HR Update 2020

Key pay and HR trends

October 2020

Ibec
For Irish Business

Foreword

I am delighted to present the 2020 HR Update report, now in its twelfth year. This is one of Ireland's largest HR surveys and our results this year are based on the views of over 400 senior HR leaders. The survey results have been gathered from companies across a broad range of industry sectors over the month of September 2020.

The results capture key developments in relation to pay and headcount across different organisational sizes and sectors for 2020 and 2021. Our findings reflect the significant impact of the developments of the past seven months. We look at the major HR trends arising from the COVID-19 pandemic and Brexit into next year. We also continue our annual tracking of the key HR priorities to provide insights to organisations in navigating the challenges both now and on the horizon.

No doubt, our findings will be of assistance to you in your planning and decision making on employment matters. If you have any questions in relation to these findings, please contact the Ibec Research Unit using the contact details at the back of this report.

Thank you to all who contributed to the report and for your ongoing support of Ibec. We will continue to keep you informed about employment practices and emerging trends in relation to pay and people management throughout 2021.

Maeve McElwee
Director of Employer Relations

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28% of organisations plan to increase employee numbers in 2021

Business Continuity Planning /Crisis management is the Number 1 HR Priority for 2021

Executive summary

Businesses have managed through extraordinary times in 2020. From the sudden lockdown of the economy in March, resulting in office workers moving to remote working, to essential services adapting to COVID-19 protocols, to the difficult challenge of having to lay-off or reduce the hours of their employees, it has been a testing time. As the economy strives to function against the backdrop of uncertainty caused by COVID-19 and the approaching Brexit outcome, businesses are experiencing both positive and negative impacts on their trading performance across different sectors. This is very evident in the results of this year's Ibec HR Update.

Pay

There is a growing gap between firms and households doing well and those which face significant falls in income due to COVID-19. The survey results demonstrate a significant trend towards freezing pay across 2020 (42% of organisations) and into 2021 (49% of organisations). This holding pattern is also evident in terms of employee headcount.

Business challenges and HR priorities

The number one HR priority for 2021 is business continuity and/or crisis management reflecting the climate of economic uncertainty and unpredictability, with just over two thirds of respondents highlighting this issue.

Hiring freezes, accessing the government wage subsidy scheme and pay freezes are the most common steps identified by respondents to achieve essential reductions in costs and wage bills in the months preceding this report. The impact of COVID-19 will be felt longer term for some organisations.

The preservation of organisational culture is recognised by 35% of organisations as a major challenge for the next 12 months. In line with our research in previous years, the attraction, retention and engagement of staff remain key HR priorities. Our findings also show that offering flexible work arrangements will be an important factor to advance these HR agendas.

We have seen huge levels of resilience from Irish businesses as the unprecedented events of this year unfolded. Supporting employees through the provision of technology infrastructure to maintain communication and the provision of well-being supports were the immediate HR priorities during the COVID-19 crisis. Continued investment in occupational health and safety and ongoing flexible working are two of the longer-term changes that will emerge from the crisis. Our findings show that absence rates have not changed significantly in 2020, with just one third of organisations reporting an increase in absence.

It is very positive to see that there will be some job growth next year in certain sectors of the economy, with over a quarter of member companies surveyed intending to hire new staff next year.

Remote Working

2020 has been an extraordinary year for the development of remote working. For many organisations, this form of flexible working will continue by necessity into 2021, in line with current public health guidance and presents both opportunities and challenges. There is a willingness to invest in this area, however, concerns regarding collaboration within teams, the impact on innovation and a myriad of employment rights issues remain. Our findings show that in organisations where this type of working is suitable, that hybrid working will be most common arrangement by September 2021. On-site working is and will remain the most common work arrangement, with organisations indicating that on average, they expect that 60% of their workforce will be working fully on-site by September 2021.

Parent’s Leave

Despite the pandemic, employment rights legislation continued to be enhanced including extensions to parent’s leave and parental leave. An increase to 5 weeks parent’s leave was confirmed this year.
In 23% of organisations surveyed, a top up to the social welfare payment is provided.

Pay and resourcing

Basic pay changes

The uncertainty of COVID-19, coupled with Brexit, has resulted in organisations taking a more conservative approach to basic pay in 2020, than was forecast by organisations last year. 55% of respondents (77% in the forecast) are increasing basic pay in 2020. A conservative approach on pay will extend into 2021 for over half of organisations.

Figure 1: Basic pay 2020

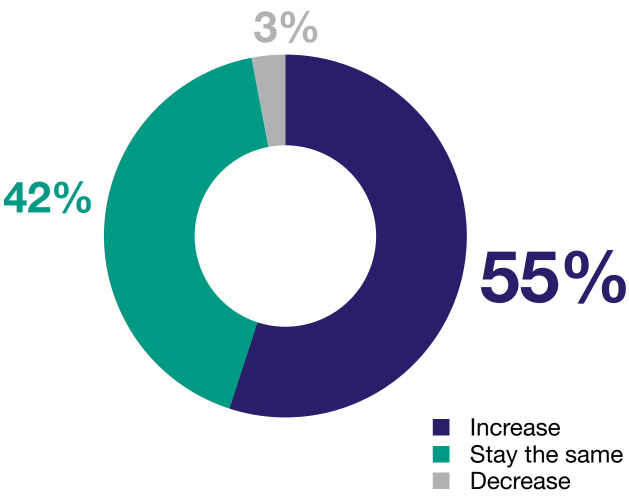
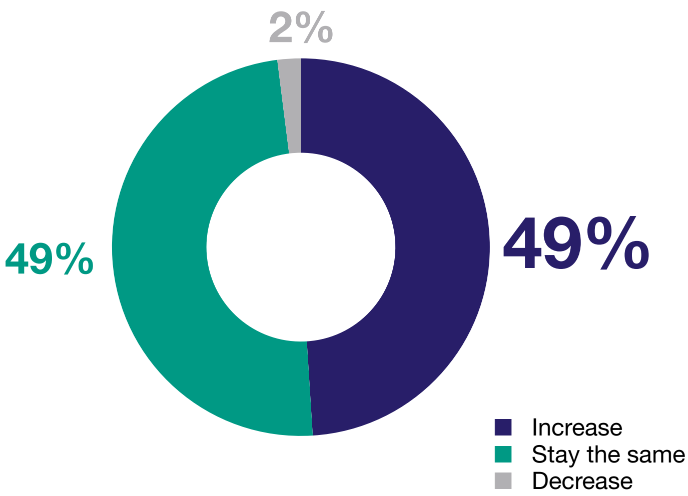


Figure 2: Basic pay 2021



Average and median pay increases

In 2020, where pay increases were given, 2.59% was the average (down slightly from 2020 forecast last year of 2.64%) with a median of 2.5%, which sees no change to 2020 forecast.

Looking ahead to 2021, across all respondent organisations, the average change to basic pay expected is slightly lower than 1% (0.95%) with a median of 0%. For those organisations forecasting to **increase** pay next year, the average pay increase is expected to be 2.6% with a median increase of 2.5%. Nearly, three quarters of expected pay increases are forecasted to be 2.5% or less.

The range of pay increases expected in 2020 and 2021 are as follows:

Table 1: Pay increase range

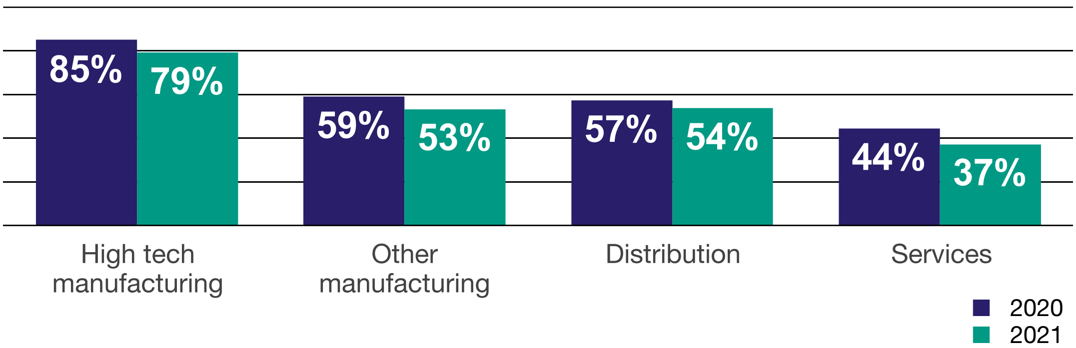
Pay increase range	Percentage of organisations 2021	Percentage of organisations 2020
2% or lower	46	38
2.01% - 2.5%	28	29
2.51% - 3%	14	22
3.01% - 5%	10	7
> 5%	2	4
Total	**100**	**100**

Pay increases by sector

It is evident across and even within sectors, that organisations are experiencing impacts of COVID-19 and Brexit differently. This is particularly evident where organisations were forecasting pay increases last year, but these did not materialise in 2020 and are not expected to materialise in 2021. The differing sectoral impact of the pandemic can explain the fact, that while pay increases and expectations in high tech manufacturing remain broadly in line with the 2020 forecast (91% intended to increase pay), the same cannot be said for other sectors of the economy. Of significance is the fall in percentage of organisations who expected to increase pay rate in 2020, in sectors such as

- Other Manufacturing - 80% in last year's forecast to 59% (actual figure reported for 2020) and 53% (planned for 2021).
- Distribution - 78% in last year's forecast to 57% (actual figure reported for 2020) and 54% (planned for 2021).
- Services[1] - 72% in last year's forecast to 44% (actual figure reported for 2020) and 37% (planned for 2021).

