

# Cipd int diploma reward management assignment

Sociology



The main External Factors are: a. Political: the Job market in the UK is split between Public sector el Government and Private sector. Government policies have control of reward strategy within the Public sector. Which Influences pay Increases and pension. Traditionally public sector employees were paid slightly less, but benefited from final salary pensions and higher job security. The government over the last few years has discouraged pay increases in the public sector, particularly as the pay rates are almost in line with the private sector now.

It has also been urging the private sector to follow the same guidelines as regards pay Increases.. B. Economic: If there Is a surplus of skills In the market where there Is demand for those skills , the ' price' for those skills becomes more competitive, so salaries decrease. However conversely , If there Is a shortage of skills in the market and the demand for them is still high, the ' price' goes up, so salaries increase. There are several theories which demonstrate the effects on pay: I) Classical Economic Theory : Where a surplus of product means the price will drop and a lack of skills means the price will rise.

This can be demonstrated as follows: leading up to the year 2000, there were fears that computer systems would not cope tit the change of century. IT consultants were In high demand and so their salaries increased enormously. II) Wages Theory : this Is where an organization makes a strategic decision to pay higher rates of pay than competitors for the same skills. The reasoning behind this is to better place themselves in the market, have continuity of staff, as staff will be more reluctant to leave them. They

will have it pick of the best skills in the market which will lead to better productivity.

Microsoft is a good example of this. III) Human Capital Theory: this is where the employer simply rents as set of skills. A good example would be outsourcing. This could be short-term or long-term. Where a company needs expertise in a certain area of its business and they buy a set of skills from either an individual or agency for a period of time. It is simple a business relationship which can be terminated at any time. C. Social Due to the current recession demand for jobs is high, as unemployment is rising. This results in salaries not needing to be as high.

In 2010 there were 42, 000 fewer active businesses in the UK than In 2009, with 297, 000 businesses closing in that period (Mail Online Deck 2011). This can also be geographic due to closures of large employer. When Rover group closed in Birmingham in 2005, ( 2400 job losses), both local authority and national government were involved in re-training initiatives . Demographics also influences reward. Typically higher salaries are paid in the South East of England and London, due to a higher cost of living and more company head quarters( higher salaries paid) d.

Technological: There are several Influences due to increased due to email, laptops and mobile smart phones, secretaries to answer correspondence are not required. However for these technology companies (egg Microsoft & Google) to stay ahead of the their competitors they have to constantly attract the best and most innovative staff which may impact on the pay

structure within an organization.. E. Law/Legislation This links back to Political, where laws are passed to control Reward.

Some of the most recent include National Minimum Wage, Equal Pay and Age Discrimination, as well as other discrimination laws. I) National Minimum Wage, introduced by the Labor Party as part of the Mastic Treaty 1992. The treaty had requirements for there to be a minimum standard of living for all citizens. The National Minimum Wage met this requirement. Is was highly criticized before being introduced , but did not have the negative impact on business as was suspected. This was partly due to the level being set fairly low upon introduction. There are set rates within 3 bindings according to age. ' ) Equal Pay The Equality Act 2010, which encompasses the Equal Act 1970, made it unlawful to pay men and women differently if they were employed in : ; Like Work: the legislation defines that the work does not need to be identical but ' work of the same or broadly similar nature'. As demonstrated in the case of Capper Pass v Layton (1977) where a sole male cook (Layton), working 40 hours per week cooked for ten to twenty people per day, was deemed to be doing like work as two assistant male chefs, working 40 hours per week, but with 5 h hours over time paid and who were preparing three hundred and fifty meals per day.

They were both paid more than Layton. It was noted that the skills and experience were similar in both Jobs - hence it was ' like work ; Work rated as Equivalent - where two different Jobs have the same grading within a grading structure or when evaluated and when each component is broken down the jobs are rated as the same score. An example of this is Birmingham City Council v Abdullah (2012). A group of woman workers, <https://assignbuster.com/cipd-int-diploma-reward-management-assignment/>

many of whom had left the council a number of years previously and who had been employed in roles such as care workers, cleaners and dinner ladies took their claim for Equal Pay directly to the Supreme Court.

