Annual survey report
October 2012

Reward risks

Contents

Introduction

This is the CIPD's third annual survey exploring how organisations manage reward risk. The survey series was established following the CIPD's research report *Managing Reward: An integrated approach* (2009), which identified that there were significant gaps in how many organisations identify, assess and manage reward-related risks and suggested ways in which these gaps could be addressed (see Box 1).

The intention of the survey is to identify those risks that people working in reward management believe are the biggest challenges facing them and therefore where we are most likely to slip up. This is not predictive. It is not what the CIPD believes will happen; it is the summation of what you – practitioners and consultants – expect to be your greatest challenges.

The 2012 survey shows that the majority of respondents continue to be concerned over their ability to manage the range of reward risks identified. For the second year running, however, there has been a small but significant increase in the proportion of organisations feeling they are well positioned to manage their reward risks. The survey shows that the reward professionals are very aware of the risks of not achieving the right balance between affordability and a competitive reward package. Constrained ability to pay – either as a result of corporate performance or externally driven pay restraint – underpins many of the reward risks anticipated for the next 12 months, suggesting that few expect a change to the situation in the short term. This year sees the beginning of the rollout of pension auto-enrolment in the UK, so it is no surprise that increasing pensions' cost is high in the hierarchy of risks facing those survey participants. A robust approach to managing these and other reward risks is essential for reward professionals aiming to steer their own or their clients' organisations safely through the challenges that the next 12 months will bring.

We know from your comments that many of you find the survey thought-provoking and are looking forward to seeing the results. We hope you find it useful in informing your reward risk management activity.

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Box 1: Recommendations for reward risk management

1 Establish effective reward risk intelligence-gathering systems
Systematic reward risk management requires effective intelligence-gathering on potential risks arising from both outside (externally generated risks) and inside (internally generated risks) your organisation.

2 Proactively review your reward strategy and systems for risk
Seven risk groups relate specifically to reward strategy design, implementation and impact. These are: strategic, behavioural, financial, legal and ethical, operational, implementation and change, and governance risks. Review your reward strategy for these risks.

3 Use established risk management tools to assess and manage identified reward risks
Apply risk management tools and processes – impact/probability matrices and risk maps – to help you assess and manage the reward risks you identify.

4 Manage risk consistent with your reward risk appetite
Reward risk management is not about eliminating all risk in your business; it is about managing risk against, ideally, predefined tolerances as to what risk is acceptable to your business. Work with business management to define your reward risk appetite and manage reward risks accordingly.

5 Build your risk management capability and build a permanent risk management culture
You cannot anticipate every risk to your organisation's reward strategy. You need to develop your overall agility and resilience to manage reward risks should they emerge. Reward risk management is not a one-off or annual exercise but an ongoing process embedded in all reward management work. This requires a range of knowledge, skills and competencies.

(Source: *Managing Reward: An integrative approach*, CIPD 2009)

Current reward risk concerns

The questionnaire was in three sections. First, participants were asked to identify how concerned they are about a list of potential risks relating to reward strategy and its implementation on a scale of 0–3.

Secondly, participants were asked to rate the readiness of their organisation to manage the risks that they have identified. And finally, participants were asked to indicate which reward risks are expected to be of most concern over the next couple of years. This year there was an additional question gauging the attitudes of reward professionals to current differentials in the level of executive pay compared with that of other employees.

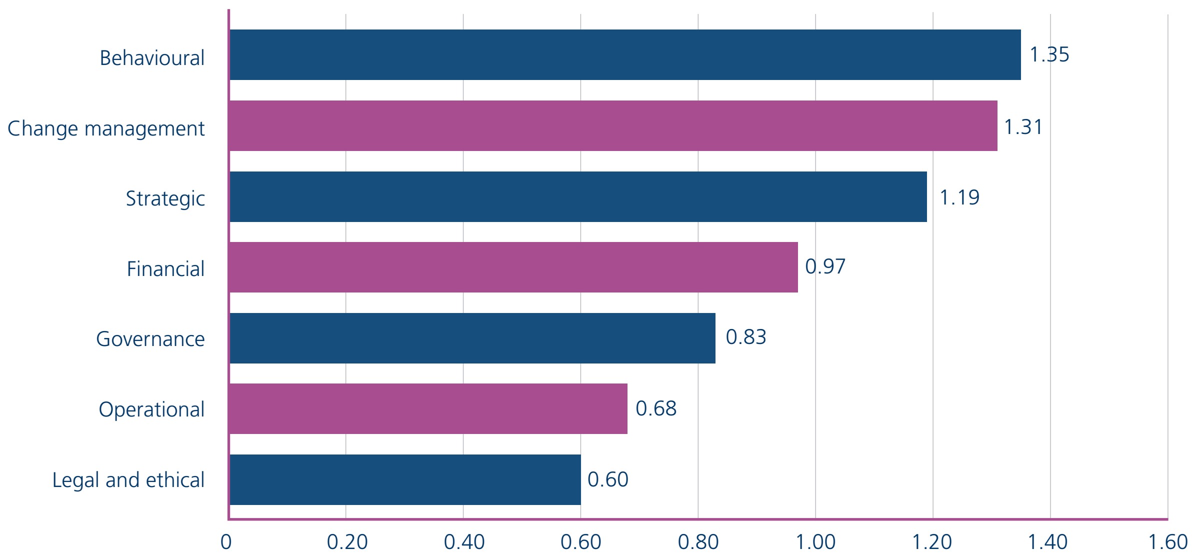
In all we received 296 responses to our online questionnaire. As in previous years, the majority (85%) of respondents are reward or HR practitioners. Of this group, most are from private sector services (67% of the sample) and are split fairly evenly between large organisations (organisations with more than 1,000 employees) and small- to medium-sized businesses. Most respondents are based in the UK, with Ireland, the rest of Europe and the Middle East all well represented.

