FACT SERVICE

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Factory output slows down this year and last

Manufacturing output has continued its expansion in 2018, but at a slower rate, and 2017's growth was not as healthy as first thought, official figures show.

In the three months to February, factory output increased by 0.6% compared with the previous three-month period ending November 2017, according to the Office for National Statistics (ONS).

The increase was lower than the 1.3% increase for January, but was the eighth consecutive period where manufacturing output has posted an increase.

Seven of the 13 subsectors posted increases in February, including a 4.3% increase in "machinery and equipment not elsewhere classified" and 2.9% in basic metals. On the downside, output of coke and refined petroleum products shrank by 7.2%.

In February, factory output was up 1.9% on the same period a year ago; the January increase was 2.1%.

The more volatile monthly figures show a 0.4% increase in manufacturing output in February compared with January, while the increase on the same month a year ago was 2.5%.

The production industries (mining and utilities as well as manufacturing) saw output shrink by 0.1% in the three-month period ending February compared with previous three-month period, but 1.4% greater than the same period a year ago.

In February, production output increased by 0.1% on previous month and was 2.2% higher than the same month 2017.

2017 The ONS has revised down the annual increases for last year. Manufacturing output increased by 2.5% instead of the 2.8% figure published earlier, while production output only grew by 1.9% instead of 2.1%.

www.ons.gov.uk/economy/economicoutputandproductivity/output/bulletins/indexofproduction/february2018

Lack of support for low-skilled staff

Key challenges for three groups in the labour market are identified in a survey form the HR professional, the Chartered Institute of Personnel and Development (CIPD), as those at the lower levels are far less likely to have access to skills and training.

The CPID's *UK working lives* survey found that while almost two-thirds of workers (64%) were

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satisfied with their job, many felt they lacked the opportunities to progress in their career.

More than one in four workers (27%) said that their job does not offer good opportunities to develop their skills, and this rises to over two in five (43%) among unskilled and casual workers. Meanwhile, well over a third of people (37%) in these areas of work claimed they had not received any training in the last 12 months.

Peter Cheese, chief executive at the CIPD, said that as a country "we need to give those looking to develop their skills the ability to do so, through workplace learning and wider investment in skills development to make sure we're making the most of all the talent that people have".

The CIPD has recommended a number of solutions in order to help improve job quality. They include:

- an increase in the quantity and quality of vocational education and training by reframing the Apprenticeship Levy as a more flexible training levy and ensuring that all the money raised is spent on adult skills and training; and that
- the government should revisit the potential for personal learning accounts, but with greater scope for individual and employer co-investment and a much closer link with high-quality careers information, advice, and guidance.

www.cipd.co.uk/about/media/press/uk-working-lives

Forty directors pocket total of over £210m

Last year proved a healthy one financially for the 40 top executives in *Fact Service's* latest tranche of 2017 remuneration deals in UK's largest firms.

The 40 executives received a total of £212.43 million, with a midpoint (median) package of £2.47 million. Normally *Fact Service* quotes an average (mean) figure for packages, but the top four packages heavily distort the average.

These four packages alone were worth £116.63 million and accounted for 55% of the total.

The top three spots are taken by executives at housebuilder Persimmon. In 2017, chief executive Jeff Fairburn saw his package rocket in value on the back of the firm's bonus scheme to £47.08 million from £2.12 million the year before. His 2017 package is worth over £905,000 a week.

Finance director Mike Killoran received a package worth £36.69 million or £705,580 a week and managing director Dave Jenkinson a £20.37 million package, worth £391,20 a week.

The pay outs to the three have had repercussions. Persimmon's chair and the head of its pay committee quit last year, after conceding that they should have capped the potential rewards under the bonus scheme. Bonuses have since been cut.

One investment manager told *The Independent* newspaper: "This incident has been a classic corporate governance failure and highlights the need for remuneration committees to step up and make decisions if circumstances beyond a company's control change."

"However, even after this reduction, in our view the scale of the remuneration on offer under this plan is still extremely generous."

