

HR Update 2022

Workplace trends & insights



October 2022

Impactful Partner

Ibec's employment law, IR and HR practice is the most complete and trusted service provider in Ireland for businesses.

We operate our services across 6 regions with each region having a team of dedicated employment rights and OHS experts, industrial relations and HR specialists. We support our member employers in navigating through all stages of the employment lifecycle, workplace disputes and representation at the Workplace Relations Commission (WRC) and Labour Court. We also host member briefings, events, webinars and podcasts to help our members stay informed and connected.



Background

Ibec's annual HR Update report captures key developments and trends across Irish workplaces. Ibec partnered with Amárach Research to undertake our research in September 2022 where 329 senior HR Leaders participated in the survey and shared their views on pay, resourcing and HR trends.



329
Survey responses

Contents

| | |
|-----------------------|----|
| Foreword | 04 |
| Key insights | 05 |
| Pay and benefits | 06 |
| Resourcing and talent | 10 |
| HR trends | 16 |
| Participant profile | 21 |

Foreword



Irish businesses are facing talent shortages resulting in greater focus being placed on staff retention initiatives including wage increases, the provision of a variety of wellbeing programmes and greater accommodation of flexible, hybrid/remote working - all of which directly impact HR resources in terms of both headcount and finances.

Businesses that stay ahead with talent retention initiatives and measure their successes are best placed to attract and retain staff. However, the impact of external political, geographical and economic forces will strongly influence what is possible in this regard and constrain an employer's capacity to address some of the emerging issues that arise from the current crisis. These issues extend far beyond our borders with the international economy going through a period of significant change. The era of record low interest rates, low inflation, and spare capacity that we have lived through since the global financial crisis is being overturned.

Throughout Europe and in the broader global economy, we are witnessing greater volatility on financial markets, higher costs facing households and businesses and continued uncertainty. From an employer perspective, companies are already experiencing this through tighter capital availability and a greater focus on costs. The outlook for Irish business is marked by growing concern at rapid shifts in our competitive position.

The underlying strength of the Irish business model and its capacity to generate record tax revenue has put Government in a position whereby it can afford to deliver the correct scale of Budget, at almost €11 billion, amidst a challenging inflationary environment. It has also allowed the State to run a significant surplus and save some funds – should further support be needed into 2022 and beyond.

Total employment within the economy is at a record high of 2.5 million people. This as our survey has found, brings its own challenges in the retention and hiring of staff. Despite lower growth and potentially slower hiring as a result, it is not our expectation that there will be a significant increase in unemployment from its September level of 4.3%. 54% of employers in our survey expect to increase headcount in 2023, a similar level as was expected for 2022 this time last year and a small increase on the level expanding in 2019, before the Covid-19 pandemic. There is a high level of competition for talent and skills particularly evident for those with IT skills. Employment in the ICT sector alone has increased by 40% since 2019.

Finally, housing – particularly the rental market – continues to provide a significant challenge for members who are looking to expand. These challenges along with others facing workers, including rising energy costs and broader inflation, will continue to feed into the labour market dynamic into 2023 and beyond.

Our research was conducted in September 2022 with 329 senior HR leaders across all industries contributing to the survey. This report covers:

- Pay trends for 2022/2023
- Resourcing and talent trends in 2022/2023
- HR trends

Thank you to all who contributed.

Maeve McElwee

Executive Director, Employer Relations
Ibec

Key Insights

<https://www.ibec.ie/connect-and-learn/research>



80% of employers planning for pay increase in 2023 with an average increase of 3.82%



Greater emphasis on retention of employees



54% of respondents are planning to increase their headcount in 2023



Increased focus on organisational culture



Top challenge – availability of talent and skills



Flexible work arrangements delegated to team level (31%)



Recent developments most likely to impact organisational planning

- Employee expectations in terms of remote/hybrid working
- Increase in statutory leave
- Statutory limitations on use of probationary periods (51%)
- Statutory sick pay (51%)



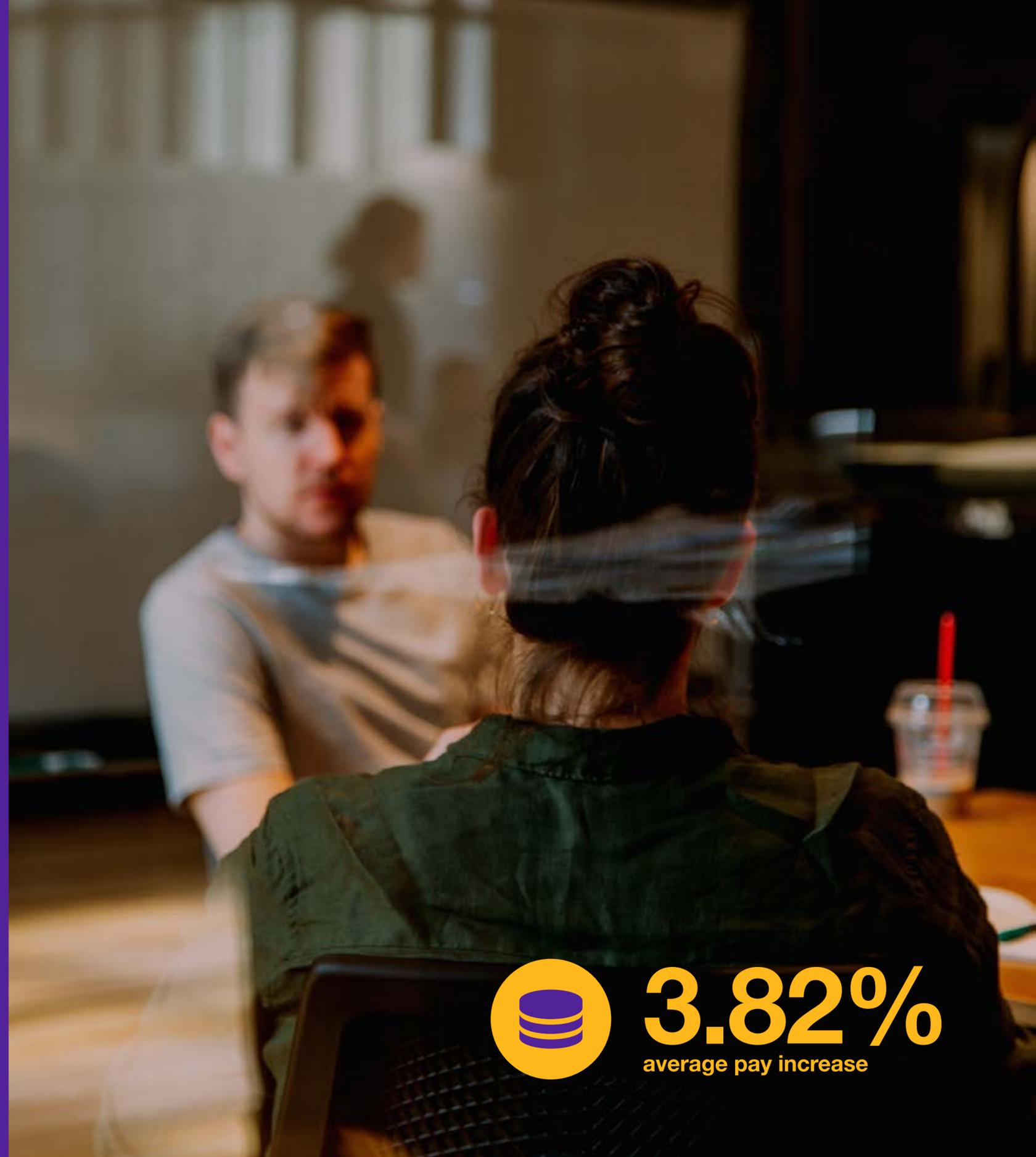
Talent management priorities

- Pay increases (77%)
- Upskilling within current career path (64%)
- Hybrid (74%) and flexible (63%) working arrangements

01 Pay & Benefits



3.82%
average pay increase



Pay & Benefits

Our research identifies trends in basic pay for the current and coming year. In 2022, 79% of companies increased basic pay (showing slight movement on last year's forecast from 75% of respondents who projected increases for 2022).

In last year's Update, respondents forecasted average pay increases in the order of 2.7% for 2022. It is evident that businesses have reacted positively on pay through 2022 in the face of cost-of-living pressures with reported average increases of 4.17%.

