



Innecto Insights

Spring/Summer 2026 Edition

INNECTO INSIGHTS ABOUT INNECTO



Innecto is the UK's largest independent pay and reward consultancy. Rooted in lived HR experience, we help HR leaders navigate their biggest challenges, from total reward strategy and pay fairness, to benefits and progression frameworks. Our human-centred approach, legally robust frameworks, and proprietary digital tools cut through the noise to deliver clarity, competitiveness, and commercial impact.

Why Leading UK Employers Choose Innecto

With lived experience, our consultants have built and led reward functions, so every solution is grounded in practical reality. We pride ourselves on our independence and objectivity that we bring to every project. We benchmark across the market, not from a single dataset, enabling us to provide objective, defensible recommendations to our clients. We deliver true impact, measuring the success of projects in tangible results: improved equity, engagement, retention, and ROI.

Consulting Expertise. Digital Precision. One Connected Approach.

Every organisation is different. That's why we combine award-winning consulting with proprietary HR tech to deliver pay and reward frameworks that work in practice, not just on paper. Our consulting expertise enables us to tailor legally robust frameworks and solutions to your culture, context, and business goals. Our Digital HR Tech powered by global market data and proprietary algorithms enables for faster, fairer, and more scalable delivery.

The Challenge For HR Leaders (header)

The world of work is changing at an unprecedented pace, but outdated pay practices and frameworks are holding organisations and their people back from realising their full potential. Pay & Reward is under scrutiny, wage inflation, cost-of-living expectations, and new transparency laws mean every pound of spend must be justified. HR leaders are expected to evidence ROI, not just equity.

Fragmented approaches, outdated pay structures, slow hiring and poorly aligned benefits reduce agility and fuel attrition. Our experience highlights where reward has become disjointed, making it difficult to manage or modernise. With the redefinition of work as a result of AI and automation, shifting expectations are transforming roles and skills faster than most frameworks can adapt, demanding more agile, data led design. We know that organisations

that modernise reward don't just achieve fairness. They gain control, agility, and measurable business value.

Clarity. Competitiveness. Commercial Impact.

Organisations that modernise reward don't just achieve fairness. They gain control, agility, and measurable business value.

We help you:

- Build clarity with data-driven insight into your organisation's roles, reward, and market position, connected frameworks and transparent structures.
- Strengthen competitiveness through market driven pay, benefits, and progression that attracts and retains top talent.
- Deliver commercial impact by aligning people investment and spend to measurable business outcomes.

Trusted By 100+ Leading UK Companies Each Year





FROM CAREER PATHWAYS TO CAREER FLOWS

Organisations across industries are facing a growing challenge: retaining talent while building the capabilities needed for an increasingly complex future of work.

The current uncertain economic climate, with inflation and interest rates expected to rise in response to the Middle East conflict, is driving a potential second round cost-of-living crisis. Whilst current predictions are not as severe as the previous inflation spike in 2022, rising costs coupled with decreasing earnings will create a challenge for firms to retain talented staff.

Although leaders recognise the importance of internal mobility and career development as a retention tool, many still rely on rigid role frameworks and outdated structures that restrict movement and slow capability growth. The consequences are predictable as employees struggle to see a future within the organisation, critical skills remain scarce, and turnover continues to rise.

In the UK, **the average employee turnover rate sits at around 35%**, with significant variation across sectors. Meanwhile, **34% of UK workers say they are considering leaving their job in 2026**, signalling a continued rise in mobility expectations.

Research consistently shows that much of this turnover is avoidable. According to the Work Institute, 63% of employee departures are driven by preventable factors, particularly the lack of career growth and progression opportunities.

Forward thinking organisations are responding by redesigning career development around skills, mobility and opportunity rather than static roles. This shift enables people to move across functions, develop future capabilities and build meaningful careers inside their organisations.

Traditional career frameworks are failing, and internal mobility has become a critical retention strategy. Organisations are now placing more emphasis on building more dynamic career pathways that support both business performance and employee expectations.

