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Royal Bank of Scotland Report on Jobs

Downturn in permanent hiring activity eases during December

- Recruitment activity falls for the third month running
- Growth of demand for labour softens during December
- Starting salaries rise at quickest pace since

According to the latest Royal Bank of Scotland Report on Jobs survey, Scottish recruiters reported a decline in permanent placements during December. The rate of contraction eased considerably over the month, however, with the respective index climbing from 40.6 in November to 46.8 in December. Nevertheless, placements fell for the third month running overall, as recession fears and market uncertainty dampened recruitment activity. Temp billings likewise fell for the third successive month. Growth of demand for labour continued to soften during the final month of the year. Permanent and temp vacancies expanded at the weakest rates in 22 and 27 months, respectively. Nonetheless, in efforts to attract and secure candidates amid ongoing reports of labour shortages, firms across Scotland continued to raise starting salaries and temp wages sharply.

Softer reduction in permanent placements

The number of permanent staff appointments across Scotland fell in December, thereby extending the current run of contraction to three months. The downturn eased from November's 29-month record, but was nonetheless solid overall. According to panellists, reduced market confidence and the cost of living crisis weighed on recruitment.

Though strong, the reduction in permanent placements across Scotland was softer than the UK-wide average.

For the third month running, recruitment consultancies across Scotland reported a decrease in billings received from the employment of short-term staff during December. Adjusted for seasonality, the Temporary Billings Index ticked down from November, to signal a quicker rate of contraction, albeit one that remained mild overall. Skill shortages and difficulties sourcing candidates were in part blamed for the latest decrease.

While a further reduction in temp billings was recorded across Scotland at the end of 2022, the UK as a whole registered a modest expansion.

Marked fall in permanent labour supply in December

The availability of candidates to fill permanent positions across Scotland worsened for the twenty-third consecutive month during December. Although easing from November, the rate of decline remained marked overall and among the fastest on

record. Acute skill and candidate shortages limited the supply of workers, according to recruiters. Furthermore, the cost of living crisis, recession fears and greater market uncertainty also restrained labour movement.

The pace of reduction in permanent candidate availability across Scotland outstripped the UK-wide average.

As has been the case in each of the last 22 months, Scottish recruiters reported a fall in temp candidate numbers during December. The rate of reduction gathered pace for the third month running and was the sharpest since June. The latest reduction in temp staff availability was attributed to a slowdown in market conditions, Brexit and a general scarcity of labour.

Starting salaries rise rapidly in December

December data revealed another sharp rise in starting salaries awarded to permanent joiners during December. Notably, the pace of growth continued to quicken from October's 16-month low, with the latest upturn the steepest since June and above the historical average. According to anecdotal evidence, labour and skill scarcity continued drive up salaries.

Starting salaries across Scotland rose at a much faster pace than that recorded at the UK level.

Pay rates for temp staff across Scotland rose during December, thereby stretching the current run of wage inflation to 25 months. While the rate of growth eased slightly from November, it remained stronger than the survey average and signalled a sharp rise in hourly wages overall. Recruiters indicated that companies raised their pay rates as part of efforts to attract staff amid ongoing labour shortages.

As was the case with permanent starting salaries, temp wages across Scotland grew at a much stronger rate than that seen across the UK as a whole.

Growth of demand for permanent staff eases in December

Growth of demand for permanent staff moderated for the eighth successive month during December. Though strong, the latest upturn was the softest seen since the current run of expansion began in February 2021. Moreover, the rate of increase was weaker than the survey average.

The strongest upturns in demand for permanent staff were seen across the Nursing/Medical/Care and IT & Computing sectors.

Scottish recruiters reported a marked slowdown in growth of demand for temp staff during December. Notably, the respective seasonally adjusted index fell to its lowest level in 27 months and pointed to only a marginal rate of growth.

Of the eight monitored sectors, IT & Computing reported the strongest increase in demand, with Nursing/Medical/Care ranking second.

News Release

COMMENT

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

"The final Report on Jobs survey of the year concluded with a further downturn in hiring activity across Scotland, with recruiters noting a third monthly contraction in both permanent placements and temp billings. According to panel members, greater market uncertainty and fears over a recession led clients to maintain a cautious approach to staff hiring at the end of 2022. Demand for labour also softened, adding to the likelihood that challenges across the labour market will persist as we enter the new year. Nonetheless, with difficulties sourcing suitable candidates, firms continued to raise rates of starting pay. Thus, the data overall suggest that firms are becoming more selective and guarded with their hiring decisions, but willing to offer competitive pay to candidates to secure them."

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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News Release

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.

December data were collected 06-19 December 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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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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