News Release

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Royal Bank of Scotland Report on Jobs

Slowest increase in permanent placements since February 2021

- **Permanent staff hires rise at weakest rate in 17 months**
- **Permanent vacancy growth softens to 16-month low**
- **Pay pressures ease**

According to the latest Royal Bank of Scotland Report on Jobs survey, recruitment activity across the Scottish labour market increased again in July. That said, permanent placements expanded at the softest pace in 17 months as greater economic uncertainty dampened overall hiring plans. Temp billings rose sharply, however, with growth picking up from June. At the same time, demand for permanent staff softened, as growth in vacancies hit a 16-month low. Although rates of starting pay continued to rise sharply, recruiters noted softer rises in both starting salaries and temp wages compared to June.

Rise in permanent placements weakest in 17 months

July data highlighted a nineteenth successive monthly increase in permanent staff appointments across Scotland. However, the rate of expansion softened for the fourth month running, with the latest upturn the slowest since February 2021. Where a rise was seen, recruiters mentioned high demand for workers. That said, there were also reports that candidate shortages and hiring freezes at some clients amid increased economic uncertainty had weighed on growth.

A further rise in temp billings was signalled by Scottish recruiters in July, thereby extending the current run of expansion to 23 months. The latest uptick was the quickest seen in three months and sharp overall. Greater client activity and new contract wins prompted firms to hire additional short-term staff, according to panellists.

Moreover, the rate of increase across Scotland outpaced the UK-wide average, which in contrast eased slightly since June.

Steeper deterioration in permanent candidate availability

As has been the case in each month since February 2021, the availability of permanent candidates shrank across Scotland during July. The rate of contraction picked up from June and was among the sharpest in the survey history. The drop in availability was linked to skill shortages, a competitive labour market and economic uncertainty dampening worker movement.

The decline in permanent candidate numbers across Scotland was noticeably stronger than that seen across the UK as a whole.

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Latest data signalled a continued reduction in temp candidate availability across Scotland during July. Scottish recruiters linked the fall to fewer European workers, competition from permanent roles and skill shortages. However, the rate of decrease did soften from June to the weakest in three months.

Slowest increase in starting salaries for a year

Salaries awarded to permanent new joiners in Scotland increased for the twentieth successive month in July. Companies raised pay to attract and secure workers amid severe labour shortages, according to recruiters. That said, the rate of increase eased on the month, registering the softest upturn in starting salaries for a year.

Additionally, starting salary inflation across Scotland was slower than that seen across the UK as a whole.

Temp wages rose sharply across Scotland in July, stretching the current run of inflation that began in December 2020. The respective seasonally adjusted index, while historically elevated, slipped from the eight-month high seen in June. Panellists primarily linked the latest rise in wages to the fact that demand for labour outstripped supply.

Temp pay also increased at the UK level during July. However, the rate of increase was slower than that seen for Scotland.

Demand for permanent staff softens again in July

Demand for permanent staff in Scotland continued to expand during July, marking an eighteenth successive monthly rise. However, the rate of growth decelerated for the third month running and was the slowest since March 2021.

IT & Computing topped the rankings for permanent staff demand at the start of the third quarter, followed by Nursing/Medical/Care.

As has been the case for the last 22 months, recruiters across Scotland reported a rise in temporary vacancies during July. While the rate of increase was the softest for five months, the upturn across Scotland was quicker than that observed for the UK as a whole.

Engineering & Construction and IT & Computing posted the joint-fastest upturns in temp staff demand during July.

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COMMENT

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

"July survey data pointed to a rise in hiring activity across Scotland. However, there was a notable slowdown in permanent staff hires, which expanded at the weakest rate since February 2021 amid reports of some businesses becoming more hesitant to push forward with recruitment plans due to the gloomier economic outlook.

"Additionally, while demand for labour remained strong, growth of both permanent and temporary vacancies softened for the third month in a row. Latest data also pointed to a slight waning of pressure on starting pay. Nevertheless, starting salaries and temp wages continued to rise sharply overall as many firms competed for scarce staff.

"Overall, the drop in market confidence around the outlook and ongoing difficulties sourcing and securing candidates could dampen recruitment activity in the months ahead."

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.

July data were collected 12-25 July 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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.