



# **Pay management (Ireland) survey: employee attitudes**

# Background & Objectives



The Chartered Institute of Personnel and Development (CIPD) is the professional body for those involved in the management and development of people. The CIPD conducts research projects on a regular basis on subjects relevant and topical to the Human Resources community.

CIPD Ireland commissioned a survey among Irish employees to identify their opinions of and attitudes towards pay and bonus.

YouGov conducted an online survey of 500 employees in December 2009.

The research focussed on areas such as:

- To what extent Irish organisations explain to employees what is expected from them
- How are pay rises and bonuses determined and communicated to employees
- The effect of reward and recognition on employee engagement
- How satisfied employees were with their reward package, and how they think they compare to the market

# Sample breakdown



Key Groups	N	%
<b>All working</b>	<b>500</b>	<b>-</b>
Men	239	48
Women	261	52
Full time	400	80
Part time	100	20
Private Sector	325	65
Nationalised industry or public corporation	16	3
Other public sector employer	92	18
Charity/ Voluntary Sector	16	3
Micro organisation (2-9)	95	20
Small organisation (10-49)	109	23
Medium organisation (50-249)	98	20
Large organisation (250+)	180	37

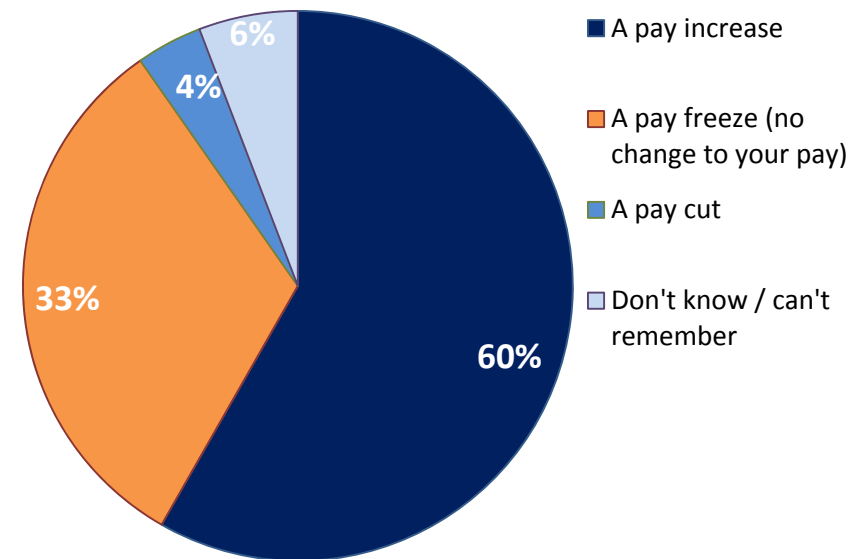
Key Groups	N	%
<b>All working</b>	<b>500</b>	<b>-</b>
Foreign-owned business	110	22
Irish-owned business	385	77
Senior managers	56	11
Middle & junior managers	199	40
No managerial responsibilities	175	35
Age 16-24	96	19
25-34	125	25
35-44	109	22
45-54	94	19
55-64	68	14
65+	8	2

# Pay



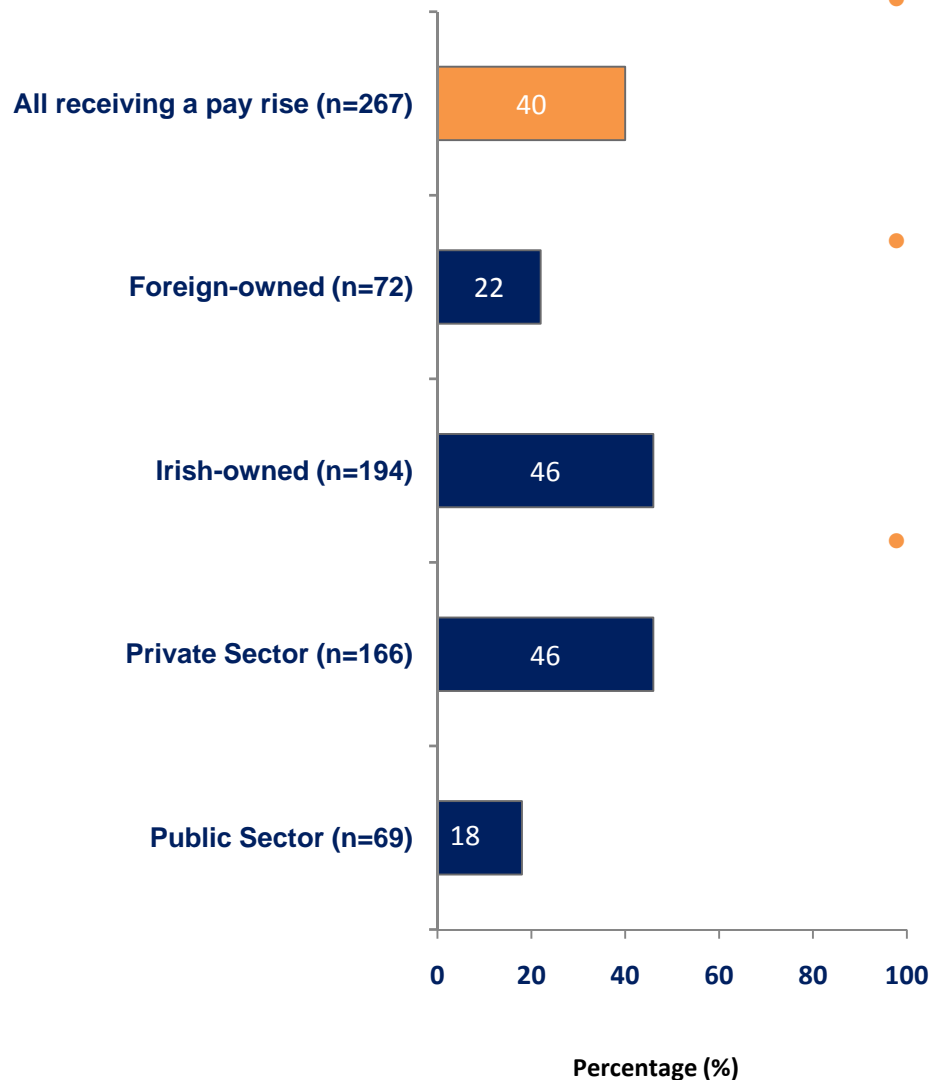
# Pay increase in 2008

- 60% of Irish employees surveyed received a pay increase in the last 12 months, a third had no change to their pay and a small number (4%) received a pay cut.
- Pay increases seem to be more apparent among the public sector with 67% receiving a pay increase compared to 51% working in the private sector.
- Senior, middle and junior managers were slightly more likely to receive a pay rise than those without any managerial responsibility. 60% of junior managers received a pay rise, compared to 49% of staff without responsibilities.
- Pay freezes were more evident among micro organisations with almost half (51%) of employees seeing no change in their pay. It was a different story however among the larger organisations with 68% receiving a pay rise.
- Following on from that, foreign-owned businesses were more likely to be larger than their Irish-owned counterparts and accordingly pay rises were much more likely to be in evidence.



