

EMBARGOED UNTIL 01:01 08 July 2022

Royal Bank of Scotland Report on Jobs

Permanent placement growth softens amid ongoing staff shortages

- **Softest increase in permanent staff hires since February 2021**
- **Vacancy growth moderates for second month running...**
- **...but rates of starting pay inflation quicken**

Scottish recruiters recorded a further expansion in hiring activity during June, according to the latest Royal Bank of Scotland Report on Jobs survey. Permanent placements and temp billings both rose at historically sharp rates. That said, the latest upturn in permanent staff appointments was the softest in 16 months. Latest data also signalled a further fall in staff availability, while demand for workers rose at a reduced, but still marked rate. As a result, both starting salaries and temp pay rose sharply in June.

Permanent placement growth slows further in June

June data revealed a rise in permanent placements, thereby extending the current run of expansion to one-and-a-half years. Panellists noted that greater client activity and growth in vacancies had driven the latest upturn in permanent staff appointments. Though sharp, the rate of expansion eased for the third month running and was the softest in 16 months.

Scottish recruitment agencies indicated a twenty-second monthly rise in temp staff billings during June. The pace of increase quickened from May's four-month low, to signal strong growth overall. However, compared to the UK-wide average, the Temporary Billings Index reading for Scotland underperformed for the second month running.

Permanent staff availability contracts severely in June

Another drop in permanent staff availability across Scotland was recorded in June. While the downturn eased considerably from May's all-time record, the rate of contraction remained sharp overall. Ongoing skill shortages, a competitive labour market and Brexit were all linked to the latest decrease.

Labour shortages were also apparent across the UK as whole during June, though the drop in permanent staff availability was not as severe as that seen for Scotland.

The availability of temporary candidates shrank further during the latest survey period. The rate of decline softened from May's recent low but remained marked overall. Some recruiters mentioned that staff supply had fallen as a number of companies were raising pay in efforts to retain staff and some people had a preference for permanent roles.

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The rate of decrease in Scotland was faster than the UK average, despite the latter having quickened on the month.

Starting salary inflation quickens to three-month high

According to the latest survey data, starting salaries rose across Scotland in June. This extended the current period of pay inflation to 19 months. The latest upturn was the fastest since March, when inflation hit a record high. The surge in pay reflected ongoing candidate and skills shortages amid greater demand for staff, which all placed upward pressure on pay.

The rate of increase across Scotland was faster than that seen for the UK as a whole.

Recruiters across Scotland noted a robust rise in average hourly wages during June. The respective seasonally adjusted index increased from May to post an eight-month high. The latest rise was driven by skills shortages and companies bumping pay to attract workers amid staff shortages.

For the first time since September 2021, the rate of temp wage inflation across Scotland was quicker than that seen across the UK as a whole.

Demand for permanent staff rises at softer pace in June

Permanent vacancies across Scotland expanded for the seventeenth month running during June. That said, the pace of increase eased for the second consecutive month to the slowest recorded since February.

At a sectoral level, the strongest upturns in demand were seen across IT & Computing and Engineering & Construction.

As has been the case for the last 21 months, recruiters across Scotland reported another rise in temporary vacancies. While the rate of increase was the softest for three months, the upturn across Scotland was quicker than that seen for the UK as a whole.

Engineering & Construction and IT & Computing posted the fastest rises in temp staff demand in June.

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COMMENT

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

"For the second month running we have seen a slowdown in permanent staff hiring across Scotland in June. While the latest upturn was only slightly softer than that seen in May, it was nonetheless the weakest increase in permanent staff appointments since February 2021. However, temp billings grew at an accelerated rate during June, after the respective index hit a four-month low in May.

"June data also highlighted that demand for labour increased strongly, though rates of vacancy growth did ease compared to May. As a result, increases in starting pay remained sharp, with both salaries and wages rising at a faster rate than compared to the preceding month.

"Low staff availability and skills shortages meant that the labour market remained unfavourable for the employer during June, who are having to increasingly up pay offers in order to attract and secure staff with the right skills."

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.

June data were collected 13-24 June 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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