Royal Bank of Scotland Report on Jobs

Labour market conditions remain weak as lockdown continues

- Further rapid falls in permanent placements and temp billings
- Starting salaries drop at record rate
- Substantial reduction in demand for staff

Permanent placements and temporary billings continued to fall sharply across Scotland in May. Furthermore, the rates of decline were the second-quickest in the survey’s history, having eased only slightly from record rates seen in April. Meanwhile, salaries awarded to permanent new joiners continued to fall, with the latest reduction the quickest on record. Demand for staff declined further, with the drop in both permanent and temporary vacancies historically marked, despite easing from April.

Further rapid fall in permanent staff appointments

Recruitment consultants across Scotland signalled a further rapid fall in permanent placements in May, which extended the current sequence of decline to four months. According to respondents, many firms had continued to place hiring decisions on hold due to substantial uncertainty surrounding the coronavirus pandemic. The drop in May was not as quick as that seen in the previous survey period, but was still severe and the second-steepest in over 17 years of data collection.

Temp billings across Scotland declined in May, as has been the case in each of the past six months. The pace of reduction softened from April’s record, but was still the second-quickest in the series history and marked overall. Panellists linked the fall to the COVID-19 pandemic and subsequent drop in demand for staff.

Permanent labour supply falls at softest rate in 44 months

Recruiters in Scotland signalled a reduction in the availability of permanent candidates during May, as has been the case in each month for over eight years. That said, the latest fall was the softest since September 2016 and only modest overall. Some panellists reported that redundancies resulting from the coronavirus pandemic had increased the number of available candidates.

Latest survey data indicated a back-to-back monthly increase in the availability of temporary candidates in Scotland during May. Respondents frequently linked the rise to job cuts and redundancies amid the COVID-19 pandemic, which resulted in a higher number of job...
seekers. Furthermore, the increase in the supply of temporary staff was the quickest since August 2010 and substantial overall.

**Permanent salaries fall at quickest pace on record**

May data highlighted another fall in salaries awarded to permanent new joiners in Scotland during May, extending the current sequence of decline to two months. Moreover, the reduction in starting salaries was the most severe since data collection began in January 2003.

Recruitment agencies in Scotland reported a further reduction in average hourly pay rates for short-term staff in May, with the rate of decline the quickest since April 2009 and marked overall.

**Permanent staff demand declines at second-quickest pace on record**

May data highlighted a reduction in permanent vacancies in Scotland, as has been the case in each of the past three months. The rate of decline was the second-quickest on record and rapid overall, and exceeded only by the drop in April.

Recruitment consultants in Scotland signalled a third successive monthly reduction in temporary vacancies during May. The rate of decline softened from April’s record, but was nonetheless the second-sharpest in the series more than 17-year history.

**COMMENT**

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

“The Scottish labour market continued to face extremely challenging conditions in May, as lockdown restrictions to combat the COVID-19 pandemic continued. Both permanent staff appointments and temp billings continued to fall rapidly, with the declines the second-quickest on record after April.

“Meanwhile, demand for staff continued to drop substantially amid heightened uncertainty over the outlook, while firms reduced pay rates to minimise costs. Permanent starting salaries declined at the quickest rate on record and temp pay rates fell to the greatest extent since April 2009.

“Government support and furlough schemes have been vital to steadying the labour market, but it will be an immense challenge to get business back on its feet and for economic conditions to recover from the pandemic.”

**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](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.

May data were collected 12-22 May 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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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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