

# PRESS RELEASE

Not for use before  
00:01 Thursday 29 July 2010

+++++

## Private sector pay awards show signs of recovery

The level of pay settlements in the private sector is broadly stable, centred on 2 per cent, though the proportion of higher-level deals has increased slightly, mainly as a result of the economic outlook, according to the latest analysis of pay settlements from IDSPay.co.uk. New long-term deals in areas like the utilities are driving this picture.

The median pay settlement level across the whole economy for the three months to the end of June 2010 remains at 2 per cent, unchanged from the three months to May. The number of higher-level awards is up slightly, with 22 per cent of reviews resulting in awards of 3 per cent or more, up from 19 per cent of awards in the three months to May. The latest figures are based on 180 pay settlements, covering 3,606,848 employees in total.

### Public sector pay restraint widens interquartile range

In stark contrast with the picture for the private sector, the proportion of pay freezes in the public sector is rising fast, with exactly half of the 30 public sector pay settlements monitored by IDS in the three months to the end of June 2010 resulting in a pay freeze. This, coupled with a slight increase in the number of higher-level settlements in the private sector, has led the interquartile range to broaden by 1.1 percentage points. The lower quartile, under which a quarter of deals fall, dropped from 1 per cent in the three months to May to zero in IDS' latest analysis. This is almost wholly connected to the large number of freezes in the public sector. The upper quartile, above which a quarter of deals sit, rose slightly from 2.5 to 2.6 per cent, under the influence of higher level awards in the private sector.

Among the newly-recorded pay freezes in the public sector is the zero award for 1.4 million local government employees effective from April 2010. The freeze was decided upon by local government employers before the Government announcement that employees earning below £21,000 would receive protection from pay freezes, and therefore pay has been frozen for all local government employees regardless of salary level. So far in 2010, almost a half of public sector workers have had their pay frozen, and this is likely to increase. This is greater than the proportion of private sector workers that had their pay frozen in 2009, which was below a third.

### Private sector

Although significant numbers of private sector employers froze pay in 2009, two-thirds of pay reviews resulted in increases. The strongest picture on pay continues to be represented by the utilities sector, where the median pay settlement last year was 2.75 per

cent. For deals recorded so far in 2010 the median is higher, at 3 per cent. While it may be argued that the energy sector is unique, in that it is controlled by a relatively small number of profitable firms, many major employers in sectors such as retail have also managed to pay year-on-year increases. This has also been the case in much of the finance sector, where many major financial institutions paid basic increases in both 2009 and 2010.

In those industries that were particularly affected by the recession, such as the motor industry, there have also been recent positive movements on pay. Although major employers are tending to keep a close eye on paybill costs, meaning basic pay mostly remains frozen, many car manufacturers are making non-consolidated payments instead, with employees beginning to see some financial reward for savings they delivered in 2009. Interestingly, car components manufacturers, which are still facing pressure from car makers to keep costs down, are returning to paying basic pay increases in 2010. This is perhaps an indication that for now at least, the outlook for the auto industry is better than it has been for some time.

### **Multi-year settlements begin to re-emerge?**

A feature of the recent recession was the dramatic drop in the number of newly-agreed multi-year pay deals. Last year, just 32 new long-term pay deals were agreed, compared to 75 in 2008. Economic uncertainty coupled with historically low inflation meant that in those sectors where multi-year deals were the norm, such as the motor industry, employers and workers alike were reluctant to be tied into multi-year agreements. Similarly, tighter public-sector pay restraint meant that long-term deals here were also discouraged.

However, long-term deals are being agreed once more, though whether or not their numbers rise will depend on a number of factors, not least being the economic outlook. Since the start of 2010, IDS has monitored 22 new long-term deals. Some of these are in sectors that have not been so adversely affected by the recession, such as the utilities sector, where 11 new long-term deals have been reached so far this year. Here employers are aiming to establish their labour costs in advance, putting annual negotiations in abeyance over a period in which skills shortages could develop. Others, however, have been reached for quite different reasons. Long-term deals are out to ballot at both BT and Tube Lines following drawn-out negotiations over the levels of 2010 pay awards.

Ken Mulkearn, Editor of IDS Pay Report, whose staff collect and analyse the pay settlement data for IDSPay.co.uk, said: "There are renewed signs of life on the remuneration front in the private sector. Long-term deals are making something of a comeback, and pay reviews in hard-hit sectors like autos are resulting in money in employees' pockets once more."

He continued 'But the contrast with the public sector is ever-sharpening, with the number of staff covered by pay freezes rising, alongside widespread job cuts.'

Summary of key settlement data from IDSPay.co.uk
For the three months to the end of June 2010, based on 180 settlements covering 3,606,848 employees in total

Median (whole economy)	2%
Average	1.8%
Inter-quartile range (whole economy)	0 to 2.6%
Median – public sector	0.3%
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

**IDS Pay.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](http://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.

**Incomes Data Services** is the leading UK information and research service on employment issues, providing a range of publications for employers, trade unions, government departments and other agencies. In any report it would be helpful if you would include our telephone number 0845 077 2911 and website address ([www.incomesdata.co.uk](http://www.incomesdata.co.uk)).

**Sweet & Maxwell** ([www.sweetandmaxwell.thomson.com](http://www.sweetandmaxwell.thomson.com)) is a leading provider of information and solutions to the legal and professional markets in the UK and Ireland. With over 200 years of history and heritage in legal publishing, Sweet & Maxwell offers detailed and specialist knowledge, understanding, interpretation and commentary across a wide range of subjects in a variety of formats to meet customers' needs - books, journals, periodicals, looseleaves, CD-ROMs and online services.

### About Thomson Reuters

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals. We combine industry expertise with innovative technology to deliver critical information to leading decision makers in the financial, legal, tax and accounting, scientific, healthcare and media markets, powered by the world's most trusted news organization. With headquarters in New York and major operations in London and

Eagan, Minnesota, Thomson Reuters employs more than 50,000 people in more than 100 countries. For more information, go to [www.thomsonreuters.com](http://www.thomsonreuters.com).