



July 2018: PAYstats Pay and Labour Market Statistics

Quarterly Edition

April 2018: PAYstats Pay and Labour Market Statistics

AIMS



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
 - Predictive
- PAYstats – pay and labour market statistics

KEY FINDINGS



- The Consumer Prices Index (CPI) 12-month rate was 2.4% in June 2018, unchanged from May 2018.
- Indicators of employment intentions have been stable, with most at levels above past averages.
- The number of vacancies relative to the size of the labour force has continued to rise. Along with the rise in vacancies, survey indicators suggest that recruitment difficulties are somewhat elevated.
- There are signs that regular pay growth is starting to rise more broadly as the labour market tightens further.

If you would like to find out more about any of the information contained in this PAYstats bulletin please contact us via:

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Inflation

BANK OF ENGLAND INFLATION REPORT (MAY 2018)

Inflation has fallen by more than expected since the start of the year, reaching 2.5% in March. It seems likely that pass-through of sterling's depreciation to import prices is somewhat smaller than previously expected. GDP growth was weaker than expected in Q1, in part due to a temporary drag from adverse weather.

The MPC continues to judge, however, that a very limited degree of slack remains in the economy. As in February, based on a conditioning path for Bank Rate that embodies three 25 basis point rises over the next three years, a small margin of excess demand is likely to emerge by early 2020, raising domestic inflationary pressures such that inflation settles at the 2% inflation target.

BANK OF ENGLAND MPC MINUTES (JUNE 2018)

Twelve-month CPI inflation had been 2.4% in May, unchanged from April. Annual core CPI inflation had been 2.1% in May, also unchanged from April. Both measures were 0.1 percentage points higher on the rounding than projected in the May Inflation Report. That had reflected upside news across a number of components, such as transport goods and services.

Relative to the May Report, the rise in the sterling oil futures curve implied a slightly higher profile for CPI inflation over the next six months, which was expected to pick up slightly before falling back to around its current rate. The depreciation of sterling relative to the conditioning path underlying the May Report would also tend to push up on inflation further ahead.

OFFICE FOR NATIONAL STATISTICS (JUNE 2018)

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 2.3% in June 2018, unchanged from May 2018.

Rising prices for motor fuels and domestic gas and electricity produced the largest upward contributions to change in the rate between May and June 2018.

Falling prices for clothing and games, toys and hobbies provided the largest downward effects.

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OFFICE FOR NATIONAL STATISTICS

June 2018

Employment

CIPD LABOUR MARKET OUTLOOK (SPRING 2018)

This latest report suggests that employment confidence has increased sharply since the previous report and is at its highest level since the measure was introduced in the winter 2012/13 report. 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 increased to +26 from +16 in the winter 2017/18 report.

The increase in employment confidence since the previous report seems to be broadbased. Employment growth will continue to be driven by the private sector, which has increased to +32 (up from +22) since the previous quarter. In addition, employment levels look set to increase in the public sector, up to +9 from –7, and in the voluntary sector (+21) during the same period.

Among the LMO employers who responded to the survey, employment confidence is highest in the construction (+48), manufacturing (+38) and business services (+35) subsectors. The only sector that looks set to contract in the three months to June 2018 is education (–5).

BANK OF ENGLAND INFLATION REPORT (MAY 2018)

[...] employment has grown faster than expected at the time of the February 2017 Report, even as output has grown broadly in line with expectations. Indicators of employment intentions have been stable, with most at levels above past averages. And the number of vacancies relative to the size of the labour force has continued to rise.

That stronger-than-expected employment growth has been partly reflected in a larger-than-expected fall in the unemployment rate over the past year. Wage growth was nevertheless weaker than expected over that period and, partly as a result, the MPC revised down its estimate of the equilibrium unemployment rate to 4.25% in February. [...] There are a number of factors that may have reduced the equilibrium rate in recent years. Those include rises in the average age and educational attainment of the workforce, which have tended to be associated with lower unemployment rates. Increased flexibility within the labour market is also likely to have reduced flows from employment to unemployment and hence the equilibrium rate of unemployment.

