FACT SERVICE

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Retail inflation hits six-year high

Retail price inflation ended 2017 on a six-year high, official figures show.

In December, the Retail Prices Index (RPI) stood at 278.1 and the annual rate of inflation on the measure favoured by union negotiators was up to 4.1% against a 3.9% increases for November. Dearer fares and higher housing costs contributed to the rise.

The increase means that retail price inflation is at its highest level since December 2011.

TUC general secretary Frances O'Grady said: "We might be in a new year, but there's no relief to Britain's living standards squeeze.

"Inflation continues to outstrip wages leaving household budgets stretched to breaking point."

In December, inflation under the Consumer Prices Index Housing (CPIH) — now the government's preferred measure — edged down to 2.7% from the 2.8% increase for November. Meanwhile, inflation under the Consumer Prices Index (CPI) was down to 3.0% from 3.1%.

Price inflation

		% increase on a year earlier		
	RPI [1]	RPI	RPIX [2]	CPIH
Nov 2016	265.5	2.2	2.5	1.5
December	267.1	2.5	2.7	1.8
January 2017	265.5	2.6	2.9	1.9
February	268.4	3.2	3.5	2.3
March	269.3	3.1	3.4	2.3
April	270.6	3.5	3.8	2.6
May	271.7	3.7	3.9	2.7
June	272.3	3.5	3.8	2.6
July	272.9	3.6	3.9	2.6
August	274.7	3.9	4.1	2.7
September	275.1	3.9	4.1	2.8
October	275.3	4.0	4.2	2.8
November	275.8	3.9	4.0	2.8
December	278.1	4.1	4.2	2.7

[1] January 1987=100 [2] RPI except mortgage interest payments

Eight of the 14 groups that make up the basket of goods used to calculate the RPI increased by 4.1% or more in December.

The 10.1% rise in the clothing and footwear group included a rises of 12.6% and 12.5% in women's clothing and men's clothing respectively. Children's clothing posted an 8.8% rise.

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The fuel and light group posted an increase of 6.6%, which included a 14.7% rise in domestic oil and other fuels and an 11.4% increase in electricity prices.

The overall rise in the food group was 4.0%, but included substantial increases of 17.7% for butter and 11.7% for coffee and other hot drinks, while tea was up by 7.7% this month. Bread prices were up by 6.6% and fish prices by 9.6%.

In the leisure services group, a 6.0% rise in the cost of foreign travel on the back of dearer air fares contributed to the group's overall increase of 4.1%.

The 7.6% increase in the fares and other travel costs group included a 10.7% increase in bus and coach fares and a 6.6% increase in "other travel costs". Worse is to come as January's figures will include the hefty increases in rail fares.

The housing group's overall increase of 2.7% included a 3.1% increase in mortgage interest payments, while council tax and rates posted a 3.8% increase.

4.1% or more than	%	Less than 4.1%	%
Clothing & footwear	10.1	Food	4.0
Tobacco	8.0	Alcoholic drink	3.0
Fares etc	7.6	Catering	3.0
Fuel & light	6.6	Housing	2.7
Motoring expenditure	5.6	Household services	1.9
Household goods	4.3	Personal goods & services	1.6
Leisure goods	4.2		
Leisure services	4.1		

www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2017

Stiff upper lip rules or maybe not?

Health insurance providers have vying for attention with surveys on two topics presenteeism and sickness absence.

Almost a third (29%) of respondents go in to work when they are suffering from stress, anxiety or depression, according to research by Bupa.

Its survey of 2,000 UK employees also found that a quarter (26%) of respondents attend work when they are ill because they worry about the burden of their absence on their team.

Other findings include:

- two-thirds (64%) of respondents have gone into work ill over the past year, and more than a quarter (27%) have ignored their doctor's advice to stay at home; and
- a third (34%) of respondents still go in to work when they are suffering from musculoskeletal issues, for example, backache or neck ache.

The pressure of presenteeism means a fifth (20%) of respondents went in to work when they were unwell because they felt they had too much work to do to be able to take time off. Meanwhile, a sixth (16%) of respondents attend work when ill because they worried people would think they were not genuinely sick, and one in eight (13%) went in to work when unwell because they were anxious about their job security.

A quarter (26%) of people head into work when they are seriously ill because they worry that their absence will be a burden on their team, unaware that this is counterintuitive.

Stuart Haydock, resilience lead at Bupa Health Services, said: "Over the years we have seen businesses working to create a culture where people feel comfortable discussing their health in the workplace. However it is clear that an element of the stiff upper lip mentality persists and that more needs to be done to encourage employees to safeguard their health and wellbeing, ensuring that they bring their best selves to work.

"Mental health conditions and musculoskeletal issues are two of the most common reasons for people to be on long-term absence from work. Yet, as with most conditions, early diagnosis and treatment improves the chance of a faster recovery."

Sickness absence Meanwhile, a study by Vitality Study finds that employees lose an average of 30.4 working days each year due to sickness and underperformance in the office as a result of ill-health (that is presenteeism).

Productivity loss due to physical and mental health issues is costing the UK economy an estimated £77.5 billion a year.

Employee work impairment and the associated productivity loss appear to be on a worsening trend as comparative figures for 2016, were 27.5 days and £73 billion respectively.

www.bupa.co.uk/newsroom/ourviews/presenteeism

www.vitality.co.uk/media/unhealthy-employees-costing-uk-firms-six-working-weeks-in-lost-productivity/

Economic insecurity more widespread

A stark warning that economic insecurity is more widespread than previously thought has been issued a think tank.

And a new focus on “economic security”’ is necessary to restore optimism and meet the opportunities and challenges of automation, an ageing population and Brexit, says the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA).

