

EMBARGOED UNTIL 01:01 10 June 2022

Royal Bank of Scotland Report on Jobs

Hiring activity slows notably amid steep decline in staff availability

- **Slowest increase in permanent placements since February 2021**
- **Temp billings growth falls to four-month low**
- **Permanent candidate availability contracts at record rate**

May data signalled a further increase in recruitment activity across Scotland, according to the latest Royal Bank of Scotland Report on Jobs survey. However, the rate of expansion slowed noticeably on the month, with permanent placements and temp billings rising at the weakest rates in 15 and four months, respectively. This coincided with a further rapid decline in candidate availability, with permanent staff supply falling at an unprecedented pace in May, while vacancies continued to rise strongly. As a result, wage pressures remained intense.

Permanent placement growth slips to 15-month low in May

The number of permanent staff appointments across Scotland rose for the seventeenth successive month in May. Anecdotal evidence indicated that increased client activity and improved market conditions resulted in higher permanent placements. Though sharp and comfortably above the series average, the rate of growth eased for the second month running to the weakest since February 2021.

Moreover, the latest upturn in permanent staff appointments across Scotland was slower than that seen at the UK level for the first time in five months.

Scottish recruiters noted a marked rise in temp billings during May, thereby extending the current sequence of growth to 21 months. Recruiters often attributed the latest increase to strengthening client demand and the resumption of projects previously on hold due to the pandemic. However, the respective seasonally adjusted index declined from a seven-month high in April, to signal the slowest upturn in four months. The expansion was also softer than the UK average.

Record contraction in permanent staff availability

As has been the case since February 2021, permanent staff availability decreased across Scotland during May. Furthermore, the rate of reduction was the fastest on record and rapid. Panellists blamed skill shortages and a competitive labour market for the latest downturn.

Permanent candidate numbers declined at a quicker rate in Scotland than that seen across the UK as a whole.

Latest data signalled a sustained fall in temp candidate availability across Scotland in May. Moreover, the pace of contraction quickened for the second month running to the fastest since August 2021. Recruiters stated that robust demand for staff,

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workforce shrinkage (particularly a drop in European workers), and skills shortages had all reduced temp staff availability.

The rate of decline across Scotland outpaced the UK-wide average, which in contrast eased slightly during May.

Starting salary inflation eases to seven-month low

Starting salaries for permanent joiners in Scotland rose for the eighteenth consecutive month in May. The pace of wage inflation eased to the slowest since October 2021 but remained steep and historically elevated. Recruiters often mentioned that a tight labour market and increased competition for staff had driven up starting pay.

Average hourly pay rates for short-term staff across Scotland rose during May. The latest upturn extended the current run of temp wage inflation that has been observed since December 2020. According to panellists, some staff had negotiated higher pay due to the increased cost of living. Though the rate of inflation accelerated slightly since April, it was nonetheless the second softest in ten months.

Softest rise in permanent vacancies for three months

Scottish recruiters noted a further rise in permanent vacancies during May. The pace of growth softened to a three-month low but remained robust overall and was quicker than the UK-wide average.

Across the monitored sectors, IT & Computing saw the fastest rise in permanent vacancies, followed by Accounts & Financials. However, the rate of increase for both eased from the preceding survey period.

May data signalled a strong uplift in temp vacancies across Scotland. While outpacing the UK-wide trend, the rate of vacancy growth eased from April's recent high but remained marked. The upturn also extended the current sequence of rising demand to 20 months.

IT & Computing noted the sharpest rise in vacancies, with Blue Collar posting in second place.

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COMMENT

Sebastian Burnside, Chief Economist at Royal Bank of Scotland, commented:

"Scotland's job market saw a further marked increase in recruitment activity during the latest survey period. However, hiring momentum eased for both permanent and temporary staff to the slowest in 15 and four months, respectively, as the supply of staff deteriorated rapidly. Moreover, permanent candidate availability fell at the quickest rate on record in May. Additionally, rising living costs and the growing imbalance between the supply and demand of labour exerted strong and sustained upward pressure on wages.

"While the loss of hiring momentum was inevitable following the sharp rebounds in activity seen after the easing of pandemic-related restrictions, it is hoped that any slowdown will be limited as overall demand for staff remains robust."

ENDS

Royal Bank of Scotland is supporting civil and corporate customers affected by COVID-19. For advice or support visit: <https://www.business.rbs.co.uk/business/support-centre/service-status/coronavirus.html>

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Notes to Editors

This report, compiled by S&P Global, is based on a monthly survey of around 100 recruitment and employment consultants, and provides up-to-date information on Scottish labour market trends and is seasonally adjusted.

The information in this report is directly comparable with the KPMG and REC, Report on Jobs survey for the UK, which uses an identical methodology. The KPMG and REC index for the UK has a strong track record of accurately anticipating changes in unemployment, employment and average earnings.

All Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline. These indices vary between 0 and 100 with reading of exactly 50.0 signalling no change on the previous month. Readings above 50 signal an increase or improvement; readings below 50 signal a decline or deterioration. Reasons given by survey respondents for any changes are analysed to provide insight into the causes of movements in the indices and are also used to adjust for expected seasonal variations.

May data were collected 12-25 May 2022.

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact economics@ihsmarkit.com.

A regional Report on Jobs series is now available comprising five regional reports tracking labour market trends across the Midlands, the North of England, the South of England, Scotland and London. The reports are designed to provide a comprehensive and up-to-date guide to labour market trends and the data are directly comparable with the UK Report on Jobs.

About the Recruitment & Employment Confederation

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