

PAY AWARDS ANALYSIS

Median steady as pay awards cluster around 2%

Our latest analysis shows that the median pay award across the economy remains at 2.0% for the three months to May 2021. There has been little movement in the overall distribution of outcomes since April. The proportion of higher-end awards worth 3% or more remains comparatively low – representing 15% of our sample, which is based on 144 pay awards effective between 1 March and 31 May 2021 covering over 1.3 million employees in total. Over two-thirds of pay rises are worth between 1% and 2.99%, with the largest cluster (27%) being worth 2%, and a smaller cluster (17%) at 1%.

In the private sector the median is also 2.0% but the upper quartile has risen from 2.3% to 2.5%. The proportion of increases between 2% and 2.99% in the sector has grown and now represents two-fifths of outcomes, while instances of pay freezes have fallen from 15% in the three months to April to 11% in our latest sample. Many employers, particularly in the retail and hospitality sectors, responded to the uplift to the National Living Wage, which rose by 2.2% to £8.91 from 1 April 2021, by raising pay by the same percentage or greater.

Higher-end awards worth 3% or more represent nearly a fifth of awards in the sector, with the majority of these occurring in private services, for example food retail. Meanwhile almost a quarter (23%) of increases across the private sector are worth between 1% and 1.99%. Pay rises in this bracket are found across many industries such as food, drink and tobacco and in transport and distribution, including Royal Mail where basic pay rates were increased by 1% in April in the second year of a two-year deal.

Meanwhile the median pay award in the public sector is just 1.0%. Our sample this time contains a range of public sector pay awards, including those for Scottish prison staff, who received 4%, staff at the Financial Conduct Authority, where basic pay was frozen, and employees at a number of councils that have opted out of the national agreement for that sub-sector, and who mostly paid either 1% or 2%.

The Government had said that pay will be frozen this year for all those groups employed directly by government or subject to central policy, such as the different review body groups, though with the exception of NHS staff. But outside of these groups, pay increases are being awarded or offered, mostly between 1% and 2%. The main exception is Scotland, where higher increases are being made to public sector groups.

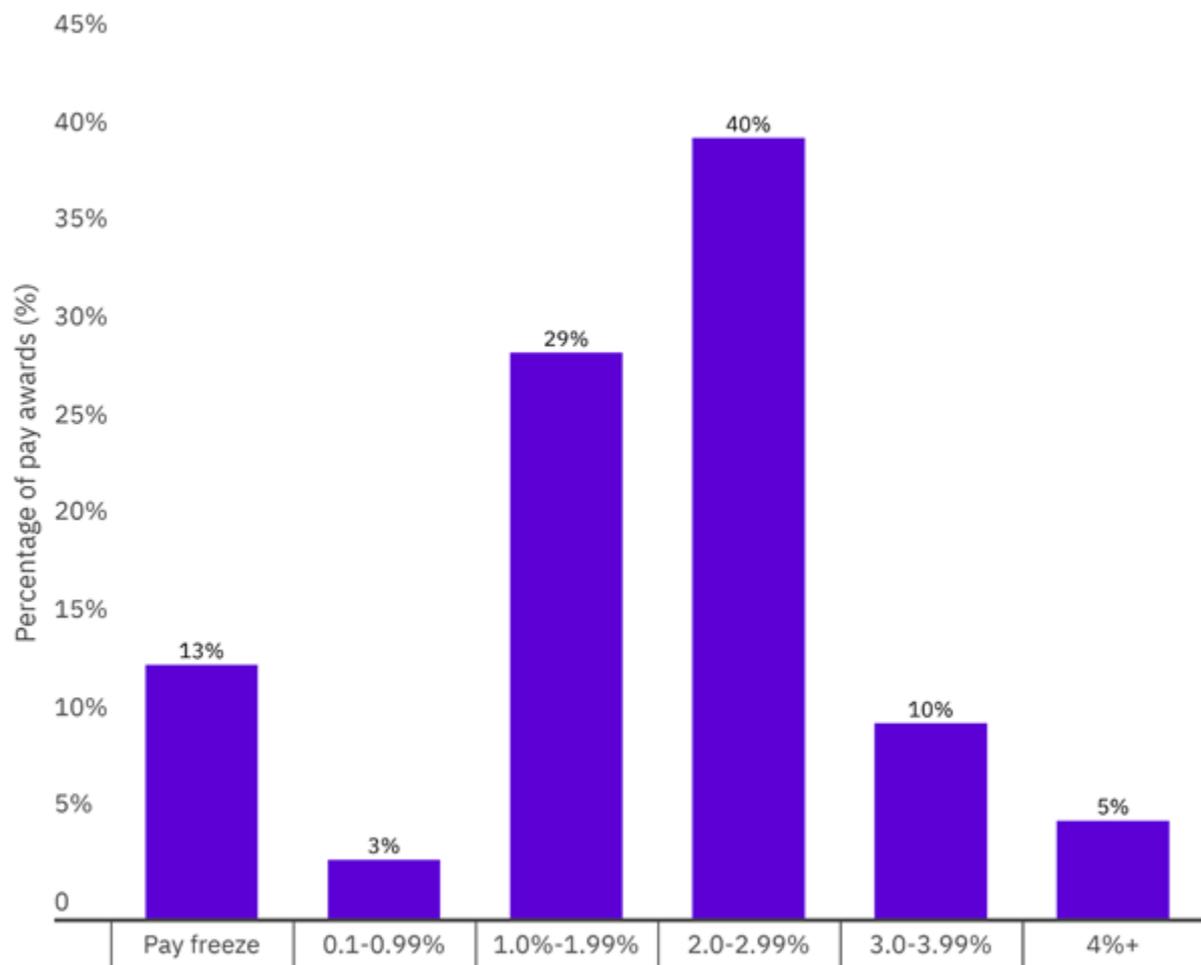
Pay awards in the three months to the end of May 2021

