

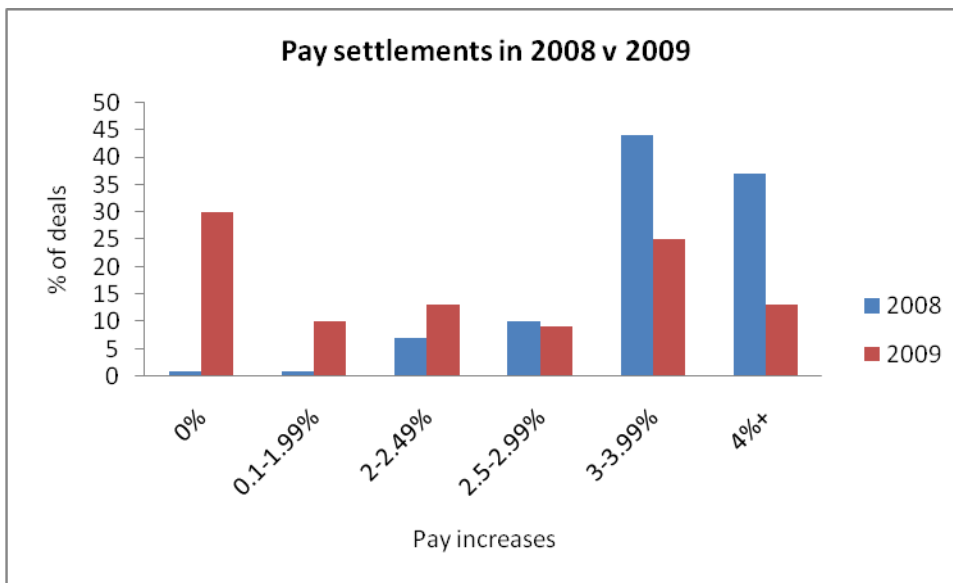
PRESS RELEASE

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Hopes for a recovery persist despite the economic outlook remaining uncertain

The median pay settlement level for 2009 is 2.3 per cent. Higher-level awards have continued to occur despite freezes numbering around a third of pay settlements. This has created a noticeable division in the distribution of pay settlements: pay freezes on one side and increases at 2 per cent and above on the other. Excluding pay freezes in 2009, the median pay settlement level is 2.9 per cent. Our recent survey of reward specialists shows that three-fifths of those firms that froze pay in 2009 will award pay increases once more in 2010.



Many of the gloomiest predictions on pay made at the start of the year failed to materialise. There were not widespread pay cuts or pay freezes across the board.

Pay freezes are highly sectoral with the motor industry, construction, bulk chemicals, road and air transport and the media particularly susceptible. Sectors which are less affected include energy, finance (though this has been balanced by large-scale job losses), pharmaceuticals, bus and rail transport, food retailing and food manufacture.

In many cases pay freezes have been justified through commitments to safeguard jobs. Firms are conscious of the need to retain a skilled workforce for when the market eventually picks up and are trying to avoid unnecessary cuts.

In a year when deflation emerged for the first time since the 1960s, RPI inflation became much less important as an indicator in pay setting. However as inflation is expected to rise in 2010, the level of RPI will become a key factor in pay negotiations once more, providing an upward pressure on pay. Forecasts published by IDS suggest RPI inflation will return to around 2.5 or 3 per cent early in 2010 and stay around 3 per cent for most of the year.

Ken Mulkearn, Editor of IDS Pay Report, said: 'Findings from our latest subscriber survey show that most firms with zero awards in 2009 may return to increasing pay again next year. So while prospects for the economy remain uncertain, many firms will be planning ahead for a possible recovery in 2010.'

'Pay Prospects 2010: planning for recovery' is aimed at helping reward practitioners plan for a possible recovery. Among the key issues identified are:

- Basic pay levels will be important in 2010 as pay freezes have most likely led to some anomalies
- If inflation rises as economists predict, this will provide an upward pressure on pay with most private sector increases in the 2.5 to 3 per cent range
- Unemployment may remain high but if the economy recovers, skills shortages will re-emerge in certain areas

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Notes to Editors:

IDS Pay Report

Pay prospects 2010: planning for recovery

This special issue of Pay Report contains analysis of the outlook for pay and conditions over the coming months aimed at helping practitioners plan for a possible recovery. The report contains details of current pay trends, sector-by-sector analysis, inflation forecasts and the reward agenda for 2010.

This issue is available to buy for £95 (inclusive of VAT). To purchase, visit www.incomesdata.co.uk or contact customer services on 0845 600 9355.

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