Disclaimer: The information contained in this document is provided for information only and does not constitute advice. Neither the consultant nor People In Aid accepts any responsibility for how you use the information and strongly recommends seeking suitable (legal) advice before implementing employment policy, as there may be specific legal implications in the countries in which you operate.

Authors
People In Aid worked with Frances Richardson, (currently Rewards Manager at Oxfam GB, and an experienced reward specialist) and Michèle Dennison (MD Management Development), an experienced independent consultant, to produce these guidelines which draw on a wide range of experience and sources.
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Foreword by People In Aid

Historically, many INGOs have viewed reward in terms of pay policy and its administration. They have therefore focused their reward policy activity on the mechanics of pay and benefits. Whilst this is without doubt very important, the concept of total reward which takes a more holistic approach to the total employment proposition (i.e. pay and benefits, learning and development, career progression etc) is steadily gaining currency, within the sector. By taking a more strategic and integrated approach to the reward question organisations can ensure that the system they design supports staff to help deliver the strategy and embodies the values of the organisation by rewarding what is seen as important, therefore playing a more active part in delivering organisational success.

People In Aid

Introduction to the Policy Guides

Since its inception, People In Aid has been bringing together agencies working in aid and development with the overall aim of improving the management and support of their personnel – people who often face difficult living and working conditions for the sake of others.

This document is part of a People In Aid initiative, the ‘Policy Guidelines’, whereby agencies share their knowledge and experience of a particular issue in order to increase the quality of people management generally within the sector. It forms part of a bank of reference material on a range of people management themes. The material is categorised on three levels:

- Resource Sheets – one or two pages of references and sources of information
- Information Notes – slightly more detailed overview of a specific area of interest
- Policy Guidelines – more detailed documents offering advice on policy development

For those agencies which have no established policy we hope this document both prompts and assists you. For those agencies which already have a policy, perhaps the document will encourage a re-think in one or two areas, or a complete revision.

The following notes are not intended to give you an ‘off the shelf’ policy which you can immediately use within your own organisation. They do, however, offer you the thinking and experiences of other agencies in our sector and prompt you to assess how your own organisation, with its unique mission, values and resources, can best respond to your organisational and staff needs in this important policy area.

The People In Aid Code of Good Practice suggests that human resource policies benefit the organisation most when staff have been involved in their creation. We would also like to remind you that policies are not created to sit on a shelf: to be effective staff may have to be trained in their use and management must ensure that they are implemented and their effects monitored.

We hope to be continually updating our policy guide documents. This relies on new knowledge and experience being relayed to us by you. Please e-mail us on info@peopleinaid.org with your contributions and comments.

This document has particularly benefited from the policies, suggestions and thinking of Christian Aid, Concern, HelpAge International, International Medical Corps, ITDG, The Leprosy Mission International, Mango, Merlin, Oxfam GB, Save the Children UK and War Child Holland.
Introduction: – why have a reward strategy?

Reward (pay and benefits, or compensation) has traditionally been seen as important for recruiting, motivating and retaining staff. More recently, leading organisations have begun to consider how the right reward strategy can contribute to achieving the organisation’s mission and objectives. In the private sector, this may be driven by the need for a competitive edge, or in the public sector, to improve services.

In relief and development agencies, measuring the organisation’s ‘success’ may be less obvious, but all NGOs will have a purpose or mission. Whether it focuses on service delivery, saving lives, local projects to improve standard of life for a defined group of beneficiaries, innovation to change wider practice, or lobbying and campaigning to change the world, achieving the agency’s aims will depend on its people. A reward strategy therefore aims to get the best return – in terms of achieving the organisation's objectives – from its investment in rewarding its employees.

The reward system also forms part of an organisation’s culture, and can be an important way of communicating with staff about what the organisation considers important. Having a reward strategy helps ensure that the right messages are conveyed.

Many agencies have developed detailed policy documents outlining their pay structure, the rationale behind it and how it works. These are effective and useful process documents that attempt to offer clarity and transparency on how pay decisions are made, and the rules governing decision making in an effort to demonstrate equality of treatment for staff.

Pay policies tend to focus on remuneration administration as distinct from other aspects of people management. In this sense many reward specialists would not view them as offering a strategic approach to reward management.

‘Total reward’ (or total comp as it is sometimes known in the USA), on the other hand, is described by Mark Childs\(^1\) as “a total value proposition [which is] greater than the sum of the parts”, it “not only plaits the strands of financial reward, but understands the organisational context....the business and cultural environment in which these factors operate and the broader critical issues which play such an important role in engaging employees”.

In other words this more strategic or holistic approach attempts to link pay and benefits with other key business drivers and provides a vehicle for delivering organisational objectives. Recent statistics from the UK’s Chartered Institute of Personnel and Development (CIPD) indicate that 23% of UK voluntary sector organisations claim to be taking a ‘Total Reward’ approach.\(^2\)

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\(^2\) CIPD Total Reward Fact Sheet, February 2005, available on CIPD website www.cipd.co.uk
Summary

<table>
<thead>
<tr>
<th>Salary and benefits administration</th>
<th>Strategic reward</th>
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<tr>
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<td>Fragmented pay items</td>
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<td>Attract and retain</td>
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<td>Standardised</td>
<td>Customised</td>
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<tr>
<td>Job-based</td>
<td>Role/person-based</td>
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**Business drivers for a reward strategy**

A strategy is a statement of intent, defining the organisation’s long term objectives and how they will be achieved. A Reward strategy therefore defines the organisation’s intentions on the reward policies, processes and practices needed to recruit, motivate or engage and retain the skilled and competent people it needs, and encourages them to act in ways that achieve the organisation’s goals.

In essence:

This assumes that both the business strategy, how the agency intends to deliver its mission, and the overall HR strategy for doing this, (of which the reward strategy forms a part), are already clear. If not, it may be necessary to read the organisation’s business plans or annual report, and talk to senior managers and trustees, to gain a better understanding.

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Catalysts for developing or clarifying a reward strategy may be a change programme arising from:

- A change in the organisation’s strategy
- A desire to improve the organisation’s performance or to step up to achieve greater impact
- Major expansion or reorganisation plans
- An organisational crisis

**Examples of business strategy driving the reward strategy**

Some simple examples from the retail sector of how the business strategy drives the reward strategy may be useful, before thinking about the more complex ‘business’ of relief and development agencies.

**Asda** aims to compete with other supermarkets by offering low prices, and relies on high sales volume and low costs to be profitable. This means keeping staffing costs as low as possible, and suggests a low wage, low benefit strategy.

**Boots** does not believe it can compete with supermarkets on price, so has a business strategy of offering a wider range of chemist and related products, with a good quality of service. This means employing a better calibre of shop sales staff, investing more in their training, and encouraging them to stay. The reward strategy to support this involves paying above the pay rates of most supermarkets, and paying fully trained staff with over 6 months’ service at a higher rate.

**Charity shops** find their second hand clothes market increasingly threatened by cheap imported clothing, so aim to increase profits by increasing sales volume, rather than raising prices. Shop managers may therefore receive bonuses based on sales turnover, or move to a higher pay zone if turnover increases.

**Reward Principles**

The organisation’s reward principles (or reward philosophy) are a set of beliefs that guide or constrain the range of possible reward strategies. Many voluntary organisations have a statement of reward principles, agreed with key stakeholders such as trustees and unions, which act as a long term guide underpinning reward strategy, reward policies and their interpretation.

Reward principles express what the organisation values and is prepared to reward people for. These are likely to reflect the organisation’s cultural values, but might cover:

- **Stakeholder expectations** – e.g. one International NGO’s reward principles aim to ‘provide a total compensation package that balances organisational needs, values the needs of a diverse workforce, the public’s expectations and the organisation’s aim to maximise the investment of its resources in its programme’.

- **Objectives of the reward system** – e.g. rewarding performance or the acquisition of skills and competence.

- **The relevance of markets** – e.g. ‘influenced but not driven by markets’, or reference to different markets for different types of job.
⇒ Organisational values – e.g.
   - aim to pay at least a living wage (even if labour markets might enable a lower rate to be paid)
   - attitude to staff welfare
   - use of volunteers wherever possible.

⇒ Commitment to equity and how it will be achieved, e.g. through use of job evaluation, monitoring, equal pay reviews.

⇒ Flexibility – how far is this required or allowed?

