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JOBS CONFIDENCE INDEX

Contents

FOREWORD

Matt Weston
Senior Managing Director
Robert Half

Are UK workers confident?

A seemingly simple question, the answer to which can reveal deep insights into the state and stability of the economy. How is job creation affected by current macroeconomic trends? How do job seekers perceive their future career prospects? What can organisations do to tackle challenges and take advantage of opportunities?

Siloed labour market statistics cannot reveal the bigger picture on their own and this is where the quarterly Robert Half Jobs Confidence Index comes in. It aims to amalgamate then dissect the factors determining how confident an individual is likely to feel about their ability to secure their employment of choice, fulfil their career potential, whilst creating economic value and building a better future for society.

A unique repository of timely insights

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

We have used **ten macroeconomic indicators, two macroeconomic confidence indicators and two survey-based confidence indicators**. All of these make up the Robert Half Jobs Confidence Index, a holistic view of the UK's labour market reporting quarterly how confident employers and workers feel.

Why is the Jobs Confidence Index important?

To identify effectively what positive change looks like, we first need to examine and understand where problems lie. The issues of job security, social mobility, motivation and economic inactivity are key to the labour market's strength. Understanding these can further help the development of fit-for-purpose recruitment and talent management practices.

In addition to shedding light on current market trends, the Robert Half Jobs Confidence Index aims to provide actionable insights for employers, employees, job seekers and talent management professionals.

FOREWORD CONTINUED

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What do our learnings mean for employers?

The UK economy is facing challenges ahead, but the labour market doesn't paint a picture of doom and gloom. The complex macroeconomic environment has pushed business leaders to be more innovative when planning and managing human capital. This includes new strategies for your workforce ecosystem - permanent and temporary, as well as at arms-length workforces. Uncertainty could drive employers to lean on a more agile temporary staffing model or invest in overdue long-term strategies for developing permanent talent with the aim of making firms both more resilient now and in the future. Attraction and retention strategies need to take account of the continuing high number of unfilled UK vacancies predicted by Cebr and the flight risk of your valuable resources. These are some of the trends that this report will help employers address by highlighting the bigger picture implications for their unique business and industry.

What does it mean for employees & job seekers?

Finding purpose and fulfilment with meaningful work, whilst feeling connected and empowered, should be everyone’s right. Today’s workforce mentality has significantly evolved to a place where individuals no longer simply perceive their workplace as a means of earning a living, but as an environment of shared values, beliefs and purpose. This makes job-seeking and career-building an increasingly personal experience. However, the biggest challenges and opportunities come from sources outside one’s immediate control, such as the state of the macroeconomic environment. The purpose of the Robert Half Jobs Confidence Index is to help individuals better navigate these challenges. Keeping a finger on the pulse of current trends, employees and job seekers can make better informed decisions on how their goals on remuneration, work model and flexibility, as well as skills and progression, fit within the wider picture.

Where next?

With the right strategy and a clear roadmap, business leaders can emerge from macroeconomic uncertainty stronger and ahead of the competition. As a leader, make sure you are looking at all the levers at your disposal.

Employers should be thinking about how to attract and retain the best talent, how to hire with a diversity mindset, take on more apprentices across a range of age groups, and invest in upskilling and reskilling their valuable workforce talent. This quarterly report gives you the insights to help you move your plans forward.

Executive summary

Jobs Confidence Index (JCI) Q4 2022 – key findings

- The Jobs Confidence Index remains firmly in positive territory at 19.9 in Q4 2022, pointing to the continued strength of the UK labour market, however it has fallen by 7.5 points from Q3.
- Both consumers and producers have become more pessimistic affecting macroeconomic confidence. Q4 marked the most negative reading on the macroeconomic confidence pillar since Q4 2020 and the sharpest quarterly fall since Q2 of the same year. This came as interest rates rose further and inflation remained near 40-year highs.
- Job security confidence remains high, reflecting the high ratio of vacancies to unemployment and the near 50-year low in the unemployment rate. However, this pillar dropped by 18.3 points compared to Q3.
- Job search and progression confidence rose by a moderate 1.6 points. This followed a fall in Q3 and came amid a continued reported worsening of social mobility (measured by access to top professions for those without a degree) and elevated non-student inactivity.
- Despite Q4 seeing the worst contraction in real earnings since Q1 2009, lower pay variance and an uptick in productivity drove pay confidence to rise by a strong 28.4 points in Q4 to stand at -7.5. This marked the first rise in the pillar's score since Q1 2022.

Technology industry snapshot

- In the technology sector in particular, the number of job vacancies in Q4 was down by over a fifth on the year, compared to less than a tenth on average across all sectors.
- The industry also saw a quarterly rise in the incidence of temporary workers and contracting labour productivity growth.
- However, annual earnings growth in the sector accelerated to a strong 8.6% and the share of its workers with fluctuating pay fell to 3.2%.

Forward-looking commentary

- The UK avoided recession in 2022 but is set to enter one across the first half of 2023.
- This is expected to be driven by continued slowdowns in consumer activity, which has been squeezed by contracting real earnings growth, which is not expected to return to positive territory until the end of 2024.
- Recessionary pressures are expected to see an uptick in unemployment, and a fall in vacancies this year, although these are expected to be moderate.

