

Developing a salary structure – getting it right for your organisation

Wendy Blake Ranken

HR Consultant and author of the Good Guide to Employment

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What we will cover

- Overview of how to develop a clear and transparent salary structure for your organisation
- Pros and cons of different approaches (best fit as well as best practice!)
- Exchange of information as to how salary structures and pay are managed across the sector
- Some ideas to take away!

So, what is happening in the sector?

- We employ 634,000 staff (2.2% of the UK's workforce)
- We have an income of £32.2bn
- £12.4bn spent on employing people
- 38.5% of income from statutory sources
- Pay rises in the sector averaged 2.8% in 2009
- Anticipated increase this year – less?

Topical issues in voluntary sector pay

- Widening range of salaries – need to recruit and retain
- Our own values and public image to consider: charity ‘fat cats’?
- Funding squeeze and credit crunch!
- Fixed and short term contracts
- Being a ‘good’ and ‘fair’ employer

Pay in the sector 2009 £

- Average basic salaries in the sector - range
- CEO £80188
- Admin Assistant/Care Staff £15544

Reviewing your pay structure

*How we define
work:
job descriptions
role profiles*

*How we size
jobs:
non analytical
analytical*

*How we grade
jobs:
narrow bands
medium bands*

*How we pay for work:
reward policy
reward structure
market matching
approach to salary
progression*

Your reward strategy

- Grounded in the organisational and HR strategy
- Takes account of the external environment
- States what you will do, how you will get there and how you will measure success
- A basis for the development of pay and benefits structures
- Management buy-in
- Employee engagement
- What success 'looks like' and how you will measure it

Making choices about reward

- Competitiveness – your market stance
- Fairness – internal or external emphasis?
- Base pay emphasis or pay plus various allowances?
- Same approach for all staff, or differentiated according to job or seniority?
- Reward for the job/reward for performance?
- Not just pay: benefits, training and development, environment and culture
- All grounded in where you want to be strategically

Example reward statement - Rethink

“The guiding principle of the employee reward system is to integrate pay and benefits with key strategies with the Rethink Plan and those which underpin the organisation’s values. It will support the development of individuals; promote team performance; provide us with a competitive edge within the external market; attract and retain high calibre staff; involve local management in decisions and be fair and transparent.”

Project planning

‘don’t expect to work without a plan.... But don’t expect your plan to work.’



Denis Healey

Project planning

- What will happen when – key stages
- Who will be in the project group, who will lead?
- Communication and consultation plan (staff, unions, managers)
- Don't underestimate the time!

Job evaluation



What does job evaluation do?

- Gives you a 'rank order' of jobs, from least to most responsible
- Does not determine pay
- Does not assess the ability of the job holder
- 'Foundation stone'
- Analytical and non-analytical

What is non-analytical job evaluation?

- Compares whole jobs – doesn't break them down in any systematic manner
- Suits smaller organisations
- Examples: job ranking, paired comparison, job classification

Non-analytical job evaluation – job ranking

- Simplest method
- All jobs placed in rank order, based on a review of the responsibilities of each job
- Easy to understand and implement, particularly with a small number of jobs

Non-analytical job evaluation - paired comparison

- Statistical technique, compares pairs of jobs
- Points are allocated to a job as follows:
 - two points if of higher value
 - one point if of equal worth
 - no points if less important
- Use for small numbers of jobs
- 50 jobs = 1,225 comparisons!

Non-analytical job evaluation - job classification

- Comparing jobs against pre-determined grade definitions
- Potential 'apples and pears' difficulties

Example job classification

- Level 1 – ‘the job involves a range of routine and predictable tasks, carried out under supervision’
- Level 6 - The job involves work at a professional level or equivalent, requiring the mastery of a range of relevant knowledge and the ability to apply it at this level. There is very substantial personal autonomy. Significant responsibility for the work of others and for the allocation of substantial resources is often required, as are personal accountabilities for analysis and diagnosis, design, planning, execution and evaluation.

..... and analytical job evaluation?

