

# 'Perfect Storm' of worker confidence creating wage inflation spiral

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- UK's Jobs Confidence Index reaches highest level since Q1 2022
- 60% of employees are confident about their job security over the next six months
- Real wage growth boosts pay confidence, but is creating a salary inflation spiral

Pay confidence in the UK is leaving employers facing a perfect storm of worker optimism amidst a worsening skills crisis. That's according to the latest Robert Half Jobs Confidence Index (JCI) – an economic confidence tracker produced in partnership with the Centre for Economics and Business Research (Cebr).

The latest iteration of the Jobs Confidence Index shows that pay confidence in the workforce increased 70.1 points, returning to positive territory for the first time since Q2 2022. This has been driven by the growth in real wages which grew positively for the first time since Q1 2022, no doubt leading to 60% of employees reporting last month that they are confident about their job looking ahead to the next six months.

According to the report, positive consumer confidence and a healthy business optimism in Q2 2023 have resulted in the latest JCI reading of 47.2 - the highest recorded level since Q1 2022 when optimism was up as Covid restrictions lifted. This figure is also significantly above normal levels, with 30 considered a high reading in the Index, and represents an uptick of 17.8 points on the previous quarter. This level of optimism looks set to continue, with 41.9% of those surveyed in August revealing that they are confident about their future career prospects and Cebr upgrading their forecast for economic growth across 2023 from 0.2% to 0.4%.

Matt Weston, Senior Managing Director UK & Ireland, at Robert Half, commented:

"The UK economy has demonstrated more resilience in 2023 so far. In what was expected to be a period of economic contraction verging on recession, the UK has seen growth, with the economy expanding by 0.2% in Q2. However, the country still faces systemic skills shortages, while worker confidence thrives as our data suggests.

"We are witnessing a perfect storm of unprecedented worker confidence in job security, pay and career progression that is placing significant pressure on the labour market. Employee mobility is high, as self-assured employees, aware of low unemployment rates, seek greater working environments or remuneration elsewhere. The affected businesses consequently need to deal with such talent loss in a tight market, fuelling the wage spiral we are seeing today.

"With nominal wage growth recently outpacing inflation, business leaders might be less willing to accommodate higher pay expectations going forward. However, the elevated worker confidence could mean many will not hesitate to jump ship should they feel their earning potential is not fully met. To address this, non-financial and bottom-line friendly retention strategies could aid the prevention of further

wage inflation, while helping businesses avoid the cycle of having to attract new talent.

“Despite the anticipated dip in job vacancies, the Index suggests that levels will remain above pre-pandemic norms for the remainder of the year and will likely stabilise at around 925,000. It seems a tight labour market defined by a war for talent is far from being over and the opportunities lying ahead are as abundant as the challenges. The war for talent may seem like a crisis, but it's an opportunity for employers to seize – or squander.”

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About Robert Half

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