

Paydata Business Insight National Statistics



July 2021: 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) rose by 2.5% in the 12 months to June 2021, up from 2.1% to May.
- Following a period of employment growth and low unemployment, since the start of the pandemic, the employment rate has generally decreased, and the unemployment rate increased. However, since the end of 2020 both have shown signs of recovery.
- Growth in average total pay (including bonuses) was 7.3% and regular pay (excluding bonuses) was 6.6% among employees for the three month period, March to May 2021.
- Pay settlements look set to increase relatively sharply in the 12 months to March 2022. Employers say that the median basic pay increase in their organisation (excluding bonuses) will be 2% [...].

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 MONETARY POLICY REPORT (MAY 2021)

Twelve-month CPI inflation rose from 0.4% in February to 0.7% in March, with the February outturn triggering the exchange of open letters between the Governor and the Chancellor published alongside this monetary policy announcement. The weakness of recent CPI outturns has largely reflected the direct and indirect effects of Covid on the economy. As has been the case in recent MPC forecasts, inflation is projected to rise to close to the target in the near term as some of those effects fade. In the central projection, CPI inflation rises temporarily above the 2% target towards the end of 2021, owing mainly to developments in energy prices. These transitory developments should have few direct implications for inflation over the medium term, however. In the central projection, conditioned on the market path for interest rates, inflation returns to around 2% in the medium term.

BANK OF ENGLAND MPC MINUTES (JUNE 2021)

Twelve-month CPI inflation rose from 1.5% in April to 2.1% in May, above the MPC's 2% target and 0.3 percentage points higher than expected in the May Report. Core CPI inflation has also risen from 1.3% to 2.0%. Building global input cost pressures have increasingly been passed through into manufacturing output prices and non-oil import prices. CPI inflation is expected to pick up further above the target, owing primarily to developments in energy and other commodity prices, and is likely to exceed 3% for a temporary period.

The Committee's expectation is that the direct impact of rises in commodity prices on CPI inflation will be transitory. More generally, the Committee's central expectation is that the economy will experience a temporary period of strong GDP growth and above-target CPI inflation, after which growth and inflation will fall back. There are two-sided risks around this central path, and it is possible that near-term upward pressure on prices could prove somewhat larger than expected. Taking together the evidence from financial market measures and surveys of households, businesses and professional forecasters, the Committee judges that UK inflation expectations remain well anchored.

OFFICE FOR NATIONAL STATISTICS (JUNE 2021)

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 2.4% in the 12 months to June 2021, up from 2.1% in the 12 months to May.

The largest upward contribution to the CPIH 12-month inflation rate came from transport (0.80 percentage points). On a monthly basis, CPIH rose by 0.4% in June 2021, compared with a rise of 0.1% in June 2020. Prices for food, second-hand cars, clothing and footwear, eating and drinking out, and motor fuel rose in 2021 but mostly fell in 2020, resulting in the largest upward contributions to the change in the CPIH 12-month inflation rate between May and June 2021. These were partially offset by a large downward contribution from games, toys and hobbies, where prices fell this year but rose a year ago.

The Consumer Prices Index (CPI) rose by 2.5% in the 12 months to June 2021, up from 2.1% to May; on a monthly basis, CPI rose by 0.5% in June 2021, compared with a rise of 0.1% in June 2020.

CPI inflation is expected to pick up further above the target, owing primarily to developments in energy and other commodity prices, and is likely to exceed 3% for a temporary period."

BANK OF ENGLAND MPC MINUTES
June 2021



Employment

CIPD LABOUR MARKET OUTLOOK (SPRING 2021)

The report's net employment intentions balance, which looks at employment intentions for the second quarter of 2021, has risen sharply to +27 from +11 in the winter quarter. Indeed, employment intentions are stronger than at any time since the winter 2012/13 report when this measure was introduced. Employer optimism is evident across all three major sectors of the UK economy [...]. This contrasts with the global financial crisis recovery, which saw sharp falls in public sector employment levels partly offset by strong employment growth in the private sector. Indeed, employer optimism about staffing levels is positive in all sub-sectors of the economy, which points to a strong and broad-based employment recovery in the short term. The news will provide some reassurance to policy-makers ahead of the closure of the furlough scheme in September.

Redundancy intentions have continued to fall over the quarter. Just over a tenth (12%) of organisations expect to make job cuts in the next three months, down from 20% the previous quarter. The fall takes redundancy intentions to below prepandemic levels (16%) for the first time.

