

# REWARD & TALENT INSIGHT

## PREDICTIONS FOR 2015



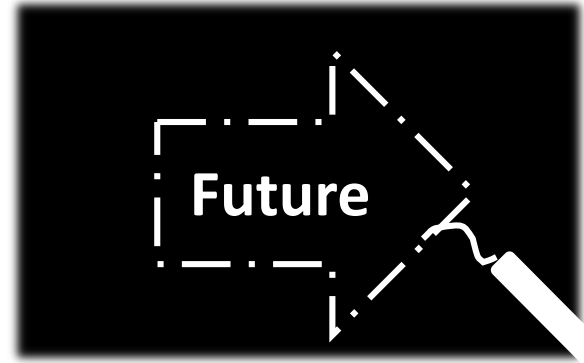
DEBORAH REES | DIRECTOR OF CONSULTING | INNECTO REWARD CONSULTING

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# ECONOMY



- **GDP** growth strong at 2.6% in 2014
- **Unemployment** is currently at 6.0%, down from 7.4% at the start of the 2014
- **Inflation** predictions more moderate – reducing to 0.5% in early 2015 and then forecast to increase to 1.7% by the end of 2015

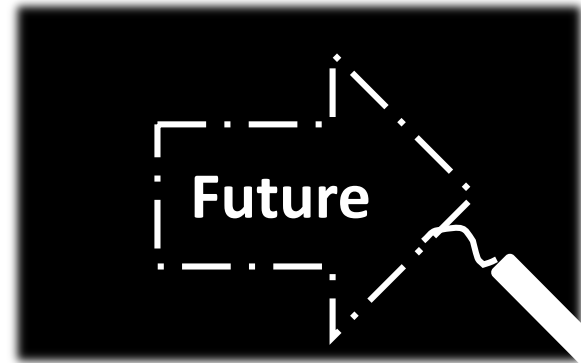


- Threat of uncertainty around inflation and higher interest rates will fuel the push for higher wages and employee mobility
- Competition for talent is coming from being 'self-employed' and new business start-ups, as well as traditional sources – you need to think how you can keep employees employed

# PAY



- Private sector **pay awards**, 12 month median of 2.5% since 2011. Public sector pay awards remain capped at 1%
- **Productivity** has stayed broadly flat since the recession
- Over 1,000 employers now accredited paying the **Living Wage**

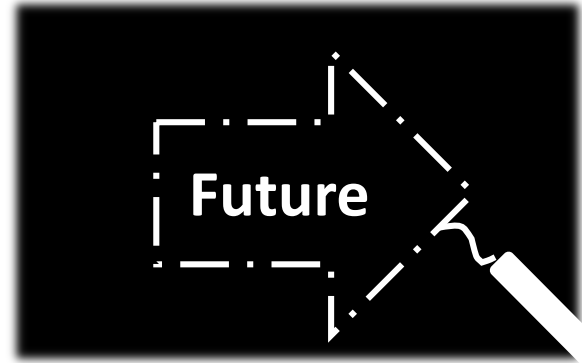


- Salary increases on average as much as 10% for certain qualified, professional and skilled workers
- Not all pay increases are declared
- Greater emphasis on Executive STIP/LTIP design, rather than the size of the package

