PAYCLIMATE

FEATURES

Hybrid working

Survey shows hybrid working may be here to stay

PAY AWARDS

Private sector median falls but higher-end awards persist

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Pay Data, Intelligent Decisions

Editor’s note

As so often, we range far and wide in this issue. In the absence of serious collective pressure on wages in the private sector (see Viewpoint), the outlook for inflation might help maintain wage growth, even if the labour market softened somewhat in the latest figures. However, it may not have softened enough, since in some other rare good news, redundancies were actually down. The fact that employment retains a certain amount of resilience, allied with persistent inflationary pressures, means that market demands on pay remain just about on the upside. That’s what we think anyway. Hope the issue is useful and be careful out there!

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Viewpoint
Collective influence on pay-setting to get boost?

Bad news for the unions: trade union density – the proportion of the workforce who are members of trade unions – has fallen to a record low in the UK, according to the [latest annual statistics](#) on the topic from the Department for Business and Trade (DBT).

The proportion of employees who were trade union members fell to 22.0% in 2024, down from 22.4% in 2023. This represents the lowest union membership rate since comparable records began in 1995, says the DBT.

The fall in density comes on the back of a decline in the actual number of employees who were trade union members. This dropped slightly by 38,000 on the year to stand at 6.4 million in 2024. Although these numbers remain significant, with trade unions together still constituting by far the largest voluntary organisation membership base in the UK, the bad news for them is that the overall drop was driven by another fall in membership in the private sector. This was down 57,000 on the year to 2.5 million. By contrast, union membership among public sector employees rose by 20,000 to 3.9 million.

Even worse news comes from the 'trade union wage premium' for the private sector. This is the percentage difference between the average gross hourly earnings of employees who are union members and the same earnings measure for non-unionists. It is a useful way of gauging the effectiveness (or otherwise) of unions. In 1995, it stood at 15.3% in the private sector, in favour of union members. Or to put it another way, nearly 30 years ago, trade union members in the private sector could expect to earn over 15% on average more than non-members. In the latest statistics, the premium hasn't just fallen, but is negative, showing at -0.3%. This means that trade unionists in the private sector earn, on average, 0.3% less than non-unionists.

This finding needs to be qualified by the fact that, as the report puts it, it is likely to be strongly influenced by other differences in the characteristics of unionised and non-unionised employees. One key difference is, of course, the companies and sectors in which they work. Even allowing for structural changes, trade unionists are still more likely to be found in manufacturing than in financial and business services. Average weekly earnings in the latter are currently £977, some £185 greater than the current equivalent figure of £792 for manufacturing. But even with this caveat, the fall in the wage premium is a stark indication of the decline in unions' overall effectiveness and their impact on society.

In such circumstances, it's a fair bet that the unions will be looking to the Government's Employment Relations Bill for a boost. The Bill is nearing its closing stages in Parliament and could receive royal assent before the summer recess. The problem for the unions, though, is that some of the support provided by the legislation could be a long way off. As [an article by our expert employment law associate](#) Darren Newman makes clear, while some provisions will come into effect immediately, others won't take effect until 2027 or even later.

Positively for the unions, those that will be ready to implement on the completion of its passage include: reform of the statutory union recognition procedure; repeal of almost all of the Trade Union Act 2016, which introduced turnout requirements for industrial action ballots and increased notice for industrial action; the banning of so-called 'fire and rehire', or at least an end to it in its current form; a right to paid time off for trade union equality representatives; a new right to a statement of trade union rights; and changes paving the way for the government enforcement of employment rights related to agency workers, sick pay and holiday pay, among other items.

But on the downside (for the unions), the following are likely to be delayed until much later: the right of unions to seek access to non-unionised workplaces; electronic balloting for industrial action; and a new right not to be subjected to a detriment for taking part in industrial action. The first of these is the hinge on which reforms of the statutory recognition procedure swing. As Darren points out, it 'envisages a complex procedure for negotiating an access agreement and bringing in the Central Arbitration Committee where agreement is not reached.' Some unions have welcomed this but others have been more critical, calling instead for a universal right to access without the need to reach agreement with employers.

While they wait, the unions might be able to console themselves with another, more positive fact from the latest trade union statistics. While the number of male employees who were union members fell again, the number of female employees who were union members increased by 134,000 on the year to 3.7 million. Women seem to be more favourable to unions, something that they might just be able to build on.

Pay awards analysis
Private sector median falls to 3.4% but high-end awards continue

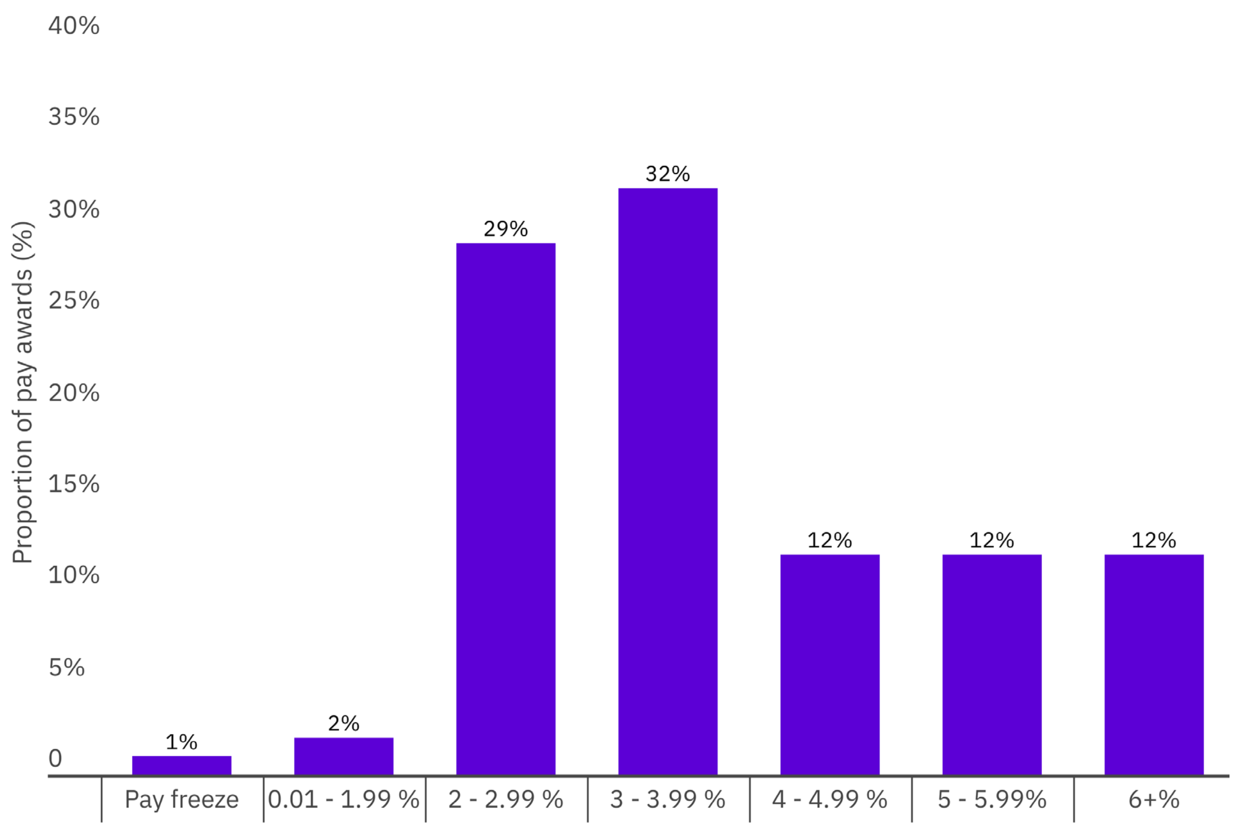
The median pay award in the private sector fell slightly from 3.5% to 3.4% in the three months to April 2025, according to our latest analysis.

