Paydata Business Insight
National Statistics

January 2019: PAYstats Pay and Labour Market Statistics

Quarterly Edition

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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 2.1% in December 2018, down from 2.3% in November 2018.
- Most indicators suggest that the labour market is tight and that supply and demand in the economy overall are currently broadly in balance.
- The number of vacancies per person in the labour force is at a record high.
- Wage growth has continued to firm as the labour market remains tight and unemployment has fallen.
- As demand for workers generally outstripped supply, starting pay continued to increase sharply for both permanent and short-term workers in December.

If you would like to find our 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 (NOVEMBER 2018)

CPI inflation was 2.4% in September, in line with the MPC's expectation at the time of the August Report. Inflation has been boosted by the effects of higher energy and import prices. The contributions from these factors are projected to fade over the forecast period. UK GDP growth in 2018 Q3 is expected to be somewhat stronger than projected in August, but the outlook for growth over the forecast period is little changed. The MPC judges that supply and demand in the economy are currently broadly in balance.

Conditioned on a path for Bank Rate that rises gradually over the next three years, and the assumption of a smooth adjustment to new trading arrangements with the EU, the MPC judges that a margin of excess demand is likely to build. That raises domestic inflationary pressures, which partially offset diminishing contributions from energy and import prices. CPI inflation is projected to be above the target for most of the forecast period, before reaching 2% by the end. The economic outlook will depend significantly on the nature of EU withdrawal. The MPC judges that the monetary policy response to Brexit, whatever form it takes, will not be automatic, and could be in either direction.

BANK OF ENGLAND MPC MINUTES (DECEMBER 2018)

Twelve-month CPI inflation had fallen to 2.3% in November, slightly lower than expected at the time of the November Inflation Report. Bank staff now projected that inflation would fall below target in January, to around 1.75%, and remain under the target over the subsequent few months. That lower near-term outlook primarily reflected the drag from recent oil price declines feeding through to lower petrol prices, as well as the part-freezing of alcohol duties, and the freezing of fuel duties, announced in Budget 2018.

OFFICE FOR NATIONAL STATISTICS (DECEMBER 2018)

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 2.0% in December 2018, down from 2.2% in November 2018.

The largest downward contributions to change in the 12-month rate came from falls in petrol prices and from air fares, where ticket prices rose between November and December 2018, but by less than a year ago.

These downward effects were offset by upward contributions from a variety of categories including accommodation services and, to a lesser extent, mobile phone charges, games, toys and hobbies, and food.

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BANK OF ENGLAND INFLATION REPORT
November 2018

Employment

CIPD LABOUR MARKET OUTLOOK (AUTUMN 2018)

This latest report suggests that employment confidence has remained broadly consistent with the previous quarter, but has fallen modestly over the past six months. 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 shifted from +23 to +22 over the past three months.

Consistent with the summer 2018 report, employment confidence remains high among services firms (+30) and continues to strengthen among healthcare employers compared with the previous report (up to +29 from +19). In contrast, employment growth prospects have fallen to +15 from +23 in manufacturing and to +4 from +16 in public administration and defence during the same period. In addition, the survey data point to sluggish employment growth among education employers (+0).

BANK OF ENGLAND INFLATION REPORT (NOVEMBER 2018)

Most indicators suggest that the labour market is tight and that supply and demand in the economy overall are currently broadly in balance. Therefore the rate at which demand can grow sustainably over the next few years will depend on potential supply growth. This, in turn, will depend on growth in labour supply and productivity, both of which are projected to be more subdued than in the decade prior to the crisis.

The number of vacancies per person in the labour force is at a record high. And survey measures of firms' recruitment difficulties are around or above their pre-crisis levels. Contacts of the Bank's Agents report that, for most businesses, the main constraint on increasing output is the availability of labour.

The unemployment rate was 4.0% in the three months to August, in line with the August Report projection and a little below the MPC's judgement of the equilibrium rate of 4.25%. While employment is expected to have risen only a little in Q3, it is higher than a year ago.

The unemployment rate is projected to fall slightly further to 3.9% by the end of the year. Most survey measures of employment intentions are around their pre-crisis average levels, which, together with an elevated vacancy rate, suggests that demand for labour remains solid. Beyond the end of the year, the unemployment rate is projected to remain broadly stable, while a margin of excess demand builds.

BANK OF ENGLAND MPC MINUTES (DECEMBER 2018)

The labour market remained tight, with employment growth picking up in the latest data and the unemployment rate likely to stay around 4% in the near term.

