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Royal Bank of Scotland Report on Jobs

Scottish labour market shows signs of weakness as permanent placements fall

- First decline in permanent staff appointments since January 2017
- Permanent staff vacancy growth eases further
- Pay pressures remain robust

According to the latest Royal Bank of Scotland Report on Jobs, permanent staff placements fell for the first time in two-and-a-half years in July. There were signs firms were looking at short-term staff to fulfil roles, as temp billings returned to growth. Demand for temporary staff grew sharply in July, contrasting with the joint-lowest rise in permanent job vacancies since August 2016.

Meanwhile, both temporary and permanent candidate availability continued to deteriorate, leading to a further marked rise in pay pressures.

For the first time since January 2017, permanent staff placements declined in Scotland during July. Scotland has outperformed relative to the UK overall so far this year, but the trends between the two converged in July, as the fall in Scotland matched that seen for the UK as a whole.

However, Scottish recruiters indicated an increased drive towards short-term staff, with strong temp billings growth registered. This was a stark contrast to June, where temp staff billings decreased.

Although permanent job openings in Scotland rose further in July, the rate of growth eased for the fourth month running and was the joint-weakest in close to three years. The slowdown in Scotland was not mirrored across the UK as a whole, which saw an accelerated rise in permanent staff demand, however the rate of growth here was subdued by historical standards.

Signs of an increased shift towards short-term staff was also apparent in vacancies data, which showed the sharpest rise in temporary job vacancies in Scotland since December 2018.

Latest survey data pointed to elevated growth in permanent starting salaries in Scotland. The rate of inflation was unchanged from June and stronger than the average seen over the series history.

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On the other hand, softer growth in temp wage rates was recorded in Scotland during the latest survey period. Although the rate of inflation was the weakest in four months, it was solid overall and on a par with the long-run trend.

The decline in permanent staff placements coincided with a steep and accelerated deterioration in permanent labour supply across Scotland that was among the fastest recorded in the survey history. Temp candidate availability also worsened, however the rate of decline was less severe than it was for permanent workers.

COMMENT

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

“While Report on Jobs data has shown falling permanent placements at the aggregate UK level in each month since March, Scotland had shown resilience to defy this trend and continue posting healthy jobs growth in the first half of the year.

“However, the upturn in permanent staff appointments across Scotland came to an end in July, as permanent hiring fell for the first time in two-and-a-half years. Other indicators also showed signs of a softening labour market. Permanent vacancy growth dipped and was the joint-weakest since August 2016. Firms appeared to look to short-term workers to fulfil roles at their firms. Alongside the renewed rise in temp billings, demand for short-term staff rose at a sharper rate in July.”

ENDS

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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.

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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