



April 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 1.9% in March 2019, unchanged from February 2019.
- Survey indicators of recruitment difficulties are above their past averages and the ratio of redundancies to employees is close to its historical low.
- Recruitment consultancies signalled a renewed drop in permanent staff appointments amid heightened uncertainty towards the outlook and reports of delayed decision making.
- Excluding bonuses, average weekly earnings for employees in Great Britain were estimated to have increased by 3.4%, before adjusting for inflation, and by 1.5%, after adjusting for inflation, compared with a year earlier.
- Based on the Bank's database of pay settlements, the twelve-month median settlement had increased from 2% at the start of 2018 to 3% in December.

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 (FEBRUARY 2019)

CPI inflation fell to 2.1% in December. The fall over the past year has been partly due to the diminishing effects of the referendum-related sterling depreciation. CPI inflation is expected to dip temporarily below 2% in the coming months, mainly reflecting lower energy price inflation, before rising back above the target in 2020 and remaining a little above 2% as domestic inflationary pressures increase.

BANK OF ENGLAND MPC MINUTES (FEBRUARY 2019)

Twelve-month CPI inflation had fallen back in December to 2.1%, 0.1 percentage points stronger than expected by Bank staff immediately before the release. This had been 0.3 percentage points weaker than anticipated at the time of the November Inflation Report, however, with the downside news largely reflecting the fall in petrol prices over the period.

Over coming months, CPI inflation was expected to remain close to 2%, dipping slightly below the target in the first quarter of the year before temporarily edging back above 2% in April. In part, this modest monthly volatility reflected projected developments in consumer gas and electricity prices.

OFFICE FOR NATIONAL STATISTICS (MARCH 2019)

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 1.8% in March 2019, unchanged from February 2019.

Rising prices for motor fuels and clothing produced the largest upward contributions to change in the rate between February and March 2019.

The largest, offsetting, downward contributions came from across a range of recreational and cultural goods, food and motor vehicles.

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BANK OF ENGLAND INFLATION REPORT

February 2019

Employment

CIPD LABOUR MARKET OUTLOOK (WINTER 2018-19)

This latest report suggests that employment confidence has remained broadly consistent with the previous quarter. 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 – stood at +20. It has been on a downward trend for the past three quarters and was at its highest in spring 2018, when it was +26.

While [employment confidence in] healthcare and education remain stable at +32 and +2 respectively, confidence in private sector services has fallen by 7 points to +23. However, this is the only decrease across the sectors this quarter, with increases in public administration and defence (+4 to +10) and manufacturing and production (+13 to +18). While confidence has risen, these sectors have not regained the confidence they held in summer 2018.

BANK OF ENGLAND INFLATION REPORT (FEBRUARY 2019)

Survey indicators of recruitment difficulties are above their past averages and the ratio of redundancies to employees is close to its historical low. While most surveys of employment intentions softened a little in Q4, consistent with a slight slowing in employment growth in early 2019, labour market conditions are projected to remain tight and unemployment is expected to be broadly stable in the near term.

The actual unemployment rate has fallen slightly over the past year, to a little below the MPC's estimate of the equilibrium rate made in February 2018. The MPC judges that fall has reflected a cyclical rise in labour demand rather than a further fall in the equilibrium rate. The number of vacancies relative to the size of the workforce — a key indicator of labour demand — has risen to a historical high. And the rate at which those already in employment are switching to new jobs — which will partly reflect the degree to which employers are competing to hire employees — has risen to close to its pre-crisis level. Stronger labour demand may also have reduced the job destruction rate since, in a tight labour market, workers become harder to replace.

BANK OF ENGLAND MPC MINUTES (FEBRUARY 2019)

The labour market had remained tight. The unemployment rate had been unchanged at 4.0% in the three months to November. The employment rate had increased to 61.2%, a record high and slightly stronger than expected at the time of the November Report. The latest increase was concentrated in full-time employment, in both the number of self-employed and employees, and was driven by those between 18 and 34 years old. The ONS's measure of vacancies had rebounded in the three months to December, which was consistent with labour demand remaining strong. But some surveys had suggested a softening in employment growth. The employment indices in the PMIs had fallen in November and December, and had seen another sharp fall in January, with the composite index now below its historical average.

+20



this quarter's net employment balance has shifted from +22 to +20 over the past three months

+23



Employment confidence in private sector services has fallen by 7 points to +23.

