



**ibec**  
For Irish Business

# HR Update Survey 2016

An Irish employers  
perspective on  
workplaces



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## Introduction



**Maeve McElwee**  
Director of Employer  
Relations

**I am delighted to present our latest HR Update Survey, now in its eighth year. Our survey, with over 390 respondents, reflects the views of senior HR leaders and business owners on a range of key HR issues for employers in Ireland right now.**

The survey highlights talent management and skills development as the main priorities for employers for the next three years. In line with this trend, many organisations are indicating investment in leadership development programmes, employee wellbeing, corporate social responsibility initiatives and performance management. The increased investment in these areas suggests a strong link with HR objectives and strategies to attract and retain key skills and talent. Skills shortages in the areas of engineering, IT and other areas including chefs, nursing and language specialists continue to present business with a difficult challenge particularly for growth and expansion.

I hope that our findings will be of interest to you and inform your planning for 2017 and beyond on key issues of employment policy in your organisations.

Thank you to everyone 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 into 2017.

If you have any queries in relation to this report, please contact [research@ibec.ie](mailto:research@ibec.ie) or to raise a query in relation to any aspect of HR practice in your company please contact [knowledgecentre@ibec.ie](mailto:knowledgecentre@ibec.ie).



**Median increase to basic pay in 2017 is expected to be 2%**



**42% are expected to increase staff numbers in 2017**



**Leadership development training tops the list of strategic investments**

**Key observations**



## Key observations



**39%**  
highlighted  
skill  
shortages in  
engineering  
and IT  
services



**Growing  
emphasis  
on CSR –  
corporate  
social  
responsibility**



**Increased  
investment  
in employee  
welbeing and  
workplace  
environment**



## About the survey

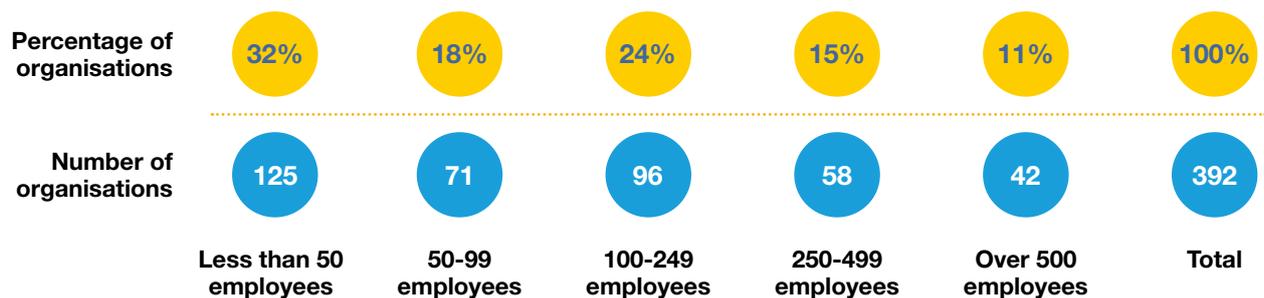
The Ibec HR update is one of the leading employer surveys that seeks to establish the views of HR leaders and employers on topical and strategic people management issues affecting employers in Ireland.

The survey is conducted twice a year by the Ibec Research Unit and the questionnaire explores trends in pay, recruitment, employee performance, employee engagement, HR priorities, flexible working arrangements and the HR function.

The data for this report was collected in September 2016 and is based on 392 responses from Ibec member companies, across all sizes and industry sectors.

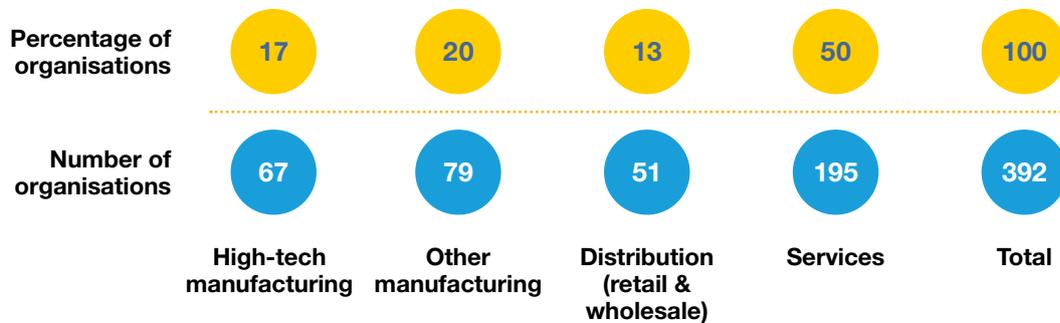
### Respondent profile

Around a third of respondent companies (32%) employed fewer than 50 employees, while around a quarter of respondents (26%) employed over 250 employees.



## About the survey

Around one in six respondents were engaged in the high-tech manufacturing sector which includes the manufacture of chemicals, electronics or medical devices. In total, just over one third of respondents (37%) were engaged in the manufacturing sector. Just over one in ten respondents were engaged in distribution either retail or wholesale while half of respondents (50%) were engaged in some form of services sector activity.



