

Xpert HR

Cendex

**Reward benchmarking:
what, why and how
in 30 minutes**



Speaker




Penne Cecil-Hutton

Reward consultant,
XpertHR Group, Cendex

Penne has over 20 years' experience working in various reward roles, including over 10 years of consultancy work. Her expertise includes:

- Pay and job grading
- Hay job evaluation
- Salary benchmarking
- Implementing pay awards
- Gender pay gap consultancy

AGENDA

- 1 — Reward benchmarking
 - 2 — Job evaluation
 - 3 — Regional pay differences
 - 4 — Defining the labour market
 - 5 — What to look out for over the next few months
- 

Cendex...but only briefly

XpertHR **Cendex** About us | Contact us | Log out

Home

Benchmark a role Market data source: Cendex UK 2021 July

Tools Search for a role Build a role Saved roles Start over Export all tables Help and support Library

Articles and reports

My files

Help and support

HR manager

Your search was matched to roles in our database. Select the ones you would like to see benchmarks for.

Not the functions and levels you were expecting? Try adjusting your search.

Select	Level	Function	Ind/Org matches	Avg basic salary
<input checked="" type="checkbox"/>	20 - Professional level 4	900 - HR Generalist	1088/307	£47,358
<input type="checkbox"/>	16 - Section manager	900 - HR Generalist	612/225	£55,804
<input type="checkbox"/>	15 - Department manager	900 - HR Generalist	352/164	£60,372
<input type="checkbox"/>	21 - Professional level 3	900 - HR Generalist	1405/329	£37,526

Filter the table below by selecting an employee or group of employees

Filter menu

- Identity →
- Job title (1) →
- Cendex job level →
- Cendex job function →
- Internal department →
- Internal grade →
- Region →
- County →

finance officer

- CHIEF FINANCE OFFICER
- FACULTY FINANCE OFFICER
- FINANCE OFFICER
- RESEARCH FINANCE OFFICER
- SENIOR FINANCE OFFICER
- STUDENT FINANCE OFFICER

Selected filters

Job title | Clear this section

SENIOR FINANCE OFFICER x

Apply Clear all selections

Feedback

Showing selected employees:

Show or hide employee details Reward type

Employee ID	Job Title	Basic salary	Amount	£ Diff	% Diff	Ind/Org
4290	SENIOR FINANCE OFFICER	£37,652	£34,255	£3,397	+9.9%	222/82
4778	SENIOR FINANCE OFFICER	£36,842	£38,567	-£1,725	-4.5%	173/57
6534	SENIOR FINANCE OFFICER	£34,480	£33,617	£863	+2.6%	47/32

