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Impact of economic recovery on pay settlements

A paper for the
Low Pay Commission

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1. Introduction and key points

This paper from Incomes Data Services (IDS) examines the impact of economic recovery on pay settlements both across the whole economy and low-paying sectors. The main research questions addressed by the paper are as follows:

To what extent has the economic recovery affected the distribution of pay settlements in 2011?

How does the level of increase to the National Minimum Wage (NMW) affect the distribution of pay settlements, especially the three-month data including the month of uplift?

Is the NMW continuing to have an effect on the timing of pay settlements, particularly at organisations in low-paying sectors?

Key points

The pay settlement median has continued to recover from a low point of 1% in July 2009. The median in the three months to November 2011 is 2.5%, the level it has been at for much of 2011

Median pay awards for the private sector have fluctuated slightly in 2011 but have mostly kept within a range between 2.0 and 3.0%. Pay settlements in the private services and manufacturing sectors were at similar levels at the beginning of 2011, at around 2.0%. However since the middle of 2011, pay awards in manufacturing have moved ahead of those in private services. The median for manufacturing awards has been around 3.0% since this time, while the median for awards in the private services sector has been around 2.5%

In the public sector, the median is firmly fixed at zero due to an increasing number of freezes to basic pay. Evidence shows varied approaches to implementing the minimum award of £250 for those earning less than £21,000 a year and to pay progression

The number of pay freezes has fallen back in 2011, despite the impact of the Government's pay freeze policy on public sector pay. Pay freezes account for 12% of all pay settlements in 2011. In 2010, pay freezes accounted for 22% of pay settlements

The distribution of pay settlements across the whole economy in 2011 continues to show a 'normal' pattern with the largest proportion of pay settlements within a range between 2.1 to 3.0%. In the low-paying sectors there have been lower pay settlements in comparison to the whole economy and the majority of awards have been set between 1.1 and 3.0%

In the three months to November 2011, a period including reviews implemented after the October 2011 minimum wage increase, the median pay settlement for low-paying sectors was 2.3%, despite the NMW uplift of 2.5%

The use of differentiated rises at some organisations resulted in only employees on the minimum wage receiving increases of 2.5%, while other groups of staff received lower increases

October remains a key month for pay setting in the low-paying sectors. The proportion of awards effective in this month has fluctuated over the last few years but October accounts for between a fifth and a quarter of all low-paying sector settlements monitored by IDS

Some 24.8% of organisations in low-paying sectors awarded pay rises effective from October 2011

There are likely to be conflicting pressures on pay in 2012, with employers facing upward and downward pressures

The overall level of settlements could be in the 2.0 to 3.0% range, although much depends on the outlook for the economy

The all-items Retail Prices Index (RPI) is forecast to fall to around 3½% from the second quarter of 2012.

2. Pay settlements analysis

Pay settlement levels have continued to recover in 2011. The median pay settlement level for the whole economy in the three months to November 2011 is 2.5%. It has been at this level for much of 2011. The median pay settlement is higher than in 2010 when the median pay award was at 2.0% for most of the year.

Table 2.1: Whole economy pay settlement levels January 2010 to November 2011

Three months to end	Settlement level (%)				
	Lower quartile	Median	Upper quartile	Average	Weighted average
Jan-10	0.0	1.9	2.0	1.5	1.7
Feb-10	0.0	1.8	2.0	1.5	1.7
Mar-10	0.0	1.9	2.3	1.6	1.7
Apr-10	1.0	2.0	2.5	1.7	1.2
May-10	1.0	2.0	2.5	1.7	1.3
Jun-10	1.0	2.0	2.5	1.8	1.1
July-10	1.3	2.0	2.8	2.0	0.9
Aug-10	0.9	2.0	2.5	1.8	0.8
Sep-10	0.4	2.0	2.3	1.7	1.7
Oct-10	1.1	2.0	2.5	1.9	2.0
Nov-10	1.5	2.1	2.5	2.1	2.3
Dec-10	1.5	2.1	2.5	2.1	2.3
Jan-11	2.0	2.5	3.0	2.6	2.7
Feb-11	2.0	2.5	3.0	2.5	2.6
Mar-11	2.0	2.5	3.0	2.6	2.6
Apr-11	2.0	2.5	3.0	2.5	0.5
May-11	2.0	2.5	3.0	2.5	0.5
Jun-11	2.0	2.5	3.0	2.5	0.5
Jul-11	2.0	2.5	3.0	2.5	1.8
Aug-11	1.8	2.2	3.0	2.3	1.7
Sep-11	1.5	2.5	3.0	2.3	1.3
Oct-11	1.7	2.4	3.0	2.2	1.6
Nov-11	2.0	2.5	3.0	2.4	2.4

Throughout 2011, the median for pay awards in the private sector has fluctuated within the 2.0 to 3.0% range. Since the middle of the year, pay awards in the manufacturing sector have gained a lead on those in the private services sector and consecutive three-month rolling median figures for manufacturing awards have remained at around 3.0%. This is partly due to the number of pay awards in the sector paid as part of long-term deals, many with either pre-set increases or awards linked to high rates of RPI inflation.

In the three-months to November 2011, a period including reviews implemented after the most recent NMW increase of 2.5% from October, the median for the whole economy was 2.5%, the figure excluding low-paying sector awards was also 2.5%. In low-paying sectors

the median was 2.3%. The upper quartile of settlements in low-paying sectors was also lower than in the rest of the economy at 2.5%, compared to 3.0% (see table 2.2).

