



# Wage Compression: Practical actions for employers



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# Speakers



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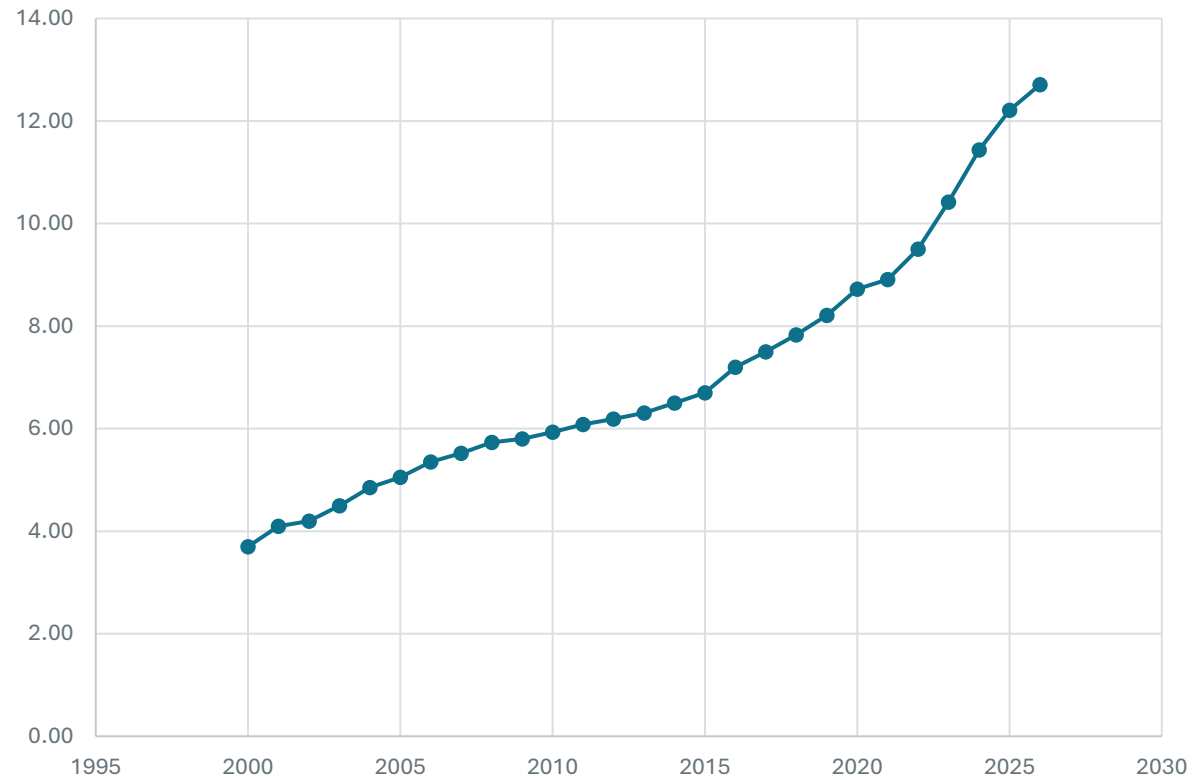


