



**Smarter World,
Smarter Work**
An Ibec campaign

HR Update 2019: Key pay and workplace trends



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Foreword

I am delighted to present the results of Ibec's annual HR Update survey. As one of the largest HR surveys, we have sought the views of over 400 senior HR leaders on pay and key HR trends that will shape and influence organisations in 2020 and beyond. The survey results have been gathered from companies across a broad range of industry sectors. A number of business-critical issues are on the horizon, not least Brexit, in addition to the potential impact of on-going global corporate tax reform and the effects that this will have for our economy. These, along with key issues such as building resilience, lifelong learning and attracting and retaining talent, ultimately become the preoccupation of senior HR Leaders.

This survey report looks at the key strategic priorities and investments by companies in preparing their workforce to meet both the challenges and opportunities that these issues present. We also look at how our workplace is changing and the key factors influencing these changes including changes in legislation in relation to gender pay gap reporting and the recent amendments to parental leave entitlements.

The survey tells us that whilst employers identify the need for future proofing their organisations in anticipation of changes, there is a tendency to focus more on the immediate challenges relating to labour market skills needs and business operations over the future strategic needs of business. From our members' feedback, we see that some businesses are deferring decisions on investment due to perceived uncertainty in the economy and focusing their planning very much in the short term.

No doubt, our findings will be of assistance to you in your planning and decision making on employment matters. If you have any questions in relation to these findings, please contact the Ibec research unit using the contact details at the back of this report.

Thank you to all who contributed to the report and for your ongoing support of Ibec. We will continue to keep you informed about employment practices and emerging trends in relation to pay and people management throughout 2020.

Maeve McElwee

Director of Employer Relations

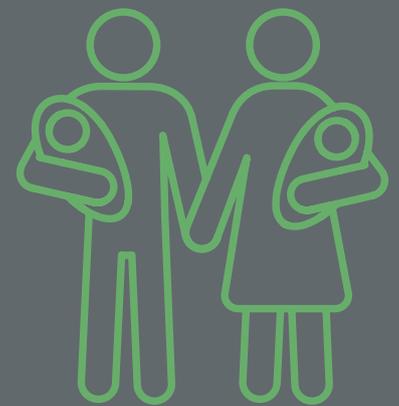


Key findings:

Pay Median
2.5%

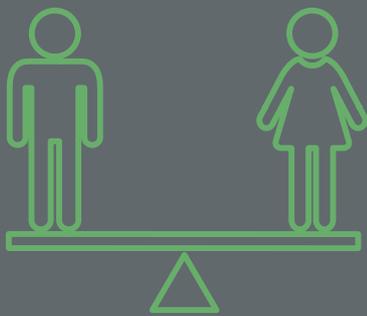


Attracting
Talent
No.1
HR Priority



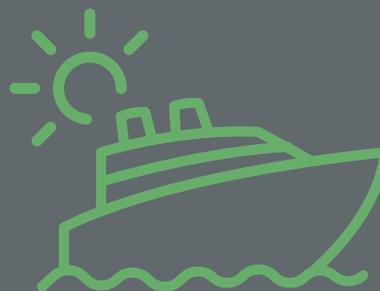
19%

intend to top up
'Parents Leave'



20%

of companies
are preparing for
gender pay gap
reporting



80%

of companies
have a retirement
age of 65 years

Basic pay rates 2020

Over three quarters (77%) of respondent companies expect basic pay rates to increase next year with 22% expecting basic pay rates to remain the same.

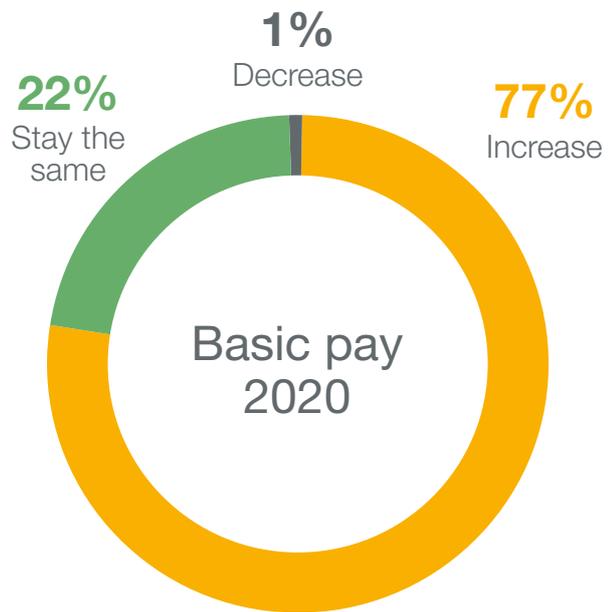


Figure 1: Basic pay increases 2020

Average and median pay increases expected in 2020

The average pay increase forecasted next year, where provided, is expected to be 2.64% with a median increase of 2.5%. The range of pay increases expected are as follows:

Pay Range	Percentage of companies
2% or lower	39
2.01% - 2.5%	25
2.51% - 3%	23
3.01% - 5%	12
> 5%	1
TOTAL	100

Table 1: Basic pay increases 2019 by sector

Basic pay 2020 by sector

Basic pay increases are most likely in the high-tech manufacturing sector and in manufacturing in general. Almost four out of five distribution companies (78%) expect their basic pay rates to increase next year, while seven in ten services companies (72%) also expect to increase basic pay.

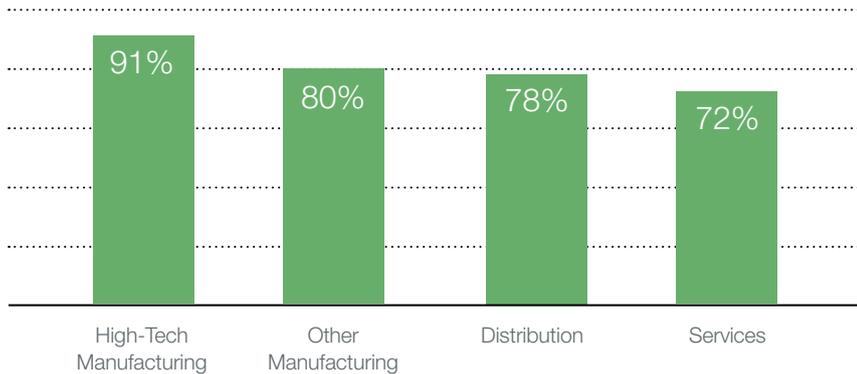


Figure 2: Basic pay increases 2020 by sector

Basic pay 2020 by company size

Overall, basic pay increases are more likely in larger companies. Almost nine out of ten respondents that employ more than 250 employees expect to increase basic pay rates next year. Two-thirds of companies with fewer than fifty employees expect to implement increases.

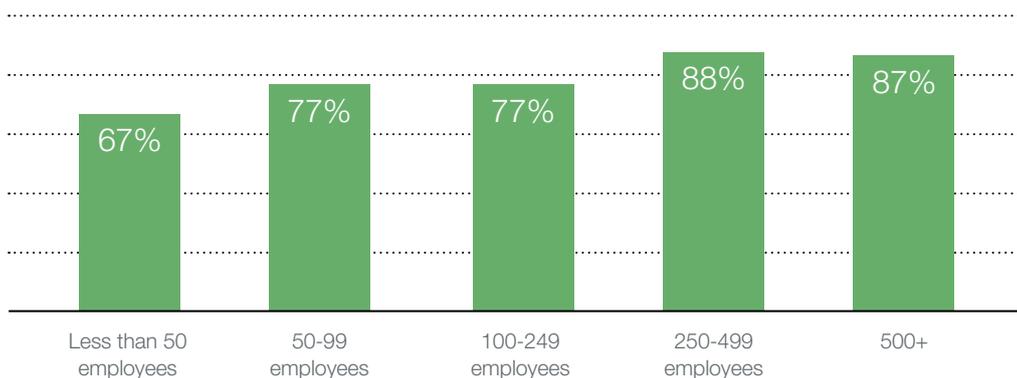


Figure 3: Basic pay increases 2020 by company size



Total pay bill 2020

A majority of respondents (69%) indicated an increase in total pay bill next year. A change in total pay bill indicates not just potential changes in basic pay rates, but additionally any increases or decreases in staff numbers. Total pay bill, therefore, includes recruitment of new staff and/or company downsizing as part of the metric. The average increase expected is 3.45% and the median increase is 2.5%. This compares with 74% of respondents in last year's survey, who had forecast an average increase in total pay bill of 3.82% and a median of 3%.

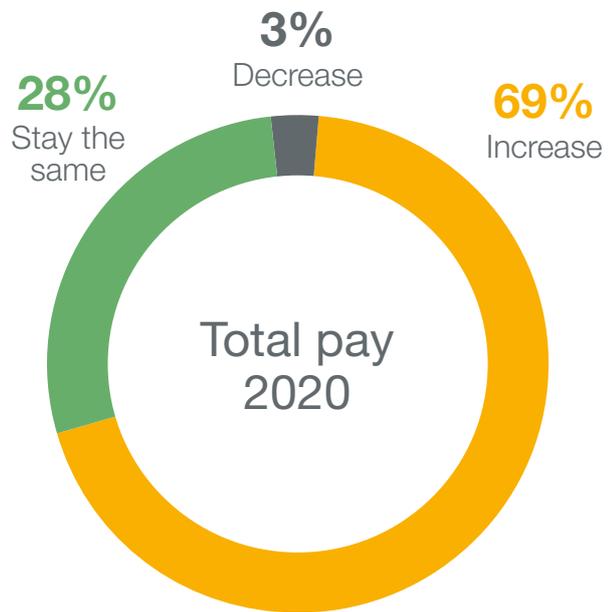


Figure 4: Total pay bill 2020

Total pay bill by sector

There is little variation in the likelihood of total pay bill increases by sector. The services sector is slightly less likely to see increases in total pay bill next year.

