Paydata
making lives better at work

Paydata Business Insight
National Statistics

January 2020: PAYstats Pay and Labour Market Statistics

Quarterly Edition

January 2020: 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

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

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

KEY FINDINGS

- The Consumer Prices Index (CPI) 12-month rate was 1.3% in December 2019, down from 1.5% in November 2019.
- While the labour market remains tight, it no longer appears to be tightening. Employment growth has slowed over the past year, consistent with the weakening in underlying output growth.
- Pay growth has increased steadily over the past few years as the labour market has tightened. Private sector regular pay growth was 4.0% in the three months to August, as high as it has been in over a decade. The strength in pay growth has been broadly based, with growth picking up in both the private and public sectors in recent years.
- Estimated annual growth in average weekly earnings for employees in Great Britain remained unchanged at 3.2% for total pay (including bonuses) and slowed to 3.4% from 3.5% for regular pay (excluding bonuses).
- Research reports the median increase in pay in the last quarter as between 2.5% and 2.8%.

Inflation

BANK OF ENGLAND INFLATION REPORT (NOVEMBER 2019)

Inflationary pressures are projected to lessen in the near term. CPI inflation remained at 1.7% in September and is expected to decline to around 1.25% by the spring, owing to the temporary effect of falls in regulated energy and water prices. While unit labour costs have been growing at rates above those consistent with meeting the inflation target and core services CPI inflation has begun to increase somewhat, employment growth has slowed and pay growth is likely to fall back in the near term. In the second half of the MPC's forecast period, however, as a significant margin of excess demand emerges, domestic inflationary pressures are expected to build. Conditioned on current market yields, CPI inflation is projected to rise to slightly above 2% towards the end of the forecast period.

BANK OF ENGLAND MPC MINUTES (DECEMBER 2019)

Twelve-month CPI inflation had been unchanged at 1.5% in November, broadly as expected in the November Report and the lowest rate since November 2016. That had followed a fall of 0.2 percentage points in October, which had been accounted for by a reduction in the contribution to inflation from utility prices, as previously announced cuts to Ofgem's price caps had come into effect. Core CPI inflation, which excluded energy, food, alcoholic beverages and tobacco, had also been unchanged in November, at 1.7%. Core services CPI inflation, by contrast, had fallen to 2.3% and the same measure excluding rents had also fallen, to 2.7%.

CPI inflation was expected to rise slightly in the first quarter of next year before falling back to around 1.25% in 2020 Q2, the latter owing to the temporary effect of falls in regulated energy and water prices, as well as the recent appreciation of sterling. Core CPI inflation was expected to be more stable, although still somewhat subdued, at around 1.75% in the second quarter of next year.

OFFICE FOR NATIONAL STATISTICS (DECEMBER 2019)

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 1.4% in December 2019, down from 1.5% in November 2019.

The largest contribution to the CPIH 12-month inflation rate in December 2019 came from housing, water, electricity, gas and other fuels (+0.36 percentage points).

The largest downward contributions to the change in the CPIH 12-month inflation rate between November and December 2019 came from accommodation services and clothing.

The Consumer Prices Index (CPI) 12-month rate was 1.3% in December 2019, down from 1.5% in November 2019.

"While unit labour costs have been growing at rates above those consistent with meeting the inflation target and core services CPI inflation has begun to increase somewhat, employment growth has slowed and pay growth is likely to fall back in the near term."

BANK OF ENGLAND INFLATION REPORT
November 2019

Employment

CIPD LABOUR MARKET OUTLOOK (AUTUMN 2019)

The net employment score – which measures the difference between the proportion of employers who expect to increase staff levels and those who expect to decrease staff levels over the next quarter – has increased from +18 to +22. Construction (+38), administrative and other service activities (+30) and healthcare (+30) have the highest levels of confidence. Public administration and other public sector, is the only category with a negative score (–5). The increase in the net employment score is driven by a larger proportion of employers saying that they will increase total staffing levels.