**Dean  
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Director of People Capital Ltd

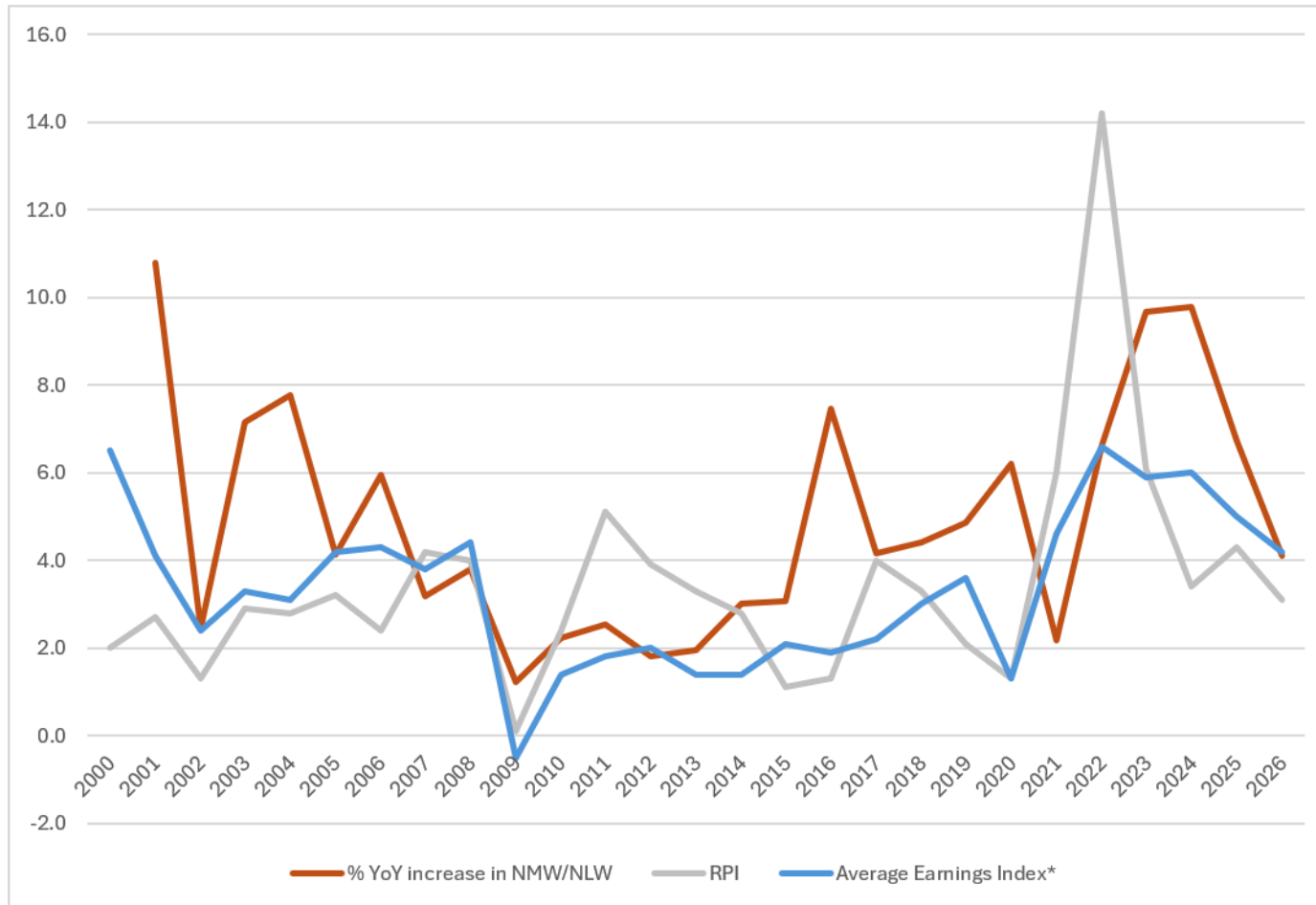
# What's driving wage compression?