# REWARD

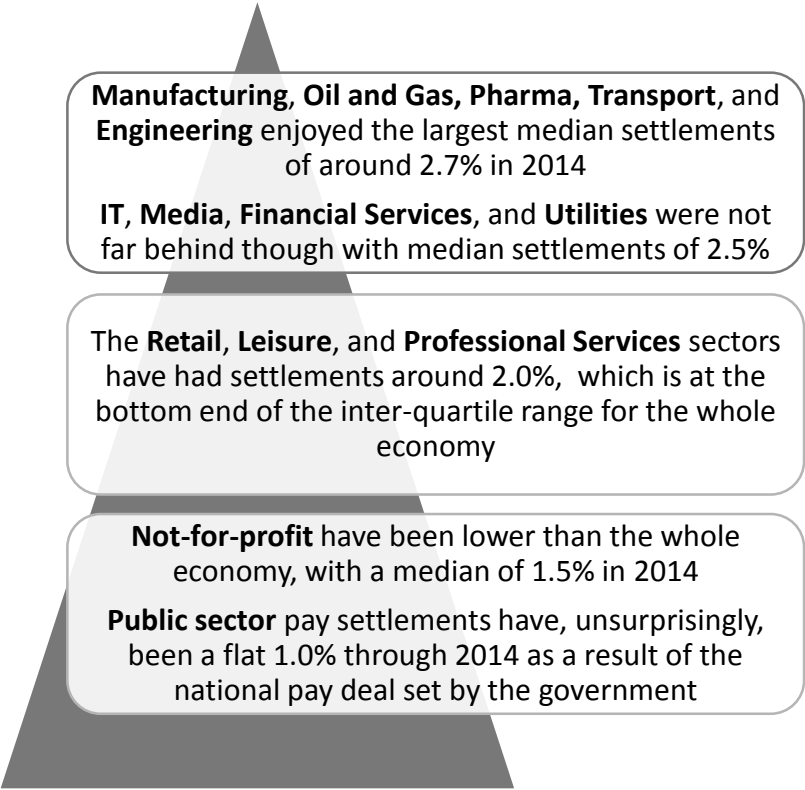


- Last year, judgements confirmed commission and some types of overtime should be included when **calculating holiday pay**
- 5<sup>th</sup> April 2015 – changes to **shared parental leave**
- Budgetary constraints mean employers have been looking at **benefits** as a way to differentiate themselves from the wider market



- Holiday pay, could lead to a significant rise in payroll costs
- The opportunity to differentiate as an employer is becoming more challenging
- In terms of policies and practices, less is more.

# SECTOR



**Manufacturing, Oil and Gas, Pharma, Transport, and Engineering** enjoyed the largest median settlements of around 2.7% in 2014

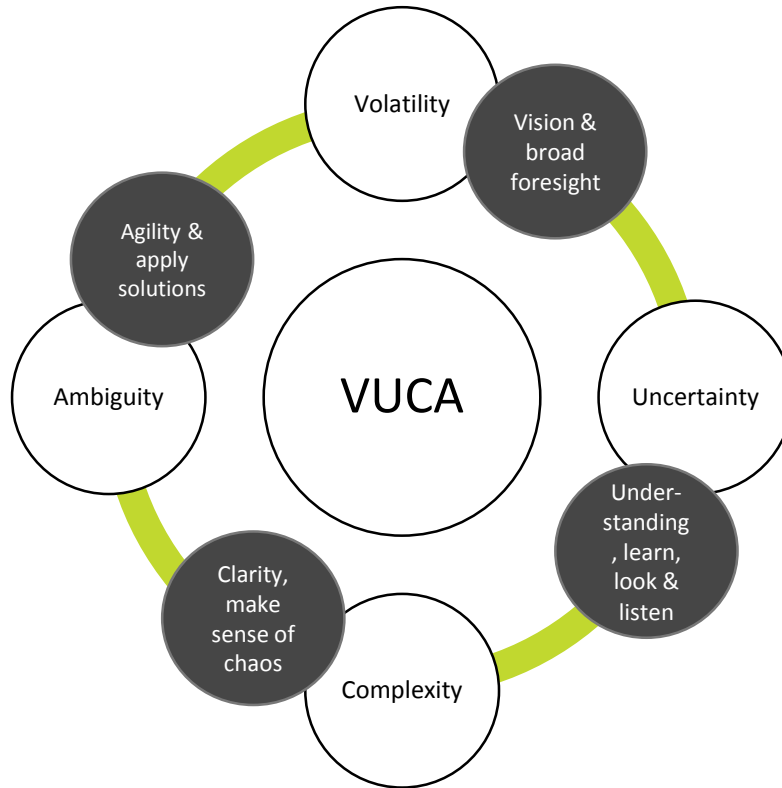
**IT, Media, Financial Services, and Utilities** were not far behind though with median settlements of 2.5%

The **Retail, Leisure, and Professional Services** sectors have had settlements around 2.0%, which is at the bottom end of the inter-quartile range for the whole economy

**Not-for-profit** have been lower than the whole economy, with a median of 1.5% in 2014

**Public sector** pay settlements have, unsurprisingly, been a flat 1.0% through 2014 as a result of the national pay deal set by the government

# DISRUPTIVE HR



# HR FUTURE 2015

“I’ve never met a CEO who didn’t want a world class HR service.

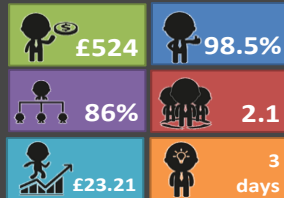
I’ve met a number who didn’t know how to articulate it, who described HR but called it something else, who talked about the importance of talent management, skills development, workforce planning, incentivisation and organisational performance...On the other hand, I have met a lot of CEOs who are fed up with their HR functions, with their HR teams. Who see HR as a barrier to all the things that they want to achieve and who focus on areas that they don’t see as important.”