⇒ Non-financial aspects or reward – e.g. opportunities for learning and career development, job satisfaction and quality of working life

⇒ Responsibilities – the degree to which these are devolved to line managers, or a partnership between HR and line managers.

Reward principles should therefore take account of both the organisation’s and individual needs, based on an understanding of the factors that affect motivation and overall employee satisfaction with their rewards. In International NGOs, achieving this balance may require careful consultation of different stakeholders. Staff may be concerned to achieve pay increases in line with the cost of living, whilst employers may be concerned to offer competitive pay, especially if their business risks being adversely affected by skills shortages. Once agreed, a reward statement can then act as a guide for developing policies, or decisions on individual cases, by asking the question: “how does this fit with our reward principles?”

The questions of equity and transparency are fundamental to the values of the majority of organisations in the NGO sector. The equity/equality conundrum is one that is not easily solved. Fairness in the treatment of staff, it can be argued, is achieved by having clarity on the assumptions and principles underpinning a remuneration approach, and applying these principles to individuals and their situations through an agreed methodology, whilst maintaining flexibility to respond to specific context and need, rather than trying to treat all staff identically.

Elements of a reward strategy
A reward strategy is likely to take account of the part that different components of Total Reward might play in achieving the organisation’s objectives.

<table>
<thead>
<tr>
<th>Total Reward</th>
<th>Benefits</th>
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<tbody>
<tr>
<td>Pay</td>
<td>Pensions scheme, life assurance</td>
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<tr>
<td>Base pay (market position?)</td>
<td>Medical benefits</td>
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<td>Pay progression</td>
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<td>Incentives or variable pay</td>
<td>Time off</td>
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<td>Mobility benefits</td>
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<td></td>
<td>Perks (company car, health club)</td>
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<td>Learning and career development</td>
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<td>Improving skills and competencies</td>
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<td>Career opportunities</td>
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<td>Secondments</td>
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<td>Succession planning</td>
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<td>Long term contracts</td>
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<tr>
<td>Work environment</td>
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<td>Working for the cause</td>
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<tr>
<td>Organisation’s culture</td>
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<tr>
<td>Recognition</td>
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Pay
In thinking about base pay, some types of employee may be considered more critical to the organisation’s performance than others. For example, Cancer Research aims to recruit top scientists from around the world for its research programme to find cures for cancer. Its reward strategy therefore includes offering base pay competitive in a world market to attract scientists from research institutes, academia and drug companies. Pay for support staff would however be benchmarked against UK markets.

Organisations that aim to pay below average in the relevant labour market are likely to experience more difficulty in recruiting and retaining staff. Many organisations therefore aim to pay around market average. For employees key to the organisation’s success in its core purpose, more ambitious organisations might aim to pay at the upper quartile level of the market.

If the organisation strategy is to improve performance to achieve greater impact, expand into new fields of work or geographic areas, all of which may require hiring in new skills, it may be necessary to consider moving to a more competitive pay offering, at least in the short run.

Pay progression arrangements are likely to be an important tool in implementing a reward strategy. They also send strong signals about what the organisation values.

- **Spot rates** may be suitable for a straightforward job, with little scope for individual variation in performance.
- **Increments** value long service, perhaps with a presumption that performance will improve with time served.
- A minority of charities have introduced Performance Related Pay, or contribution pay (based on both objectives and development of skills and competencies), which might be motivated by a greater emphasis on strong performance management or culture change. This might be in response to organisational goals to raise standards, (perhaps to meet regulatory or donor requirements), become more cost-effective, become more focussed or introduce new ways of working to achieve greater impact.
- Some organisations give increases for achieving certain qualifications. When the UK teaching profession was moving towards becoming an all graduate profession, an extra increment was paid for teachers with a degree.
- **Competency based pay** is used by a small number of organisations to support their business strategy. In financial services organisations for instance, pay progression may be dependent on reaching certifiable standards of competence. This is important for business objectives where regulatory standards require staff to be trained and competent before giving financial advice on different products. Defining this closely, the competencies required for each job is likely to be considered too time consuming and constricting for most organisations however.
- A halfway house towards competency based pay might be the use of pay gateways or thresholds. The Agenda for Change pay and grading structure in the National Health Service is designed to increase skills and competencies to deliver improved patient services, and develop more staff within the service to take on more skilled jobs, as a way of overcoming skills shortages. The reward system incentivises this by encouraging each professional area to define a fully competent skill set, and raise pay to the appropriate threshold once staff have achieved the relevant skill level.
**Incentives** are widely used in the private sector, and to a lesser extent in the public sector, to promote business goals. Examples might be:

- *Share incentive plans for directors and key staff, aimed at encouraging them to maximise shareholder value*
- *Bonus schemes for managers, based on a mix of company profit, quality of service and individual achievement*
- *Team bonuses, based on productivity, in an environment where team work is essential to success*
- *Attendance bonuses for staff with a minimal absence record, in a real time customer service environment, where absenteeism is a problem seriously affecting achievement of quality targets.*

Bonuses and incentive schemes are not widely used in the voluntary sector, because organisational and individual success are often difficult to measure objectively (unless the organisation has adopted a balanced scorecard approach). Like Performance Related Pay, bonuses may be felt to conflict with the organisation’s cultural values, or be unacceptable to stakeholders such as donors and volunteers. Nevertheless, some charities do use bonuses, especially for jobs involved in raising income, such as fundraisers and retail staff.

**Benefits**

It’s often pointed out that most employers don’t think enough about the role that benefits play in their reward strategy, yet the cost may be considerable. Probably the main rationale for most INGO benefit packages would be either paternalism, or competitiveness with the market (everyone else offers it). However, if benefits are expensive and not particularly valued by staff, it can be worth reviewing them in the context of the total package, especially if the organisation is struggling to offer competitive base pay, or needs to cut costs.

Examples of the role that benefits could play in a reward strategy include:

- **Pensions** may be regarded as a retention tool, as well as aligning with the organisation’s cultural values of caring for its staff, and ensuring that they don’t suffer poverty in their old age.
- **Medical benefits** and other welfare benefits may be particularly important to staff in an international context, where state provision may be worse than the UK or lacking altogether. However, they can prove very costly and difficult to control, so it’s important to have a clear view of how they fit with reward principles (e.g. spending on ourselves versus spending on beneficiaries), and how they contribute to overall reward strategy. Is the aim to be paternalistic, competitive with the labour market, equitable (e.g. providing health benefits to the equivalent standard of the UK National Health Service?), or to maximise productivity by ensuring rapid treatment of staff?
- **Family friendly benefits** such as maternity leave and pay, paternity leave (in appropriate countries), opportunities to work part time or term time working, may be highly valued by employees with family responsibilities in countries where the cost of childcare is high, but may cost the employer little or nothing.
- **Salary sacrifice schemes** such as nursery vouchers, home computer schemes, and sometimes when applied to other benefits such as pensions, can be a very good way of increasing staff’s take home pay in the UK at no cost to the employer. These are particularly worth considering if cost of living is high, and to be seen as a caring employer.
- **Expatriate packages** will be important if the agency needs to deploy expatriates around the world, for example to ensure integrated ways of working and organisational culture across all country operations, to set up operations in a new country, or to transfer skills.
In some cases however, benefits may work against the business interests:

- Tesco revised its sick pay scheme, withdrawing sick pay for the first three days, to discourage short term absence that was causing service delivery problems.
- Offering a terminal bonus in lieu of pension can encourage staff to resign to get their hands on the money.

**Learning and career development**

Once base pay and benefits are in line with market average, it’s worth considering whether investing in learning and career development may be valued by staff more than higher pay. Opportunities to learn may increase motivation and engagement with the job, and of course it will bring considerable benefits to the organisation too, in terms of more capable staff. A further reason for considering learning and development as part of a reward strategy is the positive impact on both recruitment and retention. Having a pool of employees who are ready for promotion considerably reduces pressure on external recruitment, and the pay rates needed to attract experienced staff, whilst opportunities for career development are likely to improve staff retention.

**Work environment**

In relief and development agencies, work environment issues are likely to be a particularly important part of the total reward package. Many staff, especially in the UK and at more senior levels, are content to work for considerably less than they could earn elsewhere, because of the satisfaction they get from the agency’s cause. And most agency staff are sufficiently motivated by the cause and work they do, without the need for financial incentives.