+22

this quarter's net employment balance has shifted from +23 to +22 over the past three months

+30

Consistent with the summer 2018 report, employment confidence remains high among services firms

MANPOWER EMPLOYMENT OUTLOOK SURVEY (Q1 2019)

UK employers report fair hiring prospects for the January-March period. With 8% of employers anticipating an increase in payrolls, 2% expecting a decrease and 87% forecasting no change, the resulting Net Employment Outlook is +6%. [...] Hiring prospects remain relatively stable when compared with the previous quarter and improve by two percentage points in comparison with this time one year ago.

Workforce gains are forecast in 11 of the 12 UK regions during the first quarter of 2019. The strongest hiring prospects are reported in the East [...]. East Midlands employers also report hopeful hiring plans [...], and cautiously optimistic Outlooks [...] are reported in both the West Midlands and Wales. Elsewhere, employers in both the South West and Yorkshire & the Humber anticipate moderate hiring activity [...]. However, South East employers expect to trim payrolls [...].

Employers in eight of the 12 regions report stronger hiring intentions when compared with this time one year ago. In six of these regions, employers report increases of three percentage points – the East, London, the North West, the South West, Northern Ireland and Wales. Meanwhile, hiring intentions weaken in two regions, most notably by six percentage points in the South East.

IHS MARKIT / REC REPORT ON JOBS (JANUARY 2019 PRESS RELEASE)

Low candidate supply weighed on permanent staff appointments during December. Though solid, the rate of expansion was the softest seen in 20 months. Temp billings meanwhile rose at a sharper rate, one that picked up from November's joint 25-month low.

Vacancies rose for both permanent and temporary roles across the UK at the end of 2018. Notably, growth of demand for both types of worker was much stronger than seen on average over the survey's 21-year history.

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

"It's no surprise that growth in new permanent jobs dropped to its lowest level in almost two years last month, because economic uncertainty is now affecting companies' hiring plans. But the underlying strength of our labour market is still there – vacancies are high and temporary placements rose in the run-up to Christmas. There are opportunities out there for people who want to change job in 2019.

"Businesses will be looking for certainty on Brexit plans soon, so that they can get on with driving growth and jobs. Recruiters will be helping employers to do that – high employment rates mean that there are significant shortages in some parts of our labour market."

"It's no surprise that growth in new permanent jobs dropped to its lowest level in almost two years last month, because economic uncertainty is now affecting companies' hiring plans."

NEIL CARBERRY
Chief Executive
The Recruitment & Employment Confederation

Earnings

> **Wage growth has continued to firm as the labour market remains tight and unemployment has fallen."**
>
> **BANK OF ENGLAND INFLATION REPORT**
> November 2018

BANK OF ENGLAND INFLATION REPORT (NOVEMBER 2018)

Wage growth has continued to firm as the labour market remains tight and unemployment has fallen. Whole-economy regular average weekly earnings (AWE) growth — which excludes the volatile bonus component — is expected to have been 3.1% in Q3, 0.4 percentage points higher than anticipated in August. [...] Data from the latest Annual Survey of Hours and Earnings — which relate to April 2018 — suggest that pay rises have broadened out a little from workers switching jobs to those remaining in their jobs.

The pickup in whole-economy wage growth reflects a strengthening in both public and private sector pay. Public and private sector regular pay growth picked up to 2.7% and 3.1% respectively in the three months to August, around 1 percentage point higher than a year earlier. Most survey indicators of private sector pay growth have also strengthened in recent quarters.

BANK OF ENGLAND MPC MINUTES (DECEMBER 2018)

Median pay settlements, weighted by employment, had risen to 3% according to the Bank's database, similar to the pre-crisis average, and up from 2% a year ago and 1% two years ago. Whole-economy total and regular average weekly earnings had both grown by 3.3% in the three months to October compared with a year earlier, the highest growth rates since 2008. And annual private-sector regular pay growth had reached 3.4%. These outturns were all higher than expected at the time of the November Report.

IHS MARKIT / REC REPORT ON JOBS (JANUARY 2019 PRESS RELEASE)

As demand for workers generally outstripped supply, starting pay continued to increase sharply for both permanent and short-term workers in December. The rate of starting salary inflation was among the quickest seen for over three years, while temp pay growth also remained sharp by historical standards.

ONS AVERAGE WEEKLY EARNINGS (JANUARY 2019)

Latest estimates show that average weekly earnings for employees in Great Britain in nominal terms (that is, not adjusted for price inflation) increased by 3.3% excluding bonuses, and by 3.4% 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 1.1% excluding bonuses, and by 1.2% including bonuses, compared with a year earlier.

