

# 2023/24 Reward themes and priorities

## What we are seeing in Financial Services



PwC's 2023 All Employee Reward Intelligence Survey<sup>1</sup> demonstrates that organisations are looking to improve reward fundamentals and be innovative in their approach, to increase their competitiveness for talent and skills.

We summarise here a snapshot of insights from the survey results submitted by Financial Services (FS) companies.



The challenge facing FS organisations is the balance between offering competitive packages and commercial viability, given the ongoing scarcity of talent and increased people costs.

The macroeconomic conditions present a challenging backdrop. There has been some easing of cost of living pressures but inflation levels appear a bit sticky. In this context, companies are **continuing to face a tight talent market and challenges around competitiveness in both local and international markets**. Organisations are having to make considered reward decisions which support both talent attraction and retention, whilst managing cost pressures.

The survey asked participants what reward activities are currently being undertaken or prioritised, with results shown to the right. Like other sectors, this shows that FS organisations are **competing for talent and skills by reimagining their approach to reward**, for example through pay competitiveness reviews and changes to incentives. Over the longer term, companies are considering other aspects of their approach to the broader people value proposition (PVP) with a focus on non-financial benefits to manage people costs.

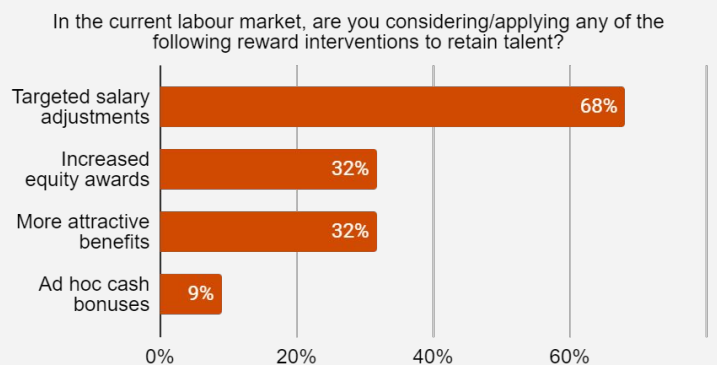
| Reward priority                    | % of respondents |
|------------------------------------|------------------|
| Market alignment                   | 80%              |
| Pay fairness                       | 59%              |
| Changes to incentives              | 55%              |
| Reviewing PVP                      | 52%              |
| Job architecture and pay framework | 43%              |
| Use of technology / AI in reward   | 43%              |
| Reviewing benefits                 | 43%              |
| Cost reduction                     | 36%              |
| Changes to performance management  | 30%              |
| Pay for skills                     | 16%              |
| Changes to sales incentives        | 11%              |
| Driving greater talent mobility    | 7%               |



Based on the findings of our survey, workforce salary increases for 2024 in FS companies are expected to be in the range of 4-6%. With employees expecting more and more from their reward offering, it's important for organisations to ensure their overall pay and reward frameworks allow them to compete for the talent they need.

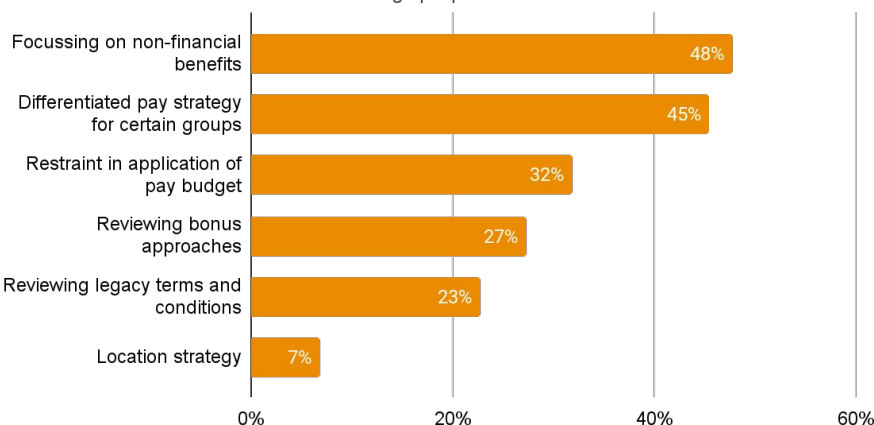
**68%** Of FS survey respondents stated that they are considering, or are already applying targeted salary adjustments

Employee expectations are changing to have increased focus on purpose and the wider-employee offering, however financial reward remains a key area for investment. With many organisations facing increased costs, this investment is having to take the form of more targeted interventions.



