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Robert Half

insights that work

JUNE 2023 JOBS CONFIDENCE INDEX

Contents

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FOREWORD

During moments of uncertainty, ‘trend is your friend’

The Robert Half Jobs Confidence Index (JCI) is the most authoritative report on the key economic and cultural factors influencing confidence in the UK labour market, produced in partnership with the Centre for Economics and Business Research (Cebr).

While business and consumer confidence are regularly measured, analysing worker confidence through a macroeconomic lens and in the context of job creation, security and career progression can reveal deep insights into the state and stability of the labour market.

Today, the UK economy appears to be more resilient than global economists predicted and the jobs market is in rude health. Despite uncertainties, the economy has avoided the expected recession. Nonetheless, the trend is unpredictable, making it harder for board leaders and executives looking for the certainty to plan for the long term. The cost-of-living crisis, a decline in real earnings, structural and chronic skills shortages are at odds with unprecedented worker confidence in job security and career progression. This unusual set of circumstances makes for a unique labour market. For business leaders, employees and jobseekers navigating such choppy waters could present challenges, but also indisputable opportunities should these be identified and actioned on early enough. By providing relevant insights, the Robert Half Jobs Confidence Index aims to facilitate businesses in rethinking their attraction and retention strategies, while empowering employees and job seekers on their journey to career progression and fulfillment.

In this foreword, I am sharing my thoughts on the importance of following the trend and what I believe some of the key takeaways are and what these mean for businesses and individuals alike.

Employees and job seekers in the driving seat

Confidence in the marketplace is an important leading indicator because it affects the economy. It influences business decisions such as investment and hiring. Businesses that are optimistic will invest more, increase aggregate demand which, in turn, produces more output and economic growth.

FOREWORD CONTINUED

The latest JCI data reveals a complex labour market. Employees feel increasingly confident in the value they bring. They understand the skills shortage backdrop and are feeling the effects of the cost-of-living crisis in their take-home pay. And the big questions are – who is in the driving seat and is there another en masse talent exodus on the horizon?

Employees seeking greater opportunities and remuneration elsewhere is not only posing challenges for businesses that need to deal with such talent loss in a tight market, but also fuelling a wage spiral, should pay keep on going up in order to attract the best talent to replace the talent lost.

In contrast to other developed labour markets, where recent data* shows a dip in jobseekers' confidence, the UK has observed a very different picture. Having increased by 9.5 points, the Robert Half Jobs Confidence Index stands at 29.4 in Q1 2023 (where 30 is typically considered a high reading), its highest level since Q2 2022.

The biggest upwards trend for the overall Index came from the job security confidence pillar, up by 35.3 points, sitting at 140.3 - the highest reading on record. A unique scenario for an economy that has been teetering on the brink of recession. Noteworthy too are the 62% of employees saying they feel confident about their job looking ahead to the next six months. If the market were moving to become more employer-led after the pandemic, it would seem today jobseekers are in the driving seat.

Business leaders must act now

Employers should be decisive if they wish to keep on redesigning their retention models and winning the war for talent. A robust retention strategy will pay dividends in business continuity and cost efficiency at scale.

Talent needs nurture. Employers should consider a wide array of perks, benefits, flexible working, holiday arrangements and remuneration. Purpose, ethical and sustainable policies which integrate inclusive corporate culture should be layered into the employee experience. Employers should be in no doubt that executive commitment and personalised career and skills development is a source of retention.

Listening and understanding to what matters most to each individual in your highly diverse workforce is non-negotiable. Of course, fair pay is undoubtedly fundamental given the cost-of-living crisis. In our recent Robert Half Candidate Sentiment Survey, respondents ranked flexible working arrangements, progression opportunities and access to training in the top 5 most valued perks after salary, with 35% of employees willing to take a pay cut in exchange for remote or flexible working arrangements. Over half wouldn't work for an organisation with different values to their own. All in all, retention isn't about passively throwing money at the problem. A holistic, personalised retention strategy can be bottom-line friendly and avoid the cycle of having to attract new talent.

*Source: LinkedIn News

FOREWORD CONTINUED

There hasn't been a better time to be a job seeker or an employee

The job search and progression confidence pillar of our JCI has seen a gradual rise over the past two quarters, sitting in positive territory and indicating the overall confidence in the individuals' ability to find new employment or progress in their career quickly. In fact, 45% of survey respondents said they feel confident or very confident about their future career prospects over the coming five years. Meanwhile, employees tell us they feel extra motivated to seek better remuneration elsewhere, primarily driven by the decline in real wages, with the JCI's pay confidence pillar the only pillar to see a decline in Q1 2023, standing in negative territory at -36.6.

Now is the time for employees and jobseekers to manage their careers with the same dedication as contractors and freelancers. This isn't just about having pay expectation conversations, but about proactively identifying what their ideal scenario is – for instance flexible and hybrid working, company sponsored training, upskilling and other non-financial perks that would address what matters to them most. In our recent Candidate Sentiment Survey, counteroffers were identified as a rising trend - the war for talent is in full swing, naturally providing the most valuable employees a negotiating power advantage.