## About the Ibec Research Unit

The Ibec research unit collects information from members and publishes a wide variety of reports on areas such as pay and conditions of employment, HR practices within companies, areas of policy interest and some reports for Ibec sector organisations. The range of topics on which the unit publishes material

includes: absence rates, employee turnover, conditions of employment including sick pay, leave provisions, training and study provisions, flexible work practices, etc. Feedback and queries can be directed to [research@ibec.ie](mailto:research@ibec.ie). Our reports can be accessed via our webpages at [www.ibec.ie/research](http://www.ibec.ie/research).

# Basic pay rates 2016

**Our survey of 2016 pay rates indicates that pay awards remain relatively modest with a median increase of 2.2% this year. The proportion of respondents that increased pay in 2016 is 64%.**

This is relatively unsurprising. Given the strong domestic growth we saw in the first half of the year, we did expect to see some pay recovery happening. Although exchange rate volatility is likely to damage exports from indigenous sectors we continue to expect strong economic growth in 2016 although our outlook for 2017 is much more uncertain. Our earlier survey in April 2016 had indicated that 69% of companies were considering pay increases for the current year. A twelve month comparison with the Ibec HR Update Survey in November 2015 indicated higher predictions with 71% of companies expecting to increase basic pay.

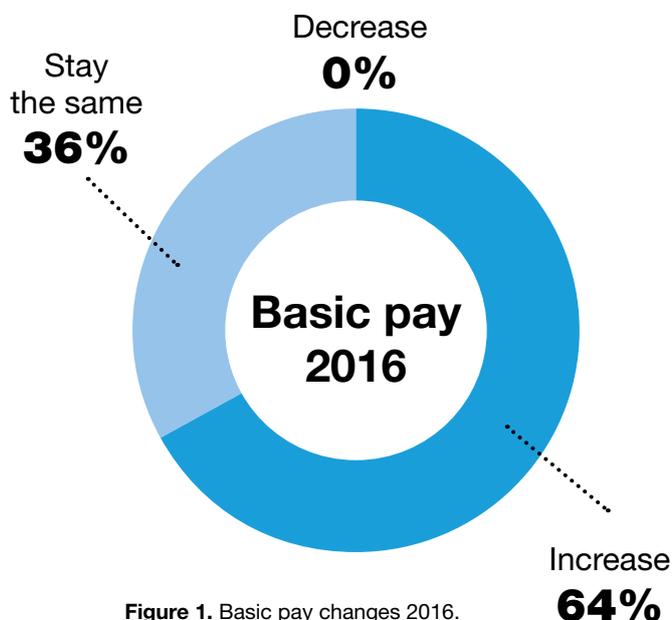


Figure 1. Basic pay changes 2016.

# Basic pay rates 2016 (continued)

As expected, there is some variation across sectors in terms of the delivery of pay increases. The high-tech manufacturing sector is more likely to have provided pay increases in 2016 than the traditional manufacturing sector. The services sector is the least likely to have provided pay increases in 2016, with just over half the respondents from this sector providing increases.

## Increases in basic pay 2016 by sector

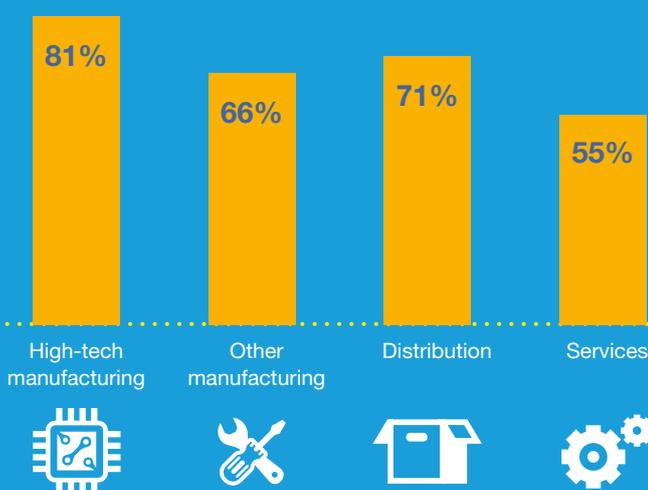


Figure 2. Basic pay increases 2016 – by sector.

Some variation in terms of pay increases across company size is also evident within the data. Companies with fewer than 50 employees were less likely to offer pay increases to staff. For larger companies, around three quarters of companies (71%) with over 100 employees expect to provide increases in basic pay in 2016. Figure 3 sets out the full details.

## Increases in basic pay 2016 by size

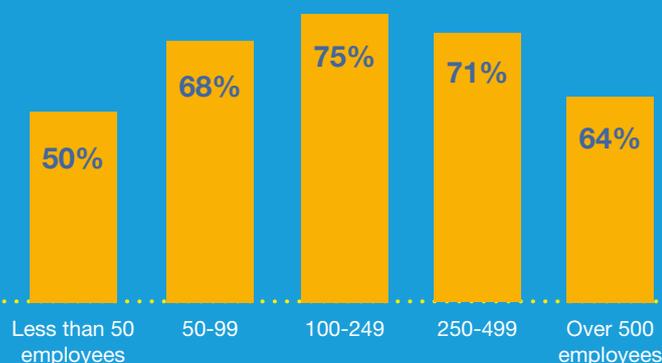


Figure 3. Basic pay increases 2016 – by size.

# Basic pay rates 2017

Seven out of ten respondents (71%) expect basic pay rates in their company to increase in 2017. The median increase of 2% recorded is the same as levels reported over the last three years. Some 29% of respondents expect basic pay rates to stay the same in 2017.

