

2023 European Compensation Best Practices Panel

Today's Presenters



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Today's Agenda

- Compensation Best Practices Report introduction and methodology
- Report highlights and discussion
- Audience Q&A

Compensation Best Practices Report Methodology

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The 2023 Compensation Best Practices Survey gathered responses from October 2022 to December 2022. This is PayScale’s **14th** annual CBPR. There were **4,933 respondents** comprised of compensation professionals, HR leaders, and executives filling a variety of roles related to compensation.

The **Europe Edition** shares insights and data based on **806 survey responses** from organizations headquartered in Europe (Finland, France, Germany, Ireland, Netherlands) as well as the UK. Concentrations are notably strongest in France, Germany, and the UK.

What is your primary industry?	Europe
Finance & Insurance	14%
Technology (including software)	11%
Other	11%
Manufacturing	9%
Healthcare & Social Assistance	9%
Retail & Customer Service	8%
Education	7%
Construction	6%
Government	5%
Engineering & Science	4%
Agencies & Consultancies	3%
Energy & Utilities	3%
Food, Beverage, & Hospitality	3%
Arts, Entertainment, & Recreation	3%
Real Estate, Rental, & Leasing	2%
Nonprofit	2%

Report highlights and discussion

What will be the greatest challenges for HR in your organization in 2023 compared to previous years?

Learning & Development

Employee & Labour Relations

Recruiting

Retention

Engagement

Compensation

Benefits

Modernizing HR Software

Performance Management

Job Description Management

Career Pathing

Workplace Environment

Workplace Policies

Fostering Company Culture

ESG (environmental, social and corporate governance)

Workforce Planning

Upskilling, Reskilling, or Managing a Skills-Based Workforce

Unsure

The Labour Market

34% is the reported average total turnover rate

43% is the average voluntary turnover rate

What is most to blame for voluntary turnover?			
What do you suspect is MOST to blame for higher voluntary turnover at your organization?			
	First	Second	Third
Compensation	35%	18%	10%
Limited advancement opportunities	11%	17%	14%
Employee entitlement/grass-is-greener syndrome	11%	9%	12%
Burnout due to being understaffed/overworked	10%	11%	13%
Management skills	8%	7%	7%
Desire for greater workplace flexibility/remote work	7%	10%	10%
Important benefits are missing or not competitive	4%	13%	7%
Interpersonal conflicts within teams	4%	4%	6%
Arduous or unpleasant work conditions	3%	4%	4%
Company culture and values	3%	3%	7%
Unsure	2%	2%	4%
Outdated or underserviced technology that inhibits productivity	1%	2%	5%

Compensation strategy

Q50. Does your company have a formal compensation strategy/philosophy?

Yes	49%
No, but we are working on one	30%
No, and we are not working on one	14%
Unsure	7%

Data represents organizations headquartered in Europe.

Q51. Have you or will you adjust your compensation strategy for 2023?

Yes	55%
No	25%
Undecided	20%

Data represents organizations headquartered in Europe.

Insert chart from report

Pay Transparency

56% of organisations in Europe say that recent pay transparency legislation has driven them to change or improve their compensation practices.

48% first share pay ranges with prospective employees in the job advert.

The majority of employers **continue to ask candidates about salary history**, regardless of location.

The pay transparency spectrum

Insert charts from report

Insert chart Q113 – title: Spectrum of pay communications transparency

Q114. What is preventing your organisation from reaching at least level 3 on the pay communications transparency spectrum? (Select all that apply)

We lack confidence in the accuracy of our salary data

We don't have organised pay structures (e.g., grade-based ranges)

We are not confident in our pay strategy or structures

We are concerned that we have pay inequity issues

Leadership is unconvinced of the merits of pay transparency

Nothing; we don't want to be transparent about pay

Other

Pay Increases

45% expected their 2023 salary increase budget to be higher than originally planned.

Increased competition for labour or a labour supply shortage was the top reason (59%) cited.

However, 31% expect budgets to be lower citing concerns about future economic conditions as the reason for lower budgets.

Only 38% plan to give pay increases over 3 percent.

48% still give base pay increases annually, and 32% are either giving them twice annually, quarterly, or on a rolling cycle.

