

Conducting Pay Reviews for Country-Appointed Staff

Pay Policy

Contents

Overview	3
Audience	3
Guidance.....	3
1 Agree on the methodology for conducting a pay review	3
Buying or commissioning data.....	3
Requesting PER to conduct a pay review	3
2 Select appropriate comparators for conducting the pay survey	4
3 Carry out a pay and benefits survey	4
Benefits.....	5
Using the results of a survey	5
4 Adjust pay scales in line with the market	6
5 Check taxation compliance.....	6
6 Revise the Terms and Conditions of Service (TACOS) document	6
7 Decide on annual pay increases.....	6
8 Communicate any changes to pay and benefits to staff	6

Overview

This section gives advice and guidance on how to carry out a pay review for British Council country-appointed staff.

Staff must be consulted and kept informed about all pay review processes. If there is a staff association, they must be closely involved in the pay review process.

Audience

This section applies to country-appointed staff only.

Guidance

Pay reviews should take place annually to establish pay increases for staff each year. In addition, there should be in-depth pay reviews every three or four years to ensure the British Council's pay and benefits package for staff is competitive and in line with comparable good employers.

An in-depth pay review may be taken more frequently if the country where the British Council office is located is susceptible to wide currency fluctuations or high inflation.

The process of conducting a pay review involves a number of steps, described in the sections below.

1 Agree on the methodology for conducting a pay review

An in-depth pay review may be conducted by:

- purchasing published or commissioning bespoke pay survey data from management consultants such as Hay, Towers Perrin, or Watson Wyatt
- requesting Human Resources (HR) consultants in HR Pay and Employment Relations (HR PER) to undertake a review.

Buying or commissioning data

Buying published pay survey data or commissioning bespoke data from management consultants, especially from well-known and reputable ones, can provide advantages in that the data often covers a wide range of organisations and is thorough. The disadvantage is that it can be expensive, and care must be taken to ensure the survey covers organisations comparable to the British Council, and is not exclusively based on private sector companies or certain sectors of the market, such as oil and gas or pharmaceuticals.

It is also important to pay close attention to the job matching exercise and ensure there is a like with like comparison. In this regard, Hay probably provides the easiest and best way of making comparisons, as its grading structure can be used to establish British Council equivalences.

If this option is taken, the initial terms of reference for the management consultants must first be agreed with HR PER. Any subsequent review undertaken annually by the management consultants does not need to be referred to HR PER.

Requesting PER to conduct a pay review

Requesting HR consultants in HR PER to undertake a pay review can be useful, particularly if there are other issues such as grading or employment relations that need to be addressed in addition to pay. HR PER consultancies are also often cheaper than management consultants as the British Council office only needs to cover the cost of travel and expenses, while the consultancy advice (initial and on-going) is provided free of charge.

If this option is preferred, requests for pay review consultancies must be sent to HR PER well in advance. Allow at least six months or more notification as HR PER regularly receives consultancy requests and has to schedule these in with project work.

2 Select appropriate comparators for conducting the pay survey

Comparators must reflect, as much as possible, the wider market and consist of a broad spectrum of organisations with a mix of international organisations, the private sector and the not-for-profit sector. British Council offices must also consider including organisations from whom staff are recruited and to whom staff are lost, as well as organisations that have structured pay and grading systems.

The table below shows the three categories of organisations from which British Council offices must select comparators. There must be a minimum of two and a maximum of three comparators from each category. British Council offices are not allowed to select comparators from one or two categories only; comparators must be equally chosen from all three categories.

Category 1	Category 2	Category 3
UNDP	Dutch Embassy	Save the Children
World Bank	Australian Embassy	VSO
American Embassy	German Embassy/Goethe Institute	Action Aid
Canadian Embassy	New Zealand Embassy	CAFOD
Multi nationals e.g. Shell, BP, British Airways	British Embassy	Oxfam
Major International Banks e.g. HSBC, British Council, Barclays, CitiBank, American Express	International Schools/Higher Education Institutes	Local companies or institutions e.g. Govt organisations, local banks, insurance companies, etc)
EU		Other comparable NGOs

3 Carry out a pay and benefits survey

A market or marker survey on pay and benefits is usually carried out by comparing the British Council's base salary, cash allowances and benefits with those of comparator or marker organisations. Base salary is a term used to refer to the salary-only element of the total salary package, not including any additional cash allowances such as transport, housing or location.

When comparing base salary or base salary plus cash allowances, the usual method is:

1. Compare the minimum and maximum of salary for each British Council grade with the corresponding comparator grade salary, which is further ranked from the highest to the lowest, pro-rated to match British Council working hours.
2. For each British Council grade, compare the comparator's corresponding grade minimum and maximum salary that falls in the middle of the ranked list with the British Council's minimum and maximum salary. The difference between these two results is known as the median market differential, that is, the difference between the British Council's salary range and the median or middle salary range of the group of comparators that participated in the survey.

An alternative method is to compare the mid point of the salary range rather than the minimum and maximum, as the width of salary ranges varies according to the type of pay systems used by different comparators.

