



# PAYstats labour & market statistics

January 2012 Quarterly Edition

# The Quarterly Picture

As we move into the new year the hoped for economic recovery has failed to take hold and we remain uneasily in the shadow of recession. A full economic recovery, it would seem, is still a long way off, with early indications from our UK Reward Survey showing that almost a third of participants expect a decrease in support roles headcount.

Our latest quarterly collection of information and opinions aims to keep you in touch with what has been happening and what is forecast to come in 2012. We hope you find it useful.

# Inflation

## Bank of England Inflation Report (November 2011)

Inflation is likely to fall back sharply through 2012 as the contributions of VAT, energy and import prices decline, and downward pressure from slack in the labour market persists. But how far and how fast inflation will fall are uncertain. Under the assumption that Bank Rate moves in line with market interest rates and the size of the asset purchase programme remains at £275 billion, inflation is judged more likely to be below than above the 2 per cent target at the forecast horizon.

## ONS Statistical Bulletin (January 2012)

CPI annual inflation stands at 4.2 per cent in December 2011, down from 4.8 per cent in November.

The largest downward pressures to the change in CPI annual inflation between November and December came from petrol, gas and clothing. The only large upward pressure to the change in CPI annual inflation between November and December came from landline and mobile phone charges.

# Employment

## CIPD Labour Market Outlook (Autumn 2011)

The latest report shows that the labour market will continue to weaken in the next three months. The private sector is showing a strongly positive but steadily falling net employment balance while the public sector is showing a strongly negative net balance. This suggests a continuation of the trend that has emerged in official statistics during the course of 2011, with the rate of growth in private sector jobs slowing and becoming insufficient to offset public sector job losses.

## Bank of England Inflation Report (November 2011)

Employment fell sharply in the public sector in Q2 [2011], and private sector employment growth appears to have weakened. Unemployment remained elevated. Business surveys suggest that the margin of spare capacity within companies widened a little in Q3 [2011]. Aggregate employment has declined [...] and employment intentions indicators have softened.

## Manpower (December 2011)

The UK's Employment Outlook has slipped to its weakest level since the final quarter of 2009. Employers in the Finance and Business Services sector suffered yet another setback this quarter with a third consecutive quarterly fall. Manpower UK Managing Director, Mark Cahill said:

*"The 2012 jobs market sits on a knife edge. In some ways this is a reflection of a weakening economy. We hear stories about companies hoarding cash and not investing. In the same way, we see a number of business sectors batten down the hatches, holding onto existing levels of staff and not hiring with any great enthusiasm. Employers have now adopted a wait-and-see approach to hiring; they are cautious about the economy and the fear of a Euro-wide contagion is weighing heavily on their minds,"*

## Earnings

### Paydata UK Reward Management Survey (January 2012)

Early indications\* are that two thirds of respondents expect little change in recruitment activity over the next 12 months. Over 80% expect operations and service delivery roles to at least stay at current levels with about one in five expecting an increase. In contrast, almost a third expect a decrease in support roles headcount.

### Bank of England MPC Minutes (December 2011)

There remained little sign that above-target CPI inflation had begun to generate rapid wage growth. Whole economy total annual pay growth had been just 2.3 per cent in the third quarter. This remained well below pre-crisis rates. However, the continued weakness of productivity growth meant that the growth of unit labour costs had been closer to its historical average rate.

### Bank of England Inflation Report (November 2011)

Earnings growth has picked up somewhat in 2011, but remains below its pre-recession average. That rise in earnings growth largely reflects higher contributions from bonuses. In particular, bonuses in the financial sector have increased. Bonus payments are typically linked to past performance, so recent increases may contain limited information about future pay pressures.

## Pay Settlements Historic

### Incomes Data Services (November 2011)

The latest figures on pay settlements show that the median pay increase for the whole economy in the three months to the end of October 2011 is 2.3 per cent. This is down slightly on the 2.4 per cent median increase recorded in last month's figures.

Lower pay awards in the private services sector have contributed to the fall in the median figure. In the latest period over two-thirds of awards are in the care services, fast food and restaurants, leisure and retail sectors.

