

PAY REVIEW WHITE PAPER REPORT

PAY REVIEW & ECONOMIC OUTLOOK

This report will provide guidance & advice based on responses from our portfolio of clients.

Information is presented regarding pay review plans for the forthcoming year.

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EXECUTIVE SUMMARY

Pay Adjustments

Approximately 76% of companies intend to implement pay rises in the coming year, primarily in the 2%-4% range. This move is largely driven by inflation (with 33.3% of responses indicating this reason) and employee retention (where 29.6% responses supported this drive). However, some organisations remain undecided, and 10% have opted against offering any pay increases.

Sectors

The manufacturing and engineering sectors dominate the survey, comprising 30% of the population respondents, followed by the third sector (non-profit) and other industries. The sectors exhibit a diverse approach to pay review intend and employee benefits.

Alternative Benefits

Some organisations are considering enhancements beyond pay increases, including offering private healthcare, flexible working and pension contributions. Extra holiday pay and other schemes, e.g. electric cars and life assurance, also feature as potential benefits under review.

Cost Pressures

Wage and employee costs, including pensions and national insurance are primary cost drivers, with 83.3% of businesses anticipating these costs to rise. Costs related to inputs and energy are also expected to increase, further challenging operational expenses.

Economic Outlook

The majority of businesses (53.3%) predict weak economic growth over the next year, with concerns primarily associated with political and economic uncertainty. This risk has intensified focus on credit and staff availability, which can be regarded as critical priorities.

Policy Views

The report includes feedback on broader employment policies, with strong support for changes like avoiding zero-hour contracts and implementing flexible working from day one arrangements.

INTRODUCTION

A number of our clients have been asking us what other businesses plan to do in relation to pay rises and asking our thoughts on the economic outlook.

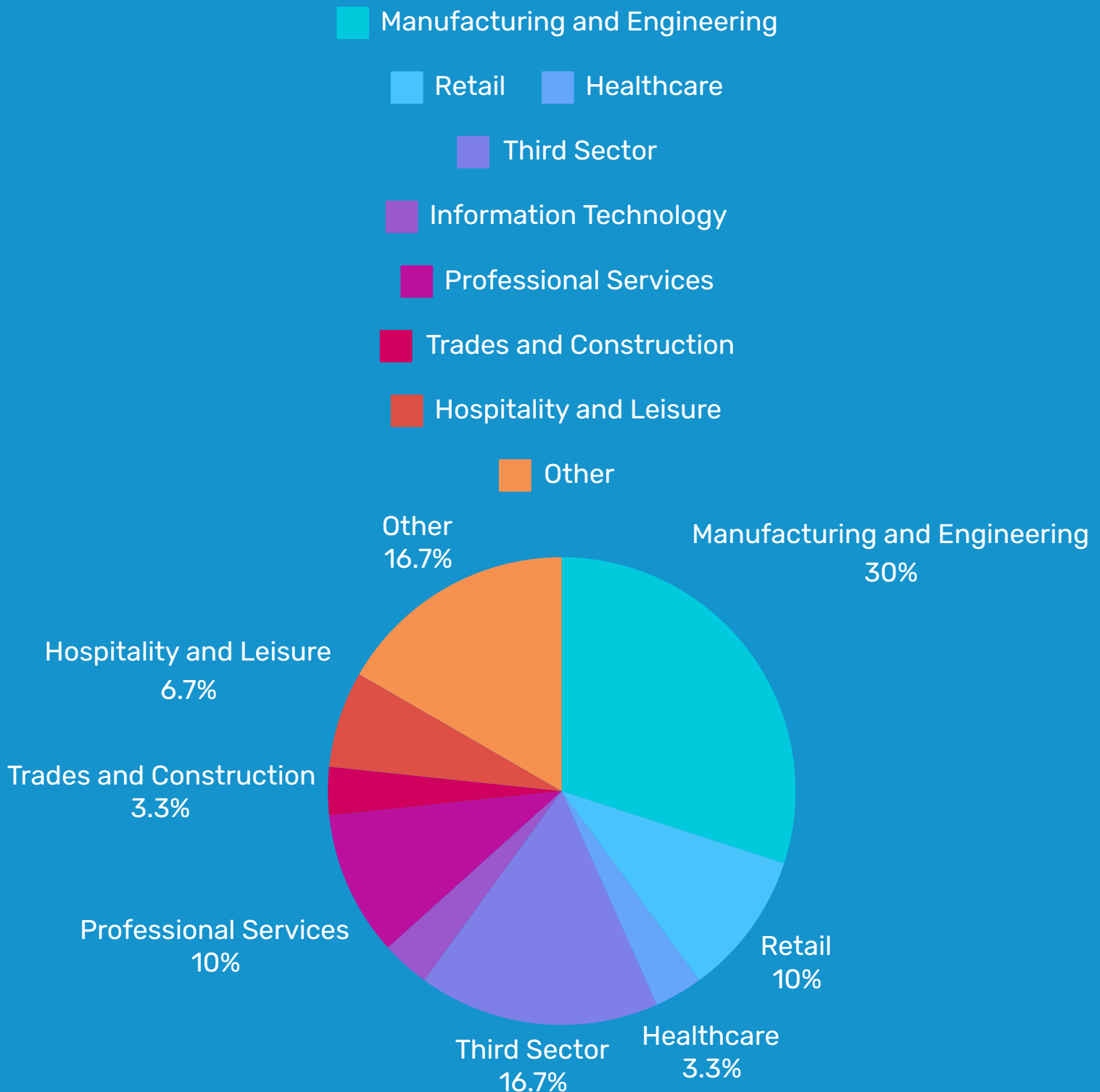
Whilst we have some of this information, as part of our ongoing efforts to support your business needs and provide relevant insights, we have conducted a confidential survey to understand the trend in pay rises and business challenges across different sectors for the upcoming year.

We have compiled this data and are now delighted to share with you the results of this survey.

As always, we are on-hand to support you with any queries/concerns you may have.