Many employers reported hiring difficulties as a result of a tight labour market. Just over two in five (43%) employers said it had become more difficult to fill vacancies in the past 12 months. Just 5% said it had become less difficult.

BANK OF ENGLAND INFLATION REPORT (NOVEMBER 2019)

The unemployment rate increased slightly to 3.9% in the three months to August, but it remains at a historically low level. It is also below the MPC's estimate of the equilibrium rate of unemployment - 4.25% - that would be consistent with inflation at the target in the medium term.

While the labour market remains tight, it no longer appears to be tightening. Employment growth has slowed over the past year, consistent with the weakening in underlying output growth. Employment actually fell in the three months to August. The weakness appears set to continue: surveys of hiring intentions have softened in recent months. And the number of vacancies in the economy has fallen by around 50,000 since the start of the year, the sharpest fall since 2009 - although the number of vacancies is still very high.

BANK OF ENGLAND MPC MINUTES (DECEMBER 2019)

There continued to be some signs that the labour market was loosening, although it remained tight. The unemployment rate had remained at 3.8% in the three months to October, a little lower than anticipated, and the Committee expected that it would be broadly flat over the next few months. There was also little sign of a loosening labour market in the Q3 data on job separations or job finding rates, the latter of which had risen to their highest level since the financial crisis.

However, both official employment growth and survey indicators had been softening for some time, suggesting some decline in labour demand. LFS employment had increased by only 0.1% in the three months to October, although this had been 0.3 percentage points stronger than expected in the November Monetary Policy Report. The number of vacancies had fallen quite sharply, but the fall in the ratio of vacancies to unemployment had been less pronounced.

MANPOWER EMPLOYMENT OUTLOOK SURVEY (Q1 2020)

Employers in the UK report cautious hiring plans for the January to March time frame. With 5% of employers expecting to increase payrolls, 4% forecasting a decrease and 90% anticipating no change, the resulting Net Employment Outlook is +1%. [...] Hiring sentiment is the weakest reported in seven years, declining by three percentage points in comparison with the previous quarter and by five percentage points when compared with this time one year ago.

+22

this quarter's net employment balance

+38

Construction (+38), administrative and other service activities (+30) and healthcare (+30) have the highest levels of confidence.

Employers in five of the 12 regions expect to increase payrolls during the next three months. The strongest hiring prospects are reported in the West Midlands […]. Elsewhere, modest workforce gains are forecast for Scotland and the North West [...]. However, employers in five regions expect to trim payrolls, most notably in the North East [...].

Payroll gains are forecast for seven of the nine industry sectors during the first quarter of 2020. The strongest hiring prospects are reported in the Mining sector […] and in the Manufacturing sector […]. However, employers expect staffing levels to decline in two sectors, including the Transport & Communications sector […].

Chris Gray, director of ManpowerGroup UK says:

"Signs of a slowing global economy, a General Election and a lack of clarity about Brexit are all weighing heavily on the minds of employers leading to many hiring plans being put on ice. Employers want certainty before they can make investment decisions and firm up hiring plans.

"Employers are hitting the pause button after many years of strong hiring. The challenge is how employers ramp up their hiring plans in the future – the labour market continues to be very tight with employers continuing to report a shortage of skills such as engineers, IT staff, trades people, customer service representatives and medical professionals – irrespective of sector or location. We see little sign of skills shortages easing in the foreseeable future."

KPMG / REC REPORT ON JOBS (JANUARY 2020 PRESS RELEASE)

The latest KPMG and REC, UK Report on Jobs showed that hiring conditions improved at the end of 2019. Permanent staff appointments rose for the first time in a year, while temp billings growth picked up from November. According to panellists, some firms had approved new hires following a long period of delayed decision-making and rising business requirements. However, rates of expansion were notably weaker than seen on average over the survey history.