Adult NMW / NLW



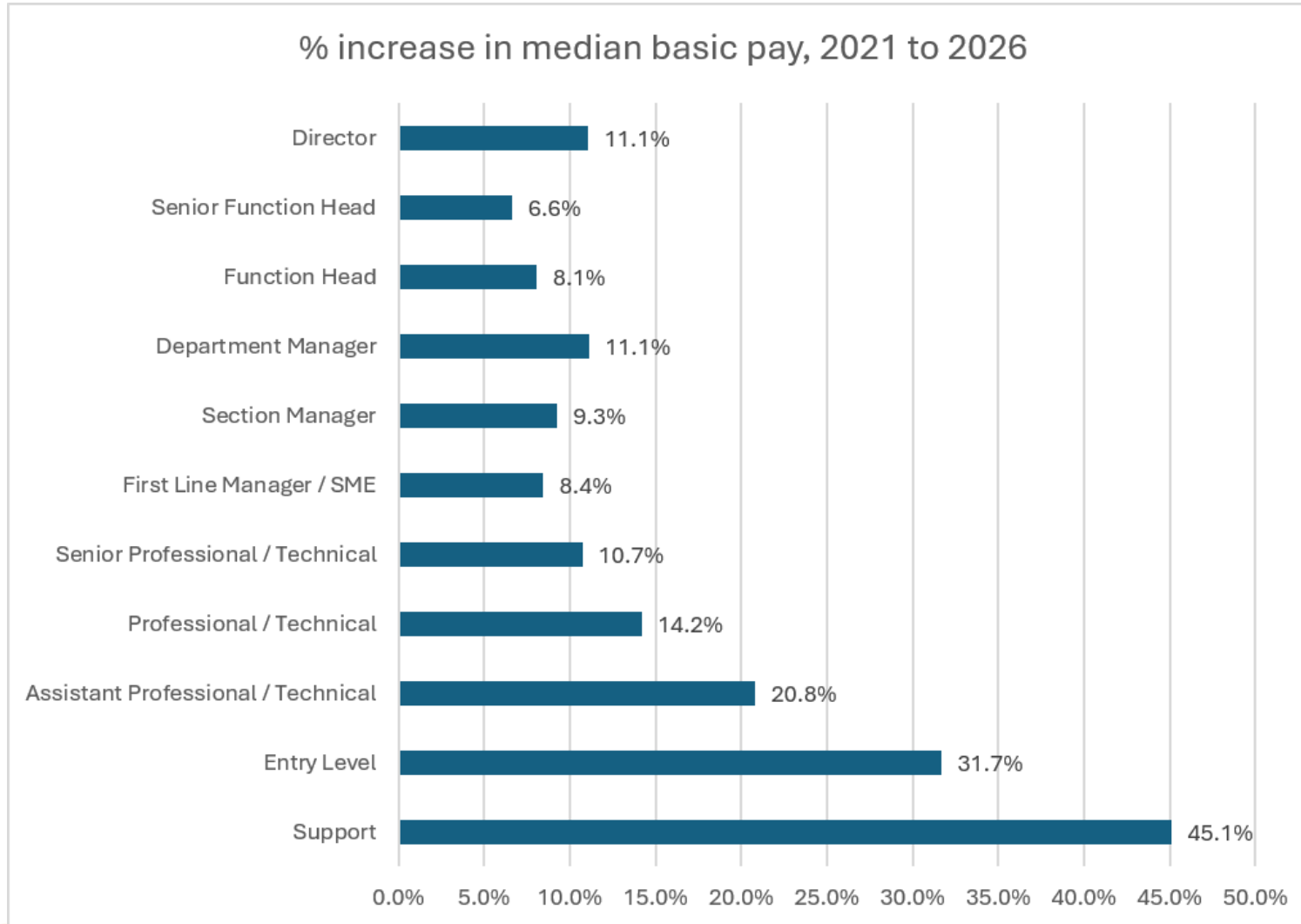
- NMW rises sharply over time, most steeply across the last 5-6 years
- Strong YoY increases in recent years (notably c.6–10% range in multiple years)

