

PRESS RELEASE

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Proportion of pay freezes stabilises?

The latest figures from the IDS Pay Databank, for the three months to the end of May, show that the median settlement level has remained at 2 per cent, the same as in the three months to the end of April. The inter-quartile range – within which half of all settlements occur – is also stable, running at between 0 and 3 per cent.

The ratio of pay freezes appears to have stabilised for the moment, at just under a third of deals. The latest figures are based on 198 settlements effective in March, April and May, together covering a total of just below 2.5 million employees.

The recession continues to have a differential effect on pay outcomes. Freezes remain a key part of the picture, especially in those sectors of the economy that are struggling, but most organisations continue to award increases, though mainly on a lower basis than in previous years. For example, a number of organisations in the energy sector have agreed new long-term deals with guarantees of above-inflation increases in subsequent years.

Cuts in basic pay remain rare, with those we have monitored confined to the hard-pressed motor industry. Most of these reductions are temporary and aimed at securing jobs in the sector.

The IDS findings on basic pay reviews are underlined by the figures on average earnings growth produced by the Office for National Statistics. The latest figures for the Average Earnings Index (AEI) show that across the whole economy, average earnings grew by 3.3 per cent including bonuses, and 2.7 per cent excluding bonuses, on a non-seasonally adjusted basis in the year to April.

In addition, the ONS' experimental Average Weekly Earnings (AWE) series, released today (1 July), returned to a positive trend, after showing negative growth for three months. The latest figures under this series show whole-economy earnings growth of 1.2 per cent in the year to April. The three previous months' year-on-year figures were negative under the impact of much lower bonus payments, especially for 'high-flyers' in the finance sector, than in 2008.

Ken Mulkearn, Editor of IDS Pay Report, whose staff produce the Pay Databank analysis, said: 'Our findings on basic awards, plus the official figures on earnings growth, show that significant retrenchment on pay and jobs in 2009 is taking place alongside continued, albeit more modest, pay awards. So far, pay cuts are rare. And in many cases where there has been no across-the-board award this year, eligible employees are still receiving progression increases and/or bonuses.'

A pdf file of the pages 7 to 9 from the latest issue of IDS Pay Report accompanies this release.

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