

PRESS RELEASE

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Lower median masks range of pay outcomes

The latest figures from the IDS Pay Databank show that the median pay settlement level has fallen to 3 per cent in the three months to the end of March, down from 3.4 per cent for the previous rolling three-month period, to the end of February. The latest figures are based on 168 settlements, covering a total of 460,998 employees.

The main influence on the falling median is the rise in the proportion of pay freezes, which stand at one-fifth of all pay reviews for the latest analysis period. However, this is not the whole picture. At the same time, many firms are continuing to pay increases, and there is a significant amount of clustering at the 3 per cent mark, with one-in-seven settlements producing rises at exactly this level.

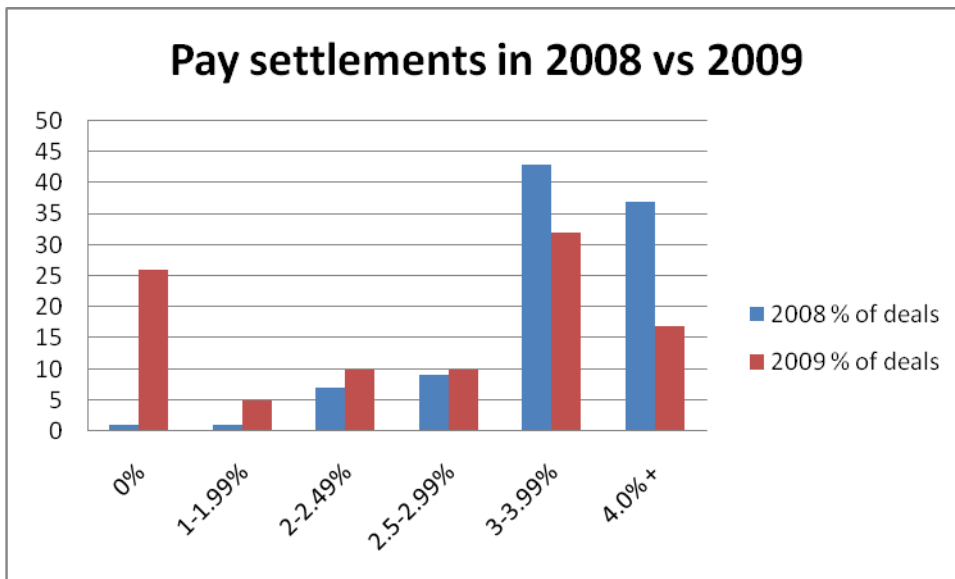
The interquartile range is down, but also wider than previously. The lower quartile – the point at which a quarter of settlements are below – is down sharply to 2 per cent, from 2.8 per cent in the last analysis. The upper quartile dropped back only slightly however, from 4 to 3.8 per cent. Here, the fact that a significant proportion of firms continue to award above-average increases is the main influence behind the much smaller fall in the upper quartile.

An initial look at awards for the key pay-setting month of April shows that, of the 78 settlements monitored for this month so far, over a third are freezes. This is the main factor behind a much lower median for this month, of just 2 per cent overall. However, April increases for many large organisations – in both the private and public sectors – are above this level, in some cases significantly. If we analyse April awards by size of organisation, the median rises to 2.4 per cent.

A broader analysis of pay decisions in 2009 – comparing all 2009 settlements so far with those for the whole of 2008 – shows that while the proportion of freezes has increased significantly, in line with the altered economic circumstances facing many firms, the changes at the other end of the range of settlements are less stark. In particular, the proportion of settlements between 3 and 4 per cent has held up remarkably well, in comparison to 2008, and still stands at over a third of awards. The bar chart below details the comparison between this year and last.

Further from this, IDS also found that across-the-board freezes are far from being the only response to the downturn. Hard-pressed firms are reacting in a range of ways, including:

- Freezing pay for some higher-paid groups, but not for others
- Continuing to pay progression increases to eligible staff
- Continuing to pay bonuses
- Giving additional boosts to the wages of lower-paid staff
- Increasing holiday entitlement as a retention measure.



Source: IDS

Ken Mulkearn, Editor of IDS Pay Report, said: ‘Sometimes summary statistics don’t tell the whole story and this is one of those periods when the broader picture is just as important. On the one hand, those firms most affected by the recession are freezing or pausing pay. On the other hand, a significant proportion of companies are continuing to pay increases, mainly in the 3 to 4 per cent bracket. And the tale is largely one of contrasting sectoral fortunes, with most of the freezes concentrated in engineering and among firms which provide key industrial inputs, such as chemicals manufacturers. By contrast, other sectors, like food manufacturing, pharmaceuticals and retail, have seen fewer freezes.’

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