

attraction, reward & retention survey

2017



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INTRODUCTION & BACKGROUND

Recruitment activity in Surrey outstripped all other counties in the South and the significant demand for staff in the region looks set to continue well into 2017

As the South East's leading independent consultancy with a vast amount of local and industry knowledge, Walker Dendle's Attraction, Reward & Retention Survey is seen by finance and human resource managers as an authoritative overview of recruitment and reward practices in Surrey & the South East, including South West & West London. This report presents informative yet concise information on staffing trends and remuneration packages available to finance professionals and we are confident that employers and employees alike will find the content both enlightening and useful.

The source data (APSCo, CIPD & Paydata Business Insight) has been taken from a review of compensation packages across a diverse range of organisations in the area, from SMEs to listed companies, and a variety of industry sectors including FMCG, manufacturing, retail, telecommunications, pharmaceutical, financial services and 'not for profit'. The detail is supplemented with Walker Dendle's own observations of the regional financial recruitment market and how the heightened demand for accountants to fulfil an assortment of roles – technical and commercial, temporary and permanent – will affect remuneration and reward in 2017.

As in previous surveys, we have explored job availability for finance professionals in the South East and the impact growth in job vacancies is likely to have on reward practice, particularly when coupled with a shortage of skills, and how organisations will need to review remuneration packages to attract and retain key talent.

According to the last APSCo Regional Trends Report of 2016, employment levels remained high. Recruitment activity in Surrey outstripped all other counties in the South and the significant demand for staff in the region looks set to continue well into 2017. So the ongoing theme over the coming year for employers based in Surrey and the South East will be increasing recruitment and retention pressures as employment growth continues. With no anticipated softening in demand for accountants, the chronic skills shortage will continue to place pressure on remuneration budgets, certainly for the foreseeable future and regardless of any long-term impact of Brexit.

In the pages to follow we also seek to outline some of the features of the current labour market in Surrey and the South East and to highlight the impact that these attributes will have on overall reward and remuneration. The primary aim of this survey is to provide a yardstick in respect of current and predicated practices in reward management in the region which can easily be supplemented by bespoke benchmarking as part of Walker Dendle's comprehensive menu of consultancy services.

MARKET EVALUATION

Walker Dendle sees itself as being well placed to provide regional businesses with an insider view of the major trends in talent acquisition

A key point noted in the UK Recruitment Index Survey of 2016, commissioned by APSCo and compiled by Deloitte, was that overall growth continued in the UK recruitment sector, but that the pace of growth may have slowed somewhat as reported income from both permanent and interim placements was static. With the recruitment sector considered an economic barometer, this survey confirmed that the war for talent was as strong as ever toward the end of 2015 with unemployment at its lowest since 2008 and that this demand remained high into Q1 of 2016. However, there was no doubt that, in the immediate build up to the UK referendum on EU membership in June, the appetite to hire diminished considerably with some UK CFOs pessimistically confirming that they fully expected hiring and capital expenditure to fall in 2017.

Since the vote to leave the EU, and the subsequent volatility in sterling and share prices, the extent to which businesses hired plateaued in Q3, but with a rush of activity toward the close of the year. Nonetheless, while the economic landscape looks uncertain ahead of triggering of Article 50 and commencement of formal Brexit negotiations, we move into 2017 with a buoyant local labour market.

Walker Dendle sees itself as being well placed to provide regional businesses with an insider view of the major trends in talent acquisition given the enduring skills shortage, impacted by a more cautious approach to changing jobs.

According to a recent CIPD study, in general, 33% of businesses expressed the view that hiring staff with the right skills set posed a major challenge whilst 30% cited retaining key employees as presenting difficulty and that these problems had become chronic over the past two years. So, even given increased economic and political uncertainty, we at Walker Dendle do not envisage any major shift in the recruitment market in Surrey & the South East in the year ahead. Enlightened clients will continue to engage with professional recruiters, seeking our advice and 'know how' on flexible recruitment strategies possibly with a shift from permanent, or fixed term appointments, to short term interim and contract workers as a flexible workforce can respond more nimbly to economic and political ambiguity. In fact, flexible working has become more commonplace in recent years as an equally effective response to combatting the permanent skills shortage, with APSCo data confirming that the overall demand for interim specialists in 2015, across all sectors and business size, had increased on the previous year, often outstripping the demand for permanent hires.

Research conducted by Vacancysoft for APSCo confirmed that by December 2016 recruitment activity in the South East dwarfed other regions (South West and East of England) accounting for nearly half of all vacancies with the number of open vacancies peaking in March. However, the impact of the Brexit referendum can be seen in the fall in activity from Q2 onwards, but with a pre-Christmas spike.

Although vacancy growth in the South was slower in 2016 than compared to the rest of the UK, Surrey, as a county, enjoyed significant growth posting monthly volume increases in excess of 30%. This was possibly as a direct result of Surrey feeling the benefits of companies seeking to move resources outside of the capital whilst still affording easy access to the City and major transport and communication links.

