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Royal Bank of Scotland Report on Jobs

Permanent placement growth eases to four-month low in April

- Permanent placements grow at softer pace, but temp billings rise sharply
- Steeper drop in candidate supply, as demand for staff strengthens
- Starting pay continues to increase rapidly

The start of the second quarter saw a further marked increase in hiring activity across Scotland, according to the latest Royal Bank of Scotland Report on Jobs survey. That said, the seasonally adjusted Permanent Placements Index slid from 71.7 in March to 65.0 in April, to signal the softest increase in permanent staff appointments in the year to date. In contrast, temp billings expanded at the quickest rate since last September. Recruiters also noted that candidate availability fell more sharply, while demand for staff surged higher during the latest survey period. Consequently, there was further upwards pressure on rates of pay, with both starting salaries and wages increasing rapidly.

Permanent staff appointments rise at slowest pace since December 2021

Recruitment consultancies across Scotland noted a sixteenth successive monthly increase in permanent staff appointments during April. Although marked and quicker than the UK-wide trend, the latest upturn in permanent placements was the slowest in four months. Panellists often mentioned that greater activity at clients and improved market confidence drove the latest upturn in placements.

April data indicated a sharp rise in billings received from the employment of temporary staff at Scottish recruiters. The rate of expansion has now picked up in each of the past three months, with the latest increase the fastest since September 2021. Strong demand for staff, the filling of vacancies and recommencement of projects that had previously been on hold due to COVID-19 were all attributed to the latest upturn.

The rate of increase in temp billings in Scotland was quicker than the UK average, which in contrast to Scotland, slowed slightly in April.

Supply of permanent candidates declines steeply in April

Recruiters across Scotland reported a substantial fall in the availability of permanent candidates during April. The decline extended the current sequence of contraction to 15 months, with the latest drop the quickest in the year to date. Survey respondents often blamed ongoing skills shortages and a reluctance among workers to switch roles due to the pandemic for the latest decline.

Moreover, the rate of decrease in Scotland was faster than that seen at the UK level for the first time in four months.

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As has been the case for the last 14 months, temporary candidate availability dropped during April. The rate of decline quickened from March and was sharp overall. Increased demand for staff and fewer foreign workers were attributed to the latest fall in temporary staff supply.

Scotland registered a slightly quicker decrease in temp candidate numbers than that seen across the UK as a whole.

Rate of permanent salary inflation softens from record-high in March

April data signalled a steep rise in permanent starting salaries across Scotland. Panellists stated that businesses were more willing to increase starting pay for necessary skills amidst a very competitive job market and candidate shortages. Despite easing from the survey record seen in March, the rate of starting salary inflation remained one of the fastest seen since data collection began in 2003.

The rise in Scotland was broadly similar to that seen across the UK as a whole.

Scottish recruiters signalled an increase in average wages for temp staff for the seventeenth consecutive month in April. The rate of inflation slowed to the softest since July 2021 but remained rapid overall. Firms linked the latest rise to low candidate availability and robust demand for workers.

However, the rate of wage inflation remained slower than the UK-wide average.

Permanent vacancies increase at fastest rate in eight months

April data indicated a further increase in permanent vacancies across Scotland. The respective seasonally adjusted index rose for the third month running to the highest since August 2021. Moreover, the rate of increase was steeper than that seen across the UK as a whole.

At the sector level, IT & Computing recorded the fastest expansion in vacancies, followed closely by Engineering & Construction.

Scottish recruiters recorded a nineteenth consecutive monthly rise in temporary staff demand in April. The rate of expansion quickened from March to the sharpest in five months. Moreover, the upturn in temp vacancies outpaced the UK-wide trend.

Of the eight monitored job sectors, vacancies rose at the sharpest rate in Blue Collar, with IT & Computing only fractionally behind.

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COMMENT

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

"April data signalled a further steep rise in hiring activity across the Scottish labour market, marking the sixteenth consecutive month in which permanent staff appointments have increased. Though the latest upturn was a fair bit slower than those seen earlier this year, it indicated a further strong recovery as pandemic-related pressures continued to subside.

"Recruiters also saw growing demand for staff, with both permanent and temporary vacancies expanding at quicker rates than in March, despite reports of difficulties filling roles. Panellists noted acute skills shortages, with the supply of workers shrinking at a much faster pace than in the previous survey period. Subsequently, rates of starting pay continued to increase substantially."

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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Notes to Editors

This report, compiled by S&P Global, 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.

April data were collected 11-25 April 2022.

S&P Global 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 S&P Global. 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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