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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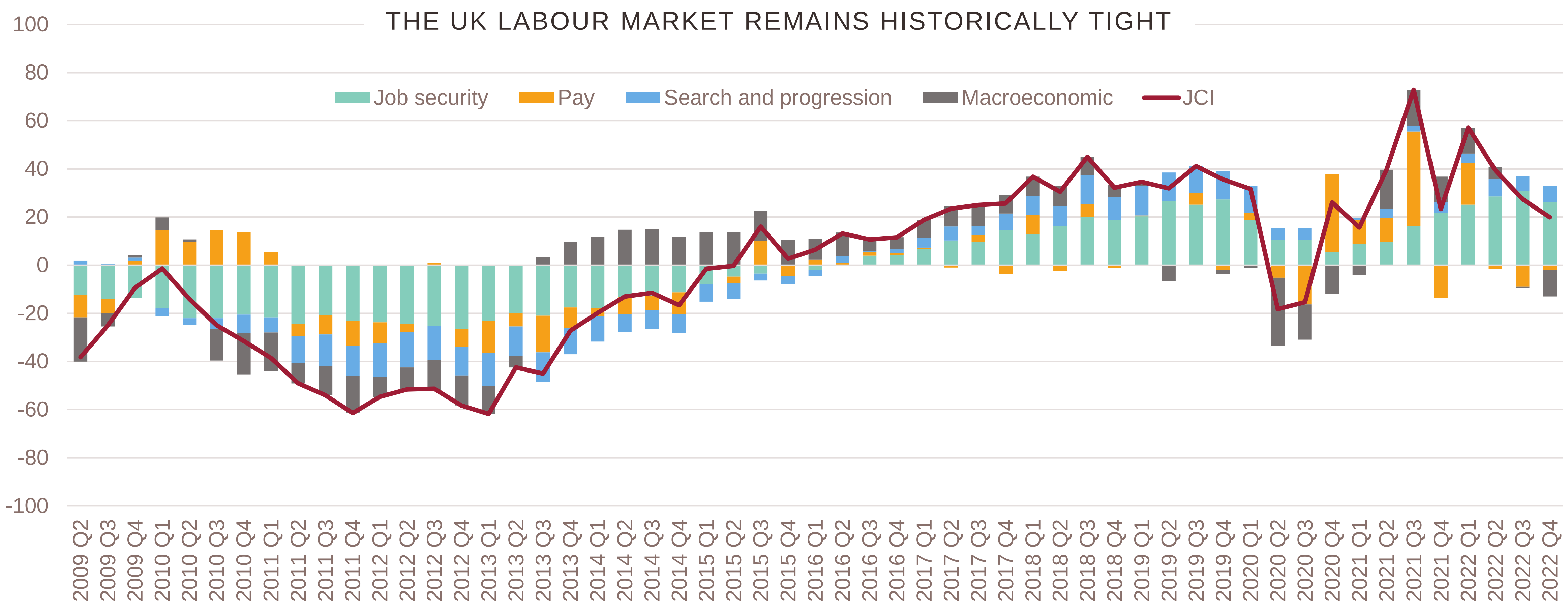
SECTION 02

Robert Half Jobs Confidence Index: Q4 2022

The Jobs Confidence Index & the contributions of its four pillars



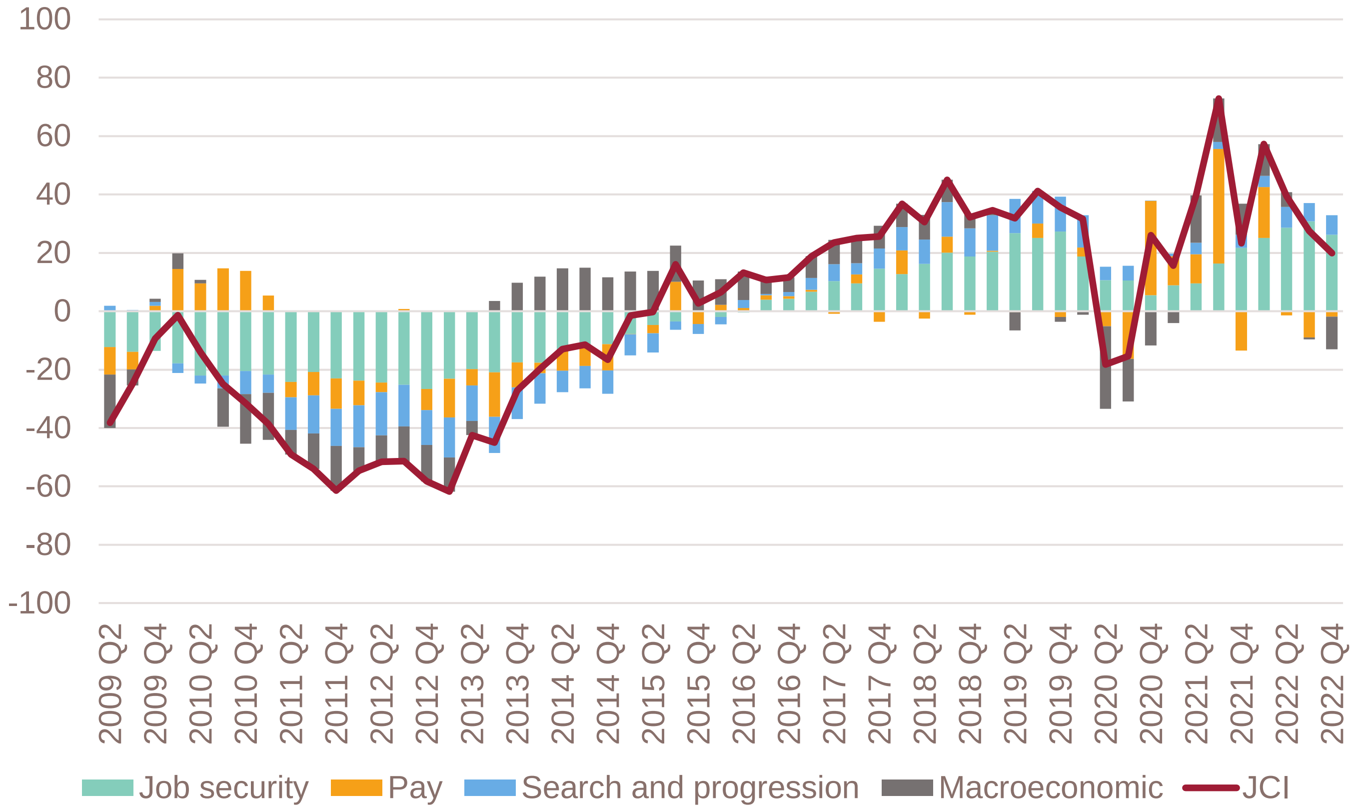
The Jobs Confidence Index remains in positive territory pointing to the resilience of the labour market, although the challenging economic environment is now having an impact.

