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Robert Half

insights that work

SEPTEMBER 2023

JOBS CONFIDENCE INDEX

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Matt Weston

Senior Managing Director, Robert Half

FOREWORD

When the going gets tough, the tough get going

A saying which rings remarkably true for the resilience of the UK economy. Consider the forecasts in the latter part of 2022. Not only did the UK avoid recession in 2023 so far, but the economy grew by 0.2% in Q2 2023, improving upon the previous quarter. A key contributor has been a healthy labour market defined by low unemployment and a level of vacancies elevated above pre-pandemic norms. Nevertheless, with this comes a problem holding back economic growth. A systemic and chronic skills shortage, and employee retention risks make the management of human capital ever more challenging, especially at a time of wide-spread workforce transformation.

Measuring the economic health of the UK labour market by focusing on worker sentiment towards jobs against a backdrop of key macroeconomic and cultural factors can help identify business-critical workforce trends at large. This is where the Robert Half Jobs Confidence Index (JCI) comes in. Produced in partnership with the Centre for Economics and Business Research (Cebr), the purpose of the Robert Half JCI is to analyse worker confidence through a macroeconomic lens in the context of job creation, security and career progression. In short, our aim is to reveal actionable insights for employers and business leaders into the state and stability of the labour market.

Unprecedented times pose unprecedented opportunities

It is undoubtedly challenging for business leaders to plan with certainty for the long term during the current economic cycle defined by rising borrowing costs, employee cost-of-living challenges and the echoes of an energy crisis. The war for scarce talent is one constant and shows no signs of abating. Our report also shows unprecedented worker confidence in job security, pay and career progression. It is this unusual set of circumstances that makes for a unique labour market, and knowing this, employers can plan. If they do, there are many opportunities to be had.

Better talent is worth fighting for. Unfilled vacancies represent opportunities missed and business growth stifled. The time is now for businesses to re-evaluate their talent strategies and design future-proofed, flexibly scalable and empowered workforces. The key is to start now because employees and job seekers, faced with rocketing costs, have the perfect right to take a step back and assess the many working models they can choose from depending on their individual circumstances and career ambitions.

The shifts we are highlighting are no longer temporary anomalies, but precursors to a new era of work. Following and understanding the labour market trends is equally fundamental for business agility and personal career fulfilment. And in this foreword I will be looking at the key leanings the Robert Half JCI has revealed.

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FOREWORD CONTINUED

The perfect storm of worker confidence

The most notable improvement in the latest JCI data is the rise in confidence. This is principally driven from within the pay confidence pillar, with wage growth finally having outstripped UK inflation, as annual real wages grew positively for the first time since Q1 2022. A limited supply of workers with in-demand skills in finance and tech have led to employers battling it out to gain access to the most sought-after employees. The consequence: counteroffers are up. Employee mobility is high, as self-assured employees, aware of low unemployment rates, seek greater working environments or remuneration elsewhere. The affected businesses consequently need to deal with such talent loss in a tight market, fuelling the wage spiral we are seeing today.

Upbeat consumer confidence and a healthy business optimism in Q2 2023 have resulted in the latest JCI reading of 47.2. This is not only its highest point since Q1 2022, but it also highlights strong job confidence above the normal level (30 is typically considered a high reading). In August, 60% of employees said they feel confident about their job looking ahead to the next six months. And a familiar question remains - despite having secured improvements in remuneration across the board, would flight-risk employees be less inclined to move, or the unresolved skills-shortages still keep them in the driving seat? The answer is not one-dimensional.

With nominal wage growth recently outpacing inflation, business leaders might be less willing to accommodate higher pay expectations going forward. However, the elevated worker confidence could mean many will not hesitate to jump ship should they feel their earning potential is not fully met, yet pay is not the ‘be-all and end-all’ when it comes to employee retention.

And indeed, a robust corporate culture and a tailored retention strategy can be a business’ best friend at this hour.

Retention of human capital 2.0

An industries-wide workforce transformation is underway, with culture and purpose among the key drivers, and technology the key enabler. The shift we are witnessing is significantly altering the way businesses manage, reward and move people through the ranks within their organisations. A seamless employee experience is – and indeed, must be – at the centre. The UK has one of the most diverse, multigenerational workforces and we should take this into account.

The UK has experienced an annual contraction in productivity of 0.6%, yet productivity is so much more than output per hour worked. In a recent study by Robertson Cooper, wellbeing at work has been closely linked to productivity, where the individual’s sense of achieving tasks on a daily basis is also fundamental for retention. To support this, businesses should look into providing employees with the latest tools that can enable them to be more efficient at work. Business leaders can also use employee voice and predictive modelling to identify signs of employees at risk of burnout and prevent it from happening. As per a recent Robert Half survey nearly 40% of employers say heavy workloads are their main concern around retention.

Career development is equally key for retention. Employers tell us they have seen great success with hiring on potential, where tailored upskilling programmes are provided right at the start of employment for junior and mid-level roles. This is likely to have a tremendous impact on employee retention and productivity, while also helping narrow the skills gap. The latest JCI indicates an increase in social mobility, which could signal a trend in more businesses finding the benefit in employing not yet qualified, but coachable workers who can also be a strong cultural plug-in for their business.

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FOREWORD CONTINUED

Beyond pay, bottom-line friendly retention strategies could aid the prevention of further wage inflation, while helping businesses avoid the cycle of having to attract new talent. To work, these strategies need to factor in what matters to employees most, with practical perks and benefits, such as flexible working, layered on top of ethical and sustainable policies, and an inclusive corporate culture.

Employees and jobs seekers – masters of their own destiny

Employees and job seekers have once again given the strong indication they feel secure in their professional future. 41.9% of the JCI survey respondents said they feel confident or very confident about their future career prospects and ability to progress in their career over the coming five years.