It emerged that the woman, whose Jobs were the same pay grade as their male counterparts, who worked as refuse collectors, road workers, grave diggers or street cleaners, but who were not entitled to the same bonuses and paid much less as a result (up to 19, capable). The Supreme Court ruled in the women's favor under the equivalent work ruling. Work of Equal Value: This is the most difficult to determine and is normally assigned to an independent expert by the Employment Tribunal.

An example would be *Pipestone & Others v Freeman's PI* (1988). Female warehouse operatives claimed against their employer for equal pay with their male checker warehouse operatives as they were doing work of equal value. The case was dismissed initially by the tribunal as the woman was also employed in 'like work and' work rated as equivalent' with that of a man other than her comparator . However this was over ruled on appeal and she can make a claim for Equal value work. 1) Age Discrimination: The Employment Equality (Age) Regulations were introduced on 1 October 2006 (now included within the Equality Act 2010) to make unlawful to treat any employee differently to any other employee in respect of their age. This includes paying people based on their age (other than under the National Minimum Wage). Proved to be a business reason, which in real terms is incredibly rare. ' v) Other Discrimination Laws provide that no employee is treated detrimentally according to any of the following: Sex, Race, Religion, Disability, Sexual orientation, Gender

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Reassignment, Age, Part-time status, trade union members, contractors. F. Environmental/ Ethical: A lot of International companies have received a lot of bad publicity internationally due to employing lower cost labor in third world countries and being seen as not rewarding them fairly. Then there are the International Tax avoiders who due to complex company structures avoid paying I-J Corporation Tax. All these can have a negative impact on the brand image. G. Global/elimination: Benefits of globalization are not always evenly spread within the global market.

However it does give better freedom of movement of labor where companies require it the most. Historically we have seen many of the UK's manufacturing companies relocate to cheaper areas such as China, India and Eastern Europe to keep costs down. The impact on the company may be lower health and safety practice in other countries, cultural differences and different working practices and attitudes. 2. The main Internal Factors impacting reward are: a. Company Policies and Procedures.

These are in place to ensure fairness and that there is a uniform approach to deal with how a company operates, as well as being driven by legislation where appropriate. Employees need to see that companies are acting fairly and within the law. Where policies are not adhered to, this indicates a lack of company control, which may result in legal proceedings and costs to the company, both financially and in reputation. B. Company Structure 1) Centralized. – when the organization is structured so that only a few senior staff in key positions have the authority to make organizational decisions.

This can be problematic in organizations of more than one site, where these key staff are based in a Head Office. It also means that senior managers have to deal with trivial day to day matters, Junior become De-motivated with their own lack of authority, decisions are not made by those doing the work. However it makes it easier to co-ordinate activities when only a small group are involved, senior managers know what is happening within the business and it avoids duplication of activities. I) De-centralized - when an organization only retains a skeleton staff in the Head Office to deal with financial control matters, legal issues and more strategic company issues. This means that decisions can go ahead more quickly and divisions or subsidiaries enjoy greater autonomy. II) Matrix - This was developed within the aerospace and defense industry where the work is very project driven. These projects may be long or short-term and each project has its own specialists for every function. Companies such as Babcock Systems & Rolls Royce operate like this. V) Flexible - This is where companies are quickly adapting to new demands and technologies to function effectively and by retaining their core staff this allows for the workforce to increase or decrease due to demand. BORN and Network Rail have many temp contract staff to (1967) based on his experience with General Motors and is a variation of De-centralized. Here the organization was structured into separate divisions, each having their own manufacturing, sales, distribution and service functions, but having a central finance, planning, HR, engineering and legal. 'I) Process Based - where a company still has designated functions but the focus is on getting the functions to co-ordinate their efforts to deal with new business demands such as marketing and sales. So teams work together on how to approach customers and the market, whilst maintaining a smooth

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flow of work. C. Company Culture – the way in which a company operates.

Daft (1998) suggests there are 4 Different models of Corporate Culture. i) Clan (Collaborative) Everyone is encouraged to contribute.

The organization has a friendly, family feel to it with less structure. This lends itself to Creative organizations such as Design or fashion it)

Entrepreneurial (Autocracy) – A dynamic culture where the need for flexibility and change are required to meet customer demands. Experimentation and different thinking are key to ensuring the company is cutting edge in its field.

This would Microsoft and Google. iii) Bureaucratic (Hierarchy) – Highly structured and formal environment, with rules and procedures in place.

