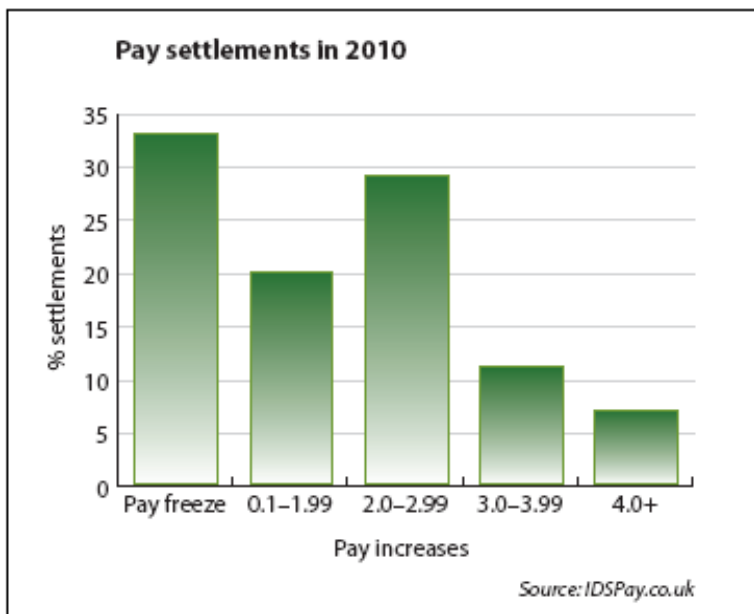


PRESS RELEASE

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Pay settlement levels remain stable

A detailed look at the key January pay round indicates that pay settlement levels in the private sector are remaining stable. New pay settlements recorded so far for 2010 have produced a range of outcomes and while a third are pay freezes, a similar proportion are for increases between 2 and 2.99 per cent (see graph below).



Though some firms are paying below the median settlement level of 1.9 per cent, others are paying at or above it, with sectors showing differences in this respect. Pay increases centred on 1 per cent have been monitored at food and drink manufacturers and in the retail sector, while higher increases of 2 per cent have been recorded at aerospace and defence companies, and in the finance sector. Pay freezes continue to make up around a third of settlements, the same proportion recorded in the second half of last year. The median pay settlement level in the manufacturing sector is 2 per cent – just ahead of the figure for the whole economy. While the economic recovery is fragile, inflation is rising, and this may have an effect on settlements in April, which is the next key month for pay reviews.

Our latest figures do not cover public sector pay awards as these are set later in the year, although early indications suggest that these will also be lower than last year. For example, local government employees are likely to see pay frozen this year.

Summary of key settlement data	
For the three months to the end of January 2010, based on 74 settlements covering 233,602 employees in total	
Median (whole economy)	1.9%
Average	1.6%
Interquartile range (whole economy)	0 to 2.5%
Manufacturing & production median	2.0%
Private services sector median	1.4%

Source: IDSPay.co.uk

Overall, organisations have paid lower increases so far in 2010 than they did at the same time a year ago. For example, the median pay settlement level recorded by IDS this time last year was much higher, at 3.5 per cent (compared to 1.9 per cent in the three months to January 2010).

Inflation was a key factor here and as companies prepared for the January 2009 pay round they were doing so against a backdrop of relatively higher inflation. In contrast, preparations for pay reviews effective in the early part of 2010 were taking place against a different backdrop from a year ago, when organisations were feeling the effects of the recession more sharply and inflation rates were at historically low levels. Higher rates of inflation have now begun to emerge and are likely to place an upward pressure on pay as employers prepare for the key pay bargaining round of April.

Ken Mulkearn, Editor of IDS Pay Report, said: ‘Our analysis of basic pay settlements shows broadly stable, though modest, growth. If the economy recovers we would expect earnings to rise, even if some pay freezes continue. Inflation, which has risen sharply to stand at 3.7 per cent in the year to January 2010 on the all-items measure, will produce another upward pressure on earnings, through its influence on pay setting.’

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Notes for Editors

IDSPay.co.uk is a new online source of all the remuneration data collected by IDS, on pay settlements, pay levels and executive compensation. Visit www.IDSPay.co.uk to see a demonstration or to sign up for a free trial.

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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