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UK Recruiters See Private Sector Skill Shortage

By Grethe Schepers

LONDON, May 16 (MNI) - The market for qualified staff is strengthening and a shortage of good candidates is pushing up base salaries even where overall job market conditions are mixed, UK recruiters told MarketNews International.

Counter-offers are also increasingly used to keep existing staff from moving office, recruiters said, adding to the pressure on salaries.

The findings tie in with the latest KPMG/REC report on the job market, which is based on survey data from recruiters and employers as well as newspaper recruitment advertising.

The report signaled "a solid rise in UK private sector staffing levels in April," with employment growth reaching a four-month high and recruitment consultancies reporting a further substantial rise in job vacancies. Growth of employment was broad-based across the services, manufacturing and construction sectors, the report said.

In the City of London's financial district, the job market continues to boom. Despite a buoyant first quarter following on from two strong years, the City looks set for more growth, said Philip Marks, Managing Director at Jonathan Wren, one of the leading recruiters for the financial markets.

Jonathan Wren's quarterly survey, which was about three-quarters complete at the time of the interview, shows job placements up about 15% on the year in Q1, Marks said.

"There might be some seasonal adjustment over the summer period where sometimes on the permanent side things slow down a little bit, but we haven't seen that yet - there are still a lot of vacancies coming in," said Marks.

"The market has been fairly buoyant over the last 2.5 years, especially the last 18 months. I'd say most areas of the markets, because of that, have been drained of candidates," he added.

Jonathan Wren is also active in recruitment for finance, accounting, procurement, HR and similar type of roles outside the City, where it is encountering strong demand as well, Marks said, adding that his company also has trouble finding recruitment consultants for in-house positions.

However, others noted less stellar demand for candidates in non-City financial roles as the public sector in particular suffers from budget restraints.

"We've got a good proportion of clients who are looking to recruit but a lot of clients are saying that they are restricted by budget," said Ian Shaw, Director at Andersen Leigh in London.

This contraction in public sector employment depressed the Monster employment index in April, alongside particularly weak demand for IT experts online, although the index is up 13 points from the previous year level.

"Online job demand in the UK has continued a downward trend over the past two months and it will be interesting to see whether this follows through into May," commented Alan Townsend, COO Monster UK & Ireland. "The IT sector has suffered most significantly from fewer offers in April, particularly in London."

"Opportunities for public sector workers are also at their lowest for over a year... The Index points to the trend continuing into 2006 and it's timely that the findings come at a point when UK National Health Service jobs are being scrutinized very closely," Townsend added.

But one trade that is certainly not seeing sluggish hiring is construction. Labour market shortages across the country are leading to a sharp rise in the number of builders from Eastern Europe and, in particular, Poland.

At Central European Staffing, most clients are looking to recruit foreign builders for work in central England and the north of the country, as well as Ireland, said Managing Director Agnes Wrodarczyk.

"I think it's general demand coming to the market. I don't think it has got anything to do with the weather," she said, referring also to expected activity related to the planned Olympic games in London. "I haven't had any specific orders for the Olympics yet but from talking to my clients I know it will come very shortly."

The market for science and engineering candidates is also "quite buoyant and rising", said Audrey McCulloch-Aziz, UK Head of Science and Technology at Kelly Services, an international recruitment consultancy with a strong presence across the UK.

"In both science and engineering, and this is across the country, we're seeing more vacancies than last year. Generally in England there's an increase in permanent roles but we've noticed in Scotland an increase in contract positions," McCulloch said.

McCulloch expected this trend to continue, noting that, if anything, clients seem to be stepping up hiring. "I've just spoken to a large pharmaceutical org that's going to be recruiting quite a large number of people in the next couple of months across the two skill sets that we look after," she added.

In Scotland, where the industrial job market has been depressed due to the decline in manufacturing over the past years, McCulloch said, the emerging bio-tech industry are fast creating new opportunities particularly for biologists and bio-chemists.

Even in retail, where business has been lacklustre over the past year, the job market appears to be strengthening.

"I think business is growing and there are definitely more opportunities and vacancies," said Kate McCarthy, founder and Managing Director of McCarthy Recruitment.

Admitting that there isn't a company "out there" that doesn't have to fight for its market position, McCarthy pointed out that those with strong branding are "doing fantastically well and expanding".

A lot of the media can be quite negative on the retail market, McCarthy said, but her business cannot cope with demand for good candidates and she is taking on staff herself. "I believe it's a candidate driven market, we've got a shortage of excellent retailers," she opined.

UK Recruiters: Experts' Pay Packages Rising

By Grethe Schepers

LONDON, May 16 (MNI) - The lack of candidates with the required training and experience is a general concern among companies, recruiters told Market News International.

This shortage is creating pressure on pay packages across the country and across sectors, they added. Companies are also becoming more aggressive in counter-offering pay packages in order to retain staff, acknowledging that replacing people is often an expensive and difficult task.

In the City, financial roles are fast becoming technically more complex and less process-driven, Marks said, requiring highly qualified candidates, which are increasingly difficult to find.

"There's a lot of resources being drained from companies already," said Marks, "and they're doing everything they can to hold on to their people, so counter-offers are pushing up salaries as well."

Shaw, who noted that hiring for financial positions in the public sector is suffering under budget constraints, nonetheless agreed that pay pressures are rising for senior positions, particularly senior accountants, which tend to be the most difficult to fill.

"Companies are spending a lot more money on people like that and their expectations are a lot higher," Shaw said, adding that it is cheaper for companies to offer a pay increase than to approach a recruitment consultant to hire someone new.

"If you are an employer and you're losing a certain member of staff, it's a lot cheaper to offer that person a pay increase than to pay a consultancy like us. So the salary base goes up. And that's what's happening," Shaw said.

These trends are by no means limited to financial roles. In construction, booming activity means that "everyone is short of people" and that companies have to be competitive on the wages they pay, Wrodczyk said.

"It's a simple market thing of supply and demand -- the wages offered to our people are definitely much higher than at the same time last year," she said.

In science and engineering, employers are looking for people with at least two or three years of experience and with quite a broad range of technical expertise, said McCulloch, noting they are not seeing as many graduate positions at the moment.

The tightening labour market is only just beginning to put pressure on salaries and benefits but this will "definitely" intensify over the coming months, McCulloch stated.

Scientists and engineers this year often have several job offers to choose between, whereas they only had one or two offers on the table last year. "We're also finding then that their own companies are counter-offering with better benefits and money because they want to keep the skilled individuals," she added.

Even in retail, McCarthy said, "It is competitive on salary now, there are an awful lot of bonus incentives ... for achievement of key performance indicators," adding that she too had seen an increase in counter offers.

These findings are backed by the KPMG/REC job market report, which noted that "Permanent staff availability continued to decline in April, supporting further robust inflation of permanent staff salaries."

Editor's Note: Reality Check stories survey sentiment among business people and their trade associations. They are intended to complement and anticipate economic data and to provide a view into specific sectors of the economy.