Maximising the work environment aspects of the total reward package may involve:

- **Good staff communication**, so staff understand the work the agency’s work, and its contribution to improvements for beneficiaries
- **Non-financial recognition**, such as management feedback on how their work is valued and has contributed to achievement of the organisation’s mission.
Expatriate and national staff reward

Important questions for a reward strategy

The pay and benefits needed to recruit and retain staff in national and international labour markets are often very different. It is essential to have a clear rationale on employing expatriates and how this will help the INGO achieve its aims, in order to justify the costs of expatriates to other stakeholders, including national staff, volunteers and donors. And in these days of increasing international employment mobility, guidelines are needed to determine where it is in the organisation’s interests to employ an expatriate with an expatriate package, (as opposed to expecting non-nationals who apply for national jobs to accept the normal national terms). Failure to have a clear distinction based on business need is likely at best to be regarded as inequitable, and at worst as racist.

Questions for a reward strategy to guide design of expatriate/national reward policies, based on the business and HR strategy, might include:

a) How will our reward strategy enable our diversity strategy? For example, is our aim to empower national programmes and employ national staff from the country wherever possible, and expatriates only where skills shortages require? Or are we concerned with achieving a multi-cultural workforce in both head office and field operations to strengthen the organisation’s credibility in global campaigning and advocacy activities?

b) Are individual country programmes largely stand alone, or does the organisation seek to achieve a high degree of integration (perhaps based on key programme/campaigning themes) across the world?

c) What part do expatriates play in the organisation’s control mechanisms? E.g. do we need staff in key positions with a good understanding of the organisation’s aims, policies and procedures, or to integrate the organisation’s culture and ways of working world wide?

d) How is the development of skills and competencies to be achieved? Will this involve importing expatriates simply to fill skills gaps in the national labour market, or on a medium term basis to transfer skills to national staff? Does the skills development strategy include seconding national staff to other countries or head office to gain new skills or wider experience? Is there a need to develop new skill sets by cross fertilising staff from different specialist areas such as development and humanitarian relief?

e) To what extent is international experience essential or valuable for certain jobs, e.g. for senior head office positions, or to transfer lessons learned in one programme to a similar programme elsewhere in the world?

f) What is the organisation’s organisational design or resourcing strategy? Are projects set up by consultants or head office teams, then handed over to local staff to run, or is programme (multi-project) design closely linked into local campaigning and advocacy, requiring an ongoing higher skill set in the country programme? Are programmes staffed on a term contract basis linked to project and funding cycles, or does the organisation employ a pool of skilled staff who can be deployed around the world, e.g. for rapid response to emergencies?
g) How far does the organisation want to facilitate international career development moves, e.g. as part of a retention strategy?

Once the business rationale and circumstances for employing expatriates are clear, reward strategy and policy can be designed to support business needs. For instance:

- If the reward strategy aim is to support short term international deployments whilst maintaining a home base, a policy of home base pay with accommodation provided, and maintenance of home country social security, health system or pension benefits might be appropriate.

If on the other hand the aim is to build a multi-cultural pool of internationally experienced and mobile staff on long term contracts, the reward strategy might be to facilitate long term global mobility without reference to a particular home base. Reward policies implied could include pay benchmarked on a global labour market, with adjustments for different country cost of living or tax levels, support to be accompanied by family, and a global company pension and medical scheme.

Developing a reward strategy

Developing a reward strategy requires a fair degree of organisational commitment – not something to be done in a back room of the HR department! Steps to developing and implementing a reward strategy will be:

- Understand business and HR strategy and organisation culture
- Develop reward principles – if they don’t already exist
- Outline and test aims of reward strategy
- Design it
- Communicate and consult
- Amend if necessary
- Implement
- Maintain and review

a) Understanding business and HR strategy and organisation culture

Understanding business and HR strategy and organisation culture will involve reading key organisation documents, such as strategic and business plans, and HR strategy (if these exist), and discussion with the organisation’s leaders and trustees. Where does the organisation want to go, and what change is needed to achieve this, such as overcoming resource and capability gaps, or changing culture or ways of working? This will lead to a ‘scenario planning’ document, approved by the leadership, outlining the business goals and HR strategy that inform the reward strategy, including any short or long term need for change.

b) Developing reward principles

Developing reward principles will require involvement of the organisation’s key stakeholders, including representative staff groups, volunteers, leadership and trustees, to agree the long term principles to achieve a balance between the organisation’s and employee’s needs.

c) The outline and test aims of the reward strategy stage

The outline and test aims of the reward strategy stage will involve a discussion document suggesting the aims for the reward strategy to support the business and HR strategy and any key change goals, how these fit with reward principles, and how success will be measured. Key stakeholders – at this stage probably the leadership, senior HR managers, employee representatives and focus groups – should again be consulted to ensure the aims are agreed. (It’s a good idea to measure the ‘before’
situation that the reward strategy is designed to improve, such as staff turnover, recruitment difficulties, or skill levels, to facilitate later evaluation against success criteria.)

d) **Designing** the reward strategy, taking account of the input so far and elements outlined above.

e) **Communication and consultation** is a further vital stage, to test whether the aims have been achieved, to allow details to be improved, and to build a sense of ownership and organisational commitment to implementation.

f) **Implementation** will move on to detailed reward policy design and implementation.

g) Finally, it’s important to **review** whether the reward strategy and policies designed to meet it have worked in practice to achieve the success criteria outlined in the initial stages. It’s likely that some initial adjustments will be needed. Ongoing **maintenance** will be needed, to keep the strategy running, and make adjustments in response to changing business needs.

**Time scales** for developing a reward strategy will vary according to the size and geographical spread of the organisation, the degree of change involved, and whether reward principles have already been agreed. Getting the objectives right is the most critical stage, which may take 3-6 months, if stakeholders are to be involved. Design and consultation are likely to take another 3-6 months. Of course, the whole process could take a lot longer, if it is insufficiently resourced, or if serious controversy erupts.

How long the strategy document should be will depend on the importance to the organisation and the complexity of the reward environment. However, it is suggested that the executive summary (which is all that most of the audience will read) should be no more than two pages.

Finally, as reward is often a controversial subject, it’s useful to think of developing a reward strategy as a form of change process. Seven critical success factors in a change process are:

- **Leading change** – having a sponsor, preferably a senior operational manager, who leads the change initiative
- **Creating a shared need** – everyone understands why change is needed, and why the need for change is greater than the resistance to change.
- **Shaping a vision** – what things will look like when change is successfully introduced.
- **Mobilising commitment** – identifying, involving and getting commitment from key stakeholders who will make change happen, including some key change agents.
- **Changing systems and structures** – building the change into ongoing practice, e.g. changing policy documentation, communications, induction, HR staff training etc.
- **Monitoring progress.**
- **Making change last.**

**Tools, resources and case studies**
Contributors to this guide have offered a range of tools, tips and suggestions, based on their experience, that highlight a range of approaches to developing and tailoring their reward strategy and working practices to meet the needs of their organisation.

These are offered as a series of practical steps to developing a reward strategy and policy and managing the associated change process.
Seven step model to successful implementation of a reward policy

Step 1 - What are we trying to achieve?

In many instances reward reviews are prompted by specific problems that an organisation is having in recruitment and retention of staff. This might be experienced as difficulty in attracting candidates of the right calibre, or high turnover (i.e. not being able to keep your good people). It may be that the problem is particularly acute with one or more specific staff groups such as middle or senior managers, functional professionals, or staff willing to relocate internationally, or to particular locations. The temptation to see this purely in traditional salary and benefits terms is strong.

Understanding what makes staff want to join your organisation and equally what makes them leave, and where the organisation is potentially at risk is an important starting point in helping to identifying the specific aims and deliverables of your reward system. This information can be gathered from various sources such as exit interview data, staff surveys and face to face interviews. It is rarely a simple question of pay.

Clarity on what the reward approach is designed to deliver will also help you identify success criteria at the beginning of the project. Robust measurement and evaluation mechanisms can then be built in from the start.
Spotlight on practice: Oxfam’s options framework

When Oxfam GB undertook the design of a Total Reward concept in 2003 they used the following to help choose an approach.