Each of the potential risks that survey participants were asked to consider in the first section of the survey is linked to one of the seven broad reward risk groups identified in the CIPD 2009 research: strategic, behavioural, financial, operational, implementation and change management, legal and ethical, and governance. See Box 2 for a high-level definition of each group. Figure 1 shows the average score for each risk group from the 2012 survey, where 0 is no concern, 1 is minimal concern, 2 is moderate concern and 3 is high concern. From Figure 1 we can see that the behavioural, change management and strategic risk groups are the most significant for participants, while operational and legal and ethical risks cause the least concern. Over the following pages we analyse participants' responses in more detail and draw conclusions about the factors that are likely to underlie the relative prioritisation of reward risks for survey respondents.

Key risks

As Table 1 shows, there has been much consistency in the key risks identified by reward professionals across all three years of the survey to date, with eight of this

Figure 1: Average scores, by risk group



Box 2: High-level definitions of reward risks

Strategic risk	The risk arising from the misalignment of reward strategy to the organisation's goals. This risk can lead to the inability to attract and retain the employees needed for success.
Behavioural risk	The risk arising from the misalignment of reward strategy to the required employee behaviours. This risk can lead to rewarding inappropriate or unproductive organisational activity and behaviour.
Financial risk	The risk arising from inadequate reward cost management. This risk can lead to poor value for money and, where relevant, lower profitability or even loss.
Operational risk	The risk arising from the poor execution or failure of reward systems and reward processes. This risk can lead to inefficiency or inaccuracy of the systems or fraud in their operation.
Implementation and change management risk	The risk arising from poor implementation or change to the reward strategy or processes. This risk can mean that the reward strategy is managed ineffectively and therefore does not have the required impact.
Legal and ethical risk	The risk arising from non-compliance with organisational and societal values and legal and regulatory reward requirements. This risk can lead to employee claims or regulatory action, which can have financial and reputation effects on the organisation.
Governance risk	The risk arising from inadequate oversight and challenge to organisational reward strategy. This risk can lead to inappropriate reward policies being pursued.

year's top ten risks featuring among the top ten last year, and seven in 2010. However, priorities have shifted from year to year.

Effective communication of the value of the total reward package remains a stand-out risk for organisations of all shapes and sizes, as the two comments below from businesses at opposite ends of the spectrum illustrate. Very often the concerns are linked through other comments to a lack of funding for reward. It seems that reward managers are more than ever focused on getting the most out of the existing reward offering:

'We need to increase employee understanding of and engagement with reward issues and increase the staff appreciation of the package they have.'
(voluntary sector educational organisation, 250–999 employees)

'We need to continually work on helping our employees understand the total value of their package and not just base salary and cash bonus.'
(oil and gas sector, 50,000+ employees)

Risks connected with reward implementation and change management predominate, with poor line management understanding of reward, inability to communicate desired performance and behaviours, inability to change reward structures quickly and employees' lack of understanding of performance and behaviour requirements all featuring in the top ten risks in addition to the number one risk (that employees don't value their total reward package sufficiently) discussed above.

Table 1: The overall top ten rankings of reward risks faced (2011 ranking in brackets)

1	Employees don't appreciate value of total reward offering (1)
2	Reward not engaging employees (7)
3	Unable to increase pay levels due to budget constraints (2)
4	Employees don't understand performance and behaviour requirements (6)
5	Incentives not motivating (8)
6	Inability to change reward practices quickly (5)
7	Inability to communicate desired performance and behaviours (11)
8	Reward is not perceived as fair (4)
9	Line managers have poor understanding of reward (3)
10	Increasing pension costs (13)

The risk that reward structures are not engaging employees is back as a top three concern this year, and with the onset of pension auto-enrolment in the UK, increasing pensions' cost has come back as a top ten risk after dropping down last year. Though the risk due to underperforming pension investment funds is considered less of a risk among our sample.