BANK OF ENGLAND MONETARY POLICY REPORT (MAY 2021)

The LFS unemployment rate fell slightly to 4.9% in the three months to February, but it is likely that labour market slack has remained higher than implied by this measure. Overall, there is judged to be spare capacity in the economy at present. The extension of the Government's employment support schemes in Budget 2021 is expected to limit significantly the near-term rise in the LFS unemployment rate. The MPC also expects the medium-term equilibrium rate of unemployment to rise by less than was forecast in February. Spare capacity is eliminated as activity picks up during 2021, and there is a temporary period of excess demand, before demand and supply return broadly to balance.

BANK OF ENGLAND MPC MINUTES (JUNE 2021)

The LFS unemployment rate fell slightly to 4.7% in the three months to April, although it is likely that labour market slack has remained higher than implied by this measure. Some individuals stopped looking for work during the pandemic, and were therefore recorded as inactive. There is uncertainty around how many of these individuals will resume their search for a job, and when. The number of furloughed jobs has declined faster than expected, as demand has recovered. Overall, there is judged to be spare capacity in aggregate in the economy at present. However, vacancies have risen above pre-Covid levels, and there are increasing signs of recruitment difficulties for some businesses, and in some locations and sectors.

OFFICE FOR NATIONAL STATISTICS (JULY 2021)

The number of payroll employees showed another monthly increase, up 356,000 in June 2021 to 28.9 million. However, it remains 206,000 below pre-coronavirus (COVID-19) pandemic levels. For the first time since the beginning of the pandemic, some regions are now above pre-pandemic (February 2020) levels. These include North East, North West, East Midlands and Northern Ireland.

+27 Lollo
this quarter's net employment balance





Following a period of employment growth and low unemployment, since the start of the pandemic, the employment rate has generally decreased, and the unemployment rate increased. However, since the end of 2020 both have shown signs of recovery. In the latest period (March to May 2021), there was an increase in the employment rate of 0.1 percentage points, to 74.8%, and a decrease in the unemployment rate of 0.2 percentage points, to 4.8%. The economic inactivity rate is up 0.1 percentage points on the previous quarter, to 21.3%.

With the relaxation of many coronavirus restrictions, total hours worked increased on the quarter, however it is still below pre-pandemic levels. The redundancy rate decreased on the quarter and has returned to pre-pandemic levels.

There were 862,000 job vacancies in April to June 2021 – 77,500 above its prepandemic level in January to March 2020. All but one industry saw quarterly increases in their number of vacancies. In June 2021, the experimental monthly vacancies data, and the experimental Adzuna online vacancies data both continued to surpass pre-pandemic levels.

MANPOWER EMPLOYMENT OUTLOOK SURVEY (Q3 2021)

Employers in the UK report encouraging signs for job seekers in the next three months. With 10% of employers expecting to increase payrolls, 2% anticipating a decrease and 86% forecasting no change, the resulting Net Employment Outlook is +8%

Once the data is adjusted to allow for seasonal variation, the Outlook also stands at +8% and is the strongest reported in six years. Hiring intentions improve by 13 percentage points in comparison with the previous quarter and are 20 percentage points stronger when compared with this time one year ago, when COVID-19 first had an impact on hiring sentiment.

Employers in 11 of the 12 regions expect to increase payrolls during the forthcoming quarter. The strongest hiring prospects are reported in Scotland [...]. Steady workforce gains are expected in the East Midlands [...] and in London [...]. Elsewhere, employers report cautiously optimistic hiring sentiment in Yorkshire & the Humber and the South West [...]. However, employers in Wales anticipate a subdued labour market [...].

Workforce gains are anticipated in eight of the nine industry sectors during the coming quarter. The strongest hiring prospects are reported by Construction sector employers [...]. Elsewhere, employers report encouraging signs for job seekers in two sectors [...] – the Finance & Business Services sector and the Hotels & Retail sector. However, employers in the Transport & Communications sector expect to trim payrolls [...].

Chris Gray, Director, ManpowerGroup UK says:

"After the weakest twelve months for the UK's jobs Outlook in 30 years, employers are raring to get back to normal and capture the wave of pent-up consumer demand. The employment Outlook has seen the sharpest quarter on quarter increase since 2002 and the largest year on year record to date. Much of this is likely to be companies making up for hiring freezes and redundancies undertaken over the past 12-months. The dramatic growth in hiring intentions among small (15%) and mid-sized (19%) businesses – so often the real engines of economic growth – is a shot in the arm for UK plc."

