

Pay forecasts and priorities



Following a year where pay settlements reached the highest value in over 30 years, forecast data from XpertHR explores the shift in pay awards expected in the coming 12 months.

Pay settlements over the past year

For the 12 months to the end of September 2023, the median pay award stood at 6%, up from 4% in the same period in the previous year. This same period saw pay settlements in the public sector reach a median of 6.1%, the highest public sector median award since 1991.



Median pay settlement for the 12 months to the end of September 2023, compared to the same period in 2022

Whole economy	Public sector	Private sector
6.0% ↑ 2 percentage points	6.1% ↑ 2.1 percentage points	6.0% ↑ 2 percentage points

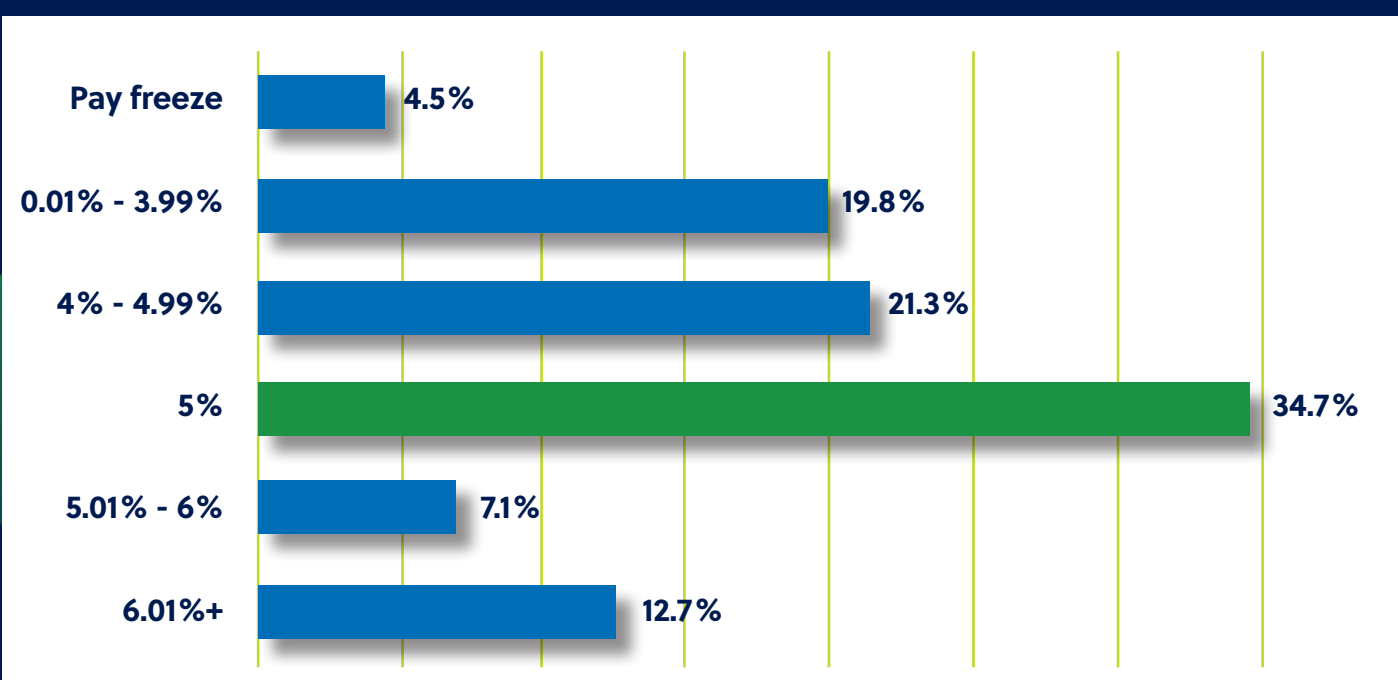
Pay forecasts for the next year

Organisations were asked to estimate the value of the next pay settlement for employees. Survey data found that the median value of the next pay review was estimated to stand at 5%, one percentage point lower than the recorded median settlement value in the year to August 2023.