However, there is a larger proportion of high-end pay outcomes, worth 6% or more, with over one-in-ten (11%) of private sector increases at this level (up from just 2% in March). This shift is largely a result of the latest increase in the National Living Wage (NLW), which rose by 6.7% to £12.21 on 1 April and impacts many pay reviews in the private sector, particularly those in low-paying areas such as hospitality and retail. April continues to be the most popular month for pay setting and it remains a key milestone for the tracking of pay trends across the year.

The median for the whole economy remained at 3.2%. The interquartile range has widened from between 3.0% and 4.0% in March to between 2.5% and 4.3% in this latest period. These changes have been influenced by various movements in the distribution of awards. Firstly, the proportion of increases worth 5% or more grew and now accounts for nearly a quarter (24%) of all outcomes – up from one-in-ten in the three months to March 2025. Meanwhile, the proportion of awards worth between 4% and 4.99% halved: from 24% last month to 12%. Instances of increases worth between 3% and 3.99% also dropped, with around a third (32%) of awards in our latest sample occurring in this bracket, compared to nearly half (47%) in the three months to March.

The whole economy median (of 3.2%) is based on our latest sample, which contains 129 pay awards effective between 1 February and 30 April 2025 and covering 1,311,403 workers in total. The median pay award in the not-for-profit sector is lower at 2.7% and outcomes in this area – although a minority of the total – have contributed to the median for the wider economy being lower than that for the private sector.

Distribution of pay awards in three months to the end of April 2025



Source: IDR

Private services

In contrast to the figures for the whole economy and the private sector as a whole, the median pay award in private services rose from 3.2% to 3.3%. The upper quartile here is now 4.6%, up from 4.0% in March. This upward trend has been influenced by a larger proportion of high-end pay increases, worth 6% or more, in April (12% of awards this time, up from 5% in March). Increases awarded by large employers such as Currys, Greene King and John Lewis to their hourly-paid workers all occurred at this level in response to the 6.7% increase in the National Living Wage (NLW). At the same time, our latest sample contains more awards in the 5% to 5.99% bracket than the March analysis. Awards at this level account for 13% of increases – up from just 5% in March – and were common in retail, including well-known high-street names such as Boots, Costa Coffee and Marks and Spencer.

Meanwhile at the lower end of the pay distribution the proportion of increases worth below 3% grew from around a fifth in March to nearly a third (31%) in the three months to April. This has prompted the lower quartile to drop to 2.5% (from 3.0%) and marks a continued downward trend in this measure. Awards in the lower quartile of the distribution include the increases at supermarkets Aldi and Lidl, where hourly rates of pay are already above the NLW. The latest increases were effective in March and brought both companies' minimum hourly rates to £12.75 (2.5% and 2.8% increases respectively).

Manufacturing and production

Outcomes in manufacturing and production are largely unchanged since March, with the median here holding steady at 3.5% and the interquartile range remaining between 3.0% and 4.0%. Awards continue to cluster in the 3% to 3.99% bracket with nearly half (47%) of increases occurring at this level, up a little from 45% in March. Increases at this level were common across a number of sub-sectors such as construction, engineering and among food and drink manufacturers.

The NLW has a less direct impact in manufacturing, compared to private services. However, manufacturing employers still face pressures to offer competitive rates of pay in order to recruit and retain staff. In line with this, the proportion of increases worth 5% or more grew from 11% to nearly a third (30%) of outcomes in the three months to April. This caused the average pay outcome to rise from 3.6% in March to 3.9%. Awards in this range include those at Pirelli Tyres and food manufacturer Samworth Brothers, which were worth 5.1% and 5.5% respectively.

Not-for-profit

A quarter of awards in the not-for-profit sector were worth 5% or more, up from zero in our last analysis. This change has raised the upper quartile to 3.5% from 4.7%. It is largely influenced by the latest uplift to the NLW and comes despite the median falling from 3.0% to 2.7%.

Access to analysis on pay trends

Pay Climate subscribers can access IDR's archive of articles on pay awards by logging into the Pay Climate Subscriber Zone. The next analysis of pay awards will be available at the end of June. Look out for the email notification in your inbox containing a link to the new article.

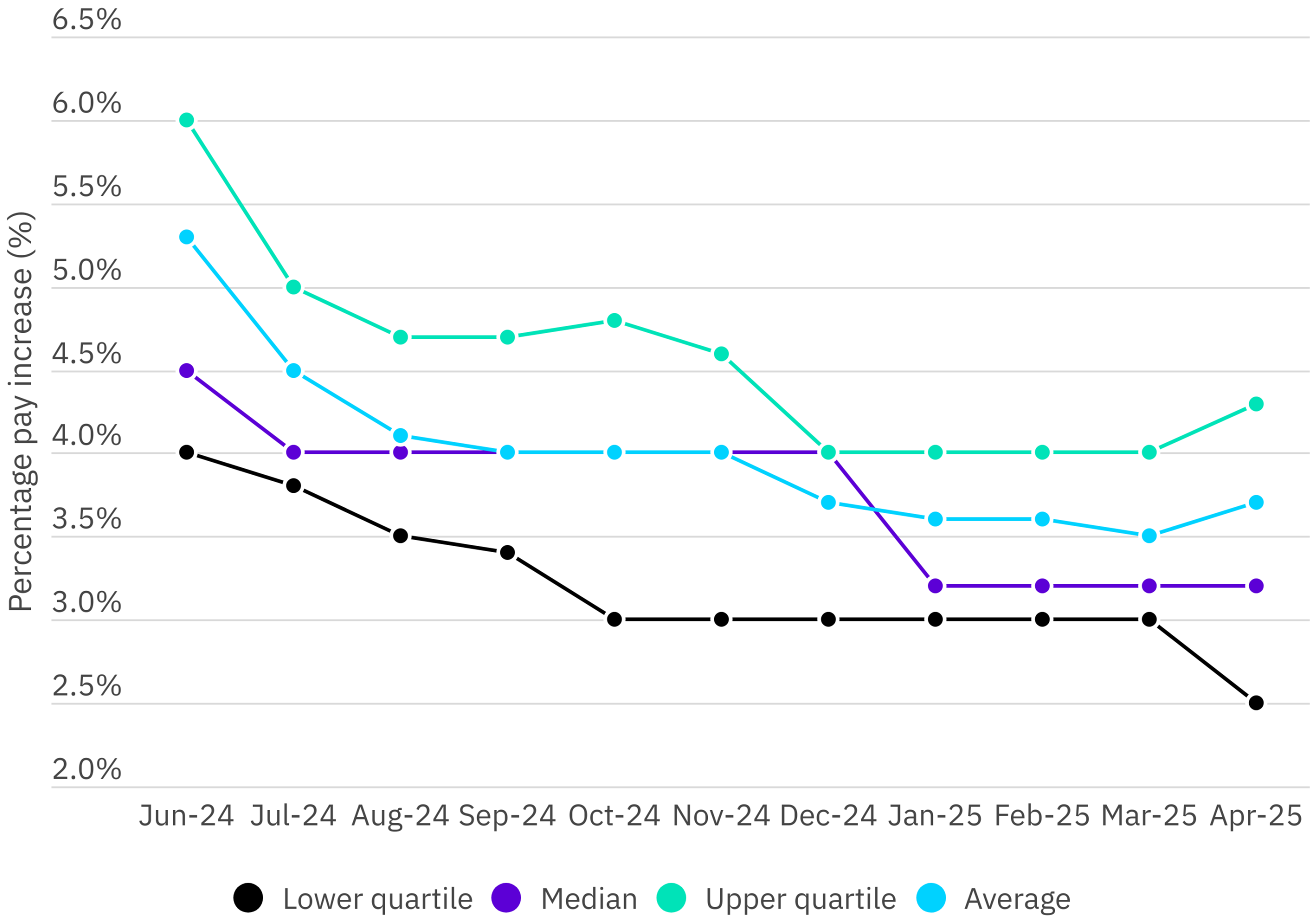
And did you know that the ***Pay Climate Subscriber Dashboard*** houses information on the latest trends from IDR's monitoring of pay outcomes? Here you can see charts that track the median, average and quartiles for pay over the last two years, as well as the distribution of pay awards by sector over a 12-month period. Log in here: Subscriber Dashboard | Incomes Data Research.

