FACT
SERVICE

Annual Subscription £93.50 (£78.75 for LRD affiliates)

Volume 80, Issue 1, 4 January 2018

Will Britain get a pay rise this year?

Yes, says the CBI employer's body. Companies will continue to match inflation pay awards where they can, according to its latest *Employment trends*.

Just over half (52%) of respondents aim to raise pay for their employees in line with – or above – inflation in the coming year, which is lower than the 57% that planned to do so in 2016. The drop is small, however, relative to the significantly higher rate of inflation that firms face – suggesting that predictions of a moderate increase in the average rate of nominal pay growth in 2018 are accurate.

An increasing proportion of firms surveyed are now affected by the National Living Wage (NLW) as the rate increases faster than average earnings: 55% are now affected compared to 50% last year.

As the NLW increases in the years ahead, only 28% of affected businesses polled will be able to absorb the costs. A quarter of respondents affected are expecting to restructure their business models, which rises to a third (33%) among mid-sized firms, while 30% intend to increase automation to raise productivity.

Matthew Percival, head of employment policy at the CBI, said: "Living standards have been squeezed in 2017 because of higher inflation. The good news is that despite this, more than half of companies will offer real pay rises next year – despite a slowing economy. Higher productivity is the only sustainable way to increase pay, so it is rightly the focus of business and the government through the industrial strategy."

No, says the CIPD personnel and development body. In its annual labour market predictions, Ian Brinkley, acting chief economist, anticipates a flattening of employment growth and weak pay growth as the UK continues to struggle with its productivity problem.

On pay, Brinkley said: "There is little evidence the squeeze on wages will end anytime soon, though the National Minimum Wage will see some workers get an uplift. Most employers can't afford to or don't feel the need to make an above-inflation pay rise. People hoping to see more money in their pocket in 2018 should hope inflation returns to nearer its 2% target, a level it is predicted to be approaching at the end of 2018.

"Even if we do see any growth in real earnings, this will be nowhere near enough to make up for the consistent falls in real earnings we have seen for most of the last decade."

And No says the TUC. It said that, according to its analysis of OECD data, the UK will have the worst wage performance of any advanced economy in 2018. TUC general secretary Frances O'Grady warned in her New Year message that this year will be another tough year for living standards:

"Real wages are still lower than they were when the financial crisis hit in 2008. And 2018 is set to be bleaker still.

"It looks like UK wages will fall the furthest of all advanced economies. On current projections, average pay won't recover until 2025 — a full 17 years after the pay squeeze began."

Each month the Treasury publishes economic forecasts from around 40 City and non-City organisations and think tanks.

The latest average earnings forecasts for the 2018 calendar year range from as low as 2.0% up to 3.5%, with a median forecast of 2.7%.

www.cbi.org.uk/news/businesses-to-create-jobs-in-2018-despite-uncertainty-cbi-pertemps-network-group-survey/

www.cipd.co.uk/about/media/press/labour-market-predictions-2018

www.tuc.org.uk/news/national/uk-be-bottom-wage-growth-league-2018-tuc-head-warn-new-year-message

www.gov.uk/government/uploads/system/uploads/attachment_data/file/670045/Forecomp_December_2017.pdf

Companies that face shareholder dissent

Pay-related issues top the list of shareholder concerns in the world's first ever Public Register of listed companies that have faced significant shareholder rebellions.

The register was launched in mid-December 2017 by the Investment Association, the trade body whose members own over one-third of UK listed companies and manage the pensions of millions of UK households.

The Public Register includes companies listed in the London Stock Exchange's FTSE All-Share index which have received votes of 20% or more against any resolution or withdrew a resolution prior to their annual general meeting (AGM) in 2017. By publishing this information for the first time in one central location, the Register aims to increase transparency, accountability and scrutiny of listed companies by shareholders, media and the wider public.

Analysis of the data published reveals that over one in five (22%) companies listed on the FTSE All Share feature on the Public Register, due to having at least one resolution that received over 20% dissent.