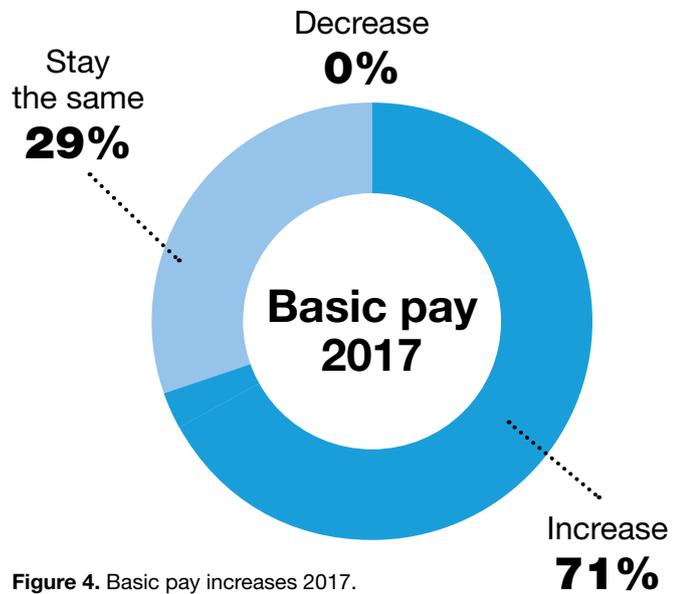
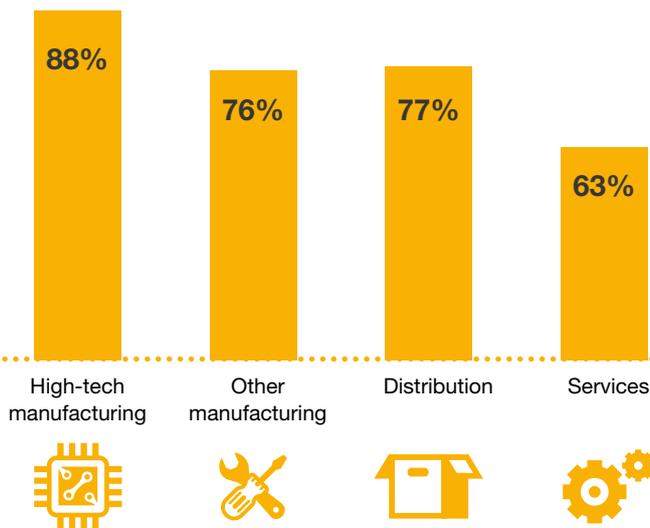


Figure 4. Basic pay increases 2017.

## Increases in basic pay 2017 by sector



There is also variation across sectors in terms of the delivery of pay increases next year. The high-tech manufacturing sector is more likely to provide pay increases than the traditional manufacturing sector. Distribution and services companies are more likely to be giving increases in 2017 than in the current year. (See Figure 2) The following graph shows expected increases by sector.

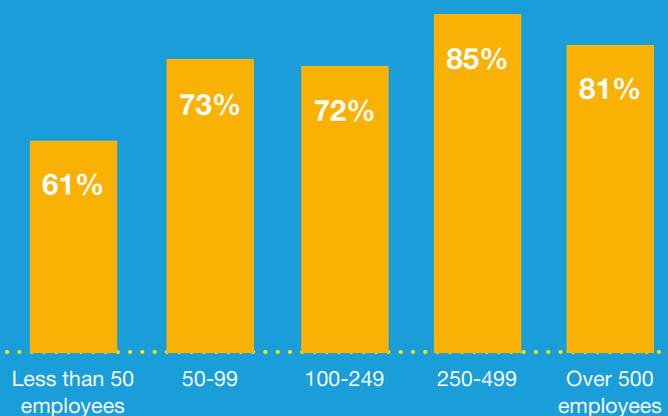
Figure 5. Basic pay increases 2017 – by sector.

# Basic pay rates 2017 (continued)

**Some variation in terms of pay increases across company size is also evident within the data.**

Companies with fewer than 50 employees were less likely to offer pay increases to staff. For larger companies, over three quarters of companies (78%) with over 100 employees expect to provide increases in basic pay next year. **Figure 6** sets out the full details.

**Increases in basic pay 2017 by size**



**Figure 6.** Basic pay increases 2017 – by size.

# Factors influencing pay trends

**For companies expecting to increase pay in 2016 or 2017 (a total of 306 companies), almost seven out of ten (69%) indicated that they had experienced increased demand for pay increases from employees.**

Where companies had experienced increased demand for pay increases from employees, they were asked to provide information on the reasons for this. A total of 276 companies provided details. One of the main reasons for demands around pay increases, identified in four out of ten of these companies (40%), was around the perception by employees of an increased general cost of living. In just over two out of five companies (22%), increased pay pressure was as a result of higher pay rates in competitor companies. In 7% of cases, pressure existed to reverse an earlier

pay cut and in one in twenty companies (5%) higher income tax rates were a factor, similar to those referencing the cost of housing in this context (5%).

The remaining respondents indicate that the pressure to increase pay came from a range of other sources, including the length of time since the last increase, higher taxes, employees feeling a pay increase is 'due' as the economy is recovering, media speculation about pay increases fuelling demands, cost of childcare, reward for individual service or performance, reward for improved company performance.