The Retention Challenge: Why Talent is Leaving

Employee expectations around career development have changed dramatically. Careers are no longer viewed as linear progressions within a single function. Instead, employees expect opportunities to learn, move and grow across roles and disciplines.

However, many organisations have struggled to keep pace.

This trend is particularly strong among Gen Z and Millennials, who prioritise skill development and advancement opportunities over traditional benefits. The implication is clear: career development is no longer optional - it is central to retention.

The Cost of Early Attrition

One of the most damaging aspects of turnover is how early it occurs.

A significant proportion of employee turnover happens within the first year, often before organisations have realised the full return on their recruitment and onboarding investment.

Replacing an employee is expensive. In the UK, research from Oxford Economics shows that the **average cost of replacing an employee exceeds £30,000**, once lost productivity and onboarding time are factored in.

The Internal Mobility Advantage

While many organisations struggle with retention, others are seeing measurable benefits from investing in internal mobility.

LinkedIn data shows that employees who make an internal move within three years have a 62% chance of staying, compared with 38% for those who do not.

Organisations that prioritise career development also report:

- Stronger employee engagement
- Faster capability development
- Improved workforce agility
- Longer employee tenure

Internal mobility is therefore more than a retention tactic - it is a strategic capability that enables organisations to deploy talent more effectively and reduce reliance on external hiring.

INNECTO INSIGHTS WHAT WE DO

At Innecto, our insight comes from the work we do every day.

We work with organisations across a wide range of sectors, industries and challenges, giving us a broad perspective on how reward is changing in practice. From navigating pay transparency and rising employment costs to attracting, retaining and engaging talent, we see first-hand how organisations are responding and where they're making meaningful progress.

Innecto Insights brings those observations together.

Published quarterly, it combines the latest economic data, labour market trends and pay intelligence with the experience of our consultants. The result is a clear view of what's happening across the reward landscape, along with practical commentary to help you understand what those developments mean for your organisation.

Because data on its own rarely tells the whole story.

Our role is to help organisations interpret the trends, understand the wider context and make informed decisions with confidence. Whether you're reviewing your pay approach, planning for future workforce needs or looking to strengthen employee engagement, the focus is always on helping you connect reward decisions to business outcomes.

As expectations around pay continue to grow, and scrutiny of reward decisions increases, organisations need reliable insight they can trust. Innecto Insights is designed to provide exactly that, combining evidence, expertise and real-world experience to support better decision-making.

Data Sources

1. ONS Inflation and Price Indices, April 2026
2. Office for Budget Responsibility (OBR), The Economy Forecast, March 2026
3. Bank of England, Monetary Policy Report April 2025
4. Office for National Statistics (ONS), Average Weekly Earnings, April 2026
5. Brightmine Pay Trends, April 2025
6. Low Pay Commission, National Living Wage 2025
7. CIPD Labour Market Outlook; Winter 2025/26
8. ONS, Employment in the UK, April 2026

Why Traditional Career Frameworks Fall Short

Many organisations have career frameworks or job architectures in place, but these often fail to translate into meaningful movement. Common issues include:

1. Careers Built Around Roles, Not Skills

Traditional frameworks define progression vertically through senior roles. This limits mobility across functions and makes it difficult for employees to explore new opportunities.

2. Progression Paths are too Narrow

When roles above an employee are filled, progression becomes blocked, creating the perception that advancement requires leaving the organisation.

3. Career Information is not visible

Employees often lack visibility of potential career paths, required skills or alternative opportunities.

4. Managers Lack the Capacity to Support Development

Many managers lack the time or tools to support development effectively, creating a gap between organisational intent and employee experience.

5. Career Frameworks Delivered in Static Formats

Often career pathways are mapped out within documents that quickly go out of date, are hard to access and therefore lack engaging appeal.

The Shift to Skills Led Career Pathways

Leading organisations are redefining career development around skills and talent flow rather than static job structures. In this model, careers resemble a lattice rather than a ladder, enabling employees to move across functions, projects and roles while building new capabilities.