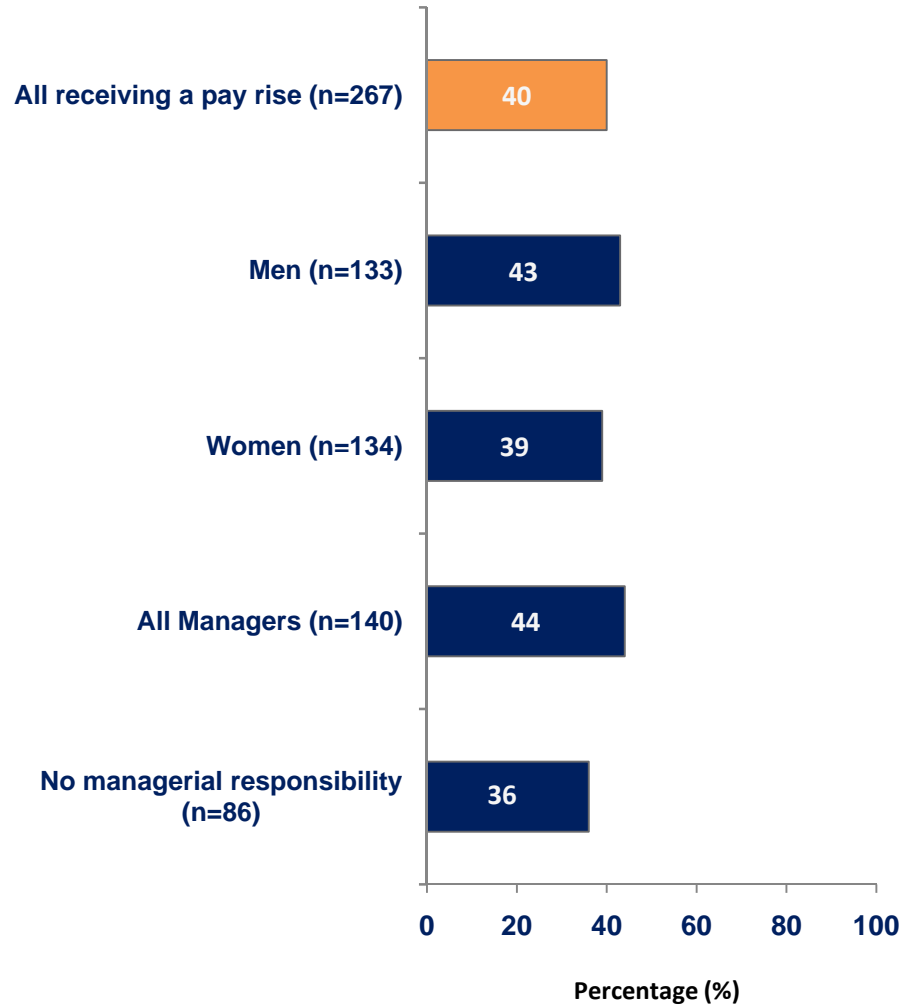
Base: All working for their employer for more than 1 year (n=415)

# Net Satisfaction (1)



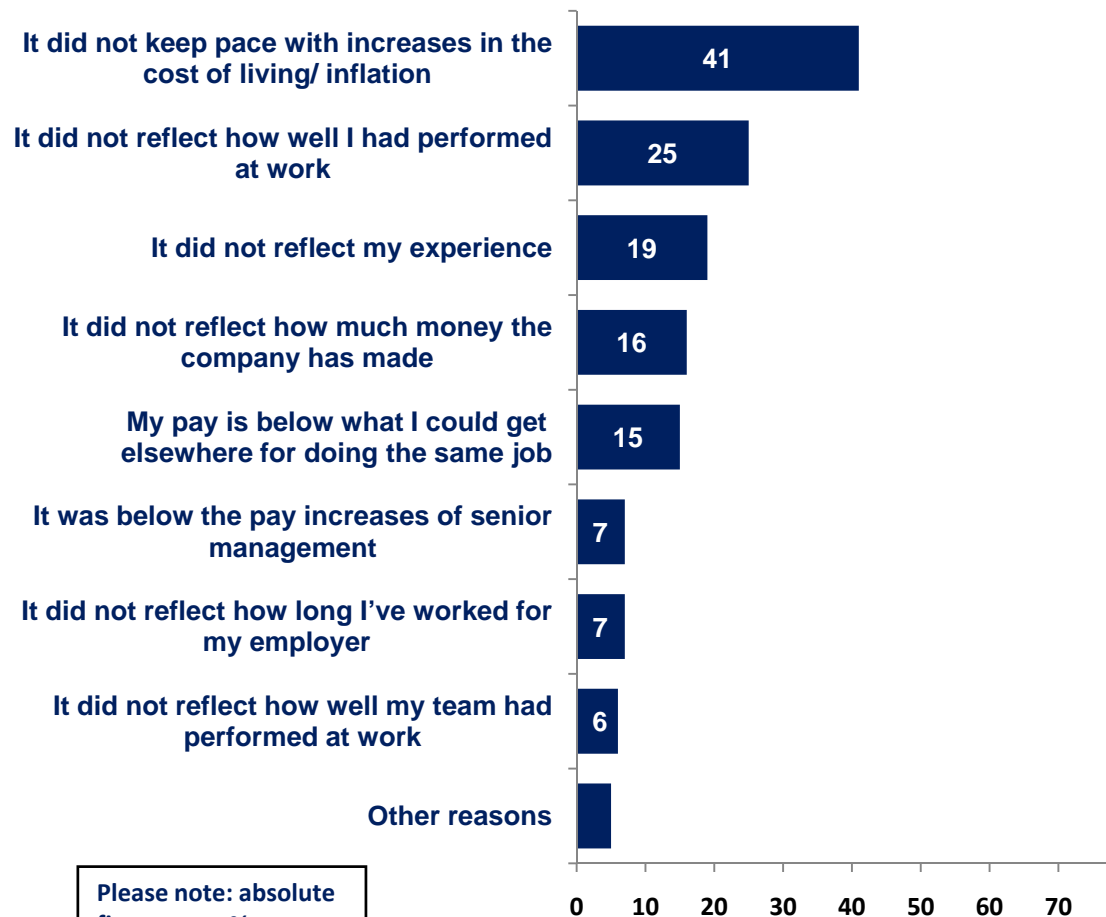
- Net satisfaction scores have been produced for key groups – these are the percentage of employees satisfied minus the percentage dissatisfied.
- Despite a high proportion of public sector employees receiving a pay increase, their satisfaction is low, with a net score of +18, they are 22 points below the benchmark of 40 for all employees who had a pay rise.
- Although pay rises were in much more evidence, dissatisfaction was higher among the foreign-owned and pre-dominantly large employers, 39% were dissatisfied with their pay rise, compared to 27% of employees in Irish-owned organisations.

# Net Satisfaction (2)



- Scores indicate that men tend to be slightly more satisfied than women with a net satisfaction score of +43
- Compared to managers, a lower proportion of those without managerial responsibilities were awarded a pay rise and satisfaction with the rise was also lower at +36

# Reasons for dissatisfaction about pay rise



Please note: absolute figures, not %s

- Results indicate that despite receiving a pay rise some employees were not satisfied with its size - the key question then is why?
- Respondents were asked to give the two main reasons for why they were dissatisfied:
  - 41 said that 'It did not keep pace with increases in the cost of living/ inflation'
  - 25 reported that 'It did not reflect how well I had performed at work'
  - In addition, 19 said that it 'didn't reflect their experience'