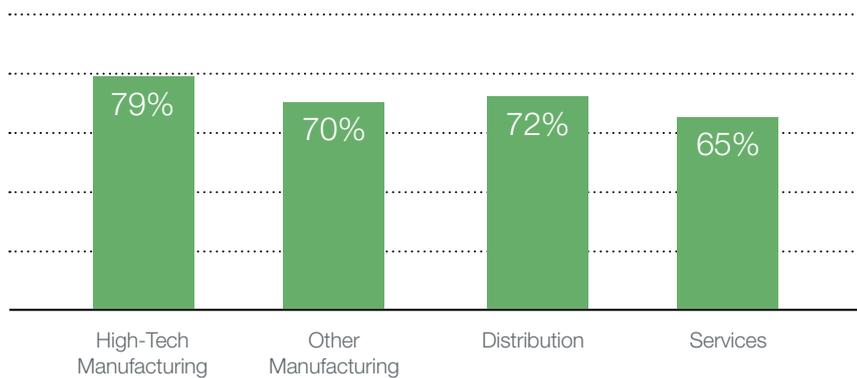


Figure 5: Total pay bill 2020 by sector

Total pay bill by company size

65% of smaller companies expect increases in total pay bill next year, compared with 78% of companies with over 500 employees.

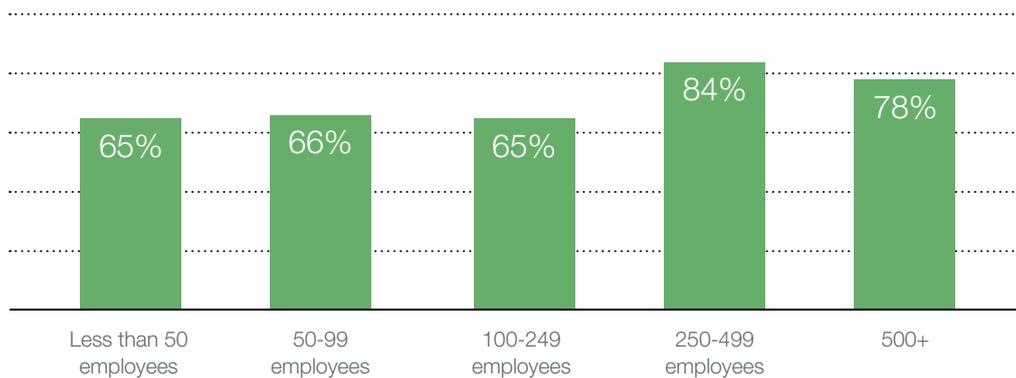


Figure 6: Total pay bill 2020 by company size

Resourcing 2020

We asked our member companies if they expect employee numbers to change in 2020. As outlined in Figure 7, 42% of respondents anticipate increasing their employee numbers in 2020, with 49% maintaining their current employee numbers.

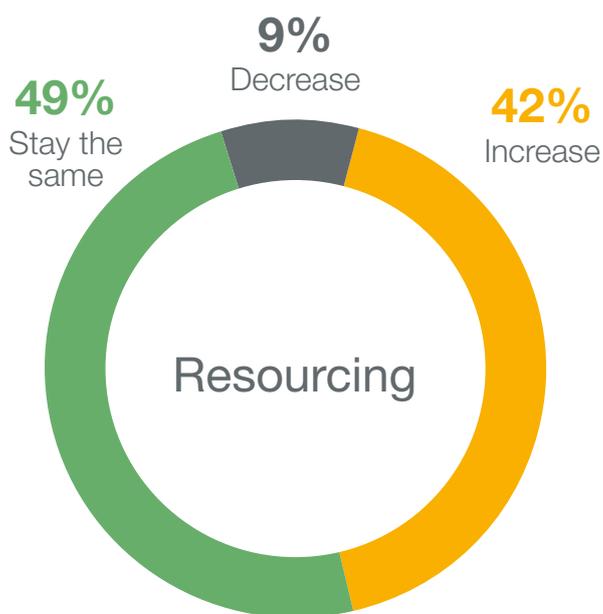


Figure 7: Resourcing

Additionally, respondents were asked to provide a breakdown of employees hired in 2019 on a permanent or temporary basis or through third party agencies. A total of 93 companies provided a breakdown of employees hired by category. An average of 68% of hires in 2019 were on a permanent basis, with a further 28% recruited in temporary positions. Agency roles accounted for an average of 4% of roles filled this year.

Skills shortages

We asked employers to identify skills areas where they have current vacancies and what skills vacancies they expect to have in the next 12 months. As evidenced below, the highest demand is for engineering, finance professionals, IT and operative grades.

Does your organisation currently have vacancies, or expect vacancies in any of the following areas?

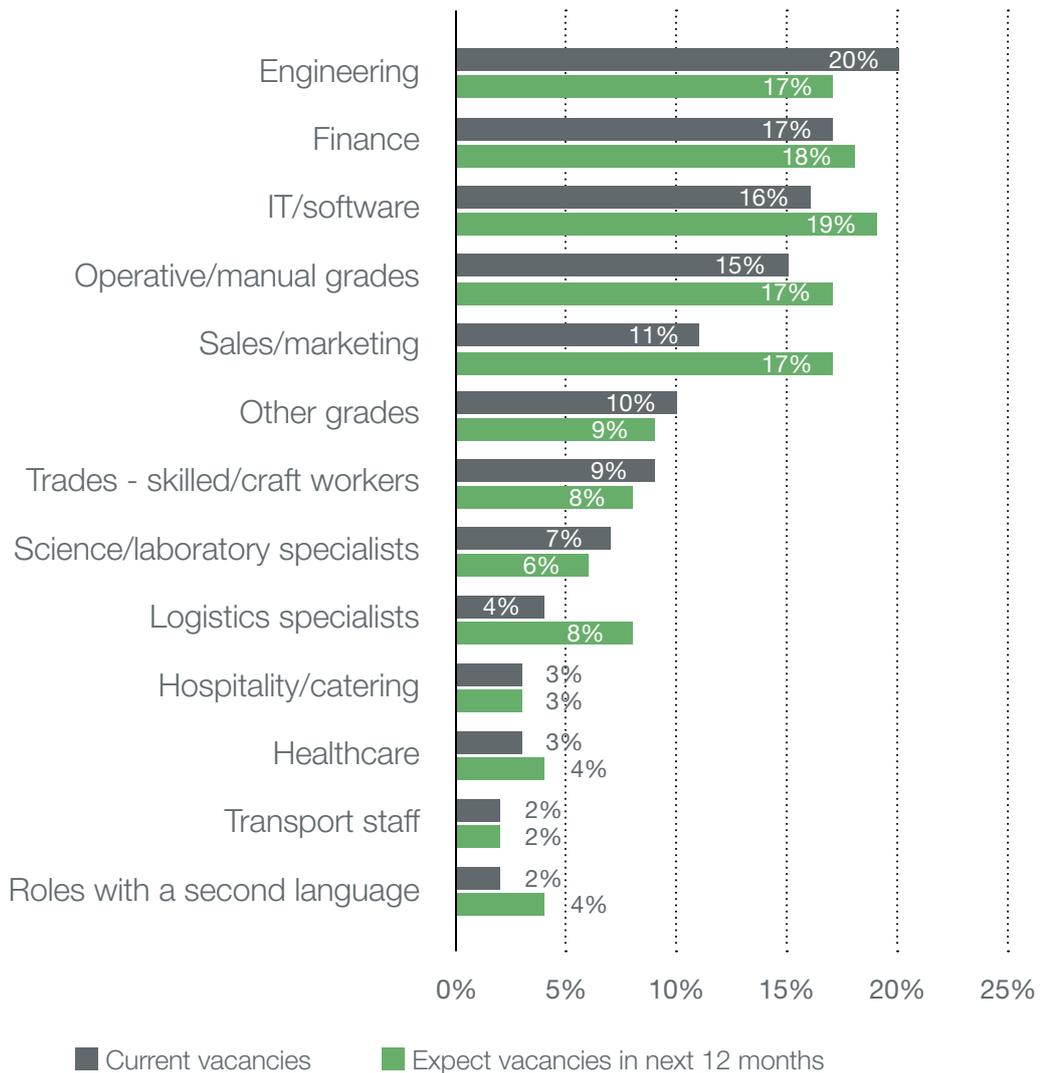


Figure 8: Current and future vacancies by type

Other categories of employees identified by respondents (where identified) were in the areas of R&D, quality specialists, maintenance technicians, HR and Health & Safety.

HR priorities

Consistent with priorities identified in last year's survey, attracting and retaining talent is the top priority for respondents in 2020. This highlights the challenges for the 42% of respondents who are planning to increase their employee numbers in 2020 in a tight labour market.

Looking at the top five priorities for employers in the next year, companies view employee engagement as their key priority. It is a top five priority in over half the respondent companies, highlighting its importance on the HR agenda. Other top five priorities include training and development, managing performance, leadership development, staff wellbeing and talent management.