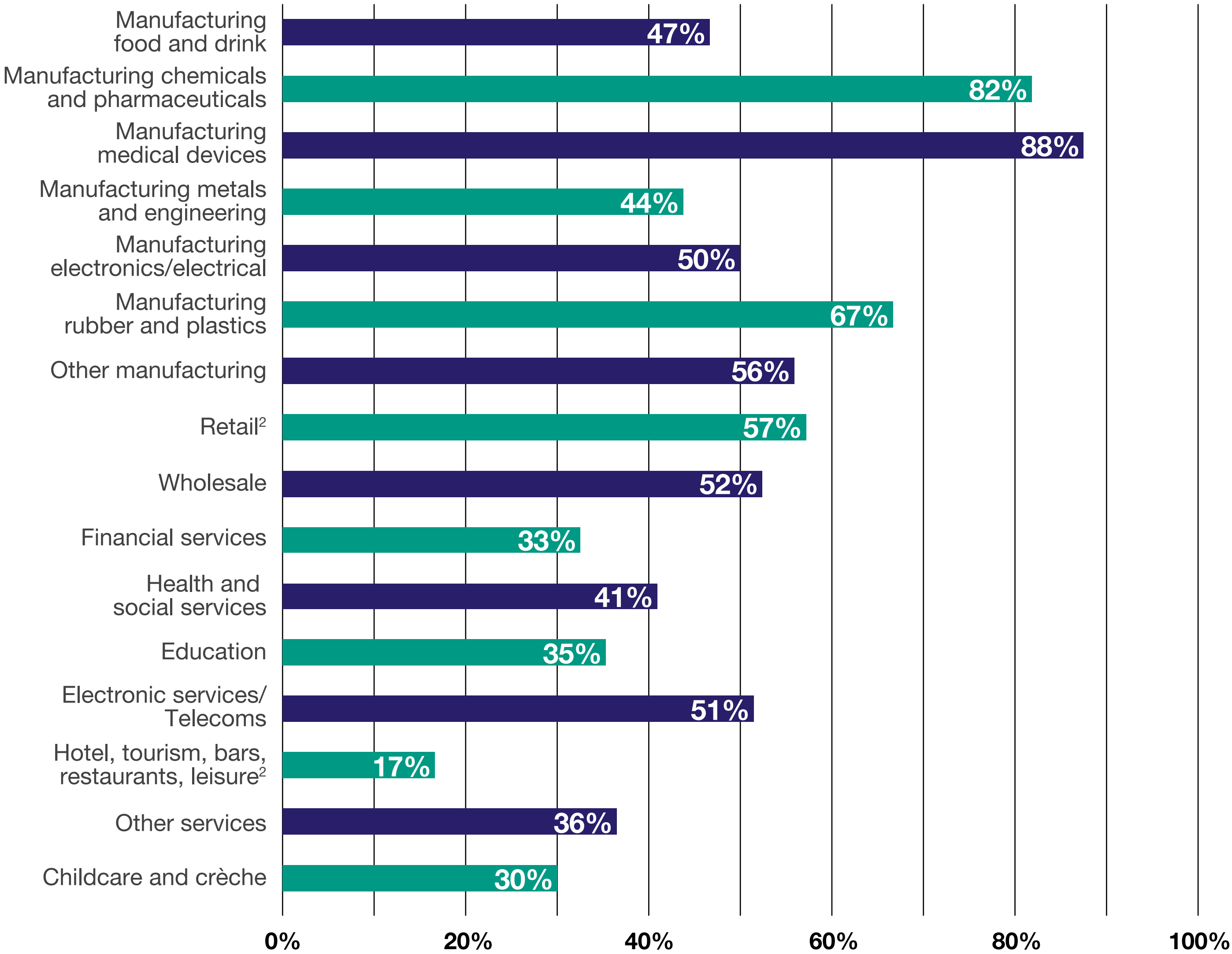
Figure 3: Basic pay increases by sector



1. Services includes a wide range of activities including financial services, health, education, bars, restaurants and tourism, among others.

A more detailed analysis of pay increases expected next year by activity, shows evidence of extensive variation by organisational activity. Organisations operating in medical devices or pharmaceutical manufacturing, for example, were far more likely to implement pay increases next year compared with organisations in hospitality, tourism or childcare sectors.

Figure 4: Pay increases 2021 by activity



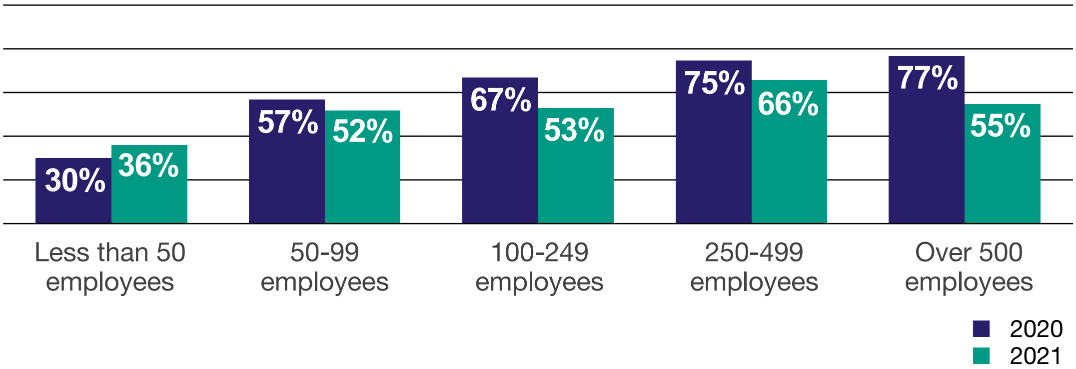
2. Retail, hotels and leisure sectors have low numbers of responses in the dataset which may potentially mean that the impact on those sectors may be even more pronounced than our data shows.

Pay increases by company size

Larger organisations are more likely to implement pay increases in both 2020 and 2021, although the proportion of these organisations expecting to implement pay increases will be less in 2021 than 2020. Our data from last year indicated that 88% of companies employing between 250-499 employees expected to increase pay in 2020 and 87% of companies employing over 500 employees planned to do so. Our survey data this year shows that these figures reduce to 66% and 55% respectively for 2021.

For organisations with fewer than 50 employees, increases were likely in around a third of those organisations in both time periods. The reduction in the level of pay increases in 2020 compared to those forecasted was highest in smaller organisations.

Figure 5: Basic pay increases by organisation size



Bonus payments 2020

Organisations were asked to indicate their approach to bonus payments in 2020. The following table sets out the responses regarding plans for bonuses to staff in the current year. Almost half of the organisations surveyed paid bonuses as usual. Just over one in ten (13%) suspended bonus payments for 2020. Almost one third of organisations (29%) did not offer bonuses to staff.

Table 2: Approach to bonuses 2020

Approach to bonuses 2020	Percentage of organisations
Pay bonuses as usual	46
Pay bonuses to some categories only	10
Pay bonus as usual and additional bonus to reflect contribution	2
Suspend bonus payments for 2020	13
Company does not offer bonuses/not applicable	29
Total	**100**

Total pay bill

Just under half of respondents (down from 69% forecasted last year) expect their total pay bill to increase in 2020 and 2021. A change in total pay bill indicates not just potential changes in basic pay rates, but additionally any increases or decreases in staff numbers. Total pay bill, therefore, includes recruitment of new staff and/or company downsizing as part of the metric.

Where total pay increased, the average increase for 2020 was 3.96% and the median increase 3.00%. In 2021 for those planning to increase total pay, the average expected increase is 4.88% and the median 3.00%

Figure 6: Total pay bill 2020

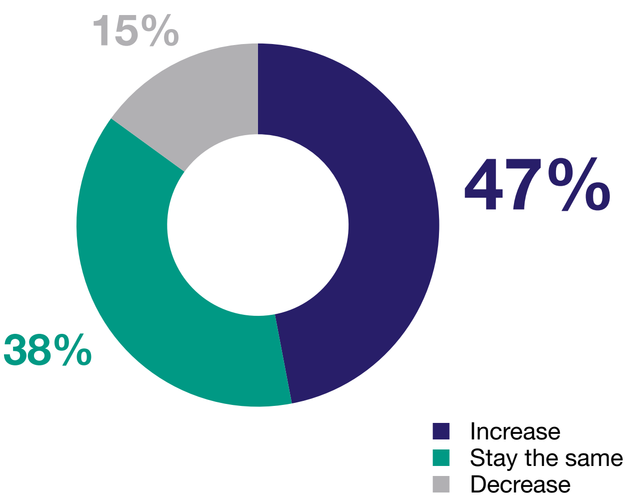
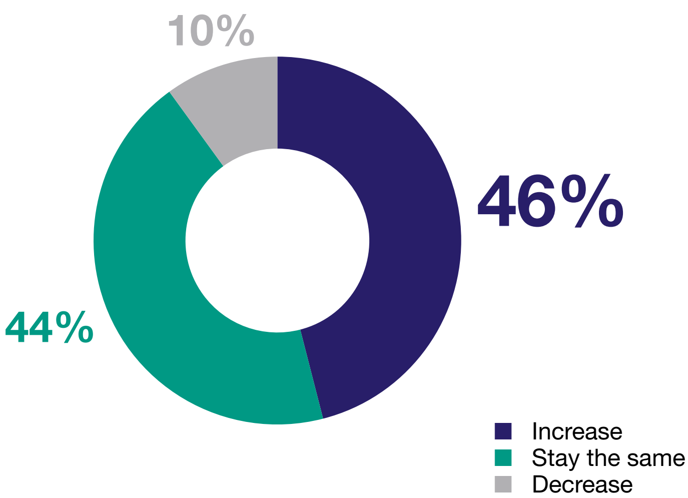


