

# PAY TRENDS 2025

ADVANCING CAREERS:  
PAY PROGRESSION, SKILLS,  
AND PATHWAYS



Personal  
Group

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The UK's largest independent pay & reward consultancy

# SPEAKERS



**Justine Woolf**

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Reward Director,  
British Airways

# AGENDA

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Compensation  
Planning



# PAY AWARDS UPDATE AND FORECASTS

PRESENTED BY:  
SHEILA ATTWOOD  
SENIOR CONTENT MANAGER, BRIGHTMINE

January 2025



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**Sheila Attwood**

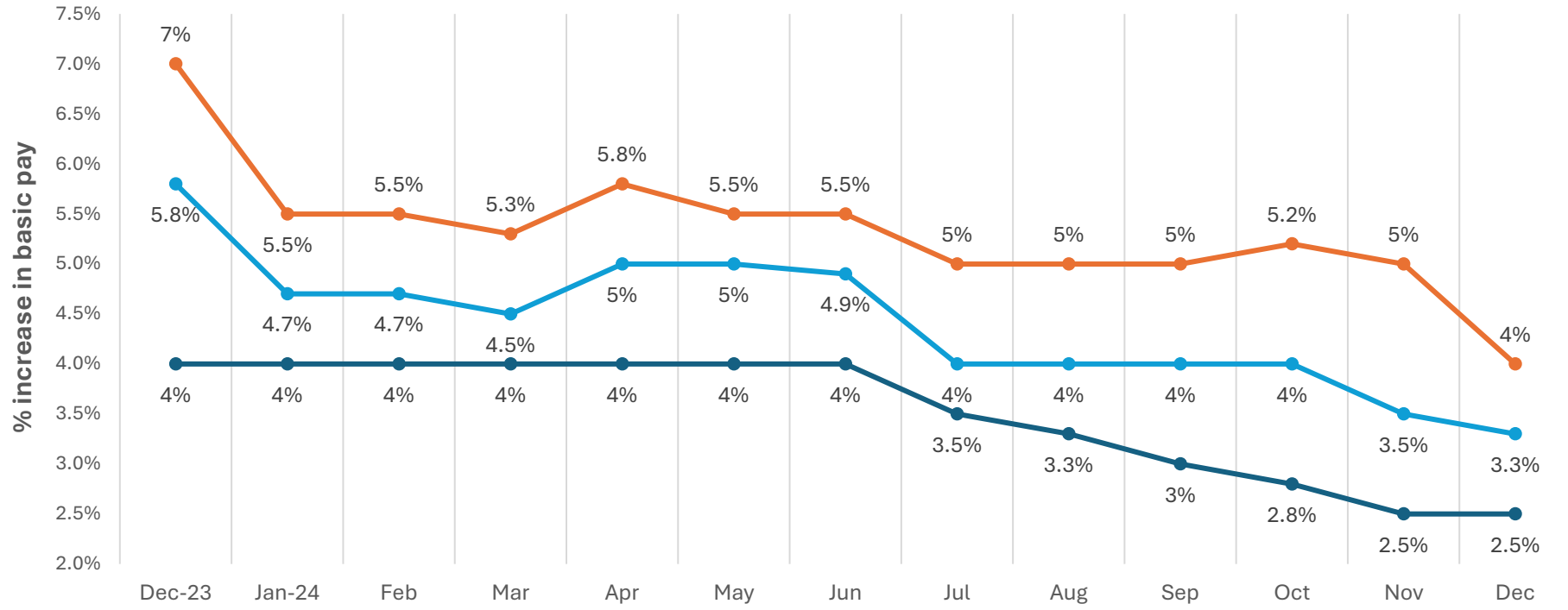
Senior Content Editor

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- Employer practice surveys
- Podcasts
- Webinars
- Commentary and insights articles
- Pay settlement data

# PAY AWARDS 2024

# Rolling quarterly data – whole economy



**Lowest median since Dec 2021**

**Pay awards above CPI since Oct 2023**

Rolling analysis for the three months to the end of:

● Lower Quartile    ● Median    ● Upper Quartile

Source: Brightmine.

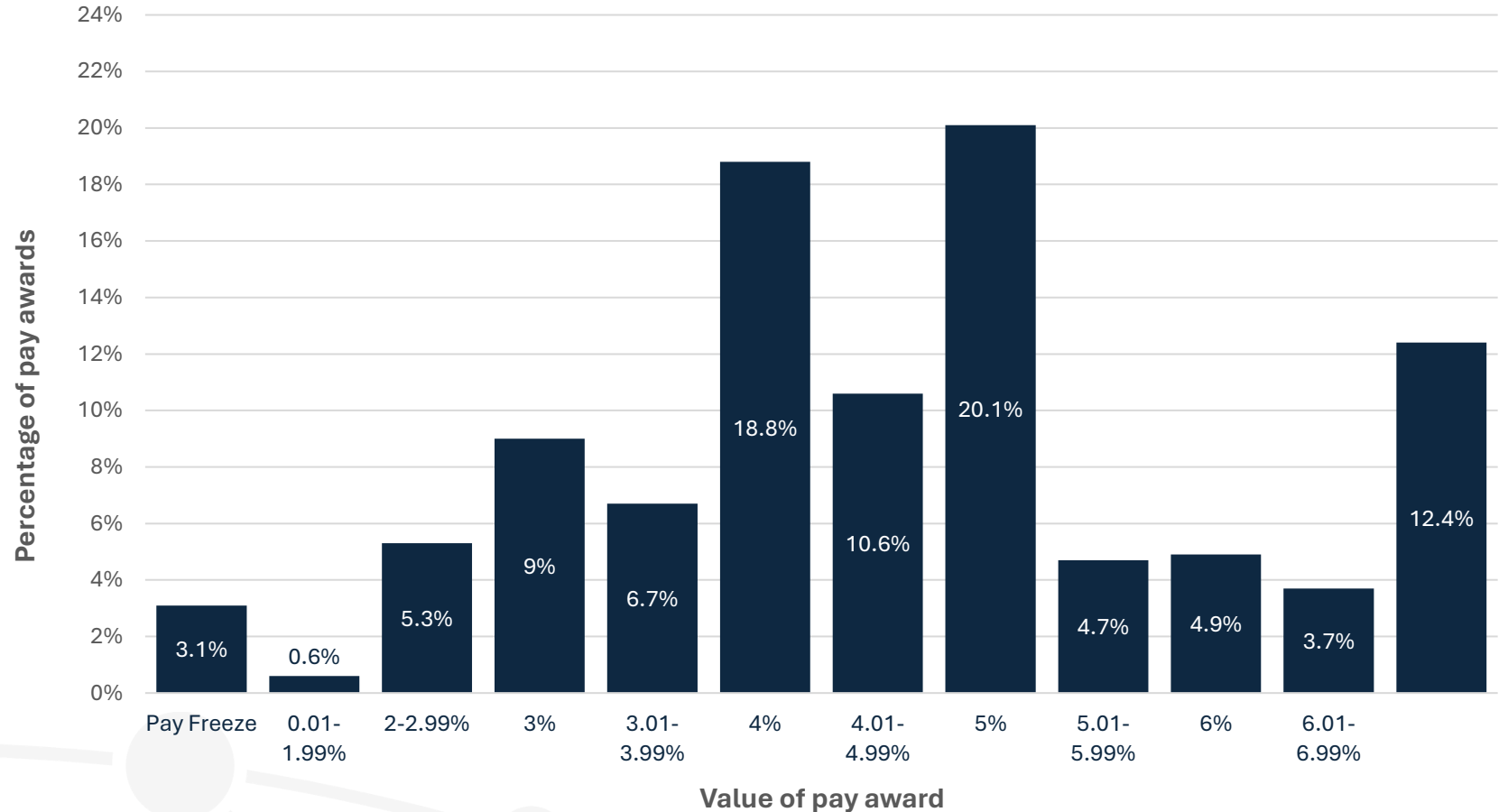


# Year to date, range – whole economy

Median pay award this year  
**4.5%**

Interquartile range this year  
**4% - 5.2%**

Most common pay award this year  
**5%**



Source: Brightmine.

