

PAY AWARDS ANALYSIS to the end of April 2021

Median back to 2.0% as proportion of pay freezes continues to fall

The median pay award across the economy has risen to 2.0% for the three months to April 2021, having dipped to 1.8% in March. April remains the most popular month for pay setting and many firms in both higher-paying sectors such as finance and lower-paying sectors, such as retail and care services and housing, implement annual increases at this time of year. The uplift in the National Living Wage is a key influence on pay reviews in the lower-paying areas.

The interquartile range for awards has narrowed slightly from between 1.0% and 2.3% to between 1.0% and 2.2% as a result of a change at the lower end of pay awards. The proportion of pay freezes across the economy has fallen – from around a quarter of all outcomes to 17% of our latest sample, which is based on 125 awards effective between 1 February and 30 April 2021. The distribution of increases for awards above 2% has remained fairly stable. However, the proportion of lower-level increases, between 0.1% and 1.99%, has continued to rise and this range now accounts for 29% of all outcomes.

The private sector median has remained at 2.0% since our last analysis, influenced by a larger proportion of higher-end awards worth 3% in private services. Pay increases at this level account for over a fifth of all awards in the sub-sector, compared to increases in manufacturing where only around one-in-ten outcomes are at this level. This change at the higher end of the distribution, coupled with a reduction in the number of pay freezes, has impacted the lower quartile for the private sector, which has risen from 0.0% in March to 1.4% in this latest analysis period.

April is also a key month for pay setting in the public sector, where the median has fallen to 1.5%. Many decisions due for this anniversary, such as those for NHS and local government staff, are delayed. The written report of recommendations from the NHS Pay Review Body will not be submitted to the Government until later this month. Meanwhile the Local Government Association is continuing negotiations with trade unions on its most recent pay offer of a 1.6% paybill increase. These outcomes, coupled with the Government's decision that pay rates for most staff covered directly by central policy are to be frozen this year, will shape the picture of awards in this area as we progress through the year.

Lower awards in 2021 than in 2020

Nearly three-fifths of pay awards in 2021 are at a lower level than under the same review last year, according to our monitoring of pay awards for 98 separate employee groups. We analysed a sample of pay outcomes from 2020 and compared them with the 2021 awards for the same groups. The results also showed that around a quarter of outcomes resulted in a higher award this year and the remaining 18% of outcomes resulted in the same level of increase being applied in both 2020 and 2021. Our sample contained 27 pay freezes in 2020 but some 59% of these reviews resulted in a pay rise in 2021, most commonly in manufacturing. The remainder saw another freeze as employers in transport and some areas of engineering continue to face challenges to labour costs due to pandemic restrictions and reduced demand in their industries.

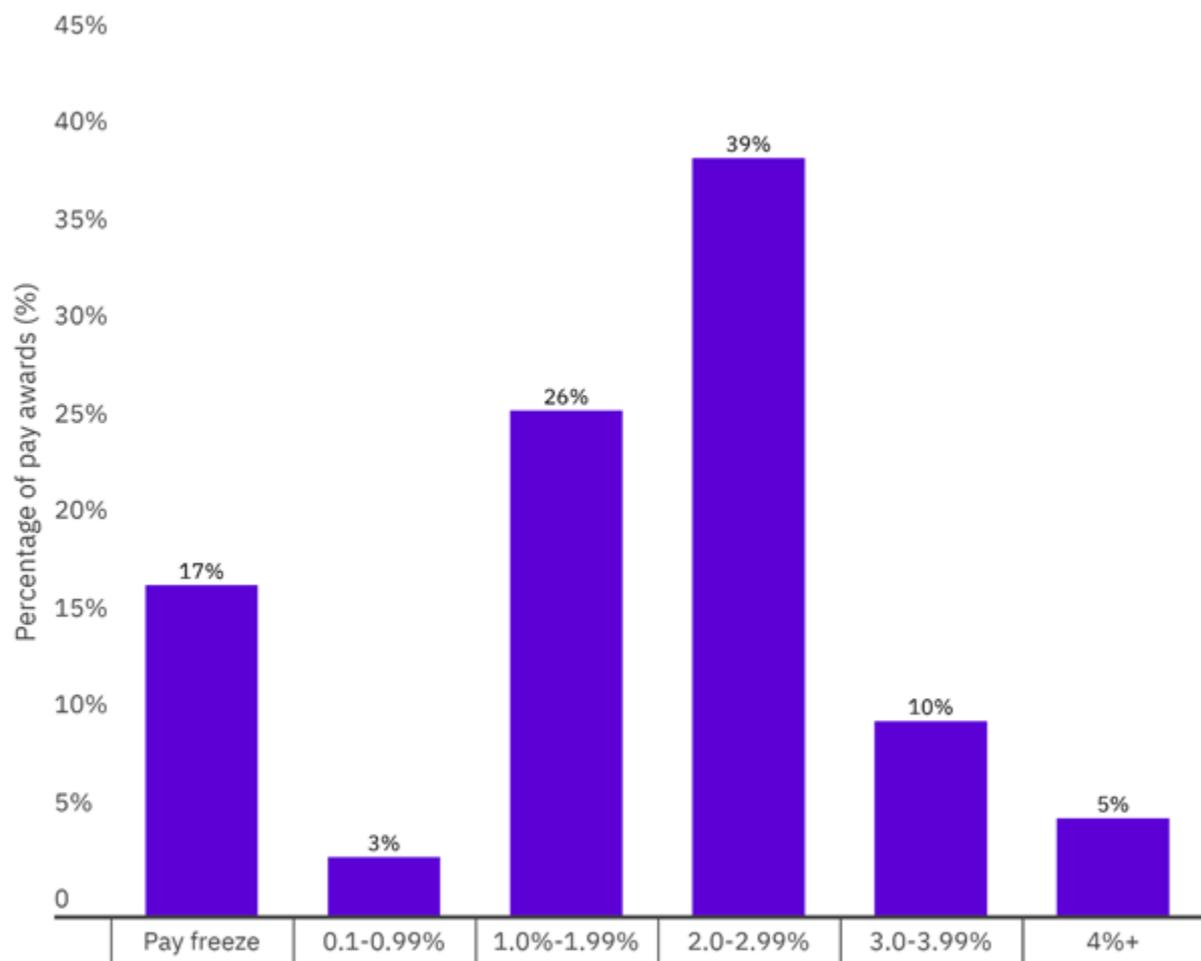
Pay awards in the three months to the end of April 2021

