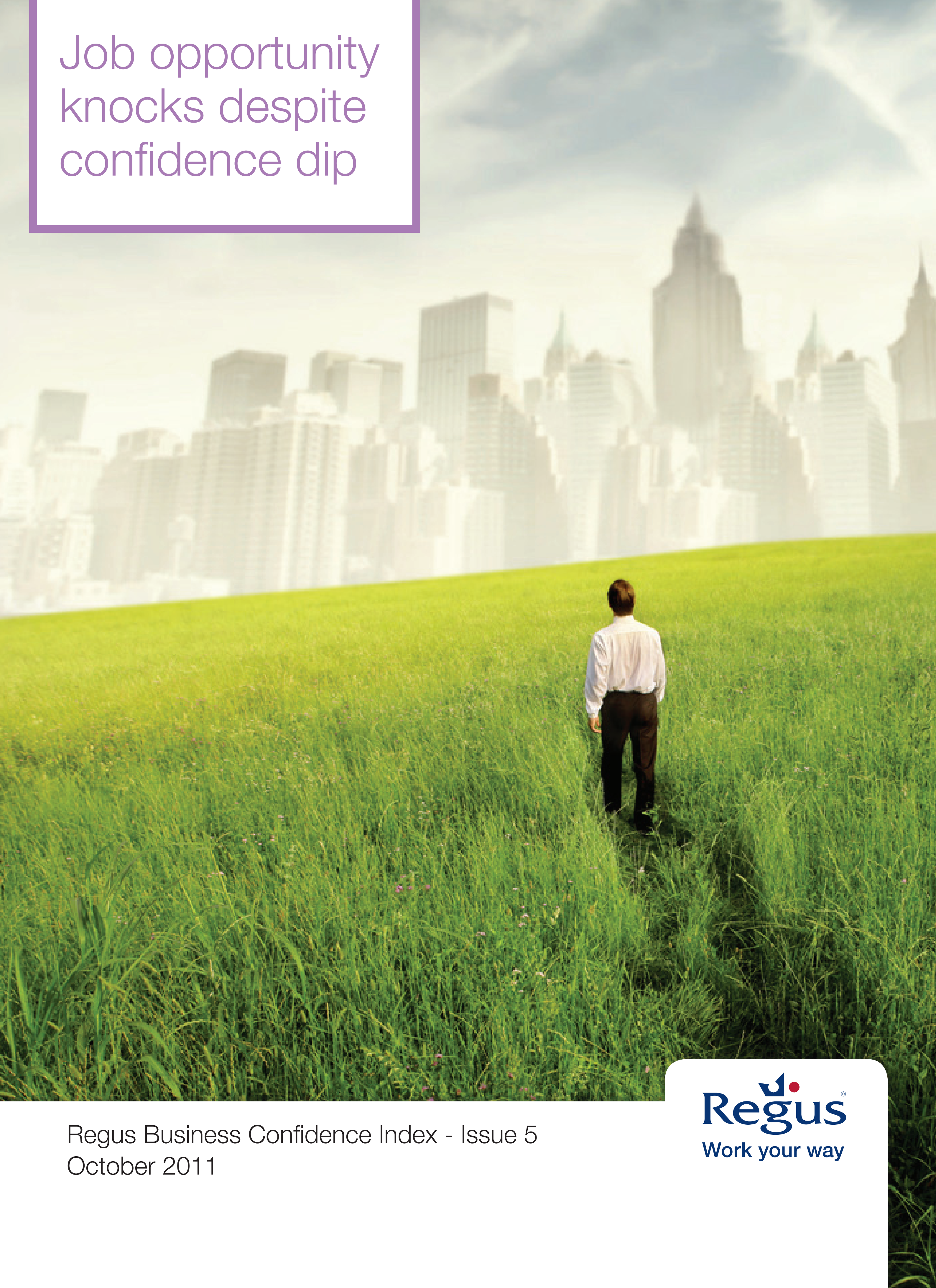
Job opportunity knocks despite confidence dip



Regus Business Confidence Index - Issue 5
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Regus
Work your way

Positive business employment intentions are focusing on flexible working practices, as firms across the world seek to boost growth. Slow global economic progress and market volatility have somewhat curbed the positive surge reported in April by the twice-yearly Regus Business Confidence Index that finds business optimism has undergone a modest contraction. In line with this dampened confidence, businesses' expectations for the full momentum of recovery have been pushed back to the second half of 2012.

Although new research by Regus shows that revenue and profit growth remain largely unchanged since April 2011, with half of companies reporting revenue and two fifths reporting profit growth, employment intentions are more buoyant with the majority of firms planning to hire more employees in the coming two years. In particular, businesses single out freelance and remote staff as the groups of workers they are most likely to hire. This positive outlook for employment indicates that although firms remain cautious in the tough economic climate they are still keen to seek out opportunity for growth and are focusing on low-risk arrangements with flexible staff.

Both in terms of business confidence and in terms of employment intentions, firms operating in international markets appear to be doing better than their counterparts who mainly focus on their domestic territories.

Management summary

- The latest Regus Business Confidence Index, which incorporates both forward looking statements and actual performance factors, reveals that global optimism has fallen slightly – down 11 points to 114 since spring 2011.
- New research by Regus shows that revenue and profit growth remain largely stable since April 2011 with 51% of companies reporting revenue growth in September compared to 50% in April and 42% reporting profit growth compared to 41% six months earlier.
- Nevertheless, businesses across the world have delayed their expectation of the full momentum of global economic growth to the second half of 2012.
- In spite of an apparent stall in the pace of growth, businesses reveal positive prospects for employment with fully 64% of firms globally reporting that they intend to hire new staff in the next two years compared to only 45% a year ago.
- In particular businesses intend to hire new graduates (50%), freelance staff (49%) and more remote workers (40%). These findings highlight that as tough economic conditions persist firms globally are opting for more nimble, low-risk arrangements in hiring.