The tech sector case

The Robert Half Jobs Confidence Index also looks at the current climate in the tech industry labour market. Despite the recent 'big-tech' layoffs, tech skills shortages prevail, with 52,000 unfilled vacancies in the sector as of Q1 2023.

This is an attractive sector to build a career - earnings in the sector are 80% higher than the average pay across all industries. Fluctuating pay data shows tech workers have more stable and predictable income compared to other sectors combined (4.9% vs 6.3% of workers reporting fluctuating pay).

There are more UK high-growth tech companies than in any other European country. Our clients tell us this is now a buyer's market and big tech are no longer aggressively recruiting. We are witnessing a rebalancing toward small- and medium-size businesses who traditionally struggled to win talent. For candidates, skills will always prevail given the talent shortage. For employers, more needs to be done to meet the talent demands of the tech powerhouse that is the UK. Programmes like AWS re/Start, which we support, aim to solve the skills gap by delivering a free learning experience that prepares unemployed or underemployed individuals for entry-level cloud positions.

Looking ahead

The JCI's macroeconomic pillar experienced a positive movement despite remaining in negative territory due to tough trading conditions. The trend is an overall improvement in macroeconomic confidence, rising by 23.1 points in Q1 2023 – the largest quarterly rise since the pandemic. Although the outlook for the performance of the UK economy is underwhelming, vacancies will remain at a level elevated above pre-pandemic norms, with the anticipation for these to still be around the 1 million mark. The labour market will undoubtedly continue to be tight and the most prepared will win the war for talent.

Matt Weston

Senior Managing Director,
Robert Half

Executive Summary

Jobs Confidence Index (JCI) Q1 2023– key findings

- The Jobs Confidence Index (JCI) increased to 29.4 in Q1 2023, its highest level since Q2 2022. It was up by 9.5 points from the previous quarter's reading of 19.9. This marked the first increase in the JCI since Q1 2022.
- Of the JCI's four pillars, the strongest Q1 2023 reading was seen for job security confidence. At 140.3, the pillar was up by 35.3 points on the quarter, rising to its highest reading on record. 62% of employees said that they feel confident about their job looking ahead to the next six months, up from 53% in the last report.
- The pay confidence pillar was the only pillar to see a decline in Q1 2023, to stand at -36.6, roughly in line with the Q3 2022 reading. With real wages declining, employees naturally feel that their pay is not going as far as it used to.
- The macroeconomic confidence pillar also saw a quarterly rise in its reading. This rose by 23.1 points – the largest rise since Q2 2021 – to stand at -21.4, taking it closer to positive territory, where it last stood in Q2 2022.
- The job search and progression confidence pillar has seen a gradual rise over the past two quarters to stand at 35.2 in Q1 2023, comfortably sitting in positive territory.

Technology industry snapshot

- In the technology sector, the average number of unfilled vacancies fell by 32.5% annually in Q1 2023, though this is still elevated compared to the pre-pandemic 2019 average.
- Meanwhile, the latest data shows that average weekly earnings in the IT sector were up by 8.0% on the year in Q1, marking a deceleration from 8.6% in Q4. However, earnings in the sector were 80% higher than average pay across all industries.

Forward-looking commentary

- The UK economy grew by 0.1% in Q1 2023, driven by an expansion in January. Growth has stalled over the past year, with the GDP level in March up by just 0.3% on an annual basis.
- The outlook for the rest of 2023 remains underwhelming. Cebr is currently forecasting a year-on-year expansion of just 0.2%. However, it is important to note that this represents a rosier picture than was the case at the turn of the year, when forecasters were largely in consensus over an annual output contraction, and a recession across Q1 and Q2.

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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.

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.