# Year to date, by sector

**Services**  
4.5%

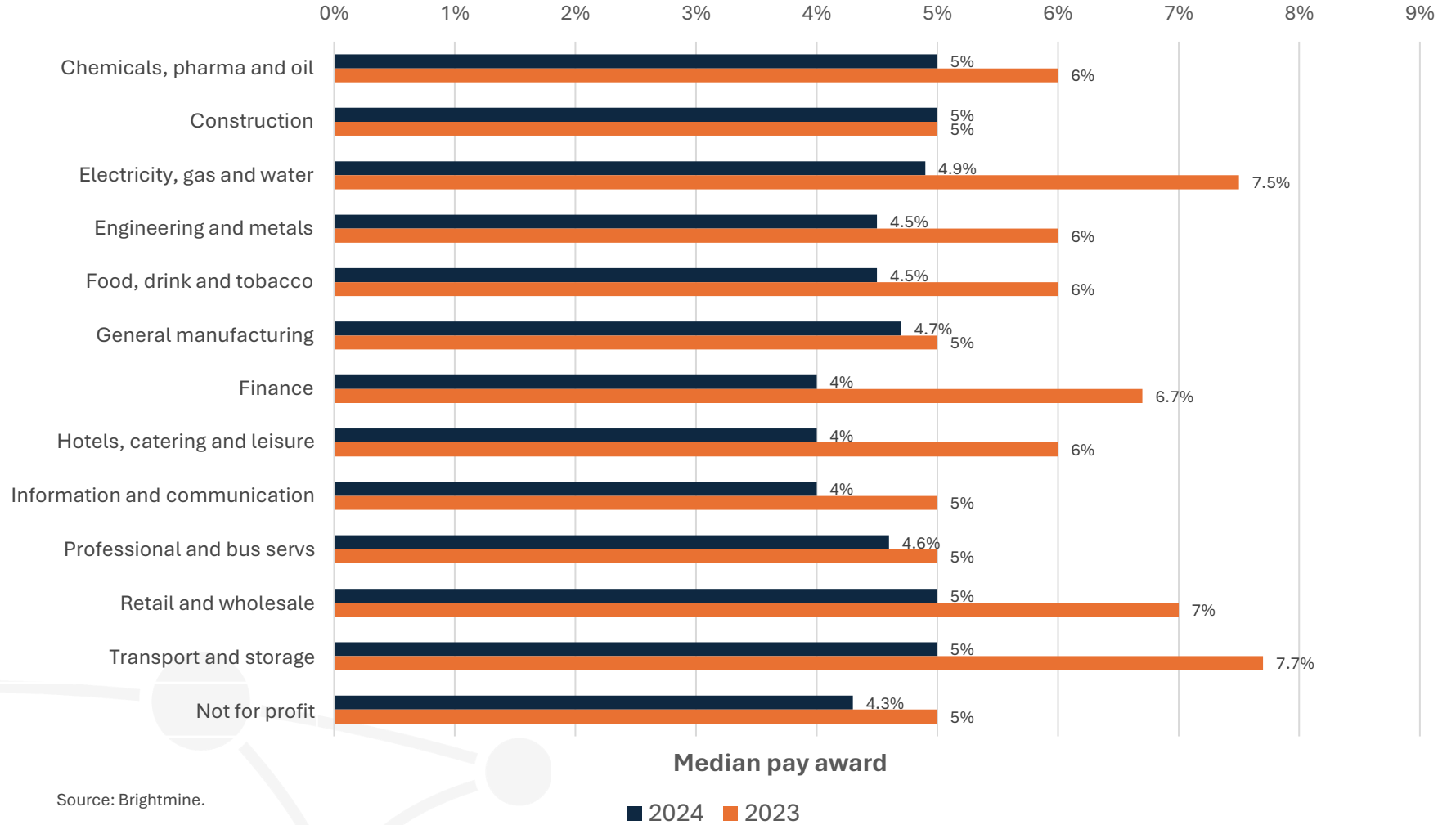
**Public services**  
5.0%

**Private sector**  
4.5%

**Manufacturing and production** 4.7%

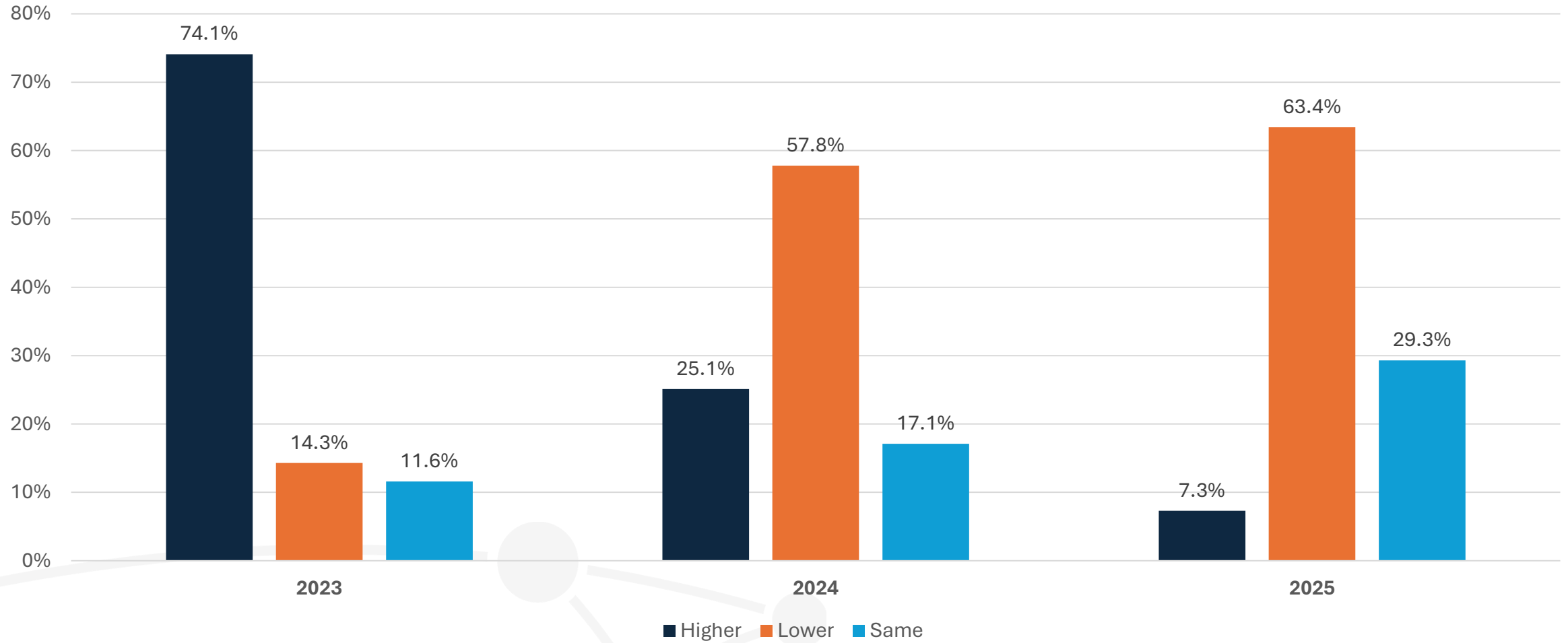
**Private-sector services**  
4.5%

**Not for profit**  
4.3%



# PAY AWARDS 2025

# Matched sample analysis – whole economy

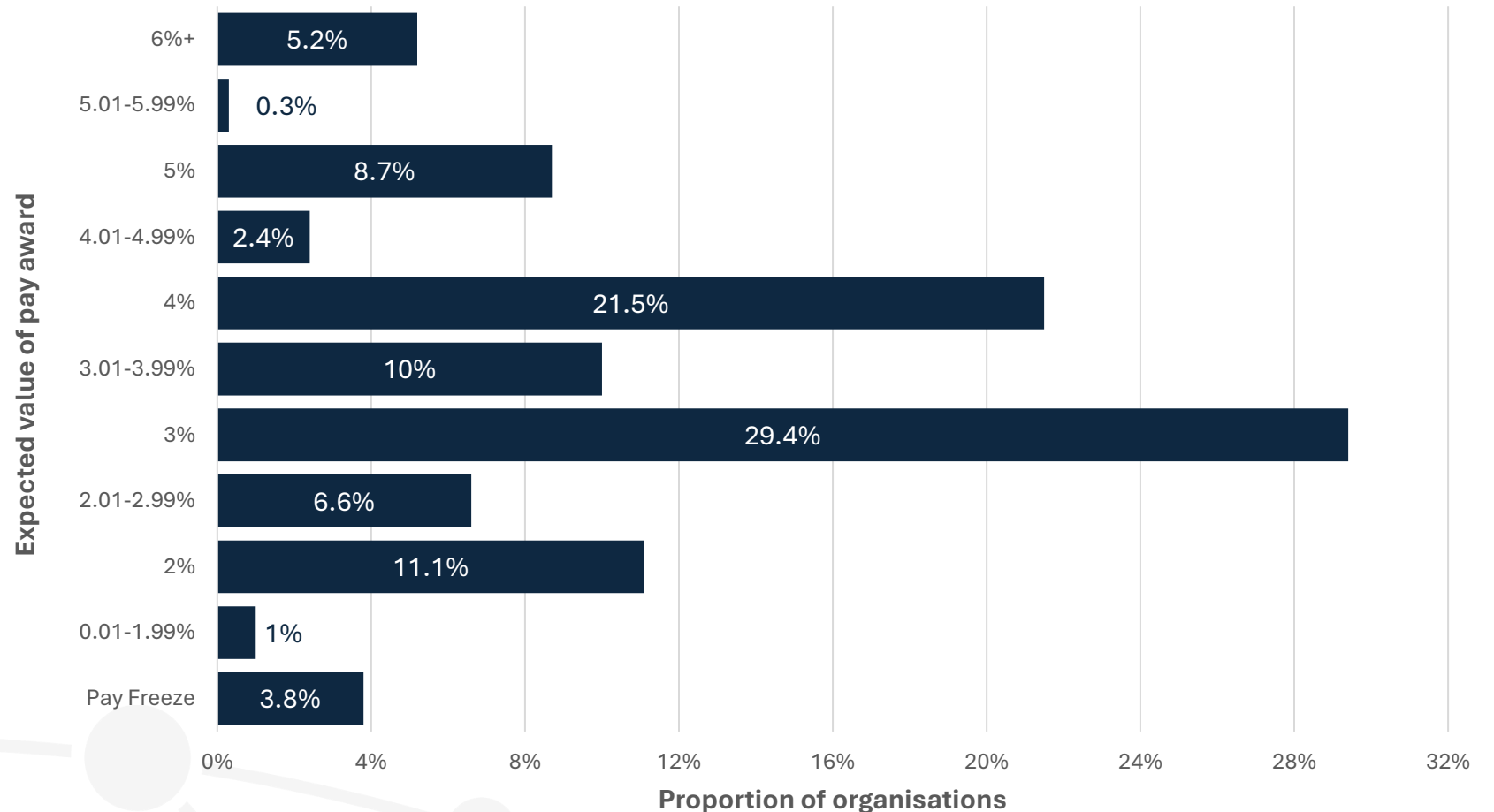


# Forecasts – whole economy

**“There will be a pay rise”**  
**96.3%**

**Median pay  
award forecast**  
**3%**

**Interquartile range  
of forecasts**  
**3% - 4%**



# Pay forecasts by industry

<b>Manufacturing and production</b>	<b>3.0%</b>
Chemicals, pharmaceuticals and oil	3.0%
Engineering and metals	3.5%
Food, drink and tobacco	3.9%
General manufacturing	3.0%
<b>Not for profit</b>	<b>3.0%</b>

<b>Private-sector services</b>	<b>3.4%</b>
Finance	4.0%
Hotels, catering and leisure	3.0%
Information and communication	3.6%
Professional and business services	3.0%
Retail and wholesale	4.0%

# Pay pressures

## Upward pressures (a year ago in brackets)

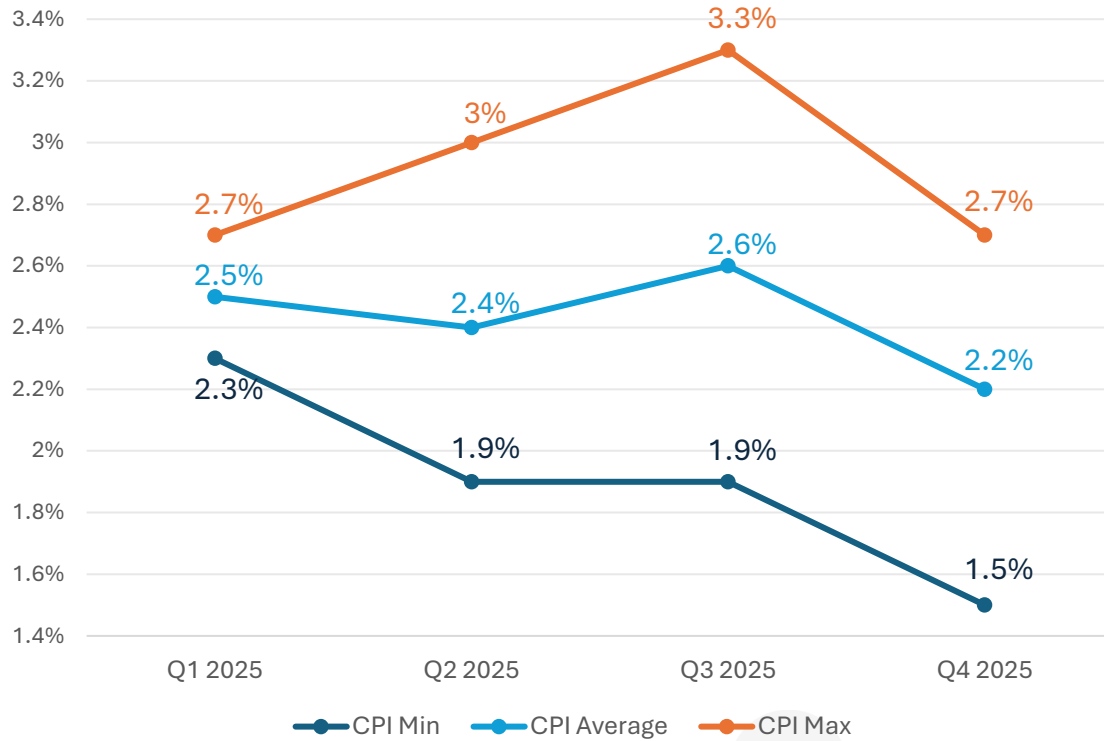
- Inflation/cost of living 58.4% (74.1%)
- Pay levels in the same industry 58.0% (64.2%)
- Skills shortages 50.6% (59.7%)
- Pay levels in the same occupational group 42.9% (52.2%)