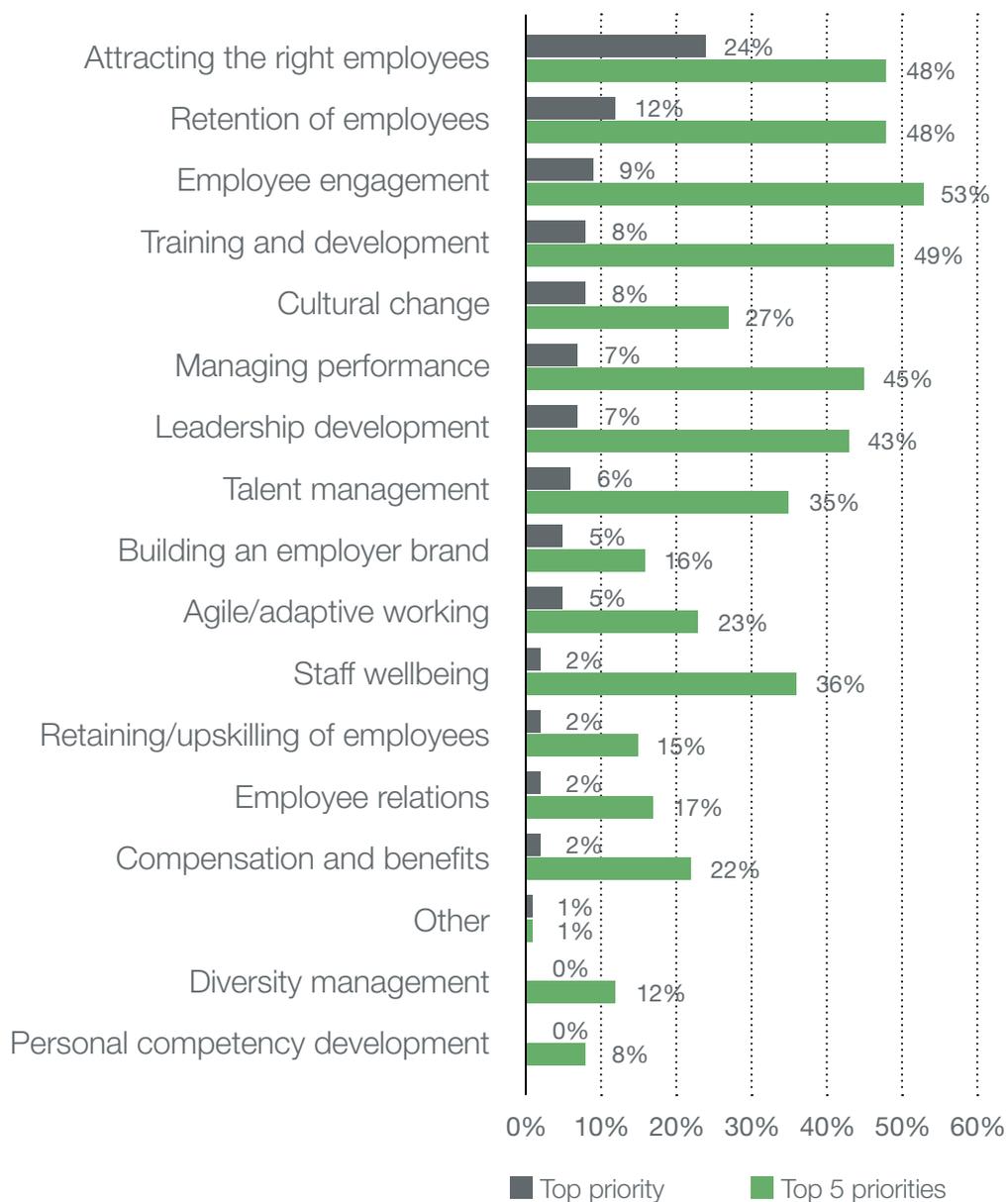


Figure 9: Top five HR priorities for 2020



Training & development

To fulfil their training and development needs, 63% of companies surveyed indicated that they source private providers, followed by internal resourcing (52%), Ibec management training (43%) and Skillnets (38%).

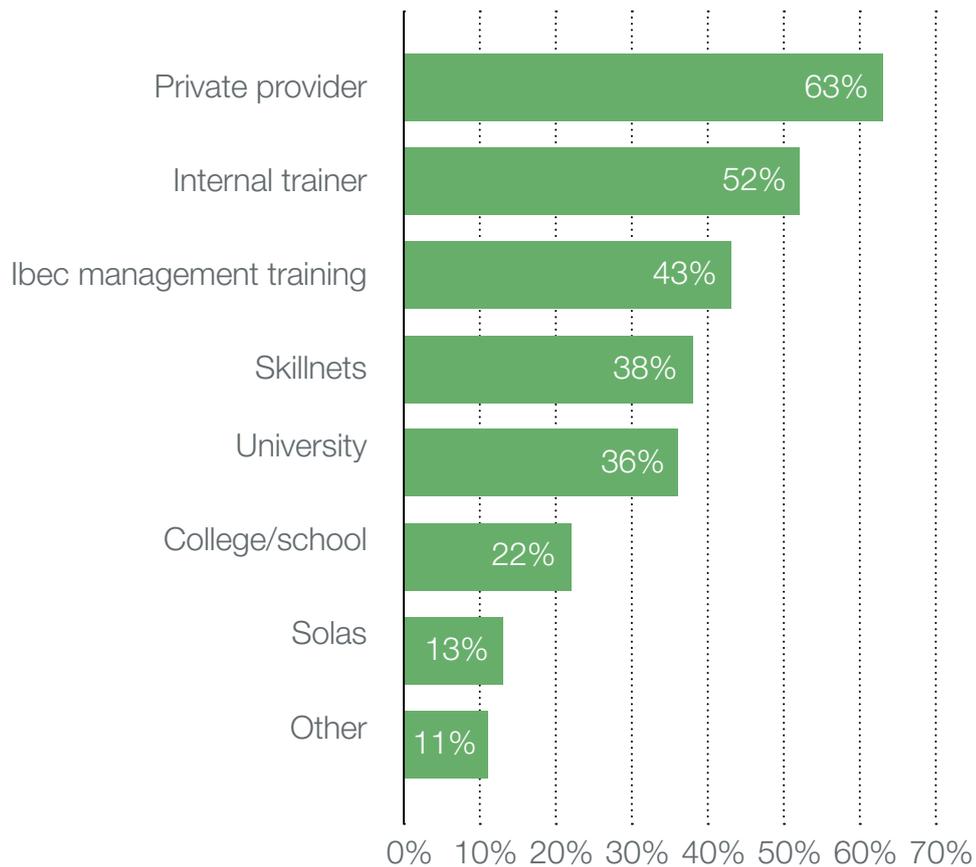


Figure 10: Organisations used for employee training and development

Top five training priorities

Consistent with past HR Update surveys, leadership/people management is identified by respondents, along with technical/job related skills development, as the top training priorities for 2020. This supports the view that strong leadership and people management skills are essential to navigate through a continuously changing, and at times, unpredictable work environment.

No respondent identified developing second language skills as a top priority, yet a small number of employers (4%) had identified this as a hiring need. This suggests employers are less inclined to invest in language training for current staff opting instead to recruit people with these skills.