Optimism and business size correlation

- The research also analysed small and large business trends and found that large businesses are 19 points more optimistic than their smaller counterparts with a Business Confidence Index rating of 129 compared to only 110 for small businesses.
- In spite of lower confidence small businesses are more intentioned to look for growth through hiring new staff with 64% planning to increase headcount compared to only 59% of large firms.

The benefits of international trading

- Firms that trade internationally are also more likely to have remained optimistic in the current climate than those that trade only nationally. The index reveals a score of 110 for national firms and 120 for international firms.
- Whereas in mature economies there is a definite trend for international companies to hire more than domestically-focused companies, in emerging economies both national and international players are equally keen on increasing employee numbers.

Geographical highlights

- All countries experienced a contraction in optimism index value except for India, which rose 11 points to 145, Brazil, up 7 points at 146, and Germany at 139, up 4 points on April 2011. While all other countries were less buoyant, significant drops were experienced by USA (-29), Belgium (-27), China (-27) and Japan (-24).
- In all countries except for Belgium (49%), more than half of businesses intend to hire more staff in the next two years with peaks of 85% in Brazil and 76% in Mexico. UK (54%), USA (59%) and France (52%) are less optimistic.
- Freelance staff will be particularly sought after in South Africa (57%), Brazil (59%), Mexico (76%) and India (53%) indicating that emerging economies have learnt from mature economies' mistakes in the previous recession and are opting to maintain operations lean and rapidly scalable as they grow.
- In more mature economies small businesses are less likely to hire than larger business with for example only 52% of UK and 56% of USA small businesses planning to increase headcount in the next two years, compared to 61% and 68% of large businesses in the same countries.
- In emerging economies this trend is reversed, with small businesses showing greater buoyancy than their larger less flexible counterparts. In Mexico, for example, only 63% of large companies plan to hire new staff compared to 77% of small businesses and 40% of South African large businesses compared to 70% of small firms.
- Small firms are more likely to hire freelance (54%) and remote (42%) staff than larger companies (34% and 33% respectively). Small businesses in emerging economies such as those in China (54%), in Brazil (61%) and in Mexico (63%) are particularly keen to hire remote workers.
- Unsurprisingly, the intention to hire more remote staff is more represented by international firms in emerging markets such as Brazil (67%), India (42%) and Mexico (66%).

Introduction

After a positive start to 2011, the world economic outlook has yet again been affected by market volatility, the sovereign debt crisis, bank deleveraging, rising inflation and the aftershock effects of fiscal and structural reform changes that are affecting most mature economies. The IMF has revised predicted annual growth for 2011 at 4%,[1] down 0.3% on previous predictions.[2] The extent of this slowdown is perhaps more intense than initially imagined with Markit's August PMI data indicating that the growth of the global economy has eased to its slowest since the recovery began two years ago, with developed markets growth rate at the second slowest monthly-pace since the recovery started and emerging market output expanding at the slowest pace since May 2009. Weak international trade and low domestic demand are also affecting both emerging and mature economies.[3]

Growth economies (Brazil, Russia, India and China, Indonesia, Korea, Mexico and Turkey) are expected to weather this slowdown more robustly than mature economies with long-term predictions suggesting that world GDP will be positively boosted by around $16 trillion US dollars by the combined nominal GDP increase of those countries equal to a fourfold increase on the USA and double the increase of the USA and Eurozone combined. In particular, China is expected to account for around half of this prospective growth. [4]

The OECD, however, confirms the overall stall in development, predicting that economic growth in G7 economies excluding Japan will remain at an annualised rate of less than 1% in the second half of 2011. Although Japanese activity contracted in August at the most rapid pace since May, reconstruction efforts following the natural disasters in Japan are expected to fuel growth in this particular area in spite of new export business declines.[5] [6] Other large exporting nations such as China and Germany also reported lower new export business rates. [7]

Further to a four consecutive months' decline, the OECD Composite Leading Indicators (CLIs) for July suggest that the future outlook reveals a slowing pace of recovery. CLIs, however, confirm a more positive outlook for Japan indicating a possible turning point ahead, but confirm that a further slowdown is to be expected in Canada, France, Germany, Italy, the UK, Brazil, China, India and the USA.[8] Markit confirms that rates of cross-industry out-put have reached trough points in most economies with the US at a two-months low, the Eurozone at its weakest in the past two years, the UK at its slowest since May 2009, India at a 27 months low, China at a 28 months trough and the first fall in output in Brazil in the past two years. [9]

An important indication of the outlook of global businesses is their intention to invest in new staff. The OECD's latest Employment Outlook found some improvement in hiring, reporting that in mid 2011 the number of unemployed in the OECD area had declined to just over 44 million. In the USA, however, the proportion of the unemployed who have been out of work for more than a year has tripled to a record high of over 30 [10] and youth unemployment in the OECD area is particularly worrying at 17.4%. [11]

