

Pay rises lower as number of freezes grows

The latest figures from the IDS Pay Databank show that the level of pay settlements is coming down as the proportion of pay freezes grows, and firms award lower increases overall. The median increase for the three months to the end of February 2009 is 3.4 per cent, down from 3.5 per cent in the three months to January. The interquartile range, within which half of all increases lie, is also lower, at between 2.8 and 4 per cent, having been running at between 3 and 4.2 per cent in our last analysis.

IDS has analysed 110 pay settlements effective in the three months to the end of February, 101 of which took effect in the key bargaining month of January. Together, the deals cover almost 335,000 employees. Almost all the awards are in the private sector, with public sector deals mostly taking effect in April.

Pay freezes make up one-in-ten settlements in this analysis period, but overall these awards account for nearly a fifth of all settlements monitored by IDS for 2009. In some parts of the economy, notably the motor industry, the picture is complicated by a relatively high incidence of 'pay pauses'. This is where firms postpone a review until the outlook is clearer. While many of these pauses may eventually result in freezes, we do not record them as such until a formal decision has been made.

The rising number of pay freezes and lower increases generally has had a proportionally greater impact on the average pay rise, which as a statistic is affected more by 'outliers', ie very low or very high awards. The average increase is currently 3.1 per cent, well below the median figure of 3.4 per cent.

With the upper quartile – the point at which three-quarter of deals are below – at 4 per cent, this is effectively the current ceiling for pay increases. However some organisations, perhaps less affected by the recession than others, continue to award increases above this level. For example, stable staff in the horse-racing industry received January increases of 5 per cent to minimum rates.

Ken Mulkearn, Editor of IDS Pay Report, said: 'Pay settlement levels in the private sector are coming down and are likely to drift lower. In fact we may see private sector awards come into line with those in the public sector, where 2009 awards under long-term deals are already centred on the relatively modest figure of 2½ per cent. Having said that, there is a spectrum in respect of how firms are coping with the recession and some sectors have awarded higher increases, though 4 per cent is emerging as something of a ceiling. The broad picture across most of the economy is from zero to 4 per cent.'

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