Meanwhile, employee attraction and retention (the first and sixth biggest concerns in 2010) have continued to fall down the order of reward risks, with both dropping out of the top ten. This is likely to be a reflection of the flat labour market in the UK and Europe amid continuing economic uncertainty and growing unease elsewhere.

At the other end of the spectrum of risks, reward professionals remain confident that they are getting the basics right. Mismanagement of taxation, third party providers and payroll, avoiding discriminatory reward policies, and data confidentiality all feature among the bottom ten risks, as they did last year. Respondents are also confident that reward decisions are adequately documented and that reward strategy is compliant with relevant legislation, both risks included in the survey for the first time this year.

Consultants and HR/reward practitioners

Even more than last year, there is consensus as to the main reward risks between HR practitioners and their consultants. Nine of the top ten risks for both groups are the same, albeit with some differences in prioritisation. The only differences in top ten risks – shown in bold in Table 2 – are that HR practitioners are more concerned about the rising cost of pensions, whereas consultants see the inability of reward packages to attract key skills as a bigger concern. Both groups of respondents see appreciation of the total reward package as the biggest risk and both placed greater emphasis this year on the risk that reward is not engaging employees. Consultants are evidently more worried than they were last year about financial constraints and increasing costs, with both groups now seeing this as the third biggest risk.

Outside the top ten risks, HR practitioners see rising healthcare costs as a much more significant factor this year, placing it nineteenth on their list of priorities compared with thirty-first last year. Consultants, meanwhile, placed much less importance on the risk of a mismatch between business and reward strategies, which dropped out of the top ten risks for this group, but see the management of legacy reward issues as a much bigger concern for their clients this year (up to twelfth highest risk from thirty-third).

Regional differences

Nearly a quarter of all participants in the survey are based outside the UK and, as we would expect, this group's responses reflect a different set of priorities. For example, the biggest concern for respondents from Ireland is the inability to change reward practices quickly and increasing healthcare costs is a top ten risk. Inability to change is also the top risk from respondents from Africa, and the concern that differences in international regulations is making it difficult for companies to implement global reward structures is a top ten concern for this group, as it is

Table 2: Comparison of practitioners' and consultants' perception of reward risks (differences highlighted in bold)

Rank	Consultants	
1	Employees don't appreciate value of total reward offering (1)	Employees don't appreciate value of total reward offering (1)
2	Reward not engaging employees (8)	Inability to change reward practices quickly (5)
3	Unable to increase pay levels due to budget constraints (2)	Unable to increase pay levels due to budget constraints (13)
4	Employees don't understand performance and behaviour requirements (6)	Reward not engaging employees (8)
5	Incentives not motivating (7)	Line managers have poor understanding of reward (6)
6	Inability to communicate desired performance and behaviours (11)	Employees don't understand performance and behaviour requirements (3)
7	Inability to change reward practices quickly (5)	Incentives not motivating (11)
8	Reward is not perceived as fair (3)	Inability to communicate desired performance and behaviours (4)
9	**Increasing pension costs (13)**	**Reward unable to attract key skills (9)**
10	Line managers have poor understanding of reward (4)	Reward is not perceived as fair (10)

Table 3: Comparison of top three reward risks, by region

UK	Ireland	Europe	Middle East	Africa	Asia Pacific
Employees don't appreciate value of total reward offering	Inability to change reward practices quickly	Employees don't appreciate value of total reward offering	Line managers have poor understanding of reward	Inability to change reward practices quickly	Employees don't appreciate value of total reward offering
Reward not engaging employees	Employees don't appreciate value of total reward offering	Inability to change reward practices quickly	Incentives not motivating	Employees don't understand performance and behaviour requirements	Unable to increase pay levels due to budget constraints
Unable to increase pay levels due to budget constraints	Reward not engaging employees	Reward doesn't support business strategy	Employees don't appreciate value of total reward offering	Unable to increase pay levels due to budget constraints	Reward not engaging employees

for participants from Europe (excluding the UK and Ireland). As last year, line managers' understanding of reward is the top concern in the Middle East, where rising healthcare costs also features as a top ten risk. Inability to increase pay budgets is a much bigger concern for respondents from the Asia Pacific region this year, ranked the second highest risk for this year compared with sixteenth last year.