### XpertHR – as reported in Personnel Today (December 2011)

Pay awards are continuing to lag well below inflation, with just 2 per cent of settlements keeping up with the retail prices index (RPI) in 2011. XpertHR's latest pay trends report shows that the median basic pay award remained at 2 per cent for the three months to the end of November. It has been at this level for eight consecutive quarters.

### Labour Research Department (January 2012)

Figures from the LRD Payline database show an overall mid-point increase of 2.5 per cent on lowest basic rates, in the three months to December. This is unchanged from the figure recorded for the three months to November. The mid-point for the three months varied by sector; the private sector

median was 2.5 per cent whilst the public sector median was 2.0 per cent. Manufacturing had a median of 2.5 per cent and services also had a median of 2.5 per cent. The median increase for the year to December was 2.9 per cent.

## Pay Settlements Predictive

### **CIPD Labour Market Outlook (Autumn 2011)**

More than three-quarters (77 per cent) of employers are planning a pay review by August 2012. Almost a quarter (23 per cent) intend to postpone their pay review, 5 per cent by between one and six months and 18 per cent by between seven and twelve months.

Among employers planning to have a pay review before August 2012, there is an average expected increase of 1.48 per cent in their basic pay settlement (excluding bonuses, incremental increases, overtime and impact of re-grading exercises). This represents a minor decrease from the 1.56 per cent reported in spring 2011 but is similar to what was reported in the summer quarter (1.45 per cent).

### **Unison Negotiators' Briefing (October 2011)**

Findings from a recent IDS survey of 81 (mostly private sector) subscribers reveals that over half of respondents intend to make the same level of pay award in 2012 as they made in 2011. However, almost a third indicate that they will pay a higher award in 2012. This indicates that awards may edge up towards the 3 per cent mark in 2012.

### **Bank of England Inflation Report (November 2011)**

There are a number of forces that may dampen that downward pressure on pay. Firstly, the sustained period of above-target inflation, and the accompanying squeeze in employees' real incomes could lead to some pressure for higher wages.

Secondly, weak productivity growth is also likely to have played a role in restraining wage growth: a revival in productivity growth would enable businesses to pay higher wages. Thirdly, if unemployment remains elevated, its effect on wages may moderate over time.

### **XpertHR – as reported in Personnel Today (December 2011)**

Despite a predicted fall in RPI from an average of 5.3 per cent in 2011 to 3.5 per cent in 2012, the report says that pay settlements are also likely to stay below inflation in the New Year. Sheila Attwood, XpertHR's pay and benefits editor, commented:

*"Although inflation is set to fall further in the New Year, it will remain at a level that is unattainable for most employers to match in pay packets. We expect to see improving pay settlement levels in 2012, but pay rises will continue to lag behind inflation."*

### **Paydata UK Reward Management Survey (January 2012)**

Early indications\* are that pay review funding expectations are changing

very little. Approximately a third of all respondents expect a pay review in 2012 between 2 per cent and 3 per cent. A further quarter of respondents expect a review between 1 per cent and 2 per cent. Only one in 20 are predicting no pay review. About 15 per cent judge it to be too early to tell.

\*At the time of writing the Paydata UK Reward Management Survey is still open. Participants will receive a report early in February 2012.

If you would like to find out more about any of the information contained in Paystats please call or email us:

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# PAYstats at a glance...