Career Development as a Retention Strategy

Retention concerns continue to rise, and learning opportunities remain one of the most widely used strategies to address them. But learning alone is not enough.

Employees want to see how development translates into real career opportunities. When learning is connected to visible pathways and internal mobility, the impact is significantly greater.

The Future of Careers Inside Organisations

Careers are becoming more dynamic, personalised and skill driven. Organisations need workforces that can adapt quickly to changing demands, and employees want meaningful, flexible growth.

Skills led career pathways offer a practical way to bridge this gap — enabling visible progression, cross functional mobility and continuous skill development.

Next Steps for Employers

Roles are changing fast, expectations are shifting, and people want clarity they can trust. Organisations cannot deliver that with outdated frameworks. Job architecture must move from an admin task to a strategic policy approach.

Innecto's Pathfinder tool enables organisations to transform static frameworks into interactive, personalised career paths that employees can see and use. When career progression is visible, engagement rises, performance improves, and attrition falls.

For more information on how to build career pathways which retain key talent, visit www.innectopathfinder.com

INNECTO INSIGHTS
ECONOMIC SNAPSHOT

Inflation has trended down according to the latest data from ONS. CPI inflation ticked down to 2.8% in the year to April 2026, driven by lower energy prices, while CPIH fell to 3%. Although GDP grew slightly, underlying momentum remains weak, and rising energy prices risk reinforcing a pattern of high inflation alongside subdued growth.

CURRENT ANALYSIS

The CPI inflation rate has fallen to 2.8% in the year to April, according to the latest figures released by the Office for National Statistics. It remains above the Bank of England's 2% target, but is lower than the 3.3% figure recorded in the 12 months to March. The fall was driven by lower electricity and gas prices, after the government's energy bill support package came into force.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 3.0% in the 12 months to April 2026, down from 3.4% in the 12 months to March. While core CPIH (CPIH excluding energy, food, alcohol and tobacco) rose by 2.8% in the 12 months to April, down from 3.3% in the 12 months to February.

Real gross domestic product (GDP) grew by 0.5% in the three months to February, following a growth of 0.3% in the preceding three-month period. This data is backward-looking and underlying momentum remains weak as energy prices surge. If sustained, this will only intensify a now familiar mix of high inflation and weak growth.

Figure 1: Inflation Indices
(change over 12 months)

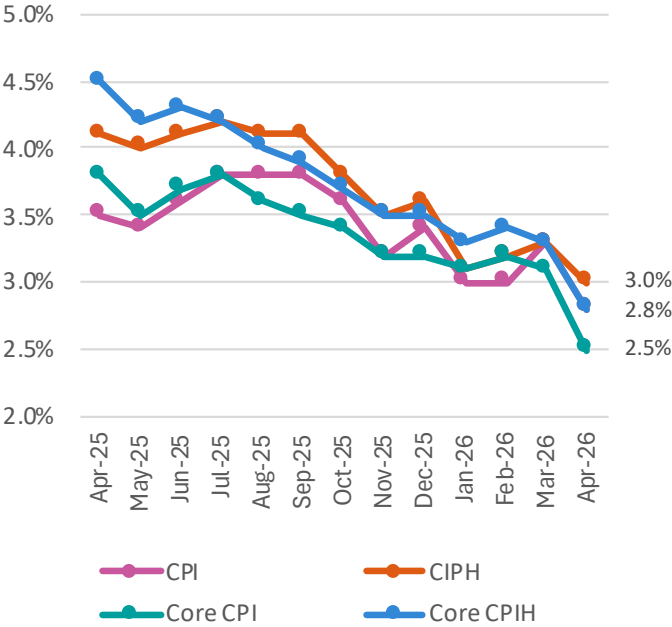
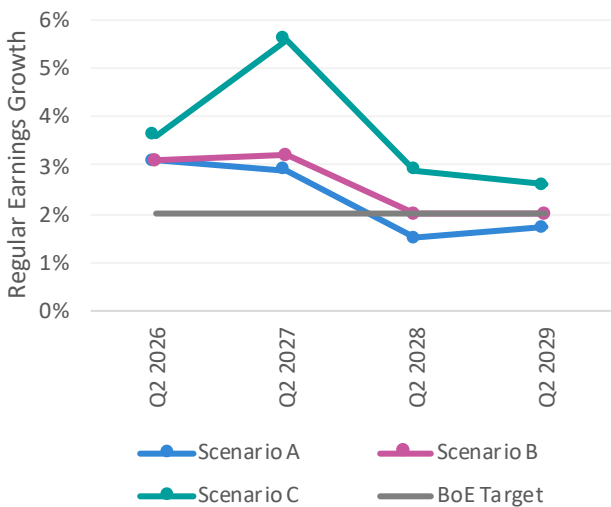


