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Royal Bank of Scotland Report on Jobs

February sees renewed downturn in permanent placements

- **Permanent staff appointments fall for fourth time in five months**
- **Pay pressures ease**
- **Steep downturn in candidate availability**

The latest data from the Royal Bank of Scotland Report on Jobs survey showed that recruitment consultancies saw a notable drop in the number of people placed in permanent roles during February amid ongoing market uncertainty and hesitancy to commit to new hires. The seasonally adjusted Permanent Placements Index slipped from 54.7 in January to 42.1, signalling a renewed contraction in permanent staff hires. Meanwhile, the downturn in temp billings accelerated, with the pace of decrease the fastest in the current five-month period of reduction. At the same time, the supply of both permanent and temporary staff shrank rapidly amid tight labour market conditions and skills shortages. Recruiters also commented that workers were increasingly hesitant to seek out or switch roles due to an uncertain economic climate. Despite ongoing labour shortages, February data pointed to a notable cooling in the rates of both starting salary and temp wage inflation.

Renewed contraction in permanent placements

After posting in expansion territory in January, the seasonally adjusted Permanent Placements Index fell back below the neutral 50.0 level during the latest survey period, indicating a fall in permanent staff appointments for the fourth time in the last five months. Moreover, the rate of reduction was sharp overall and stronger than that seen for the UK as a whole. Recruiters often linked the decline to delayed hiring decisions and greater market uncertainty.

Recruitment consultancies in Scotland recorded a reduction in temp billings in February, thereby stretching the current sequence of decrease to five consecutive months. The overall pace of contraction accelerated to one that was the most marked since June 2020. The fall also contrasted with a mild upturn in billings across the UK as a whole. According to panellists, a slowdown in market conditions had impacted clients' appetite to take on short-term hires.

Availability of permanent staff falls rapidly

February data highlighted a quicker reduction in permanent staff availability across Scotland. The rate of decrease was rapid overall and quicker than the series average. Surveyed recruiters often cited skills shortages and a tight labour market when explaining the latest drop in supply.

The decline in permanent candidate numbers across Scotland outstripped that recorded for the UK as a whole.

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As has been the case in each month over the last two years, temporary staff availability declined across Scotland in February. The pace of contraction was quicker than the UK-wide trend and historically sharp, with anecdotal evidence often linking the fall to a generally low unemployment rate and reluctance amongst workers to switch roles. That said, the respective seasonally adjusted index ticked-up for a second month running to a 22-month high.

Softest upturn in starting salaries for four months

Salaries awarded to newly-recruited staff rose across Scotland in February, thereby extending the current upward trend observed since December 2020. Tight labour market conditions and skill shortages continued to drive pay higher as firms competed to secure talent, according to recruiters. However, the rate of salary inflation eased further from December, signalling the joint-softest upturn in 20 months.

Nevertheless, the rate of pay growth in Scotland outstripped that seen across the UK as a whole for the fifth successive month.

After registering the second-fastest increase in the survey's history in January, temp wage inflation slowed notably in the latest survey period. Moreover, the rate of growth was the softest seen since April 2021. While persistent candidate shortages reportedly drove up pay, recruiters mentioned that the current economic climate limited the upturn.

The rate of wage inflation across Scotland was also weaker than the UK-wide trend.

Demand for permanent staff expands at softest rate for two years

Permanent job openings grew solidly across Scotland in February. However, the latest upturn was the softest seen for two years and below the historical average.

Of the eight monitored sectors, the strongest upturn in permanent staff demand was seen for Nursing/Medical/Care, with IT & Computing placing second.

Temp vacancies across Scotland fell for the second month running in February. The pace of contraction quickened from January and was marked. The decrease noted in Scotland contrasted with a further expansion in temp job openings at the UK level.

Blue Collar roles led the decline, followed by Engineering & Construction.

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COMMENT

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

"The renewed expansion in permanent placements during January did not carry through to February, as the latest survey data from recruiters signalled a fresh reduction in permanent new hires. Furthermore, the contraction in temporary billings persisted, indicating a steep fall in short-term staff recruitment. The downturn in hiring activity was often linked to uncertainty around the outlook and hesitancy among clients to commit to new staff. At the same time, ongoing skills shortages made it difficult to acquire candidates for those that did want to fill roles. Vacancy data highlighted a relatively subdued increase in permanent roles, while temp staff demand fell for the second month running, which helped bring down rates of inflation for starting pay. Growth in permanent starters' salaries was weaker than the trend seen over the past two years, while hourly rates of pay rose at the slowest pace since April 2021."

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 to provide insight into the causes of movements in the indices and are also used to adjust for expected seasonal variations.

February data were collected 10-22 February 2023.

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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The REC is the voice of the recruitment industry, speaking up for great recruiters. We drive standards and empower recruitment businesses to build better futures for their candidates and themselves. We are champions of an industry which is fundamental to the strength of the UK economy. Find out more about the Recruitment & Employment Confederation at www.rec.uk.com.

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