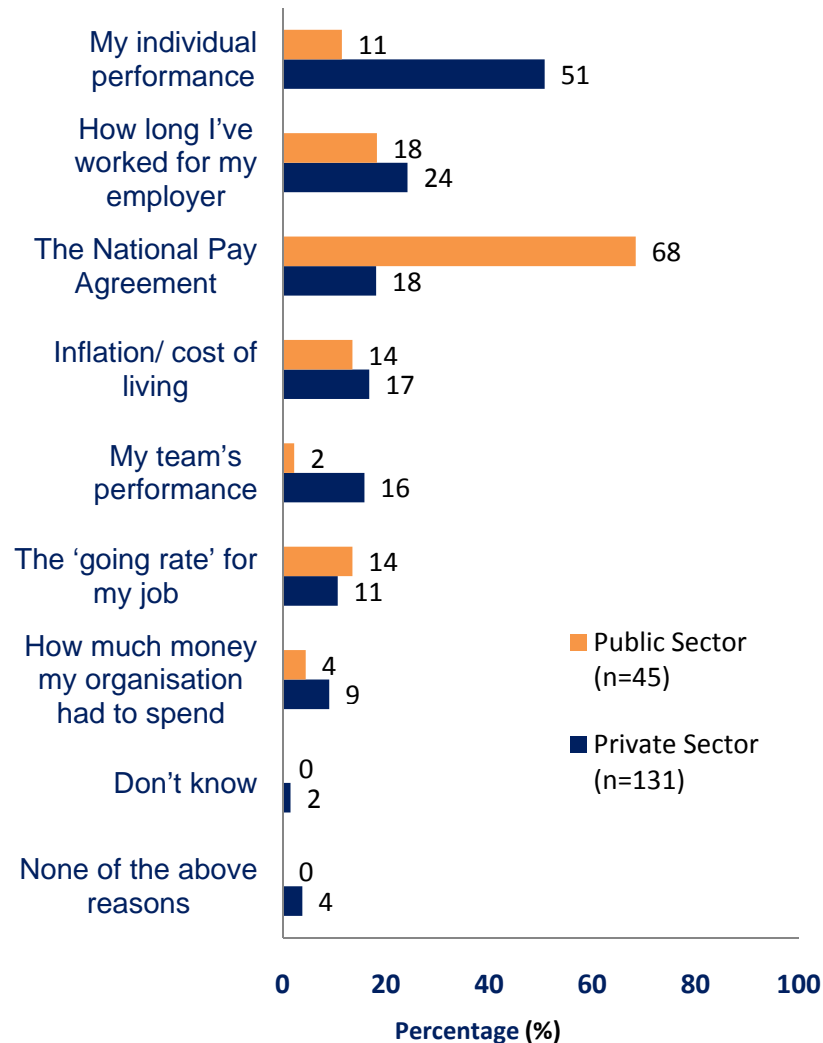
# Communication about pay rise



- Over three quarters (78%) of employees were given an explanation as to why their pay increased and just under a quarter (21%) were not.
- Employees were asked for the reasons provided by their employers as to why salary had increased – their individual performance was the most frequently mentioned reason (38%), followed by the National Pay Agreement (34%).
- Individual and team performance were particularly strong reasons amongst private sector employees. For example, 51% of those receiving a pay rise in the private sector connected it to individual performance.
- The National Pay Agreement was related most strongly with public sector employees.



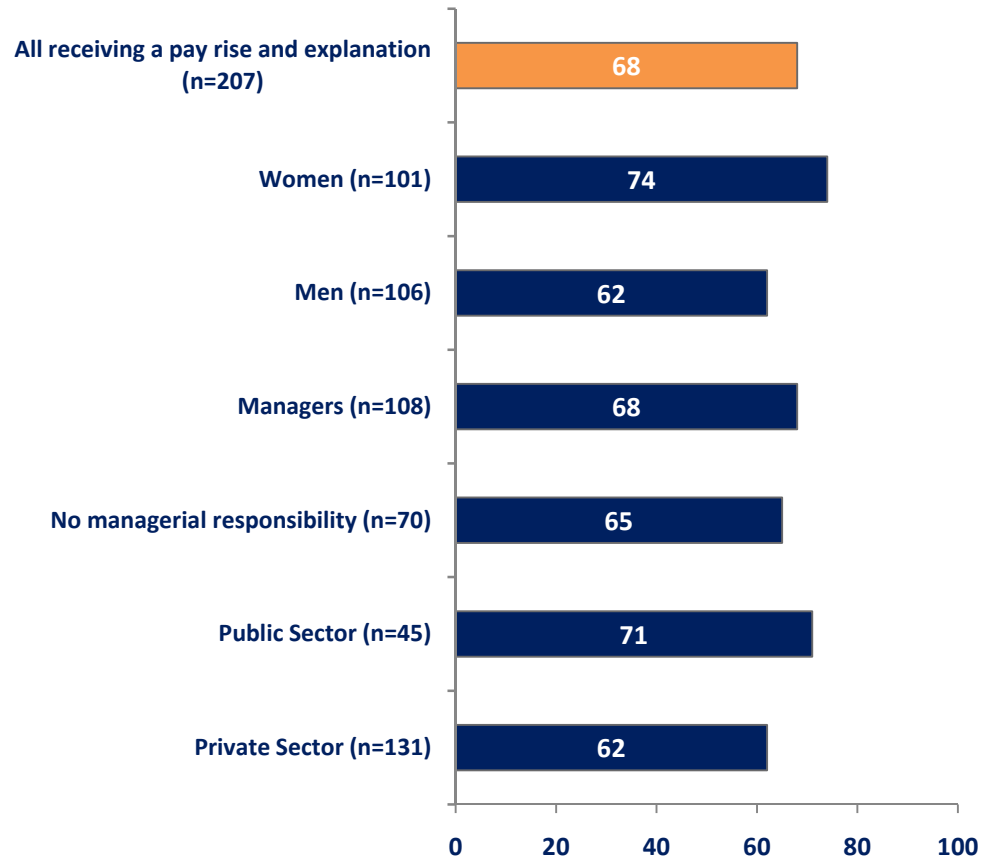
# Reasons for pay increase



Base: All having received a pay rise and an explanation

- Overall the main reason for receiving a pay rise was individual performance.
- Those who stated the 'National Pay Agreement' were largely in the public sector and from large organisations.
- There was indicative evidence that cost of living / inflation was more commonly a reason given by large organisations and that individual performance was a particularly strong reason for small and micro businesses.
- Length of employment was a stronger reason for women and individual performance for men, findings which are likely to be driven by differences in employer profile and seniority.

