

## HR pain points: Budgeting, recruiting, and keeping pace with market trends

Compensation is a critical piece of a talent strategy that organisations can't afford to get wrong. However, budgeting salary for the coming year may feel like an overwhelming task given the macroenvironment and initiatives around pay being much more complex than in previous years.

According to Payscale's Salary Budget Survey, **we see strong wage growth in 2023 for Europe and a steady commitment to continuing that growth for 2024**. The fact that wage growth is not stagnating, despite economic issues, suggests that other factors are at play when employers in Europe are deciding on their labour budgets. HR and compensation teams are trying to balance budgeting with competitive pay for retention, attraction, and engagement while simultaneously keeping an eye on the health of the business and compliance with the **EU Pay Transparency Directive requirements**.

Current employees and prospective candidates are demanding more equality and transparency while the market continues to create uncertainties around pay compression, inflation, cost-of-living, and more.

There's a lot for HR and compensation professionals to consider when budgeting for the new compensation cycle, and we're here to help you get organised around challenges and pain points with guidance for **building your best, and most resilient, compensation budget**.

## Practitioner perspectives

### Answering our customer's top questions around compensation planning

There's a lot for HR and compensation teams to consider this planning season including labour market challenges, addressing pay equity and compression, how to optimize compensation budgets, addressing pay transparency, and being data and process ready. Here's a few areas customers are questioning.

“

#### Merit increases and cost-of-living adjustments

“Generally, when we think about how HR leaders are talking about the traditional 3% increase, they're not always thinking about cost-of-living adjustments. We have found that those who refer to the 3% is usually merit-based only and then they'll add on things like COLA or market adjustment separately or in addition to as it differs depending on methodology and company.”

**Lexi Clarke**

*Chief People Officer at Payscale*

#### Education and support for managers

“One of the services that are provided to our customers is a manager training program where essentially we will work with you to develop a curriculum that supports your compensation philosophy and your compensation strategy. Then, we will deliver that to your managers, as well as work with you to make sure that you're providing good conversations for them..”

**Brooke Grimes**

*Senior Director of Product Marketing at Payscale*

#### Discussing market data with employees

“If you're not at a transparent place yet and you don't quite know where to start, often employees just want to know what process you're following and what factors you're layering into that process. That can be a really powerful first conversation or first step along that journey.”

**Lexi Clarke**

*Chief People Officer at Payscale*

## Tips for a resilient compensation plan

- Ensure you are clear on key business metrics and talent requirements for your business to calibrate planned compensation allocation
- Work to gather your intelligence so you can use compensation as a form of talent insurance
- Maintain a focus on pay equity and transparency to meet legal, stakeholder, and employee expectations
- Consider your data preparedness and readiness
- Plan to demonstrate ROI of compensation spend
- Expect the unexpected and be prepared



# 41%

of organisations headquartered in Europe cite comp as most to blame for higher turnover last year.

Despite unemployment being high in recent years, organisations still face challenges in hiring and retaining talent, with voluntary turnover higher than previous years, according to Payscale's Compensation Best Practices Report. Coupled with high inflation and rising cost-of-living; managing compensation is a key driver for maximising retention and attracting talent in a volatile market.

## Four key areas to consider in building out your best compensation budget.

A compensation strategy built on data-driven decisions will ensure that you're securing and retaining talent accurately, fairly, and competitively. Considerations need to be made for budgeting different scenarios, roles, and tailored to the business.

Stay informed with Payscale on the latest regarding current and proposed transparency legislation in Europe.

Learn more



1

### Understand your budget approval process.

- Where does budget approval fall on your annual compensation calendar?
- Who are your key stakeholders and what role will you play?
- How does budgeting and revisions fit into your comp plan for the year?
- When do you normally run market pricing?

2

### Develop a budget proposal.

- What processes are included? (annual increases, adjustments, promotions)
- How are you maintaining alignment with key stakeholders?
- What are the timeline considerations?
- Which jobs need pay structure adjustments?
- How do you plan to position the organisation with certain jobs?
- What could impact the budget throughout the year? (internal and external)

3

### Validate proposed increases against your talent strategy.

- What is your talent strategy vs. comp strategy, and how do they overlap?
- What are your decision criteria, and when do you deviate from the plan?
- What is your methodology, the reasoning, and are there exceptions?
- What data was used? (diverse sources, benchmarks, retention rates, etc.)

4

### Identify the boundaries for the budget and kick-off process.

- Work through real-life scenarios and test before full scale implementation.
- Evaluate and make recommendations based on market data to send to leaders.
- Consistently manage and check in with the budget.



## About Payscale

As the industry leader in compensation management, Payscale is on a mission to help job seekers, employees, and businesses get pay right and make sustainable fair pay a reality. Empowering more than 50% of the Fortune 500 in 198 countries, Payscale provides a combination of diverse and dynamic data sources, compensation services, and scalable software to enable organizations such as Angel City Football Club, Perry Ellis International, United Healthcare, Vista, and The Washington Post to make fair and appropriate pay decisions.

**Pay is powerful™**

To learn more, visit [payscale.com](https://payscale.com).