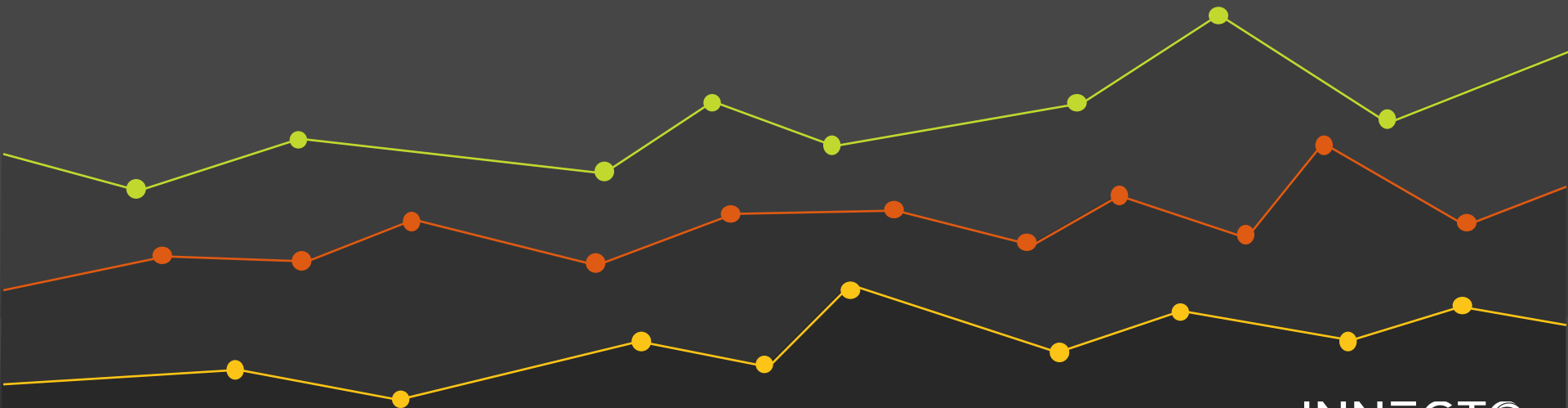


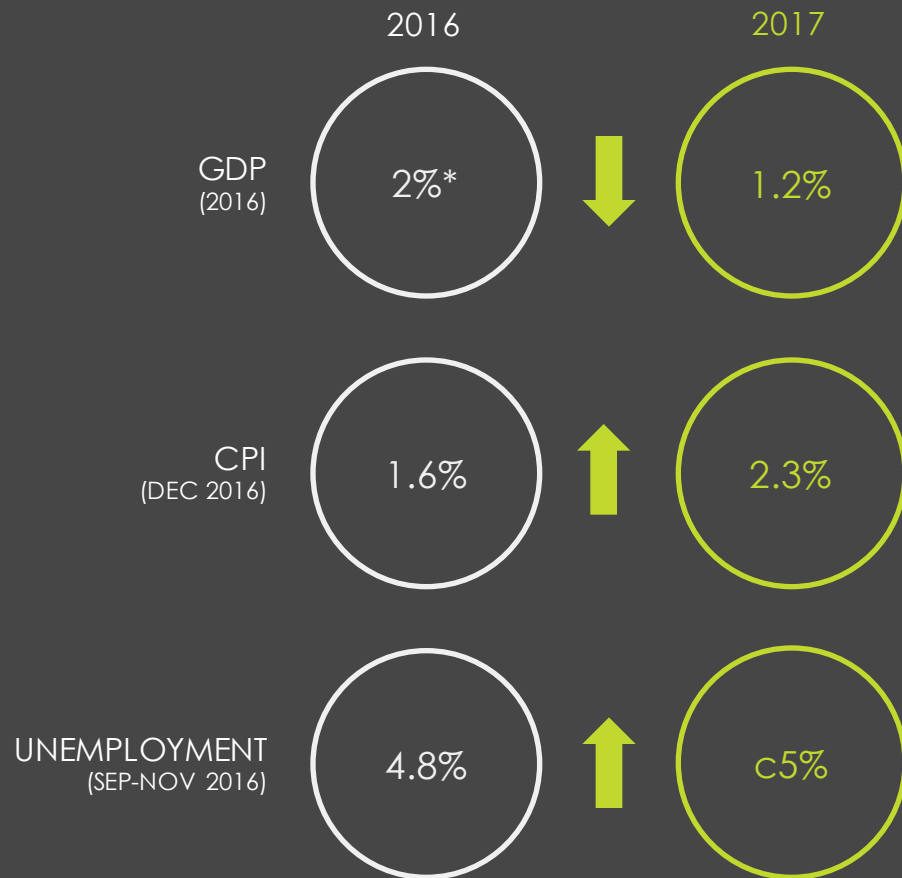
PAY TRENDS 2017

DEBORAH REES | DIRECTOR OF CONSULTING



FACING THE FACTS

ECONOMY



WHAT
THIS
MEANS
FOR HR

HIGHER INFLATION MEANS LITTLE OR NO REAL WAGE GROWTH AND CONTINUED LOW UNEMPLOYMENT PUTS PRESSURE ON TALENT ACQUISITION

- BE STRATEGIC; GIVE MERIT BASED PAY AWARDS
- UNDERSTAND THE REAL PICTURE WITH ANALYTICS - FLIGHT RISKS & PAST GLORIES
- USE DATA INSIGHT TOOLS SUCH AS PAYLAB™
- CALCULATE YOUR LEAKY BUCKET - AD HOC PAY RISES
- BE CREATIVE WITH YOUR EMPLOYEE PROPOSITION

*estimated average from PWC

FACING THE FACTS

BREXIT EFFECT

- VALUE OF £ FALLEN FROM 1.1997 EUR IN JULY '16 TO 1.1327 EUR IN JAN '17
- DEPRECIATION OF £ WILL BOOST NET TRADE IN THE SHORT TERM
- SQUEEZE ON HOUSEHOLDS' BUDGETS CAUSED BY PRICE RISES (EFFECT OF INCREASED IMPORT PRICES)
- £s FALL WILL ADD ALMOST 2% TO LEVEL OF CONSUMER PRICES OVER THE NEXT 2 YEARS
- UNCERTAINTY FOR BUSINESS IS LEADING TO LACK OF INVESTMENT

