Employers Forecasting 2% Pay Rises in 2015

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Talk of strong wage growth might be premature, with private-sector employers planning across-the-board pay increases to staff of just 2% in 2015, according to the latest data from pay analysts at XpertHR.

Although almost eight organisations in 10 are planning a general pay increase for staff over the next year, the level of the increases expected does mute some of the optimism.

However, while the across-the-board pay rises are likely to remain low, this is not to say that employees won't see other increases in their pay. It is clear that employers still do not have the ability to pay higher increases to everyone; instead, the recruitment and retention issues that many organisations are experiencing are being addressed with one-off increases to pay being made in particular hot spots.

The survey of private-sector employers also found that around two-thirds of organisations are still likely to take some steps to control their paybill costs over the coming year. Measures likely to be employed include: not replacing leavers; reducing overtime or overtime payments; lower pay rises; and redundancies.

XpertHR's bi-annual survey of pay forecasts is based on responses from 266 private-sector organisations. Public sector organisations were excluded from the research as many are covered by the Government policy that restricts 2015/16 pay awards to up to an average of 1%.

Latest pay awards

The latest pay settlement readings from XpertHR confirm the subdued nature of pay bargaining at present. In the three months to the end of February 2015, the median pay award across the economy was worth just 2% - half a percentage point below the 2.5% recorded in the three months to the end of February 2014.

Other key findings from XpertHR's latest analysis of pay awards include:

- The middle half of pay awards effective in the three months to 28 February 2015 are worth between 1.6% and 2.5%.
- The most common pay award was a 2% increase (awarded in 26.3% of cases).
- Within the private sector, manufacturing-and-production companies' pay awards are worth a median 2.1% in the latest analysis. Private-sector services companies continue to make pay awards typically worth 2%.
- Pay freezes account for around 10% of all pay awards.
- Pay awards in the public sector were worth a median 1.5% in the 12 months to the end of February 2015, compared with 2% in the private sector over the same period.

XpertHR Pay and Benefits editor Sheila Attwood said:

"A 2% pay rise over the coming year will be less than many employees had hoped for. Despite improving economic conditions, employers are sticking to their guns on low pay awards, which are only made to look more appealing by the fall in inflation."

Note to editors

- Press inquiries to Sheila Attwood, sheila.attwood@xperthr.co.uk, tel 0208 652 2251 or 07919 157865 after 3pm on Thursday.

- XpertHR surveyed 266 private-sector organisations, that were able to supply pay forecast information in relation to 371 groups of employees.
- In our latest quarterly analysis we have recorded details of 224 pay awards effective in the three months to the end of February 2015 that provide an identifiable increase in the lowest adult rate of pay.
- All XpertHR press releases can now be viewed here. The next press release on pay settlement trends will be released for 24 April 2015.

- XpertHR is the UK's most comprehensive online source of legal compliance,good practice and benchmarking information made available to HR professionals as a single subscription service.

The median increase by number of pay reviews is the midpoint in the total spread of basic pay awards – i.e. the percentage at which half the pay reviews are at the same or higher value and half are at the same or lower value.

The basic pay award measured is the annualised percentage increase received by the lowest adult grade. It excludes any additional payments over and above the basic rise such as bonuses, consolidation, increments and performance-related pay.

XpertHR offers detailed statistics and analysis of pay settlements across the UK. The research is based on the largest sample of pay deals collected in the UK – XpertHR collects details of pay settlements for around 1,600 employee groups each year. Its database contains more than 37,000 pay settlements dating back to 1984.

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