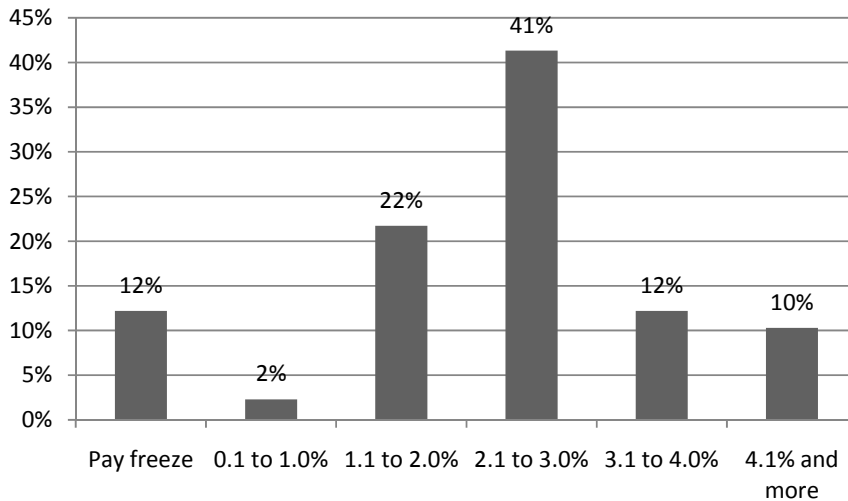
Table 2.2: Pay settlement levels, three-months to end of November 2011

	Whole economy	Whole economy exc. low-paying sectors	Private sector	Low-paying sectors ¹
Lower quartile	2.0	2.0	2.0	2.0
Median	2.5	2.5	2.5	2.3
Average	2.4	2.4	2.7	2.1
Upper quartile	3.0	3.0	3.0	2.5

Distribution of pay settlements in 2011

The distribution of pay settlements continues to show a 'normal' pattern, as has been the case since around the middle of 2010. A normal pay settlement distribution is one where there is a single peak at the middle of the distribution around which pay deals are clustered, yielding the classic 'bell curve' shape (see chart 2.1). This compares with a 'bi-modal' distribution identified during the recession, with a peak at zero and another peak higher up the distribution.

Chart 2.1: Distribution of pay settlements in 2011, as at 1 December 2011 (whole economy)



The largest proportion of pay settlements (41%) in 2011 are within a range between 2.1 to 3.0%; the clear peak as identified in chart 2.1. Overall, pay freezes account for just over a tenth (12%) of pay settlements in 2011. This is in contrast to the pattern in 2010, when 22% of awards resulted in pay freezes. In 2010, the most populous pay increase was within the 1.1 to

¹ Low-paying sectors included in this analysis: care services and housing; fast food, pubs and restaurants; hotels; leisure; retail.

2.0% range (31% of awards) and so there was an element of a 'bi-modal' pattern for the distribution of pay settlements.

Chart 2.2 shows that in the low-paying sectors there is a clear peak for pay settlements within the 1.1 to 3.0% range in 2011. In comparison to the whole economy there have been a greater proportion of lower awards at 2.0% and below in these sectors. Pay settlements in the retail sector are grouped within an even narrower range at between 2.1 to 3.0%.

Chart 2.2: Distribution of pay settlements in 2011, as at 1 December 2011 (low-paying sectors)

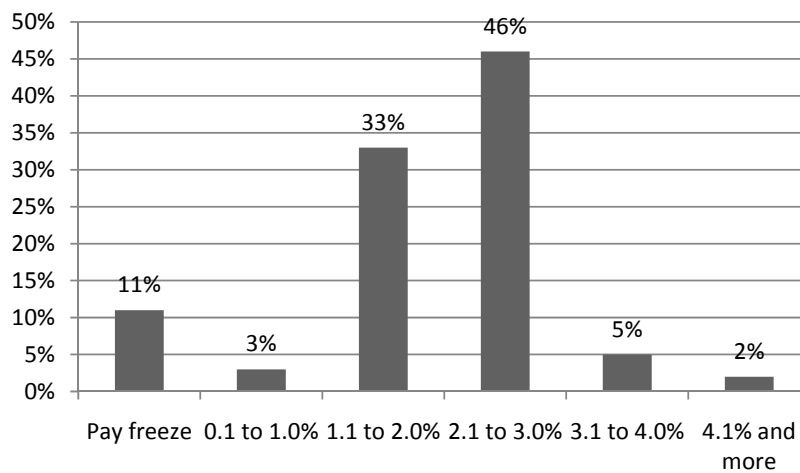


Table 2.3 provides figures on the distribution of pay settlements effective before and after the most recent minimum wage increase in October 2011. This is to disentangle the effects of increases in the minimum wage effective in October 2010 and October 2011 and shows that the proportion of settlements in low-paying sectors worth between 2.1 and 3.0% is higher in the period after the October 2011 minimum wage uplift.

Table 2.3: Distribution of pay settlements, as at 1 December 2011

	Proportion of settlements (%)*		
	1 January to 30 September 2011		1 October to 31 December 2011
	Whole economy (excl. low-paying sectors)	Low-paying sectors	Low-paying sectors
Pay freeze	12.6	9.8	14.3
0.1 to 1.0%	2.1	2.9	2.9
1.1 to 2.0%	17.8	36.3	22.9
2.1 to 3.0%	39.9	43.1	54.3
3.1 to 4.0%	15.0	5.9	2.9
4.1%+	12.6	2.0	2.9

* Unable to produce whole economy figures excluding low-paying sectors for period 1 October to 31 December 2011 due to limited number of pay settlements.

Pay freezes

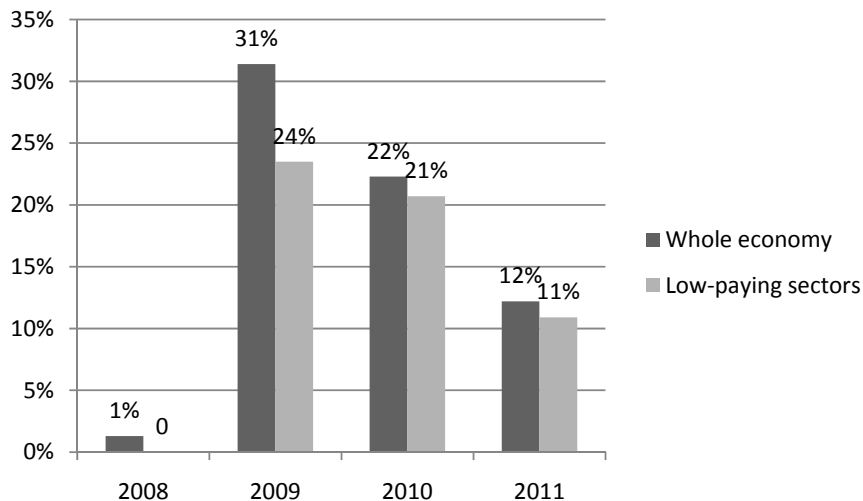
A look at the current picture on pay freezes shows that the proportion of freezes has continued to fall in the private sector over the last year, while it has continued to grow in the public sector as the Government's pay policy takes hold.