MANPOWER EMPLOYMENT OUTLOOK SURVEY (Q2 2019)

UK employers report modest hiring plans for the second quarter of 2019. With 7% of employers expecting to increase payrolls, 3% anticipating a decrease and 89% forecasting no change, the Net Employment Outlook is +4%. [...] Hiring intentions remain relatively stable when compared with the previous quarter, but decline by two percentage points in comparison with this time one year ago.

Employers in 10 of the 12 regions expect to add to payrolls during the next three months. The strongest labour markets are anticipated in the West Midlands [...] and the East Midlands [...]. Fair hiring prospects are reported in three regions [...] – the South East, Yorkshire & the Humber and Northern Ireland. Meanwhile, flat hiring prospects are reported in two regions – the North East and Wales.

Payrolls are forecast to grow in seven of the nine industry sectors during the second quarter of 2019. Steady hiring activity is expected in two sectors [...] – the Construction sector and the Utilities sector [...]. However, employers in two sectors expect to trim payrolls, including the Transport & Communications sector [...].

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

Recruitment consultancies signalled a renewed drop in permanent staff appointments amid heightened uncertainty towards the outlook and reports of delayed decision making. Though modest, the rate of reduction was the fastest seen since July 2016. Temp billings meanwhile expanded at the second-slowest rate for two-and-a-half years (after January 2019).

Although still indicative of a strong rise in overall demand for staff, the index measuring vacancies edged down again in March. Notably, demand for workers increased at the softest pace since August 2016, with both permanent and short-term vacancies rising at slower rates.

James Stewart, vice chair at KPMG, said:

“Brexit has been sapping business confidence for months, and now it is causing the jobs market to grind to a halt. With unclear trading conditions ahead, many companies have decided to hit the pause button on new hires and reduce their dependency on temporary appointments.

“At the same time we are seeing a flight to safety in the candidate market. Applicant availability has fallen sharply, with the majority of people looking to switch-up or develop their careers concluding now isn't the right time to abandon the haven of an existing job. The consequence of a sluggish jobs market is a drag on the economy – with poor candidate availability impeding business growth and hampering restructuring efforts.”



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JAMES STEWART

Vice Chair
KPMG

Earnings

BANK OF ENGLAND INFLATION REPORT (FEBRUARY 2019)

Wage growth has continued to strengthen since the November Report amid tight conditions in the labour market. Annual growth in whole-economy regular pay — which excludes the volatile bonus component — averaged 1.5% between 2010 and 2014. But pay growth has since been strengthening, averaging 2.8% in 2018 H1 and 3.2% in 2018 Q3. Regular pay is expected to have grown by 3.3% in 2018 Q4, which would be the strongest annual rate of growth since 2008. According to the Bank's database, median pay settlements rose to 3% in 2018, up from 2% a year ago and 1% two years ago.

BANK OF ENGLAND MPC MINUTES (FEBRUARY 2019)

Whole-economy total average weekly earnings (AWE) growth had picked up to 3.4% in the three months to November, 0.5 percentage points higher than expected at the time of the November Report. Private-sector AWE growth was unchanged on the month at 3.5%, 0.6 percentage points higher than anticipated at the time of the November Report. Whole-economy and private-sector regular pay growth had been unchanged at 3.3% and 3.4% respectively, both 0.3 percentage points stronger than expected at the time of the November Report.

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

A combination of lower candidate availability and strong demand for staff led to further increases in pay. That said, rates of pay growth softened since February. The latest increase in starting salaries, though sharp, was the slowest recorded for just under two years. Meanwhile, temp pay growth was the least marked since March 2017.

ONS AVERAGE WEEKLY EARNINGS (APRIL 2019)

Excluding bonuses, average weekly earnings for employees in Great Britain were estimated to have increased by 3.4%, before adjusting for inflation, and by 1.5%, after adjusting for inflation, compared with a year earlier.

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BANK OF ENGLAND INFLATION REPORT

February 2019

Pay Settlements - Historic

BANK OF ENGLAND MPC MINUTES (FEBRUARY 2019)

Based on the Bank's database of pay settlements, the twelve-month median settlement had increased from 2% at the start of 2018 to 3% in December. Across all the major sectors of the economy, median settlements in 2018 had been higher than in 2017, particularly in the public sector.

XPERTHR – REPORTED IN PERSONNEL TODAY (MARCH 2019)

In the three months to the end of February 2019, the picture was [showed] a 2.5% median basic pay award across all employers in the [survey] sample.

Within this, the middle half of pay awards were worth between 2.1% and 3%. A slim majority (36.5%) of pay awards among a matched sample were higher than those the same groups of employees received a year ago. Just under a third (32.8%) were the same, while 30.7% were lower.

