



# The salary squeeze

## 1.0 Overview

Salary – perhaps more than any other factor – impacts a person's decisions about their job and career. While money alone does not make someone happy at work, being underpaid can very quickly sour their job satisfaction. And today employers face a particularly difficult dilemma as they balance the need for prudence in uncertain economic times, with the realities of a tight labour market where employees can be tempted by better pay elsewhere. So exactly how content is today's workforce with the money they make? And how many feel they need a job move to improve their earnings?

A new study for Jobsite\* has explored these issues and reveals some uncomfortable findings for UK employers. The research discovers that nearly half the workforce expects to change jobs in the next 12 months with the quest for a pay rise the most popular motivation for making a change. Strikingly, only a minority of staff (30%) felt they would ever be able to achieve their salary goals with their current employer.

The biggest challenge appears a straight forward one to confront. Many employees report having had no formal pay review or appraisal at all with their current employer. Similarly, people show a surprising reluctance to tackle the issue of pay and benefits directly with their bosses.

A discussion between both parties would reveal employees as having relatively modest salary ambitions and a flexible attitude – nearly half the workforce is prepared to consider lower pay in return for the right package of perks.

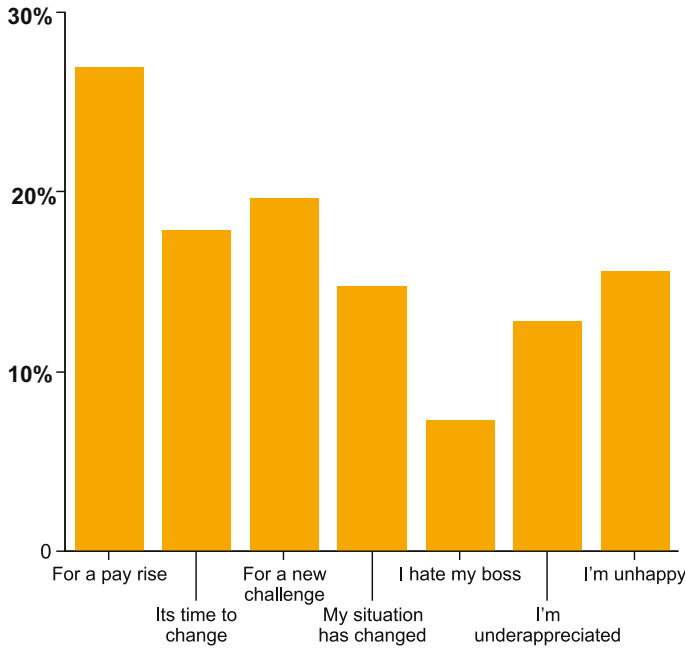
Perhaps now, more than ever, keeping the lines of communication open on remuneration will be crucial if organisations are to avoid seeing their hard-won talent drift away.

## Key Findings

### 1.1 Unsettled by salary

The current economic climate has not made employees fearful of change. Nearly half (47%) are planning to change jobs now or in the next 12 months. Of those over a quarter (27%) are doing so to obtain a pay rise – the most frequently cited reason for leaving their current post. Overall 61% of the workforce currently feels underpaid or unhappy with their salary.

## Why are you looking to change jobs? Tick all that apply



## 1.2 Salary ambitions

In the UK the average salary is £25,000 a year (ONS). The Jobsite survey questioned employees on their “ideal” salary to achieve a comfortable life. The result was surprisingly modest with an average salary goal of £38,000. Yet 70% of respondents did not believe they would ever be able to reach that pay threshold by remaining with their current employer. This realisation is unsettling and is leaving many (41%) planning to continually move jobs until they meet their salary ambitions. Setting out opportunities for progression with clarity to all staff can help avoid a sense of road-blocking and subsequent unnecessary departures.

## 1.3 No pay rise, no comment

While most crave a higher salary, actually discussing the details with employers appears a leap too far for many. Bizarrely over half of British employees (51%) are too embarrassed to talk about money in a job interview while 58% would not be prepared to urge their employer to review their salary if they felt an appraisal or pay rise was due. Starkly 43% of respondents in the study had never had an appraisal while 27% were yet to be awarded a pay rise. Good people management practises dictate that regularly scheduled reviews of performance and rewards are essential for every employee regardless of level. They also provide a forum for discussion, allowing problems to be dealt with before employee dissatisfaction escalates.

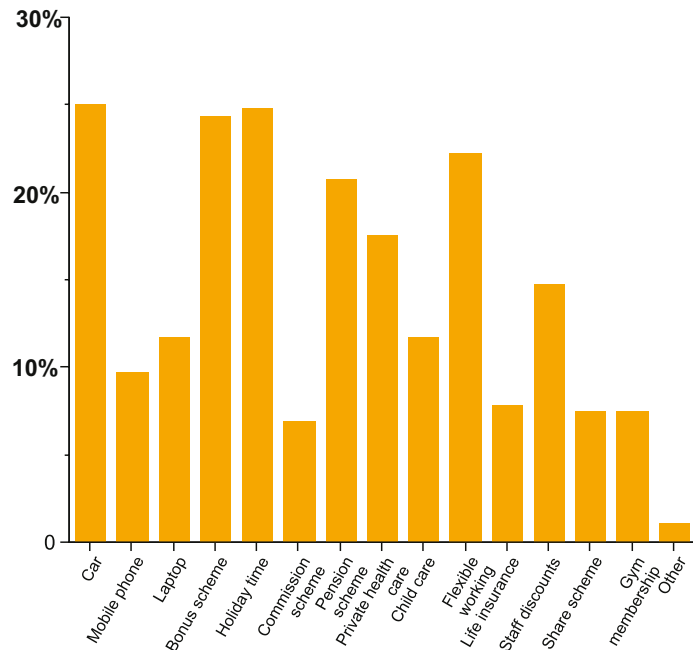
## 1.4 Money or perks?

Today’s workforce is open-minded when it comes to their remuneration package and means that for employers, salary shouldn’t be looked at in isolation. Almost half of their employees (48%) would be willing to take home less money if they were offered great perks and on average employees think that their benefits package adds 8.5% to their salary. Interestingly, this is four times more than the public sector pay rise cap and almost three times above the average annual pay rise. Notably for employers

trying to keep control of their salary bills, being offered extra holiday time is just as popular as a company car to staff, while the opportunity to work flexibly is more important to people than a pension scheme.

Employers therefore have license to think creatively about the rewards they provide to their people, and in some cases the feel-good factor can actually be increased by a carefully structured package of non-financial benefits.

## Which company perks are most important to you? (please select your top three choices)



## 1.5 Regional diversity

Of further consideration to employers is the location of their company, as this will have an effect on their employee’s salary expectations. A worthy illustration is the difference of more than £6,000 between what those in Aberystwyth and Belfast would like as a salary to live comfortably. The willingness to talk about salary also differs across the UK with those in the South being the least vocal. Furthermore, employees in Essex are most happy to demand an appraisal or pay rise if they feel one is due whereas those in Cardiff will wait for their employer to take the lead.

Regional diversity can also be seen in the preference for benefits, with those in Aberdeen placing greater importance on money related perks e.g. bonus schemes, whereas those in Brighton want perks to help improve their lifestyle e.g. flexible working.

To promote the greatest chance of retention, employers would be wise to hold regular dialogue with their staff to find out what is most important to them in terms of remuneration. Clear pay structures and flexible benefits packages that cater for differing staff needs would also be a key tool in keeping valued employees on board.

\* Source: Research was undertaken with 4,500 UK jobseekers in April 2008 through third party research agency 72 Point

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