

Insider: May 2014

Welcome to your May newsletter. In this issue, the news that unemployment has fallen to 6.9% and wages have grown faster than inflation. 35% of private sector employees are now enrolled in a workplace pension scheme. We examine the employment law reforms that came into effect on 6 April. And in Your Money news, we look at the new personal tax statements to be introduced later this year.



Unemployment falls to 6.9%

The unemployment rate fell by 77,000 to 2.24 million between December 2013 and February 2014, according to figures from the Office for National Statistics (ONS).

The official unemployment rate now stands at 6.9%, the lowest since February 2009.

Key employment data:

- 30.39 million people were in work between December 2013 and February 2014
- This is 691,000 more people than the same period a year earlier
- 72.6% of people between 16 and 64 were employed between December 2013 and February 2014.

The ONS figures also show that average weekly pay rose 1.7% during the same period.

With inflation currently at 1.6%, this is the first time that average wages have grown faster than inflation since 2010.

Key ONS wages data:

- Total private sector pay including bonuses rose 2%
- Total public sector pay including bonuses rose 0.9%
- Excluding financial services, total public sector pay including bonuses rose 1.3%.

David Kern, chief economist at the **British Chambers of Commerce**, said:

“The labour market is continuing to strengthen, with employment up, unemployment down, and the number of inactive people falling. This demonstrates that the resilience and flexibility of the UK labour market is a source of strength for our economy.”

A separate study by the **Centre for Economics and Business Research** found that SME salaries were up 1.2% year-on-year in Q4 2013, with labour costs accounting for around 30% of total expenses.

Another report published by the **Recruitment and Employment Confederation** (REC) revealed that permanent salary growth in March 2014 rose at the fastest rate since July 2007.

Tom Hadley, director of policy at the REC, said:

“The trend of growth in people finding jobs across all industrial sectors and regions continues. Starting salaries and hourly pay rates are up as employers battle to entice the talent they need. As real wages begin to rise across the jobs market people will start to feel better off.”

Auto enrolment increases pension membership

The percentage of private sector employees in a workplace pension scheme increased from 26% in 2011 to 35% in 2013, according to research commissioned by the Department for Work and Pensions.

The Employers Pension Provision survey shows that at the time of the research, 2% of private sector businesses had passed their staging dates. These firms accounted for 32% of all private sector employees.

Key findings:

- 65% of staged employers already had a workplace pension scheme set up when the reforms were passed
- Of these, 94% retained their schemes after staging and 92% did not change their contribution rates
- 12% of firms that had not yet reached their staging date already had members on a workplace scheme
- 59% of these expected to retain their current scheme

Lucy Stokes, co-author of the report, said that the news was a “positive sign” but warned of “significant challenges ahead.”

“Among employers yet to pass their staging dates, many do not currently have a workplace pension scheme in place, and a sizable proportion are uncertain about their plans,” she said. The research also revealed that opt out rates were between 9% and 10%. The Government has now halved its predictions of opt out rates from 30% to 15%.

Tim Jones, chief executive of the **National Employment Savings Trust**, said:

“If these predictions are correct it’s very promising news for future generations of pensioners, who’ll be better off as a result.

“Our current opt out figures are around 7% and hopefully they’ll continue to stay low.”

Employment law changes in effect

A number of changes to employment rules and regulations came into force with the start of the new financial year on 6 April.

The changes affect many areas of employment law, from employment tribunals and discrimination, to everyday areas such as auto-enrolment and maternity pay.

Key changes:

- Statutory maternity and paternity pay have increased from £136.78 to £138.18
- The time period for auto-enrolling workers has increased from 1 month to 6 weeks
- Employee complaints are now required to submit details to the Advisory, Conciliation and Arbitration Service (ACAS)
- Employers will now face fines of up to £5,000 if they lose a case at tribunal.

Employment relations minister, Jenny Willott, said the tribunal changes will help “avoiding stress, time delays and excessive costs”.

David Coulter, director of HR Heroes, urged small and medium-sized businesses to pay attention to the changes:

“These rule changes are taking place in areas that affect companies each day so it’s important employers are aware of them. One of the more significant changes is the fact that aggrieved employees must now enter into a conciliation process with ACAS, which should hopefully reduce the number of formal tribunal claims.”

YOUR MONEY

New personal tax statement for 24mn people

From October 2014, around 24 million people will receive a personal tax statement from HMRC detailing how their taxes were spent, the Chancellor George Osborne has announced.

This is 4 million more people than was originally announced at the Budget 2012.

The additional people are PAYE taxpayers who have had recent contact from HMRC setting out their tax calculation for a previous tax year.

The Government announced at Budget 2012 that 20 million taxpayers would receive a new tax statement from October 2014. It will explain:

- how their 2013/14 income tax and national insurance contributions have been calculated
- their average tax rates
- how their contributions have been spent.

George Osborne hopes that the decision will lead to increased transparency within the tax system:

“These tax statements represent a huge boost for tax transparency, showing people very clearly how much tax they pay and giving them a better understanding of where their money is spent.”