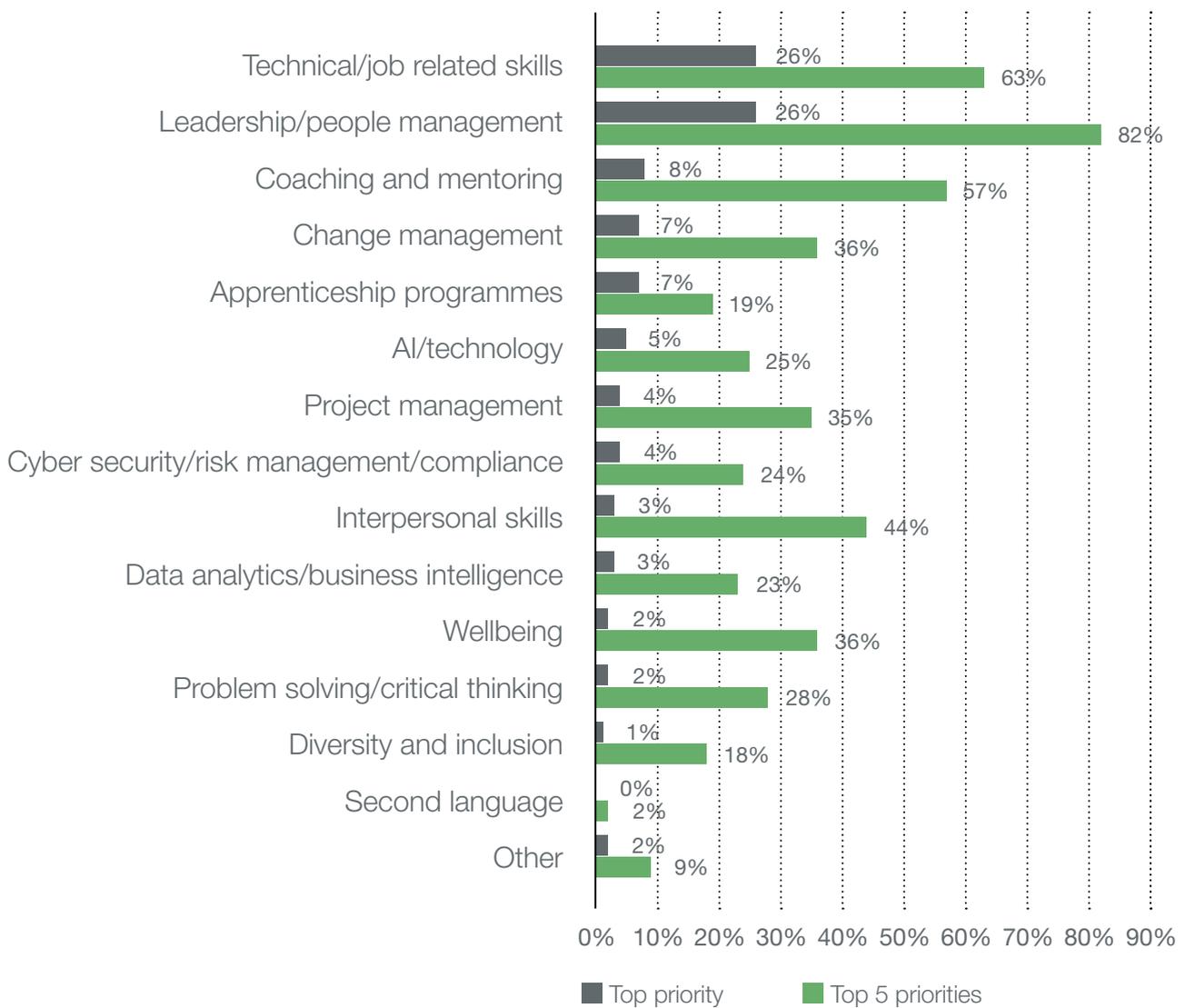


Figure 11: Top five training priorities

The evolving workplace

Since introducing the concept of future workplaces into our HR Update survey in 2015, we have identified some interesting developments and trends in how work is changing and how organisations are designing strategies to prepare for an evolving workplace. In this section, we look at the future workplace priorities from a people, organisational and environmental perspective.

People priorities for the future workplace

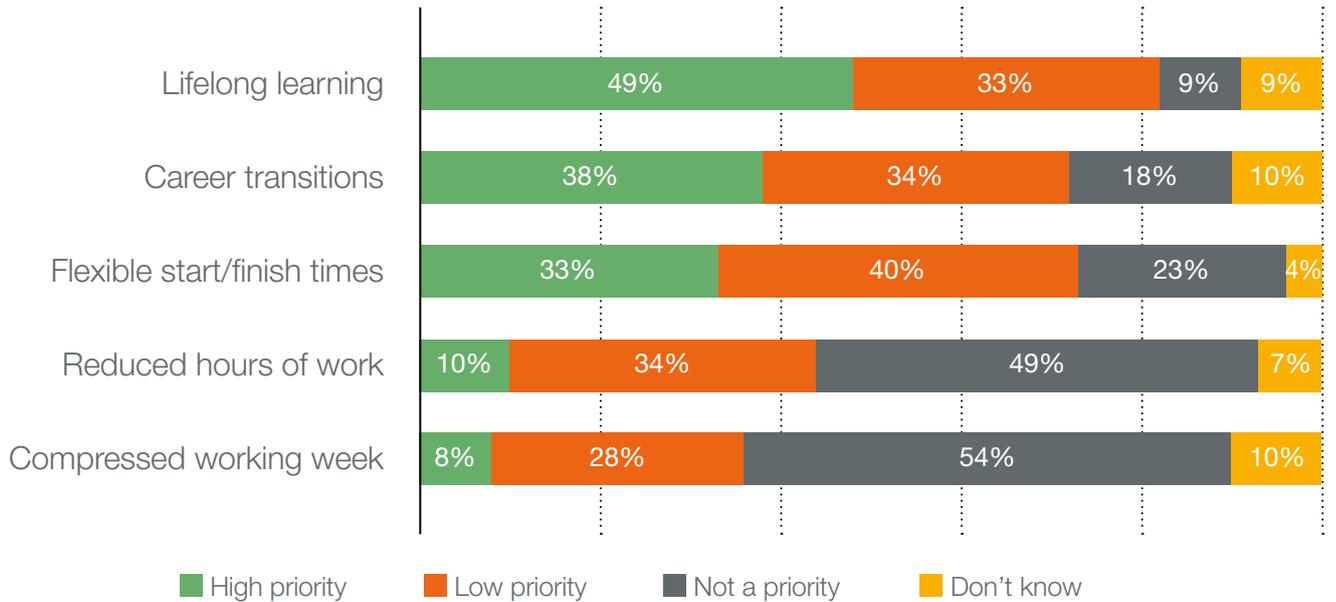


Figure 12: People priorities for the future workplace

Process priorities for the future workplace

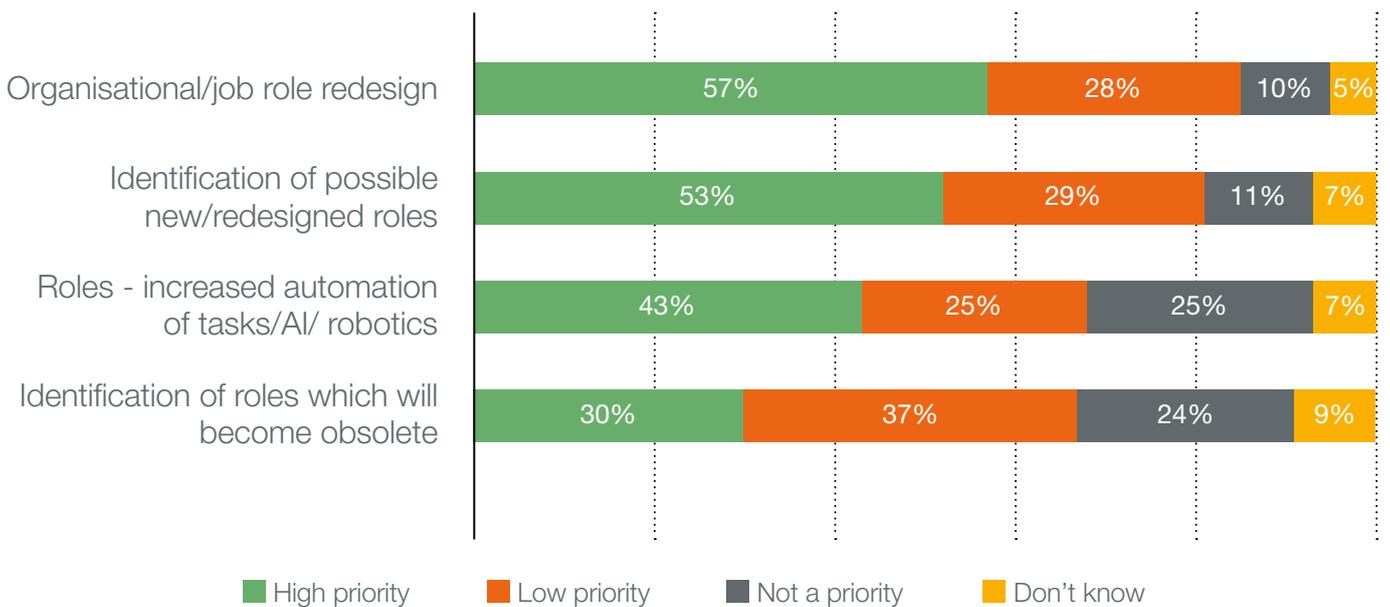


Figure 13: Process priorities for the future workplace

Sustainability priorities for the future workplace

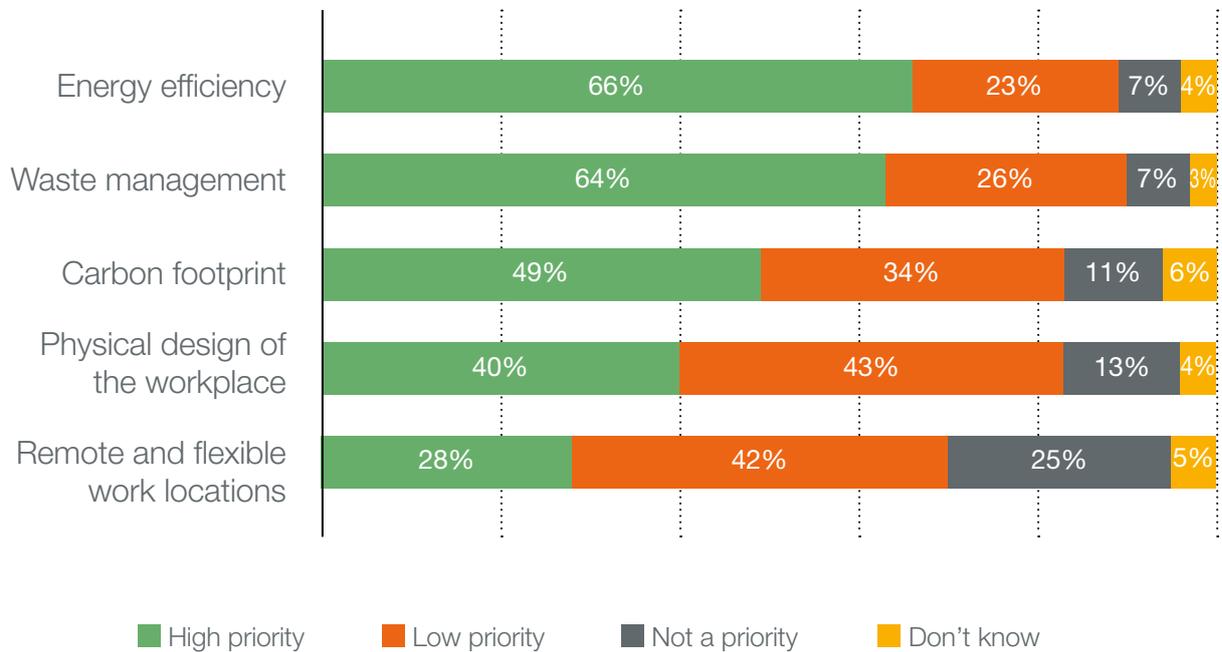


Figure 14: Sustainability priorities for the future workplace

Over half of the respondents place a high priority on organisational and role redesign, which correlates to a high priority being placed on lifelong learning and career transitions, as careers become less predictable and the nature of how we work is changing at a rapid pace. Over half of the respondents do not currently view practices relating to reduced hours of work or a compressed working week as a priority in addressing the needs of the future workplace.