Competitive salaries and offerings are having an impact on an organisation's people cost, which is focusing the attention of many FS organisations to review other areas outside of financial reward.

In light of economic stagnation/recession, are you considering any of the following reward decisions to manage people costs?




Two key areas for FS organisations are **review of current non-financial benefits offering** (48% of respondents) and **differentiated pay strategies for certain populations** (45% of respondents).

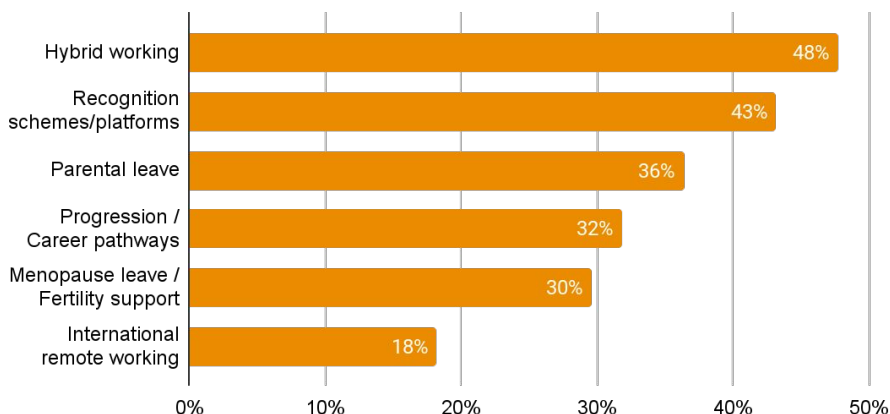
Under benefits, by identifying what employees value most, in conjunction with the cost to the organisation, it is possible to streamline the benefits offering to maximise return on investment. This is often leading to a focus on areas outside of financial reward.

Many organisations are making use of differentiated pay strategies for populations like critical skills.

<sup>1</sup>PwC's All Employee Reward Intelligence Survey (AERIS), cut of 44 FS sector respondents, September 2023


 **With pay and reward having been the focus of recent years due to the impact of the pandemic and subsequent cost of living crisis, organisations are now turning to more cost effective ways of enhancing their reward offering and PVP more broadly, in order to continue to attract and retain talent.**

What reward policies have you recently revised or are considering revising in the next year?




With fairness and equality becoming an ever increasing focus, organisations are also looking to **improve their broader PVP**. Family care policies are also under review, with 36% reviewing parental leave policies and 30% considering their menopause leave and/or fertility support offerings. With that, 48% are reviewing their hybrid working policies, which is interesting in the context of some companies announcing return to office policies.

Organisations are also looking to refresh their **“signature moves” to enhance their wider offering with regards to performance and talent**, with 43% of respondents reviewing their recognition schemes and 32% looking at career progression/pathways.

 **The use of technology in reward is an area that unsurprisingly is going up the agenda, although there remains a significant amount of uncertainty as to what this looks like in practice.**

43% of respondents said that use of technology, HR systems and AI were on their top priority list.

When asked about the use of AI in the reward function, very similarly to the wider market, whilst 50% of FS respondents said they have not yet started thinking about this, 40% said they were doing some initial thinking about how AI could make processes and certain reward-related tasks more efficient, with a further 10% already employing AI-type approaches in reward management. This is one to watch in 2024 as organisations identify potential use cases from the compensation round to total reward statements.

 **The FS sector shows some variation in responses relative to participants in other sectors, highlighting the unique challenges affecting the industry.**

FS sector participants were more likely to include a review of their People Value Proposition in their top 5 priorities compared to non-FS organisations (52% FS vs 44% non-FS) and more are focused on cost reduction (36% FS vs 25% non-FS). This is reflected in cost management decisions, with a higher proportion of FS participants considering differentiated pay strategies for certain employee groups (48% FS vs 33% non-FS).

Conversely, FS respondents were less likely to be concerned with their job architecture and pay frameworks (43% FS vs 57% non-FS) and a lower proportion listed a review of benefits as a top priority (43% FS vs 52% non-FS). Only 32% of FS participants are considering more attractive benefits for talent retention, compared to 48% of non-FS respondents.

Bonus and long-term incentive plans are more commonly cascaded outside of management grades based on FS participants’ practice; 91% of respondents in the FS sector said that most of their general workforce was eligible for an annual bonus vs 67% of non-FS organisations. 30% of FS respondents said that at least some of their general workforce were eligible for long term incentive plans (beyond all-employee schemes), vs 15% for non-FS.

**For further information, help or support...**

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