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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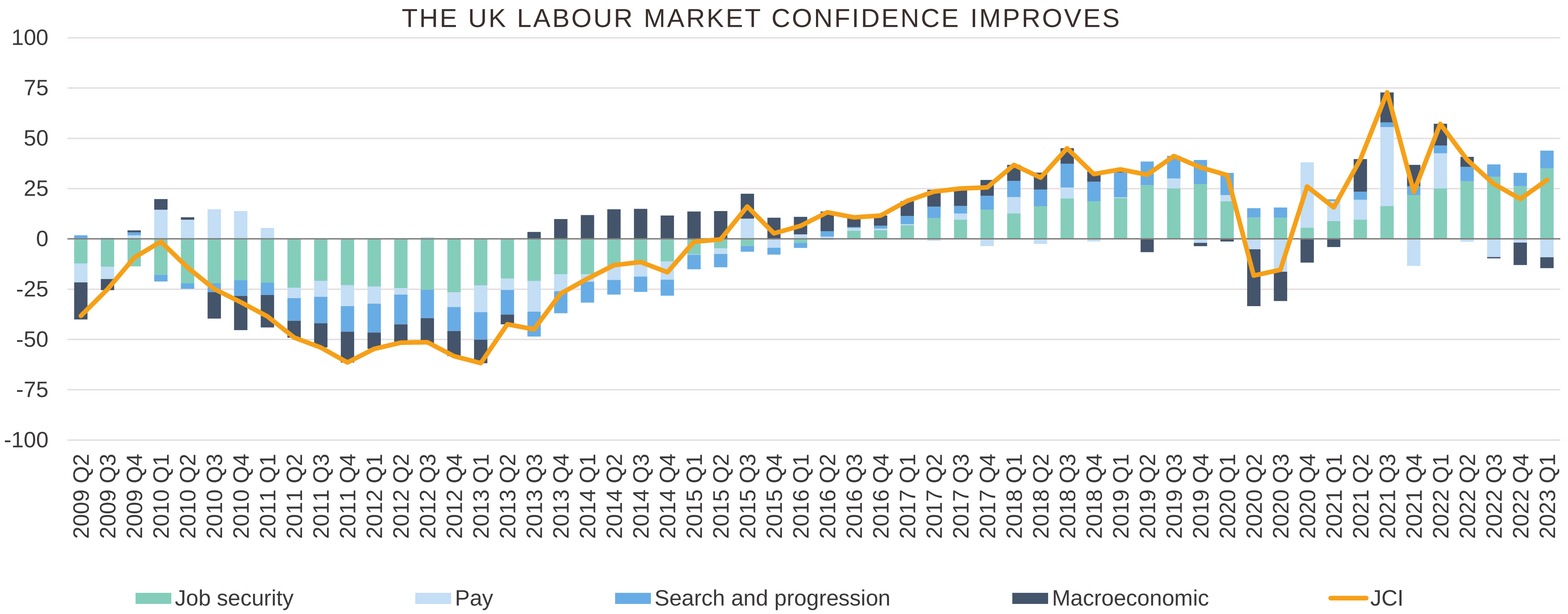
SECTION 02

Robert Half Jobs Confidence Index: Q1 2023

The Jobs Confidence Index & the contributions of its four pillars



The Jobs Confidence Index rose at the start of the year, to 29.4.

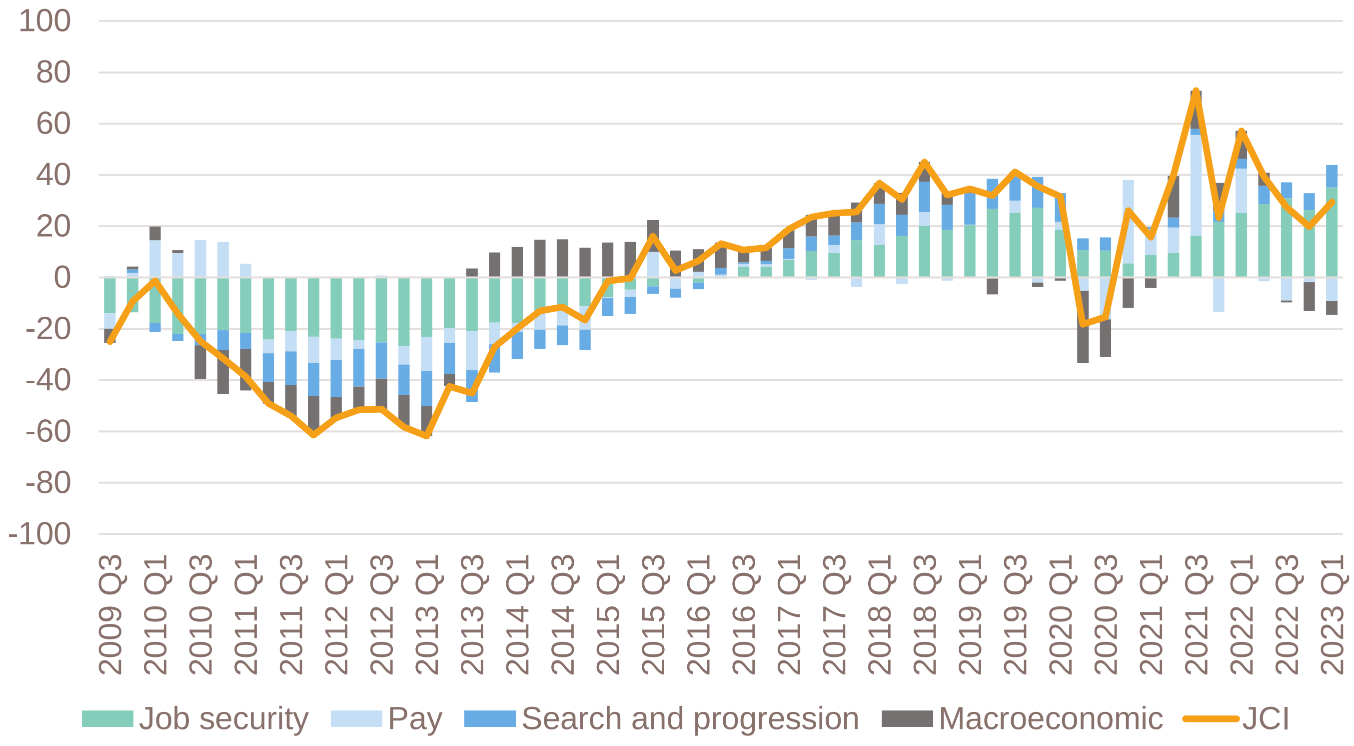
Source: ONS, Opinium survey, YouGov, BDO, Cebr analysis

What does the Jobs Confidence Index reveal?

