



Royal Bank
of Scotland

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Royal Bank of Scotland Report on Jobs

Renewed contraction in permanent placements at end of 2023

- **Fresh fall in permanent placements**
- **Pay pressures moderate**
- **Demand weakens for both permanent and temp staff**

The latest Royal Bank of Scotland Report on Jobs survey signalled a fresh decline in permanent staff appointments across Scotland during December. The pace of reduction was the strongest since April, as growing economic uncertainty weighed on hiring decisions and discouraged workers from seeking new roles. However, temp billings rose further in December, highlighting a preference for temporary staff amongst employers. Candidate shortages meanwhile continued to push up starting salaries, though the rate of inflation eased notably from November. Temp wage growth also softened at the end of the year. Finally, overall demand for staff weakened further, with both permanent and temp vacancies declining markedly in December.

Renewed fall in permanent placements

Scottish recruitment firms recorded a fresh fall in permanent staff appointments during December, with declines now noted in four of the last five survey periods. The rate of decrease was the most pronounced since April and sharp. The reduction was linked by recruiters to heightened levels of economic uncertainty, which dampened employers' and workers' intentions to hire or seek out new roles.

Permanent staff appointments fell at a steeper rate across Scotland than that seen across the UK as a whole.

December data pointed to a second consecutive monthly rise in billings received from the employment of temporary staff across Scotland. The rate of expansion, though mild, quickened from November. The latest rise was reportedly supported by increased demand for contract workers.

Meanwhile, recruiters across the UK recorded a further fall in temp billings during December.

Availability of permanent staff declines

Permanent staff availability across Scotland fell in December, thereby stretching the current period of decrease to 35 months. The pace of decline remained sharp despite easing to a three-month low. According to recruiters, fewer workers were willing to risk a job move in the current economic climate.



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The reduction in the number of workers seeking permanent positions across Scotland contrasted with the marked upturn in permanent staff availability at the UK level.

A third consecutive monthly rise in temp candidate supply was recorded across Scotland in December. The respective seasonally adjusted index ticked up further from September to signal a sharp rise in temp staff supply overall. Recruiters often attributed the upturn to redundancies and the non-renewal of contracts.

However, growth of temp staff supply across the UK as a whole continued to outpace that seen in Scotland.

Permanent salary inflation eases notably

Salaries awarded to newly-placed permanent staff increased sharply across Scotland in December. The rise in salaries was said to have been primarily driven by candidate shortages. However, the rate of inflation moderated to a seven-month low and was weaker than both the historical and UK-wide averages.

Latest data signalled a further rise in temporary wages across Scotland at the end of 2023. While the pace of increase eased for the second month running, it remained sharp overall and broadly in line with the long-run average. The latest upturn in temp pay was largely linked to the growing cost of living.

While the rate of temp wage growth quickened across the UK as a whole, it remained weaker than that observed in Scotland.

Steeper drop in permanent vacancies

Scottish recruiters registered a marked fall in permanent vacancies during December. Moreover, the rate of contraction was the strongest since November 2020. Demand for permanent staff also weakened at the UK level, but only marginally.

Across the eight monitored sectors, Blue Collar and Engineering & Construction recorded the joint-fastest falls in permanent vacancies. Meanwhile, Nursing/Medical/Care defied the broader trend by reporting an upturn in permanent staff demand.

As has been the case since August, Scottish recruiters noted a fall in temp vacancies in December. Moreover, the rate of contraction was the most marked in three-and-a-half years. Meanwhile, demand for temp staff across the UK as a whole rose slightly.

Engineering & Construction noted the quickest decline in short-term vacancies, followed by Executive & Professional.



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COMMENT

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

“The Report on Jobs survey highlights that 2023 has generally been a weak year for the Scottish labour market, with permanent staff appointments rising in only three months of the year. Moreover, December recorded the most marked decline in permanent placements since April and one that was sharp overall, as employers were hesitant to commit to new hires amid lingering economic uncertainty – a theme also observed at the UK level. In contrast, temp billings continued to increase at the end of the year as businesses opted for more flexible employment arrangements.

“The subdued economic environment and signs of further declines in vacancies suggest that hiring activity will remain weak as we head into 2024. However, softening demand conditions have led to slower rates of pay growth, especially for permanent starters’ salaries, helping to ease the pressure on employer’s budgets.”

ENDS

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Notes to Editors

This report, compiled by S&P Global, is based on a monthly survey of around 70 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 06-18 December 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@spglobal.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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