Paydata Business Insight
National Statistics

# October 2019: PAYstats Pay and Labour Market Statistics

Quarterly Edition

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# October 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 inflation rate was 1.7% in September 2019, unchanged from August 2019.
- Employment growth had been weak in 2019 compared with recent years and available indicators suggested that this weakness would continue. Employment growth had fallen to 0.1% in the three months to July, and the employment rate had edged back down to 61.5%.
- The tightness of the labour market has been associated with faster pay growth. [...] lower rates of unemployment over the past year have been accompanied by higher wage growth, as companies have paid more to secure employees from a smaller potential pool of labour. There are signs that pay growth is likely to stabilise.
- Estimated annual growth in average weekly earnings for employees in Great Britain was 3.8% for both total pay (including bonuses) and regular pay (excluding bonuses).
- The median increase in pay in the last quarter was around 2.5%.

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 (AUGUST 2019)**

CPI inflation was at the 2.0% target in June. Inflation is projected to fall below the target over the next six months as energy prices decline. From next year inflation is expected to pick up as the impact of lower energy prices fades, sterling's recent depreciation pushes up import prices, and domestic inflationary pressures rise.

**BANK OF ENGLAND MPC MINUTES (SEPTEMBER 2019)**

Twelve-month CPI inflation had fallen to 1.7% in August, from 2.1% in July, in line with staff expectations immediately prior to the release. Core CPI inflation had declined to 1.5% and core services CPI inflation had been 2.0%.

CPI inflation was expected to remain slightly below the MPC's 2% target over the remainder of 2019. Energy prices were the main driver of the near-term profile. Base effects would push down inflation over the next couple of months, before gas and electricity prices were due to fall in October as a result of Ofgem's updated price caps. In January 2020, the drag from energy prices would be likely to wane due to the implementation of Ofgem's main price cap in January 2019 dropping out of the annual comparison.

**OFFICE FOR NATIONAL STATISTICS (SEPTEMBER 2019)**

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 1.7% in September 2019, unchanged from August 2019.

The largest downward contributions to change in the CPIH 12-month inflation rate, between August and September 2019, came from motor fuels, second-hand cars, and electricity, gas and other fuels.

These downward movements were offset by upward movements from furniture, household appliances, hotel overnight stays, and from recreation and culture items.

The Consumer Prices Index (CPI) 12-month inflation rate was 1.7% in September 2019, unchanged from August 2019.

“Inflation is projected to fall below the target over the next six months as energy prices decline. From next year inflation is expected to pick up as the impact of lower energy prices fades, sterling's recent depreciation pushes up import prices, and domestic inflationary pressures rise.”

**BANK OF ENGLAND INFLATION REPORT**
August 2019

# Employment

**CIPD LABOUR MARKET OUTLOOK (SUMMER 2019)**

Labour demand remains robust but will soften slightly in Q3 2019. 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 in the third quarter of 2019 – has decreased from +22 to +18 over the past three months. The strength in labour demand is highest among healthcare (+38) and business services (+34) organisations.

Against a backdrop of buoyant labour demand, it is no surprise that a majority of organisations who are currently hiring have hard-to-fill vacancies. Among employers who currently have vacancies in their organisation, more than two-thirds (67%) report that at least some of these vacancies are proving hard to fill.

**+18**

this quarter's net employment balance

**+38**

Labour demand is highest in healthcare (+38) and business services (+34)

**BANK OF ENGLAND INFLATION REPORT (AUGUST 2019)**

The unemployment rate fell slightly in the three months to May, to 3.8%, a little lower than expected in the May Report. That remains below the MPC's assessment of the equilibrium rate of unemployment — of 4.25% — that would be consistent with inflation at the target in the medium term.

Employment growth has softened in 2019. It was 0.1% in the three months to May, down from 0.5% in the three months to February. The number of employees fell in the latest data, while self-employment rose sharply. The slowdown in overall employment growth may be a consequence of companies finding it harder to recruit, given a smaller pool of available labour. It may also reflect an easing in the demand for labour as underlying GDP growth has slowed. The number of vacancies has fallen back a little in recent months, and is around 4% lower than its peak in the three months to January.