# Total pay changes 2016

**A total of 64% of respondents indicated an increase in total pay bill in 2016. 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.**

CSO figures showed annual employment growth of 2.9% (56,200) in Q1 bringing total employment to over two million for the first time since 2009. At this stage it is our expectation that the current economic uncertainty will slow this employment growth somewhat, in 2017 but will not reverse it. Employment growth will slow marginally from 2.8% in 2016 to 2% in 2017.

The following section deals with changes in relation to resourcing and staff levels across respondent companies. In relation to total pay bill, the average increase was 5.49% and the median increase was 3%. These figures are higher than in previous reports, and show an underlying economic recovery encompassing recruitment of new staff and therefore the creation of new jobs.

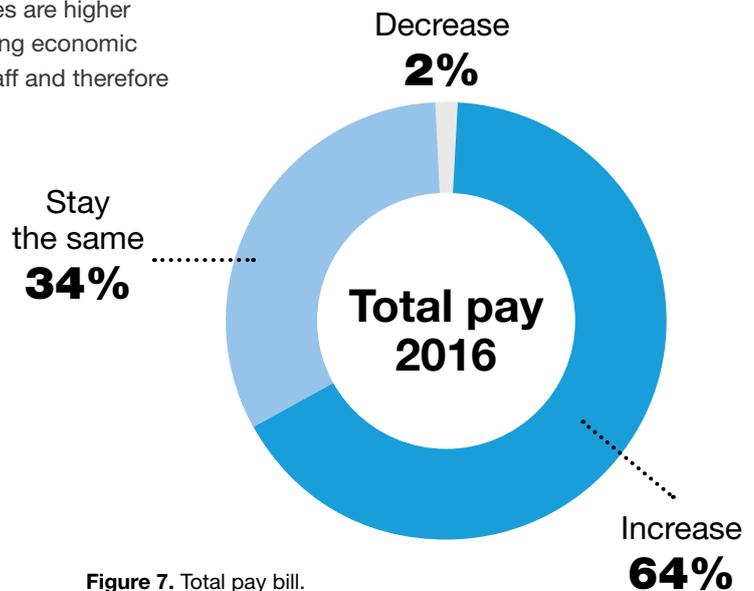


Figure 7. Total pay bill.

# Total pay changes 2016 (continued)

There was some sectoral variation across total pay bill increases. The high-tech manufacturing sector was most likely to have increased pay this year, with the services sector least likely. There was little variation between traditional manufacturing and the distribution sector in the findings.

## Total pay bill 2016 by sector

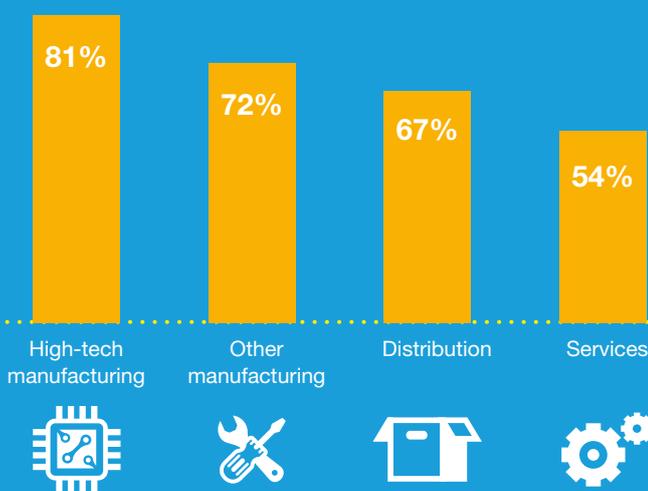


Figure 8. Total pay bill by sector.

There was a small amount of variation by size in total pay bill. In general, larger companies were more likely to see increases in total pay bill this year. **Figure 9** below sets out the details.

## Total pay bill 2016 by size

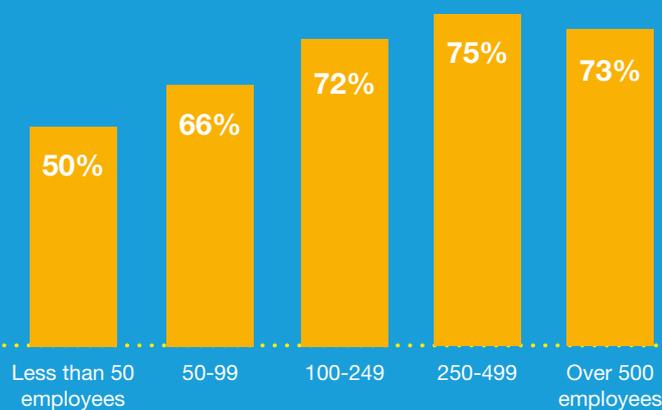


Figure 9. Total pay bill by company size.

# Total pay changes 2017

**A total of 68% of respondents indicated an increase in total pay bill in 2017.**

Similar levels of increases are expected in 2017 to those of 2016, with an average increase in total pay bills of +4.7% and a median increase of 2.75%. The subsequent section of this report on resourcing provides more detail around recruitment expectations of companies in 2017.

