

PAY AWARDS ANALYSIS

High-end awards in private services cause upper quartile to ascend

The median pay award across the economy rose to 2.2% for the three months to the end of October, according to the latest analysis from IDR. The tighter labour market, and rising inflation, is clearly having an effect, though more in some areas than others. In particular, the upper quartile of awards has risen significantly from 2.8% in September to 3.5% in the current period. This change has been influenced by an increased proportion of higher-end awards worth 3% or more – up from around a quarter of all awards last month to over a third in this latest analysis period.

The average pay outcome across the economy has also risen and is now 3.0% in our latest sample, which is based on 41 awards effective between 1 August and 31 October 2021, covering over one million employees. The average had been at 2.6%. The average is also influenced, much more so than the median, by the greater number of higher-end deals. At the lower end of the distribution of pay awards, there has been a drop in the proportion of pay freezes, with the majority of these occurring in the public sector. As a result, the lower quartile has risen to 1.8%, up from 1.7% in the previous rolling three-month period.

Our regular monitoring of pay trends throughout 2021 showed a fairly stable median of 2.0% across the economy for most of the period. However, as we reach the end of the year and look back at our whole sample for 2021, the picture has altered. As the chart on below shows, the whole economy median fell to just 1.6% in the three months to May and then peaked at 2.3% in August. The impact of recruitment and retention problems following the re-opening of the economy, and in the most recent period, the sharp rise in the cost of living, have contributed to the upward trend.

Looking ahead to 2022

An initial look at already-decided outcomes for 2022 shows that the median pay award across the economy is likely to rise again – possibly up to 2.5% at least, based on 21 awards that we have monitored so far. The rising level of inflation is placing pressure on employers to award higher pay increases and this, coupled with the National Living Wage rising by 6.6% on 1 April 2022, means that we may see a considerably higher median by the spring.

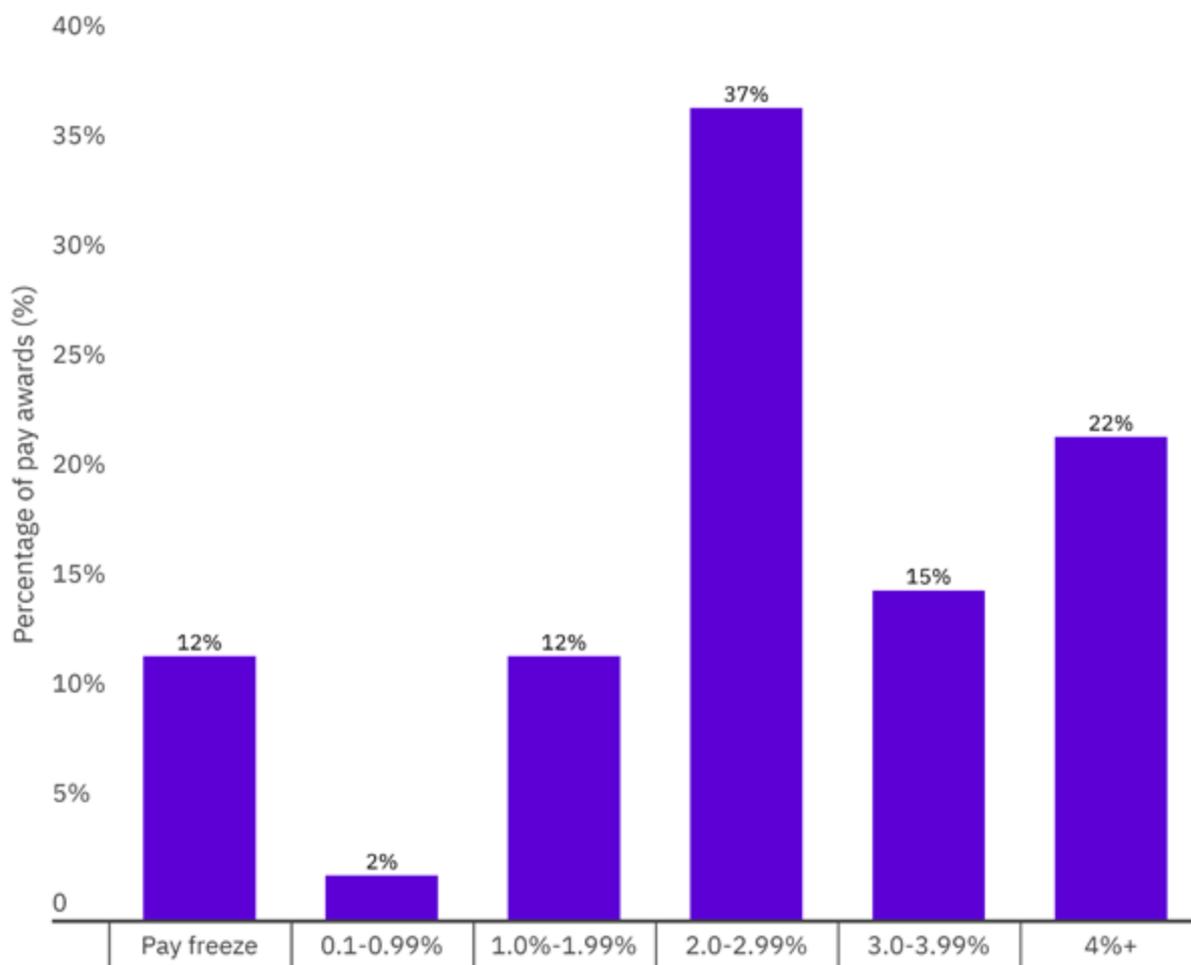
Pay awards in the three months to the end of October 2021