By sector, IDS monitoring shows freezes continuing to occur in housing and social care, road transport and non-food retailing. On the other hand IDS has not recorded any freezes at the supermarkets or in financial services, and just a handful in utilities, chemicals and pharmaceuticals, food, drink and tobacco, and engineering. This is in contrast to the pattern identified in 2009 and 2010 when pay freezes were common across all of manufacturing.

Looking only at the private sector, the proportion of pay freezes has fallen significantly in the manufacturing and private services sectors. However the proportion has remained about the same in the not-for-profit sector, with around a third of settlements recorded as freezes in both 2010 and 2011 (up from around a quarter of awards in 2009). As a result of public sector cuts, parts of the not-for-profit sector are also faced with significant cuts to budgets.

In low-paying sectors, pay freezes account for 11% of all settlements recorded for 2011, compared with 12% across the wider economy. A closer look shows that pay freezes are concentrated in the care services and housing sector, as well as at non-food retailers.

Chart 2.3: Pay freezes as a proportion of pay reviews



Pay settlements and the minimum wage increase

Low-paying sector settlements are running behind those in the whole economy with a median pay settlement of 2.2% in 2011, compared with a whole economy (excluding low-paying sectors) median of 2.7%. The interquartile range of settlements in low-paying sectors

is also narrower than it is for the whole economy, reflecting less variation in outcomes monitored over the last year.

Table 2.4: Settlement levels 12 months to 31 October 2011

Indicator	Settlement level (%)		
	Whole economy	Whole economy (excl. low-paying sectors)	Low-paying sectors
Lower quartile	2.0	2.0	2.0
Median	2.5	2.7	2.2
Average	2.5	2.6	2.1
Upper quartile	3.0	3.3	2.5

Table 2.5 shows the annual median pay settlement level across the whole economy and low-paying sectors, compared with increases in the NMW each year. This shows that the median pay settlement in low-paying sectors broadly mirrors the median for the whole economy (excluding low-paying sectors), regardless of the size of the increase in the minimum wage.

In 2011 the median pay award in low-paying sectors is 2.2%, despite an increase in the NMW of 2.5%. The reason for this is that employers have applied different rises to different groups of staff, for instance, by applying bottom-loaded rises equivalent to the NMW increase to those on, or very close to, the NMW, and lower rises to other employees. For example, employees at Comet paid the NMW received increases of 2.5%, while other sales and support staff had their rates raised by 8 pence an hour, effective from 1 October 2010.

In 2010 and 2011 the low-paying sector median was lower than the NMW uplift, suggesting that cost control may have become a greater issue for low-paying sector employers recently.

Table 2.5: Median pay settlement levels and headline increases in the minimum wage

12 months to Oct	Annual median pay settlement (%)			Headline increase in the minimum wage (%)
	Whole economy	Whole economy (excl. low-paying sectors)	Low-paying sectors	
2000	3.0	3.0	3.0	2.8
2001	3.2	3.3	3.0	10.8
2002	3.0	3.0	2.8	2.4
2003	3.0	3.0	3.0	7.1
2004	3.0	3.0	3.0	7.8
2005	3.2	3.3	3.0	4.1
2006	3.0	3.0	3.0	5.9
2007	3.5	3.5	3.0	3.2
2008	3.5	3.6	3.0	3.8
2009	2.0	2.0	2.0	1.2
2010	2.0	2.0	2.0	2.2
2011	2.5	2.7	2.2	2.5

It is worth noting that looking at individual sectors, differences exist between the sub-sectors. The higher median in the hotels, restaurants, pubs and leisure sector is driven by the level of budgets for merit rises in retail catering. In this sector merit rises are more common than in other low-paying sectors, where general increases are the norm. There have also been no pay freezes recorded in this sub-sector over the last year.

In the 12 months to 2011 the care services and housing sector median is lower due to the number of pay freezes (29% of awards resulted in a pay freeze). In the retail sector, the median award is slightly lower compared to the hotels, restaurants, pubs and leisure sector and awards across the wider economy due to the number of lower pay awards. In the retail sector, 19% of awards were worth less than 2.0% and 31% of awards were at exactly 2.0%.

Table 2.6: Median pay settlement level by sector

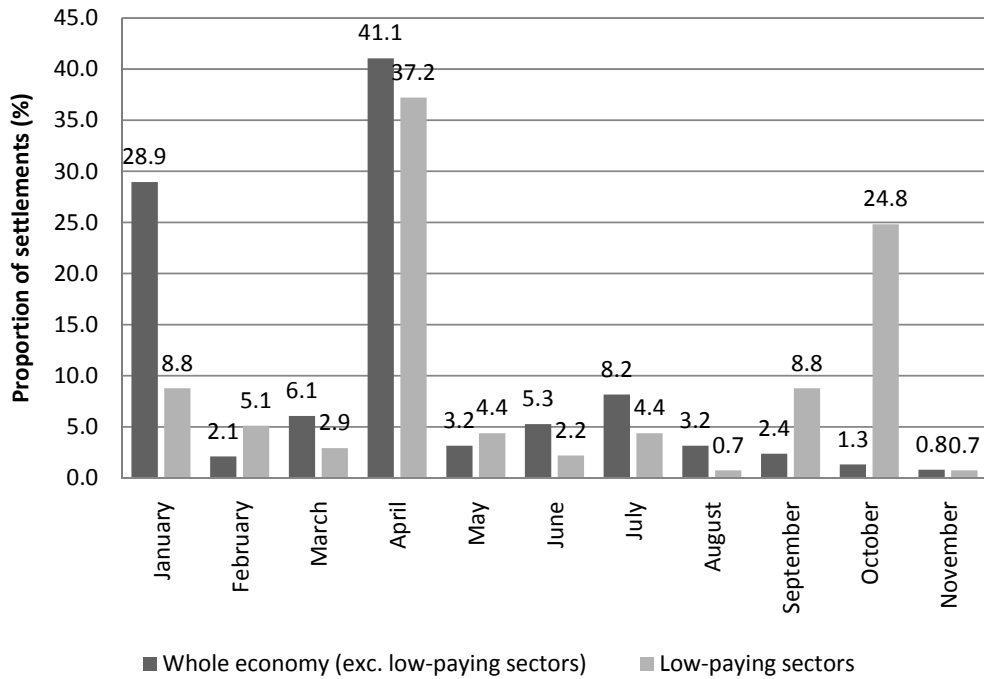
12 months to Oct	Median pay settlement level by sector (%)					
	Care services & housing	Children's nurseries	Hotels, restaurants, pubs & leisure	Retail	Low-paying sectors	Whole economy (excl. low-paying sectors)
2008	3.0	3.0	3.3	3.0	3.0	3.6
2009	2.0	3.5	2.5	1.5	2.0	2.0
2010	1.0	2.5	2.0	2.0	2.0	2.0
2011	2.0	-	2.6	2.0	2.2	2.7

October reviews

Chart 2.4 shows the proportion of pay settlements in both the whole economy and low-paying sectors by effective month. This shows that January and April are key months for pay setting in the whole economy. In contrast, the key months for pay setting in low-paying sectors are April and October – the latter month coinciding with the annual uplift in the minimum wage.

