

PAY AWARDS ANALYSIS

Summer awards strengthen outlook for pay

The median pay award across the economy remained at 2.0% for the three months to July 2021, according to the latest analysis from IDR. The median has mostly held steady at 2.0% for the past 12 months, despite dips below this level in February and March. Now that the period for analysis has moved on from April, the most popular month for pay-setting across the economy, this is a quieter time for pay reviews. However, the latest figures suggest a that a brighter outlook for pay may emerge as the economy moves forward from the uncertainty caused by the pandemic.

Instances of pay freezes have continued to fall and for the current analysis period they now represent just one-in-ten outcomes across the economy. Meanwhile at the higher end of the distribution of pay reviews, the proportion of increases worth 4% or more has doubled from one-in-twenty outcomes in the three months to June to one-in-ten in July. These changes have caused the interquartile range to narrow from between 1.0% and 2.4% to between 1.6% and 2.5% in this latest analysis period, which is based on a sample of 39 awards effective between 1 May and 31 July 2021, covering nearly 750,000 employees.

The private sector median has also remained stable at 2.0%. Here, the proportion of pay outcomes below 2% has fallen and three-fifths of awards in the sector are now worth between 2.0% and 2.99%. This clustering has caused the lower quartile to rise from 1.5% in June to 2.0% in the current analysis.

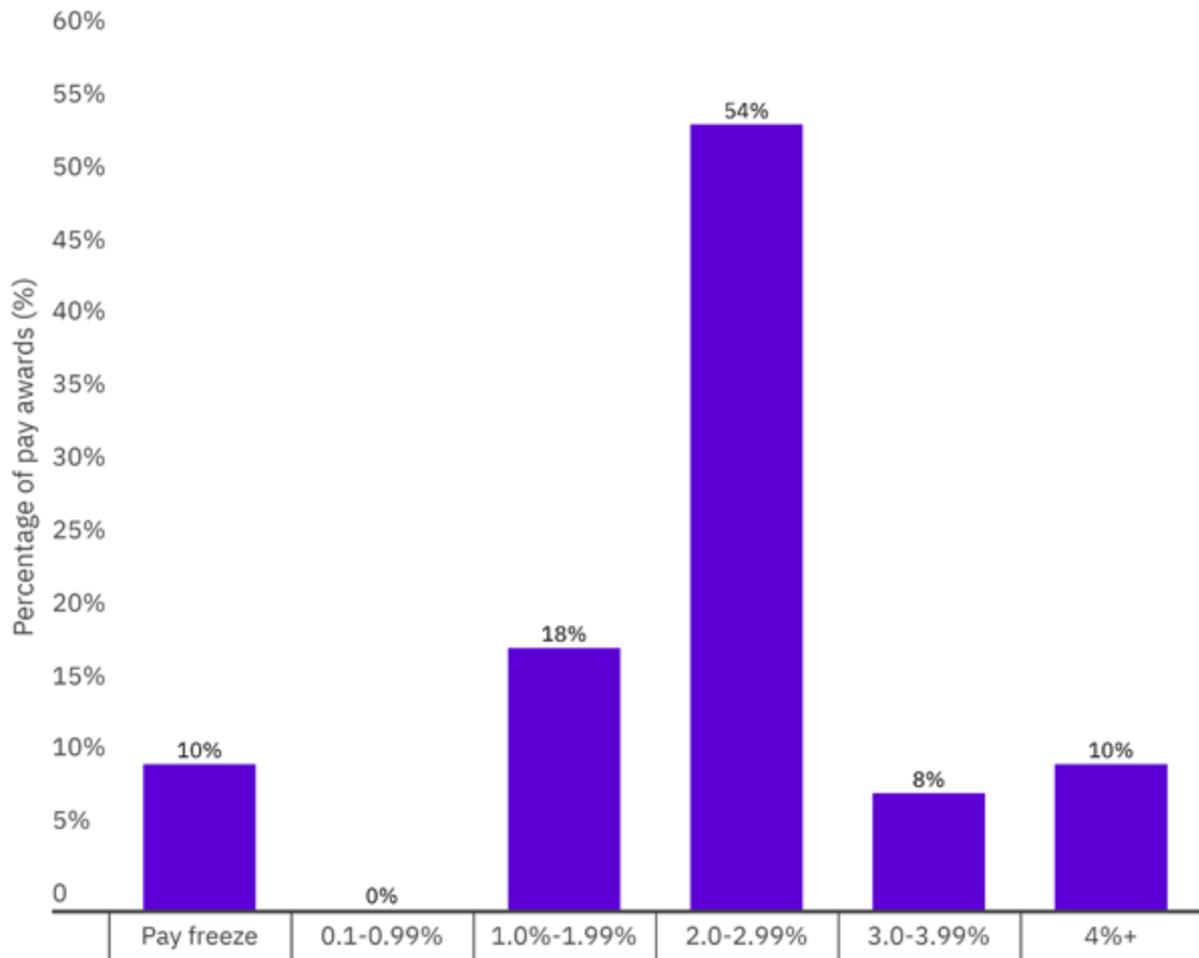
Pay awards in the three months to the end of July 2021

	Whole economy	Private sector	Manufacturing and production	Private services	Public sector
Lower quartile	1.6%	2.0%	1.9%	2.0%	0.8%
Median	2.0%	2.0%	2.2%	2.0%	1.3%
Upper quartile	2.5%	2.5%	2.5%	2.4%	2.4%

Based on 39 pay awards covering 747,162 employees in total.