1. IMF, Global Growth Hits Soft Patch, Expected to Rebound, 17th June 2011
2. IMF, World Economic Outlook, September 2011
3. Markit, Global economy making lacklustre progress in Q3 2011, 06th September 2011
4. Goldman Sachs, Viewpoints from the office of the Chairman, Friday 16th September 2011
5. OECD, Economic growth perspectives weakening as recovery slows, OECD says, 08 September 2011
6. Markit,footnote [3]
7. Ibid
8. OECD, Composite Leading Indicators (CLIs), OECD, September 2011
9. Markit, footnote [3]
10. OECD, Governments must act on rising long-term unemployment and youth joblessness, 15th September
11. Ibid

The Regus Business Confidence Index

As emerging economies continue in their path to growth wary of falling into the same mistakes made by developed economies prior to the global recession, the fifth edition of the Regus Business Confidence Index has found that global business optimism is, like global economic growth, finding the path to full recovery more difficult that envisaged just a few months ago. Although revenue and profit growth remain largely unvaried, with 51% of companies reporting revenue growth now and 50% in April 2011, and 42% of global firms reporting profit growth compared with 41% six months ago, a significant proportion of businesses have revised their expectations for revenue growth and the full momentum of recovery negatively. 71% of businesses expect revenue growth compared to 77% six months ago and while in April 54% of businesses expected to wait six months for the full momentum of recovery to take place, now 65% expect to wait another semester.

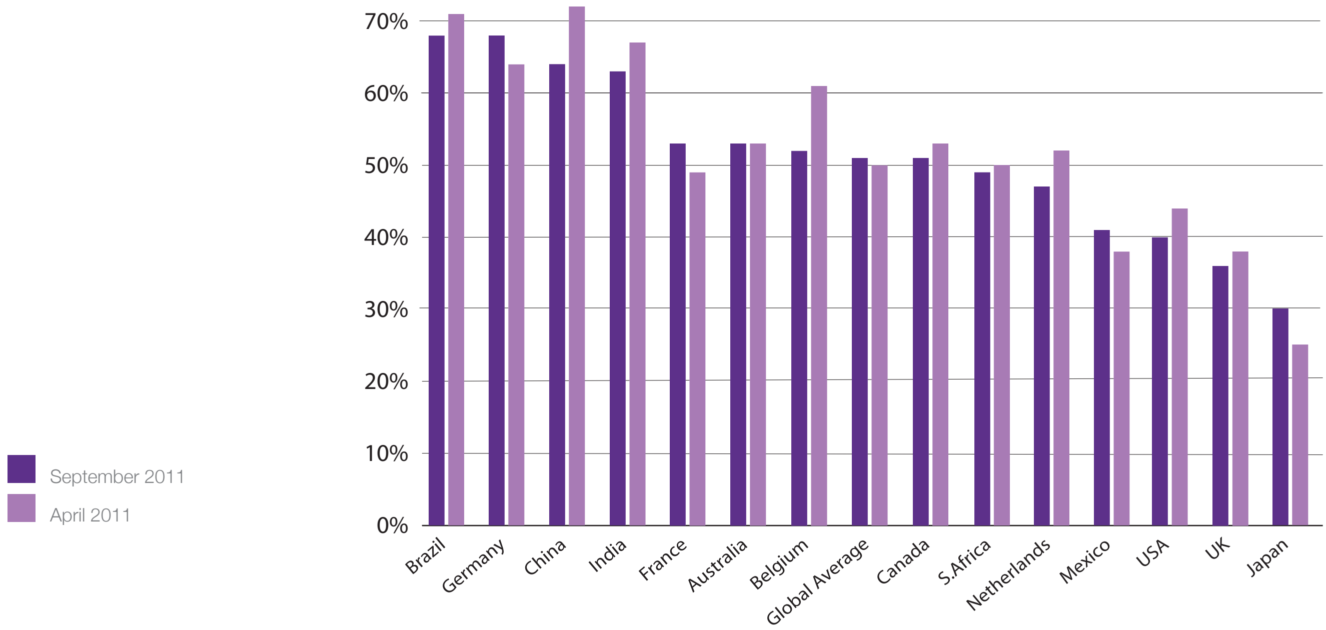
In order to provide business leaders and firms globally with a more complete and up-to-the-minute overview of their peers' outlook for the coming year the Regus Business Confidence Index Report analysed the opinions of over 12,000 business managers and business owners from 85 countries. In addition to enquiring about revenues and profits over the past year, and about their revenue expectations for the next 12 months, the report also analysed the effects of trading on an international rather than a national scale on business confidence and differences between levels of optimism between small and large businesses. In particular, as intentions to hire can be seen as a positive indicator of expected growth, as businesses invest in their most important resource, people power, the report also surveyed the intentions to hire particular groups of workers in the coming two years.

Growth expectations

As instability continues to blight the global economic outlook in the form of government fiscal reform, market and currency volatility, it is not surprising to find that growth has slowed and with it the expectations of global business. Although results for revenue and profit growth are largely unaltered at a global level, most economies such as UK and USA report a slight decline in revenues and slightly fewer firms even in emerging economies such as India and China report revenue growth. Notable exceptions are France and Mexico. Canada remains fairly stable and is reported to expect some slight growth in the coming year.[12]

