Reward and Senior Pay:

How the Toolkit can help

ECC® Educational Competencies
Consortium Ltd

Educational Competencies Consortium Ltd is a not-for-profit, member-driven organisation in the higher and further and related sectors. It supplies its members with a unique mix of high quality role design and analysis products and bespoke services to enable them to deliver best practice in people management.

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INTRODUCTION

We appreciate that, when determining senior pay, there is an organisational and often individual, imperative that demands a degree of local flexibility. Therefore, this guide does not attempt to tell you what to pay senior members of your staff. Rather it raises a series of issues you may wish to consider when determining the pay of staff not covered by the national pay bargaining machinery. As these people tend to be senior managers, i.e. the leaders of your organisation, so it is essential they are motivated and engaged with its values. If they are dissatisfied and demotivated, they will not be inclined to act as role models and enthuse others.

Organisations in the higher and further sectors have, to date, taken very different approaches to the reward and payment of staff in this group so their starting points will not be the same. Moreover, the culture and values of each organisation will vary as will its ability to pay. This guide poses a series of questions to help you consider the content of your reward strategy and its continued appropriateness. This strategy is the essential bedrock and should provide direct links to the organisation's overall goals. It should also set out the fundamental principals used to reward all staff, including senior managers, in ways that reflect the organisation's values.

The starting point is to decide how to establish an appropriate level of base pay. We apologise for raising the legal requirements early in the document but if consideration of what is required to ensure compliance is built in at the beginning, satisfying these needs later will be so much easier. One fundamental legal required is the need for base pay to be determined analytically using an appropriate evaluative approach, such as HERA and FEDRA. Other factors, such as the award of supplements to respond to labour market pressures and ways of acknowledging outstanding performance, can be assessed separately.

When considering the use of labour market supplements, you need to remember that the labour market is gender biased and is segregated. These are the reason for the inequalities in pay and the factors that cause the current gap between men and women in the same occupations and between occupations.

Since April 2007, public sector employers have been required to comply with the Gender Equality Duty over and above their responsibilities under the equal pay legislation. The Equal Pay Act, in force for over 30 years and amended by subsequent legislation and case law, demands that men and women receive equal pay for the same work, like work and work of the same value unless there are "genuine material factors", not tainted by gender, which can be "objectively justified". These can include differences in performance and demonstrable market pressures. Therefore, it is possible and legal to develop individual packages, providing the base pay of the role relates to its size as determined by an analytical evaluation, and the other components are demonstrably justifiable.

ECC provides a labour market pay data service which compliments UCEA's Senior Staff Survey. Reliable and up to date information from a number of valid sources is required to demonstrate that supplements are merited and are of the right amount. Organisations in our sectors compete with each other, as well as other employers, particularly for staff at this level. For some staff, particularly senior academics where the demand outside the sectors does not really exist, competition could simply result in driving up the pay range across organisations unless care is taken to ensure that additional payments are clearly linked to

factors that matter. However, what matters may be different in different parts of the sectors and between organisations.

Higher than expected levels of performance and rewards for the achievement of stretching objectives are also important considerations that critically matter for staff at this level. The competency framework included in ECC's Toolkit helps to clarify the expected standards and the assessment of achievement in ways that are transparent and ensure payments over and above base pay are used to reward what matters.

There are also important issues regarding the way in which the **processes** used to determine pay and other rewards are administered. The way in which people are treated affects their view of the outcomes generated by the process. If people understand the reasons for decisions and believe they have been treated fairly they are more likely to accept the outcome even if they do not like it. Similarly, other staff see what is happening. If they appreciate reasons for decisions and can place them in context they are less likely to accuse the organisation of being secretive and diversive.

Consideration also needs to be given to who is going to be involved in making the decisions and what information is to be made available to them. They will require training so they are able to follow the procedure and use the information. They will also need to appreciate the factors that influence decision making and lead could lead to discriminatory outcomes. Mechanisms are also needed to monitor the outcomes and impact and to ensure consistency between groups and over time.

In summary, four questions need to be addressed. Is the organisation's approach to dealing with senior pay:

- o   Fair
- o   Equitable
- o   Transparent
- o   Robust?

1   REWARD STRATEGY

An organisation's reward strategy should integrate compensation and pay into a coherent whole aimed at achieving organisational goals. The development of the approach to reward should start with the organisation's mission and objectives and focus on how the provision of rewards will help to deliver its priorities.

