

Pay awards in 2014 cluster around 2.5%

Pay settlements in 2014 have solidified around a median figure of 2.5% across the economy. Outcomes have become more uniform, with fewer freezes and high-end deals, however some sectoral variation remains.

Pay settlement data – three months to end of Aug 2014

Whole economy	
Median	2.5%
Average	2.3%
Weighted average (by employee nos)	2.3%
Interquartile range	2.0 to 2.7%
Median by sector	
Private sector	2.5%
Manufacturing & production	2.5%
Private services	2.5%
Based on 48 settlements covering 1,059,178 employees	

Source: IDS Pay

The median pay settlement in the three months to August remains at 2.5%, in line with the median throughout 2014. The trend during both the most recent period and the year as a whole has been for settlements to cluster tightly around the median figure, with only a small proportion of awards recorded either lower than 2% or higher than 3%. In the three months to August some 69% of settlements were recorded between 2 and 2.99%, slightly down from the three months to July, but higher than the proportion for 2014 as a whole.

Settlements in 2014 show uniformity

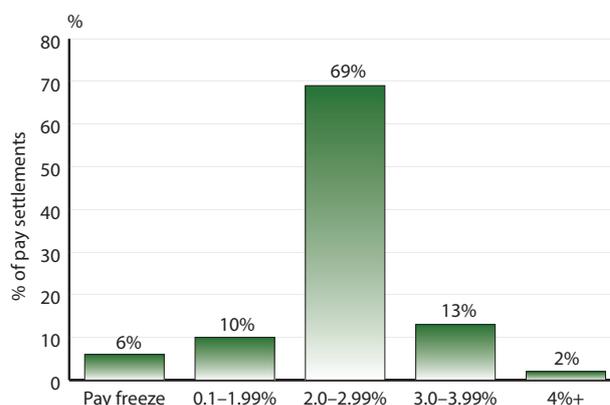
Pay settlements so far this year have settled into a similar pattern to the one established in 2013, although showing even less variation. In every single three-month rolling analysis period in 2014, the median pay award recorded by IDS Pay has been 2.5%, and at every stage a significant majority of all awards have been between 2 and 3%.

In 2014 so far, over three-quarters of awards have been recorded between 2 and 3% inclusive, compared to a little under two-thirds of settlements in 2013. This means that the clustering of deals around the median that we identified last year has intensified this year. As a correlation to this trend, we have also seen a fall in the rate of pay freezes to something closer to the pre-recession norm. Just 4% of recorded deals resulted in a freeze, down from 8% in 2013. At the other end of the range, just 8% of settlements saw pay rise by more than 3% in 2014, down from 13% of awards in 2013. IDS has tracked 422 pay settlements so far this year, covering over 4 million employees.

Some sectoral variations remain in 2014

Despite the uniformity of outcomes, some sectoral variation has persisted in 2014. The most obvious is the split between public and private sector settlements. Most public sector awards are at 1% in line with Government policy, compared to the private sector median of 2.5%.

Distribution of pay settlements, Jun–Aug 2014



Source: IDS Pay

Among private employers, some variation also remains, albeit on a much lesser scale. Although the manufacturing and the services sectors share the same median award of 2.5%, the interquartile ranges point to slightly higher deals in manufacturing. In manufacturing, half of all deals were recorded between 2.2% and 3%, influenced by higher awards in aerospace and defence and in the automobile industry. In private services, by contrast, the interquartile range (in which half of all deals are found) was lower, between 2% and 2.7%. This may change in the final quarter of 2014, as the 3% uplift to the adult minimum wage may push settlements higher in lower-paying parts of the service sector, such as retail.

Falling inflation brings real-terms increases closer

Average RPI inflation so far in 2014 is currently 2.6%, meaning that pay settlements at the median are very close to matching rises in the cost of living after a number of years of real-terms falls. However, the driver for this has not been rising pay awards but falling inflation, as pay-setting behaviour has shown little change over the year. Either inflation would need to fall further or pay awards show much stronger growth in 2015 if pay is to make up any of the real-terms value lost since 2009.

