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CIPD-IRN private sector pay survey 2019

Organisations will flex their approach to pay in 2019 to respond to a tight labour market and the pressures of attracting and retaining employees

The 2019 Pay and employment practices survey from CIPD and IRN found that organisations will continue to flex their approach to pay and benefits in 2019 to respond to the dynamics of a challenging labour market. Less than half, 44%, of those surveyed have confirmed their plans to increase basic pay this year, with a quarter planning to maintain basic pay rates and a third yet to make a decision. Among those planning pay rises, the forecast is an average increase of 2.8%, though there is evidence of a willingness to consider additional compensation to deal with talent sourcing and retention.

The tight labour market and pressures of attracting and retaining suitable employees are the big external influences on pay setting for 2019, with nearly two-thirds of organisations in the survey highlighting these, much stronger influences than Brexit at 20% and the housing/rental market at 27%, though both of these increased in importance in the last 12 months.

Employers are responding to the tightening labour market in order to attract the right employees, though company performance remains a key determinant of pay increases.

Pay and benefits

Against the backdrop of uncertainty and persistent skills shortages in the growing Irish economy, nearly half of private sector employers surveyed will increase pay in 2019. The CIPD / IRN survey found that 44% of over 500 organisations surveyed will increase basic pay in 2019 (down from 56% who projected a pay increase at the beginning of 2018) while 25% are going to maintain current rates. This is less than the number who increased pay in 2018 (54%), though for 2019, 30% have yet to decide.

For most organisations surveyed, increases in basic pay are contingent on either normal on-going change (40%) or company performance/profit (42%) while only 16% had no conditions attached. Company performance was the biggest consideration in determining basic pay increases, followed by pay trends in other companies and then individual performance.

The average basic pay increase which companies plan to make in 2019 is 2.8%. This is higher in small companies, 3.5%, and non-union companies, 3.2%, though fewer of these groups confirmed an increase for the year ahead (39% of non-unionised companies planned a pay increase compared to 65% of unionised companies, and 33% of small companies with under 50 employees planned an increase versus 48% of companies with over 250 employees). Therefore the survey found that more unionised employees are expected to get a pay increase this year, though non-unionised companies are likely to pay higher increases.

In relation to sector, the services sector is predicting a 2.9% increase in basic pay, while manufacturing companies plan a 2.5% basic pay increase this year.

Looking at pay movement in 2018, the basic pay increase reported was 3%, significantly above the inflation rate of 0.5%. Interestingly in January 2018, employers had projected a basic pay increase of 2.8% for 2018, so have shown a willingness to use pay in response to labour market pressures during the year.

In addressing employee rewards, two in five of the respondents (40%) agreed that there could be further pay increases in 2019, and another 26% had not yet made a decision. In terms of bonus payments, seven out of ten organisations (72%) plan to make bonus payment this year, with 41% making it available to all employees and 31% making it available to only some employees. The level of bonus has dropped by 8% in the last 12 months, though a greater proportion are planning to give it to all employees rather than some employees, a more equitable approach.

Labour market pressures

The separate CIPD HR practices in Ireland 2019 survey found that 84% of organisations experienced skills shortage in the past twelve months, corroborating the CIPD / IRN 2019 Pay and employment practices finding that attracting and retaining suitable employees are the key influencers on pay setting.

Nearly two-thirds of organisations in the survey reported that attracting and retaining suitable employees were the biggest external influences on pay setting for 2019, a much stronger influence than Brexit at 20% and the housing/rental market at 27%. While employers are responding to the tightening labour market in order to attract the right employees, company performance remains a key influencer on pay increases.

As voluntary employee turnover is increasing, the survey asked about offering a pay increase or retention payment as a counter offer to retain employees. In 2018, one-third of organisations made a counter offer to retain employee as against 57% of employers that had not, a similar trend to the year before.

The overall findings suggest that organisations are ready to flex their approach to pay as needed, no doubt around key skills. This could further drive mobility and higher pay budgets in the long run.

Benefits and pensions

In terms of benefits on offer, the most popular benefit among those listed was pension contribution, provided by 79% of respondent organisations. Many benefits were provided by a significant number of employers: additional annual leave 51%, on-site facilities 50%, top-up maternity and paternity benefit 48%, tax-free vouchers 46%, health insurance contribution 45%, and sick leave top-up 44%. Most companies, 55% expected to maintain these non-pay benefits, and where they may be increased, this was more common in non-unionised companies, 22%, than unionised companies 7%.

In relation to pensions, only 43% of employers paid a pension contribution of 6% or more, meaning that many schemes would not meet the minimum requirement proposed under the government's pension auto enrolment proposals. For 13% of companies, mainly those with no pension contribution, auto enrolment would have a direct impact on pay increase and another 42% did not know what the impact on pay might be. It was clear that there is much uncertainty about the impact of pension auto enrolment, particularly in the non-union and the services sector, indicating more education is needed.

Collective bargaining

Less than one third of companies in the survey engaged with trade unions for collective bargaining, and these tended to be large employers with over 250 employees, 68%, compared to only 8% of organisations with less than 50 employees.

For 2019 two thirds of unionised organisations, 68%, plan to increase basic rates of pay compared to 39% of non-union organisations. While this suggests that there is a greater likelihood of increases in basic rates of pay in unionised organisations, the average basic pay increase is expected to be lower, of the order of 2.3% compared to 3.2% in non-union companies.

Gender pay gap

With gender pay gap reporting legislation pending, not many organisations reported calculating or taking action to better manage their gender pay gap. In this survey, only 21% agreed that they calculated their gender pay gap, though CIPD's HR practices in Ireland 2019 survey reports a figure of 30%.

When all respondents in this survey were asked about whether they have a gender pay gap, only 27% responded that they had one. With a gender pay gap in Ireland at a relatively static 14%, and evidence of it across a range of sectors, this indicates the current lack of information and insight on gender pay gap analysis, and the high level of awareness raising that is needed. It is likely that confusion exists in relation to the gender pay gap and equal pay, and a clear education programme is needed.

Performance management

Most organisations (83%) reported having a performance management process in place. There is a clear consistency in the central focus of the process, with most respondents ranking its importance in terms of goal setting to achieve business objectives, then employee development, followed by pay and/or reward, with few respondents considering it a tick-box exercise.

While there has been much debate about changing performance management processes, the survey found that around half the organisations were making no changes, and many organisations were engaged in modifying features of their process, rather than making significant changes. The main areas of change were goal setting and future-focused conversations, coaching and / or mentoring by line managers, linking to development opportunities, and line managers giving and receiving feedback in the moment, features which mainly focus on improving the line manager to employee experience.

Workplace Relations Commission (WRC)

Among the organisations that availed of the WRC's services in the previous 12 months, most were either positive or neutral in terms of satisfaction: on conciliation 44% were satisfied and 45% neutral; on mediation 41% were satisfied and 46% neutral; and on adjudication 44% were satisfied and 40% neutral. Overall, this survey found that less than one-sixth were dissatisfied across any of the services.

Conclusion

The CIPD / IRN 2019 Pay and employment practices survey found that organisations will continue to flex their approach to pay and additional benefits to respond to the dynamics of a tightening labour market, always considering overall company performance. This will in no doubt increase the 'war for talent' as organisations continue to seek ways to retain and attract the skill and talent they need for the future.

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