Employment growth is projected to remain positive at 0.2% in 2019 Q3.

**BANK OF ENGLAND MPC MINUTES (SEPTEMBER 2019)**

The unemployment rate had fallen to 3.8% in the three months to July, reversing the rise recorded in June. That was 0.1 percentage points higher than expected in the August Report. The unemployment rate had been relatively stable throughout 2019, fluctuating between 3.8% and 3.9% since January.

Employment growth had been weak in 2019 compared with recent years and available indicators suggested that this weakness would continue. Employment growth had fallen to 0.1% in the three months to July, and the employment rate had edged back down to 61.5%. The increase in the number of people employed had been driven largely by increasing full-time employment. Looking ahead, the Agents' employment intentions score had fallen somewhat and the REC headline index was now a full standard deviation below its historical average. Vacancies had continued to decline in the three months to August, and were around 6% lower than their peak in the three months to January. Given the declines in unemployment, the reduction in the ratio of vacancies to unemployment had been smaller.

### MANPOWER EMPLOYMENT OUTLOOK SURVEY (Q4 2019)

Employers in the UK report moderate hiring intentions for the coming quarter. With 8% of employers expecting to increase payrolls, 3% forecasting a decrease and 87% anticipating no change, the Net Employment Outlook is +5%. […] Hiring prospects improve by two percentage points when compared with the previous quarter, while remaining relatively stable in comparison with this time one year ago.

Employers in nine of the 12 regions expect to add to payrolls during the final quarter of 2019. The strongest labour markets are forecast for two regions […] - the East Midlands and the South West. Employers also report encouraging signs for job seekers in the West Midlands and Yorkshire & the Humber […]. Meanwhile, employers in Wales expect to trim payrolls […].

Payroll gains are anticipated in six of the nine industry sectors during the next three months. The strongest hiring pace is forecast in the Utilities sector […]. Modest workforce gains are forecast for two sectors […] - the Construction sector and the Hotels & Retail sector. However, employers in both the Mining sector and the Transport & Communications sector report uncertain hiring plans […].

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

The latest KPMG and REC, UK Report on Jobs data showed that heightened political and economic uncertainty regarding Brexit continued to weigh on hiring activity at the end of the third quarter. Permanent staff appointments fell for the seventh month in a row, while temp billings rose only modestly.

At the same time, growth of demand for staff softened in September, with overall vacancies rising at the weakest rate since January 2012. The supply of both permanent and temporary candidates continued to decline, which was often linked to the fact that people were becoming more hesitant to seek new jobs. Commenting on the latest survey results,

Neil Carberry, Recruitment & Employment Confederation chief executive, said:

"Businesses are positive about their own prospects, but ongoing Brexit uncertainty has led many firms to delay projects and hiring decisions. Vacancy growth has fallen to its lowest since 2012. The UK's vibrant temporary work market is playing an important role in helping employers to manage the ongoing uncertainty and job-seekers to find work.

"There are deeper issues which must be addressed to secure the UK's future prosperity. Productivity is falling, and there are skills shortages in vital sectors across the economy. Solving these problems must be top of the government's to-do list once the Brexit deadlock has been broken."

**"Businesses are positive about their own prospects, but ongoing Brexit uncertainty has led many firms to delay projects and hiring decisions. Vacancy growth has fallen to its lowest since 2012."**

**NEIL CARBERRY**
Chief Executive
Recruitment & Employment Confederation

# Earnings

**BANK OF ENGLAND INFLATION REPORT (AUGUST 2019)**

The tightness of the labour market has been associated with faster pay growth. [...] lower rates of unemployment over the past year have been accompanied by higher wage growth, as companies have paid more to secure employees from a smaller potential pool of labour. Annual growth in whole-economy regular average weekly earnings (AWE) — which excludes bonuses — rose to 3.6% in the three months to May. A small part of that rise may reflect the increase in the National Living Wage in April. Private sector regular pay growth also rose to 3.7%, the fastest rate since 2008.