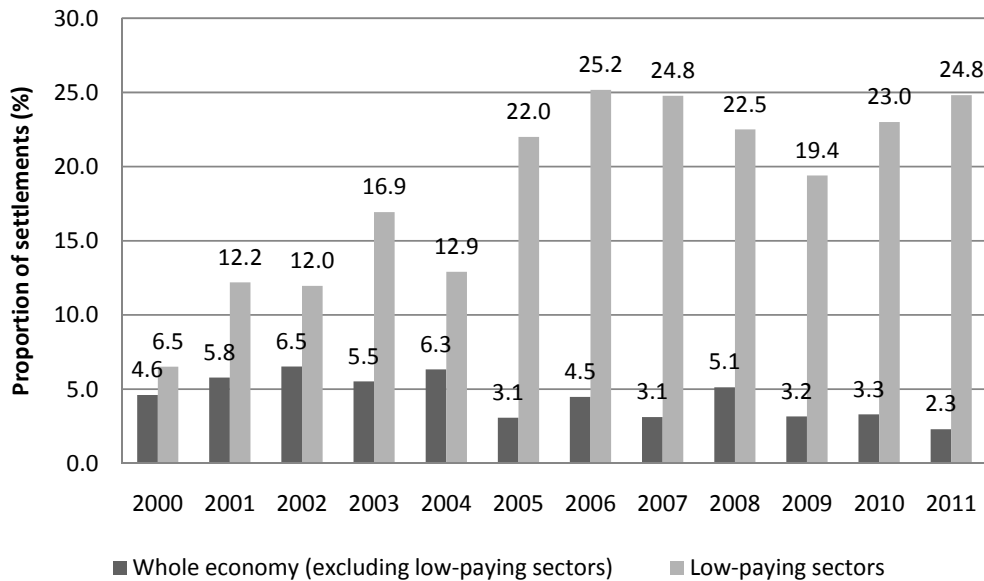
In 2011 settlements effective in October accounted for 24.8% of all settlements monitored in low-paying sectors, compared with 1.3% across the whole economy. There was also a larger proportion of settlements with effective dates in September in low-paying sectors compared with the whole economy.

Chart 2.4: Proportion of pay reviews effective in 2011 by month



The proportion of low-paying sector settlements with effective dates in October has increased since the minimum wage was introduced in 1999 and October is a key month for pay setting across these sectors. In most years since 2005 between a quarter and a fifth of low-paying sector settlements have been effective from October.

Chart 2.5: Proportion of settlements with effective dates in October, 2000 to 2011



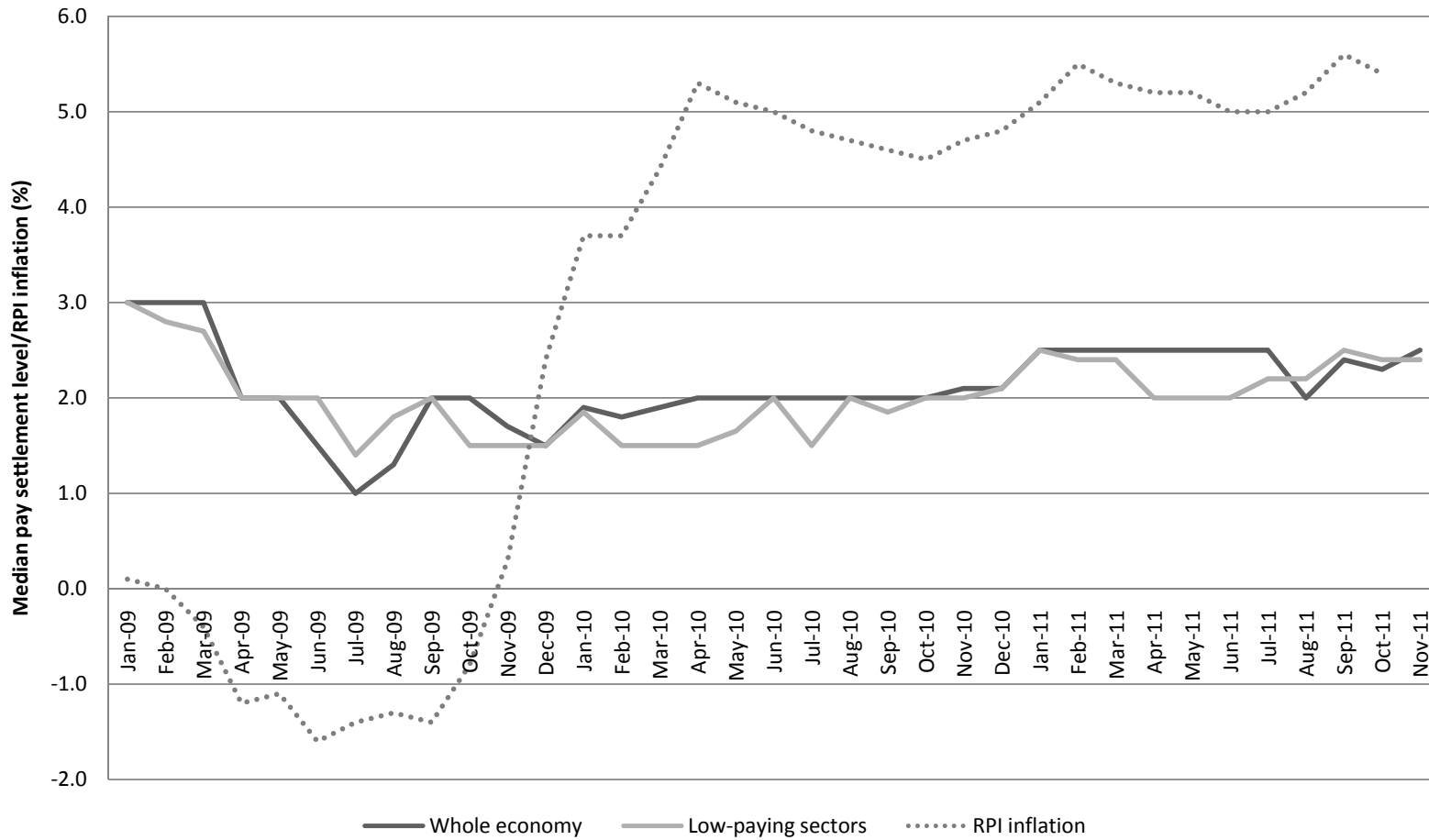
In 2011 24.8% of organisations in low-paying sectors awarded pay rises from October. While this is an increase on 2010 when 18.1% of organisations in low-paying sectors held pay reviews from October, this is partly due to year-on-year sampling variations rather than an increase in the number of October deals. Over the last year, IDS has not monitored any new organisations permanently moving their annual pay review to the month of October.