43% of increases are between 2-4% for 2022. The proportion of employers planning for pay increases in 2023 is 80% with an average increase of 3.82%, with 50% of increases being between 2-4%.

While expected increases are most prevalent in all sectors, approximately a third of responses that are planning for no change in pay rates are profiled in the services sector and in companies with less than 50 employees.

 **Across both 2022 and into 2023, there are no organisations that have decreased or are expecting to decrease pay.**

| | 2022 | 2023 |
|---------------|------|------|
| Decrease | 0% | 0% |
| Stay the same | 21% | 20% |
| Increase | 79% | 80% |

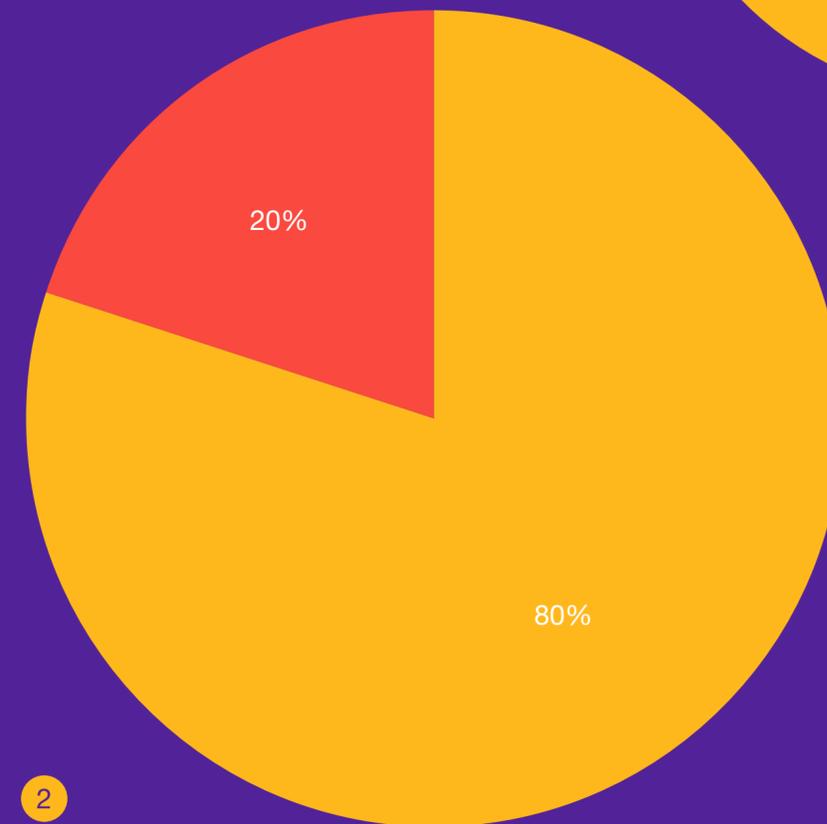
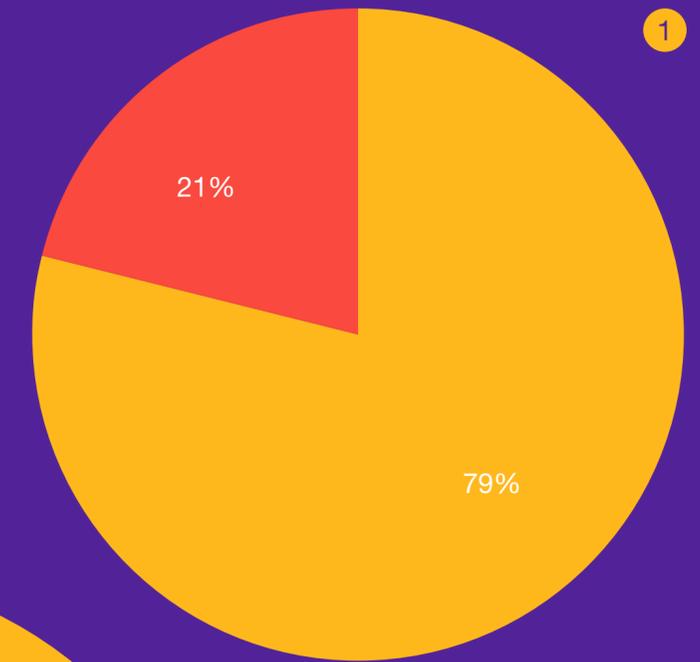


Figure 1: Basic Pay Changes 2022
Figure 2: Basic Pay Changes 2023

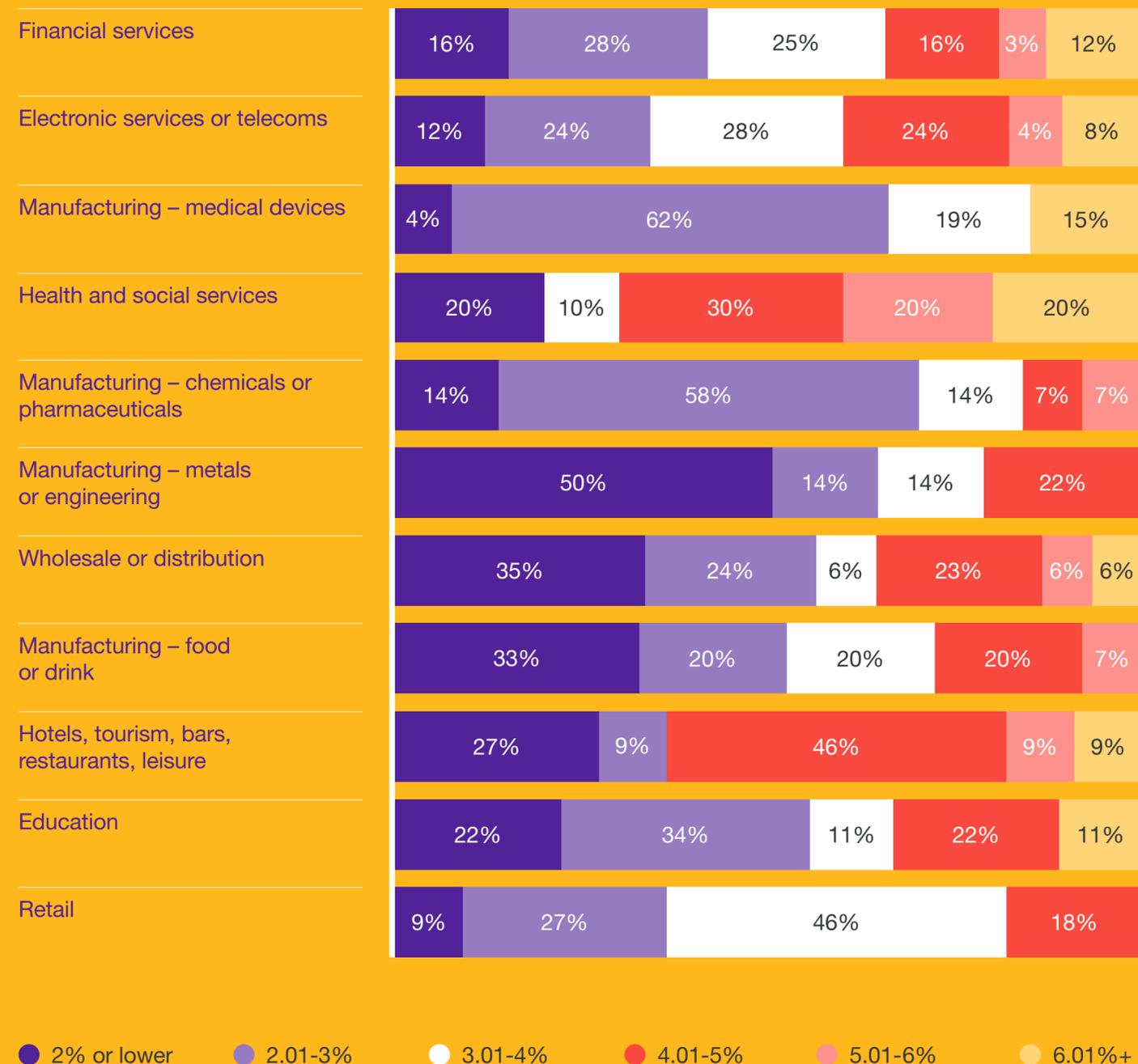
Percentage pay increase ranges

| Pay increase range | % of organisations 2022 (n = 261) | % of organisations 2023 (n = 263) |
|--------------------|--------------------------------------|--------------------------------------|
| 2% or lower | 23% | 18% |
| 2.01-3% | 29% | 32% |
| 3.01-4% | 14% | 17% |
| 4.01-5% | 16% | 22% |
| 5.01- 6% | 5% | 5% |
| 6.01%+ | 13% | 6% |