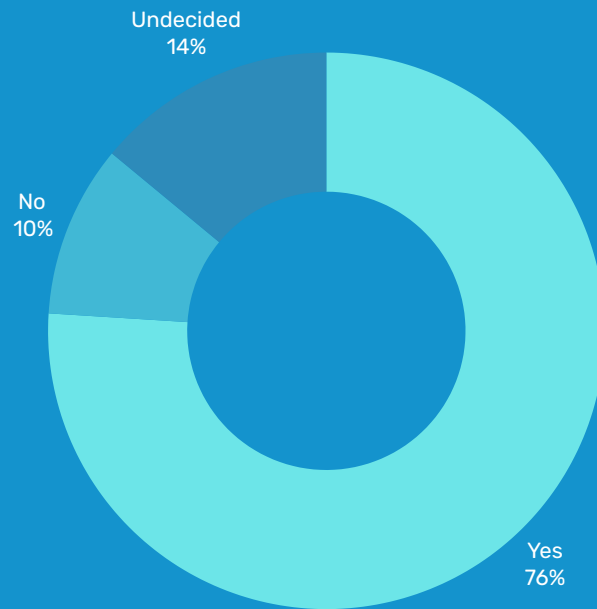
SECTOR

The breakdown of companies who participated in the survey is shown below:

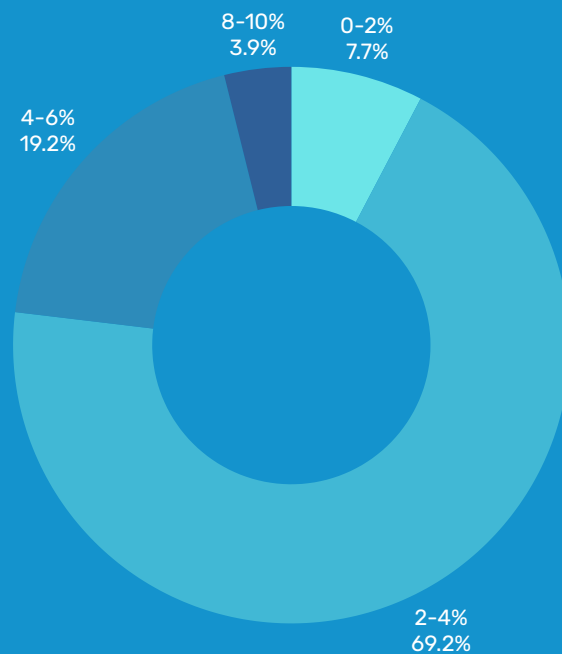


PAY RISE PLANS

Do you plan to implement pay rises in the coming year?

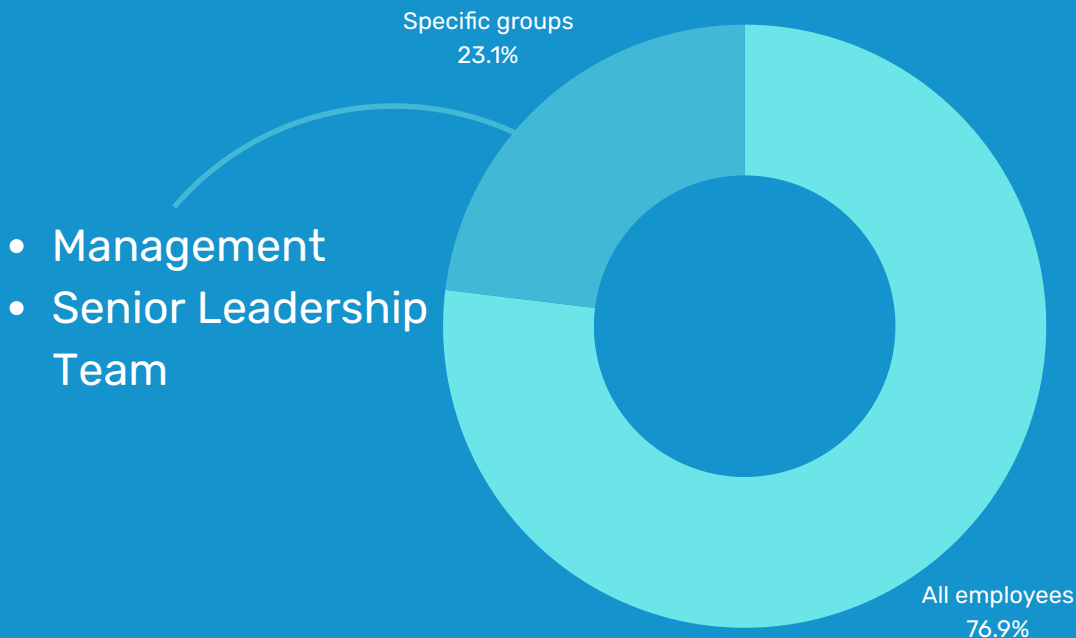


If yes, what is the anticipated percentage increase for pay rises?



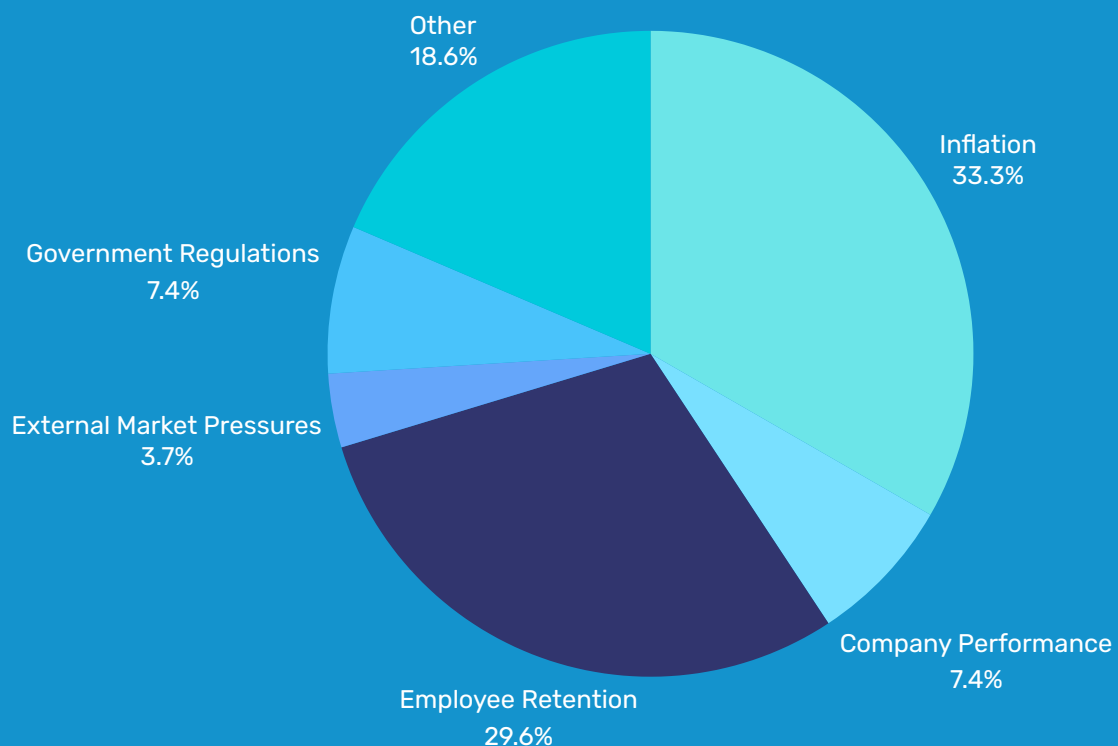
WHO WILL THIS APPLY TO?

Will the pay rises apply to specific groups or all employees?



PRIMARY FACTORS

What are the primary factors influencing your decision on pay rises?

