

EMBARGOED UNTIL 01:01 10 February 2022

Royal Bank of Scotland Report on Jobs

Near-record increase in permanent placements in January

- **Upturn in permanent placements accelerates to near-record pace**
- **Temp billings rise again, but upturn remains modest**
- **Vacancy growth cools further, but remains robust**

Scotland's labour market saw a further rise in hiring activity at the start of 2022, according to the latest Royal Bank of Scotland Report on Jobs. That said, there were signs of a shift towards permanent roles, as the rate of increase in permanent staff appointments accelerated to the second-fastest on record, while the latest upturn in temp billings was only mild. Meanwhile, demand for staff remained historically elevated though the rates of vacancy growth cooled from December. Nonetheless, candidate availability deteriorated rapidly again. As a result, there was further upwards pressure on pay. Notably, the rate of permanent starters' salary inflation remained close to November's all-time peak.

Near-record increase in permanent placements

Recruiters across Scotland recorded a thirteenth successive monthly uplift in permanent placements during January. Panellists attributed the upturn to strong demand for staff and increased activity at Scottish companies. Moreover, the rate of expansion was the second-fastest on record, behind only August 2021, and rapid overall.

Scotland also recorded a quicker rise in permanent staff appointments than on average across the UK as a whole in January.

As has been the case in each month since September 2020, temp billings across Scotland rose in January. That said, the rate of increase eased further at the start of the year, with the upturn the weakest since 2016 and only mild overall. According to survey respondents, demand for temp staff was relatively subdued, and some candidates and firms expressed a preference for permanent roles.

Across the UK as a whole, temp billings rose at the quickest rate for four months, with the upturn markedly outpacing that in Scotland.

Permanent candidate availability declines at weakest pace since last May

The supply of permanent staff across Scotland continued to fall in January, amid reports of strong demand for workers and skills shortages. The rate of decline eased sharply since December and was the slowest for eight months, albeit still marked by historical standards.

The rate of decrease in permanent staff supply in Scotland was also weaker than the UK-wide average in January.

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Scottish recruiters signalled a further reduction in temp candidate availability during January, stretching the current sequence of decline to 11 months. IR35 changes, Brexit and COVID-19 were all cited as drivers of the latest fall, while there were also mentions that some candidates were switching to permanent roles due to strong demand. The rate of decline eased slightly on the month, but was nonetheless amongst the steepest on record and quicker than that seen across the UK as a whole.

Rate of permanent starters' salary inflation holds close to survey record

January data highlighted a further rise in average salaries awarded to permanent new joiners across Scotland, extending the current sequence of increase to 14 months. Strong demand for staff, coupled with issues finding talent, drove the latest upturn, according to anecdotal evidence. Notably, the rate of salary inflation remained close to November's peak, easing only slightly since December.

For the fourteenth time in as many months, average hourly pay rates for short-term staff across Scotland rose in January. Panellists attributed the latest increase to strong demand for staff. That said, the rate of increase was the slowest since last July, albeit still marked in the context of historical data.

Permanent vacancy growth cools to nine-month low

As has been the case in each month since February 2021, recruiters in Scotland signalled an upturn in demand for permanent staff during January. Although marked and quicker than that recorded for the UK as a whole, the rate of vacancy growth in January was the slowest for nine months.

Across the monitored job categories, IT & Computing saw the steepest rise in vacancies, followed by Accounts & Financial.

January data highlighted a further rise in the number of temporary vacancies across Scotland, extending the current sequence of increase to 16 months. The rate of growth cooled further at the start of the year, however, with the latest upturn the weakest since last March, albeit still sharp by historical standards.

The IT & Computing sector registered the fastest rise in vacancies of the eight monitored sectors in January.

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COMMENT

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

“The opening month of 2022 saw some shifting trends across the Scottish labour market. Permanent staff appointments increased at a near-record pace, with the latest upturn outstripping the UK-wide average by a notable margin.

“There was a different story for temporary staff, however, as the rate of increase in temp billings slowed and was only mild, with respondents noting that a number of candidates and firms were favouring permanent roles as confidence around the economic outlook strengthened.

“Meanwhile, rates of vacancy growth cooled slightly, and the supply of staff continued to decline steeply, for temp candidates in particular.

“Overall, the data suggest that the labour market remains on a strong footing as we head further into 2022, and any shift from short-term to permanent positions suggests firms are now more confident in the recovery and are pressing on with hiring plans to meet rising customer demand.”

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 IHS Markit, 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.

January data were collected 12-25 January 2022.

IHS Markit 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 IHS Markit. 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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