



Key Insights from HR and Reward Leaders

HR and Reward leaders were invited to share their insights on key pay and performance trends both prior to and during our Pay Trends event. We have gathered an overview of the priorities and challenges facing our community for the upcoming year.

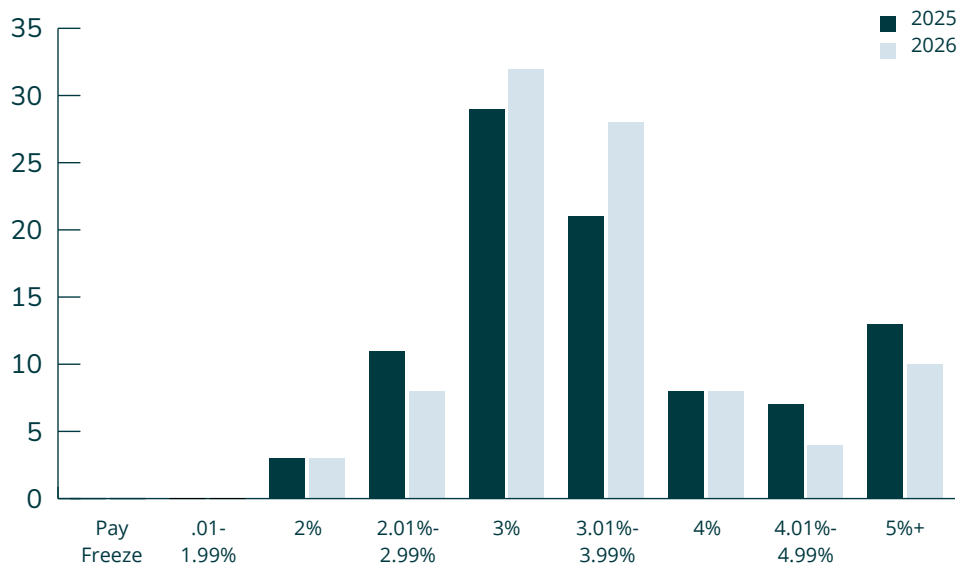
Setting Pay & Priorities for the Year Ahead

- Pay transparency compliance along with education
- Reward architecture review (pay and grading frameworks) and external benchmarking alignment
- Driving and embedding performance through reward
- Redefining EVP
- AI skills growth and optimisation
- Data and technology efficiencies alongside system implementation
- Benefits review and engagement
- Organisation redesign and career pathways

The themes outlined here reflect the priorities most frequently identified by survey participants when considering pay, reward, and people challenges for the year ahead.

Pay review budgets show little change between 2025 and 2026. Across sectors, the typical pay budget for the year ahead is expected to fall between 3% and 3.5%, with minimal variation.