Key new deals

Organisation	% increase	Effective date
BT	2.5	1 Apr 14
Center Parcs	2.5	4 Jul 14
Fire Service	1.0	1 Jul 14
Leyland Trucks	3.5	1 Sep 14
Santander	2.8	19 Mar 14
Sellafield	2.4	1 Apr 14
Vauxhall Motors	pay freeze	1 Sep 14

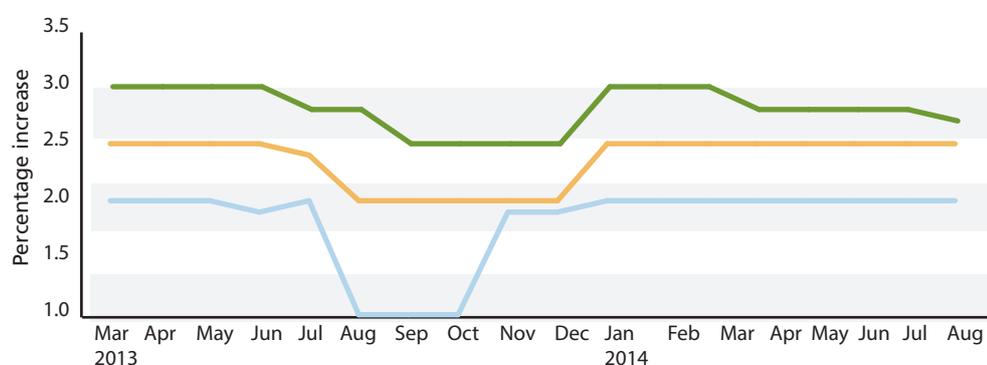
IDS Pay – tables and charts

IDS Pay records data on settlements across the economy, covering approximately nine million employees in total. We present the data in two ways. The graph below shows the median and inter-quartile ranges of increases in each rolling three-month period over the past 18 months, and the table below gives this data in numerical format, also showing the total number of settlements recorded in each rolling three-month period. On the page opposite is our pay settlement distribution chart, where each dot represents the settlement for a particular organisation or bargaining group. The chart gives a clear idea of the overall distribution of increases and shows the outlying settlements which are lost from view in the inter-quartile range chart. The totals shown below each month are the number of deals effective in that month, rather than three-month rolling totals.

Methodology for analysing settlements

The percentage figure recorded for each settlement is the increase to basic pay. Bonuses or lump sums are not included in the aggregate data, although information on the amount of such payments, where known, is shown in the table of latest settlements by named organisations (see page 9). For settlements where the percentage increase varies for different employees (for example, based on individual performance) the figure recorded is the average increase, where this is known, or alternatively, the increase received by most employees, or the payroll rise.

Median pay settlement level



Definitions

The median is the level at which half of the settlements are above and half below. The lower quartile is the level at which a quarter of settlements are below. The upper quartile is the level at which a quarter of settlements are above.

Settlements in the three months up to and including



Median settlement level for each rolling three-month period (whole economy)

Three-month period to end	2013									2014								
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Lower quartile	2.0	2.0	2.0	1.9	2.0	1.0	1.0	1.0	1.9 ^r	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.0
Median	2.5	2.5	2.5	2.5	2.4 ^r	2.0	2.0	2.0	2.0	2.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Upper quartile	3.0	3.0	3.0	3.0	2.8	2.8	2.5	2.5	2.5	2.5	3.0	3.0	3.0	2.8	2.8	2.8	2.8	2.7
Total*	215	310	313	315	99	107	95	111	95	79	177	178	193	195	193	196	56	48

*Total number of settlements recorded in three-month period. r=revised

Contribute to IDS Pay

The summary figures we produce each month are based on the settlements we receive from contacting organisations and them sharing with us details of their annual pay review. As a subscriber to IDS Pay Report you may have spoken to a member of our team over the past few months to give us details of the latest pay award for employees at your organisation. The more pay reviews we can collect over the year, the more robust our median figures will be and the more use they will be to you as a subscriber. We would like you to take a moment and email us the basic details of your latest annual pay review.

