

### Pay Trends and Forecasts 2019/20

As we approach the time of the year where, traditionally, most salary and pay reviews take place, we thought it might be useful to report on current pay trends and forecasts.

The pressures to attract and retain staff mean that the most useful pay information to understand is what has been awarded by employers in recent months so that we know what we have to do to, at least, remain competitive. Data published recently by XPerthR has revealed that the median basic pay award in the three months to the end of August 2019 is 2.5% which has remained unchanged since the beginning of the year.

Pay awards are now in their longest period of stability since the end of 2017 which is hardly surprising considering the current economic and political climate where employers are being cautious and awarding moderate, affordable increases until we have a more certain outlook on the future.

The table on this page provides a breakdown by sector of the increases awarded over the course of 2019.

What of the future? The survey reveals an expected average increase of 2.1% over the course of 2020. For specific sectors, median forecast pay awards include the following:

- chemicals, pharmaceuticals and oil - 2.5%;
- engineering and metals - 2.5%;
- food, drink and tobacco - 2.1%;
- general manufacturing - 2.0%;
- finance - 3.0%;
- information and communication - 2.5%;
- not for profit - 2.0%;
- retail and wholesale - 2.5%;
- transport and storage - 2.5%.

It appears that little will change year on year. Nearly 75% of employers expect to award the same increase as last year with just 13% offering a higher increase. Employers in the manufacturing sector are the least optimistic although a perspective needs to be placed on this. 67% believe they will make the same pay award but 20.8% are looking at lower awards. Just 7.4% of employers are expecting to impose a pay freeze.

<u>Sector</u>	Lower Quartile %age increase	Median %age increase	Upper Quartile %age increase
Chemicals, Pharmaceuticals and Oil	2.0	2.5	3.4
Construction	2.1	2.8	3.0
Electricity, Gas and Water	2.0	2.5	3.0
Engineering and Metals	2.0	2.5	3.0
Finance	2.5	3.0	3.2
Food, Drink and Tobacco	2.3	3.0	3.8
General Manufacturing	2.0	2.5	2.9
Hotels, Catering and Leisure	2.0	2.5	3.0
Information and Communication	2.0	2.5	2.9
Local Government	2.0	2.3	2.5
Not-For-Profit	2.0	2.5	2.9
Paper and Printing	2.0	2.5	2.6
Professional and Business Services	2.0	2.3	2.8
Retail and Wholesale	2.0	2.5	3.0
Transport & Storage	2.3	2.8	3.0
<b>ALL SECTORS</b>	<b>2.0</b>	<b>2.5</b>	<b>3.0</b>

## Future Developments?

**For those of you familiar with our Briefing, we attempt to keep you informed on plans and developments which may affect employers, employees and their employment.**

In light of the uncertainty created by Brexit over the past couple of years there has been very little to report. The situation has been further exacerbated by the fact that, as we prepare this latest edition, a General Election is almost certain to take place at the beginning of December.

So, over the next few weeks, we will hear from each political party their plans, promises and commitments on what they will do if they form the next Government.

We believe, however, that there will be very little reference by anybody to employment initiatives. So much of our employment legislation, codes of practice and other relevant processes have been generated from our involvement with the EU that it will be difficult to propose related initiatives until we know where we stand with Brexit.

To reinforce our view, the recent Queen's Speech at the opening of Parliament made no reference to introducing new employment legislation or changing existing laws – with one exception. It was planned to take steps to make work fairer with the introduction of measures on how tips would be more fairly allocated to those who had earned them.

Brexit also seems to have slowed the progress of some employment initiatives that were working their way through Parliament (e.g. statutory code on sexual harassment, changes to the Modern Slavery Act). The outcome of the election is likely to decide whether they develop any further.

## Improving with Age

It is an established fact that the UK workforce is getting older. There are now 10 million people aged over 50 in employment which equates to one-third of the workforce and which has increased from 20% in the early 1990's.

There are fewer school leavers and, with Brexit, it is anticipated that it will become more difficult to fill vacancies with staff from outside the UK. Even though companies are hiring more older workers they remain an underexploited asset. Why is this the case? Here are some of the identified key reasons:

- myths around hiring older people – they are seen as more demanding, less healthy, less productive, less physically able, less technology oriented to name a few;
- recruitment processes are geared towards recruiting younger people and training them

up rather than appealing to older generations;

- they are often seen as only short-term solutions;
- it is ingrained in many employers that their focus should be on 'hiring young, new blood.'

How can your organisation become more age friendly? The following few suggestions may well help:

- offer a broader range of flexible working to encompass older people's needs (e.g. as parents, grandparents, carers, etc.);
- actively target candidates of all ages when advertising vacancies and cut out age bias in recruitment processes;
- ensure everyone has the health support they need to perform effectively;
- provide opportunities for all employees to develop their careers whatever their age;
- equip managers with the awareness and commitment to promote an age-positive culture.

By adopting the above, the following benefits associated with hiring older people will result:

- they will transfer vital knowledge, skills and attitudes to less experienced staff;
- they provide a different perspective when looking to resolve workplace problems;
- there is likely to be a better match with customers and service users who are also getting older;
- employers indicate that older staff are generally reliable and conscientious

You may already have a relevant demographic which reflects the age profile of our population but, if you do not, perhaps it is time to take action?

