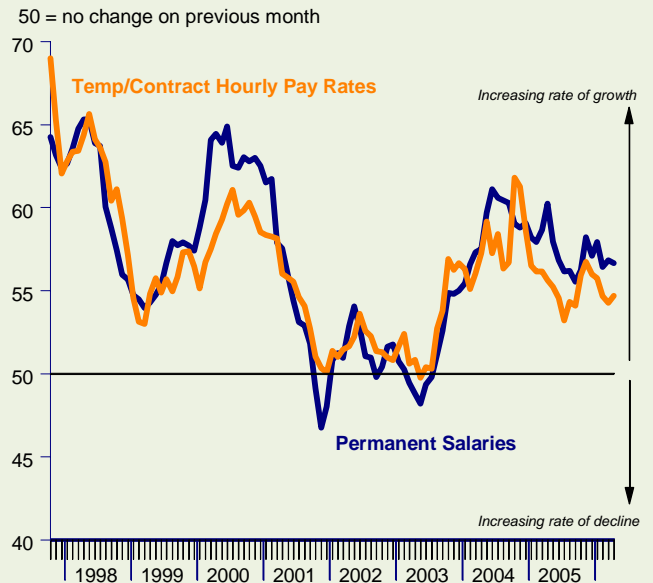
## Permanent salaries

Average starting salaries for successful candidates placed in permanent jobs rose for a thirty-third consecutive month in April, with a robust rate of increase continuing to be signalled. Inflation of salaries was driven by high demand for permanent staff and shortages of quality candidates.

## Temp/contract pay rates

Hourly rates of pay for staff in temporary/contract employment continued to rise in April, extending the current period of growth to thirty-five successive months. The pace of growth was solid and slightly quicker than in March. Panellists attributed increasing temp pay to robust demand for short-term staff.

### 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 50=no chg | S. Adj'd Index |
|--------|----------|--------|---------|---------|-----------------|----------------|
| Oct'05 | 15.1     | 81.3   | 3.7     | 11.4    | 55.7            | 56.3           |
| Nov    | 19.6     | 79.0   | 1.4     | 18.1    | 59.1            | 58.2           |
| Dec    | 14.2     | 81.1   | 4.7     | 9.5     | 54.7            | 57.1           |
| Jan'06 | 17.3     | 79.8   | 2.9     | 14.4    | 57.2            | 57.9           |
| Feb    | 18.9     | 75.8   | 5.3     | 13.6    | 56.8            | 56.4           |
| Mar    | 17.8     | 78.8   | 3.4     | 14.4    | 57.2            | 56.8           |
| Apr    | 20.7     | 73.7   | 5.6     | 15.1    | 57.6            | 56.7           |

#### Temporary/Contract Pay Rates

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

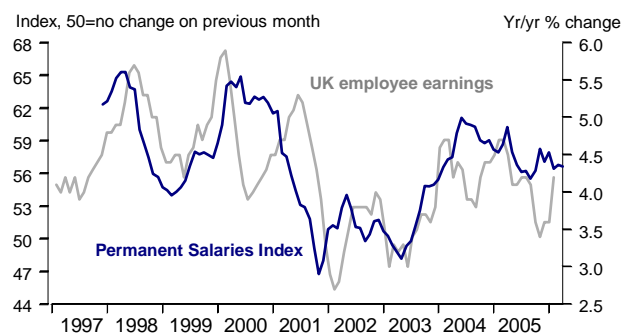
|        | Higher % | Same % | Lower % | Net +/- | Index 50=no chg | S. Adj'd Index |
|--------|----------|--------|---------|---------|-----------------|----------------|
| Oct'05 | 25.7     | 69.8   | 4.5     | 21.2    | 60.6            | 55.9           |
| Nov    | 16.8     | 81.1   | 2.0     | 14.8    | 57.4            | 56.8           |
| Dec    | 12.8     | 83.5   | 3.7     | 9.1     | 54.5            | 56.0           |
| Jan'06 | 9.3      | 87.9   | 2.8     | 6.5     | 53.2            | 55.8           |
| Feb    | 11.1     | 85.1   | 3.8     | 7.2     | 53.6            | 54.7           |
| Mar    | 11.1     | 84.6   | 4.3     | 6.8     | 53.4            | 54.3           |
| Apr    | 13.3     | 84.5   | 2.2     | 11.1    | 55.5            | 54.7           |

### UK average earnings

Data from the Office for National Statistics showed that year-on-year growth of employee earnings (including bonuses) picked up to 4.2 percent in February, the highest since last August. Service sector pay growth accelerated to 4.0 percent, while manufacturing pay growth quickened to 4.8 percent, its strongest since August 2001.

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

|                  | 2003 | 2004 | 2005 | Nov'05 | Dec | Jan'06 | Feb |
|------------------|------|------|------|--------|-----|--------|-----|
| Whole economy    | 3.4  | 4.3  | 4.1  | 3.4    | 3.6 | 3.6    | 4.2 |
| Manufacturing    | 3.7  | 3.6  | 3.6  | 4.5    | 4.4 | 4.6    | 4.8 |
| Services         | 3.5  | 4.3  | 4.3  | 3.2    | 3.3 | 3.4    | 4.0 |
| Private Services | 2.9  | 4.3  | 4.2  | 2.9    | 3.1 | 3.0    | 4.0 |



# 7 Feature | regional analysis

|                 | Change in employment on previous quarter ('000) | Change in employment on one year ago ('000) | Employment rate (%) | Change in employer jobs on one year ago ('000) |
|-----------------|---|---|---------------------|--|
| North East      | 12  | 9   | 70.3%               | 13   |
| North West      | -11   | -8  | 73.0%               | 6  |
| Yorks & Humb    | 31  | 15  | 74.7%               | 10   |
| East Midlands   | 4   | 50  | 77.4%               | 11   |
| West Midlands   | -19   | -22   | 73.1%               | -17  |
| East of England | -3  | -12   | 77.5%               | 16   |
| London          | 39  | 43  | 69.6%               | 123  |
| South East      | 9   | 45  | 78.8%               | 7  |
| South West      | 13  | 2   | 78.0%               | -10  |
| Wales           | -7  | -12   | 71.3%               | 5  |
| Scotland        | -2  | 8   | 75.4%               | 29   |
| N Ireland       | 9   | 23  | 69.8%               | 6  |
| <b>UK</b>       | <b>76</b>                                       | <b>141</b>                                  | <b>74.5%</b>        | <b>200</b>                                     |



## London major driver of jobs growth

The above table shows a regional breakdown of the latest government data on employment. In the three months to February, employment in the UK rose by 76,000 on the previous quarter (see also top chart). Over half of the increase was accounted for by London, which posted a rise of 39,000. Jobs growth in the capital continues to be driven by a buoyant service sector. Also of interest, the figures signalled a particularly healthy rise for Yorkshire & Humberside over the same period.

Meanwhile, marked job losses were recorded in the West Midlands, reflecting difficult conditions in the region's mainstay of manufacturing (compounded by resurgent energy prices). Wales, Scotland, the East of England and the North West also registered declines in employment over the quarter.

When looking at figures for employer jobs only (i.e. excluding the self-employed), the picture becomes even more skewed towards London, with around 62% of jobs created in the UK in the year to December 2005 based in the capital (see lower chart).



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The REC is the association for the £26 billion private recruitment and staffing industry in the UK, with over 6,500 recruitment agencies and 8,000 recruitment consultants in membership. There are 1.5 million temporary workers registered with UK agencies, and up to 1 million temps 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.

## Subscriptions

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