Figure 2: BoE Inflation Forecast



Conflict in the Middle East has added significant uncertainty to the UK economic outlook. In response, the Bank of England has shifted away from a single central forecast in its April 2026 Monetary Policy Committee Report, instead presenting three scenarios:

In Scenario A, the energy shock is short-lived, with inflation peaking at just over 3.5% by the end of 2026 before returning to around target, though this would still require interest rates to rise.

Scenario B also sees inflation reaching around 3.5%, but with energy prices remaining elevated for longer and some modest second-round effects.

Scenario C, which is more severe, predicts persistently high energy prices feeding into stronger second-round effects. In this case, inflation rises above 6% in early 2027, requiring a materially higher interest rate.

How Innecto can support: Pathfinder

Pathfinder is Innecto's digital career-mapping platform that transforms static job frameworks into interactive, personalised career journeys. It shows clear pathways, skills gaps and progression options for employees, while giving HR real-time talent mobility insight. When career progression is visible, engagement rises, performance improves and attrition falls.



INNECTO INSIGHTS AVERAGE EARNINGS

ONS data shows earnings growth is continuing to slow, with regular pay rising by 3.4% in the three months to March 2026, the lowest level since late 2020. Growth remains higher in the public sector than the private sector, though both have eased. After adjusting for inflation, pay growth is now minimal, with regular earnings at 0.1% and total pay at 0.8%, the weakest since Q3 2023.

The latest ONS data reveal that earnings growth has continued to slow, in a trend which began in March 2025. Regular earnings growth fell to 3.4% in the three months to March, down from 4.1% in Dec 2025 and 3.6% in Jan 2026. Earnings growth has now fallen to a level last recorded in November 2020.

Comparing sectors, regular earnings growth is tracking higher in the public sector at 4.8%, compared to 3% in the private sector. Both have decreased - public sector earnings growth has fallen by 0.4 percentage points, compared to a 0.1 percentage points in the private sector. Meanwhile, growth in total earnings (including bonuses) increased to 4.1%, up from 3.9%. Total earnings figures for the whole economy show growth of 4.1% in the three months to March, up from 3.9% in the previous period.

Adjusted for inflation, regular earnings growth stands at just 0.1%, down from 0.2%, and total pay growth stands at 0.8%, up from 0.6%. These figures for both measures are the lowest recorded since Q3 2023.