What does the Jobs Confidence Index reveal?

The Jobs Confidence Index remains at a high level as it stood at 19.9 in Q4 2022. It was down slightly by 7.5 points from the previous quarter's reading of 27.4.

- Despite the downward trajectory, the overall **JCI remains in positive territory** (above zero) pointing to the continued resilience of the labour market.
- Of its four constituent pillars:
  - two stood in positive territory in Q4 (job security and search and progression confidence).
  - the pay and macroeconomic confidence pillars recorded readings below zero.

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 Q4 reading was seen on job security confidence. At 105.0, the pillar was down by 18.3 points on the quarter, but nonetheless, **job security confidence recorded its fifth highest reading on record.**
- The search and progression confidence pillar saw the next strongest reading, at 26.6. This was up by 1.6 points on the quarter.
- The other pillar seeing a quarterly rise in its reading was pay confidence. This rose by 28.4 points to stand at -7.5, taking it closer to positive territory, where it last stood in Q1 2022.
- The macroeconomic confidence pillar saw the gloomiest reading among all JCI components in Q4. The pillar fell by 41.8 points to -44.5, marking the lowest reading in exactly two years.

	Q4 2022	Q3 2022	CHANGE
Job security confidence	105.0	123.3	-18.3 ▼
Pay confidence	-7.5	-35.9	28.4 ▲
Search and progression confidence	26.6	25.0	1.6 ▲
Macroeconomic confidence	-44.5	-2.7	-41.8 ▼
Jobs Confidence Index	**19.9**	**27.4**	**-7.5 ▼**

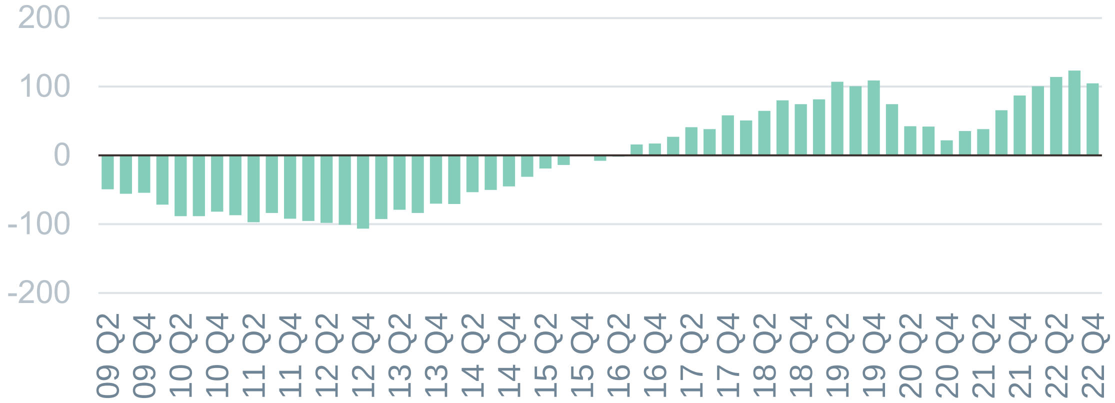
Source: ONS, Opinium survey, YouGov, BDO, Cebr analysis

Pillar 1: Job security confidence

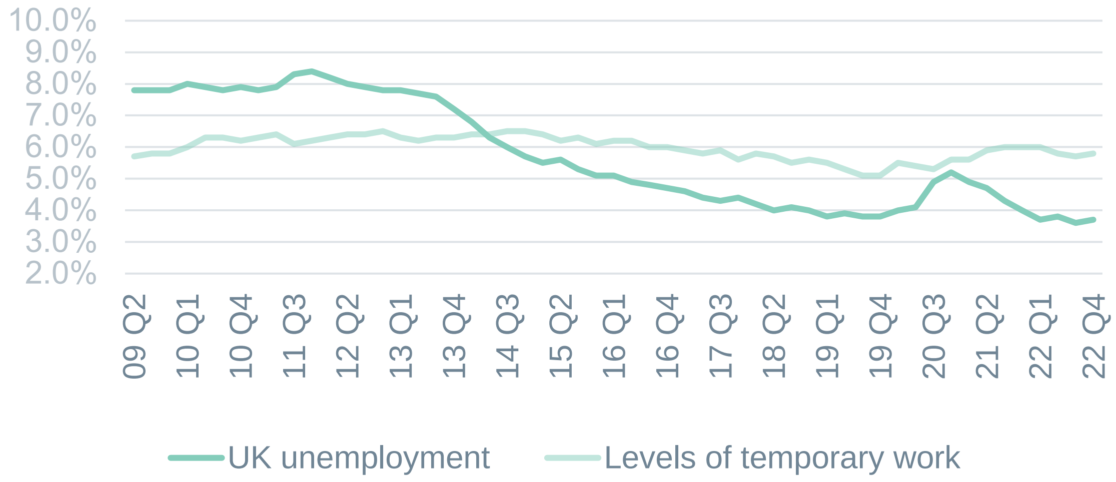
The job security confidence pillar remained strongly in positive territory at 105.0 in Q4, although fell by 18.3 points compared to Q3. The strongest contribution to the pillar's high score came from continued tightness in the UK labour market. The number of vacancies per unemployed person stood at 0.9 in Q4, down only slightly from 1.0 in Q3.