It is clear employees are aware of their value in a skills-short labour market and there are many opportunities to be had not only on the front of negotiating better perks and benefits, but also in the context of the exact working model that is most suitable for each individual's circumstances. This could take many forms with varying levels of flexibility, autonomy and remuneration – be it permanent or contract employment types, freelance or on a project basis consulting, as well as apprenticeships for the early-in-career or those looking to reskill in a completely new field, such as tech. In the new world of work and especially at a time when demand for skilled talent outstrips supply, for employees and job seekers who wish to take greater control over their careers the sky is the limit.

The resilience of tech

The September 2023 JCI once again takes the pulse of the tech industry labour market. And as seen in our previous findings, tech skills shortages continue to be the main challenge for the industry, with 47,000 vacancies waiting to be filled as of Q2 2023. Nonetheless, tech remains to be one of the most resilient and attractive sectors to build a career, with average earnings up by 11.1% on the year in Q2 and 74.1% higher than average pay across all industries. Combined with evidence of tech workers having continuously more stable and predictable income compared to other sectors and annual labour productivity growth at 1.2%, the $1 trillion UK tech economy is undoubtedly a global powerhouse. Provided skills shortages are tackled in a structured way involving business, government, academia and the third sector, the tech industry has the potential to be the engine for UK growth.

Looking ahead

Confidence in the economic landscape improved in Q2 2023 as the recession previously anticipated for the first half of the year failed to materialise. Reflected by the JCI's macroeconomic pillar entering positive territory for the first time since Q2 2022, macroeconomic confidence experienced its largest quarterly rise since the pandemic so far. And although the outlook for the rest of 2023 remains underwhelming, the forecasted year-on-year economic expansion of 0.4% represents a more resilient prospect.

As seen previously, and despite the anticipated dip, vacancies will remain at a level above pre-pandemic norms in the second half of the year, expected to stabilise at around 925,000. It seems a tight labour market defined by a war for talent is far from being over and the opportunities lying ahead are as abundant as the challenges. The war for talent may seem like a crisis, but it's an opportunity for you to seize – or squander.

Matt Weston
Senior Managing Director, Robert Half

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Executive Summary

Jobs Confidence Index (JCI) Q2 2023– key findings

- The Jobs Confidence Index (JCI) increased to 47.2 in Q2 2023, its highest level since Q1 2022. It was up by 17.8 points from the previous quarter's reading of 29.4. This marked the second consecutive quarter of increase in the JCI.
- Of the JCI's four pillars, the strongest Q2 2023 reading was seen for job security confidence. At 120.1, the pillar remained strong, with 60.0% of employees stating that they feel confident about their job looking ahead to the next six months.
- The pay confidence pillar made the biggest gains, climbing 70.1 points from Q1 2023, to stand at 33.5, returning to positive territory for the first time since Q1 2022. This has been driven by the return of growing real wages, which has also been reflected in improved consumer confidence.
- The macroeconomic confidence pillar also saw a quarterly rise in its reading. This rose by 24.4 points – the largest rise since Q2 2021 – to stand at 3.0. The pillar enters positive territory for the first time since Q2 2022, highlighting affirmative belief from UK consumers and business in improving economic conditions. However, rising interest rates coupled with high cost of living could contribute to weakened consumer and business confidence in the coming quarters.
- The job search and progression confidence pillar declined marginally by 2.8 points in Q2 2023 but remains strong and comfortably sitting in positive territory.

Technology industry snapshot

- In the technology sector, the average number of unfilled vacancies fell by 40.5% annually in Q2 2023 to 47,000, edging closer to the pre-pandemic 2019 average.
- Meanwhile, the latest data shows that average weekly earnings in the IT sector were up by 11.1% on the year in Q2, marking an acceleration from 8.9% in Q1. Additionally, earnings in the sector were 74.1% higher than average pay across all industries.

Forward-looking commentary

- The UK economy grew by 0.2% in Q2 2023, as slow economic growth continued. GDP is estimated to have grown by 0.5% in June, but weak growth in April and a fall of 0.1% in May contributed to slow growth across the quarter.
- The outlook for the rest of 2023 remains underwhelming but more encouraging than previously projected. Cebr is currently forecasting a year-on-year expansion of 0.4%, upgraded from 0.2% in the last report. The economy has avoided recession so far in 2023, boosting consumer and business confidence in macroeconomic conditions. However, Cebr still believes there is a risk of a recession as we enter 2024.

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SECTION 01

How we built the Robert Half Jobs Confidence Index

How to interpret the indicators

- The Jobs Confidence Index (JCI) is made up of four equally weighted pillars, outlined in the following slides, that each measure a factor which contributes to jobs confidence, these are:
  1. Job security confidence
  2. Pay confidence
  3. Job search and progression confidence
  4. Macroeconomic confidence
- The JCI takes a positive or negative number, where numbers above zero signal that jobs confidence is higher than the long-term average, and numbers below zero show it is lower.
- The JCI can take any number, but it usually stands between -30 and 30, showing that confidence is close to a normal level when it is within this range.
- In times of very high jobs confidence, such as in mid-2021 when the UK economy was bouncing back from the pandemic, the JCI can take much higher readings of above 30. Alternatively, in periods of much lower confidence, such as in the aftermath of the global financial crisis, it can fall below the typical range to stand lower than -30.
- So far, the JCI has never taken a value outside of -80 to 80, showing that values outside of this range would represent an extreme score.

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The most authoritative source of UK labour confidence insights

The Robert Half Jobs Confidence Index (JCI) is uniquely comprised of four pillars that point to the economic health of the UK labour market and the confidence of its participants from a number of perspectives.

- The first pillar is job security. This pillar is driven by the UK unemployment rate, the ratio of vacancies to unemployment, the degree of temporary work, and the self-reported confidence of employees with regard to their job security.
- The second pillar, pay confidence, takes the temperature of the outlook for remuneration. This captures the rate of real (inflation-adjusted) wage growth alongside growth in productivity, which enables long-run wage growth. The pillar also draws on data on the average variance in pay and the share of workers who have variable take-home pay.