The Jobs Confidence Index (JCI) increased to 29.4 in Q1 2023, its highest level since Q2 2022. It was up by 9.5 points from the previous quarter's reading of 19.9.

- This marked the first increase in the JCI since Q1 2022, when the JCI stood at the second highest level on record.
- Of its four constituent pillars:
  - two stood in positive territory in Q1 2023 (job security and search & progression confidence).
  - the pay and macroeconomic confidence pillars recorded readings below zero, though macroeconomic confidence improved considerably compared to Q4 2022.

The Jobs Confidence Index and the contributions of its four pillars



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

How have the pillars changed over time?

- Of the JCI's four pillars, the strongest Q1 2023 reading was seen on job security confidence. At 140.3, the pillar was up by 35.3 points on the quarter, **rising to its highest reading on record.**
- The search and progression confidence pillar saw the next strongest reading, at 35.2. This was up by 8.6 points on the quarter.
- The other pillar seeing a quarterly rise in its reading was macroeconomic confidence. This rose by 23.1 points – the largest rise since Q2 2021 – to stand at -21.4, taking it closer to positive territory, where it last stood in Q2 2022.
- The pay confidence pillar was the only one to see a decline in Q1 2023, to stand at -36.6 points, roughly in line with the Q3 2022 reading.

	Q1 2023	Q4 2022	CHANGE
Job security confidence	140.3	105.0	35.3 ▲
Pay confidence	-36.6	-7.5	-29.1 ▼
Search and progression confidence	35.2	26.6	8.6 ▲
Macroeconomic confidence	-21.4	-44.5	23.1 ▲
Jobs Confidence Index	**29.4**	**19.9**	**9.5 ▲**

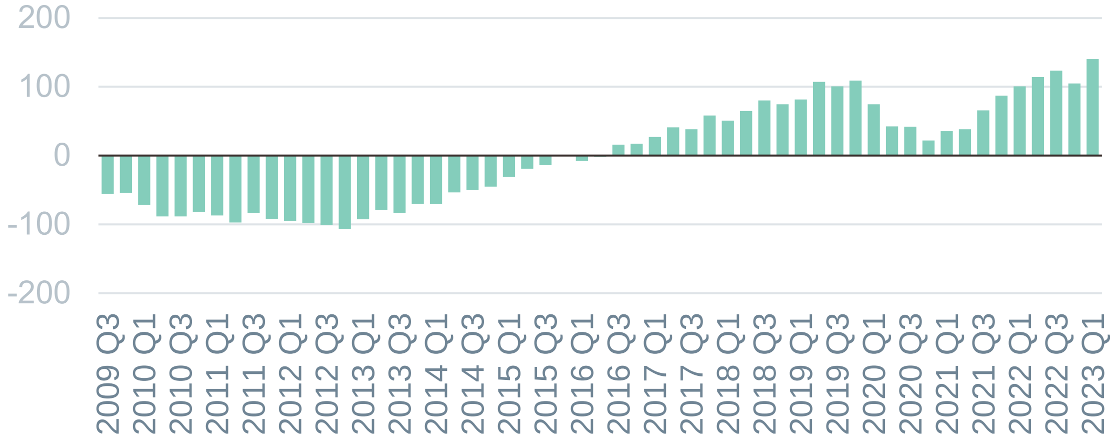
Source: ONS, Opinium survey, YouGov, BDO, Cebr analysis

Pillar 1: Job security confidence

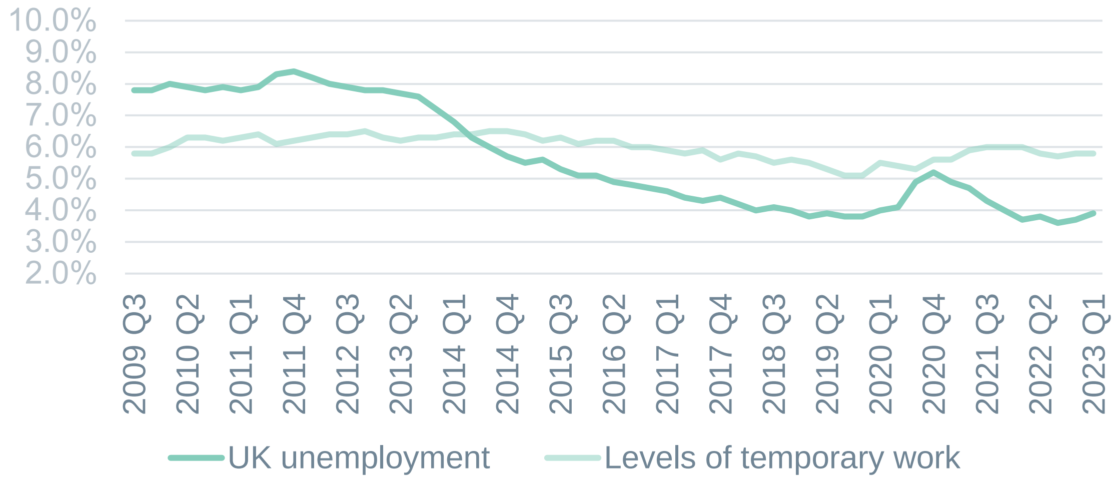
The job security confidence pillar increased to its highest level on record in Q1 2023, to 140.3 points. The strongest contribution to the pillar's high score came from the future employment confidence indicator.