Figure 7: Total pay bill 2021

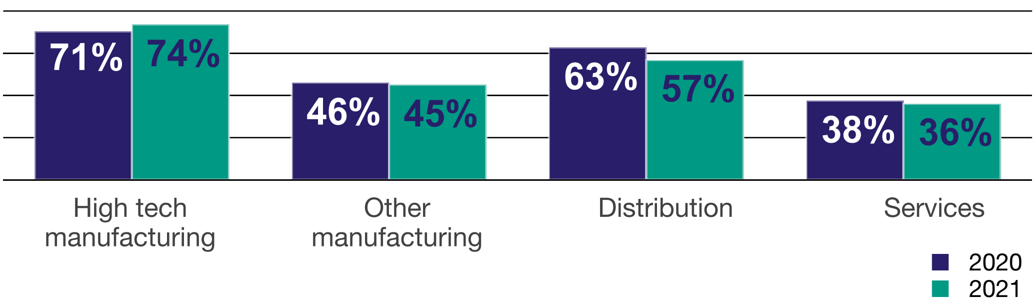


Total pay bill increases by sector

Another indicator of differing economic experiences for organisations is the variation in the likelihood of total pay bill increases across the sectors. Unlike last year, where there was little variation, this year it is expected that the high-tech manufacturing sector is most likely to see increases in total pay bill, with over seven out of ten organisations in this sector expecting an increased total pay bill in both 2020 and 2021.

Just over one third of services organisations (65% forecasted last year) and less than half of other manufacturing organisations (70% forecasted last year), who responded in the survey, are expecting to increase their total pay bill in 2020 and 2021.

Figure 8: Total pay bill by sector

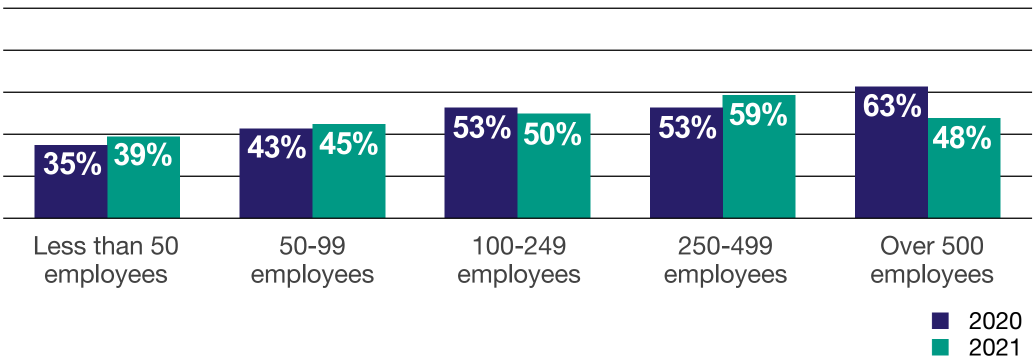


Total pay bill increases by company size

Larger organisations are more likely than smaller organisations to see increased total pay bills in both years. Of significance is the fall in percentage of organisations who expected to increase their total pay bill:

- Less than 50 employees
  - 65% in last year's forecast to 35% (actual figure reported for 2020) and 39% (planned for 2021)
- 50-99 employees
  - 66% in last year's forecast to 43% (actual figure reported for 2020) and 45% (planned for 2021)
- 100-249 employees
  - 65% in last year's forecast to 53% (actual figure reported for 2020) and 50% (planned for 2021).
- 250-499 employees
  - 84% in last year's forecast to 53% (actual figure reported for 2020) and 59% (planned for 2021).
- 500+ employees
  - 78% in last year's forecast to 63% (actual figure reported for 2020) and 48% (planned for 2021).

Figure 9: Total pay bill by organisation size



Resourcing

We asked member organisations to indicate how employee numbers changed in 2020 and are expected to change in 2021. Around a quarter (24%) of organisations increased their employee numbers in 2020, compared to the forecasted 42% which was indicated in last year's findings. The majority of organisations intend to maintain their employee numbers, while 15% of organisations expect to decrease their employee numbers in 2021.

Figure 10: Employee numbers 2020

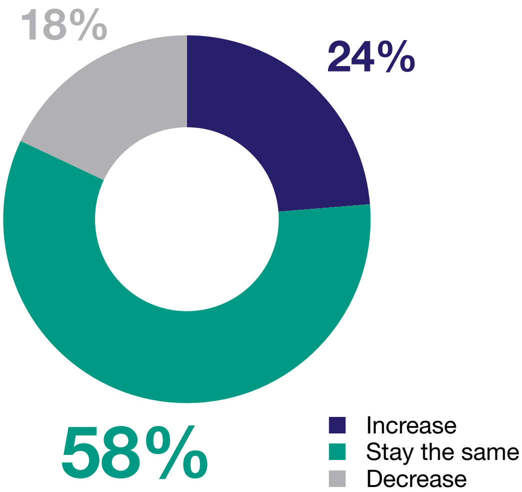
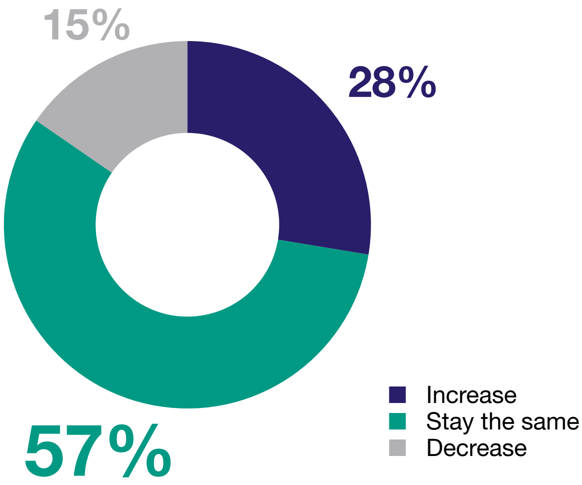


Figure 11: Employee numbers 2021



For respondents that expect to hire permanent staff in 2021, 66% (around two thirds) had not made any downsizing decision in 2020 (i.e. no redundancies, lay-offs or non-renewal of contracts to year end 2020). For those expecting to hire temporary staff in 2021, the proportion was 59%.

Conversely, around a third of those, who expect to hire permanent staff in 2021, had implemented some form of downsizing in 2020, so these hires may be to replace staff rather than create additional jobs. For temporary staff, 41% of those hiring in 2021 had implemented redundancies, lay-offs or non-renewal of contracts.

Absence rates

In 2020, a third of respondents indicated that absence rates had increased in their organisations, while 13% indicated that absence rates had declined in the same period. In over half, (54%) absence rates remain unchanged compared with last year.

Looking ahead to 2021, just over a quarter (26%) expect absence rates to increase, with seven out of ten organisations (69%) expecting absence rates to remain unchanged in 2021. A very small proportion (5%) expect absence rates to decline next year.

Four out of five of the respondent organisations provided a sickness benefit payment to employees while they are on sick leave. The provision or otherwise of a sick pay scheme does not seem to be a strong determinant of the likelihood of increased absence.