The type of reward structure which best meets the desired objectives will depend on the fit with work of the organisation, cultural factors and other people management approaches:

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<tr>
<th>Organisation features</th>
<th>Role</th>
<th>Person</th>
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<td>high division of labour</td>
<td>fewer, broader role profiles</td>
<td>work tailored to suit individual capabilities</td>
</tr>
<tr>
<td>narrow, detailed job descriptions</td>
<td>reduced hierarchy</td>
<td>project working</td>
</tr>
<tr>
<td>large no. of distinct jobs</td>
<td>roles flex as individual develops</td>
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<td></td>
<td>multi- and up-skilling</td>
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<tr>
<th>Business strategy</th>
<th>Role</th>
<th>Person</th>
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<tbody>
<tr>
<td>cost control</td>
<td>think global, act local</td>
<td>quality, innovation</td>
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<tr>
<td>economies of scale</td>
<td></td>
<td>high margins</td>
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<tr>
<th>HR approach</th>
<th>Role</th>
<th>Person</th>
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<tbody>
<tr>
<td>instrumental or paternal deal</td>
<td>commitment–based deal</td>
<td>leased-talent deal (individual contractors)</td>
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<tr>
<th>Development approach</th>
<th>Role</th>
<th>Person</th>
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<td>technical/functional, short term focus</td>
<td>technical and behavioural, personal and career development</td>
<td>life skills, employability</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Reward approach</th>
<th>Role</th>
<th>Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>traditional job evaluation, emphasis on tasks and inputs</td>
<td>simpler evaluation, slotting roles</td>
<td>market-driven, little internal equity, competency–based</td>
</tr>
<tr>
<td>many grades, narrow bands</td>
<td>fewer grades, broader bands</td>
<td>few broad ranges</td>
</tr>
<tr>
<td>promotion as significant reward</td>
<td>increases for move into bigger role</td>
<td>personal development based increases</td>
</tr>
<tr>
<td>cost of living pay reviews, increments</td>
<td>pay reviews based on contribution, i.e. competence and results</td>
<td>individual pay reviews</td>
</tr>
<tr>
<td>strong HR budget control</td>
<td>more line management involvement, within HR guidelines</td>
<td>line manager driven</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance management</th>
<th>Role</th>
<th>Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>top down</td>
<td>two way</td>
<td>informal</td>
</tr>
<tr>
<td>past results and ratings focus</td>
<td>past and future, results and competence, pay and development focus</td>
<td>360 degree</td>
</tr>
<tr>
<td></td>
<td></td>
<td>development focus</td>
</tr>
</tbody>
</table>

The grid provides a helpful tool around which to focus discussion at the outset of a reward review.

Issues to consider include:

- Where do we think we are as an organisation?
- How do we view the difference between jobs and people i.e. are we highly structured with very clearly defined, task focused jobs in which the same is expected off all incumbents, or do we have a wide range of roles in which individual contribution and approach make a difference?
- Do we work in a highly innovative environment where key staff have high individual market worth e.g. talented software designers in an IT firm for which a totally flexible approach would be appropriate?

Oxfam GB concluded that they were in the middle column and that a system that was robust and well structured to meet their principles and obligations of internal equity, yet flexible enough to recognise and value what the individual brought to the organisation was appropriate.

(courtesy of Oxfam GB, adapted from Armstrong and Brown)
Step 2 - What are our values and what do we want to reward?

It is vital to identify the following cornerstones at the outset on which to build an effective reward approach:

1. What are the key business drivers – how will the system help deliver specific business objectives;
2. What key organisational values must the system reflect and reinforce;
3. What will be the demonstrable success criteria.

**Spotlight on practice: labour market assumptions**

Many agencies have experienced serious recruitment and retention difficulties at the country director level and with certain in-country functional disciplines such as finance managers. This represents a genuine risk to the delivery of high quality programme. In addition, the structure of pay and benefits systems outside the UK often appear to reward staff who relocate internationally to take up such positions rather than to encourage suitably qualified staff to remain in their home country i.e. why accept a position on a national salary package when an enhanced international package can be obtained for the same or very similar role simply by virtue of having relocated status. This disincentive effectively presents the accepted thinking on which many agencies have traditionally based their reward approach with a significant challenge.

**Case Study**

Oxfam GB experienced just this sort of problem and therefore revisited its underpinning labour market assumptions as part of the Global Reward review.

The result was a crucial shift so that salary and benefits are now determined by the requirements of the job and the labour market from which candidates are drawn, not by nationality or relocated status. Managers are therefore required to ask themselves “does the post require skills and experience that are available only on the international/global labour market, justifying a global recruitment, or is there an adequate national market?”

In practice this means that, if the nature of the job suggests that a regional or international recruitment and accompanying salary and benefits package is necessary to attract the required skills and experience, the successful candidate (whether national or expatriate), having competed in a fair and open selection with others from that labour market, should receive the salary and benefits that have been identified for the job.

It is therefore possible, indeed it is the case, that some staff are in receipt of Global (international) salary and benefits packages without having to relocate internationally. Similarly, if a non-national applies for a post that attracts national terms and conditions that is what they should receive.

This is now a driving principle in reward management across the organisation.
Step 3 – Communication, Communication, Communication

“A mediocre strategy which is well communicated is often superior to a prize-winning reward strategy that lacks management buy-in and is poorly communicated. For this reason, it is wise to spend more time and resource communicating a new reward strategy then designing it.”

It is an old mantra, but the importance of clear, transparent, two-way communication cannot be underestimated. Whilst pay may not represent the be all and end all in terms of staff motivation, raising false expectations or failing to listen to the views of those affected by the system – your staff and managers – can have far reaching consequences.

The following “Dos and Don’ts” are based on the experience of agencies who have contributed to this guide.

<table>
<thead>
<tr>
<th>Do..</th>
<th>Don’t..</th>
</tr>
</thead>
<tbody>
<tr>
<td>..involve a representative sample of staff in your project design team.</td>
<td>..make it an HR project only.</td>
</tr>
<tr>
<td>..involve senior management early and get their buy-in.</td>
<td>..present a finished product then expect managers to champion it through implementation.</td>
</tr>
<tr>
<td>..listen to the views of all staff groups</td>
<td>..restrict consultation to easy to reach groups e.g. UK based staff.</td>
</tr>
<tr>
<td>..talk with staff - staff meetings or road shows work well.</td>
<td>…relay on written communication only.</td>
</tr>
<tr>
<td>..communicate regularly, perhaps using a monthly or quarterly bulletin. Repeat the key messages that you want staff to hear regularly.</td>
<td>..expect everyone to have understood and internalised your messages as you intend at the first, second or even third time of telling.</td>
</tr>
<tr>
<td>..support managers to communicate key messages and involve them in decisions that affect their staff.</td>
<td>..take decisions on individual staff pay in isolation</td>
</tr>
</tbody>
</table>

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Step 4 – The nuts and bolts

The creation of a clear and realistic project plan is a vital starting point to ensure timely decision making.

Workforce Planning
Some organisations choose to assimilate staff directly into the new pay system. However, a reward review offers the opportunity to consider what sort of roles will be required in the future and to undertake a longer term workforce planning exercise if appropriate. This is accomplished by considering the business and programme plans for the next 1-5 years and reflecting into these plans the workforce requirements. This may involve a shift in focus as, traditionally, agencies have approached people planning by looking at what funding has been secured rather than as an integrated part of the overall organisational strategy.

Grades vs Broad Bands
Historically NGOs in the UK have aligned themselves closely to the UK public sector approach to job design and pay which is based on a hierarchical grading structure, often comprising up to ten or even fifteen grade differentiations. These are typically underpinned by structured, analytical job evaluation systems often known as ‘points factor’ systems where jobs are analysed against a series of defined factors and points awarded against each. The number of total points determines the grade of the job.

These systems focus on the job rather than the person and are seen by some as a more objective, even ‘scientific’ method of weighing and measuring jobs. Certainly a robust job evaluation system is considered advantageous if an organisation has to defend an equal pay claim. However, they can be quite inflexible and the scope to reward individual skills or levels of experience is limited.

Broad banding, based around the use of job families has become a useful alternative and focuses on roles rather than narrower job descriptions with the scope to recognise the contribution of the individual. This methodology became very popular in the mid 1990s, particularly in the private sector, however, these systems, or variations of them have been adopted by some organisations within the Aid sector. The broad band approach often combines a more flexible non-analytical job evaluation process, based on internal benchmarking of jobs in relation to key measures, with a more structured analytical underpinning system. In practice this means that not every job needs to go through a formal points scoring process and, it can be argued, the system is therefore more user-friendly for managers and HR staff.

