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Royal Bank of Scotland Report on Jobs

Hiring activity falls at a softer rate in July

- Permanent staff appointments contract at softer, but still marked, rate
- Slowest reduction in temp billings since January
- Rising staff supply adds further downward pressure on pay

Scottish labour market conditions remained challenging in July, with hiring activity continuing to contract substantially overall. That said, the pace of the downturn softened further, with permanent appointments and temporary billings falling at the slowest rates since February and January, respectively. Meanwhile, there was further downward pressure on pay, as the number of available candidates rose again amid ongoing job cuts. Permanent starting salaries fell rapidly during July, despite the rate of decline easing since June, while the reduction in temp wages was among the quickest on record.

**Slower, but still marked, drop in permanent appointments**

The seasonally adjusted Permanent Placements Index posted well below the crucial 50.0 neutral mark in July to signal a further marked drop in permanent staff appointments in Scotland. That said, the index made up a further 12.6 points from June and indicated the softest reduction since February. Some panellists reported that looser COVID-19 related restrictions had led more companies to reopen and resume hiring, but that the pandemic continued to suppress overall recruitment.

A similar trend was observed at the UK level in July, where the decline in permanent placements also eased. The fall in Scotland continued to outpace that at the national level, however.

Latest survey data highlighted an eighth successive monthly reduction in temp billings across Scotland. The latest decline was the softest since January, albeit still sharp overall. Although there were still frequent mentions of delaying hiring decisions, some respondents noted that the easing of restrictions had led firms to take on additional short-term staff.

The fall in temp billings also eased at the UK level in July, with the overall reduction softer than that seen in Scotland.

**Further substantial increase in permanent candidate availability**

Recruiters in Scotland signalled a back-to-back monthly increase in the supply of permanent staff during July, with the rate of expansion remaining among the quickest on record, despite slowing from June. Panellists frequently associated the uptick to redundancies as a result of the coronavirus pandemic.
July data highlighted a further rise in the availability of temporary candidates in Scotland, extending the current sequence of increase to four months. According to respondents, further lay-offs and company closures resulted in a greater number of job seekers. Moreover, the rate of expansion was the quickest for over 11 years and marked, with growth in Scotland also outpacing that seen at the UK level.

**Reduction in permanent starting salaries eases**

A fourth successive monthly fall in salaries awarded to permanent new joiners was recorded in July as a greater number of available candidates continued to put downwards pressure on pay. The latest decline in starting salaries was the softest for three months, but still marked.

Recruitment consultancies across Scotland signalled a reduction in average hourly wage rates for short-term staff during July, extending the current sequence of decline to four months. Albeit still rapid, the rate of wage deflation was the softest since April.

**Further marked drop in permanent vacancies**

The seasonally adjusted Permanent Vacancies Index registered well below the neutral 50.0 mark in July and signalled a fifth successive monthly reduction in demand for permanent staff. The latest drop in vacancies was the softest since March, but marked nonetheless.

Scottish recruiters highlighted a fifth successive monthly reduction in temporary vacancies during July. That said, the rate of contraction softened further and was the slowest since March. Nonetheless, the reduction in Scotland again outpaced that recorded at the UK level.

**COMMENT**

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

“Latest survey data continue to highlight the immensely challenging conditions encompassing the Scottish labour market at present. Permanent appointments and temporary billings declined further, with the reductions remaining substantial despite easing.

“Although there were frequent mentions that looser restrictions around the COVID-19 pandemic had allowed businesses to reopen, substantial uncertainty and excess capacity is stifling firms’ appetite to take on additional staff. Where they do, feisty competition among candidates for roles is driving pay down further, as both permanent salaries and short-term wages declined markedly again.

“Overall, data are moving in the right direction, with signs that the labour market is edging towards stabilisation, but it is likely that it will take more time before any meaningful recovery takes place.”

**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.

July data were collected 13-27 July 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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