The unemployment rate is projected to fall further to 4.1% in 2018 Q2, a little below the February projection and its assumed equilibrium level. That is consistent with other signs that the labour market is tight. Along with the rise in vacancies, survey indicators suggest that recruitment difficulties are somewhat elevated. And, having fallen during the crisis, job-to-job flows have gradually returned to pre-crisis rates.

+26



this quarter's net employment balance has increased to +26, from +16 in the winter 2017/18 report.

+48



employment confidence is highest in the construction (+48), manufacturing (+38) and business services (+35) subsectors.

BANK OF ENGLAND MPC MINUTES (JUNE 2018)

There had been limited news on labour market quantities. Unemployment had been unchanged at 4.2%, slightly higher than forecast at the time of the May Inflation Report. The employment rate had been slightly stronger than expected at 61.1%, although average hours had been slightly lower than expected. That followed downside news on average hours in the first quarter, where micro data evidence from the Labour Force Survey had suggested that some of the shortfall in average hours may have been related to the adverse weather.

MANPOWER EMPLOYMENT OUTLOOK SURVEY (Q3 2018)

UK employers report reserved hiring intentions for the third quarter of 2018. While 7% of employers expect to increase staffing levels, 3% forecast a decrease and 90% anticipate no change, resulting in a Net Employment Outlook of +4%. [...] Hiring prospects remain relatively stable when compared with the previous quarter, but decline by two percentage points in comparison with the third quarter of 2017.

Employers anticipate an increase in staffing levels for nine of the 12 regions during the third quarter of 2018. The strongest hiring prospects are reported in the South West and Yorkshire & the Humber [...]. Moderate hiring activity is forecast for two regions [...] – the East Midlands and the North West. However, employers expect payrolls to decline in three regions, including Scotland and Northern Ireland [...].

Hiring intentions weaken in eight of the 12 regions when compared with the previous quarter. Notable decreases of 10 and nine percentage points are reported in the West Midlands and the East, respectively, while Scottish employers report a decline of five percentage points. Meanwhile, Outlooks improve in three regions, including Yorkshire & the Humber, where employers report an increase of seven percentage points.

IHS MARKIT / REC REPORT ON JOBS (JULY 2018 PRESS RELEASE)

Permanent staff placements and temporary billings both continued to rise sharply in June, despite rates of expansion easing to eight- and three-month lows respectively.

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Staff vacancies continued to rise sharply in June. Growth of demand for permanent staff edged up to a seven-month high, while short-term vacancies rose at a slower yet still strong rate.

[The Recruitment & Employment Confederation] chief executive Neil Carberry says:

“It’s a great time for people looking to take the next step in their careers, as employers compete for new staff in a tight market. It’s a candidate’s market out there.

“Across the majority of sectors, both temporary and permanent opportunities are growing, and a lack of candidates means it is no surprise to see starting pay also rising.

“Recruiters report that some of this high vacancy rate may be driven by good demand from companies not being matched by candidate willingness to move in the face of the current economic uncertainty.”



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NEIL CARBERRY

Chief Executive
The Recruitment & Employment
Confederation

Earnings

BANK OF ENGLAND INFLATION REPORT (MAY 2018)

There are now signs that regular pay growth is starting to rise more broadly as the labour market tightens further. Annual regular pay growth rose to 2.8% in the three months to February and is projected to remain around 2.75% over the rest of the year, broadly as projected in February.

Although there was downside news in the contribution from bonuses, and hence total pay growth, bonuses tend to be volatile. As such, total pay growth is expected to rise a little further during 2018.

