

# PAY TRENDS 2016

## ROADSHOW

DEBORAH REES | DIRECTOR OF CONSULTING

**INNECTO**  
REWARD CONSULTING

# ECONOMY

## THE FACTS

- **GDP** growth slowed in 2015 to 2.4% and predictions for this year are that GDP will remain unchanged.
- **Unemployment** for Nov 2015 was 5.5%, down from 6.2% in Nov 2014. 2016 will see this downward trend continue with predictions of 5.2% for the year.
- **Inflation** has been flat at close to zero for most of 2015, currently at 0.1% - predictions are that CPI could rise to 1% by the end of this year.

## HR ACTIONS

- Skills shortages, tougher work migration rules and low headline pay settlements will mean you need to work harder to engage and retain talented employees.
- Articulating and differentiating your employee deal will become increasingly important in talent acquisition.

*Source: Office for Budget Responsibility:  
Economic & Fiscal Outlook November 2015*



# PAY SETTLEMENTS

## THE FACTS

- **Private sector** pay award pots have been **2.0-2.5% since 2009** and look to be the same again this year.
- **Public sector** pay awards are 1.5%, including increments, although pay settlements remain capped at 1.0%.
- **Staying Power** - 4.3% pay increases for employees in a role for more than 12 months.
- **National Living Wage** means 7.5% increase for those over 25 on National Minimum Wage this year - implications for pay settlement budgets over the next few years.
- Key talent will require strategic, merit-based increases.
- Businesses will need to know their 'flight risks' and be creative in their approach in order to retain genuine top performers.

## HR ACTIONS

**“4.3% ... THE REAL FIGURE BEHIND THE HEADLINE”**



# SECTOR

**Construction** enjoyed the largest median settlements of around 2.5% in 2015 (which is the upper quartile of the whole economy). Skills shortages will drive higher rewards and employers are predicting 3% in 2016.

The majority of sectors, **Manufacturing and Production, Retail, Leisure, Transport, Utilities** and **Professional Services** have had settlements around 2.0% - 2.5%, which is around the median for the whole economy.

Settlements in the **Not-for-profit** and **Public** sectors have received a median of 1-1.5% in 2015, just below the lower quartile of the whole economy during the same period.



# BROADER REWARD

## THE FACTS

- **National living wage** of £7.20 is being introduced on 1<sup>st</sup> April for employees aged 25 years and over.
- **Gender pay reporting** guidelines are expected soon. It is anticipated that companies with 250 employees or more will need to report their headline pay gap between men and women, probably including bonus.
- **Making the most of what you've got** to maximise performance and productivity.

## HR ACTIONS

- Start acting now on **gender pay reporting**. Know the number in your business and start developing a narrative.
- Plan ahead on **national living wage** - how will you fund it and how will you manage other employees (particularly those high performers).
- Think about how you want to or can **differentiate your employee deal** through reward.



# WHAT WILL 2016 BRING?

**GENDER PAY DISCLOSURE -  
WHAT'S YOUR NARRATIVE?**

**TRANSPARENCY**

**RESPECT  
&  
FAIRNESS**

**PERSONALISING THE DEAL**

**INDIVIDUALISED  
TALENT/REWARD  
DECISIONS**

**BEYOND THE PAY RISE  
IMPACT OF LIVING WAGE**

**INDIVIDUAL VS.  
COLLECTIVE**





# THE WORLD HAS CHANGED



- Social engineering by Government is externally driving change in work and pay...nudge, nudge...
- Four generations in the work force means addressing individualisation
- A theme of 'How can I support you to do your best work?' drives performance and productivity

# RESPECT



THE NATIONAL LIVING WAGE

**THE NATIONAL LIVING WAGE** (not to be confused with the National Living Wage Foundation).

From April 2016, mandatory national living wage for workers aged 25 and above, initially set at £7.20 – a rise of 50p relative to the current National Minimum Wage (NMW) rate - a £910 per annum increase

Government has asked the LPC to recommend the way forward from here, with the target of the total wage reaching 60% of median earnings by 2020.

For year ending 5<sup>th</sup> April 2015, median gross annual earnings for full-time employees was £27,600, an increase of 1.6% from the previous year. Our predictions are that by 2020 this will be around £30,800 so NLW will be around

**£18,500.**



# FAIRNESS

**WOMEN**  
**Like men,**  
**only cheaper.**



## GENDER PAY REPORTING

What we know...

- Will be reporting on the pay gap between men and women's average pay in the organisation.
- This will probably be full-time, part-time and on base pay and bonus payments.
- Headline data of average\* men full-time vs. women full time is likely to be required to be published on your website.