The reward strategy should cover all employees but there is no reason why its components should be the same for all staff. It is perfectly reasonable and legal for different rewards to apply to staff at different levels. It is not legal, however, to have different arrangements for staff at the same level if it is possible to show that the reasons are due to the gender of the role holders. The equal pay legislation requires equal pay to be given to staff engaged on like work, work rated as the same and work of equal value. The definition of what constitutes pay is wide ranging and the legislation requires equity to be demonstrated, term by term.

Forming a reward strategy is a key part of an organisation's people management strategy. The most important, but not the only, part is the development of a pay and grading structure. This provides the basis from which other components of the reward package are built. The hierarchy provided by the grading structure should reflect the values of the organisation so those roles adding greatest value and deemed to be the most demanding are at the top. All staff should be able to see how their role fits into the hierarchy, its relationship to others and recognise what they need to do if they wish to advance their careers within the organisation.

There are other important components of the reward strategy which together should ensure that staff are rewarded fairly for what they are required to do and that access to rewards are available equitably and appropriately to occupants at the same level.

Rewards need not always be monetary. Whilst getting pay levels right is important in terms of what the organisation can and wants to pay and what its employees seek, other forms of reward can play a vital part in ensuring appropriate and valued recognition is given for individual effort thus helping to position the organisation as an employer of choice. Because so much attention is given to pay matters, these other components are not always given much attention yet they can make a significant difference to employees at all levels.

The following are questions are key if the reward strategy is to be comprehensive and deliver its overall objectives of ensuring all staff receive appropriate rewards and help the organisation to recruit and retain staff of the required calibre.

What does the organisation want from its reward strategy?

e.g.   promote and embed a high performing culture

   enable the organisation to compete regionally, nationally and internationally by recruiting and retaining world class staff.

What does the organisation wants its reward strategy to be like?

e.g.   concerned with how results are obtained as well the results themselves (i.e. by focusing on inputs and throughputs as much as outputs)

   encourage team and collaborative working.

What does the organisation want its reward strategy to not be like?

i.e.   what are the negative outcomes that need to be avoided?

    e.g.   fostering individualism rather than team work,

        concentrating on quick wins rather than long term strategic advantage

        setting departments into competition rather than collaboration.

The Research Assessment exercise can be seen as having distorted reward strategies in just such a way.

Is it possible to achieve the desired ends without risking the negative consequences?

Action can be taken during the development of the reward strategy to guard against some of the more likely adverse outcomes. This can be achieved by the active consideration of possible negative results. However, some may not be possible to predict. It is therefore worth exploring the experiences of other organisations that have previously tried similar tactics or obtain the advice of specialists.

How will the organisation know that its reward strategy is working?

    o   What will be the criteria for success?
    o   How will they be measured and assessed?

        –   Measures of outputs (i.e. quantitative evaluation)

        –   Assessment of outcomes (i.e. qualitative evaluation)

Should staff be paid over and above the rate for the job?

There are assumptions that money is the only factor that motivates people to work hard and effectively. This is patently not true. Pay is important and getting it wrong can seriously damage morale and productivity. But the perception of what is the right level of pay is influenced by a complex set of factors, many of which are beyond the organisation's control.

Once the organisation's pay line has been set (and this is often done in relation to other similar organisations as well as its ability to afford the pay bill) other, valid actions can be taken to ensure staff feel fairly and adequately rewarded. However before introducing other components of a reward package, it is worth exploring staff's perceptions further. The literature is scattered with examples of different ways of rewarding staff but often the long term consequences are unreported. It is not unusual to find that organisations have withdrawn components of the reward package because they have failed to achieve the desired outcome, cost the organisation more than anticipated and or had negative consequences.

COMPONENTS OF THE REWARD PACKAGE

The following questions will help you decide whether your organisation should add additional payments to the reward package:

Does the organisation perceive difficulties with:

- o   Recruitment and retention issues?
- o   Morale?
- o   Attendance?
- o   Productivity?
- o   Disciplinary and grievance matters?
- o   Industrial relations?

Are rewards to be used as a stick as well as a carrot?

e.g.   would withholding (or non-renewal of) a reward act as a penalty for non-achievement or a punishment for non-performance?

