Average pay increase expected to lower during 2025 – IRN/CIPD survey

Average private sector pay increases remained just above 4% during 2024, but are expected to lower to 3.66% for 2025, according to the annual IRN/CIPD pay survey.

Employers increased pay during 2024 by a median of 4% and an average of 4.24%, according to the IRN/CIPD annual survey of private sector pay and employment practices, which was conducted by Catalyst Market Research during January and February 2025.

These figures compare to a median increase of 3.9% and an average of 4.38% for 2023, measured by the previous survey in the series, a year ago. This shows similar levels of pay increase to 2023 during 2024 and some convergence, with the average figure moving closer to the median.

Lower inflation meant a 2% recovery in living standards

However, the inflationary background to both years was quite different. The Consumer Price Index (CPI) was 4.1% in the 12 months to January 2024, but had reduced to just 1.9% in the 12 months to January 2025.

This implies an average two percentage point recovery in living standards, partially recovering the losses of employees during the 2022/23 spike in inflation.

There were 224 respondents to the survey, who were drawn from both IRN subscribers and members of the Chartered Institute of Personnel and Development (CIPD).

Just over half (52%) had over 250 employees (large employers), with 30% having 50-249 employees (medium-sized employers) and 18% less than 50 employees (smaller employers). Manufacturers accounted for 21% of the respondents, with the remainder in various services sectors, while 38% were unionised.

MAINTAINING PAY

As many as 78% of respondents had increased pay during 2024, while 22% maintained pay (none decreased pay). This is similar to the 2023 figure of 76% increasing pay and it is worth noting that even with a tight labour market and some inflationary pressures in both years, over 20% of employers did not increase pay.

Those more likely to increase pay were larger employers (83%) rather than smaller employers (63%), along with unionised employers (88%) rather than non-union employers (71%).

When compared to what employers in last year’s survey planned to do, the biggest difference is that more respondents were undecided last year (32%). The number planning to increase pay for 2024 was 52%, while 78% actually did so, while the number planning to maintain pay had been 16% and ended up being 22%.

The actual size of the increase varied little according to size or union status, with larger firms paying slightly more than average at 4.34%, as opposed to 4.18% for smaller firms and 4.08% for medium-sized firms. Non-union firms that paid increases paid slightly more (4.3%) than unionised firms (4.09%).

On a sectoral basis, manufacturing firms paid higher average increases (4.72%) than in services (4.08%). Looking at the subsectors with larger sample sizes, in manufacturing agribusiness (6.14%) paid higher increases than pharmaceuticals and medical devices (4.05%). In services, higher increases were paid in retailing (5.49%), with financial (4.13%), IT (3.44%) and hospitality (3.88%) slightly below average.

When compared to what respondents in last year's survey had planned to pay for 2024, it had been an average of 4.11% – just slightly below the 4.24% actually paid.

PAY POLICY DRIVERS

In terms of factors or conditions determining the pay increase (respondents were allowed to pick a number of factors), 49% cited cooperation with "normal ongoing change" – a form of words often used in unionised pay agreements (although not exclusively so, given that just 38% of the sample are unionised).

Specific workplace changes were cited by just 9%, indicating the relatively limited level of productivity bargaining on pay characteristic of recent years. Eleven per cent said "no conditions applied" and 29% cited staff retention.

Pay determination factors more common in non-union workplaces included individual performance (49%) and company performance and profit (32%).

Of the 36 respondents who chose to leave their own comments under this question, a quarter (9) cited increases in either the national minimum wage or legally binding sectoral wage mechanisms – which may have been a factor in some of the larger increases beyond the usual 3-5% range.

When asked what they had done with employee numbers over the last 12 months, 47% of respondents said they had increased numbers, 34% said they had maintained numbers, while 19% said they had reduced numbers.

FUTURE PLANS

Looking forward to the next 12 months, 58% said they were currently planning to increase basic rates of pay in 2025, while 19% said they will maintain pay and 22% were not yet decided. Just one respondent is planning to cut pay.

When asked about the rate of increase, the average was 3.66%, while the median was 3%. Smaller employers are planning higher increases (4.1%), with larger employers planning slightly below average increases (3.54%).

Unionised employers are planning lower than average increases (3.14%) compared to non-union employers (4.2%), which may reflect the impact of multi-year pay agreements in the unionised sector.

On a sectoral basis, manufacturing employers are planning higher than average pay increases (5.47%) in 2025, compared to services sector employers (3.76%). When this is broken down further into subsectors with sufficiently large sample sizes, agribusiness manufacturers are intending higher increases than pharmaceutical manufacturers, while in the services sector, IT employers are planning higher than average increases of 4.6%.

PERFORMANCE

When asked which factors were driving pay increases for 2025, the top factors were company performance/profits and individual performance, followed closely by the standard unionised agreement formula of 'normal ongoing change'.

Staff retention figured more prominently than in the 2024 figures above, at 38%. Specific workplace changes were cited by 12%, while 11% said no conditions applied.

Of those who mentioned other factors, five cited inflation and market position, while three cited public service pay agreements, indicating a linkage followed by at least some private sector firms.

Four also mentioned minimum wage movements, with one employer aiming to "maintain differential with the national minimum wage", another citing "national minimum wage and an additional 20 cent".

In answer to a separate question on the biggest drivers of their company pay policy in 2025, 60% said "general pay trends", while 52% cited "economic conditions", including inflation and housing.

Employee retention was chosen by 48% and skill shortages by 21%, while 28% said the national minimum wage increase drove pay policy and 20% cited "trade union pressure". Other less significant factors included the gender pay gap (7%) and pension autoenrollment (8%).

When asked what they intended to do in terms of employee numbers over the next 12 months, 42% said they plan to increase staff, 44% say they plan to maintain numbers, while 8% plan to reduce the number of employees.

LENGTH OF AGREEMENTS

Looking deeper into pay policy, unionised companies were asked about their preferred length of pay agreement. As many as 43% still preferred agreements of longer than two years, but less than a fifth of these (8%) gave agreements of longer than three years as their preferred option.

A significant minority - 27% - preferred agreements of 12 months or less, with 25% going for agreements of 19 to 24 months. Just 5% went for agreements of 13 to 18 months.

On this question in last year's survey, as many as 39% had gone for 19 to 24 months, while just 25% had gone for 25 to 36 months (as opposed to 35% this year). This appears to indicate a greater willingness to go for longer agreements among employers within the 19 to 36 month range, which may be due to greater stability in terms of price inflation expectations.

When non-union companies were asked for their reference methods for determining pay increases, the most important factors were individual performance (63%) and company performance in Ireland (55%), followed by reference to pay trends in non-union companies (40%) and pay trends in unionised companies (4%).