At the same time, demand for staff continued to increase at a relatively sluggish pace, with vacancy growth stuck near a decade low. Lingering uncertainty related to Brexit, alongside generally tight labour market conditions, fed through to a further marked fall in candidate numbers. As a result, starting pay rose for both permanent and short-term staff, and at slightly quicker rates than in November.

James Stewart, Vice Chair at KPMG, said:

"It would appear that following the clarity of the election outcome, the jobs market finally began to show signs of life with permanent placements rising for the first time in a year.

"However, growth was modest and coming off a historically low base so UK business will be hoping for quick government action to get the UK back on the path to growth including an investment in upskilling the workforce. Lingering uncertainty around the Brexit deal to be secured will continue to weigh on employers' decision making around hiring and investment over the coming months, as well as job-seekers desires to seek new opportunities."

"Lingering uncertainty around the Brexit deal to be secured will continue to weigh on employers' decision making around hiring and investment over the coming months."

JAMES STEWART
Vice Chair
KPMG

Earnings

BANK OF ENGLAND INFLATION REPORT (NOVEMBER 2019)

Pay growth has increased steadily over the past few years as the labour market has tightened. Private sector regular pay growth was 4.0% in the three months to August, as high as it has been in over a decade. The strength in pay growth has been broadly based, with growth picking up in both the private and public sectors in recent years.

A number of indicators suggest that pay pressures are no longer building, and pay growth may cool over the coming months. The Bank's settlements database suggests pay awards are clustering between 2% and 3%, slightly lower than a year ago. Surveys by the REC and the Bank's Agents also suggest pay growth is stabilising a little below the pace of growth in the official data. It is possible that growth in the official pay figures has been temporarily boosted by the changing composition of the workforce. Employment has increased in higher paying occupations and industries, which will tend to increase average pay growth, but only as long as the compositional shift continues. Such effects on pay growth have tended not to persist in the past.

BANK OF ENGLAND MPC MINUTES (DECEMBER 2019)

Having picked up over the summer, earnings growth had fallen back in recent months. Growth in private sector average weekly earnings (AWE) excluding bonuses in the three months to October had been 3.5%, 0.4 percentage points lower than projected in the November Report, and below its peak of 4.0% in June and July. It appeared likely that this recent softening had primarily reflected the unwind of a previous temporary boost. For example, there was evidence that compositional effects, related to factors including the skills, industry and occupational mix of the workforce, had pushed up on pay growth over that earlier period.

The Committee expected that private sector regular earnings growth would remain close to 3.5% in the near term, although pay surveys, including from the REC, and reports from the Bank's Agents, suggested a downside risk to that profile. Thereafter, the outlook for pay growth would depend on the extent of labour market loosening.

KPMG / REC REPORT ON JOBS (JANUARY 2020 PRESS RELEASE)

Starting pay rose further for both permanent and temporary staff at the end of the year, with rates of growth picking up from November's recent lows. Though sharp overall, the increases in starting salaries and temp wages remained among the softest seen over the past three years, however.

ONS AVERAGE WEEKLY EARNINGS (JANUARY 2020)

Estimated annual growth in average weekly earnings for employees in Great Britain remained unchanged at 3.2% for total pay (including bonuses) and slowed to 3.4% from 3.5% for regular pay (excluding bonuses); the annual growth in total pay was weakened by unusually high bonus payments paid in October 2018 compared with more typical average bonus payments paid in October 2019.

In real terms (after adjusting for inflation), annual growth in total pay is estimated to be 1.6%, and annual growth in regular pay is estimated to be 1.8%.

“

A number of indicators suggest that pay pressures are no longer building, and pay growth may cool over the coming months. The Bank's settlements database suggests pay awards are clustering between 2% and 3%, slightly lower than a year ago."

BANK OF ENGLAND INFLATION REPORT
November 2019

Pay Settlements - Historic

XPERTHR – REPORTED IN PERSONNEL TODAY (DECEMBER 2019)
[XpertHR's annual survey of pay intentions (carried out in August and September) found] the most common pay increase for the quarter was 2%, which accounted for almost one in five basic pay awards. One in eight awards were set at 2.75%, and the same proportion at 3%.

