Royal Bank of Scotland Report on Jobs

Permanent placements fall for first time in four months

- Temp billings fall at quickest rate for over a decade
- Vacancy growth softens
- Staff availability deteriorates further

According to the latest Royal Bank of Scotland Report on Jobs, permanent staff appointments declined for the first time since last October in February, amid reports of candidate shortages and muted demand for staff. Temp billings also fell and at the quickest rate since April 2009. At the same time, growth of demand for staff softened, while candidate availability deteriorated at a weaker pace.

Recruitment agencies in Scotland highlighted the first drop in permanent placements for four months in February. Some panellists linked the reduction, which was mild, to subdued client demand and a lack of suitable candidates.

Moreover, the fall in Scotland contrasted with the trend seen for the UK as a whole, where permanent appointments rose at the quickest rate since December 2018.

Meanwhile, temporary staff billings across Scotland declined at the quickest pace for over a decade. Temp billings also fell at the UK level in February, although the rate of decline was softer than that seen in Scotland and only fractional.

February data signalled a further increase in demand for permanent staff across Scotland. That said, the rate of vacancy growth was among the softest since early-2013 and only modest, with the increase at the UK level quicker than that seen in Scotland.

Temporary vacancies also expanded again during February. However, the increase was the softest since January 2012 and only mild.

Pay pressures across Scotland strengthened during February. Salaries awarded to permanent new starters increased at the fastest rate for four months and sharply overall. Nonetheless, the rate of inflation at the UK level outpaced that recorded in Scotland.
At the same time, average hourly pay rates also rose at a quicker pace midway through the first quarter. Moreover, the rate of wage inflation was the quickest for three months, albeit softer than that seen across the UK as a whole.

As has been the case in each month since March 2012, the availability of permanent candidates fell during February. Despite easing to the least marked in nearly three years, the rate of decline remained sharp overall.

The supply of temp candidates also fell in February, extending the current sequence of contraction to just over three years. The latest fall, albeit solid, was the softest for four months.

In both cases, the supply of candidates in Scotland fell more quickly than across the UK as a whole.

**COMMENT**

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

“Permanent placements in Scotland fell for the first time since last October during February, with recruiters often blaming this on candidate shortages but also muted demand for staff. Moreover, this contrasted with the more upbeat picture at the UK level, where permanent appointments rose at the sharpest pace since December 2018. Temp billings in Scotland meanwhile fell at the steepest rate for over a decade in February, which was partly linked to the upcoming implementation of IR35 legislation.

“Meanwhile, growth of demand for staff eased, which alongside falling placements, indicates a softening of the Scottish labour market midway through the first quarter of the year. Permanent vacancy growth was among the slowest since early-2013 in February, whilst demand for temp staff expanded at the softest pace for over eight years.”

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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.

February data were collected 12-24 February 2020.

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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