

## Pay rises

### Types of pay rise

A pay rise is an increase in the amount of money an employee gets for doing their job.

There is no legal requirement for an employer to give a pay rise to an employee unless:

- they earn the minimum wage and it increases
- they earn the minimum wage and move into the next age bracket
- their contract states they are entitled to one

Even though there is no legal requirement to offer a pay rise there can be benefits for an employer. For example, it could help:

- employees feel happier and more engaged at work
- encourage employees to stay at their organisation
- recognise good performance

### Discretionary pay rises

Discretionary pay rises are not guaranteed each year. They are sometimes called non-contractual pay rises.

The employer has some flexibility over whether or not to award a discretionary pay rise.

If a contract says a pay rise is discretionary, the employer should still act fairly when deciding whether to pay it. If some employees will not receive the pay rise, there should be clear reasons for this.

For example, a company decides they will award a 5% pay rise. To be eligible, employees must have been working for the company at the start of the financial year. Charlie joins the company partway through the year and so does not receive the pay rise.

If the employer does not act in a fair and reasonable way, their employee might be able to make a legal claim.

### Contractual pay rises

An employment contract might give employees a contractual right to a pay rise.

The employer must pay a contractual pay rise if certain agreed criteria are met. For example, if an employee meets certain performance objectives.

The employee's entitlement to a pay rise should be recorded in their [written statement of employment particulars](#). This should clearly explain the criteria for the employee to get the pay rise.

For example, Li's contract says employees are entitled to a 3% pay rise if they meet yearly performance targets. Li meets their targets, and so they are entitled to the pay rise.

## Custom and practice

An employer might have regularly paid their employees a pay rise without a written agreement.

If there is no written agreement, the employees might be entitled to a pay rise through 'custom and practice'. If it's not clear whether custom and practice applies it's a good idea to [get legal advice](#).

[Find out more about custom and practice](#)

## Collective bargaining

If an employer recognises a trade union, they must carry out 'collective bargaining'. This is where an employer negotiates with the trade union on changes to certain terms and conditions.

Collective bargaining usually includes negotiations about pay.

Where collective bargaining leads to a pay increase, it is called a collective agreement. Collective agreements can cover employees who are not a member of the trade union.

[Find out more in the Acas Code of Practice on disclosure of information to trade unions for collective bargaining purposes](#)