There are signs that pay growth is likely to stabilise. According to the Bank's database, median pay settlements in the private sector were around 2.5% in the 12 months to June, down slightly from 2.75% in the previous 12 months, and survey indicators of pay growth have edged down in the latest data. Four-quarter growth in whole-economy AWE regular pay is expected to average around 3.5% over the rest of 2019.

**BANK OF ENGLAND MPC MINUTES (SEPTEMBER 2019)**

Regular pay in the private sector had risen by 4.0% in the year to 2019 Q2, its highest rate for eleven years. It had fallen back to 3.9% in the three months to July, but that was still 0.2 percentage points higher than projected in the August Report. Growth in whole economy total pay had reached 4.0%, the highest since June 2008 and 0.4 percentage points stronger than expected in the August Report. That had partly been driven by upside news in bonuses, which had been particularly strong in the construction and public sectors. The median private sector settlement from the Bank's database had risen from 2.6% in the twelve months to September 2018 to 2.9% in September 2019. Base effects were likely to depress pay growth over the coming months, although private sector unit wage costs were still likely to have risen at rates above target-consistent levels in Q3.

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

The sustained drop in candidate numbers led to further upward pressure on rates of pay. […] Starting salaries increased at a faster pace in September. The rate of inflation quickened from August's 32-month low to signal a sharp increase in pay overall. In contrast, temp pay rates rose at the softest pace since November 2016.

**ONS AVERAGE WEEKLY EARNINGS (OCTOBER 2019)**

Estimated annual growth in average weekly earnings for employees in Great Britain was 3.8% for both total pay (including bonuses) and regular pay (excluding bonuses).

In real terms (after adjusting for inflation), annual growth in total pay was estimated to be 1.9% and annual growth in regular pay was estimated to be 2.0%.

> **"The tightness of the labour market has been associated with faster pay growth. [...] lower rates of unemployment over the past year have been accompanied by higher wage growth, as companies have paid more to secure employees from a smaller potential pool of labour."**
>
> **BANK OF ENGLAND INFLATION REPORT**
> August 2019

# Pay Settlements - Historic

Pay Settlements

**2.5%**

XpertHR

**2.5%**

Labour Research Department

**2.5%**

Incomes Data Research

**2.5%**

Paydata

**2.8%**

Croner

### XPERTHR (SEPTEMBER 2019)

Pay awards [in the three months to the end of August 2019] are worth a median 2.5%, according to […] XpertHR. With revisions to previous months' data, pay awards have now been at this level for every rolling quarter so far this year. Following some volatility in award levels during 2018, albeit never straying far from 2.5%, pay awards are now in their longest period of stability since the end of 2017.

While pay awards remain static, average earnings growth in July 2019 reached its highest level since June 2008. Official data showed growth of 4% in average weekly earnings, up from 2.6% a year ago.

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

- The median basic pay award in the three months to the end of August 2019 is 2.5%, unchanged since the beginning of the year.
- Pay awards remain tightly bunched around the median figure, with the middle half of awards falling within one percentage point between 2% and 3%.
- Few deals higher than a year ago. Among a matched sample […], 36.5% of settlements were worth the same in both years. Slightly fewer (34.9%) were lower this year, while just 28.6% were higher compared with a year ago.

XpertHR pay and benefits editor Sheila Attwood said:

"Knowing where to pitch pay rises is a balancing act for employers, with pressures from the labour market needing to be set against affordability. While our contacts will consider a host of factors that influence their pay award decision, the current economic and political climate will also weigh heavily on the outcome. The current level of stability is therefore unsurprising as employers opt for a moderate, yet affordable, pay rise while holding out for a more certain outlook."

### LABOUR RESEARCH DEPARTMENT (OCTOBER 2019)

The median increase in pay in the three months to September 2019 was 2.5%. The median increase in the lowest pay rate was higher at 2.7%.

