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Royal Bank of Scotland Report on Jobs

Permanent staff hires fall for first time in 20 months

- **Permanent placements fall for the first time since December 2020**
- **Temp billings growth softens to seven-month low**
- **Sustained pressure on pay amid candidate shortages**

August data revealed a renewed fall in permanent staff hires across Scotland, according to the latest Royal Bank of Scotland Report on Jobs survey. The seasonally adjusted Permanent Placements Index fell below the 50.0 no-change mark, to signal a modest drop in permanent staff appointments that ended a 19-month period of expansion. Growth in temp billings meanwhile moderated to a seven-month low in August. According to panellists, skills and candidate shortages weighed on hiring activity. However, some recruiters also noted that an economic slowdown and rising market uncertainty added to the loss of momentum across the Scottish labour market. At the same time, demand for staff continued to rise, which drove further increases in both starting salaries and hourly wages.

Permanent placements fall for first time since December 2020

Scottish recruiters reported a fall in permanent staff appointments during August, thereby ending a 19-month period of expansion. Anecdotal evidence suggested that the contraction stemmed from a slowdown in market conditions and candidate shortages.

Though only modest, the reduction in Scotland contrasted with the trend seen across the UK as a whole, which saw a slightly quicker increase in permanent placements in August.

Temporary staff billings across Scotland increased for the twenty-fourth successive month during August. Though solid, the rate of expansion eased to the slowest since January and was below its long-run average. The uptick in temp billings was in part attributed to increased activity at clients. Where a reduction was reported, panellists cited, lingering COVID-19 impacts and rising economic uncertainty.

Moreover, the rate of increase in Scotland was weaker than that seen across the UK as a whole.

Decline in permanent candidate availability weakest since March

August data highlighted a further reduction in the supply of permanent candidates across Scotland. The respective seasonally adjusted index has now posted below the neutral 50.0 threshold for the nineteenth month running. Acute skill and candidate shortages were linked to the latest decline.

However, though the extent to which permanent staff availability contracted was the slowest in five months, it remained sharper than the UK-wide trend.

The availability of candidates to fill temporary roles in Scotland continued to decline during August, stretching the current run of contraction that began in March 2021. However, the rate of deterioration eased for the third month running and was the slowest since March.

Compared to the UK-wide average, Scotland registered a faster fall in temp candidate availability for the fifth successive month.

Starting salary inflation remains elevated in August

Recruitment agencies across Scotland reported a twenty-first consecutive monthly rise in salaries awarded to new permanent joiners during August. The rate of starting salary inflation quickened fractionally from July and was sharp, albeit the second-softest in 13 months. According to Scottish recruiters, labour shortages drove up salaries.

However, Scotland continued to record a softer rate of increase in starting salaries than that seen at the UK level.

August data revealed yet another sharp increase in average hourly pay for short-term staff across Scotland. The latest uptick extended the current run of expansion to 21 months. Moreover, the rate of growth picked up from July and was the second-fastest since December 2021. According to anecdotal evidence, firms continued to raise wages to attract workers amid labour and skill shortages.

Temp pay also increased at a quickened rate at the UK level during August, albeit one that remained weaker than that seen in Scotland.

Softest increase in demand for permanent staff for 17 months

Adjusted for seasonal variation, the Permanent Vacancies Index posted above the neutral 50.0 level to signal a nineteenth successive monthly increase in demand for permanent workers across Scotland during August. Though sharp and well above the series average, the rate of growth was the weakest since March 2021.

Of the eight monitored sectors, Nursing/Medical/Care saw the strongest upturn in permanent staff vacancies, followed by IT & Computing.

Demand for temporary staff in Scotland rose for the twenty-third month in a row during August. The respective index indicated a strong increase demand overall that was unchanged from July. Notably, the rate of expansion continued to outpace that seen across the UK as a whole.

Engineering & Construction recorded the fastest rise in temp vacancies across the monitored sectors, followed by IT & Computing.

News Release

COMMENT

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

"Since April, growth in permanent placements had softened, and now the latest data finally recorded the first fall in permanent staff hires in 20 months during August. A loss of momentum was also observed for temp billings, which rose at the softest pace since January. The weaker trends were accompanied by reports that rising economic uncertainty had limited recruitment activity.

"Moreover, labour supply and demand imbalances persisted. Acute skill and labour shortages weighed on the availability of candidates, while demand for labour continued to rise, albeit not as quickly as earlier in the year. With firms competing for labour, this resulted in further steep increases in starting salaries and temp wages during August."

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.

August data were collected 12-24 August 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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