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## Freezes rise but most firms award increases

The latest figures from the IDS Pay Databank, for the three months to the end of April, show that the median settlement level has fallen sharply to 2 per cent, down from 3 per cent in the last analysis, covering the three months to the end of March. The inter-quartile range – within which half of all settlements occur – has fallen significantly, and now runs between 0 and 3 per cent. In the previous analysis, the inter-quartile range was from 2.8 to 4 per cent.

April is a key bargaining month, and the latest crop of settlements includes a large proportion of freezes. This is the main factor behind the sharp drop in the median. The median figures are based on 145 settlements effective in the three months to the end of April, altogether covering 2.23 million (mainly non-management) employees, in both the private and public sectors. Freezes made up almost a third of these settlements.

While freezes are a key part of the picture, the majority of firms are awarding pay increases. Of the 75 new settlements monitored by IDS, one-quarter are pay freezes. However a fifth of the new deals are above 3 per cent, in a range up to 5 per cent. There continue to be some sectoral differences, with freezes common in manufacturing, but less so in areas such as finance. Here, pay freezes have been a rarity so far in 2009, with most finance sector settlements in a range from 2½ to 3½ per cent.

A separate quarterly analysis of management pay deals, conducted by the research staff of IDS Executive Compensation Review, shows that the average pay award for managers in the private sector was just 1 per cent for the three months to April. This is down sharply on the previous quarterly analysis, for the three months to January, which showed an average increase of 2.4 per cent. Again, a record proportion of pay freezes is the key factor behind the drop in the average.

Ken Mulkearn, Editor of IDS Pay Report, whose staff produce the Pay Databank analysis, said: 'Following the 'delaying' of the early 1990s recession, few firms have much spare capacity left to cut. As a result, many organisations are seeking to minimise redundancies and hang onto staff in the hope of an economic recovery. In this context, pay freezes, and even temporary pay cuts such as that recently agreed at Honda, are part of a strategy to avoid redundancies wherever possible. In those parts of the economy most affected by recession, the focus is on negotiation to mitigate its effects. And the contrast with finance shows that pay freezes aren't the whole picture. If anything, the idea that most private sector firms are freezing or cutting pay is a current form of urban myth.'

Steve Tatton, Editor of IDS Executive Compensation Review, said: 'This quarter's figures are characterised by a high proportion of pay freezes, although it is not clear whether this is a fully accurate reflection of events or more a product of employers' willingness to share this information. What is clear however, is that with or without pay freezes, employers are bearing down hard on pay budgets for managers as they attempt to ride out the recession.'

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**Notes to Editors:**

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