INDICATOR	DESCRIPTION	SOURCE
Pillar 1. Job security confidence		
Unemployment rate	Share of the labour force who are out of work and are looking for work	ONS
Labour market tightness	Total number of reported vacancies in the UK as a share of the total number of unemployed people	ONS
Levels of temporary work	Share of employees in temporary work	ONS
Future employment confidence	Share of workers who feel confident about their job security looking ahead to the next six months	Opinium survey of 2,000 UK adults
Pillar 2. Pay confidence		
Real wage growth	Average annual increase in earnings, adjusted for inflation	ONS
Productivity growth*	Annual growth in output per hour worked	ONS
Pay gaps*	Average variance in pay for a given occupational level	Quarterly Labour Force Survey
Job earnings security*	Share of employees whose take-home pay fluctuates from month-to-month	Quarterly Labour Force Survey

* Data availability lagged by one quarter compared to other variables.

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The most authoritative source of UK labour confidence insights

- The third pillar, job search and progression confidence, captures a measure of underemployment (involuntary part-time work), as well as the educational background of workers in the two highest socioeconomic levels. In addition, it is driven by the self-reported confidence of employees with regard to their longer-term career and progression prospects, and the rate of non-student economic inactivity.
- The fourth pillar, macroeconomic confidence, takes a broader look at confidence across the economy. This draws from two Cebr compiled confidence indices, from the perspective of both households (consumers) and businesses.

INDICATOR	DESCRIPTION	SOURCE
Pillar 3. Job search and progression confidence		
Involuntary part-time work	Share of workers in part-time work who want to be in full time work	ONS
Social mobility measured by access to the professions*	Share of workers in the top socioeconomic levels who do not have a degree	Quarterly Labour Force Survey
Career progression confidence	Share of workers who are confident in their future career prospects and progression over the next five years	Opinium survey of 2,000 UK adults
Non-student economic inactivity	Share of the working age population who are economically inactive for reasons other than education	ONS
Pillar 4. UK macroeconomic confidence		
Consumer confidence	How confident consumers are in the economy	YouGov/Cebr Consumer Confidence Index
Business confidence	How confident business leaders feel	BDO/Cebr Business Trends

* Data availability lagged by one quarter compared to other variables.

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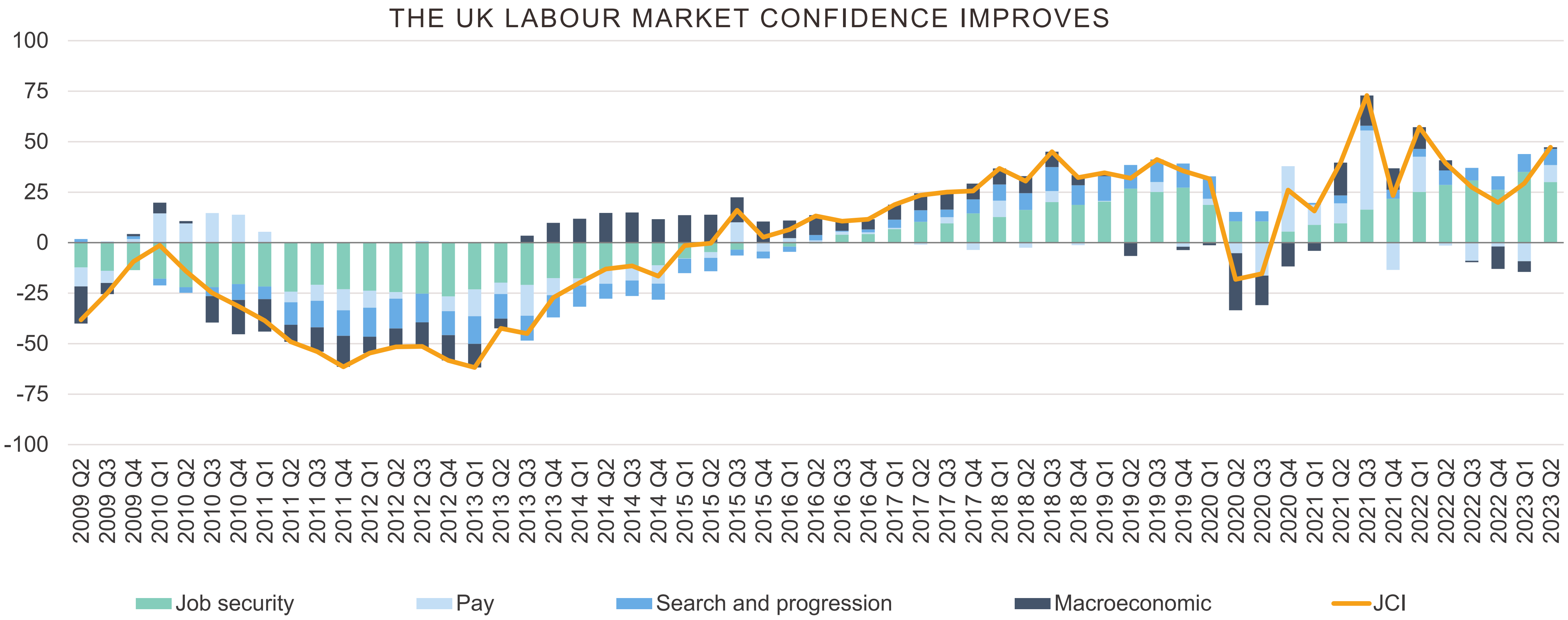
SECTION 02

Robert Half Jobs Confidence Index: Q2 2023

The Jobs Confidence Index & the contributions of its four pillars



The Jobs Confidence Index rose during the second quarter, to 47.2.