	Whole economy	Private sector	Manufacturing and production	Private services	Not-for-profit	Public sector
Lower quartile	1.0%	1.5%	1.5%	1.5%	0.7%	1.0%
Median	2.0%	2.0%	2.0%	2.0%	1.0%	1.0%
Upper quartile	2.2%	2.5%	2.5%	2.4%	1.5%	2.0%

Based on 144 pay awards covering 1,301,870 employees in total.

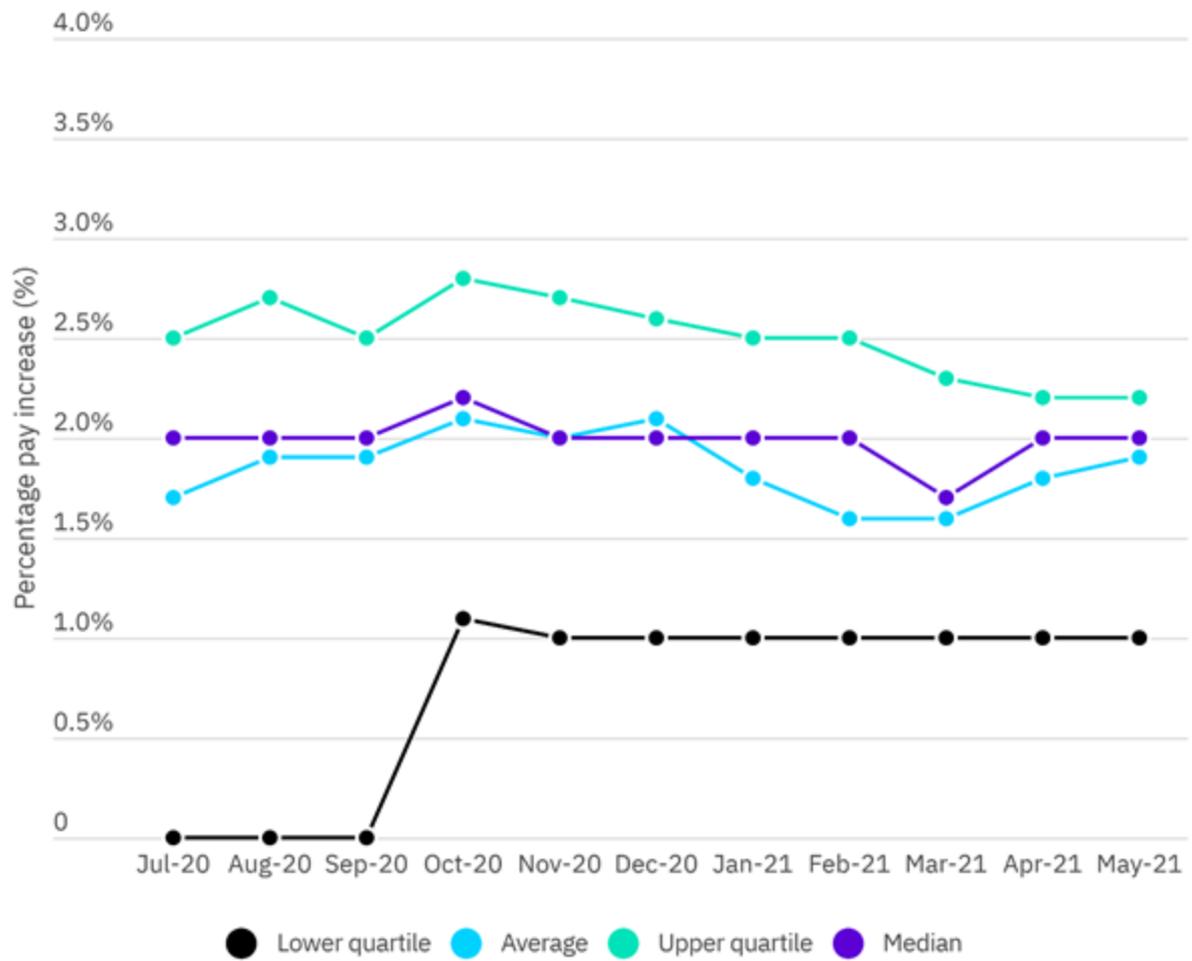
Source: IDR

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



Source: IDR

Whole economy pay awards, July 2020 to May 2021



Source: IDR