12. The Telegram, Mild economic growth predicted for country, 19th September 2011

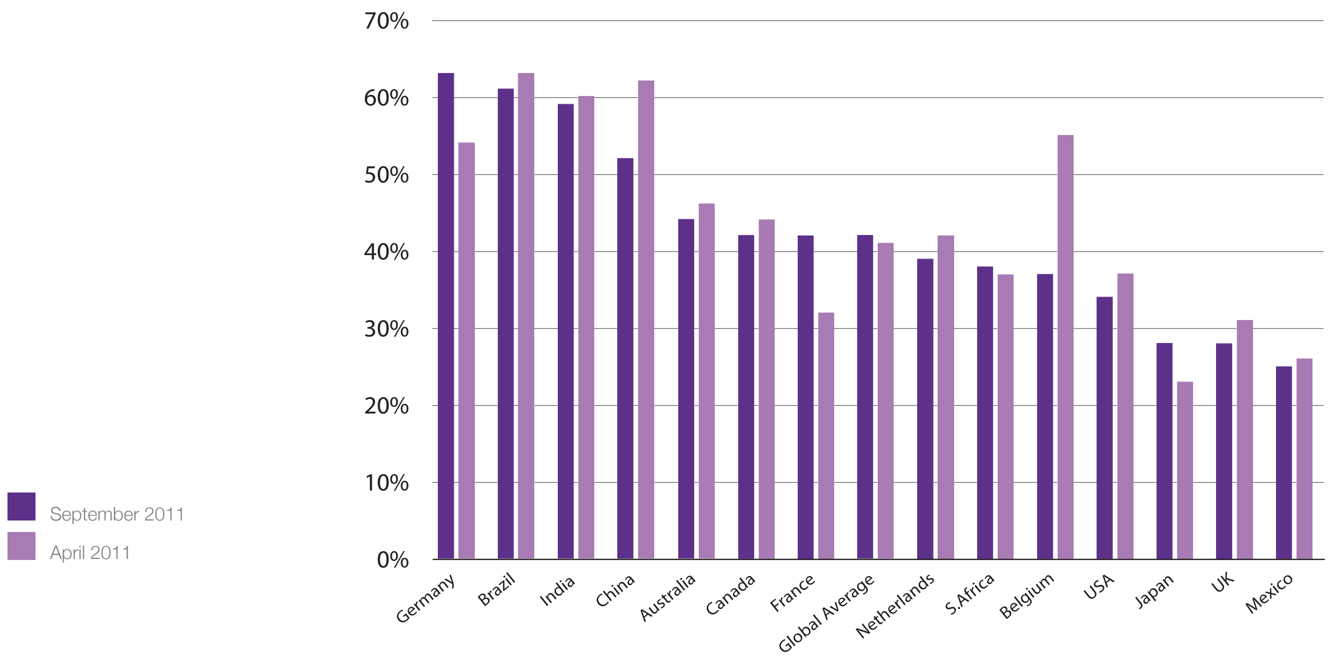
Firms reporting revenue growth in April and September 2011



Companies reporting profit growth have increased since April 2011 in developed economies with France, Germany and Japan showing improvements. The proportion of companies reporting profit growth has, however, worryingly declined even in emerging markets such as China where rising inflation and government concern over excessive speed of growth have affected the outcome.[13]

13. The Financial Times, China's challenge: drive growth without inflation, 22nd August 2011

Profit growth in April and September 2011



The Regus Business Confidence Index

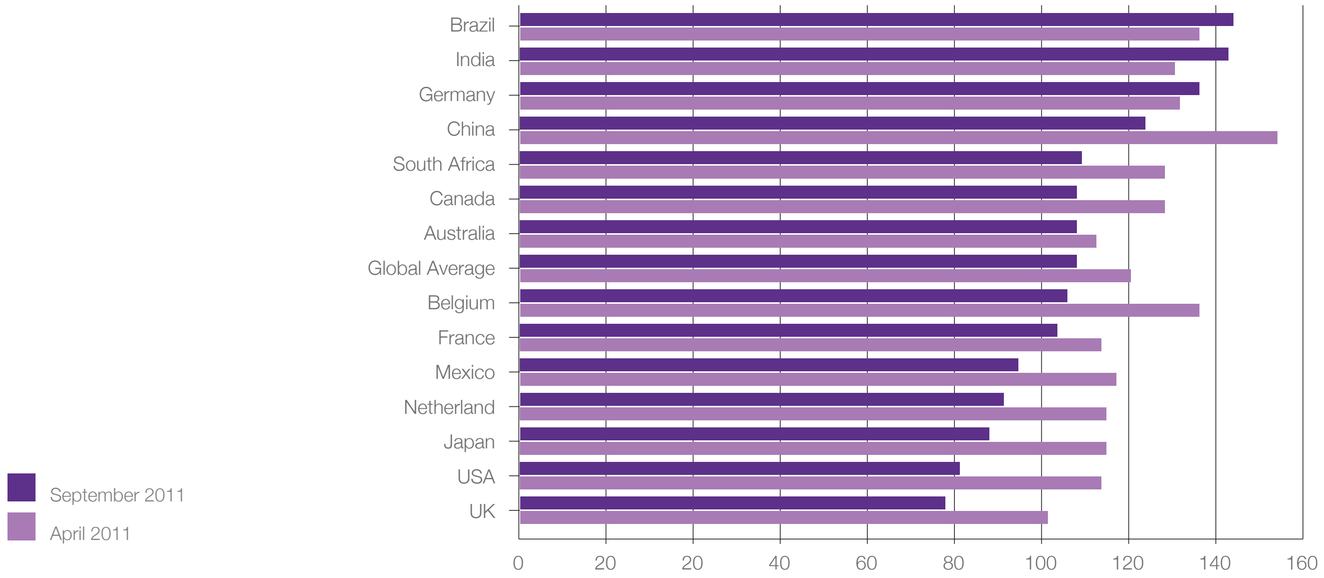
The Regus Business Confidence Index presents a view of global Business Optimism in every edition. Its benchmark average was set at 100 in the first publicly published edition of in September 2009. This index is a measurement formed on an aggregate of positive statements combining year-to-date revenue and profit trends with views on the timing of the full momentum of economic recovery and aims to provide businesses across the globe with a barometer of business confidence and expected growth.