Would favouring one part of the organisation simply draw attention to those out of favour?

Where does the organisation want to position itself in the labour market?

Does the organisation want to be in the top quartile or around average?

Which other employers are seen as competitors, comparators and benchmarks?

- o   Are they appropriate?
- o   Are they the same for all staff or different groups and occupations?

Are the expected standards clearly set out?

Do staff understand what is expected?

Do they feel involved in agreeing standards?

Do the standards match the organisation's stated and implicit values and customer expectations?

What else rewards staff?

- o   Do they appreciate the value of the full package they are already receiving including:
    - –   Tangible benefits – e.g. holiday, sickness, pension, car parking?
    - –   Intangible benefits – e.g. flexibility and choice, interesting work, access to development opportunities, sporting facilities?
    - –   It is often useful to benchmark or compare the institution's benefits package against competitor and/or similar organisations, in order that staff can appreciate the relative value of the reward package
- o   Would other forms of reward be appropriate such as benefits in kind, investment in facilities, resources to develop areas of professional interest or other actions such as recognition of achievement?

Do managers have the skill, capability and inclination to implement the reward strategy?

The part of the organisation that touches the rest of the work force are its representatives i.e. line managers and formal leaders. They communicate organisational expectations, draw up plans, divide responsibilities between staff and allocate rewards. These can be tangible, for example supporting a request for a regrading or reference in support of a promotion application, granting permission to participate in a sought after development opportunity or allocating preferred tasks to selected individuals; or the rewards can be intangible such as saying thank you, drawing attention to the achievement of others and broadcasting the success stories.

There is considerable evidence that shows the success of a reward strategy depends largely on the way in which line managers communicate and implement it. Even the very best and well intentioned approaches can be undermined by the clumsy actions of managers.

Managers may need to be trained when new rewards are introduced so they understand what they will mean in practice and the way in which they will manage their people in future. Appraisal processes, the assessment of performance and the creation of development plans will also be affected by the introduction of rewards such as payment for exceptional contribution. If changes are made to these associate policies, managers will need to be prepared to alter their approaches and practices accordingly.

The creation of the overall reward strategy and its components should pay attention to the development of the mechanisms and tools needed to support their implementation. This should include identifying existing systems that should be killed off. A review process should be built in to monitor implementation and ensure the new approaches are having the desired effect.

2   SENIOR MANAGER REWARD

Which rewards are currently available to senior managers?

Before introducing a new reward strategy or adding components to the existing approach, it is worth taking stock of what is currently available. Comparing the organisation's definition of the senior reward package to that perceived by individuals so covered can also be revealing. There may be interesting differences. A short, well designed survey could save a lot of time and money as well as provide interesting answers to some of the questions raised below:

- o   Why change the present system?
- o   What are its perceived weaknesses?
- o   What are the good aspects that should be retained?

Components of the pay package

BASE PAY

This component should be based on the comparative and evaluated size of all the roles included in the senior managers' group. Once the roles have been placed in order, choices can be made about which will be the best approach to pay.

Options include:

- o   Spot rates that provide a fixed price for a role that only changes as a result of a deliberate decision.
- o   Grades made up of:
    - –   Incremental scales to allow increases for service or performance or a mixture of the two.
    - –   Distribution curve (often called a compa-ratio). The pay of role holders within a pay band or grade is determined according to the distribution of all role holders between the minimum and maximum points and around the mid point or median. A number of methods are available to decide who should be paid below or above the mid point.
- o   A mixture of variable and fixed pay.

MARKET RATES

Reference to the market provides information to help the organisation determine its pay line in comparison to other organisations. These can include collaborators as well as competitors. However, before any comparison is made, attention should be given to ensure the appropriate market is selected. Some organisations have paid heavily as a consequence of positioning themselves within a market within which they can not afford to operate.

It is also advisable to draw information from a number of valid and relevant sources before any decisions about the overall pay line are made. Capita HSP provide advice and guidance on the use of labour market pay and data to ECC's members as part of their subscription. ECC can also provide practical help and has issued a Good Practice Guide on this subject.

Details of the labour market pay and data service and copies of the Good Practice Guide can be found on our web site –www.ecc.ac.uk.