Figure 12: Absence 2020

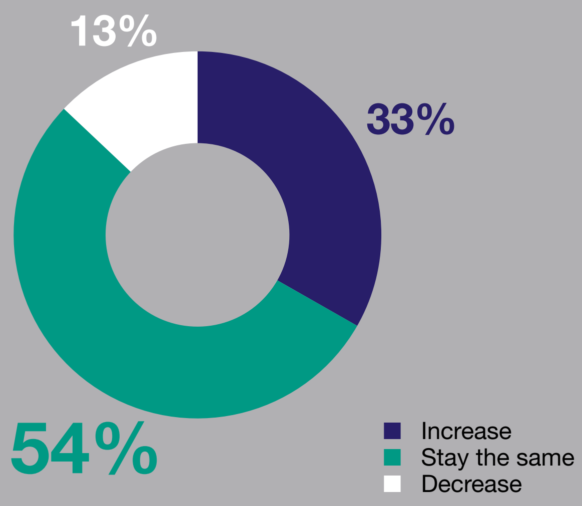
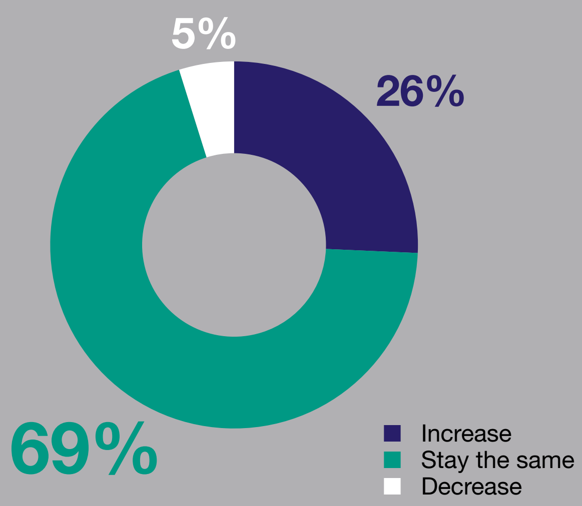


Figure 13: Absence 2021

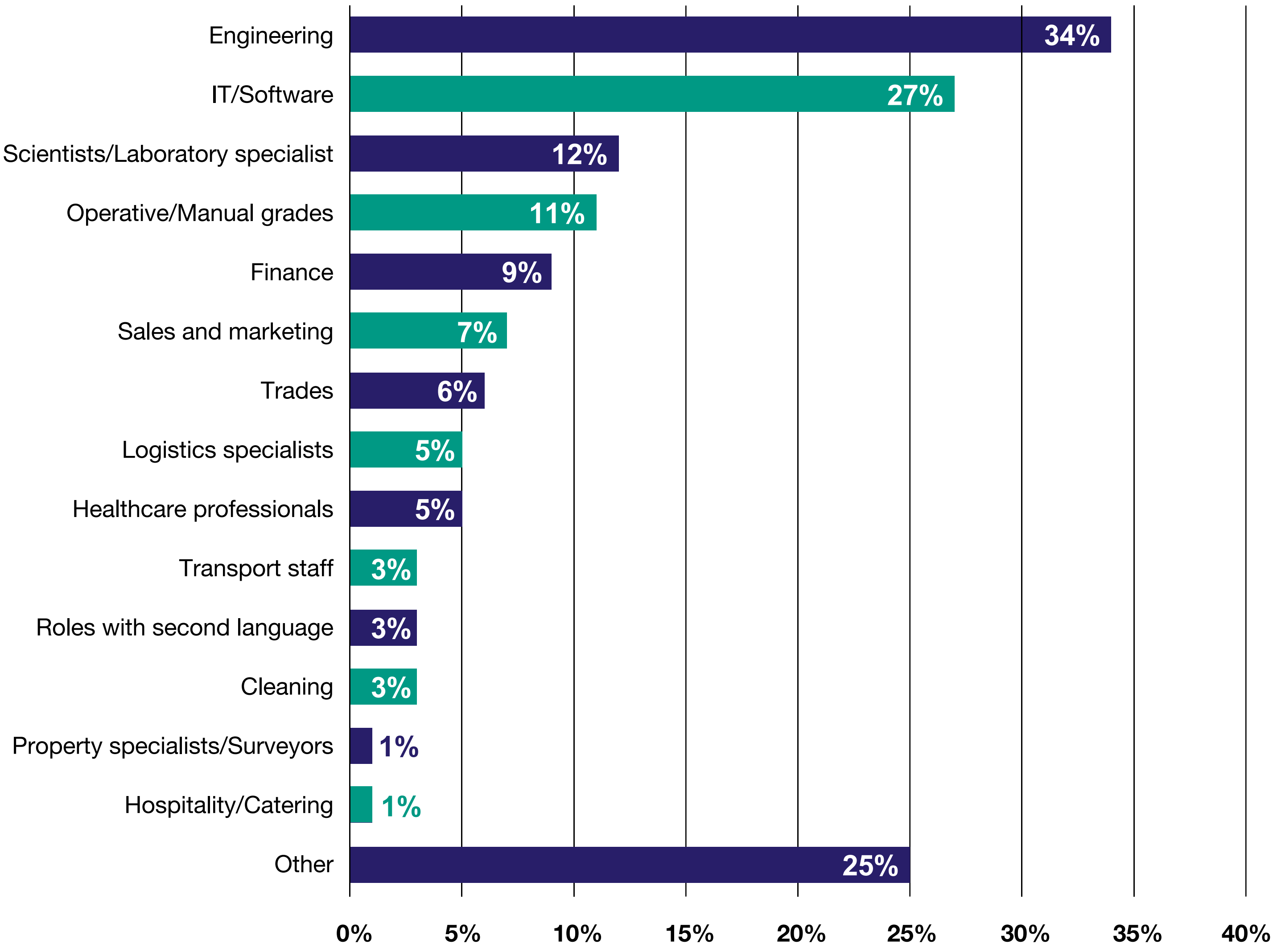


Skills in demand

We asked employers to identify skills areas where they have current vacancies and what skills vacancies they expect to have in the next 12 months. Two out of five organisations that responded indicated that they had experienced skills shortages in the past 12 months.

As evidenced below, the highest demand is for engineering, IT and scientists/laboratory specialist. Finance skills fall from being the second highest in demand (17%) last year, to fifth highest (9%) this year.

Figure 14: Skills in demand



Other categories of skills, where identified by respondents, were in the areas of particular types of engineering, software skills, project management, health and safety specialists, customer services and administration.

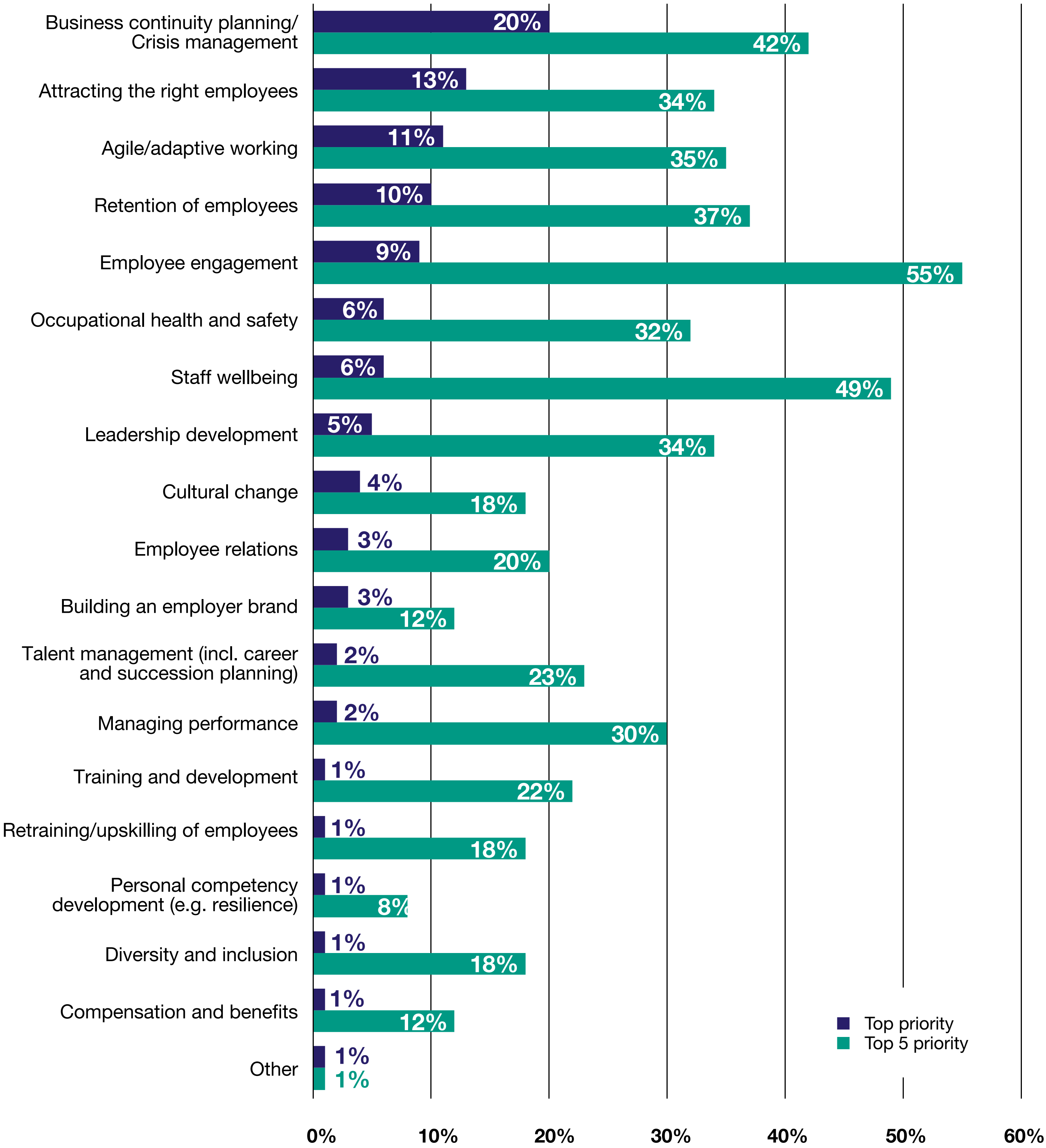
For over half of organisations, hybrid working tops the list of people priorities.

