



Royal Bank  
of Scotland

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# Royal Bank of Scotland Report on Jobs

## *Downturn in permanent placements softens in May*

- **Slowest drop in permanent placements for four months**
- **Temp vacancies fall for the fifth month running**
- **Starting salary inflation eases to 27-month low**

The Scottish labour market saw a further drop in hiring activity during May, according to the latest RBS Report on Jobs survey. Lingering economic uncertainty continued to discourage both workers and firms alike. That said, the latest survey signalled a softer downturn in permanent placements as some recruiters were able to fill long-standing vacancies and organise hires for new projects. However, temp billings fell at a sharper pace. Moreover, demand trends weakened, with growth in permanent vacancies slipping to a 27-month low, and temp vacancies falling for the fifth straight month. As a result, pay pressures showed signs of easing in May.

### **Downturn in permanent placements eases in May**

For the fourth successive month, Scottish recruiters registered a drop in permanent staff appointments in May. According to anecdotal evidence, employers were less confident in the economic outlook, which dampened overall hiring activity. That said, the rate of contraction was the softest in the aforementioned sequence and only marginal, as some recruiters noted the fulfilment of long-standing vacancies and the initiation of new projects in the latest survey period.

The drop in permanent placements in Scotland was also less pronounced than that seen on average across the UK as a whole.

Temp billings fell markedly across Scotland in May, thereby extending the current run of reduction to eight months. The pace of contraction accelerated from April and was the strongest since February. Respondents widely linked the drop in temp billings to a lack of available work, while there were also mentions that the additional Bank Holiday weighed on staff hiring.

In contrast, temp billings rose further at the UK level, albeit only slightly.

### **Sustained fall in permanent staff availability**

Permanent candidate availability across Scotland continued to worsen in May, the twenty-eighth consecutive month that a fall has been recorded. A reluctance among workers to change or seek out new roles due to uncertainty over the economic outlook was widely blamed for the latest downturn. Though solid overall, the rate of contraction was amongst the weakest in the current sequence, however.

Despite the deterioration in permanent labour supply across Scotland, staff availability improved across the UK as a whole.



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For the twenty-seventh month in a row, temporary staff availability in Scotland fell in May. The seasonally adjusted index indicated the quickest contraction in three months and one which was sharp overall. According to recruiters, a preference among workers for permanent roles had reduced the pool of available candidates.

The decrease in temp worker supply in Scotland contrasted with a solid expansion at the UK level.

### **Starting salary inflation cools to 27-month low**

As has been the case since December 2020, average starting salaries awarded to candidates in permanent roles rose in Scotland midway through the second quarter. Increased efforts to secure talent drove the latest upturn in pay, anecdotal evidence suggested. That said, the pace of salary inflation was the softest in 27 months and below the historical average.

Additionally, the rate of growth in permanent salaries across the UK as a whole outstripped that seen in Scotland.

Hourly pay rates for temp workers across Scotland rose during the latest survey period. The respective seasonally adjusted index fell slightly after having hit a three-month high in April, but continued to signal a sharp rise in pay overall. The rate of temp wage growth was also slightly quicker than that seen across the UK as a whole.

### **Slowdown in growth of demand for permanent staff**

The latest survey data signalled a solid rise in demand for permanent staff in Scotland. IT & Computing registered the strongest increase in permanent vacancies across the monitored sectors, followed by Nursing/Medical/Care.

However, similar to the trend observed at the UK level, overall growth of demand across Scotland cooled as permanent job openings grew at the softest pace in 27 months.

Demand for temporary workers fell solidly in Scotland during May, with the rate of decrease accelerating from that seen in April. This extended the current run of contraction to five months. Moreover, the reduction contrasted with a slight improvement in demand across the UK as a whole.

At the sector level, Engineering & Construction and Executive & Professional reported the strongest decreases in temp vacancies.



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## **COMMENT**

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

*“The latest survey data indicate that labour market conditions across Scotland continued to cool as economic uncertainty weighed on hiring activity and limited worker movement. At the same time, growth of demand for permanent workers weakened, while temp vacancies dropped further. In terms of pay, starting salaries and hourly wages rose as firms increased their pay offers to secure high calibre workers. However, in line with the weaker demand trends, latest data signalled an easing of overall pay pressures, with both starting salary and hourly wage inflation moderating in May.*

*“However, it's also worth noting that the downturn in permanent placements eased notably on the month. There were some reports of successful recruitment which helped soften the pace of decline, providing some encouragement. Whether this relative improvement is short-lived, or an indication of future growth, is hard to gauge, but greater confidence in the market will be required to support a sustained recovery.”*

## **ENDS**

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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.

May data were collected 11-24 May 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](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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