However, current thinking is shifting away from the pure broad banded approach in which control of pay can be difficult, to systems which combine the principles of flexibility with clear structure for making sure that pay does not exceed the market rate.
Key characteristics of grades and broad bands

<table>
<thead>
<tr>
<th>Grades</th>
<th>Broad Bands</th>
<th>Blend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hierarchical and structured.</td>
<td>Scope to develop and grow a role within the band.</td>
<td>Scope to develop and grow a role within a band, however bands may be segmented to prevent a job becoming over valued relative to the market.</td>
</tr>
<tr>
<td>Based on narrow job descriptions – task focused.</td>
<td>Based on more generic role and job profiles – reflecting areas of accountability.</td>
<td>Based on roles and accountability.</td>
</tr>
<tr>
<td>Focus on the job rather than the incumbent.</td>
<td>Scope to recognise individual competency levels.</td>
<td>Scope to recognise individual contribution perhaps through achieving levels of competence.</td>
</tr>
</tbody>
</table>

Base pay and salary structures

In establishing base pay rates and ranges, organisations usually take into account:
- market factors
- internal relativities
- affordability

This can never be an exact science and will more often than not be something of a juggling act, influenced by all the principles, values and objectives of the reward system that have been previously identified. The entry point and ceiling for each grade or band will be determined by a combination of comparator benchmarking and market survey relative to the desired market position that the organisation wishes, or can afford to adopt.

In smaller organisations salaries are often dealt with on an individual and ad hoc basis. However, the potential exists for discrepancies to creep into the treatment of staff. The recent annual CIPD reward survey indicated that as organisations begin to approach a staff complement of around 250 the need for a thought through reward approach is seen as valuable by the majority of managers.

Performance related or contingent pay is not used extensively in the NGO sector, however, some agencies have pursued the link between reward and individual performance. In some cases this takes the form of withholding an element of the annual pay award for any staff member who doesn’t receive a fully proficient performance review rating.
**Spotlight on practice: Merlin’s points system**

Merlin has developed an approach based on bands and points which recognises individual experience and competence.

The grading structure is based on 6 bands each containing 8 points/levels reflecting individual/programme specific criteria. Posts are allocated to different bands according to the level of responsibility. The assessment is done by assessing similarity with existing roles, and from the reporting lines.

Pay progression is based on a points system. The first level of each band is a developmental level for internal applicants being promoted to a position for the first time and who do not meet all the essential job requirements. After one year at the developmental level, it is expected that the postholder will move to the upper level.

Pay progression within the band is based on a points system:
1 point if all essential criteria of the job description are met
1 point if some of the desirable criteria are met, 2 points if all desirable are met
2 points for hardship of the post based on assessment
1 point for medium scope countries, 2 points for large scope country programmes (based on headcount and budget, revised annually)

Job description criteria is taken into account if it can be assessed from the written application, i.e. excluding such requirements as "team player" or "good communicator".

The HR Department ensures consistency in the way that points are allocated.

Points are then turned into pay increments with one point equal to one incremental rise i.e. if you have three points you will move up three increments within your band.

In addition salaries are reviewed annually and a percentage general increase might be awarded if Merlin's financial situation allows. Please note that this replaces the former incremental increase.

(Courtesy of Merlin, 2007)
Benefits

In addition to the standard benefits outlined above, the concept of flexible (or cafeteria style) benefits is receiving increasing attention in the sector.

A successful benefits scheme needs to be able to quantify the range of benefits on offer in monetary terms then provide a user-friendly system for administering choices.

Typically staff make their choices when they join and these can only be changed once a year. Feedback suggests that staff value the ability to tailor their benefits package and this places a spotlight on elements of the overall remuneration package that were hitherto virtually hidden from view. A range of software products are available that can help make administering a flexible benefits system more manageable. Many also include the facility for staff and their managers to update and manager personal records to a certain degree. Some such software is web-based and therefore offers real-time views and access to staff anywhere in the world.

Spotlight on practice

A CIPD factsheet by Jean Richards, edited by Clare Hogg of Helios Associates Ltd, claims that research into total reward schemes has highlighted the fact that they often utilise a flexible benefits approach and combine this with working environment, and career and individual development.

"In more detail it may include some, or all, of the following elements:

- flexible benefits
- access to training courses
- a challenging role at work
- freedom and autonomy at work
- opportunity for personal growth
- recognition of achievements
- preferred office space
- being able to raise matters of concern
- preferred office equipment and mobile phone
- flexible working hours
- secretarial support.

Clearly some of these ‘rewards’ are more easily provided than others, and some are more quantifiable than others. One difficulty in a total reward package, beyond the challenge of supplying these less tangible rewards, is attempting to balance them against one another."

The author has not found any examples of the application of flexible benefit systems within INGOs at the time of writing, though an increasing number are currently exploring the viability of introducing them within their organisations. This approach is receiving increasing attention in the private sector.

Flexible benefits offer an opportunity to reflect diversity principles into the reward arena and recognise the needs of the individual, as staff opt for the benefits package that is most valuable to them and their circumstances. However they can be complex to administer which perhaps explains the absence of take up by agencies to date.
Step 5 — Who are our staff and where do they come from?

Identifying markets and comparators

Do you know who your staff are?

A strange question perhaps, however, when you stop to think about it, does your organisation capitalise on the growing pool of well qualified potential candidates who wish to take a year or two out of the “rat race”, or possibly transfer their skills on a permanent basis? Or, do you seek to fill your vacancies through the tried and tested routes and find you are constantly competing with other agencies for the same pool of people?

Increasingly many agencies and government organisations are taking time to explore alternative ways of attracting and rewarding people from a more diverse range of groups including those with experience gained in other sectors, especially: general management (and people management in particular) and project management skills, and professional skills sets such as finance, IT or HR who my not have sector specific experience.

Clearly, it is not wise to place inexperienced staff in difficult and unsupported environments as a first assignment. However, some recruiters are now experimenting by taking an “educated risk” on staff new to the sector who bring skills that may be weaker or under represented within their organisation, and offer support through a very thorough induction and management back-up or on going coaching once in post.

The implications for reward strategy of this thinking are interesting. Many of these potential staff will have taken a decision to accept a significant drop in income to move sectors – this is true particularly for senior and international posts, but can also be true of some national positions. Research into the sectors and labour markets from which these potential staff are drawn is key to understanding some of the basic assumptions and expectations that they will have of an employer. This does not just include salary, although a minimum level will have to be found which is still acceptable to these groups so that it does not appear that their skills are being undervalued or devalued.

Increasingly, employers in all sectors are turning to the concept of employer branding as a method of communicating their total reward approach. This strategy borrows techniques from the marketing discipline to identify an organisation’s unique employment proposition (UEP) and communicate it to a general audience but also in a focused way to target groups. The approach is used to introduce the idea of the benefits of working in the sector, or for a particular agency, to people who may not have considered it before or who are just exploring it, by promoting the total benefit of working for that organisation – tangible and intangible elements.

To see employer branding in action visit the websites of one or more of the following organisations: Nokia, Oxfam GB, Glaxo Smyth-Kline, BMW.

Something to think about…………..
**Benchmarking framework**

The following framework may prove helpful when starting to consider benchmarking and identifying suitable comparator organisations and jobs. It can be adapted to suit different organisational needs:

| Where do our staff come from? | Which organisations?  
|-------------------------------|----------------------
|                               | Geographical locations? |

| What do our staff do?         | Programme  
|-------------------------------| Management  
|                               | Advocacy  
|                               | Technical specialists  
|                               | Functional professionals e.g. accountants |

<table>
<thead>
<tr>
<th>Which groups of staff are key to organisational success?</th>
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<tbody>
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<td></td>
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</table>

| Which organisations do we lose staff to? | Consider organisations inside and outside the NGO sector |

| What can we afford? | A key question in identifying comparators and positioning within the market. |

Remember, when using comparator information it is crucial to make sure that like is being compared with like. This involves looking at the job content and responsibilities i.e. what the job actually does, not just the job title. Benchmarking tools are available from a number of sources including the e-reward website. [www.e-reward.co.uk](http://www.e-reward.co.uk)
Step 6 - Staying legal

This is a critical area for all organisations and for those operating internationally it represents a potential mine field.

