Paydata Business Insight
National Statistics

Paydata
always time for you

PAYstats Pay & Labour Market Statistics

January 2018
Quarterly Edition

The Quarterly Picture

The last quarter has been an interesting one, featuring the back and forth of ongoing Brexit negotiations, employers beginning to publish their gender pay gap figures and the first interest rate rise in more than 10 years.

Nearly a year on from Article 50 being triggered, there remains little clarity on what the exit terms will be and whilst it is still too early to tell what the long-term consequences of leaving the EU will be for businesses, spectators are beginning to question whether it will be as bad as first thought.

The last quarter has seen the first bank interest rate rise in more than 10 years, in response to record-low unemployment, rising inflation and stronger global economic growth. With the Bank of England tasked with keeping consumer price inflation at around two per cent, we are starting to see inflation gradually fall following the interest rate rise. Whilst, pay awards remain subdued at around two per cent, there are small signs of movement. Indeed, the Bank of England sees wage growth gradually increasing over 2018, which may encourage further interest rate rises as they continue to try to reduce inflation.

With the gender pay reporting deadline looming, it will be interesting to see what impact this has on pay awards as employers look to address any gap. Less than 700 companies having published their results so far and a reported 1 in 10 are yet to even calculate their figures, so the outlook is less than clear.

Our quarterly round-up brings together trends and opinions on what is happening and what the future holds for:

- Inflation
- Employment
- Earnings
- Pay Settlements - Historic and Predictive
- PAYstats - pay statistics in detail

Inflation

Bank of England Inflation Report (November 2017)

CPI inflation has risen further above the 2% target as companies pass on the higher costs stemming from the lower level of sterling. Unemployment has continued to fall and the extent of spare capacity in the economy now seems limited. Moreover, the pace at which the economy can grow without generating inflationary pressure has fallen over recent years. Over the MPC's forecast period, conditioned on a path for Bank Rate that rises to 1% by the end of 2020, demand is projected to grow at a pace that uses up the remaining slack in the economy.

As imported inflationary pressures wane, domestic pressures build. Inflation is projected to remain slightly above the 2% target at the three-year point. At its meeting ending on 1 November 2017, the MPC voted to increase Bank Rate to 0.5%.

Bank of England MPC Minutes (December 2017)

Twelve-month CPI inflation had risen by 0.1 percentage points to 3.1% in November. This outturn had been 0.1 percentage points higher than Bank staff had expected immediately prior to the release, reflecting upside news in goods prices, particularly recreational goods and clothing and footwear, while services prices had been in line with expectations. CPI inflation in November stood 1.1 percentage points above the 2% target.

This deviation from target was accounted for by the effects of the rise in import prices following sterling's depreciation. CPI inflation was expected to edge down gradually, to around 2.5% by mid-2018, as the contribution from import prices fell back. Indicators of medium-term inflation expectations had remained consistent with the 2% target.

Office for National Statistics (December 2017)

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 2.7% in December 2017, down from 2.8% in November 2017. Following a steady increase from late 2015, since April 2017 the CPIH rate has levelled off, ranging between 2.6% and 2.8%.

The downward effect came mainly from air fares, along with a fall in the prices of a range of recreational goods, particularly games and toys. The downward contributions were partially offset by an increase in tobacco prices, reflecting duty increases that came into effect following the Autumn Budget, along with an increase in petrol and diesel prices.

The Consumer Prices Index (CPI) 12-month rate was 3.0% in December 2017, down from 3.1% in November 2017.

Employment

CIPD Labour Market Outlook (Autumn 2017)

This quarter's net employment balance – which measures the difference between the proportion of employers who expect to increase staff levels and those who expect to decrease staff levels – has decreased to +26 from +27 over the past three months, which is well above the survey's historical average.

Employment confidence remains high across much of the private sector. Overall, the net employment score for the private sector is +32. Employment prospects are more buoyant in manufacturing (+38) compared with private sector services (+29).

Employment optimism is highest in the technology (43+) and the professional, scientific and technical (+52) sub-sectors. Meanwhile, the net employment balance for the public sector has increased to +10, from +5 since the previous report.

Bank of England Inflation Report (November 2017)

Output growth has been modest in recent quarters. In contrast, growth in employment has remained fairly robust and the unemployment rate has fallen by more than expected. Accordingly, productivity growth has been weak and is expected to remain subdued. [...]

The flows from employment to unemployment have been at record lows in recent quarters, probably reflecting strength in companies' labour demand growth and a desire to hold on to existing workers, especially in light of subdued wage pressures. [...] In addition, the squeeze on real income may have encouraged some individuals who would otherwise have left the labour force to stay in employment.