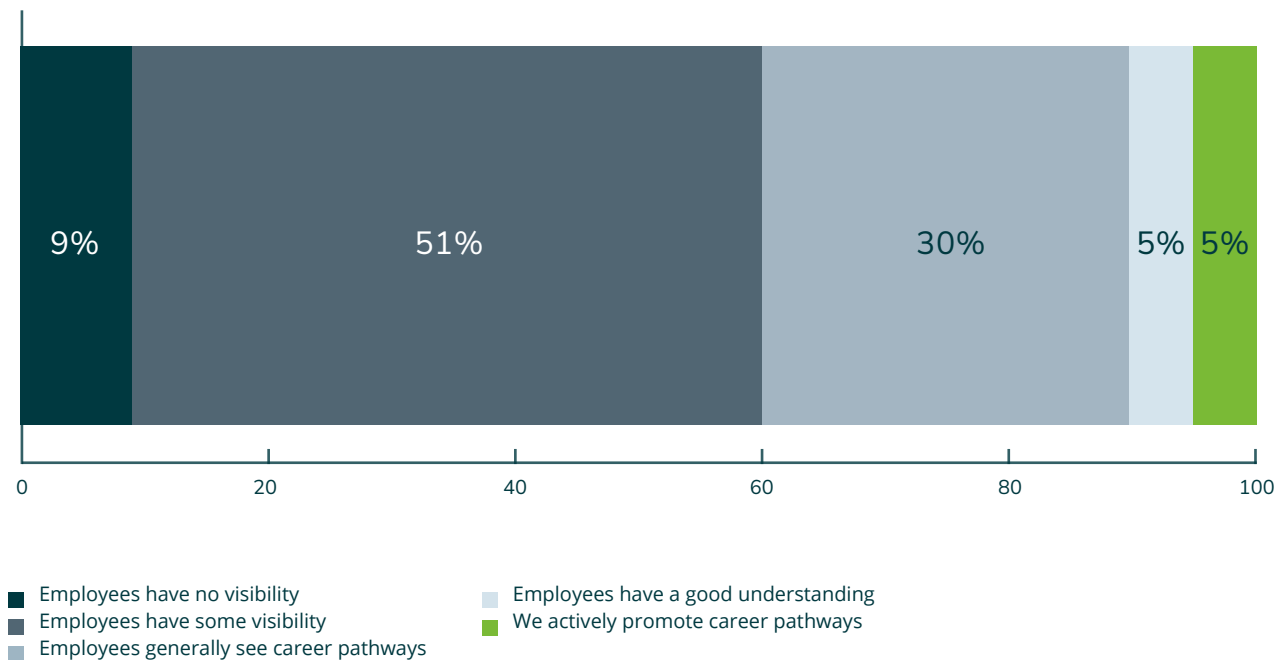
Chart 1



Career Pathways & Improving Talent Retention

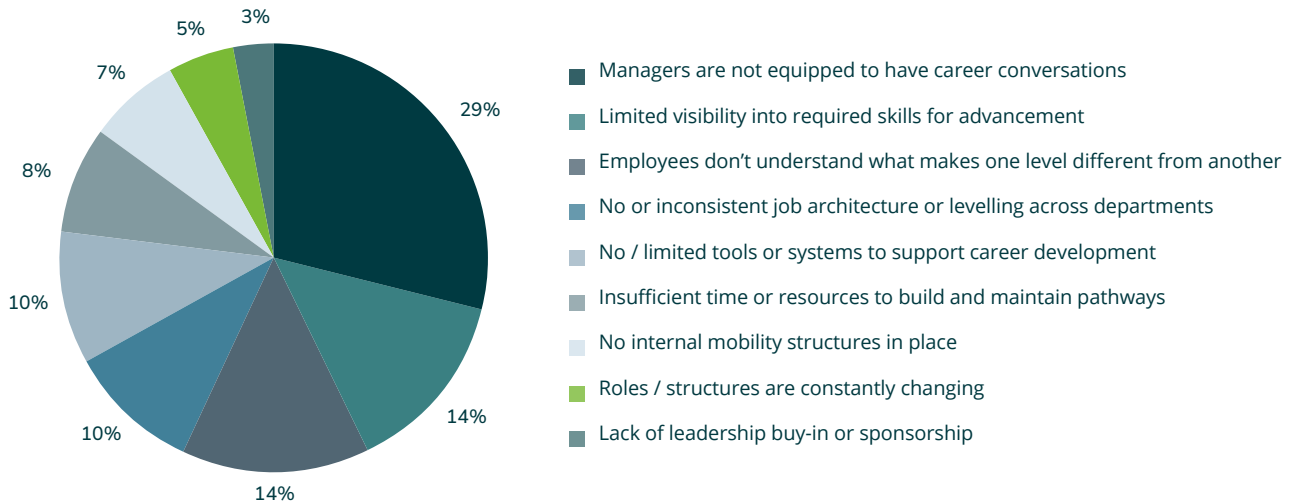
A lack of career development is often cited as a key reason for employees leaving their organisation. With employees working longer because they can't afford to retire, career progression is becoming increasingly important, especially in a cost constrained environment. While most HR professionals recognise the benefits of internal career progression, many organisations do not have the systems and frameworks in place to make it happen. As a result, many businesses are losing key talent and, consequently, money, because they are not fully leveraging the skills and capabilities they already have.