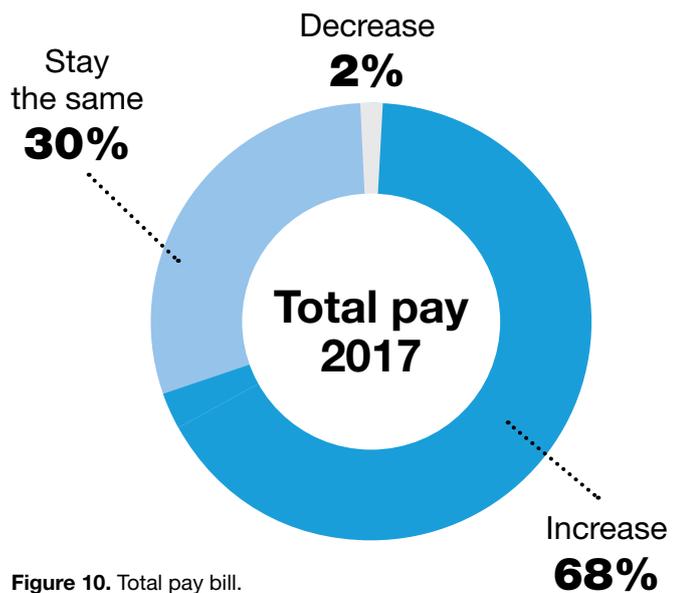


Figure 10. Total pay bill.

# Total pay changes 2017 (continued)

Again, some slight variation across sectors and by company size exists in relation to changes in total pay bill in 2017. The following graphs set out the details.

## Total pay bill 2017 by sector

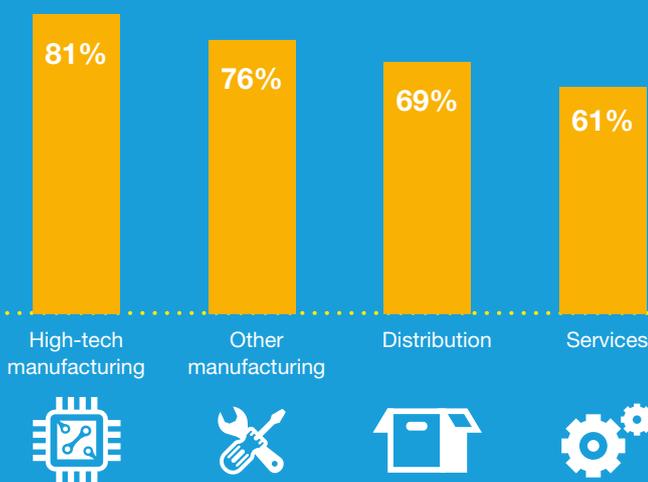


Figure 11. Total pay bill by sector.

On **Figure 12** there is variation by company size in terms of expectations of total pay bill increases in 2017. Across all company sizes, over three out of five respondents expected total pay bill to increase next year.

## Total pay bill 2017 by size

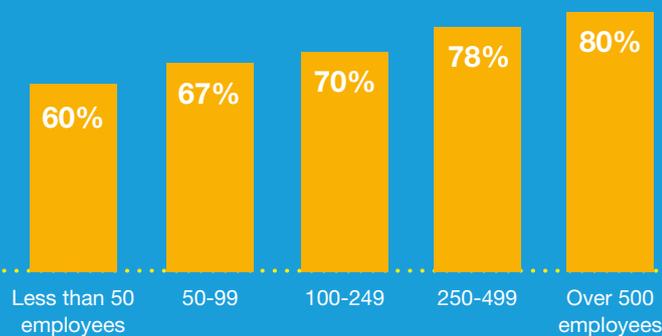
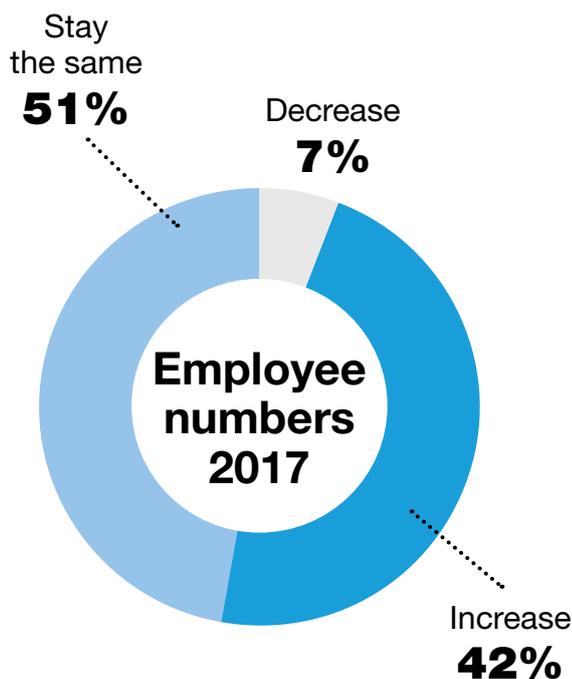


Figure 12. Total pay bill by company size.

# Resourcing 2017

**Closely aligned to total pay bill is recruitment of new staff, or reductions in staff numbers, which also impact on the total cost of pay.**

Given the proportion of companies expecting an increased total pay bill in 2017, it is unsurprising that a large proportion of respondents (42%) are expecting to increase staff numbers in 2017. The graph below sets out the details.



**Figure 13.** Changes to employee numbers in 2017.

There was no significant variation by sector, however, high-tech manufacturing is twice as likely to increase employee numbers next year. By company size, larger companies were more likely to see increases in employee numbers, with 50% of companies with over 500 employees expecting to increase their employee numbers, compared to 39% of companies with fewer than 50 employees.

