

Pay Awards Analysis

Our latest analysis shows that the median pay award across the economy has risen to 3.0% in the three months to January 2022, having been at 2.0% for most of 2021. A rising proportion of higher-end awards worth 3% or more, combined with a fall in the number of pay freezes and lower-end rises, have contributed to the elevated median. Some private sector employers are awarding comparatively larger pay uplifts, in excess of 4%, in areas such as engineering, hospitality and road transport. Awards at this level now represent over a quarter (28%) of our sample, which contains 58 pay awards effective between 1 November 2021 and 31 January 2022, together covering over 240,000 workers.

The upper quartile of awards has been rising since the summer and peaked at 5.0% in the three months to December. In the current period it is down to 4% but this is very different to the picture during the same period a year ago when the upper quartile was just 2.5%. The gradual easing of lockdown restrictions has been accompanied by a steady rise in the proportion of higher-end awards as well as a fall in the proportion of pay freezes – down from 9% in December to just 3% in our latest sample. This marks a return to pre-pandemic levels for freezes.

The sample contains no public sector awards and therefore the results reflect the picture in the private sector where the median pay award is also 3.0%. The interquartile range of awards has widened from between 2.0% and 3.0% to between 2.2% and 4.0% in this latest period.

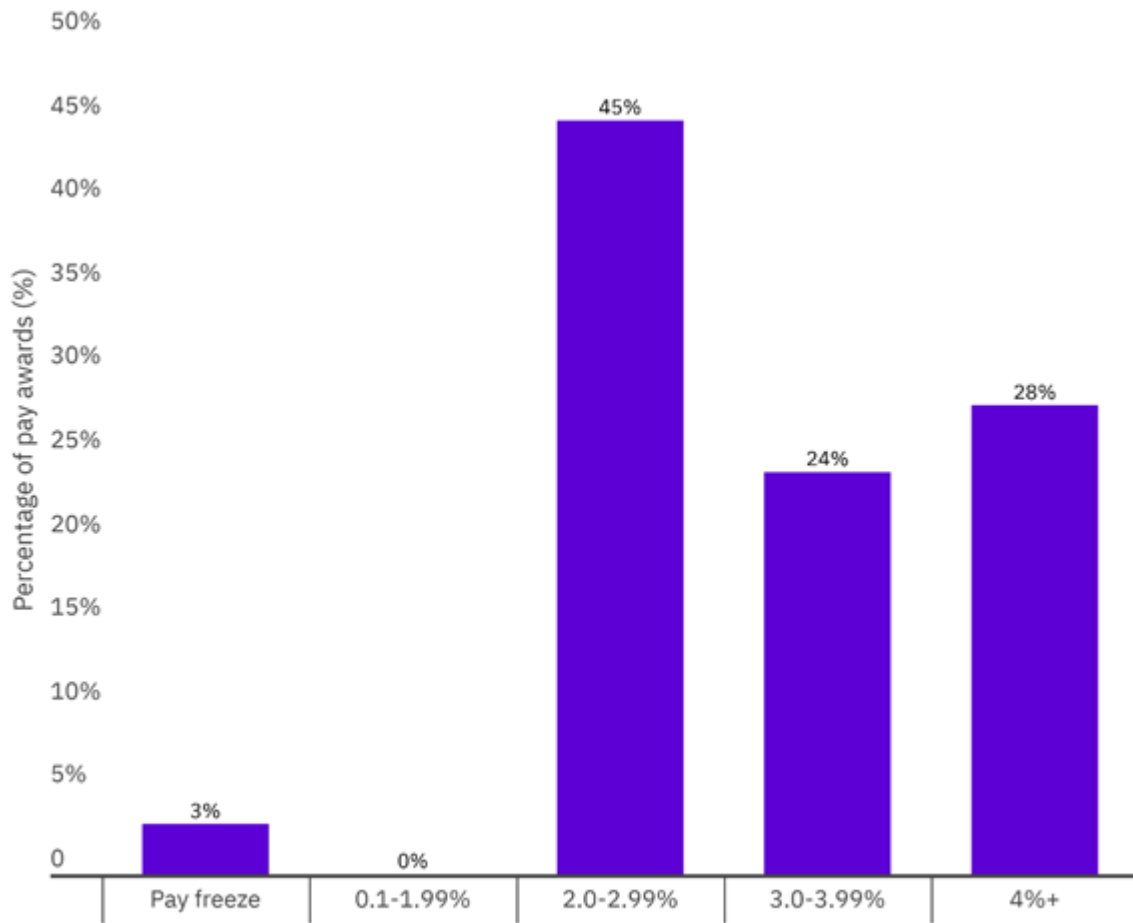
Pay awards in the three months to the end of January 2022

	Whole economy	Private sector	Manufacturing and production	Private services	Not-for-profit
Lower quartile	2.2%	2.2%	2.5%	2.0%	2.4%
Median	3.0%	3.0%	3.0%	3.0%	2.8%
Upper quartile	4.0%	4.0%	3.8%	5.1%	3.8%

Based on 58 pay awards covering 240,315 employees in total.