- 62% of employees said that they feel confident about their job looking ahead to the next six months, up from 53% in the last report, leading to a significant rise in job security confidence.
- The levels of temporary work remained the same as in Q4 2022, meaning this indicator had a neutral impact on job security confidence in the latest update.
- The unemployment rate ticked up slightly in the first quarter of the year, to 3.9%, up from 3.7% in Q4 2022. However, this is still a low rate by historical standards.
- The number of vacancies per jobless individual also declined in Q1, though the overall number of vacancies remains elevated at 1.1 million in Q1.

JOB SECURITY CONFIDENCE PILLAR SCORE



UNEMPLOYMENT AND TEMPORARY WORK

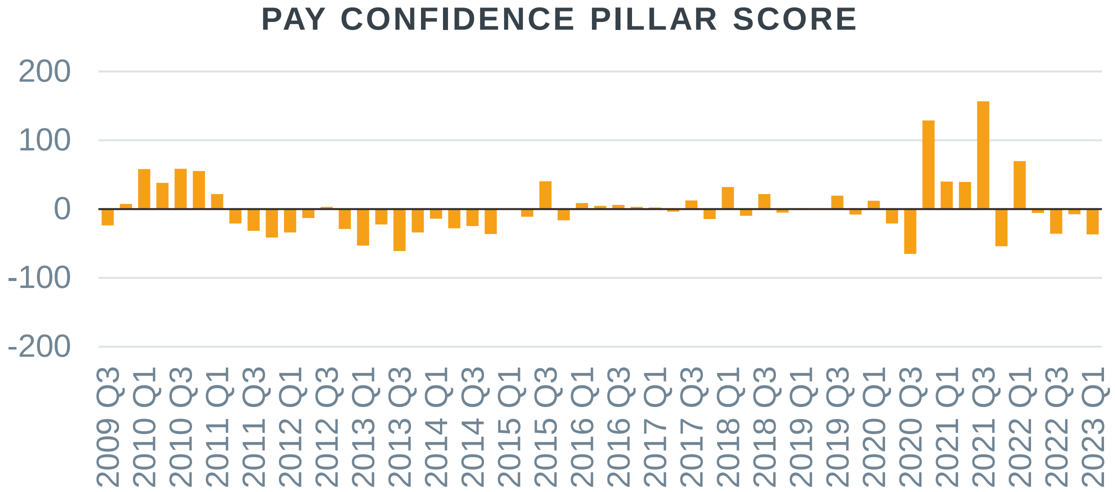


Source: ONS, Opinium survey, Cebr analysis

Pillar 2: Pay confidence

In the current tough economic environment, with high inflation, employees naturally feel that their pay is not going as far as it used to. This is having an impact on the pay confidence pillar of the JCI.

- A key positive development in the pillar came from job earnings security, which improved in the latest data, showing that a smaller share of workers reported having unpredictable wages.
- Significant contractions in real employee earnings continued to weigh on the pay confidence indicator in Q1 2023. Average total pay, while up by 5.8% annually in nominal terms, was down by 3.0% after adjusting for inflation.
- Poor figures for labour productivity growth and pay variance across comparable occupations also held back an improvement in the pay confidence pillar. These indicators continue to stand in a weaker position than their long-term average.