## Downward pressures (a year ago in brackets)

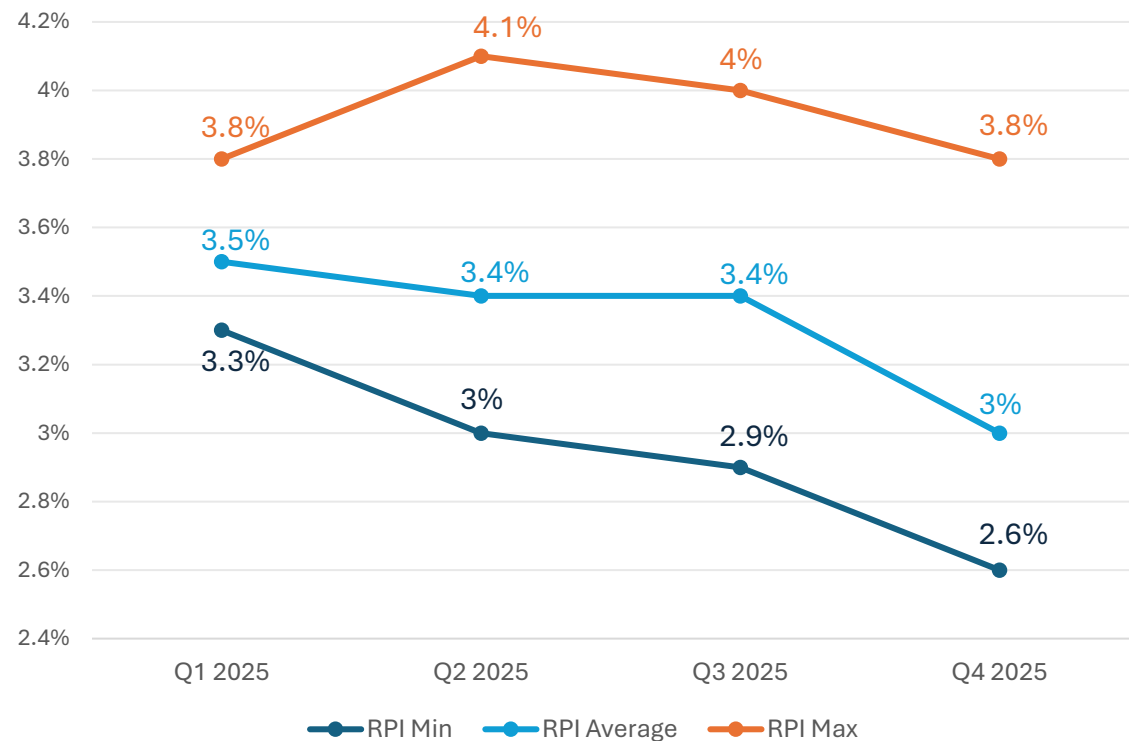
- Affordability 64.5% (56.7%)
- Organisation performance 36.4% (28.4%)
- Inflation/cost of living 26.8% (13.4%)
- Pension costs 13.0% (13.4%)

# Inflation

## CPI

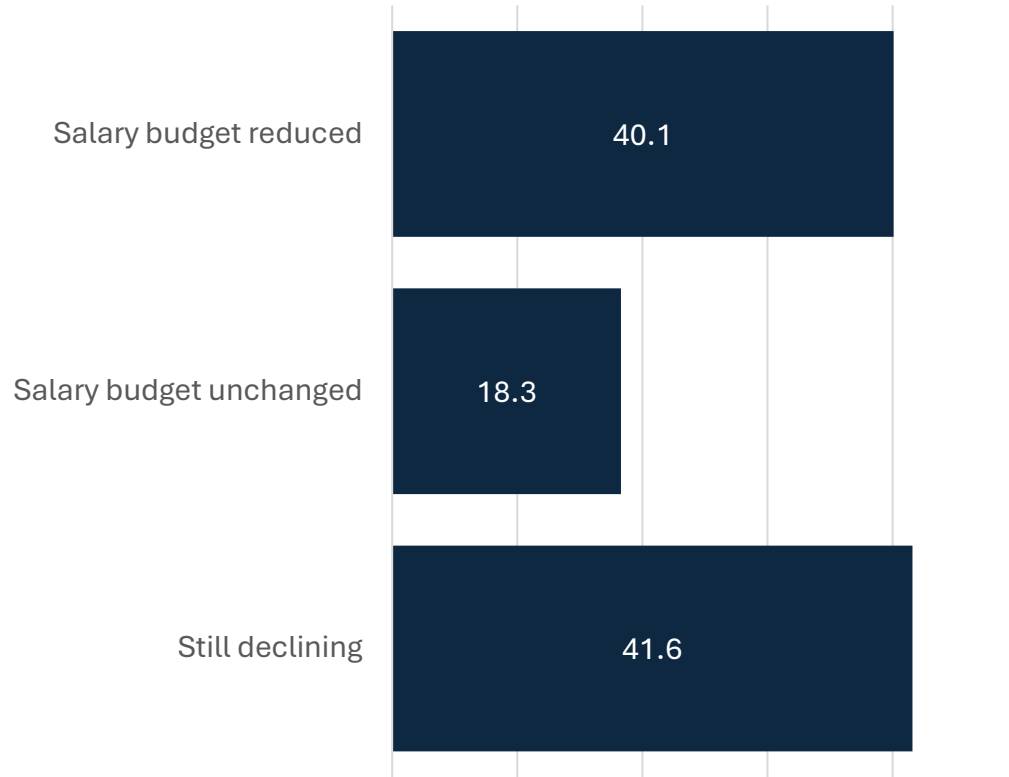


## RPI





# National insurance



n=279 webinar attendees  
Source: HR & Compliance Centre



This has had a major impact to our budgets – we were projecting an average 3% increase which is now decreased to 1%

Impact likely to be reduction in award of more than 1 [percentage point]

The downward pressure and combined cost to the business of NICs combined with the increase in NLW has meant our salary budget is decreased by 1 [percentage point]

We will have to pass on this cost to customers

Planning on keeping the same budget

We would have liked to increase our company pension contributions, but we will no longer do this in favour of maintaining a proportion of the salary budget

We were going to look at extending our benefits but would rather refocus back on pay



# BENEFITS & FLEXIBILITY

SIMON COOK



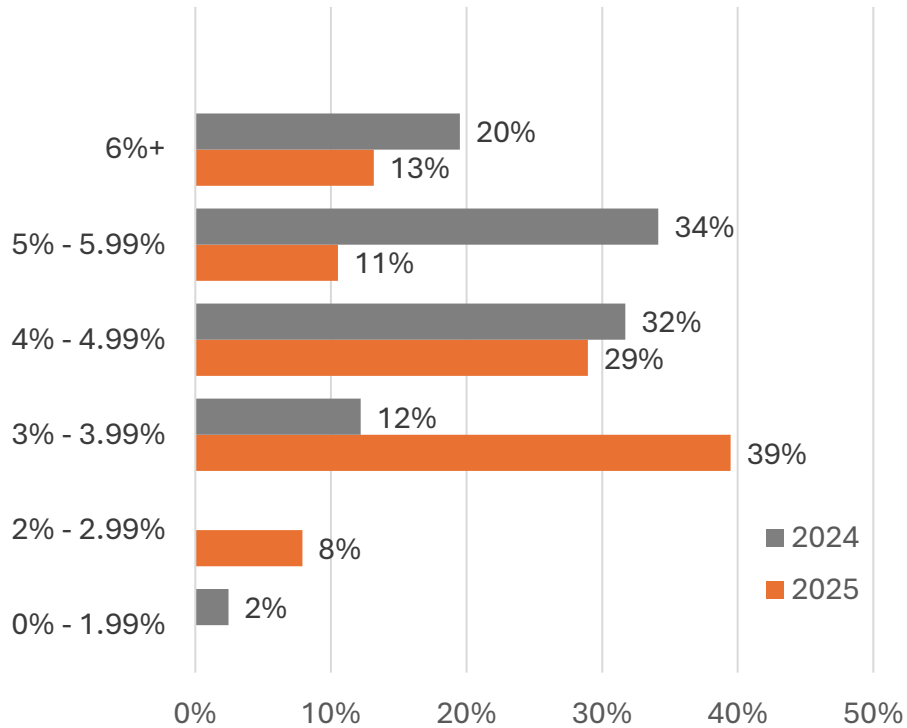
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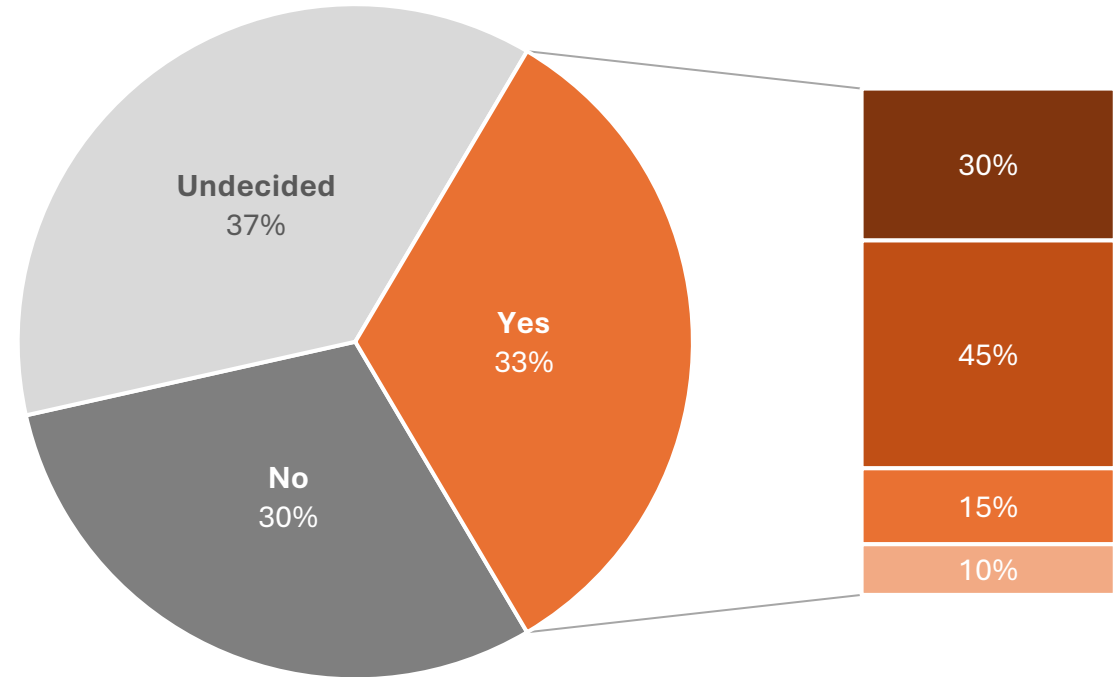
# CONTEXT