	Whole economy	Private sector	Manufacturing and production	Private services	Public sector
Lower quartile	1.8%	2.0%	1.9%	2.0%	0.0%
Median	2.2%	2.6%	2.0%	3.0%	1.0%
Upper quartile	3.5%	3.7%	2.1%	4.8%	1.8%

Based on 41 pay awards covering 1,004,748 employees in total.

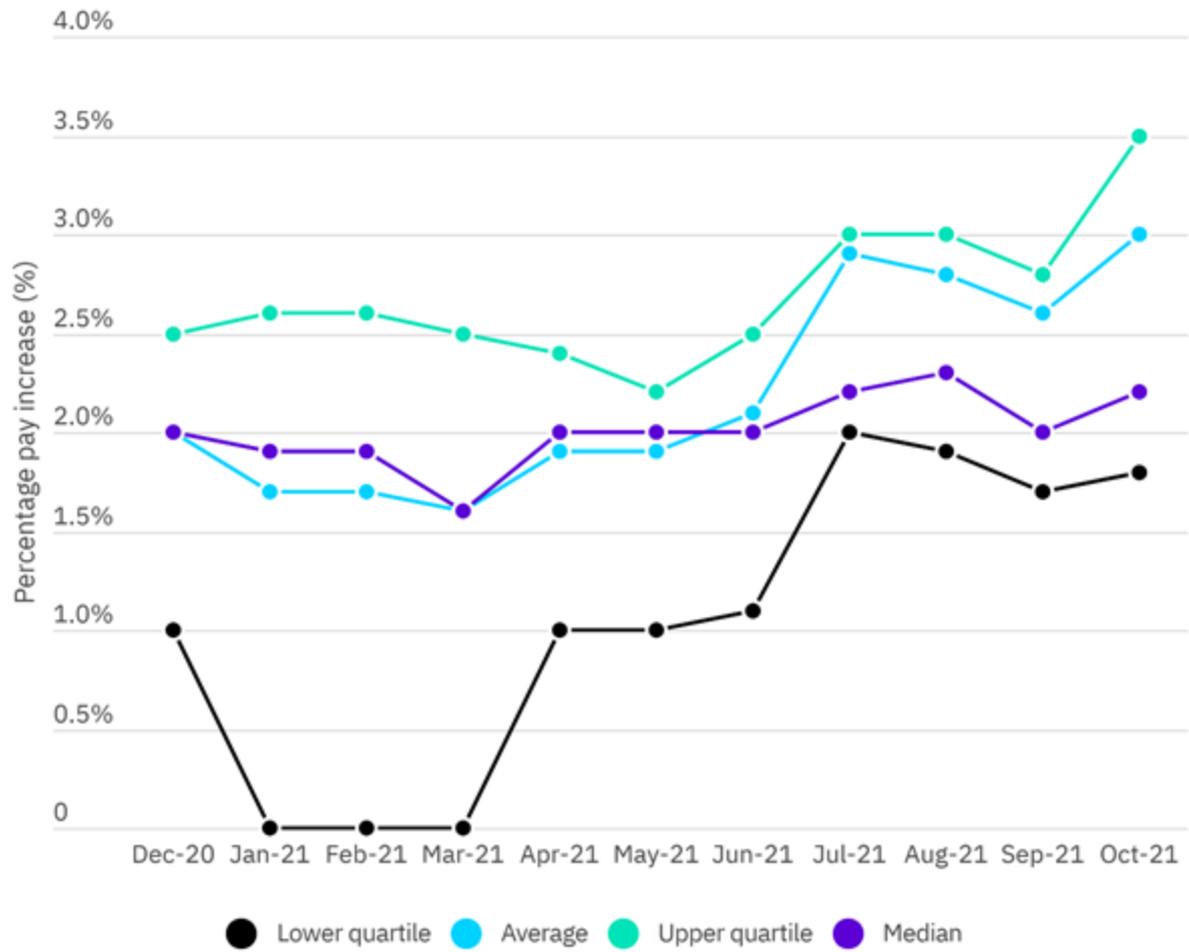
Source: IDR

Distribution of pay awards in the three months to October 2021



Source: IDR

Whole economy pay increases, December 2020 to October 2021



Source: IDR