Pay awards in the three months to the end of April 2025

	Median	Average	Mode	Interquartile range
Whole economy	3.2%	3.7%	3.0%	2.5 to 4.3%
Private sector	3.4%	3.7%	3.0%	2.6 to 4.0%
Manufacturing and production	3.5%	3.9%	3.0%	3.0 to 4.0%
Private services	3.3%	3.6%	3.0%	2.5 to 4.6%
Not-for-profit	2.7%	3.6%	2.0%	2.3 to 4.7%

Based on 129 pay awards covering 1,311,403 employees in total.

Whole economy pay awards June 2024 to April 2025*



*In the three months up to and including each month shown.

Source: IDR

Whole economy pay awards in the three months ending at each date

3-mth period to end:	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25
Lower quartile	4.0	3.8	3.5r	3.4r	3.0	3.0	3.0	3.0	3.0	3.0	2.5
Median	4.5	4.0	4.0	4.0	4.0	4.0	4.0	3.2r	3.2	3.2	3.2
Upper quartile	6.0	5.0	4.7r	4.7	4.8	4.6r	4.0	4.0r	4.0	4.0	4.3
Average	5.3	4.5	4.1r	4.0	4.0	4.0r	3.7	3.6r	3.6	3.5	3.7
Total*	334r	66	63r	64r	50r	44r	35r	89r	85	96	129

*Total number of pay awards recorded in three-month period. ‘r’ = revised.

Pay awards monitored by IDR

Sector	Organisation	%	Comments	Effective date	Employees covered
Business services	CBRE	3.0		01-Apr-25	11,500 employees
Care services and housing	Voyage Care	6.7		01-Apr-25	8,000 support workers
Construction	Skanska	3.5	average merit; range 0% to 6.4%	01-Apr-25	2,915 managers
Engineering: aerospace, defence and shipbuilding	Raytheon Systems	3.9	average merit; range 0% to 5%	01-Apr-25	2,000 employees
	Rolls-Royce	2.75	3rd stage of 5-stage, 3-year deal	01-Mar-25	6,000 unionised staff
	Boeing	4.0		01-Mar-25	3,500 employees
Engineering: vehicles and components	Unipart Group	6.7		01-Apr-25	4,000 hourly-paid staff
	Cummins UK	3.4	average merit; range 0% to 6.8%	01-Apr-25	2,487 non-negotiated group
	Pirelli Tyres	5.1	3rd year of 3-year deal	01-Feb-25	1,250 employees
Fast food, pubs and restaurants	Greene King Brewing & Retailing	6.7		28-Apr-25	30,000 hourly-paid staff
	Costa Coffee	5.0		01-Apr-25	16,800 employees
Financial services	Lloyds Banking Group	4.0	minimum rise from flat-rate uplift of £1,500 (2nd year of 2-year deal)	01-Apr-25	58,000 staff
	Barclays Bank	3.23	budget; flat-rate awards of £800, £1,000 and £1,200 for each of the three collectively bargained grades; 2% or 2.65% for higher-paid staff	01-Mar-25	40,000 union-recognised staff
Food, drink and tobacco	Müller UK & Ireland	3.0		01-Apr-25	1,800 white-collar staff
	Samworth Brothers	5.5		01-Apr-25	7,500 employees
Retail	Aldi Stores	2.5	for staff outside London; 2.6% in London. Additional increase of 0.8% from 1 September in all regions	01-Mar-25	26,000 hourly-paid staff
	Asda Supermarkets	1.4	for staff outside London; 1.4% in London. Additional increases from 1 July (2%) and 1 October (1.2%) in all regions	01-Apr-25	115,000 hourly-paid staff
	Boots UK	5.0	average merit; range 4% to 6.8%	01-Apr-25	38,000 hourly-paid staff
	Currys	6.2		01-Apr-25	10,000 hourly-paid staff
	John Lewis Partnership	7.4	plus 2% for highest-rated performers	01-Apr-25	65,000 hourly-paid staff
	Lidl	2.8	for staff outside London; 2.6% in London	01-Mar-25	28,000 hourly-paid staff
	Marks and Spencer	5.0	for staff outside London; 5.3% in London	01-Apr-25	50,000 hourly-paid employees

Inflation forecasts

Inflation set to remain higher than policymakers would like

Following a larger-than-expected rise in April, inflation should drop back a little in the year to May, according to our panel of economists.

Thereafter it could remain steady until the autumn, when it might rise a little, before dropping back again. The next fall might not be until the turn of the year though, and even then, RPI could be around 4%, with CPIH at 3.6% and CPI showing at 3.2%. Although the medium-term trend is downwards, progress could be phased and slow, and inflation looks like it could remain at levels above those preferred by policymakers. Indeed the emphasis in most of our panel's commentaries is on those elements that are likely to buoy inflation up, relatively-speaking. 'Persistence' is a strong theme.

One point of debate is how quickly those elements that produced the surprise jump in April will unwind. The contribution from air fares and package holidays was mainly due to the later-than-usual timing of Easter. But these combined with other elements, such as the increase in Ofgem's utility price cap, bigger water bills and a doubling of Vehicle Excise Duty, to produce an 'awful April', in the words of one forecaster. However, the high price rises occurred across a relatively narrow range of items and will come out of subsequent figures as we move through the year, some quickly and some more slowly. As a result, some of the panel see some kind of 'normalisation' occurring fairly rapidly.

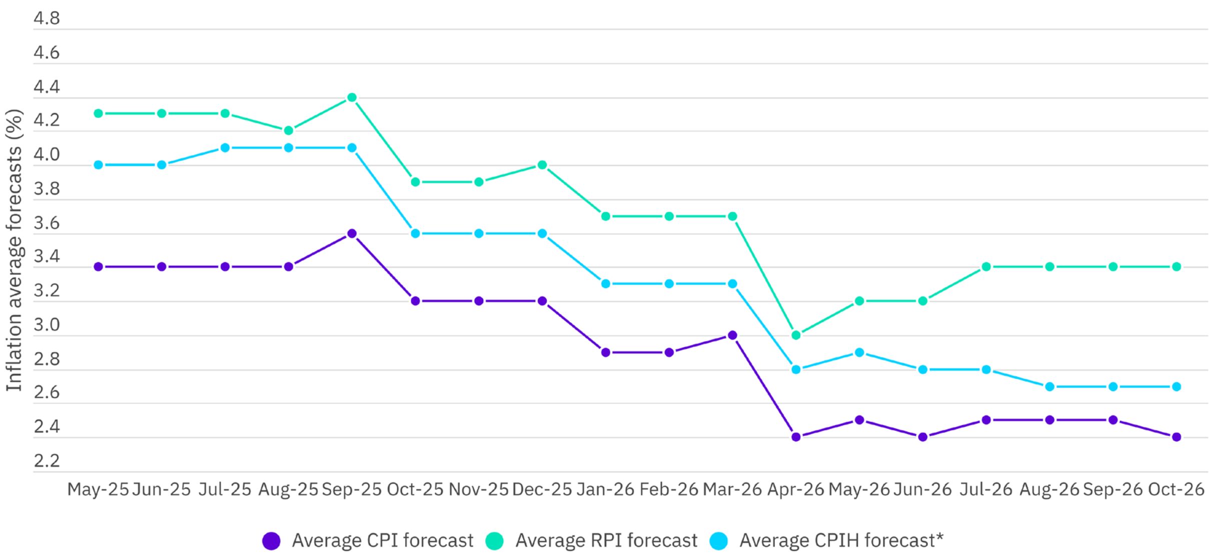
But others thought these 'erratic' aspects would unwind only a little. And food prices, an item that is not affected by the timing of Easter, rose too. Indeed, the latest figures from the British Retail Consortium appear to support some of our panel's contention that food prices are one area that could maintain upward pressure on inflation, in the short term at least.