# Net Satisfaction with explanation

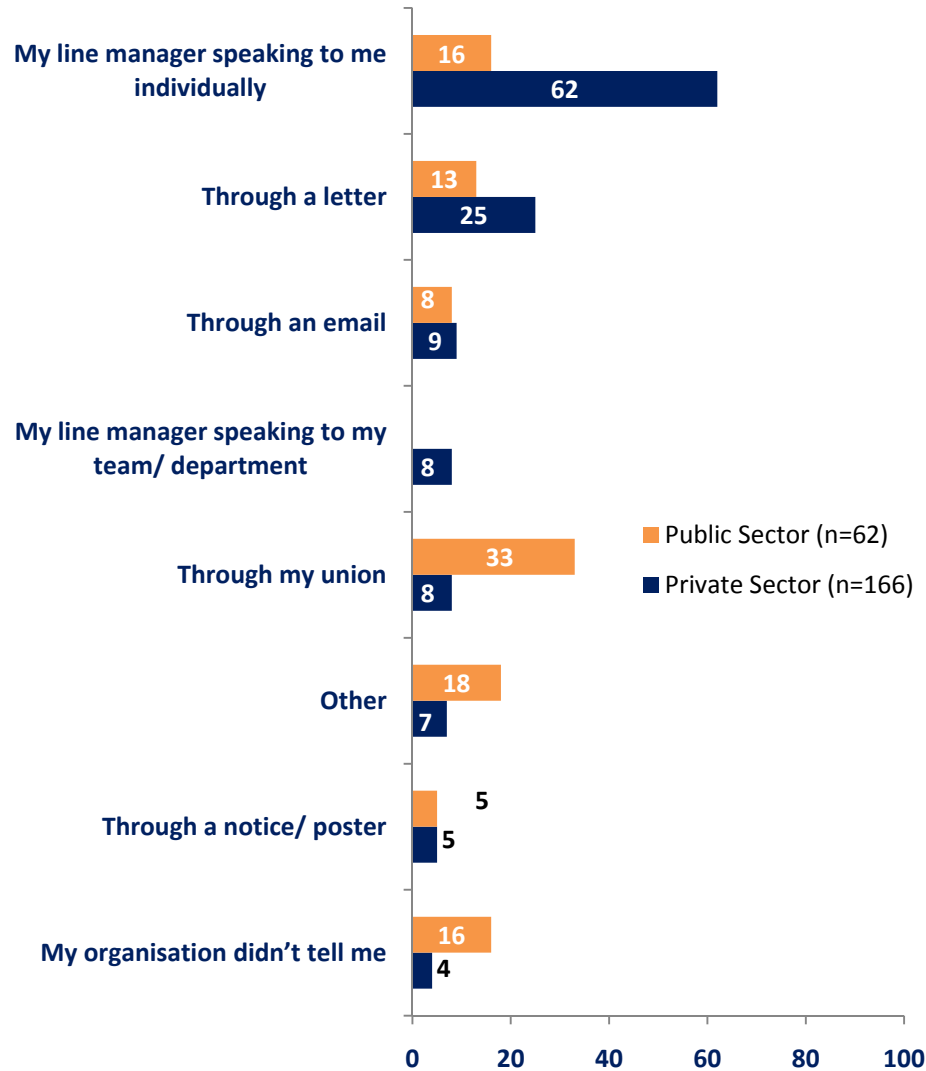


Base: All having received a pay rise and an explanation

Note: chart shows net satisfaction which the proportion satisfied minus the proportion dissatisfied

- Nearly three-quarters of employees were satisfied with the explanation provided.
- Results indicate that as well as being least satisfied with the size of their pay increase, employees working in the public sector also had the lowest satisfaction scores for the explanation provided.
- There was indicative evidence that employees of smaller organisation tended to be more satisfied with the explanation provided.
- Likewise those who are members of a trade union were also likely to be more satisfied than others.

# Method of communication

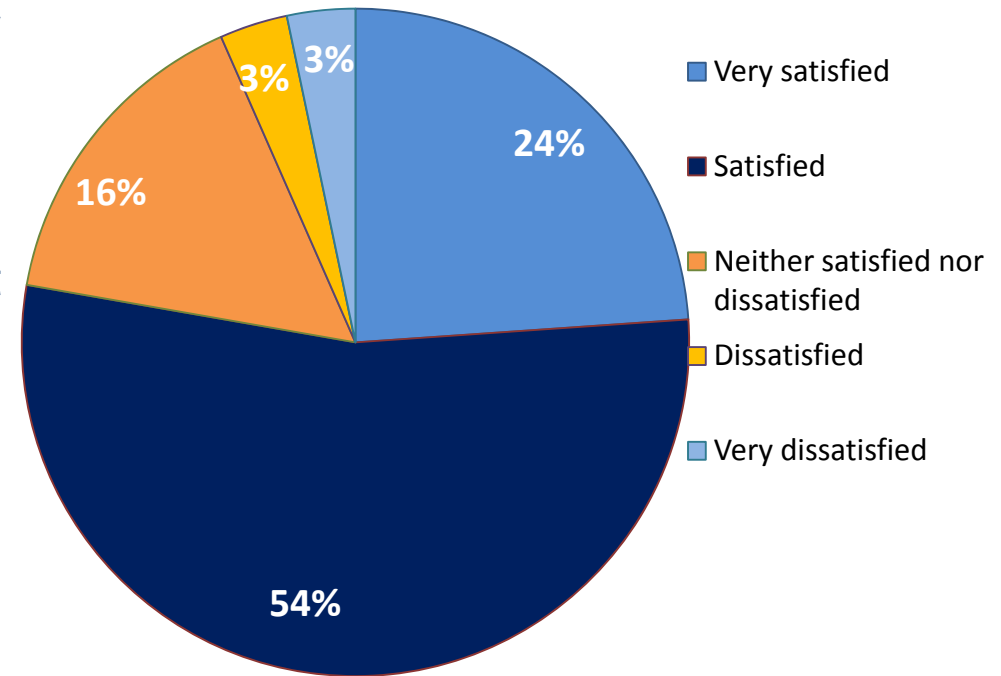


- The majority of employees were told about their pay increase through individual contact (45%), 20% were informed by letter and 15% through their Union.
- Nonetheless 9% of employees were not informed they were receiving a pay rise, a finding more prominent in the private sector.
- Non- Trade Union members were much more likely to be told on an individual basis (59% compared to 21%) as were employees of micro and small organisations

# Satisfaction with the method of communication



- Overall satisfaction with the method tended to be high, with over three quarters (78%) satisfied or very satisfied.
- Figures are small so the findings are indicative only, but the highest levels of satisfaction were found among those who had been told individually.
- Generic notices, through a Trade Union and, in particular, via an announcement made to their team or department, were less likely to be considered as satisfactory methods.



Base: Those receiving a pay rise and were told about it (n=243)

# Communication about future pay (1)

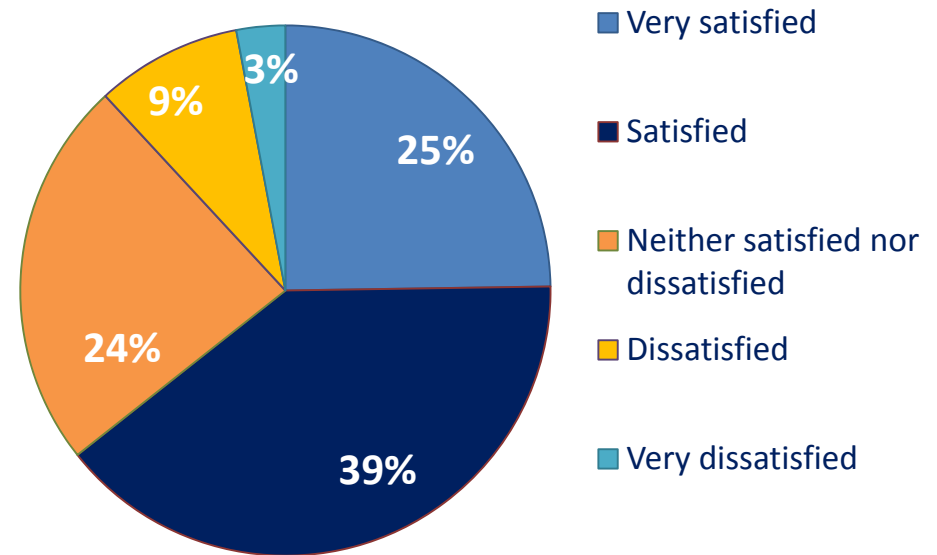


- For over two thirds (68%) of employees, their current employer has not explained to them what they need to do to receive a pay rise next year. This could be potentially be a result of the following:
  - Nature of pay rises: 54% of employers knew what they need to do in order to receive a bonus next year compared to only 32% who knew how to receive a pay rise. Unlike bonuses, it is harder to clearly define how to receive a pay rise. Bonuses are more likely to be based on targets which are easier to measure than individual performance. A clear explanation as to how to achieve a pay rise (without promotion) may be more difficult to communicate.
  - The economic downturn: with many organisations not in a position to predict where they will be both financially and as an organisation next year, it could prove to be difficult to inform employees what they need to do.
  - Poor communication on the part of the employer.
- Results indicate that those who have been told tend to be full-time employees, usually in the private sector (35% compared to 18% in the public sector) and in senior management (46%) rather than a non-managerial position (28%).

