

PRESS RELEASE

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Freezes fall to lowest level since January 2009

The median pay settlement level for the three months to the end of April 2010 has risen to 2 per cent, up from 1.9 per cent in the three months to March. The proportion of pay freezes continued to decline in this period, and freezes now account for less than a fifth of awards, according to the latest data on pay settlements from IDSPay.co.uk. This is the lowest proportion of pay freezes since January 2009, when pay freezes first emerged as a key trend in pay setting during the economic downturn.

In line with this, the lower quartile, which had been at or close to zero since April 2009, has risen to 1 per cent in the three months to April 2010, which further indicates the decline in the overall number of freezes. This is a reversal of the trend we saw at this point last year, when the proportion of freezes was rising strongly. Comparing last year's overall picture with this year's, many of the firms that froze pay in 2009 have returned to paying increases this year. The latest figures are based on 97 pay settlements, covering 2,120,129 employees in total.



Source: IDSPay.co.uk

The median settlement level in the private services sector has risen significantly, up from 1.3 per cent in the three months to March to 2 per cent in the latest analysis. This is equal to the median in the manufacturing and production sector, which has been running at 2 per cent since the beginning of 2010. Earnings growth in manufacturing, based on the average weekly earnings figures produced by the Office for National Statistics, is much

stronger than it is in the economy as a whole, as firms that froze pay in 2009 return to paying increases and short-time working unwinds and overtime begins to re-emerge.

Contrast with public sector

The median pay settlement in the public sector, at 1 per cent, is half that for the economy as a whole (2 per cent), with 35 per cent of public sector pay awards with effective dates in April resulting in pay freezes. Public sector freezes covering large numbers of employees include the senior salary review body groups and consultants, GPs and dentists covered by the NHS Doctors' and Dentists' Review Body.

Where increases have been awarded in the public sector, these have tended to be around the 1 per cent mark, including the award for prison service staff in England and Wales and in Northern Ireland. While a small number of public-sector awards have been at higher levels, these have formed part of previously-agreed long-term deals, and increases as part of new deals are likely to be lower as pay restraint in the public sector intensifies.

Ken Mulkearn, Editor of IDS Pay Report, whose staff collect and analyse the pay settlement data for IDSPay.co.uk, said: 'Our latest figures present strong evidence that pay freezes – one of the key features of the recession – are now fading, in the private sector at least, as the economy stabilises. Overall, the higher RPI inflation rate of 5.3 per cent is having only a moderate effect, but that effect could strengthen in the second half of 2010, depending on the economic outlook. However, the picture in the public sector is very different, with the number of freezes rising. The number of employees affected by freezes is likely to rise as well, since the public sector bargaining groups are relatively large. In the private sector last year, the proportion of employees covered by pay freezes was never much more than one-in-ten, since although there was a large number of freezes, most of these were at comparatively small organisations.'

Summary of key settlement data from IDSPay.co.uk	
For the three months to the end of April 2010, based on 97 settlements covering 2,120,129 employees in total	
Median (whole economy)	2.0%
Average	1.9%
Inter-quartile range (whole economy)	1.0 to 2.5%
Median – manufacturing and production	2%
Median – private services	2%

For further press information, please contact:

- Ken Mulkearn (Editor, IDS Pay Report) on 020 7422 4937

or

- Lois Wiggins (Senior Researcher, IDS Pay Report) on 020 7422 4945

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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