	Whole economy	Private sector	Manufacturing and production	Private services	Not-for-profit	Public sector
Lower quartile	1.0%	1.4%	1.5%	1.2%	0.6%	0.8%
Median	2.0%	2.0%	2.0%	2.0%	1.0%	1.5%
Upper quartile	2.2%	2.3%	2.3%	2.2%	1.5%	2.1%

Based on 125 pay awards covering 1,180,832 employees in total.

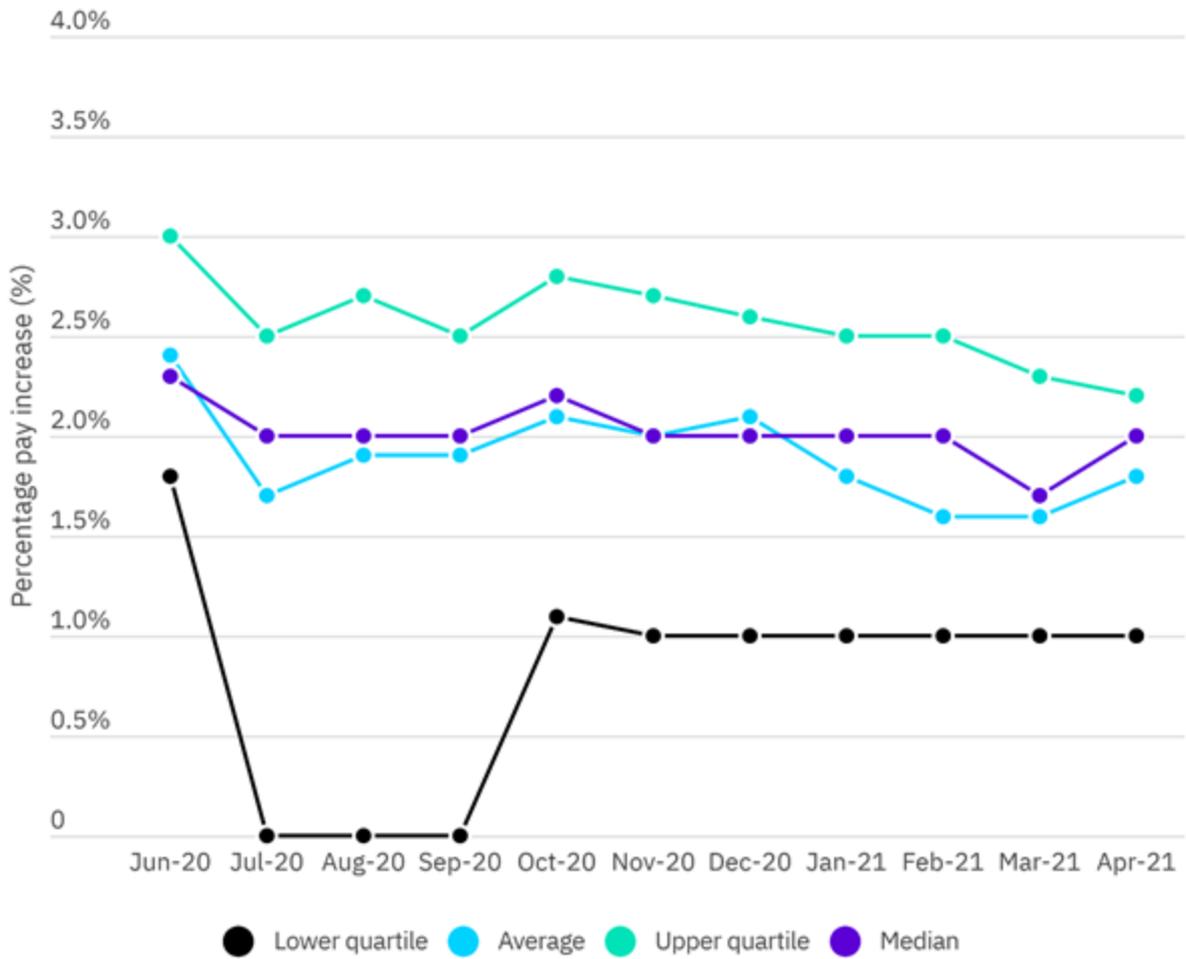
Source: IDR

Distribution of pay awards - three months to the end of April 2021



Source: IDR

Whole economy pay awards, June 2020 to April 2021



Source: IDR