



# **July 2019: PAYstats Pay and Labour Market Statistics**

Quarterly Edition

## July 2019: 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 2.0% in June 2019, unchanged from May 2019.
- Buoyant demand continues to cause recruitment and retention difficulties for many employers. Around two-fifths (41%) of employers say that it has become more difficult to fill vacancies during the past year. Meanwhile, around a third (33%) of employers say that it has become harder to retain staff.
- Pay growth had remained relatively strong, albeit with increasing signs that growth rates might have levelled off.
- Estimated annual growth in average weekly earnings for employees in Great Britain increased to 3.4% for total pay (including bonuses) and 3.6% for regular pay (excluding bonuses).
- The median increase in pay in the three months to June 2019 was 2.5%.

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

**+44 (0)1733 391 377**  
**info@paydata.co.uk**

## Inflation

### **BANK OF ENGLAND INFLATION REPORT (MAY 2019)**

CPI inflation was 1.9% in March, a little below the 2% target. Inflation is projected to dip further below 2% during the first half of the forecast period, largely reflecting lower expected retail energy prices. In the medium term, building excess demand leads to a firming of domestic inflationary pressures and pushes inflation above the target.

CPI inflation is projected to remain somewhat below the MPC's target over much of the first half of the forecast period, largely reflecting lower expected retail energy prices. It then picks up to above the target supported by those strengthening domestic inflationary pressures, and is still rising at the end of the three-year forecast period.

### **BANK OF ENGLAND MPC MINUTES (JUNE 2019)**

Twelve-month headline and core CPI inflation had both ticked down slightly in May, to 2.0% and 1.7% respectively, both in line with the May Inflation Report. Over the next couple of months, the headline measure was expected to remain around the 2% target, before easing back to below the target in Q3. The contribution of energy prices to CPI inflation was expected to fall through most of the rest of 2019, and would be negative by Q4.

### **OFFICE FOR NATIONAL STATISTICS (JUNE 2019)**

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 1.9% in June 2019, unchanged from May 2019.

The largest downward contributions to change in the 12-month rate between May and June 2019 came from motor fuels, accommodation services and electricity, gas and other fuels, with prices in each category falling between May and June 2019 compared with price rises between the same two months a year ago. The largest offsetting upward contributions to change came from clothing and food.

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### **BANK OF ENGLAND INFLATION REPORT**

May 2019

## Employment

### CIPD LABOUR MARKET OUTLOOK (SPRING 2019)

According to the survey data in this report, the recent strong growth in employment looks set to continue in the short term. The net employment balance for Q2 2019 is +22, which is broadly consistent with previous quarters. Across industries, employment growth expectations are broad-based but are highest in business services (+38), construction (+36), healthcare (+31) and ICT (31%). Buoyant demand continues to cause recruitment and retention difficulties for many employers. Around two-fifths (41%) of employers say that it has become more difficult to fill vacancies during the past year. Meanwhile, around a third (33%) of employers say that it has become harder to retain staff.

### BANK OF ENGLAND INFLATION REPORT (MAY 2019)

Since the February Report, the unemployment rate has fallen slightly, to 3.9% in the three months to February, as expected. That is a little below the MPC's assessment of the equilibrium rate of unemployment — of 4¼% — that would be consistent with inflation at the target. A range of other indicators also point to labour market conditions remaining tight.

Employment growth has been strong in recent months. Employment grew by 0.5% in the three months to February, and is expected to have grown by 0.4% in Q1 as a whole. This compares with a projection of 0.2% growth in the February Report. Over much of the past two years, employment growth has mainly reflected more full-time employees.

### BANK OF ENGLAND MPC MINUTES (JUNE 2019)

The labour market had remained tight. Although employment growth had slowed further, to 0.1% in the three months to April, this had been slightly stronger than expected in the May Report. Total hours had been strong because average hours had also been higher than expected, although this appeared to have partly reflected the temporary effects of Brexit-related stockpiling. The counterpart to strength in employment had been higher participation, such that the unemployment rate had remained at 3.8% in the three months to April, in line with expectations in the May Report. Survey measures of recruitment difficulties and staff availability also suggested that the labour market had remained tight.

+22



this quarter's net employment balance

+38



Employment confidence is highest in business services

### MANPOWER EMPLOYMENT OUTLOOK SURVEY (Q3 2019)

Employers in the UK report limited hiring intentions for the upcoming quarter. With 6% of employers forecasting an increase in payrolls, 3% anticipating a decrease and 91% expecting no change, the resulting Net Employment Outlook is +3%. [...] Hiring plans are unchanged in comparison with both the previous quarter and this time one year ago.