# Communication about future pay (2)



- Of those who have been told what is required for a future pay rise, around two-thirds are satisfied with the explanation, but a sizeable proportion are not.
- Clarity is greatest in the private sector with 28% 'very satisfied' with the explanation.
- There is a clear distinction on the basis of seniority with senior and middle managers more likely to be satisfied than junior managers and those with no managerial responsibility.

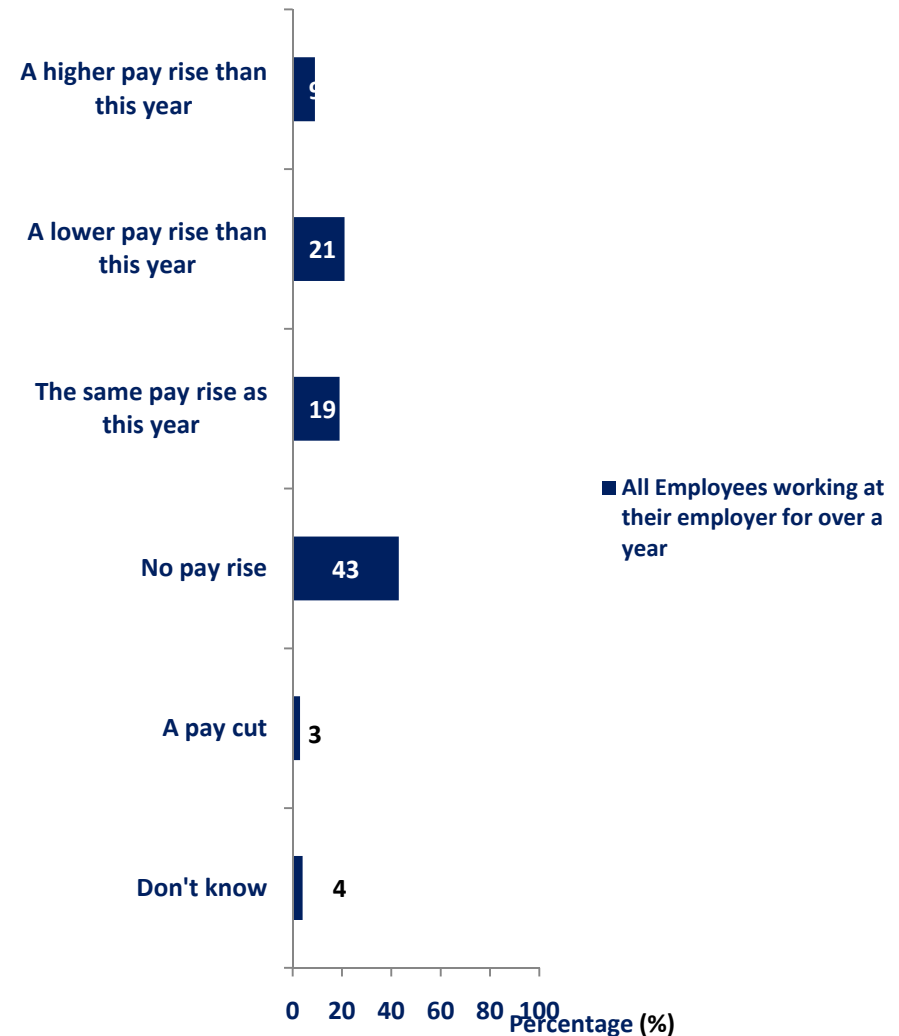


Base: Those whose employers explained what they needed to do (n=151)

# Irish employees pay expectations for 2009



- The overall feeling among employees surveyed in Ireland is that they will either not receive a pay rise next year or that it will be lower.
- A fifth predict a lower pay rise than 2008 with a small percentage predicting a pay cut.
- Nonetheless, optimists are around with almost one in ten expecting a higher pay rise in 2009.
- Small and micro organisations were more likely to expect no pay rise at all, but although employees of medium and larger organisations expected a rise, more felt that it would be less than 2008.



Base: All working respondents excluding those who joined their company less than a year ago (n=415)

# Bonus

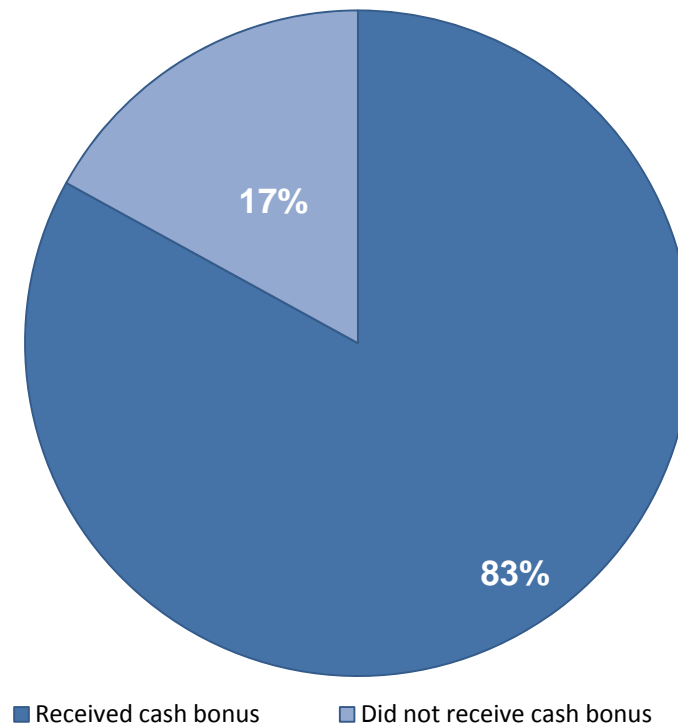


# Presence of a bonus scheme and proportion receiving a bonus in 2008

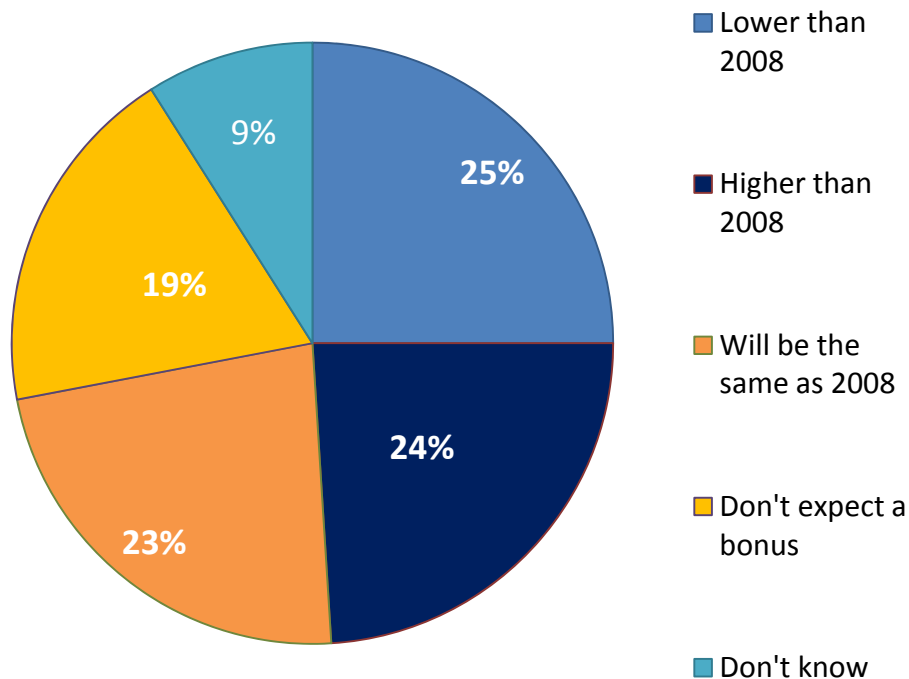


- A third of employees (29%) reported that their employer has a cash bonus scheme. These are substantially more prevalent in the private sector (38%) than the public sector (7%) and among medium sized organisations (43%) than small (25%) or micro businesses (18%).
- Of those at an employer that pays bonuses and who had been there at least a year, 83% received a bonus in 2008.
- Although the likelihood of receiving a bonus declined slightly in accordance with seniority, still around three-quarters of non-managers received one.