- The next key driver of Q4's high job security pillar value was the rate of unemployment. Despite rising by 0.1 percentage points on the quarter, the rate of joblessness, at 3.7%, remained close to 50-year lows.
- Every indicator that forms the pillar worsened in Q4. The strongest downward pressure among these was exerted by a fallback in labour market tightness, followed by an uptick in the levels of temporary work. Temporary workers made up 5.8% of all employees in Q4, up from 5.7% in Q3.
- Meanwhile, 53.4% of surveyed employees said that they feel confident about their job looking ahead to the next six months. This fell back for the second consecutive month but remained high by historical comparison.

JOB SECURITY CONFIDENCE PILLAR SCORE



UNEMPLOYMENT AND TEMPORARY WORK



Source: ONS, Opinium survey, Cebr analysis

Pillar 1: Job security confidence

"Since the Office for Budget Responsibility published its November forecast, the economic environment has been relatively positive. The recession is now expected to be shallower and we are now anticipating a smaller contraction of the UK's economic output in 2023. Nonetheless, with unemployment at near 50-year lows employers across the UK still face acute labour shortages and cannot hire enough talent. For some, the shift to remote work has opened up fresh possibilities regarding workforce development and management. Contracting is on the rise. As reported in the Robert Half Jobs Confidence Index, we have witnessed a rise in temporary workers from Q3 2022. Some employers are understandably hesitant to commit at this fragile stage of the economic cycle. A mix of contract and permanent hires gives business leaders the flexibility to remain agile and to plug hard-to-recruit skills gaps. We are seeing flexible working models like our Managed Solutions being adopted to give companies the ability to scale up/down to meet the fluctuations of demand in their business."

Steve Sully
Regional Director,
Finance & Accounting
Robert Half

KEY TRENDS

- Greater use of contract workers could help employers reduce the impact of unfilled permanent roles.
- Forward-thinking employers are reconsidering their permanent to contract talent ratio.
- Since the pandemic, more employees want the greater freedom, autonomy and control that comes with contract work.

STEVE'S TOP TAKEAWAYS

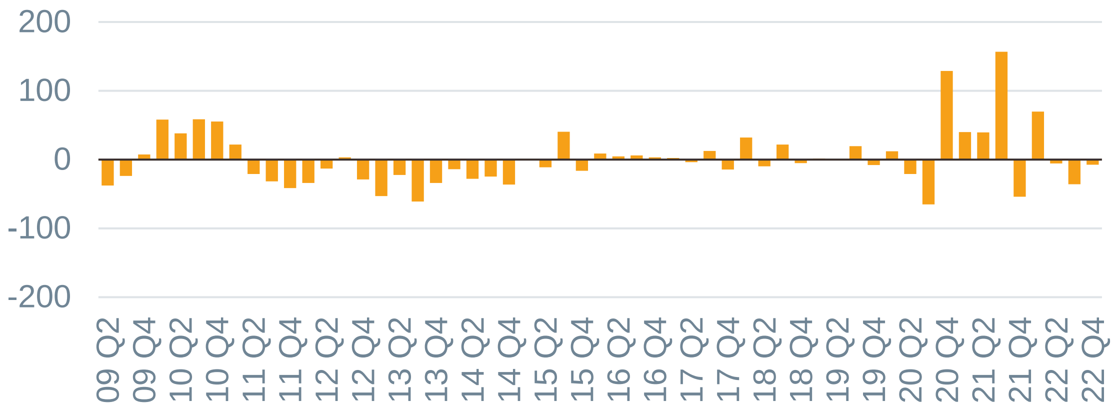
- **Employing contract specialists provides the ability to quickly source hard-to-find skills for specific roles or one-off projects, whilst also shortening the time to hire and reducing the cost of labour over the long term.**
- **Combining permanent and on-demand talent strategies, like Managed Solutions, can help with unexpected fluctuations in business demand.**
- **Integrating contract talent is much easier today since workforces are more comfortable with working in hybrid and remote models. Contracting on a project-by-project basis is also viewed by many as a great way of quickly perfecting and acquiring a whole host of new skills and experiences.**

Pillar 2: Pay confidence

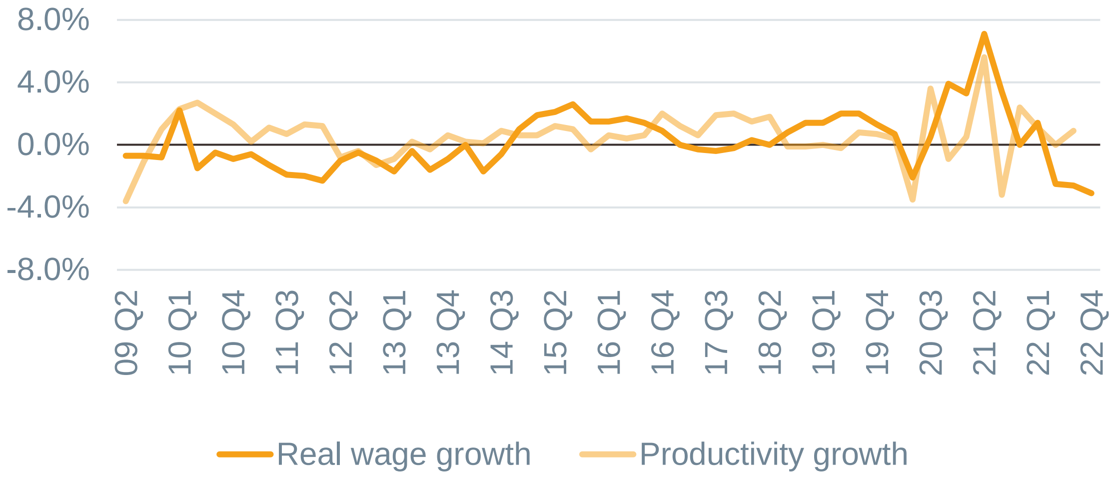
Unsurprisingly, given the effects of high inflation on real wages, the JCI's pay confidence pillar is in negative territory. However, the pillar rose by 28.4 points in Q4 to stand at -7.5. This marked the first rise in the pillar's score since Q1 2022.

