

Autumn 2008  
a personal review  
of some current  
topics

# C ommentary

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on current HR and pay topics

After responding to a comment on my blog I began thinking about professional reputations and how you are much more likely to have a public presence in some roles and careers than others. The blog post was about the propriety of researching job candidates on the Internet. But that led me to think about things from the applicants' point of view.

In the entertainment industry, especially film, everyone's role is out there. If a film director admires the lighting in a particular film, or thinks the location researcher must have been especially inventive, there is a list, at the end of the film, of who did what. Those individuals can simply refer to that piece of work on their CV and everyone is able to check it out.

In most fields people are findable on the web once they become reasonably senior or join various industry or charity committees. For the most part, however, individual's work achievements go unrecorded and, at job hunting time, they must describe them in whatever cramped space you have given them on the application form and convince you, at interview, of their specific contribution.

The film industry is not the only one where attributions are public but a lot more could do it than do. Why not boost people's morale, and their job commitment, by being much more 'upfront and out there' about employees' contributions. If yours is a business that delivers projects or one-off events why

not include a list of contributors in the final report, or other literature. Have a company newsletter? Take the opportunity to record successes and name names. It does not have to be gushing. Just record the noteworthy event and list the team. You may not feel comfortable with employee-of-the-month schemes but a little publicity can be a very effective, cost-free way of extending your reward package. It may also encourage those managers who like to bag all the credit for themselves to be a little more inclusive.

~ ~ ~

A recent survey found that private sector employers expect to award pay increases at the same level as last year (3.5%). Whether that is what actually happens remains to be seen. They probably carried out the survey before the world imploded and I do not know the composition of the survey. It may be that 3.5% will be typical of those that do award increases. There will be some, of course, who will not be able to award anything. If your organisation is strapped for cash there is the psychological question of how small is too small. You can certainly go down to 3.0% without causing resentment - that has been the level of many settlements in recent years. So maybe 2.5% might be accepted; albeit with reluctance. But below that might zero be more motivational than, say, 1.5%. This presumes, of course, that the workforce can see the need for economy and trust that this will improve the

chances of maintaining employment and is not just a way of reducing redundancy costs. If cash is tight why not do something more creative. Just give a pay increase to those on the lowest salaries or on scale minima or any other group where others will see the justice of your selection. If you cannot give an increase at all can your business stand a one-off additional day's holiday at Christmas?

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This is my first newsletter since the spring but I post much more regularly on my blog "frankly HR":  
<http://tinyurl.com/42rsxc>

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  - ~ Organisation & role design
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## Shock Horror !

A regular sport for the press is to generate indignation on discovering that this or the other government department or agency has awarded Elots in staff bonuses shortly after some well-publicised disaster. So just what is behind the hype? Most of the Civil Service and Agency bonuses are really a replacement for previous performance related pay (PRP) schemes introduced in the 90s.

Once upon a time Civil Service pay was a national scheme with automatic annual increments to move everyone to the maximum of the pay range for their grade: often over a ten year period. This progression through the range was deemed to be cost-neutral because, taken across the whole Civil service, the incremental rises were offset by the savings achieved through turnover (people tended to leave a grade towards the top of the scale and be replaced by staff paid at the bottom).

Once delegated pay bargaining came in the mid 90s (each Department had to have its own pay and grading structure and annual negotiation) this calculation had to be 'proved' on a Department by Department basis. Of course there never was enough money to maintain the traditional rate of increment-based progression and award the expected rate of general increase to all (including those at the top of the scale whose progression had run out)

Some form of performance-related-pay was also obligatory and most Departments achieved this by linking the rate of progress through the range to personal performance ratings. Consequently, many departments ended up with two distinct groups of staff. Longer-service staff, who had already gained all their increments, paid towards the top of the range and those more recently-recruited who were stuck towards the bottom of the range. Apart from the obvious unfairness and demotivation this gener-

ated it also risked an avalanche of equal pay claims as female employees were more likely to be in the bottom group. The solution in most Departments has been to move to shorter scales with predictable progress through the range. The PRP requirement is often achieved using a bonus pool shared out on the basis of appraisal ratings.

There is a lot to be said for an annual, non-consolidated performance bonus. You maintain the important linkage between performance and pay without unduly distorting your pay relativities. It overcomes the problem of what to do with good performers once they reach the top of the scale (they have to re-earn their bonuses). In terms of employee motivation you get a lot more bang for your buck from a one-off sum.

So what are the key considerations in adopting such a scheme?