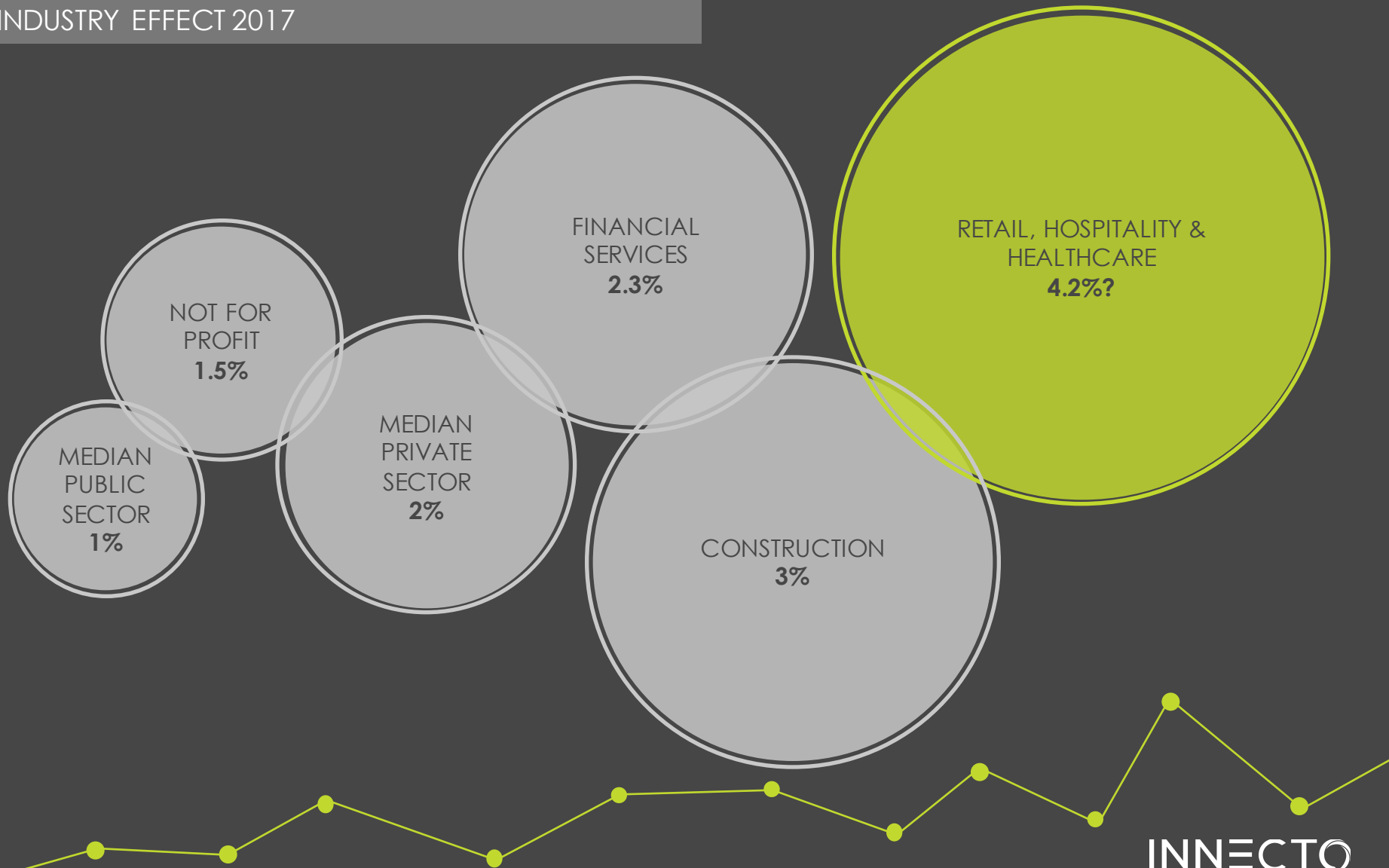
WHAT
THIS
MEANS
FOR HR

"IT'S BUSINESSES THEMSELVES THAT CAN MAKE OR BREAK THE ECONOMY AROUND BREXIT"

- PROVIDE STRONG, CONFIDENCE BOOSTING EMPLOYEE COMMUNICATION - " YOU ARE IMPORTANT TO US AND WE WILL LOOK AFTER YOU"
- CONTINUE TO INVEST IN PEOPLE AND DIFFERENTIATE YOUR EMPLOYEE DEAL

FACING THE FACTS

INDUSTRY EFFECT 2017



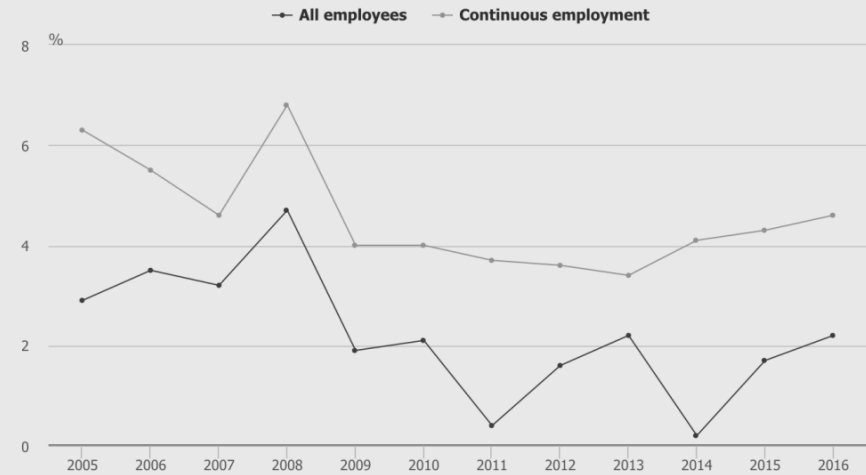
FACING THE FACTS

STAYING POWER

STAYING POWER
(CONTINUOUS
EMPLOYMENT FOR
MORE THAN 1 YEAR)



Figure 2: Annual percentage change in median full-time gross weekly earnings for all employees and those in continuous employment, UK, April 2005 to 2016