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After the weakest twelve months for the UK's jobs
Outlook in 30 years, employers are raring to get back to normal and capture the wave of pentup consumer demand."

CHRIS GRAY

Director ManpowerGroup UK



KPMG / REC REPORT ON JOBS (JULY 2021 PRESS RELEASE)

The latest KPMG and REC, UK Report on Jobs survey showed that recruitment activity surged again in June amid reports of greater demand for staff and the return to more normal business conditions as lockdown measures eased. Permanent appointments growth hit a fresh series record, while the upturn in temp billings was among the fastest in the survey history. At the same time, vacancy growth hit a new series record.

The availability of workers declined at an unprecedented rate, however, driven by faster falls in the supply of both temporary and permanent staff.

Commenting on the latest survey results, Claire Warnes, Partner and Head of Education, Skills and Productivity at KPMG UK, said:

"June's data confirms that momentum in the jobs market continues to surge, with improved business confidence leading to record high recruitment activity. As we move towards the final easing of pandemic restrictions, permanent role availability increased at the quickest rate since the survey began in 1997 and temporary roles rose to the greatest extent for 23-and-a-half years.

"But for the fourth month running we're seeing a decline in the availability of candidates to fill all these new roles and the most severe deterioration for 24 years. We need action from businesses and government to reskill and upskill furloughed and prospective workers now more than ever, as the increasing skills gap in the workforce has the potential to slow the UK's economic recovery."

"

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CLAIRE WARNES

Partner and Head of Education, Skills and Productivity
KPMG UK



Earnings

BANK OF ENGLAND MONETARY POLICY REPORT (MAY 2021)

Measures of average weekly earnings suggest that pay growth has been strong in recent months: total whole-economy pay increased by 4.5% in the three months to February 2021, relative to the same period a year earlier. However, these data have been affected by the significant changes in the labour market caused by Covid. On the one hand, lower pay for those who have been furloughed has dragged on average wages. The size of that effect has varied according to the proportion of employees furloughed and the extent to which employers have topped up wages above the share paid by the Government. On the other hand, the fact that job losses have been skewed towards lower-paid and part-time roles has boosted average wages for those still in employment. An ONS estimate suggests that these types of compositional effects are boosting average annual pay growth measures by almost 3 percentage points, compared to around 1 percentage point before the pandemic. Bank staff analysis suggests that these compositional effects have outweighed the impact of furlough in recent months.

Measures of average wages are likely to reflect the effects of the pandemic for some time. For example, even if total pay stays flat over the coming months, annual growth would rise to around 7% by May, because of the sharp falls in wages in Q2 last year. Further ahead, average wage growth would be depressed if job creation were skewed towards lower-paid roles, thereby reversing to some degree the compositional shifts seen last year.

BANK OF ENGLAND MPC MINUTES (JUNE 2021)

Private sector regular pay in the three months to April was 5.6% higher than a year earlier. Measured pay growth continues to be boosted by compositional effects, given that job losses have been skewed towards lower-paid employees during the pandemic. In addition, the base effect of the drop in pay in spring and summer 2020 will continue to distort the annual comparison, such that, even if the level of private sector regular pay were to remain unchanged in May and June, twelve-month pay growth would still rise to close to 8% in the second quarter. Underlying pay growth appears to be around pre-Covid rates.

KPMG / REC REPORT ON JOBS (JULY 2021 PRESS RELEASE)

A sharp rebound in demand for labour and a notable fall in the supply of workers led to further rapid increases in both starting salaries and temp pay. Permanent starters' salaries rose at the sharpest rate since July 2014, while hourly rates of pay for short-term staff increased at the fastest pace since October 2004.

ONS AVERAGE WEEKLY EARNINGS (JULY 2021)

Growth in average total pay (including bonuses) was 7.3% and regular pay (excluding bonuses) was 6.6% among employees for March to May 2021. However, annual growth in average employee pay is being affected by temporary factors that have inflated the increase in the headline growth rate. These are compositional effects where there has been a fall in the number and proportion of lower-paid employee jobs so increasing average earnings and base effects where the latest months are now compared with the start of the coronavirus pandemic, when earnings were first affected and pushed down.

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Measures of average wages are likely to reflect the effects of the pandemic for some time."

