IRN/CIPD pay survey shows increases still around 4% mark

COLMAN HIGGINS

The latest annual IRN/CIPD survey of private sector pay and employment practices found that pay increases in 2023 were only marginally lower than the previous year, while planned increases for year are slightly lower again, with these key figures all close to 4% per annum.

Employers increased pay by a median of 3.9% during 2023, according to the IRN/CIPD annual survey of private sector pay and employment practices, which was conducted by Catalyst Market Research in January/February 2024.

The average figure (excluding one outlier of 200%) was a 4.38% increase. These results compare with last year's survey results (for the year to May 2023) of a 4% median increase and a 4.44% average increase, meaning a marginal decrease in both pay figures in the latest survey.

Almost a quarter of employers did not increase pay

As it happens, both figures for pay increases to early 2024 are close to the consumer price index measure of inflation to January 2024, which was 4.1%, and almost twice that of the latest harmonised EU price index of 2.2% to February 2024 (although recent rises in energy prices could these figures increase again).

There were 201 respondents to the survey, who were either IRN subscribers or members of the Chartered Institute of Personnel and Development (CIPD).

Almost half (48%) had more than 250 employees (large firms), with 27% having 50-249 employees (medium-sized) and 24% less than 50 employees (small firms). Manufacturers accounted for 21%, with the rest in services, while 39% were unionised.

As many as 76% of the respondents had increased pay in the past 12 months, while the rest simply maintained pay (with none decreasing it). This compares with 83.5% increasing pay in the previous IRN/CIPD survey in the 12 months to May 2023.

It is worth noting that even in a tight labour market with significant inflationary pressures, almost a quarter of private sector employers did not increase pay.

The average increase was for smaller firms was slightly higher (4.73%) than the total 4.38% figure, while larger firms had slightly smaller increases (4.19%). Unionised firms had smaller increases (3.52%) than non-union firms (4.84%), with manufacturers (4.04%) slightly lower than services firms (4.39%).

This may reflect more multi-year agreements in unionised, manufacturing and larger firms, leading to a slower and steadier approach, where increases may be below the average in good economic times but hold up better and beat the average in harder times.

The 4.38% actual average increase in 2023 was higher than the then planned increase of 3.62% in the previous survey, a difference of 0.76 percentage points. The actual increase was higher than the planned increase for unionised firms (3.52% actual, 3.11% planned) and larger firms (4.44% actual, 3.6% planned).

SECTORAL DIFFERENCES

On a sectoral basis, manufacturing firms in pharmaceuticals and medical devices had lower increases (averaging 3.25%) than agribusiness (5.42%), while services firms in IT and telecommunications had higher increases (4.43%) than utility firms (3.67%).

In terms of conditions on the pay increase, 'normal ongoing change' (a form of words common in unionised agreements) was a condition in 37% of deals, while just 9% of deals were conditional on specific workplace changes.

'General pay trends" and 'response to economic conditions' were cited as factors by 44% and 39% respectively, while the National Minimum Wage was a factor for 24% of respondents. Company performance and profits were influential for about 33% of employers.

In terms of the issues faced when dealing with increased pay pressures during 2023, 42% had looked at paying higher than planned pay increases, 45% had looked at using the maximum level of tax-free vouchers and 34% had examined increasing non-pay benefits.

Over 60% of respondents had increased employee numbers in the previous 12 months, while 16% had reduced employee numbers.

FUTURE PLANS

When asked about their pay plans for the next 12 months, 52% said they planned to increase pay, while 16% intended to maintain existing basic pay, with 32% undecided.

Of those who intended to increase pay, the average planned increase was 4.06%, with the median increase at 3.7%. This is higher than the 2023 survey's average planned increase of 3.62% and the median planned increase of 3%.

Unionised firms are more likely to be increasing basic pay (78% of them) than non-union firms (43%). Hardly any unionised firms were intending to freeze pay (3%), but 20% of non-union ones were. A similar pattern existed with larger firms, with 63% intending to increase pay, falling to 48% for medium-sized firms and 35% for smaller firms.

The sectoral picture on future increases saw pharmaceutical and medical devices firms a percentage point below the average at 3.04%, while within services, retailers (2.98%) and utilities (3.45%) were also significantly below the average.

The issues on which the upcoming pay increases were contingent were similar to last year's. General pay trends and response to economic conditions were cited by 48% and 38% respectively, while the National Minimum Wage was a factor for 22%, 'normal ongoing change' for 37% and company performance and profits 43%.

In a separate question on the drivers of pay policy for 2024, employee retention was the largest factor, noted by 65% of respondents. Inflation was next at 54%, followed by skill shortages at 36%. National Minimum Wage increases were cited by 21% and 'trade union pressure' by 19%.

On employee numbers, 54% were planning to increase headcount, while 31% were going to maintain the same numbers and just 8% planned to cut jobs.

When non-union respondents were asked about their reference methods for determining pay increases, 63% said individual performance and 55% said company performance in Ireland. While 40% referred to pay trends in non-union companies, just 4% cited pay trends in unionised companies.

LENGTH OF DEALS

Unionised companies were asked about their preferred length of pay agreement, with 39% favouring 19-24 months, 25% going for 25-36 months and 24% for 12 months or less. Just 8% were willing to commit to pay arrangements longer than three years.

Since last year's survey, the 19-24 months category (then 25%) and the 25-36 months category (then 39%) appear to have swapped places, indicating a shift to shorter agreements within these medium-length deals.

When asked to explain their preference for a particular length of agreement, these unionised companies cited planning (68%), stability (56%), bargaining efficiency (41%) and inflation (25%). One respondent commented that "fixed price client contracts" were a factor.

BONUSES & BENEFITS

When asked if they were paying bonuses in 2024, 65% said they were, with 26% saying bonuses would be available to all employees and 39% making them available to some groups only. Employers with over 250 employees were about twice as likely to pay bonuses as smaller firms.

A quarter of respondents were planning to increase non-pay benefits over the next 12 months, with 50% planning to maintain them and nobody planning to reduce them (the other 25% did not know their plans).

The most common non-pay benefits offered were pension contributions (78%) and sick pay beyond minimum state requirements (75%), followed by additional annual leave and tax-free vouchers (62% each) and top-up maternity and paternity benefit (59% and 51% respectively).

On-site facilities such as gyms or canteens were provided by 50%, while 48% contributed to private health insurance costs. Housing assistance was provided by just 2% of respondents – although this would have not featured at all in employee benefits until recent years.

Some employers mentioned newer benefits such as EV (electric vehicle) charging, additional family support policies, the bike to work scheme and monthly food trucks.

A number of newer health and social support policies and benefits have become more common in recent years. Most important of these is support for those affected by domestic abuse, for whom 48% of employers had a policy or benefit, with 28% considering a similar move.

Other policies/benefits included those supporting miscarriage, with 28% having them in place and 28% considering them; menopause (24% in place, 36% considering); fertility (19% in place, 32% considering); menstrual health (7% in place, 31% considering); and men's health (8% in place, 35% considering).

REMOTE WORK

Remote working issues continue to figure, four years since Covid-19 prompted a radical increase in the practice. Key personnel demanding to work remotely was expected to be a likely issue for 51% of respondents, while 48% said they expected to face employee resistance to returning to the office and 40% had employees who wanted to work outside Ireland.

Almost three quarters (74%) said they needed to reinvest in their company culture, while redesign and reduction of office space were issues for 43% and 17% respectively. As many as 8% faced all of these six issues at the same time.