A stable and methodical approach. Tends to be companies such as Civil

Service. iv) Mission (Compete) – a results driven organization driven by Job completion. Very target driven, goal oriented people. Focus is on profits and sales. Recruitment agencies would be a good example. There are a number of sources which can be used when designing a reward system. We will look at 5 of the key ones in more detail. Job Advertisements Using media, Job boards to obtain data from similar Job posting for salary and benefits

Advantages:

Readily available, low cost, highly visible (to employees and employers), up

to date, specific data Disadvantages: Pay information may be misleading and exaggerated, difficult to match Jobs precisely so can be inaccurate. Sector

Salary Surveys These can be purchased from Job boards, specialist consultancies (Hay Group) and contain data for a particular sector.

Sometimes they are posted in specialist sector publication IEE Global

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Advantages: Focused by sector, good amount of information, sector specific to ensure better accuracy of data. Relates to company business

Disadvantages: Imprecise Job itching, expensive for specialist surveys.

Don't stay up to date Recruitment Agencies As this is their core business they are dealing with Job vacancies every day and building up data on pay and benefits specific to locations and industry sectors. Advantages: Sector and Job specific information, up to date information on current trends.

Disadvantages: Check information is not too general, they may charge if you are not These are groups of employees who regularly exchange data relating to pay and Focused , precise Job matching, low cost, relevant to Jobs, regular information, up to date data.

Disadvantages: Small sample sizes, time consuming, lots of administration involved Other Market Intelligence This is data obtained from networking with similar employees from other companies either formally or informally to collate pay and benefits data Advantages: Free, provides good background information Disadvantages: Unreliable, not regularly available, sample size very small. There are a number of factors within an organization can be used to inform reward decision and ensure that money is well spent. These include: Exit Interviews Formal meeting of departing employee and line manager or HRS. Advantages:

Establish trends within an organization or individual departments. Sample size may be small. Disadvantages: Employee may not always give the full or accurate reasons why they are leaving. Absence Monitors sickness absence May highlight problem areas where employees feel they do want to come to

work, rather than there is actual sickness Disadvantages: Not always an indicator of issues as may be seasonal (flu) Recruitment Difficulties Is the company finding hard to recruit what should be easily available skills in the market. Advantages: Highlights potential short fall in company reward in comparison with local monitors.

Disadvantages: Poor reward is not the only reason people do not want to work for a company. Attitude Surveys Normally annual confidential surveys for all employees useful feedback on recently introduced company-wide initiatives. Can monitor changes in attitude. Disadvantages: none Retention Figures Data on company leavers Changes in retention can indicate possible reward issues Disadvantages: Leavers are not always reward related.

Grievances Consider any which are reward related (not only formal claims but also any discussions with line-managers) Advantages:

Increase in grievances suggest problems with reward Extreme - Industrial Action Suggests indicates significant grievance. Disadvantages: May be not taken seriously enough Internal Business Factors Looking at company profits, sales, projections and what the business can afford Job security - keeps the company profitable Disadvantages: Poor performing may not be able to afford the best candidates for the Jobs Both Internal and External factors need to be considered from the perspective of what the business can afford and also in terms of what type of people it needs to attract.

We need to ensure the business optimists profitability, whilst ensuring employees feel as though they are valued and receiving a fair reward for their skills and experience within the Job marketplace as a whole. Which

means we constantly need to be aware and monitor both internal and external factors to retain the best quality workforce. The company I worked for was a military Maintenance Repair and Overhaul company based in the Middle East. The company has a very rigid pay structure which included grade B through to N, and which were then broken into 9 bindings within those reads.

The core business is maintaining our customers aircraft, hence 85% of the workforce are Aircraft Maintenance Technicians. For one contract we had to supply aircraft maintainers but also people to train the aircrew sensor operators. We recruited 2 Sensor Operators who fell under our training department. Trainers are employed as mid level Grade J. Both candidates were employed at this Grade. Problems arose because these employees had to fly in the low level surveillance aircraft to train the military how to operate the sensor equipment - so in reality they would be classed as Air Crew which would be paid a much higher rate.

Because we did not employ aircrew and we could not change their classification we had only one option we could offer them, which was a Per Diem allowance for days which they flew in the aircraft. This would take their salary up to the level they required, however this proved unacceptable to both employees. Both employees left the company. The only reason this happened was a lack of understanding by senior staff of the Job role and subsequent level of reward for Air Crew.