Figure 4: Regular earnings growth forecast

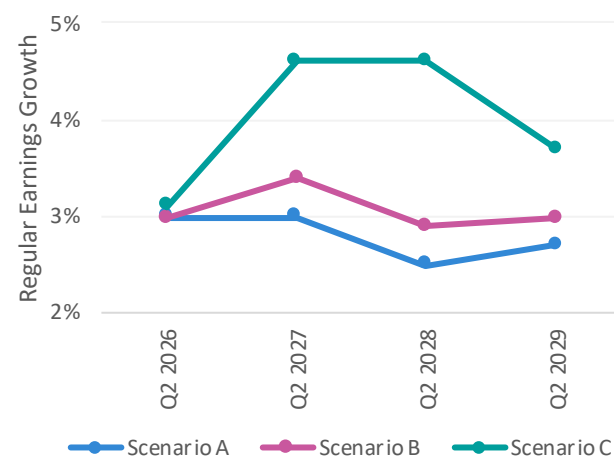
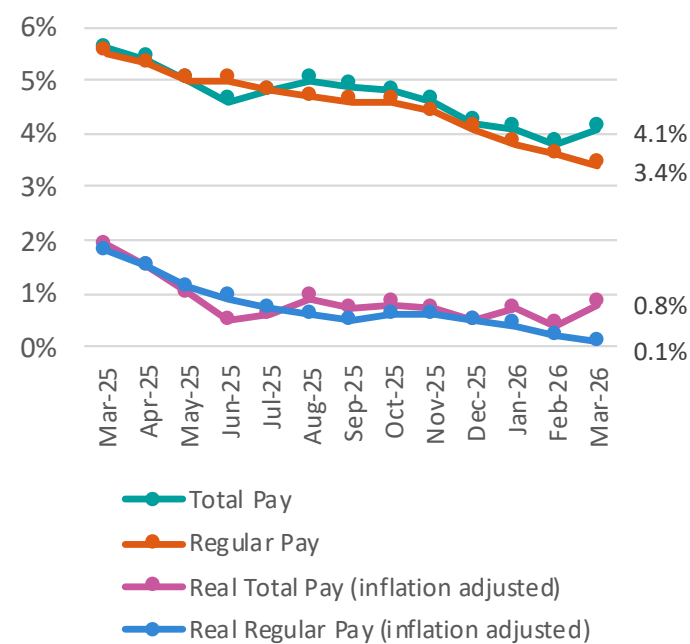


Figure 3: Average Weekly Earnings
(3 month rolling average)



Like its inflation forecast, the BoE has provided forecasts for earnings growth associated with the three scenarios.

In Scenario A, wage growth rises a little in the near term but eases back to below 3% by 2027 Q3 as labour market conditions loosen due to weak activity. Scenario B sees wage growth rising to 3.5% in 2027 Q1 and declining only gradually thereafter. Meanwhile, in Scenario C, wage growth rises and stays significantly higher relative to Scenarios A and B.

FORECAST

How Innecto can support: PayLab

PayLab is Innecto's revolutionary pay benchmarking solution, which allows you to gain complete clarity around your current and aspirational pay stance. PayLab's at-a-glance analytics, customisable dashboards and reporting suites enable you to track how pay is working for your business. You can look at market base pay and total cash stance, allowing you to get into the detail to understand your pay distribution.



INNECTO INSIGHTS PAY AWARDS

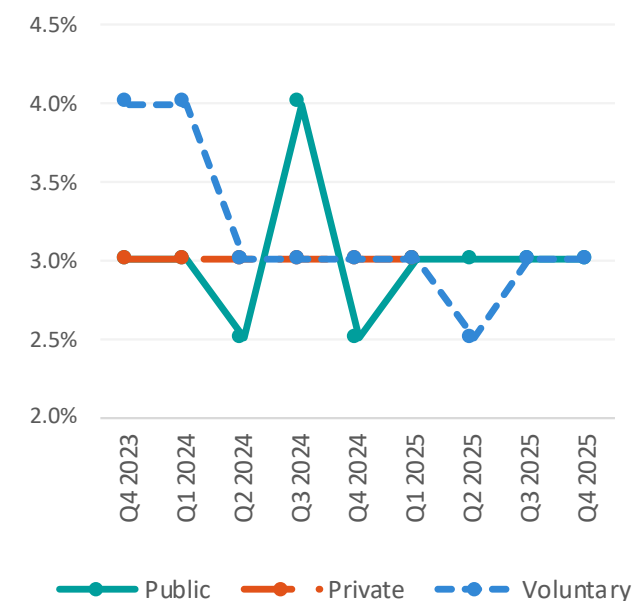
Brightmine's latest data shows median pay awards of 3.5% in the three months to March 2026, easing to 3.2% across settlements effective to end-April. Matched-sample analysis indicates a slightly more generous overall picture, with 42.9% of awards higher than in 2025, compared to 34.7% lower and 22.4% unchanged.