Doubtless the lower profile of pensions' cost management for non-UK participants reflects the fact that pension auto-enrolment is a UK-specific issue. In Ireland a combination of high medical inflation and a shrinking market (many people have given up private health insurance during the recession) has meant that the cost of private healthcare has risen by as much as 50% over the last two years, so it is not surprising that this risk is given a higher priority here than in most other locations. There are perhaps signs that affordability has become more of a concern outside Europe this year, with respondents from both Asia Pacific and Africa showing this as a top three risk. However, it should be borne in mind that in both cases the sample size is comparatively small, and that other contributions from Asia Pacific participants in particular suggest that competition for talent remains fierce there.

Industry sector

The risk profile by industry sector is shown in Table 4. Overall, between sectors there is much common ground in the risks that practitioners felt are significant. Again, change management risks dominate. This year the rising cost of pensions features as the top concern for the voluntary sector, and budget constraints remains the main risk for the public sector. Concern that reward structures are not engaging employees has increased in all three sectors compared with last year.

Respondents from the public sector are more concerned about their ability to implement changes quickly enough and about the impact of hardening trade union response to continuing government pressure on pay, which rose from twenty-fourth highest risk last year to twelfth this year. There has clearly been a build-up of tension with unions over pay in this sector, with one practitioner from a large educational organisation referring to *'recognised trades union requesting catch-up on the last three pay deals'*. Conversely, concern about trade union attitudes to reward remains in the bottom ten risks for private sector respondents.

A closer look at the breakdown of private sector services responses reveals differing priorities for the various industry groups. So, for example, the ability to retain talent and the concern that reward strategy is not supporting the business strategy are much bigger concerns in the finance, insurance and real estate sector than in other sectors, whereas concern at rising pension costs and employee lack of understanding of

Table 4: Reward risks, by sector

Rank	Private sector	Public sector	Voluntary, community and not-for-profit
1	Employees don't appreciate value of total reward offering	Unable to increase pay levels due to budget constraints	Increasing pension costs
2	Reward not engaging employees	Employees don't appreciate value of total reward offering	Reward not engaging employees
3	Incentives not motivating	Employees don't understand performance and behaviour requirements	Employees don't appreciate value of total reward offering
4	Employees don't understand performance and behaviour requirements	Inability to change reward practices quickly	Reward is not perceived as fair
5	Unable to increase pay levels due to budget constraints	Reward not engaging employees	Employees don't understand performance and behaviour requirements

performance and behaviour requirements are lower down the list of priorities. Meanwhile, a small but significant number of finance sector participants are concerned about the impact of differing approaches to regulation on their global reward strategy – doubtless a reflection of the explosion in regulation of remuneration in that sector over the past two years.

Practitioner respondents from the professional services sector are less concerned about the cost of pensions, constrained budgets and lack of resources than their peers elsewhere. And participants from the IT services sector are more concerned about their ability to understand the total cost of reward and less concerned about the ability to retain key skills.

Similar differences exist within the public sector groupings in the survey. Financial constraints such as the ability to pay for salary increases and concern at rising pension costs are higher priorities in the public administration sector (first and fifth highest risks respectively) than in the education sector, for example. Respondents from the education sector, on the other hand, are much more concerned about employee engagement and motivation, with the concern that reward is not engaging employees topping their list of priorities, and concern that incentives are not motivating and that employees don't understand what is required of them in terms of performance and behaviour second and third highest risks respectively.

Future risks

The survey also asked participants to indicate which risks they believed would be of most concern to their organisation over the next couple of years. The responses have been categorised using the reward risk grouping identified in the original CIPD research. The most common risk categories are shown in Table 5.

Table 5: Reward risks of most concern over the next couple of years

Rank	Risk
1	Attraction and retention of key employees
2	Pension cost management
3	Budget constraints
4	Misaligned reward and business strategy
5	Incentives not motivating
6	Understanding of performance and behaviour requirements
7	Legislative change and compliance
8	Employee reward understanding
9	Reward discrimination (equal pay)

Recruitment and retention is the most commonly cited future risk, with comments suggesting that reward professionals are bracing themselves for an unhappy combination of a re-awakening labour market and continued budgetary restraint:

'Retention of talent within the organisation due to restriction of wage growth.'
(medium-sized UK manufacturer)

'Having an effective reward strategy which will attract and retain talent while keeping the costs down.'
(large UK employer in the food, drink and tobacco sector)

Meanwhile, evidence that the war for talent is still raging in some parts of the world can be seen in comments from overseas respondents, for example:

'Specific premiums paid for hot skills and in specific locations makes us less able to compete for talent.'
(large engineering business in Australia/NZ)

Pensions are also high on the list, with many UK participants concerned about the impact of auto-enrolment on their costs. The concern is common to all sectors, but respondents from the voluntary sector – where this is the most common future risk – seem to be particularly focused on this issue. And while pension concerns are almost exclusively a UK concern, budget constraints look set to continue to cause problems for reward professionals internationally, with respondents from the UK, Ireland, Europe and the Middle East all flagging this as a future risk.

