

PRESS RELEASE

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Median pay award rises to 2%

The latest figures from IDSPay.co.uk, for the three months to the end of September, show that the median settlement level has risen to 2 per cent, up from 1 per cent in our last analysis, for the three months to the end of August. The rise in the median is due to an increase in the number of awards worth 2 per cent or above, mainly in parts of private services such as food retailing and care/housing.

The latest figures are based on 66 pay settlements, covering 1.23 million employees in total. The inter-quartile range has widened slightly, and now runs from zero – indicating the continued significance of pay freezes – to 2.6 per cent, with the upper quartile having risen slightly from 2.5 per cent.

Summary of key settlement data from IDSPay.co.uk	
For the three months to the end of September 2009, based on 66 settlements covering 1.23 million employees in total	
Median (whole economy)	2.0%
Average	1.3%
Inter-quartile range (whole economy)	0 to 2.6%
Median – manufacturing and production	0%
Median – private services	2.25%
Median – public sector	2.5%

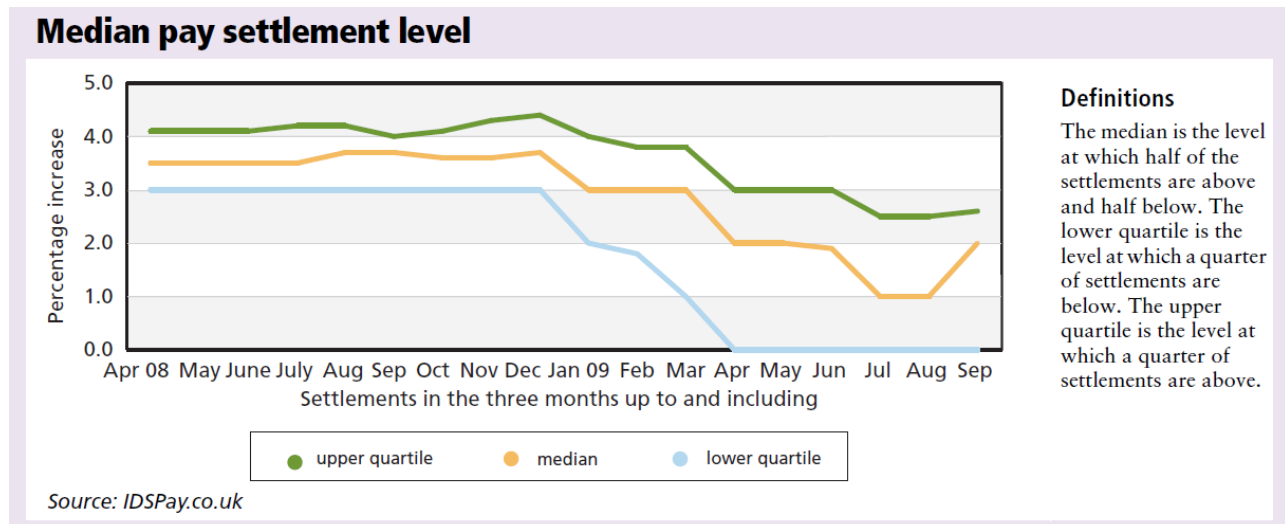
The median settlement in private services has risen sharply to 2.25 per cent, up from 1.1 per cent in our last analysis. Within this, IDS monitoring of pay awards in the retail sector, for instance, shows that most pay rises here are worth 2 per cent or more, despite a more modest uprating of the National Minimum Wage (NMW) which is a key influence on pay levels in the sector. The NMW was increased by 1.2 per cent to £5.80 an hour with effect from 1 October. There are also a large proportion of awards at 2 per cent or above in housing and care services, which also employs a large number of relatively low-paid workers.

Freezes are still a key part of the pay picture, especially in manufacturing and production, and continue to make up a third of all settlements, in a trend which has been stable since the start of the year. However, over half of pay awards are worth 2 per cent or more, and a fifth are at or above 3 per cent.

Most of the awards in the latest three-month rolling period are in the private sector, however the analysis also covers 17 public sector awards. The median settlement level here is 2.5 per cent, despite newly negotiated awards for 2009 being lower. An example here is the deal for firefighters and control staff, who received a basic rise of 1.25 per cent in a 12-month award from 1 July. Meanwhile at the Department for Environment, Food and Rural Affairs (DEFRA), a July award resulted in an increase

of 1.5 per cent in the paybill. Public sector pay awards under long-term deals that were reached in 2008, before the recession hit, are at the median level.

The Government has said that while it will honour the final years of three-year deals for NHS staff, police officers and teachers in 2010, it favours awards of a maximum of 1 per cent for most other groups. The exception here will be senior staff across the public sector, whose basic pay will be frozen.



Ken Mulkearn, Editor of IDS Pay Report, whose staff collect and analyse the data for IDSPay.co.uk, said: ‘Outside of those sectors that have been hardest hit by the recession, and where pay has been frozen, 2 per cent is pretty much the floor for pay increases. This is the case in areas such as food retailing, where the major firms pay above the minimum wage and have not been affected as badly as other sectors by the recession, with profitability generally being maintained.’

He added: ‘The Government’s recently announced policy on public sector pay means there will be three strands to pay review outcomes for public sector workers in 2010. The overall effect of the policy will be to hold back public sector pay, with the possibility of private sector pay growth pulling ahead once more, especially if the economy recovers and RPI inflation rises as predicted, back towards 3 per cent.’

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Notes for Editors

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IDS Pay Report, published fortnightly, is the UK's leading source of research and analysis on pay and benefits across the economy. For details see our website (address below) or call 0845 600 9355.

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