

Tables have turned on UK pay inflation: staff salary expectations below employer forecasts

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Workers expect a 3.8% pay rise in the next year, below the 4.6% planned by employers, suggesting businesses are mitigating against skills shortages

65% of staff still confident they will receive a salary increase in the next 12 months

A quarter (25%) would stay with their current employer if their remuneration packages didn't change

The UK's pay inflation may have finally peaked, with employee salary expectations lower than levels employers forecast having to pay. 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).

Pay inflation expectations fall, but employers budgeting against skills shortages

According to the JCI, employees were expecting an average pay increase of 3.8% in the twelve months from May, below the 4.6% employers were planning to pay in the year from April, based on survey data from the Bank of England. This mismatch in employer and employee expectations is indicative of businesses budgeting against skills shortages, which continue to impact every sector.

Employers are acutely aware of the dearth of specialist talent and the impact this will have on the costs of acquiring the skills of the future in the domestic employment market. In fact, data from the JCI revealed that, of those expecting a pay rise, an uptick of 5.1% was projected. These are likely the workers operating in sectors where skills shortages are particularly acute and who are able to command higher rates of remuneration as a result. This is further evidenced by the fact that those with degrees expect a 4.4% pay rise, compared to those without (2.8%).

Staff favouring stability and security

Although the latest iteration of the JCI demonstrates a fall in the number of people expecting a pay rise, the data does suggest that the majority still expect something this year. Almost two thirds (65%) of employees predict they will receive a salary boost in the next 12 months. However, the statistics suggest that workers are favouring job safety and security over pay in the current economic climate.

The data revealed that a quarter (25%) of those who expect a pay increase would take no action if this wasn't offered. While 20% would consider changing employer for better pay, others are instead opting

for alternative money-saving options as the cost-of-living crisis and economic uncertainty continue to impact households.

Just over 16% stated that they would reduce spending on non-essentials if they did not receive a pay rise, while 13% would look for additional sources of income such as a side hustle, and 7% would relocate to an area with lower living costs.

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

“Wage inflation hasn’t fallen as expected, but what is perhaps more notable is that the fall we have seen hasn’t translated into a positive impact for people’s wallets. The cost-of-living crisis is still very much prevalent in the UK and workers are feeling the pinch, hence the large number hoping for pay rises. However, the uncertainty of the market at the moment means that many are taking a more realistic approach.

“Many workers are also clearly opting for safety and security over jumping ship for better pay. This ‘Great Stay’ that we’re seeing in the workforce at the moment is further evidence that people are reluctant to move jobs in the current climate. For skills short remits this is both positive and negative in that it aids retention, but also further reduces talent pools. Employers are going to have to work harder to attract the core staff they need, and pay isn’t always going to cut it as a solution.”

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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.