## Inflation

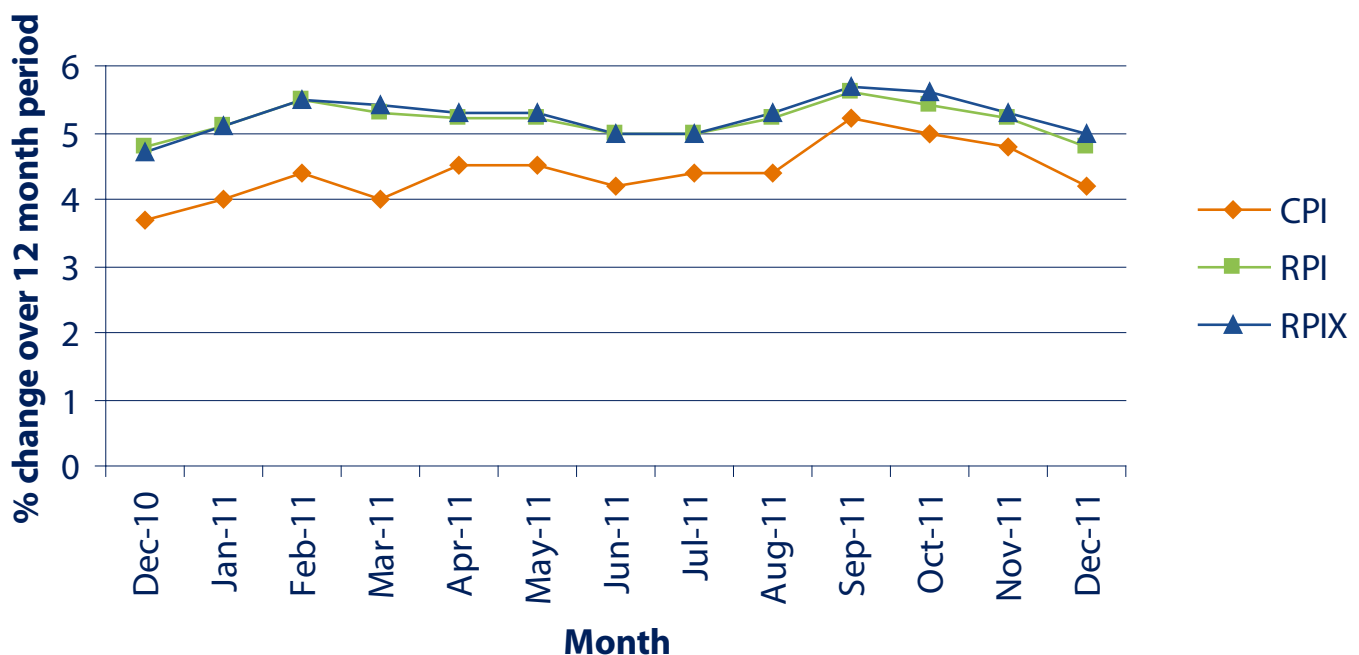
	Consumer Price Index (CPI)	Retail Price Index - all items (RPI)	RPI excluding mortgage interest payments (RPIX)
12 months to end Dec	4.2%	4.8%	5.0%

## Employment (seasonally adjusted, change calculated for last 12 months)

	Jobs		Redundancies *		Vacancies		Unemployment	
Reference Period	Sept - Nov 2011		July - Sept 2011		Oct - Dec 2011		Sept - Nov 2011	
	000's	Change	000's	Change	000's	Change	000's	Change
All UK	29,119	+0.1%	147	+1.2%	463	-3.7%	2,685	+7.6%

## Average Earnings (seasonally adjusted)

	Excluding bonuses		Including bonuses	
Nov 2011	Change from 12 months ago	% point change since last month	Change from 12 months ago	% point change since last month
Whole economy	1.9%	-0.1%	1.8%	-0.3%



Data source: Office or National Statistics. Please note the specific definitions for the measure above vary.

# PAYstats in detail...

## Employment (seasonally adjusted, change calculated for last 12 months)

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Reference Period	Sept - Nov 2011		July - Sept 2011		Oct - Dec 2011		Sept - Nov 2011	
	000's	Change	000's	Change	000's	Change	000's	Change
All UK	29,119	+0.1%	147	+1.2%	463	-3.7%	2,685	+7.6%

Manufacturing	2,511	-1.0%	15	-17.8%	36	+4.7%
Construction	2,071	-3.1%	18	+2.2%	9	-24.8%
Wholesale, retail & motor repair	4,777	+0.4%	20	-10.6%	91	-3.9%
Transport & storage	1,474	+0.1%	25	+3.7%	20	0.0%
Accommodation & food services	1,982	+2.9%			44	+3.8%
Info & communications	1,193	+6.1%			33	+17.7%
Financial & insurance	1,124	-1.0%	**	**	25	-25.1%
Real estate	417	-5.8%			6	+17.0%
Public admin, defence, social security	1,632	-5.9	38	+29.1%	9	-72.1%
Education	2,620	-3.5%			31	+1.6%
Health & social work	4,040	-0.5%			55	+0.2%
Other services	872	+10.4%	**	**	8	-35.0%