Pay increase bands by organisation size

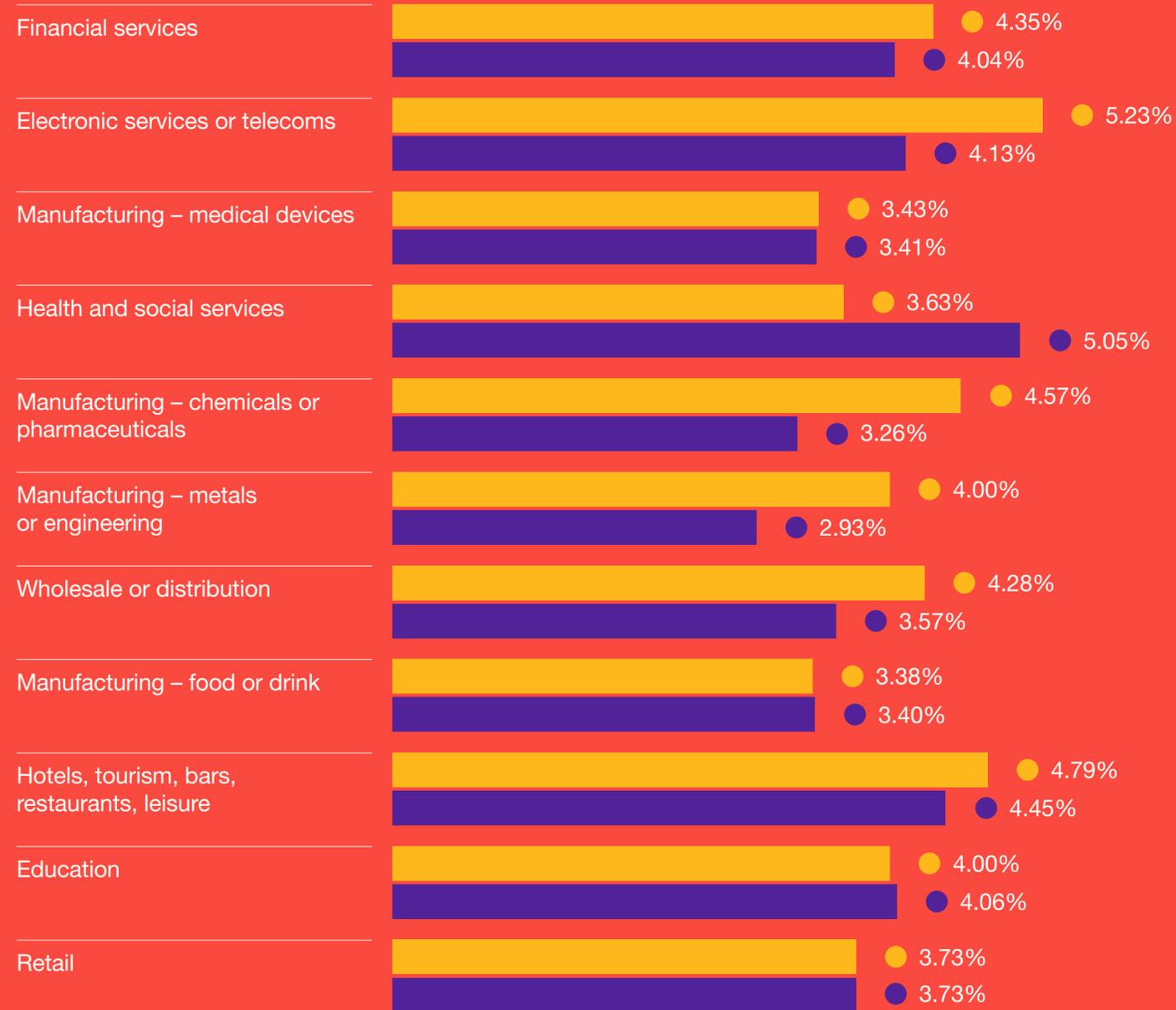
| | Less than 50 | 50-99 | 100-249 | 250+ |
|-------------|--------------|-------|---------|------|
| 2% or lower | 14% | 29% | 14% | 15% |
| 2.01-3% | 27% | 25% | 35% | 42% |
| 3.01-4% | 16% | 16% | 18% | 17% |
| 4.01-5% | 29% | 25% | 21% | 15% |
| 5.01- 6% | 10% | 0% | 4% | 5% |
| 6.01%+ | 4% | 5% | 8% | 6% |

Indicative pay increase bands by sector



Indicative average pay increases by sector

● 2022 ● 2023



02

Resourcing & Talent



54%

planning to increase
their headcount in 2023

Resourcing & Talent

Just over half (54%) of respondents are planning to increase their headcount in 2023 with 50% of those that are planning to do so plan to increase their headcount by an average of greater than 6% in the year ahead.

Nine in ten organisations that are expecting to increase their headcount will look to make permanent hires in 2023 while 45% of these organisations are also looking at a blend of temporary and agency hires as well as contract workers to supplement their permanent hires in order to meet their business needs.

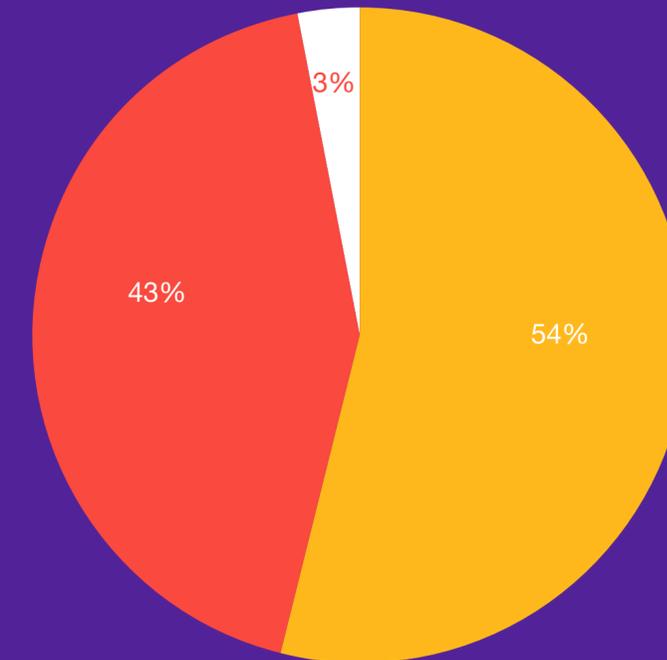
The greatest talent management challenge facing HR practitioners in the next 12 months is the availability of talent and skills (89%) and the competition for those skills leading to upward wage pressures.

The challenges of an increasingly tight labour market justifies the prioritisation of investing in existing workforces, with the retention of employees the single greatest area of importance (69%) followed by employee engagement (57%), ahead of attracting the right employees (49%). Compared to last year's survey, there is greater emphasis on career progression/succession planning (up 6% on 2021) and perhaps more importantly on organisational culture (up to 39% from 22% in 2021).