Employers in nine of the 12 regions expect to increase payrolls during the next three months. The strongest hiring prospects are reported in the East Midlands and the West Midlands [...]. Employers in Northern Ireland and Yorkshire & the Humber also report encouraging signs for job seekers [...]. However, employers in three regions expect to trim payrolls, most notably [...] in Wales and [...] in Scotland.

Payroll gains are forecast for seven of the nine industry sectors in the third quarter of 2019. Utilities employers anticipate the strongest labour market [...]. Fair hiring prospects are reported by Mining sector employers [...], [and] the Outlook for the Hotels & Retail sector [...]. However, employers expect to trim payrolls in two sectors, including the Transport & Communications sector [...].

### KPMG / REC REPORT ON JOBS (JULY 2019 PRESS RELEASE)

Latest data rounded off a disappointing end to the first half of 2019, with the number of people placed into permanent roles falling for the fifth time in six months. Though modest, the decline still marked a stark contrast to the robust hiring activity we saw through 2018, with a number of panellists blaming the fall on political and economic uncertainty. At the same, time temporary staff billings rose only slightly.

Staff vacancies continued to increase during June, though the rate of expansion held close to April's multi-year low. Demand for temporary and permanent staff rose at rates that, though strong, remained weaker than seen on average over the survey's more than two-decade history.

Commenting on the latest survey results, Neil Carberry, Recruitment & Employment Confederation chief executive, said:

"It's no surprise that the jobs market has slowed a little in this time of uncertainty – but vacancy numbers remain high and there are still opportunities out there for people looking for their next step. Pay is rising too. Nevertheless, the gentle slowdown in permanent hiring and slower growth of temp billings is a reminder to all politicians that businesses and employees across the country are looking for a smooth path to a negotiated Brexit outcome."



**It's no surprise that the jobs market has slowed a little in this time of uncertainty – but vacancy numbers remain high and there are still opportunities out there for people looking for their next step. "**

**NEIL CARBERRY**

Chief Executive  
Recruitment & Employment  
Confederation

## Earnings

### **BANK OF ENGLAND INFLATION REPORT (MAY 2019)**

Wage growth picked up during 2018. Four-quarter growth in whole-economy total pay is expected to have remained at 3.5% in 2019 Q1, some way above its post-crisis average of 1.9%. Annual growth in regular pay — which excludes the volatile bonus component from total pay — is expected to have been similar. According to the Bank's database, median pay settlements were around 3% over the year to March, similar to at the time of the February Report. April is an important month for settlements, however, and much of those data are still to come.

### **BANK OF ENGLAND MPC MINUTES (JUNE 2019)**

Pay growth had remained relatively strong, albeit with increasing signs that growth rates might have levelled off. Annual private-sector average weekly earnings (AWE) growth excluding bonuses had been unchanged at 3.5% in the three months to April, in line with expectations at the time of the May Report. There had been slight downside news in bonuses, such that growth in private-sector AWE including bonuses had fallen slightly, to 3.2%. Using a proxy of private-sector unit wage costs based on AWE, LFS employment and GDP, Bank staff estimated that annual growth of unit wage costs had fallen back slightly, from 3.0% in 2018 Q4 to 2.4% in 2019 Q1, but would pick back up to 2.9% in Q2. All of these estimates were within a range consistent with meeting the inflation target in the medium term. Looking further ahead, higher-frequency pay measures had eased a little, such that earnings growth appeared likely to moderate over the course of the year, in line with the May Report.

### **KPMG / REC REPORT ON JOBS (JULY 2019 PRESS RELEASE)**

Lower candidate availability continued to push up pay for both permanent and temporary workers during June. Permanent starting salaries rose sharply, despite the rate of inflation being among the softest seen for two years, while temp wage inflation quickened to a seven-month high.

### **ONS AVERAGE WEEKLY EARNINGS (JULY 2019)**

Estimated annual growth in average weekly earnings for employees in Great Britain increased to 3.4% for total pay (including bonuses) and 3.6% for regular pay (excluding bonuses).

In real terms (after adjusting for inflation), total pay is estimated to have increased by 1.4% compared with a year earlier, and regular pay is estimated to have increased by 1.7%.