The challenges of maintaining a globally consistent approach to reward are clearly giving some reward professionals sleepless nights. This is one area where there is common ground across all regions:

'A new strategy change globally needs rewards to align, without breaking the business.'
(large Australia/NZ professional services company)

'Managing reward across different countries and different sector business streams.'
(middle Eastern transport and distribution company)

Meanwhile, the public sector in the UK and Ireland share concerns about the difficulties of driving performance improvement within the constraints of their pay structures:

'As a public sector body rewards are dictated by standardised pay scales. Once at the top of the salary scale there are no incentives…to reward strong performance.'
(medium-sized agriculture and fisheries public body in Ireland)

'Public sector pay not attracting and retaining top talent – ultimately affecting organisational performance.'
(medium-sized UK educational organisation)

Other public sector participants are clearly making changes to their reward structures and are concerned about the risks implicit in this. One large UK public services employer flags a *'movement away from time-served-based incremental steps towards contribution-based progression'* as a risk, while another is concerned about a *'possible change in variety of benefits/rewards offered to staff, such as reduced levels of pay for out-of-hours working, sick pay, etc'.* Another is concerned about the impact of working closely with private sector organisations that have a very different approach to reward:

'Changes to public sector working – working with others that may have a different reward strategy.'
(medium-sized UK employer in the public administration sector)

Grading structures can be a concern in the private sector too, with one large UK professional services organisation referring to a *'grading structure too narrow to enable adequate recognition of differences in performance'.* More widely, under the heading of incentives failing to motivate staff, poor corporate financial performance is having an adverse effect on the motivational value of bonus or long-term incentive plans. In other cases, incentive arrangements are simply not doing their job – one UK respondent from a small public sector body explains that an *'evaluation of the incentive scheme has been carried out and [there is] a clear need to change'.*

Elsewhere under future risks, a number of UK respondents remain concerned about equal pay claims, with one public sector participant singling out certain lawyers for taking *'aggressive action'* on equal pay issues. And employee understanding of the total reward offering – the number one current reward risk – looks set to remain a concern in future years.

This is the first year that respondents from the Republic of Ireland have been analysed as a separate category. Rising costs on healthcare and pension provision are concerns, as is the affordability of pay increases needed to remain competitive. One respondent faces a challenge in:

'ensuring adequate resources to design, implement and communicate appropriate changes.'
(large employer in the finance, insurance and real estate sector)

While a consultant from an Irish professional services firm sees a trend of increasing fixed costs *'as variable pay is considered as core fixed pay due to legacy practices and agreements'.*

Preparedness

The survey asked how well prepared organisations are to manage the risks identified.

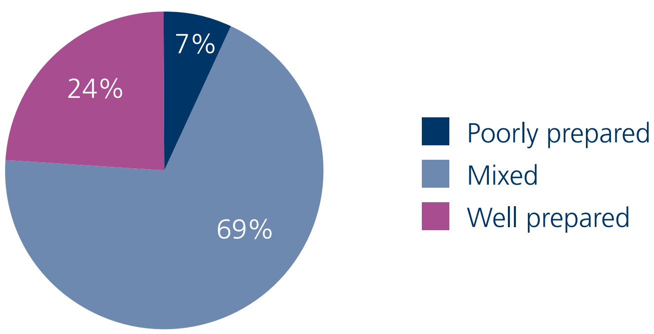
As in previous years, the majority of respondents gave a mixed response to this question. Nevertheless, there is a clear trend for an increase in the number of participants feeling that their or their clients' organisations are well prepared to manage reward risks, with 24% saying their organisations are well prepared, up from 22% last year and 15% in 2010. So, while reward professionals still clearly believe there is a long way to go on this, there are signs that they are generally feeling more confident in the ability of the reward systems and processes in place to cope with the risks ahead.

Looking at the breakdown of responses to this question by region reveals some interesting differences. Participants from Asia Pacific and the Americas, where only 12% of respondents feel they are well prepared, are noticeably more cautious than the UK and Ireland, where 25% and 21% believe they are well prepared to deal with reward risks, respectively. And participants from the Middle East are much more positive, with 36% stating they are well prepared.

There are also clear differences between the sectors, with participants from private sector services firms (29% say they are well prepared) feeling significantly better prepared than participants in the public sector (21%), who in turn are more positive than the voluntary sector (15%). However, the public sector and voluntary sector feel better prepared than last year, when just 14% of public sector participants and 3% of voluntary sector participants felt well prepared to deal with reward risks.