Pay Settlements - Historic

XPERTHR – REPORTED IN PERSONNEL TODAY (DECEMBER 2018)

The median basic pay deal for the three months to the end of November 2018 was 2%; the same figure as in 2017.

Its analysis of pay awards covering 625,000 employees, effective between 1 September and 30 November, discovered that:

- almost half (46%) of pay deals were the same as what the same group of staff received the previous year;
- slightly more staff saw a lower pay increase (29%) than a higher one (24%);
- the middle half of pay awards were worth between 2% and 3.5%; and
- fewer pay deals resulted in a nil pay increase (9%) than in the previous rolling quarter (12.5%).

XpertHR's pay and benefits editor Sheila Atwood commented:

"Pay bargaining activity always slows down towards the end of the year, so our latest figures are based on a smaller sample than normal.

"Our attention now turns to January, when around a quarter of pay deals are settled – early indications suggest that XpertHR's headline measure of pay awards will return close to 2.5% at this time."

LABOUR RESEARCH DEPARTMENT (JANUARY 2019)

The median increase in pay in the three months to November 2018 was 3.5%. The median increase in the lowest pay rate was also 3.5%.

INCOMES DATA RESEARCH (DECEMBER 2018)

The median pay increase across the whole economy remains at 2.5% in the three months to the end of November 2018, according to the latest figures from IDR.

PAYDATA PAY DATABASE (DECEMBER 2018)

Paydata's pay database shows a median pay review of 2.5 per cent for 2018, with an inter-quartile range of between two and three per cent. The most common pay award in 2018 was two per cent. Only two per cent of organisations have said they have frozen pay in 2018.

Pay Settlements

2.0%

XpertHR

3.5%

Labour Research Department

2.5%

Incomes Data Research

2.5%

Paydata

Pay Settlements - Predictive

CIPD LABOUR MARKET OUTLOOK (AUTUMN 2018)

Median basic pay rise expectations in the 12 months to September 2019 are 2%, unchanged relative to expectations three months ago. However, expectations have risen among public sector employers from 1.5% to 2% during the same period.

Meanwhile, around half of employers that are currently facing recruitment difficulties and who say it has become more difficult to fill vacancies during the past 12 months report that they are raising starting salaries in response, at least for some roles. Meanwhile, a similar share of these organisations say that retention pressures are forcing them to raise wages.

XPERTHR – REPORTED IN PERSONNEL TODAY (OCTOBER 2018)

[Research by XpertHR found that] despite median pay awards increasing this year to 2.5% from a seven-year deadlock at 2%, employers do not expect this figure to go any higher in 2019.

During 2019 […], the majority of awards (61%) are expected to be at the same level as over the past year – just 22% are predicted to be higher and 17% lower.

The median pay award prediction across the private sector was 2.4%. Companies in the manufacturing and production sector put this at 2.5%, while those in private sector services predicted a median award of 2%.

XpertHR pay and benefits editor Sheila Attwood said: "While the labour market is putting pressure on employers to keep up with their competitors when it comes to pay rises, many companies simply cannot afford to give higher pay increases.

"Rising pension costs (due to pensions auto-enrolment) and uncertainty due to Brexit are likely to help keep pay award levels in check over the coming year."

PAYDATA UK REWARD MANAGEMENT SURVEY (AUTUMN 2018)

Every year we capture participants' expectations for future pay review budgets. For 2019 pay review budgets, 53 per cent anticipate an up to three per cent increase in pay budgets, followed by 32 per cent anticipating an up to two per cent increase. The number of respondents opting for an up to four per cent increase has grown from two per cent in 2017 to 10 per cent for expected 2019 budgets; reinforcing the positive progression in pay increases over a two-year period, when levels have been so flat for so long.

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 pay reviews for 2018
- Budgets of over four per cent are rare

To take part in our Spring UK Reward Management Survey and receive a copy of the free participant report, please register here.

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For 2019 pay review budgets, 53 per cent anticipate an up to three per cent increase in pay budgets, followed by 32 per cent anticipating an up to two per cent increase.”

PAYDATA UK REWARD MANAGEMENT SURVEY
Autumn 2018

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making lives better at work

PAYstats at a glance

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

Consumer Price Index	CPIH ^	Retail Price Index ^^
2.1%	2.0%	2.7%
December 2018	December 2018	December 2018

Employment

32.5m
employed, up 1.0% on last year.

91,000
redundancies, down 17.0% on last year.

853,000
vacancies, up 4.8% on last year.