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

MAKING THE GRADE

LOW PAY

- **IMMEDIATE ISSUE:** NLW INCREASES IN APRIL FROM £7.20 PER HOUR TO £7.50 - 4.2% INCREASE
- **IMMEDIATE ISSUE:** BUSINESSES WITH HIGH NUMBERS OF LOW PAID WORKERS MORE AFFECTED BY POTENTIAL CHANGES TO IMMIGRATION REGS
- **IMMEDIATE ISSUE:** PRESSURE FROM HIGHER INFLATION REDUCING IMPACT OF PAY INCREASES FOR LOW EARNERS
- **IMMEDIATE ISSUE:** 'GIG' ECONOMY - WORKERS' RIGHTS
- **LONG GAME:** £9 PER HOUR BY 2020
- **LONG GAME:** MANAGING YOUR PAY DIFFERENTIALS

WHAT
THIS
MEANS
FOR HR

“REFINE YOUR EMPLOYEE DEAL TO ENSURE YOU LOOK AFTER THE LITTLE THINGS THAT MAKE LIFE BETTER FOR YOUR PEOPLE”

- EASE THE PRESSURE: INTRODUCE **VOLUNTARY BENEFITS** THAT USE ECONOMIES OF SCALE (SHOPPING, RESTAURANT, CINEMA DISCOUNTS) AND MAKE SALARIES GO FURTHER
- PROVIDE OPPORTUNITY: INTRODUCE A SELF-FUNDING **PERFORMANCE ELEMENT** TO PAY THAT REWARDS EMPLOYEES MOTIVATED TO ACHIEVE THEM
- ENSURE YOU HAVE A **PAY FRAMEWORK** THAT ALLOWS YOU TO MANAGE PAY ACROSS LEVELS

MAKING THE GRADE

HIGH PAY

MEDIAN
LTIP PAYMENTS

250%
FTSE 100

165%
FTSE 250

- **POLITICS:** INCREASING MEDIA & GOVERNMENT PRESSURE ON EXEC PAY - 1:5 EXEC DIRECTORS RECEIVED NO SALARY INCREASE AND 1:10 NO ANNUAL BONUS*
- **GENDER:** GENDER PAY REPORTING IS CREATING PRESSURE TO ATTRACT SENIOR FEMALE TALENT
- **RATIOS:** U.S. OWNED BUSINESSES ALREADY HAVE PAY RATIO REQUIREMENTS - LIKELY TO SPREAD TO UK
- **FINANCIAL SERVICES:** REWARD NEEDS TO LINK TO WOMEN IN FINANCE CHARTER OBJECTIVES
- **EXEC REM WORKING GROUP:** RECOMMENDATIONS FOR CHANGE IN EXEC PAY

WHAT
THIS
MEANS
FOR HR

- **FEMALE PIPELINE:** DO YOUR RESEARCH, SPEAK TO EXEC RECRUITERS AND HIGH PERFORMING MIDDLE FEMALE MANAGERS - WHAT IS STOPPING YOU FROM ATTRACTING MORE SENIOR WOMEN? NOW REFINE YOUR EMPLOYEE DEAL
- **FOCUS ON METRICS:** INCREASED DISCLOSURE ON METRICS REQUIRES GREATER FOCUS ON MEANINGFUL FINANCIAL AND NON FINANCIAL MEASURES - DON'T JUST RELY ON TSR

*FTSE 350

INNECTO
REWARD CONSULTING

MAKING THE GRADE

FAIRNESS

“DO YOU FULLY UNDERSTAND THE REQUIREMENTS OF THE REGULATIONS?”

- **GENDER PAY REPORTING** IS HAPPENING NOW: 6 APRIL 2017 SNAPSHOT DATE AND INCLUDES VARIABLE AND BASE PAY
- **GENDER PAY REPORTING:** YOUR RESULTS WILL IMPACT YOUR ABILITY TO RETAIN AND ATTRACT TALENT AND MAY ALSO ATTRACT EQUAL PAY CLAIMS
- **FAIRNESS CONTINUES:** ETHNICITY LIKELY TO BE NEXT ON THE AGENDA WITH MORE TO FOLLOW