**Pay Award Budget  
2024 vs 2025  
(All Sectors)**



## Will the NI increase impact your organisation's pay review budget or approach?

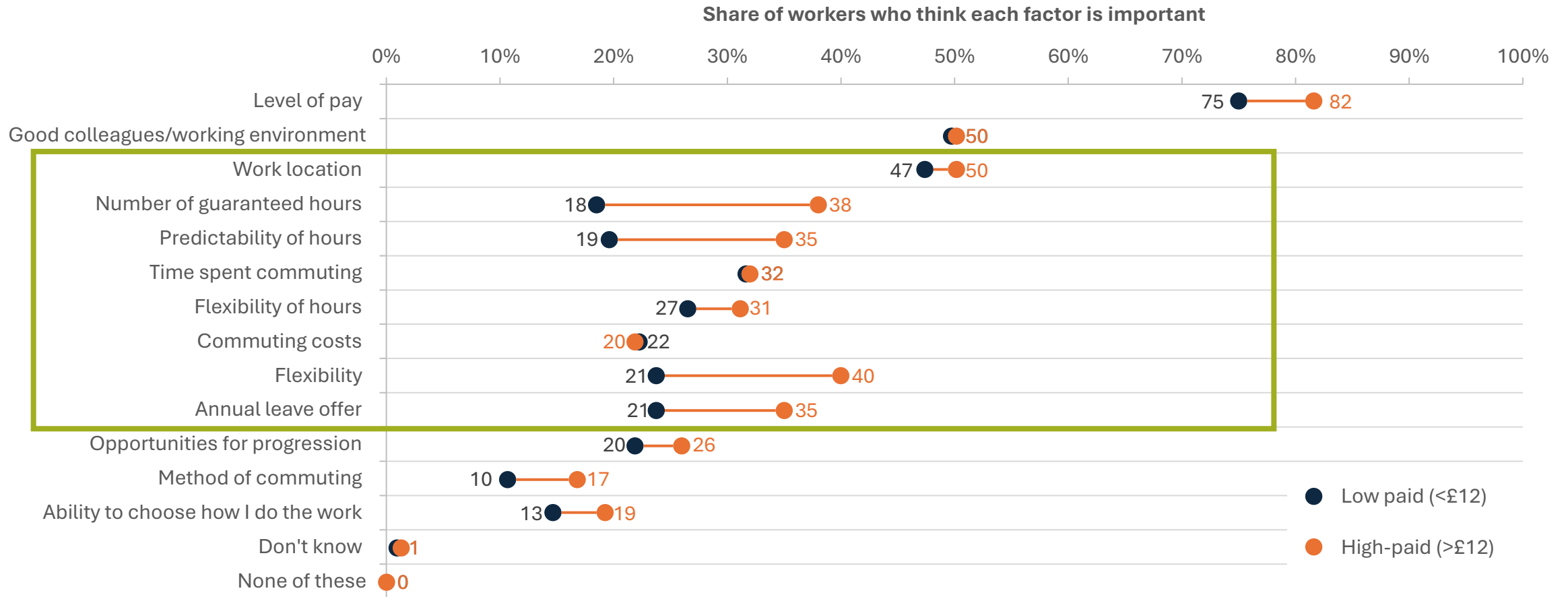
If yes, what adjustments are you considering?



- Adjusting pay distribution across roles/levels (30%)
- Decreasing the overall pay review budget (45%)
- Implementing targeted pay changes for specific groups (15%)

# BEYOND PAY, FLEXIBILITY IS A KEY RETENTION TOOL

## Most important factors when considering moving job, 2023



Source: Low Pay Commission

# FLEXIBILITY IS MORE THAN JUST THE WFH DEBATE



Location



Working  
Days



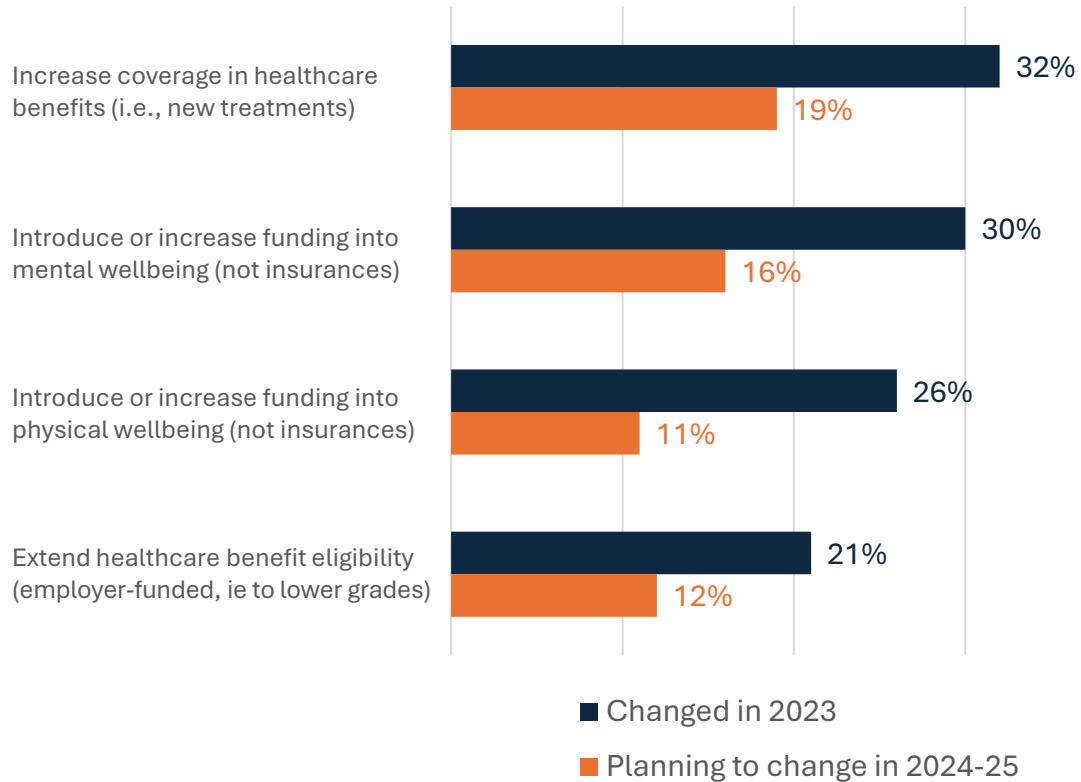
Work-Life  
Balance



Leave  
Options

# INVESTMENT IN FINANCIAL & HEALTH BENEFITS WILL CONTINUE INTO 2025

Proportion of employers changing spend on health-related benefits 2023 v 2024-25



Virtual GP



Cash Plan



Workplace  
ISA



Interest-free  
loans

Source: REBA

# HOW DOES YOUR BENEFIT PACKAGE ALIGN ACROSS THE FIVE KEY AREAS?



**Work-life Balance**  
Enabling employees to achieve the appropriate balance of work and rest.



**Financial**  
Enabling employees to receive monetary awards or reduce personal costs.



**Developmental**  
Supporting the learning and development for employees.



**Health & Wellbeing**  
Supporting the mental and physical health of employees



**Social**  
Providing opportunity for connection and recognition amongst employees.

# FUTURE LEGISLATIVE CHANGES

1. Right to disconnect

2. Enhanced flexible working rights

3. Changes to pension death benefits

4. Parental leave as “day one” right

5. Increased equity requirements for large companies



# TRANSPARENCY

CATHRYN EDMONDSON



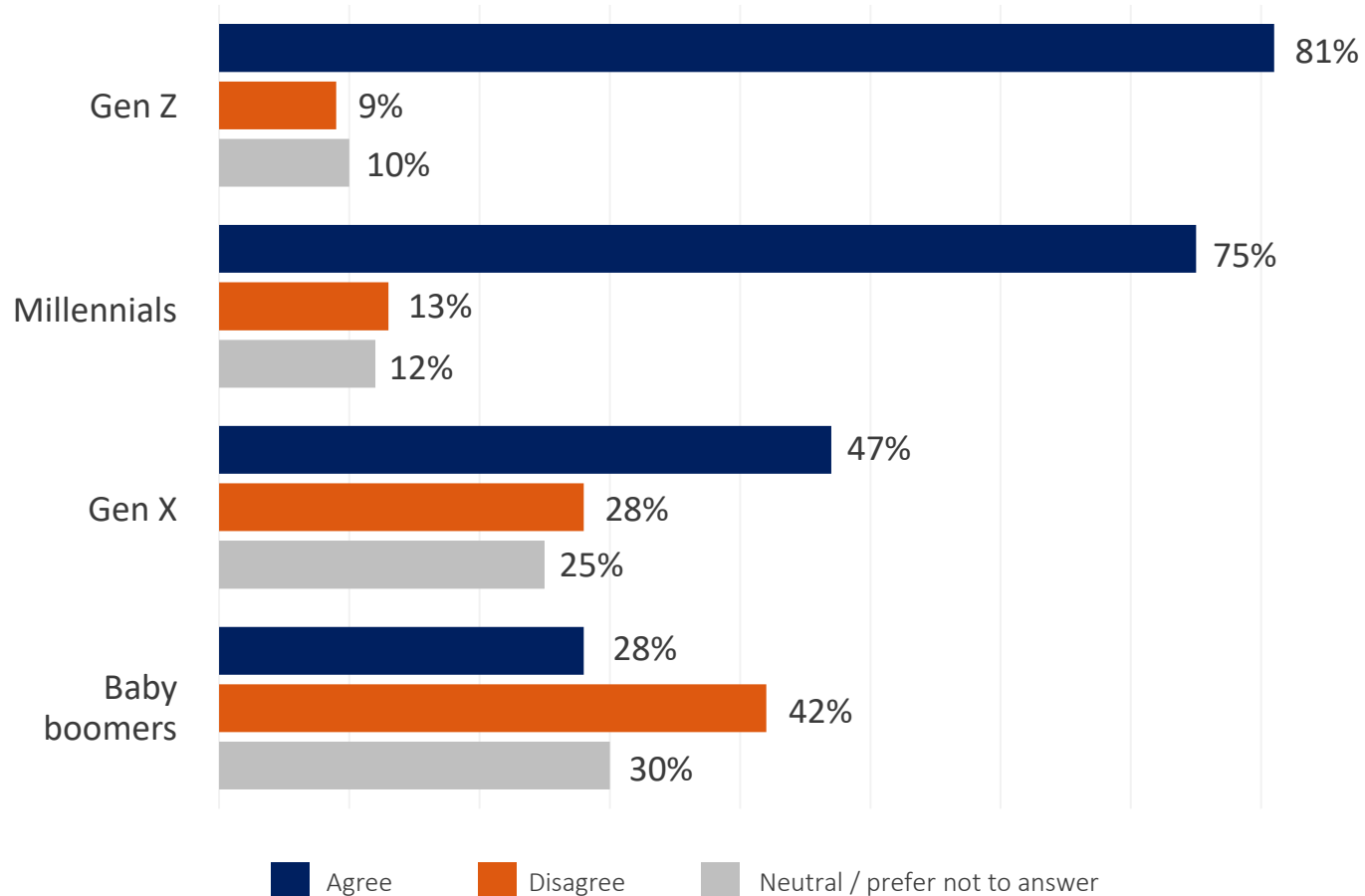
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# EVEN IF IT DOESN'T APPLY TO YOU NOW... IT WILL

People sharing their pay information (salary/bonus) will lead to better equality in pay



WTW survey showed UK companies are ramping up communication on pay transparency, despite no new regulations

