

EMBARGOED UNTIL 01:01 10 November 2022

## Royal Bank of Scotland Report on Jobs

### *Renewed downturn in permanent placements during October*

- **Permanent placements fall amid growing economic uncertainty**
- **Temp billings decline for first time in 26 months**
- **Pay pressures soften, but remain strong overall**

Hiring activity across Scotland fell into decline during October, with both permanent staff appointments and temporary billings contracting, according to the latest Royal Bank of Scotland Report on Jobs survey. Permanent placements have now fallen in two of the past three months, while the downturn in temp billings was the first seen since August 2020. Moreover, the rates of contraction were strong overall amid reports of growing economic uncertainty, softening demand conditions and the deepening cost of living crisis. October data also revealed further increases in starting salaries and temp wages. However, rates of inflation continued to ease, signalling a mild waning of pressure on pay.

#### **Permanent staff placements fall solidly**

October data highlighted a fall in permanent staff placements across Scotland. After a month of growth in September, the respective seasonally adjusted index reverted below the neutral 50.0 threshold to signal the second reduction in three months. The rate of contraction was the fastest seen in nearly two years and solid, with recruiters often linking the fall to growing economic uncertainty and the cost of living crisis.

At the UK level, a fall in permanent staff hires was also noted, with the rate of decline similar to that seen in Scotland.

Scottish recruitment consultancies signalled a reduction in temp billings during October, thereby ending a 25-month run of expansion. The rate of contraction was the quickest seen since July 2020 during the initial wave of the pandemic and strong overall. According to panellists, the latest fall was driven by reduced activity at clients.

Across the UK as a whole, temp billings were broadly stagnant after rising in each of the prior 26 months.

#### **Downturn in permanent staff supply fastest in three months**

Recruiters across Scotland noted a twenty-first successive monthly fall in permanent candidate availability during October. The pace of decline quickened on the month and was marked overall. Panellists generally linked the latest downturn to skill shortages and increased hesitancy to seek out new roles due to rising economic uncertainty.

The pace of reduction across Scotland was more rapid than that recorded for the UK as a whole.

The supply of temp labour across Scotland fell again during October. Despite being severe overall, the rate of decline was the second-slowest in seven months (after September). Recruiters highlighted a lack of European workers and ongoing skill shortages as factors constraining supply.

As has been the case for the last seven months, the rate of contraction in temp staff availability in Scotland was sharper than that seen at the UK level.

### **Starting salary inflation softens further in October**

Latest survey data indicated that average starting salaries for permanent staff in Scotland increased at the slowest pace since June 2021 during October. That said, the pace of wage inflation remained elevated in comparison to the historical average. According to anecdotal evidence, skill and candidate shortages continued to drive up rates of pay.

Data for the UK as a whole also signalled a softer rise in starting salaries during October. Moreover, the pace of inflation was softer than that seen for Scotland for the first time in four months.

As has been the case for the past 23 months, temp wages rose across Scotland during October. While the respective seasonally adjusted index hit an 18-month low, it signalled a sharp rise overall. Greater competition for scarce candidates was cited as a key driver of the latest increase in temp pay.

At the national level, wages also increased at a much slower rate during October. However, the rate of inflation was quicker than that registered in Scotland.

### **Demand for permanent staff expands at slowest pace in 20 months**

Demand for permanent staff grew sharply during October, thereby extending the current period of expansion to 21 months. However, the respective seasonally adjusted index fell for the sixth month running, with the latest reading edging down to a 20-month low.

Across the monitored job categories, IT & Computing registered the steepest rate of expansion, followed by Nursing/Medical/Care.

Recruiters across Scotland noted a twenty-fifth successive monthly rise in temp staff demand during October. While the rate of growth was the weakest since February 2021, it was quicker than that seen across the UK as a whole.

At the sector level, IT & Computing saw the quickest growth in short-term vacancies, followed by Accounts & Financial.

# News Release

## COMMENT

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

*"Labour market conditions across Scotland deteriorated in October, as for the first time since August 2020, both permanent placements and temporary billings contracted.*

*"At the same time, rates of vacancy growth for both permanent and short-term staff continued to ease. Candidate and skill shortages meanwhile stretched the supply of labour thin, with recruiters also noting that increased economic uncertainty had impacted candidate numbers. Though it does seem that market imbalances are becoming less pronounced, the effect on pay remains strong.*

*"The data therefore suggest that growing uncertainty about the economy and the cost of living crisis are already affecting the labour market, and could weigh further on hiring decisions for the remainder of the final quarter of 2022."*

## 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.

October data were collected 12-25 October 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](mailto: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](http://www.rec.uk.com).

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