Royal Bank of Scotland Report on Jobs

Softer rise in hiring activity in October

- Permanent placements rise at slowest pace since March
- Growth of temp billings eases further from August’s peak
- Vacancy growth accelerates to near-record rate

October data pointed to a cooling in the rate of growth of hiring activity across Scotland, following a record upturn in the summer, according to the latest Royal Bank of Scotland Report on Jobs. Both permanent placements and temp billings continued to rise amid reports of strong demand for staff due to the reopening of the economy, but the rates of increase eased to the slowest since March and April, respectively. At the same time, recruiters signalled further steep declines in the supply of both permanent and short-term staff and sharp rates of vacancy growth during October. Panellists reported difficulties finding candidates due to strong demand, COVID-19 and Brexit. Subsequently, pay pressures persisted, as rates of both starting salary and temp wage inflation remained close to their all-time highs, despite easing on the month.

Slowest rise in permanent staff appointments since March

A tenth straight monthly upturn in permanent placements across Scotland was recorded in October, with panellists attributing the latest rise to strong demand for staff. The rate of increase slowed further from August’s all-time peak to the weakest since March, but was nonetheless steep overall.

Recruiters across Scotland recorded a fourteenth consecutive monthly increase in temporary billings during October, amid reports of strong demand for workers, linked in turn to the reopening of the economy. The latest upturn was the slowest since April, but nonetheless among the fastest on record and rapid overall.

Furthermore, Scotland again recorded a quicker rate of increase in temp billings than that seen across the UK as a whole.

Availability of permanent staff drops at near-record pace

For the ninth time in as many months, the availability of permanent candidates across Scotland fell during October. Anecdotal evidence attributed the latest reduction to the pandemic, Brexit, uncertainty among candidates towards switching roles, and surging demand for staff. Moreover, the rate of decrease was the second-fastest on record (after August 2014), and quicker than that recorded for the UK as a whole.
The supply of temporary candidates across Scotland declined further in October, stretching the current sequence of decreasing temp staff availability to eight months. COVID-19, Brexit and strong demand for staff were all cited by panellists as reasons for the latest fall. The rate of reduction accelerated since September and was among the steepest on record, albeit slightly softer than the decline seen at the UK level.

**Rate of permanent starters’ pay inflation remains close to survey record**

Pay pressures remained elevated during October, with permanent starters’ salaries rising for the eleventh time in as many months. Panellists attributed the latest increase to candidate shortages. The rate of salary inflation eased only slightly from September’s all-time peak and was the second-fastest on record and rapid overall.

That said, the rate of increase in Scotland was slower than that registered for the UK as a whole.

Recruiters in Scotland reported a further rise in average hourly pay rates for short-term staff during October, extending the current sequence of inflation which began in December 2020. Difficulties finding candidates combined with strong demand led to the latest uplift in temp wages, according to survey respondents. The rate of increase eased further from August’s survey record, but was still among the quickest since data collection began in 2003.

The UK as a whole meanwhile recorded a faster rise in temp wages, with the rate of increase identical to that seen in Scotland.

**Permanent vacancies rise at near-record pace in October**

October data pointed to a further steep uplift in demand for permanent staff across Scotland. The rate of increase was the second-quickest on record, running close to August’s peak. Additionally, the rate of vacancy growth in Scotland outpaced the UK average by a notable margin.

Across the monitored job categories, IT & Computing registered the strongest increase in vacancies, followed by Engineering & Construction.

For the thirteenth month in a row, recruiters across Scotland recorded an increase in the number of temporary vacancies during October. Moreover, the latest rise was the second-steepest on record (after August), and rapid overall. Scotland also recorded a much faster upturn in temp vacancies than the UK as a whole.

Hotel & Catering reported the strongest rise in temp staff demand during October, followed by IT & Computing.
COMMENT

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

“Following a survey-record uplift in hiring activity during the third quarter, the latest data point to a slight loss of momentum in the Scottish labour market. Permanent placements and temp billings continued to rise steeply, but the rates of increase moderated from September. This was in part due to issues finding candidates, as staff supply dropped at a near-record pace in October, as well as strong demand for workers - reflected in vacancy growth running close to recent peaks.

"With the labour market running hot, supply and demand imbalances may limit firms’ abilities to fill roles in the months ahead, while also pushing firms to up their pay offers in order to secure or even retain staff.”

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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Royal Bank of Scotland has paved the way in banking ever since it was established in 1727. From the world’s first overdraft, and the first house purchase loan by a UK bank, to the first fully-fledged internet banking service and mobile banking app, the bank has a history of making life easier for its customers.

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.

October data were collected 12-25 October 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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