- **How to afford it?** This is down to finances, obviously, but the Civil Service groups have generally built up a pot by reserving a proportion of the total amount available for the pay review each year until they have amassed the appropriate amount. Thereafter, the bonus payments are not an additional cost.

- **How much to pay?** This is something of a 'piece of string' question but assuming it will be available to all staff you might want to aim for a pot of around five or so per cent of salaries. This is partly dependent on the gearing to performance (see below).

- **What performance measure?** Typically by reference to the appraisal rating. This assumes the appraisal system produces a rating. The perceived fairness and relevance of the performance measurement is critical in any PRP scheme and you may need to review yours alongside developing a bonus pot.

- **How sensitive a link to performance?** This depends a lot on your management style and on the nature of your appraisal scoring system. The bigger the difference in bonus between rating levels the more robust the ratings need to be. Again it may be time to review the definition of ratings and the guidance notes. In too many schemes the description associated with 'fully acceptable performance' is seen as

damning with faint praise. The result is that almost no one is awarded it, far too many are given the top rating and everyone, apart from those who are actually failing, receives much the same percentage bonus. That is pointless. Ideally, only a minority should gain the top rating and there should then be a distinct benefit for gaining that score.

There are many more sophisticated approaches to bonus schemes but ones such as these can provide a sound basis for reflecting individual performance without needing a lot of development work and payroll analysis. □

## Check Them Out

Being a belt and braces type when it comes to recruitment (born of experience early in my career) I was attracted by an article in the latest People Management magazine (<http://tinyurl.com/6awfp5>). It is about checking that the person you are hiring is the person, or has the qualifications, they say they are and, subsequently, that the person who turns up is the same as the one you hired (take a photo at the interview and make sure that the interviewer meets them on the first day).

The article provides ten, very useful, tips but the most important are the first two. One is to tell everyone at the start that you will check references, identity and qualifications - put it on your recruitment literature and application form. The other is rigorously to apply the same checks to everyone. This avoids discrimination risks.

I would add a tip of my own. Document the processes and assign as much as possible to a diligent and permanent member of the department. By permanent I mean someone likely to stay in the role for a long time. Typically this will be your admin officer rather than a young personnel officer who is following a progressive career. □



## Charity begins at home

Many of the larger, well-known charities receive most of their funding directly from individual and corporate donors and, while fundraising is never easy, it is relatively predictable. But many smaller organisations in this sector receive a large proportion of their income from government in one way or another. Once, perhaps, these charities raised funds independently; filling the gaps in local or national services.

Nowadays we expect more of governments and they, in turn, feel the need to control most everything so that, increasingly, charities are becoming agents of the state. More and more of their funding is coming from government (or, in the case of lottery funding, not coming from government as 2012 draws nearer). That would be fine if, as a charity, all you had to do to maintain yourself in business was do a good job.

Many funding contracts are relatively short-term. Three years is not long if you have to set up a team and administrative arrangements before you start to become effective. Then when renewal comes around services are likely to be rearranged, re-prioritised, bundled into different packages and subject an open competition. There is no shortage of organisations wanting to get into this area. Private sector and not-for-profit businesses are very keen to help the government spend its money. Politics (with both a small and a capital 'P') is often behind this. Ministers change jobs



with great frequency and there are no headlines in keeping things as they were - however well run. The consequence is that

when funding contracts end the renewal bid has to be for something slightly different; or, more likely, very different.

Everyone knows of the Citizens' Advice Bureaux but each one is a separate, small organisation and this work is now being wrapped up with that for a variety of other local advisory services and parcelled out via local authorities under one-stop-shop arrangements. Some CABs may even have to close. Careers advice is another case in point. Back in the early nineties I helped several careers service companies set up their reward systems having won bids to take over the local authority careers staff. A few years later that morphed into Connexions partnerships which, via a variety of operating models, provided a 'personal advisor' service to all 13 to 19 year olds. A couple of years ago the government funds for this were transferred back to local authorities and I found myself helping some partnerships reduce staff or close down.

So what has all that to do with the topics I cover in this newsletter? Not surprisingly, all this frequent upheaval and associated risk has consequences for pay systems, staff development and motivation generally. There are obvious sources for tension in areas where the same service is being delivered by staff from different organisations where salaries, career opportunities and, very significant nowadays, pensions are totally different. Organisations winning fixed term con-

tracts will often need to employ staff on a fixed-term basis for a specific project. Some funding contracts come with built-in inflation limits for increases in the staff cost element in the annual increase in funding. I know of charities that have incremental scales but do not allow staff working on such contracts to move through them. I am not sure how that gets round some of the equality rules and it would certainly never be allowed in the agencies and departments awarding the contracts. It is very hard to follow good practice and provide an effective psychological contract under these circumstances.