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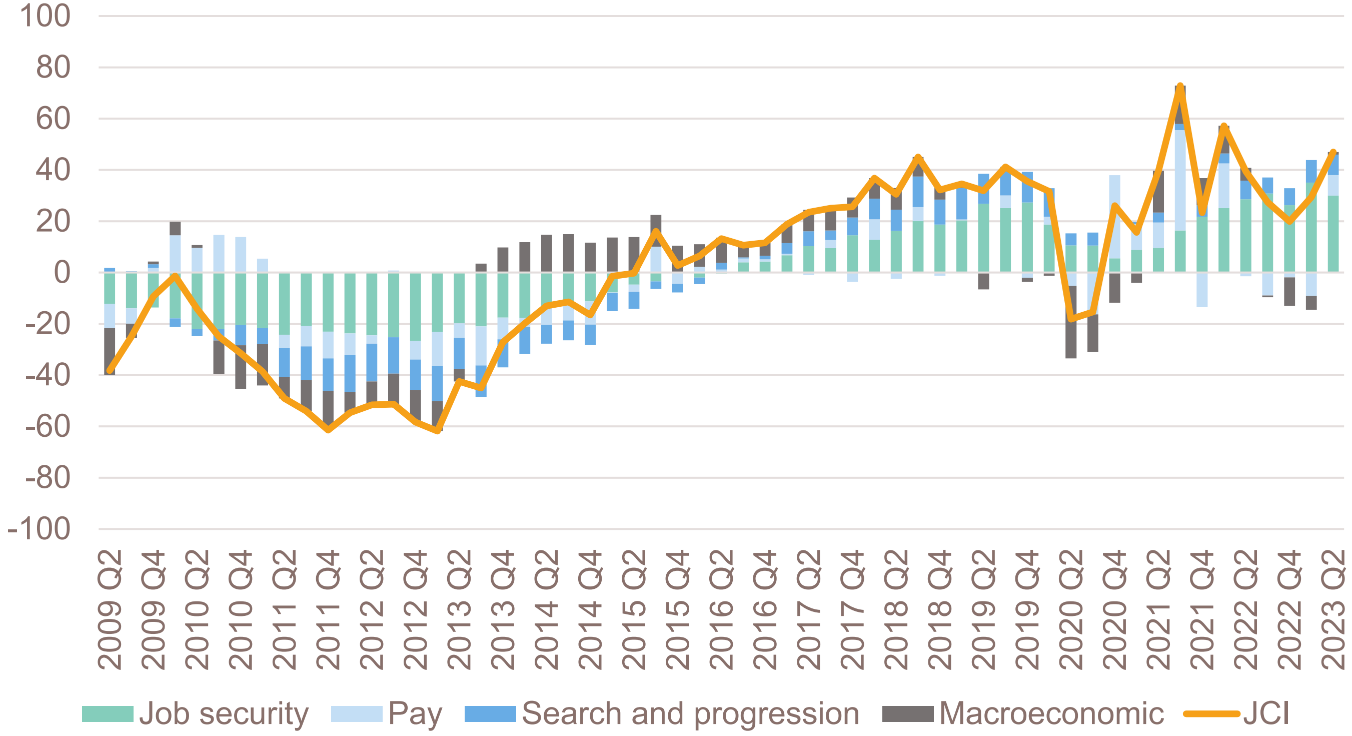
Source: ONS, Opinium survey, YouGov, BDO, Cebr analysis

What does the Jobs Confidence Index reveal?

The Jobs Confidence Index (JCI) increased to 47.2 in Q2 2023, its highest level since Q1 2022. It was up by 17.8 points from the previous quarter's reading of 29.4.

- This marked the second consecutive quarter of improvement in the JCI, highlighting strong job confidence above the normal level.
- Of its four constituent pillars:
  - all four stood in positive territory in Q2 2023, with the pay and macroeconomic pillars making notable improvements.
  - the job security and search & progression pillars recorded lower readings than the previous quarter, however, both remained in positive territory.

The Jobs Confidence Index and the contributions of its four pillars



Source: ONS, Opinium survey, YouGov, BDO, Cebr analysis

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How have the pillars changed over time?

- Of the JCI's four pillars, pay confidence experienced the biggest gain. At 33.5, the pillar was up by 70.1 points on the quarter, **returning to positive territory for the first time since Q1 2022.**
- Despite falling by 20.2 points, the job security confidence pillar posted the strongest Q2 2023 reading, publishing its third highest reading on record.
- The other pillar seeing a quarterly fall in its reading was search & progression confidence. This marginally declined by 2.8 points but stayed firmly above long-term average levels.
- The macroeconomic confidence pillar made strong advancements in Q2 2023, to stand at 3.0, signalling increased positivity toward wider economic conditions.

	Q2 2023	Q1 2023	CHANGE
Job security confidence	120.1	140.3	-20.2 ▼
Pay confidence	33.5	-36.6	70.1 ▲
Search and progression confidence	32.4	35.2	-2.8 ▼
Macroeconomic confidence	3.0	-21.4	24.4 ▲
Jobs Confidence Index	**47.2**	**29.4**	**17.8 ▲**

