

XpertHR®

# Cendex®

Reimagining reward analytics



## Your guide

Six priorities for reward professionals in 2022

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# Six priorities for reward professionals in 2022

This year looks set to be a busy one for reward professionals, as reward decisions play an increasing role in managing workforce flows. From pay rises and monetary incentives for incumbents, to setting the right salary to attract new entrants, getting your reward strategy right is more important than ever.

To help you plan for the year ahead, we share the findings of our recent survey of pay forecasts and reward priorities, which highlighted the top six priorities for reward professionals in 2022.

### The guide covers:

- ◇ Benchmark pay rates externally
- ◇ Review employee benefits
- ◇ Check that pay and grading structures are fit for purpose
- ◇ Develop or review a reward strategy
- ◇ Communicate around reward offerings
- ◇ Ensure equality of pay across all groups

#### About Cendex®

Cendex delivers advanced, live reward data solutions to help organisations of all sizes **recruit**, **retain** and **motivate** talent with absolute confidence.

Cendex is an XpertHR product, and part of the RELX Group; a world leader in information-based analytics and decision tools for business professionals. [Discover more](#)



## 1 Benchmark pay rates externally

Every HR department needs to ensure that its reward budget is spent efficiently and effectively. If pay levels are set too low, the organisation will be able neither to recruit nor to retain the staff that it needs. If set too high, there will be a measurable and potentially damaging financial impact. But without reliable evidence, there is little basis on which to make recommendations and decisions that can have a significant impact on the organisation's bottom line.

Using salary data to see the range of reward for comparable staff in comparable roles enables employers to see the rewards on offer at other organisations that compete for staff in the same talent pool. In the current labour market, benchmarking of pay rates is being used extensively when recruiting a new employee, to ensure that the salary on offer is sufficient to recruit the desired candidate without being inordinately high or out of line with salaries offered by competitors; and when identifying retention risks - employees whose pay and benefits packages may over time have fallen behind those that they could get elsewhere.



### Cendex reference

- ◆ Cendex supports you with both external and internal reward benchmarking. Use the [benchmark a role](#) tool to get the very latest market rates for your new position and then select the [show my data](#) feature to compare this against reward for incumbent employees in the same position. Should you require a more detailed view of incumbent reward the Cendex [review pay](#) tool is always available.

**Cendex tip** - you can filter Cendex market data by length of service within the benchmark a role tool. Select the "new starter" option to find out the pay rates that other employers are offering to new recruits.

## 2 Review employee benefits

Alongside the predicted increases in salaries this year - whether as part of the annual pay review or one-off mechanisms to help address recruitment and retention - many organisations are looking at an increased spend on benefits. Four organisations in 10 (38.9%) recently surveyed by XpertHR expect to lift the benefits budget compared with last year.

Among the reasons given for why the budget will increase, keeping up with or exceeding the market was cited most frequently. Organisations recognise the need to remain competitive, with benefits being used to ensure that the full employee offer can help them stand out - as one organisation said: "We need to radically improve our employee value proposition to ensure that

pay is not the only reason to join the organisation." For some this will involve moving from a minimal set of employee benefits, while others are looking to enhance their offering in certain areas. Expanding support for employees around health and wellbeing is a popular enhancement, including adding private medical insurance or healthcare cash plans, and enhanced sick pay.

However, the increase in cost of provision is also a key factor for many organisations expecting to spend more overall. A number of respondents noted that insurance-related benefits had risen in cost, such as private medical insurance, healthcare cash plans, life assurance and critical illness cover.

Employee benefits may make up a significant proportion of the employment bill, covering everything from pensions to maternity and paternity pay, travel, wellbeing initiatives, health-related benefits, long-service awards and childcare schemes. A strong benefits package can set an organisation apart from the competition, helping it to attract new talent and retain existing employees. The challenges presented by the pandemic have prompted many organisations to take a fresh look at the benefits they offer and consider whether they are best meeting employees' needs.



#### Cendex reference

- ◆ A strong benefits package can set your organisation apart from your competition, helping you attract new talent and retain existing employees. The Cendex [employee benefits](#) tool provides the information on dozens of benefits and allowances including health, travel, subsistence, leave and retirement aspects.



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### Check that pay and grading structures are fit for purpose

In the current labour market, a formal pay and grading structure can help demonstrate to current and future employees that your organisation pay wells against the market and has a formal structure for them to progress in the organisation.

The main benefits to employers of having a formal pay and grading structure in place are that it can:

- ◆ provide a logic to underpin pay rates, job roles and career paths, making it easier for HR and line managers to make rational and objective decisions on job roles and pay;
- ◆ support the organisation's strategic objectives, for example by rewarding certain behaviours or high levels of performance;
- ◆ make it clear to employees how their role and pay relates to others within the organisation and externally;
- ◆ ensure that jobs of equal value are remunerated fairly and transparently and help the employer to demonstrate that this is the case;

- ◆ support clear procedures for implementing salary increases and promotions; and
- ◆ aid fairness and equality in pay levels, for example by avoiding gender discrimination.

A regular pay benchmarking exercise will help to ensure that salary levels and ranges are still in line with where the employer wishes to sit against the market. The employer may choose to assess its benchmark jobs only, rather than for all roles in the organisation.

The employer should also conduct an assessment of whether or not the pay and grading structure is meeting its objectives. For example, whether or not it is encouraging progression through the grades, or paying employees in line with the market. This does not need to be done every year, but could be carried out every few years. The employer should also check that the structure remains free of bias. For example, how annual pay reviews have been applied may have an impact on the pay levels of male and female employees.

The Cendex **benchmark a role tool**, powered by the very latest data on 1.5 million UK employees, makes finding reward data for a new role easy: simply enter the job title of choose from more that 400 job functions and 13 levels of seniority.

