MANAGEMENT PAY TO STRUGGLE TO KEEP PACE WITH INFLATION IN 2013

Professionals’ pay expected to rise by just 2.2% in 2013, below consensus forecasts for inflation
Average pay increases for managers fell to 1.9% in 2012

London, UK, JANUARY 21 2013 – Managers’ and professionals’ incomes will struggle to keep pace with inflation, with average pay increases of 2.2% forecast for 2013, reveals the latest Managers’ Benchmark Pay Report from Incomes Data Services.

Public sector managers will be worse affected than their peers in the private sector. IDS forecasts that public sector pay will increase by just 0.7% on average for managerial and professional staff, an even slower rate of increase than the 1% annual cap on public sector pay growth announced by the Chancellor in November 2011.

Private sector pay awards are expected to be more generous, with average 2.6% pay rises forecast across all private sector industries. This will still be some way below the Office of Budget Responsibility’s 3% RPI inflation forecast for 2013.

“Our latest figures suggest that 2013 will be the third year running that managers and professionals will not have seen above inflation pay rises,” says Adam Cohen, author of the report.

The findings come from IDS’s annual managers’ benchmark pay report. The report is based on a survey of 179 public and private sector organisations. It covers all aspects of management reward including pay rises, salaries, bonuses and pensions.

The gloomy prospects for 2013 follow a gradual squeeze on pay awards over the course of 2012. According to IDS, pay rises for managers and professionals in the private sector declined during 2012. The average salary increase over the three months to January 2012 was 2.5%, but by the three months to October 2012, the average rise was just 1.9%.

Last year also witnessed an increase in the number of pay freezes, with 16% of all managerial and professional salary reviews in 2012 recorded as a pay freeze. This compared with 13% in 2011.

“Pay awards declined sharply in 2012, and the signs from HR departments are that many managers and professionals will again see their pay struggle to keep pace with inflation in the coming year,” continued Adam Cohen. “Public sector managers in particular are only likely to enjoy inflation-busting pay rises if they secure a promotion or move jobs.”

**Bonuses**

Salary rises were not the only aspect of management pay that has been under strain, with bonuses also suffering.

In 2012, IDS found that bonus payouts for managers came in at below “on-target” levels as the weak economy meant more businesses were unable to hit the performance targets needed to trigger more generous bonuses.

And the prospects for management bonuses in 2013 do not look better. In the private sector, more HR professionals think management bonuses will be lower next year than higher. One in three private sector employers believe that bonuses will be lower in 2013 than in 2012. Fewer than one in six believe that
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bonuses will be higher. The remainder, just fewer than 50 per cent of managers believe bonuses will remain the same.

Salary levels

The survey also found that in the private sector, median salaries for the highest level of management covered were well above £100,000. Salaries for non-board directors in the private sector were £115,756. Lower down the scale, function heads could expect to earn £89,500, senior managers £67,300, middle managers £49,000 and junior managers £36,895.

Non-board directors are senior executives and heads of department who have “director” in their job title, but do not sit on the main board of directors at their company.

However average rates in the private sector masked wide differences across sectors. A senior manager in IT & telecoms could expect to earn £83,791, compared with £50,000 in other manufacturing. Meanwhile, the survey found that a junior manager in chemicals & pharmaceuticals earns £45,345, while a junior manager in the retail sector earns £27,000.

Survey details

Findings come from IDS’s annual managers’ benchmark pay report which was published in December 2012. The report comprises 12 named case studies as well as a survey of 179 public and private sector organisations. It covers all aspects of management reward including pay rises, salaries, bonuses and pensions. More details of the report can be found here.

Notes to Editors:

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