BANK OF ENGLAND MPC MINUTES (JUNE 2018)

[...] growth of unit wage costs appeared to have picked up. Headline annual wage growth in the three months to April had been 2.5% in the whole economy and 2.6% for the private sector while regular pay had risen by 2.8% and 2.9% respectively, broadly in line with expectations in the May Report. Bank staff estimated that four-quarter unit wage cost growth had been 2.9% in the first quarter, though this may have been elevated somewhat by the particularly weak GDP growth reading in Q1.

IHS MARKIT / REC REPORT ON JOBS (JULY 2018 PRESS RELEASE)

Salaries awarded to staff placed in permanent jobs increased further in June, with the rate of inflation holding close to a three-year high. At the same time, temporary/contract rates of pay also rose sharply, with the rate of growth broadly similar to April's two-year peak.

ONS AVERAGE WEEKLY EARNINGS (JULY 2018)

Latest estimates show that average weekly earnings for employees in Great Britain in nominal terms (that is, not adjusted for price inflation) increased by 2.7% excluding bonuses, and by 2.5% including 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) increased by 0.4% excluding bonuses, and by 0.2% including bonuses, compared with a year earlier.



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BANK OF ENGLAND MPC MINUTES

June 2018

Pay Settlements - Historic

CRONER PAY AWARDS & FORECASTS (MAY 2018)

[Figures collected by Croner Reward for May 2018 reveal that] including pay freeze, the average settlement for the year is 2.1%, which has stayed the same since last month. [Excluding pay freezes the] average settlement for the year is 2.1%, which has stayed the same for two months in a row. The overall percentage of companies reporting a pay freeze has decreased from 4.1% to 3.9%.

XPERTHR – REPORTED IN PERSONNEL TODAY (JUNE 2018)

The median pay rise awarded by employers was 2.5% over the past three months – a level that has remained unchanged since the start of 2018.

The most common pay award, offered by almost a fifth of employers, was 2%. Just over 12% offered 3%, while only a handful of deals led to employee pay being frozen.

Some higher rises reflected employees receiving the 4.4% increase in the national living wage, or the 3.5% increase in the higher “living wage”, as suggested by the Living Wage Foundation.

XpertHR looked at a sample of 219 pay awards made between 1 March and 31 May 2018. A quarter of pay deals were worth 2% or less, while a quarter were worth 3.1% or more – the highest this latter figure has been since February 2009.

XpertHR’s pay and benefits editor Sheila Atwood said it could be some time before employees feel a real-terms increase in their income.

“Despite hopes that pay rises are finally catching up with inflation, our latest figures show that there is still a significant gap between the two,” she said.

“Prices have outstripped pay awards in every month since September 2016, and continue to do so. With pay awards now appearing to have settled in to a new norm of 2.5%, employees are going to continue to become worse off in real terms unless inflation falls further.”

LABOUR RESEARCH DEPARTMENT (JUNE 2018)

The median increase in pay in the three months to April 2018 was 3.0%. The median increase in the lowest pay rate was higher at 3.3%

PAYDATA’S PAYAWARD PAY SETTLEMENT DATABASE (JULY 2018)

Our PAYaward database reports that the median pay settlement across all industries stands at 2.0% for the 12 months to July 2018 with an inter-quartile range from 2.0% to 2.53%. One company has reported a pay freeze in the 12 months to July 2018.

The highest recorded median pay awards were in the construction and business services sector and the manufacturing and production sectors, both at 2.50%.

Pay Settlements

2.1%

Croner

2.5%

XpertHR

3.0%

Labour Research Department

2.0%

Paydata

Pay Settlements - Predictive

CIPD LABOUR MARKET OUTLOOK (SPRING 2018)

According to the survey data, growth in basic pay awards is projected to remain broadly consistent with recent reports. Median basic pay increase expectations in the 12 months to March 2019 are 2%, which is consistent with recent LMO reports. However, average basic pay award expectations during the same period have risen to 2.1% from 1.8%. This is consistent with other survey indicators that also suggest an increase in wage growth or settlements.