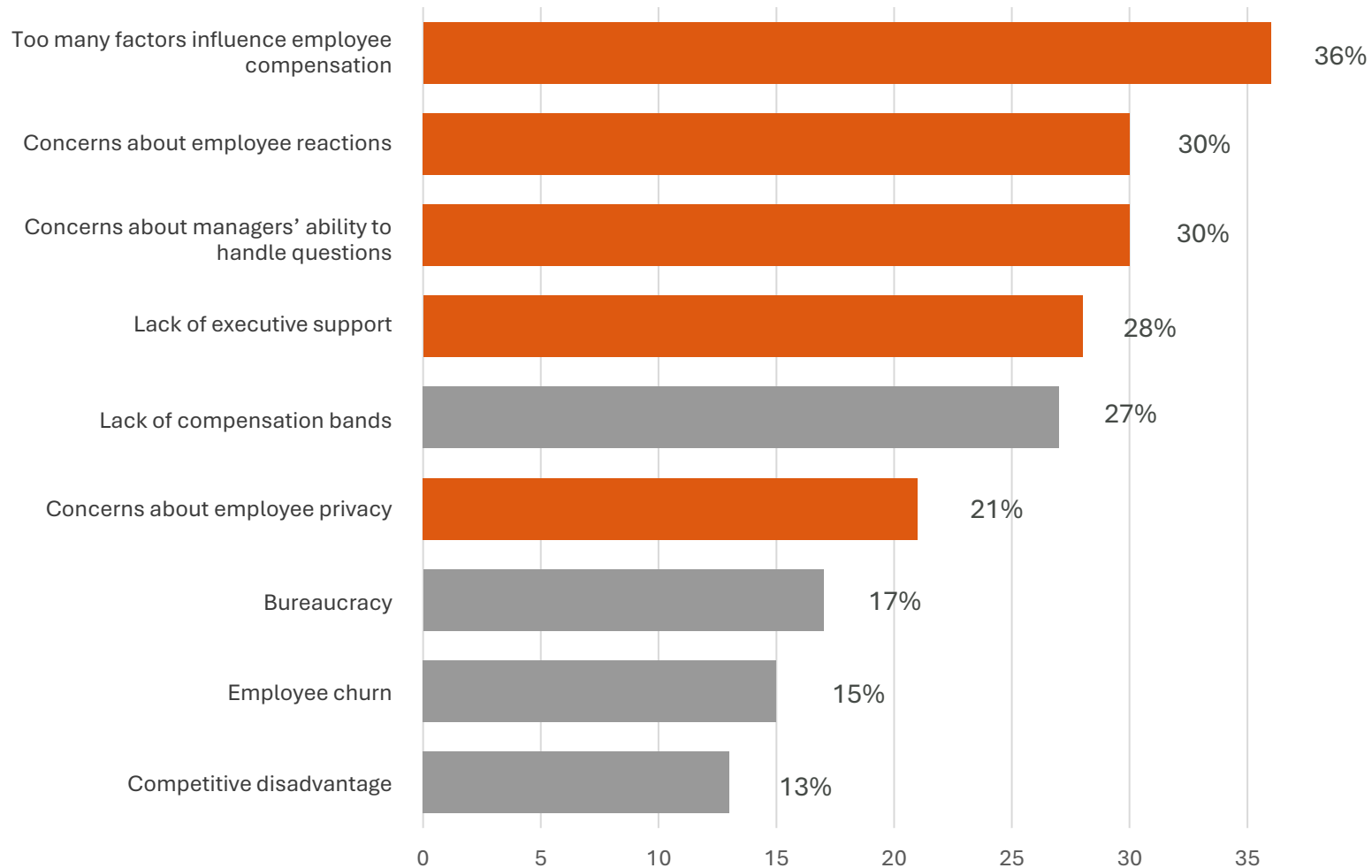
- **Only 16%** of companies surveyed currently disclose individual pay ranges to their employees — **but 54% plan to in the future.**
- **44%** already communicate a public pay equity commitment or plan to do so.
- **52%** are planning to or considering sharing a pay transparency commitment.
- **60%** are planning or considering communicating pay rate information to external candidates as part of the recruitment process

# ACTIONS WE EXPECT TO SEE

1. **Collecting employee data** – many organisations will need to collect this data but also communicate effectively with employees to encourage them to share the information
2. **Job levelling** – to establish work of equal value and to provide employees with information on average pay levels for comparable work, organisations will need to be confident they can determine what is comparable work
3. **Establishing / reviewing pay structures** – to provide pay ranges during the recruitment process, organisations will need some form of structure to enable this
4. **Scheduled monitoring of equality** – organisations will need to build into their calendar of reward activity the provision to review structures and policies to ensure they remain free from bias. This may include:
  1. Equal Pay Audits
  2. Tracking and reviewing starting salaries for work deemed as equivalent by protected characteristic
  3. Monitoring pay progression by protected characteristic
  4. Reviewing salary decisions for internal moves vs external hires by protected characteristic
5. **Increased Gender Pay analysis** – to explain reasons for differences of 5% or more, and to create action plans to address these gaps, organisations will go further with their analysis, to understand reasons for the gap and how to close the gap
6. **Benefits** – the focus will start to widen to include transparency around benefits

# COMMUNICATION

Barriers to increasing Pay Transparency



“Our organisation effectively communicates its EVP to employees”

33%

Our organisation recognises the importance of the link between employee satisfaction and customer/member outcomes.

86%

SKILLS

CATHRYN EDMONDSON



# IS THIS THE DECLINE OF THE DEGREE?

**44%**

of Graduates regret  
their field of study

**37%**

of Graduates say  
their education didn't  
prepare them for  
their career

**21%**

The percentage decline  
of Gen Z considering  
a degree

# IMPORTANCE OF MANAGEMENT TRAINING

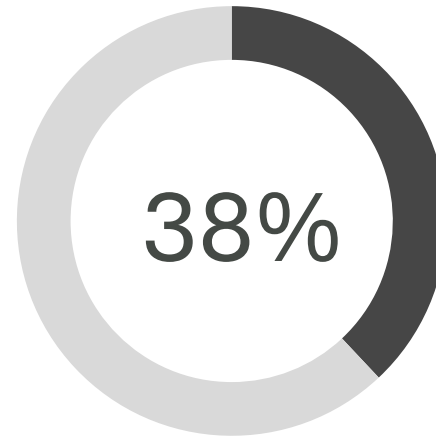
## Two key areas for Management Training:

### 1. Supporting Skill and Career Development

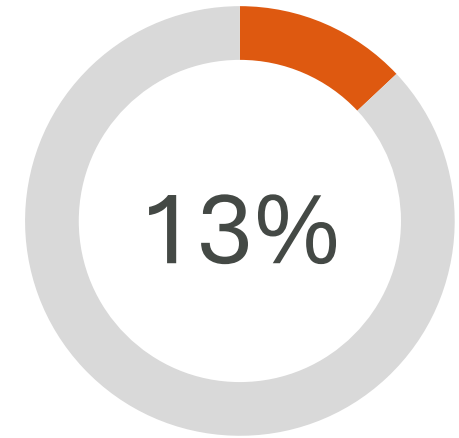
- How to **onboard** new employees, particularly those with limited experience
- How to have **career development** conversations and what to cover

### 2. When to have a conversation about **pay** and what to cover

- When to have the conversation
- How much can they say
- How to handle FAQs with confidence
- When to involve HR/People Team



Only 38% of organisations report being effective at educating managers about pay



Only 13% of companies feel they are effective at educating employees on pay

**12%** of employees agree their organisation has a good onboarding process - Gallup

# PAY PROGRESSION

JUSTINE WOOLF



Personal  
Group

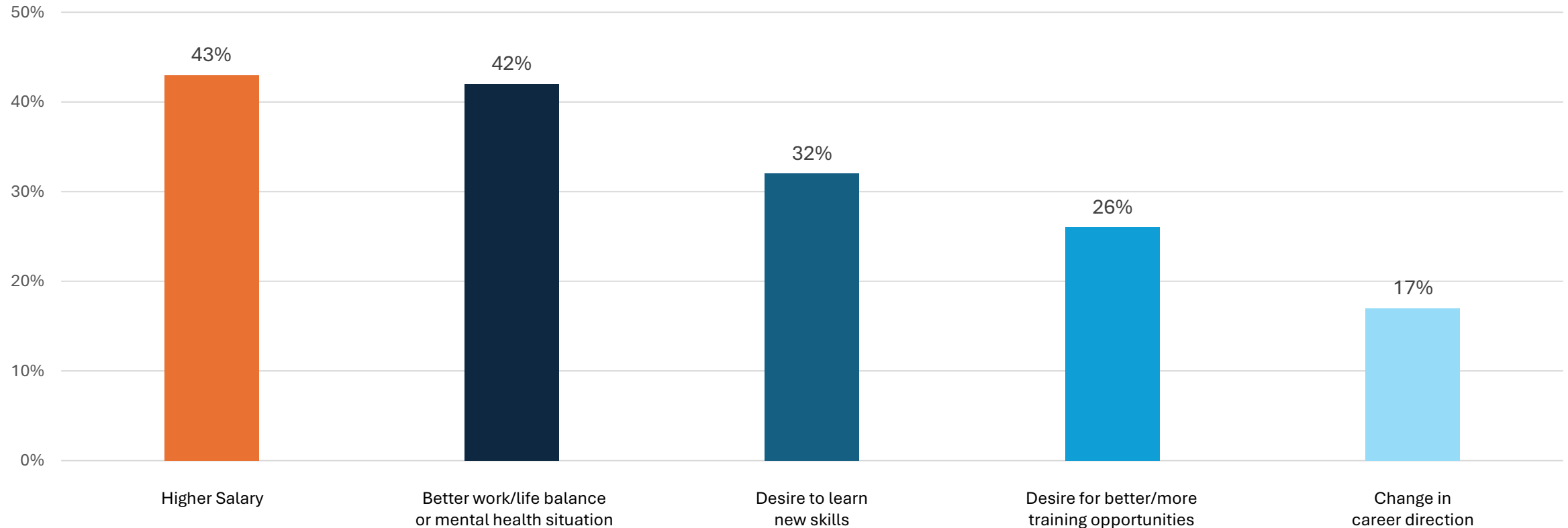
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# LACK OF PAY PROGRESSION IMPACTS RETENTION