Where an increase in employee numbers was expected, the average increase was 11.3% with a median of 5.0%. Decreases were expected in around one in twenty (7%) respondent companies.

In terms of staff recruitment for 2017, almost two thirds of respondent companies (63%) expect to increase recruitment of permanent staff, while 50% expect to increase recruitment

for temporary roles. Around one in six respondent companies (15%) expect to increase their usage of agency staff in 2017. This year we also examined usage of independent contractors and 15% of respondents expect their usage of these contractors to increase in 2017. **Table 1** on the next page sets out the details.

# Resourcing 2017 (continued)

	Yes	No	Under consideration	Don't know	Total
Recruitment of permanent staff	63%	24%	7%	6%	349
Recruitment of temporary staff	50%	32%	10%	8%	346
Increase usage of agency staff	15%	68%	8%	9%	320
Increase usage of independent contractors	15%	62%	13%	10%	316

Table 1. Recruitment.

An examination of the manufacturing sector indicates that recruitment of permanent staff is more likely in high-tech manufacturing companies with over two thirds (71%) of these companies indicating that they are expecting to increase permanent staff in the next six months compared with 54% of traditional

manufacturing companies. Some 70% of distribution companies and 62% of services companies were also expecting to recruit permanent staff in the next six months.

The proportion of companies by sector expecting to increase temporary staff closely mirrors that of permanent staff in most sectors.

The high-tech manufacturing sector is looking to increase temporary staff in over half (52%) of companies. Distribution (53%) and traditional manufacturing (51%) were somewhat higher in terms of temporary recruitment than other services sectors (49%).

# Ireland as a location for staff

## Companies were asked to rate Ireland as a location for staff relocating to work here from another country.

There is slightly more positivity towards Ireland as a location in these findings compared with 2015 data. Around a sixth of respondents (17%) indicated that they had no opinion or that this situation was unlikely to be applicable to them. For the remainder, Ireland was seen as a desirable location by 63% (56% last year). Table 2 below sets out the details.

	Highly desirable	Desirable	Not desirable	Don't know/ Not applicable	Total
2015	8%	48%	15%	29%	319
2016	9%	54%	20%	17%	361

Table 2. Desirability of Ireland as a location for staff from another country.

# Skill shortages in 2016

The number of unemployed people for each job vacancy is a good measure of how tight the labour market is and whether we are entering into a period of high wage pressures.

In Ireland, improvements in the labour market have meant that the number of unemployed people per vacancy has fallen significantly from 35 four years ago to 12 today. This is still relatively high, however, as in many other European countries this measure is well below 5. This suggests that wage pressures shouldn't be as high compared to these countries – but wage inflation is still relatively high in Ireland. This

is largely because there is a skills mismatch between the sectors with vacancies and those who are unemployed. The largest skills gaps identified by respondents were in the areas of engineers (21%), IT/software specialists (18%), sales and marketing specialists (11%), operatives (9%) and technicians (9%).

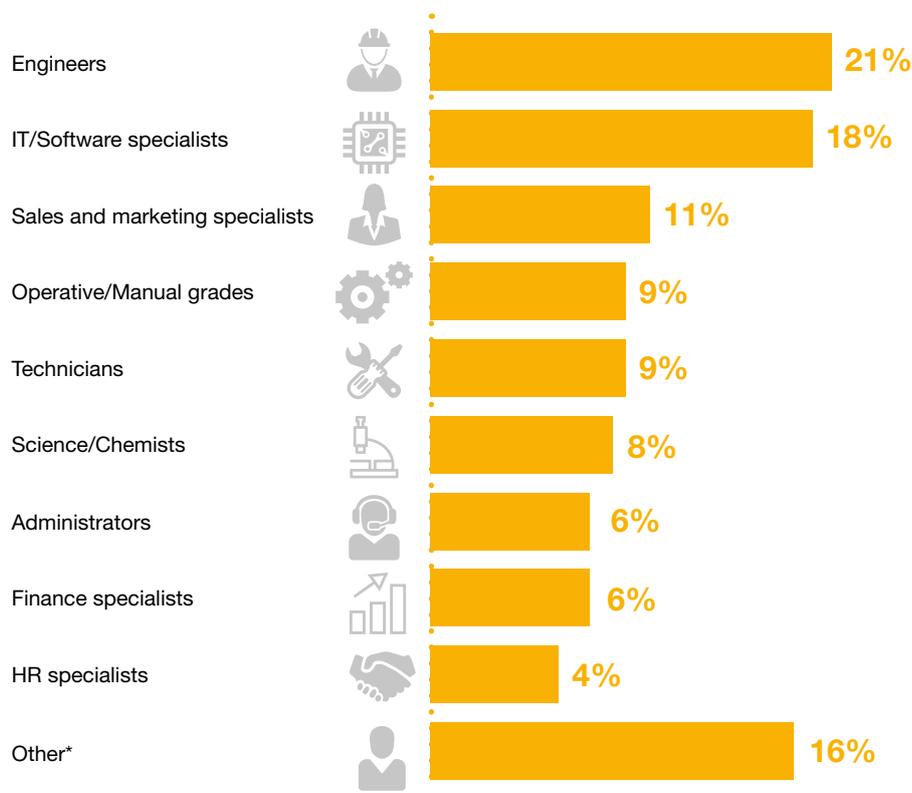


Figure 14. Skill shortages.