CRONER PAY AWARDS & FORECASTS (MAY 2018)

Excluding pay freeze, the average forecast for the next quarter is 2.2%, which has decreased by 0.1% since last month. [The] average forecast for the next quarter is 2.3%, which has remained the same as the previous five months. [The] average forecast for the coming year is 2.3%, which has stayed the same for the past four months.

PAYDATA UK REWARD MANAGEMENT SURVEY (SPRING 2018)

Every year we capture participants' expectations for future pay review budgets. Over the last few years, we have observed very little movement in the size of pay review budgets. The most common pay budget was up to two per cent for 2017. This cautious approach to budgets looked set to continue into 2018 from the predictions contained in the autumn 2017 report. There has, however, been a slight increase in the predicted budget increases for 2018, with 50 per cent expected to increase the budget up to three per cent compared to 32 per cent of respondents in 2017.

Looking at general trends that have emerged since 2010:

- The prevalence of pay freezes continues to decline;
- The most recent common budgetary increase continues to be between two and three per cent, with more of a skew to three per cent forecast for 2018;
- Budgets of over four per cent are few and far between.

The next running of the survey launches in September. If you would like to take part, and receive a copy of the participant report, please register here.



Despite hopes that pay rises are finally catching up with inflation, our latest figures shows that there is still a significant gap between the two.

“Prices have outstripped pay awards in every month since September 2016, and continue to do so.”

SHEILA ATTWOOD

Pay and Benefits Editor
XpertHR

PAYstats at a glance

Our round-up of key statistics, covering inflation, employment and average earnings.



Employment

32.3m
employed, up 1.2% on last quarter.



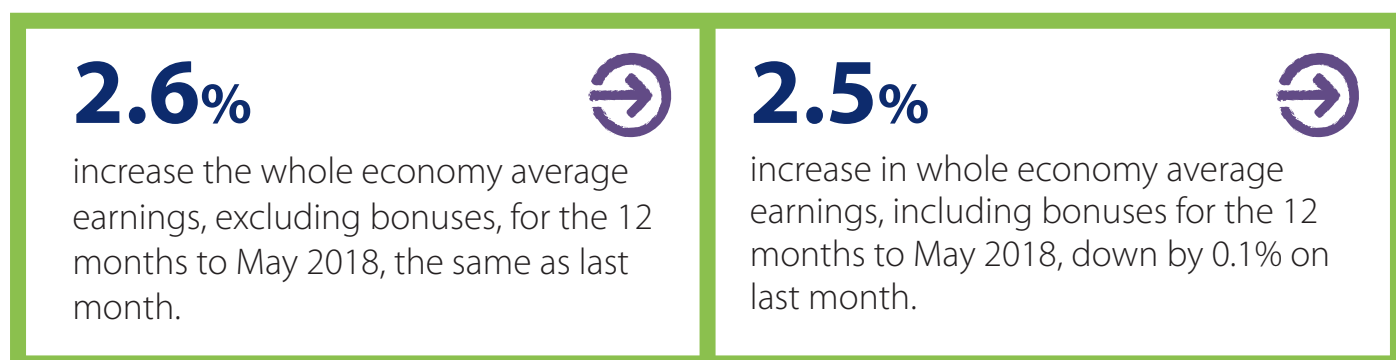
96,000
redundancies, up 0.6% on last quarter.



824,000
vacancies, up 5.0% on last quarter.



1.4m
unemployed, down 5.6% on last quarter.