Equal pay

Equal pay legislation in the UK falls under the sex discrimination umbrella. An analytical job evaluation system which includes non-discriminatory factors is considered one of the most effective defences against equal pay claims.

Local legislation

It is recommended that all organisations take good quality advice on their obligations as an employer in each location where they work. Cross sector collaboration on this could be a cost effect method of ensuring that all agencies have access to quality information. Whatever reward structure you choose to adopt it must be flexible enough to be tailored to each local legal context.

Important reward questions to explore with in-country legal representatives:

Where the answer is “yes” then further detail should be requested. The same questions can be asked for both national and international staff. This is not an exhaustive list. For more detail contact your HR / Reward Team.

Wages

- Is there a minimum wage applicable to the employee under local law?
- Are there any wage controls under local laws, customs or practices?
- Are there any restrictions under local laws which prevent the employer from making deductions from the employee’s wages?
- Are there any restrictions under local laws, customs or practices in relation to the payment of loans to the employee?
- Are there any restrictions under local laws, customs or practices in relation to the payment of expenses to the employee?

Benefits

- Are there any local law restrictions or requirements concerning the benefits which an employer provides to the employee?
- Is the employee entitled to receive any benefits from the host country’s state social security system?
- Is the employee required to take out their own private medical insurance?
- Is the employee entitled to receive any medical benefits under the host country’s state health system?
- Are there any local law restrictions on the employee making contributions to a life insurance scheme in the host country?
- Are there any local law restrictions on the employee making contributions to a life insurance scheme based outside the host country?
- Are there any local law restrictions on a third party making contributions towards the employee’s life insurance cover?
- Is the employee entitled to receive any form of state pension?
- Is the employee required to provide the employee with any form of pension?
- Is the employee entitled to receive any sickness benefits from the state?
- Is the employee entitled to receive any sickness benefits from the employer?
- Is the employee entitled to receive any incapacity benefits from the state? Is the employee entitled to receive any incapacity benefits from the employer?

(Extracts from legality questionnaire prepared for Oxfam by DLA, 2003)
Taxation

Well known as a thorny problem within the NGO community the questions of who is responsible for payment of income tax and social insurances, and whether salaries should be expressed as gross or net amounts causes confusion among agencies and, more importantly their staff.

Local taxation frameworks oblige employers to act as collecting agents in many countries and pay as you earn arrangements are advisable for staff covered by these rules – usually national staff paid locally.

The complications arise often when dealing with international staff. There are two main approaches that are adopted within the sector on this issue:

1. Staff receive a salary which is considered to be gross (i.e. with no deductions for taxes) and the responsibility rests with the individual to meet any personal tax liability that may arise in relation to their employment.

Advantages:
- Employer does not have to administer collection and payment of income tax and social security.
- Can appear to be offering a higher salary at the point of recruitment.

Disadvantages:
- The experience of many agencies shows that staff tend to treat the gross salary as take home pay.
- If local revenue departments choose to follow up the matter they often pursue the employer rather than the employee. Organisations who have paid gross salaries to staff have also found themselves in receipt of a tax demand on behalf of their staff on more than one occasion.

2. Staff receive a net (i.e. take home pay) as a default position which is then ‘grossed-up’ to meet their individual tax liabilities in their country of work or country of permanent residence. This is done on provision of a tax demand or proof of payment.

Advantages:
- Employer only pays the taxable element once.
- Where staff have no tax liability the employer does not have to pay that element of salary – cost effective.
- Eliminates the “swings and roundabouts”/winners and losers element of take home pay depending on individual tax liability.
- Staff know exactly what their take home pay will be.
- Staff do not have to spend time and effort on trying to unravel their tax position.

Disadvantages:
- Individual tax bills may be more expensive and difficult to budget for – i.e. where tax is payable in a high tax location.
- Can be complicated and time consuming to administer.
- Difficult to explain to staff who make comparisons between the two approaches.
Methods of payment

All research undertaken as part of this study indicates that salary payment options will vary according to location and circumstances (both of the individual and the organisation e.g. registration agreement, local law relating to employment, taxation and movement of funds, nationality of the staff member), so it is not possible to offer a ‘catch-all’ solution. It is recommended that local research is undertaken in all cases.

However, the following may be worth particular attention. Payment to national staff in hard currency and/or outside the country may be illegal in some locations and should be checked. There may be greater flexibility in relation to international staff however, where the issue that many authorities will consider to be most important is the payment of all due taxation liabilities arising from the employment.

Many INGOs set and pay their internationally relocated staff a sterling or US dollar salary into a bank account in the country of their choice.

Some agencies also set local salaries in hard currency in locations which have a dollar economy, or where the exchange rate or rapid inflation make local currency a less attractive option for staff.

The general rule of thumb in this area is to investigate each country situation and be prepared to operate differently in various locations against a clear set of decision making criteria, rather than making a blanket approach on all occasions.
Step 7 - How will we measure success?

This takes the project plan full circle back to the aims that you identified right at the beginning.

Take time to think about what success will look like and how it will be measured. The chances are that, if you have implemented the reward project thoroughly, it may have taken anything between 18 months and 3 years, involving many staff and resources. Being able to demonstrate a return on investment to all your stakeholder groups will be important to the credibility of the system.

10 common mistakes in planning and executing a reward project

1. Starting at the end
Organisations which start at the end (i.e. decide on their approach, often prompted by what their competitors are doing, and then work backwards) are frequently ignoring their own recent history of pay system successes and failures.

2. Having no success criteria
...the absence of even a simple list of success criteria increases the likelihood of inherent inconsistencies in the objectives of the pay system.

3. Trusting the business strategy
...the process of aligning business strategy and reward strategy is made all the more difficult, especially if the business strategy is either unclear, poorly articulated or subject to radical changes in direction.

4. Equating complexity with flexibility
Experience has shown that pay systems which are not easy to understand or operate are the most likely to fail.

5. Confusing speed with haste
Unfortunately, cutting corners in pay system design — whether by inadequate consultation or pay modelling — frequently results in cultural, financial and employee relations problems which can take many years to resolve.

6. Focusing on excellence
Ideally, reward systems should allow the organisation to reward improvements in performance among the majority, rather than excellence among the minority.

7. Ignoring pay architecture
Making such a mistake can mean that the organisation is not paying proper attention to its grading structure or its pay architecture.

8. Failing to get real buy-in
Effort focused on winning buy-in from this key group of stakeholders early in the process of pay system design is usually repaid many-fold.

9. Having too much faith in line managers
A key rule here is to avoid designing a pay system which is beyond the capacity of the average line manager. A persuasive argument for simplicity.

10. Failing to integrate reward with the other strands of HR.

Of all of the "mistakes" described above, our experience is that two of them are most commonly associated with underperformance (at best) or system meltdown (at worst). These are numbers 4 and 8.

(Quoted from Stephen Bevan, Institute for Employment Studies, in www.e-reward.co.uk, feature article, November 2000)
Implementation

The way in which you implement and publicise your strategy and policy will depend on the culture and communication norms of your organisation. We have therefore not attempted to offer a “one size fits all” good practice implementation guide, suffice to say that clear communication and the opportunity to ask questions or involve staff in a discussion around the subject and its application within their operational context, as well as in the development of the policy itself, will help to raise awareness and understanding of the issues.

Conclusion

Developing a reward strategy for the first time, like developing an HR strategy, is likely to involve new ways of thinking and working, including developing a good understanding of the ‘business’, its goals and plans, and its culture. Good analysis and problem solving are needed to evaluate options. For major change processes, consultants are often brought in, to help ensure that all relevant aspects are considered, and to bring a wider knowledge of external practice. If developing a reward strategy in-house, it might be useful to identify an external challenger, such as a colleague or mentor from another organisation, or a pro-bono consultant.

The most important thing is not to be tempted to follow the latest fad, or simply to copy what other organisations do just for the sake of it. Taking a strategic approach to reward management whatever the size of your organisation, will maximise your chances of creating a system that is fit for purpose and meets your needs and those of your staff now, and in the future.

Finally, it’s worth bearing in mind the potential rewards. A successful reward strategy can make a significant contribution to the achievement of the organisation’s goals, as shown by the Oxfam case study in the appendix.