# NMW / NLW versus RPI and AEI

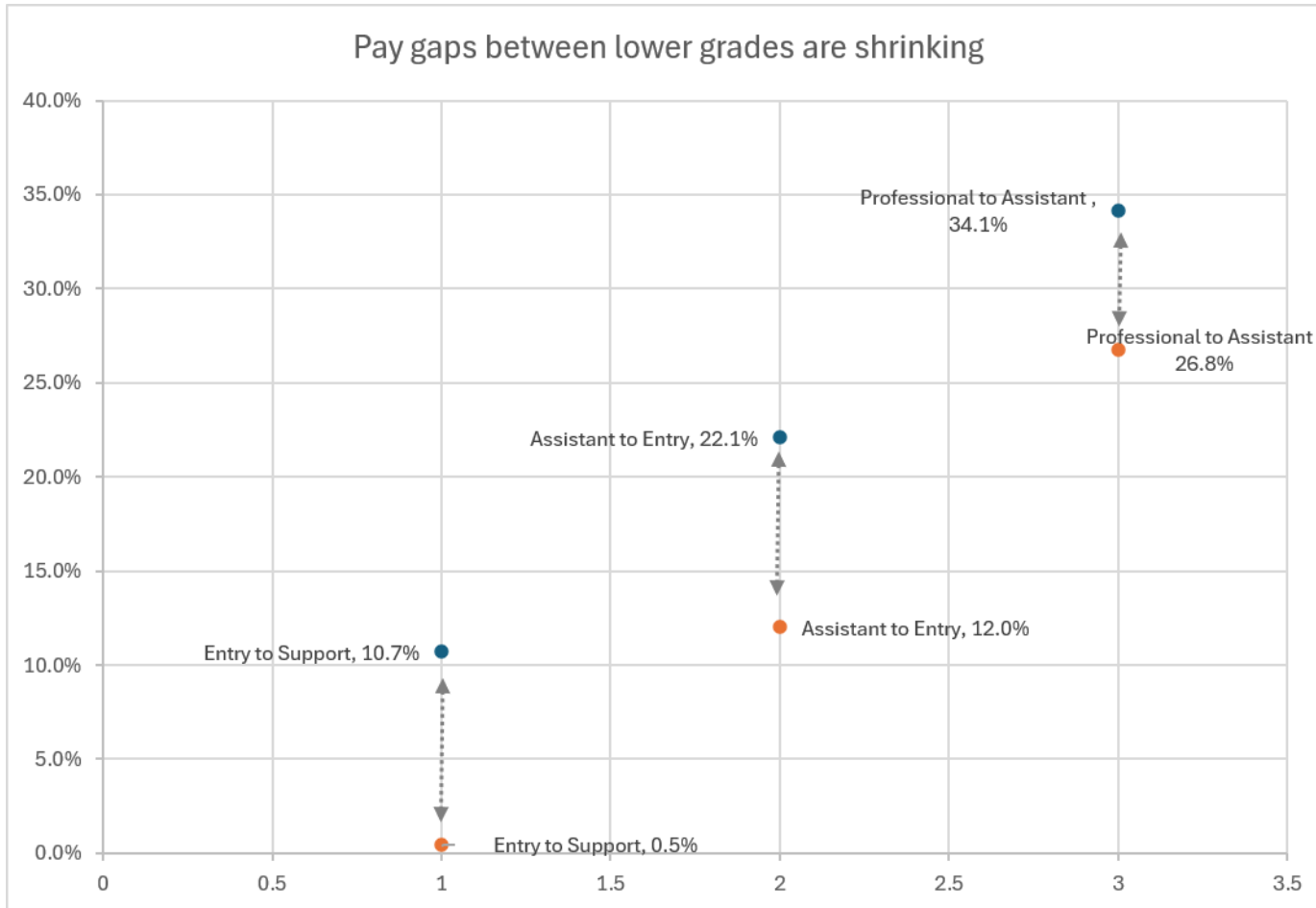


- % increase in NMW / NLW often outpacing RPI or earnings
- Wage compression is being driven structurally by sustained, above-market increases at the bottom

# Core insight: compression at lower grades

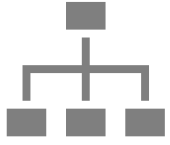


# Evidence of narrowing gaps



- We're not just seeing higher pay at the bottom of the labour market. We're seeing the gaps between grades narrow.
- The hierarchy still exists, but the financial distance between some adjacent grades is becoming much smaller.

# Implications



- Pay structures: Traditional grade spacing becomes harder to maintain



- Career progression: Employees may see less financial reward for moving up



- Budget allocation: A growing share of pay budgets is spent protecting the lowest grades

## Poll question - Results

To what extent is your organisation experiencing wage compression?



A) At the lower ends – 61%

B) Across the whole range of job levels – 28%

C) Just beginning to emerge now – 7%

D) No issues at present – 4%

# Agenda

Drivers of Wage Compression

Case study: What We Found

Why It Mattered

What We Built

Involvement & Communication

Impact & Benefits

Discussion & Questions



# Drivers of wage compression

- NLW rising faster than pay awards
- Flat-cash / bottom-loaded awards
- Recruitment pressures
- Progression freezes
- Affordability constraints