BANK OF ENGLAND MONETARY POLICY REPORT May 2021



Pay Settlements - Historic

BANK OF ENGLAND MONETARY POLICY REPORT (MAY 2021)

Wider indicators point to more subdued pay pressures. Median company pay settlements remain close to long-run averages. The REC Permanent Salaries Index, [...], rose above the 50 'no change' mark in March, although it remained below past averages. Reports to the Bank's Agents suggest that while pay freezes have been less frequent and pay settlements of around 1.5% to 2% more common, overall growth in labour costs remains subdued.

CIPD LABOUR MARKET OUTLOOK (SPRING 2021)

We [...] asked survey respondents whether they had made a basic pay award decision in 2021. And consistent with the other survey data, the median basic pay award since the start of 2021 was also 2%. The median basic pay award was 2% across the private, public and voluntary sectors. However, with half (50%) of organisations reporting that they have not conducted a pay review in 2021, considerable caution needs to be applied when interpreting this data.

XPERTHR - REPORTED IN PERSONNEL TODAY (JUNE 2021)

According to the latest analysis of pay settlement data by XpertHR, the average pay award effective in the three months to the end of May 2021 increased by 0.1 percentage points on figure for the previous rolling quarter (1.9%). Pay awards have not reached this level since November 2020.

XpertHR's analysis of 228 pay settlements effective between 1 March and 31 May 2021, covering 940,000 employees, found that:

- Some 17.8% of pay reviews resulted in a pay freeze.
- One in six pay awards was worth 2%.
- Of a matched sample of 188 deals, 55.3% were lower than the same group of employees received a year before and 25% were the same.
- The lower quartile stood at 1%, unchanged on the figure for the previous three-month period, which has been revised up from 0.8%. The upper quartile shifted from 2.2% to 2.3%, meaning that the middle half of pay settlements were worth between 1% and 2.3%
- Pay awards in the public sector, at a median of 2.5%, were more than double the value of those in the private sector (1.2%) for the year to the end of May.

LABOUR RESEARCH DEPARTMENT (JUNE 2021)

The median increase in in the three months to May 2021 was 2.0% - the median increase in the lowest pay rate was 2.1%.

However delays to agreeing pay settlements continue so these figures may change as more information becomes available.

PAYDATA PAY DATABASE (JULY 2021)

Paydata's pay database shows a median pay review of 2.0 per cent for the 12 months to July, with an interquartile range of between 1.2 and 2.5 per cent. The most common pay award remains two per cent. 10 per cent of organisations have said they have frozen pay in the last 12 months.





Pay Settlements - Predictive

CIPD LABOUR MARKET OUTLOOK (SPRING 2021)

In a break with the trend in previous reports, pay settlements look set to increase relatively sharply in the 12 months to March 2022. Employers say that the median basic pay increase in their organisation (excluding bonuses) will be 2%, up from 1% in the winter 2020/21 quarter. Pay settlements therefore look set to return to prepandemic levels.

The pay outlook for private sector workers over the coming 12 months is brighter than the outlook for public sector workers. The median basic pay award in the private sector in the 12 months to March 2022 will be 2%, which compares with 1.5% in the winter 2020/21 quarter. By comparison, basic pay expectations in the public sector have increased from 0% to 0.9% during the same period.

Overall, among those who report an expected increase, decrease or pay freeze in the next 12 months, the proportion of employers predicting a pay freeze is 22%, roughly half the proportion of employers that were planning to introduce wage freezes in the winter 2020/21 quarter (41%). The fall in the share of organisations intending to freeze pay is particularly acute among private sector firms, down from 37% in the winter quarter to 16% in the current spring report.

PAYDATA UK REWARD MANAGEMENT SURVEY (SPRING 2021)

Whilst the most common pay awards hovered between two and three per cent over 2020, the majority in our spring 2021 survey have reported pay awards of up to two per cent, with a decrease in the number of respondents awarding three per cent. These levels have once again become more cautious in the wake of a third lockdown and in light of budgetary constraints given the recovery that businesses face.

However, fewer respondents are operating a pay freeze than in autumn 2020. 24 per cent had been predicting that they did not intend to grant a pay rise, showing their prevalence in 2020. This has decreased to 11 per cent of respondents saying that it is unlikely that any staff will have increased pay levels in 2021. This is possibly due to the greater certainty offered by the indicative roadmap out of lockdown that the UK is following and the success of the vaccine rollout, in comparison to the height of uncertainty in autumn 2020 as tiers operated throughout the UK and infections and hospitalisations began to rise again.

The number of employers paying above four per cent is consistently low, perhaps being reserved only for exceptional circumstances where talent might be at risk of being lost to a competitor.