Market supplements are added to base pay to address recruitment and retention issues caused by the dynamics of the labour market and are usually paid to address a shortage in supply. The theory is that by introducing incentives, more people will be attracted into an occupation or encouraged to acquire a set of specific skills thus increasing the supply. The labour market tends to be more complex than this and, in any case, in highly skilled occupations it can take a number of years to develop the skills by which time the conditions could have altered. The effect of the Millennium Bug provides a good example of creating a short lived demand for computer programmers. Once the problem had been solved, the demand for the programmers declined.

Case law has shown that the payment of market supplements can be deemed to be a genuine material factor providing the payment is not tainted by gender. Such payments, however should apply to **all** occupants of the role or members of the same group. If one role holder is given a market supplement, the other occupants could, depending on the gender mix or other potential discriminatory reason for the difference in pay, have a strong claim for the same under Equal Pay legislation. Therefore, it is important that attention is given at the outset to the definition of the role in question, then relevant and valid evidence of labour market pressures can be sought to demonstrate the need for and justify the use of payments to supplement base pay and the other rewards already being offered.

There is a danger of resorting to the use of market supplements when the real issue relates to other aspects of recruitment e.g:

- Organisational image
- Academic reputation
- Location
- Recruitment practices
- Reasons for resignation
- Failure to promote all the existing components of the reward package.

These should be explored before deciding whether the payment of a supplement is the best solution.

Equally, external factors like the Research Assessment Exercise can create an artificial, short-term market which is unique to Higher Education, and which it would be hard to justify objectively.

The following factors should also be considered when deciding to make use of market supplements:

- o Should benchmark data be used to fix base pay rates or used to inform the use of supplements or both?
- o Is there a possibility of importing discrimination? Research into the causes of the endurance of the pay gap reveals that occupations typically held by women attract lower rates of pay than those held typically by men. If an organisation grounds its pay policy on market rates alone, there is a danger of importing inequalities. Moreover, all public sector employers have a responsibility under

the Gender Equality Duty to work towards the removal of the pay gap in the economy as a whole.

  o How will the use of supplements be reviewed? If the market conditions no longer support the use of market supplements and the evidence suggests they can no longer be justified, they should be withdrawn. However, withdrawal can create other problems. How does the organisation propose to review the payments and their levels and how will it manage their removal, possibly over a phased period?

INCENTIVES

Incentives (or inducements) are used as part of the reward package to promise good things to come. They may be paid in advance but usually are on offer, to be awarded to those who achieve the desired outcome.

The reasons for their use include:

  o To encourage individuals to do particular things in a particular way;
  o To reward the achievement of certain objectives, outputs or outcomes;
  o To encourage the display of certain types of behaviour and acquisition of required skills;
  o To demonstrate to others what the organisation values.

A fundamental question for any organisation considering the use of incentives should address the need to motive employees in this way. Most organisations find that the basic reward package and good management practices aimed at aligning staff's efforts towards the attainment of organisational goals are sufficient to encourage staff to perform to the desired standard and achieve their objectives.

Conflict can arise where particular individuals or groups of individuals are seen as making a more direct contribution to a particular organisational objective than other individuals or groups are able to do by the nature of their roles. For example, in an organisation which relies heavily on income derived from research or enterprise activity, those involved directly in research, publication or undertaking contracts with external bodies may feel that their contribution should be more highly rewarded than any other group.

If some people believe there is a need for incentives, perhaps this is because they perceive something is missing or deficient in the way the organisation incentivises and rewards its staff. It may be worth exploring these perceptions before introducing approaches that may not address the cause. Reward literature is full of cases that illustrate how poorly considered schemes have lead to expensive failures which do not achieve their objectives and can make matters worse.

Types of inducement include:

  o The promise of one-off bonus payments;
  o Additional or accelerated incremental progression;
  o Payment of increments above the grade ceiling (contribution pay);
  o Promotion into a higher graded post;
  o Other rewards such as choice of preferred work (that might lead to career advancement);

- Participation in desired activities such as attendance at conferences, secondments or sabbaticals.

The use of incentives should be subjected to audit and monitoring in the same way as base pay to explore whether there is any evidence of discrimination in their distribution. If so, action will be needed to remedy it and redress the inequalities.

All staff whose roles as a result of evaluation are placed at the same level should have equal access to the incentives and stand the same chance of receiving them. Some additional rewards used traditionally within higher education have been restricted to certain occupational groups. Compliance with equal pay legislation requires all staff occupying roles of the same size to receive equal pay and pay related benefits. This may demand that practices are revised so they cover all eligible staff.

