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Royal Bank of Scotland Report on Jobs

Upturn in permanent placements gains momentum in December

- **Fastest upturn in permanent staff appointments since September**
- **Temp billings rise at weakest rate in 16 months**
- **Vacancy growth eases, but remained marked**

Hiring activity across Scotland continued to increase in December, according to the latest Royal Bank of Scotland Report on Jobs. Permanent placements rose at the steepest pace for three months amid reports of strong demand for staff, however, pandemic-related concerns weighed on the amount of work available for short-term staff, according to survey respondents, with the rate of increase in temp billings easing to the weakest since the current period of expansion began in September 2020. At the same time, vacancy growth slowed further, although demand for staff continued to rise at a marked pace by historical standards, while candidate availability dropped steeply again. Subsequently, pay pressures remained intense.

Fastest rise in permanent placements since September

December data pointed to a further rise in the number of permanent staff appointments across Scotland, stretching the current sequence of expansion which began in January 2021. Improved confidence and stronger demand for staff were cited by respondents as drivers of the latest uplift. Moreover, the rate of increase accelerated to a three-month high and was sharp overall, and outpaced the UK-wide average.

Recruiters across Scotland recorded another uplift in temp billings during December, amid reports of strong demand for candidates. That said, the rate of increase slowed sharply to the weakest in the current 16-month sequence and was modest overall, with some panellists noting that COVID-19 had weighed on the amount of short-term work available.

The latest rise in temp billings in Scotland was also noticeably weaker than the UK average in December.

Permanent staff supply drops markedly again, but rate of decline slows noticeably

Scottish recruiters signalled another reduction in the availability of permanent candidates in December, extending the current sequence of decline to 11 months. Although among the fastest on record, the rate of decrease in permanent staff supply slowed notably from November's record and was the weakest since July. Panellists attributed the latest fall to strong demand for staff, Brexit, COVID-19 and uncertainty around the outlook.

For the tenth time in as many months, the supply of temp candidates across Scotland declined in December. Strong demand for staff, Brexit, IR35 and the COVID-19 pandemic were all cited by survey respondents as drivers of the latest fall. Notably, the rate of reduction was the quickest for four months and marked, and also outpaced the average seen for the UK as a whole.

Rapid increase in permanent starters' salaries in December

A thirteenth straight monthly rise in permanent starting salaries across Scotland was recorded in December. Skills shortages led firms to raise their salary offerings, according to anecdotal evidence. Moreover, the rate of salary inflation eased only slightly from November's all-time peak and was rapid.

Salaries awarded to permanent new joiners across the UK also rose in December, with the rate of increase broadly similar to that seen in Scotland.

As has been the case in each month since December 2020, recruiters across Scotland reported an increase in average hourly pay rates for short-term staff during the final month of 2021. According to respondents, a shortage of available candidates had driven up rates of pay. The rate of increase was the slowest since July, albeit still sharp overall and similar to that seen at the UK level.

Demand for permanent staff rises further, but rate of increase weakens since November

December data highlighted a further increase in permanent vacancies across Scotland, stretching the current sequence of growth that began in February 2021. Though still marked by historical standards, the latest rise was the slowest since April.

IT & Computing recorded the sharpest upturn in permanent vacancies across the monitored job categories in December, followed by Nursing/Medical/Care.

Recruiters across Scotland signalled a further uplift in demand for temporary staff during December, extending the current sequence of increase to 15 months. The latest increase was marked overall and outpaced the UK average, but was nonetheless the slowest since April.

Across the monitored sectors, Blue Collar recorded the fastest increase in demand for temp staff in December, followed by IT & Computing.

News Release

COMMENT

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

“December data provided some mixed signals for the Scottish labour market. Permanent staff appointments rose at the steepest rate for three months, but the upturn in temporary billings eased significantly from November, with the rate of increase the weakest in the current 16-month sequence of growth.

“Following a survey-record upturn in hiring activity during the third quarter, the data suggests a cooling of momentum at the end of 2021. Nonetheless, recruitment activity remains robust by historical standards and demand for staff remains marked. Although in a strong position at the turn of the year, the possibility of stricter lockdown measures is a key concern for the labour market, and we are already seeing hints that the Omicron variant has weighed on hiring as we enter 2022.”

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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News Release

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.

December data were collected 06-17 December 2021.

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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