More broadly, a number of our panel stressed that the April increase in inflation was a sign that businesses are passing on more of the increase in employers' National Insurance contributions (NICs) in prices to customers. One also sees domestic energy as presenting upward pressure since the rise in the Ofgem price cap was not fully reflected in the April figures.

Some economists regard consumer demand as a key factor in inflation. One argues that this has been sustained by the impact of recent wage growth on households' disposable income; the rebuilding of savings; and also by relatively resilient employment, with job losses concentrated in lower-wage sectors, which, as they put it, 'lessened the hit on overall demand'. Another thinks rents will rise by more than expected.

But further on, into 2026, there could be a downward effect on inflation from energy and fuel prices, partly on the back of recent OPEC moves to increase oil supply and thereby reduce the cost of crude oil. This will further affect prices for food and consumer goods – these too could also fall. If the forecasters are correct then inflation may come down slowly. But it will need to fall further if it is to meet the target set by policymakers.

Inflation forecasts at May 2025, covering period up to October 2026



*Based on three estimates only.

Panel of forecasters: Capital Economics, CEBR, Deutsche Bank, Heteronomics, NatWest Markets, Pantheon

Special feature

Hybrid working arrangements appear to be here to stay

Katherine Heffernan Incomes Data Research

Recent months have seen numerous organisations in the news headlines for rowing back on the hybrid working arrangements they had implemented in the wake of the pandemic.

In practice however, our recent survey of hybrid working suggests that such patterns are here to stay, with relatively few respondents having made changes that reduce employees' existing flexibility, either in terms of the proportion of the workforce on a hybrid working arrangement or the content of their hybrid working policies – although just under a quarter have increased the number of days that staff must attend. Meanwhile there is little evidence that hybrid working has any bearing on employees' pay.

The extent of hybrid working

Across our sample of 70 employers that offer hybrid working, the median proportion of the workforce on such an arrangement is 50%. There is considerable variation by sector: the not-for-profit and public sectors have the highest median proportion of staff working a hybrid pattern (81% and 70% respectively), falling to 45% within manufacturing and 31% in private services – both industries with large numbers of frontline jobs that cannot ordinarily be performed remotely. Nonetheless, some respondents were able to cite examples of how they had facilitated an element of hybrid working for roles that would conventionally be regarded as site-based, allowing staff to carry out the administrative or other desk-based elements of their jobs from home. For example, according to NHS Employers, some NHS trusts have identified agile/hybrid opportunities in some clinical areas, focusing on virtual appointments that can be held remotely and other tasks that do not require on-site working. Roles involved include physiotherapists and dieticians.

According to our research, workers who have the option of working on a hybrid basis usually avail themselves of this opportunity. At the median, just 2% of the workforce that are eligible for hybrid working instead opt to work wholly on site. This is most common within manufacturing (5% of those eligible) and least common within the not-for-profit sector (0.5% of qualifying staff).

Changes to hybrid working practices

There has been little change in the proportion of staff eligible for hybrid working, with 76% of respondents indicating that they have no plans to make any such changes. While a further 4% of respondents plan to reduce the proportion of staff on such patterns, this is almost offset by the 3% of employers that intend to increase hybrid working arrangements. Meanwhile, just under a tenth (9%) of organisations have already taken steps to decrease the proportion of hybrid workers while 7% have increased it. Where respondents gave reasons for curtailing hybrid working, this was most commonly with a view to promoting team building/cohesion (78% of organisations) while 44% did so (or intend to) to enable more direct supervision.

Two-thirds of respondents with hybrid working policies have not changed the content of these in any way in the last three years. However, just under a quarter (23%) have increased the number of days that staff must attend and 5% have decreased the number of days required on site. (A further 5% have made other changes to their hybrid working policies that do not relate to attendance.)

Of the ten organisations that have increased attendance requirements in recent years, just one has put in place measures (specifically, childcare support) to offset the reduction in flexibility. Meanwhile a further respondent, which has not increased attendance expectations, mentioned that staff in administrative roles have a flexible start time of anywhere between 6am and 9.30am when on site.

How hybrid working is managed

The majority (63%) of organisations have a policy on minimum office or site attendance for roles that could feasibly be undertaken from home and a further 6% plan to implement one. Such policies are most common in public sector organisations (83%) and least prevalent in private services (56%). Meanwhile around a quarter (27%) have no plans to introduce a formal policy and 4% operate a 'remote-first' approach to attendance, whereby working from home is the default.

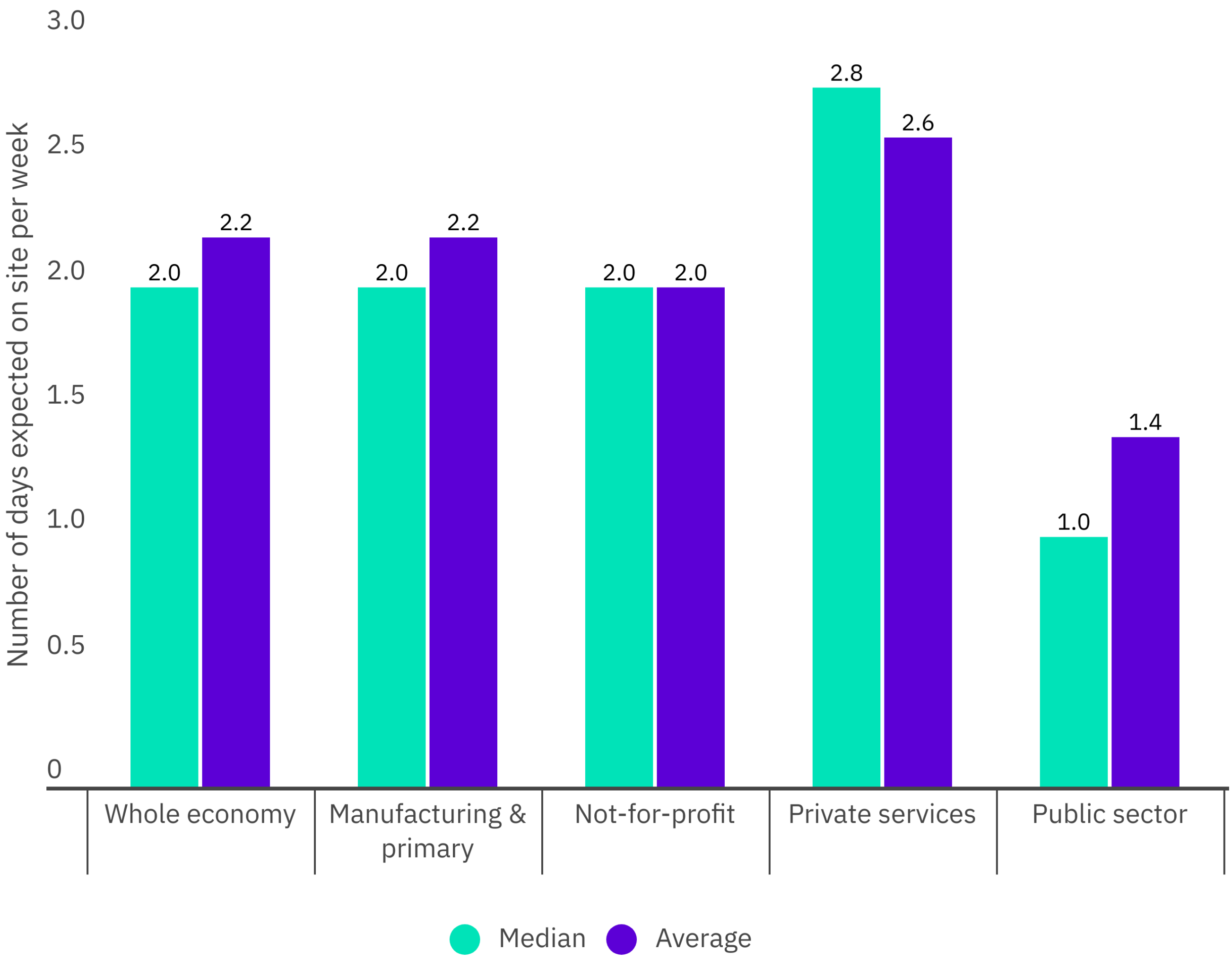
Where hybrid working policies exist, they generally (70% of respondents) apply to all teams. The median minimum requirement for attendance is 2.0 days a week (2.2 days on average). Attendance requirements are highest in private services (2.8 days at the median and 2.6 days on average) and lowest in the public sector (1.0 and 1.4 days respectively). Such policies are generally applied on a pro rata basis for part-time staff.

