

#79 HR Newsletter

February 2016:

Pay Rise Trends

What are the expected pay increases in 2016 likely to be?

Answer: in the range of 1.2% - 2%

Personnel Today's analysis of the first pay awards to be given in 2016 show the median payment **so far this year is 2%** – the same level of wage increase that dominated the pattern of pay awards throughout 2015.

Half of all pay awards already concluded in 2016 are between **1.1% and 2.8%**, which is a wider range (but same median) of offers than in 2015.

Pay awards in the three months to the end of December 2015, which is known for being the quietest period of the year for pay awards. There was nonetheless a repeat of the pattern seen throughout the rest of the year, with **pay awards recorded at a 2% median**.

January's batch of awards so far shows no movement from the 2% median rise exhibited across the economy during 2015, which was fuelled by consistent private-sector pay awards of around 2%, and 1.5% in the public sector.

The average (arithmetical) actual pay increase in the Bank of England survey for 2015 was 1.875% (this includes Private, Public and Voluntary sectors).

The Bank of England have **reduced their prediction** on median earnings increase from 2% to 1.2 % (winter 15/16 report) due to about 20% of employers planning a **pay freeze** in 2016 but their report still shows 50% of employers planning an increase between 1 and 2%.

However, one factor that could influence the pay landscape this year is the introduction of the **compulsory national living wage**.

This is due to come into effect on 1 April 2016 at £7.20 an hour for employees aged 25 and over, and recent research suggests that just under half of employers will be affected, with a median 11% of their workforce entitled to a pay rise.

With the Government's target of the rate being £9 an hour by 2020, employers will be looking at pay rises of **around 6% each year** for the next four years for employees paid at this new minimum rate.