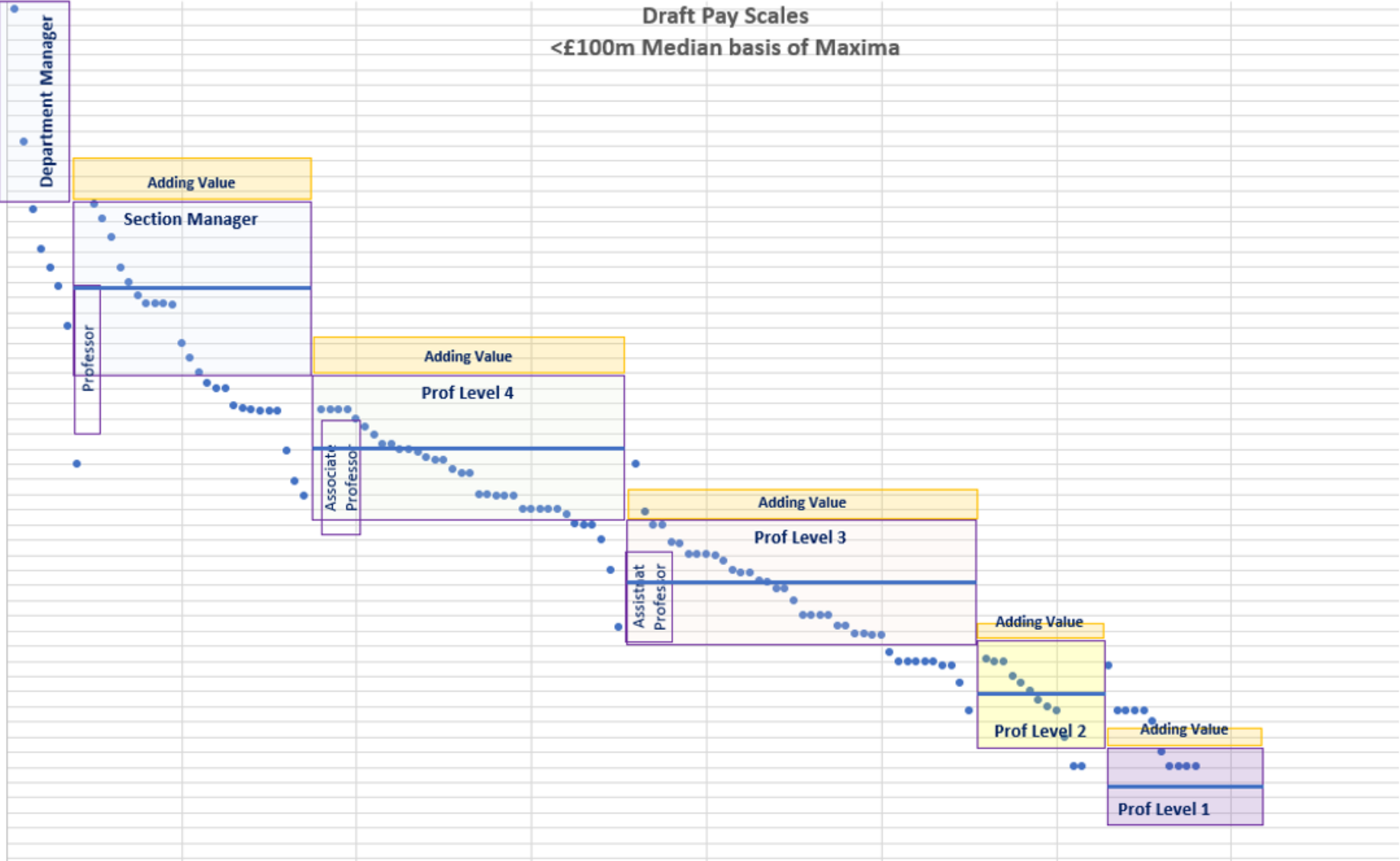
# Case study: A London-based university

## What we faced

- Low awards (1% vs sector 2.5%)
- NLW pushing lower levels upward
- No Professional Services pay scales
- Outdated Faculty pay scales
- New hires above existing staff
- Turnover 4 × sector average



# Draft pay scales and individuals' positions



# Why this mattered

- Loss of internal equity
- Supervisory roles unattractive
- Recruitment failures
- Staff disengagement



# What we built: A new role and pay framework

#1

Job Level Matrix  
(JLM)

Role responsibilities &  
relativities

#2

Market-aligned pay  
scales

Sector pay survey

#3

Fixing the bottom  
end

Compression and  
dispersion

#4

Staff Progression  
Scheme

Transparent pay and  
career paths

# Job level matrix

		Professional Level 3 (senior professional / technical)
		<b>21</b>
<b>HE SPECIFIC GUIDANCE</b>	Academics / HE sector	HESA Level K0: Lecturer A (pre 92), Lecturer (post 92), Senior Professional / Technical
	Job titles commonly found here	Lecturer A (pre-92); Lecturer (post-92); Research fellow; Researcher / post-doctoral research assistant; Teaching fellow; Subject librarian
<b>GENERIC GUIDANCE</b>	Scope	Senior professional or technical staff, may lead a small project or team
	Business Skills	Fully proficient with well established professional knowledge and expertise
	Complexity	Requires analysis and solving of moderately complex problems.
	Autonomy	Performs without close supervision. May lead a small team
<b>ROLE SPECIFIC GUIDANCE</b>	Executives / Senior managers	
	Managers	First line managers may be found here, unlikely to manage other managerial staff
	Professional / technical roles	Experienced professional or technical roles, likely to be accredited by a technical or professional body (where applicable) would be found here. These roles may not manage staff directly and will likely have a number of year's professional experience.
	Professional / technical support roles	Roles at this level will operate autonomously, without close supervision. They will have a high degree of expertise and job related knowledge, gained from a significant number of year's experience. They may facilitate the work of more junior staff but will not necessarily have line management responsibility.
	Service provision	Equivalent to an NHS Band 6 and covering senior or experienced clinical professionals
	Technicians	Highly proficient in role with advanced skills likely obtained through on the job experience though may have a technical qualification. May occupy a leadership role, though unlikely to be supervisory. Works under supervision but is able to perform non-standard tasks.
	Operatives	Not used.