Insert chart from report

Title: Factors in base pay increases

Q25. & Q29 Which of the following were factored into base pay increases ? (Select all that apply)	Europe in 2022	Europe in 2023
Inflation/cost-of-living	52%	57%
Performance	50%	48%
Market adjustment/talent competition	35%	39%
Minimum wage increases	35%	32%
Internal pay equity	22%	21%
Hot skills	21%	20%
Change in location	16%	17%
Preparations for pay transparency	12%	14%
Tenure	11%	12%
Merger or acquisition	5%	7%
Other	1%	0%

Data represents organizations headquartered in Europe.

Suggest poll slide on pay increases

What do you expect will be the average pay increase given to employees in 2023?

Less than 1%

1-2%

2-3%

3 -4%

4-5%

More than 5%

Unsure

Salary Data and Market Pricing

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Q18 title: Market data sources used

Q18: Which sources do you use to obtain market data? (Select all that apply)	
Salary survey data from traditional publishers	38%
Free or open online data	36%
HR-reported aggregate market data in compensation software	34%
Closed network HR-reported salary data	22%
Paid employee-reported salary data	22%
Historical salary data from employee records	20%
Salary data from competitor job postings	19%
Government data	18%
Trade/industry association surveys	14%
Compensation consultants	12%
Personalised competitor intelligence, including talking to candidates or recruiters	12%
Unsure	6%
We don't compare our jobs to market	3%
Other	1%

Q19. Rank sources by how much you trust and rely on them for accuracy in market pricing.	First tier (most trusted)
Salary survey data from traditional publishers	11%
HR-reported aggregate market data in compensation software	11%
Paid employee-reported salary data	10%
Historical salary data from employee records	10%
Free or open online data	9%
Government data	9%
Salary data from competitor job postings	9%
Trade/industry association surveys	9%
Personalised competitor intelligence, including talking to candidates or recruiters	8%
Compensation consultants	8%
Closed network HR-reported salary data	8%

Data represents organizations headquartered in Europe.

Remote work and geographic pay

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Q61 title: Which of the following best describes your organisation's workforce?

Which of the following best describes your organisation's workforce?

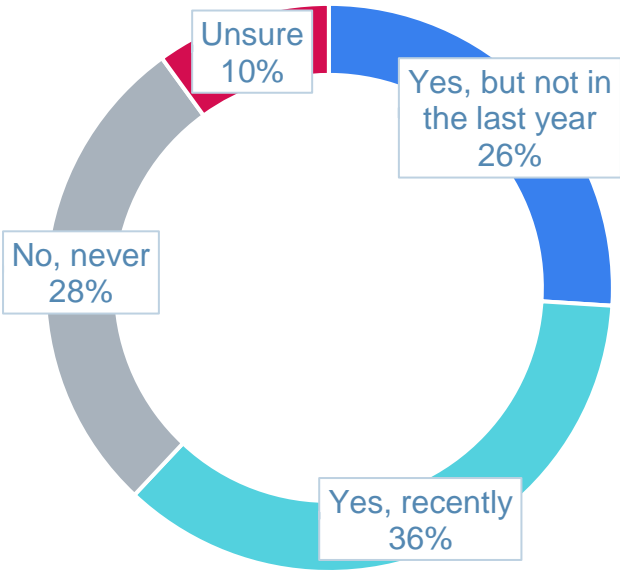
Traditional	29%
Hybrid	39%
Split by job type	22%
Remote-first	5%
Fully remote	5%
Other	1%

Remote work and geographic pay

Have you experienced resistance or unwillingness from employees to return to either traditional or hybrid offices?

Yes, but it hasn't made enough of an impact to cause us to review our policy	35%
Yes, and the impact (on turnover, engagement, morale) has made us reconsider our policies	28%
No, we have not experienced notable resistance or unwillingness from employees to return to an office environment	27%
No, in fact, a hybrid office has slowed attrition or improved engagement	5.0%
Unsure	5.5%

Have you surveyed employees on their remote or WFH preferences?



