Excerpts from the full set of slides which were used at Cordis Briefing on Thursday 12th November 2020. Full slides are available for subscribers. Please click here to find out more.

Cordis Virtual Briefing

November 2020

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Extract

Introduction

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Todays briefing

- Thinking about quality under Covid19
- Timing of a return to normality
- Setting the National Living Wage rate
- Transforming care during the pandemic
- The integration of health and social care update

Extract

Setting the National Living Wage for 2021

Extract

Where we are up to

- The Low Wage Commission will need to make an announcement shortly on their recommendation to government for the level of the National Living Wage for 2021
- Their recommendation was published last year on 21 October
- The Commission launched its consultation process on 12 March this year –
- Twelve days later the country locked down
- On 10 May we went from ‘Stay at home’ to ‘Stay alert’
- The Low Wage Commission consultation closed on 5 June
- On 4 July saw a significant reduction in restrictions
- 9 November Living Wage Foundation publish increased rates for London Living Wage and UK Living Wage.
- London Living Wage increases 0.9% from £10.75 to £10.85
- UK Living Wage increases 2.1% from £9.30 to £9.50

Extract

The governments remit for 2021

- The government asks the Low Pay Commission to monitor and evaluate the National Living Wage and recommend the rate which should apply from April 2021 in order to reach two-thirds of median earnings (of those eligible for the National Living Wage) by 2024, taking economic conditions into account. Following recommendations made by the Low Pay Commission, the National Living Wage, will apply to workers aged 23 and over in April 2021, with a target for it to apply to workers aged 21 and over by 2024.

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- The government asks the Low Pay Commission to monitor the labour market and the impacts of the National Living Wage closely, advise on any emerging risks and - if the economic evidence warrants it - recommend that the government reviews its target or timeframe. This emergency brake will ensure that the lowest-paid workers continue to see pay rises without significant risks to their employment prospects.

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The Low Pay Commission

Bryan Sanderson – Chair since Jan 2019 - Director of Quadrise Fuels International Plc, a Trustee of the Economist and a Premier League representative of the financial fair play committee.

Professor Richard Dickens been in post since May 2014, Professor of Economics and Head of the Department of Economics at the University of Sussex

Professor Sarah Brown – Commissioner since March 2015, Professor of Economics at the University of Sheffield and a director of the Institute for Economic Analysis of Decision-making (InstEAD) at the University of Sheffield.

Neil Carberry – leaves this month, Chief Executive of the Recruitment and Employment Confederation

Clare Chapman - Non-Executive Director at Weir Group Plc in the UK and Heidrick and Struggles International Plc in the USA

Martin McTague -owns and manage three businesses - offering public policy, engineering and IT consultancy services

Kay Carberry was Assistant General Secretary of the TUC before retirement, currently on the board of TFL, the board of TU Fund Managers and the Civil Justice Council.

Kate Bell - Head of Rights, International, Social and Economics at the Trades Union Congress.

Simon Sapper – retired senior national trade union official, currently Director of Makes-You-Think Consultancy

Extract

What we know now

- Look at four data points
  - – ONS Labour Force Survey - Nov
  - – Bank of England
  - – Office of Budget Responsibility
  - – International Monetary Fund