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

Pay settlements look set to increase relatively sharply in the 12 months to March 2022."

CIPD LABOUR MARKET OUTLOOKSpring 2021



PAYstats at a glance

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

Consumer Price Index

2.5%

June 2021

CPIH ^

2.4%

June 2021

Retail Price Index ^^

3.9%

June 2021

Employment

32.2_m



employed, down 1.6% on last year.

862,000



vacancies, up 153.4% on last year.

104,000



redundancies, down 9.5% on last year.

1.64_m



unemployed, up 15.7% on last year.

7.3%



change in whole economy average earnings, excluding bonuses, for the 12 months to May 2021, down 0.2% from last month.

8.6%



change in whole economy average earnings, including bonuses for the 12 months to May 2021, unchanged from 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.

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 2021		Apr-Jun 2021		Mar-May 2021		Mar-May 2021	
	000's	Change	000's	Change	000's	Change	000's	Change
All UK	32,180	-1.6%	862	153.4%	104	-9.5%	1,637	15.7%
Manufacturing	2,543	-5.1%	66	162.2%				
Electricity & gas supply	147	-1.5%	6	185.7%				
Water, sewerage & waste	206	-3.7%	6	159.1%				
Construction	2,225	-4.1%	33	342.7%				
Wholesale, retail & motor repair	4,860	-2.2%	107	194.2%				
Info & communications	1,452	-5.2%	48	270.5%				
Financial & insurance	1,140	-0.6%	32	85.0%				
Real estate	651	0.4%	16	290.5%				
Prof. scientific & technical	3,238	-0.4%	83	135.5%				
Administrative & support	2,862	-4.4%	63	111.4%				
Public admin, defence, social security	1,612	4.4%	24	50.6%				
Education	2,915	-1.2%	50	116.8%				
Health & social work	4,468	1.3%	153	48.8%				

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208.8%

AVERAGE EARNINGS (seasonally adjusted)

Other services

913

-3.1%

	Excluding	bonuses	Including bonuses		
May 2021	Change from 12 months ago	% point change since last month	Change from 12 months ago	% point change since last month	
Whole economy	7.3%	-0.2%	8.6%	0%	
Private	8.5%	0.1%	9.9%	0.2%	
Public	2.2%	-1.5%	2.7%	-1.0%	
Services	7.1%	-0.4%	8.8%	0.1%	
Finance & business services	9.8%	-0.2%	12.1%	0.5%	
Public sector exc. Financial services	2.3%	-1.5%	2.8%	-1.0%	
Manufacturing	6.5%	-0.2%	6.4%	-0.5%	
Construction	13.2%	1.0%	14.1%	0.2%	
Wholesale, retail, hotels & restaurants	9.0%	0.4%	11.3%	0.9%	

Notes: * Sector breakdown as at March 2021.



Current Rates

NATIONAL MINIMUM WAGE (NMW) For more information: www.gov.uk	
Workers 21-22 years old: Workers 18-20 years old: Workers 16-17 years old:	£8.36 £6.56 £4.62
Accommodation offset – maximum per day that can be offset against the NMW where employer provides accommodation.	£8.36
Apprentice minimum wage rate for: - apprentices under 19 years old - apprentices aged 19 and over, but in the first year of their apprenticeship	£4.30

NATIONAL LIVING WAGE





The compulsory National Living Wage (NLW) was introduced in April 2016 and was extended to include 23 and 24 year olds as of 1 April 2021.

£8.91

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: £9.50 - London hourly rate: £10.85

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: £151.97 or 90 per cent of AWE (if lower)

Statutory Paternity Pay:

- 1 or 2 weeks consecutive leave: £151.97 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: £151.97 or 90 per cent of AWE (if lower)

STATUTORY SICK PAY



For more information: www.livingwage.org.uk

Standard weekly rate	£96.35
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 2020, the weekly pay is capped at £538 and the maximum statutory redundancy pay is £16,140. If redundancy was made before 6 April 2020, 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 $\stackrel{.}{20}$ 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





Committed to making lives better at work, Paydata has over 20 years' experience in helping HR professionals manage their pay and reward practices.

We provide the expertise, insights and tools to help you align your reward management practices with your overall business strategy. We will work closely with you to unlock the full potential of your employees. By understanding your business challenges and your culture, we can identify exactly what it takes to attract and retain your key people and achieve:

- Happier, more motivated staff
- Fair, equitable organisational policies
- Improved returns for your payroll spend



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