[Request a demo](#)



## 4 **Develop or review a reward strategy**

There is no given lifespan of a reward strategy - it is a case of a continuous feedback loop. Organisations should build in a regular way to check with the business that the reward strategy is still relevant, current and effective, for example it may need to change to reflect changes in the labour market or legislative frameworks. It should be possible to integrate this with reviewing HR strategy and its relationship to business strategy. In this way reward maintains its position as an integrated part of the HR strategy, linking with resourcing, learning, talent and engagement to contribute to business success.

The table below (and over) summarises the key steps that organisations need to follow when developing or reviewing a reward strategy.

Phase	Actions
<div style="background-color: white; border-radius: 10px; padding: 5px; display: inline-block; margin-bottom: 10px;"><b>Collect and review information</b></div>	<p>Collect and review corporate information such as mission statement, values and business strategy; and basic reward data such as headcount, reward structures (for examples grades and job evaluation), pay review frequency and processes, reward cost and existing reward elements (such as salary, bonus, incentives and benefits), linkage between reward and performance management and trade unions, different types of pay for different categories of employee and how executive reward relates to the rest of the organisation.</p>
<div style="background-color: white; border-radius: 10px; padding: 5px; display: inline-block; margin-bottom: 10px;"><b>Analyse the data and formulate an initial strategy</b></div>	<p>Review what this information tells the organisation about the relationship of reward to business and HR strategies and whether or not reward supports the direction of the organisation. Consider any apparent issues such as:</p> <ul style="list-style-type: none"> <li>◇ Under/overpayment comparative to market or internal comparators;</li> <li>◇ Inconsistencies by employee group, business unit or location;</li> <li>◇ Fairness, equal pay and discrimination;</li> <li>◇ Feedback from employee surveys and exit interviews;</li> <li>◇ Where leavers go and where joiners come from and if reward is a factor in these decisions; and</li> <li>◇ What the skills of today and tomorrow are and whether or not pipeline is sufficient.</li> </ul> <p>Use this analysis to develop an initial strategy and identify associated reward interventions.</p>

Phase	Actions
<b>Develop and refine</b>	<p>Consult and discuss initial findings with stakeholders such as senior executives, HR, line managers and possibly employees. Discuss and explore the practical implications:</p> <ul style="list-style-type: none"> <li>◇ Test potential actions against emerging strategic principles.</li> <li>◇ Model costs and the impact of change.</li> <li>◇ Identify the cost and the benefits of a new strategy.</li> <li>◇ Determine what success would look like and how to measure return on investment in reward.</li> </ul> <p>When you have a robust proposition, develop an associated implementation plan and communication strategy in order to cover questions on detail and implementation as well as on strategy.</p>
<b>Consultation</b>	<p>Identify key people from the organisation to contribute or be consulted such as senior executives and subject-matter experts. Think about their expectations and how to meet them, as well as how to keep them informed and involved. Talking with stakeholders will make the strategy better and develop a broader sense of ownership.</p>
<b>Approval</b>	<p>The reward strategy should be agreed at the highest level in the organisation because it is about how to support the strategic direction and is likely to involve a programme of action over an extended period as well as considerable resources. It is therefore essential to obtain senior buy-in to give impetus and credibility to planning implementation.</p>

## 5 Communicate around reward offerings

Communication can play a key role in ensuring return on investment, as effective communication of the reward offering promotes better employee understanding of the overall package, its components and its value. It can also improve employees' perception of their pay because of the sense of fair treatment with respect to others in the organisation, competitiveness with the external market and integration of reward with business strategy.

The role of line managers should not be underestimated. The most effective reward communication comes from line managers so it is essential to ensure that they understand the strategy and have the skills and knowledge to communicate about reward.

Reward communication should be:

- ◇ Simple, to promote understanding among employees and managers and facilitate better management of reward decisions;
- ◇ Consistent with the reward strategy to ensure continuing credibility;
- ◇ Aligned with business and HR strategy to support policies on engagement and individual performance and be directly relevant to organisation success; and
- ◇ Clear about objectives and transparent about process so that people feel fairly treated.

## 6 Ensure equality of pay across all groups

While an employer is under no obligation to carry out an equal pay audit, it does have a responsibility to ensure that employees receive equal pay for equal work. The most effective way for an employer to be confident of this is for it to carry out an equal pay audit.

Employers are required to ensure that their pay systems are transparent. The Equal pay statutory code of practice reminds employers that: "The Court of Justice of the European Union has held that pay systems that are not transparent are particularly at risk of being found to be discriminatory. Transparency means that pay and benefit systems should be capable of being understood by everyone (employers, workers and their trade unions). It should be clear to individuals how each element of their pay contributes to their total earnings in a pay period." An equal pay audit can assist employers in delivering the required level of transparency.

As part of an organisation's reward strategy, an equal pay audit can help to ensure that the employer is using its resources to reward the things it wants to reward, such as contribution to the achievement of business objectives. Carrying out an audit is essential to the good management of a pay system. It enables the employer to demonstrate its accountability for the outcomes of the reward structure to stakeholders, whether they are shareholders, taxpayers or employees.



### Gapsquare™ reference

◆ XpertHR's [Gapsquare products](#) help you understand pay inequity and close wage gaps and you can also use Gapsquare for managing equal pay audits, gender pay gap compliance and executive pay ratios

## Cendex takes the guesswork out of setting pay and benefits for new positions.

Our database contains the latest data sourced from hundreds of UK employers covering more than 1.5 million UK employees.

[Request a demo](#) to see how our benchmark a role, review pay and employee benefits tools can help you today.

[Request a demo](#)

