

Checklist for Working out a Pay Strategy

Pay Policy

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Overview

This section provides a checklist for country directors to use when deciding on a pay strategy for local British Council staff.

Audience

This section applies to country-appointed staff only.

Checklist**Step 1**

Consider whether there are issues and activities affecting your directorate or the British Council in the medium to long-term which may influence pay policy.

Guidance

Think widely about what kind of strategic issues the directorate may be facing over the next three to five years, and ask yourself the following questions:

- what will the future needs of the directorate be?
- how will these issues affect staffing?
- what internal/external activities will the directorate be involved in, in three to five years time?
- how will these activities be delivered?
- what in-house skills will be needed to carry out these activities?
- what level of skill is needed, for example an experienced computer programmer?
- do we have these skills already in the directorate (or can they be developed?) or do we need to buy in outside skills?

Step 2

Evaluate the current pay system as it stands today. Taking into account the answers from step 1, will the current system help or hinder progress?

Guidance

Evaluate the current system against the following:

- global principles on pay
- immediate concerns you or your staff may be having
- common success criteria for pay systems.

Below are some questions you may want to ask to help identify any relevant concerns. This list is not exclusive and other questions may well be appropriate to your particular circumstances:

- is the current system effective in supporting current business objectives? If not, why not?
- is there sufficient equity in rates of pay according to levels of responsibility and similar jobs?
- does the system reflect good employer practice?
- does it meet your legal obligations?
- do staff have confidence in the system? If not, why not?
- does the pay structure reinforce the appropriate message to staff?
- have you received complaints from staff about the current system? If so, what are they?

The following criteria, which are commonly used to evaluate pay systems, may be helpful:

- does the pay system facilitate the recruitment of the right staff?
- does it help retain the right staff?

- does it support efficient and effective staffing structures?
- does it respond effectively to an ever changing business environment?
- does it stimulate and reward individual contribution?
- does it encourage teamwork and co-operation?
- does it represent value for money?
- is it simple to explain and cost effective to maintain?
- is it understood and accepted by all parties?

Step 3

Decide on whether to remain with the current system, develop the system or introduce a completely new one

Guidance

Having evaluated the current system as it stands today and examined how it relates to the future, you need to come to a decision about what to do next. You may decide to either:

- develop a completely new system
- develop the current system
- remain with the current strategy
- defer making a decision.

Step 4

Find out about the strategic choices available.

Guidance

There are various strategic choices available:

- central pay or regional pay
- FCO system or British Council distinctive pay system
- upper quartile payer or lower quartile payer
- simple pay package or complex mixture of pay and benefits package
- global overseas grading structure or locally defined structure
- performance pay or pre-set increments

You will probably be able to adopt more than one of these approaches.

This is a good opportunity to consider different approaches to pay and to work out which ones may be feasible in your directorate. You should highlight where the directorate is now and where you want it to be in the future.

You will also need to identify any barriers which may hinder change. For example, there may be some important political issues to consider if you decide to move away from the FCO system, especially if you are co-located with the mission.

The table below gives a detailed description of each choice but you will probably need to talk things through further with Compensation and Benefits, HR before making a firm decision.

Central pay	Regional pay
Pay levels are set according to a national market and not a local market.	Pay levels are set according to a regional market. This may be appropriate to some of the larger countries where we have a number of offices and where there is evidence that the cost of living differs from region to region.
FCO system	British Council distinctive pay system

<p>The British Council offers the same terms and conditions as the FCO. The FCO undertakes a salary survey and we implement the recommended rates. This is administratively simple and cost effective to maintain but does not allow for any budgetary control and does not give the necessary flexibility often required of a pay system.</p>	<p>British Council undertakes its own salary survey of comparators. This is initially undertaken by a Compensation and Benefits consultant or by an external pay consultant and then managed by the directorate.</p> <p>This system gives you a number of flexibilities, such as being able to choose your own comparators, the timing of reviews, pay levels and benefits and the ability to add other pay design features such as performance pay.</p>
Upper quartile payer	Lower quartile payer
<p>Pay policy determines an organisation's relationship with the market. Our global policy is to pay according to what we need to recruit and retain in the market at a price we can afford. Generally, we tend to be median payers which means we position ourselves in the middle of the market. However, occasionally, you may need to position yourself as a high market payer to attract the high calibre staff you require, that is you pay a higher salary than the upper quartile range in a comparative survey. This situation is more likely to occur in a highly competitive specialised market.</p>	<p>A lower quartile payer will pay less than the average paid in the lowest quartile in a comparative survey. This situation may occur where the economy is such that you experience no recruitment and retention problems.</p>
Simple pay package	Complex mixture of pay and benefits package
<p>A rate is paid for the job and no elements (such as cost of living allowances, skills supplements) are paid separately. Everything is rolled into one package. A simpler pay package is simple and cost-effective to administer.</p>	<p>This will generally comprise a variety of separate allowances. The administration of such a pay package is usually costly, time consuming and complex. However, it may be more tax beneficial to a member of staff to have certain elements of pay paid separately.</p>
Global overseas grading structure	Locally defined structure
<p>The E-K grading structure which is currently used overseas, and ensures everyone in the organisation is included.</p>	<p>A locally defined structure is tailored to the needs of a directorate but may not bear any relationship to other directorates. It is especially designed to suit the local environment. For example, the UK has opted for 10 pay bands to replace the A-J grading structure. There has been a conscious move away from grades and more emphasis placed on job titles.</p> <p>Other pay structures may include spot rates, individual job ranges or pay spines.</p>
Performance pay	Pre-set increments
<p>There are a number of ways in which salary increases within a pay structure can be managed.</p>	<p>Individuals receive an increment more or less automatically irrespective of performance. Although this is easy to budget for, it does not</p>

Performance pay is linked to the assessment of performance - either of individuals, teams or the organisation. A distinction can be made between merit pay, which is based on post-hoc assessment of performance, and incentive pay in which both targets and rewards are determined in advance.

Competence pay is being used in some organisations which links reward to the acquisition or demonstration of defined skills and competencies.

give you any flexibility. For example, what do you do about staff who reach the top of the scale? You are rewarding their length of service, not their performance.