

Tight labour market remains resilient amidst recession

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Skills shortages pushing job security confidence to near record highs with wages growing

56.1% of employees confident in their job security at a time of technical recession

Pay confidence was positive for a third consecutive quarter and above the long run average, as real wage growth improves

Despite news of a recession, wage growth still a concern for inflation

Job seekers and employees across the UK are increasingly confident, a scenario at odds with a recession. 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).

Near record high worker confidence underlines misaligned economy and labour market

The latest iteration of the report revealed that while the UK fell into a shallow recession in Q4 2023, the majority (56.1%) of employees remained confident in their job security for the next six months. This has contributed to job confidence growth at near record highs since JCI records began in 2009, despite the negative reports of an economic slump. Such a high level of optimism has pushed the job security pillar of the JCI to its second highest level on record (138.4), as unemployment stood at 3.8%, a low rate by historical standards, indicating the labour market continues to remain tight. The trend is being driven by continued skills shortages and vacancies which remain elevated above pre-pandemic norms.

With real earnings growing for the third consecutive quarter following a continued deceleration in headline inflation, the pay confidence pillar of the JCI has noted significant gains at the end of last year, climbing 8.3 points to 36.8 - a confidence reading which will fuel further worker wage demands. In addition, the rate of input price inflation has edged up to its strongest since August 2023 according to the February S&P Global PMI, largely due to rising salaries in the service sector. That wage inflation could throw a spanner in the works of much-anticipated rate cuts.

A recession like no other?

According to Robert Half, this recession will not only be shallow, but could already be over, with recent data showing that in January inflation held at a lower-than-expected 4%, as well as an improvement in consumer confidence. This sentiment is echoed by the recently seen upbeat picture for Britain's private sector, growing at its fastest rate in nine months.

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

“Be under no illusion that workers are feeling confident with regards to their job security and ability to command better pay, despite the gloomy economic news. As seen in the JCI, employee mobility is high as a result of a tight labour market and the continued skills shortages noted across almost every sector.

Those who want jobs can, on the whole, find employment. Wages are also up, with real earnings growing for the third consecutive quarter. In a skills-short, tight labour market, self-assured workers have been quitting or striking on an epic scale. Quitters either get a higher counteroffer or leave a role behind – which usually comes with a pay rise or a promotion for those left, ultimately fuelling the wage growth policymakers are fearing.

“Meanwhile, the impact of skills shortages is exacerbated by the largely unchanged levels of economic inactivity still higher than pre-pandemic rates, leaving some 900,000 vacancies harder to fill. This isn’t good news for business growth. Tackling economic inactivity requires a multilayered approach – from supporting those unable to work due to long-term sickness, through to making work pay to encourage more people to rejoin the labour market. As welcome as the economic revival is, business leaders will find the widespread skills shortages and economic inactivity taking much longer to tackle, keeping the lid on a tight labour market likely to push wages further.”

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About the research

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

The Jobs Confidence Index (JCI) is made up of four equally weighted pillars, each measuring 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.

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.