



CASE STUDY

DEVELOPING A NEW PAY STRUCTURE



Reward Risk
Management

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Developing a new pay structure

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Your pay structure can be one of the most useful tools you have in your business, or alternatively it can be the most unhelpful.

An out of date or under-appreciated pay structure can be fundamental to preventing you from achieving your goals.

The lack of a structure can cause confusion and become divisive.

In this case study we consider how RRM Ltd. helped our client to develop a more robust pay structure.

THE CHALLENGE

The client had been struggling for a while with the lack of a defined pay structure.

When the business was small it had been easy to decide who were executives, managers, team leaders/supervisors and staff.

But now the business was a significant size and more growth was on the horizon.

PROBLEMS INCLUDED

- Defining role levels had become particularly difficult at the managerial/team leader levels, where some managers were in reality supervisors and vice versa.
- Benefits and terms were aligned to job type and sometimes job title and it was unclear whether some roles were entitled to managerial benefits or not.
- There were incumbents who were, for historical reasons, paid significantly different to their colleagues and/or the market for their roles.

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PROBLEMS INCLUDED

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- The paybill was out of control as managers made unsupported decisions to increase salaries for staff in order to prevent attrition.
- The HR team were the last to know about pay decisions.
- Directorates operated in silos and there was little thought to the impact of decisions across the business.
- There was potential for an equal pay or gender discrimination case.

WHAT DID RRM LTD. DO?

We worked with the Director of HR to identify which roles were in scope and establish what information was needed to support the review.

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KEY STEPS INCLUDED

- Discussing and reviewing the client's concerns and agreeing what needed to be addressed.
- Establishing a headline strategy to use as a guiding principal.
- Using KPlan job evaluation to assess and size a core group of roles and create a framework for assessing the rest of the business.
- Identifying which pay structure would work for them, applying the job evaluation results and assessing the outcomes.
- Assessing a market rate for each post based on a combination of data from RRMPaylink (our database of salaries) and a variety of other comparator information.
- Presenting cost and impact models of the options for new pay structures.
- Supporting presentation of the proposals to the Directors with reports and examples.
- Developing a pay policy and guidelines to help line managers with their pay decisions.
- Support with developing communications materials for the roll out.
- Training a panel to carry out future evaluations to ensure longevity in the process.

WHAT WERE THE OUTCOMES?



- The client was able to take a report to the directors that evidenced the benefits of the proposed new structure and highlighted where the risks lay.
- Directors supported the introduction of the new pay framework and reinforced the key messages within their directorates.
- Senior managers were able to see how their team's roles compared across the wider business and it was evident that some roles were particularly out of line with their colleagues and cohorts.
- The response to some early queries from managers showed that the new pay structure would help the business to gain control of its paybill and manage concerns with ad hoc decision making.
- Staff could see that there was a process for pay decisions and felt more confident in the outcomes of those decisions.

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WHAT WERE THE OUTCOMES?

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- The exercise also highlighted pockets of the business where the resultant hierarchy showed that there were too many levels of jobs within the teams and lack of clarity over who owned some key responsibilities. Managers were able to rationalise their structures and remove some of the unnecessary posts.
- A gender pay gap review produced some positive indications that the final reporting statistics would be favourable.
- The HR team has a stronger position in the business. They have developed closer relationships with the business and are reaping the benefits of early inclusion in business decisions.

GET IN TOUCH

We can help you ensure that individual performance is rewarded fairly by developing a pay structure that will help you to attract and retain employees. Contact us to find out more.

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