

PRESS RELEASE

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2% is 'floor' for pay rises

The latest analysis of pay settlements from IDS indicates that the pay pattern established over the past couple of months appears to be holding, with the median rise remaining at 2 per cent. Freezes continue to make up around a third of settlements.

The latest figures from IDSPay.co.uk show the median pay settlement for the three months to the end of June is 2 per cent, the same as in the three months to the end of May. The interquartile range of deals - within which half of all settlements occur - is also unchanged, running at between zero and 3 per cent.

Summary of key settlement data	
For the three months to the end of June 2009, based on 235 settlements covering 2,658,372 employees in total	
Median (whole economy)	2.0%
Average (whole economy)	1.7%
Interquartile range (whole economy)	0 to 3.0%
Manufacturing & production median	1.5%
Private services sector median	2.0%

The distribution of settlements in the latest three-month period shows that while the proportion of freezes is generally stable at around a third, half of all settlements are worth 2 per cent or more, indicating that this level has emerged as something of a floor for pay rises. Most of the pay freezes have been at smaller firms with just over half of the freezes in this analysis period covering firms with less than 500 employees.

Excluding pay freezes the median settlement level is 2.5 per cent. So for companies not freezing pay, this is the level of actual increases being paid.

Where companies have decided to freeze pay, some compensatory measures have been offered to employees. For example, in lieu of a basic pay increase this year, BT have offered staff a non-consolidated payment of £400, to be paid in two instalments. The CWU, the trade union involved in negotiations, is currently balloting its members over the offer and is recommending its acceptance. Also at BT, and other firms where there has been no general award, eligible staff are in receipt of progression increments.

Some firms are also continuing to pay bonuses. Of the 86 deals that resulted in a pay freeze in the latest three-month period, one-in-six paid some element of bonus to employees. For example, Unilever

Home & Personal Care has brought forward £450 from the 2009/10 bonus as well as paying non-consolidated lump sums of £150 to around 400 employees in lieu of a basic pay rise for 2009.

Pay settlements in the public sector are running at slightly higher levels as many are part of long-term deals with increases agreed last year when the economy was in much better shape. Current pay offers in the public sector are now at much lower levels including the one for local government employees in England and Wales which is 1 per cent, with slightly higher increases for lower-paid employees. The pay award for the fire service has just been settled at 1.25 per cent, effective from 1 July 2009.

Ken Mulkearn, Editor of IDS Pay Report, said: 'With the key bargaining month of April now behind us, the pattern appears to be largely set, with freezes at some organisations but (mostly modest) rises at others. However there are still a number of companies to reach late deals for 2009. And pay reviews are still due in certain key sectors, such as the civil service, retail, road transport and the motor industry.'

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