**Lower candidate availability continued to push up pay for both permanent and temporary workers during June. Permanent starting salaries rose sharply, despite the rate of inflation.”**

**KPMG / REC REPORT ON JOBS**

July 2019

## Pay Settlements - Historic

### XPERTHR – REPORTED IN PERSONNEL TODAY (JUNE 2019)

Employers awarded a median 2.5% annual pay rise to staff in the three months to the end of May, according to data from XpertHR. This level of pay award has remained unchanged since the beginning of 2019, and is the same as it was a year ago.

[...] in the three months to the end of May 2019, XpertHR found:

- The median basic pay award was 2.5%. Half of all pay awards fell within half a percentage point of this figure, with an interquartile range of between 2% and 3%
- Lower pay awards dominated, with 43.1% worth less than the same group of employees received in the same period a year ago. Around three in 10 were higher than (29.8%) or at the same level as (27.1%) the previous year
- Around a quarter (26.1%) of pay awards were worth exactly 2.5%, followed by those at 2% (15.7%) and 3% (13.5%).

Comparing pay awards over the past 12 months to the end of May 2019, the median pay award in the private sector was 2.5%, compared with 2.3% in the public sector.

XpertHR pay and benefits editor Sheila Attwood said:

“Following a dip in the second half of 2018, the first half of 2019 is dominated by pay rises in the region of 2.5%. However, pay awards continue to sit half a percentage point below retail prices index inflation on the May 2019 data.”

### LABOUR RESEARCH DEPARTMENT (JULY 2019)

The median increase in pay in the three months to June 2019 was 2.5%. The median increase in the lowest pay rate was higher at 2.8%.

### INCOMES DATA RESEARCH (JUNE 2019)

The median pay award across the whole economy is 2.5% for the three months to May 2019, according to our latest analysis. Higher awards, those at or above 3%, continue to account for around a quarter of pay outcomes. The private sector median is also 2.5%, influenced by several pay awards of over 4%.

### PAYDATA PAY DATABASE (JULY 2019)

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



## Pay Settlements - Predictive

### **CIPD LABOUR MARKET OUTLOOK (SPRING 2019)**

Median basic pay expectations in the 12 months to March 2020 are 2%, which is consistent with recent LMO reports. However, expectations have fallen back in the private sector from 2.5% to 2% since the previous report. At the same time, basic pay expectations have risen in the public sector from 1% to 1.5%. Looking at the sub-sectors, median basic pay award expectations are higher in the manufacturing sector (2.4%) than in the services sector (2%).

Despite the modest fall in the share of organisations that are unable to predict their next basic pay awards, around three in ten (29%) of organisations still do not know what their next basic pay award will be, so some care should be taken not to make too much of this.

### **XPERTHR – REPORTED IN PERSONNEL TODAY (JUNE 2019)**

The current median pay award remains below the level of retail prices index (RPI) inflation, which was 3% in May 2019.

Just over 86% of pay awards are worth either the same or less than RPI, according to XperthR. It has been suggested that RPI inflation may slow in the second half of the year, although pay awards are forecast to remain at their current level.

### **PAYDATA UK REWARD MANAGEMENT SURVEY (SPRING 2019)**

Every year we capture participants' expectations for future pay review budgets. Results from the latest running of the survey show little movement in the size of pay review budgets. Pay reviews have tracked rising inflation at two per cent for a prolonged period, however this now appears to be increasing slightly.

48 per cent of respondents in the spring 2019 survey are on track for between two and three per cent increases, with 32 per cent predicting between one and two per cent rises. The number of respondents opting for an up to four per cent increase jumped from two per cent in 2017 to 10 per cent in 2018 which is consistent with the spring 2019 result of 10 per cent. This demonstrates the positive progression in pay being made after a decade of relatively flat wage growth.

However, more (five per cent, up from one per cent from this time last year) respondents indicated that there would be no pay reviews this year within their organisations, suggesting pay freezes continue to operate and are potentially on the rise.

Emerging trends since 2010:

- Pay freezes appear to be on the rise, following a long period of 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 2019.
- Budgets of over four per cent are rare.

If you would like to be kept up-to-date regarding future runnings of this free survey, please [register here](#).