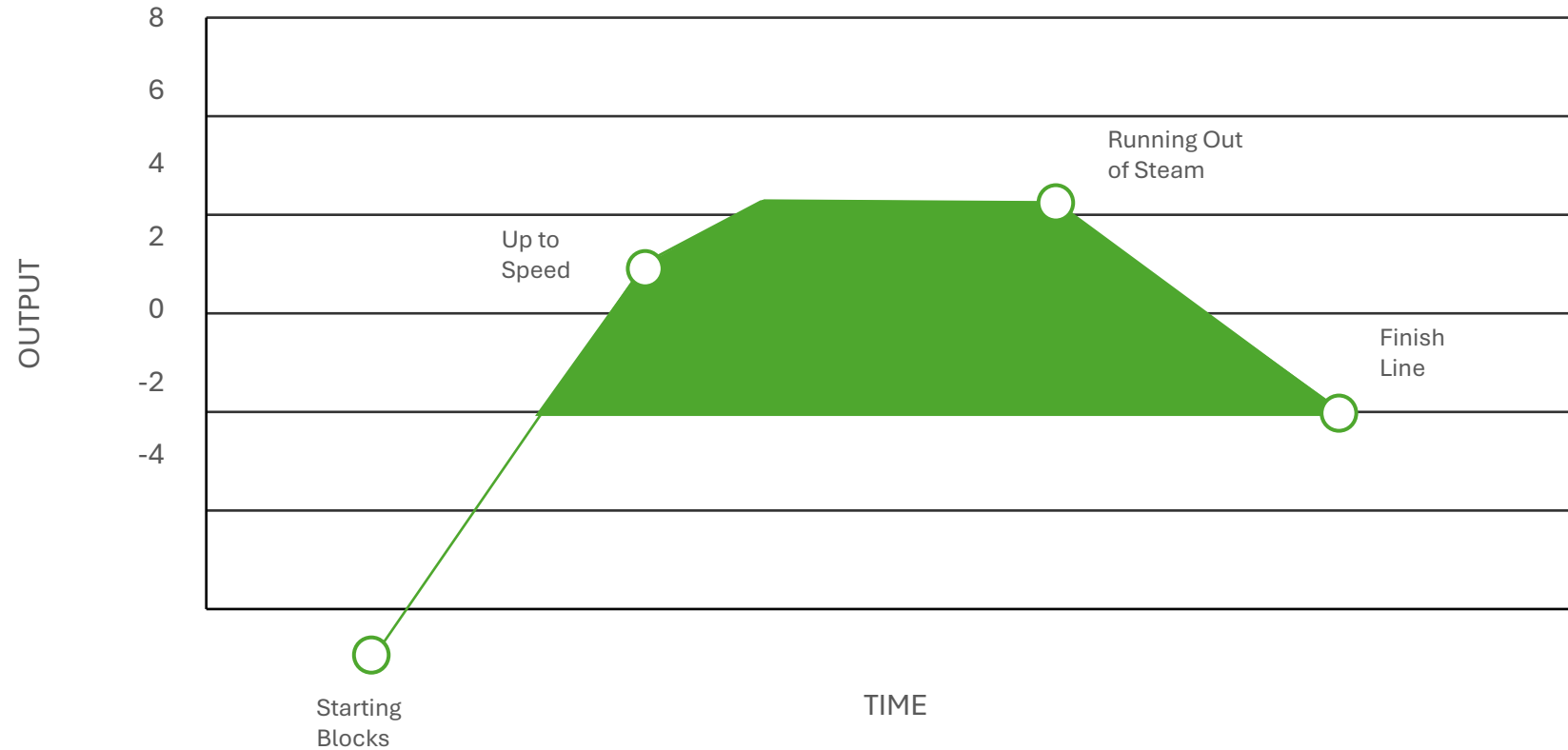
Top five reasons employees quit their jobs



Source: Gallup / Visier

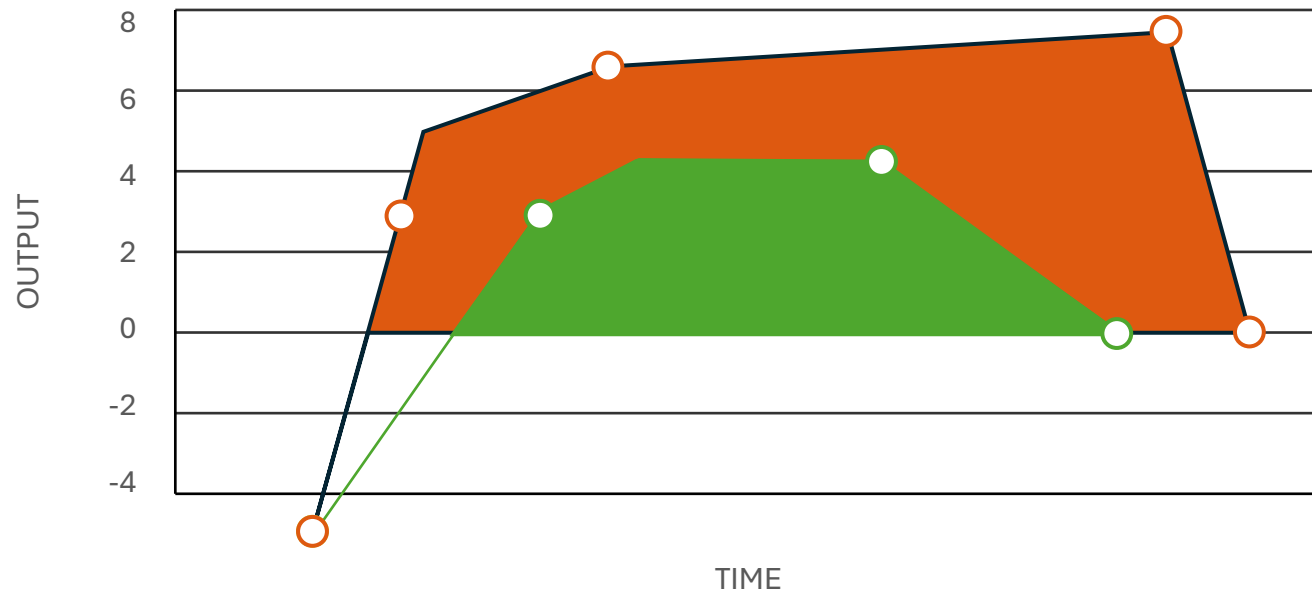
# EMPLOYEE LIFETIME VALUE

## THE CURRENT PICTURE



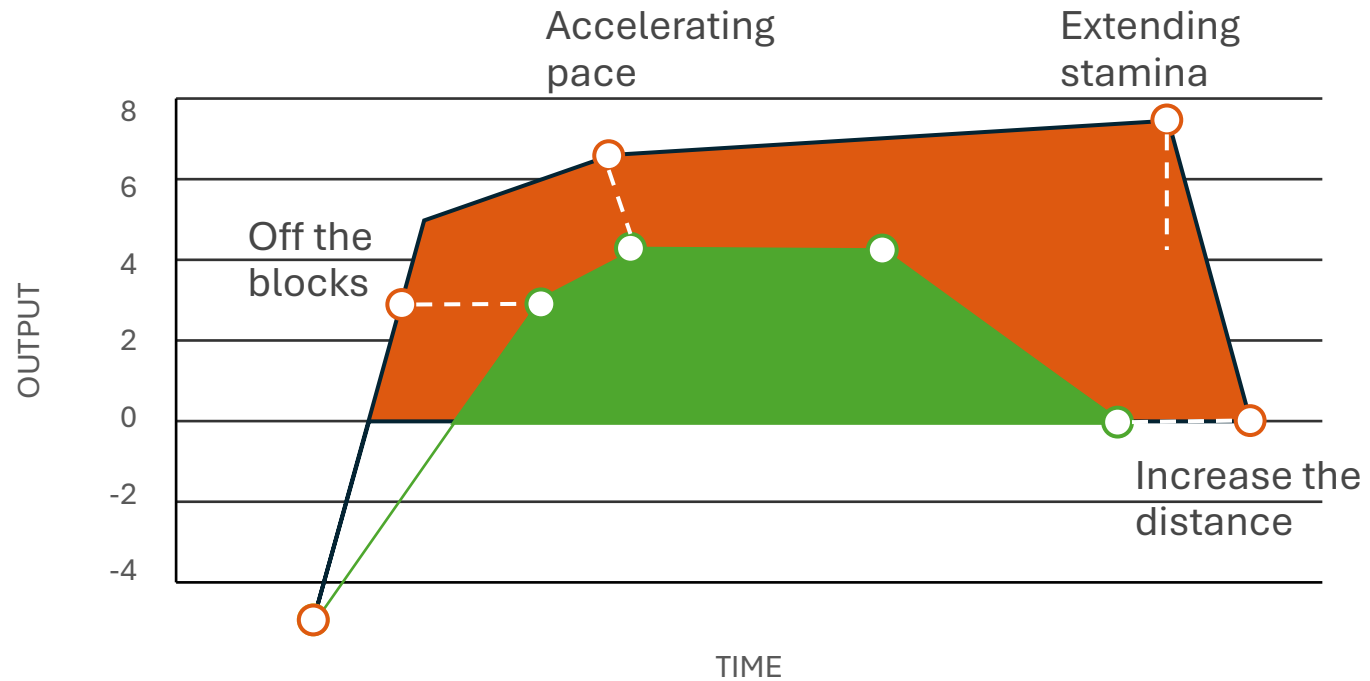
# EMPLOYEE LIFETIME VALUE

## RAISING THE BAR



# EMPLOYEE LIFETIME VALUE

INCREASE THE DISTANCE



# The questions your employees want answers to

I know what pay transparency is

I know what pay transparency means for me

I know how my pay is determined

I know where my salary fits within the pay range and why

**I know what my future earning potential is**

I know where to go to find out information about pay and how pay is managed

I know how my salary compares to others in my company

I know how my salary compares to others outside my company

**I have confidence that pay decisions are fair**

I have confidence that my pay is comparable to others in my company

I have confidence that my pay is comparable to others outside my company

**I have confidence that I can grow my pay in my current role**

I have confidence that if my salary is not comparable it will be addressed

I have the confidence to explain how salary decisions are made

# IMPLICATIONS OF EU PAY TRANSPARENCY DIRECTIVE

## Pay transparency measures:

1. **Recruitment phase** - Employers will need to provide information on the pay level or range associated with a specific role when advertising jobs. Employers cannot ask applicants about their pay history. Every part of the job advertisement and the recruitment process must be gender-neutral, including job titles
2. **Right to information** - Employees will have the right to request information on average pay levels or pay ranges, broken down by gender for comparable work. Also, employees are allowed to share their pay information with their peers, and employers can't contractually restrict this
3. **Pay setting and application** - Employers will need to make this information accessible and easy to understand, alongside the criteria used to determine pay, pay levels and pay progression.
4. **Regular assessment of pay infrastructure** – There will be an onus on employers to assess pay structures and policies periodically to ensure they are free from gender bias and promote equal pay, with any discrepancies or inequalities identified and corrected
5. **Accessibility of Information** - All information provided must be accessible to everyone, e.g. ensuring that the format and delivery of the information takes into account the specific needs of individuals with disabilities