'There is greater emphasis on career progression/succession planning (up 6% on 2021)'

Headcount movement in 2023



| | 2023 |
|---------------|------|
| Increase | 54% |
| Stay the same | 43% |
| Decrease | 3% |

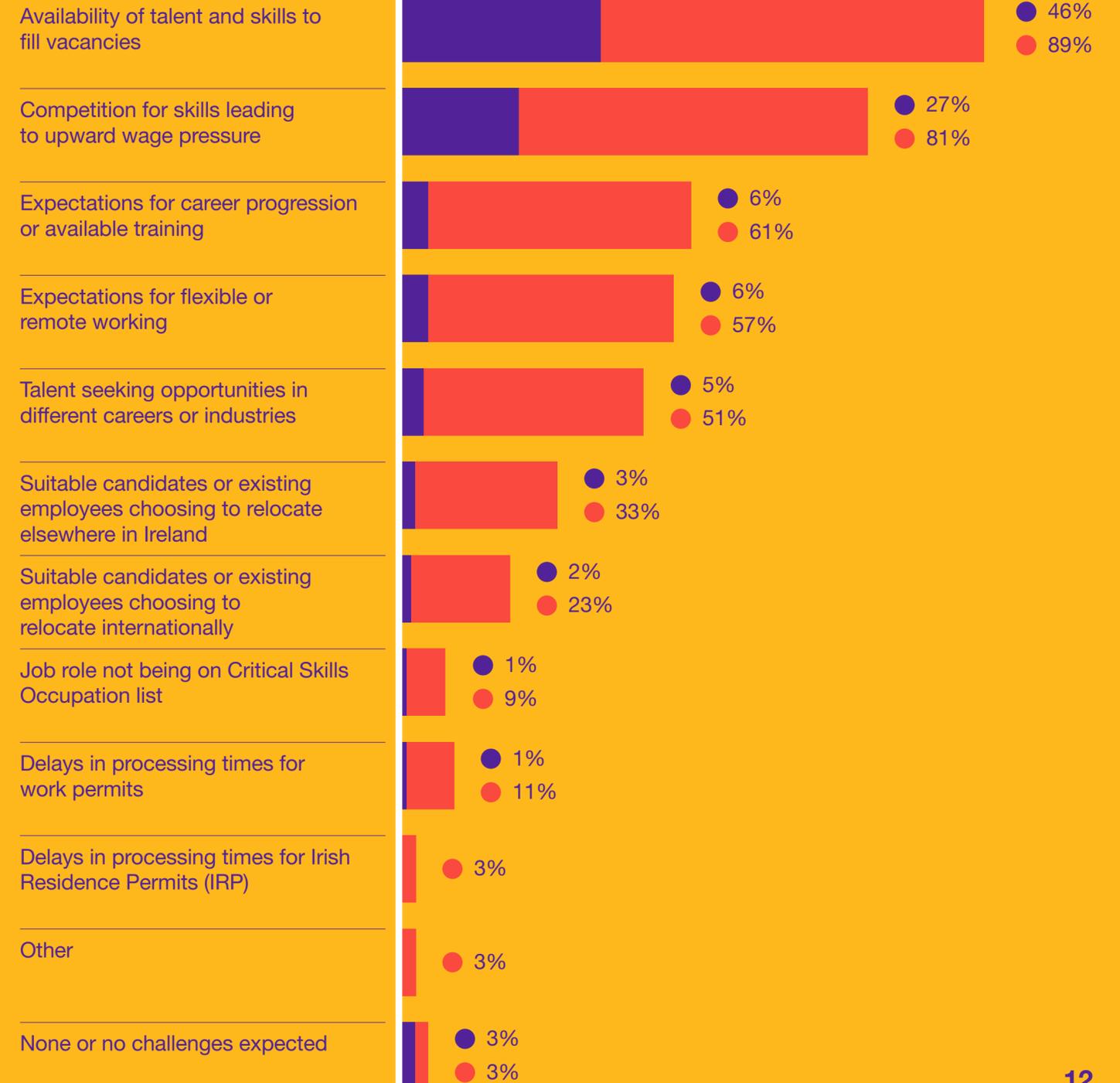
'The challenges of an increasingly tight labour market justifies the prioritisation of investing in existing workforces, with the retention of employees the single greatest area of importance'

| Expected increase in 2023 | |
|---------------------------|---------|
| | (N=177) |
| 2% or lower | 10% |
| 2.01-3% | 13% |
| 3.01-4% | 3% |
| 4.01-5% | 23% |
| 5.01- 6% | 1% |
| 6.01% or more | 50% |



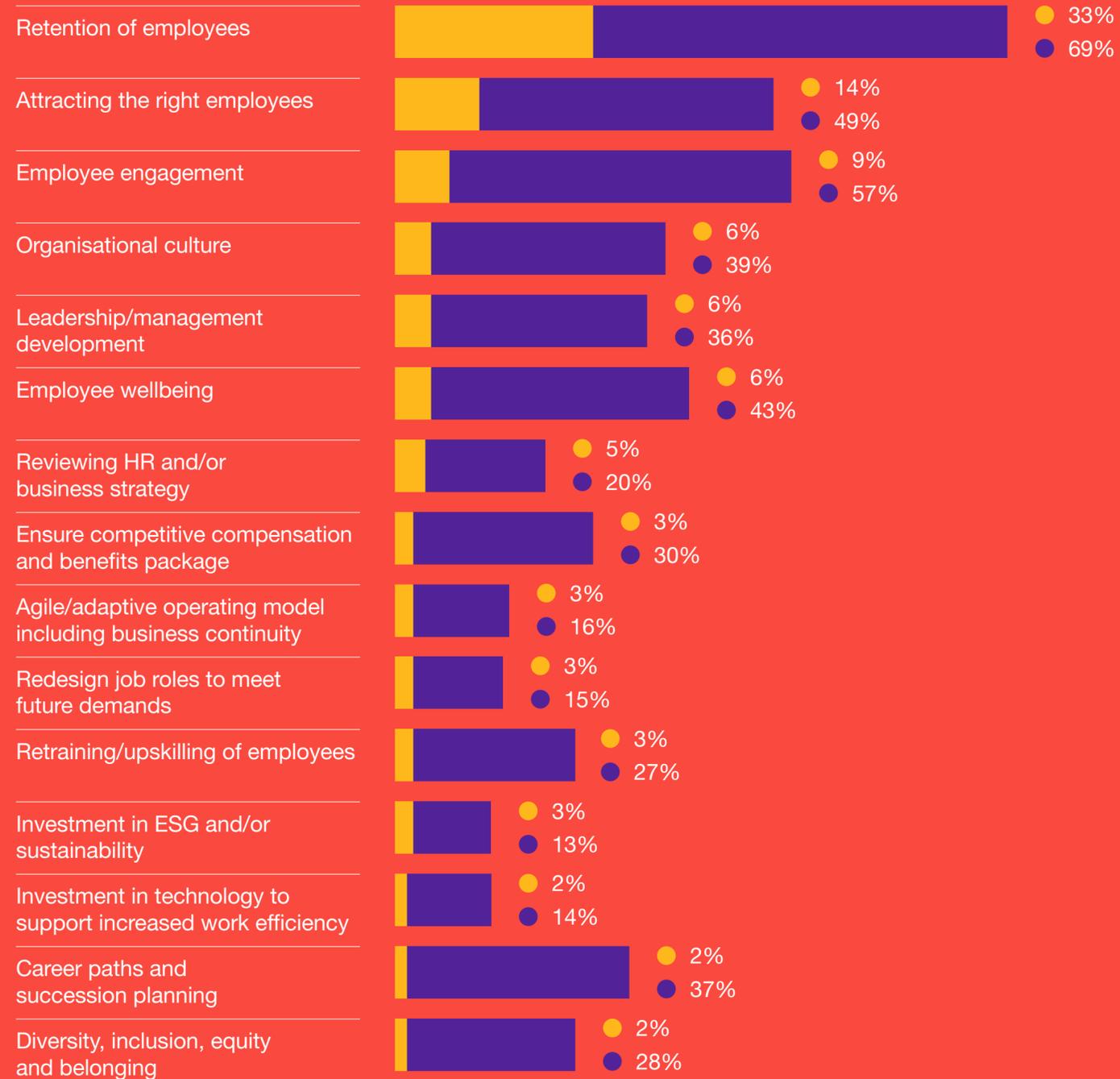
Headcount movement in 2023

● Top Challenge ● Top 5



HR priorities for organisations 2022

● Top Priority ● Top 5



‘Greater focus on existing workforces is also a key aspect of talent management strategies with basic pay increases (77%) and additional upskilling within current career path (64%) being prioritised ahead of other Pay & Benefits and Career Development initiatives.’