Around one-third (34.7%) of all pay award forecasts were for 5%, with the next most common forecast being 4%. Less than one in 20 forecasts expect employees to receive no increase to their salary for the 2023-2024 period. Half (50.9%) of forecasted awards were predicted to be worth less than the latest settlement.

Forecast data indicates little variation between broad sectors, with manufacturing and not-for-profit pay deals expected to be at 5%, and private-sector services and public services both forecast to be 4.8%.

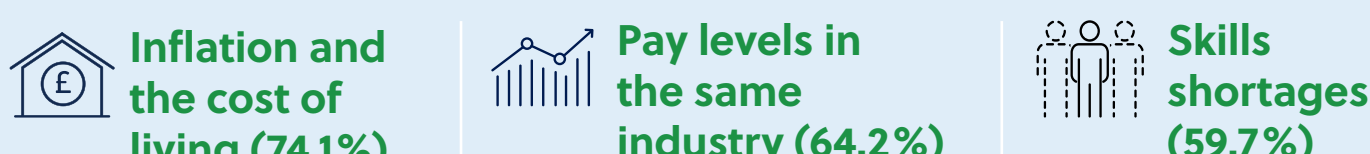
Value of forecasted pay awards for the 12 months to the end of September 2024



Pressures on pay awards

The majority (94%) of organisations reported at least one factor that would have an upward pressure on the pay awards they provide to employees, and two-thirds (67.2%) reported at least one factor that may decrease settlements.

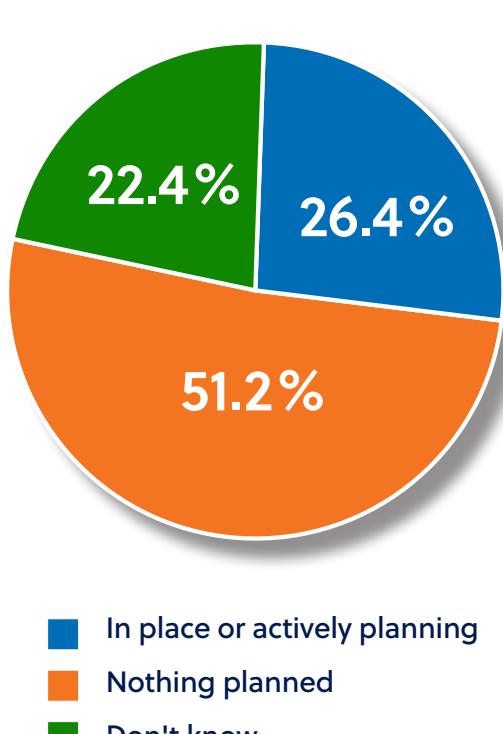
Factors that were reported to likely have an upward impact on the next pay settlement included:



More than half (56.7%) of organisations cited affordability as being a factor that will have a downward impact on their next pay award.

Cost of living support

The cost of living remains a key consideration for organisations when setting pay settlement budgets. Following on from a year of generous pay awards, fewer organisations reported considering implementing cost of living measures. Only a quarter (26.4%) reported they were implementing or actively planning cost of living support. In comparison, around two-thirds (67.7%) of organisations reported having provided support for employees with the cost of living in 2022.



Total reward statements

Total reward statements appear to have started gaining traction in recent years, as organisations try to find ways to communicate the value of their employee value proposition. This became particularly relevant during the cost-of-living crisis, where it was important for organisations to ensure employees understood that the total reward they receive for their employment goes beyond their basic salary. Nearly three in 10 organisations (28.4%) currently have a total reward statement and a quarter are planning to introduce one (24.4%).

About the data

The data in this resource is taken from XpertHR's bi-annual pay forecasts survey of 201 organisations within the UK, representing 283 employee pay groups and 587,623 employees. Pay settlement information for the year to the end of September 2023 comes from XpertHR's pay databank October pay trends.

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