WHAT
THIS
MEANS
FOR HR

- **FIND YOUR HEADLINES:** IF YOU HAVEN'T STARTED, DO THIS NOW, IT WILL TAKE TIME TO GET YOUR DATA TOGETHER
- **MANAGE YOUR RISK:** PUBLISHING GENDER PAY FIGURES IS LIKELY TO FUEL A 'NO WIN NO FEE' LEGAL PROCESS - CARRY OUT AN EQUAL PAY AUDIT TO ENSURE THERE ARE NO SKELETONS
- **TAKE CONTROL:** YOU WANT TO SHOW IMPROVEMENT AS YOU PUBLISH EACH YEAR, SO YOU NEED TO REMOVE UNINTENTIONAL BIAS AND PROCESSES THAT AREN'T WORKING
- **RUNNING FOR REAL:** HAVE A NARRATIVE READY TO ACCOMPANY YOUR RESULTS

CREATING A DIFFERENCE

5 ATTRIBUTES OF A HIGH PERFORMING EMPLOYER



CLEAR
LEADERSHIP IN
UNCERTAIN
TIMES



FAIRNESS



ARTICULATING
THE NOBLE
PURPOSE



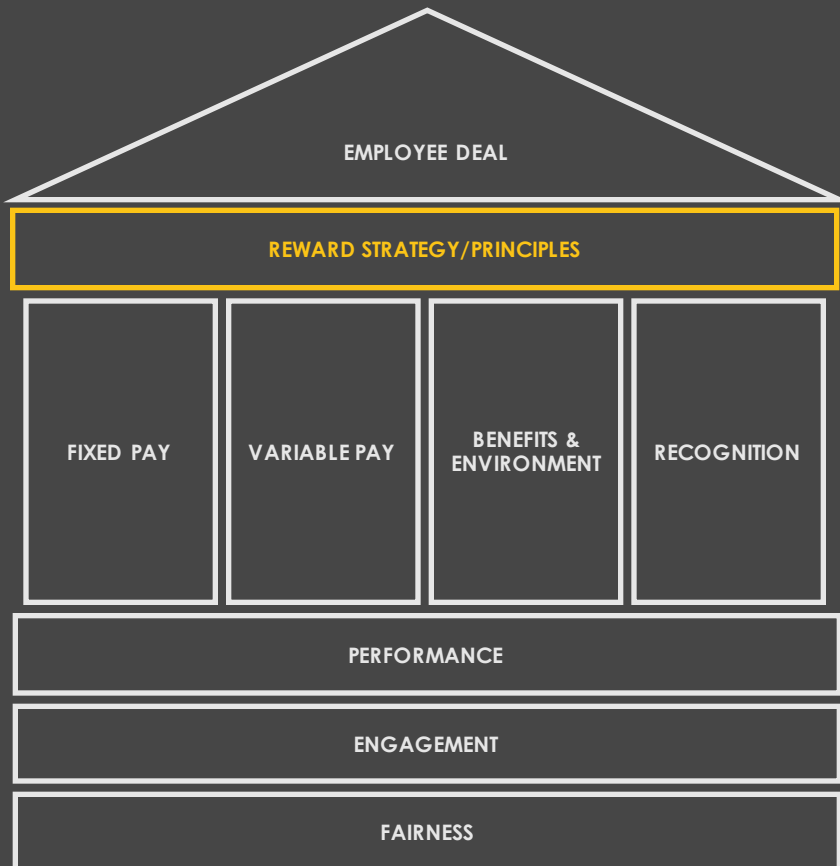
EMPLOYEE
VOICE



AUTONOMY

CREATING A DIFFERENCE

INDIVIDUALISATION



WHAT
THIS
MEANS
FOR HR

- **ARTICULATE YOUR PURPOSE:** HOW DOES YOUR BUSINESS MAKE A DIFFERENCE IN THE WORLD?
- **RE-CALIBRATE YOUR EMPLOYEE DEAL:** REFLECT THAT PURPOSE IN YOUR BENEFITS, CULTURE, RECOGNITION & PAY
- **BRAND IT:** WORK WITH YOUR MARKETING TEAM OR EXTERNAL RESOURCE TO BRAND YOUR EMPLOYEE DEAL
- **START TO FINISH:** MAKE SURE YOUR BRAND TOUCHES EMPLOYEES BEFORE THEY START, AS THEY JOIN, THROUGHOUT THEIR CAREER AND WHEN THEY LEAVE