Chart 2: How well are potential career pathways understood in your organisation?



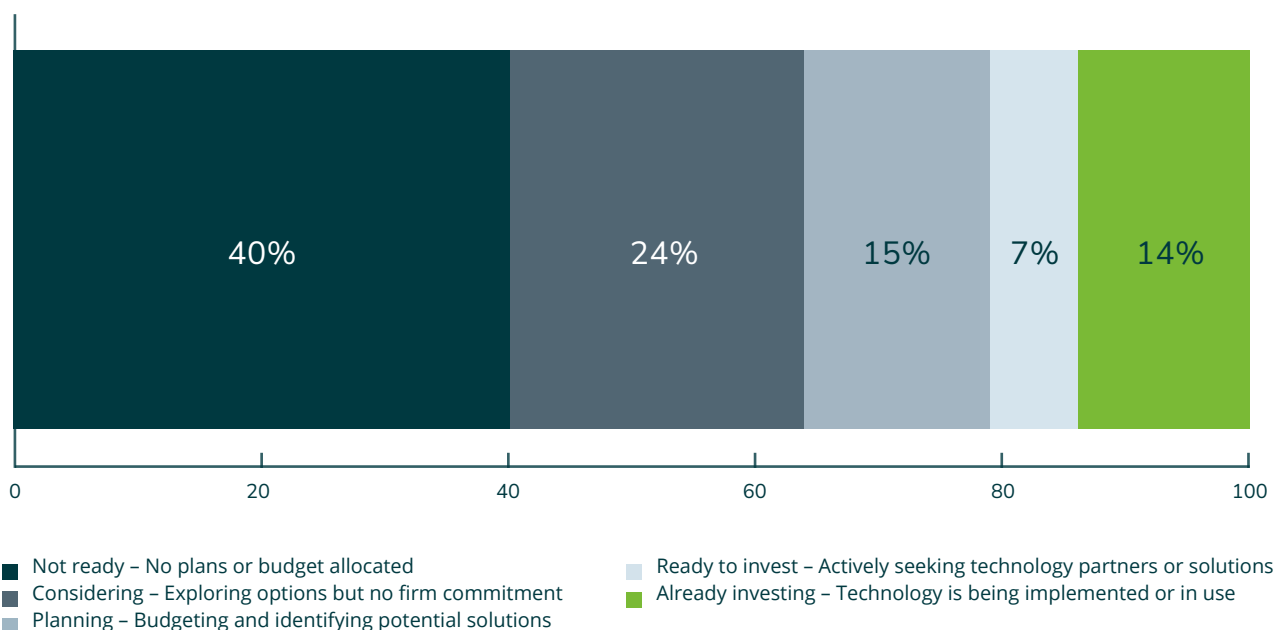
The data from our survey highlights that most employees have some visibility of career pathways typically within their team, but few have good visibility of roles and career pathways across the wider population, with only 5% suggesting career pathways were actively promoted.

Chart 3: What are the biggest challenges you face in creating or communicating career pathways to employees now?



One of the biggest barriers to communicating or creating career pathways is that firms are not investing enough in their managers -they are often too busy or untrained to provide meaningful feedback to support employees with their career goals. Even when managers are able to discuss options, there is often a fear of overpromising or, conversely, talent hoarding - resisting letting high performers explore other roles or departments and thereby limiting their growth. A lack of understanding, no levelling structure, and limited tools to support career development are also seen as barriers by many.

Chart 4: Readiness to invest in technology to bring career pathways to life for employees



Whilst there is clearly a need to improve career pathways in organisations, few are fully embracing the technology available to support them. From our experience, there is often a belief that all the building blocks need to be in place before considering supporting technology. However, this is not entirely true, and many organisations are losing talent while they wait for perfection.