### INCOMES DATA RESEARCH PAY CLIMATE (SEPTEMBER 2019)

The median pay award across the whole economy was 2.5% in the three months to July 2019, according to [...] IDR. The interquartile range has narrowed slightly from between 2.0% and 3.0% to between 2.1% to 3.0% as a result of a rising floor and more higher-end awards at or above 3%. In fact, the most common award in this period is 3% and nearly two-fifths of all awards are worth 3% or more, compared to less than a third (31.5%) in the three months to June.

### PAYDATA PAY DATABASE (OCTOBER 2019)

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

### CRONER SETTLEMENTS AND FORECASTS (JULY 2019)

Average settlement for the year to June 2019 is 2.84%, [up] 0.79% since last quarter. Average settlement in the last four months is 3.01%, [down] 0.16% since last month.

# Pay Settlements - Predictive

**CIPD LABOUR MARKET OUTLOOK (SUMMER 2019)**

One of the potential outcomes of the fall in the number of applicants for vacancies is stronger wage growth. This report points to higher wage growth expectations in the private sector, with median basic pay expectations in the private sector increasing to 2.5% compared with 2% three months ago. At the same time, median basic pay expectations have risen to 1.5% from 1% in the public sector.

In addition, significant minorities of employers in sectors such as construction, retail and hospitality are also signalling that rising recruitment and retention pressures are putting pressure on salaries for the majority of staff. It should also be noted that more than one in three (36%) employers expect their basic pay award to increase by at last 3% in the year ahead, which compares with 28% of employers in the same period last year. However, overall median basic pay expectations remain unchanged at 2%.

**INCOMES DATA RESEARCH (SEPTEMBER 2019 PRESS RELEASE)**

IDR found that the median pay award for 2019 among survey respondents was 2.6%. Looking at intentions for 2020, most respondents (72%) anticipate awarding the same level of increase as they did this year while just under a fifth (17%) indicated that they may apply lower increases in 2020. Of the companies expecting to award lower increases in 2020 compared with 2019, the main reason cited was an increase in cost pressures or worsening trade conditions. Those organisations planning on awarding a higher increase in 2020 (11% of respondents) cited increases to the minimum wage(s) and higher inflation as reasons for the likely higher uplift. In terms of factors influencing pay decisions, the research found that recruitment and retention have acquired increasing importance – alongside the perennial issue of affordability – when it comes to deciding the level of pay rises.

**CRONER SETTLEMENTS AND FORECASTS (JULY 2019)**

Average forecast for the next 12 months is 2.73%, which has increased by 0.71% since last quarter. Excluding pay freeze, the average forecast for the next quarter is 2.60%, which has increased by 0.83% since last quarter.

**PAYDATA UK REWARD MANAGEMENT SURVEY (AUTUMN 2019)**

Every year we capture participants' expectations for future pay review budgets. The survey is still open at the time of writing but preliminary analysis suggests little movement in the size pay review levels between 2019 and 2020.

The median pay budget for 2019 was 2.5 per cent based on the data from respondents so far. Initial results indicate that respondents will maintain this level of pay increase for 2020. Our survey explores the key drivers behind this, which potentially includes targeting high performing people, external relativities and core roles. The picture of pay reviews is also being scrutinised throughout the year, with a rise in out of cycle pay increases.

**If you would like to take part, and receive a copy of the participant report, please click here.**

**"This report points to higher wage growth expectations in the private sector, with median basic pay expectations in the private sector increasing to 2.5% compared with 2% three months ago."**

**CIPD LABOUR MARKET OUTLOOK**
Summer 2019

## PAYstats at a glance

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

| Consumer Price Index | CPIH ^ | Retail Price Index ^^ |
| --- | --- | --- |
| 1.7% September 2019 | 1.7% September 2019 | 2.4% September 2019 |

### Employment

**32.7m**
employed, up 0.9% on last year.

**115,000**
redundancies, up 27.9% on last year.

**813,000**
vacancies, down 4.0% on last year.

**1.31m**
unemployed, down 3.6% on last year.

**3.8%**
increase in whole economy average earnings, excluding bonuses, for the 12 months to August 2019, unchanged from last month.