## Average Earnings (seasonally adjusted)

	Excluding bonuses		Including bonuses	
Nov 2011	Change from 12 months ago	% point change since last month	Change from 12 months ago	% point change since last month
Whole economy	1.9%	-0.1%	1.8%	-0.3%

Public	1.7%	-0.3%	1.7%	-0.2%
Private	2.1%	+0.1%	2.1%	-0.1%
Manufacturing	1.5%	0%	1.5%	+0.5%
Services	2.1%	-0.1%	2.1%	-0.3%
Construction	1.7%	+0.8%	2.0%	+0.2%
Wholesale, retail, hotels & restaurants	2.3%	+0.6%	2.0%	-0.2%
Finance & business services	3.4%	-0.4%	3.2%	-0.2%
Public sector exc. Financial services	1.0%	-0.5%	1.1%	-0.3%

Notes: \* Not seasonally adjusted; \*\* Sample size too small to be shown.

# Current rates...

<p><b>National Minimum Wage</b></p> <p>For more information visit <a href="http://www.lowpay.gov.uk">www.lowpay.gov.uk</a></p>	<p>Workers 21 years and over: Workers 18-20 years old: Workers 16-17 years old:</p> <p>Accommodation offset - maximum per day that can be offset against the National Minimum Wage where employer provides accommodation</p> <p>Apprentice minimum wage rate for: - apprentices under 19 years old - apprentices aged 19 &amp; over, but in the first year of their apprenticeship</p>	<p>£6.08 £4.98 £3.68</p> <p>£4.61</p> <p>£2.60</p>
<p><b>Statutory Maternity Pay</b></p> <p>For more information: <a href="http://www.direct.gov.uk">www.direct.gov.uk</a></p> <p>Figures in brackets - effective from 1 April 2012</p>	<p>SMP - earnings related rate: 90 per cent of normal weekly earnings for 6 weeks</p> <p>SMP - prescribed rate: £128.73 (£135.45) or 90 per cent of normal weekly earnings if lower for 33 weeks</p> <p>Maternity Allowance: £128.73 (£135.45) or 90 per cent of normal weekly earnings if lower for 39 weeks</p> <p>Statutory Paternity Pay: £128.73 (£135.45) or 90 per cent of normal weekly earnings if lower for 2 weeks</p> <p>Statutory Adoption Pay: £128.73 (£135.45) or 90 per cent of normal weekly earnings if lower for 39 weeks</p>	
<p><b>Statutory Sick Pay</b></p> <p>For more information: <a href="http://www.direct.gov.uk">www.direct.gov.uk</a></p> <p>Figures in brackets - effective from 1 April 2012</p>	<p>Standard rate</p> <p>Maximum period</p>	<p>£81.60 (£85.85)</p> <p>28 weeks in any 3 years</p>
<p><b>Statutory Redundancy Pay</b></p> <p>For more information: <a href="http://www.direct.gov.uk">www.direct.gov.uk</a></p> <p>Figures in brackets - effective from 1 February 2012</p>	<p>For each full year of service where age during year is less 22</p> <p>For each full year of service where age during year is 22 or above, but less than 41</p> <p>For each full year of service where age during year is 41+</p> <p>A week's pay maximum</p>	<p>0.5 week's pay</p> <p>1.0 week's pay</p> <p>1.5 week's pay</p> <p>£400 (£430)</p>
<p><b>Working Time</b></p> <p>For more information: <a href="http://www.direct.gov.uk">www.direct.gov.uk</a></p>	<p><b>Basic entitlement for workers aged 18 and over:</b></p> <ul style="list-style-type: none"> <li>- 5.6 weeks' holiday a year</li> <li>- Work no more than 6 days out of every 7, or 12 days out of every 14</li> <li>- A 20 minute break if more than 6 hours worked continuously</li> <li>- Work a maximum 48-hour average week</li> </ul> <p><b>Workers aged 16 and 17 are entitled to:</b></p> <ul style="list-style-type: none"> <li>- Take at least 30 minutes break if more than 4.5 hours worked continuously</li> <li>- Work no more than 8 hours a day and 40 hours a week</li> <li>- Have 12 hours' rest between working days and 2 days off every week</li> <li>- 5.6 weeks' holiday a year</li> </ul>	



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