Consultants are noticeably more downbeat on this question, with only 9% feeling that their clients' organisations are well prepared, compared with 26% of practitioners.

Figure 2: How well reward professionals feel their organisation or clients are able to manage the identified risks



HR/reward practitioners were asked two further questions about preparedness: are reward risks actively managed and (for those answering 'yes') are they formally logged? This year has seen a significant increase in the proportion of respondents who are already actively managing reward risks: 54% compared with 40% in 2011. A further 23% plan to start doing so in the next 12 months. Of those saying that they actively manage risks, nearly two-thirds are either already logging reward risks, or plan to start doing so in the next 12 months, which is a similar proportion to last year.

This still leaves a significant minority who are not managing reward risks and have no immediate plans to introduce systems to help them do so. The identification of risks remains the first essential step in managing organisational risks of all kinds, and the 2009 CIPD research on reward risks emphasised the importance of engaging with key functions and individuals within or associated closely with the organisation, and of drawing on internal and external sources of data to build up a comprehensive picture of the reward risks that the organisation may have to deal with in the future.

Changes in the last 12 months

Asked whether any changes had been made to reward strategy in the last 12 months to manage reward risks, more than a third of all respondents answered yes. Most of these went on to provide more detail about the changes that have been implemented. As Figure 5 shows, changes to governance and risk management arrangements feature prominently, as do changes to bonus and salary structures.

A number of respondents have introduced changes to the way they manage reward risks during the year:

'Published our approach to risk management and the link with reward policy.'
(UK-based consultant)

Figure 3: Are reward risks actively managed?

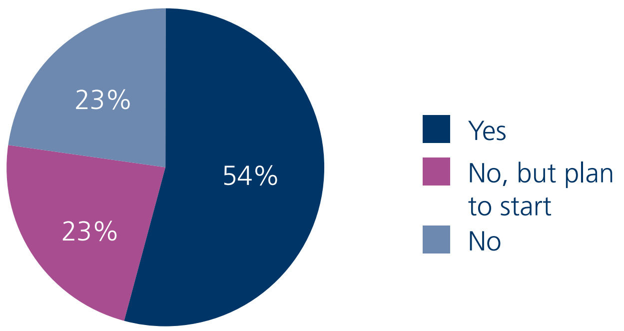


Figure 4: Are reward risks formally logged?

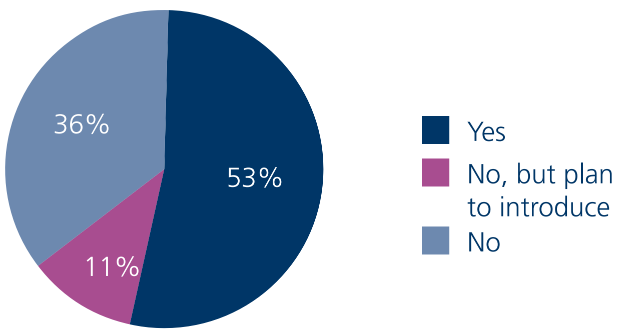
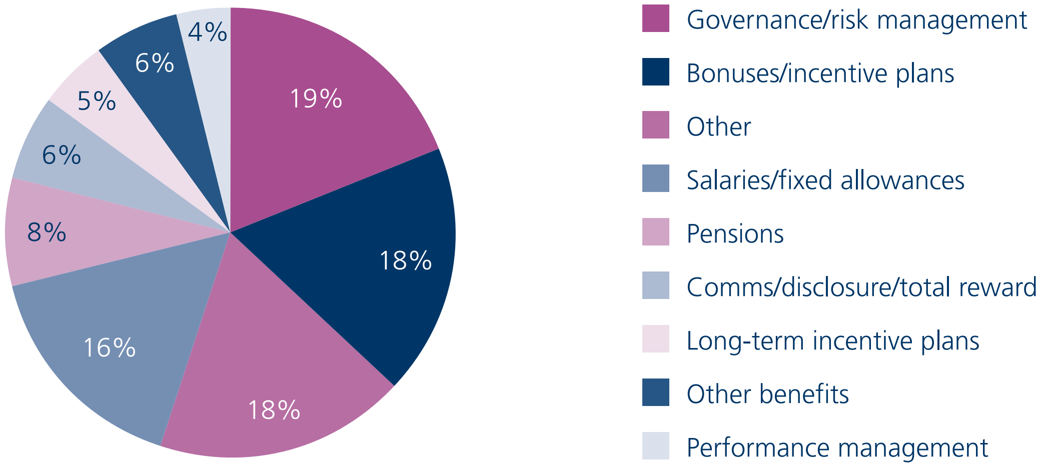


Figure 5: Changes to the reward strategy in the last 12 months to manage reward risks



'More alignment with operational risk in terms of identifying and reporting all risk or potential risk as they occur.'
(medium-sized employer in the finance, insurance and real estate sector in the Middle East)

'Introduction of a risk management plan, highlighting key areas of risk and putting provision in place to mitigate.'
(medium-sized UK employer in the restaurants and catering sector)

Other governance and risk management changes tended to be either a tightening of existing processes (*'more robust sign-off procedures and audit trail'*), or the strengthening of senior management oversight of reward issues.