Fourth spot is taken by Rakesh Kapoor, chief executive of the Cillit Bang to Airwick and Calgon household products group Reckitt Benckiser. Kapoor's 2017 package was worth £12.48 million — £2.77 million less than his 2016 package. Nevertheless, he still received the equivalent of £240,000 a week.

Peter Harrison, chief executive of investment management group Schroders, received £7.06 million last year — or £135, 615 a week and completes the top five earners in the table.

Year-on-year comparison can be made for 33 of the 40 executives and 25 saw their remuneration packages get fatter last year.

It will come as no surprise to find that the three Persimmon executives top the increases with Killoran getting a 2,492% increase, Fairburn 2,117% and Jenkinson a 1,371% increase. The other two in the top quintet both received increases of over 100% when average earnings in the whole economy were growing at no more than 2.8%.

Marina Wyatt, chief financial officer at event manager UBM, saw her package grow by 161.4% to £2.64 million a year or £50,760 a week. Calum MacLean has been chief executive of chemicals group Synthomer since 2015. Last year his package increased by 106.5% to £2.52 million or £48,380 a week.

Reckitt Benckiser's finance officer Adrian Hennah took the biggest hit of the eight executives receiving smaller packages last year. Even after a 55.4% cut, he still received £3.01 million or £57,910 a week.

Executive	Company (financial year end)	Total remuneration (£000)	% change
Jeff Fairburn	Persimmon (12.17)	47,087	2,117.2
Mike Killoran	Persimmon (12.17)	36,690	2,491.8
Dave Jenkinson	Persimmon (12.17)	20,369	1,371.4
Rakesh Kapoor	Reckitt Benckiser (12.17)	12,480	-18.2
Peter Harrison	Schroders (12.17)	7,059	11.9
Stephen Hester	RSA (12.17)	4,918	9.8
Emma Walmsley	GSK (12.17)	4,883	n.a
Dr Patrick Vallance	GSK (12.17)	4,388	n.a
Andy Ransom	Rentokil Initial (12.17)	4,368	-21.7
Simon Dingemans	GSK (12.17)	4,305	37.6
Jerry DeMuro	BAE Systems (12.17)	3,809	27.1
Rupert Soames	Serco (12.17)	3,805	71.7
Richard Keers	Schroders (12.17)	3,501	21.6
Tim Cobbold	UBM (12.17)	3,289	-1.7
Adrian Hennah	Reckitt Benckiser (12.17)	3,011	-55.4
Frank van Zanten	Bunzl (12.17)	2,818	n.a
Jayne-Anne Gadhia	Virgin Money (12.17)	2,687	29.4
Marina Wyatt	UBM (12.17)	2,639	161.4
Calum MacLean	Synthomer (12.17)	2,516	106.5
Patrick Larmon	Bunzl (12.17)	2,497	-1.7
Stephen Daintith	Rolls-Royce (12.17)	2,448	n.a
Jeremy Townsend	Rentokil Initial (12.17)	2,385	-17.9
Warren East	Rolls-Royce (12.17)	2,331	11.6
Charles Woodburn	BAE Systems (12.17)	2,302	n.a
Peter Lynas	BAE Systems (12.17)	2,248	27.5
Nick Anderson	Spirax-Sarco (12.17)	2,173	34.9
Ed Casey	Serco (12.17)	2,089	3.0
Ian King	BAE Systems (12.17)	2,086	n.a
Brian May	Bunzl (12.17)	2,005	-8.0
Peter Brooks-Johnson	Rightmove (12.17)	1,892	5.3
Angus Cockburn	Serco (12.17)	1,758	40.5
Robyn Perriss	Rightmove (12.17)	1,487	4.6
Jon Stanton	Weir Group (12.17)	1,441	71.2
Richard Smith	UNITE Group (12.17)	1,416	14.3
Joe Lister	UNITE Group (12.17)	1,293	4.6
Nick McKittrick	Rightmove (12.17)	1,223	n.a
Neil Daws	Spirax-Sarco (12.17)	1,213	41.4
Richard Simpson	UNITE Group (12.17)	1,190	4.9
Scott Egan	RSA (12.17)	1,179	-12.6
Stephen Bennett	Synthomer (12.17)	1,153	52.2