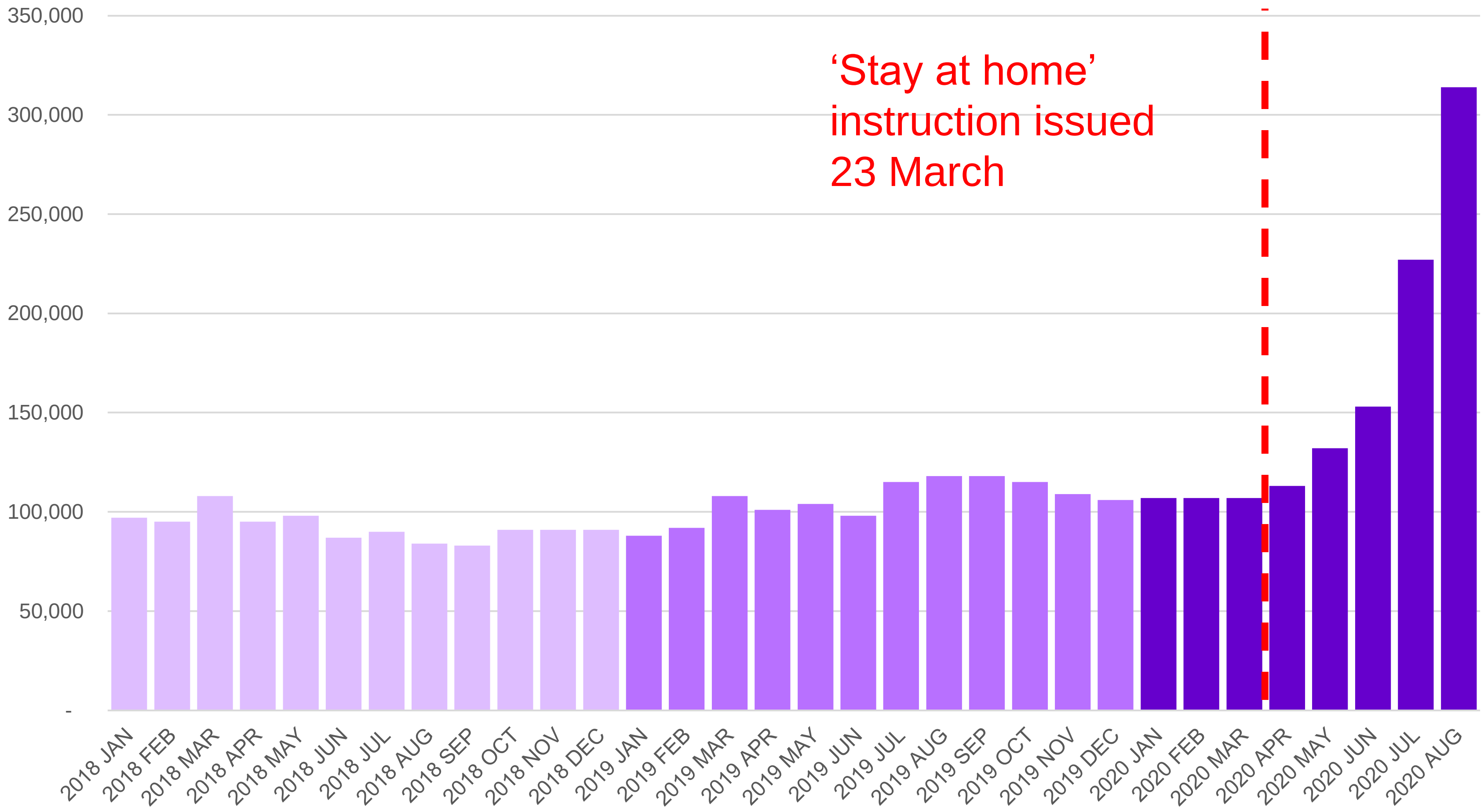
Extract

Office of National Statistics

- UK unemployment rate for the three months to September is estimated at 4.8%, 0.9% up on a year ago and 0.7% increase since the previous quarter.
- This equates to 1.62million people out of work, 318,000 more than a year earlier
- ONS believe that the rate at which unemployment is increasing is speeding up
- In the three months to September redundancies reached a record high of 314,000.

Extract

Redundancies



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- This equates to 1.62million people out of work, 318,000 more than a year earlier
- ONS believe that the rate at which unemployment is increasing is speeding up
- In the three months to September redundancies reached a record high of 314,000.
- Estimate 525,000 vacancies between August and October this year – 278,000 fewer than a year ago, but 146,000 more than the previous quarter.

