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Jobs Outlook 2014: A 'year of slim pickings' for most UK workers, despite the unemployment rate falling to 7% and the end of the real pay squeeze, with greater wage inequality a threat to workplace harmony

In its annual Jobs Outlook report for 2014, published today, The Jobs Economist forecasts that an overall improvement in the condition of the UK labour market will do little to improve the economic feel good factor for most workers, while pressure on employers to pay above the odds for 'top talent' may give rise to workplace disharmony.

- Private sector employment (including self-employment) is forecast to grow by 450,000 in 2014, more than offsetting a fall in public sector employment of 130,000. The forecast net increase in total employment of 320,000 is lower than the net increase in both 2012 and 2013 on the expectation that employers will do more to improve labour productivity.
- Unemployment is forecast to fall to 2.3 million (7.0%) by mid-year but then stabilize as faster growth in labour productivity curbs the pace of job creation. The number of unemployed 16-24 year olds is forecast to fall below 900,000 during the course of the year as a whole and the number of people long-term unemployed to fall to 820,000.
- The rate of growth of average weekly earnings is expected to rise to 2.4%, upward pressure from higher labour productivity and longer working hours being moderated by the still high rate of unemployment and public sector pay constraint. With inflation on the CPI measure forecast at 2.2% by the end of the year, 2014 will thus see the

end of the post-recession squeeze on real earnings. However, the increase in real pay will be too small to have a perceptible impact on the financial well-being of most employees.

- A combination of increased job vacancies and falling unemployment is forecast to trigger an increase in the rate of voluntary labour turnover as more employees seek to switch jobs in the hope of improved pay and conditions. Despite the absence of any serious overall wage inflation this will put pressure on employers to respond by increasing the relative pay of some workers in an effort to recruit and retain individuals in greatest demand across the occupational skill spectrum. The impact of this on pay inequality at a time of meagre growth in average real pay could result in feelings of unfairness in many workplaces and give rise to disharmonious employment relations.

Dr John Philpott, Director of The Jobs Economist, comments:

“This time last year we correctly forecast that 2013 would be a year of ‘hard slog’ for UK workers, with longer hours for no extra real reward. For the majority of workers 2014 is unlikely to feel much better, the pickings improved but still very slim. However, a faster growing economy with more jobs, increased vacancies and lower unemployment should enable individuals with sought after skills or abilities to command pay rises well above the average. The economy won’t experience any serious wage inflation in 2014 but workplaces will see the emergence of even greater wage inequality. For the first time since the start of the recession, employers will find it hard to both compete for talent and keep the majority of workers content with their lot.

“In this context reward management will become even more difficult as employers balance the need to pay above the odds for some workers against the frustrated pay aspirations of their workforces as a whole. In order to maintain harmonious employment relations, the rationale for individual pay awards will have to be as transparent as possible in order to avoid any sense of cronyism toward favoured employees. In particular, employers will need to ensure that simplistic reference to the importance of ‘top talent’ is not used as justification

for increased executive reward in the absence of clear evidence of exceptionally high performance.”

Notes to Editors:

John Philpott is available for interview

A copy of ***Jobs Outlook 2014*** is available on request

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