Neil Morrison, [Change-effect.com](http://Change-effect.com) (HRD, Penguin Random House)

# HR DASHBOARD

## Getting started:

- Revenue or profit per employee
- Total cost per employee
- Voluntary vs involuntary labour turnover
- Cost of labour turnover
- 1<sup>st</sup> year turnover rate
- Cost of sickness absence
- Recruitment spend



## Digging deeper: (a non-exhaustive list)

- Distribution of top talent
- Exit interview analysis
- Internal labour movement
- Personality profiling employees by talent rating
- Engagement/employee survey analysis
- Candidate satisfaction
- Spend on top talent





# REWARD DASHBOARD

What would change for you, and your business, if you knew the answers to these questions?

<b>The leaky bucket</b>	How much money is spent through the year, between pay reviews on ad-hoc, out of cycle increases.
<b>Flight risk</b>	Running a comparison between identified high performers (though their performance review scores) and position against the relevant market can identify those at risk
<b>Past Glories</b>	A comparison can identify those who are paid highly against the market, but current performance doesn't justify this pay position.
<b>Pay control</b>	Compare pay against the market by hire date. Are long-servers generally paid more by the impact of just having been around a long time? Are new hires consistently paid at a higher relative start rate than their peers?
<b>Pay governance</b>	How are pay decisions managed across the business and how do they vary between departments, line managers.
<b>10%ers</b>	How many employees have had a pay rise of more than 10% in a year? Does this tie in with the Talent Mapping programme?
<b>Variable pay</b>	Comparisons of bonus payments against performance, long-service and gender

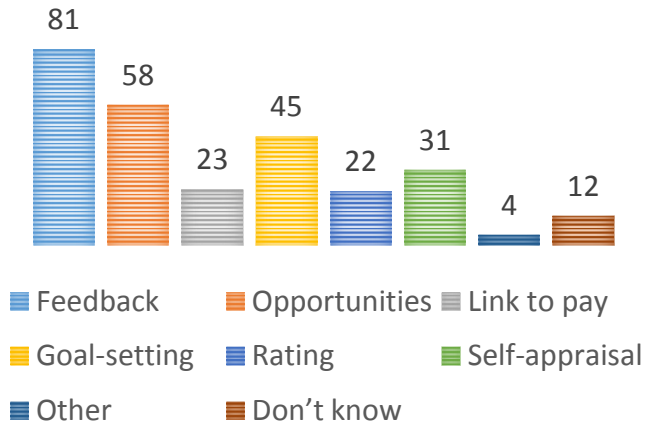
# WHAT IS PERFORMANCE MANAGEMENT

...and why is it dead?

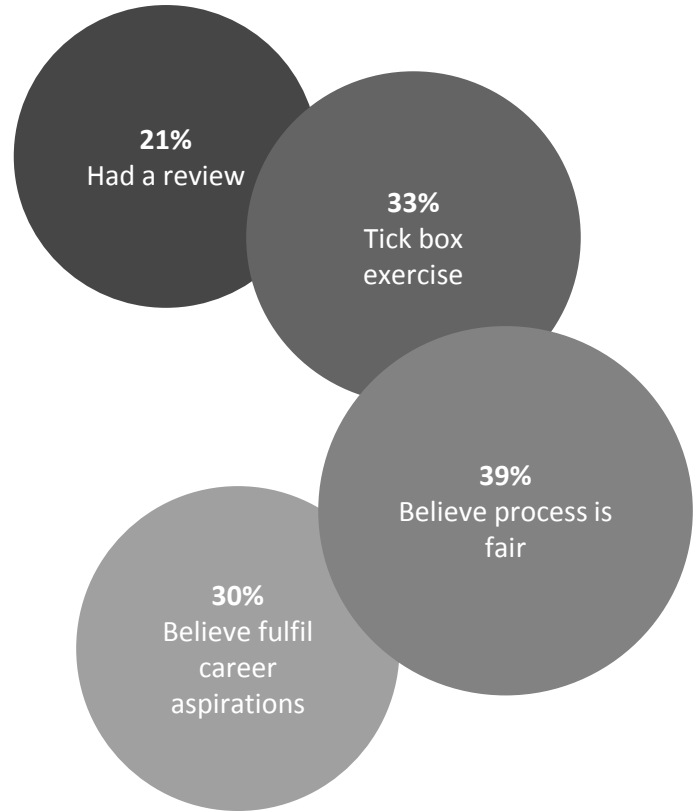
1	2	3	4	5
Disastrous Impact	Somewhat negative impact	No impact	Some positive impact	Business Critical Positive Impact