**Median basic pay expectations in the 12 months to March 2020 are 2%."**

**CIPD LABOUR MARKET OUTLOOK**  
Spring 2019

## PAYstats at a glance

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



### Employment

**32.7m**  
employed, up 1.1% on last year.



**101,000**  
redundancies, up 5.6% on last year.



**837,000**  
vacancies, up 1.4% on last year.



**1.29m**  
unemployed, down 8.2% on last year.



Notes: <sup>^</sup> Consumer Prices Index including owner occupiers' housing costs (CPIH) was re-designated as a National Statistic on 31 July 2017. <sup>^^</sup> 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	Mar - May 2019		Apr - Jun 2019		Mar - May 2019		Feb - Apr 2019	
	000's	Change	000's	Change	000's	Change	000's	Change
All UK	32,749	1.1%	837	1.4%	101	5.6%	1,292	-8.2%

Manufacturing	2,735	1.1%	56	-8.3%
Construction	2,394	2.4%	27	5.4%
Wholesale, retail & motor repair	4,999	0.0%	134	2.8%
Transport & storage	1,749	4.2%	42	1.0%
Accommodation & food services	2,427	1.9%	89	-3.3%
Info & communications	1,616	5.6%	46	-4.0%
Financial & insurance	1,116	-0.6%	34	-12.8%
Real estate	567	-3.3%	12	17.2%
Public admin, defence, social security	1,514	1.8%	22	4.2%
Education	2,986	1.5%	53	10.4%
Health & social work	4,471	1.7%	136	4.4%
Other services	936	1.3%	20	-27.8%

### AVERAGE EARNINGS (seasonally adjusted)

	Excluding bonuses		Including bonuses	
May 2019	Change from 12 months ago	% point change since last month	Change from 12 months ago	% point change since last month
Whole economy	3.8%	0.2%	3.9%	0.3%

Private	3.8%	-0.1%	3.9%	-0.1%
Public	3.8%	-0.7%	3.8%	-0.7%
Services	3.8%	-0.2%	3.9%	0.3%
Finance & business services	4.2%	0.0%	5.0%	1.1%
Public sector exc. Financial services	3.8%	-0.8%	3.8%	-0.7%
Manufacturing	3.2%	0.8%	3.0%	0.6%
Construction	4.9%	-0.3%	5.9%	-0.6%
Wholesale, retail, hotels & restaurants	2.8%	-0.2%	1.3%	-0.6%

Notes: \* Sector breakdown as at March 2019.

## Current Rates

### NATIONAL MINIMUM WAGE (NMW)

For more information: [www.gov.uk](http://www.gov.uk)



Workers 21 years and over:	£7.70
Workers 18-20 years old:	£6.15
Workers 16-17 years old:	£4.35
Accommodation offset – maximum per day that can be offset against the NMW where employer provides accommodation.	£7.55
Apprentice minimum wage rate for:	£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](http://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.	£8.21
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### LIVING WAGE

For more information: [www.livingwage.org.uk](http://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](http://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: £148.68 or 90 per cent of AWE (if lower)	
Statutory Paternity Pay:	
- 1 or 2 weeks consecutive leave: £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: £148.68 or 90 per cent of AWE (if lower)	

### STATUTORY SICK PAY

For more information: [www.livingwage.org.uk](http://www.livingwage.org.uk)



Standard weekly rate	£94.25
Maximum period	28 weeks in any 3 years

### STATUTORY REDUNDANCY PAY

For more information: [www.gov.uk](http://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](http://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	



## Streamlining your pay review process

### What challenges are you currently facing in managing your annual pay review?

Customers tell us they can spend more than 500 hours each year managing their pay review. If you are looking to spend less time and resources managing your pay review, you may have considered investing in pay review software to ease the resources required, but have struggled to get senior management buy-in.

#### Sound familiar?

We are hosting a free webinar, designed to aid you with the tools you require to help overcome the barriers you face, providing you with everything you need to prepare a business case for implementing pay review software in your business.

### SIGN UP FOR OUR FREE WEBINAR

Preparing a Business Case for Implementing Pay Review Software

**31 July 2019**  
**2:00 - 2:30pm**

Covering the following issues, the webinar will arm you with everything you need to prepare your business case:

-  Background and insights into common challenges faced
-  Building a business case - quantifying time and resource savings, whilst considering other factors
-  Implementation challenges
-  Practical examples of the advantages of using software

To reserve your place at this free webinar, simply [register here](#). If you require any further information, contact us on +44 (0)1733 391 377 or via [info@paydata.co.uk](mailto:info@paydata.co.uk).

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