Talent management strategy priorities

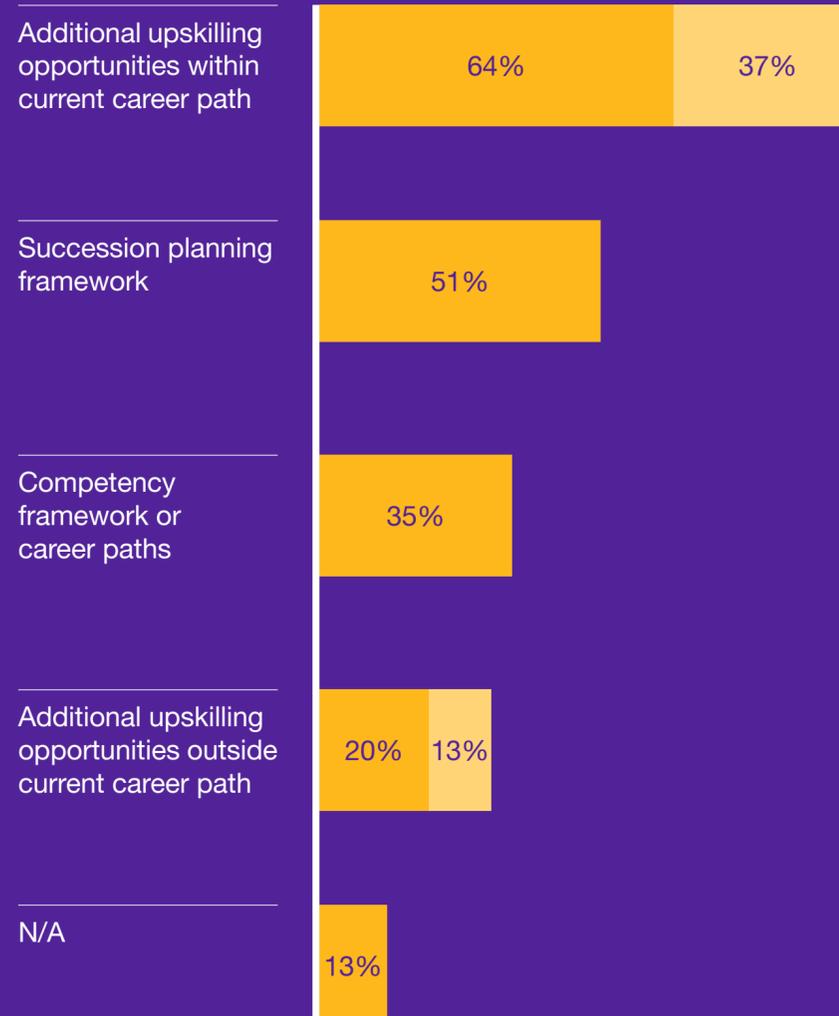
Pay & Benefits (N=329)

● 2022 ● 2021



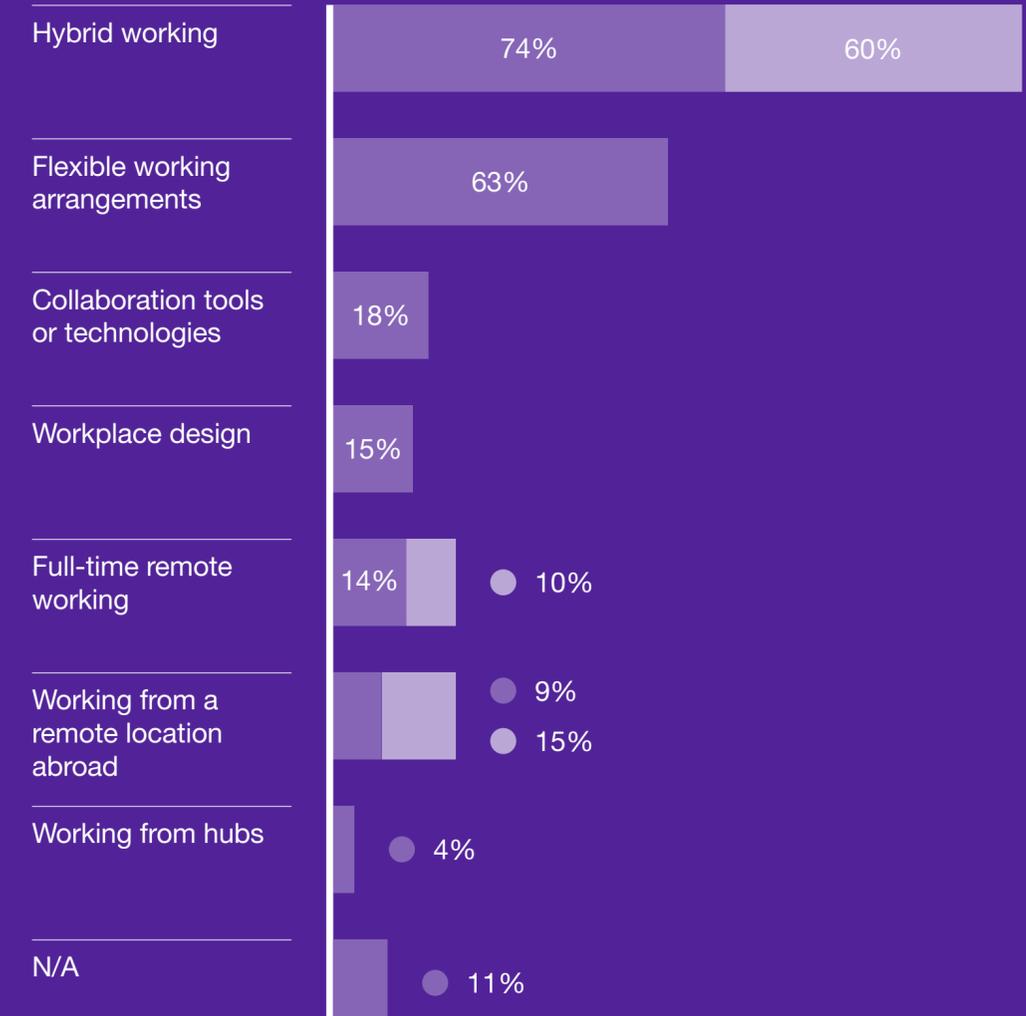
Career Development (N=329)

● 2022 ● 2021



Business Operating Model (N=329)

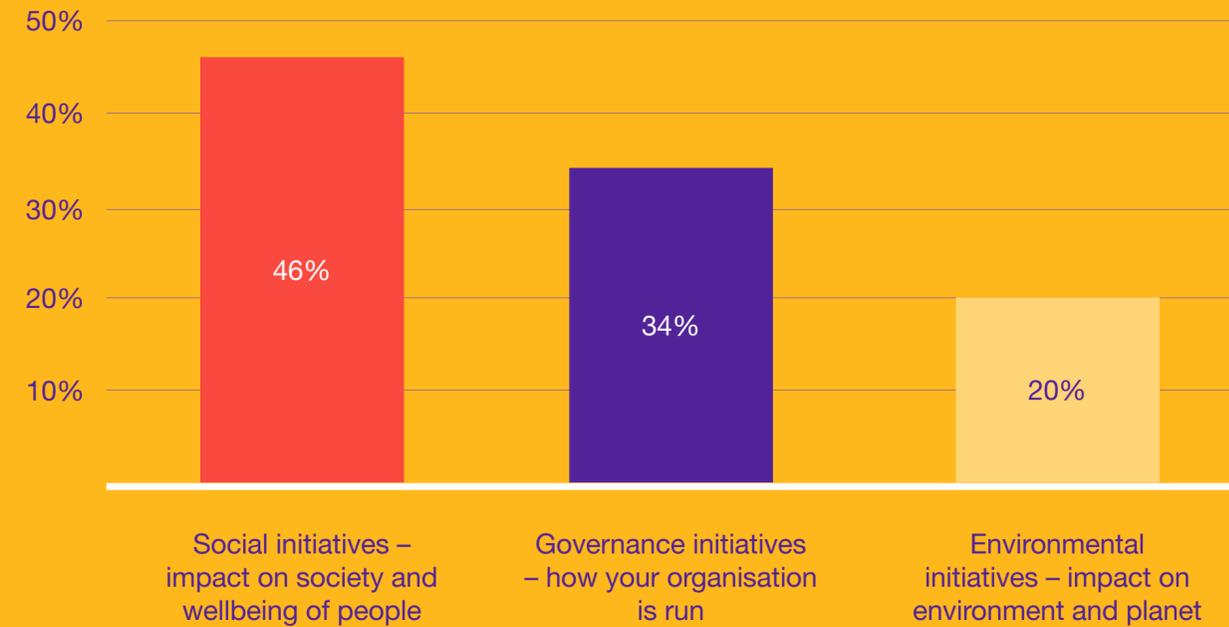
● 2022 ● 2021





Although 6 in 10 businesses have an ESG or sustainability strategy, social initiatives (46%) are trending as a higher focus in terms of attracting/retaining talent than Governance (34%) or Environmental (20%) initiatives.