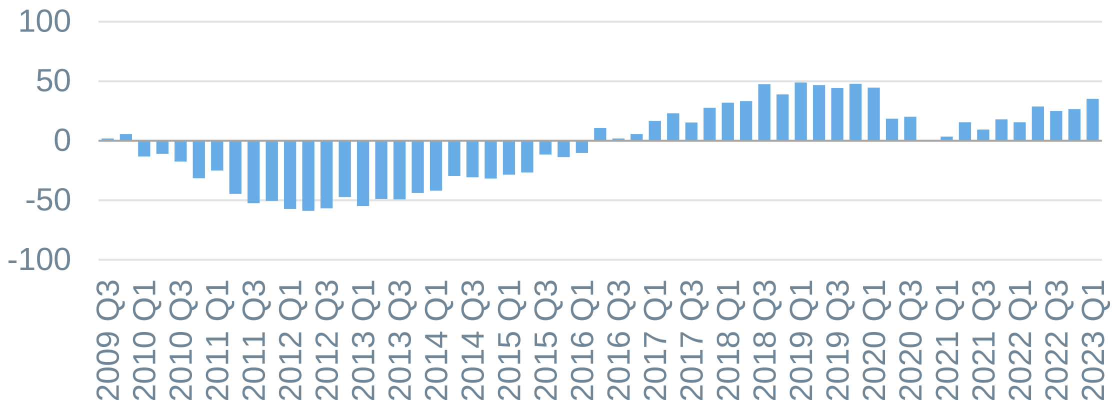
Source: ONS, Cebr analysis

Pillar 3: Job search and progression confidence

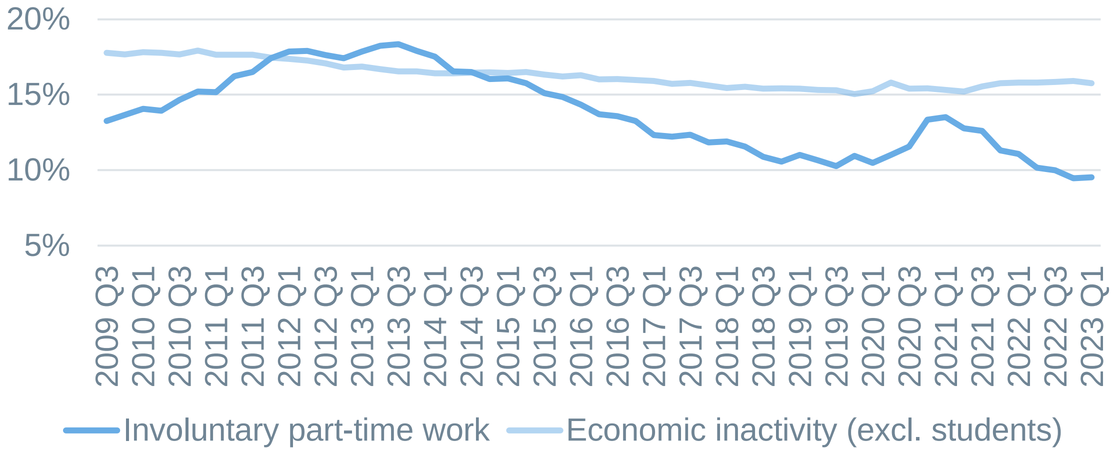
The job search and progression confidence pillar has seen a gradual rise over the past two quarters to stand at 35.2 in Q1 2023, comfortably sitting in positive territory

- The core drivers of this latest rise were improvements in career progression confidence and a fall in economic inactivity (excluding students).
- Overall, 45% 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 16% feeling very confident. Just under a third felt neutral, meaning only 19% felt unconfident. In the Q4 2022 report, 43% felt confident about their career progression.
- Our measure of economic inactivity improved in Q1 2023 as more people re-entered the labour market.
- An unchanged share for involuntary part-time workers and more limited social mobility (measured by access to higher professions) held back a larger improvement in the index.

JOB SEARCH AND PROGRESSION CONFIDENCE PILLAR SCORE



INVOLUNTARY PART-TIME WORK AND NON-STUDENT INACTIVITY



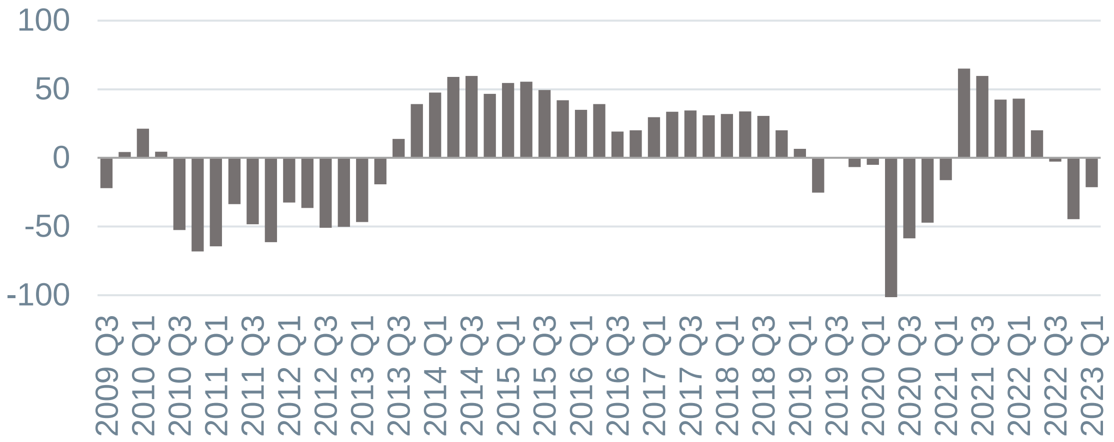
Source: ONS, Opinium survey, Cebr analysis