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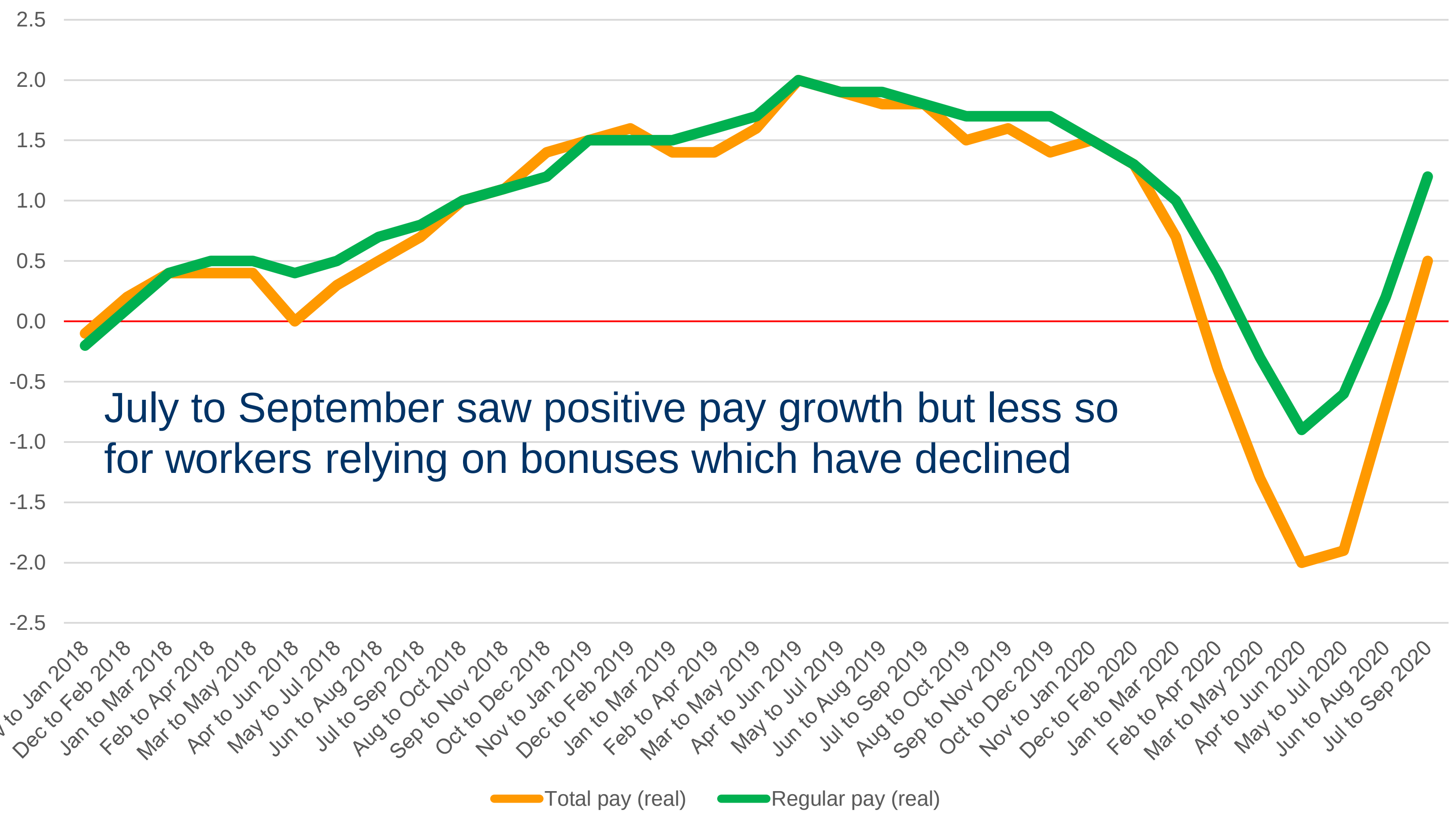
Office of National Statistics – pay rates



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Bank of England

- They don’t think there is going to be a double dip recession, but they do think that the last quarter of this year will see the economy shrink. *(ONS just published figures today showing record growth between July and September)*
- They think unemployment will peak next year at around 7.75% (up from 4.8% currently). This means going from around 1.6million people with out work to just under 3million people without work.
- The bank believe that pay of non-furloughed workers flattened throughout the pandemic, and median pay settlements decreased to zero in the three months to September 2020.
- The bank expects subdued pay growth in the upcoming months, because of fears of rising unemployment and reduced volumes of job-to-job moves.
- They think that even a ‘smooth transition’ out of the EU will knock 1% off growth for the first quarter of next year.

Extract

Office of Budget Responsibility coronavirus scenarios

- **upside scenario**: activity rebounds relatively quickly, recovering its pre-virus peak by the first quarter of 2021, and there is no enduring economic scarring.
- **central scenario:** output recovers more slowly, regaining its pre-virus peak by the end of 2022. Cumulative business investment is 6 per cent lower than in the March forecast over five years, while unemployment and business failures remain elevated. Real GDP is 3 per cent lower in the first quarter of 2025 than in our March forecast.
- **downside scenario:** output recovers even more slowly, returning to its pre-virus peak only in the third quarter of 2024. This results in a more significant loss of business investment, more firm failures and persistently high unemployment as the economy undergoes significant restructuring. Real GDP is 6 per cent lower in the first quarter of 2025 than in our March forecast.