Base: All working respondents at an employer that pays bonuses and who have been working there for at least one year (n=122)



# Bonuses - 2008 versus expectations of 2009



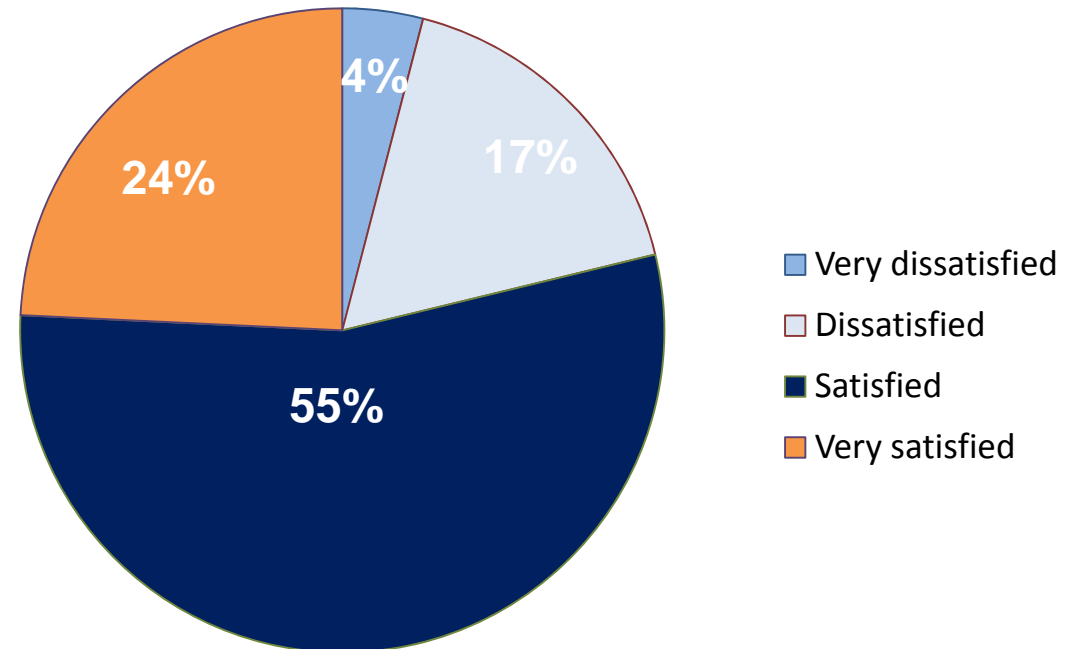
- Many (25%) think that size of their bonus will be lower in 2009.
- There is optimism however with a similar proportion expecting a higher bonus in 2009 or around the same amount as 2008.

Base: All whose employer pays bonuses and have been working for them for at least one year (n=122)

# Bonus satisfaction



- Over three-quarters (78%) of those receiving a bonus in 2008 were satisfied or very satisfied with the amount, however dissatisfaction is still present for around a fifth.
- Numbers are small, but there is some indication that dissatisfaction was more noticeable amongst senior managers, employees of foreign-owned companies those in the middle-age brackets.

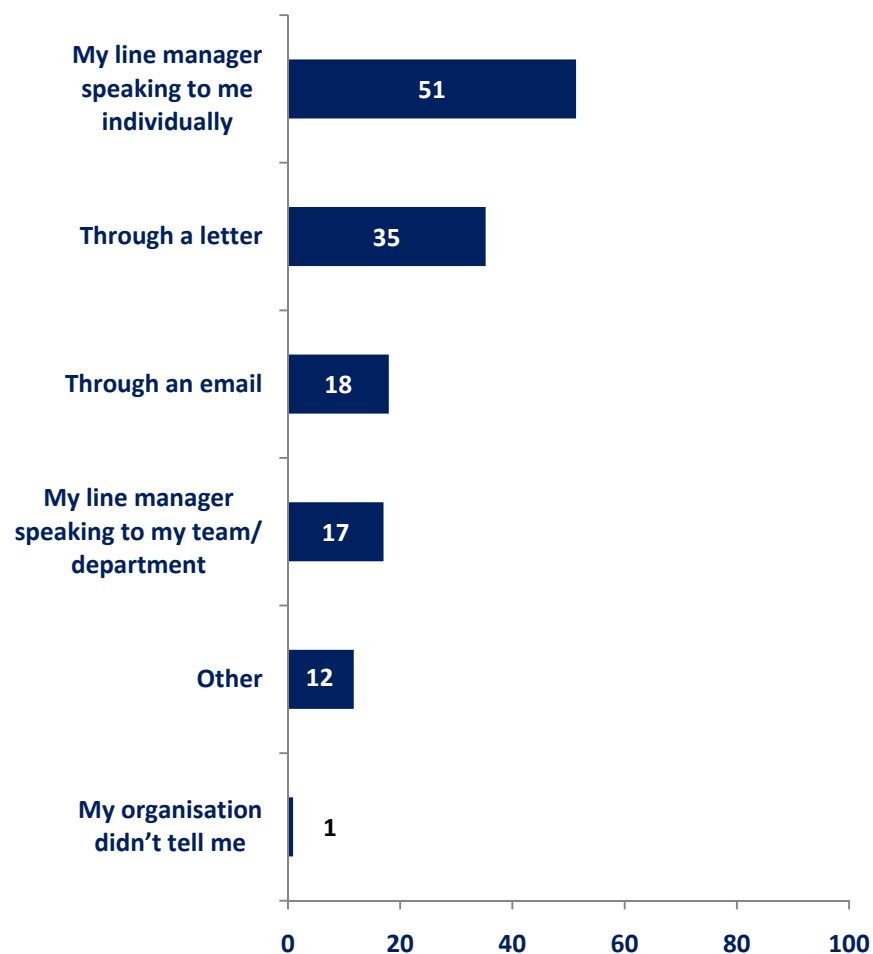


Base: All who received a bonus (n=111)