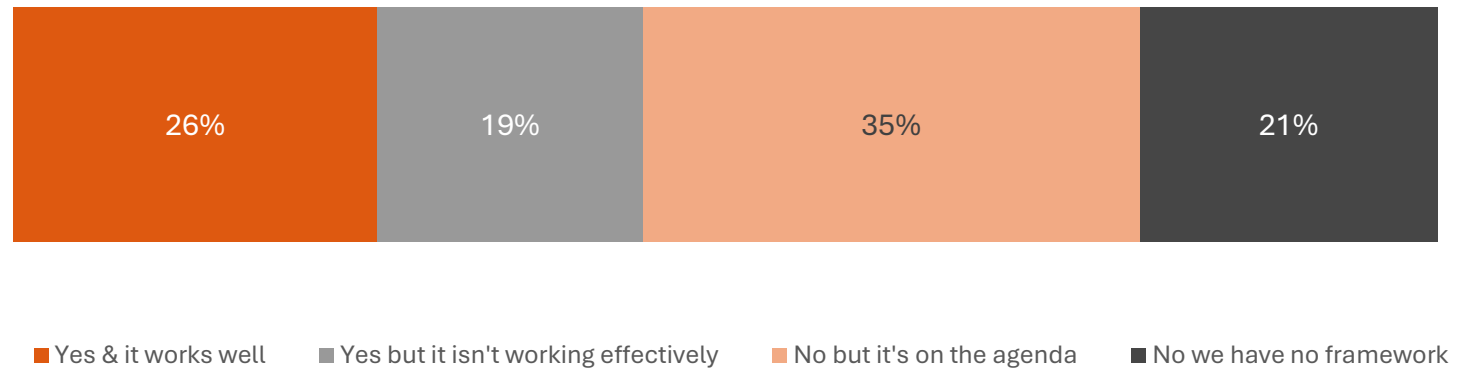
## Reporting obligations

- **Reporting on Gender Pay Gaps for all workers** – Every three years, employers with 100-249 workers will need to submit information on the pay gap between female and male workers in their organisation and may make it publicly available. For employers with at least 250 workers, this will be an annual requirement.
- **Remedying unjustified gaps** - Where pay reporting reveals a gender pay gap of at least 5% which is not justifiable on objective gender-neutral factors, employers will have to carry out a pay assessment and address any unjustified gaps.
- **Penalties for non-compliance** - Failure to comply with these reporting requirements can result in penalties and damage to the organization's reputation

# PAY PROGRESSION IS ON THE AGENDA FOR 2025

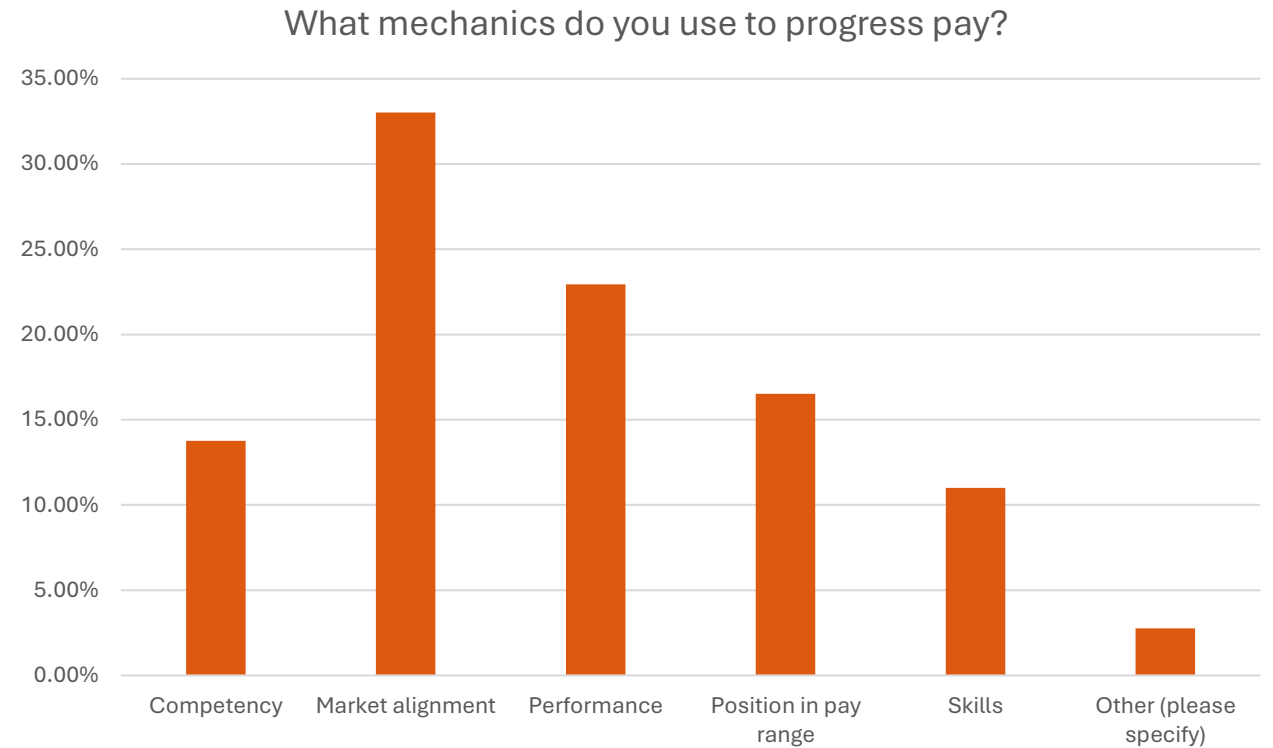
Only around ¼ of respondents have a framework in place to progress pay that is working well

Do you have a framework in place to progress employees through your pay structure?



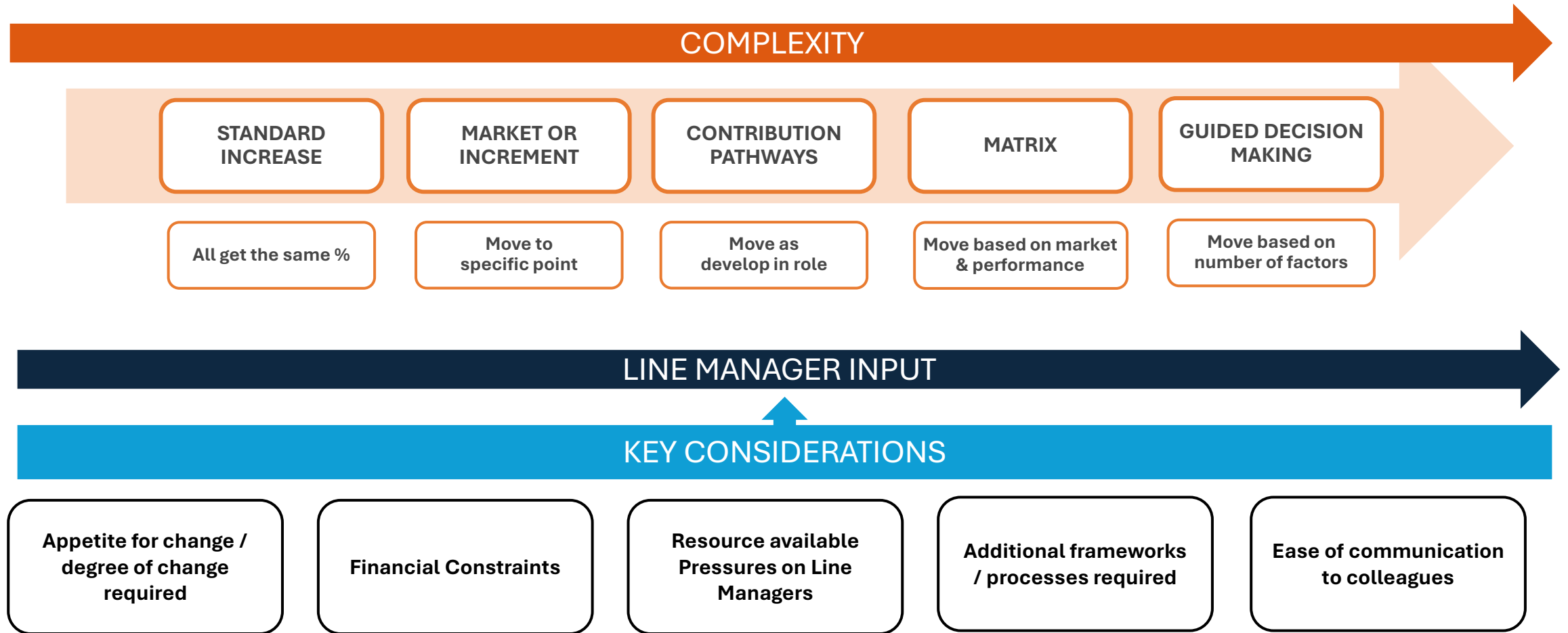
# PAY PROGRESSION MECHANICS

Market Alignment is most frequently used mechanic





# PAY PROGRESSION MECHANICS



# SECTOR DIFFERENCES IN APPROACH

## Not for Profit and Public Sector:

- Incremental progression based on length of services
  - Historically lengthy pay spines
  - Has been reducing – e.g. NHS
- Concerns about performance related progression (ability to effectively manage it fairly and budgets to effectively differentiate)

## Not for Profit and Public Sector:

- Performance related pay
- Blended approaches (market position | range + performance via matrix)

NHS Terms and Conditions 2024 (Agenda for Change)  
Pay bands and pay points from 1 April 2024 (England)

NHS Employers

\*Band 1 closed to new entrants

Band 1*	£23,615				
	Entry	Years until eligible for pay progression	Top		
Band 2	£23,615	2	£23,615		
Band 3	£24,071	2	£25,674		
Band 4	£26,530	3	£29,114		

	Entry	Years until eligible for pay progression	Intermediate	Years until eligible for pay progression	Top
Band 5	£29,970	2	£32,324	2	£36,483
Band 6	£37,338	2	£39,405	3	£44,962
Band 7	£46,148	2	£48,526	3	£52,809

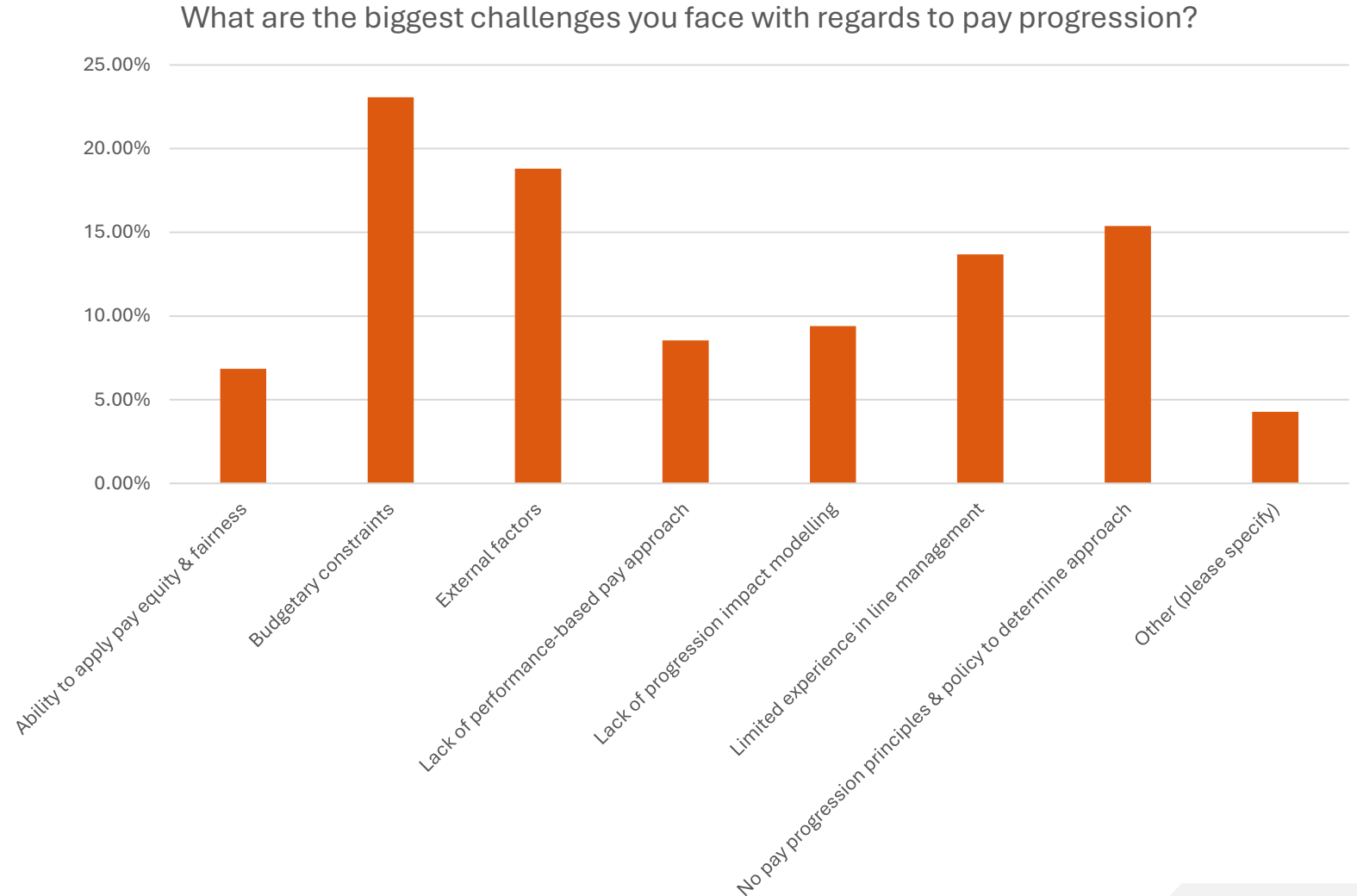
  

	Entry	Years until eligible for pay progression	Intermediate	Years until eligible for pay progression	Top
Band 8a	£53,755	2	£56,454	3	£60,504
Band 8b	£62,215	2	£66,246	3	£72,293