Source: ONS, Opinium survey, YouGov, BDO, Cebr analysis

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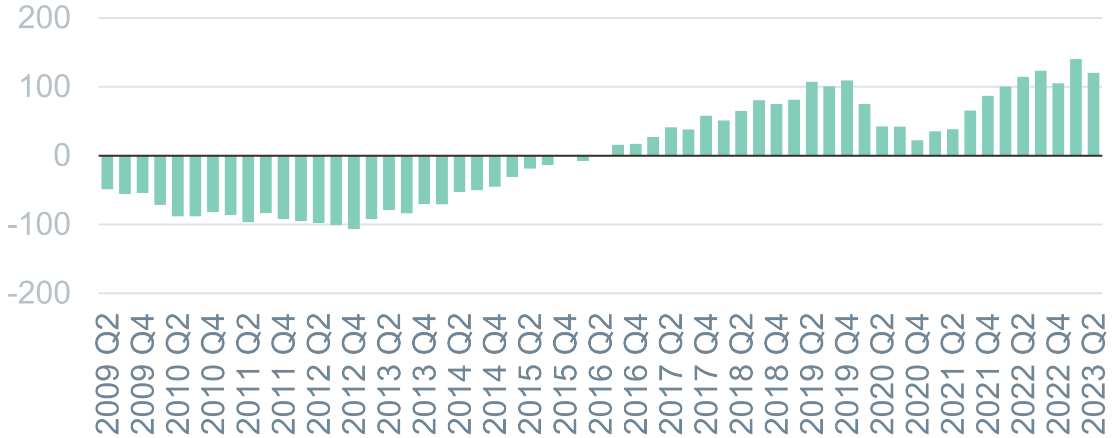
Pillar 1: Job security confidence

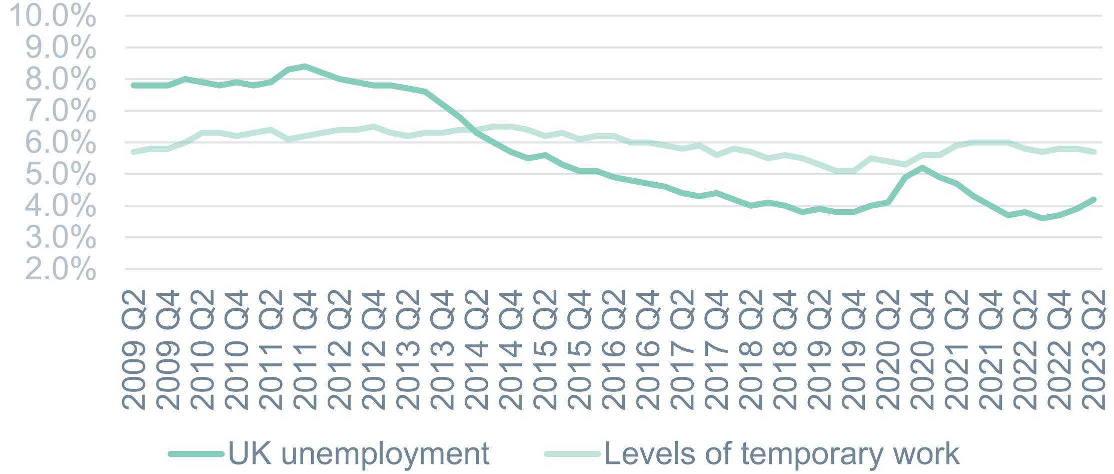
The job security confidence pillar declined but remained high after posting its third highest level on record in Q2 2023, at 120.1 points. The strongest contribution to the pillar's high score came from the future employment confidence indicator.

- Employees job security confidence remained high as 60.0% of employees said that they feel confident about their job looking ahead to the next six months, though this was down from 61.8% in the previous report.
- The levels of temporary work indicator fell marginally from its Q1 2023 level, meaning this indicator had a positive impact on job security confidence in the latest update.
- The unemployment rate ticked up slightly in the second quarter of the year, to 4.2%, up from 3.9% in Q1 2023. However, this is still a low rate by historical standards.
- The number of vacancies per jobless individual decreased in Q2, as the overall number of vacancies fell.

JOB SECURITY CONFIDENCE PILLAR SCORE



UNEMPLOYMENT AND TEMPORARY WORK



Source: ONS, Opinium survey, Cebr analysis

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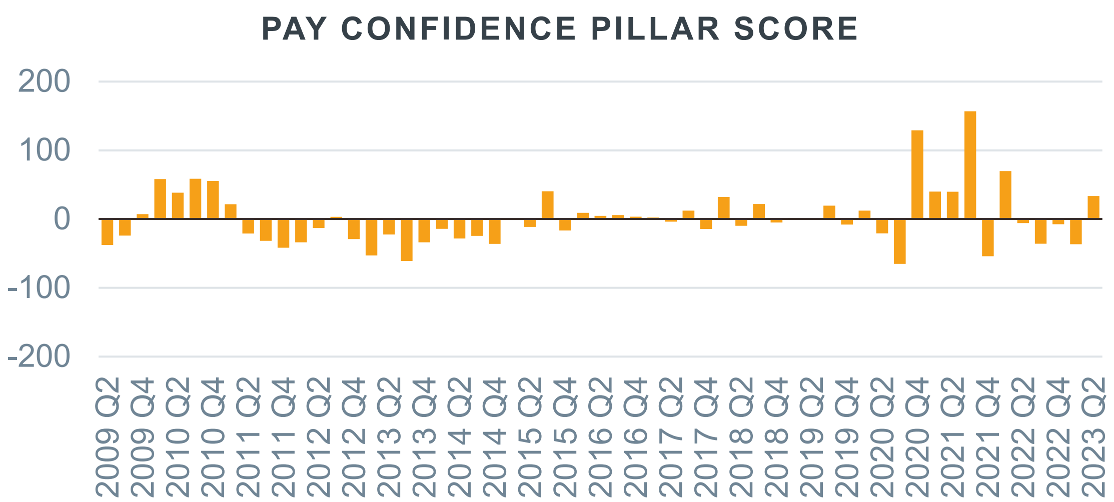
Pillar 2: Pay confidence

Growth in wages finally outstripped UK inflation as annual real wages grew positively for the first time since Q1 2022. This is having a significant positive impact on the pay confidence pillar of the JCI.

- Growth in real earnings is the key driving force behind improvements in the pay confidence pillar as employees are relieved their inflation adjusted wages are finally growing again.
- Another positive development in the pillar came from job earnings security, which continued to improve in the latest data, showing that a smaller share of workers reported having unpredictable wages.
- Falling labour productivity growth and poor figures for pay variance across comparable occupations weighed down on the improvement in the pay confidence pillar. These indicators continue to stand in a weaker position than their long-term average.



