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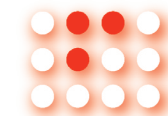
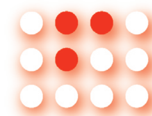

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New minimum wage rates set for April 2018

Recommendations by the Low Pay Commission (LPC) for above-inflation-rises in statutory minimum wage rates from 1 April next year have been accepted by the government.

The National Living Wage for those aged 25 and over will rise by 4.4% to £7.83 an hour from £7.50. The commission said the rise would keep the rate on target to reach 60% of median earnings by 2020.

Economic indicators have enabled the LPC to be more ambitious when setting the youth rates, within their remit of recommending rates which do not damage the employment prospects of younger workers.

The National Minimum Wage (NMW) for workers aged 21 to 24 years-old will rise by 4.7% to £7.38 from £7.05.

Those entitled to the 21-24 age rate will see the biggest percentage increase since 2006. Meanwhile, those entitled to the 18-20 age rate will see the biggest increase since 2004. Their NMW will rise by 5.4% to £5.90 from £5.60.

For 16-17-year-olds the rise is only 3.7% and will take their rate to £4.20 an hour from £4.05.

There will be a 5.7% increase to £3.70 an hour from £3.50 in apprentice rate. This rate applies to apprentice under the age of 19 or in the first year of their apprenticeship.

The accommodation offset is a notional amount added to the worker's pay to calculate their national minimum wage pay where living accommodation is provided free of charge. This offset increases from the current £6.40 a day to £7.00 from April 2018.

It bears repeating, but the NLW is less than the real UK Living Wage rate of £8.75 an hour set in early November by the Living Wage Commission and the London equivalent set by the Greater London Authority of £10.20 and hour. Unlike the statutory rates, the real Living Wage rates are independently calculated according to what employees and their families need to get by.

www.gov.uk/government/uploads/system/uploads/attachment_data/file/660935/nlw-nmw-govt-response-to-lpc-autumn-2017-report.pdf

www.livingwage.org.uk/

Economy – no change and outlook gloomy

The Office for National Statistics has said that the UK economy, as measured by gross domestic product (GDP), was estimated to have increased by 0.4% in the third quarter on the previous quarter – unrevised from the preliminary estimate of GDP.

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Output of the service sector increased by 0.4%, again unrevised from the preliminary estimate for GDP. The largest contribution to quarterly GDP growth was from business services and finance.

Meanwhile, output of the production industries was estimated to have increased by 1.1% between the second and third quarter – a revision upwards of 0.1 percentage points from the preliminary estimate of GDP. Within production, growth was broad-based with all four sub-sectors of the production industries seeing positive growth into third quarter. Mining and quarrying, including oil and gas extraction, increased by 2.1%, while electricity, gas and steam and air conditioning, and manufacturing both increased by 1.1%.

There was, however, a downward revision for construction, which is now estimated to have contracted by 0.9% in the third quarter, against the preliminary estimate of a 0.7% contraction.

International comparisons The UK's performance compares poorly with other large economies, bar Japan. During the third quarter of 2017, Japan experienced the slowest growth of 0.3% among European and G7 countries, just below that of the UK and USA, whose 0.4% growth ranked them joint second lowest.

On the other hand, Germany experienced the highest growth at 0.8% while both France and Italy experienced growth of 0.5%.

Outlook UK economic growth will continue to weaken in 2018 and 2019, according to forecasts from the OECD global think tank. Economic activity is set to grow at just above 1% in 2018-19, with the negative impact of uncertainty about the final outcome of Brexit negotiations being partly countered by an assumed agreement on a transition period after March 2019. However, this pace of growth will not be sufficient to prevent a moderate rise in the unemployment rate.

The OECD cites the major risk for the economy as the uncertainty surrounding the exit process from the European Union, which could hold back private spending more than projected.

However, prospects of maintaining the closest possible economic relationship with the European Union would lead to stronger-than-expected economic growth, it says.

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

www.oecd.org/eco/outlook/united-kingdom-economic-forecast-summary.htm

Commons committee's pension inquiry

An inquiry into the possibility of introducing collective defined contribution (DC) pension schemes to the UK pensions market has been launched by the House of Commons Work and Pensions select committee.