Just ten respondents (14% of the sample) have fixed days when staff must be on site and these are generally with a view to bringing teams together, although conversely some organisations have to limit the number of employees who can be in the same place at any given time, having downsized their office space following the pandemic. The most common days for required attendance are Tuesdays and Wednesdays (four respondents) while two employers require attendance on Mondays and/or Thursdays. Similarly, Tuesdays and Wednesdays are the most popular days for hybrid workers to choose to attend site, followed by Thursdays, Mondays and lastly, Fridays.

Few respondents monitor site attendance centrally: for the large part, it is left to line managers to agree and oversee arrangements. However, employers report that compliance with attendance policies is generally good: more than three-quarters (77%) find that staff who are eligible for hybrid working generally attend in-person in line with expectations and at 16% of organisations, attendance is greater than required. Just 7% of employers find that eligible staff do not attend in-person as much as required. Where organisations have to resort to sanctions for failure to comply with attendance requirements they typically do so by following their disciplinary or performance management policies; this is often preceded by an informal conversation in the first instance. Persistent offenders may have their entitlement to hybrid working revoked.

Most (79%) organisations use technology such as instant messaging to ensure effective teamworking and

Site attendance expectations by sector



Source: IDR

collaboration, while just over half (56%) hold regular (for example, daily) virtual meetings to ensure all team members can connect. And a third of organisations have put in place line manager training to promote effective hybrid working. By contrast, it is relatively uncommon for organisations to have redesigned jobs or reallocated responsibilities based on the most suitable location or staff member for tasks, with just 6% of respondents indicating that they had done so.

A quarter of organisations report that they offer some form of incentive to encourage staff into the workplace. Free (or subsidised) lunches or snacks were most commonly mentioned while subsidised gyms are another relatively popular benefit.

Little apparent impact on pay

Hybrid working practices do not yet appear to be having any significant effect on pay. Just two respondents indicated that pay differs based on office attendance and in both instances this simply appears to be a case of continuing to pay location allowances to hybrid workers at eligible office bases – it is reasonable to assume that other respondents are likewise paying any applicable location allowances regardless of time spent on site.

Few organisations offer support with home working-related expenses and where they do, this is often restricted to permanent home-workers although two extend such policies to hybrid workers. Where respondents gave details of the value of such allowances, in two cases these are worth £26 a month (in line with HMRC guidance) while a third organisation pays £18 a month.

About the survey

The full survey is based on responses from 71 (predominantly large and medium-sized) organisations across the economy, together employing over 380,000 staff, to a survey conducted in March 2025. All but one of these respondents offer hybrid working.

Participating organisations

Airedale International Air Conditioning, AirTanker, AJ Bell, Aquaterra Energy, Ark-H Handling, Arrow XL, Ashford Borough Council, Bloomsbury Publishing, Boots, Bracknell Forest Council, Bristol City Council, Bromford Flagship, BT, Buro Happold, Check Point, Children and Families Across Borders (CFAB), Convention of Scottish Local Authorities (COSLA), Costa Coffee, DFS, Domestic & General, East Riding of Yorkshire Council, easyJet Airline Company, Edinburgh Leisure, Franklin Templeton, GB Railfreight, Imerys Minerals, Industrial Automation & Control, INEOS Inovyn, International Bar Association, Leonardo UK, Loop Customer Management, LV=, Lycetts, MAN Truck & Bus UK, ManpowerGroup UK, Mars, Mitchells & Butlers, Molson Coors Beverage Company, MTC, National Gas, National Highways, National Museum of the Royal Navy, Newlon Housing Trust, NHS Employers, NORDAM Europe, Norfolk County Council, Onward Homes, Open Banking, Oxford Instruments, Plan International, Principality Building Society, Prisoners' Education Trust, R. Twining and Company, Raytheon UK, Rentokil Initial, Ricoh UK, Rolls Royce SMR, Royal College of Nursing, SIG, South Oxfordshire and Vale Of White Horse District Councils, St Andrew's Healthcare, Teckentrup UK, The Donkey Sanctuary, Three, TUI UK & Ireland, Universities & Colleges Employers Association (UCEA), University College London (UCL), University of York, Wincanton, Wyndham Hotels & Resorts

Special feature
Employers continue to set minimum rates above the statutory wage floor

Alyssa Withers Incomes Data Research

Employers continue to set their minimum rates of pay above the legal wage floor, according to our recent poll of minimum pay rates.

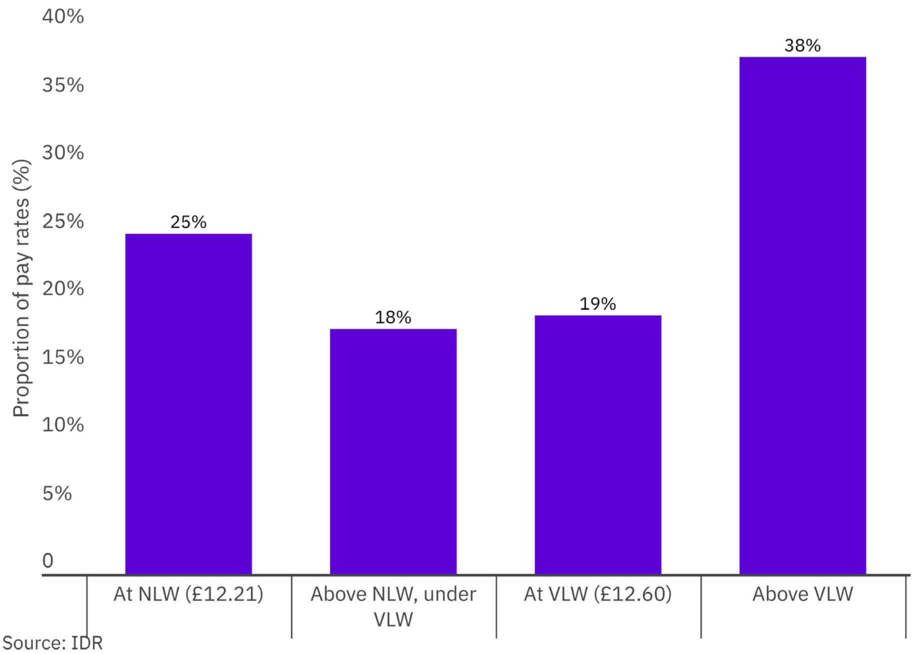
The median minimum from our analysis of lowest rates across the low-paying sectors of the economy is £12.60. This is in line with the voluntary living wage (VLW) and some 3.2% above the National Living Wage (NLW), which currently stands at £12.21. In London, where the cost of living is significantly higher, the minimum median rate is also higher, at £13.85, which happens to coincide with the London rate of the VLW.