Indicators suggest that companies' labour demand growth is likely to remain relatively robust in the near term. Most survey measures of employment intentions are above their historical averages. And the number of vacancies relative to the size of the labour force has picked up in recent quarters and remained elevated in Q3.

Bank of England MPC Minutes (December 2017)

Employment had fallen in the three months to October, by 56,000 compared to the previous three months, leaving the employment rate a touch below expectations, at 60.7%. Average hours had also been somewhat lower than expected. Inactivity had risen markedly in the latest three-month period, compared to the previous three months.

Together, these developments had left the rate of unemployment unchanged at 4.3%. The sharp rise in inactivity was unusual for a period outside a cyclical downturn, and it seemed likely that these latest estimates had been affected by sampling variation. Surveys suggested that the labour market remained tight, with vacancies and recruitment difficulties at historically elevated levels.

Manpower Employment Outlook Survey (Q1 2018)

UK employers report reserved hiring intentions for the first quarter of 2018. While 7% of employers expect staffing levels to increase, 3% forecast a decrease and 88% expect no change, resulting in a Net Employment Outlook of +4%. […] Hiring prospects remain relatively stable when compared with the previous quarter, but decline by 2 percentage points when compared with this time one year ago.

Employers in 11 of the 12 regions expect to grow staffing levels during the January-March time frame. The strongest labour markets are anticipated in the West Midlands and the East Midlands […]. Moderate hiring activity is forecast in both the East and Yorkshire & the Humber […], while Welsh employers expect some payroll gains […]. However, London employers anticipate a flat labour market […].

Workforce gains are forecast for all nine industry sectors during the next three months. The strongest Net Employment Outlook […] is reported in the Transport & Communications sector. Some hiring opportunities are expected in the Construction sector and the Manufacturing sector […], while Utilities sector employers anticipate a fair hiring climate […]. Mining sector employers report the weakest hiring prospects […].

Markit / REC Report on Jobs (January 2018 press release)

Permanent staff placements increased at the quickest pace since August at the end of the year as agencies reported on strong demand for staff. [...] growth of temp billings remained sharp despite softening since November.

Staff vacancies grew at the softest rate for one year in December. That said, demand for staff remained sharp overall and firmly above the average seen over the 20-year survey history. The availability of candidates to fulfil permanent roles declined sharply at the end of 2017, with the rate of deterioration among the fastest seen over the past two years. The supply of temporary labour also fell at a historically marked pace in December, despite the rate of reduction softening since November.

December data pointed to rising demand for both private and public sector staff, though growth remained sharper for the former. The steepest increase in vacancies was seen for permanent workers in the private sector, closely followed by demand for temporary workers in the sector. […] The slowest growth was signalled for Construction and Hotel & Catering.

[The Recruitment & Employment Confederation] Chief Executive Kevin Green says:

"The number of people finding jobs via recruiters is growing, even while the overall employment rate is plateauing. This suggests that more employers are turning to recruiters to help them fill vacancies as candidate availability continues to fall and recruiting good people becomes that much harder.

"[...] Recruiters are reporting a vast number of job areas that employers are finding hard to fill including, welders, van drivers and, for the first time, baristas. Employers as a response to these candidate shortages are offering increased starting salaries to attract staff but while this has been the case for some time it isn't translating into significant wage growth across the economy yet."

Earnings

Bank of England Inflation Report (November 2017)

Wage growth is projected to increase gradually over 2018, as the tightening labour market starts to put more widespread upward pressure on wage demands and as productivity growth recovers somewhat. Although most survey indicators suggest that wage growth is likely to remain modest in the near term, there are some signs that wage demand pressures have increased.

Churn in the labour market has remained robust over recent quarters, with the proportion of people moving from one job to another close to its pre-crisis rate. That could suggest continued confidence among employees in their labour market prospects, which may place pressure on businesses to retain staff by increasing wages. [...] another factor that may have been influencing pay decisions recently is companies' uncertainty around the economic outlook. This could affect their willingness to raise pay at a faster pace until they have more clarity about future demand for their output.

Bank of England MPC Minutes (December 2017)

Whole-economy regular pay had increased by 2.3% in the year to the three months to October, in line with expectations. Pay growth including bonuses had also been in line with expectations, at 2.5%. Changes in the composition of the workforce had continued to push down somewhat on annual pay growth, by around half percentage point, which had primarily reflected a higher proportion of less-educated workers being in employment than a year ago. There had also been an increasing divergence between the pay growth of workers who switched jobs, who had seen wage increases similar to the pre-crisis period, and those remaining in their jobs, who had seen lower increases.