Pay settlements and RPI

Chart 2.6 shows the level of RPI inflation tracked against median pay settlement levels for the period January 2009 to November 2011. When the RPI fell at the start of this period the median pay settlement level did not fall in line, reaching a low of 1% in the three months to the end of July 2009 against a low point for RPI of -1.6% in June 2009.

Similarly, while RPI inflation has returned since the final quarter of 2009, and remained above 4% for most of 2010 and above 5% in 2011, the rise in median pay settlement levels has been much more gradual and there is a significant gap between the two levels. The latest figures show RPI inflation running at 5.4%, compared with a median pay settlement level of just 2.5%.

Chart 2.6: IDS median pay settlement levels in the whole economy and low-paying sectors and RPI inflation, January 2009 to November 2011



3. Outlook for 2012

There are likely to be conflicting pressures on pay in 2012: inflation, pressure for 'catch up' awards, skills shortages, employee engagement versus spending cuts, fragile labour market and economic outlook.

Table 3.1: Conflicting pressures on pay in 2012

Upward	Downward
Pressure for 'catch-up' awards	Gloom on the economic front due to the impact of Government spending cuts on demand and the Euro zone crisis
Inflation set to remain high in short term	Longer-term outlook for inflation difficult to predict
Importance of employee engagement	Overall fragility of labour market
Skills shortages in some business areas	Continued freeze on basic awards in public sector

Given the gradual upward movement in private sector settlements over the last year, the overall level of settlements could be in the 2.0% to 3.0% range, although much depends on the outlook for the economy. A look at long-term deals with pre-agreed rises for 2012 provides a median increase of 3% and there are a number of deals with inflation-linked formulas which (if inflation turns out as currently predicted) would result in rises of more than 3%.

So far IDS has monitored six new deals for 2012² – a freeze in care services, a basic rise of 2% at a large trade union, a basic rise of 2.25% in construction, a basic rise of 2.5% in aero-engineering, an average rise of 2.5% at a chemicals firm, and a basic pay increase of 3% in manufacturing – whether these provide any indication as to the outlook for 2012 remains to be seen.

Intentions for 2012

In respect of employers' reward intentions for 2012, our latest survey of subscribers³ indicates a certain degree of continued caution among employers on pay, with half of respondents intending to make the same level of pay award in 2012 as they made in 2011. However, almost a third of employers (mainly in the private sector) indicate that they will pay a higher award in 2012, which may reflect an acknowledgement among employers of two years of

² IDS provided further examples of 2012 pay settlements at an update meeting with LPC staff in January 2012.

³ The survey received 81 responses (15% public sector; 85% private sector) and was conducted in August 2011.

relatively high inflation. Therefore the overall level of settlements could be slightly higher in 2012, but the economic context will be key.

In respect of other paramount issues for 2012, subscribers have indicated that keeping employees engaged and motivated is key to their reward strategy. Recruitment and retention for employees with specific skill sets is also likely to drive reward strategy for employers in the coming year. The survey also shows that keeping pay rates competitive and aligned with the market are key priorities in terms of pay setting. Furthermore, over half of respondents are looking to review their basic pay levels, reflecting the particular importance of benchmarking for employers at present.

In addition to basic pay levels, almost half are looking to review bonuses and almost as many will also look to review their benefits packages. This could be an indication that employers are seeking to reward employees through bonus and other non-consolidated payments since budgets for consolidated rises will remain tight.

Equal pay and pensions were other elements high up on the agenda for those who took part in this year's survey, which could reflect publicity around the Government's voluntary code for gender equality reporting and the upcoming changes to workplace pensions being introduced from October 2012 (including auto-enrolment).

Increases due under long-term deals

IDS has recorded a total of 97 long-term deals in 2011, excluding public sector organisations covered by the Government two-year pay freeze. Of these, 40 are new long-term deals agreed in 2011 (see appendix B for details). All but one of the new long-term deals monitored by IDS in 2011 are in the private sector, most commonly in engineering, air and rail transport and utilities; examples include Network Rail, British Airways, Virgin Atlantic, First ScotRail, Nissan, Vauxhall and Caterpillar. The one newly-agreed long-term deal in the public sector is at London Underground, where operational staff and drivers received increases of 5% from 1 April 2011 in the first year of a four-year deal. Future rises under the deal will be based on a formula of the February RPI plus 0.5%, subject to a minimum increase of 2%.

Table 3.2: Long-term deals monitored in 2011 by sector

	Number of long-term deals		
	Whole economy	Private sector	Public sector
Number of deals	97	93	4
In final stage	38	37	1
More stages	59	56	3

A total of 59 deals have further stages in 2012 or beyond, of which 39 are in the first year of the deal, 19 are in the second year and one is in the third year. A large proportion of these deals – 23 out of 59 – have increases under future stages linked to the level of inflation. In the majority of cases future pay rises will be determined by an inflation-linked formula. For example, 1,400 manufacturing employees at Cadbury are set to receive an increase equal to the February 2012 RPI in the second year of a two-year deal from March 2012, subject to a minimum increase of 1.5% and a maximum of 3.75%. Similarly the agreement covering 1,000 staff and industrial workers at energy supplier RWE npower will pay increases equal to the average of the RPI figures for January, February and March plus 0.4% in the second and third years of the deal. The deal also includes provision for a guaranteed minimum increase of 2.5% and maximum of 4.9% in 2011 and 2012.