As expected, the current instability in the world economic and political environment has affected the outlook of businesses bringing their levels of confidence down from their bullish April 2011 levels. Globally the index has receded fully 11 points since April and all countries show a decline in confidence except for Brazil, Germany and India. It is important to note how China, although its economy is reported to remain on solid footing by the IMF, has fallen 27 points in confidence.[14] While mature economies such as the UK, the Netherlands, Canada, Japan and Belgium, have mostly fallen over 20 points the USA stands out for an almost 30 point drop (29) in spite of the proposed US government's debt ceiling rise and phased approach to spending cuts aimed at supporting growth.[15]

14. IMF, IMF Executive Board Concludes 2011 Article IV Consultation with People's Republic of China, 20th July 2011

15. The Washington Post, House votes to formally disapprove of debt ceiling hike, 4th September 2011; NASDAQ, US Senate Starts Process For 2nd Debt Ceiling Boost, 8th September 2011

Business Confidence Index in April and September 2011



New job creation

A very positive indication is given by the fact that across the board more than half of global respondents declare they intend to hire more staff in the next two years. A year ago, in September 2010, only 45% of companies globally planned to hire more staff. Now this proportion has reached an overwhelming 64% with peaks of 85% of firms in Brazil, 76% in Mexico, 70% in India and 72% in buoyant Germany.

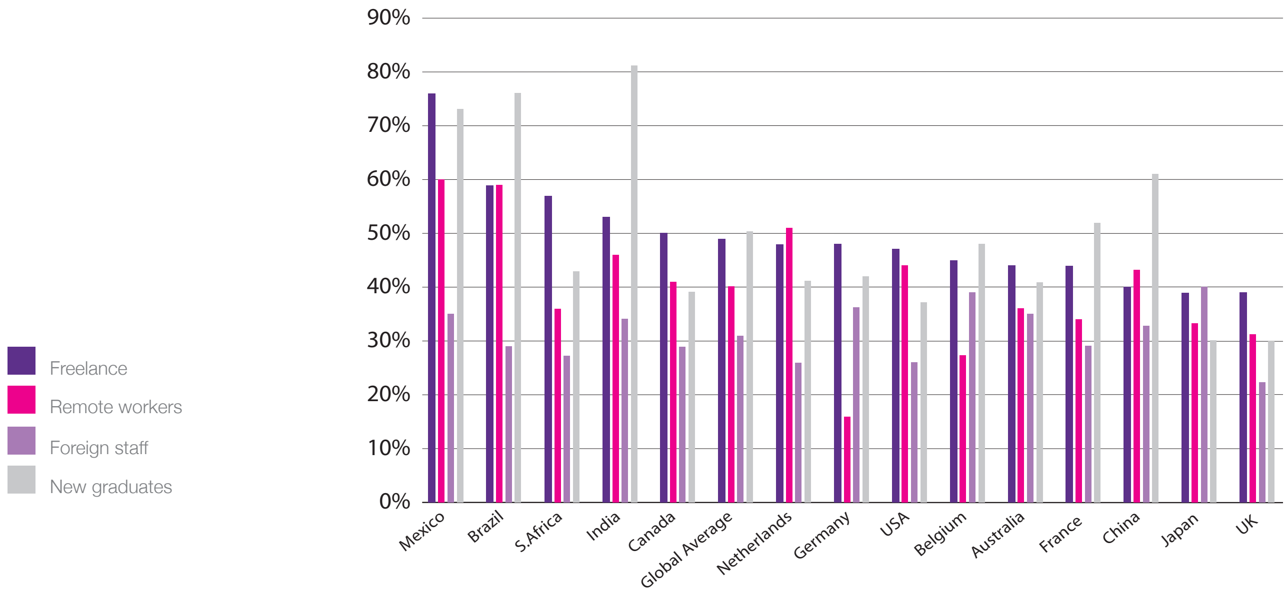
Plan to hire more new employees

Businesses were also asked to define what type of workers they would be hiring in the year 2011-2012, and it was found that globally nearly half of firms (49%) plan to hire freelancers, two fifths (40%) to hire remote workers and half plan to hire new graduates. While this is obviously a good indicator for youth unemployment, country by country variations suggest that in developed economies the market for new graduates remains small with only 30% of firms planning to hire this type of employee in the coming year in the UK and Japan and 37% in the USA. In Mexico, Brazil and India intentions to hire new graduates reflect the positive growth outlook with over 70% of firms declaring they will hire workers from this group, but also suggest that a process of replacement is taking place with businesses looking to develop new sets of skills and update their sectors intellectaully.

The evident intention of firms globally to focus on hiring more flexible types of staff, such as freelancers and remote workers, confirms that businesses globally are playing it safe and investing in growth while not committing to expensive overheads in terms of office space and equipment requirements. As freelance and remote staff tend to work away from the hiring companies location and with their own equipment, firms can safeguard their capital and make more agile types of investment.

Interestingly it is not only developed economies that are struggling to achieve sustainable growth that are opting for these flexible types of work arrangements but emerging economies seem to be keen to avoid the mistakes made by western economies before the previous recession and are trying to remain rapidly scalable even in terms of staff and office space. In particular Mexico, Brazil and India with their high proportion of firms planning to employ freelance and remote staff are an excellent example of this trend.