# INTERESTING FACTS

## IMPORTANCE OF PERFORMANCE MANAGEMENT TO EMPLOYEES



Source. CIPD – Current & future trends for performance reviews



# NEW THINKING...



“As a society, we’ve had hundreds of years to work on managing industrial firms, so a lot of accepted HR practices are centred in that experience. We’re just beginning to learn how to run creative firms, which is quite different. Industrial firms thrive on reducing variation (manufacturing errors); creative firms thrive on *increasing* variation (innovation)”

*Patty McCord Netflix (HBR Jan 2014)*

# COMPANIES LEADING CHANGE



Adult to adult relationship. If no longer alignment to role, then a conversation takes place



Total autonomy, can pitch for projects, chose what you work on and colleagues rank for pay increases



**Adobe**

Abolished annual performance reviews and developed 'Check in', which is about knowing where each party stands, jointly agreeing expectations and ongoing feedback



**Microsoft**

Focused on the 'Impact' the employee has. Are they adding value, are they stretching themselves. Online tool for both Manager and employees

# EXAMPLE; ALIGNING OUR GROWTH GOALS

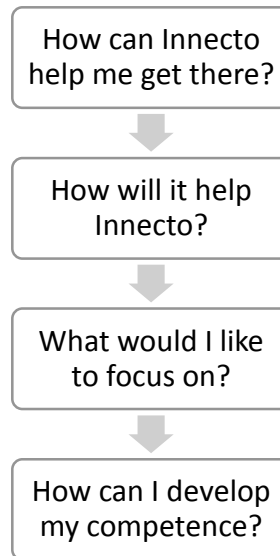
## My day job

What is expected of me to help Innecto grow?



## My future job

How will Innecto help me grow?



# 5 STEPS FOR NOW

Area	Decisions to discuss
Catch-up	Read 'Drive' if you haven't yet. Go and find Valve handbook and Netflix 'Freedom and responsibility' and "The Alliance" on-line. Head to Innecto's site and follow some interesting tweets.
Gen Y	Talk to some people under 30 in your organisation about how they would change the performance management /reward systems
Combine	Talk to them again after you've asked them to look at TED talk (Daniel Pink) Netflix and 'The Alliance' slides
Analyse	Where is your organisation in attracting and retaining the talent you need and how does performance and reward fit in?
Inspiration	Think about it all – but act quickly on your inspiration. It evaporates.

# 5 STEPS FOR THE FUTURE

Area	Decisions to discuss
Clarify purpose	What does your HR dept stand for? If the response from the business is eye-rolling – you're on a losing ticket
Excellence	Can you become the 'go-to' people for talent, performance matters and understanding the business gaps?
Architecture	Is our friend. Finance didn't get to their position of trust and confidence by changing the way the EBIT is measured every year. BTW – do you know what your EBIT is?
Share	Take people on your journey and engage your leadership in helping you get the message about what makes the business run out there
Be brave	Do something different. Make changes. Be a pioneer.



# OUR CONTACT DETAILS



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“Reward is a key driver for business  
– it’s strategic and commercial.  
We support our clients to really  
drive value and make a tangible  
difference through their reward”

Deborah Rees, Director of Consulting



**Engage your  
employees** through  
relevant and creative  
reward

“Innecto gives me the  
confidence that I’m  
making my organisation  
attractive to the best  
people”

International reward | reward strategy | executive  
compensation  
employee engagement | pay benchmarking  
job evaluation | pay frameworks  
reward communications  
benefit audit & design | variable pay  
sales bonus | remuneration committee support  
performance management

“I have reduced the  
cost and wastage in my  
reward, mainly the ‘out  
of pay review’ pay  
increases”

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# WHY USE A CONSULTANCY?

- Pays for itself  
Reducing wastage from the 'leaky' bucket, increasing performance and paying at the right level will save you money.
- Right for any organisation  
A good consultancy will adopt a style and approach to suit our business – so we work with all types and sizes of organisation.
- Time and Resource  
Don't have to wait until you have the 'time' or people to do it – you can do it now and get it done quickly.
- Expertise  
We have been doing this every day for years. We know how to get the best result for you and your organisation.
- Part of your team  
We support, coach and mentor and most importantly we work and deliver for you. We want you and your project to be a success.

## SO, WHY NOT?

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