Pillar 4: Macroeconomic confidence

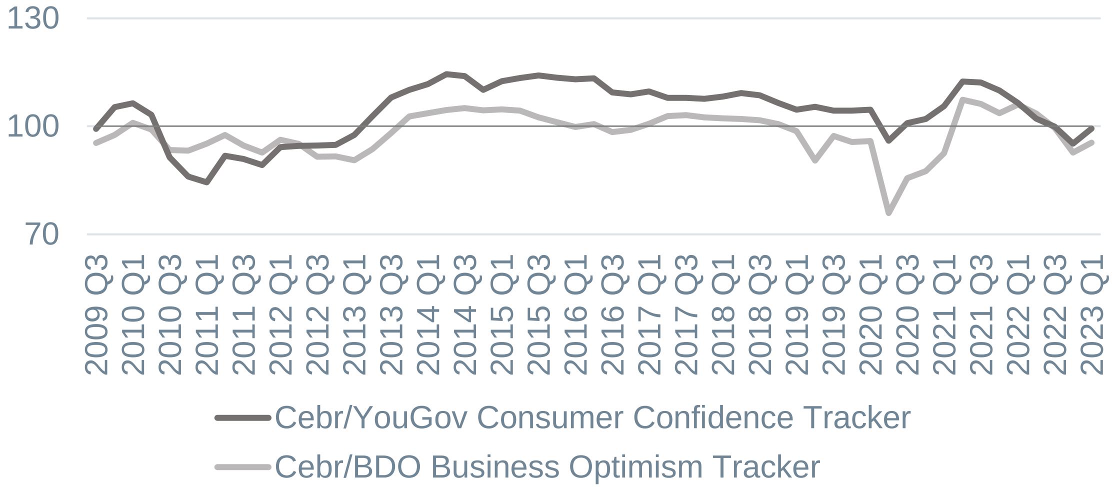
Macroeconomic confidence improved considerably in Q1, for both businesses and consumers. Although the pillar reading remains in negative territory due to the tough economic conditions in 2023, the positive movement highlights the resilience of UK employees and enterprises.

- The macroeconomic confidence pillar rebounded in Q1 2023, rising by 23.1 points to stand at -21.4. This was its largest quarterly rise since the pandemic in Q2 2021.
- The Cebr/YouGov Consumer Confidence Tracker averaged 99.4 in Q1 2023, a reading that marked a notable rise on the Q4 2022 figure of 95.2, though is still down on a year earlier. The cost-of-living crisis is having a negative impact on consumer confidence, but the economic outlook has improved markedly compared to Q4.
- Meanwhile, businesses pessimism also improved in Q1. The Cebr/BDO Business Optimism Tracker averaged 95.4 in Q1 2023, up from 92.7 during the previous quarter. The economic landscape has shifted considerably recently, with a recession becoming less likely. This is highlighted by the Optimism Index's return to positive territory (above 95).

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

At 52,000, the average number of unfilled vacancies in the sector fell by 32.5% annually in Q1 2023, though remained high compared to the pre-pandemic 2019 average of 44,000. This compared to a contraction of 13.8% in vacancies across all industries. There were 1.6 million jobs in this sector overall in Q1.

- The decline in vacancies, from a very high level, shows that tech businesses are less willing to take on new workers amid more uncertain times. However, many are still advertising jobs.
- Meanwhile, the latest data shows that, at £1,146, average weekly earnings in the IT sector were up by 8.0% on the year in Q1, marking a deceleration from 8.6% in Q4. However, earnings in the sector were 80% 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 0.2 percentage points on the quarter in Q4 to stand at 3.9%. Meanwhile, the share of IT workers reporting fluctuating pay in Q4 stood at 4.9%. This was up from 3.2% in Q3 and compared to a share of 6.3% across all sectors.
- A more upbeat picture was seen with respect to productivity. Whereas output per hour flatlined annually across the whole economy in Q4, productivity growth stood at 2.6% in the IT sector. This came after a 1.0% contraction in Q3 2022.

	Q1 2023	Q4 2022	CHANGE (% points)
Annual growth in vacancies	-32.5%	-21.4%	-11.1 ▼
Annual earnings growth	8.0%	8.6%	-0.6 ▼

	Q4 2022	Q3 2022	CHANGE (% points)
Temporary worker share*	3.9%	3.7%	0.2 ▲
Annual labour productivity growth*	2.6%	-1.0%	3.6 ▲
Fluctuating pay share*	4.9%	3.2%	1.7 ▲