Retirement

The issue of retirement continues to be an area of employment practice that is under review by many employers. This coincides with amendments in equality legislation in recent years that places an onus on employers to objectively justify contractual retirement ages for workers and separately, objectively justify reasons for offering fixed term contract extensions after retirement. More recently, the Workplace Relations Commission (WRC) published its Code of Practice on Longer Working (SI No.600 of 2017) which gives guidance to employers on considerations for developing retirement policies.

Some 55% of respondents have a retirement policy in place, while a further 12% are considering the implementation of such a policy. The remaining respondents either did not have a policy in place or did not provide an answer. For companies with a retirement policy in place, the elements included in the policy are outlined below:

Elements included in a retirement policy

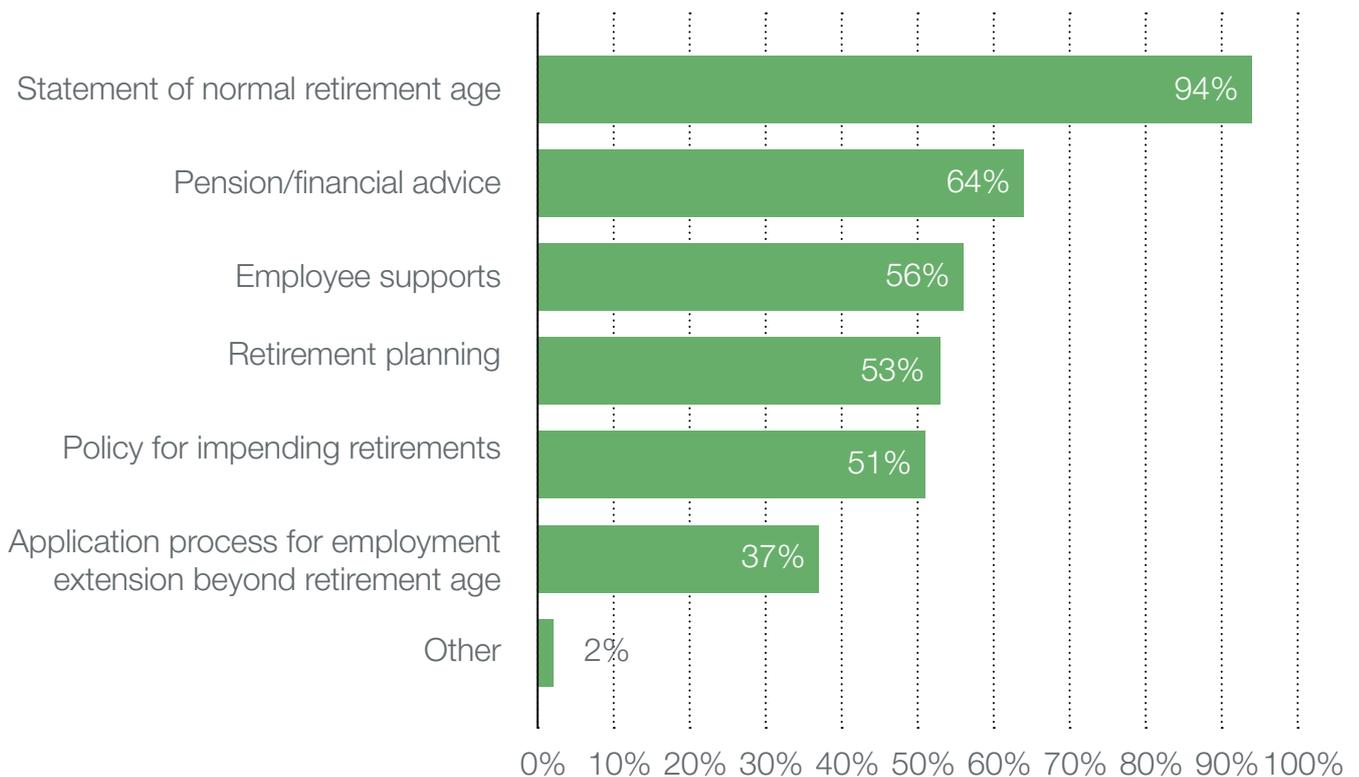


Figure 15: Elements included in a retirement policy

Contractual Retirement Age

We asked employers about their current contractual retirement age. The vast majority of employers (80%) have a contractual retirement age of 65 years with 9% of respondents having a contractual retirement age of 66 years.

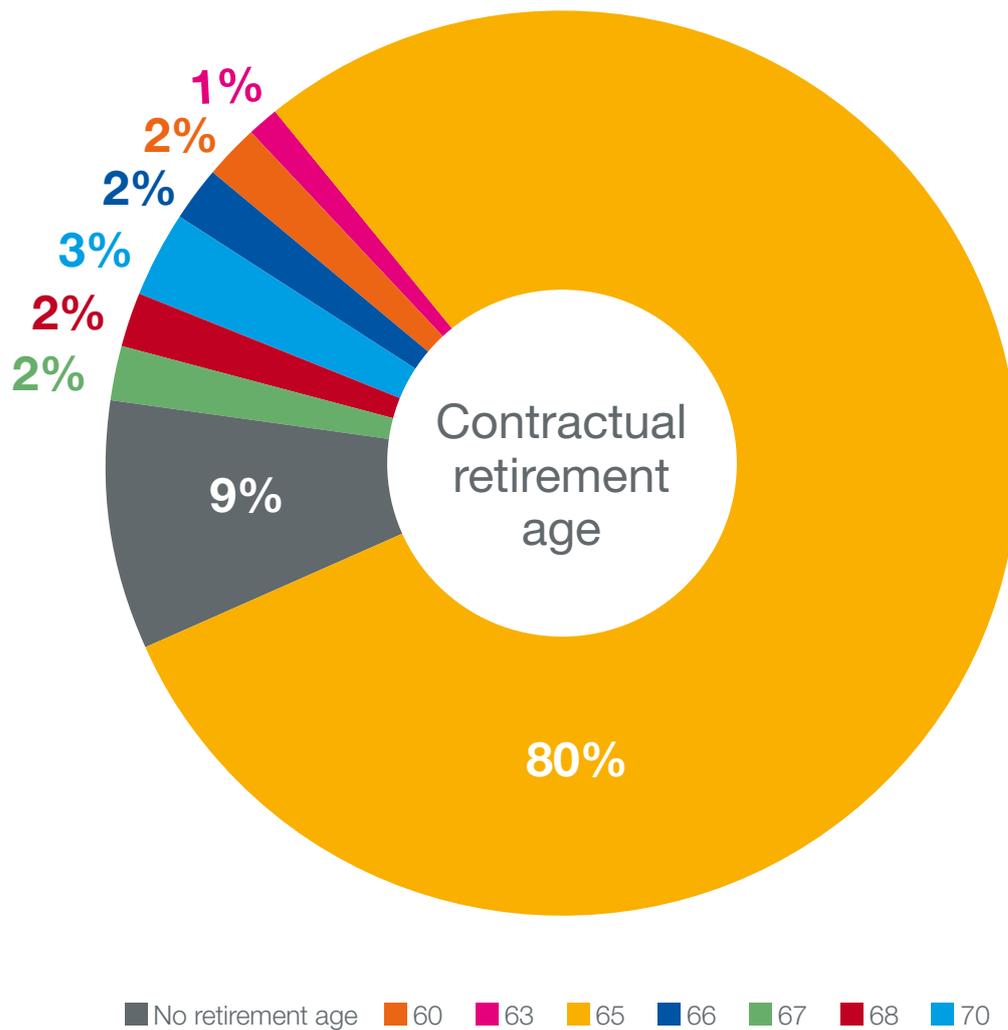


Figure 16: Contractual retirement age

Retaining staff beyond contractual retirement age

In response to our question if employers would consider retaining staff beyond their contractual retirement age, less than a third indicated that they would offer a post-retirement fixed term contract.

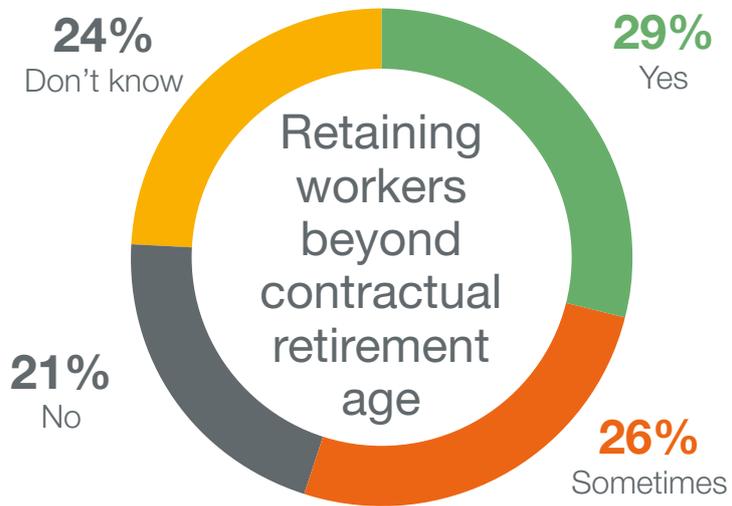


Figure 17: Retaining workers beyond contractual retirement age

Reasons for retaining staff beyond retirement age

For the 29% of respondents who indicated that they retain staff past the contractual retirement age, the predominant reason was consenting to employee requests to stay in work.