ESG and link to attracting and retaining talent



In last year's 2021 Update we asked HR Directors about where they prioritised ESG in their HR agenda and found that this scored low amongst respondents. However, in this year's survey, there is significantly more recognition of the role and contribution of the HR community to this important agenda especially as part of the social initiatives within ESG.

03 HR Trends



31%
intend to give autonomy to
managers/teams to decide
working arrangements

Hybrid & Flexible Working

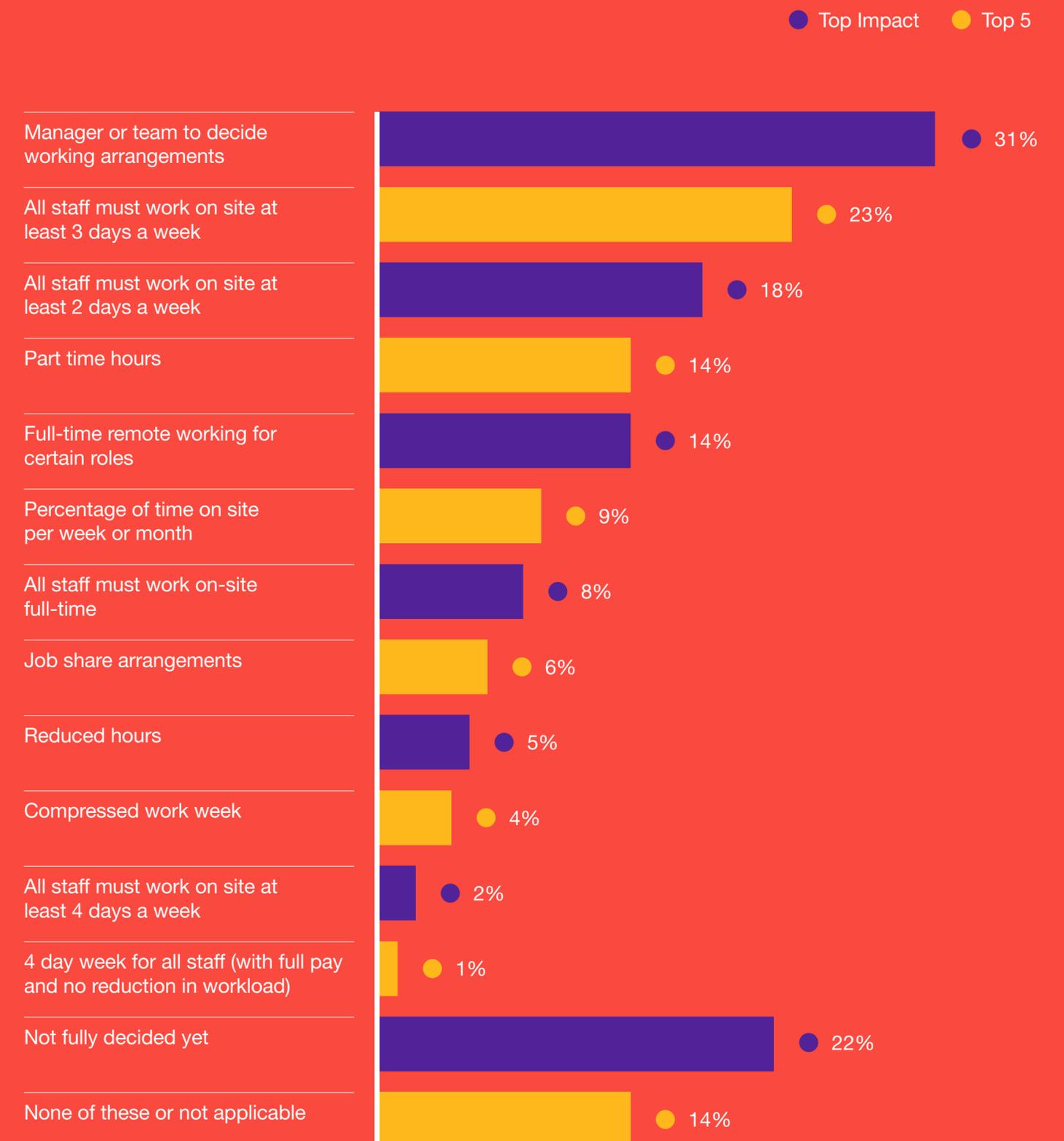
‘While many plan to specify a minimum number of on-site days per week, 3 in 10 (31%) intend to give autonomy to managers/teams in deciding how best to work together.’

Post-pandemic, it is not surprising that organisations developed capabilities for a large proportion of roles with remote or hybrid working. The survey says that almost two fifths of respondents (39%) believe 51% or more of the roles within their organisation are suitable for this approach. Additionally, 1 in 8 organisations are able to operate with a fully remote/hybrid model, however this naturally varies by sector with Manufacturing and Distribution organisations more dependent on on-site attendance.

Hybrid (74%) and flexible (63%) working arrangements are now a priority when it comes to talent management. Consequently, organisations are looking at formally adopting a suite of arrangements to complement their

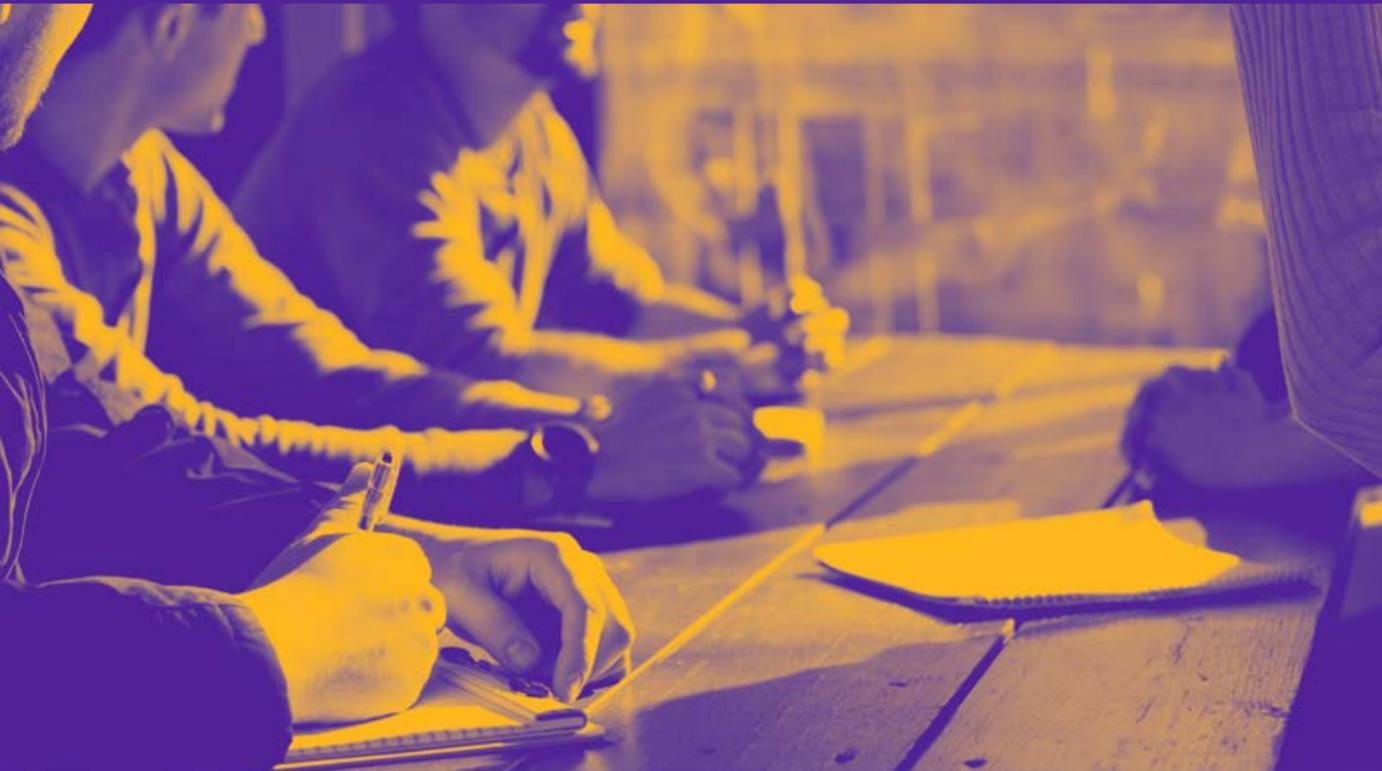
sector, size and roles. While many plan to specify a minimum number of on-site days per week, 3 in 10 (31%) intend to give autonomy to managers/teams in deciding how best to work together. We asked respondents to identify what type of flexible business operation model they intended operating.