Market comparator group

Job role and Industry

Metrics:	LD	LQ	MED	UQ	UD	AVG
Amount	£ Diff	% Diff	Ind/Org			

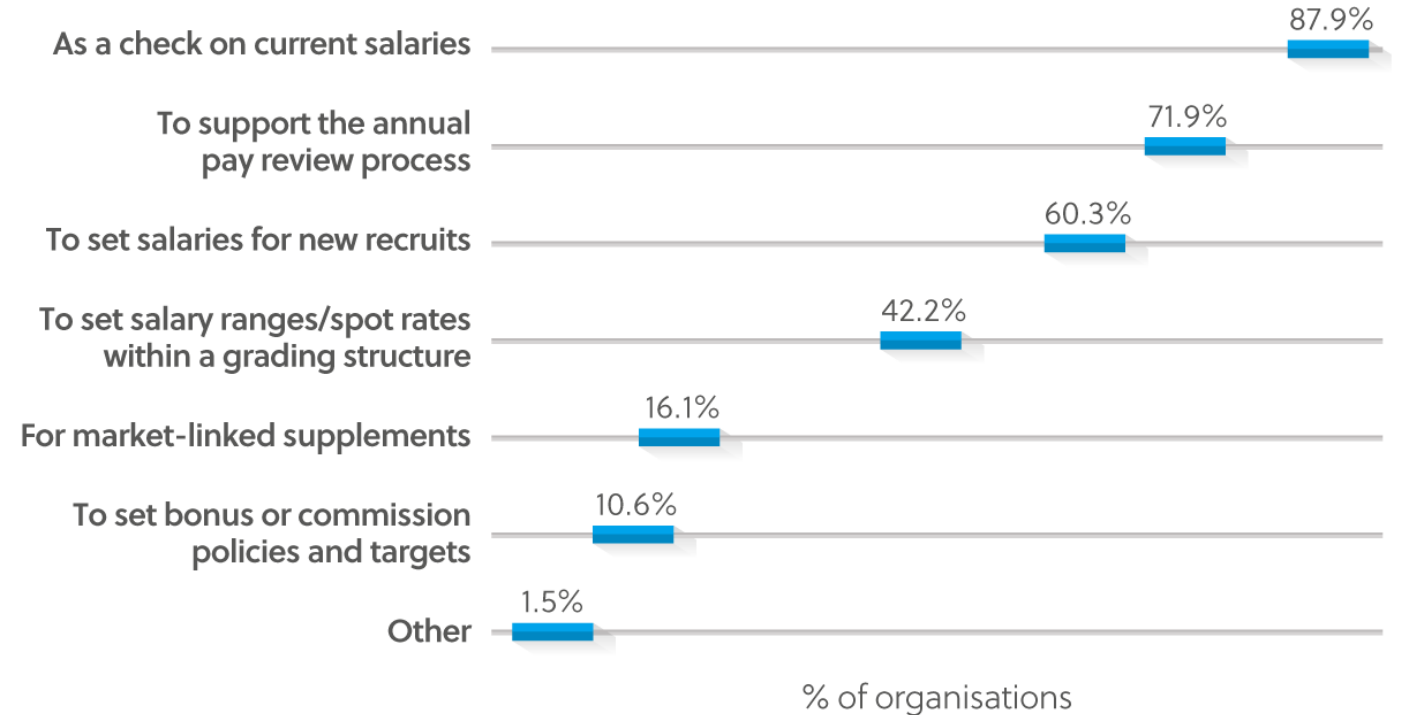


Q. Why benchmark reward?

The advantages of reward benchmarking

There are multiple use cases for reward benchmarking but the advantages include:

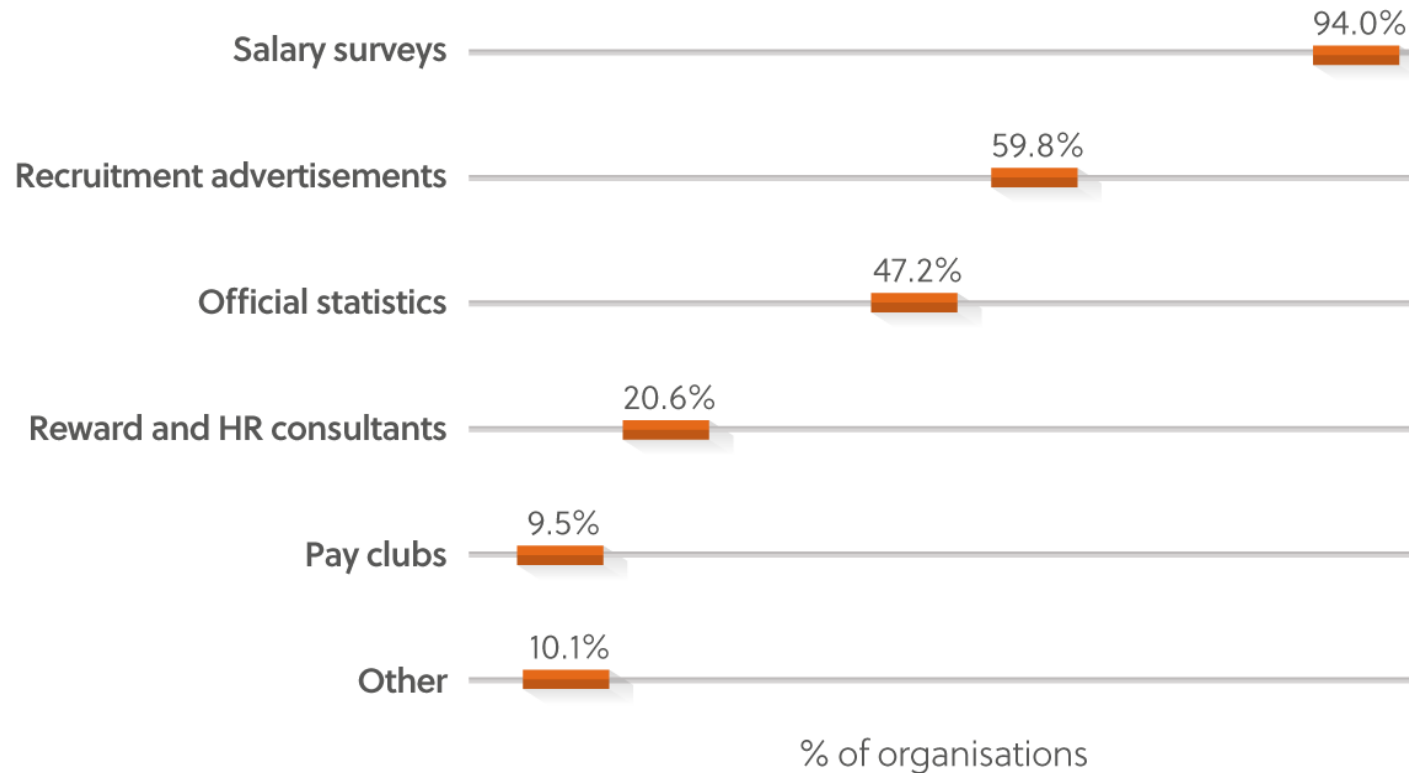
- ✓ Control costs
- ✓ Justify (and defend) reward decisions
- ✓ Ensure pay fairness
- ✓ Keep track with market changes
- ✓ Manage employee expectations



Source: XpertHR Reward Planning and Priorities 2021

Market data makes reward-related decisions more robust and effective.