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Office of Budget Responsibility scenarios

- The OBR prepared these scenarios before the second lock down had been planned or implemented.
- The OBR have made a series of predictions on levels of unemployment:
- In July they thought in a worst case it could be as high as 13.2% in the first quarter of 2021
- A more optimistic scenario suggested a peak of 11.9%

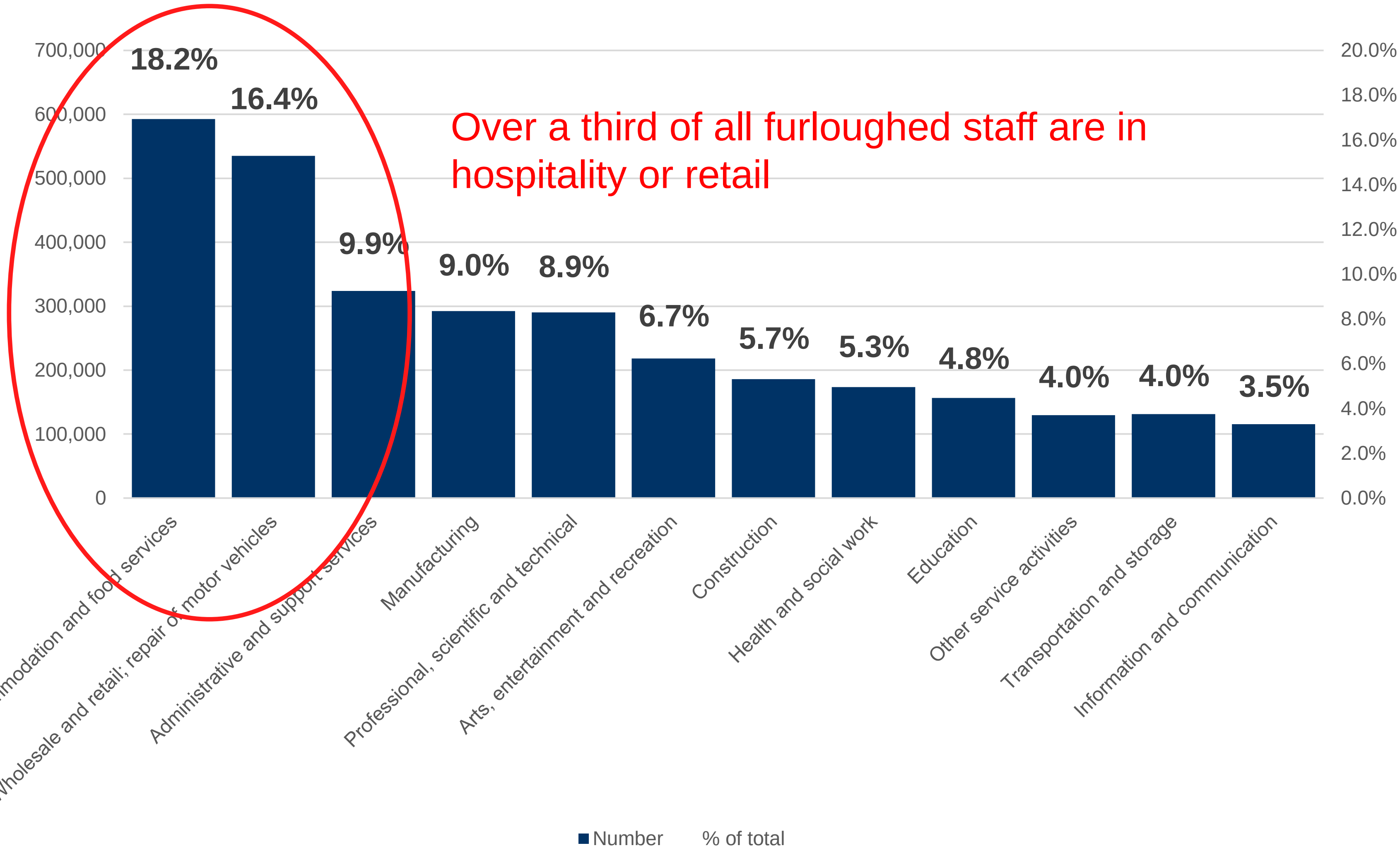
Extract

International monitory fund

- The IMF have grown more pessimistic about the UK economy.
- In September they anticipated the GDP would decline by 9.8% by October they were predicting a decline of 10.4%. *(even with the record growth between July and September these estimates could still be correct if GDP shrinks in the last quarter of the year)*
- They anticipated a rebound in the economy next year of around 5.9% but this has now been reduced to 5.7%
- Strongly supportive of government spending more money to shore up the economy – extension of furlough scheme to March is a good example of what they were looking for.
- The IMF think failure to secure a trade agreement will make these figures even worse.

