

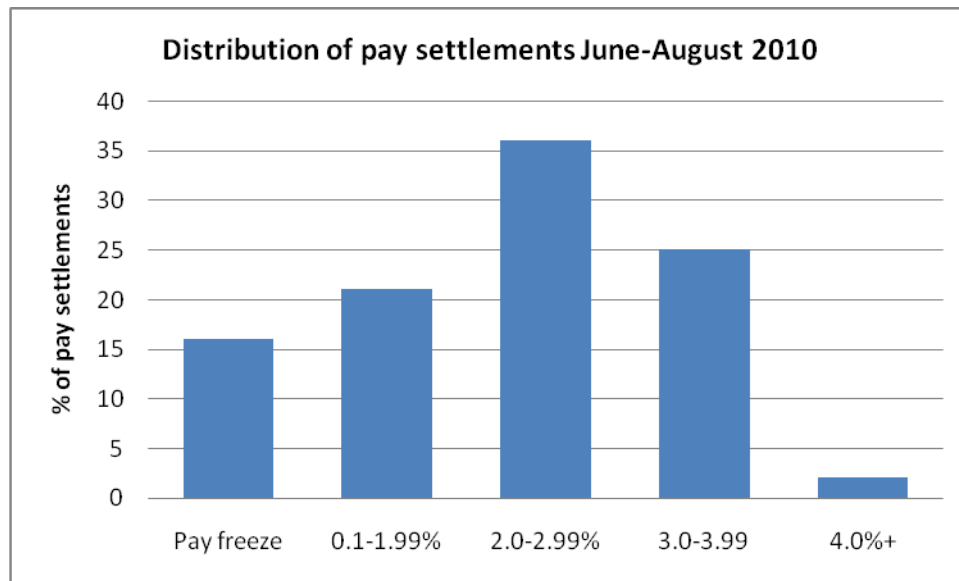
PRESS RELEASE

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Pay picture stable with more signs of recovery

The latest analysis of pay settlements from IDSPay.co.uk shows that private sector pay awards continue to stabilise as more awards are made at between 2 and 3 per cent. Just over half of settlements are in this range and the median pay settlement level continues to hold at 2 per cent. Higher pay rises at or above 3 per cent have been recorded in both the private services and manufacturing sectors, reflecting the continuing recovery of both. In the public sector, by contrast, the median pay settlement is zero, despite increases for a few key groups under the final years of long-term deals.



Higher pay expectations in 2011

A broader analysis, for the special IDS publication, 'Pay Prospects 2011', shows that the distribution of pay settlements has returned to normal with more increases between 2 and 3 per cent, and fewer pay freezes. This is a change from 2009, when the distribution showed two clear peaks, one reflecting the number of pay freezes, and a second for pay rises in the 1.1 to 3.0 per cent range. In 2010 the median pay settlement level continued at 2 per cent and while there have been fewer freezes, pay rises are in a much narrower range.

A matched sample of 300 companies' decisions on pay presents a similar picture, with half of employers not freezing pay in either 2009 or 2010. This confirms that pay freezes were never as widespread as initially portrayed.

Employers will now be looking ahead to pay reviews in 2011 and according to our recent survey of reward specialists, most expect their pay award to be higher in 2011 than 2010. Inflation is forecast to be around 4 per cent between January and April, the key months for employers to review pay, and this will provide an upward pressure on pay. Many employers have said that employee engagement will be vitally important over the coming year and this may become more important than controlling labour costs. However, this will take place against a backdrop of continuing economic recovery and much depends on the improving business outlook.

Ken Mulkearn, Editor of IDS Pay Report, said: 'Our latest figures show that as the economy has slowly recovered, there has been a general 'defrosting' of pay and benefits across much of the private sector. Higher inflation has played a role too, though affordability still weighs heavily in the balance and has kept most awards below the RPI. However a key question will be whether this 'unfreezing' continues into 2011. Inflation is forecast to remain comparatively high, and if the economic recovery continues, pay awards in the private sector could be centred on 3 per cent, with pay freezes at a two-year low.'

'Pay Prospects 2011' is aimed at helping reward practitioners plan for decisions on pay and reward in the year ahead. The report focuses on:

- The importance of employee motivation and morale to prospects of recovery
- The impact of continued higher rates of inflation, with the latest RPI forecasts from City economists
- Reward intentions for 2011 including results from our latest subscriber survey which shows most employers expect to pay higher rises in 2011
- Analysis of key trends in employment and unemployment as the economy emerges from recession

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

Pay and Bargaining Prospects 2011

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 decisions on pay and conditions in 2011. The report contains details of current pay trends, sector-by-sector analysis, inflation forecasts and findings from our latest subscriber survey which features the views of 85 reward specialists.

The issue is available to buy for £100 (inclusive of VAT). To purchase, visit www.incomesdata.co.uk or contact customer services on 0845 600 9355.

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.

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).

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