## Introducing IR35 into the Private Sector

**From April of next year, legislation is being introduced which will require private sector companies who use contractors will become responsible for deciding whether they are inside or outside of the requirements of IR35 .**

For those of you who do not know the background, the IR35 legislation has been designed to stop workers from supplying work through intermediaries (usually in the form of limited companies known as personal service companies, or PSCs), in a way that allows them to bypass being designated an employee and reduce the income tax and National Insurance contributions payable on their income. Labelled "disguised employees" by HMRC, workers who fall

within the remit of IR35 are required to pay income tax and NI as if they were employed.

In planning for next year's changes, it has been reported that a number of major employers, including Barclays and Lloyds, have announced that their current contractors will only continue to be engaged if they agree to go onto the Company's payroll, meaning they become employees who will be paid salaries and have income tax and NI deducted through PAYE.

For freelancers, the changes being made by the likes of Barclays are highly likely to result in significantly less income as well as a loss of flexibility in the way they work. In addition, they will believe that they will lose the autonomy and independence they believe they have when compared with being an employee. It is argued that employment offers greater security but many contractors have taken up the role because of successive redundancies which have resulted in them wanting to take greater control over their future ability to earn an income.

Have these employers over-reacted? Contractors have always provided the option of greater flexibility when compared to employees. They are still genuinely contributing to the business and the expertise required from the contractor may only be needed on a short-term basis. When the same IR35 rules were introduced into the public sector in 2017, employers in that sector reacted in a similar way only to find that they lost a lot of key contractors who, at the time, were able to move over to the private sector. Obviously, alternative options available to contractors are now far more limited although businesses competing with the companies where the contractors have worked may recruit them very quickly!

Now that the onus is on the employer, it is understandable that they want to mitigate any risk but it is possible that they are over-reacting. Many of the contractors concerned will be genuinely self-employed and will be able to demonstrate that they can work outside IR35.

So, if you use contractors, it is worthwhile conducting an audit to identify those who may be very difficult to replace but who insists on working outside IR35. You need to reassure yourself that she or he is working within the definitions set by the legislation. If not, there may be other ways that the two parties can work together to develop an alternative satisfactory arrangement. You will need to expect demands for rate rises because contractors forced to work inside IR35 could end up taking home around 25% less after tax. There could also be an adverse impact on expenses they can claim.

It is advisable to start the planning and discussions now rather than experience the consequences of inappropriate actions in April next year.

## Reminder Regarding EU Workers

**Although many aspects of Brexit are still unclear one aspect where the situation has been made clear is how to ensure the continued employment of your EU workers once the UK goes it alone. We have explained what is required previously but it is reported that more than 1.5 million people have still not made an application.**

In summary, the people who are working in the UK at present will have the right to continue working into the foreseeable future providing they make an application for settled status by 30th June 2021 (although is likely to be earlier if the UK leaves the EU without a deal – this date was 31st December 2020 but it is possible that it will be adjusted in light of the general election).

It is important to highlight that an employer cannot make an application on an employee's behalf and so they must make the application themselves which they can do by using any device i.e. PC, laptop or mobile. The starting point for them is here - <https://www.gov.uk/settled-status-eu-citizens-families/applying-for-settled-status> . The website provides details of who they should contact if they have any problems completing the online application.

If you have members of your team who you do not want to lose, you may allow them to use your PC's or laptops to make the applications. We would recommend that you actively promote an awareness of what needs to be done and that it should be completed as soon as possible.

As an alternative, those who have lived and worked in the UK for six years or more may wish to consider making an application for permanent residence and UK nationality. Although there is more paperwork involved, it may be a more secure option. Incidentally, obtaining settled status results in the individual concerned being barred from applying for nationality for a year.

## Data Protection and the Use of CCTV on Employers' Premises

**A recent enquiry from a client has brought to our attention the fact that it is often overlooked that using CCTV for security purposes on an employer's premises can place additional responsibilities on an employer which may not be immediately apparent.**

Firstly, it is a requirement that you notify the Information Commissioner's Office (ICO) that you are using the CCTV and give the reasons why you are using it. If you use it for any other reason than the ones submitted, you are potentially in breach of data protection legislation.

Secondly, you must tell people that they are being recorded probably by displaying signs that are easily read and are placed in clearly visible positions.

Finally, you must have in place systems which not only place controls on who can see the recordings but which also make sure that it is only used for the purposes for which it was intended.

We regularly receive enquiries from clients stating that an employee has been 'caught' on CCTV doing something in breach of company rules and asking what action they can take. If you have not informed your team that they will be monitored by CCTV for this purpose (probably mentioned in an Employee Handbook), you will have no right to do anything. Even if you have, it may still be a breach of employee privacy rights to take action. So, extreme care must be taken.

### **And Finally....Peculiar Percentages**

**It fascinates us why people analyse certain data as well as why the questions were asked in the first place. Here are some employment-related examples:**

17% of UK workers would take a pay cut to be able to bring their dog to work;

16% of 25 to 34-year olds spend more than half of their disposable income within 24 hours of being paid;

33% of employees have used business jargon in a meeting even though they did not understand what it meant;

46% of UK employees do not have a coffee machine in their office;

18% of workers have called in sick so that they can binge-watch a TV show;

12% of office workers admit that they have fallen asleep during a meeting at work;

58% of UK workers get annoyed regularly by their colleagues during the working day;

64% of people say that they would trust a robot more than their manager.