Collective defined contribution (CDC) pension schemes are a type of retirement saving plan with the potential to address some of the concerns that policy makers and the public have about the current pension "offer". They are commonplace in the Netherlands, Canada and Denmark but are not yet allowed in the UK.

Also known as a form of "defined ambition" scheme, a CDC scheme has a target or "ambition" amount it will pay out, based on a long-term, mixed risk investment plan.

A CDC aims to pay out an adequate level of index-linked pension for life, but this is an ambition rather than a contractual guarantee. It has the scope to redefine the benefits they offer if circumstances – like adverse economic conditions – require.

CDC differs from the traditional defined contribution (DC) schemes that are largely replacing defined benefit schemes in that it does not produce an individual "pension pot", which you then have to decide how best to use for your retirement, but invests your savings in a larger "collective" pot, and then provides an income to you during your retirement.

The committee is launching a new inquiry into the role that CDC schemes could play in the pension landscape, the potential benefits to savers and the wider economy, and the legislative and regulatory framework that would be required to make it work.

Supporters of CDC schemes argue that they provide greater assurance of retirement income and more efficient pooling of costs and risks among members than traditional DC, but do not impose the burden of underwriting an onerous pension promise on employers.

Studies by the finance groups RSA and Aon Hewitt estimate that CDC could have delivered 33% better pension outcomes than traditional DC over the past half-century.

Detractors argue that CDC may further fragment the pension landscape, suffer from lack of demand, and run counter to the trend towards greater individual freedom and choice in pensions.

The 2015 *Pension Schemes Act* defined "shared risk/defined ambition" or CDC as a distinct pension category. However, regulations under the Act to bring them into effect have not yet been introduced. In October 2015, the government announced the plans would be shelved indefinitely so as not to distract from other major reforms, such as auto-enrolment and pension freedoms.

Frank Field, chair of the work and pensions committee, said its aim was "to retain some of the best features of company schemes in a different age when employers are no longer willing or able to sustain the burden of final salary promises to employees, who could club together and pool the risk themselves".

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

Equal parental leave

Financial services group Aviva has announced a new group-wide policy to offer men and women equal parental leave.

Parents employed by Aviva will be eligible to the same amount of paid and unpaid time off, regardless of gender, sexual orientation or how they became a parent (birth, adoption or surrogacy).

The new parental leave policy will be offered to Aviva employees who become a parent on or after the 19 November 2017 in the UK, Ireland, France, Singapore and Canada. Aviva will be working to extend this to all other Aviva businesses within the next year.

The new policy is part of the group's strategy to create a diverse and inclusive working culture in which barriers to career progression are removed.

In the UK, Aviva is offering up to one year of leave, of which 26 weeks' is at full basic pensionable pay for each parent employed by the company within the first 12 months of a child's arrival. This applies to employees in all UK offices and locations, with no eligibility criteria relating to service length or earnings threshold.

The new parental leave policy entitlement includes:
- equal amount of paid and unpaid parental leave when a new child arrives;
- includes full-time and part-time employees across all levels of the company;
- no requirement to share the parental leave between parents; and
- If both parents are employees of Aviva, they will each have their own entitlement to leave and pay, which they can take at the same time.

www.aviva.com/newsroom/news-releases/2017/11/Aviva-announces-equal-paid-parental-leave/

Misery caused by tax and welfare reforms

The poorest in society are being hit the hardest by changes to tax, social security and public spending reforms, and are set to lose 10% of their income, according to the Equalities and Human Rights Commission (EHRC).

The EHRC's interim report, *Impact of tax and welfare reforms between 2010 and 2017,* looks at the impact that changes to all tax, social security and public spending reforms over the past seven years will have on people by 2022.