The link between employment and economic security has fundamentally broken since the 2008 financial crash, a new report by the RSA and Nottingham Civic Exchange finds.

The study follows RSA chief executive Matthew Taylor’s Employment Review for the prime minister Theresa May and argues a new focus on "economic security" is needed to meet working Britain’s challenges in the 2020s. It urges a Universal Basic Income to complement paid work.

Addressing economic insecurity notes more than seven million people in working households live in poverty, wage growth was lower than inflation for most of the last decade and close to eight million people in the UK live with problem debt.

A Populus survey commissioned as part of the RSA analysis uncovers economic worries across four self-defined income groups (those not managing to get by; those just managing to get by; those just managing to save; and those comfortably saving).

The main findings were:

- four in five people in-work worry inflation will outstrip their pay, including those not managing (82%), just about managing (85%), just saving (79%) and comfortably saving (76%), showing subjective fears about shrinking real-terms pay affect all groups and not just those on low incomes;
- a third of the “just about managing” have a household income of more than the national average (£34,000); and
- those "just about managing" worry more about pay, progression and poverty in-work than any other group, and even more than the poorest. For example, 45% of the "not managing" feel they have progressed, but only 37% of the just about managing. This shows a job is not the only solution to economic security.

Automation, an ageing population and climate change, alongside Brexit uncertainty, could make this situation worse, researchers caution, while the traditional policy focus on employment, inequality and poverty even today fails to halt the rising economic anxieties of those in-work.

Britain in the 2020s would be better served from a focus on “economic security” — defined as “the degree of confidence that a person can have in maintaining a decent quality of life, now and in the future, given their economic and financial circumstances” — the study concludes. Unlike poverty or even inequality, the idea of economic security and insecurity is one to which most people — including many families and households with above average incomes — can relate to.

Economic security combines objective factors and subjective experience and expectations, says the study. Two people with the same jobs and the same income can both have, and feel they have, very different prospects.

The economic consequences of economic insecurity result in a vicious circle. People experiencing low economic security find it harder to find productive uses for their skills. This slows progression in work and in turn further slows economic growth and productivity — making economic insecurity worse.

Among the study’s recommendations to help a broad cross-section of society are a Universal Basic Income alongside intensive jobs support. A Universal Basic Income at a national scale or the combination of alternative and localised welfare provision, to provide all with basic income predictability and a means to save, alongside more intensive support for citizens in navigating the contemporary labour market, as the RSA is currently exploring alongside Rochdale Boroughwide Housing and Greater Manchester Combined Authority.

And it recommends putting prevention at the heart of healthcare for all. Shifting the profile of public spending on health to preventative services — which help people avoid ill-health and stay in-work.

Atif Shafique, senior researcher at the RSA and author of the report, said: “Ten years after the crash, and we need a step-change. Community, place, identity and personal responsibility all have an important role to play.

www.thersa.org/about-us/media/2018/survey-finds-economic-insecurity-widespread-as-80-worry-inflation-will-outstrip-their-pay

Blue Monday how I hate Blue Monday

Monday 15 January is Blue Monday — claimed to be the most depressing day of the year. More than two-fifths (42%) of respondents believe that winter has a negative effect on their mental wellbeing, according to research by workplace consultants Peldon Rose.

Its survey of 500 UK office-based employees also found that 45% of respondents feel that winter adversely affects their motivation, while 34% think the colder weather impacts their productivity.

The survey also found that half (50%) of employees state that winter adversely affects their mood, with 35% identifying themselves as suffering, or having suffered, from seasonal affective disorder (SAD).

Nine out of 10 employees (94%) say that exposure to natural light is important to their wellbeing.

Mental wellbeing was highlighted by many as essential in the workplace. Some 92% of employees say that social spaces are valuable to help them get away from the desk.

www.peldonrose.com/insights/features/how-to-beat-blue-monday-sickies-and-sad/

Watchdog unsure of benefits of PFI

There is still a lack of data available on the benefits of private finance procurement, according to the public spending watchdog, the National Audit Office (NAO).

A briefing prepared by the NAO produced before the collapse of Carillion presents information on: the rationale, costs and benefits of the Private Finance Initiative (PFI); the use and impact of PFI, and ability to make savings from operational contracts; and the introduction of PF2.

The NAO says its presents information on the programme as a whole and "does not seek to form a view on the model or individual projects". If it's a public spending watchdog, why not?

There are currently over 700 operational PFI and PF2 deals, with a capital value of around £60 billion. Annual charges for these deals amounted to £10.3 billion in 2016-17. Even if no new deals are entered into, future charges which continue until the 2040s amount to £199 billion.

More than 90% of the government's capital investment is publicly financed. Since the 1990s the public sector has also used private finance to build assets. The PFI and its successor, PF2, are forms of Public Private Partnerships (PPPs).

In a PFI or PF2 deal, a private finance company – a Special Purpose Vehicle (SPV) – is set up and borrows to construct a new asset such as a school, hospital or road. The taxpayer then makes payments over the contract term (typically 25 to 30 years), which cover debt repayment, financing costs, maintenance and any other services provided.

The government reduced its use of PFI after the 2008 financial crisis, as the cost of private finance increased. Parliament also became increasingly critical of the model.

In 2011, HM Treasury consulted on reform. It made some changes and relaunched the model as PF2 a year later. So far, two departments, the Department of Health and Social Care and the Department for Education, have used PF2.

Rehana Azam, the national secretary of the GMB general union said: "Carillion is just the latest example of how bad things go wrong when public services are left in the hand of profit-hungry companies."

www.nao.org.uk/wp-content/uploads/2018/01/PFI-and-PF2.pdf

www.independent.co.uk/news/business/news/pfi-projects-200bn-private-contractors-national-audit-office-spending-watchdog-a8165106.html

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