* Latest data available for Q4 2022

Source: ONS, Cebr analysis

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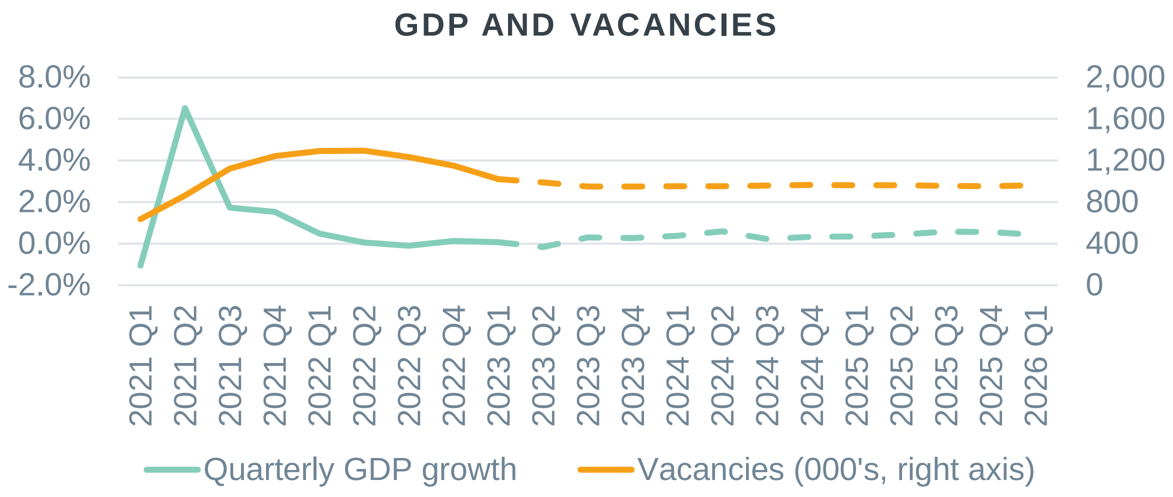
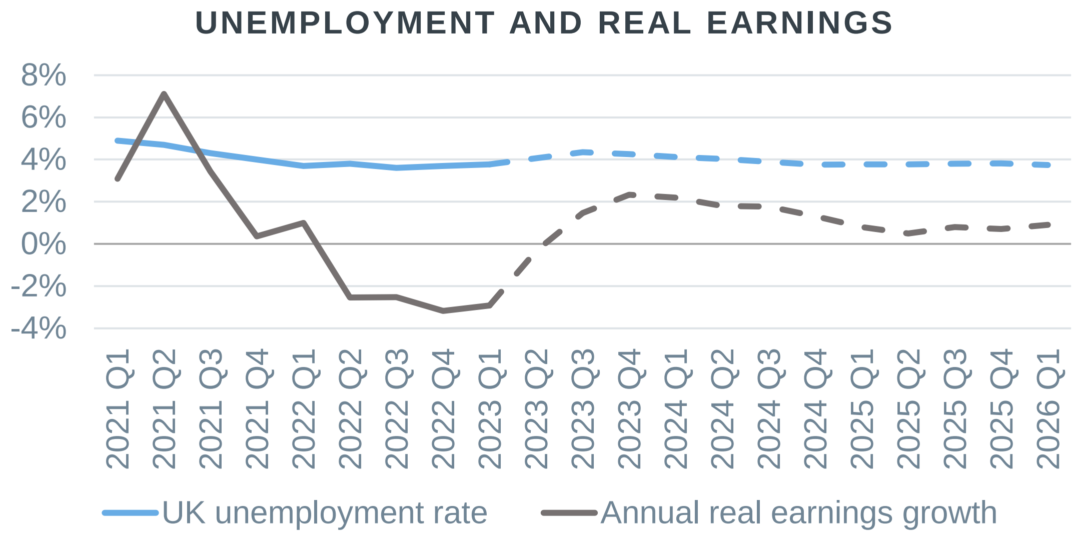
SECTION 04

Forward-looking commentary

Forward looking commentary

- The UK economy grew by 0.1% in Q1 2023, driven by an expansion in January. Growth has stalled over the past year, with the GDP level in March up by just 0.3% on an annual basis.
- The outlook for the rest of 2023 remains underwhelming. Cebr is currently forecasting a year-on-year expansion of just 0.2%. However, it is important to note that this represents a rosier picture than was the case at the turn of the year, when forecasters were largely in consensus over an annual output contraction and a recession across Q1 and Q2. Since then, the economy has shown more resilience than expected. Pending data revisions, the Q1 output data has put an end to the prospect of a recession in the first half of 2023.
- The economic resilience comes despite the fact that consumers are becoming worse-off in real terms. Real wages have fallen by 3.0% in the year to Q1 2023, and are expected to see an annual decline in Q2. However, as inflation is expected to decelerate in the second half of 2023, the downward pressure on real wage growth is expected to ease considerably.
- In light of the economic pressures, driven by the cost-of-living crisis, Cebr expects the unemployment rate to rise slightly in 2023, to a peak rate of 4.3% 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 950,000, though this still represents a level elevated above pre-pandemic norms.





Source: ONS, Opinium survey, Cebr analysis

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.

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.

Today, in the UK, we have a 50-year-long history of connecting opportunities at great companies with highly skilled jobseekers, helping you build a productive, engaged workforce that will help keep your company moving forward in good times and bad. Our successes are based on our increasing ability to apply our own unique array of skills, knowledge and technology for the good of our customers.

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