Source: ONS, Cebr analysis

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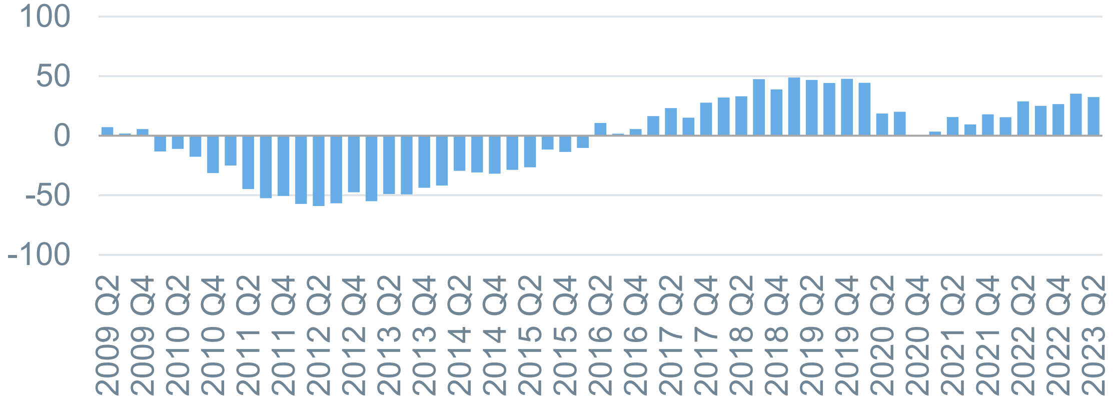
Pillar 3: Job search and progression confidence

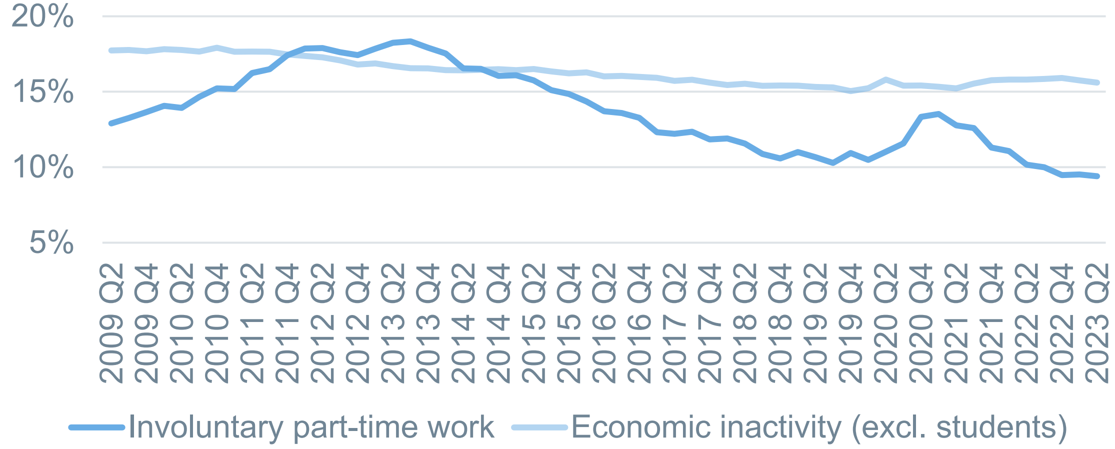
The job search and progression confidence pillar declined marginally by 2.8 points in Q2 2023 but remains strong and comfortably sitting in positive territory.

- This decline stems from a slight fall in career progression confidence. However, improvements made across all other sub-categories meant the pillar continued to report strong figures.
- Overall, 41.9% of survey respondents for the latest wave of the JCI said that they feel confident or very confident about their future career prospects and ability to progress in their career over the coming five years, with 12.4% feeling very confident. Just under a third felt neutral, with 22.6% feeling unconfident. In the Q1 2023 report, 44.5% felt confident about their career progression, demonstrating a slight decline in confidence.
- Our measure of economic inactivity continued to improve in Q2 2023 as more people re-entered the labour market.
- An improved share for involuntary part-time workers and increased social mobility (measured by access to higher professions) contributed positively to the index.

JOB SEARCH AND PROGRESSION CONFIDENCE PILLAR SCORE



INVOLUNTARY PART-TIME WORK AND NON-STUDENT INACTIVITY



Source: ONS, Opinium survey, Cebr analysis

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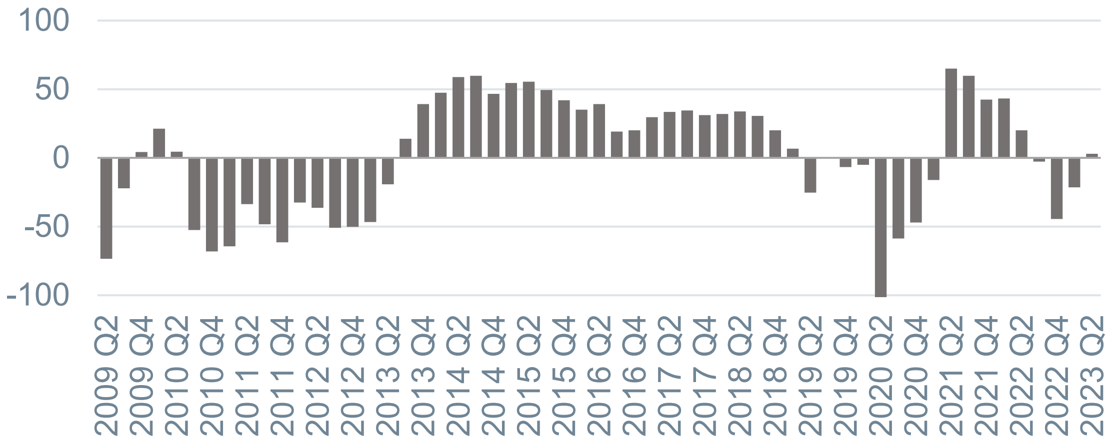
Pillar 4: Macroeconomic confidence

