Recruiter responds to Bank of England news: Wage slowdown unlikely soon

Submitted by: BlueSky Public Relations Ltd
Thursday, 21 March 2024

Responding to today’s announcement from the Bank of England, Matt Weston, Senior Managing Director UK & Ireland, at Robert Half, commented:

“We remain in the unusual situation where confidence in the workforce continues to outstrip wider economic poise. This has created the wage growth that economists have been monitoring for the last few months. While inflation has begun to cool – a sign that the Bank of England has been looking out for and which is likely to influence interest rate decisions in the next few months – pay growth hasn’t declined as fast, and earnings will ultimately be a key factor in interest rate setting.

“Indeed, according to the latest iteration of our Jobs Confidence Index (JCI) – an economic tracker produced with the Centre for Economic and Business Research (Cebr) – confidence in the workforce remains high, with the majority (56.1%) of employees 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, which is putting pressure on salaries.

“With real earnings growing for the third consecutive quarter following a continued deceleration in headline inflation, the pay confidence pillar of our JCI noted significant gains at the end of last year, climbing 8.3 points to 36.8 (note that 30 is considered to be normal levels of positivity) - 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 services sector. That wage inflation could throw a spanner in the works of much-anticipated rate cuts.

“Furthermore, this scenario is being fuelled by continued skills shortages and vacancies which remain elevated above pre-pandemic norms. In such a 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.

“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.”

Ends

Press contact

Vickie Collinge

vickie@blueky-pr.com

01582 790705