Markit / REC Report on Jobs (January 2018 press release)

Permanent starting salaries continued to rise markedly in December amid reports of candidate shortages and robust demand for staff. Temp pay also increased sharply, with the rate of inflation quickening to a three-month high.

ONS Average Weekly Earnings (October 2017)

Latest estimates show that average weekly earnings for employees in Great Britain in nominal terms (that is, not adjusted for price inflation) increased by 2.5% including bonuses and by 2.4% excluding bonuses, compared with a year earlier.

Latest estimates show that average weekly earnings for employees in Great Britain in real terms (that is, adjusted for price inflation) fell by 0.2% including bonuses, and fell by 0.5% excluding bonuses, compared with a year earlier.

Pay Settlements Historic

Croner Pay Awards & Forecasts (November 2017)

Figures collected by Croner Reward […] for November 2017 [reveal that] including pay freezes, the average settlement for the year is 2.1%, which has remained the same as the previous five months. [Excluding pay freezes], the average settlement for the year is 2.2%, which has remained the same as the previous five months. The overall percentage of companies reporting a pay freeze has stayed at 0.6% for the second month.

XpertHR – reported in Personnel Today (January 2018)

Employers consistently offered median pay awards of 2% during 2017, according to XpertHR's analysis. This 2% median increase has been a feature of pay awards for around the past five years, and was recorded once more in the three months to the end of November 2017.

In the three months to the end of November 2017, XpertHR found:

- The median pay award across the whole economy is 2%, with the middle half of pay awards (the interquartile range) worth between 1% and 2.5%.
- While only a tenth (11.8%) of pay awards were lower than the award received by the same group of employees last year, the majority (61.8%) were the same.
- Just over a quarter (26.5%) of awards were higher than the employee's previous increase.
- Within the private sector, the 2% figure is recorded for pay awards in both manufacturing-and-production organisations and in private-sector services firms.

Over the 12 months to the end of November 2017, the median pay award in the private sector is 2%, compared with 1% in the public sector.

Labour Research Department (January 2018)

The median increase in pay in the three months to December 2017 was 2.5%. The median increase in the lowest pay rate was higher at 3.0%.

Pay Settlements Predictive

CIPD Labour Market Outlook (Autumn 2017)

[…]The autumn 2017 Labour Market Outlook survey suggests that wage growth expectations for the year ahead have strengthened modestly over the past three months, but remain subdued. Median basic pay expectations in the 12 months to September 2018 are 2%, up from 1% growth in the previous LMO report. Consistent with the trend in recent reports, the report's median average basic pay increase expectations in the private sector (2%) and public sector (1%) are unchanged compared with the summer 2017 report. This is consistent with official data, which show that basic wage growth has settled at 1.8–2.2% The survey data in this report point to factors that may partly explain the continuation of subdued wage growth in the official data. These include weak wage pressure from staff limited skills shortages and low productivity.

Croner Pay Awards & Forecasts (November 2017)

[Excluding pay freezes the] the average forecast for the next quarter is 2.4%, which has gone down from 2.5% in the previous month. [The] average forecast for the next 12 months is 2.4%, which has increased by 0.1% compared with last month.

XpertHR – reported in Personnel Today (January 2018)

2018 is unlikely to bring any change to [the 2% median increase] trend [seen over the past five years], according to XpertHR. Its forecast suggests that private sector employers will continue to award pay rises at a 2% median through 2018. It also predicts that half of all pay awards next year will be worth between 1.8% and 3%. That said, 2% is by far the most common pay award expected, accounting for 32.4% of predictions. Employers may, however, feel pressure from competitors to offer higher pay rates during 2018. At the same time, pension costs are likely to impact negatively on wage budgets, said XpertHR.

XpertHR pay and benefits editor Sheila Attwood said:

"Employers have kept a lid on their pay settlements for the past year, and all indications are that this will continue in 2018 too. Employees who are in skills shortages areas might be able to secure higher increases, but for the majority employers are looking to stick to the 2% figure."

Paydata UK Reward Management Survey (Autumn 2017)

Every year we capture participants' expectations for future pay review budgets. Median pay budget expectations are slightly higher for 2018 than 2017, at 2.30 per cent, up from 2.00 per cent, whilst the interquartile range is expected to widen slightly, to between 2.00 and 2.70 per cent.

Looking at general trends that have emerged since 2010:

- The prevalence of pay freezes continues to decline;
- The most common budgetary increase continues to be between two and three per cent;
- Budgets of over four per cent are few and far between.