1.37m
unemployed, down 4.7% on last year.

3.4%
increase the whole economy average earnings, excluding bonuses, for the 12 months to November 2018, down by 0.1% on last month.

3.2%
increase in whole economy average earnings, including bonuses for the 12 months to November 2018, down by 0.8% on last month.

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.

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PAYstats in detail

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

	Jobs *		Vacancies		Redundancies		Unemployment	
Reference Period	Sep - Nov 2018		Oct - Dec 2018		Sep - Nov 2018		Sep - Nov 2018	
	000's	Change	000's	Change	000's	Change	000's	Change
All UK	32,535	1.0%	853	4.8%	91	-17.0%	1,372	-4.7%

Manufacturing	2,720	0.8%	62	7.3%
Construction	2,382	1.4%	29	9.2%
Wholesale, retail & motor repair	4,966	-0.4%	140	2.6%
Transport & storage	1,708	0.8%	39	10.2%
Accomodation & food services	2,408	0.9%	94	0.4%
Info & communications	1,568	5.3%	52	22.0%
Financial & insurance	1,128	1.8%	38	-1.8%
Real estate	584	2.0%	14	53.3%
Public admin, defence, social security	1,491	0.5%	23	35.5%
Education	2,965	1.1%	51	0.8%
Health & social work	4,401	1.8%	130	2.2%
Other services	899	-0.8%	25	17.9%

AVERAGE EARNINGS (seasonally adjusted)

	Excluding bonuses		Including bonuses	
November 2018	Change from 12 months ago	% point change since last month	Change from 12 months ago	% point change since last month
Whole economy	3.4%	-0.1%	3.2%	-0.8%

Private	3.4%	-0.3%	3.2%	-1.1%
Public	3.0%	0.3%	2.8%	0.1%
Services	3.4%	-0.3%	3.3%	-1.1%
Finance & business services	3.7%	0.2%	4.2%	-0.2%
Public sector exc. Financial services	3.1%	0.4%	2.9%	0.2%
Manufacturing	1.9%	-0.2%	1.2%	-0.6%
Construction	4.4%	1.4%	4.0%	0.9%
Wholesale, retail, hotels & restaurants	3.0%	-0.8%	1.7%	-2.5%

Notes: * Sector breakdown as at September 2018

Current Rates

NATIONAL MINIMUM WAGE (NMW) *
For more information: www.gov.uk

Workers 21 years and over:	£7.38 (£7.70)
Workers 18-20 years old:	£5.90 (£6.15)
Workers 16-17 years old:	£4.20 (£4.35)
Accommodation offset – maximum per day that can be offset against the NMW where employer provides accommodation.	£7.00 (£7.55)
Apprentice minimum wage rate for: - apprentices under 19 years old - apprentices aged 19 and over, but in the first year of their apprenticeship	£3.70 (£3.90)

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 (£8.21)

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:	£9.00
- London hourly rate:	£10.55

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: £145.18 or 90 per cent of AWE (if lower)

Statutory Paternity Pay:
- 1 or 2 weeks consecutive leave: £145.18 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: £145.18 or 90 per cent of AWE (if lower)

STATUTORY SICK PAY
For more information: www.livingwage.org.uk

Standard weekly rate	£92.05
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

Length of service is capped at 20 years.

Calculation of age and service is counted back from the date of dismissal.

For redundancies made on or after 6 April 2018, the weekly pay is capped at £508 and the maximum statutory redundancy pay is £15,240. If redundancy was made before 6 April 2018, these amounts will be lower.

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

* Figures in brackets effective as of 1st April 2019

Benchmarking your niche roles

Do you have roles which you find difficult to benchmark? Maybe you have positions that present a particular recruitment and retention challenge?

Organisations need market intelligence to inform their internal decisions. Recruitment and retention difficulties with specific roles may suggest the organisation is not paying consistently with the external labour market.

Paydata's ad hoc benchmarking service can help you to access vital data on pay and conditions for highly specialised roles as and when required. You can use our job search service to find pay data for a specialist/niche role, industry sector or a specific benefit or allowance.

Key benefits:

Access difficult to benchmark roles
Our database captures a wide range of roles that our customers are unable to benchmark elsewhere.

Clear and easy to interpret reports
Personalised reports clearly illustrate how pay compares to the wider market.

Benchmark specific locations
Data can be analysed at a national, regional and local level, reflecting the wider commute-to-work area that many of these roles are recruited from.

Access the latest market intelligence
We largely directly-source payroll data, providing the most up-to-date and accurate pay data for a very wide range of roles.

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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