When analysing new vacancies by sector, Technology, Media, Telecommunications (TMT) dominated with a 24% rise in activity whilst the Financial Services sector witnessed a fall year on year. Healthcare and Consumer Goods also experienced strong growth and demand for accountants across all sectors remained static at around 10% of all vacancies posted in 2015 and 2016.

REWARD MANAGEMENT: THE STATISTICS & KEY POINTS

- A recent CIPD survey suggests that short-term employment growth will remain strong, despite a modest fall post Summer 2016, indicating that the labour market remains resilient following the vote to leave the EU in June 2016.
(CIPD Labour Market Outlook (LMO) Autumn 2016)
- The proportion of employers that plan to hire staff is consistent with recent LMO reports and sits at 70%.
(CIPD Labour Market Outlook Autumn 2016)
- The finance sector is driving growth with a year on year expansion in permanent placements of 17% although the number of actual appointments plateaued somewhat in Q3 following the UK's decision to exit the EU. The demand for finance skills is still growing year on year, but at a slower pace, with permanent vacancies up by 8%.
(Walker Dendle Placements Comparison 2016)
- Over 40% of employers fear that the already chronic skills shortage will worsen and the cost of labour will increase if the ability to hire migrant workers was to be reduced due to a change in UK Immigration Policy and that this would have a negative impact on UK operations.
(CIPD Labour Market Outlook Autumn 2016)
- Across the UK in 2016, salaries increased by an average of 1.8%, but in areas of skills shortages some professionals, including accountants, have enjoyed double digit increases.
(Paydata UK Reward Management Survey Spring 2016)
- There have been no major changes to reward management trends observed over the past five years, with the most common budgetary increase expected to be between 1% and 3% and with pay freezes remaining very much the exception.
(Paydata UK Reward Management Survey Spring 2016)
- The proportion of organisations setting budgets between 1% and 2% is higher now than in 2010 and budgets fixed over 5% are extremely rare.
(Paydata UK Reward Management Survey Spring 2016)
- Almost two thirds of employers expected the number of people and bonus levels to remain largely unchanged with bonuses reflecting seniority and significant variations between director levels and other employees, but with weighty differences from sector to sector.
(Paydata UK Reward Management Survey Spring 2016)
- Individual bonuses (57%) and merit pay rises (51%) are still the most common Performance Related Reward (PRR) schemes versus group based arrangements.
(CIPD Annual Survey Report Reward Management)

- Recruitment and retention challenges marginally increased in 2016 when compared to the same period the previous year with, as expected, the trend for staff turnover to be highest for roles at, or below, middle management and professional levels.

(Paydata UK Reward Management Survey Spring 2016)

- 60% of respondents indicated that new hires were awarded salaries which conflicted with those paid to existing employees; a statistic higher than in 2015.

(Paydata UK Reward Management Survey Spring 2016)

- Half of all employers confirmed that they use individual arrangements, or 'spot salaries' to manage base pay.

(CIPD Annual Survey Report Reward Management)

- The ability to pay is still considered as the most important factor when determining base pay levels with 46% of respondents confirming this with individual performance (74%), competencies (64%) and market rates also featuring as the most common criteria to manage basic pay progression.

(CIPD Annual Survey Report Reward Management)

- The top three factors determining the size of an organisation's pay review are the ability to pay, competitors' pay rises and recruitment & retention issues, revealing two opposing pressures on pay increases – affordability and the attraction and retention of top talent.

(CIPD Annual Survey Report Reward Management)

- Most organisations still favour pay confidentiality over a more transparent approach with 50% supporting the view that pay should only be revealed when required by legislation.

(CIPD Annual Survey Report Reward Management)

- Access to a pension scheme is one of the most common benefits offered to all employees by 71% of respondents and, on average, employers contribute 5.8% of base pay whilst employees contribute 4%.

(CIPD Annual Survey Report Reward Management)

- 88% of organisations contribute to a pension scheme with contributions being more commonplace in large companies and less customary in SMEs and privately owned firms.

(CIPD Annual Survey Report Reward Management)

- Top 10 benefits offered to all employees include paid bereavement leave, training and career development and 25 days' annual leave.