# Reasons for dissatisfaction and methods of communication



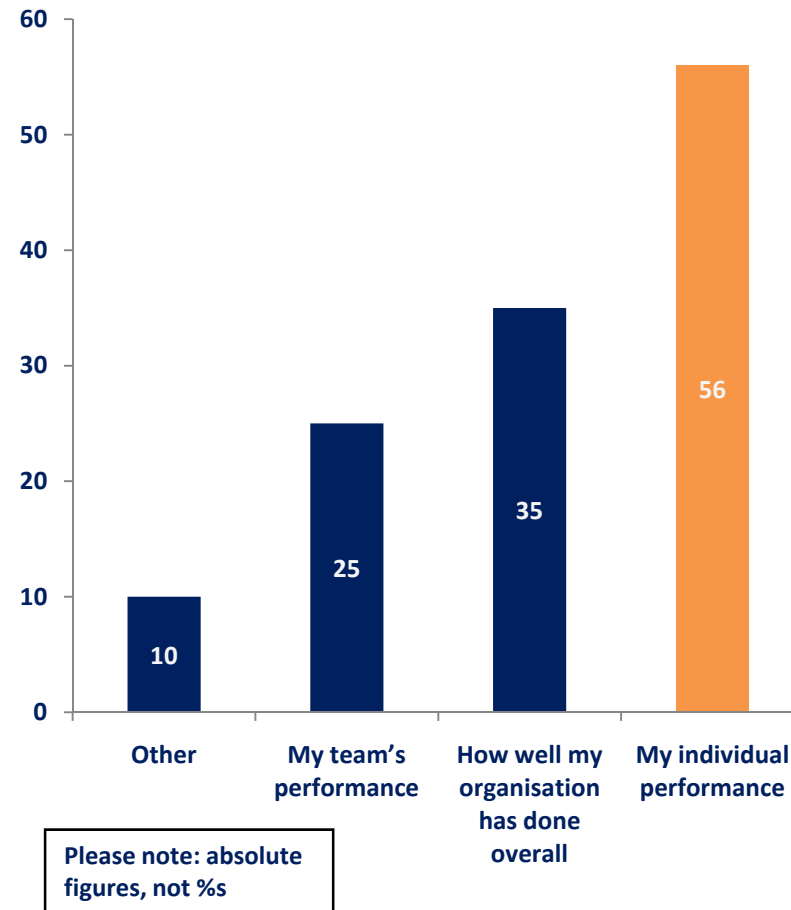
- Only 23 respondents were dissatisfied with the bonus they received, 15 of whom felt that *'it did not reflect how well I had performed at work'*.
- Others linked it to how much money the company had made that year and how their department / team had performed.
- Individual contact was the most common form of communicating bonus, slightly more so than communication of pay increases.
- Letters were also more frequently used than for pay rises (35% compared to 20%).



Base: All who received a bonus (n=111)

# Bonus explanation

- Three-quarters of those who received a bonus also had an explanation about its value.
- The most common reasons given for bonuses was individual performance (56 respondents).
- 79% were satisfied or very satisfied with the explanation and 8% were dissatisfied or very dissatisfied.



Base: All working respondents whose employers have a cash bonus scheme and received a bonus and an explanation (n=83)

# Future bonuses



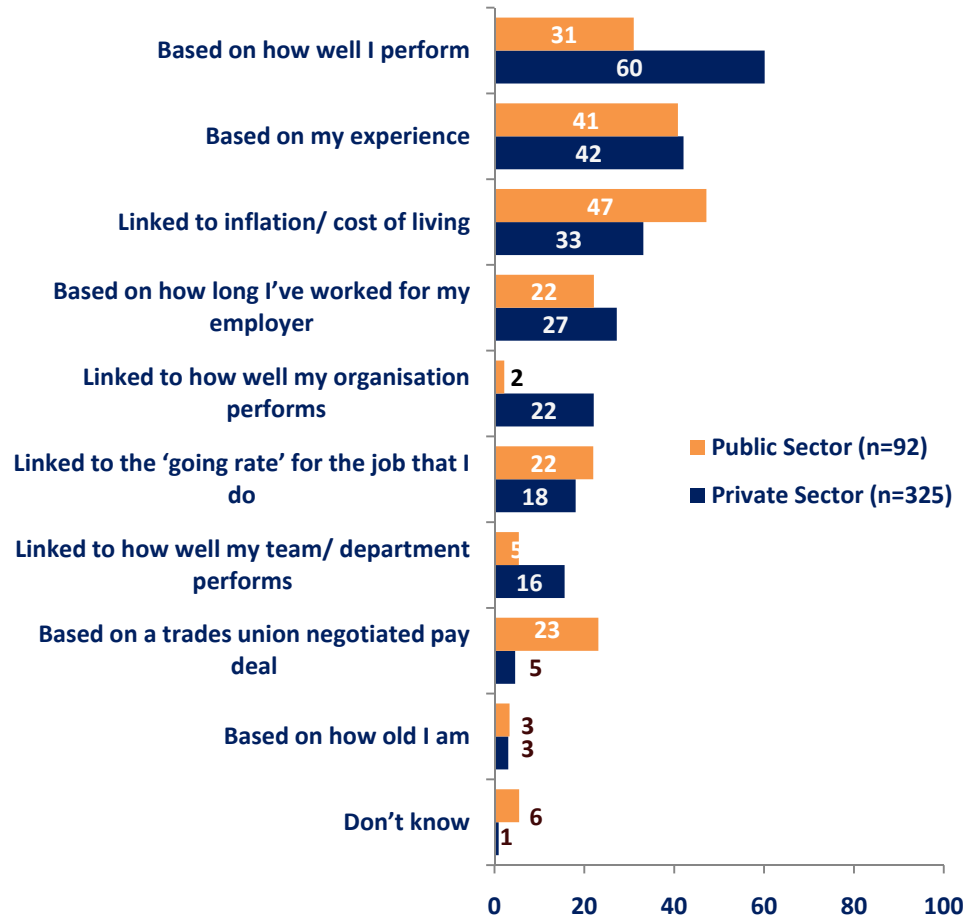
- 54% have been told what they need to do in order to receive a bonus next year.
- This figure is 22 percentage points higher than those who were told what to do for a pay rise. This could be because bonuses are more likely to be based on targets which are easier to measure than individual performance and as a result it is easier for employers to provide explanations of how bonuses can be attained.
- This leaves a significant proportion of employees (46%) who had not been provided with an explanation. Similar to the situation with pay rises, this could be a result of the economic downturn given that it is difficult to provide clear direction for 2009, but it may also reflect a lack of transparency and / or poor communications.
- Of those who were given an explanation, most (74%) were satisfied and only 8% were dissatisfied.



# Rewards and engagement



# On what basis would you ideally like to be paid?



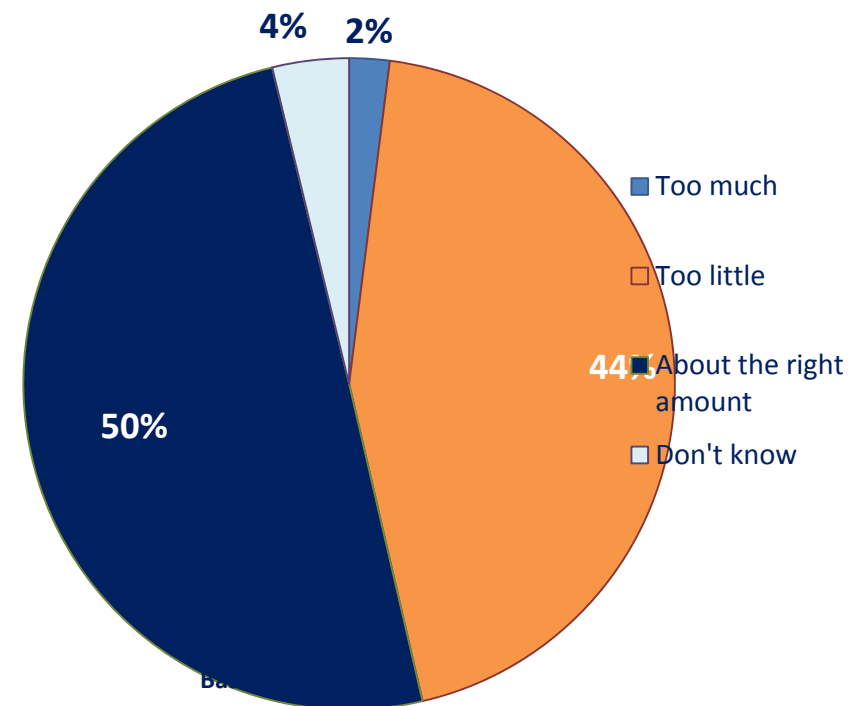
Base: All working respondents (500) who could pick up to three options

- Within the private sector the majority (60%) would like to be paid based on how well they perform while in the public sector 47% would prefer to be paid on the basis of inflation/ cost of living.
- A quarter of public sector employees ticked the Trade Union pay deal, whilst private sector employees focused more on organisational and team performance.
- Looking at differences based on seniority, managers valued departmental performance and their own experience higher than non-managers who in turn were more likely to prefer the 'going rate' and time served.