	Low in Range	Mid-Point of Range	High in Range
1. Outstanding	5.0%	4.0%	3.0%
2. Exceeds expectations	4.5%	3.5%	3.0%
3. Meets expectations	3.5%	2.5%	2.0%
4. Does not meet expectations	0.0%	0.0%	0.0%

# WHAT MAKES PAY PROGRESSION HARD?

(57%) of respondents stated that budgetary constraints was one of the main challenges to managing pay progression in their organisation



# CASE STUDY:

## CROHN'S & COLITIS UK

Growing Charity. Wanted to create visible pay framework and help staff to progress pay

Implemented competency based career progression – fixed % 'kicker' applied only as competency has been demonstrated (on top of a market alignment increase)

Cost modelling conducted to ensure ongoing affordability. Manage expectations around competency moves (not annual)

**CROHN'S & COLITIS UK**

### New Competencies

- Strive to learn, innovate & adapt**  
Strong desire to learn, grow, contribute ideas and adapt to or drive changes.
- Drive to succeed & overcome challenges**  
'Can do' approach to achieving ambitious objectives, solving problems and overcoming barriers.
- Excellence in implementation**  
Making the right decisions and using resources wisely to maximise value added.
- Communicate effectively and respect diversity**  
Apply knowledge, experience and interpersonal skills to influence others whilst considering equality, diversity & inclusion in all aspects of work.
- Promote collaborative working**  
Building trust within teams and across functional boundaries, sharing information and aligning on responsibilities.
- Take accountability for performance**  
Critically appraising achievements & managing performance, giving & acting on feedback effectively.

**WE ARE AMBITIOUS** (with rocket icon)

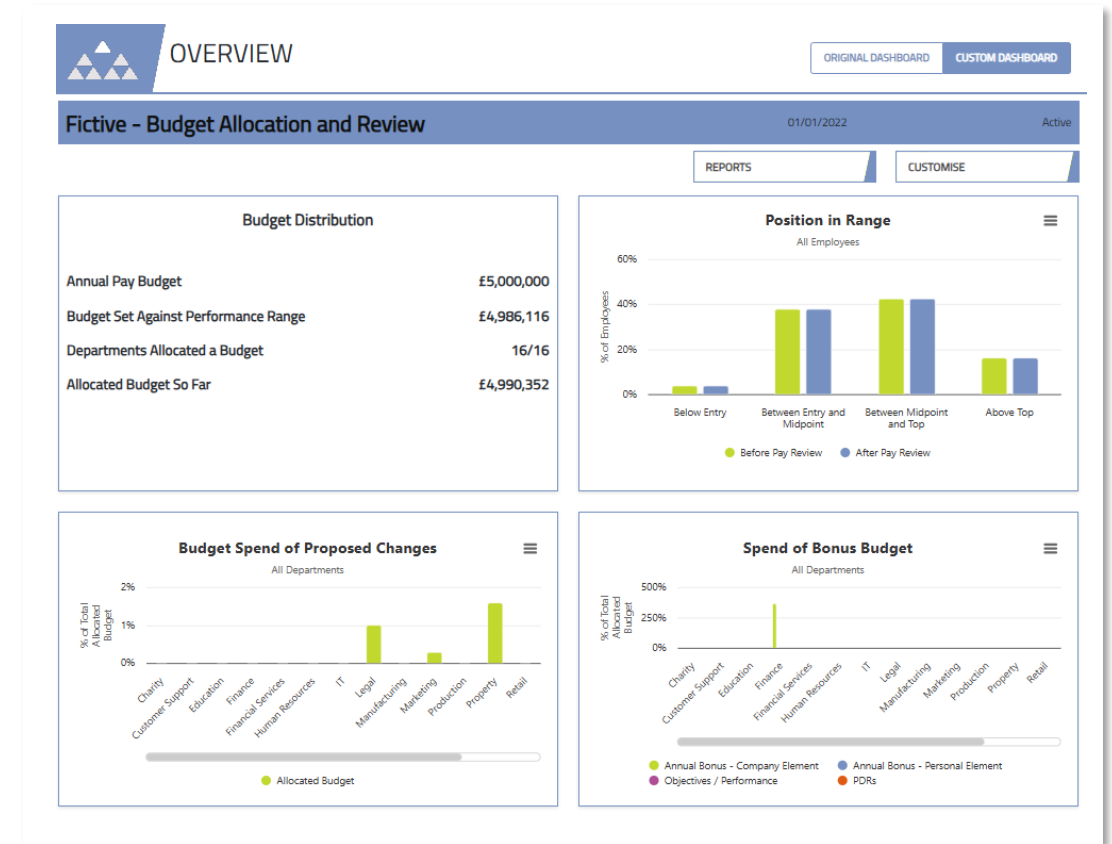
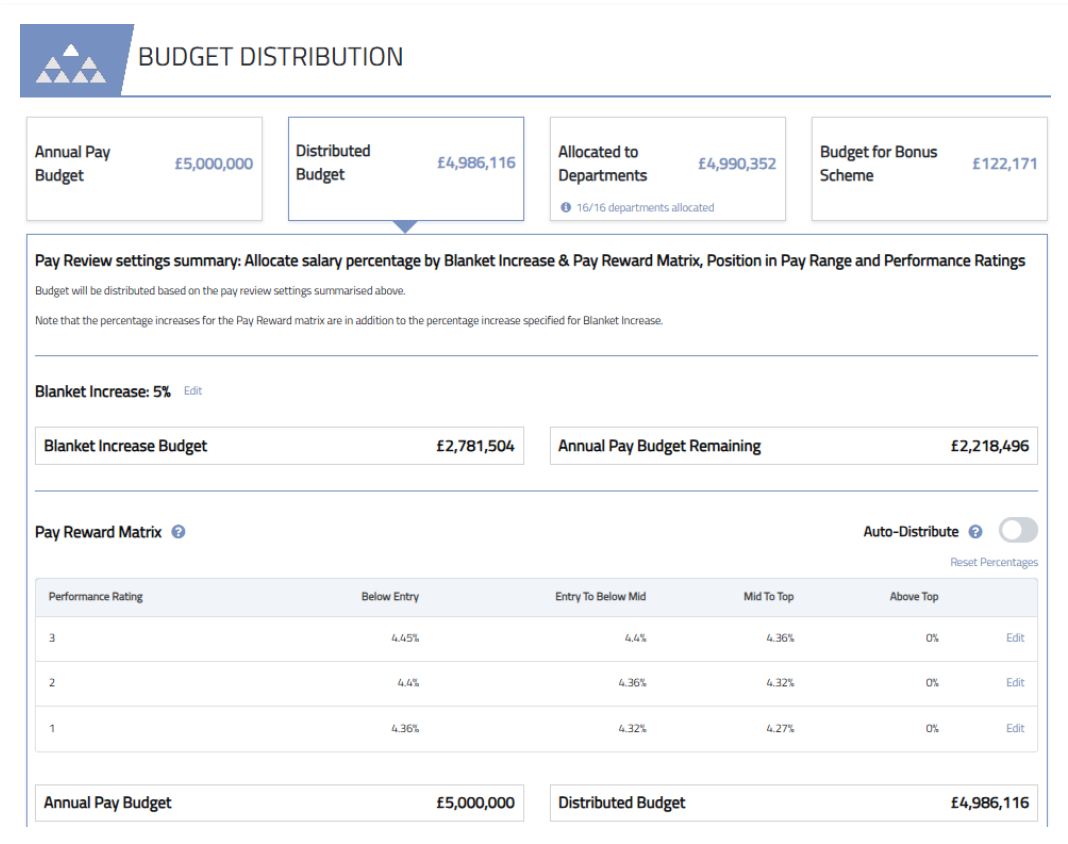
**WE ARE COMPASSIONATE** (with hand icon)

**WE ARE STRONGER TOGETHER** (with people icon)

### Salary progression

Rating	Suggested description
Exceptional	Consistently raises and exceeds expectations
Above Expectations	Consistently exceeds expectations
Meets Expectations	Fully achieves expectations and may at times have exceeded expectations
Developing	Still growing or developing in role. Needs more support to perform at required level. May have met expectations on occasions but is inconsistent.

# ENSURING AFFORDABILITY WITH ADVANCE



# HOW READY ARE YOU?

- What determines an individual's ongoing value to the organisation: performance, contribution, length of service (loyalty), etc .  
*What do you want to incentivise and reward?*
- How complex do you want the process to be
- How do you want to involve line managers & what capability do they currently have
- What resource do you have available within the organisation to drive change, build new frameworks, upskill Managers
- How will you communicate the chosen approach?

# TABLE EXERCISE INSTRUCTIONS

## READY/NOT READY

### Instructions:

1. Individually assess your organisation's readiness for implementing a pay progression system based on the criteria below
2. For each key area, determine if you believe your organisation is "Ready" or "Not Ready"
3. Provide specific examples and evidence to support your assessment
3. Identify any potential roadblocks or challenges to implementing pay progression

### Additional Considerations:

- What type of pay progression system is best suited for your organisation? (e.g. performance-based, competency led etc)
- What are the potential benefits and drawbacks of implementing a pay progression system?
- What resources will be needed to successfully implement and maintain a pay progression system?
- Use this information to discuss within your teams and with leadership to inform a more comprehensive organisational assessment.

# FIRESIDE CHAT

SARAH LARDNER & JOSEPHINA SMITH





# TO CLOSE



THANK YOU



MATERIALS



NETWORK



HAPI EVENT –  
THURSDAY 30<sup>TH</sup> JAN  
25



SECTOR  
ROUNDTABLES

THANK YOU

TO ACCESS THE RESOURCE HUB,  
PLEASE SCAN THE QR CODE:

