FACT
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Workers set for pay rise in coming year

The UK is set for pay rise, say the British Chambers of Commerce and Indeed.

One in two businesses (50%) are set to grant staff pay rises of over 2% in the next year, according to a new survey by leading business organisation British Chambers of Commerce (BCC) and online recruitment company Indeed.

The survey of over 1,000 businesses of all sizes and sectors reveals that 6% of firms will increase pay by more than 5%, 32% by 2%-5%, 12% in line with consumer price inflation, and 18% by 1%-2%.

Only 2% of firms say that they expect to decrease salaries – set against a backdrop of increasing upfront business costs.

When looking at increases in the National Living Wage over the next three years, just over one in three (37%) say that they will respond by raising prices of products and services, and nearly one in four (23%) say that they will take lower margins and profits. Meanwhile, around one in six (16%) say that they will increase investment in automation, and the same proportion say they will recruit those on flexible contracts, such as the self-employed.

However, the survey comes with the usual business whinge that at the next Budget the government needs to reduce the growing cost burden on business and make it easier for firms to grow, hire, and retain staff.

Jane Gratton, head of business environment and skills policy at the BCC, said: "Growing and pervasive skills shortages are making it harder than ever for firms to fill job vacancies – so it is little surprise that they are pulling out all the stops to keep hold of the ones they have."

www.britishchambers.org.uk/news/2018/08/uk-set-for-pay-rise-says-bcc-and-indeed

Firms favour dividends over pension deficits

Some of the UK's biggest companies are paying seven times more to shareholders in dividend than they are spending plugging their pension scheme deficits.

Last year, FTSE 350 companies paid £8.7 billion in contributions towards their defined benefit (DB) pension black holes, while £66 billion was paid out in dividends.

Actuarial consultancy Barnett Waddingham (BW) reviewed the accounts of all the companies and found the average pension deficit contribution

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paid by companies as a proportion of dividends was 10% in 2017.

It comes after a number of high profile failures such as Carillion and BhS, where directors prioritised the needs of shareholders over plugging funding gaps in their pension schemes.

"In the relatively positive economic environment over recent years, it would appear that the FTSE 350 companies have started to settle upon a favoured allocation of dividends and deficit contributions," said BW.

The pensions watchdog, the Pensions Regulator (TPR), is looking to introduce clearer "parameters and regulation" over company dividend payments into its funding code.

Giving evidence to the Work and Pensions Committee on the progress of the defined benefit white paper, TPR chief executive Lesley Titcomb said the regulator is currently working on a dividend/funding ratio to see if it is an appropriate measure.

Dividends, which were not mentioned in the white paper, are required to be declared. However recent developments, such as the Carillion disaster, have brought the payments, particularly for sponsors who have a scheme deficit, back into the spotlight.

Titcomb said: "What we are looking to do on the funding code at the moment is to see if this [dividend payments] is an area where we can set out parameters and regulations more clearly.

"If we see a situation where there is a deficit, but the company is increasing its level of dividend then we have to work with trustees to secure matching increases."

Titcomb added that it would be required to work closely with trustees as TPR "does not have the resources to police 6,000 DB schemes".

Pensions minister Guy Opperman, who was also questioned by the committee, said that he is open to reviewing whether excessive dividends should be included in TPR's notifiable regime.

According to TPR, there are currently 125 funding cases open, with a number of them directly dividend to fund ratio related.

www.cityam.com/290185/ftse-350-firms-spend-seven-times-more-dividends-than

www.pensionsage.com/pa/TPR-seeking-clearer-powers-on-dividend-payments.php

Equality Act: MPs to review effectiveness

An inquiry has been launched by a group of MPs into the enforcement of the *Equality Act 2010* — legislation which is designed to "provide a legal framework to protect the rights of individuals and advance equality of opportunity for all".

A person can take legal action to enforce their right not to be discriminated against, mainly through employment tribunals and the county courts.

Meanwhile, the Equality and Human Rights Commission (EHRC) also has duties and powers to enforce the Act and it has stated that it wishes to become a more "muscular" regulator.

The Women and Equalities Committee's work in a range of areas has shown that individuals have difficulties enforcing their rights under the Act and has questioned the effectiveness of the EHRC: inquiries on pregnancy and maternity discrimination, transgender equality, disability and the built environment, workplace dress codes, older people and employment and sexual harassment in the workplace all identified widespread problems with enforcement.

The committee has already made recommendations to improve the enforcement of the *Equality Act* in specific areas. These include:

- extending time limits for bringing certain employment cases (pregnancy and maternity and sexual harassment reports);
- adequate financial penalties (workplace dress codes and sexual harassment reports);
- increased use by the EHRC of its enforcement powers (workplace dress codes, older workers); and
- greater action by regulators to tackle discrimination in the organisations they oversee (pregnancy and maternity, sexual harassment in the workplace).

The committee now wants to know what more needs to be done to achieve widespread compliance with the 2010 Act for all those with rights under it.

Maria Miller, chair of the committee, said: "Many of our inquiries inevitably focus on the problems with enforcement of equality legislation and critique the role of the EHRC.

"This inquiry will provide the opportunity for a more systematic review of the causes and identify possible solutions.

"We want to look at whether the *Equality Act* creates an unfair burden on individual people to enforce their right not to be discriminated against. How easy is it for people to understand and enforce their rights? How effective is enforcement action? Are tribunals accessible and remedies for findings of discrimination effective? Is the EHRC able to do its job properly? Those are just some of the questions we are seeking to answer."

The deadline for written submissions to the inquiry is 5 October 2018.

www.parliament.uk/business/committees/committees-a-z/commons-select/women-and-equalities-committee/news-parliament-2017/enforcing-the-equality-act-launch-17-19/

Widen net on gender pay gap reporting

The net should be widened on companies reporting on their gender pay gap, a committee of MPs says.

In its report on *Gender pay gap reporting,* the Business, Energy and Industrial Strategy Committee said that in the light of evidence that the pay gap is higher in smaller businesses, it recommends that the government widens the net of organisations required to publish gender pay gap data to those with over 50 employees from over 250 employees.

The report also calls on the government to alter the reporting requirements and improve the quality of the guidance on how to calculate the figures. This would avoid the situation in which some of our leading providers of professional services could exclude their highest earners (such as partners in legal and accountancy firms) from the statistics, thereby producing figures that underestimated the size of already substantial gender pay gaps.

The committee also recommends that when the regulations are amended, the requirement for data on salary quartiles is changed to deciles.

The committee wants to the government to consult upon introducing requirements to collect and report pay gap data in respect of disability and ethnicity and, subject to this consultation, but introduce this requirement in time for publication in 2020.

In the lessons learnt from the first year of gender pay gap reporting, the committee said it is clear that many organisations had difficulty in producing the figures required, or were reluctant to devote the resources to doing so. The resulting set of figures published initially was therefore inaccurate.

The report recommends that the government works with the Equalities and Human Rights Commission and other stakeholders to clarify outstanding areas of ambiguity and to publish revised guidance accordingly. And also recommends that the government reviews the gender pay gap reporting requirements with a view to aligning them with other business reporting requirements from next year.

The committee wants organisations to be required to provide some narrative reporting alongside their gender pay statistics and an action plan setting out how pay gaps are being and will be addressed, including objectives and targets. Subsequent report should report progress against this action plan, including targets set. The Equalities and Human Rights Commission and Government Equalities Office should work with stakeholders on developing suitable guidance as to content.

Rachel Reeves, chair of the committee said: "Gender pay reporting has helped to shine a light on how men dominate the highest paid sectors of the economy and the highest paid occupations within each sector. Our analysis found that some companies have obscene and entirely unacceptable gender pay gaps of more than 40%.

"Transparency on gender pay can only be the first step. The gender pay gap must be closed, not only in the interests of fairness and promoting diversity at the highest levels of our business community, but also to improve the country's economic performance and end a monstrous injustice."

Earlier, the Government Equalities Office, which oversees the gender pay gap reporting, claimed that 100% of 10,000 UK employers identified as being within the scope of gender pay gap regulations had now published their data.

The data shows that more than three out of four UK companies pay their male staff more on average than their female staff, more than half give higher bonuses to men, on average, than women, and over 80% have more women in their lowest paid positions than in their highest paid positions.

Penny Mordaunt, minister for women and equalities, said: "While I am encouraged that over 10,000 employers have published their data, these figures set out in real terms for the first time some of the challenges and the scale of this issue.

"It is appalling that in the twenty-first century there is still a big difference between the average earnings of men and women.

"We need to take action to ensure businesses know how they can make use of their best talent and make their gender pay gaps a thing of the past."

www.parliament.uk/business/committees/committees-a-z/commons-select/business-energy-industrial-strategy/news-parliament-2017/gender-pay-gap-report-published-17-19/

www.gov.uk/government/news/100-of-uk-employers-publish-gender-pay-gap-data

Workers being 'fleeced' by umbrella firms

The government has washed its hands of thousands of workers who are experiencing the misery of being paid via an umbrella company, according to the Unite general union.

There has been a huge surge in the number of workers forced to be employed via umbrella companies in recent years with the construction industry the most affected. However, workers in the NHS, local government, road haulage, education and warehouse/logistics are also affected.

In the majority of cases, workers are initially engaged via an employment agency, but are then told that they will be paid via an umbrella company.

Under an umbrella company, the worker has to pay both the employer's and employee's national insurance contributions in addition to income tax, which amounts to 46% of a worker's eligible earnings. The worker is also charged an additional sum – often up to £25 a week - for the "privilege" of being paid in this manner.

Unite raised its concerns following freedom of information requests which revealed that the Department of Business, Energy and Industrial Strategy (BEIS) "has not carried out any research into how many people are employed via umbrella companies".

Umbrella company workers who also pay into an auto-enrolment pension, suffer further, they have to pay both the employer's and the employees' contributions. When pension contributions rise to 8% next year (3% for employees and 5% for employers), many umbrella company workers may find these unaffordable.

Also many umbrella companies roll holiday pay into the rate, which means that workers get a small amount of money on a weekly basis and then are unpaid when they actually take annual leave.

In 2015, the Treasury estimated that 260,000 workers were employed by umbrella companies but this figure was considered an underestimate and the tentacles of umbrella companies have spread further since then.

Unite assistant general secretary Gail Cartmail said: "Workers are being fleeced and deductions are so great that saving for your old age will often be unaffordable as workers can't make ends meet day to day. This is simply storing up further problems for the future.

"If the government had an ounce of decency it would outlaw the use of umbrella companies and introduce strict rules to ensure workers are paid by standard PAYE."

www.unitetheunion.org/news/government-washes-hands-on-umbrella-company-misery/

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