If the organisation wants to continue to incentivise staff in this way, it needs to ensure its preferred approach is defensible and promotes equality of opportunity. It should also:

- Make sure the promise it makes about what is on offer can actually be delivered.
- Decide whether the incentives are to recognise individual or team effort. This needs to be carefully considered when incentives are offered to managers. How will the efforts of the manager be separated from the work of the staff? As one is usually the product of the other, processes will need to be established to ensure the distribution of the promised inducements is made fairly and to the people truly responsible for success.
- Find ways of providing the things individuals want and value. This does not always have to be in the form of individual or monetary reward.

PERFORMANCE RELATED PAY

The use of performance related pay and the payment of bonuses are not generally supported by the trade unions in the public sector. They are seen as divisive and can be difficult to justify in equal pay terms. Research also indicates that they come in and out of fashion.

There is evidence to show that performance related pay works well when:

- The amount paid is a significant proportion of earnings (i.e. usually more than 15% of salary)
- The criteria are achievable
- The criteria can be met as a result of the individual's efforts alone (i.e. they do not depend on anyone else for success or failure)
- The reward is appropriate to the person concerned (there is little point in giving Christmas turkeys to vegetarians)
- A performance management system is in place and is used by managers who are competent in its application.

The performance management system needs to:

- o Identify reasons for non-achievement of the criteria. These need not be within the individual's control and can include:
  - – poorly set objectives
  - – objectives not being agreed
  - – lack of resources
  - – interference from others or extrinsic factors
  - – changed conditions and the introduction of different priorities
  - – lack of skill, training or support
  - – loss of focus
  - – lack of application or effort.
- o Recognise that the performance of a good, all-round competent performer who achieves what has been agreed is all that can be expected. This level of performance needs to be acknowledged and mechanisms put in place to ensure it is sustained. Anything above this should be seen as being beyond expectation.
- o Reward those who achieve above the level expected and find ways of encouraging others to strive to achieve the same but does not expect everyone to be stars all of the time.
- o Align the ambitions and expectations, particularly of high achievers, with those of the organisation. Perhaps the most difficult people to manage are the very able ones who prefer to do what they want to do rather than what the organisation needs them to do.

When deciding whether to use performance related payments, an organisation needs to be clear about its reasons for so doing and explore other ways of recognising achievement over and above that normally expected. It may need to remind itself that normal levels of performance and achievements of objectives are rewarded by the payment of base pay and seen as part of the fundamental contract of employment – a fair day's pay for a fair day's work. The use of performance related pay should, therefore, be confined to rewarding achievement over and above that normally seen in a competent performer, doing what is required to be done to the standard expected.

The decision to use PRP should also consider:

- o How organisational objectives can be attained without the use of PRP or bonuses
- o Whether the use of such payments might have unintended consequences (e.g. focus on individual reward rather than collective achievement)
- o Repeated research suggests that PRP does not appear to motivate employees, except perhaps in the short term, with there being little evidence to show that PRP increases productivity. Significant difficulties have been found with the approach's operation and unless it is well thought through and well designed, it can have unintended consequences. Moreover, the unions are opposed to PRP.
- o How will objective and common measures be established to demonstrate that performance is above the normal level expected and that access to and the award of additional payments is equitable to all those in the same grade.

Objectives should be SMART:

- o **S**pecific
- o **M**easurable
- o **A**ttainable
- o **R**esponsibility assigned
- o **T**ime limited

They should also be:

- o Agreed
- o Linked to business plans
- o Personal, organisational or sub-organisational
- o Aimed at the maintenance of routine work as well as at the development of new areas, meeting new challenges and stretching.

Performance measures need to be:

- o Up to date
- o Relevant
- o Explicit
- o Acceptable
- o Combine:
  - – Outputs (e.g. measurables such as student applications, success and retention rates, value of research and other contracts)
  - – Inputs (e.g. assessment and worth of knowledge, skills and experience)
  - – Throughputs (e.g. application of knowledge, skills and experience as seen in behaviour such as putting organisational values and policies into action, for example by championing the work needed to redress inequalities or by living the commitment to supporting development)
  - – Outcomes (e.g. assessment of the result of policy implementation such as improvements to staff and student satisfaction levels, increased standing of activity area or department, above average results from quality audits).