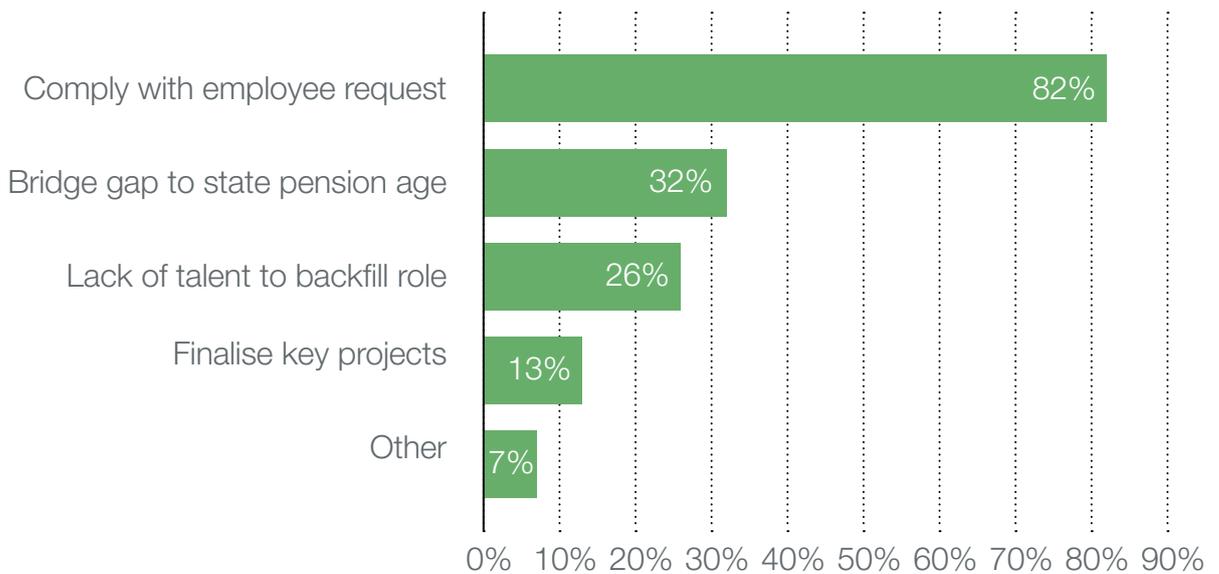


Figure 18: Reasons for retaining staff beyond contractual retirement age

Parenting leave

From 1 September, unpaid parental leave in respect of each child increased from 18 to 22 weeks. This will increase from 22 weeks to 26 weeks from September 2020.

Separate from the above changes to parental leave, legislation is being prepared for the introduction of paid statutory Parents' Leave. This entitlement is separate to unpaid parental leave and will apply only to parents of babies born on or after the 1 November 2019.

This is part of the Government's commitment to introduce two weeks paid leave for parents in the first year of a child's life with a commitment to increase this paid leave incrementally. In light of this, we asked companies about their intentions to pay over and above social welfare benefit.

Pay over and above social welfare benefit (SWB) to employees on parents' leave from 1 November 2019?

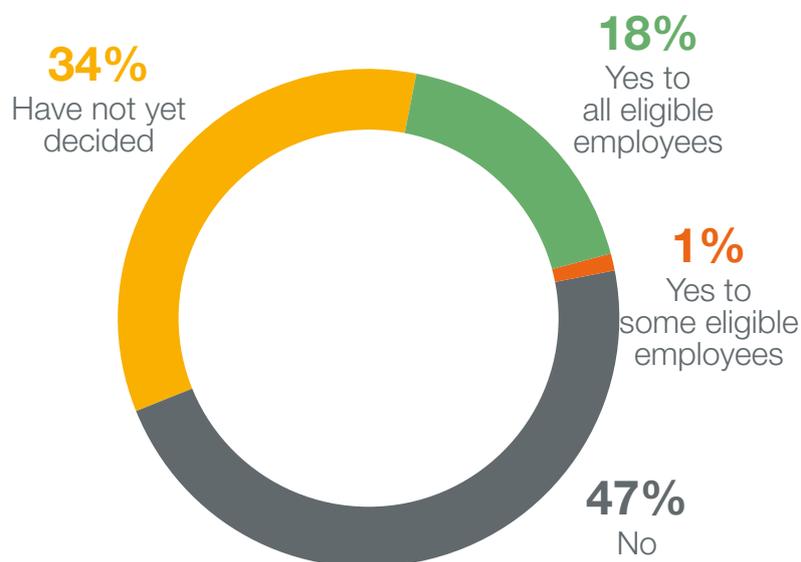


Figure 19: Proportion of companies paying over and above SWB to employees on parents' leave.

In terms of the duration of the payment, the majority of the 69 companies who plan to pay over and above social welfare benefit, (61%) intend to match the number of weeks paid by the State (as it increases) with a further 22% stating that they intend to make the payment for 2 weeks. Some 3% of respondents intend to make the payment for one week. The remaining companies have not yet decided on the duration of the payment. Additionally, companies are introducing a minimum period of service to be eligible for the payment (45 companies). The service requirement for eligibility ranged from six months in 11 organisations to one year in 27 organisations and to three years in three organisations.

For the 69 companies who currently intend to pay over and above social welfare to employees on parents leave, the following graph sets out the method of payment envisaged.

How will the company parents' leave benefit be paid to staff?

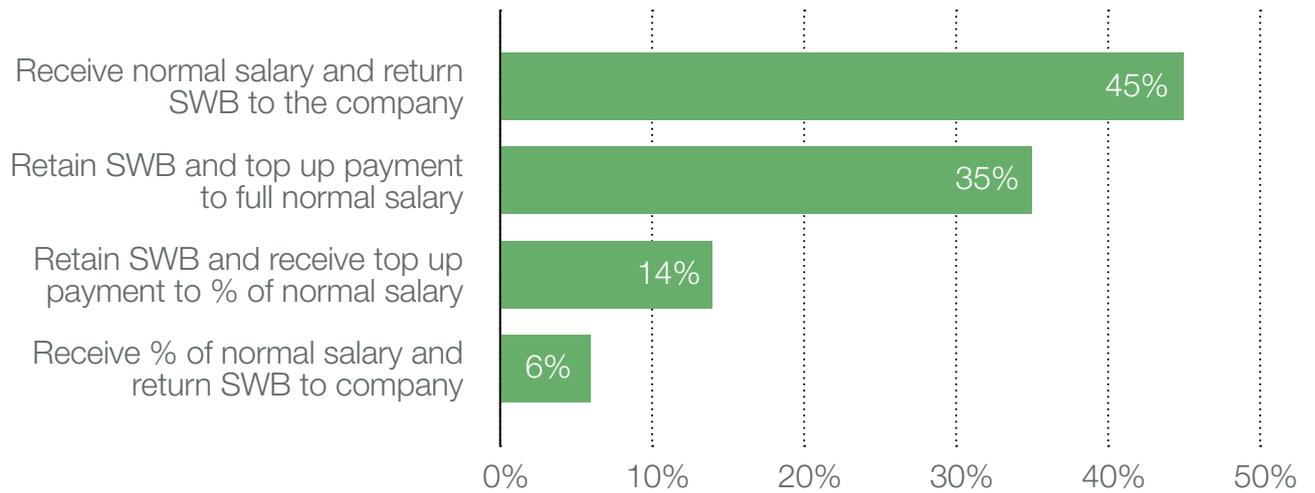


Figure 20: Method of payment of parents' leave benefit to staff

Employee wellbeing

In recent years, many employers identified that wellbeing in the workplace is a key feature for employers. In this year's survey, we looked for further information on the importance of wellbeing in the workplace and the degree to which wellbeing is being treated strategically by organisations.