- Significant contractions in real employee earnings weighed on the pay confidence indicator in Q4. Average total pay in Q4, while up by 5.9% annually in nominal terms, was down by 3.1% after adjusting for inflation. This marked the sharpest downturn in real wages since Q1 2009.
- The effects of eroded real earnings on the pay confidence pillar were, however, cushioned by narrowing pay gaps. The latest data shows that the average variance in pay for a given occupational level stood at £10,617 in Q3, marking the lowest figure since Q3 2021, meaning that remuneration for a given occupation is becoming more even.
- A further positive impact on the latest pay confidence pillar score was seen from rising labour productivity. The latest data shows that labour productivity grew by 0.9% in the year to Q3 2022, an uptick from the productivity stagnation seen in Q2.

PAY CONFIDENCE PILLAR SCORE



ANNUAL REAL WAGE AND LABOUR PRODUCTIVITY GROWTH



Source: ONS, Cebr analysis

Pillar 2: Pay confidence

Adam Al-Badry

Regional Director,
Robert Half

"Inflation and a tight candidate market are putting salaries under the spotlight, and hirers are pulling out all the stops to retain existing workers and compete for talent. The average regular pay in the services sector increased by 6.9% on an annual basis in Q4, yet UK inflation is still above 10% – putting a squeeze on employee finances. Concerned business leaders agree that the rising cost of living will push employees to seek higher salaries, inevitably impacting on employee retention if businesses cannot provide competitive remuneration packages. Our latest 2023 Salary Guide shows that one in five (22%) companies intend to increase salaries in line with inflation, while two in five will give a flat-rate percentage increase."

KEY TRENDS

- Labour productivity grew by 0.9% in the year to Q3 2022, an uptick from the productivity stagnation seen in Q2.
- With salaries on the rise, business leaders are considering alternative means of attracting people.
- Counteroffers have become increasingly popular to retain staff at the point of resignation, but they don't always work.

ADAM'S TOP TAKEAWAYS

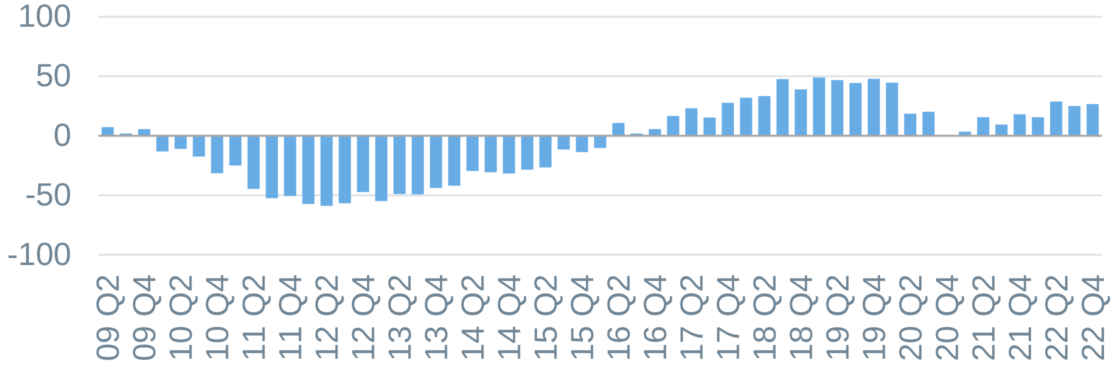
- **Despite the labour market tightness, the fact that productivity has grown could point to better skills and technology usage, but it might also indicate heavier workloads for existing staff. Regular checkpoints on workforce burn-out and engagement are recommended in order to mitigate the risks of sudden resignations.**
- **Efficient use of automation and artificial intelligence to support high quality workforce output is recommended.**
- **Highlighting CPD and other learning opportunities, as well as advertising flexible working and promoting brand values all counterbalance the effects of wage erosion.**
- **To support retention, focus on early signs of employee disengagement.**
- **Be aware that 27% of businesses report that employees who have received counteroffers never stay long-term. (Source: Robert Half 2023 Salary Guide).**

Pillar 3: Job search and progression confidence

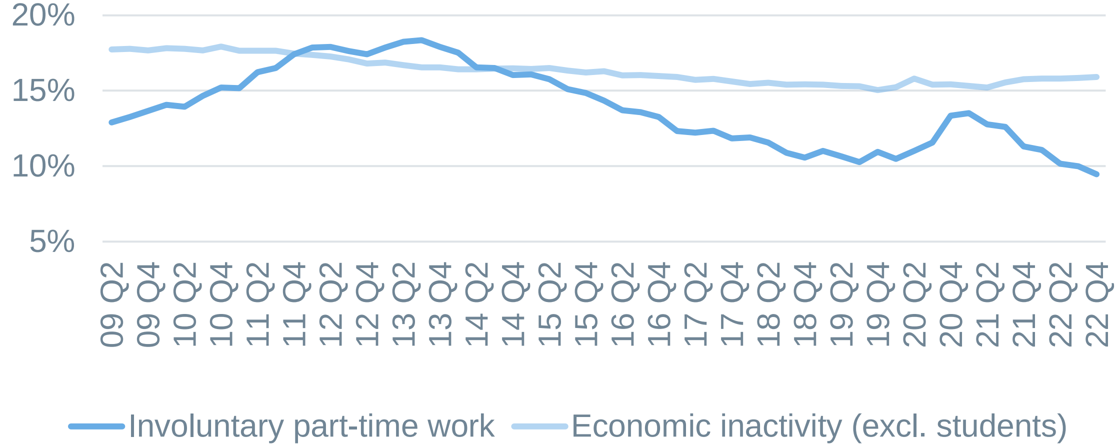
The job search and progression confidence pillar remains stable and in positive territory rising by 1.6 points in Q4 to stand at 26.6, pulled up by relatively buoyant employee confidence surrounding career progression.