CONCLUSION

The keys to the successful implementation of a reward strategy that includes additional payments for individuals are:

- o Keep the process simple
- o Build in transparency
- o Ensure consistency of treatment and provide equal access to the possibility of additional payment to all staff whose roles are assessed as having equal value
- o Make sure the criteria used for assessing the award of additional payments relate to organisational need and priority and are not tainted by factors that could lead to unfair discrimination (such as gender and sexuality, disability, age or race etc)
- o Monitor who is receiving the additional payments to ensure there is no imbalance and that their continued payment is merited.

3   HOW THE TOOLKIT CAN HELP

Assessment of role size

The HERA and FEDRA schemes were developed to cover all roles found within higher and further education organisations. A representative sample of roles was used to underpin the development of the scheme, including senior roles, to ensure the scheme's coverage was comprehensive.

There is no reason to doubt the schemes' suitability for this group of staff. Indeed, using more than one scheme will not satisfy the requirements of equal pay for work of equal value legislation and case law and is contrary to the advice given by EOC and HEFCE. However, all public sector employers are required both under equal pay legislation and the Public Sector Gender Equality Duty to demonstrate that all roles and all components of pay are free from gender related bias.

HERA and FEDRA provide for the evaluation of the higher level demands, responsibility and skill requirements and the scoring scheme allows for the differences in the complexity of role requirements to be captured, particularly in those elements using the target response tables. These are:

- o   Teamwork and Motivation
- o   Service Delivery
- o   Planning and Organising Resources
- o   Initiative and Problem Solving
- o   Analysis and Research (Investigation and Analysis in FEDRA)
- o   Work Environment

For example, the top two levels in Planning and Organising Resources are:

25   take responsibility for the operational planning and organisation of larger projects or an area of work;

co-ordinate a number of teams or projects on a monthly, quarterly or annual basis;

set performance standards and establish monitoring procedures to keep track of progress across these different aspects of work;

provide input to longer term planning?

26   carry out planning on a long-term or strategic basis that will affect large parts of the institution and possibly national or international activities?

(Planning and organisation at this level would typically cover a period of at least three to five years.)

The following possible scores can be used to show the differences between the levels of demand:

25	A	A	A	D
26	D	C	B	A

These will result in different scores. When this approach is used across all the elements, fine distinction in total points scores can be achieved.

However, it will only be possible to include senior roles in a total rank order if sufficient head room was allowed when roles covered by the national negotiating machinery were scored. If this was not done it may be necessary to adjust the scores of other roles. This can be achieved without affecting the new grade structure as only the points ranges would be affected. ECC consultants can advise on how to do this.

The HERA or FEDRA score will demonstrate that roles are above the ceiling created by the highest point in the nationally agreed pay scales (where these are used) and will establish the lowest level of the base rate of pay. After this, each organisation will need to make decisions about the pay and any grading scheme used for senior staff. The possible options were described in Section 2.

The requirements of equal pay legislation should be kept clearly to the fore when making these decisions. Awareness of the legislation has risen dramatically and it is likely that the number of cases will increase as a result. Therefore when considering the components of a reward strategy, key design principles should include:

- o Transparency of decision making processes
- o Use of genuine material factors that are not tainted by gender
- o The ability to justify decisions objectively
- o Analysis of the requirements of the role to allow the comparison of like work, work rated the same and work of equal value using a scheme free from gender bias.

Recruitment and retention payments can be added, provided they comply with equal pay conditions. ECC's labour market and pay data service provided by Capita HSP can help with the investigation of recruitment and retention issues. This includes supply and demand information describing the dynamics of the relevant market as well as providing comparative pay data. UCEA's senior staff pay survey also provides sector specific comparative data.

Individual agreements can be made to take an employee's salary above the base pay rate. However, great care is needed to ensure that gender plays no part in influencing the nature and content of the agreement and the influencing factors are both material and genuine.

Regardless of the approach chosen, there will be a need to allow for the regular review of pay rates and salaries. This review will inevitably take account of:

- o Inflation
- o The effect of increases to the nationally agreed pay scale
- o The pay levels used by competing and collaborative organisations
- o Any local agreement covering the relevant group of role holders
- o The organisation's success (a form of profit sharing)
- o The organisation's ability to pay (amount of money available for salaries)
- o Sub-organisational achievement ("profit" sharing for staff in that unit)
- o Individual performance appraisal.