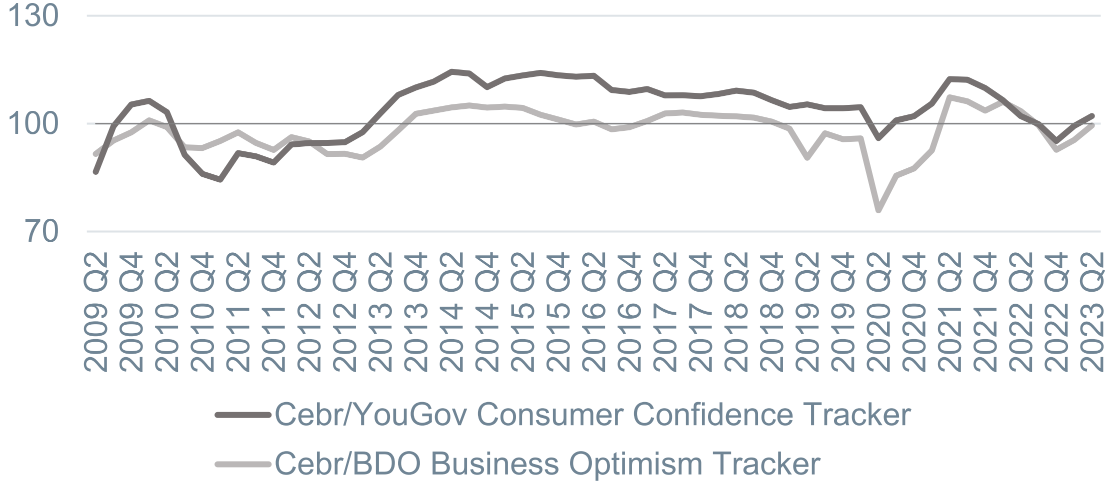
Macroeconomic confidence continued to improve considerably in Q2, for both businesses and consumers. The pillar entered positive territory for the first time since Q2 2022, highlighting affirmative beliefs from UK consumers and business in improving wider economic conditions.

- The macroeconomic confidence pillar rebounded in Q2 2023, rising by 24.4 points to stand at 3.0. This was its largest quarterly rise since the pandemic in Q2 2021.
- The Cebr/YouGov Consumer Confidence Tracker averaged 102.1 in Q2 2023, a reading that demonstrated a respectable rise on the Q1 2023 figure of 99.4, reaching the same level as it did a year prior.
- Meanwhile, businesses optimism also improved in Q2. The Cebr/BDO Business Optimism Tracker averaged 99.5 in Q2 2023, up from 95.4 during the previous quarter. The economic landscape has improved recently as the recession previously anticipated for the first half of the year failed to materialise. This is highlighted by the Optimism Index moving further into positive territory (above 95.0).
- However, it is worth noting consumer and business confidence painted a more downbeat picture in July, with both declining compared to the month prior.

MACROECONOMIC CONFIDENCE PILLAR SCORE



CONSUMER AND BUSINESS CONFIDENCE



Source: YouGov, BDO, Cebr analysis

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SECTION 03

Tech industry snapshot

Tech industry snapshot

Total average weekly earnings in the IT sector were up by 11.1% on the year in Q2 2023, notably higher than the 8.2% growth witnessed across the wider economy. In addition, productivity across the sector grew by 1.2%, despite the whole economy experiencing a contraction of 0.6%.

- At 47,000, the average number of unfilled vacancies in the sector fell by 40.5% annually in Q2 2023, edging closer to the pre-pandemic 2019 quarterly average of 44,000. This compared to a contraction of 20.2% in vacancies across all industries.
- Meanwhile, the latest data shows that, at £1,143, total average weekly earnings in the IT sector were up by 11.1% on the year in Q2, marking an acceleration from 8.9% in Q1. Additionally, earnings in the sector were 74.1% higher than average pay across all industries and saw a higher annual growth rate.
- The share of employees with a temporary work arrangement rose by 0.5 percentage points on the quarter in Q1 to stand at 4.4%. Meanwhile, the share of IT workers reporting fluctuating pay in Q1 2023 stood at 5.3%. This was up from 4.9% in Q4 2022 and compared to a share of 5.6% across all sectors.
- Annual labour productivity growth looks downbeat at face value, falling by 1.4 percentage points to 1.2% in Q1 2023. However, compared to the whole economy which experienced a contraction in productivity of 0.6%, this figure looks significantly better.

	Q2 2023	Q1 2023	CHANGE (% points)
Annual growth in vacancies	-40.5%	-31.2%	-9.3 ▼
Annual earnings growth	11.1%	8.9%	2.2 ▲

	Q1 2023	Q4 2022	CHANGE (% points)
Temporary worker share*	4.4%	3.9%	0.5 ▲
Annual labour productivity growth*	1.2%	2.6%	-1.4 ▼
Fluctuating pay share*	5.3%	4.9%	0.4 ▲