Comparing base salary plus cash allowances is the most accurate way of ensuring all elements of pay are being compared. However, it may often be preferable to compare base salaries as sometimes it may not be simple to convert allowances into cash (for example, subsidised or free meals in a company restaurant), or to adjust for annual bonuses offered by private sector organisations, which can distort the total salary figure. Therefore, depending on the type of comparators surveyed, it may be easier to compare base salaries, but bear in mind allowances when analysing the final result.

Benefits

As well as salary information, a pay survey also includes a comparison of benefits. The benefits that are normally compared in a pay review survey are:

13 th month bonus	Leave bonus	Tax free benefits	Medical scheme
Death benefits	Accident and life insurance	Pension/terminal gratuity/provident fund	Transport allowance
Loans scheme	Saving plan	Free or subsidised meals provision	Language allowance
Family allowance	Educational allowance	Uniform or dress allowance	Annual leave
Unpaid leave	Long term sick leave	Maternity leave	Paternity leave
Compassionate leave	Study leave	Flexible working arrangements	

Some of these benefits may require particular attention, notably loans schemes and annual leave provisions.

The corporate policy is that loans should be discouraged as they can create a loan dependency culture and, possibly, administrative complexity in countries where the currency exchange rate fluctuates regularly. However, if there is a market practice of offering a loans scheme to employees, a business case can be made to HR PER.

It is common for many British Council offices to offer annual leave that increases according to length of service. This type of leave benefit can reward length of service and loyalty and can demotivate any new recruits who may bring new skills and experience. Therefore, it may be worth harmonising leave entitlements so that it is equal for all staff.

The British Council's Core Standards of Employment lists the minimum benefit requirements that every British Council office must have. The main ones are medical scheme, retirement benefits (that is, pension, terminal gratuity or provident fund), annual, maternity and paternity leave.

Note: Staff benefits cannot be changed or removed without the written agreement of all staff. Therefore, if you are planning to change a benefit you must consult all staff and, once agreement has been reached, allow adequate time for the change to take effect.

Using the results of a survey

The results of a salary survey, whether conducted in-house or purchased from management consultants, represent an aid or a tool for informing decisions on pay. A pay survey is not an exact science, and is prone to inaccuracies as the results are relative to the number and type of marker organisations that participate in the survey, as well as the difficulties of matching jobs. British Council offices must therefore be wary of following the findings of a pay survey exactly, but rather must use them as an indicator of salary rates in the wider market.

4 Adjust pay scales in line with the market

Once data on the market median has been collated, the pay scale can be adjusted according to affordability and the other factors outlined in the pay policy.

Usually, this entails adjusting the minimum and maximum of salary. This may also be used as an opportunity to review the structure of the pay scale to ensure differentials and overlaps between grades are appropriate. The salary range or spread may also be reviewed and adjusted, if necessary.

5 Check taxation compliance

British Council offices must ensure they comply with local income tax and social security laws and regulations. This means income tax and social security contributions should be deducted from payroll.

If offices are still linked with the British Embassy pay system, they may sometimes require staff to be personally responsible for declaring income tax. However, given that it is now corporate policy to de-link, British Council offices must ensure income tax and social security deduction from salary at source takes place as soon as they have de-linked.

Wherever possible, it is also worth considering whether the pay system can be made tax efficient, especially in high tax band countries, by including any tax-exempt allowances. Otherwise, it is better to keep the pay system as simple as possible. Taxable allowances should be avoided, as they can be cumbersome to administer, unless the allowance is a widespread market practice and is an essential part of a competitive pay package. If in doubt whether a particular allowance is taxable or not, it is always good to check it with the local lawyer.

6 Revise the Terms and Conditions of Service (TACOS) document

All British Council offices must use the template TACOS in section In-Country Core Standards and Terms and Conditions of Service. The TACOS document must be revised whenever there are any changes to the pay and benefits package.

All British Council offices must have the TACOS document checked by the local lawyer to ensure it adheres to local law. As well as ensuring the pay and benefits package is in line with local law, care should be taken to ensure other elements of the terms and conditions of service, such as probation period, contract, working hours, overtime and so on, comply with local law.

7 Decide on annual pay increases

Once a detailed pay survey has been conducted, market practice information on annual pay increases can be obtained by contacting the same markers that participated in the detailed pay survey. If the pay survey has been undertaken by management consultants, they may produce annual pay survey reports or be able to give, on request, market data on annual pay increases.

After gathering market data on annual increases, British Council offices may consider their budget, recruitment and retention issues and inflation, and then be in a position to decide pay increases for staff. The minimum and maximum of salary for each grade must also be reviewed at this time and adjustments made to benefits, if necessary.

8 Communicate any changes to pay and benefits to staff

It is important to keep staff informed of the pay review process throughout the various stages, so that they understand how decisions on annual pay increases and changes to benefits are made. In this regard, the staff association can play a key role in gathering staff feedback, especially if radical changes are being introduced.