ASSESSMENT OF PERFORMANCE

The HERA and FEDRA competency framework supports the assessment of individual performance against the requirements of the role.

The Career Map component of the software translates the role score in a role specification using a competency framework that relates directly to the HERA and FEDRA elements and questions. The software contains a section that allows an individual to be assessed against the competencies required for the role they occupy or all competencies.

Unlike the HERA and FEDRA elements and questions, which are copyrighted, the contents of ECC's competency framework can be altered to suit local needs. Optional competencies can also be added, if necessary, to ensure local specifics which do not affect role size are covered.

The competency framework can be used to determine whether the individual's level of performance is:

- o   entry/developing
- o   core/expected
- o   exceptional.

This three point scale can be extended, if required outside the software, to a four, five, six or more point rating scale, as preferred locally.

The software also allows for the inclusion of comments that justify the rating and other factors such as individual objectives and targets or to personal development plans.

The assessment of achievement of targets and objectives should be based on evidence other than opinion and impression if the judgements are to inform pay decisions. This evidence can include quantitative measures (such as financial performance, student application, retention and success rates etc) as well as qualitative factors (such as the results of 360° feedback, student and staff survey results, etc) as described above.

PAYMENT FOR EXCEPTIONAL CONTRIBUTION

Access to additional payments needs to be equally available to all role holders whose roles are of a similar size. In practice, this means that they should all be considered for the payment, providing they meet set down criteria and comply with conditions, none of which should be tainted by gender.

The assessment of individual achievement using the competency framework will provide a gateway to manage access to the further assessment of achievement. It should also be remembered that if an incremental approach is used the highest pay point in a grade is given to a fully experienced competent performer. (This is the rate for the job!) Increments above this are the rewards for exception performance.

If a compa-ratio approach is used, payment above the mid point (the rate for the job) rewards higher levels of performance and achievement.

If someone has reached the highest point in the scale or above median pay and there are grounds for concern about their performance, questions needed to be asked about:

- o The factors that have led to the inadequate performance
- o What action has been taken in the past to monitor progress and ensure an individual develops appropriately as they move up the scale
- o Whether the individual's manager has implemented the organisation's appraisal and performance review process effectively.

The assessment of achievement should not be limited to a narrow range of activity. The use of the competency framework, which allows assessment against the most important six elements or all elements (including organisational specific competencies) required in the role provides this needed breadth. And by focusing on behaviours as well as outputs, it encourages the assessment of the how (the outcome was attained) as well as the what (was achieved).

The link to the requirements of the role and the use of the HERA and FEDRA elements provide the essential link to organisational priorities and values. For senior roles, in particular, this direct relationship is essential for if this group of staff is not closely aligned to the organisation's aims and judged accordingly and if their rewards are not directly associated with organisational success or failure, their role as leaders will be undermined.

The rest of the workforce will observe the way rewards are allocated, to whom, and draw conclusions. Rightly they will expect their leaders to be treated in fair and exemplary fashion. We are all aware of the ways in which "Fat Cats" are ridiculed and the impact unmerited payments has on workforce morale and productivity.

If an individual is excluded from consideration for additional payments for reasons not connected with their own performance or factors beyond their control may have grounds for complaint. This is especially true if those receiving the rewards have benefited from good fortune or the labours of others.

The criteria used for assessment should be applied consistently by all of those making the judgement. Scope for discrepancy between assessors can increase with the number of points available in the rating scale. The use of behavioural indicators as provided by the structure created by the Elements and Questions and the competency framework helps to achieve consistency and provide focus on the requirements of the role. They can be used in assessor training and the development of additional criteria to judge success.

When developing the process to decide whether additional payments are merited, consideration should be given to the provision of feedback and an appeals process. If the organisation wants to foster a developmental culture, individuals deserve information about what they need to do more of or less of, or differently, if they are to increase their chances of receiving additional payment. Similarly, they deserve to know why they have not received payments or not as much as they believed they were due. If reasons and feedback are to be given the information should be linked to:

- o The requirements of the role
- o The evidence used for assessment
- o The organisation's priorities, values and needs.

The competency framework can be used to structure feedback and lead into a discussion on how development can be best planned to combine individual aspirations and organisational need.