References and Resources

Reward Management, Michael Armstrong and Helen Murlis, 1998 Cogan Page/Hay Management Consultants – covers fitting reward principles to business needs

New dimensions in pay management, Michael Armstrong and Duncan Brown, 2001, CIPD – introduces total reward and strategic, business driven pay

CIPD Reward Management, 2005 – covers linking reward strategy and business strategy, and reward strategy in the voluntary sector

CIPD Total Reward, 2002 - case studies and guidance on implementing a total reward programme

Appendix 1 – Case study

**Oxfam’s Global Reward strategy**

Oxfam introduced a new Global Reward strategy in 2003, which aimed to:

- Improve competitiveness in recruiting and retaining key staff, and
- Encourage longer term careers.

Business drivers for the reward strategy included:

- Oxfam’s business strategy is to achieve greater impact through the synergy of working across humanitarian relief, development, and advocacy/campaigning areas, with an increasing blurring of boundaries between the three areas.
- A strategy of achieving greater impact through better leveraging programme experience to advocate for changes at country and world level to tackle the causes of poverty and suffering.
- Plans to expand both relief and development programme work.

All of these business drivers called for increased skills, especially management skills, ability to work across different work areas such as relief and development (e.g. livelihoods work as an aspect of emergency preparedness, and post-emergency rehabilitation), and being able to learn from and contribute to other aspects of Oxfam’s work.

It became clear that the traditional model of resourcing programme staff on term contracts, linked to donor funding contracts, was operating against these business objectives. Longer term careers within Oxfam would be needed for staff to develop the understanding of the business and combinations of skills required. In the short run, higher base pay and a competitive benefits package were needed to attract in experienced managers to help achieve the higher impact and expansion. In the longer run, improved learning and development would also provide a pool of talented people with potential for lateral development or promotion, thereby both reducing pressure on external recruitment and improving retention.

To achieve this reward strategy, Oxfam:

- Introduced a common world-wide pay and grading structure, using role profiles to ensure consistent grading of jobs world-wide, and a clear standard for designing job responsibilities, performance standards, and as a basis for identifying development needs.
- Introduced a global staff category, for jobs requiring skills from the international labour market and wide international experience. The reward package was designed to facilitate global mobility, using common base pay worldwide, with adjustments to take account of cost of living, ‘hard to work countries’, higher labour market rates in some countries, and differing tax rates.
- Workforce planning was used on introduction of the new structure, and embedded as an ongoing tool, to move the majority of staff onto long term contracts.
• The common pay and grading platform, and greater staff stability then enabled learning, career development, succession planning and talent management to be used to fill more vacancies by internal candidates, and redeploy staff within the organisation at the end of assignments.

• To send signals to staff and managers that Oxfam wanted to do more to ‘grow its own’ staff, and improve diversity, a development zone was created for staff promoted on potential or recruited to increase diversity without the normal entry requirements for the job. Pay is advanced to the main pay range following an assessment to decide whether development objectives have been met; this acts as a discipline to ensure that planned development does take place.

An evaluation review of the new Global Reward structure found that it had significantly improved recruitment of key staff, reduced turnover, improved diversity, staff expectations of pursuing a longer term career within Oxfam were increasing, and satisfaction amongst key staff with the ‘total reward’ package was very high.

Overall the reward strategy was judged to have had a positive impact on Oxfam's results, and to have contributed to enabling rapid scale-up for humanitarian responses in Darfur and for Tsunami relief, by pulling together a multinational group of employees from the existing world-wide talent pool.
Appendix 2 - Outline Reward Policy Template

Date of Policy Issue:
Issue Number:
Date of Policy Review:

Introduction

This template highlights the main areas that would normally appear in a reward policy. It is not intended to be prescriptive, but to offer a suggested outline as a starting point for those wishing to create such a policy document. Equally the order of the sections can be changed as necessary. Many agency policy documents focus on the mechanics at the expense of a more holistic overview. Taking the time to consider and link to other key management areas will make for a more robust document.

Overarching Policy Statement
Which reflect the ethos, principles and assumptions underpinning the organisation’s approach to reward management.

Definitions
Key terminology and definitions that will be used in the document including categorisation of staff groups e.g. national, regional, international and/or global, job family categories if used.

Reward approach explained
Sometimes referred to as the reward architecture. Clear and straightforward explanation of how the system is structured e.g. grades or broad bands, job evaluation mechanism, how salary is constructed and benefits identified.

The Mechanics
How decisions will be made and what checks and balances exist to balance individual flexibility with equal treatment.
How the system will be administered including tax, salary payment, deductions etc.
How starting pay is arrived at.
How pay progression will work – e.g. contribution/performance related, or time served.
How salary reviews will be conducted – market data, cost of living etc.
How/if pay reviews will be negotiated.

Links to other people management policies and activity and overall business strategy
Such as:
Recruitment and Selection
Contracts of employment.
Performance management framework – including competencies model if appropriate.
Learning and development strategy.
Succession planning and talent management.
Employer branding.
Samuel Butler

The following glossary attempts to offer definitions of some common terms that are used across the sector.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
<th>Term</th>
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<tbody>
<tr>
<td>International recruitment</td>
<td>Recruitment from global/international labour market. Post attracts remuneration package commensurate with the international market. Sometimes referred to as expatriate post. Some agencies offer a reduced remuneration package to appointees who are not expatriate nationals to the location of the posting.</td>
<td>Subsistence allowance</td>
<td>Fixed daily allowance for staff while working outside normal operating base in place of staff claiming for expenses. Allowance given for food, travel. Some agencies include accommodation expenses, others reimburse actual accommodation costs separately.</td>
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<tr>
<td>National recruitment</td>
<td>Recruitment from in-country labour market.</td>
<td>Per diem</td>
<td>Used interchangeably with subsistence allowance above.</td>
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<tr>
<td>International post</td>
<td>Post that attracts remuneration package commensurate with the international market. Sometimes referred to as global posts. For some agencies the package is dictated by the nationality of the incumbent e.g. Expatriate or national worker.</td>
<td>Core benefits</td>
<td>Benefits that apply to all staff.</td>
</tr>
<tr>
<td>National post</td>
<td>Post that attracts remuneration package commensurate with national/in-country market.</td>
<td>Leave</td>
<td>Holidays that are not public holidays Applies also to time off given for specific circumstances like</td>
</tr>
<tr>
<td>Package Type</td>
<td>Description</td>
<td>Leave Type</td>
<td>Examples</td>
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<tr>
<td>National package</td>
<td>Remuneration package designed to be competitive within the national market. Usually local salary and benefits package.</td>
<td>Home leave</td>
<td>Leave that provides a return to country of domicile/permanent residence after being in a country of posting for a given period. Usually offered annually or bi-annually.</td>
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<tr>
<td>Gross salary</td>
<td>Total basic salary before statutory deductions for income tax and national/social insurance</td>
<td>Accommodation allowance</td>
<td>An allowance that can be drawn upon to cover the cost of accommodation in the country of deployment. Some agencies provide accommodation rather than an allowance.</td>
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<tr>
<td>Net salary</td>
<td>Basis salary after statutory deductions income tax and national/social insurance deductions but NOT pension deduction. Often known as “take home pay”</td>
<td>Relocation allowance</td>
<td>Allowance for expenses related to staff having to move location to take up a post.</td>
</tr>
<tr>
<td>Benefits</td>
<td>Benefits that make up the total remuneration package in addition to salary e.g. annual leave, sickness benefit, medical insurance, relocation ad/or accommodation allowances, education allowance, home leave.</td>
<td>Domestic allowance</td>
<td>Some agencies provide 'live-in' domestic assistance, others provide an allowance and some provide neither.</td>
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<tr>
<td>Term</td>
<td>Definition</td>
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<tr>
<td>Staff</td>
<td>take up their post. Some agencies draw a distinction between staff who move within country and those who move internationally.</td>
<td></td>
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</tr>
<tr>
<td>Expatriate staff</td>
<td>Staff who are working in a country other than their country of permanent residence. Some agencies use this term for OECD nationals only.</td>
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<tr>
<td>Contingent pay</td>
<td>Any pay or bonus that is dependent (i.e. contingent) upon performance, competence, contribution, skill or service.</td>
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<tr>
<td>Labour market</td>
<td>Identified pool of suitable potential applicants.</td>
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<tr>
<td>Job families</td>
<td>A group of jobs within a function or professional area which have similar area of activity or basic knowledge, but where levels of responsibility may vary e.g. marketing, finance, programme management, fund raising.</td>
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Appendix 4: Additional information and resources

Visit the online People In Aid member resource site for examples of current INGO L&D policies. The People In Aid Policy Bank: http://www.peopleinaid.org/resources/policybank.aspx

Books and reports


CIPD fact sheets. Available on the CIPD website this series of short overviews give definitions, tips and up to date advice. Subjects include: total reward, job evaluation, salary surveys.