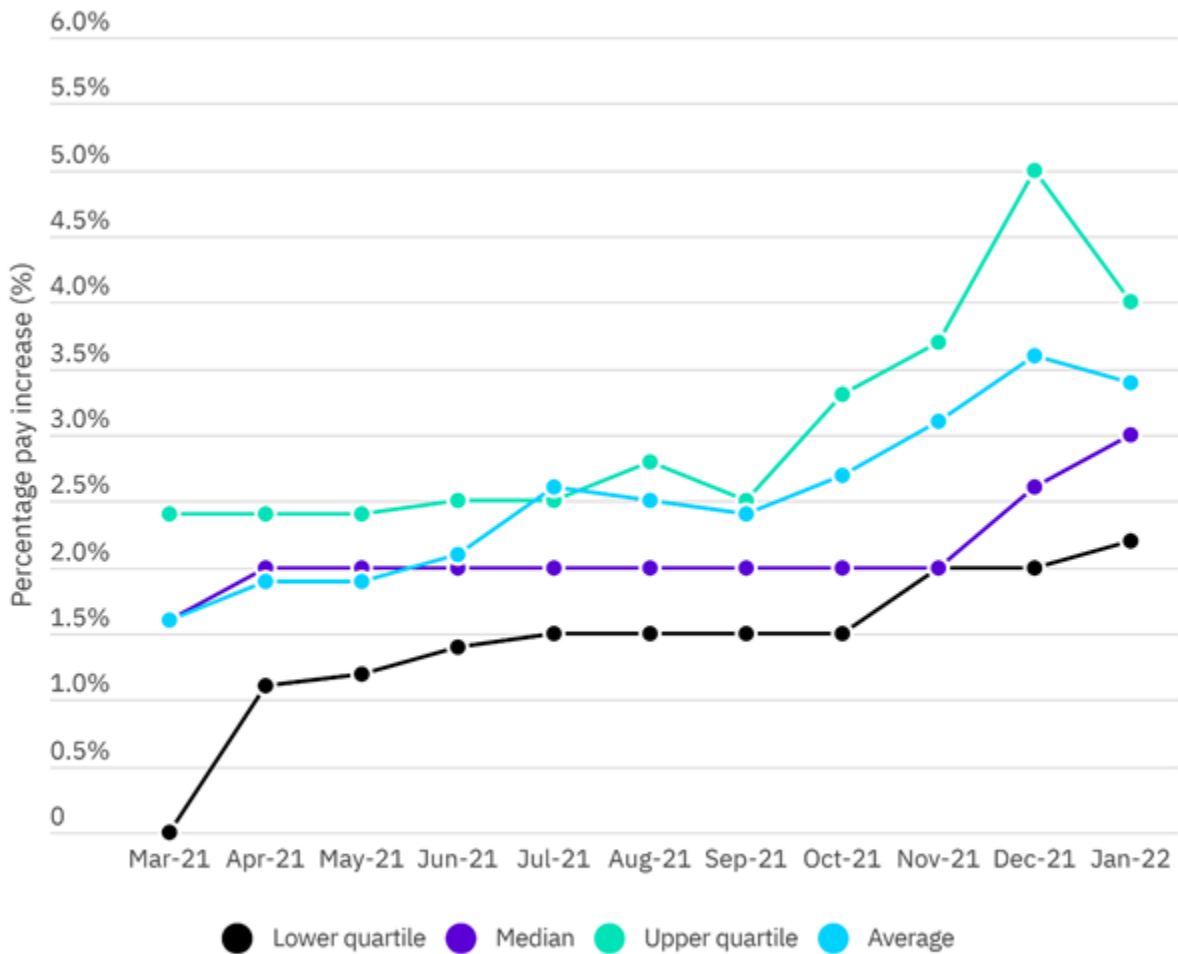
Source: IDR

Figure 1 Distribution of pay awards - three months to end of January 2022



Source: IDR

Figure 2 Whole economy pay increases, March 2021 to January 2022



Source: IDR

Looking ahead to the rest of 2022

Our analysis of agreed deals for the whole of 2022 shows that the median pay award across the economy is 3.0%, based on 75 awards that we have monitored so far. Employers continue to face upward pressure on pay as inflation has risen sharply and recruitment and retention problems are persisting. Our recent poll of employers' pay intentions for 2022 found that 77% of organisations intend to set their pay rise at or above 3% this year. As well as higher inflation and a tighter labour market, this is also influenced by the forthcoming uplift in the National Living Wage, which will rise by 6.6% on 1 April 2022 to £9.50.