Extract

Furloughed staff



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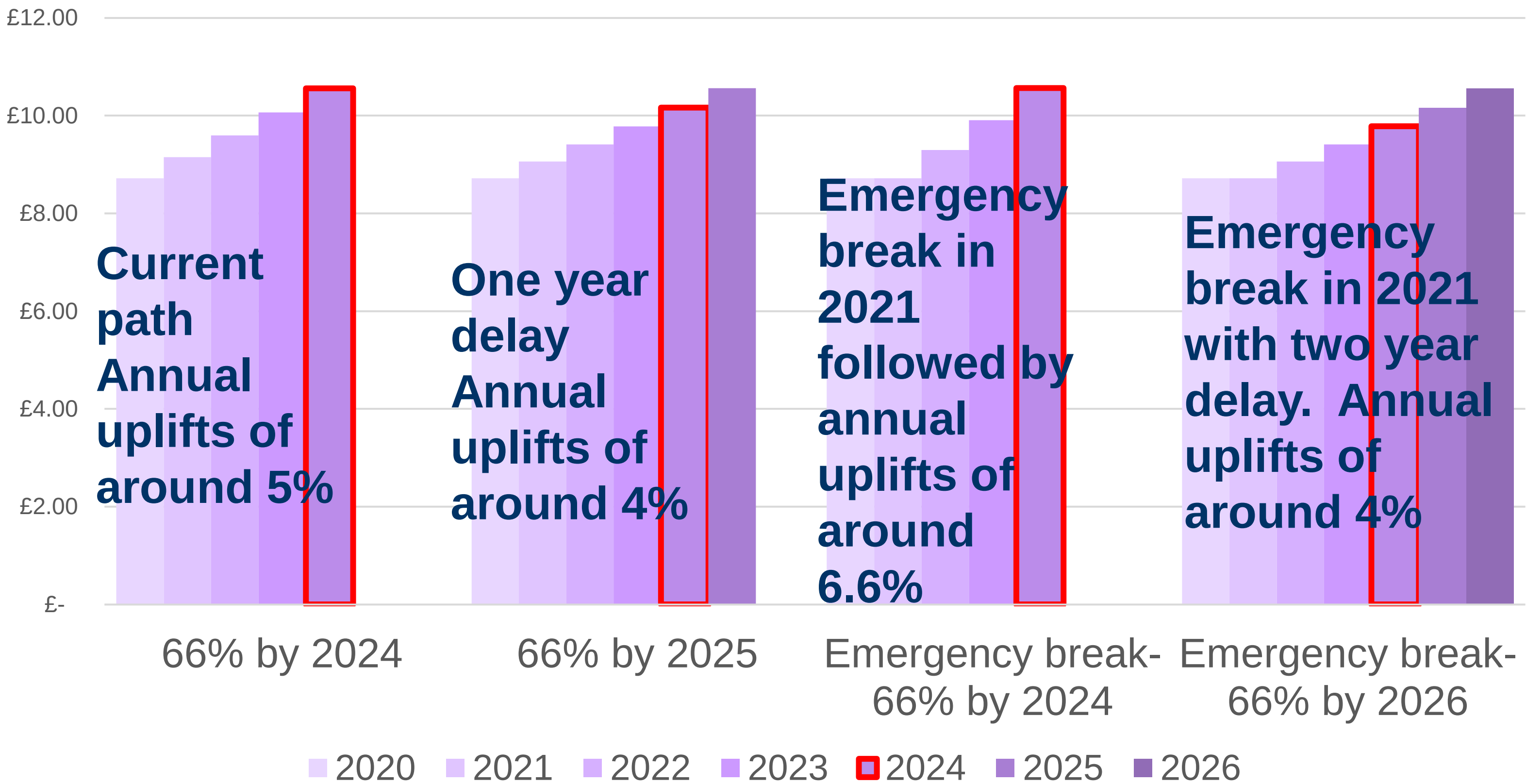
Conclusions

- The Low Pay Commission have an incredibly hard call to make.



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Conclusions

- We do not think it is possible for the government to explicitly abandon its commitment to reach 2/3 of median earnings, but it would appear inevitable that this target is delayed
- The government will not want to apply the ‘emergency break’ to NLW uplifts, but hard to not to argue that a significant uplift in wages cost will mean more furloughed jobs become lost jobs.
- If anything close to the Bank of England/OBR ‘downside’ scenario occurs, then the target of reaching 2/3 of median earnings would need to shift well beyond 2025.

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