Pay-related issues top the list of shareholder concerns, with almost four out of 10 (38%) resolutions listed on the Register being due to high votes against pay-related resolutions, such as shareholders voting against companies' annual remuneration reports, remuneration policy or other remuneration-related resolutions.

The Public Register will be updated on an ongoing basis throughout the year. It will include a description of the resolution, the result of the shareholder vote, a link to the AGM results announcement (including any statement the company has made under section E.2.2 of the UK Corporate Governance Code) and a link to any further statement the company has made on the actions they have taken since the vote.

www.theinvestmentassociation.org/media-centre/press-releases/2017/over-one-fifth-of-ftse-companies-listed-on-public-register.html

www.theinvestmentassociation.org/publicregister.html

Knight review on e-balloting by unions

An official review, headed by Sir Ken Knight, into electronic voting for industrial action ballots has been described as a "missed opportunity" by the unions after it recommended trials should be held first.

The review looks at the electronic and physical security of electronic balloting (e-balloting) for industrial action. And it sets out recommendations and suggests a test phase of e-balloting in non-statutory contexts.

Knight said he was "not persuaded that e-balloting for industrial action ballots can be introduced immediately". Instead one of his nine recommendations included that a test of e-balloting on non-statutory ballots was necessary as a preliminary step.

Specifically, the Knight review says e-balloting should be trialled to see if it can meet the standard set out in section 54 of the 2004 *Employment Rights Act* in that: it would need to ensure that those entitled to vote had an opportunity to do so; all votes cast would have to be secret; and the risk of any unfairness or malpractice would have to be minimised.

E-balloting should be introduced for selected non-statutory ballots across England, Scotland and Wales, the review says with the aim of evaluating, at least, the following:

- the resilience of e-balloting to cyber-attack and

hacking. In this respect it is appropriate to use "ethical hackers" to test the robustness of systems used to support voting during any e-balloting trial;
- the operation and effectiveness of voter verification (the ability of voters to check that their vote has been received and cast according to their wishes);
- the alternative hardware options for casting a vote, including smartphones, emails, computers and, if appropriate, employers' IT systems;
- whether having "re-voting" (multiple voting, last vote counts) provides increased protection from ballot malpractice and permits a period of reflection up to the close of ballot;
- whether there is increased participation in a ballot as a result of e-balloting;
- how e-balloting might impact on people with disabilities as compared to postal ballots;
- the benefit of independent audit/assurance;
- amendments that may be required to the government's approved scrutineer list to accommodate e-balloting; and
- what additions might be needed to the code of practice for industrial action ballots to take account of e-balloting.

However, the TUC said the review was a "missed opportunity" and called on the government to "stop dragging its feet" over the issue of e-balloting.

TUC general secretary Frances O'Grady said: "Union members should have access to the same modern balloting methods as other organisations. If it's safe and secure for political parties to elect candidates and leaders online, why can't unions have electronic ballots? It's time to bring union balloting into the 21st century."

www.gov.uk/government/uploads/system/uploads/attachment_data/file/668942/e-balloting-review-report-sir-ken-knight.pdf

www.tuc.org.uk/news/national/government-must-stop-dragging-its-feet-online-balloting-says-tuc

UK economy grows in third quarter 2017

The UK economy grew 0.4% in the third quarter, unchanged from the previous estimate, according to the Office for National Statistics (ONS).

The service industries – the largest component of gross domestic product (GDP) – increased by 0.4%, unrevised from the second estimate of GDP.

However, the ONS has revised production output upwards. Production output was estimated to have increased by 1.3% between second and third quarters of last year – a revision upwards of 0.2 percentage points from the second estimate of GDP. Manufacturing is a sub-sector of production and it also posted a quarter-on-quarter increase of 1.3%.

GDP increased by 1.7% on the third quarter 2016 .

www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/quarterlynationalaccounts/julytoseptember2017

Pay penalty suffered by agency workers

Agency workers are losing out to a tune of £400 million a year because they are paid less than their employee equivalents, new analysis published by the Resolution Foundation think tank has shown.