A changed HR landscape

HR priorities for 2021

Unsurprisingly, the top HR priority for 2021 is business continuity planning and crisis management. As we continue to manage through COVID-19 and Brexit uncertainty, organisations will also be keenly focused on people-centric priorities ranging from attracting and retaining talent, employee engagement and wellbeing. Occupational Health and Safety came to the fore during COVID-19 and it will continue to be a top 5 priority for nearly a third of organisations in 2021.

Figure 15: Top HR priorities



The evolving workplace

It is evident that accelerated pace of change experienced this year by many organisations has prompted increased focus on where, when and how we conduct our work along with the supports required. For over half of organisations, hybrid working, where an employee works partially from home and partially on-site, tops the list of people priorities. Four out of ten organisations have identified investment in manager training to support remote / flexible working as a high priority. The positive role of remote and flexible working to advance a company's sustainability agenda is also recognised in our findings.

Figure 16: People priorities 2021

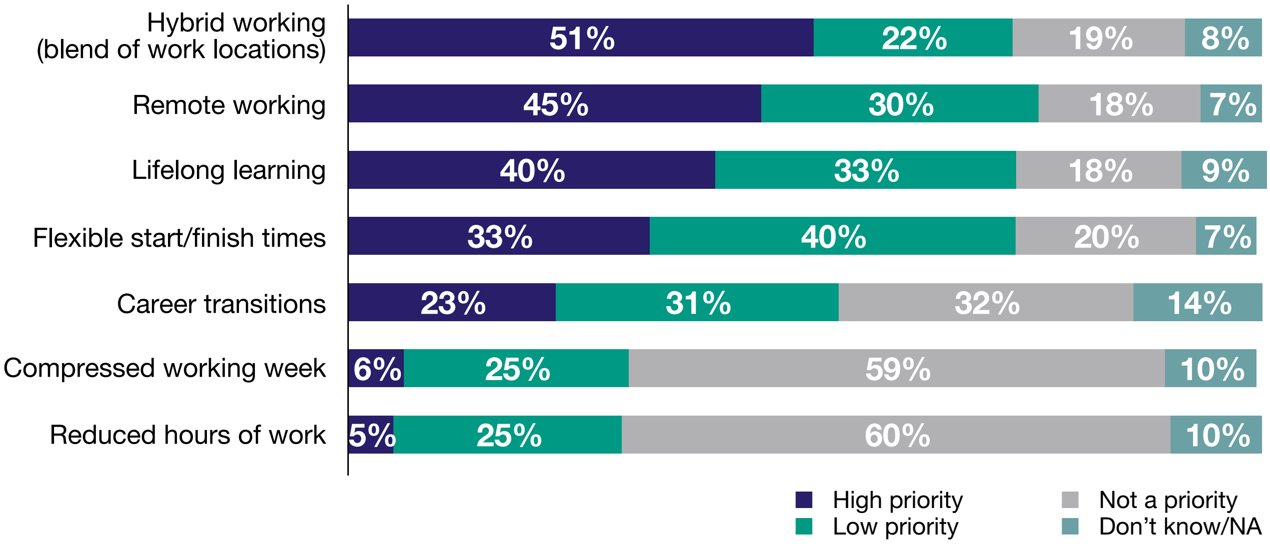


Figure 17: Process priorities

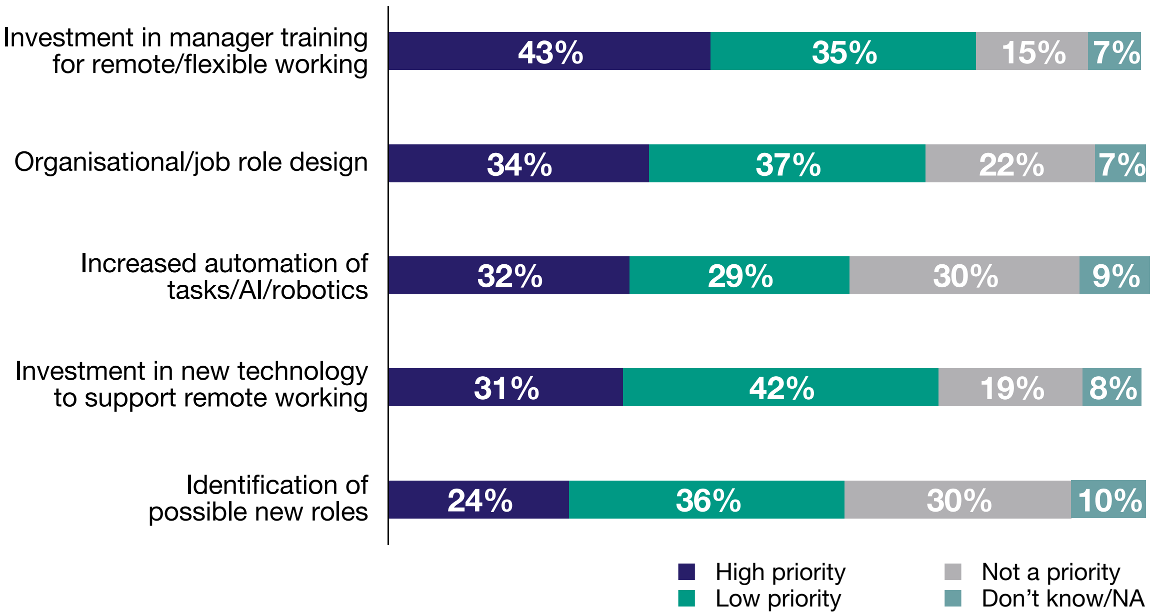
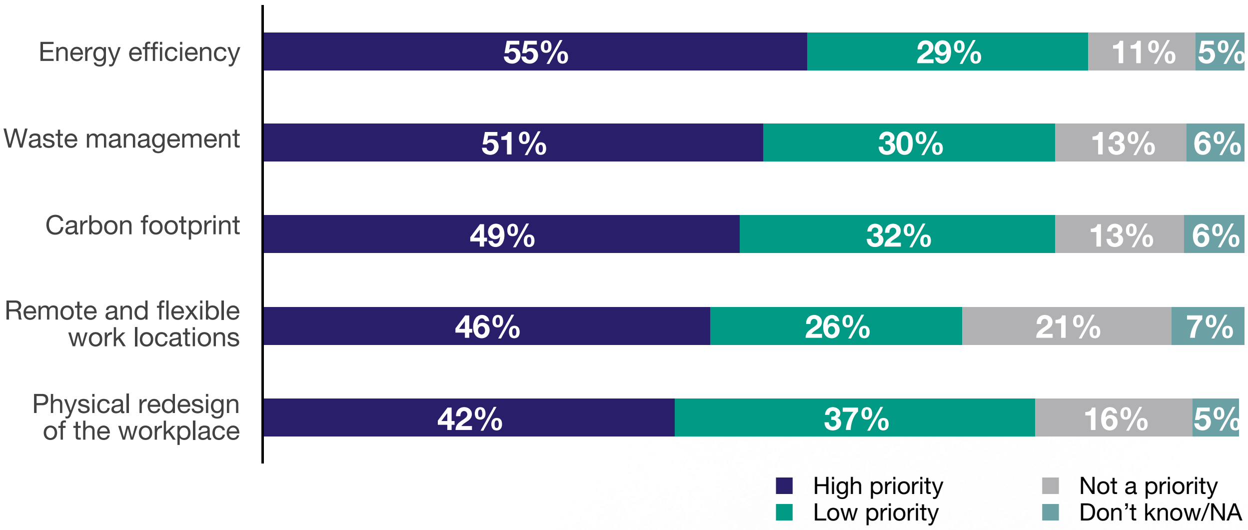