Going forward, employee expectations in terms of remote/hybrid working are anticipated to have the greatest impact (77%) suggesting there is still some way to go for organisations to optimise navigation of this requirement.



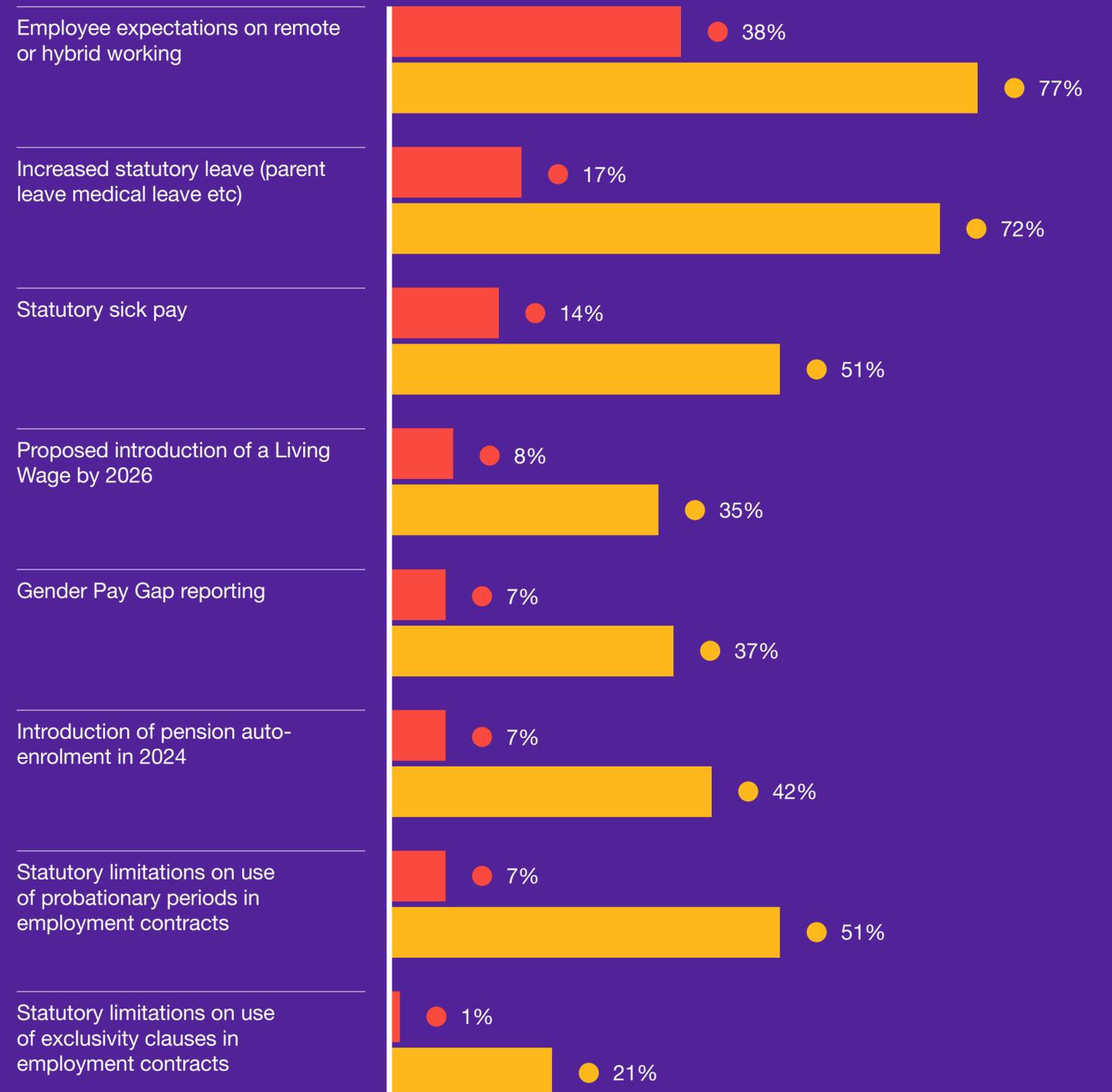
Employment developments with the greatest impact to organisations

In this section, we asked respondents to identify areas of new developments that would have the greatest impact to their organisations and what plans were being implemented to alleviate their impact. The responses are outlined in this chart. Following employee expectations on remote and hybrid working, increased statutory leave will have the next greatest impact on organisations (72%) followed by statutory sick pay & statutory limitations on use of probationary periods (both at 51%).



Measures organisations are putting in place to alleviate the impact of these developments

● Top Impact ● Top 5





Measures organisations are putting in place to alleviate the impact of these development 2022