Deferral and greater alignment with company performance are common themes for those who have made changes to their bonus structures during the year:

'Greater level of deferral to meet regulatory changes and closer alignment between company profitability and individual reward.'
(small UK employer in the finance, insurance and real estate sector)

'Bonus structure more closely aligned to company results and performance.'
(large oil and gas employer in Africa)

Many of the changes cited have a clear cost reduction objective. And many respondents have clearly had to introduce multiple changes during the year:

'Removal of contractual benefits and final salary scheme closed to accrual, implementation of flexible benefits capped to reduce risk, implementation of new pay structure.'
(large UK-based employer from the voluntary sector)

Executive pay compared with the rest of the workforce

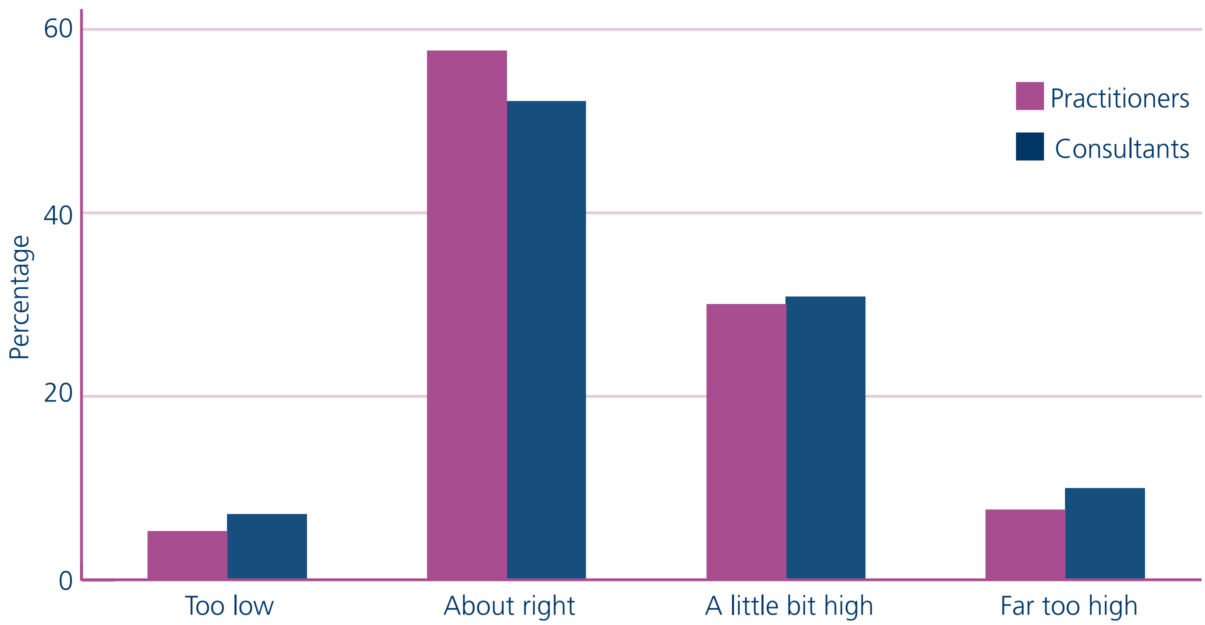
The issues around executive pay have regularly hit the headlines over the past 12 months, with the widening gap between boardroom pay and the wider workforce being one of the areas of concern. Of course, there are a range of reward risks associated with executive pay levels, including the ability to attract and retain boardroom talent and the need to ensure that workers do not become disengaged because they perceive that senior employees are rewarded more than their performance merits or that they are disproportionate when compared with what the rest of the organisation is getting paid.

In response to this, this year's survey asked participants for their views of how executive pay in their own or their clients' organisations compared with the pay of the rest of the workforce: was it 'too low', 'about right', 'a little bit high', or 'far too high'? Most feel executive pay is about right, although a substantial minority of both practitioner and consultant participants (38% and 41% respectively) feel that executive pay is either a little bit or far too high.

Interestingly, though perhaps not surprisingly given the tendency for the level of executive pay to increase with the size of organisation, the proportion viewing executive pay as far too high grows in direct proportion to the number of employees, from 4% in organisations of fewer than 250 employees to 13% in organisations of 20,000 employees or more.