Types of workers planned to hire in 2011-2012



Optimism and business size correlation

The Business Confidence Index reveals a strong variation between the confidence levels of small firms and large businesses. Globally large businesses are 19 points more confident than their smaller counterparts with only small and large firms in China, Australia and Japan showing a more similar outlook. In India, Brazil and the Netherlands in particular, differences between small and large businesses are enormous, suggesting that measures taken to boost the economy in these countries are uneven and need to focus more on supporting growth for small firms which represent 99.2% of Brazilian businesses and, in Europe, employ around 66% of the population. [16 17]

16. http://www.cafebabel.co.uk/article/29090/eu-enterprise-network-businesses-small-medium.html
17. SME Loans in Brazil: Making way for large private-sector banks, Business News Americas, June 2010

Large and small company index variation

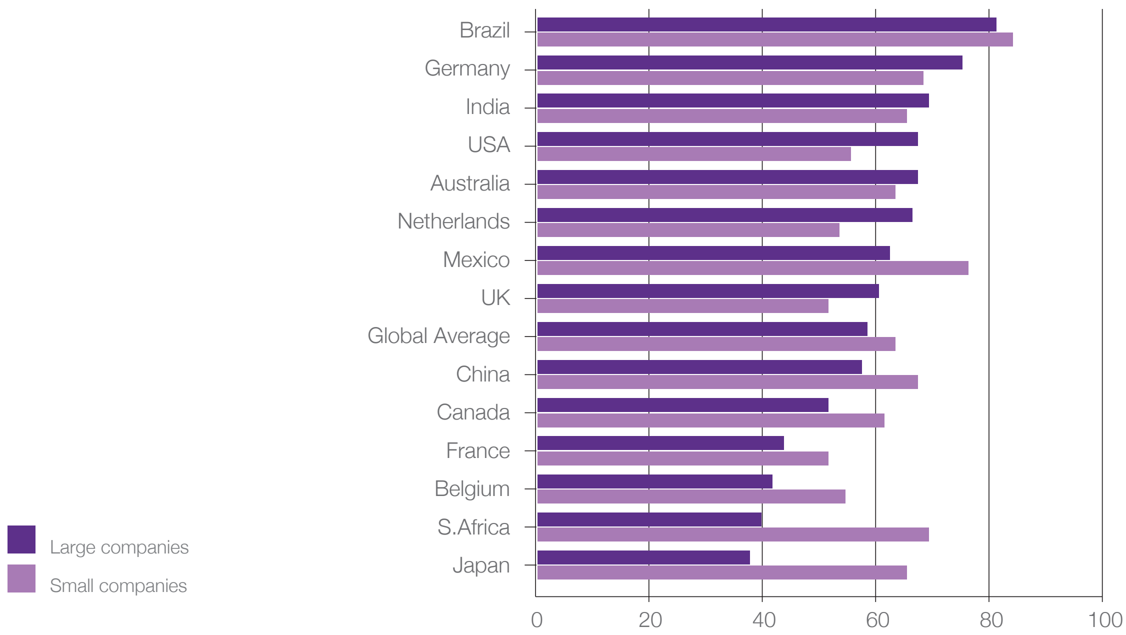
In spite of this more small business (64%) intend to hire in the next two years than large businesses (59%) highlighting that while their expectations for the recovery and their results are not as buoyant as those of large businesses they remain positive in their intentions to find opportunities for growth, albeit without taking undue risks. For these reasons we find that more small businesses globally plan to hire freelance staff (54%) than large businesses (34%) and that the same trend is found for remote staff which 42% of small businesses plan to hire, compared with a third of large businesses (33%). By contrast large businesses are keener to hire graduates (60%) than small businesses (46%).

More small businesses than large intend to hire in the next two years in emerging economies such as China (68%), Mexico (77%) and South Africa (70%) as well as Japan (66%), where reconstruction work at a national level is likely to provide an increase in employment. A greater proportion of large companies will be hiring foreign staff (39%), particularly in Germany (59%) and Mexico (56%). Interestingly, although large German firms plan to hire foreign staff they are less likely than average to hire remote workers (17%).

Small companies show a greater interest in remote working and particularly emerging economies will be driving this trend. Remote working is expected to boom in Mexico where 63% of small companies will hire remote workers and Brazil (61%). More than half of small Chinese companies (54%) will also choose remote workers to increase their headcount without increasing overheads. Similarly freelance working is predicted to become increasingly popular among small firms in emerging economies planning to remain lean as they grow with Brazil, South Africa, Mexico and India revealing higher than average proportions of small firms intending to hire freelance staff.