* Latest data available for Q1 2023

Source: ONS, Cebr analysis

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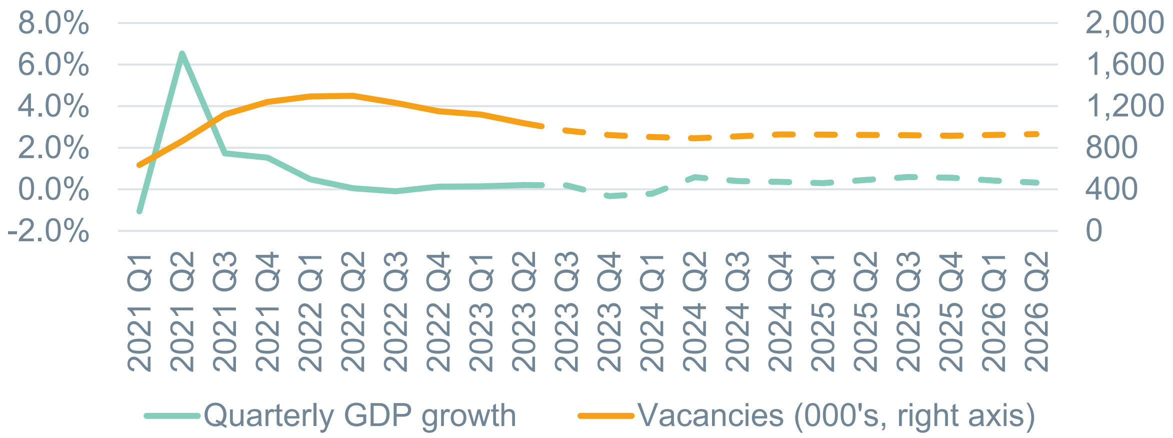
SECTION 04

Forward-looking commentary

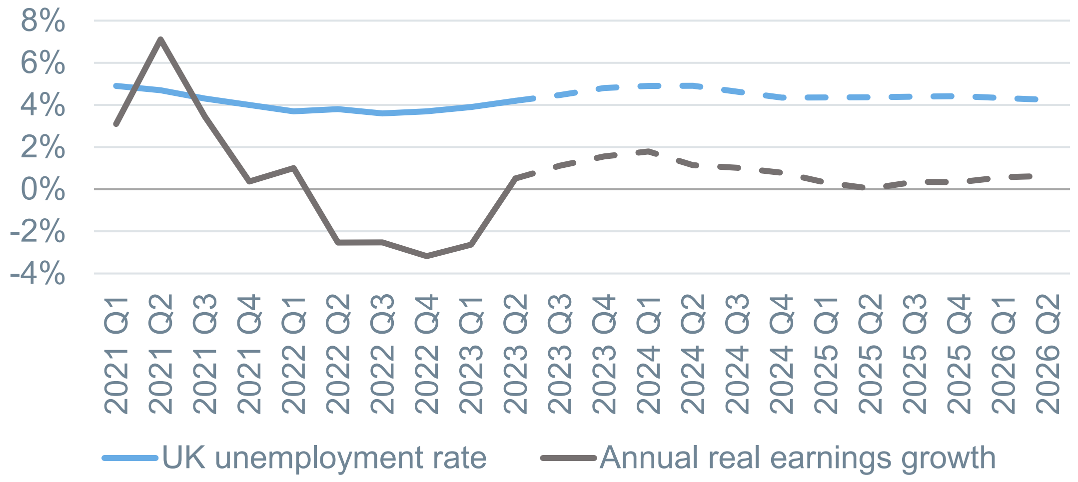
Forward looking commentary

- The UK economy grew by 0.2% in Q2 2023, improving upon the previous quarter. GDP is estimated to have grown by 0.5% in June, but weak growth in April and a fall of 0.1% in May contributed to slow growth across the quarter.
- The outlook for the rest of 2023 remains underwhelming but more encouraging than previously projected. Cebr is currently forecasting a year-on-year expansion of 0.4%, upgraded from 0.2%. This represents a more resilient outlook than was the case at the turn of the year, when forecasters were largely in consensus over an annual output contraction. While the UK avoided a recession in the first half of 2023, recession risks remain, due to the pressure that the high interest rate environment is having on the economy. Cebr is forecasting output growth to remain weak in 2024.
- Employees will feel more confident now wages are finally outperforming inflation. Real wages have begun to grow and are forecast to peak at a growth rate of 1.8% at the end of the year and start of 2024. This stems from expectations of continued inflation deceleration, easing the downward pressure on real wage growth.
- In light of the economic pressures, driven by the cost-of-living crisis and rising interest rates, Cebr expects the unemployment rate to rise slightly in 2023, to 4.8% in the second half of the year.
- Developments in vacancy numbers are expected to reflect this. The number of unfilled vacancies is set to fall back from the peak of 1.3 million seen in the first half of 2022, stabilising at around 925,000, though this still represents a level elevated above pre-pandemic norms.

GDP AND VACANCIES



UNEMPLOYMENT AND REAL EARNINGS



Source: ONS, Opinium survey, Cebr analysis

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SECTION 05

Appendices

Appendix: Methodology

- This report has been produced by Cebr, an independent economics and business research consultancy established in 1992.
- Each of the JCI's 14 indicators are standardised to a normal distribution, using the back history for each. This centres variables around their historical mean and assigns scores on the basis of their standard deviation difference from this mean.
- After assigning a positive and negative direction for each variable, the scores are scaled by 100 and pillar scores are determined by the average of the respective subindicators. This typically provides pillar scores that vary between -100 and +100, though it is possible for scores to fall outside this range.
- A pillar score of greater than zero implies a historically positive degree of economic health from the particular perspective.
- The four pillars are then each weighted equally to arrive at a final JCI Index score, which also tends to vary between -100 and +100.
- Technology Industry Snapshot: defined as the information and communication sector as per national statistics.

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Founded in 1948, Robert Half has a long history of connecting opportunities at great companies with highly skilled job seekers. Bolstered by the strength of our brand, our people, our technology and our professional business model, we find meaningful and exciting employment for the people we place and provide clients access to the specialised talent they need to help grow their businesses.

We pioneered the idea of professional talent solutions over 70 years ago and, as the needs of businesses have evolved, so have we. In 1986, when current leadership acquired the Robert Half business from founder Bob Half, the staffing industry was much different than it is today. And in 2002, we again saw opportunity and introduced Protiviti, a global business consultancy, to support companies face the future with confidence.

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