We require:

- the name of your organisation
- the basic percentage increase awarded
- the effective date of the review (and details if it is a long-term deal)
- the type of employee and the number of employees covered by the review

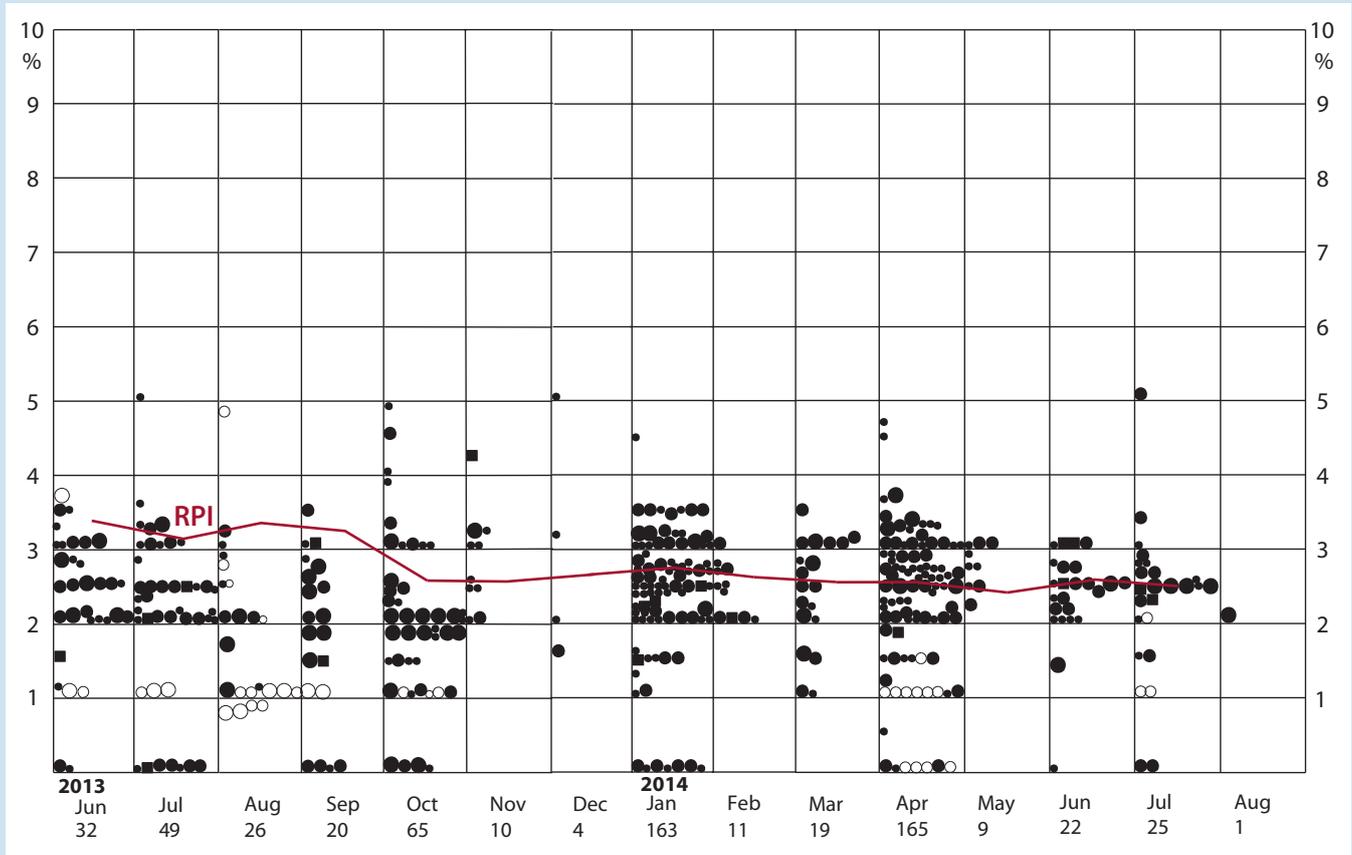
Example:

Name of organisation:	Trusty Bank Ltd
Basic % increase:	2.0
Effective date of review:	1 January 2014
Employees:	500 clerical staff
Other details:	ave merit (1st yr of 3-yr deal)

Please email: idspay.databank@thomson.com

Pay settlement distribution chart

June 2013 to August 2014



Interpreting the pay chart

The chart above illustrates the distribution of settlements in IDSPay.co.uk, with each dot representing the settlement for a particular organisation or bargaining group. The month indicates the effective date of the increase. The figures below each month show the numbers of settlements recorded that are effective in that month.

The rate of inflation is represented as a continuous line, to enable a comparison between settlement levels and inflation.

