

Skills shortages creating pay inflation 'crisis': legal and finance sectors worst hit

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New data shows certain skilled staff are commanding salary inflation of over 37% in the next year and 63% of workers will reject a lowball pay offer

As the UK's skills crisis intensifies, some employers are battling pay inflation demands of over 37%, adding to the financial strain that businesses are already facing. That's according to new research by specialist recruitment firm Robert Half.

The firm's 2024 Salary Guide (<https://www.roberthalf.com/us/en/insights/salary-guide>) – which analyses and reports on market salaries, hiring trends, and skills requirements across the UK – revealed that almost a third (32%) of employers are finding themselves in the middle of a wage spiral, having to inflate salaries to maintain a competitive edge in the war for talent. A further 26% of companies are offering additional one-off bonuses to keep hold of their staff.

While over a quarter (27%) of firms are planning pay increases in line with inflation, those looking to recruit in skills short markets are facing potentially budget-breaking salary increase demands. Some of the roles where pay inflation has spiked significantly are:

- Legal Counsel (0-2 years PQE): +37.9%
- Sales Ledgers / Billing Clerk: Accounting operations +36.2%
- Chief Financial Officer: +32.4%
- Paralegal: +28.8%
- Financial Accountant: +26.4%
- Purchase Ledger Manager: +26.0%
- Applications Support: Software Development and Testing: +24.0%

Insufficient salary is the most common reason for rejecting a job offer. With 63% of workers ready to decline a new opportunity because the salary doesn't suit, many hirers have little opportunity but to meet skilled employees' increasing demands.

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

"Many employers may be shocked next year at the salaries that some of their most in demand roles will command. Without careful planning this will weigh heavily on company profitability at a time when businesses are struggling with costs.

"It is no surprise to see financial incentives are perceived to be a top solution. However, continuous pay rises aren't sustainable and firms need to consider how else they can boost hiring prospects and reduce attrition. With the UK continuing to face significant skills shortages and 75% of employers concerned about the attraction and retention of staff in 2024 according to our research, firms will find themselves with little option but to listen to the employee voice.

“Yet, pay is not the ‘be-all and end-all’. A robust corporate culture and a tailored retention programme can be a cost friendly strategy. Our research shows, for example, that almost half (47%) of the workforce would reject a new job if the company didn’t offer flexible working, yet news reports continue to highlight brands that are enforcing office returns. And in many instances employees leaving a business do so due to deep-rooted talent attrition causes such as heavy workloads and a lack of development opportunities. Business leaders must address all aspects of the employee experience and must do so fast, since an increase in pay is the inevitable by-product of ‘jumping ship’.”

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About the research

Data referenced in this Salary Guide is based on proprietary Robert Half insights and an online survey developed by Robert Half, conducted by an independent research firm. During June and July 2023 Robert Half commissioned research amongst 1500 respondents using an online data collection methodology. The respondents represent 500 employers and 1000 employees in Finance, HR, Operations/Administration, Marketing and Tech departments. Respondents are drawn from a sample of SME and large organisations from public sector, private and publicly listed businesses across the UK.

About Robert Half

Founded in 1948, Robert Half is the world's first and largest specialised talent solutions consultancy, working to fill professional services roles at all levels within the finance and accounting, banking, technology, HR, marketing and legal sectors. The company has more than 300 staffing locations worldwide and offers hiring and job search services at www.roberthalf.co.uk

Robert Half understands that it takes time and effort to evaluate the best talent strategy for different businesses. For further independent advice to assist with your recruitment and workforce planning efforts, visit www.roberthalf.co.uk/advice