Engagement in Wellness Initiatives

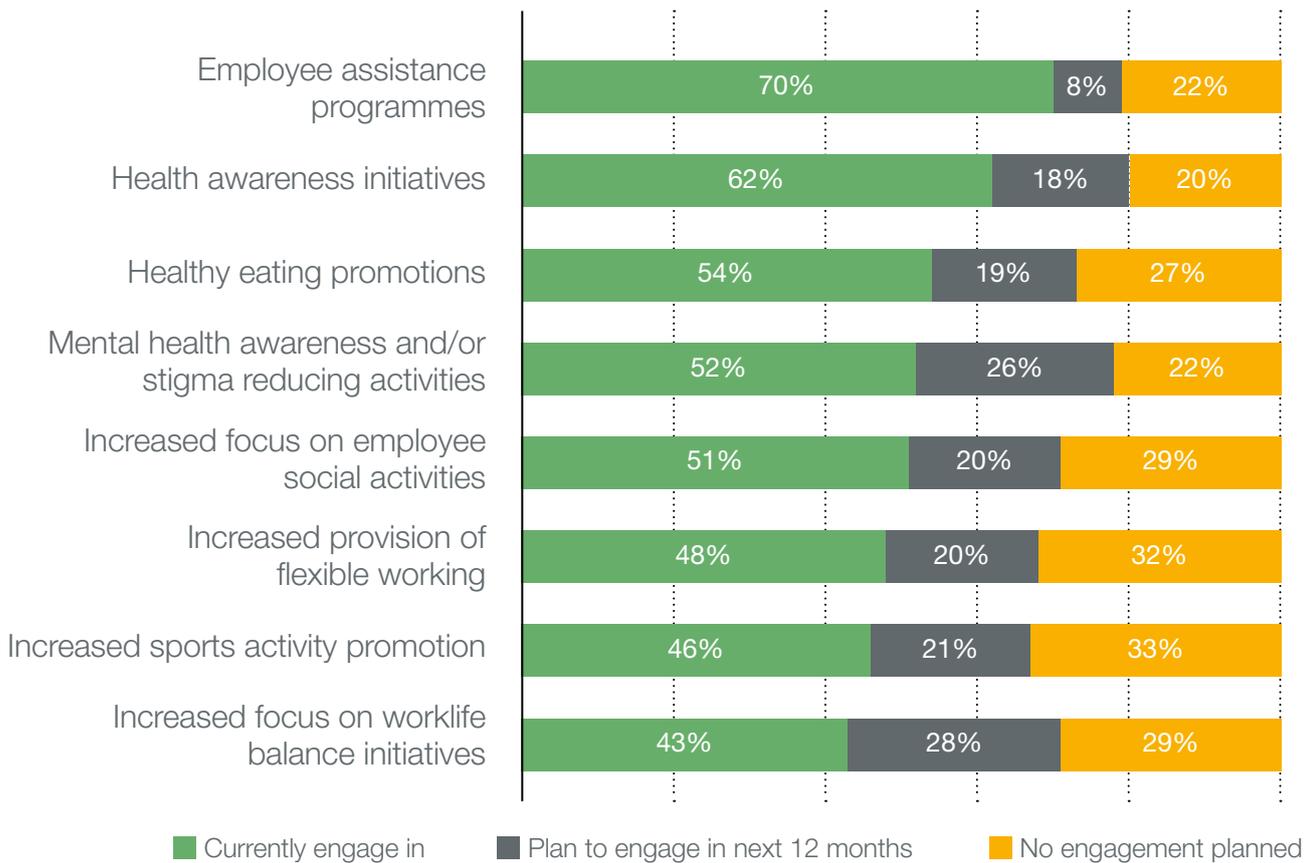


Figure 21: Wellness initiatives

It is encouraging to see that the wellbeing agenda continues to grow in importance, now encompassing a wide range of activities, ranging from more traditional health promotion to work-life balance and flexible working initiatives. The figures here show a high percentage of companies actively engaged across all of these wellbeing touchpoints. This indicates that health and wellbeing is an integral part of business practice, which is highly encouraging. Companies continue to prioritise and see the value in putting core supports in place for employees with 78% of companies either having or planning to have an EAP programme in place within the next 12 months is indicative alone of the number of companies now investing in programmes such as these.

Physical health and mental health also remain high on the agenda. 62% of companies are currently engaged in general 'health awareness initiatives' and a further 73% either plan to or are already engaged in the promotion of 'healthy eating'. The figures around mental health awareness and stigma reducing activities is reassuring, with 52% of companies already investing in this area and a further 26% planning to do so in the next 12 months.

Does your organisation measure the return on investment of wellbeing initiatives in relation to any of the following?

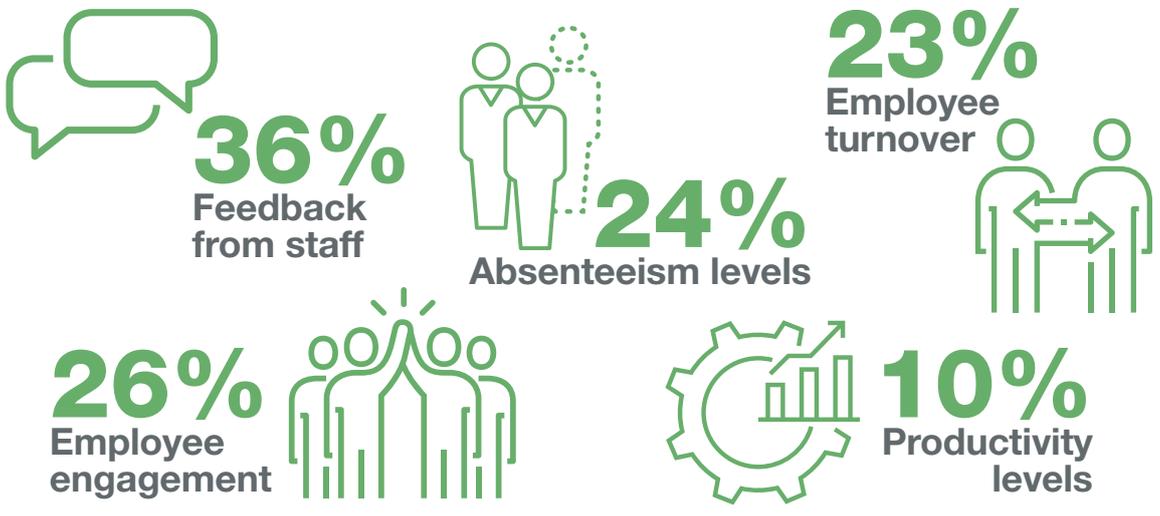


Figure 22: Return on investment of wellbeing

The area of wellbeing has evolved and continues to do so. Companies are beginning to measure the return on investment of wellbeing initiatives in relation to levels of absenteeism and employee retention. Measures around employee satisfaction and engagement remain the most popular. There is also a correlation between wellbeing and productivity. This indicates that organisations are measuring these initiatives against key business objectives and reflects the fact that wellbeing is a fundamental part of corporate strategies.

Does your organisation have a company strategy in place in relation to wellbeing?

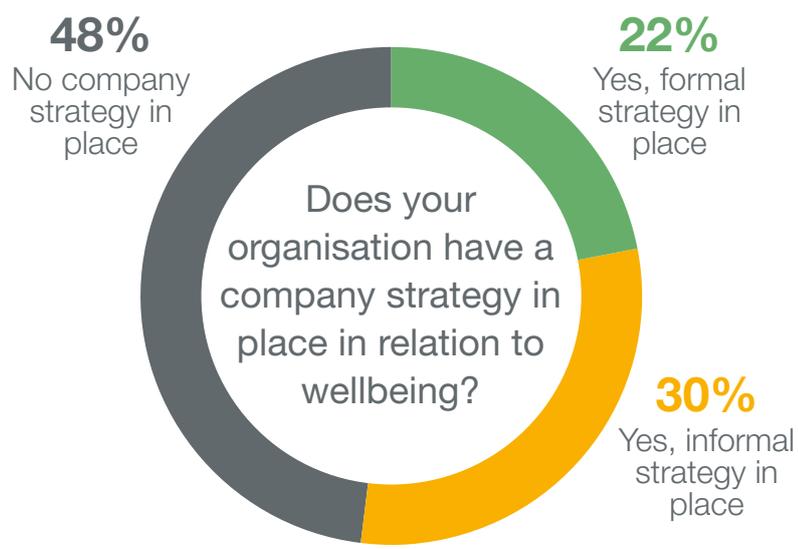


Figure 23: Organisations who have wellbeing strategies in place

Gender pay gap

In anticipation of the forthcoming legislation in relation to gender pay reporting, we examined whether companies had started to gather information to calculate their gender pay gap. The Gender Pay Gap Information Bill 2019 proposes to insert the gender pay gap reporting requirement into the Employment Equality Acts 1998 – 2015.

It is anticipated that the regulations will apply to employers with 250+ employees initially for the first two years following commencement of reporting, then 150+ after three years and finally to 50 employees.

Given the imminence of the new legislation, 20% of respondents indicated that they are collecting data to estimate any potential gender pay gap, pending publication of the legal requirements. While data collection is difficult in the absence of a defined method of calculation for the various proposed requirements contained within the Bill, preparation of data is encouraged. Many of those who have collected data have used a version of the UK model to give them an indication.

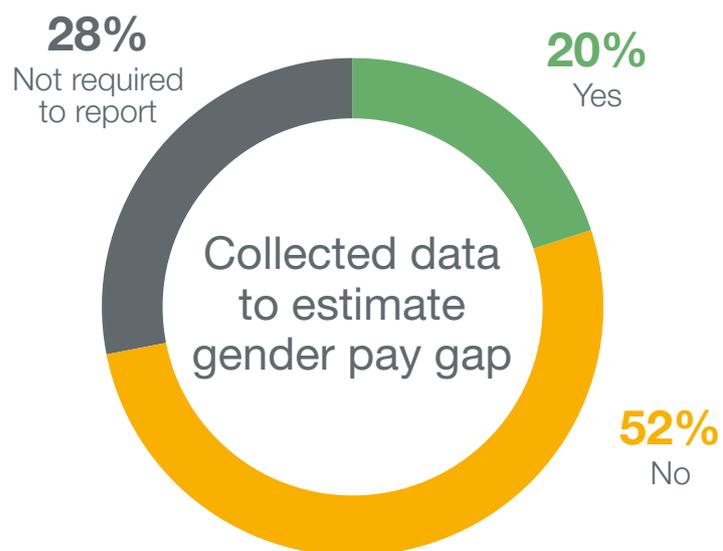


Figure 24: Collected data to estimate gender pay gap

Gender pay gap initiatives

Mentoring programmes to redress a gender pay gap is the most popular initiative being taken by employers followed by the introduction of family friendly policies.