Hourly rates vary by job title across our sample, ranging from £12.21, the same as the legal minimum, for roles such as cooks, care assistants and maintenance workers, to £15.00 for operators at a large food and drink manufacturer. Our survey found that roles in hospitality and catering are typically paid less than the overall median. For example, the median rate for a kitchen assistant is £12.26, and the same is true for cleaners' rates of pay. The median hourly salary for restaurant and bar staff is close to this at £12.24, just 3p above the NLW. On the other hand, basic administrative roles typically earn slightly more than our overall median, with the median hourly rate for these roles showing at £12.63.

Additional data from IDR's online tool, Pay Benchmarker, shows that the median hourly minimum rate at the large supermarkets is some 24p above the NLW at £12.45, with Lidl and Aldi each paying the highest hourly rate, of £12.75. In the forthcoming months, rates at Aldi, Asda, Co-operative Group, Sainsbury's and Tesco will all see further uplifts. These increases will put Aldi's hourly rate at £12.85 nationally; Asda's, Co-operative Group and Sainsbury's rates at £12.60 each; and Tesco's main shopfloor rate at £12.64.

We also asked participants to provide us with their supervisory rates in order to understand how the increase in the statutory wage floor has affected differentials. Our research has identified the median for supervisors as £14.61,

Relationship of minimum rates to NLW and VLW



Source: IDR

indicating a typical differential of £2.01. This suggests that the narrowing of differentials previously monitored by IDR has eased somewhat in the last year, and differentials look to be widening once more. In 2024, our research found that the median differential between rates for supervisory roles and rates for the roles they supervise was 71p, some £1.30 less than the differential for 2025.

Due to higher than previous increases in the NLW over the preceding two years (9.7% in 2023 and 9.8% in 2024), and the pressure this created on key differentials, many employers allowed the gap, between pay for their main grade and that of supervisors, to narrow. But the lower increase in the legal floor in 2025, some 3.1 percentage points down from the increase in 2024, has allowed employers to widen these differentials once again.

Of those who reported that the increase to the NLW did have an effect on their differentials (42% of the sample as a whole) just under half said that in order to maintain differentials, they implemented a separate and, in some cases, higher increase for supervisory roles.

In April of this year, the NLW increased by 6.7% to £12.21. Our analysis found this recent uplift to be the most prominent factor for participants when setting pay, with 92% citing it as 'important' or 'very important'. The same proportion also reported that affordability has a significant influence on pay setting. Other key factors include the recent increase to employers' National Insurance contributions, which 53% of respondents said was 'important' or 'very important', closely followed by the cost of living (47%).

Extent of living wage accreditation

The large majority (91%) of the sample are not accredited (voluntary) living wage employers. Of the remainder, just 6% are currently accredited while 3% were previously accredited, but have ceased to be so due to 'cost pressures'. Despite this, over half of respondents (61%) reported that the VLW has a bearing on the setting of pay rates, formally or informally. We wanted to further understand why organisations are not gaining accreditation if the VLW carries such weight in pay setting considerations. The leading reason for participants not officially adopting the VLW is that they are unsure whether it is affordable in the long term. A small proportion also cited the difficulties involved in extending the VLW to external contactors. Of the proportion of respondents who said the VLW has no bearing on their pay setting (39%), the majority told us they have no intention of formally or informally aligning pay rates with the NLW in the near future.

About the survey

IDR's poll of minimum pay rates was conducted in April 2025 and focused on sectors most likely to have a significant number of staff on rates level with, or close to, the NLW or VLW. It attracted responses from 36 mostly large organisations, together covering 907,697 staff (including 700,915 staff at large retailers). The median headcount for the sample is 4,158 employees.

Supermarkets' minimum pay rates 2025

Company	2025 minimum hourly rate
Aldi	£12.75*
Asda	£12.21*
Co-operative Group	£12.30*
John Lewis Partnership	£12.40
Lidl	£12.75
Marks & Spencer	£12.60
Sainsbury's Supermarkets	£12.45*
Tesco Stores	£12.45*
Wm Morrison	£12.21

*Rate will be uplifted later in the year.

Source: IDR

Participating organisations

Action for Children, AJ Bell, AMG Group, Axa Insurance, Boots UK, Bromford, Chelsea Physic Garden, Co-operative Group, Domestic & General, Domino's Pizza Group, Green Apple Catering, Greene King Brewing & Retailing, Holland & Barrett Retail, John Lewis Partnership, KP Snacks, LV=, Metro Bank, Mitchells & Butlers, NAAFI, Ocado, Principality Building Society, Raytheon Systems, Royal National Lifeboat Institute, Sainsbury's Supermarkets, Samworth Brothers, Sanctuary Group, Signature Senior Lifestyle, Specsavers, St Andrew's Healthcare, Tesco Stores, The Donkey Sanctuary, TUI UK & Ireland, Whitbread Group, Wickes, Wincanton, Wm Morrison

Datacheck
Sharp inflation rise in April 2025

All three inflation measures have risen this month, according to the latest figures from the [Office for National Statistics (ONS)](#).

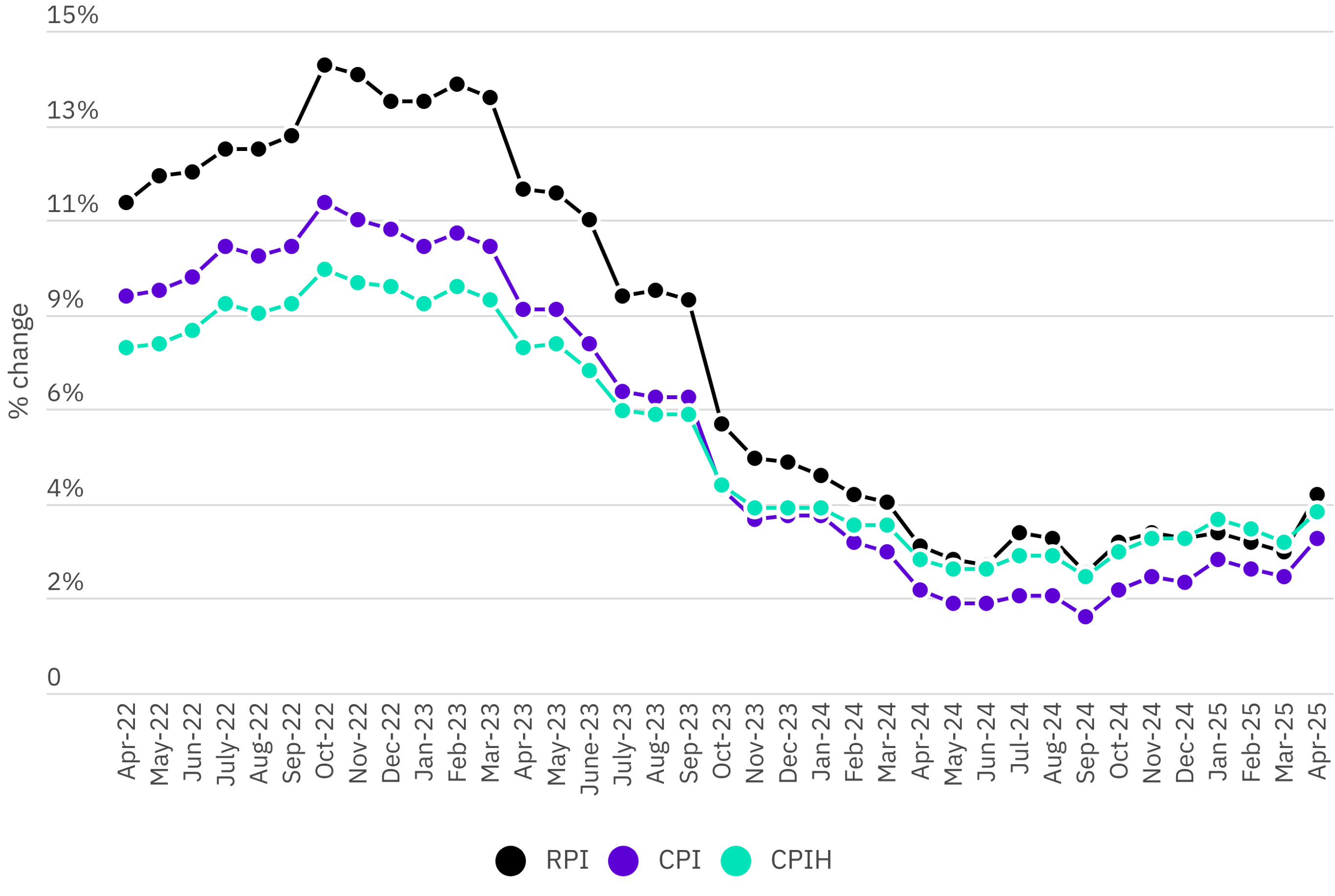
Economists forecast inflation to rise in April but the increase is greater than expected. The Consumer Prices Index including owner occupiers' housing costs (CPIH) is showing at 4.1% for the year to April 2025, up from 3.4% in March. This is the highest that the CPIH has been since January 2024 when it was 4.2%. Similarly, the Consumer Prices Index (CPI) also rose: it was 2.6% in March but is now 3.5%. The Retail Prices Index (RPI) rose most significantly, to 4.5%, having been 3.2% last month. The largest upward effect on all three measures came from rising energy prices, following Ofgem's price increase to the cap on household energy bills in April 2025. Other household bills, such as water and sewerage, also contributed upward pressure.