Brightmine's latest analysis of pay settlements across all sectors shows a median award of 3.5% in the three months to March 2026, from the 3.3% in February. Early April awards point to a lower median than that seen across the first quarter of 2026. It is too early to tell the impact of the Middle East conflict for pay awards and whether firms will make further adjustments later this year in response to rising cost pressures for staff.

Using a matched-sample analysis, Brightmine find that just over two-fifths of pay awards (42.9%) were higher than those given to the same employee group in 2025, while around one-third (34.7%) were lower and just under a quarter (22.4%) were unchanged. This points to a slightly more generous pay settlement picture overall.

Most organisations continue to rely on uniform pay rises, with around two-thirds (67.6%) awarding an across-the-board increase. A smaller proportion combined a general uplift with a merit or performance element (14.4%), while fewer than one in seven organisations (13.5%) linked pay awards solely to individual performance.

Figure 6: Median Pay Expectations
Split by Sector



How Innecto can support: Advance

Anticipate cost implications and model impact on salaries with ease via Advance, our complete solution for pay review. Our user-friendly, fully customisable modeler removes the need for time hungry spreadsheets. By configuring the system to your internal pay practices and policies, you can keep track of spend and how proposed increases impact your pay position, whilst tracking progression year-on-year against your pay policy.



INNECTO INSIGHTS PAY EQUITY

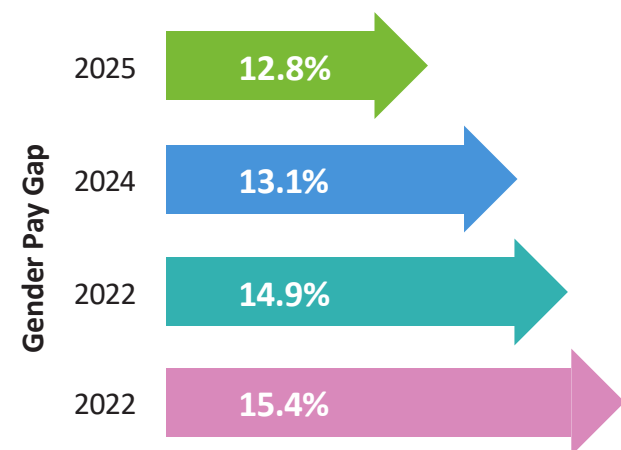
National Living Wage increase to £12.71 took effect in April 2026, the lowest percentage increase since 2021. Above inflationary increases aim to deliver real-terms pay growth, while the gender pay gap continues its slow long-term decline.

Effective 1 April 2026, the National Living Wage (NLW) increased to £12.71 an hour for adults aged 21 and over. Meanwhile, the national minimum wage increased to £10.85 for 18–20-year-olds and £8.00 for both 16–17-year-olds and apprentices, while the accommodation offset increased to £11.10 per day.

These will translate to an increase in gross annual earnings of £900 for a full-time worker on the NLW and £1,500 for those on the NMW. The increases reflect prevailing economic conditions, and exceeds inflation expectations between April 2026–2027, giving workers a real terms pay rise. As a result of changes to the wage floor, 2.5% of all employee jobs were low-paid in April 2025 the lowest since the series began.

For comparison, the real Living Wage, announced last October, stands at £13.45 across the UK and £14.80 per hour in London. The approximately 16,000 UK employers who have registered to voluntarily pay this rate had until 1st May 2026 to implement them.