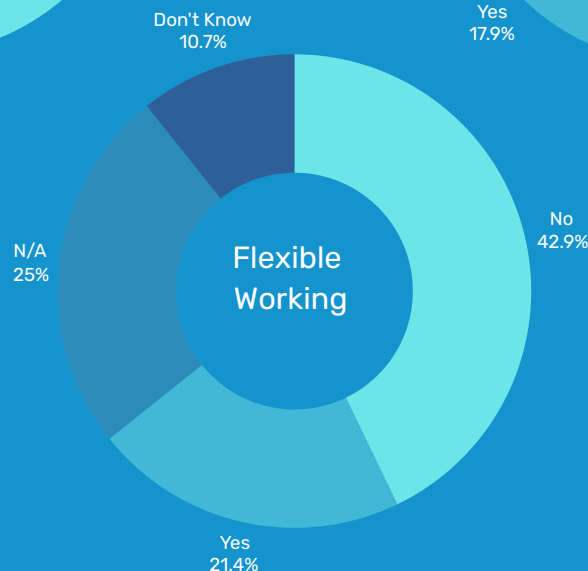
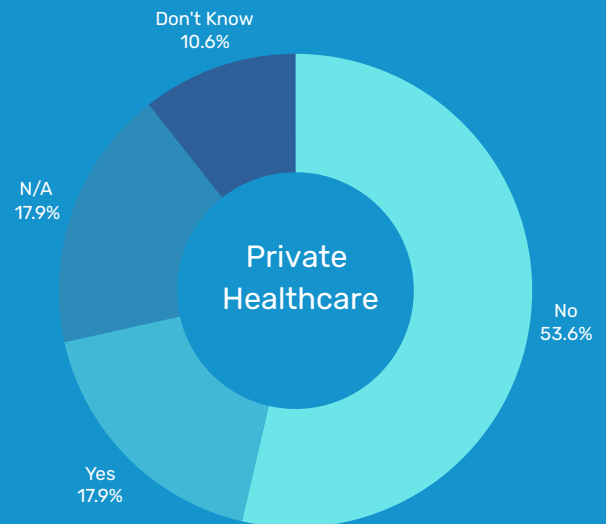
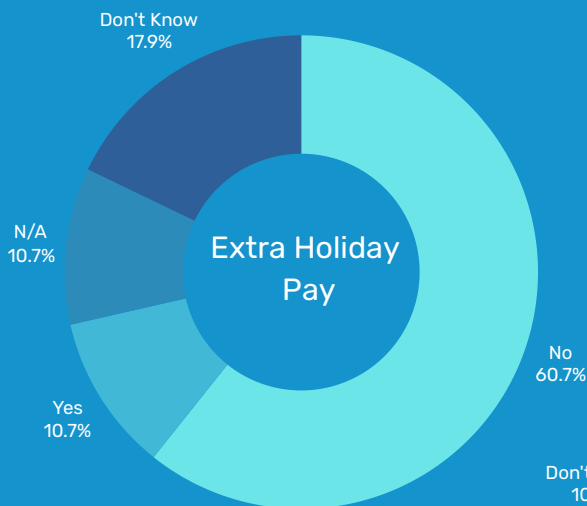


OTHER FACTORS

What other options are you considering other than a pay rise?

- Remuneration for employees
- Exceptional performance
- Talent retention
- Benefit scheme
- Inflation
- Company performance

Are you considering any other options instead of offering a pay rise?



OTHER FACTORS

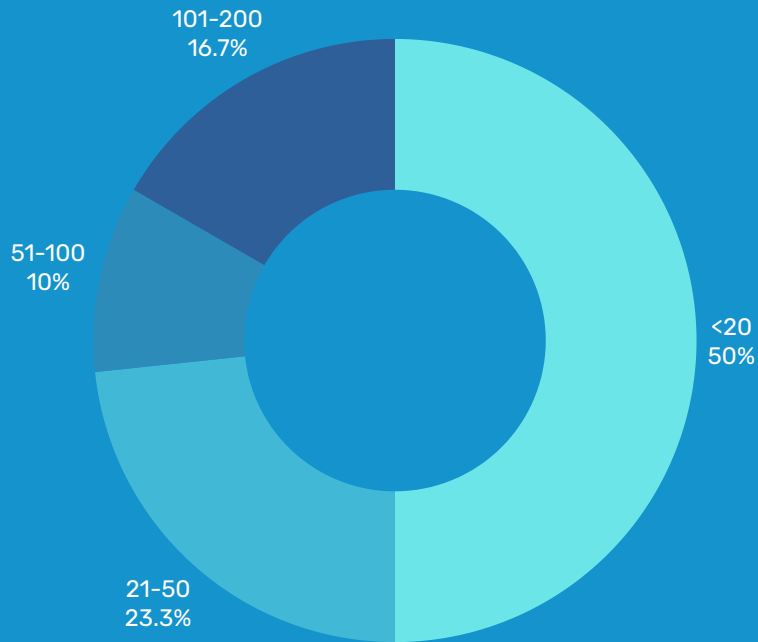
What are you considering any other employee benefits?
Please specify what these are.

- Pension contributions
- Subsidised food
- Health & wellbeing support
- Extra holidays
- Electric cars
- Bonus payments
- Life assurance
- Salary sacrifice

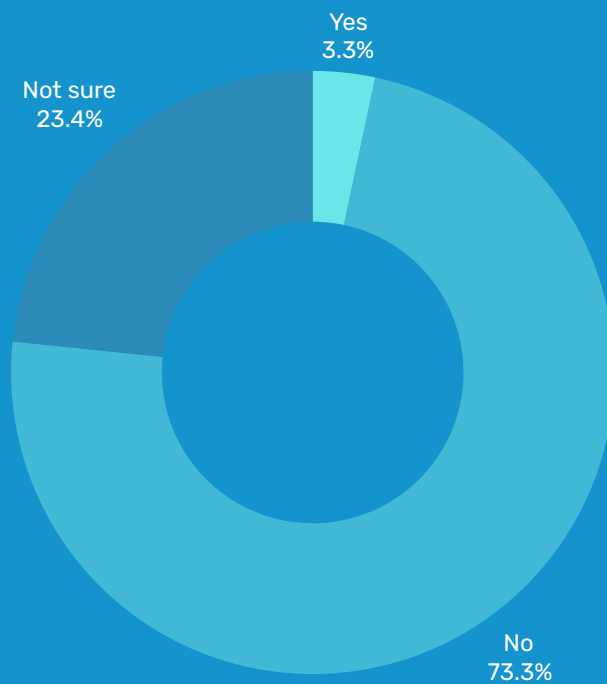


CURRENT PLANS

What is your current headcount?