Based on a sample of 40 pay deals effective between 1 September and 30 November and covering around three-quarters of a million employees, XpertHR found that:

- the median pay award across the economy is 2.8%, with the middle half of pay awards (the interquartile range) worth between 2% and 3.1%; and
- of a matched sample of pay awards, 37.9% are lower than the same employee group received the previous year, while 34.5% are higher, and the remaining 27.6% the same.

In the year to the end of November 2019, the median pay award in the public sector was 2.5%, unchanged for four consecutive rolling 12-month periods and half a percentage point higher than the 2% seen in the year to the end of November 2018.

The private-sector median has stood at 2.5% in each rolling year since the 12 months to the end of April 2018.

LABOUR RESEARCH DEPARTMENT (DECEMBER 2019)
The median increase in pay in the three months to December 2019 was 2.6%. The median increase in the lowest pay rate was also 2.6%.

INCOMES DATA RESEARCH (DECEMBER 2019)
Our latest analysis shows the median pay award across the economy returned to 2.5% for the three months to November 2019, having risen to 2.8% in October.

The median increase in pay in the three months to November 2019 was 2.6%. The median increase in the lowest pay rate was 2.8%.

PAYDATA PAY DATABASE (JANUARY 2020)
Paydata's pay database shows a median pay review of 2.5 per cent for the 12 months to January, with an inter-quartile range of between two and three per cent. The most common pay award remains two per cent. 2.5 per cent of organisations have said they have frozen pay in the last 12 months.

CRONER Q2 SETTLEMENTS AND FORECASTS (SEPTEMBER 2019)
Average settlement for the year to September 2019 is 2.76%, which has decreased by 0.08% since last quarter. Average settlement in the last quarter is 2.07%, which has decreased by 0.94% since last month.

Pay Settlements

2.8%
XpertHR

2.6%
Labour Research Department

2.5%
Incomes Data Research

2.5%
Paydata

2.76%
Croner

Pay Settlements - Predictive

CIPD LABOUR MARKET OUTLOOK (AUTUMN 2019)

Median basic pay expectations in the 12 months to August 2020 are 2%. The public sector continues an upward trend from 1.5% last quarter to 2% this quarter, while the private sector has seen expectations move down from 2.5% last quarter to 2.2% this quarter, narrowing the gap between the sectors. Just over a third (34%) of employers say it is hard to tell what will happen to pay. Continuing the pattern of previous reports in the series, forward-looking basic pay settlements are centred around 2–3%. Inflation remains the largest factor behind pay increases above 2% (47% of LMO employers), followed by market factors/the 'going rate' elsewhere (34%) and recruitment and retention pressures (31%).

XPERTHR – REPORTED IN PERSONNEL TODAY (DECEMBER 2019)

[XpertHR's] annual survey of pay intentions (carried out in August and September) found that most employee groups in the private sector expected to get a pay rise in the year to August 2020. However, the median forecast award is just 2.1%, suggesting that the increase in the headline measure seen over the past few months may not be sustained through 2020.

XpertHR pay and benefits editor Sheila Attwood said: "Our annual measure of pay settlements continues to show a median 2.5% pay award during 2019. We expect employers to stay close to this figure as we head into 2020."

INCOMES DATA RESEARCH (OCTOBER 2019 PRESS RELEASE)

[According to the Pay Planning for 2020 report from Incomes Data Research] 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.

CRONER Q2 SETTLEMENTS AND FORECASTS (SEPTEMBER 2019)

Average forecast for the next 12 months is 2.79%, which has increased by 0.06% since last quarter. Excluding pay freeze, the average forecast for the next quarter is 2.74%, which has increased by 0.14% since last quarter.