- The core driver of this rise was a fall in involuntary part-time work. The share of those working part-time who do so due to an inability to find full-time work stood at 9.5% in Q4, the lowest reading since Q2 2008.
- 42.7% of surveyed employees said that they feel confident about their career and progression prospects in the next five years.
- The strongest downward pressure on the pillar came from a fall in the share of workers in the top socioeconomic levels who do not have a degree. The latest data shows that this indicator of social mobility fell by 0.6 percentage points in Q3 to stand at 37.4%, a low for the indicator.
- The pillar's score was weighed down by higher non-student economic inactivity. The share of the working age population economically inactive for reasons other than education stood at 15.9% in Q4, marking the highest share since Q1 2017.

JOB SEARCH AND PROGRESSION CONFIDENCE PILLAR SCORE



INVOLUNTARY PART-TIME WORK AND NON-STUDENT INACTIVITY



Source: ONS, Opinium survey, Cebr analysis

Pillar 3: Job search and progression confidence

Shelley Crane

Market Director, Marketing, HR, Procurement & Executive Support
Robert Half

"In today's knowledge economy, the importance of supporting talent throughout every stage of its development hasn't been higher. The worsening of social mobility observed in the Robert Half Jobs Confidence Index allied with UK-wide skills shortages is another reason why employers fundamentally need to rethink their skills development models. These should be an alternative to relying solely on skilled individuals coming through traditional white-collar qualification routes. For me, three simple principles I have noted from financial leader, Santander, stand out: igniting aspirations in the wider community, levelling the playing field in recruitment and empowering recruits to succeed once they have joined the company."

KEY TRENDS

- Our recent employee survey found that nearly half (47%) of employees expect to look for a new opportunity in 2023, looking for better remuneration, flexibility and career development.*
- Amid the current skills shortage, quick hiring to plug skills gaps can risk dismantling efforts to build a diverse workforce.
- Increases in working age economic inactivity are consistent with a lifestyle choice to retire as a result of post-pandemic preferences or priorities.

SHELLEY'S TOP TAKEAWAYS

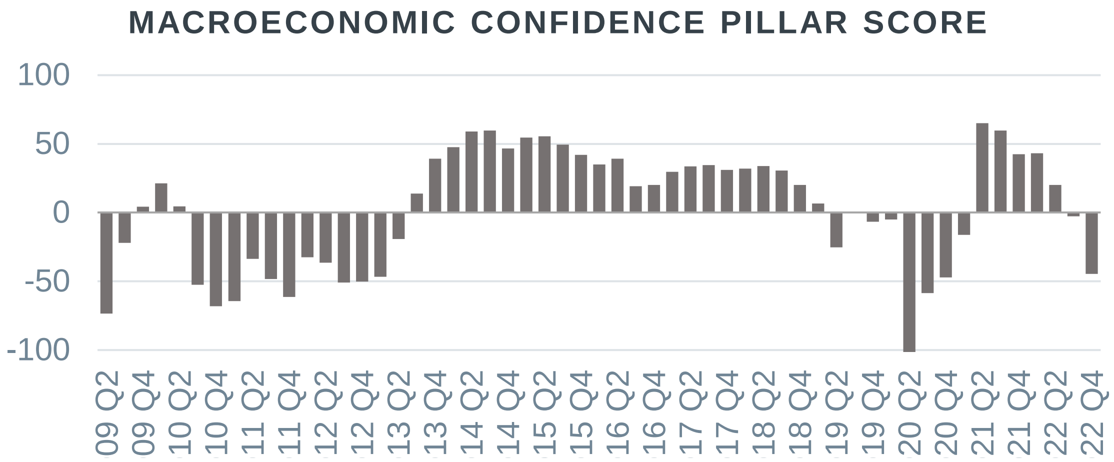
- **To retain talent, invest in the development of your people through coaching, mentoring, and training, as well as offering clear career paths and advancement opportunities.**
- **It is critical to develop a strategy for transferring knowledge to your early-in-career employees while advancing skills and capabilities at all levels.**
- **Retain inclusive recruitment practices by tapping into people from multiple channels and backgrounds, while also developing suitable upskilling and reskilling initiatives.**
- **Encourage mid-life, experienced workers to postpone early retirement with flexible career packages and workplace arrangements, which would increase the appeal of staying in employment.**

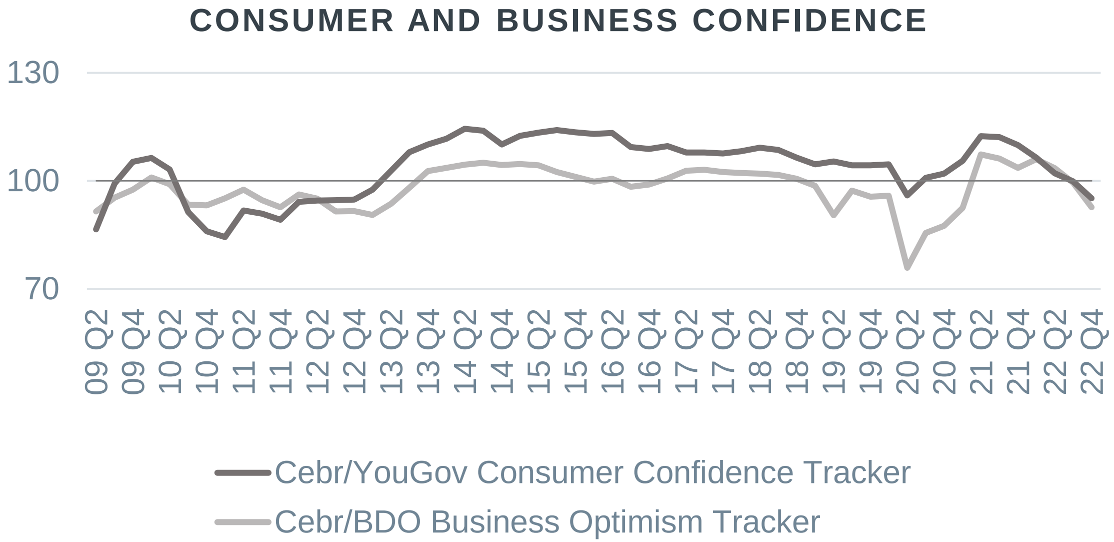
*Source: Robert Half's Candidate Sentiment Survey Q4 '22/ Q1 '23

Pillar 4: Macroeconomic confidence

Pessimism among both consumers and business leaders lay behind the latest macroeconomic confidence reading. This came as interest rates hit their highest levels since 2008 and inflation remained close to 40-year highs.