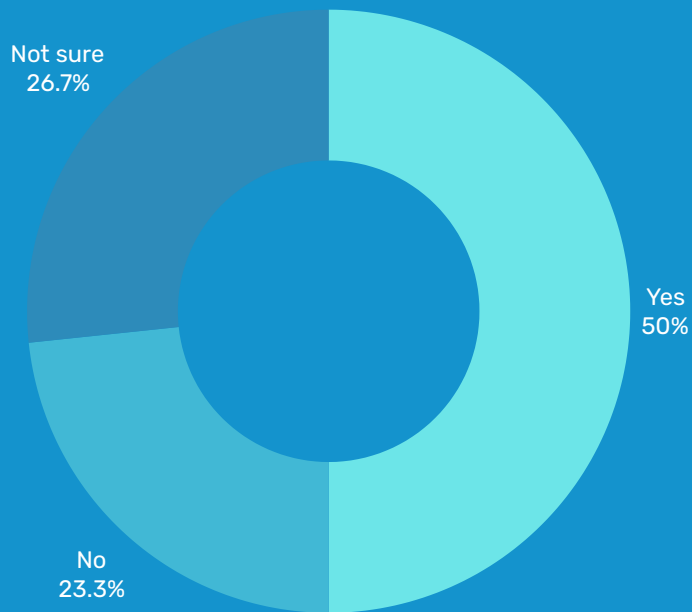


Do you intend to make redundancies in the next 6 months?



CURRENT PLANS

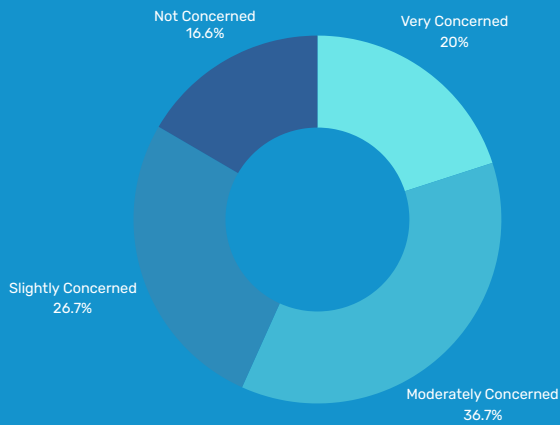
Do you intend to increase your headcount in the next 6 months?



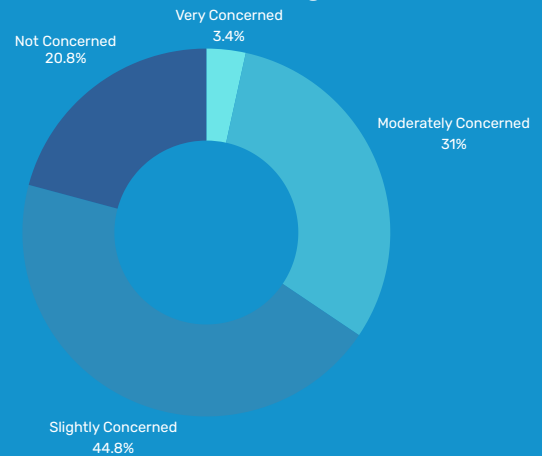
GENERAL FEELING

Compared to normal, how concerned is your business about the following factors?

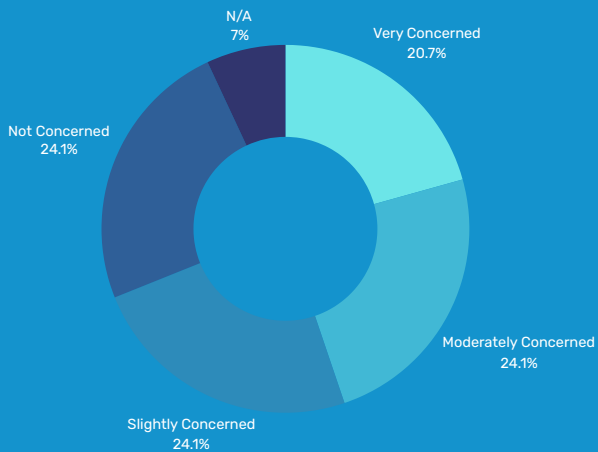
Availability of new staff



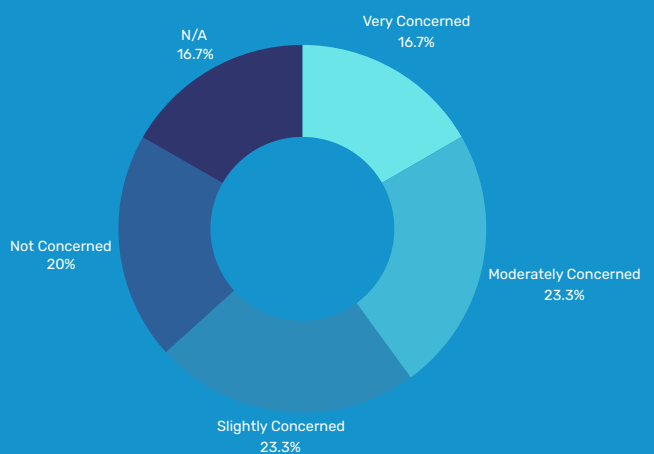
Retention of existing staff



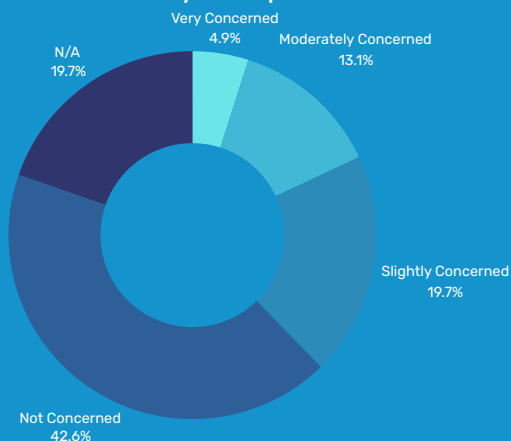
Costs of energy



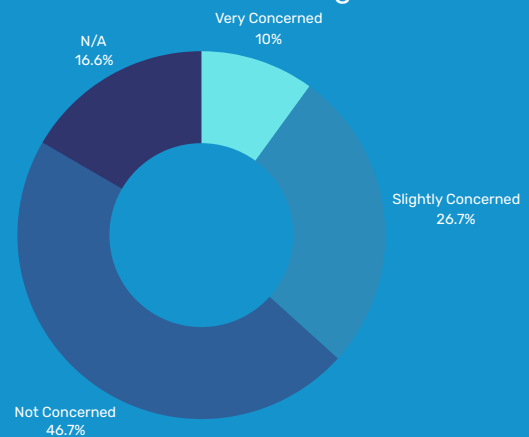
Price of inputs



Availability of inputs



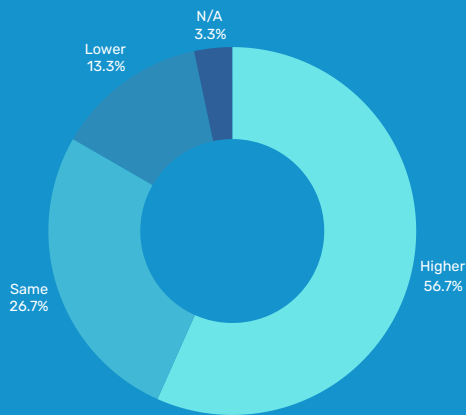
Interest rates / borrowing costs



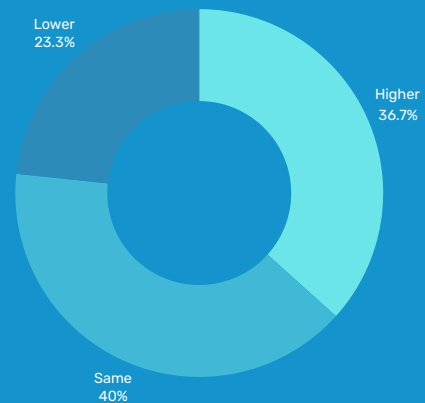
BUSINESS ACTIVITIES

Thinking about your company's current business activities, how would you say this compared to the same time a year ago in:

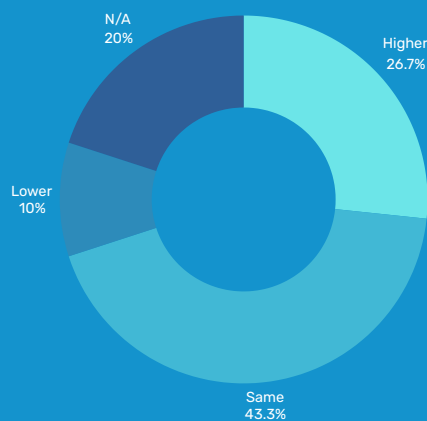
The volume of business activity



The level of employment in your business



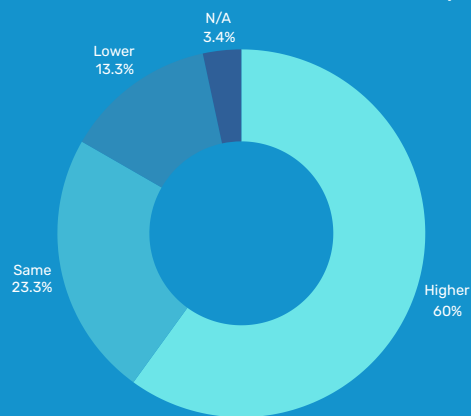
The level of new capital investment



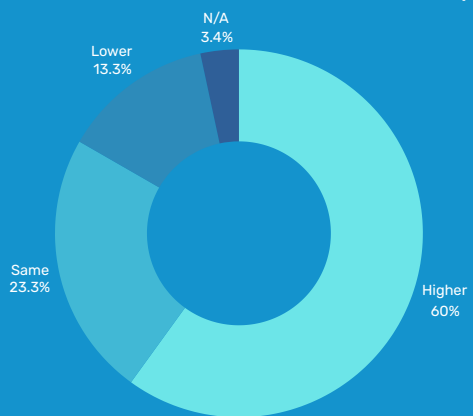
FUTURE BUSINESS ACTIVITIES

Thinking about your company's future business activities, excluding any seasonal variation, over the next 6 months what do you expect to happen to:

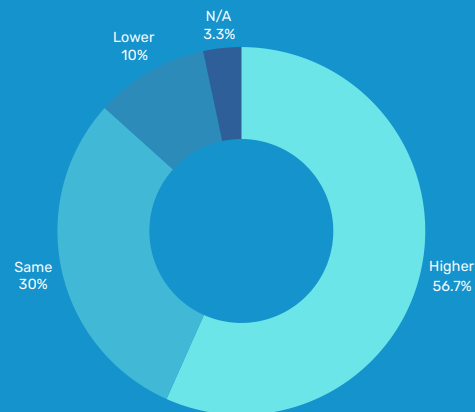
The volume of business activity



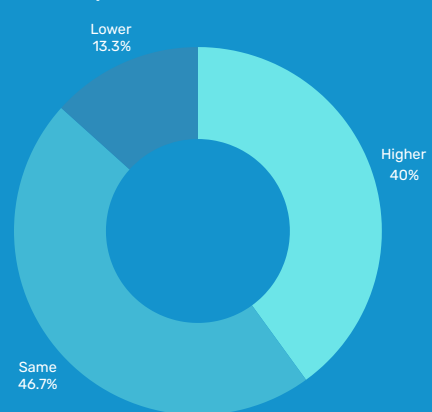
Volume of new business activity



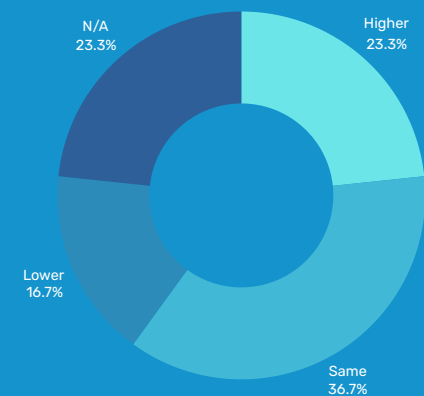
The value of business activity
(i.e. turnover)



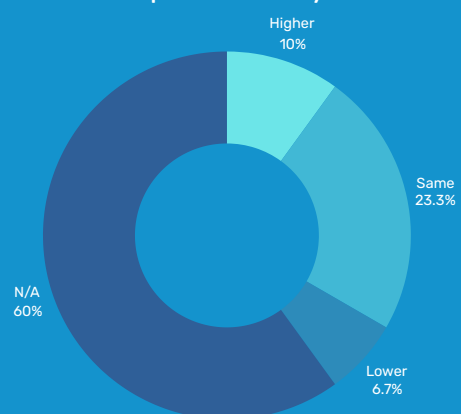
The level of employment
in your business



The level of new capital
investment



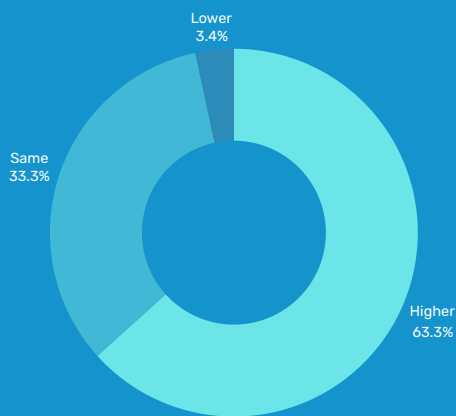
Export Activity



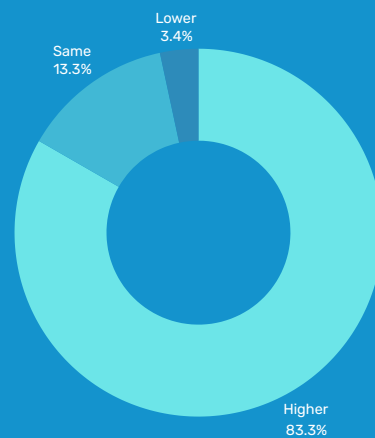
KEY COST DRIVERS

Thinking about the key cost drivers for businesses, what is your business' assessment of the following cost pressures **at the moment?**