Pathfinder operates like a sat nav for careers, helping employees understand your organisation and their potential future progression. The beauty of it is that it can be implemented with just the basics behind the scenes. The business case for improved retention is clear – when employees can better visualise and experience internal career growth, organisations see:

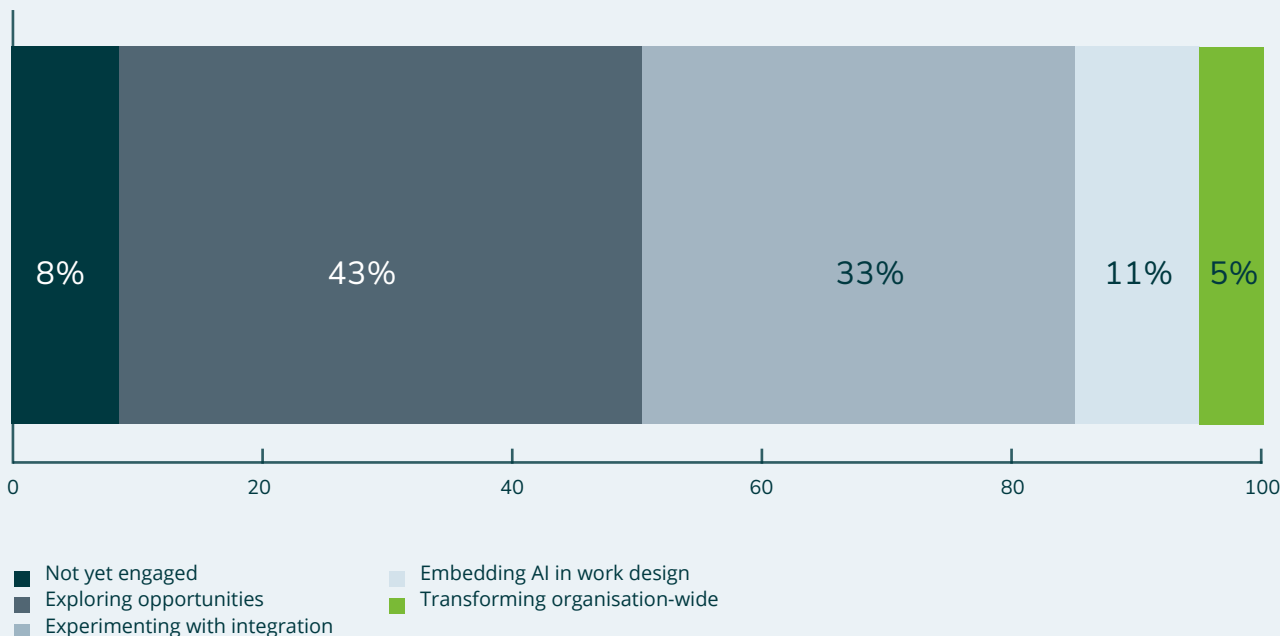
- Lower turnover costs from improved retention rates
- Additional value from reducing time to fill roles, as internal moves are typically faster to fill
- Increased employee engagement scores, particularly from internal movers who feel more supported in their career development
- A reduction in cost per hire and time to productivity, as internal hiring not only minimises recruitment costs but also enables faster onboarding



The role & impact of AI on our organisations

AI is rapidly changing the way we work, how our organisations are structured, and the nature of the work itself. Respondents to the survey highlighted that most are currently exploring and experimenting, but few have reached the stage of embedding AI in work design or transforming their operating models. Our experience with clients suggests that the strategic intent of how AI will reshape organisational ways of working is still very much a work in progress.

Chart 5: How is AI currently shaping the structure, roles, and ways of working within your organisation?



What concerns you most about the impact of AI in your business? Key themes included:

- Governance, security and verification of sources, accuracy and quality of data outputs
- Inconsistent level of skills in use of AI / amplification of existing technical skills gaps
- Speed of adoption and AI evolution without considering long term impact
- Reduction of roles and impact on efficiency / productivity and human judgement
- Potential to lose 'secret sauce' of customer and colleague engagement
- Misalignment of AI in various tech tools could lead to disjointed experiences for colleagues/managers.

Next Steps

Thank You to Everyone Who Contributed to the Survey.

We hope these insights inspire new ideas and help you make even more confident decisions for the year ahead. If you'd like to explore the findings further or discuss how they could apply to your organisation, we'd love to hear from you.