- The macroeconomic confidence pillar fell sharply in Q4 2022, dropping by 41.8 points to stand at -44.5. This was its lowest reading since that of -47.0 in Q4 2020. Q4 saw the third consecutive quarterly drop in the pillar's reading and the sharpest fall since Q2 2020.
- The Cebr/YouGov Consumer Confidence Tracker averaged 95.2 in Q4 2022, a reading that was last lower ten years earlier in Q4 2012. Consumers remained pessimistic about their financial situation in Q4, with worsening sentiment around households' home values exerting the sharpest downward pressure on the quarterly change in the index.
- Meanwhile, businesses pessimism also worsened in Q4. The Cebr/BDO Business Optimism Tracker averaged 92.7 in Q4, down from 99.6 during the previous quarter. Business sentiment was particularly subdued in the services sector, which has battled with weakening consumer demand amid the ongoing cost-of-living crisis.





Source: YouGov, BDO, Cebr analysis

Pillar 4: Macroeconomic confidence

Hannah Szymanski

Director of Contract Talent
Robert Half

"Robert Half's Candidate Sentiment Survey (Q4 '22/Q1 '23) revealed that despite the macroeconomic woes, job seeker confidence is at an all-time high. 47% of those surveyed said they were looking for a new job in 2023, a notable rise from the previous year when 39% of workers stated they were seeking a new role. In addition, the predicted recession in 2023 is unprecedented from a labour cycle perspective. Frankly, with unfilled vacancies matching job seekers, businesses need all the talented people they can attract. Cebr predicts that the unemployment rate will peak at 4.5% in Q3 2023 (compared to 8.4% in 2008).This means the labour market is expected to remain tight by historical comparison and the war for talent will continue."

KEY TRENDS

- The pressure of finding the right talent continues to impact business.
- The rising cost of living will continue reducing real earnings, further challenging businesses throughout 2023.
- While employers are moderately more cautious in the face of economic uncertainty, there isn't a major slowdown in hiring.

HANNAH'S TOP TAKEAWAYS

- **A future-proofed strategy needs to factor in employee upskilling and talent attraction, without which skills shortages will cause product quality and customer service to suffer, and projects or deadlines to be pushed back.**
- **To compete, businesses will inevitably need to become more resilient by implementing strategies such as increasing automation of processes or reducing office space in the short term.**
- **To attract and retain talent, examine additional incentives to boost packages such as flexible working, which provides employees the ability to work around care arrangements, reduce travel costs and save time.**
- **With a record tight labour market and skills shortages, employers should think twice about letting people go despite the challenging environment.**
- **Temporary hiring has accelerated, suggesting some hirers are switching from permanent talent acquisition, as businesses seek to maintain flexibility.**

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SECTION 03

Tech Industry snapshot

Tech Industry snapshot

At 55,000, the average number of unfilled job vacancies in the sector fell by more than a fifth (21.4%) annually in Q4. This is compared to a contraction of 7.4% in vacancies across all industries and an annual contraction of 1.5% for the IT industry in Q3. By way of comparison, there are 1.7 million jobs in this sector.

- This decline in vacancies signals that it is likely easier to hire talent in the sector, though the recent wave of tech layoffs also suggests that fewer businesses are hiring.
- Meanwhile, the latest data shows that share of employees with a temporary work arrangement rose by 0.3 percentage points on the quarter in Q3 to stand at 3.7%. This was below the share of 5.7% seen across all industries during the same quarter.
- A more upbeat picture was seen with respect to earnings. At £1,054, average earnings in the IT sector were up by 8.6% on the year in Q4, marking an acceleration from 6.3% in Q3. Earnings in the sector were more than two-thirds higher (67.9%) than average pay across all industries.
- Whereas output per hour was up by 0.9% annually across the whole economy in Q3, productivity growth stood at -1.0% in the IT sector. This was down sharply from 3.7% growth in Q3.
- Finally, the share of IT workers reporting fluctuating pay in Q3 stood at 3.2%. This was down from 4.5% in Q2 and compared to a share of 7.1% across all sectors.

	Q4 2022	Q3 2022	CHANGE (% points)
Annual growth in vacancies	-21.4%	-1.5%	-19.9 ▼
Annual earnings growth	8.6%	6.3%	2.3 ▲

	Q3 2022	Q2 2022	CHANGE (% points)
Temporary worker share*	3.7%	3.4%	0.3 ▲
Annual labour productivity growth*	-1.0%	3.7%	-4.7 ▼
Fluctuating pay share*	3.2%	4.5%	-1.3 ▼

* Latest data available for Q3 2022

Source: ONS, Cebr analysis

Tech Industry snapshot

Craig Freedberg

Regional Director, Technology
Robert Half

"Despite the news of layoffs in big tech, the UK tech sector's resilience is yielding continued growth reaching a combined market value of $1 trillion at the end of 2022. There are more high-growth companies in the UK than European peers, with 144 unicorns, 237 futurecorns and over 85,000 start-ups and scale-ups being created. With big tech no longer aggressively recruiting, we're seeing a rebalancing toward small- and medium-size businesses that struggled to find talent in 2022. Last year, providing a client with two quality candidates meant we were doing well. Now, you might be able to have three or four candidates in play — even though there are still plenty of unfilled tech vacancies in the UK."