If you would like to find out more about any of the information contained in PAYstats please call or email us:

Phone: +44(0)1733 391377
Email: info@paydata.co.uk

PAYstats at a glance...

Inflation (change calculated for last 12 months)

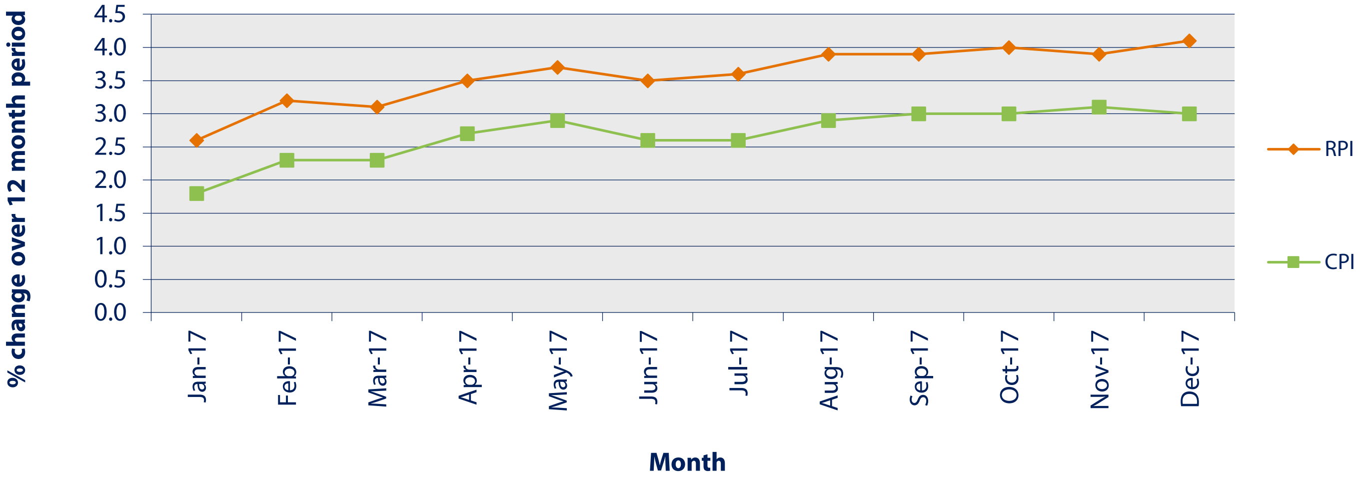
Consumer Price Index (CPI)	CPIH ^	Retail Price Index (RPI) ^^
December 2017	December 2017	December 2017
3.0	2.7	4.1

Employment (seasonally adjusted, change calculated for last 12 months)

	Jobs *		Redundancies **		Vacancies		Unemployment	
Reference Period	Sep - Nov 2017		Jul - Sep 2017		Oct - Dec 2017		Sep - Nov 2017	
	000's	Change	000's	Change	000's	Change	000's	Change
All UK	32,207	1.3%	102	-10.7%	810	8.0%	1,439	-10.0%

Average Earnings (seasonally adjusted)

	Excluding bonuses		Including bonuses	
November 2017	Change from 12 months ago	% point change since last month	Change from 12 months ago	% point change since last month
Whole economy	2.4%	0.0%	2.3%	-0.1%



Notes: ^ CPIH has been re-assessed to evaluate the extent to which it meets the professional standards as set out in the Code of Practice for Official Statistics. The assessment report includes a number of requirements that need to be implemented for CPIH to regain its status as a National Statistic. As of March 2017, to ensure that CPIH is of the best possible quality, the entire back series of CPIH from 2005 has been revised to incorporate Council Tax and revised weights for owner occupiers' housing costs. ^^ RPI has lost its designation as a National Statistic but is still used for some indexing purposes. ONS has ceased publication of RPIJ as of March 2017.

Data source: Adapted from data from the Office for National Statistics licensed under the Open Government Licence v.1.0. Please note the specific definitions for the measures above vary.

PAYstats in detail...