Unless the organisation decides not to allow appeal, it is likely some will want to challenge the assessment. Therefore a process is needed to manage their claims. If there is no outlet and mechanise for resolving the grievance, the individual is likely to continue to feel dissatisfied.

Senior managers are employees and have the same rights as all other staff, including the right to take a claim to an employment tribunal. Even if an aggrieved individual chooses not to purse a claim, the negative impact of their dissatisfaction could have considerable negative consequences.

Administration

The aim should be to keep the system administratively simple yet sophisticated enough to be valid and produce results that are different enough to distinguish between those whose performance is demonstrably excellent, average and below the expected standard.

The administration should:

- o   Relate to organisational and role related needs
- o   Be acceptable to most subjected to the system
- o   Be easy to implement and if possible linked to other performance assessment processes (such as business planning, subject reviews, IiP, Quality Assurance processes etc)
- o   Link to the review of role content, revision of job descriptions and organisational restructuring
- o   Be transparent
- o   Be cost effective
- o   Result in few if any unanticipated outcomes
- o   Have no adverse effects
- o   Achieve no perverse outcomes

In communicating the scheme, care should be taken not to raise expectations unrealistically. How an individual's case should be clearly set out. Will the individual's covered by the scheme be invited to submit personal applications? Will the support of the individual's manager be required or will the manager be required to submit the application on behalf of the individual? Will an individual be allowed to submit an application with the support of a manager and what rights of appeal will be built into the process?

Records of the decisions and process used should be maintained and a system put in place to monitor the outcomes.

ASSESSORS

Who should assess performance? For senior managers, this may require the involvement of Governors or Members of Council. All those involved in the assessment should be able to use information obtained from a number of sources and combine quantitative and qualitative data impartially.

The data gathered from different modes of assessment should all be related to the overall criteria being used to decide whether any additional payment should be given.

Those making the final decision should have a shared understanding of the meaning of the criteria. This implies there should be some form of training or at least briefing to ensure that everyone involved makes judgements consistently and on the basis of the presented evidence.

EVALUATION

All systems should be subject to periodic review. The way in which senior staff are rewarded affects their morale and can have an impact on that of other staff. It is, therefore, important to ensure that the system remains related to the organisation's strategic objectives and values and adequately reflects the level of organisational success.

Regular monitoring is also needed to demonstrate compliance with the law and to show the organisation is fulfilling the requirements of the various public sector equal opportunities duties.

It is worth thinking about the criteria that will be used to assess the success and effectiveness of the senior pay and reward system during its initial design. This consideration may expose weaknesses which can be remedied at the outset rather than revealed at the end.

Final thoughts

The following questions perhaps should precede the design of the reward strategy. They should be seen as a checklist of matters for consideration rather than review:

- o Are additional rewards required over and above the level of base pay?
- o What does the total reward package contain already?
- o Are the components of value to employees:
  - – are staff aware of them?
  - – do they value them?
  - – do the rewards support recruitment and retention?
- o Is base pay used to reward average, standard, normal, acceptable, competent performance or is it seen as the minimum?
- o Are the people who keep the organisation running efficiently and effectively properly acknowledged or are they taken for granted?
- o If additional rewards are provided for performance over and above that normally expected, are these rewards sought and of value to the recipients or are they seen as a product of whim and or history?
- o What other rewards are on offer for above average performers?
- o Will people loose money or be denied additional pay if their performance is deemed to be below standard?
- o Will account be taken of external factors that adversely affect performance and impede achievement?
- o What information will be given to justify the award or withholding of payments?
- o Will below standard performance be the subject of other action rather than pay?
- o Are resources available to help staff to achieve the required standards?

o   Are the criteria used to assess achievement and success clearly linked to organisational values and need

o   Are the processes used for assessment and decision making transparent and demonstrably fair.

Conclusion

We appreciate this guide is merely advisory and you will face many complex factors when considering which approach will be best for your organisation's senior staff group. Having completed the implementation of new pay and grading structures for the rest of the work force, there is now the opportunity to review and revise the approaches used for this group. It may seem easier to put it in the too-hard box, but ECC can provide additional support and guidance to help you consider the options and develop an approach that best fits your organisation's needs and context.

Our contact details can be found on our web site – www.ecc.ac.uk or on the back cover of this guide.

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