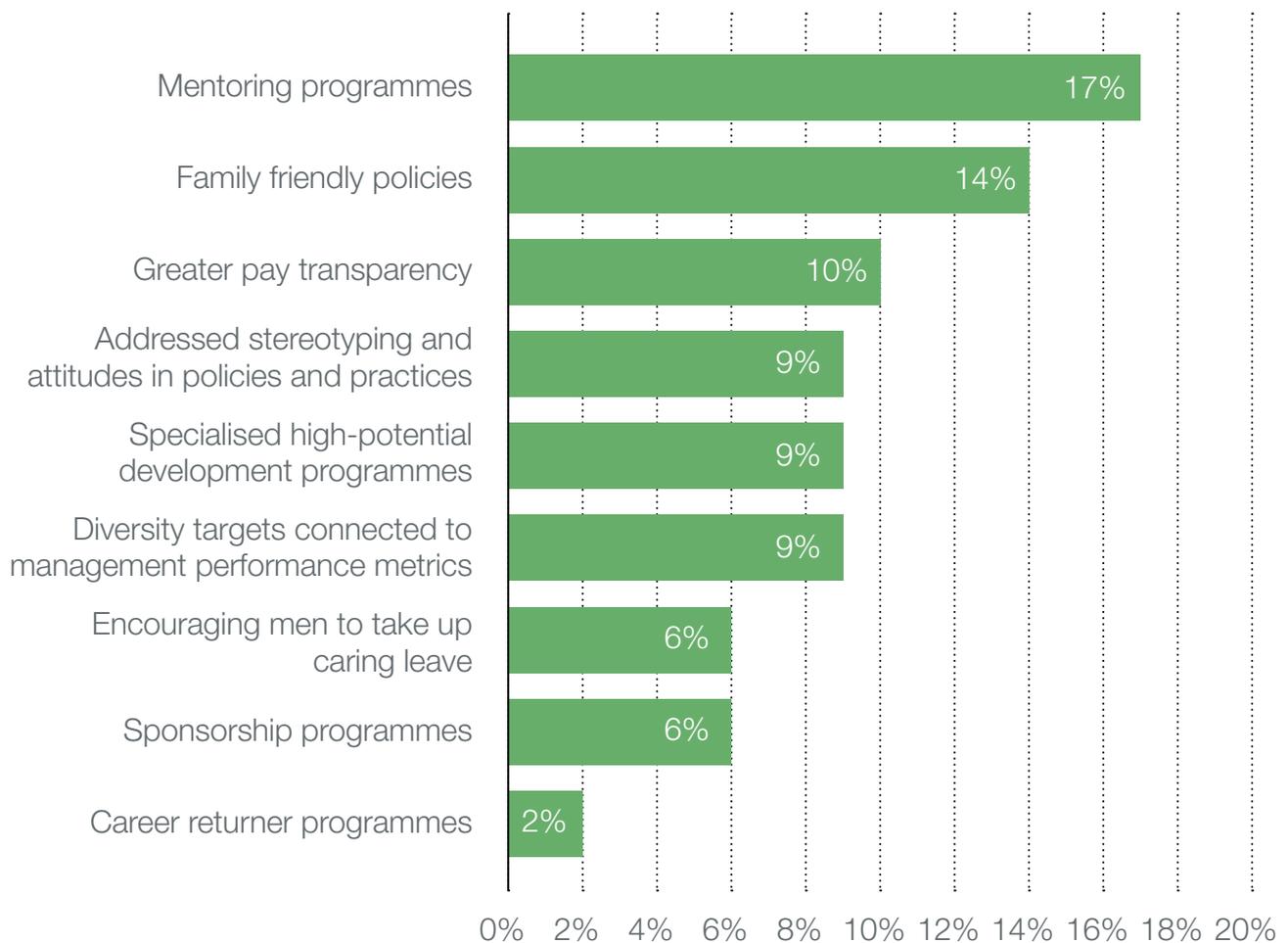


Figure 25: Gender pay gap initiatives

Diversity and inclusion

To understand what diversity and inclusion looks like in the workplace, we asked respondents to identify the activities that they support. The most popular initiative by far (80%) is establishing employee resource groups or diversity networks followed by a workplace wellbeing day (46%).

Initiatives to support diversity and inclusion

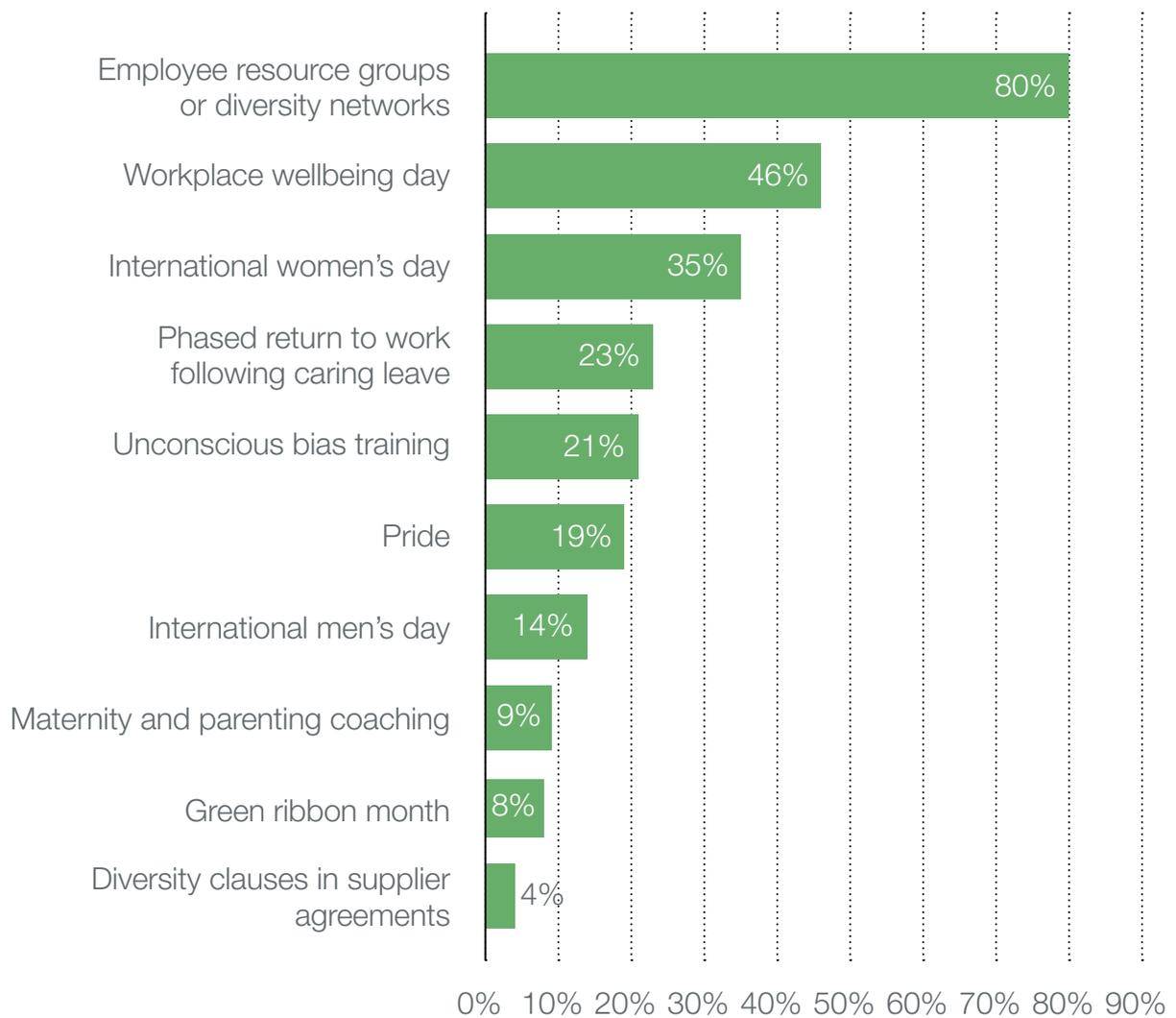


Figure 26: Initiatives to support diversity and inclusion

Respondent profile

Company Size

	Number of companies	Percentage
Less than 50 employees	137	33
50 - 99 employees	77	18
100 - 249 employees	97	23
250 - 499 employees	44	10
Over 500 employees	65	16
Total	420	100.0

Principal Activity

	Number of companies	Percentage
Food and Drink Manufacture	17	4
Chemicals and pharmaceutical manufacture	22	5
Medical Devices manufacture	38	9
Metals and engineering manufacture	30	7
Rubber and plastics manufacture	11	3
Electronics manufacture	6	2
Paper, printing and publishing	9	2
Other manufacture	14	3
Retail	13	3
Wholesale Distribution	23	6
Financial Services	41	10
Education/training	18	4
Health and Social Services	30	7
Tourism: Hotels, bars, restaurants, leisure facilities, golf courses etc	17	4
Electronic services/telecoms	35	8
Other services	96	23
Total	420	100.0

Ibec Research Unit

From pay and benefits, to policy, compliance, and more, Ibec's research unit provides the data and insights that your organisation needs, providing you with up-to-date benchmarking evidence to support your decision-making. We also analyse current and emerging trends and conduct annual and one-off surveys on a broad range of topics, based on member feedback and current business priorities.

A wide range of reports is available to Ibec members, including an annual detailed analysis of pay rates for over 250 positions, as well as a series of reports on emerging business trends. We analyse developments in HR priorities and procedures, legislative compliance, conditions of employment and the wider business environment. We use the findings of our research to inform and shape Ibec's policy and lobbying work, regularly producing reports on topical policy issues which support you in making key business decisions.

For information on this report, or any of our research projects please view our webpages at www.ibec.ie/connect-and-learn/research or contact Ibec's Head of Research, geraldine.anderson@ibec.ie or by telephone to **01 6051512**