Fact Service examines the remuneration reports of the top 350 FTSE companies, quoted on the London Stock Exchange. The total remuneration figure given in the table includes: basic salary, cash bonus, long-term share bonuses, golden hello, golden handshake, cash pension payments and a cash figure for other benefits that directors receive, such as use of company car, life insurance, private health benefits and housing allowance. Dividends received from their shareholdings in the company are not included.

www.independent.co.uk/news/business/news/persimmon-cuts-ceo-bonus-jeff-fairburn-housebuilder-mike-killoran-a8225311.html

MPs outline package of pension proposals

A simple package of measures to create better informed, more engaged pensions savers — and offer a default decumulation pathway to protect the less engaged in converting their pension pots to a retirement income — is recommended by the House of Commons Work and Pensions committee.

The committee calls for a two-pronged package to create “informed and confident savers ... more likely to shop around and take sound financial decisions about their retirement ... equipped to exert that competitive pressure”.

The committee proposes a new, simple, standard drawdown pension including through NEST.

NEST, the government-backed DC pension scheme established to support automatic enrolment has over five million savers. Currently, NEST is not able to offer those members decumulation products. The government should allow NEST to provide decumulation products from April 2019, including a new default drawdown pathway. In keeping with the spirit of pension freedoms, savers would remain entitled to move their money wherever they wished

In addition, the committee says that every pension provider offering drawdown should, by April 2019, offer a default decumulation pathway suitable for their core customer group, subject to oversight by existing Independent Governance Committees and subject to the same 0.75% charge cap already in place for accumulation in automatic enrolment.

A system of default decumulation pathways will protect consumers who do not engage with their pension saving — but the “real prize” is a properly functioning pension freedom market which offers suitable and good value pensions for more people. This can be driven by a virtuous cycle of better-informed customers switching providers and demanding cost-effective products.

There also needs to be a new system of transparent and accessible information, the committee says.

The case has been made for a single, publicly hosted pensions dashboard: covering state, defined contribution and defined benefit pensions, the committee finds.

The government should, therefore, make all pension providers provide the necessary information to the single pensions dashboard, hosted by the new single financial guidance body, funded by an industry levy, which should be in place by April 2019.

Frank Field MP, chair of the committee, said: “We want to expand that success story [of auto-enrolment] so that everyone, no matter how they are saving, has a simple, suitable, default pension option, with a low, capped fee.

“From that solid base, those who want to choose other options would retain complete freedom to do so. They would be armed with a new range of clear, transparent information in making their choices.”

www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2017/report-pension-freedoms-17-19/

University is trying to derecognise unions

The University of South Wales has been accused by the GMB general union of deliberately trying to circumvent unionisation in the ongoing university pension dispute.

The university currently has a recognition agreement with the GMB and UNISON for academic support staff. However, under changes proposed by the university, new staff will be contracted into an arms-length private company set up by the university where no such recognition exists.

This could have major implications for new staff. As well as losing access to the Local Government Pension Scheme, they would have also have no representation in negotiations with the university and potentially leave them unable to access othe agreed terms and conditions.

The GMB claims that this will lead to a two-tier system of employees, where two people doing the same job could have different terms and conditions to their work.

The changes at the university would affect workers joining departments such as IT, estates and the academic registry from August 2018.

Nicola Savage, GMB organiser for Wales and South West, said: “We weren’t born yesterday; we can see that this is an attempt to cut back on the hard won rights of university staff.

“It’s a clear and deliberate attempt to cut us out of the picture.”

The union’s political officer Mike Payne said that the university’s move “flies in the face of Welsh government policy of working together with trade unions and employers in social partnership, and also breaches the agreement reached between the HE Institutions and the cabinet secretary for education Kirsty Williams AM only last year”.

He added: “There are big questions that we need to be answering, like in what circumstances should a public institution be allowed to set up a private company or is it ever appropriate. Let’s not forget that it’s funded by public money."

www.gmb.org.uk/newsroom/university-cutting-unions-out

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