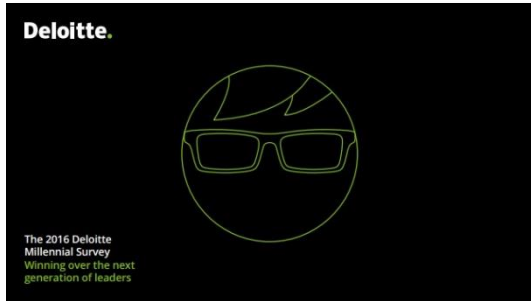
\*AVERAGE MAY BE MEDIAN OR MEAN



# INDIVIDUALISATION



# ENGAGEMENT: THE PROBLEM



“Millenials now just represent the largest share of labour market in the US. 44% would quit their job within two years.”

**GALLUP**

“Gallup’s 2014 research shows that only 13% of all employees are highly engaged, and 26% are actively disengaged.”

**glassdoor®**

“Average engagement 3.1 out of 5.”

**“AFTER DECADES OF CORPORATE DISCOURSE ABOUT THE WAR FOR TALENT, IT APPEARS THAT THE BATTLE IS OVER, AND TALENT HAS WON”**

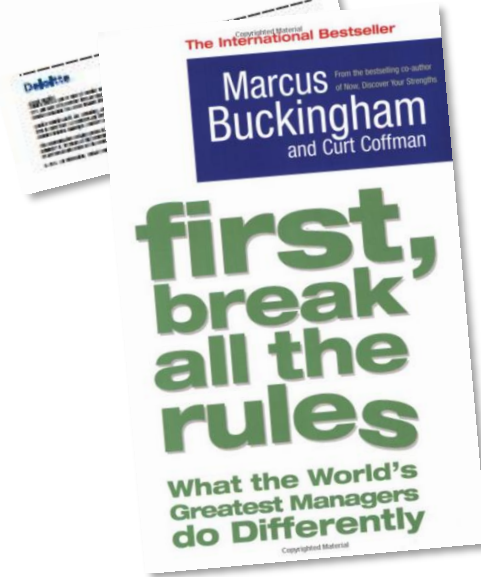
**DELOITTE**

# ENGAGEMENT: OPINIONS



## Five elements drive engagement:

- ✓ Meaningful work
- ✓ Hands-on management
- ✓ Positive work environment
- ✓ Growth opportunity
- ✓ Trust in leadership



## A selection of questions from 'First, break all the rules':

1. Do I know what is expected of me at work?
2. At work, do I have the opportunity to do what I do best every day?
3. Does my supervisor, or someone at work, seem to care about me as a person?
4. Does the mission/purpose of my company make me feel my job is important?
5. Do I have a best friend at work?
6. In the last six months, has someone at work talked to me about my progress?

# ENGAGEMENT: THE SOLUTION

## TAKE PAY OFF THE TABLE

Before you do anything else make sure your pay is fair and equitable

## COMMUNICATE THE 'WHY'

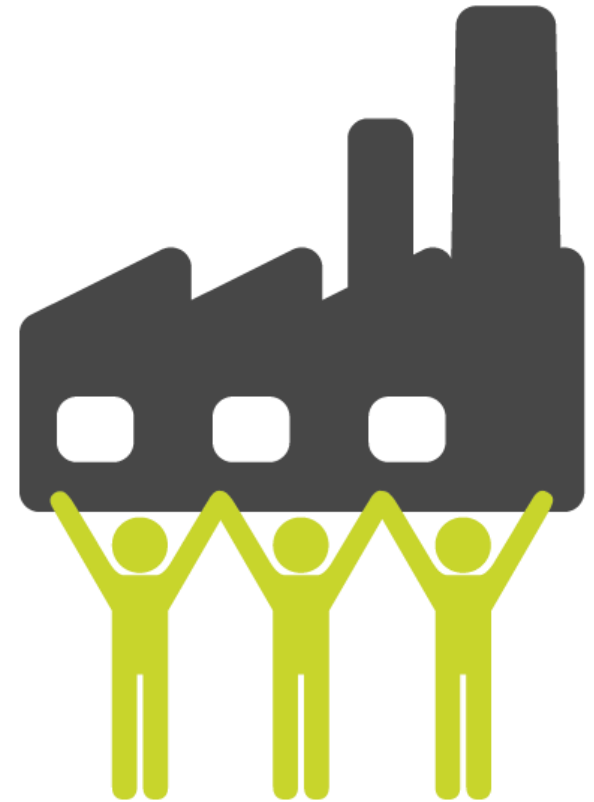
You need to engage employees in the real purpose and ambition of the business

## IT'S MORE THAN JUST FINANCIAL

The success of the business should be measured on more than just its financial performance – metrics for reward are currently still mainly financial

## REAL-TIME FEEDBACK

Just as customer feedback has transformed the customer experience, employee feedback is transforming the employee experience



# HOMework



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[www.innecto.com](http://www.innecto.com)  
T: 020 3478 4810  
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