PAYDATA UK REWARD MANAGEMENT SURVEY (AUTUMN 2019)

Every year we capture participants' expectations for future pay review budgets. For 2020 pay review budgets, 54 per cent anticipate an up to three per cent increase in pay budgets, followed by 33 per cent anticipating an up to two per cent increase. The number of respondents opting for an up to four per cent increase has dropped slightly from expectations this time last year, down from 10 per cent to eight per cent. Only one per cent of respondents are expecting a pay freeze in 2020.

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

> **"Median basic pay expectations in the 12 months to August 2020 are 2%. The public sector continues an upward trend from 1.5% last quarter to 2% this quarter, while the private sector has seen expectations move down from 2.5% last quarter to 2.2% this quarter, narrowing the gap between the sectors."**
>
> **CIPD LABOUR MARKET OUTLOOK**
> Autumn 2019

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PAYstats at a glance

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

Consumer Price Index	CPIH ^	Retail Price Index ^^
1.3%	1.4%	2.2%
December 2019	December 2019	December 2019

Employment

32.9m
employed, up 1.1% on last year.

115,000
redundancies, up 26.2% on last year.

805,000
vacancies, down 5.7% on last year.

1.3m
unemployed, down 4.6% on last year.

3.3%
increase in whole economy average earnings, excluding bonuses, for the 12 months to November 2019, up 0.1% on last month.

3.3%
increase in whole economy average earnings, including bonuses for the 12 months to November 2019, up 0.9% 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.

PAYstats in detail

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

	Jobs *		Vacancies		Redundancies		Unemployment	
Reference Period	Sep - Nov 2019		Oct - Dec 2019		Sep - Nov 2019		Sep - Nov 2019	
	000's	Change	000's	Change	000's	Change	000's	Change
All UK	32,901	1.1%	805	-5.7%	115	26.2%	1,306	-4.6%

Manufacturing	2,717	0.8%	51	-18.2%
Electricity & gas supply	144	-6.2%	3	-3.2%
Water, sewerage & waste	247	8.6%	4	-5.1%
Construction	2,263	-2.5%	26	-5.5%
Wholesale, retail & motor repair	4,974	-0.5%	131	-5.9%
Info & communications	1,520	4.0%	41	-19.1%
Financial & insurance	1,128	0.4%	32	-15.8%
Real estate	615	4.7%	11	-14.9%
Prof. scientific & technical	3,242	4.8%	77	-2.0%
Administrative & support	3,071	0.8%	57	9.0%
Public admin, defence, social security	1,522	1.8%	24	1.3%
Education	2,973	1.2%	51	1.6%
Health & social work	4,486	3.1%	137	5.0%
Other services	995	8.3%	20	-20.3%

AVERAGE EARNINGS (seasonally adjusted)

	Excluding bonuses		Including bonuses	
November 2019	Change from 12 months ago	% point change since last month	Change from 12 months ago	% point change since last month
Whole economy	3.3%	0.1%	3.3%	0.9%

Private	3.2%	0.0%	3.4%	1.2%
Public	3.4%	0.1%	3.3%	0.1%
Services	3.3%	0.1%	3.4%	1.2%
Finance & business services	4.5%	-0.1%	4.2%	0.7%
Public sector exc. Financial services	3.4%	0.1%	3.4%	0.2%
Manufacturing	2.9%	0.2%	2.8%	0.1%
Construction	3.2%	-1.9%	4.4%	-0.6%
Wholesale, retail, hotels & restaurants	1.5%	0.1%	1.3%	0.8%

Notes: * Sector breakdown as at September 2019.

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Current Rates

NATIONAL MINIMUM WAGE (NMW)

For more information: www.gov.uk

Workers 21 years and over: Workers 18-20 years old: Workers 16-17 years old:	£7.70 £6.15 £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: - apprentices under 19 years old - 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 (£8.72)

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:	£9.30
- London hourly rate:	£10.75

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

* Figures in brackets effective as of 1st April 2020

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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making lives better at work

Paydata Ltd
24 Commerce Road
Lynch Wood
Peterborough
Cambridgeshire
PE2 6LR

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