Of these workers, 85% have been in an agency job for more than three months entitling them to equal pay under the law in almost all circumstances. However, this subset of agency workers is still losing £300 million a year due to lack of pay parity with similar employees.

The Foundation's analysis compares the hourly wage of agency workers and employees with the same personal characteristics (such as age and ethnicity) doing the same type of work (for example, in the same industry and occupation). This shows that between 2011 and 2017 the average agency worker was paid 23p less an hour than a directly comparable employee.

Agency workers experience a pay penalty across the board which adds up to £990 a year for the average administrator who works through an agency, £800 a year for the average sales or customer service staff and £285 a year for the typical worker in an elementary occupation, the think tank found.

These pay penalties exist despite the *Agency Worker Regulations 2010* which gives those with 12 weeks-plus of continuous service in the workplace pay parity with comparable employees. However, the 2010 regulations allow agency staff to forgo their right to equal pay with direct employees in return for a contract that offers pay between assignments (a "Swedish derogation" contract). But such contracts are widely abused, as noted by the government-commissioned Taylor Review of Modern Working Practises among others.

The Resolution Foundation said closing this loophole and enforcing the current law should be a key element of the government's forthcoming response to the Taylor Review.

The TUC has long called for the abolition of the Swedish derogation loophole.

TUC general secretary Frances O'Grady said: "Two people working next to each other, doing the same job, should get the same pay rates. But too often agency workers are treated like second-class citizens. That's because there's a loophole in the law that allows bad bosses to deny agency workers equal pay.

"It's time to end this Undercutters' Charter and for the government to scrap this loophole. Its recent review into modern employment practices called for precisely that."

www.resolutionfoundation.org/media/press-releases/agency-workers-lost-400-million-this-year-from-being-paid-less-than-their-employee-peers/

www.tuc.org.uk/news/national/tuc-calls-end-agency-worker-loophole

Some improvement in balance of payments

The UK's current account deficit narrowed by £3.0 billion to £22.8 billion in the third quarter of 2017 from the second quarter's deficit of £25.8 billion, the latest official figures show.

As a percentage of gross domestic product (GDP), the UK's current account deficit decreased to 4.5% in the third quarter from a revised figure of 5.1% in second quarter, the Office for National Statistics said.

The UK's overall trading position with the rest of the world improved, however, the deficit in trade in goods widened by £1.2 billion to £33.6 billion in the third quarter

The widening of the deficit came on the back of little change in exports while imports grew. Exports increased by just £0.7 billion to £86.8 billion, while imports increased by £2.0 billion to £120.4 billion.

Trade in services is usually positive, and in the third quarter of the year increased by £1.5 billion to £27.7 billion.

Combined, the figures for goods and services show a slight improvement in the balance of trade. This narrowed to a £5.8 billion deficit in the third quarter from £6.1 billion in the second.

EU A current account deficit of £25.2 billion was recorded with the EU in the third quarter — down from the £25.7 billion deficit in the second quarter.

The deficit in trade in goods narrowed slightly to £22.8 billion from £23.1 billion as exports grew faster than imports. Exports increased by around £1.7 billion to £43.2 billion, while imports increased by £41.4 billion to £66.1 billion.

The trade in services surplus fell slightly to £5.9 billion from £6.1 billion. Exports were up by £157 million to £27.1 billion, while imports increased by £312 million to £21.2 billion.

Non-EU The current account balance with non-EU countries posted a surplus of £2.4 billion in the third quarter, against a £95 million deficit in the second.

The trade in goods deficit increased to £10.7 billion from £9.2 billion, as exports fell by £986 million to £4365 billion, while imports increased by £529 million to £54.3 billion.

The trade in services surplus was up to £21.8 billion from £20.1 billion in the second quarter. Exports increased by £1.1 billion to £42.9 billion, while imports fell by £641 million to £21.1 billion.

www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/balanceofpayments/julytoseptember2017

Designed and printed by RAP Spiderweb Limited, Clowes Street, Hollinwood, Oldham OL9 7LY Telephone 0161 947 3700