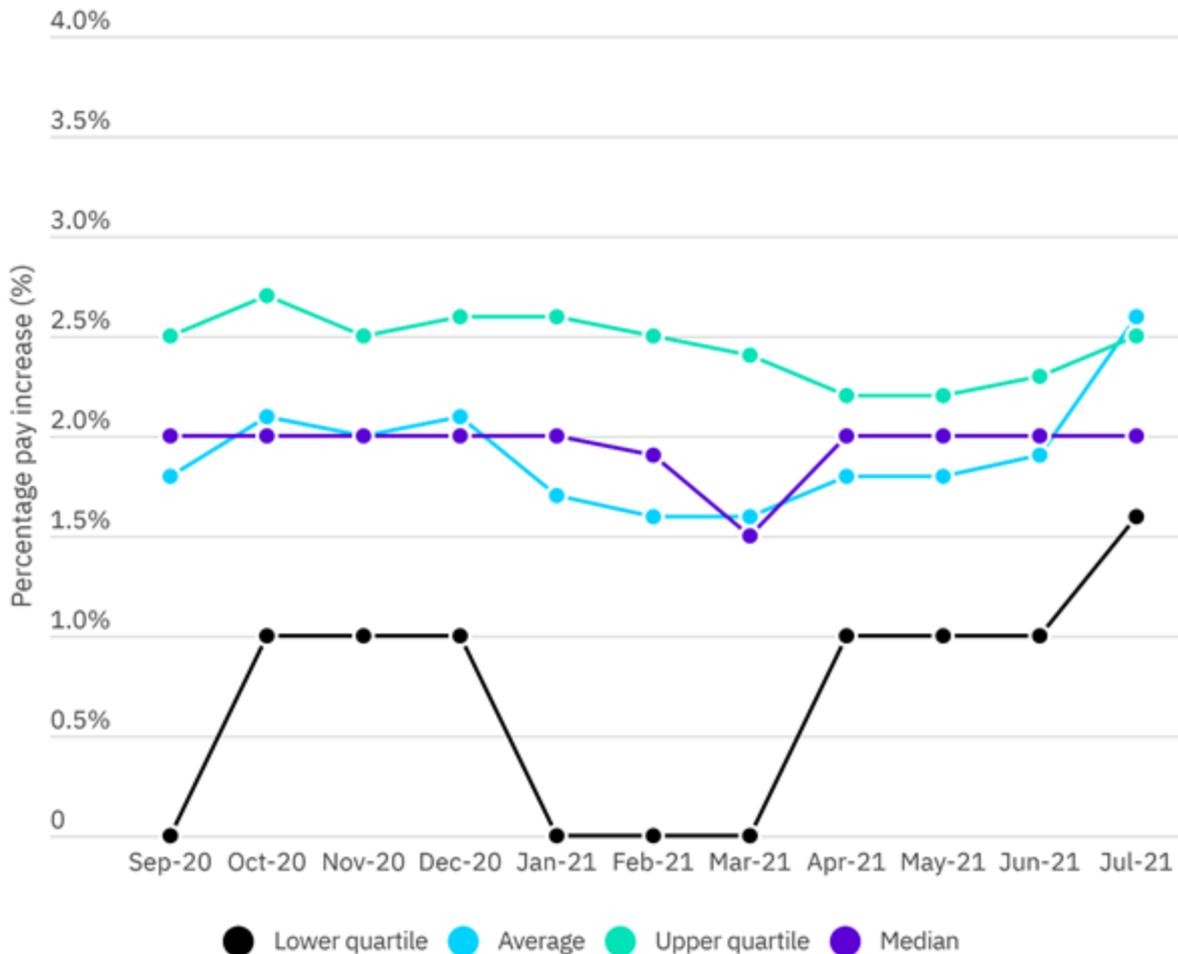
Source: IDR

Distribution of pay awards, three months to July 2021



Source: IDR

Whole economy pay awards, September 2020 to July 2021



Source: IDR

2021 awards compared to 2020

The median pay award across the whole economy for 2021 as a whole is 2.0%, based on 292 awards monitored so far. This is lower than the median of 2.3% for 2020. The overall distribution of pay has changed and a much larger proportion of awards are worth less than 2% this year compared to last year – 45% in 2021 compared to 27% previously. The biggest change has occurred in the 1.0% to 1.99% bracket. Last year fewer than one in ten awards were at this level but this proportion has grown to represent a quarter of all awards in 2021. Pay freezes represent almost a fifth of all pay outcomes for 2021 as a whole, a trend that continued from last year.

The emerging picture for pay in 2022 is somewhat brighter than it has been for some time. Employers that took part in our recent survey regarding pay intentions for 2022 were asked how next year’s award will compare to 2021. Half of employers expect the 2022 pay award to be higher than last year, with just 7% expecting to implement a lower award.