Employment (seasonally adjusted, change calculated for last 12 months)

	Jobs *		Redundancies **		Vacancies		Unemployment	
Reference Period	Sep - Nov 2017		Jul - Sep 2017		Oct - Dec 2017		Sep - Nov 2017	
	000's	Change	000's	Change	000's	Change	000's	Change
All UK	32,207	1.3%	102	-10.7%	810	8.0%	1,439	-10.0%
Manufacturing	2,685	1.8%	14	-31.4%	57	10.5%		
Construction	2,308	4.5%	***	***	29	-1.3%		
Wholesale, retail & motor repair	4,976	-0.5%	15	-21.7%	139	0.7%		
Transport & storage	1,798	3.5%			34	18.7%		
Accomodation & food services	2,425	2.0%	15	23.9%	97	16.0%		
Info & communications	1,461	2.6%			42	12.1%		
Financial & insurance	1,125	-1.4%	13	***	36	25.4%		
Real estate	564	1.2%			9	16.9%		
Public admin, defence, social security	1,491	1.2%			17	32.8%		
Education	2,934	-1.0%	23	12.4%	51	5.2%		
Health & social work	4,354	1.6%			125	5.9%		
Other services	960	4.2%	***	***	20	-5.6%		

Average Earnings (seasonally adjusted)

	Excluding bonuses		Including bonuses	
November 2017	Change from 12 months ago	% point change since last month	Change from 12 months ago	% point change since last month
Whole economy	2.4%	0.0%	2.3%	-0.1%
Private	2.5%	0.0%	2.4%	-0.1%
Public	1.8%	-0.5%	1.9%	-0.4%
Services	2.4%	-0.1%	2.3%	-0.2%
Finance & business services	2.3%	-0.6%	2.4%	-0.7%
Public sector exc. Financial services	1.8%	-0.5%	1.9%	-0.4%
Manufacturing	2.7%	0.3%	3.0%	0.0%
Construction	1.7%	-0.7%	1.5%	1.5%
Wholesale, retail, hotels & restaurants	1.9%	0.2%	2.0%	0.5%

Notes: * Sector breakdown as at Sep 2017; ** Not seasonally adjusted; *** Sample size too small to be shown

Current rates...

***National Minimum Wage (NMW)** For more information: www.gov.uk	Workers 21 years and over: Workers 18-20 years old: Workers 16-17 years old: Accommodation offset – maximum per day that can be offset against the NMW where employer provides accommodation Apprentice minimum wage rate for: - apprentices under 19 years old - apprentices aged 19 and over, but in the first year of their apprenticeship	£7.05 (£7.38) £5.60 (£5.90) £4.05 (£4.20) £6.00 £3.50
***National Living Wage** For more information: www.gov.uk	The compulsory National Living Wage (NLW) was introduced in April 2016. The NLW effectively increases the National Minimum Wage for workers aged 25 and over.	£7.50 (£7.83)
Living Wage For more information: www.livingwage.org.uk	The Living Wage is set independently and calculated according to the basic cost of living in the UK. - UK hourly rate: - London hourly rate:	 £8.75 £10.20
Statutory Maternity Pay For more information: www.gov.uk	Statutory Maternity Pay is paid for up to 39 weeks: - the first 6 weeks: 90 per cent of average weekly earnings (AWE) before tax - the remaining 33 weeks: £140.98 or 90 per cent of AWE (if lower) Statutory Paternity Pay: - 1 or 2 weeks consecutive leave: £140.98 or 90 per cent of AWE if lower Statutory Adoption Pay is paid for up to 39 weeks: - the first 6 weeks: 90 per cent of AWE before tax - the remaining 33 weeks: £140.98 or 90 per cent of AWE (if lower)	
Statutory Sick Pay For more information: www.gov.uk	Standard weekly rate Maximum period	£89.35 28 weeks in any 3 years
Statutory Redundancy Pay For more information: www.gov.uk	Statutory redundancy pay rates are based on age and length of employment: - 1.5 weeks' pay for each year of employment after their 41st birthday - 1 week's pay for each year of employment after their 22nd birthday - 0.5 week's pay for each year of employment up to their 22nd birthday Calculation of age and service is counted back from the date of dismissal Maximum pay £489 per week, upto a rate of £14,670	
Working Time For more information: www.gov.uk	Basic entitlement for workers aged 18 and over: - 5.6 weeks holiday a year - Work no more than 6 days out of every 7, or 12 days out of every 14 - A 20 minute break if more than 6 hours worked continuously - Work a maximum 48-hour average week Workers aged 16 and 17 are entitled to: - Take at least 30 minutes break if more than 4.5 hours worked continuously - Work no more than 8 hours a day and 40 hours a week - Have 12 hours rest between working days and 2 days off every week - 5.6 weeks holiday a year	

Notes: *Figures in brackets apply from April 2018

Paydata
always time for you

Paydata Limited
24 Commerce Road,
Lynch Wood,
Peterborough,
Cambridgeshire.
PE2 6LR

p: +44(0)1733 391 377
e: info@paydata.co.uk
w: www.paydata.co.uk

Front cover photo credited 'Hi Tech London CC Mariano Mantel'