In a handful of cases long-term agreements determine the level of future increases but include a caveat should inflation remain high. For example, the third and final year increase for CWU-represented letters staff at Royal Mail will be 3.5%, subject to RPI falling within the range of 2 to 3% between January and March 2012. If RPI exceeds this range the increase will be re-negotiated. The agreement at Thomson Airways provides for increases of 4.9% in 2012 if the November 2011 RPI is less than 4.9%, and 5% if RPI is less than 5%. If RPI is higher than 5% then the award will be increased by half the difference.

The RPI is the main measure of inflation used in long-term deals; however we have monitored one long-term deal which is linked to the RPIX. Caterpillar paid rises of 3% to manual workers at its Leicester manufacturing site in the first year of a two-year deal from January 2011. The second year increase will be equal to the RPIX with a minimum floor of 2% and a maximum ceiling of 4%. The deal also brought in a new four-grade banded pay structure.

A look at the increases under deals with a fixed formula, such as a pre-determined increase figure or a guaranteed minimum increase provides a median of 3% for 2012.

Table 3.3: Examples of pre-determined increases due under long-term deals in 2012

Organisation	Employees	Set increase	Stage	Effective date
Birmingham Repertory Theatre	100 staff	1.5	2nd year of 2-year deal	01/04/2012
British Airways	3,500 engineers	3.5	2nd year of 2-year deal	01/01/2012
DSM Nutritional Products	274 manual workers	3.75	2nd year of 2-year deal	01/01/2012
DuPont	175 manual workers (Dumfries)	3.25	2nd year of 2-year deal	01/03/2012
Givaudan	180 operators, technicians, engineers & white-collar staff	3.0	2nd year of 3-year deal	01/01/2012
Lafarge Cement	100 sales lorry drivers	2.5	2nd year of 2-year deal	01/01/2012
	830 process, craft & white-collar staff	2.5	2nd year of 2-year deal	01/01/2012
Morson Wynnwith	100 Apache helicopter service engineers (Wattisham)	2.5	2nd year of 3-year deal	01/04/2012
Nissan Motor Manufacturing	5,530 employees	3.5	2nd year of 2-year deal	01/01/2012
Plumbing Mechanical Engineering Services JIB (England & Wales)	50,000 manual workers	3.0	2nd year of 2-year deal	03/01/2012
Ritz Cinema	50 employees	3.4	2nd year of 2-year deal	01/10/2012
Scottish Joint Council for Local Government Employees	220,000 former manual & white-collar staff	0 (pay freeze)	3rd year of 3-year deal	01/04/2012
South East Water	695 employees	3.0	2nd year of 3-year deal	01/04/2012

Inflation forecasts

Our latest round-up of economic forecasts, conducted on 9 December 2011, shows that RPI inflation is expected to fall sharply at the beginning of 2012. This is due to factors such as the 2010 VAT rise and increases in petrol and utility prices falling out of the annual comparisons. RPI is expected to fall to around 3½% from the second quarter of 2012, and just under 3% by 2013.

There are strong concerns about the prospects for economic growth and most analysts IDS has spoken to have revised their forecasts for GDP growth down, with the average GDP forecast for both 2011 and 2012 at 0.7%. Some analysts predict the economy will contract during at least one quarter in 2012.

Table 3.4: Rounded average forecast for RPI inflation, 9 December 2011

Month	Rounded average (%)
Nov-11	5.2
Dec-11	4.8
Jan-12	4.0
Feb-12	3.7
Mar-12	3.6
Apr-12	3.4
May-12	3.5
Jun-12	3.6
Jul-12	3.6
Aug-12	3.4
Sep-12	2.9
Oct-12	3.0
Nov-12	3.0
Dec-12	2.9
Jan-13	2.7
Feb-13	2.7
Mar-13	2.7
Apr-13	2.6
May-13	2.6
Jun-13	2.6

Forecasters that have participated in this round-up: Citibank, Commerzbank, Nomura, Morgan Stanley, RBS, UBS. Please note that this is an early version of the article that will feature in IDS Pay Report 1088.

Conclusion

Pay settlement levels have recovered since the economic downturn when the median award fell to a low point of 1.0% in July 2009. Throughout much of 2011 the median pay award remained at 2.5 per cent. The median stayed at 2.5% in the three months to November 2011, a period when pay reviews are implemented after the October 2011 minimum wage increase. In general, pay settlements in low-paying sectors broadly mirror the median for awards in the whole economy, regardless of the size of the increase in the minimum wage. However in 2011, pay settlements in low-paying sectors were lower than those recorded across the wider economy. The median pay settlement for low-paying sectors in the three months to November 2011 was 2.3%, despite an NMW uplift of 2.5%, implying that cost control may have become a greater issue for low-paying sector employers. The use of differentiated rises at some organisations resulted in only employees on the minimum wage receiving increases of 2.5%, while other groups of staff received lower increases.

October remains a key month for pay setting in the low-paying sectors. In 2011 a quarter of all settlements in low-paying sectors are effective from this month. This compares to pay settlements in the whole economy (excluding low-paying sectors) where just 2.3% of awards are effective from October.

Appendix A - Low-paying sector settlements following the 1 October 2011 minimum wage increase

Organisation	Employees	Inc %	Comments
Care services & housing			
Extracare Charitable Trust	1,600 employees	2.1	basic pay increase
Foresight Residential	77 employees	0.0	pay freeze plus adjustments to comply with NMW
Mary Feilding Guild	33 care staff	3.0	basic pay increase
Oakland Care Group	58 employees	2.5	basic pay increase
Quarry Mount Care	56 employees	1.9	increase on paybill
The Salvation Army	550 employees	0.0	pay freeze
Fast food, pubs & restaurants			
Marston's	10,000 pub & restaurant hourly-paid staff	3.0	on paybill
McDonald's	35,000 restaurant staff	2.75	for a 'significant performer'. Exceptional performers received merit increases of 4.5%
Mitchells & Butler	30,000 retail employees	1.98	increase to paybill
Moto	4,000 customer service assistants	2.5	basic pay increase
Pret A Manger	4,941 team members	1.92	increases ranged from 1.62% to 1.92% depending on position
Whitbread Restaurants	33,000 coffee shop, restaurant & hotel team members	2.75	basic pay increase
Leisure			
Castle Leisure	680 employees	2.4	basic pay increase
Cineworld	300 projectionists & technical staff	3.0	basic pay increase
Ritzy Cinema	50 staff	3.4	basic pay increase
Thomas Cook	167 Thomas Cook aircraft engineers	2.5	basic pay increase, deferred from Apr 11
Retail			
Adidas (UK)	512 sales staff	2.5	basic pay increase, plus additional merit awards
Arco	1,500 employees	2.5	average rise, range of increases from zero to 3.5%
Asda	143,203 retail colleagues	2.1	basic pay increase
B&Q	23,049 customer advisers	2.5	basic pay increase
Blackwell	850 employees	0.0	pay freeze plus adjustments to comply with NMW
Booker Cash & Carry	3,000 retail staff	3.0	basic pay increase for branch assistants; 2.8% for supervisors
Comet	5,014 employees	0.6	8p an hour on all other sales and support rates, 2.5% for staff on NMW