Interestingly, unemployment is reported by the IMF to be a particularly pressing issue in South Africa where it now stands at some 24%. In particular lack of alignment between skills and available jobs as well as large distances between population centers and where businesses are located are quoted as challenges. With 60% of small South African businesses planning to hire freelance staff and 38% increasing headcount through remote workers it would seem that flexible working practices could be set to bring about significant improvement to the employment situation in South Africa.[18]

Large and small company intentions to hire



18. IMFdirect, South Africa's Unemployment Puzzle, 4th April 2011

	Small Business				Large Business [19]			
	Freelance staff	Remote workers	Foreign staff	New Graduates	Freelance staff	Remote workers	Foreign staff	New Graduates
Global Average	54%	42%	29%	46%	34%	33%	39%	60%
UK	42%	29%	18%	25%	29%	39%	43%	46%
USA	50%	43%	21%	30%	32%	50%	49%	59%
France	48%	34%	28%	51%	25%	44%	34%	56%
Germany	56%	16%	30%	35%	31%	17%	59%	57%
India	62%	48%	31%	78%	36%	38%	38%	85%
China	46%	54%	38%	59%	34%	26%	24%	66%
Belgium	51%	38%	38%	54%	42%	13%	38%	50%
Netherlands	52%	51%	22%	40%	33%	50%	33%	67%
Brazil	64%	61%	26%	74%	31%	44%	31%	87%
S.Africa	60%	38%	28%	44%	40%	20%	0%	20%
Japan	47%	35%	35%	26%	23%	29%	63%	40%
Australia	47%	37%	30%	32%	34%	29%	52%	68%
Canada	53%	43%	24%	29%	38%	29%	33%	62%
Mexico	81%	63%	32%	71%	41%	41%	56%	81%

The benefits of international trading

In developed economies we see a definite trend develop distinguishing firms that trade nationally and those that sell their products or services internationally. In western and mature economies with the exception of the Netherlands, where GDP is expected to expected to decline slightly to 1.5% over 2011–12,10,[20] firms trading internationally are at least 10 points more confident than those that only work nationally. In Australia and Belgium the difference is even more marked with around index points separating these businesses. In Belgium in particular the slowdown of the euro area will affect GDP growth and businesses trading nationally and within the EU.[21]

Emerging economies, which unlike developed economies are seeing increasing consumer spend and national infrastructure investment, are less reliant on export markets to boost their confidence levels. In India, South African and Brazil for example there is very little difference in confidence levels between firms that trade internationally and those that do not, while in China the trend is taken to exasperation with international companies faring less well than national firms. The increasing shift of focus from export economy to national infrastructure development in China is probably accountable for this buoyant national market. Mexico is an exception to the emerging markets and with international firms 25 points more confident than those that only trade nationally.

19 Small businesses are taken to be those with fewer than 50 employees and large businesses those employing over 250 staff

20. IMF, Kingdom of the Netherlands—The Netherlands 2011 Article IV Consultation: Preliminary Conclusions, 28th March 2011

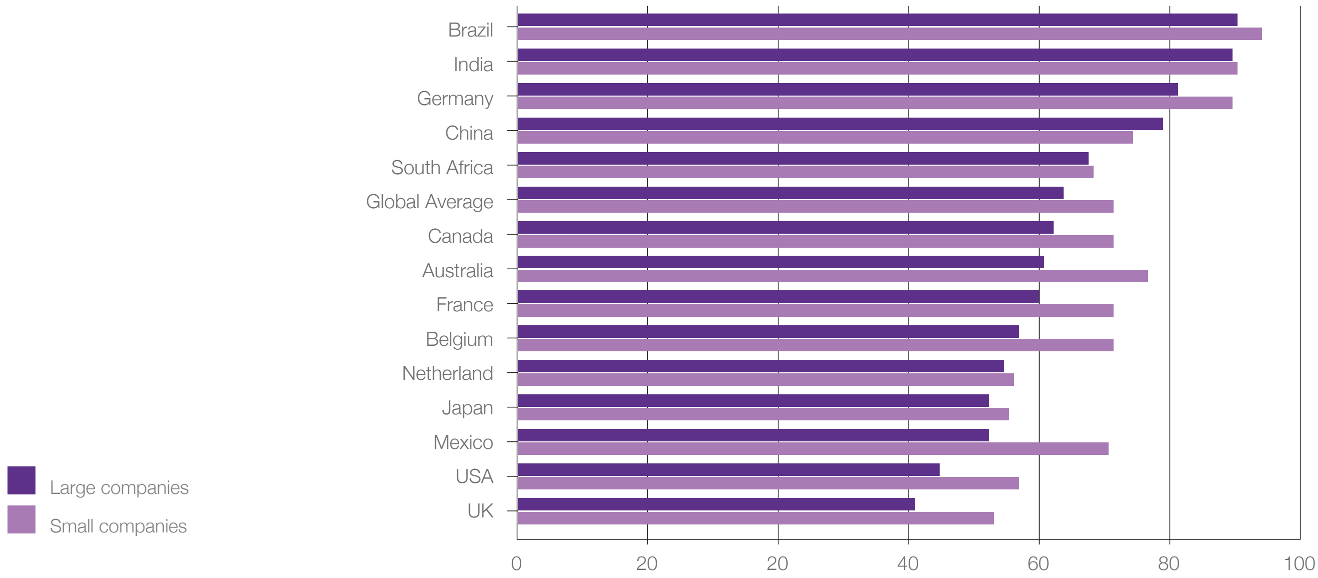
21. IMF, IMF Executive Board Concludes 2010 Article IV Consultation with Belgium, 4th April 2011

Index for national trading and international trading businesses

Hiring prospects are also higher among companies that trade internationally with 68% of these reporting they intend to hire more staff in the next two years compared to only 61% of firms that only sell their products or services nationally. In Australia, for example, where unemployment is expected to remain below 5% in 2011-2012 it appears that international firms will be doing the lion share of hiring.[22] Firms in emerging economies plan to hire more staff whether they trade nationally or internationally with over 70% of international and over 65% of national firms in Mexico, South Africa, Brazil and India planning to increase headcount. China confirms its role as an exception with more national (72%) trading companies intending to hire new staff than international companies (55%).

