



## 4 steps to planning your annual pay review

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Reimagining reward analytics

## Introduction

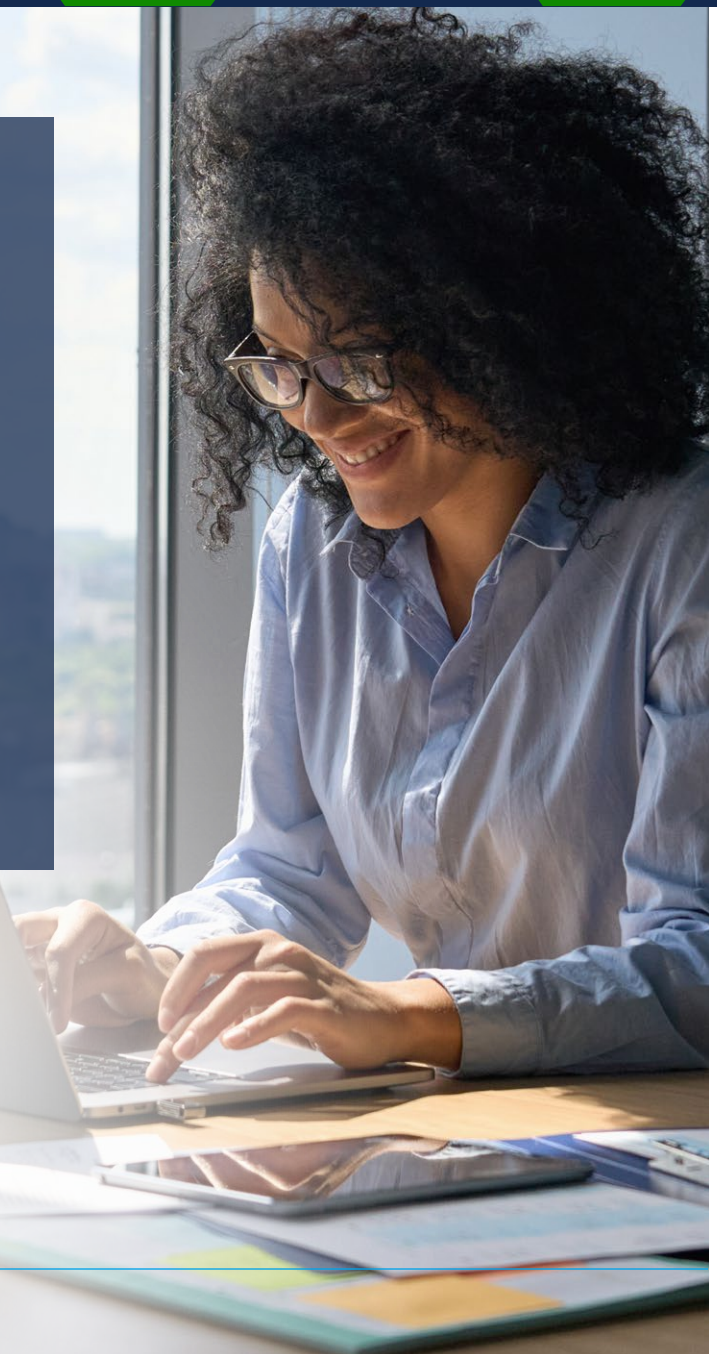
The pay and benefits offered by an employer will be one of the key factors employees consider when looking for work. In turn, an organisation's payroll is likely to be its biggest expense. It is therefore vitally important that employers plan their pay and benefits offer carefully.

For those organisations currently looking at budgets for their 2024 pay review, we provide four pointers to help you get started.

### 1. Think about what your pay review is hoping to achieve

As with any reward process, a pay review should be designed to meet your organisation's HR and business objectives. To support these, it is useful to have a clearly identified pay policy in terms of what your organisation is trying to achieve. For instance, the objective may be simply to match employee pay rises as much as possible to increases to the cost of living. Alternatively it may be to pitch pay rates at a particular point in the relevant sectoral, regional or other labour market, such as the median or top 25%.

Benchmark existing employees to the market and create recommendations



## 2. Check salaries against competitors

Most employers compare their pay rates with those of competitors at some point and many do this each year to inform the annual pay review. You should ensure that you have a robust way to measure market pay rates, especially where individual pay rates are set with reference to market rates or a market supplement is used.

Sources of data for market pay rate comparisons can include in-house research, employment agency surveys, commercial salary surveys or online reward data resources and specially commissioned research. Accurately matching their job roles to those used in salary surveys or online reward data resources can cause headaches for employers but most providers (including **Cendex**) offer comprehensive guidance on how to do this.

Make reward decisions based on the most current state of the market

## 3. Decide what type of pay award you will make

Early on in the pay review process, you need to identify the type of pay award or awards you wish to make. The two most common types of pay review are those that award a basic percentage increase to all employees in an employee group and those that distribute individual pay awards according to an assessment of individual performance.

### Across-the-board pay awards

Across-the-board pay increases are more common where a pay agreement is negotiated with a trade union and are often intended to reflect increases to the cost of living for employees.

### Merit-based pay awards

Pay reviews where the outcome depends on individual appraisals are a common way to incentivise and reward the performance of specific employees. This type of pay award is more complex to administer than an across-the-board scheme and is typically subject to an overall cost cap, usually expressed in terms of a percentage increase in the payroll.

Develop and advise on the right reward strategy

### Flat-rate cash awards

Increasing all employees' pay by the same cash amount can enable an organisation to direct more of the available pay pot to lower-paid staff. Employers may also consider the use of non-consolidated payments in lieu of a percentage rise where the latter may not be affordable one year, for instance. However, you must check employee contracts as to whether or not there is a contractual entitlement to a pay rise.

## 4. Don't forget other elements of the pay and benefits package

You need to determine which other elements of pay will be increased at the time of the annual pay review, and whether or not these will be in line with any across-the-board percentage increase to basic pay. These might include shift premia, regional allowances such as London weighting, call-out pay or other premia or allowances. The pay review may be an opportunity to review allowances that the employer wishes to phase out or change.

You may wish to make changes to other terms and conditions such as maternity and paternity leave and pay, annual leave, sick pay or other benefits as part of the pay review, or increase benefits instead of making significant increases to pay. Even where the pay review is limited in scope to basic pay, it is useful to put proposed changes to pay in the context of the overall benefits package and how it compares against that of other organisations.

Benchmark the pay and benefits of your staff against market rates

### Additional resources:

[Cendex – reward analytics](#)

[How to develop a reward strategy](#)

[How to conduct a pay review](#)

[XpertHR benefits and allowances survey 2023: benefits strategy and delivery](#)

[XpertHR Benchmarking](#)

## What makes Cendex different



Over 1.5 million UK employees in a single database



Robust data, updated every 30 days



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Stay ahead of today's race for talent with robust pay and benefits data to meet changing employees' reward expectations.

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