Organisation	Employees	Inc %	Comments
Retail cont'd			
Comet	746 drivers & distribution staff	0.0	pay freeze
Early Learning Centre	1,324 retail staff	2.0	basic pay increase, employees on NMW received 2.5%. Award deferred from Jun 11
Fortnum & Mason	489 retail staff	2.0	increase to basic rates. Merit-based increases ranged from 1 to 10%
Halfords	9,000 retail staff	2.0	basic pay increase
Halfords	1,070 managers & head office	2.0	average merit increase
House of Fraser	6,884 sales & support staff	0.0	pay freeze. Band minimums increased in order to comply with NMW and maintain differentials
Iceland	22,000 retail & home delivery staff	5.0	basic pay increase
Marks & Spencer	8,900 section managers, retail managers & head office employees	2.0	budget for merit reviews. Increases ranged from zero to 4%
Marks & Spencer	61,200 customer assistants	2.0	on pay points. Consolidated for those paid below pay point; unconsolidated lump sum for those paid above; mixture of consolidated rise and lump sum for those paid between old and new pay points
Morrisons	100,000 retail staff	2.5	basic pay increase
Morrisons	10,000 managers	2.5	basic pay increase
Mothercare	4,470 retail staff & managers	2.0	basic pay increase, staff on NMW received 2.5%. Increase deferred from Jun 11
Next	35,000 retail staff	2.5	basic pay increase
Peacocks Stores	7,000 retail staff	2.0	average rise, increases in line with minimum wage uplift
Poundland	6,500 retail staff	2.3	on adult rate. 16 to 17 year old rate frozen, other rates increased between 0.6 and 2.4%
Retail Co-operative Societies	130,000 retail workers	2.5	basic pay increase. Review abolished youth rates, meaning 28% increase for 1,000 staff aged under 18
Sainsbury's	128,000 retail staff	2.7	basic pay increase, plus bonuses
Screwfix	3,883 non-management staff	2.0	basic pay increase
Wilkinson	23,270 hourly-paid retail & distribution staff	2.0	basic pay increase
World Duty Free	2,603 hourly-paid staff	2.5	basic pay increase, plus bonuses
World Duty Free	632 salaried staff	2.0	basic pay increase, plus bonuses

As at 1 December 2011.

Appendix B – New long-term deals in 2011

Organisation	Employees	Effective	Inc %	Comments and formula
Chemicals, pharmaceuticals & oil				
AstraZeneca	650 ancillary staff, process operators & craftsmen	01/06/2011	6.2	increase covers 24 months, next review will take place in June 2013
DSM Nutritional Products	274 manual workers	01/01/2011	3.75	plus 0.5% non-consolidated lump sum. 2nd year increase will be 3.75% from Jan 2012
DuPont	175 manual workers (Dumfries)	01/03/2011	3.5	1st year of 2-year deal. 2nd year increase will be 3.25% from 1 Mar 2012
Givaudan	180 operators, technicians, engineers & white-collar staff	01/01/2011	4.0	1st year of 3-year deal. 3% from 1 Jan 2012 and 1 Jan 2013
Construction				
Lafarge Cement	100 sales lorry drivers	01/01/2011	3.0	plus £350 lump sum paid in Dec 10. 1st year of 2-year deal
Lafarge Cement	830 process, craft & white-collar staff	01/01/2011	3.0	plus £350 lump sum paid in Dec 10. 1st year of 2-year deal
Plumbing Mechanical Engineering Services JIB (England & Wales)	50,000 manual workers	03/01/2011	3.0	1st year of 2-year deal. 2nd year increase will be 3% from Jan 2012
Energy & water				
Drax Power	530 employees	01/01/2011	4.9	2nd stage of 3-stage, 33-month agreement. Increase based on average RPI for July, August and September 2010 plus 0.3%
First Hydro	135 industrial workers & staff	01/04/2011	5.5	2nd year of 3-year deal, based on Feb 11 RPI
Guernsey Electricity	240 employees	01/05/2011	2.9	1st year of 3-year deal. 2nd and 3rd year increases will be RPI plus 0.1%
National Grid	5,200 professional, technical & call centre staff	01/07/2011	3.0	2nd year of 3-year deal
National Grid	2,500 industrial grades	01/07/2011	1.25	plus non-consolidated £1,500 lump sum. 3rd year of 4-year deal
RWE npower	1,000 staff & industrial workers	01/04/2011	4.9	2nd year of 3-year deal. 2nd and 3rd year increases will be based on an average of the Jan/Feb/March RPI figures, plus 0.4%; min 2.5% and max. 4.9% in 2011 and 2012
RWE npower	800 metering staff	01/04/2011	4.75	2nd year of 3-year deal, based on average RPI for Jan, Feb and March 2011, with a maximum cap of 4.5%. As the formula yielded a figure higher than the cap, the deal was renegotiated
Sellafield	9,400 manual workers & staff	01/04/2011	2.0	or £500, whichever is the greater. 1st year of 2-year deal