- A number of factors are selected eg technical knowledge and skills, freedom to act, interpersonal skills or decision making
- Each factor described at different levels; each level has a points score
- Each job matched at the appropriate level of each factor
- A total points score for the job is produced
- All jobs put in points score order -> grade structure

Example factor definition – communication skills

- Level 1:
 - ‘the job requires the ability to deal courteously with others on the phone and in person, responding to their requests.’
- Level 5:
 - ‘the job requires the ability to deal with complex negotiations with influential external bodies on behalf of the organisation; and to reconcile often differing priorities, resolving situations of conflict’

Choosing the right job evaluation approach

- Size of your organisation?
- Variety of jobs?
- How rigorous do you need to be?
- Time available?
- How much complexity do you need?
- How will you use it?

Deciding pay levels



Determining pay levels against job evaluation scores

- Plot existing salaries onto a spreadsheet
- EOC advice: note gender on the spreadsheet - helps you to assess for equal pay
- Compare current pay with job evaluation rankings
- Set new salaries that reflect the outcome of job evaluation exercise **and.....**

.....*market rates*

- External competitiveness!!
- You can.....
- Undertake your own survey
- Purchase surveys
- Participate in surveys
- Use advertisements and local information

Voluntary sector surveys

- Croner Reward and Remuneration Economics/NVCO
- Several others for specific groups, such as fundraisers, care staff, CEOs etc
- Use surveys to influence your pay structure/pay market supplements



Salary progression



Salary progression

- Graded structure or spot rates?
- If graded structure, what is basis for progression eg performance, length of service?
- Broad grades or narrow grades?
- Consult with and involve staff, unions, managers
- Check contracts of employment

Graded structure

- NJC scales, OR
- Develop a pay spine specific to your organisation
- Spreadsheet, with increments of an agreed percentage eg 2% or 3%.
- Plot grades eg of 3 or 5 increments

No pay progression – spot rates

- Can be cheaper
- Can be less flexible
- Spot rate plus bonus?

Broad bands

- How they work

- Pros and cons

Should we link pay to performance/competence?

- Pay according to targets, such as achieving certain fundraising targets; or for the display of specific behaviours such as good team working, communication skills or planning/organising
- Assessment via the performance appraisal

Linking pay and performance/competence – what do I need to bear in mind?

- Inherent logic?
- But reality can be difficult
- Divisive and demotivates?
- Management maturity – willingness to implement
- What are you measuring, how will you measure it?
- All systems aligned eg annual appraisal system, competency framework
- Time and resources for training and performance measurement
- Employee views
- Low inflation, credit crunch.....

How about linking pay to qualifications?

- Less subjective than PRP?
- Think about:
 - Which qualifications?
 - Which employees?
- Alternative of lump sum payments?

TUPE issues

- Harmonisation?
- Clarity on *future* salaries
- Equal pay issues?

How else can we motivate staff?

- Feedback
- Supervision
- Training and consultation
- Work-life balance
- 'Thank yous'

Your salary policy

- A statement of intent
- The normal pay review date
- How jobs are evaluated
- What salary progression, if any, exists
- The criteria for pay increases
- The process that staff can follow if they feel that their pay is unfair

Some key messages about the process....

- Allow more time than you plan
- Buy in of all stakeholders as soon as possible; which areas are resistant to change?
- Business needs – how are you adding value, what it is you want to change and why? FD will ask you!
- Involve staff as much as possible – the results are always better!
- Plan for snakes along the way
- Don't forget the emotional impact
- How will you know how it has worked – what are your KPIs?

Some key messages about the end result.....

- Job evaluation that is 'fit for purpose'
- Robust/simple approach
- Affordable in the longer-term
- Have a salary policy, so that all staff know how pay is set and reviewed
- Is your pay structure transparent, simple, affordable?
- Can you maintain it?
- Evaluate whether you achieved what you intended to
- It is an ONGOING PROCESS!!

Where to find out more

The Good Employment Guide –
lots of references and material!

Deciding what to pay

Any questions?



Contact details

wendyblakeranken@clara.co.uk

www.wendyblakeranken.co.uk

07960 793717