Participants from the private sector tend to be the least comfortable with the level of executive pay, with 40% of respondents saying it is a little bit or far too high, compared with 25% and 23% of respondents from the public and voluntary sectors respectively.

Figure 6: Executive pay compared with the rest of the organisation



Conclusion

This year's CIPD *Reward Risks* survey has seen a further, albeit modest, increase in the proportion of survey participants that believe their organisations are well placed to manage reward risks. Participants remain cautious, with the majority feeling that they have some things right but still have some way to go in terms of their reward risk management arrangements. The underlying indications, however, are that reward managers are taking reward risks seriously. A significant jump in the proportion of respondents who already actively manage reward risks – for the first time, more than half of all practitioner participants – together with an impressive list of actions taken in the last 12 months to strengthen risk management and governance arrangements demonstrates this.

There has been a consistent theme in the key reward risks that practitioners face. The risk that employees will not understand or value their reward package remains a key preoccupation for reward managers, and many perceived risks stem from the need to cut or constrain costs. In the UK, the arrival of pension auto-enrolment has seen reward managers respond proactively, identifying the risks associated and putting measures in place to mitigate these. Looking ahead, many reward managers foresee a return to more competitive recruitment markets amid continuing budgetary restraint.

Whatever the response to these pressures, it is clear that a systematic approach to the identification, prioritisation and mitigation of reward risks is an important step for organisations to take in the effective management of these risks. With this in mind, the output from this survey and the resources and processes described in the CIPD 2009 research on reward risks are useful tools for reward professionals.

Background to the survey

The research was carried out between 30 July and 7 August 2012. An online questionnaire was sent to 5,000 senior reward professionals in the public, private and voluntary sectors working in the UK and overseas as well as senior HR professionals with significant responsibility for reward. Replies were received from 296 individuals, the majority of them practitioners. The following figures give breakdowns of the respondents.

Figure 7: Respondents, by type

Figure 8: Practitioner participants, by number of employees

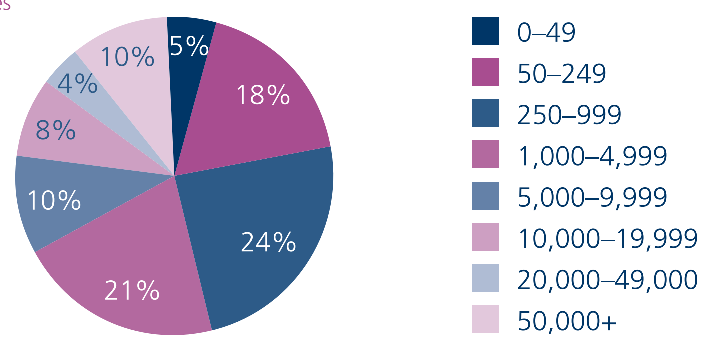


Figure 9: Practitioner participants, by sector

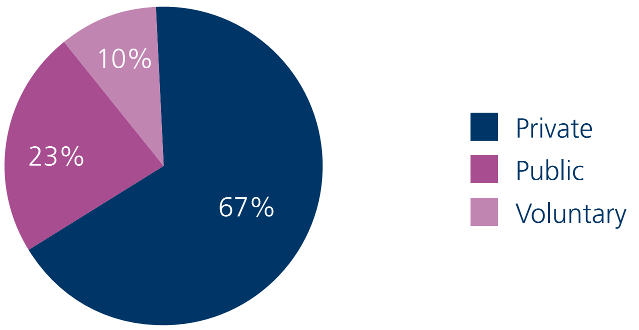
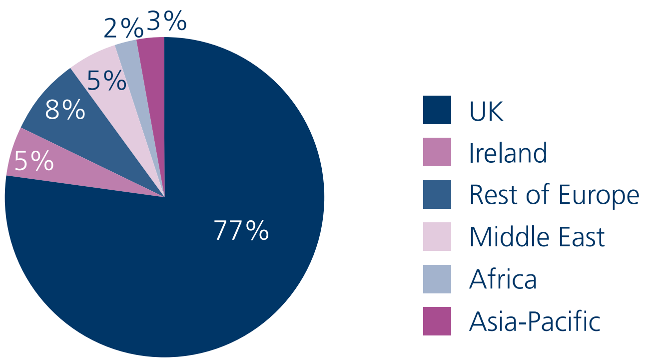


Figure 10: Participants, by location



We explore leading-edge people management and development issues through our research. Our aim is to share knowledge, increase learning and understanding, and help our members make informed decisions about improving practice in their organisations.

We produce many resources on reward issues including guides, books, practical tools, surveys and research reports. We also organise a number of conferences, events and training courses. Please visit cipd.co.uk to find out more.

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