Engage external service providers for guidance



Increase the HR budget to manage these developments



Increase HR team headcount to employee ratio



Outsource non-core activities to increase business agility



Pause hiring plans



Reduce hiring levels on previous year



Other

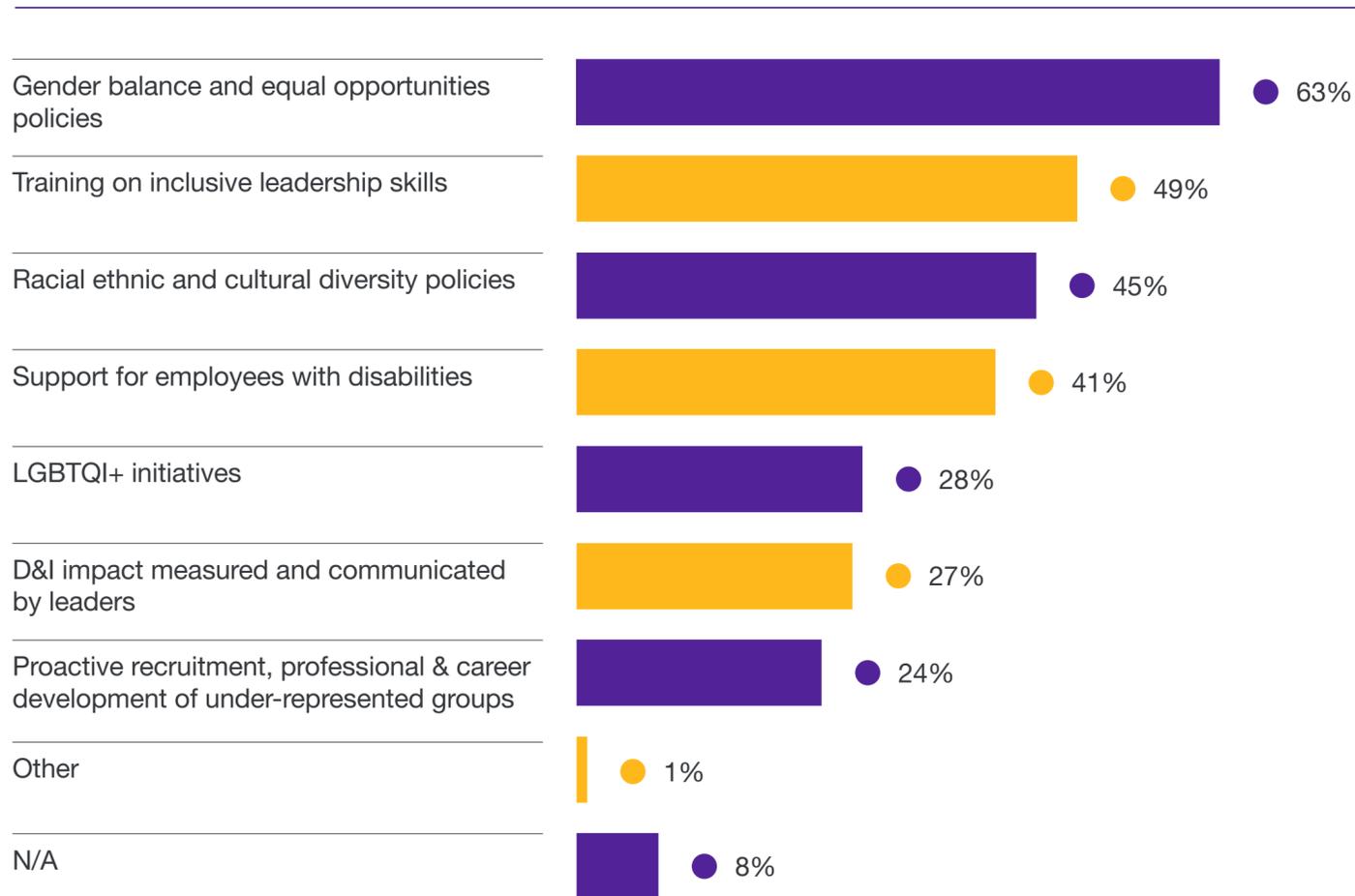


None or NA

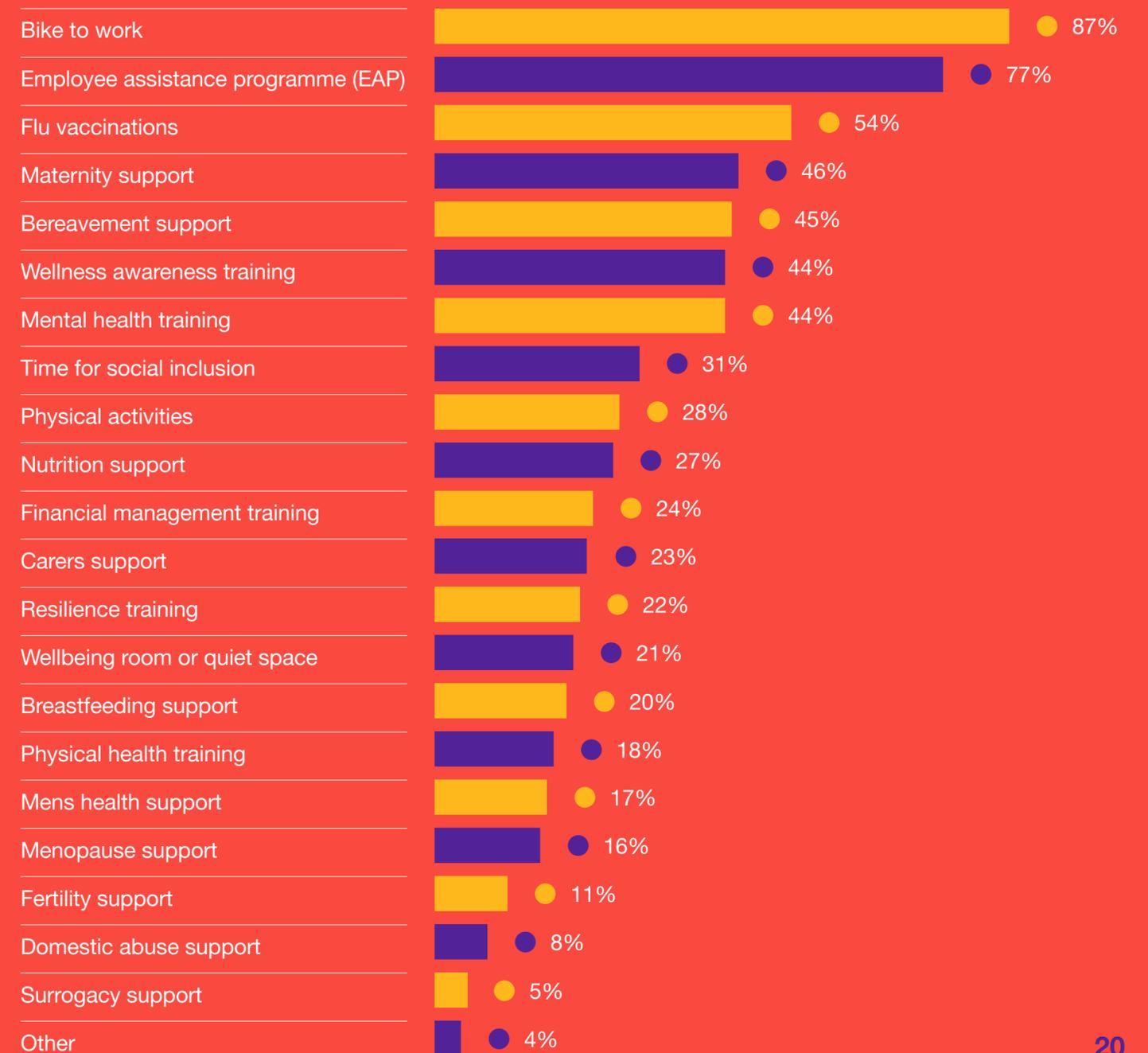


Diversity & Inclusion

When asked what initiatives organisations had in place, respondents are most likely to have gender balance & equal opportunity policies in place (63%) and there are widespread supports for inclusive leadership training (49%), racial/ethnic policies (45%) and for employees with disabilities (41%). All D&I supports are most prevalent in large organisations (250+ employees).



In addition, organisations are providing a comprehensive range of wellbeing supports, particularly amongst medium and larger sized businesses. The following outline the wellbeing supports available in organisations.



04

Participant Profile



Participant Profile

Businesses of all sizes are represented within each industry sector thereby removing the bias that could occur if one (or more) sector was skewed to small or large sized organisations.

The 329 participating member companies account for over 143,000 employees or c.6% of the Irish workforce (based on CSO Labour Force Survey Q2 2022 which reports 2.5M persons in employment).



A wide range of industry sectors and company sizes are represented in the 2022 report, consistent with previous years surveys.

| Respondent by size | % of organisations |
|--------------------|--------------------|
| Less than 50 | 29% |
| 50-99 | 22% |
| 100-249 | 19% |
| 250+ | 30% |

| Respondent by activity (n=329) | % of organisations |
|---|--------------------|
| Manufacturing – food/drink | 5% |
| Manufacturing – chemicals/pharmaceuticals | 5% |
| Manufacturing – medical devices | 9% |
| Manufacturing – metals/engineering | 5% |
| Manufacturing – rubber/plastics | 3% |
| Manufacturing – other (please specify) | 2% |
| Retail | 4% |
| Wholesale/Distribution | 5% |
| Financial services | 11% |
| Health & social services | 7% |
| Education | 4% |
| Electronic services/telecoms (including software development) | 10% |
| Hotels/tourism/bars/restaurants/leisure | 5% |
| Childcare/Creche | 1% |
| Other | 24% |

Dublin

Ibec Head Office
84/86 Lower Baggot Street,
Dublin 2 , D02 H720.
T: (01) 605 1500
E: membership@ibec.ie
W: ibec.ie/membership

Limerick

Ibec Mid-West, Gardner House,
Bank Place, Charlotte Quay,
Limerick, V94 HT2Y.
T: (061) 410411
E: midwest@ibec.ie
W: ibec.ie/midwest

Galway

Ibec West, Ross House
Victoria Place, Galway
H91 FPK5.
T: (091) 561 109
E: galway@ibec.ie
W: ibec.ie/west

Donegal

Ibec North West, 3rd Floor
Pier One, Quay Street,
Donegal Town, Donegal,
F94 KN96.
T: (074) 972 4280
E: northwest@ibec.ie
W: ibec.ie/northwest

Cork

Ibec South, 2nd Floor,
Penrose One, Penrose Dock,
Cork, T23KW81.
T: (021) 429 5511
E: cork@ibec.ie
W: ibec.ie/cork

Waterford

Ibec South East,
Confederation House,
Waterford Business Park,
Cork Road, Waterford,
X91 E9TV.
T: (051) 331 260
E: southeast@ibec.ie
W: ibec.ie/southeast

Brussels

Avenue de Kortenberg, 100
1000 Brussels
BELGIUM.
T: +32 (0)2 740 14 30
E: ibec.europe@ibec.ie
W: ibec.ie/europe



Extend Ireland's global reach. Join the conversation.

 [@ibec.ie](https://twitter.com/ibec.ie)

 [linkedin.com/company/ibec](https://www.linkedin.com/company/ibec)

www.ibec.ie