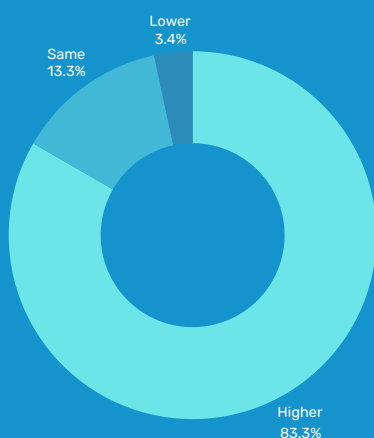
Total business costs



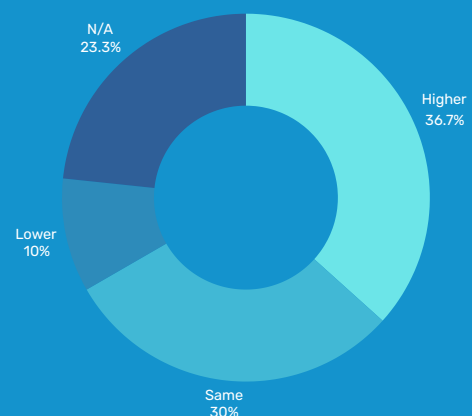
Wages



Total employee costs (inc. wages, pension, NI, etc)



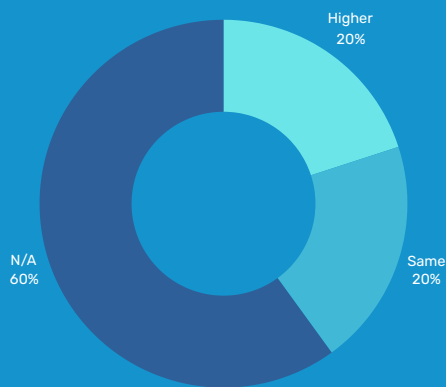
Input costs



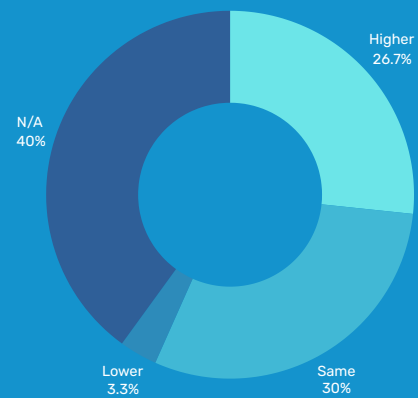
KEY COST DRIVERS

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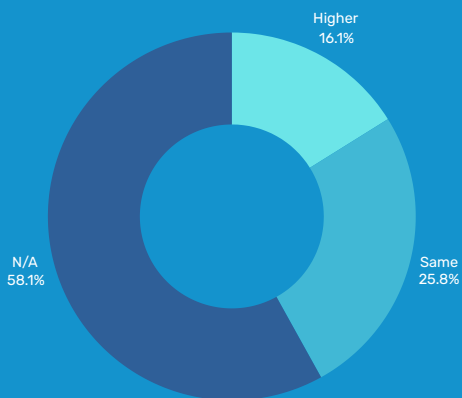
Import cost for goods and services



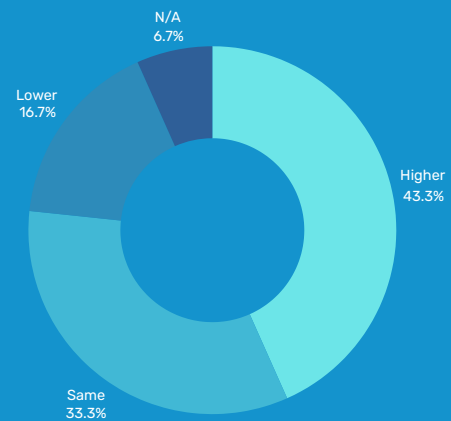
Distribution costs



Cost of credit



Energy (electricity, gas and fuel)



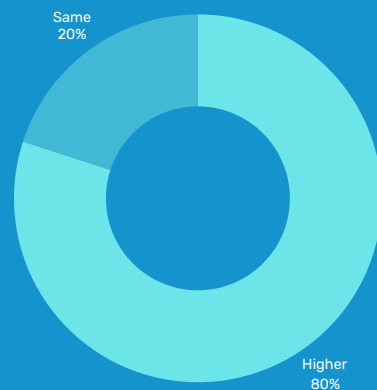
KEY COST DRIVERS

Thinking about the key cost drivers for businesses, what is your business' assessment of the following cost pressures **over the next six months?**

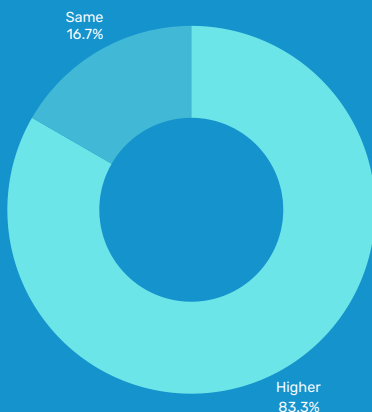
Total business costs



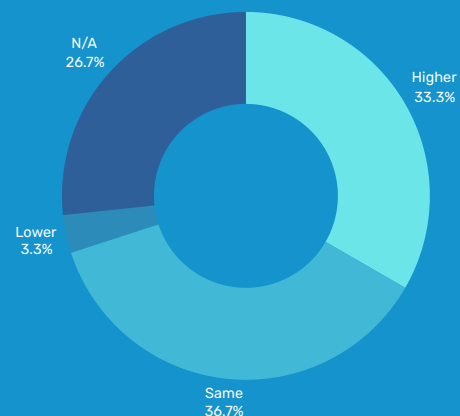
Wages



Total employee costs (inc. wages, pension, NI, etc)