KEY TRENDS

- During 2022, high growth UK tech companies continued to raise capital at near-record levels (£24 billion), more than France (£11.8 billion) and Germany (£9.1 billion) combined.*
- The UK has leveraged its deep science and technology expertise to become the leading European ecosystem for responsible and values-led innovation amidst a global backdrop of difficult economic conditions.*
- The UK tech sector is a European Silicon Valley, which now employs 3 million people, right across the country.*

CRAIG'S TOP TAKEAWAYS

- **Given the buoyancy of new tech creation, the current malaise in the sector may be short-lived.**
- **Scaling tech companies are still facing challenges in filling vital tech vacancies with the digital skills required to compete.**
- **For the tech sector to grow at the rate required to support productivity demand, it is essential to facilitate pathways into the sector for talent not yet working in tech.**
- **From tech apprenticeships to certifications and upskilling programmes – there are dozens of tech initiatives to enable people of all ages and backgrounds to gain the skills they need to succeed in tech roles.**
- **Robert Half supports the AWS re/Start programme aiming to deliver a free learning experience that prepares unemployed or underemployed individuals for entry-level cloud positions.**
- **This is the moment for emerging and mid-market tech players to attract the talent they need to scale.**
- **Playing a bigger role in a small firm, and getting meaningful equity, can be a lot more fulfilling than being a small cog in a big machine at a larger tech brand.**

*Source: Gov.uk 21/12/2022

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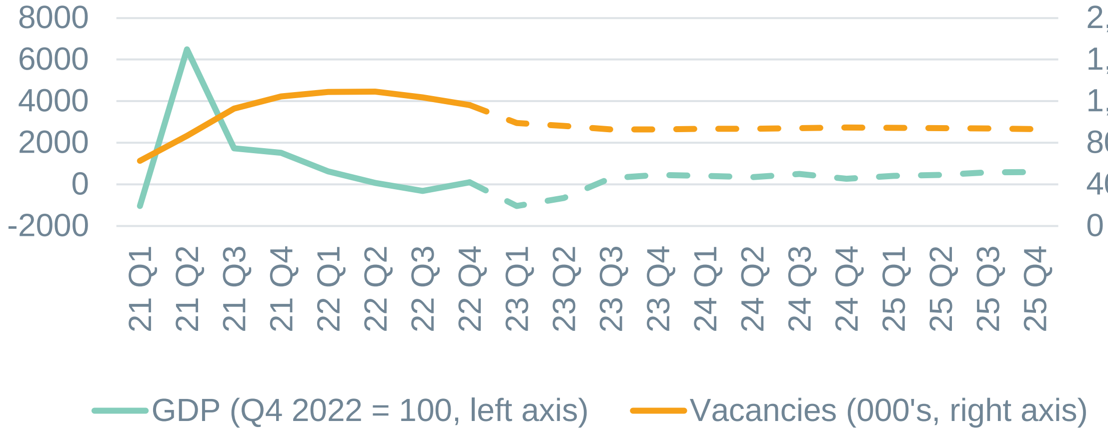
SECTION 03

Forward-looking commentary

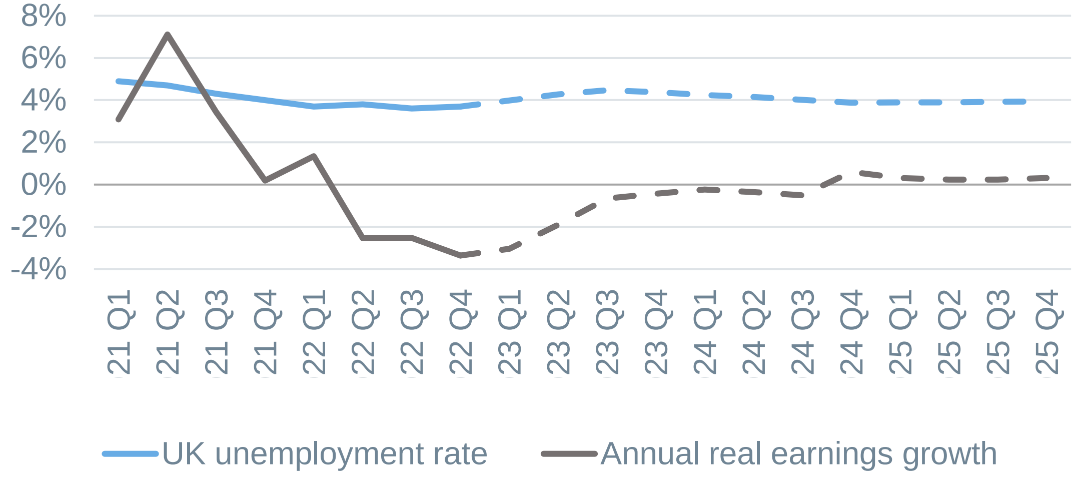
Forward-looking commentary

- While the UK avoided recession, defined as two consecutive quarterly contractions in GDP, in the second half of 2022, this is expected to be seen across Q1 and Q2 2023. While growth is set to resume from Q3, levels of output seen in Q4 2022 are not expected to be regained for a further year.
- This recession is expected to be driven by the consumer sector, given continued substantial contractions in real earnings. At –3.4%, annual real earnings growth is thought to have reached a trough in Q4 2022, with strong nominal growth in pay and falling inflation set to see an easing of further squeezes in living standards. Despite this, a sustainable return towards 2022 averages of real weekly earnings is not expected until 2029.
- In light of these pressures, unemployment is expected to rise through 2023. However, with a forecast peak rate of 4.5% in Q3, the labour market is expected to remain tight by historical comparison.
- 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 around 900,000, a level elevated above pre-peak norms.

GDP AND VACANCIES



UNEMPLOYMENT AND REAL EARNINGS



Source: ONS, Opinium survey, Cebr analysis

SECTION 04

Appendices

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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