**3.6%**
increase in whole economy average earnings, including bonuses for the 12 months to August 2019, down 0.3% 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 | Jun - Aug 2019 | | Jul - Sep 2019 | | Jun - Aug 2019 | | Jun - Aug 2019 | |
| | 000's | Change | 000's | Change | 000's | Change | 000's | Change |
| All UK | 32,693 | 0.9% | 813 | -4.0% | 115 | 27.9% | 1,314 | -3.6% |
| Manufacturing | 2,729 | 0.0% | 53 | -15.0% | | | | |
| Electricity & gas supply | 141 | -4.1% | 3 | -3.1% | | | | |
| Water, sewerage & waste | 239 | 6.0% | 3 | -19.5% | | | | |
| Construction | 2,369 | 0.6% | 25 | -3.8% | | | | |
| Wholesale, retail & motor repair | 4,997 | 0.3% | 132 | -4.2% | | | | |
| Info & communications | 1,620 | 4.0% | 44 | -7.9% | | | | |
| Financial & insurance | 1,113 | 0.3% | 31 | -17.0% | | | | |
| Real estate | 572 | 3.1% | 11 | -6.0% | | | | |
| Prof. scientific & technical | 3,156 | 6.2% | 80 | 2.2% | | | | |
| Administrative & support | 2,968 | -0.8% | 54 | -7.1% | | | | |
| Public admin, defence, social security | 1,510 | 1.2% | 22 | 0.0% | | | | |
| Education | 2,970 | 0.8% | 49 | -2.8% | | | | |
| Health & social work | 4,538 | 3.7% | 137 | 5.9% | | | | |
| Other services | 946 | 4.4% | 19 | -25.7% | | | | |

## AVERAGE EARNINGS (seasonally adjusted)

| | Excluding bonuses | | Including bonuses | |
|---|---|---|---|---|
| August 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% | 0.0% | 3.6% | -0.3% |
| Private | 3.9% | 0.0% | 3.7% | -0.3% |
| Public | 3.2% | 0.0% | 3.3% | -0.4% |
| Services | 3.8% | 0.0% | 3.7% | -0.3% |
| Finance & business services | 4.8% | 0.6% | 4.7% | 0.7% |
| Public sector exc. Financial services | 3.3% | 0.0% | 3.3% | -0.5% |
| Manufacturing | 2.9% | 0.5% | 3.1% | 0.9% |
| Construction | 5.9% | 0.1% | 4..5% | -2.8% |
| Wholesale, retail, hotels & restaurants | 3.0% | -0.3% | 2.9% | 0.0% |

Notes: * Sector breakdown as at June 2019.

# Current Rates

## NATIONAL MINIMUM WAGE (NMW)

For more information: www.gov.uk

| | |
|---|---|
| Workers 21 years and over:<br>Workers 18-20 years old:<br>Workers 16-17 years old: | £7.70<br>£6.15<br>£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:<br>- apprentices under 19 years old<br>- apprentices aged 19 and over, but in the first year of their apprenticeship | £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. | £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: £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

| | |
|---|---|
| Standard weekly rate | £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

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# Reviewing your reward approach

## Is it time to review your existing approach to reward?

When was the last time you reviewed your reward strategy? Are you struggling to retain the people you need? Have the results of a recent employee survey pointed towards the need for a review? Or maybe it has been on your agenda for some time, but you simply haven't had the time or resources to look at it properly.

### How can we help?

Whatever your driver, however great your need, we offer a one stop shop - our initial strategy review will help you make informed decisions, enabling suitable options to be identified for a fair and transparent approach to your reward strategy.

### An effective reward strategy achieves:

**Happier, engaged staff**
Aligning your reward strategy to the needs of your employee..

**Fair and transparent policies**
Be seen as a fair and equitable employer.

**Improved attraction and retention rates**
Attract and retain the people you need.

**Strategy alignment**
Aligning your reward strategy with your overall business strategy.

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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