\*Other includes: chefs, language specialists, nurses, technicians, team leads, drivers, financial specialists and senior management, among others.

# Talent and HR Investment in 2016

	Percentage 2015	Percentage 2016
Leadership development training	60%	60%
Improved technology for the organisation in general	57%	52%
Change management processes	40%	24%
Office design, layout and planning	33%	43%
Project management processes	31%	31%
Improved technology for the HR Department	26%	26%
Performance management processes		43%
Employee wellbeing initiatives		48%
Initiatives to attract and retain key talent		30%
Corporate social responsibility initiatives		32%
Talent development initiatives		31%
Other*	2%	2%

**Table 3**

\*Other includes: reward, equipment, mission statement and specialist IT development.

## Future Workplaces - An Overview

### Workplace changes in the next three years

The following section of this report provides a look at possible changes and investments by employers to the workplace in the next three years.

#### Talent management

In line with employment growth seen earlier in this report, it is not surprising that almost two thirds (65%) of respondents identified an increased focus on talent management and skills development for their organisations over the next three years. The emphasis on talent as a key priority is consistent with the initiatives already taken by employers in the last 12 months (see table 3). These initiatives included employee investment strategies with respondents investing more into leadership development (60%), employee wellbeing (48%) and corporate social responsibility initiatives (32%) and performance management (43%). Just under a third of respondents (31%) are already investing in specific talent development initiatives.

#### Place of work

A significant proportion (43%) are also investing in office design, layout and planning by comparison with 2015 respondents where 33% identified this as a priority. This indicates a growing emphasis in investment by employers in physical

workspaces in which employees work. There is also continued momentum to look at e-working in the future with just under a third (31%) of respondents indicating that they wish to increase this in the next three years along with the introduction of flexible contracts (29%).

#### Employees self-service

We are seeing more companies looking to develop employee self-service offering in HR activities and employee benefits with 47% of respondents indicating that is earmarked for the near future.

#### Technology

The development of technology solutions in the workplace also remains a strong priority for many organisations and in particular the completion of organisational functions performed online (57%), use of metrics for decision making (51%) and use of apps for work (43%). 37% of respondents also predicted increased emphasis on online recruitment as a way of attracting staff.

# Workplace changes in the next three years

In line with recruitment activity expected in respondent companies during 2017 (63% of respondents are expecting to increase permanent employees in 2017) almost two thirds of respondents (65%) are expecting an increased focus on talent management and skills development over the next three years. Well over half (57%) are also expecting to increase the number of organisational functions completed online with 54% expecting to change the type of organisational functions completed online. Use of online recruitment methods is also expected to increase in over a third of respondent companies.

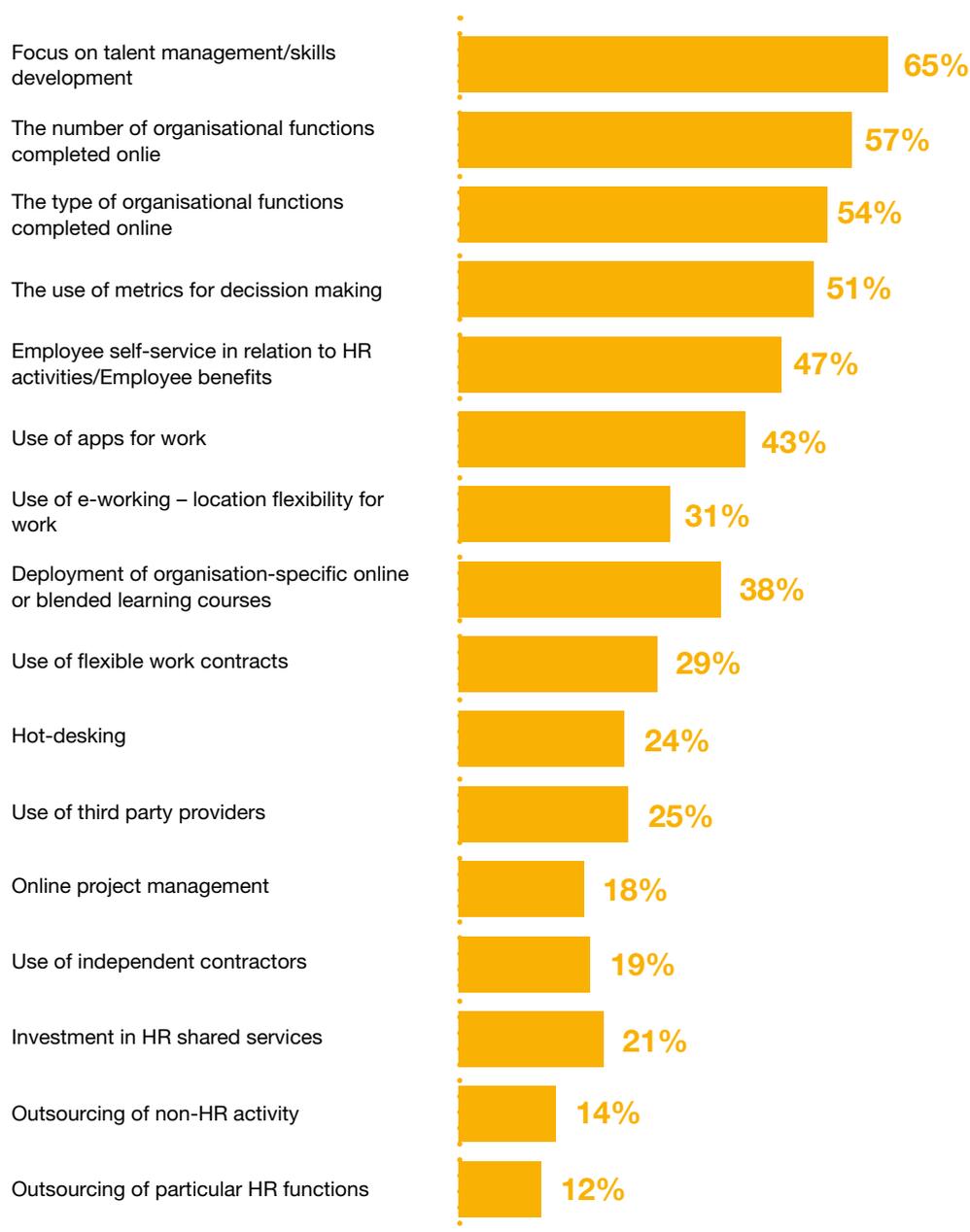
	Increase	Stay the same	Decrease	Don't know	Total
Focus on talent management/ skills development	65%	24%	2%	9%	343
The number of organisational functions completed online	57%	26%	3%	14%	355
The type of organisational functions completed online	54%	27%	2%	17%	342
The use of metrics for decision making	51%	28%	3%	18%	349
Employee self-service in relation to HR activities/ Employee benefits	47%	31%	3%	19%	351
Use of apps for work	43%	22%	6%	29%	346
Deployment of organisation-specific online or blended learning courses	38%	25%	6%	30%	342
Online recruitment	37%	40%	4%	19%	342
Use of e-working – location flexibility for work	31%	33%	6%	30%	348
Use of flexible work contracts	29%	42%	7%	22%	349

# Workplace changes in the next three years (continued)

	Increase	Stay the same	Decrease	Don't know	Total
Use of third party providers	25%	48%	7%	20%	341
Hot-desking	24%	31%	6%	39%	342
Investment in HR shared services	21%	40%	7%	32%	348
Use of independent contractors	19%	53%	7%	21%	342
Online project management	18%	37%	7%	38%	342
Outsourcing of non-HR activity	14%	39%	9%	38%	337
Outsourcing of particular HR functions	12%	50%	7%	31%	347

# Workplace changes in the next three years

The following graph provides a view of each item, collected in 2016.



**Figure 15.** Workplace changes.

**Report  
contributors**



**Maeve McElwee**  
Director of Employer Relations

**Tel: +353 1 605 1623**  
**Email: [maeve.mcelwee@ibec.ie](mailto:maeve.mcelwee@ibec.ie)**

**Fiona Higgins**  
Senior Manager - IR/HR Knowledge Centre

**Tel: +353 1 605 1517**  
**Email: [helen.fitzgerald@ibec.ie](mailto:helen.fitzgerald@ibec.ie)**



**Geraldine Anderson**  
Head of Research

**Tel: +353 1 605 1512**  
**Email: [geraldine.anderson@ibec.ie](mailto:geraldine.anderson@ibec.ie)**



**Dublin (Head Office)**

84/86 Lower Baggot Street  
Dublin 2  
T: + 353 1 605 1500  
E: [membership@ibec.ie](mailto:membership@ibec.ie)  
W: [www.ibec.ie/membership](http://www.ibec.ie/membership)

**Galway**

Ross House, Victoria Place  
Galway  
T: + 353 91 561 109  
E: [galway@ibec.ie](mailto:galway@ibec.ie)  
W: [www.ibec.ie/west](http://www.ibec.ie/west)

**Cork**

Knockrea House, Douglas Road  
Cork  
T: + 353 21 429 5511  
E: [cork@ibec.ie](mailto:cork@ibec.ie)  
W: [www.ibec.ie/cork](http://www.ibec.ie/cork)

**Limerick**

Gardner House Bank Place  
Charlotte Quay Limerick  
T: + 353 61 410 411  
E: [midwest@ibec.ie](mailto:midwest@ibec.ie)  
W: [www.ibec.ie/midwest](http://www.ibec.ie/midwest)

**Donegal**

3rd Floor, Pier One Quay Street  
Donegal Town Donegal  
T: + 353 74 972 2474  
E: [northwest@ibec.ie](mailto:northwest@ibec.ie)  
W: [www.ibec.ie/northwest](http://www.ibec.ie/northwest)

**Waterford**

Waterford Business Park, Cork Road  
Waterford  
T: + 353 51 331 260  
E: [southeast@ibec.ie](mailto:southeast@ibec.ie)  
W: [www.ibec.ie/southeast](http://www.ibec.ie/southeast)

**Brussels**

Avenue de Cortenbergh 89, Box 2  
B-1000 Brussels  
Belgium  
T: + 32 (0)2 512 33 33  
F: + 32 (0)2 512 13 53  
E: [europe@ibec.ie](mailto:europe@ibec.ie)  
W: [www.ibec.ie/europe](http://www.ibec.ie/europe)