

Embargoed: 00:01h Tuesday 27 December 2011

FALTERING ECONOMIC RECOVERY PUTS SQUEEZE ON AGENCIES

New evidence of the reality of the Britain's faltering economic recovery emerged today, in a survey which shows that digital and design agencies are increasingly being asked to work for free.

The Design Industry Voices survey is now in its third year and shows how small firms have suffered following the financial crisis, during the recession and the long, slow recovery.

The new survey - of almost 500 agency staff - paints a picture of the squeeze being experienced by small firms in the private sector as public sector budget cuts begin to bite and economic confidence fails to recover.

- More than eight out of ten (85%) say that **clients expect more work for less money**
- More than seven out of ten (71%) say **clients expect more work in pitches for free**
- More than eight out of ten (82%) say **client budgets have been reduced**
- More than half say agencies are employing **fewer permanent staff (58%)**, using **more freelancers (55%)** and more than two fifths are using **more unpaid interns (43%)**.

The latest UK unemployment figures show that employment growth in the private sector is being far out stripped by job losses in the public sector. Private sector jobs have only risen by 5,000 but public sector jobs lost for the same period are 67,000. Overall, UK unemployment is at its highest level since 1994, at 2.64 million.

Design Industry Voices also shows that agencies are experiencing more staff turnover than ever, since the recession began in 2008:

- More than half (58%) of staff intend to change job in the next twelve months
- More than a third (35%) have been with their agency less than a year.

People working in digital and design agencies say they are feeling the brunt of the long, slow recovery. Fewer than one in five respondents consider that their agency is performing 'very well' in respect of 'helps employees to manage stress' (12%), 'rewards people for going the extra mile' (15%) and provides 'appropriate workload for staffing levels' (15%).

Rachel Fairley, lead author of the new research and MD of Fairley & Associates, said:

"Digital and design agencies appear to be running on empty. Clients expect more work for less money to make up for budget cuts. Staff have disengaged; they are overworked, undervalued, and fed up of poor leadership. More of them than ever intend to change job within twelve months (58%), with far reaching consequences in this uncertain economic climate."

Karina Beasley, MD of Gabriele Skelton, said:

"For agencies, a high staff turn-over means extra costs. Finding and recruiting new staff, then inducting them and getting them up to speed to take over accounts all adds to costs and eats into margins. In the current jobs market, agencies that advertise are being swamped with applications meaning that short-listing takes far longer than it used to and candidates rarely get feedback and often do not even have their applications acknowledged. Too many are relying on freelancers and unpaid interns."

Stef Brown, MD of On Pointe Marketing, said:

"Clients are increasingly nervous that the 'A' team pitched, but an unstable 'B' team are delivering. And feeling like you aren't on the 'A' team is demotivating, giving employees another reason to consider leaving. Not only this, but producing creative work for free during pitches means agencies are giving away their most valuable commodity: their intellectual property. I can't think of any other professional services business where this is tolerated, or even considered an option."

Survey respondents said:

- *“Clients want twice as much work for half the money.”*
- *“Clients want everything done at speed for no money. No time or opportunities for creative input. Demoralising.”*
- *“I get the sense clients are reining in budgets again with the Euro crisis upon us. Could have an affect over the coming months.”*
- *“Fear of a double dip recession makes employers less inclined to recruit permanent staff... Maturity and experience seems less valued now. Perhaps because you can pay inexperienced staff much lower rates.”*

Notes to Editors

From 00:01h Tuesday 27 December 2011 see www.designindustryvoices.com to access the full report. For more details and an embargoed copy of the full report, contact below (note holiday dates).

We asked 496 people who work within digital or design agencies to anonymously share their views online between 3-7 October 2011.

The latest unemployment figures are at:

<http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/december-2011/index.html>

Fairley & Associates works with companies and agencies to effect change, solve immediate business challenges and build long-term capabilities in brand, marketing and engagement. www.fairleyassociates.com

Gabriele Skelton is a specialist design and digital recruitment agency. www.gabrieleskelton.com

On Pointe Marketing works with agencies to build external and internal reputation to drive the business development pipeline and retain and attract talent. www.onpointemarketing.com

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