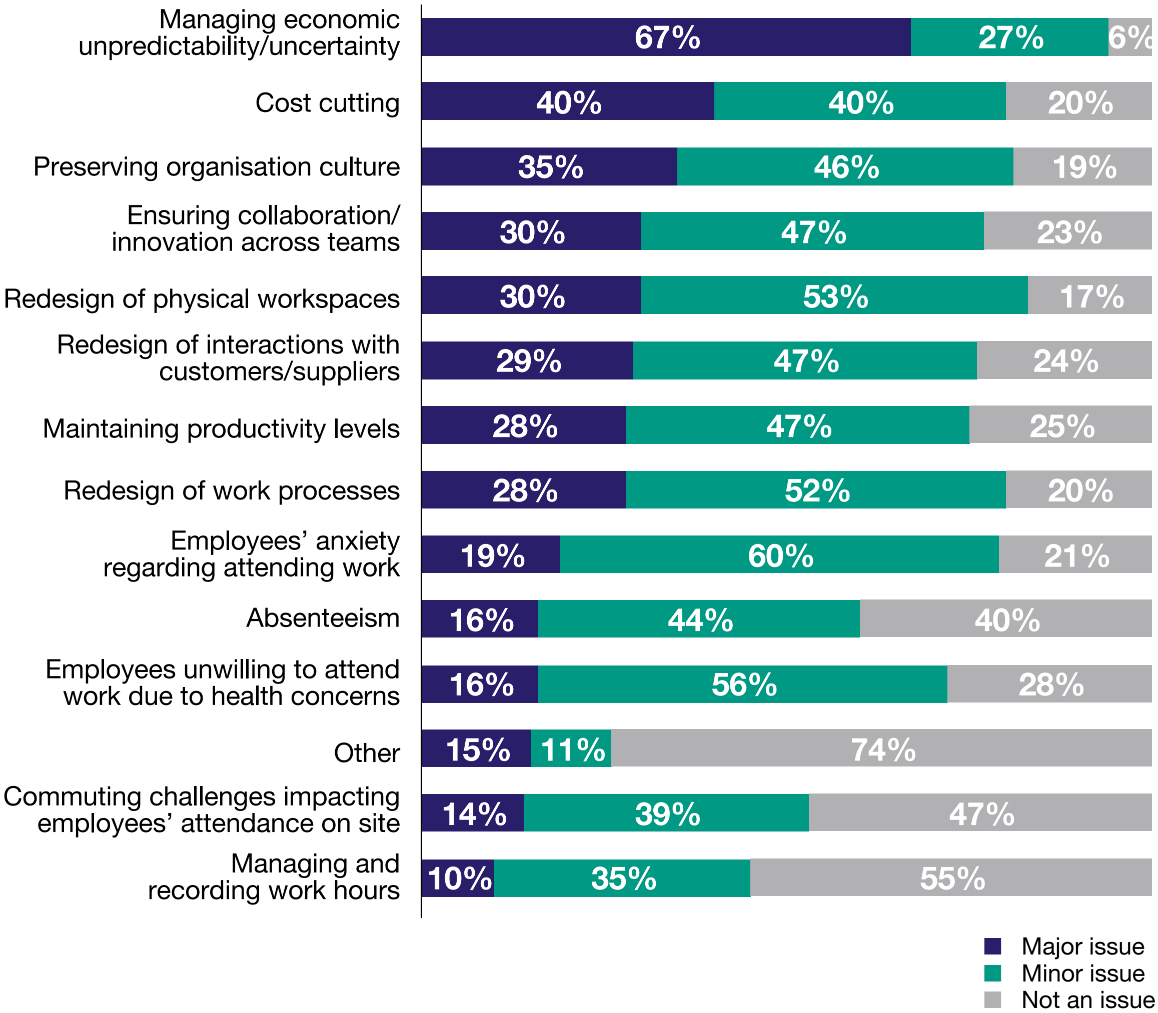
Figure 18: Sustainability priorities



Business challenges

So far this year, significant and unprecedented levels of change has occurred across all Irish workplaces. Organisations are expecting to face the challenges of managing economic uncertainty (67%) and cutting costs (40%) in the coming 12 months. Over three in ten organisations believe a major challenge centres on the fabric of how the organisation operates, specifically organisational culture, collaboration, innovation, and the design of workplaces.

Figure 19: Business challenges in the next 12 months

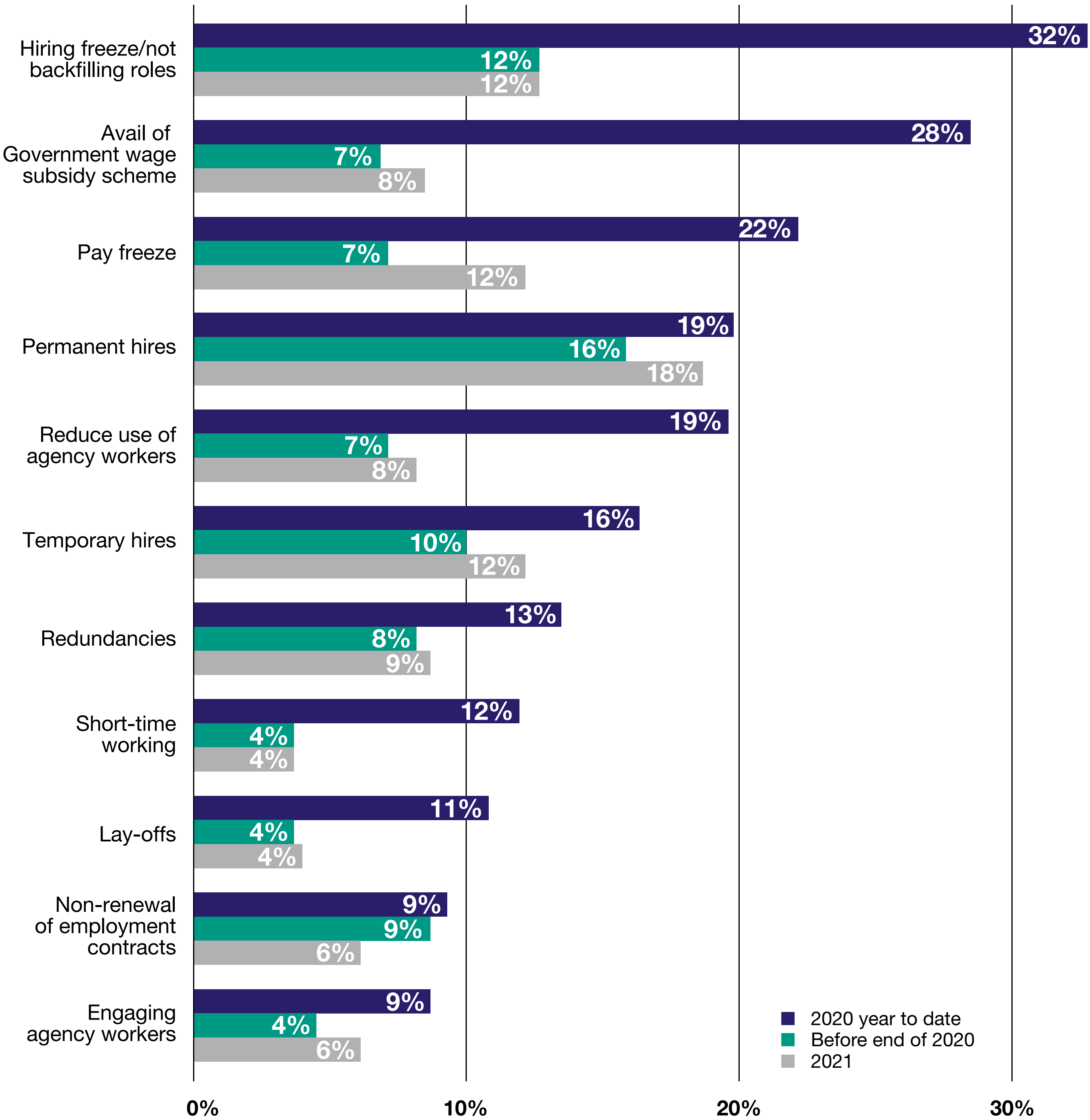


The preservation of organisational culture is recognised by 35% of organisations as a major challenge for the next 12 months.

COVID-19 impact on people practices

Our research on the impact of COVID-19 shows that hiring freezes, accessing the government wage subsidy scheme and implementing pay freezes were the most common resourcing related measures implemented in organisations. In the time period up to September 2020, the data shows that some organisations implemented specific cost cutting measures, including reduction of agency staff, redundancies, short-time working and lay-offs. At the time of the survey and before the introduction of Level 5 restrictions, all these activities were anticipated to reduce into 2021.