# Explaining pay



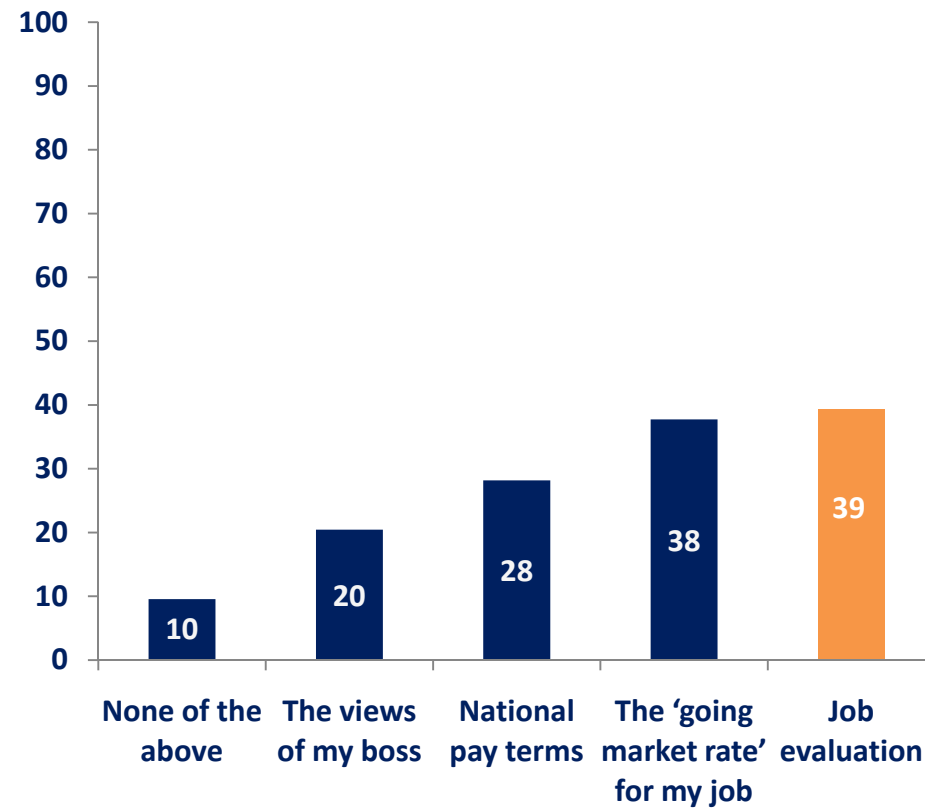
- Half of employees surveyed felt that their employer provides enough information about the salary that they are paid, but a significant proportion (44%) believed they are told too little.
- Those in a Trade Union were less likely to feel this way and those in the mid age range (25-44) were keener to know more than younger and older age groups, as were private sector employees.
- Interestingly, there were few differences on the basis of seniority.



# Why are you paid the salary that your receive?



- Only around half have been given an explanation about why receive the pay that they do. The incidence of salary explanations was significantly higher amongst senior management (62%) than those without any managerial responsibility (47%).
- For those who have received an explanation the two most common answers were as a result of a job evaluation (39%) and 'it's the going rate for the job' (38%).
- Only two-thirds were satisfied with the explanation, a quarter were neutral and around 8% were dissatisfied.
- Only 21% reported that their employer explains why other employees are paid the salary that they are.



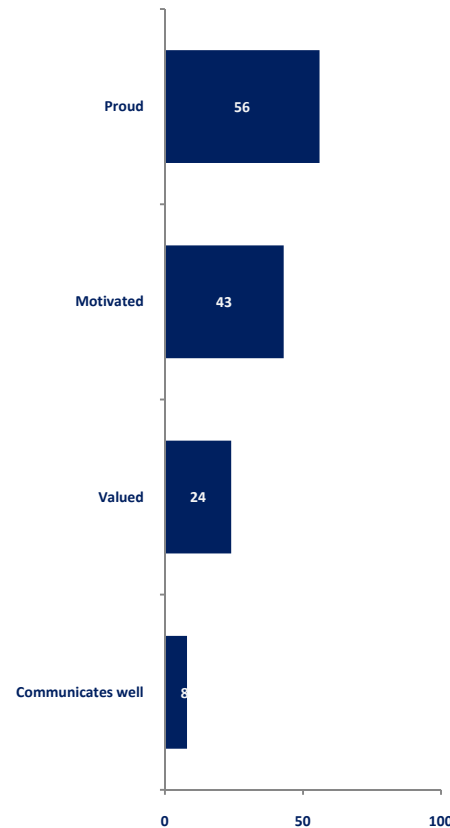
Base: All (500)

# How your pay compares to others?



- Over two-thirds (68%) would like to know how their pay compares to their colleagues. There was a similar level of agreement in the private and public sectors.
- Support was most pronounced among employees of medium and large organisations, but weaker among senior managers compared to other managerial and non-managerial staff.
- When asked whether they would be prepared for their employer to tell others how much they earned in order to find out what others earn, 61% still supported the concept.
- Men were more supportive (65%) than women (57%), as were those in the public sector, 74% compared to 56% in the private sector.
- Those working for medium and large employers were also more likely to favour the idea, but again senior managers were less keen.

# How do you feel about your employer?



Base: All (n=500)

- The chart shows net agree scores – the proportion who agree with the sentiment minus the proportion who disagree.
- Whilst there are strong feelings of pride and motivation for many employees, significant numbers (35%) feel that their employer does not communicate well.
- Motivation is similar between private and public sectors, but employees from the public sector report higher levels of pride but a lower sense of value than their private sector counterparts.
- And, as may be expected, as employer size increases the proportion of positive views decreases, showing that employees of smaller organisations more likely to feel engaged.

# In conclusion



# Conclusion



- Over half (53%) of those surveyed received a pay increase in 2008 and, of those working for an employer that pays bonuses, 83% received one last year.
- Overall, the majority were satisfied with the size of their pay increase (70%) and or their bonus but of those who were not satisfied, many felt the amount of their rise did not keep pace with inflation / the cost of living.
- Although a high percentage of employees received a pay increase and/ or bonus, the majority believe such will not be the case next year with 43% predicting no pay rise and 21% a rise lower than 2008, only 19% think their pay rise will be greater than this year.
- A significant proportion (68%) do not know what they need to do to achieve a pay rise in 2009, suggesting both uncertainty and that communication around pay could be improved - nearly half wanted more information about their pay.
- There is support for basing pay around individual performance, experience and linked to inflation / cost of living.
- Transparency of pay is also something employees favour – over two-thirds would like to know how their pay increase compared with others and most are also happy to disclose how much they earn, if it meant that they could find out how much others earn.

# What the HR function could do



- Be aware of reasons for dissatisfaction with pay increases – reflect that awareness in actions, general communications and individual explanations.
- Consider formal and informal explanation about pay increases and bonus, many employees are dissatisfied with explanations provided and non-managers are more likely than managers to receive less explanation and for it to be formal and / or generic.
- Address any lack of clarity around how to achieve pay rises and bonuses.
- Increase transparency, only half of employees feel that they know why their salary is what it is.
- The majority of people want pay to be related to their performance, consider how to introduce this element into the salary mix.
- Manage expectations – most have an opinion on future pay increases and bonuses and most are pessimistic, but this may not be based in reality.