(CIPD Annual Survey Report Reward Management)

(Source: Paydata Business Insight; UK Reward Management Survey Spring 2016, CIPD Annual Survey Report Reward Management and Labour Market Outlook Autumn 2016)

REMUNERATION RANGES

SENIOR INTERIM & CONTRACT

Level	Interim rate range per day (£)
Transitional/Change Manager	500 – 1,000+
Finance Director	650 – 950+
Financial Controller	450 – 600+
Financial Planning & Analysis	450 – 550
Finance Manager	350 – 450
Senior Accountant	300 – 400
Part Qualified	200 – 300

SENIOR FINANCE ROLES

Level	Permanent basic salary range per annum (£)
Finance Director (including Group & Divisional Levels & Internal Audit)	90,000 – 150,000+
Financial Controller (including Group & Divisional Levels & Head of Finance)	75,000 – 90,000
Financial Planning & Analysis Manager (including Head of FP&A, Commercial Manager/Controller & Business Controller)	70,000 – 90,000+
Finance Manager	60,000 – 75,000
Senior Accountant (including Group roles & Internal Audit)	65,000 – 75,000

QUALIFIED FINANCE ROLES

Level	Permanent basic salary range per annum (£)
ACA/CIMA/ACCA Qualified with 3–5 years PQE	65,000 – 75,000+
ACA/CIMA/ACCA Qualified with 1–3 years PQE	60,000 – 75,000
ACA/CIMA/ACCA Newly Qualified/Passed Finalist	45,000 – 60,000

PART QUALIFIED ACCA

Level	Permanent basic salary range per annum (£)
Professional Level	35,000 – 45,000+
Fundamentals Level	25,000 – 35,000

PART QUALIFIED CIMA

Level	Permanent basic salary range per annum (£)
Top CIMA	40,000 – 45,000+
Strategic Level/Managerial Level	35,000 – 40,000
Operational Level/Certificate Level	25,000 – 35,000

PAY & REWARD MANAGEMENT



The marketplace witnessed little or no fluctuation in the range of benefits tendered to employees although the 'bundle' on offer may vary from organisation to organisation, from small to large firms and across assorted sectors. Regardless of this there is no doubt that now, more than ever, reward and pay are both important factors in the attraction, retention and engagement of employees and that the most effective reward packages will be aligned with business needs whilst also serving as a reflection of an organisation's values.

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There are several elements to reward and it is important to choose the appropriate mix of base to variable pay, fixed to flexible benefits and pay to non-pay rewards and to acknowledge the various ways that individual employees view pay and benefits. An organisation's pay policy reflects its values so it is vitally important that an appropriate communications strategy is adopted to explain which staff behaviours and performances are being rewarded, how and why. The term 'reward' generally covers total earnings made to employees, including basic salary or 'cash pay' and the broader benefits package and may also include wide ranging provisions of non-pay benefits otherwise referred to as 'total reward'.

Historically basic salaries were the tool to attract employees to join an organisation; benefits helped retention whilst incentive schemes motivated and increased productivity. Research also points to the fact that individuals are attracted, retained and engaged by a whole range of financial and non-financial rewards which will change over time depending on personal circumstances. Reward elements should complement each other and enlightened employers seek to establish how best they can meet employee needs – as well as meeting the requirements of the business within the appropriate legal and regulatory environment.

These days, organisations employ a range of methods to set pay levels, including job evaluation and market pricing and, where market rates are used, employers should determine where to set their rates; at the median or upper quartile. When agreeing the annual pay review budget employers generally include performance-based pay increases as well as general pay structure and apply one or more of the following considerations: ability to pay, inflation and market rate changes. On the topic of pay progression, employers take a hybrid approach and look at individual performance and market rates as well as competency.

Bonus and incentive schemes are commonly linked to an individual's performance, followed by approaches based on organisational performance – of which the most popular are those driven by business results, such as profit or revenue targets. Combination schemes use both measures of organisational and individual performance. The advantage of variable pay schemes is that they can link pay closely to desired performance and, in theory, only pay out when there is reason to do so. Variable elements of pay do not generally feed through into other elements, such as overtime or pension contributions, and so create no additional on-costs for the employer.

RANGE OF BENEFITS

The range of traditional and tangible benefits offered to employees and executives includes:

- Paid Bereavement Leave (80%)
- Study Support/Training & Career Development (73%)
- Pensions Benefits – contributory/non-contributory (71%)
- Increased Holiday Entitlement/25 Days' (and over) Annual Leave (66%)
- Subsidised Restaurant/Café and/or Free Refreshments (65%)
- Social/Team Building Events/Christmas Party/Lunch (62%)
- Health Benefits – Private Dental/Eye Care/Private Medical Insurance/Life Assurance/Medical Screening/Death in Service (60%)
- Childcare Vouchers (56%)
- Allow Internet Purchase Delivery (55%)
- On Site/Subsidised Parking (54%)
- Bonus Scheme – based on personal and/or company performance
- Company Car/Car Allowance
- Share Options – Executive or Employee
- Financial Benefits – Occupational Pension/Discounted Household & Holiday Insurance
- Coaching & Mentoring Programmes
- Enhanced Maternity/Paternity Leave
- Flexible Working Hours
- Leisure/Lifestyle Benefits – Gym Membership/On site Crèche/Discounted Shopping
- Season Ticket Loan
- Cycle2Work Scheme
- Give As You Earn/Save As You Earn
- Sabbaticals

(Source: CIPD Annual Survey Report Reward Management)