The table below gives a numerical breakdown month-by-month of the data in the chart.

Key:

numbers of employees covered

- under 500
- 500 to 5,000
- over 5,000
- Private sector settlements
- Public sector settlements
- Industry settlements setting minimum rates
- Increase in the retail prices index over the previous 12 months

Distribution of increases by month

Increase (%)	2013							2014							
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Freeze	2	7	-	4	4	-	-	7	-	-	5	-	1	2	-
0.1-1.99	4	3	15	6	21	-	1	9	-	4	27	-	1	4	-
2.0-2.99	17	28	8	7	30	5	1	103	10	9	99	6	16	16	1
3.0-3.99	9	10	2	3	7	4	1	43	1	6	30	3	4	2	-
4.0-4.99	-	-	1	-	3	1	-	-	-	-	2	-	-	-	-
5.0-5.99	-	1	-	-	-	-	1	-	-	-	-	-	-	1	-
6.0-6.99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.0-7.99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.0+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total deals	32	49	26	20	65	10	4	163	11	19	165	9	22	25	1

Note: the month indicates the effective date of the increase

New settlements added to IDS Pay					
Sector	Organisation	% inc	Comments	Effective date	Employees covered
Construction	Laing O'Rourke	2.0		1 Sep 14	3,600 employees
Energy & water	Anglian Water	2.5		1 Apr 14	4,000 staff
	British Gas	2.5	1st year of a 2-year deal	1 Apr 14	9,000 customer service & administrative staff
	E.ON Energy Services	2.7	2nd year of 2-year deal	1 Apr 14	6,985 metering & connections staff, call centre and sales staff
	National Grid	2.5	2nd year of 5-year deal	1 Jul 14	5,500 professional, technical & call centre staff
	Sellafield	2.4		1 Apr 14	10,300 manual workers & staff (negotiated grades)
	Severn Trent	2.5		1 Jul 14	5,500 staff
Engineering	AgustaWestland Helicopters	2.25		1 Jun 14	1,680 manual & technical staff
	AWE	3.0	2nd year of 2-year deal	1 Jun 14	4,600 employees
	Bentley Motors	3.0	average merit rise, increases range from zero to 8%	1 May 14	855 management employees
	Dyson	2.5	on paybill, increases range from zero to 5.5%	1 Jan 14	2,000 employees
	Leyland Trucks	3.5	3rd year of 3-year deal	1 Sep 14	780 manuals & staff
	Siemens	2.5		1 Jan 14	13,750 employees
	Vauxhall Motors	0	pay freeze. 2nd year of 4-year deal	1 Sep 14	1,646 hourly-paid employees
Financial services	Aviva	2.5	average merit rise, range of increases from 2-5%	1 Apr 14	15,000 grades, incl. senior managers
	Axa UK	2.5	average merit rise, increases range from zero to 5.75%	1 Apr 14	8,500 employees
	Newcastle Building Society	2.0		1 Apr 14	860 employees
	Santander	2.8	1st year of 2-year deal. Average merit rise, range of increases from zero to 2.9%	19 Mar 14	20,300 branch, professional & management employees
	Smith & Williamson	3.4	average merit rise, range of increases from 0.42%-20%	1 Jul 14	1,450 employees
Food, drink & tobacco	Bernard Matthews	2.5		16 Jun 14	2,100 employees
	Mars	2.8	average merit rise, increases range from zero to 8%	3 Feb 14	2,843 employees
Leisure	Center Parcs	2.5		4 Jul 14	5,974 staff (except call centre)
Public sector	Fire Service	1.0		1 Jul 14	53,000 firefighters & control room staff
	Oxford City Council	1.5	2nd year of 5-year deal	1 Apr 14	1,250 directly-employed staff
Retail	Automobile Association	2.0		1 Apr 14	7,000 patrols, call centre & non-management head office staff
	One Stop Stores	2.0		1 Aug 14	9,000 retail staff
Telecoms	BT	2.5	1st year of 3-year deal	1 Apr 14	46,000 clerical, engineering & operating grades
Transport	British Airways	2.7	1st year of 2-year deal	1 Jan 14	30,000 collectively bargained non-management
	East Coast Mainline	2.7	2nd year of 2-year deal	30 Mar 14	3,000 directly-employed staff