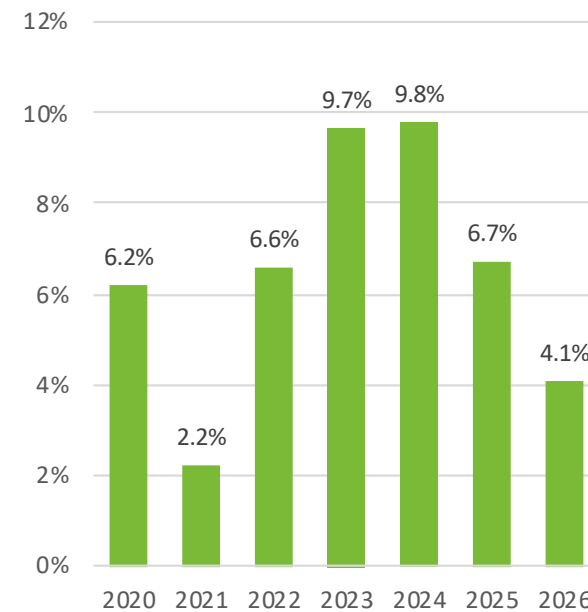
In April 2025, 16.8% of jobs held by women were paid below the real Living Wage, compared to 12.3% of jobs held by men. This equates to 2.5 million jobs held by women paying less than the real Living Wage, over 700,000 more than those held by men.



The ONS headline gender pay gap (GPG) figure (which is based on median hourly earnings for full-time employees) is 6.9% as of latest measurement in April 2025, down from 7.1% a year earlier, and narrowed to 7% in April 2024, down from 7.5% in 2023. Among all employees, the gender pay gap narrowed to 12.8%, down from 13.1% in 2023.

The disparity between women and men in low-paid work has continued to shrink. In 2024, women were almost 50% more likely than men to be in low-paid roles; by 2025, this had reduced to roughly one-third more likely. As a result, the low pay gender gap has narrowed to 4.5 percentage points—the lowest level recorded since the series began in 2012.

Figure 7: NLW Increases



INNECTO INSIGHTS RECRUITMENT & RETENTION

The UK unemployment rate fell to 4.9% in December 2025 to February 2026, down from 5.2% in the previous quarter. However, this improvement was accompanied by a rise in economic inactivity, which increased to 21% among those aged 16 to 64. At the same time, payrolled employment declined and job vacancies fell.

The UK unemployment rate for people aged 16 years and over was estimated at 4.9% in December 2025 to February 2026. This is down from 5.2% in the previous three months, according to latest data from the Office for National Statistics.

This improvement however accompanied by an increase in the economic inactivity rate. The UK economic inactivity rate for people aged 16 to 64 years was estimated at 21.0% in December 2025 to February 2026. This is up on the latest quarter.

Payrolled employment, a separate indicator of the number of people in work, continued to fall, with early figures for March showing a decline of 65,000 compared with the same month last year.

The estimated number of job vacancies has decreased. Early estimates for January to March 2026 suggest a decrease of 29,000 (3.9%), to 711,000, compared with October to December 2025, this is the lowest level of vacancies since February to April 2021.