Notes: [^] Consumer Prices Index including owner occupiers' housing costs (CPIH) was re-designated as a National Statistic on 31 July 2017. ^{^^} 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 | Mar - May 2018 | | Jan - Mar 2018 | | Apr - Jun 2018 | | Mar - May 2018 | |
| | 000's | Change | 000's | Change | 000's | Change | 000's | Change |
| All UK | 32,399 | 1.2% | 96 | 0.6% | 824 | 5.0% | 1,411 | -5.6% |
| Manufacturing | 2,694 | 1.7% | 8 | -54.6% | 59 | 9.9% | | |
| Construction | 2,290 | -0.7% | 10 | 0.0% | 25 | -8.0% | | |
| Wholesale, retail & motor repair | 4,968 | -0.6% | 16 | 1.5% | 130 | -7.2% | | |
| Transport & storage | 1,786 | 0.0% | | | 42 | 36.8% | | |
| Accommodation & food services | 2,418 | 0.9% | 16 | -3.8% | 89 | -2.0% | | |
| Info & communications | 1,482 | 1.7% | | | 47 | 12.8% | | |
| Financial & insurance | 1,136 | 1.0% | 8 | 0.0% | 37 | 3.6% | | |
| Real estate | 569 | -1.8% | | | 11 | -0.9% | | |
| Public admin, defence, social security | 1,498 | 2.0% | | | 21 | 25.8% | | |
| Education | 2,932 | -0.1% | 17 | 33.4% | 48 | -2.0% | | |
| Health & social work | 4,432 | 1.7% | | | 133 | 8.4% | | |
| Other services | 976 | 3.6% | *** | *** | 25 | 36.8% | | |

AVERAGE EARNINGS (seasonally adjusted)

| | Excluding bonuses | | Including bonuses | |
|---|---------------------------|---------------------------------|---------------------------|---------------------------------|
| May 2018 | Change from 12 months ago | % point change since last month | Change from 12 months ago | % point change since last month |
| Whole economy | 2.6% | 0.0% | 2.5% | -0.1% |
| Private | 2.8% | 0.2% | 2.6% | 0.0% |
| Public | 1.9% | -0.5% | 1.7% | -0.8% |
| Services | 2.5% | -0.1% | 2.3% | -0.2% |
| Finance & business services | 2.1% | -0.3% | 1.0% | -1.7% |
| Public sector exc. Financial services | 1.9% | -0.6% | 1.8% | -0.7% |
| Manufacturing | 2.3% | -0.3% | 2.7% | -0.3% |
| Construction | 5.5% | 0.1% | 5.0% | -0.7% |
| Wholesale, retail, hotels & restaurants | 3.0% | 0.9% | 4.5% | 2.2% |

Notes: * Sector breakdown as at March 2018; ** 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: | £7.38 |
| Workers 18-20 years old: | £5.90 |
| Workers 16-17 years old: | £4.20 |
| Accommodation offset – maximum per day that can be offset against the NMW where employer provides accommodation. | £6.00 |
| Apprentice minimum wage rate for: | £3.50 |
| - apprentices under 19 years old | |
| - apprentices aged 19 and over, but in the first year of their apprenticeship | |

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. | £7.83 |
|---|-------|

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: | £8.75 |
| - London hourly rate: | £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.livingwage.org.uk



| | |
|----------------------|-------------------------|
| Standard weekly rate | £89.35 |
| Maximum period | 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, up to 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 | |



What progress have you made?

With the initial gender pay reporting deadline an almost distant memory, what progress have you made in addressing the gap?

Employers are increasingly coming under pressure to demonstrate that they actively promote equality and to close any pay gap.

With a snapshot date of April 2018 required, there is no need to wait to calculate your 2019 figures. Calculating your gender pay gap early will enable you to assess what progress you have made so far, as well as allowing you time to identify and address areas still requiring action.

We have been helping many of our customers fulfil their reporting obligations via our Gender Pay Reporting service.

Calculating your gender pay gap couldn't be simpler:



Submit

Complete and submit our standard spreadsheet template with your raw data.



Analyse

We will run basic checks on your data to ensure that all the data is present.



Report

Once your data passes those checks, we will produce a report with all the figures required to meet reporting requirements, including how they have been calculated, within 10 working days of receiving your clean data.

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To discover more and to discuss your requirements, please contact us today on **+44 (0)1733 391 377** or via **info@paydata.co.uk**

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