Private sector services employees enjoyed a 2.7% median increase in pay awards in the same three months. In the public sector the median award was 2% in the 12 months to the end of February.

LABOUR RESEARCH DEPARTMENT (APRIL 2019)

The median increase in pay in the three months to March 2019 was 2.8%. The median increase in the lowest pay rate was also 2.8%.

INCOMES DATA RESEARCH (MARCH 2019)

The median pay award across the whole economy was 2.5% in the three months to January 2019, according to the latest monitoring figures from IDR. The interquartile range has widened from between 2% and 2.5% to between 2% to 3%. This reflects a rise in the number of higher-end awards compared to the last analysis period, with over a quarter of pay awards worth 3% or more, set against around a tenth of awards at this level in final three months of 2017.

PAYDATA PAY DATABASE (APRIL 2019)

Paydata's pay database shows a median pay review of 2.5 per cent for the 12 months to April, with an inter-quartile range of between two and three per cent. The most common pay award remains two per cent. Only two per cent of organisations have said they have frozen pay in the last 12 months.

Pay Settlements

3.0%

Bank of England

2.5%

XpertHR

2.8%

Labour Research Department

2.5%

Incomes Data Research

2.5%

Paydata

Pay Settlements - Predictive

BANK OF ENGLAND MPC MINUTES (FEBRUARY 2018)

The annual pay survey conducted by the Bank's Agents had suggested [...] the average predicted settlement for 2019 at 2.9%, slightly higher than the 2.8% reported for last year, which was itself slightly below respondents' expectations for 2018 in the same survey a year ago.

CIPD LABOUR MARKET OUTLOOK (WINTER 2018-19)

Employers' median basic pay increase expectations in the 12 months to December 2019 have remained stable at 2% for the sixth successive quarter.

While overall median expectations remain the same, pay expectations have changed for each sector. Expected pay in the private sector has risen to 2.5% for the first time since tracking began in 2012. Expected pay remains consistent in the voluntary sector at 2%. Pay expectations in the public sector have decreased to 1.1% from 2% in autumn 2018. Similarly, expected pay increases are highest in private sector services (2.5%) and reported lowest by employers in public administration and defence (1.3%).

XPERTHR – REPORTED IN PERSONNEL TODAY (MARCH 2019)

[Research by XpertHR found that] private-sector employers expect to give employees a 2.5% pay rise this year, the same level of pay award that was recorded throughout 2018.

XpertHR suggests that uncertainty over Brexit and record high employment has influenced the lack in upward movement in pay awards, although only 4.4% predict a pay freeze this year. The middle half of all pay awards forecast to be given in 2019 is worth between 2% and 3%, with the most common pay award predictions at 2%. More than a quarter were at 2% (28.7% of forecasts) and just under a fifth (19.1%) at 3%. Almost one pay award in 10 is forecast to be worth 4% or more.

"This time last year we were heralding the increase in the XpertHR headline measure of pay awards from 2% to 2.5%," said XpertHR pay and benefits editor Sheila Attwood. "Based on the pay activities of employers so far this year and the increases planned, 2.5% looks set to be the benchmark pay award across the economy for 2019."

PAYDATA UK REWARD MANAGEMENT SURVEY (SPRING 2019)

Every year we capture participants' expectations for future pay review budgets. Provisional results from the latest running of the survey show that median pay budget expectations for 2019 are in line with those predicted in autumn 2018, at 2.50 per cent, with an interquartile range of between 2.00 and 3.00 per cent.

Looking at general trends that have emerged since the survey began ten years ago:

- Whilst pay freezes remain rare, they appear to be rising slightly in 2019;
- Budgets of over four per cent are few and far between.

To participate in our Spring UK Reward Management Survey and receive a copy of the free participant report, [take part here](#).

As well as covering the usual pay and bonus outlook, this edition also looks at diversity and inclusion practices, as a well as current challenges in recruitment and retention.



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SHEILA ATTWOOD

Pay and Benefits Editor
XpertHR

PAYstats at a glance

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



Employment

32.7m
employed, up 1.4% on last year.