Organisation	Employees	Effective	Inc %	Comments and formula
Energy & water cont'd				
South East Water	695 employees	01/04/2011	3.75	1st year of 3-year deal. 2nd and 3rd year increase will be 3%
Yorkshire Water Services	2,200 employees	01/04/2011	4.7	2nd year of 5-year deal, equal to Nov 2010
Engineering services				
Morson Wynnwith	100 Apache helicopter service engineers (Wattisham)	01/04/2011	2.25	1st year of 3-year deal
Engineering: Aerospace & defence				
AgustaWestland Helicopters	1,000 manual & technical staff	01/06/2011	2.0	1st year of a 3-year deal
Bombardier Aerospace	4,900 manual workers & staff	25/01/2011	2.0	2nd year of 3-year deal
GE Aviation	700 manual workers & staff (Hamble)	01/01/2011	2.5	1st year of 2-year deal
Marshall Aerospace	1,500 employees	16/07/2011	1.5	1st year of 2-year deal. One-off payment equal to 1.25% of salary payable in Dec 11
Engineering: Electronics				
Novar ED & S	220 shop-floor employees (St Asaph)	01/06/2011	2.0	2nd stage of 3-year deal, effective for 10 months
Novar ED & S	125 shop-floor employees (Helsby)	01/06/2011	2.0	2nd stage of a 3-year deal, effective for 10 months
Novar ED & S	180 shop-floor employees (Southend)	01/06/2011	2.0	2nd stage of 3-year deal, effective for 10 months
Engineering: General				
Caterpillar UK	500 BCP manual workers (manufacturing-Leicester site)	01/01/2011	3.0	1st year of 2-year deal
FG Wilson Engineering	1,426 hourly-paid employees	04/04/2011	4.5	1st year of 3-year deal. 2nd and 3rd year increases will be based on RPI + 0.5%; min. 2.5%, max 4.5%
FG Wilson Engineering	866 salaried employees	01/04/2011	4.0	increase to salary bands, individual increases based on merit. 1st year of 3-year deal
Finning	750 service group	01/01/2011	3.25	1st year of 2-year deal. 2nd year will be based on November 2011 RPI; max. 4.5%
JCB	1,900 production workers	01/01/2011	4.7	2nd stage of 4-stage, 42-month deal. Increase is equal to the RPI figure for Nov 10. Next review date Jan 12 2nd year will be based on November RPI
Komatsu UK	360 employees	01/03/2011	5.0	2nd year of 3-year deal. 3 rd year increase will be based on Jan RPI; min. 3%, max. 5%

Organisation	Employees	Effective	Inc %	Comments and formula
Engineering: Vehicles & components				
Cummins Engine Company (Darlington)	517 manual workers & staff	01/07/2011	3.5	1st year of 3-year deal. 2 nd and 3 rd year increases will be based on average RPI for 6 months to Apr (cap applies)
Cummins Engine Company (Daventry)	1,175 non-management employees	01/02/2011	4.68	to basic pay only; shift pay remains unchanged. 2nd year of 3-year deal
Nissan Motor Manufacturing	5,530 employees	01/01/2011	4.5	plus merit awards averaging 1.73% for eligible employees 'in band', with lump sums worth 1.18% on average for those at the top of their band. 1st year of 2-year deal
Perkins Engines	282 manual workers (Stafford)	01/06/2011	2.0	1st year of 2-year deal
Vauxhall Motors	2,200 manual & craft workers	01/09/2011	5.0	1st year of 2-year deal. 2nd year increase will be equal to July RPI
Food, drink & tobacco				
Allied Bakeries	153 distribution workers	01/02/2011	2.5	1st year of 2-year deal. 2nd year increase will be 2.5% in year 2
Cadbury	1,450 manufacturing employees	28/03/2011	3.75	1st year of 2-year deal
Dunbia	2,600 employees	01/06/2011	2.0	1st year of 3-year deal. 2nd and 3rd year increase will be 1.5%
Leisure				
Birmingham Repertory Theatre	100 staff	01/04/2011	1.0	
Ritzy Cinema	50 staff	01/10/2011	3.4	
Local government				
Scottish Joint Council for Local Government Employees	220,000 former manual & white-collar staff	01/04/2011	0.0	pay freeze. 2nd year of an imposed 3-year deal
Post office				
Royal Mail	142,900 letters CWU-represented employees	01/04/2011	1.4	2nd year of 3-year deal. 3rd year increase will be 3.5% (re-negotiated if average RPI Jan-Mar 2012 outside range 2-3%)
Telecommunications				
BT	60,000 clerical, engineering & operating grades	01/01/2011	3.0	2nd year of 3-year deal. 3rd year increase will be 3% (re-negotiated if inflation outside 2.5-3.2% range)
Transport: Air				
British Airways	3500 engineers	01/01/2011	4.0	1st year of 2-year deal. 2nd year increase will be 3.5%
British Airways	3,200 pilots	01/01/2011	4.0	1st year of 2-year deal
Thomson Airways	2,800 cabin crew	01/01/2011	3.0	1st year of 2-year deal. 2nd year increase will be 4.9% if Nov 11 RPI less than 4.9%; 5% if RPI 5%; If RPI more, then half the difference paid

Organisation	Employees	Effective	Inc %	Comments and formula
Transport: Air				
Virgin Atlantic	4,000 cabin crew	01/04/2011	3.5	1st year of 2-year deal. Increase in flight allowances of between 16 and 17%
Virgin Atlantic	750 pilots	01/01/2011	4.0	1st year of 3-year deal
Transport: Rail				
First ScotRail	3,300 collectively-bargained staff (except drivers)	01/04/2011	5.1	1st year of 4-year deal. Future years' increases will be Jan RPI each year or 3%, whichever is greater
First ScotRail	967 drivers	01/04/2011	5.1	1st year of 2-year deal. 2nd year increase will be Jan 2012 RPI or 3%, whichever is greater
London Midland	1,500 non-management, non-drivers	01/04/2011	4.5	1st year of 3-year deal. 2nd and 3rd year increases will be Feb RPI or 3.0%, whichever is greater
London Midland	600 drivers	01/04/2011	5.0	1st year of 3-year deal. 2 nd and 3 rd year increases will be Feb RPI or 3.0%, whichever is greater
London Underground	16,000 operational staff & drivers	01/04/2011	5.0	1st year of 4-year deal. Future increases based on Feb RPI plus 0.5% each year; min. 2%
Network Rail	10,000 signalling, supervisory & clerical grades	01/01/2011	5.2	1st year of 2-year deal. 2nd year increase will be Nov 11 RPI plus 0.5%
Serco Docklands	500 unionised bargaining group	01/01/2011	5.2	2nd year of 4-year deal. 3rd and 4th year increases will be based on Nov RPI plus 0.5%

As at 1 December 2011.