CIPD Reward at Work. February 2005. Ring binder manual containing submissions and case studies from reward practitioners and academics on a range of technical aspects of reward management.

e-reward fact sheets. Available to website subscribers on subjects such as job and career family structures, and contingent pay. www.e-reward.co.uk


Useful Websites

www.cipd.co.uk Chartered Institute of Personnel and Development:

www.e-reward.co.uk E-reward includes articles and guides plus links to a range of other resources and sites.

www.personneltoday.com Personnel Today:

www.HR.com HR.com:

www.worldatwork.org Website for reward professionals: Professional Association for Compensation, Benefits and Total Rewards (formerly the American Compensation Association)

www.economist.com/countries The Economist: updates on economic conditions and trends country by country

www.expatnetwork.com - Expat Network: advice to organisations and individuals including FAQs on offshore banking, removal arrangements, insurances, healthcare etc
Benchmarking sources

www.celre.co.uk – CELRE (UK) (National Council for Voluntary Organisations)

www.croner.co.uk - Croner (UK) annual charity survey

www.acevo.co.uk – Acevo – UK Voluntary sector senior management survey

www.peopleinaid.org Reward for international NGOs international pay and benefits and terms and conditions surveys in collaboration with ORC worldwide

www.orcworldwide.co.uk

Oxfam survey: contact the Reward Team at Oxfam tel. +44 (0)1865 311311


BOAG British Overseas Aid Network
Appendix 5 - Sample Reward Policy

RELIEF AID* – Reward Policy

Date of Policy Issue:
Issue Number:
Date of Policy Review:

Introduction
Relief Aid aspires to attract and retain committed and experienced professionals. Without excellence, our humanitarian relief and development work would suffer, we would have less impact, and we would not be able to achieve our mission.

We recognise that we operate in a competitive market for talented people and we need to be able to respond to this. We therefore acknowledge that different professions and types of jobs operate in different employment markets and hence the need to balance internal equity with external realities. We aim to ensure we pay appropriate amounts to attract and retain the people we need to achieve our mission.

We also recognise that our employment proposition includes non-financial elements and we endeavour to provide a total reward package that is affordable and helps make working at Relief Aid a rewarding experience in the widest sense.

Scope
This policy document describes the principles and overarching framework of the reward system at Relief Aid and applies to all staff. However, we recognise that staff groups have different needs and could be covered by different legislative requirements. The specific detail concerning salaries and allowances for your post and/or location will be contained in your contract of employment and/or your work location handbook.

Reward Principles
Relief Aid’s reward policy is underpinned by our organisational values and principles and aims to assist the achievement of organisational objectives. Specifically these reward principles are that:

- Our approach to reward will ensure congruity between the values of the organisation and the design of job evaluation, pay systems and benefits packages.
- Our reward packages will be designed to ensure the organisation’s ability to attract, retain and motivate the calibre and mix of people required.
- Our reward packages will be affordable to the organisation and ensure accountability to donors.
- Our reward packages will aim to be fair, transparent and flexible.
- We will ensure that our approach to reward pay does not discriminate on the grounds of gender, age, disability, ethnic origin and any other criteria defined in its Equal Opportunities policy.

* Fictitious agency
- Our approach to reward will be designed to recognise the value of individuals’ contribution to the organisation and its work.

- We will use job evaluation to establish the relative size of all jobs in the UK, including senior management team posts.

- We aim for a medium salary position within the agreed pay market.

- We will seek the views of staff in the development and implementation of pay systems.

**Definitions**

There are three categories of jobs at Relief Aid which are determined by the needs of the role, the job market in which these skills are to be found and from which it is recruited. They are:

1. HQ based (UK contracted and based)
2. International (jobs requiring combinations of skills and experience found in the international/global INGO market)
3. Non-HQ contracted (local hires)

**Reward approach explained**

**Job Evaluation**

Job evaluation is a practical technique for assessing the size of one job relative to others within an organisation. It is based on the application of consistent judgements, made by trained and experienced evaluators using a predetermined set of factors that are applicable to all jobs.

Relief Aid uses the Hay Guide Chart system to evaluate jobs for the purpose of allocating them to grades to which salary ranges are then applied. The same evaluation and grading system applies to all jobs in the organisation. The salary range which is applied varies depending on the job classification (HQ based, International, Non-HQ contracted) and location. The senior management team and Chief Executive jobs have been evaluated using the same methodology as all other posts.

Please refer to the full job evaluation policy document for details on how job evaluation is managed at Relief Aid including information on regarding jobs that have changed.

**Grades**

There is a grade structure at Relief Aid which comprises 6 grades with grade 1 being the most junior and grade 6 being the most senior. The senior management team and Chief Executive fall outside the 6 grade structure. Jobs are allocated to grades based on their job evaluation score.

**Salary ranges**

Salary ranges are applied to each grade and determine the minimum and the normal maximum that a job in that grade may be paid. Salary ranges are determined through external benchmarking against similar jobs in comparable organisations.

- For HQ staff this will normally be the UK voluntary sector market.
• For International staff it will be comparable INGOS.
• For non-UK contracted staff the local pay market and comparator organisations will be identified and agreed between the Country Director, International Director and HR Director.

Information on pay markets and benchmarking along with current pay ranges for each location and job category can be found on the people pages of the intranet.

Market premiums
Some functions command a market premium due to rare or specialist skills which have a high market value that would place them outside the normal salary range for their grade. In such cases, and on production and agreement of a convincing business case, a market premium may be agreed in order to attract and retain suitable staff. These premiums are market related and therefore are not consolidated into base pay. If market conditions change such allowances may be altered or removed altogether.

Benefits
All staff are entitled to the following benefits (pro rata to contract length). The detail of the provision and the balance of allocation between benefits may vary from time to time and location to location and you should consult your location handbook and your contract for more information:
• Pension or equivalent long term savings option where pension provision is unavailable
• Annual leave of 25 days
• Maternity, paternity and adoption leave
• Sick leave
• Medical insurance
• Favourable interest loans
• Travel insurance when on Relief Aid business
• Flexible work arrangements – subject to local conditions and business need

In addition staff on International contracts and who are expatriated will receive the corresponding relocation package – see international staff handbook for details.

Starting salaries
In general new recruits will commence employment at the entry point of the salary range for their grade. Exceptions to this could include one or more of the following:
• Where a market related starting salary has been agreed for a job or group of jobs which is higher than the salary range minimum
• Where significant previous experience leading to the reasonable assumption that the individual would be operating at a proficient level or above quicker than normal would warrant a higher entry point
• Where Relief Aid judges that an offer that takes previous salary into consideration is justifiable.

This is not an exhaustive list and any decision to offer a starting salary above the entry point must be accompanied by a business case and agreed with the HR Director.

Pay reviews
Salaries will be reviewed annually, however, no increase is guaranteed. Pay increases will be based on a combination of market intelligence and affordability. However, Relief Aid commits to offering an annual across the board increase in each location to offset cost of living increases however this will not necessarily equate to
inflation or other actual cost of living increases. Increases will be implemented in January each year.

Pay progression
We recognise that, as time goes by, you will develop new skills and competencies and your job will likely grow as you develop professionally. In recognition of this the annual pay review will include a second element to reward your contribution over the previous year. The amount will vary year on year depending on affordability and will be dependant upon you receiving a satisfactory performance review that demonstrates growth and level of contribution.

Links to other people management policies
Because we take a total reward approach which includes the wider employment experience alongside the pay and benefits elements we suggest that you also visit the following policies which are designed to help your experience of working for Relief Aid be as fulfilling and rewarding as possible:

- Performance management framework
- Learning and development strategy and policy
- Succession planning and talent management framework

Visit the online People In Aid member resource site for examples of current INGO L&D policies. The People In Aid Policy Bank: [www.peopleinaid.org/resources/policybank.aspx](http://www.peopleinaid.org/resources/policybank.aspx)