Figure 20: Resourcing activities due to COVID-19

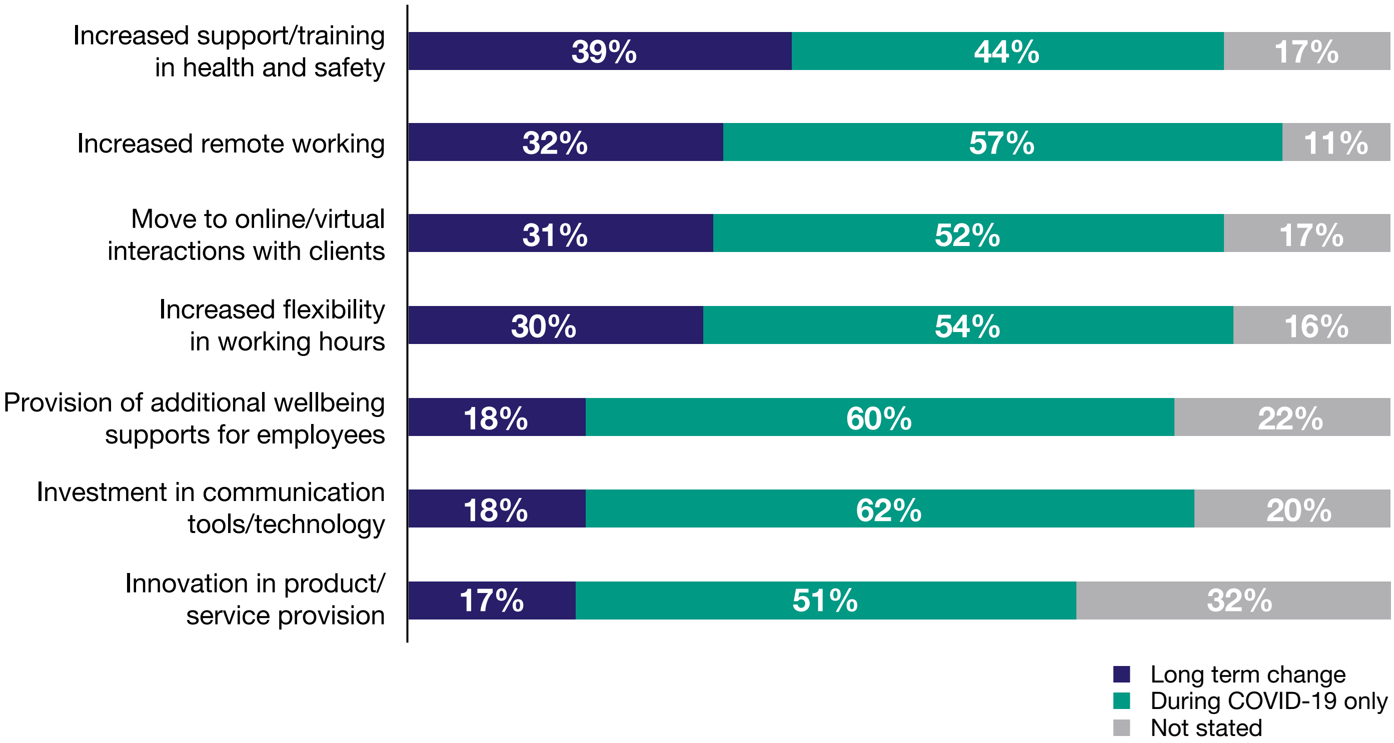


Long term impact of COVID-19

The acceleration and high incidence of remote working as a result of public health restrictions has been a key part of the narrative on COVID-19. Our findings show that 32% of respondent organisations identified this, alongside investment in health and safety (39%), as the two key long-term changes within their workplaces. In managing the impact of COVID-19, high numbers of employers also invested in employee well-being (60%) and communication/collaboration tools (62%). This is consistent with our research in May[3] of this year, which identified mental health and wellbeing as key supports implemented by businesses.

As the impact of COVID-19 continues to be a challenge for the coming months, these investments will play a key role in supporting employee well-being and engagement.

Figure 21: Change initiatives and COVID-19



3. COVID -19, May 2020, A research update. 65% of the 356 Human Resource Directors who responded stated that their organisation had provided guidance on managing mental health.

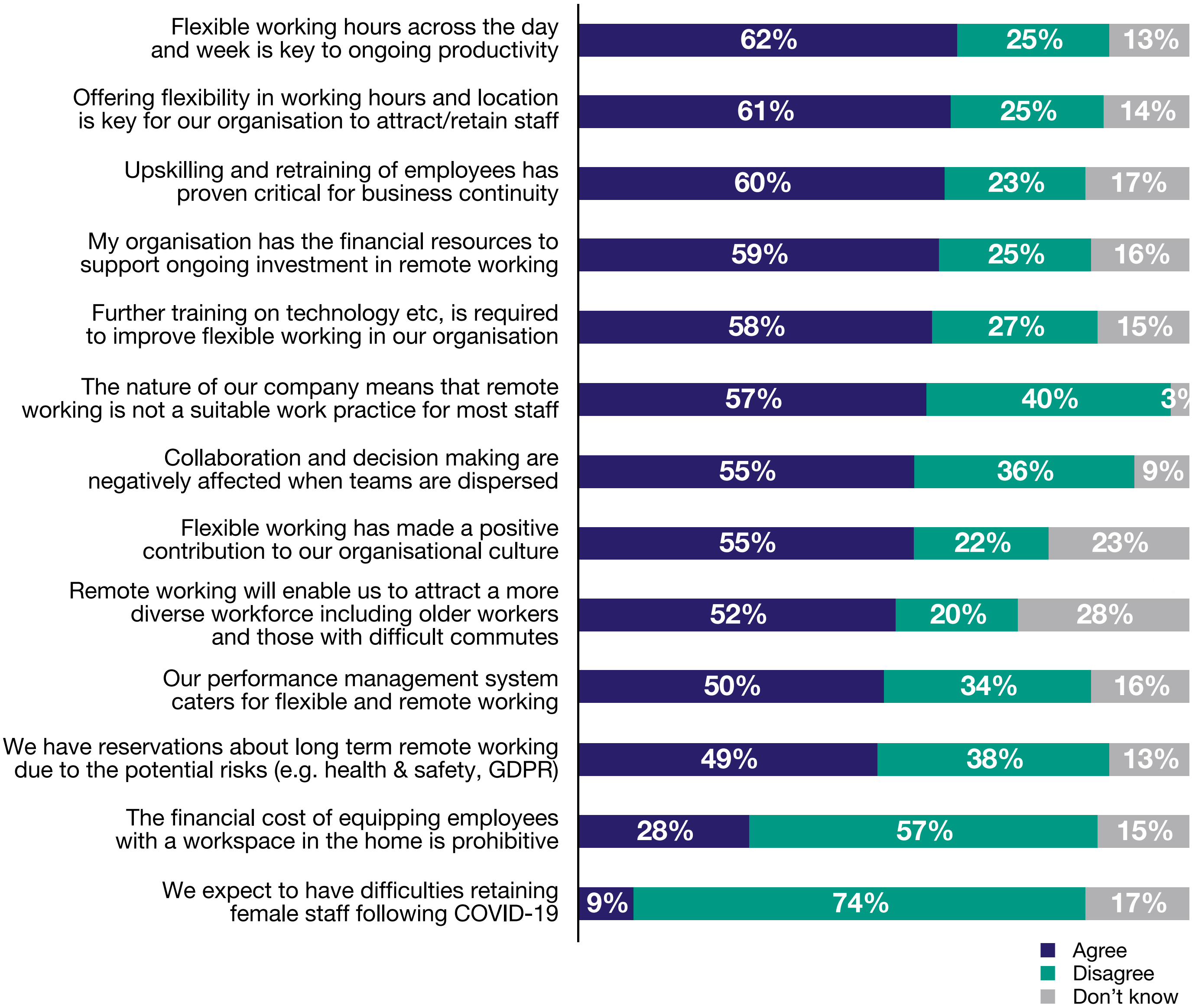
The future of remote working and flexibility

Remote working has taken centre stage in 2020 and the ongoing public health restrictions mean that many employees continue to work remotely. Whilst recognising that remote working is not suitable for all roles and workplaces, a broader flexible approach to working hours is acknowledged as a key driver in attracting and retaining staff as well contributing to productivity.

Flexible working presents some challenges and the impact on collaboration/innovation within teams can be one of these. Specific steps will be needed to enable employees to continue to connect and collaborate with colleagues and clients. There is also a need for further training, including technology training, to improve flexible work practices within organisations.

We asked respondents to comment on a number of topics relating to remote and flexible working to identify trends in these areas.

Figure 22: Organisational trends



We asked respondent organisations about the proportions of staff working remotely and their longer-term plans in this area. Focusing on three points in time, we can see that the incidence of full-time remote working is intended to reduce by September 2021. Hybrid or blended working (where the employee works partially on-site and partially in the office) will triple over the same period (from an average of 7% to 21%). This figure will be heavily influenced by the current public health restrictions in place; however, it is apparent that this is the most popular form of flexible working that companies are planning for the future.

The data also shows that a high proportion of the workforce in certain sectors are currently working on-site (47%) and that this will increase by September 2021 as return to work plans are progressed.

Table 3: Remote working arrangements

Arrangement	**September 2020** Average	**January 2021** Average	**September 2021** Average
Working 5 days a week remotely	42%	25%	12%
Working 1-2 days a week remotely (hybrid / blended working)	7%	17%	21%
Ad hoc/flexible remote working only	3%	5%	5%
Working on-site	47%	52%	60%
Other	1%	1%	2%

Parent’s leave

Around one fifth of respondents (23%) indicated that they intend to pay over and above the social welfare benefit (SWB) to employees on parent’s leave. This is an increase from the 19% who indicated this same intention a year ago, before the legislation was introduced.