Professional Level 3 (senior professional / technical)

21

COMPETENCIES

Seeing the Big Picture	Develop understanding of how own and team's work supports achievement of University's priorities and delivery to stakeholders. Focus on the overall goal and intent of what they are trying to achieve, not just the task. Take an active interest in expanding their knowledge of areas related to own role.
Changing and Improving	Take initiative to suggest ideas for improvements, sharing this feedback with others in a constructive manner. Conduct regular reviews of what and who is required to make a project/activity successful and make on-going improvements. Identify, resolve or escalate the positive and negative effects that change may have on own role/team.
Making Effective Decisions	Demonstrate accountability and make unbiased decisions. Examine complex information and obtain further information to make accurate decisions. Explain clearly, verbally and in writing, how a decision has been reached. Listen to, understand, respect and accept the value of different views, ideas and ways of working.
Leading and Communicating	Listen to, understand, respect and accept the value of different views, ideas and ways of working. Express ideas effectively, both orally and in writing, and with sensitivity and respect for others. Confidently handle challenging conversations. Confront and deal promptly with inappropriate language or behaviours, including bullying, harassment or discrimination.
Collaborating and Partnering	Actively encourage team working, changing ways of working to facilitate collaboration for the benefit of the team's work. Readily identify opportunities to share knowledge, information and learning and make progress by working with colleagues. Listen attentively to others and check their understanding by asking questions. Take responsibility for creating a working environment that encourages equality, diversity and inclusion.
Building Capability for All	Take ownership of team and individual development by identifying capability needs and consistently achieving development objectives. Take responsibility for the quality of own work and seeking opportunities for improvement through continuous learning. Proactively support the development plans of others. Take account of the diverse contributions of team members and delegate work to improve capabilities of all.
Achieving Commercial Outcomes	Be able to identify and access departmental procurement and commercial expertise. Understand and be able to explain departmental approach to assigning contractual and financial delegations. Fully meet commercial confidentiality and data security requirements in contracts.
Delivering Value for Money	Manage information and financial data so that it is accurate, easily located and reusable. Can account for expenditure and create well supported argument for extra expenditure e.g. overtime. Ensure that recognised control procedures and practices are maintained. Monitor resources against plans and budget, identify and flag up variances.
Managing a Quality Service	Work with team to set priorities, create clear plans and manage all work to meet the needs of stakeholders. Keep internal teams and delivery partners fully informed of plans and possibilities. Promote adherence to relevant policies, procedures, regulations and legislation, including security, equality and diversity and health and safety. Identify common problems or weaknesses in policy or procedures that affect service and escalate these.
Delivering at Pace	Create regular reviews of what and who is required to make a project/activity successful and make ongoing improvements. Take ownership of problems in their own area of responsibility. Check own and team performance against outcomes, make improvement suggestions or take corrective action when problems are identified. Set and achieve challenging goals and monitor quality.

# Solutions (1): JLM and pay scales

## Job Level Matrix

- Clear Levels for all roles
- Included academic and professional services
- Distinct contribution expectations by Level

## Market aligned pay scales

- New market-aligned pay scales
- Based on Brightmine benchmarks (Roles and Pay)
- No point below NLW/LLW

# Solutions (2): Fix bottom end and staff progression

## Fixing the bottom end

- Bring all staff to Minima
- Staged increases
- 0% for those above Max

## Staff Progression Scheme

- Progression Scheme: Developing → Competent → Adding Value
- Transparent Progression + Promotion routes
- Aligned appraisal expectations

# Involvement and communication

We did a lot of this!

- Shared proposals stage-by-stage
- Academic and Staff discussions
- TU / Staff Rep sessions



# Impact and benefits of our new framework

Pay structure –  
decompressed and  
affordable

Clear pay and  
progression  
pathways

Greater  
transparency and  
consistency

Improved attraction,  
retention &  
progression

# Questions & discussion



Thank you!