Consumers are paying more for both electricity and gas than this time last year. Gas prices rose by 7.5% in April, while electricity prices rose by 2.9%. This is very different to the same period in 2024 when prices fell between March and April (by 15.8% and 10.2% respectively). Higher transport prices also contributed to the latest upward trend on all three measures, largely influenced by a rise in Vehicle Excise Duty (VED) in April. Electric cars became eligible for VED from April but at the same time, some of the rates paid on petrol and diesel cars doubled. Meanwhile, air fares rose by 27.5%, up from a rise of just 6.5% last April. An additional small upward pressure came from the price of foreign holidays, mainly due to the timing of Easter.

While prices fell for clothing, and petrol and diesel, and the owner occupiers' housing costs (OOH) component of CPIH is also down, none of these were sufficient to offset the upward pressures detailed above.

The rates of 'core' CPIH and CPI inflation also rose and remain higher than the headline rates, showing at 4.5% and 3.8% respectively. These 'core' rates exclude prices for items such as food and energy, which tend to be more volatile than other components of the inflation 'basket'.

Inflation rates: RPI, CPI, CPIH – April 2022 to April 2025



Source: ONS

Inflation measures - year to April 2025

Measure	% change over 12 months to April 2025
Consumer Prices Index – Housing (CPIH)	4.1% (up from 3.4% last month)
Consumer Prices Index (CPI)	3.5% (up from 2.6% last month)
Retail Prices Index (RPI)	4.5% (up from 3.2% last month)

Next data release: 18 June 2025

Source: ONS

Labour market weakens

The labour market looks to have weakened across most of the main indicators contained in the latest release from the Office for National Statistics (ONS).

The number of employees on payrolls — taken from HMRC data — is down, while the estimate of employment taken from the Labour Force Survey (LFS) has remained the same. Unemployment is up on the quarter, while inactivity and the number of vacancies have both fallen.

Employment and unemployment

There are currently 30,334,000 employees on payrolls in the UK, according to the HMRC data. This is down by 53,000 employees on the previous quarter. The early estimate of this measure for April suggests a further fall of 33,000 in the number of people on payrolls.

By contrast, the rate of employment according to the LFS has remained unchanged in the latest period (at 75.0%). According to this wider measure, there are 32,383,000 people currently in employment.

Unemployment among those aged 16 and over is up slightly in the latest quarter by 0.2 percentage points to a rate of 4.5% — indicating there are 1.614 million individuals who are currently out of work. The claimant count has also risen, this time to 1.726 million recipients.

The claimant count is often a narrower measure of unemployment, since it counts only those in receipt of unemployment-related benefits. The fact that the current LFS estimates of unemployment are lower than the claimant count may be connected to the recent difficulties that the ONS has been experiencing with the LFS.

On this, the ONS reports: 'LFS estimates from January to March 2025 include the full effect of recent improvements in LFS data collection and sampling methods introduced from January 2024 and are therefore more likely to be representative of labour market conditions.'

Economic inactivity

Economic inactivity has seen a minor fall of 0.2 percentage points down to 21.4% in the latest period. This decrease is largely down to a decline in the number of those classified as temporarily sick and a dip in the number of those looking after family and/or the home.

Vacancies and redundancies

The estimated number of vacancies decreased for the 34th consecutive instance, this time by 42,000 on the quarter, to 783,000 in January to March 2025. This estimate puts the number of vacancies 34,000 below their January to March 2020 level, just before the coronavirus pandemic. The early estimate for February to April 2025 shows a further fall in the number of vacancies, down to 761,000.

Redundancies fell slightly by 4,000 and the latest figures show a total of 110,000. The rate, which is the ratio of redundancies to the total number of employees, currently stands at 3.8%, which is down by 0.1 percentage points.

UK labour market summary statistics January to March 2025

Measure	Level (000s)	Quarterly level change (000s)	Rate (%)	Quarterly change in rate
Payrolled employment (HMRC)	30,334	-53	-	-
Employment (16-64)	32,383	85	75.0%	0
Unemployment (16-64)	1,566	57	4.6%	0.2
Unemployment (16 and over)	1,614	62	4.5%	0.2
Economic inactivity (16-64)	9,224	-54	21.4%	-0.2
Vacancies	783	-24	2.1*	-1.9
Redundancies	110	-4	3.8%	-0.1

*Number of unemployed people per vacancy.

Source: ONS (LFS unless otherwise stated)

Next release: 10 June 2025

Average weekly earnings growth drops back a little

Growth in average earnings dropped back a little in the latest figures from the Office for National Statistics (ONS).

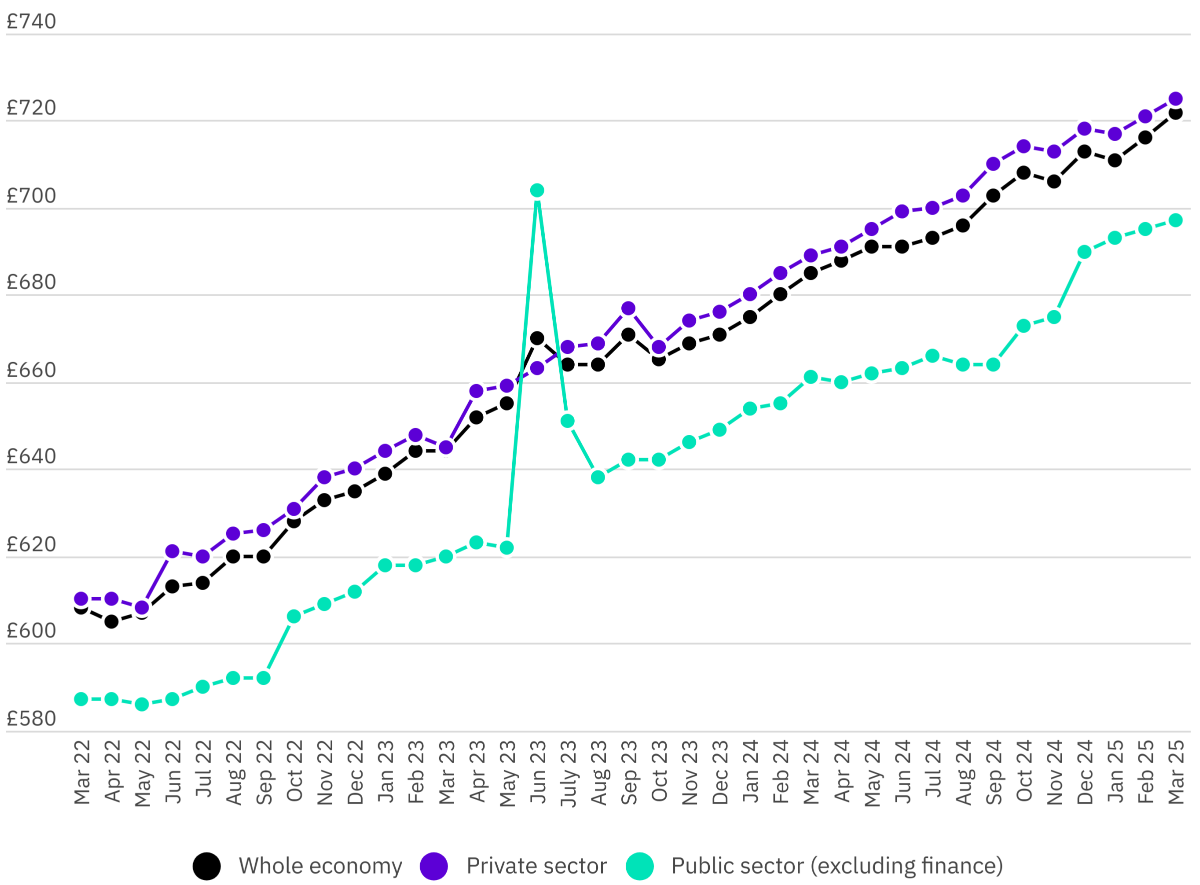
These indicate that regular pay, which excludes bonuses, increased by 5.6% in the period from January to March 2025, compared with the same period a year ago. This is down on the previous rolling three-month average, for December 2024 to February 2025, when it was 5.9%. Meanwhile total pay, which includes bonuses, was showing at 5.5%, also down, from 5.7% previously. In real terms, adjusted using CPIH inflation, regular pay growth was 1.8% and total average weekly earnings rose by 1.7%. These figures are also down, from 2.1% and 2.0% respectively.