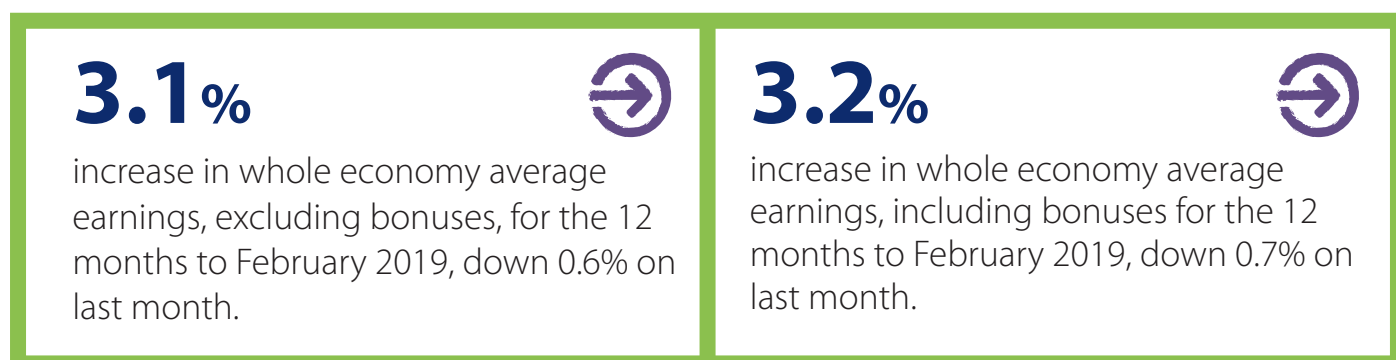
88,000
redundancies, down 9.9% on last year.



852,000
vacancies, up 3.9% on last year.



1.34m
unemployed, down 5.4% on last year.



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 *		Vacancies		Redundancies		Unemployment	
Reference Period	Dec - Feb 2019		Jan - Mar 2019		Dec - Feb 2019		Dec - Feb 2019	
	000's	Change	000's	Change	000's	Change	000's	Change
All UK	32,721	1.4%	852	3.9%	88	-9.9%	1,343	-5.4%

Manufacturing	2,707	0.0%	62	5.7%
Construction	2,404	2.7%	27	21.1%
Wholesale, retail & motor repair	4,970	-0.5%	139	2.2%
Transport & storage	1,766	5.1%	44	3.3%
Accommodation & food services	2,429	3.7%	94	4.9%
Info & communications	1,573	6.0%	49	9.5%
Financial & insurance	1,117	0.4%	34	-13.6%
Real estate	589	0.4%	12	-14.3%
Public admin, defence, social security	1,504	1.5%	21	15.1%
Education	2,972	1.9%	51	7.1%
Health & social work	4,423	1.1%	133	3.6%
Other services	921	1.4%	25	4.2%

AVERAGE EARNINGS (seasonally adjusted)

	Excluding bonuses		Including bonuses	
February 2019	Change from 12 months ago	% point change since last month	Change from 12 months ago	% point change since last month
Whole economy	3.1%	-0.6%	3.2%	-0.7%

Private	3.4%	-0.5%	3.4%	-0.8%
Public	2.2%	-0.5%	2.3%	-0.4%
Services	3.1%	-0.7%	3.2%	-1.0%
Finance & business services	3.0%	-1.5%	2.9%	-2.1%
Public sector exc. Financial services	2.2%	-0.5%	2.2%	-0.6%
Manufacturing	2.2%	0.0%	1.9%	-0.3%
Construction	5.0%	1.1%	4.6%	0.8%
Wholesale, retail, hotels & restaurants	2.4%	-0.7%	2.2%	-0.7%

Notes: * Sector breakdown as at December 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:	£3.70 (£3.90)
- 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 (£8.21)
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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 (£148.68) or 90 per cent of AWE (if lower)

Statutory Paternity Pay:

- 1 or 2 weeks consecutive leave: £145.18 (£148.68) 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 (£148.68) or 90 per cent of AWE (if lower)

STATUTORY SICK PAY ***

For more information: www.livingwage.org.uk



Standard weekly rate	£92.05 (£94.25)
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 2019, the weekly pay is capped at £525 and the maximum statutory redundancy pay is £15,750. If redundancy was made before 6 April 2019, 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

** Figures in brackets effective as of 7th April 2019

*** Figures in brackets effective as of 6th April 2019



Why wait until 2020? Get ahead of the crowd

With this year's gender pay reporting deadline an almost distant memory, why not get ahead of the crowd with preparing for 2020?

Calculating your figures early will not only enable you to assess what progress you have made, it will also allow you time to identify and address areas still requiring action.

With a snapshot date of April 2019 required, there is no need to wait. We have been helping many of our customers fulfil their reporting obligations via our Gender Pay Reporting service. Get ahead of the crowd and get in touch.

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.

Cost: £500 +VAT

If you need help calculating your gender pay gap figures, please contact us today on **+44 (0)1733 391 377** or via **info@paydata.co.uk**.

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