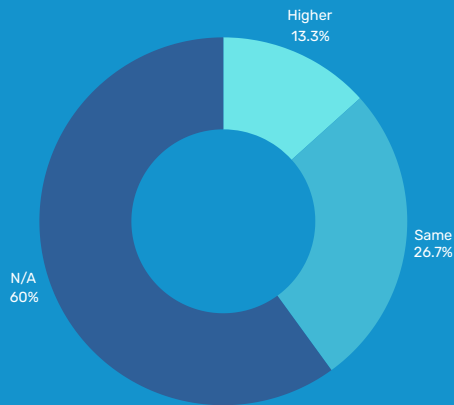
Input costs



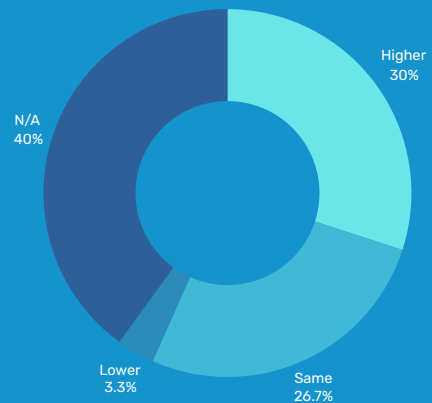
KEY COST DRIVERS

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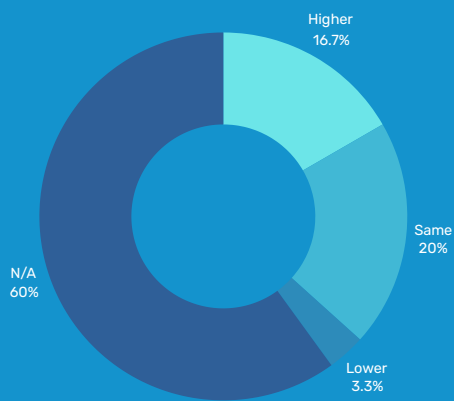
Import cost for goods and services



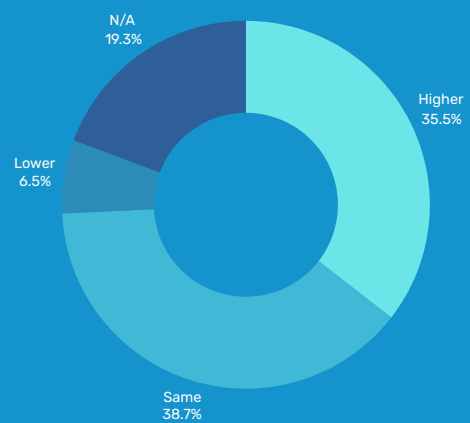
Distribution costs



Cost of credit



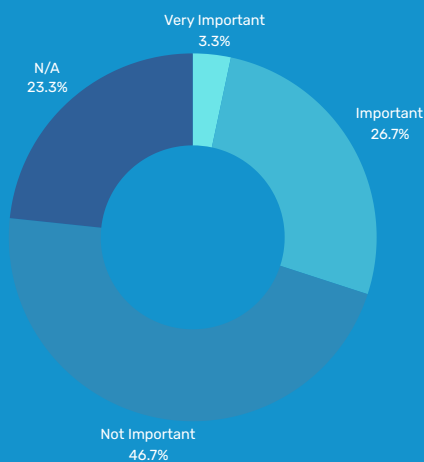
Energy (electricity, gas and fuel)



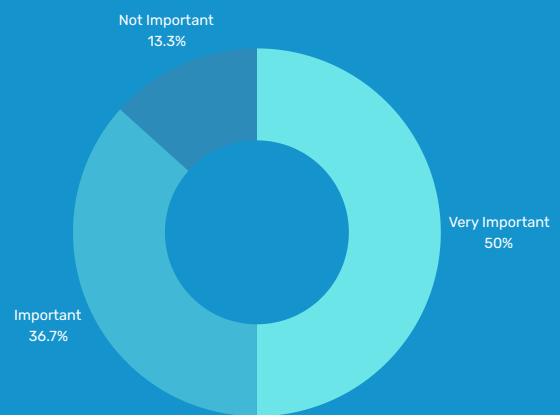
BUSINESS PRIORITIES

In terms of your business how important are the following expected to be over the next 6 months?

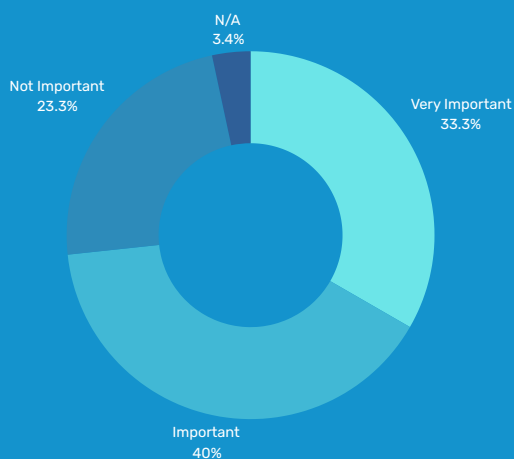
Credit availability



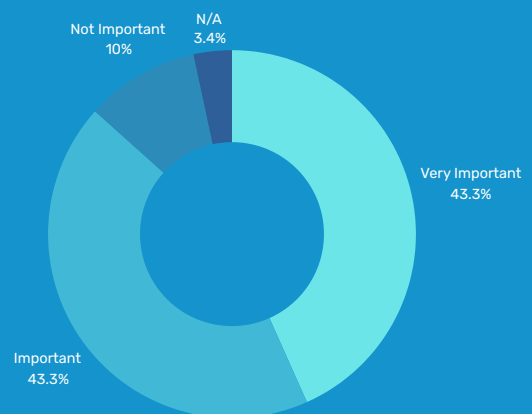
Staff availability



Political uncertainty

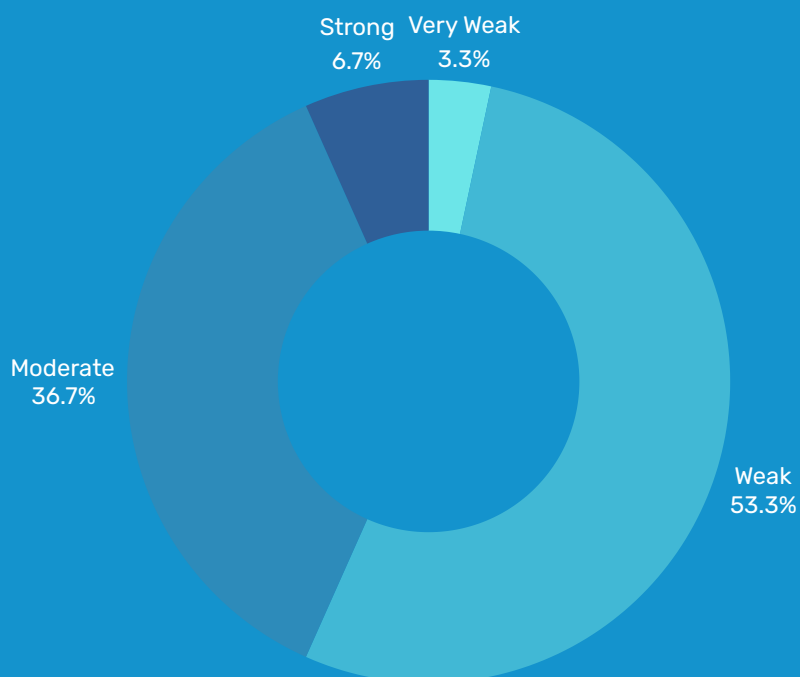


Economic / business uncertainty



ECONOMIC OUTLOOK

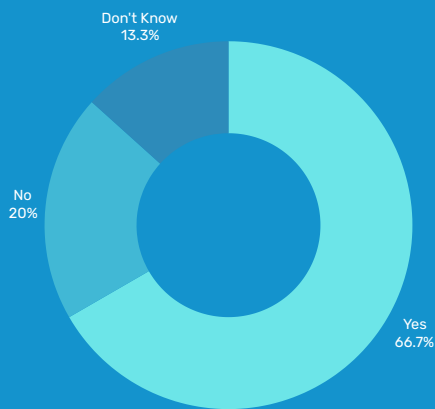
Thinking about the growth in the UK economy over the next 12 months compared to the previous 12 months, do you think that growth will be:



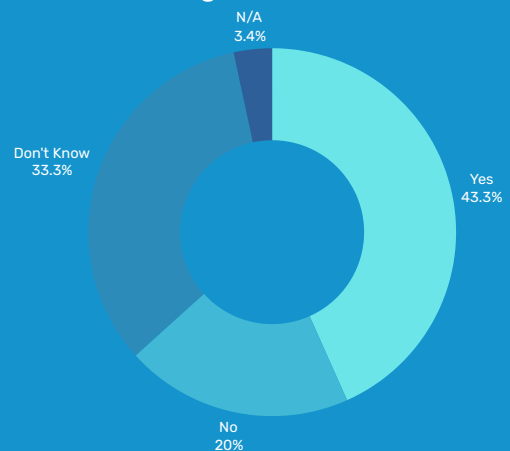
EMPLOYMENT POLICY CHANGES

Do you support these employment policy changes? (Day 1 refers to first day on the job)

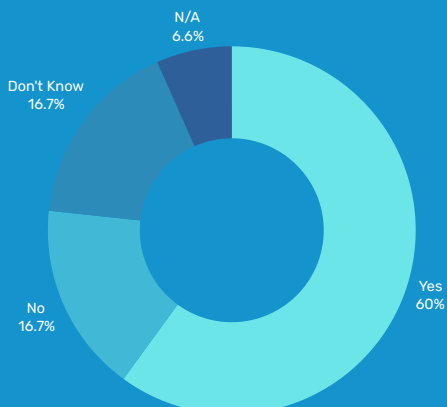
Ban some zero-hour contracts



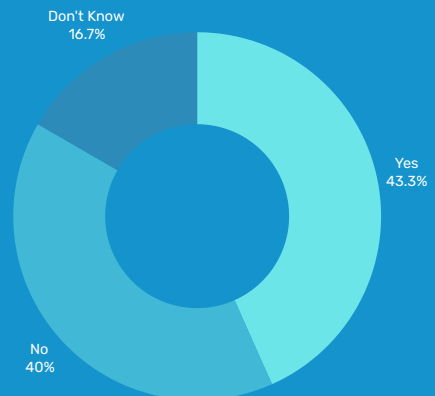
Right to a contract matching regular hours



Right to reasonable notice for shift changes and compensation for cancellations



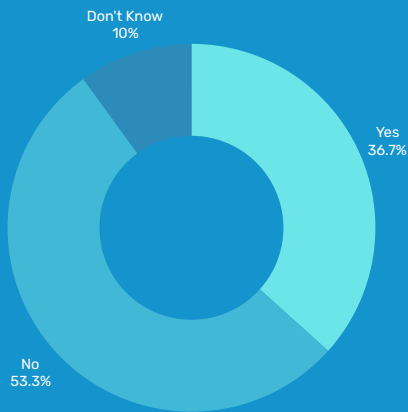
Parental leave from Day 1



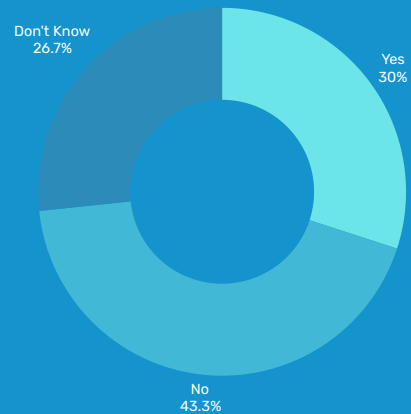
EMPLOYMENT POLICY CHANGES

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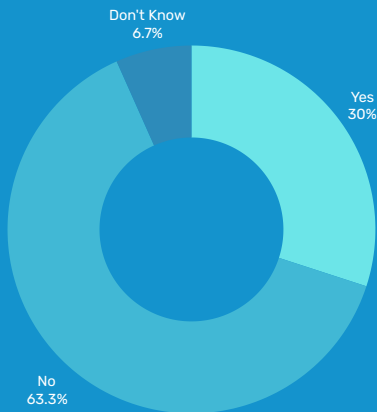
Sick pay from Day 1



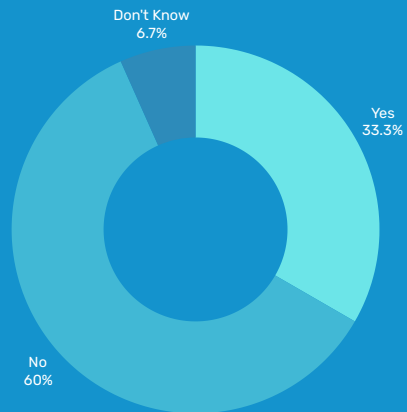
Remove the lower earnings limit for sick pay



Unfair dismissal protection from Day 1



Flexible working from Day 1



CONCLUSION

This white paper has highlighted the prevailing trends, challenges, and opportunities surrounding pay reviews and economic outlook for the upcoming year. With a significant proportion of businesses indicating plans to implement pay increases—primarily within the 2-4% range—driven by factors such as inflation and employee retention, it is evident that organisations are navigating a complex landscape of financial pressures and workforce dynamics. This will become even more challenging in 2025 with increase in National Insurance contributions business face from April.

Sector-specific insights reveal varying approaches, with manufacturing, engineering, and the third sector leading the way in strategic pay adjustments. Beyond direct salary increases, alternative benefits such as private healthcare, flexible working, and enhanced pension contributions underscore the importance of holistic employee value propositions in maintaining competitive advantage.

However, cost pressures, including rising wages, pensions, and energy costs, pose considerable challenges for businesses, with the majority projecting a weak economic growth outlook amidst political and financial uncertainties. This underscores the necessity for businesses to adopt resilient and adaptive strategies to balance operational costs with workforce satisfaction.

As businesses navigate these challenges, our findings also illuminate a broader consensus on the need for equitable and flexible employment policies, reflecting an evolving workplace ethos. From flexible working arrangements to considerations around fair compensation practices, there is a clear mandate for organisations to foster environments that prioritise employee wellbeing while addressing external economic constraints.

In conclusion, the data presented in this report serves as a vital resource for businesses striving to make informed decisions in a volatile economic climate. By leveraging insights into pay trends, cost pressures, and employee expectations, organisations can position themselves not only to retain talent but also to thrive in the face of ongoing uncertainties. As always, The HR Booth remains committed to supporting you with tailored guidance and practical solutions to meet these challenges head-on.