The saving grace is that organisations in this sector tend to attract those for whom motivation is more about the work and often have a younger, less aware, workforce. □

## Nostalgia is the Word

Fed up with those limited drop downs in Word?. You grew up on Win 98 and expect that when you click on File the drop down will show all the available functions (Print, Page Setup etc.) together with a list of recent files. Instead, from Word 2000 on, you just get three or four recently used functions and have to click on the downward-facing double arrow to see the rest of the list.

Want everything just like it used to be? Go to Tools, Customize, Options and uncheck "Menus show recently used commands first".

## Good Googling

Two tips for web searches that are worth passing on. The first is Google notebooks. You have to have a Google account - but that is free. Then download the notebook extension (for either Internet Explorer or Firefox). After that, whenever you find something on a web page that you want to save

Note this works with any browser not just Google and my other tip is an alternative to Google for web searches. Info.co.uk is a 'metasearch engine' that queries and combines results from Google and 13 other leading search engines and online directories. I find it gives better targeted results and presents the information in a very clear format. Give it a try. □

## HR by Numbers

I posted comments on my blog (<http://tinyurl.com/42rsxc>) last month about the newly launched CIPD toolkit on Human Capital Management. My post was a bit of a rant about the terminology of HCM (to parody the Prisoner TV series, I am not a piece of capital I'm a person) and criticised the toolkit for trying to put far too many disparate things under this heading and using too much HR babble. But I was complimentary of much of the actual content and suggested that you pretend it is entitled "Useful Workforce Measurements" and choose the ones that are useful for you. So here I want to expand on that and talk about HR metrics that might help you demonstrate the importance of your contribution.

What data, if any, does your organisation use to run the business? Most commercial businesses will use one or two high-level workforce ratios that provide a rule-of-thumb guide to how the business is doing. It might calculate profit or sales per employee or per £ of employment costs. In production-based businesses it might link output to employee numbers or hours worked. Service companies might monitor the ratio of fee earners to support staff. Whatever they use does HR 'own' it or is this seen as a management tool? Does HR link any of its statistics to that ratio? If your organisation does not rely on ratios of that type why not start a discussion about developing suitable ones.

What about the more traditional HR metrics on turnover, retention, absence, age distribution, etc, - all that stuff you learned on your CIPD course all those years ago.? Are you using all the ones you should and are

you taking the lead in interpreting them? All too often HR gets into disputes, usually, with Finance about reconciling HR statistics with payroll statistics. There are often good reasons why they differ but HR comes off worse because it has not set up sufficiently rigorous recording and analysis processes to justify its own statistics and take the high ground.

Then there are all the activities that are essentially HR-run processes. Recruitment, training, performance management, reward, exit interviews, succession and promotion and many more. If you are seen to be running these in a business-like way with good numerical data and success criteria from which you feed useful information to managers the greater the chance that HR will be viewed as a front-line part of the operation and not just a service function.

Recruitment is one area where everyone loves to criticise HR's performance. Especially when the delays occur because they could not be bothered to send you a JD and person spec. on time. So set up some serious monitoring statistics and get your retaliation in first.

The benefits of training are notoriously hard to validate but activity is easy to analyse and report on. Do so regularly and, at the very least, you will not have to panic next time the CEO asks how much we spend on training. Try linking training costs to other metrics such as recruitment, turnover, appraisal or competency scores.

Appraisal statistics - compliance (coverage and timeliness), distribution of ratings, quality of, and performance against, targets - are all areas where data adds quality to activities which are susceptible to uninformed



### Life's a breeze

- ~ there are 366 days this year
- ~ you give your staff 33 days holiday (25 annual + 8 public)
- > this leaves 333 days
- ~ but working day is only 8 hours (1/3 of 24 hrs)
- > so really only 111 days (333/3)
- ~ but they get weekends off (2x52 = 104)
- > this leaves 7 days
- ~ CIPD survey finds average sick absence = 7 days
- > this explains a lot !!

attitudes. I have written before about the need to analyse your salary structures to help with budgeting and planning but why not relate them to changes in engagement scores from your annual employee survey, if you do one.

A word of caution: HR tends to attract entrants from the woollier side of academia who, despite coverage on CIPD courses, do not always have a deep grasp of statistics and mathematical logic. Give extra care to ensuring that your conclusions are logically sound and that all the tables cross-reference and total properly. There will be those at the management meeting who will spot anything that is not correct and your argument will be shot from under you. □