Figure 23: Proportion of organisations paying over and above SWB to employees on parent’s leave

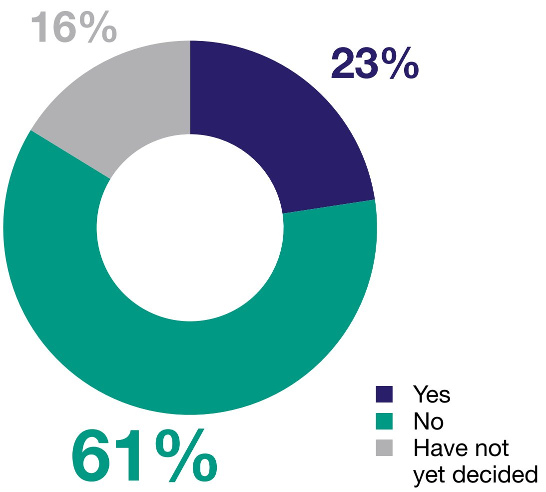
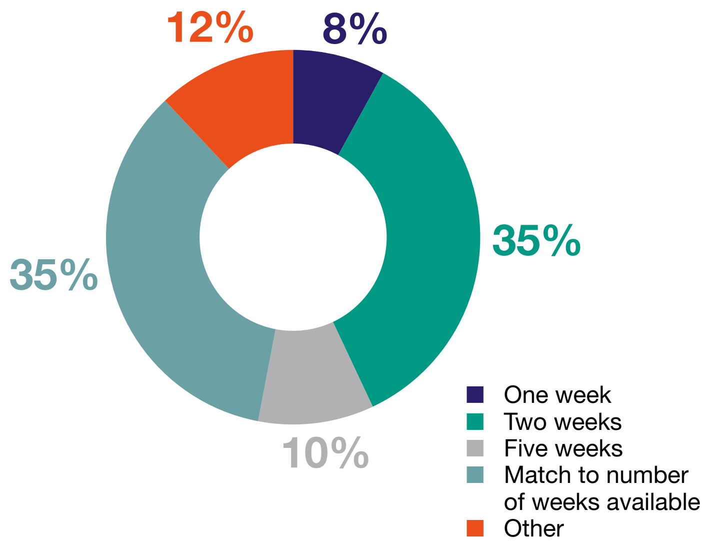


Figure 24: Parents leave top up

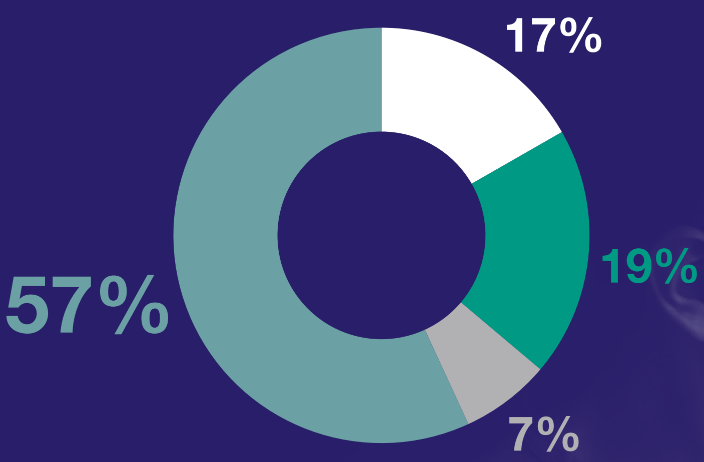


For those who intend to pay over and above social welfare benefit to employees on parent’s leave, 35% of organisations intend to match the number of weeks as the entitlement increases.

In over half (56%) of organisations paying over and above social welfare, there was a minimum service requirement to receive the payment. The minimum service ranged as follows: Twelve months in 32 organisations, six months in seven organisations, nine months in one organisation, two years in three organisations, and three years in two organisations.

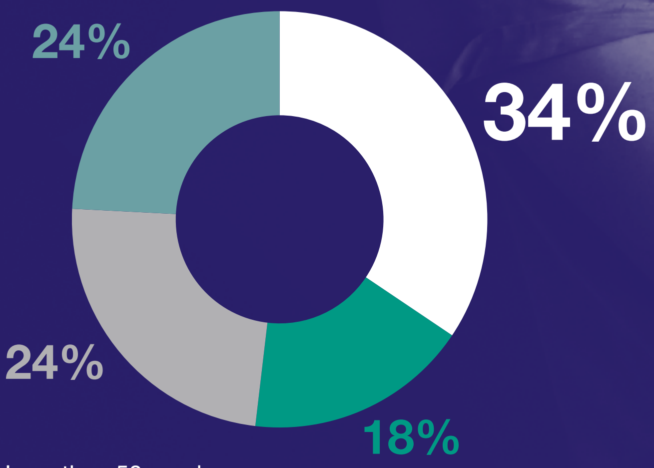
Participant profile

Figure 25: Respondents by sector



- High tech manufacturing
- Other manufacturing
- Distribution
- Services

Figure 26: Respondents by company size



- Less than 50 employees
- 50-99 employees
- 100-249 employees
- Over 250 employees

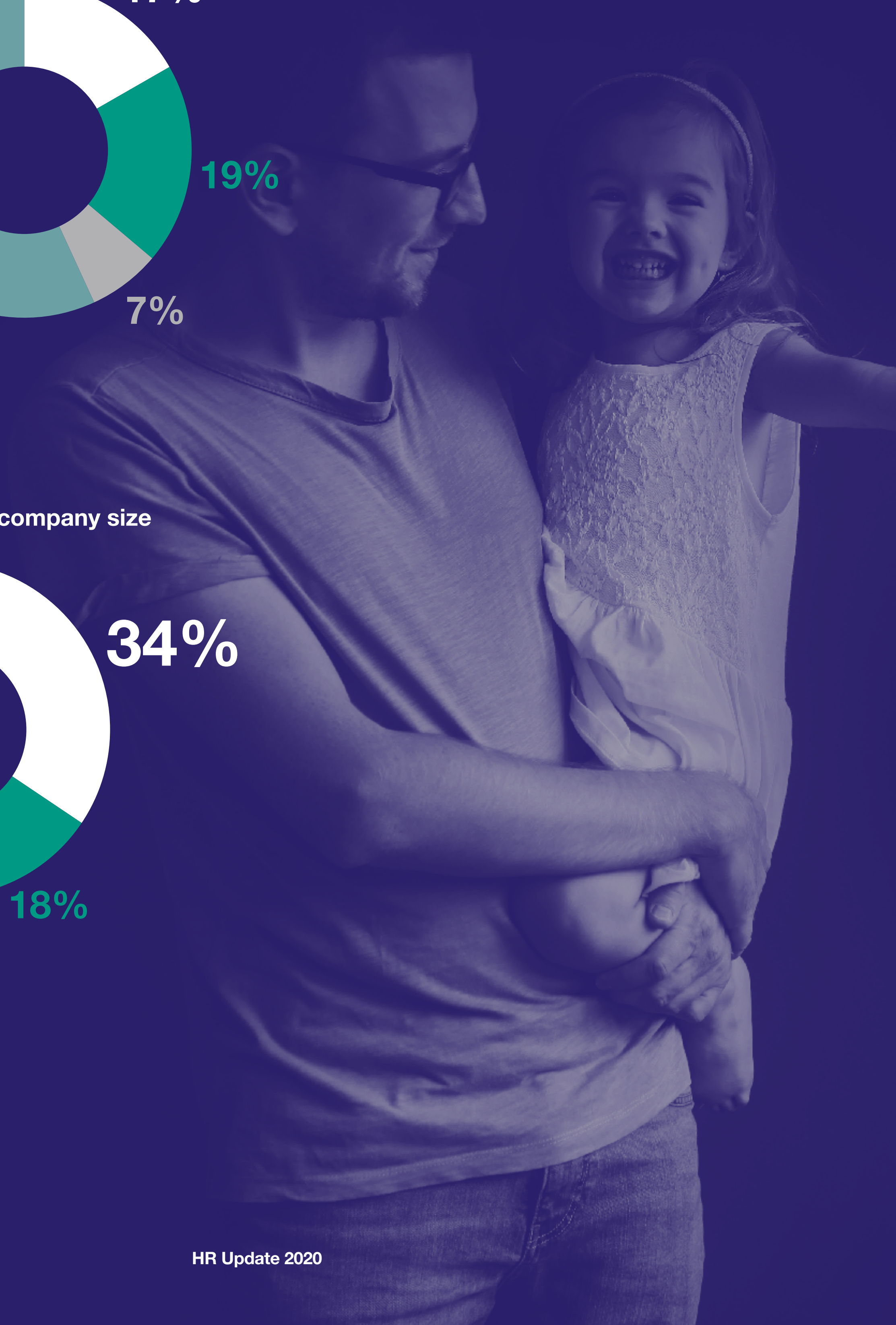


Table 4: Respondents by activities

	Number of organisations	Percentage of organisations
Manufacturing food and drink	15	3.7%
Manufacturing chemicals and pharmaceuticals	33	8.2%
Manufacturing medical devices	24	6.0%
Manufacturing metals and engineering	16	4.0%
Manufacturing electronics/electrical	10	2.5%
Manufacturing rubber and plastics	12	3.0%
Other manufacturing	35	8.7%
Retail	7	1.7%
Wholesale	21	5.2%
Financial services	45	11.2%
Health and social services	23	5.7%
Education	17	4.2%
Electronic services/Telecoms	35	8.7%
Hotels, tourism, bars, restaurants, leisure	12	3.0%
Other services	85	21.2%
Childcare and creche	11	2.7%
Total	**401**	**100.0%**

About the Ibec Research Unit

From pay and benefits, to policy, compliance, and more, Ibec's research unit provides the data and insights that your organisation needs, providing you with up-to-date benchmarking evidence to support your decision-making. We also analyse current and emerging trends and conduct annual and one-off surveys on a broad range of topics, based on member feedback and current business priorities.

A wide range of reports is available to Ibec members, including an annual detailed analysis of pay rates for over 250 positions, as well as a series of reports on emerging business trends. We analyse developments in HR priorities and procedures, legislative compliance, conditions of employment and the wider business environment. We use the findings of our research to inform and shape Ibec's policy and lobbying work, regularly producing reports on topical policy issues which support you in making key business decisions.

To contact the Research Unit, please email: research@ibec.ie or to view our publications, please visit our webpage: **www.ibec.ie/connect-and-learn/research**

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