Undertaken as a "cumulative impact assessment", the report, which looks at the impact the reforms have had on various groups across society, suggests the decisions will also affect some groups more than others:
- black households will face a 5% loss of income – more than double the loss for white households;
- families with a disabled adult will see a £2,500 reduction of income a year (this is £1,000 for non-disabled families;
- families with a disabled adult and a disabled child will face a £5,500 reduction of income per year (again, compared to £1,000 for non-disabled families);
- lone parents will struggle with a 15% loss of income (the losses for all other family groups are between 0% and 8%);
- and women will suffer a £940 annual loss (more than double the loss for men); and
- the biggest average losses by age group, across men and women, are experienced by the 65-74 age group (average losses of around £1,450 a year) and the 35-44 age group (average losses of around £1,250 a year).

Chair of the commission David Isaac warned of a "bleak future". He said: "The government can't claim to be working for everyone if its policies actually make the most disadvantaged people in society financially worse off."

The commission is now calling on the government to:

- commit to undertaking cumulative impact assessments of all tax and social security policies ahead of the 2018 budget;
- reconsider existing policies that are contributing to negative financial impacts for those who are most disadvantaged; and
- implement the socio-economic duty from the *Equality Act 2010* so public authorities must consider how to reduce the impact of socio-economic disadvantage of people's life chances.

Isaac said: "We have encouraged the government to carry out this work for some time, but sadly they have refused."

www.equalityhumanrights.com/en/publication-download/impact-tax-and-welfare-reforms-between-2010-and-2017-interim-report

Ownership of UK shares

The rise in UK shares owned outside the country has continued, latest official figures show.

At the end of 2016 "rest of the world" investors continued to hold significantly more shares (in terms of value) than any other sector, with ownership estimated at 53.8% of the value of the UK stock market, according to the latest analysis on share ownership from the Office for National Statistics (ONS) on share ownership. Six years ago – at the end of 2010 – the proportion held by the rest of the world was just 43.1%.

The ONS puts the value of UK shares at just over £2,040 billion at the end of 2016 compared to £1,832 billion in 2010.

Over the same period, the value of shares traded on the UK stock market owned by individuals has risen from 10.6% in 2010 to 12.3% at the end of 2016.

Individual owners ranked second followed by unit trusts in third place, with 9.5% of shares owned at the end of 2016 – up from 8.8% in 2010.

Other financial institutions have seen their holdings cut from 12.3% in 2010 to 8.1% at the end of 2016.

Meanwhile, ownership by pension funds and insurance companies both show considerable shrinkage. Last year, insurance companies held just 4.9% of shares – down from 8.8% in 2010, while pension fund holdings were down to 3.0% from 5.6% in 2010.

Multiple share ownership pooled accounts were allocated to various sectors by the ONS, using analysis of share registers.

www.ons.gov.uk/releases/ownershipofukquotedshares2016

Plans for national retraining scheme

Chancellor Philip Hammond has confirmed the launch of a national retraining scheme to help workers build the skills they need for the future economy in his 2017 Autumn Budget and continued funding for Unionlearn.

"We need to help people to retrain during their working lives," he told the House of Commons in his Budget speech. "Ensuring that our workforce is equipped with the skills they will need for the workplace of the future."

The plans include a partnership between the government, the CBI and the TUC to set a strategic direction for a national retraining scheme.

TUC general secretary Frances O'Grady said: "We welcome the proposal that government, trade unions and business get around the table to tackle Britain's great skills challenge."

The scheme's first priority will be to boost digital skills and to support expansion of the construction sector, Hammond said. "To make a start immediately we will invest £30 million in the development of digital skills distance learning courses, so people can learn wherever they are and whenever they want."

He added he was pleased to be able "to accept the representation I have received from the TUC to continue to fund UnionLearn, which I recognise as a valuable part of our support to workplace learning".

O'Grady said: "Every worker deserves the opportunity to improve their skills and get qualified for better-paid work."

The TUC wants every worker to get the support and security they need through the changes to come. "Everyone, in every corner of the country, needs the chance to learn, win promotion, and boost their pay packets," she said.

www.gov.uk/government/speeches/autumn-budget-2017-philip-hammonds-speech

www.tuc.org.uk/news/national-retraining-scheme-must-protect-workers-through-brexit-and-fourth-industrial-revolution

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