Figure 8: Unemployment rate by Age Group

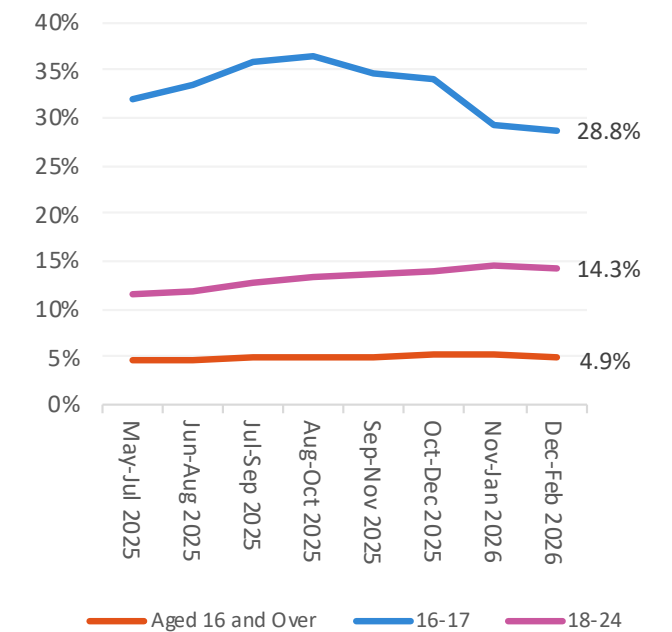
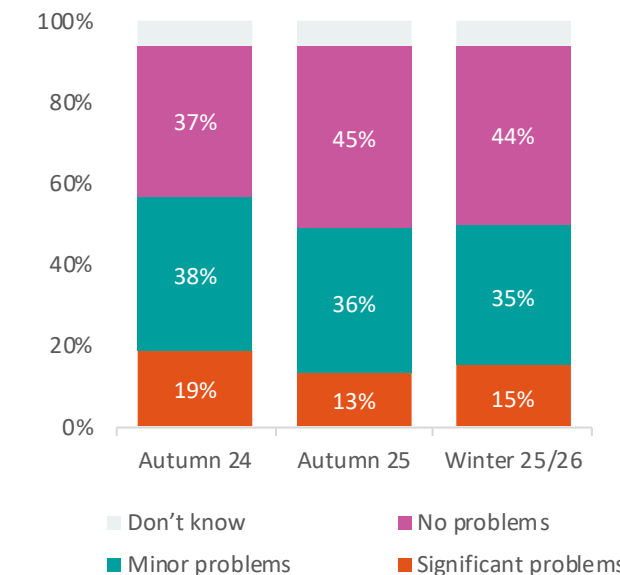


Figure 9: Anticipated problems filling vacancies



Looking ahead, the Bank of England projects the unemployment rate to tick up to 5.1% in Q2 2026 and rise further to around 5.5% at the same point in 2027 in each of its scenario models.

At the employer level, the latest survey by CIPD found a slight uptick in overall employers who anticipate significant problems filling roles in the short term. This number is now 15%. Meanwhile, a marginally lower proportion of employers anticipate no problem filling vacancies.

At the sector level, recruitment pressures have eased across some lower-paying sectors. Around half or more employers in retail (64%), arts, entertainment and recreation (59%), and hospitality (55%) say they do not expect difficulties filling vacancies over the next six months. In contrast, anticipated hiring challenges remain elevated in compulsory education (72%), care and social work (62%), and healthcare (59%).

How Innecto can support: Evaluate

Ensuring consistent grading is a key foundation for ensuring pay equity. Evaluate is a job levelling tool that makes evaluating roles quick and straightforward, reducing the resource your department needs to commit to completing this vital yet often time-consuming task. Our robust system for evaluating jobs gives HR confidence that roles are being assessed fairly and consistently and enables HR to create a strong foundation to build an effective organisation.



How Innecto can support: Hapi

The challenging labour market has increased the focus on how you can stand out amongst competitors. Innecto can support on developing your wider total reward package to elevate key benefits. Our industry leading mobile and web-based app, Hapi, also provides the perfect home for all components of your employee deal, making it visible and accessible to all. Hapi allows you to effectively communicate, manage and analyse your employee deal to drive engagement and retention.



REWARD STRATEGY | INTERNATIONAL REWARD
EXECUTIVE COMPENSATION | CAREER PATHWAYS
EMPLOYEE ENGAGEMENT | PAY BENCHMARKING
GENDER PAY AUDIT & CONSULTING
JOB EVALUATION | REWARD COMMUNICATIONS
PAY FRAMEWORKS | VARIABLE PAY | SALES BONUS
REMUNERATION COMMITTEE SUPPORT
BENEFIT AUDIT & DESIGN | PERFORMANCE MANAGEMENT

INNECTO



www.innecto.com



+44 (0)20 3457 0894



enquiries@innecto.com



@InnectoReward



**Personal
Group**

Part of the PG family