Data sources for reward benchmarking



Source: XpertHR Reward Planning and Priorities 2021

Official statistics are great for compiling GDP figures but less good when it comes to reward benchmarking.

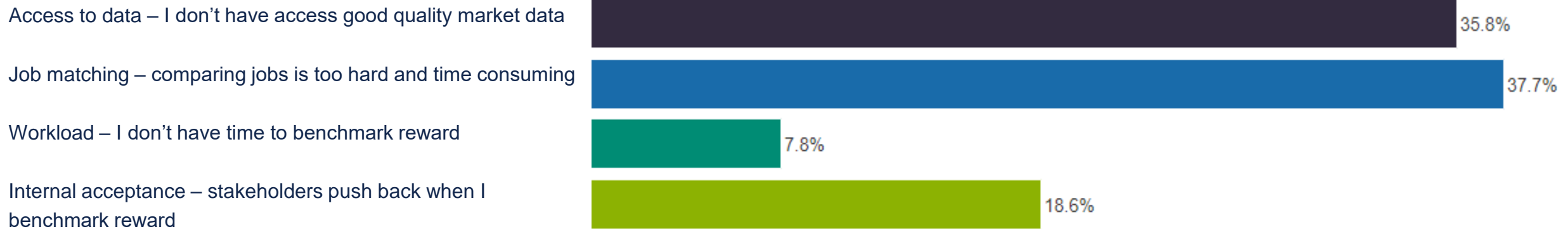
Recruitment adverts have their uses but reward packages are not always listed.

Social media sites, such as Glassdoor also do not have reward benchmarking as their prime intention.

Timely and systematic market data is better than the alternatives.

Poll

What issues do you face when it comes to reward benchmarking?





Q. Do I need to use
job evaluation?

There is more than one way to compare like-with-like

Job evaluation

A study carried out to evaluate the content of a job by reference to factors such as skill, effort and responsibility. Often involves complex or proprietary methods and processes.

Job levelling

Also known as job grading.

Job matching (manual)

Roles to Cendex Levels and Functions

Job matching (semi-automated)

Data extract to Cendex and recommended Cendex Levels and Functions

For complex organisations job evaluation may be required but **job matching** is usually more than enough.

There is more than one way to compare like-with-like

Job matching (manual)

Immediately gives a framework

Job matching (semi-automated)

Takes the worry, time and effort out of matching all roles

Lots of help and support

Read across available (can be tailored to organisation)

For complex organisations job evaluation may be required but **job matching** is usually more than enough.

The Cendex job level schema



Job level + job function = job role.



Q. What about regional pay differences?

Geography does matter. But not every time.

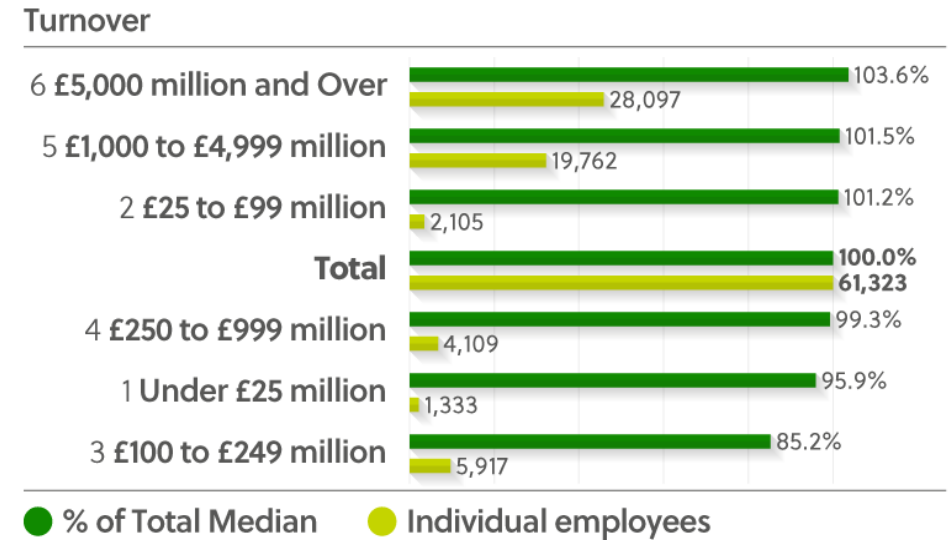
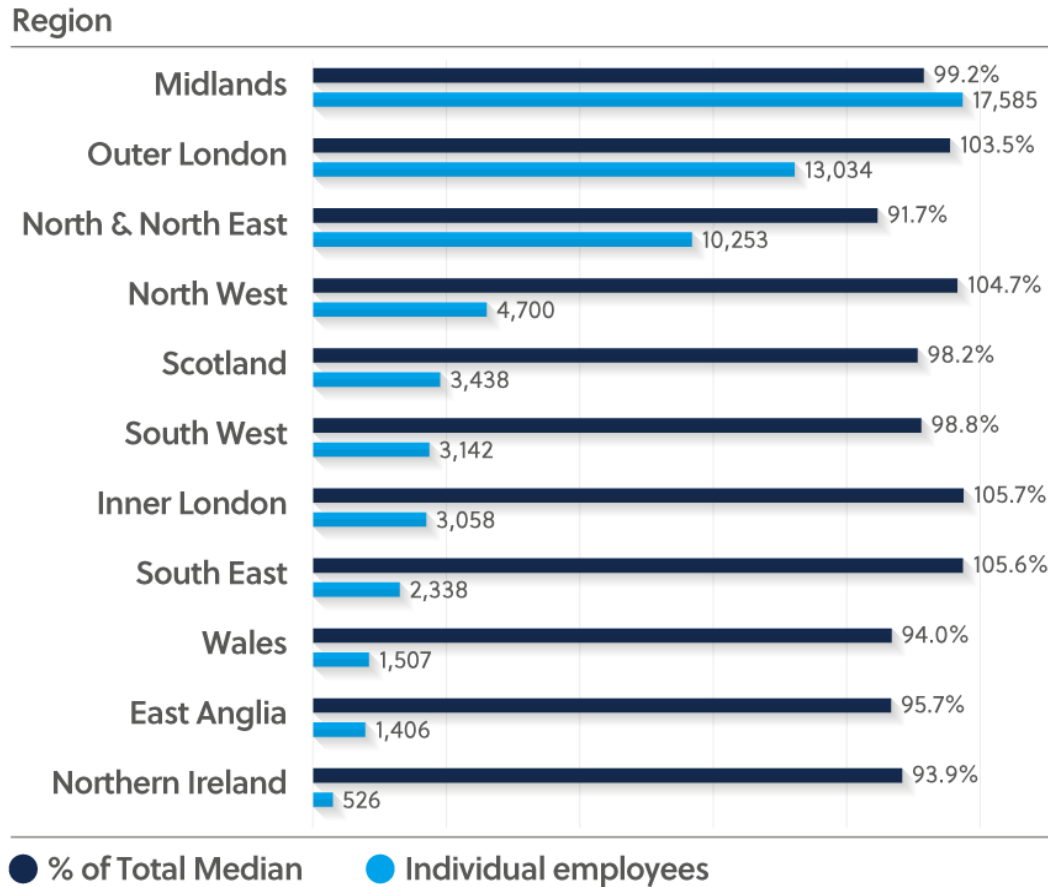
- ✓ Local labour markets
- ✓ Geographically orientated activities
- ✓ London vs Rest of UK
- ✗ Senior executives
- ✗ Mobile workers
- ✗ Home workers

Employers are changing their pay policies in this area, eg the percentage of employees receiving location allowances has dropped 43% since August 2020. (Cendex: June 2021).



Regional pay? Warehouse operatives.

Basic salary: warehouse operative (level 23, function 882) whole sample median is £21,256



For warehouse operatives geography really matters.

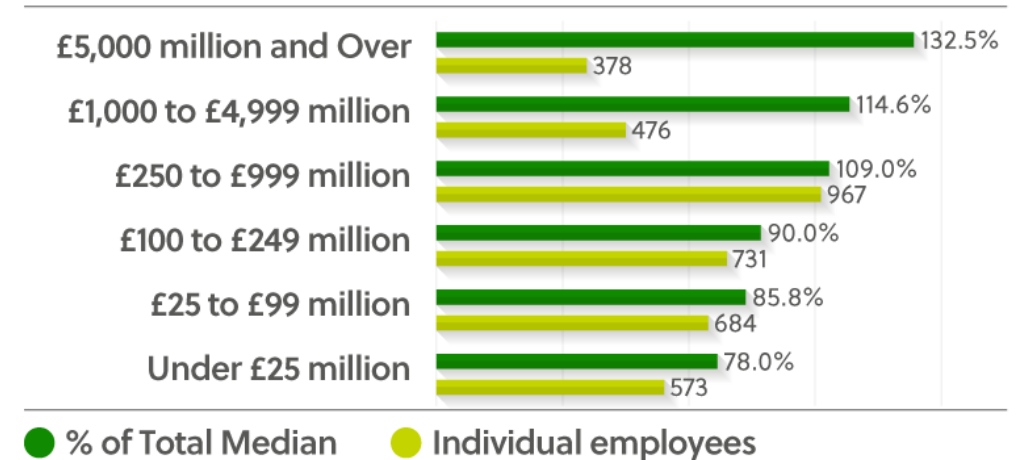
Source: Cendex UK June 2021

Regional pay? Executive directors.

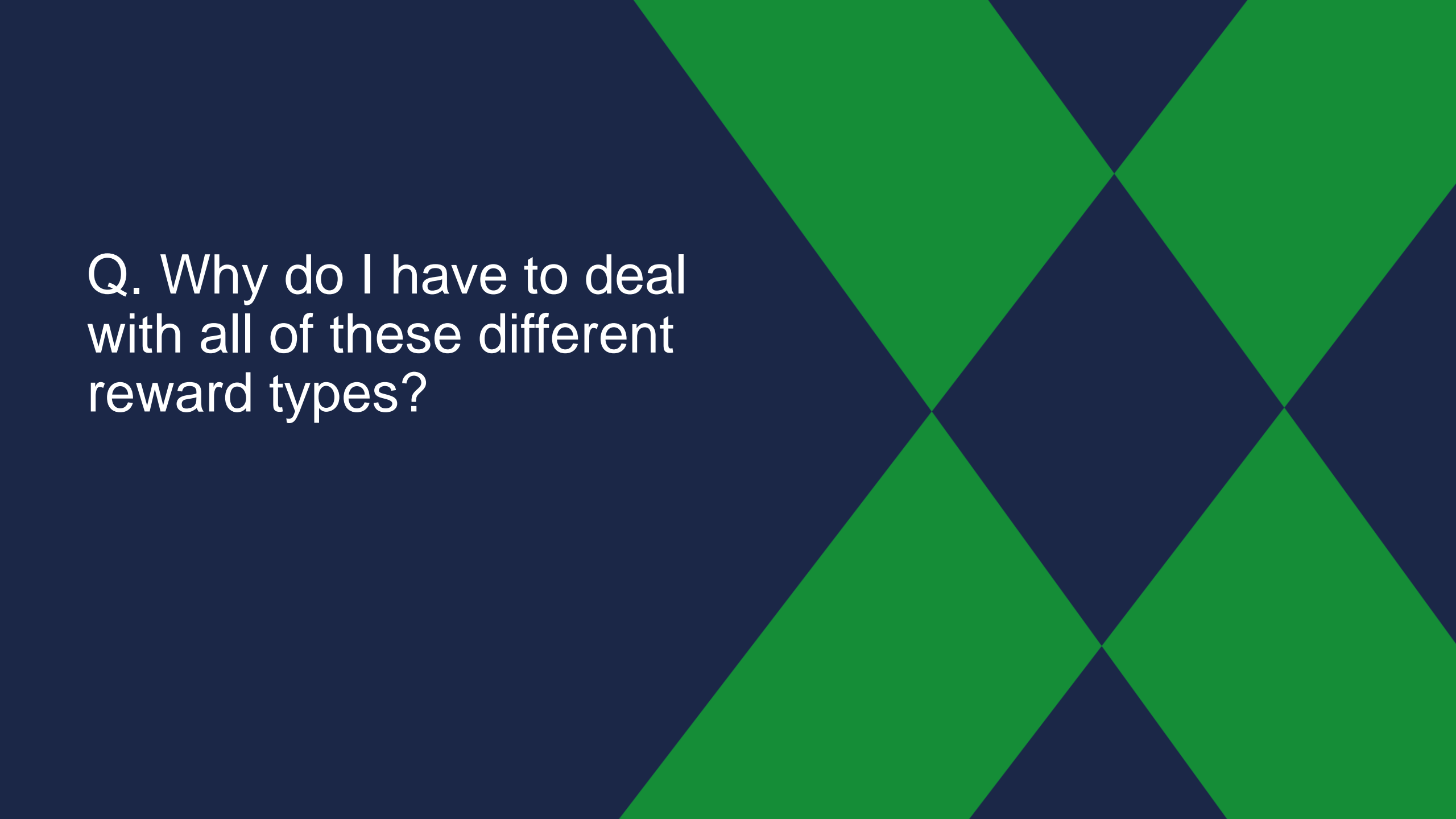
Basic salary: executive directors (level 12)



Turnover



For executive directors there clearly are regional differences but are secondary to **enterprise size**.



Q. Why do I have to deal with all of these different reward types?

Only a handful of reward types are common

Cendex reports on 12 different types of reward but the average employee only receives **1.6** of these different reward types.

Basic salary remains the prime reward type but employers are increasingly looking at **hourly rates** of pay and how working hours affect work-life balance.


Common

- Basic salary (£ annual)
- Total cash (£ annual)
- Standard rate (£ hourly)
- Bonus (£ annual)

Role-specific

- Shift allowance (£ annual)
- Other allowances (£ annual)
- Car allowance (£ annual)
- Location allowance (£ annual) *
- Market supplement (£ annual) *
- Standby allowance (£ annual)
- Commission (£ annual)
- Responsibility allowance (£ annual)

Location allowances and market supplements are typically used in the voluntary and public sectors. In other industries these items are simply factored into basic salaries.



Q. How should I define
my labour market?

Defining your labour market: keep it simple.

With many data issues you can end up with the **curse of dimensionality**. There are just too many options! The way around this is to focus on what's important. When we analyse basic salaries within the Cendex database we see these overall rankings:

Factor	Focus	Importance (rank)
Job level *	Individual	1
Job function *	Individual	2
Region	Individual	3
Industry	Organisation	4
Length of service	Individual	5
Turnover	Organisation	6
Number of employees	Organisation	7

- Job level and function are ahead by miles
- There are many other role-specific factors (not shown)
- Rankings vary somewhat by reward type
- Turnover and employees *can* be important factors for executives

Job level and job function are the most important factors by some margin.

Defining your labour market: steps to take.

Starting from a **job function**, there are five steps to defining a labour market...

Step 1: select the job role

Step 2: choose a reward metric


Step 3: consider if region should be used as a filter

Step 4: consider if industry should be used as a filter

Step 5: consider if company size should be used as a filter

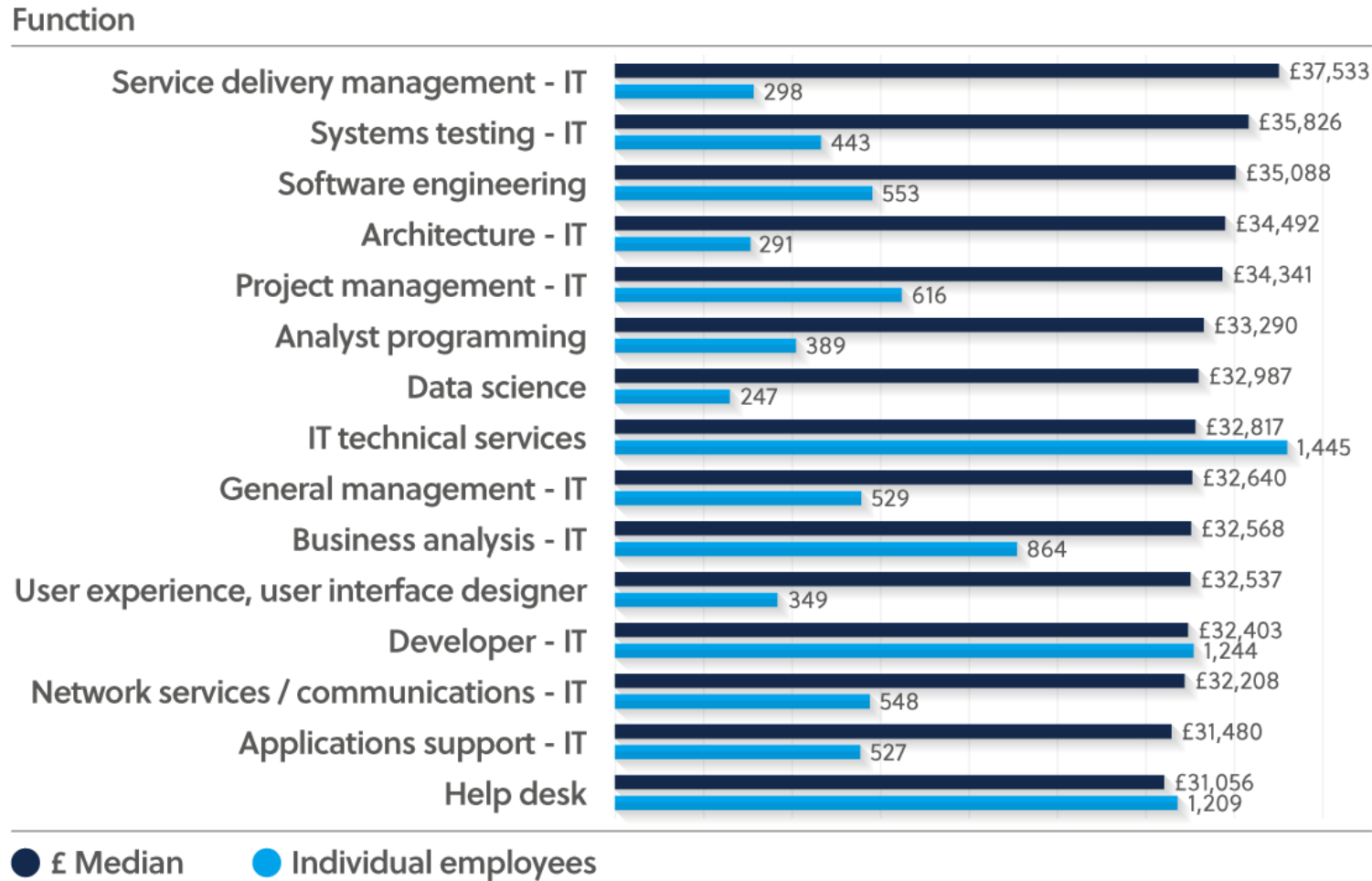
...but only one of these is essential, **job role**. The other factors are much less important and should only be used if required.

Only job role is essential



Q. Aren't all tech roles highly paid?

Some tech roles are highly paid. But not all.



- **Only** job level 22 is shown (developing professional)
- Some tech roles are more fashionable than others
- Skilled and experienced professional can (and do) go on to earn much more money but they have to start somewhere
- There are always hotspots, for example developers.

Not every technology job is highly paid but this may be the case for mission critical roles.

You can check whether pay is surging for new starters.

The length of service filter can be used to verify whether a role is really in demand and pay is growing faster than the whole sample (sometimes!).

In this case the average new starter salary for a Section manager in Testing and design of **£67,419** is higher than the whole sample average salary of **£64,095**.

16 Section manager x 68 Testing and design x

1087 individuals from 93 organisations

Job role Location Industry Size Other

Show my data Show metrics

	LD	LQ	MED	UQ	UD	AVG	Ind/Org
Basic salary	£51,250	£56,428	£62,673	£68,218	£80,701	£64,095	1087/93

Feedback

16 Section manager x 68 Testing and design x 1 New starter (0-2) x

156 individuals from 40 organisations

Job role Location Industry Size Other

Show my data Show metrics

	LD	LQ	MED	UQ	UD	AVG	Ind/Org
Basic salary	£54,064	£60,000	£65,000	£70,190	£88,000	£67,419	156/40

Feedback

In some disciplines new starter salaries are higher



Q. When should I
benchmark pay?

When should I benchmark pay?

- New appointments
- Pay reviews
- High attrition rates
- Difficulties recruiting
- Re-organisations
- Requests from managers or staff
- Set pay bands / grades

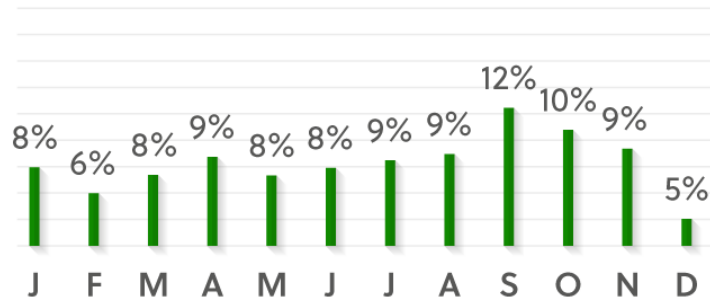
Two most popular reasons are for new appointments and pay reviews



Timings and dates are important

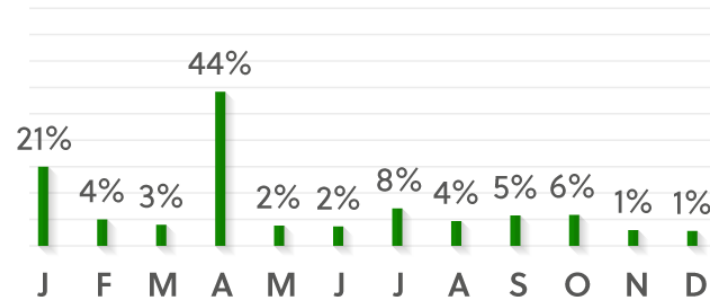


Employee start date (%)



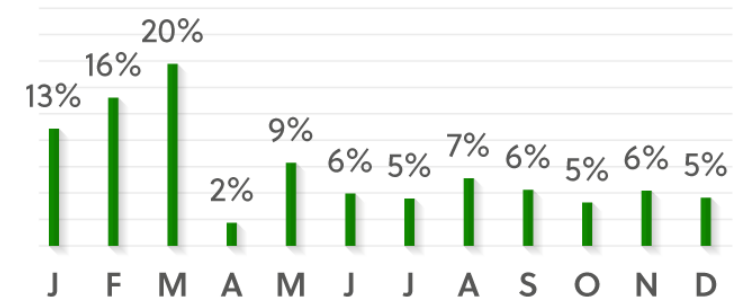
- Peak activity for recruitment is late Summer and Autumn
- Recruiters need to set competitive reward rates to attract new hires
- Action: benchmark pay for new roles

Pay award effective month (%)




- Annual pay review cycle begins in Autumn and ends in April
- Employers want market data and intelligence to minimise outlay
- Action: review your employees pay

GPG data submission (%)



- Gender pay gap reports must be submitted annually in early April
- Organisations need to prepare their data and calculate their metrics
- Action: start work sooner not later

Cendex Benchmark a role, Review pay and GPG reporting services can make your life easier



Q. What should I look out for over the next few months?

Things to look out for over the next six months



Survey conducted by Censuswide in May 2021, analysed responses from 254 HR decision makers.

Looking ahead: the next six months

Labour turnover

The Coronavirus (COVID-19) pandemic, and particularly the furlough scheme, placed the UK labour market in stasis. The pandemic is not over but as restrictions are removed we should expect to see higher rates of both voluntary and involuntary turnover. Unemployment is likely to rise somewhat but the bigger picture is that we will see the labour market start to operate effectively again.

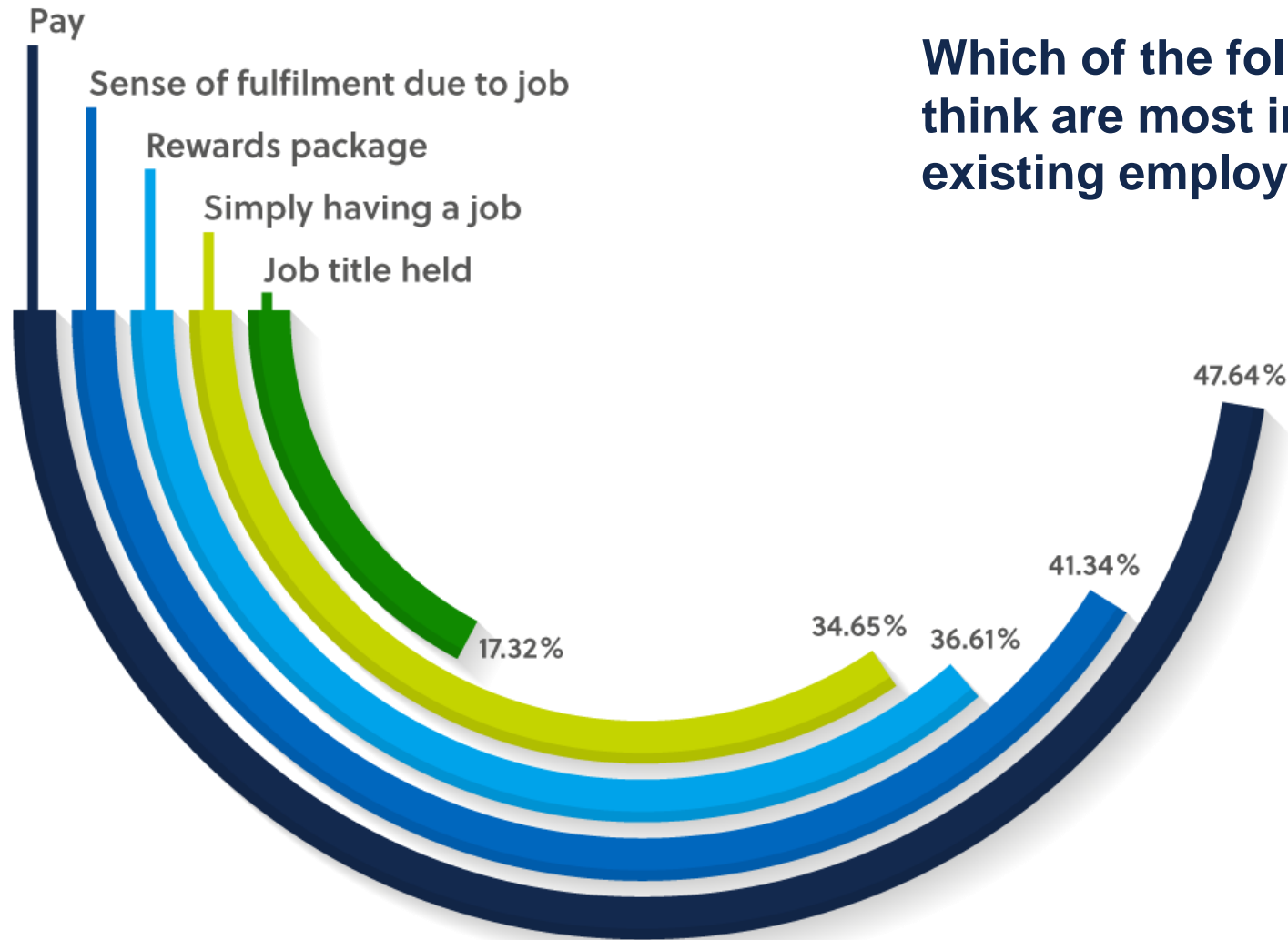
Labour shortages

Brexit means that a large pool of workers is now unavailable to employers and we should expect shortages to lead to pay increases, consumer price inflation, technological substitution or even the end of particular business lines. But this is likely to be restricted to particular roles, eg HGV drivers, construction workers, hospitality staff and those working in care.

The Coronavirus (COVID-19) pandemic will not end immediately but employers are adjusting.

And finally...

Pay is a very important aspect of the employment deal...



Which of the following to you think are most important for existing employees?

...but cash rewards are not the only issue



Employee value proposition



Pay equity



Diversity and inclusion

Xpert HR

Cendex

Thank you

cendex.co.uk

cendex@xperthr.co.uk

0208 652 3900