Retail and construction showed the strongest average earnings growth. In retail, regular pay increased by 7.4%, while total pay growth was 6.9%. In construction, regular pay growth was 6.4% while total pay increased by even more, 7.8%. Bonus payments increased by 26.4% in construction over the latest period, significantly more than in any other sector, with the partial exception of manufacturing, where the equivalent figure was 15.0%. Last month, the respective bonus growth figures were 7.2% and 12.1%.

Earnings growth was also strong in the public sector (excluding financial services), showing here at 5.9% on both measures. Bonuses are rare in the public sector, hence the similarity. Manufacturing was next at 5.4% on the regular measure and a little stronger, at 5.6%, on the total measure which, as noted, is influenced by a rise in bonus payments in the sector. In finance and business services, growth was weaker at 4.0% in regular pay and just 3.6% in total pay. Bonus pay increased by just 2.6% here, down from 4.3% in last month's release.

Across the private sector as a whole, regular pay growth was 5.6%, while total pay growth was 5.4%. This includes transport and communications, which are not shown separately, but are covered by the broad category of 'services', which covers all private and public services and excludes manufacturing and production. Earnings growth here was showing at 5.6% (regular) and 5.3% (total). The trend in the average weekly earnings figures is now mirroring that in basic pay awards, which are showing at 3.2% for the whole economy according to our latest analysis. There is still a gap between the two, however, in part reflecting the fact that they measure different phenomena.

Total average weekly earnings, March 2022 to March 2025



Source: ONS

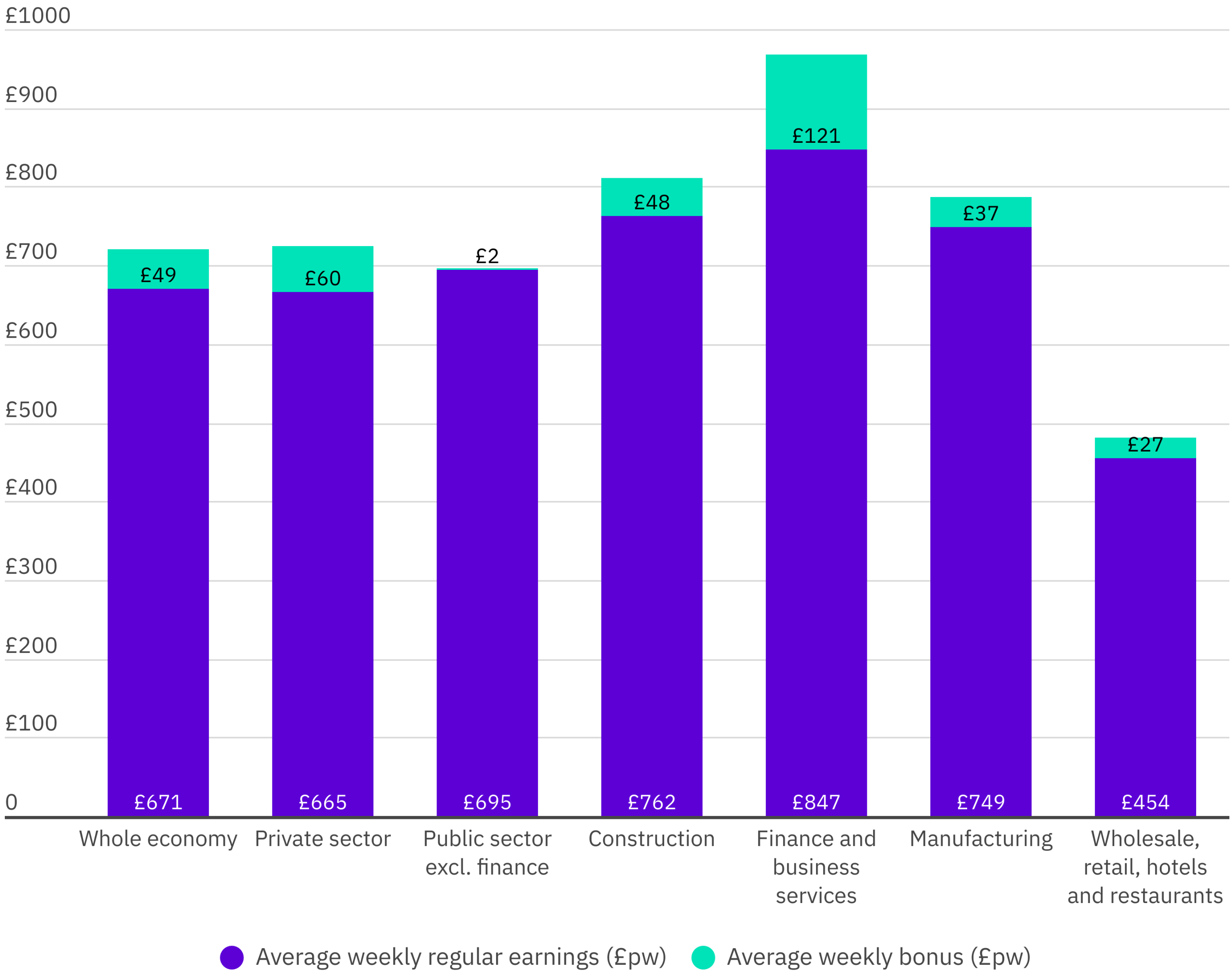
Average weekly earnings % growth (year-on-year) – three months to March 2025

Sector	Total pay including bonuses	Regular pay
Whole economy	5.5%	5.6%
Private sector	5.4%	5.6%
Public sector excluding financial services	5.9%	5.9%
Construction	7.8%	6.4%
Finance and business services	3.6%	4.0%
Manufacturing	5.6%	5.4%
Wholesaling, retailing, hotels and restaurants	6.9%	7.4%

Next release date: 10 June 2025

Source: ONS

Average weekly earnings, March 2025



Source: ONS

Figures correct at time of writing. The ONS sometimes publishes revisions to its Average Weekly Earnings data series; for the most up-to-date figures see its latest and previous releases on the ONS website.