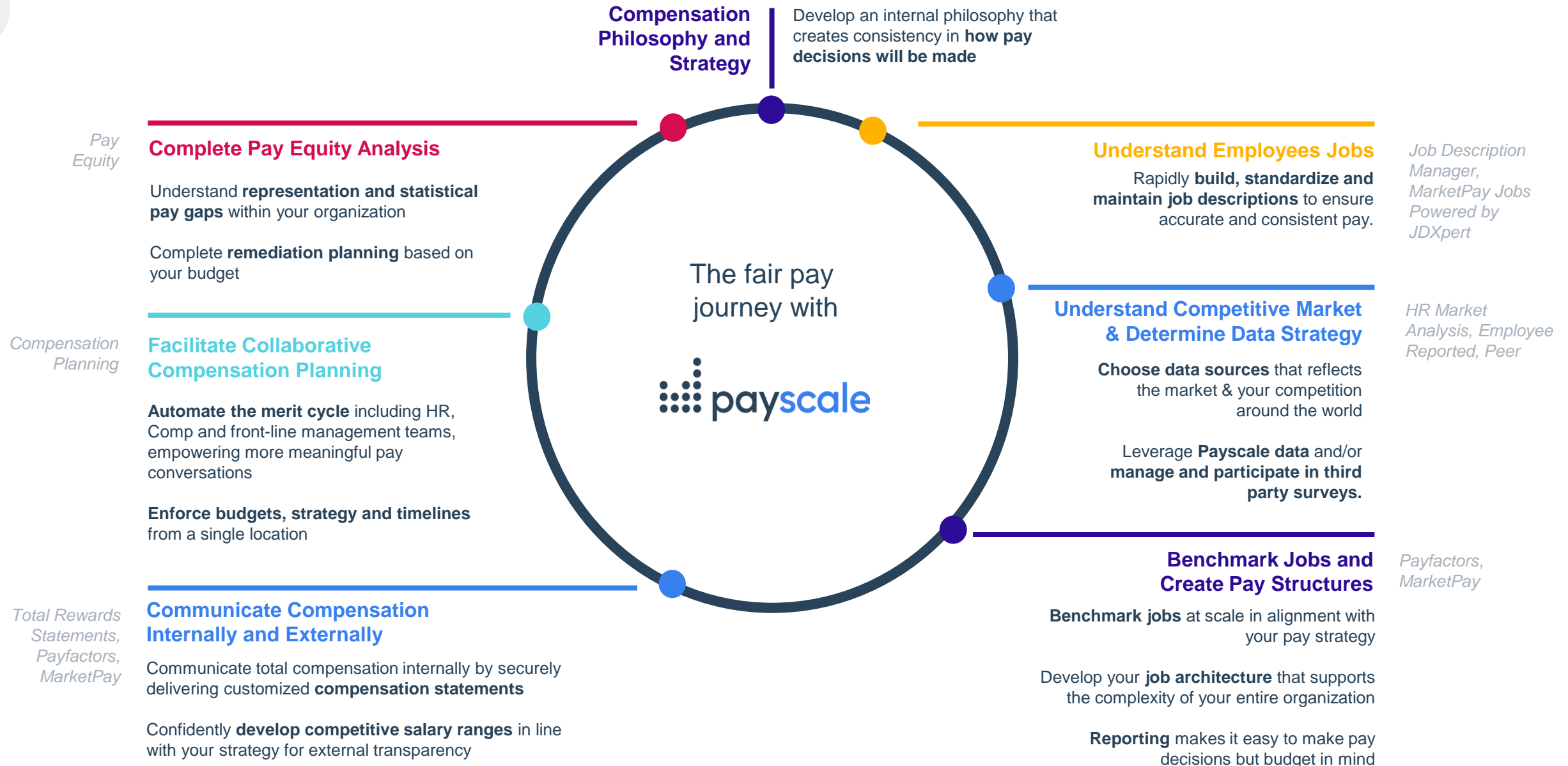
Pay Equity



How far does your organization intend to take pay equity in the next year or two?

We are not interested in doing this or don't feel we need to	11%
We will make a commitment to understanding pay equity	30%
We will work to get internal alignment on how to approach pay equity	33%
We will measure our pay gaps (conduct pay equity analyses)	28%
We will do a remediation analysis to budget for closing pay gaps	19%
We will remediate to close pay gaps	21%
We will establish procedures to maintain pay equity	17%
We will investigate systemic reasons for inequality within the workplace	16%
We will set goals to actively solve inequalities within the workplace	15.5%
Other (please specify)	1.5%

The Payscale portfolio supports you through the entire talent lifecycle



Q&A

Feel free to ask any questions in the chat!