22. IMF, Australia- 2011 Article IV Consultation Concluding Statement, 1st August, 2011

National and international business’ intention to hire



As for the type of worker they are planning to hire, international companies are more likely to hire new graduates, remote workers and foreign staff. In particular over 70% of international companies in Mexico, Brazil and India plan to hire more new graduates in the next two years, suggesting that a need for new skills is felt by these firms. International firms in emerging economies are also more likely to invest in foreign staff further confirming a need to acquire new sets of skills that are not available in the country at the moment. More than half of international companies in all emerging economies except for China and India plan to hire foreign staff. Interestingly 52% of USA firms also plan to increase headcount with foreign staff suggesting that there is the intention to grow overseas markets.

The fact that international firms in emerging economies are also more likely to hire remote staff (67% in Brazil, 66% in Mexico, 44% in South Africa) would confirm the intention of large businesses in these economies to remain nimble even as they expand on the international stage. National trading firms in emerging economies follow suit with over 60% planning to employ freelance staff rather than 9-5 workers.

	Trade Nationally				Trade Internationally			
	Freelance staff	Remote workers	Foreign staff	New Grad-uates	Freelance staff	Remote workers	Foreign staff	New Graduates
Global Average	50%	38%	21%	47%	47%	44%	49%	53%
UK	36%	25%	10%	25%	43%	39%	39%	37%
USA	46%	40%	12%	32%	48%	52%	52%	46%
France	45%	31%	21%	51%	43%	38%	42%	54%
Germany	52%	10%	20%	37%	46%	19%	48%	45%
India	61%	51%	23%	79%	46%	42%	43%	83%
China	45%	46%	31%	63%	29%	36%	36%	56%
Belgium	39%	33%	33%	50%	46%	26%	45%	50%
Netherlands	49%	46%	16%	33%	48%	60%	43%	55%
Brazil	60%	58%	24%	76%	46%	67%	57%	76%
S.Africa	61%	32%	16%	38%	50%	44%	50%	53%
Japan	40%	28%	30%	29%	37%	39%	55%	32%
Australia	40%	33%	21%	41%	51%	40%	60%	39%
Canada	42%	36%	5%	34%	58%	47%	56%	44%
Mexico	78%	57%	25%	74%	70%	66%	56%	72%

Country highlights

Country	Revenue rise	Profits rise	Expect recovery in second half of 2012	Intention to hire	Intention to hire freelance staff	Intention to hire remote staff
UK	36%- 53% of large busines-ses	28%	62%	54%	39%	31%
USA	40%	34%	61%	59%- 68% of international businesses	47%	44%
France	53%- 63% of international businesses	42%	45%	52%	44%	34%
Germany	68%	63%	19%	72%	48%- 56% small businesses	16%
China	64%	55%	32%	66%- 72% national businesses	40%	43%
India	63%	59%	7%	70%	53%- 62% small businesses	46%
Belgium	52%	37%	38%	49%- 55% small businesses	45%	27%
Netherlands	47%	39%	49%	56%	48%	51%- 60% international businesses
Brazil	68%	61%	10%	85%	59%	59%-67% international businesses
South Africa	49%	38%	28%	68%- 40% large businesses	57%	36%
Japan	30%	28%	43%- 47% international businesses	58%	39%	33%
Australia	53%	44%	36%	64%-76% international businesses	44%	36%
Canada	51%	42%	36%	62%- 73% international businesses	50%	41%
Mexico	41%	25%	34%	76%	76%	60%-66% international businesses

Conclusion

Globally, business confidence has dropped over the past six months indicating that the worldwide economic outlook has somewhat worsened. The proportion of companies reporting revenues and profit growth has close to stalled and expectations for the full momentum of recovery have slipped to the second half of 2012. With business confidence depressed across the board and only maintaining growth in a handful emerging economies and Eurozone giant Germany, it is still very encouraging to find that prospects for employment in the next two years are improving.

Within this bleak environment businesses reveal that they are still actively looking for opportunities to grow and doing so by investing in their most valuable asset: intellectual capital in the form of excellent staff. While emerging economies are more likely to be experiencing a cultural shift with new graduates destined to take an increasingly important role in their businesses, developed economies do not shy away entirely from this set of workers.

Significantly both emerging and mature economies show an important shift in working practices with remote and freelance working becoming an increasingly popular solution to increase headcount while remaining flexible and rapidly scalable. In particular the report shows that firms that are active internationally will make greater use of remote workers in the coming two years, allowing them to increase their presence in target markets without investing in expensive premises and equipment.

While developed economies are likely to have learnt the need for more nimble and agile approaches to growth as a result of the recent recession, it is interesting to note that emerging economies, although they did not experience this directly, are aware of this precedent and are showing that they plan to opt for a more flexible growth strategy right from the outset.

Finally, the research would suggest that smaller businesses, that are lagging behind in confidence, but are still keen to hire more freelance staff could benefit from trading internationally as international companies are seen to be faring far better than national businesses. By taking advantage of flexible solutions already available on the market it is possible for even very small operations to establish a presence in their target markets without making lengthy premises or equipment commitments and allowing them to expand or withdraw without difficulty depending on market conditions.

Methodology

Over 12,000 business respondents from the Regus global contacts database were interviewed during September 2011. The Regus global contacts database of over 1 million business-people worldwide is highly representative of senior managers and owners in businesses across the globe. Respondents were asked about their recent revenue and profit trends, along with their future views on a number of issues including plans for hiring particular workers over the next two years. The survey was managed and administered by the independent organisation, MindMetre - www.mindmetre.com.