



JOB DESIGN AND PERFORMANCE TOOLKIT



A collaborated between Mercer, the Public Service People Managers Association and The Local Government Association.

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INTRODUCTION

Mercer has collaborated with the Public Service People Managers Association and The Local Government Association to develop a toolkit designed to give local authorities guidance on how to address two key aspects of strategic HR management which they may be considering:

- Simplified job design; and
- Linking pay to performance.

Addressing these issues has the capacity to improve services and to create efficiencies. The successful implementation of changes will enable local authorities to develop better approaches to creating a motivated and engaged workforce and carrying out the right activities to enable the efficient and effective delivery of services. They will help councils to adapt to on-going changes more effectively and give them a basis on which they can develop their talent for the future.

Decisions about job design and the most appropriate approach to pay are best made within individual councils, taking into account a number of relevant factors. There is not a single best approach and this guide is intended simply to assist councils in making judgments and decisions that are right for them.

SIMPLIFYING JOB DESIGN

Many local authorities have a large number of separately defined jobs and this may lead to inefficiencies.

The reasons for this are:

- **Job design is complex and inflexible**, so it is often difficult to make changes where these are needed to deliver services more effectively.
- **Substantial resources are required to carry out job evaluations** under the processes that have been adopted.
- **A relatively minor change to a job can lead to consideration as to whether the job should be re-graded**, resulting in pay drift and additional cost. Cataloguing can allow for much clearer processes to establish any need for re-grading quickly and easily.
- **Complex job design leads to inefficient workforce planning and talent management processes**. Insufficient focus on the skills of individuals and too much emphasis on job content make it difficult to manage resources flexibly.
- **Job descriptions are sometimes changed to secure the desired pay outcomes**. Although job enhancement is a perfectly respectable process to improve services and workforce development there is considerable case law warning against spurious exercises.
- **Over-complex job design makes the process of implementing change more difficult**. This is because there is often a perceived need to redesign jobs in detail and it is often difficult to identify where common skills exist within a local authority.

Detailed job design may have been necessary to support the job evaluation processes needed so that local authorities could put in place fair and transparent pay systems as part of single status. However, the systems that emerged from single status were designed to minimise equal pay risks and do not always support the need for more efficient and flexible ways of working.

Traditional local government job descriptions have been based on detailed lists of activities rather than on the people skills that are required to deliver outcomes. In times of financial austerity and the transformation of public services, this guidance will support local authorities in taking a fresh approach to job design.

ESTABLISH YOUR OBJECTIVES AND PRINCIPLES

The objective should be to design an approach to address each of the previously mentioned issues.

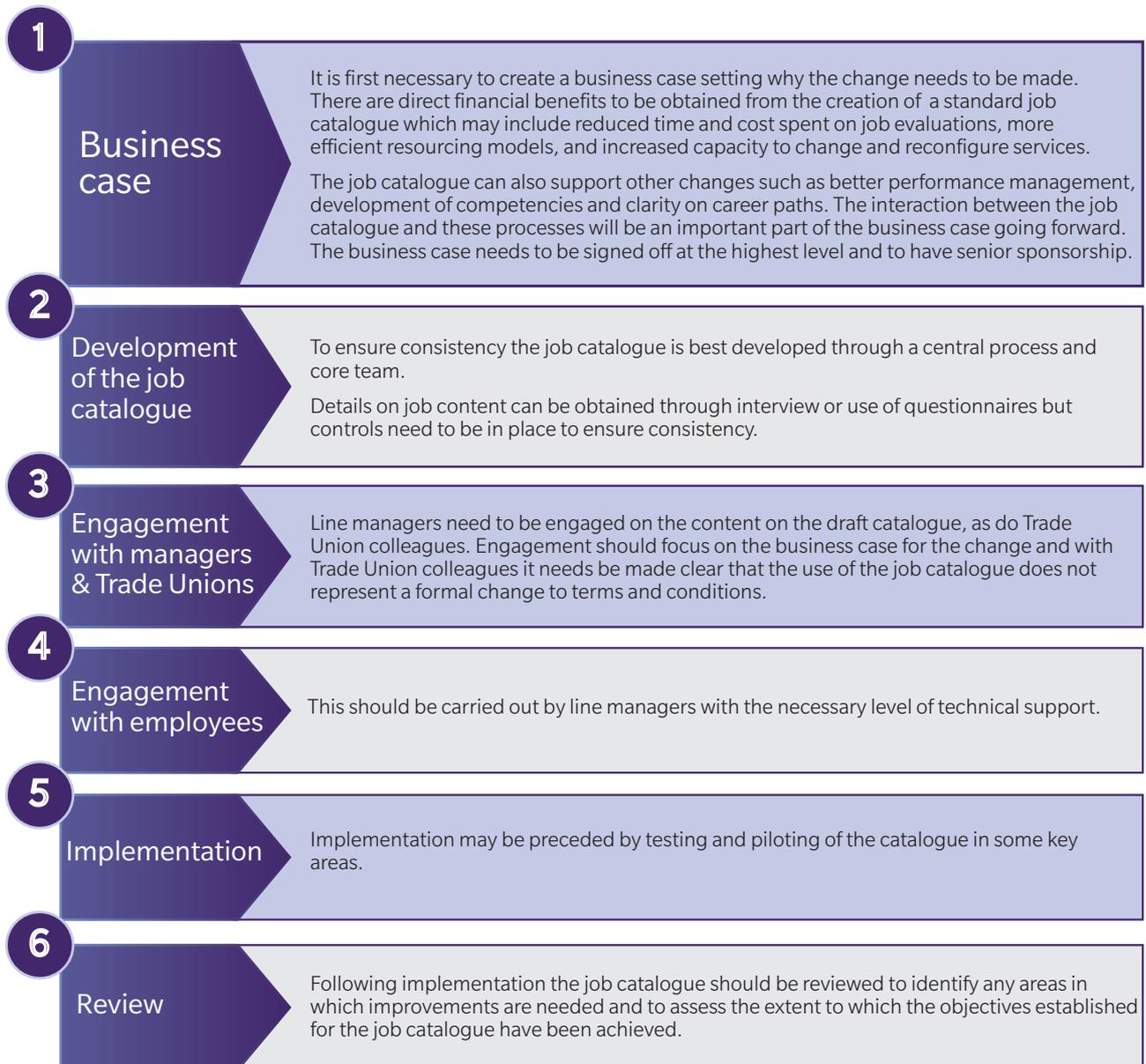
This can be achieved through a simplified job design process based on the following guiding principles:

- A single job catalogue should be created to cover all jobs across the local authority. Jobs should be matched to those in the catalogue and no new job description can be created unless it is formally decided that an addition to the job catalogue is needed.
- Within the job catalogue, jobs should be grouped together into job families so common career paths and skill sets can be identified. Levels should be defined to enable performance management and competency expectations to be linked to these.
- Each job description should be written as a simplified role profile. Detailed activities to be carried out should be documented through the performance management process rather than forming part of the job description.
- Each role profile should also document the behaviours that are expected of the role, and these should be consistent across each level.
- Pay and grading implications should be kept separate from the implementation of the approach to simplified job design, ensuring that job design is not influenced by pay considerations.
- It should be explained to staff and unions that the cataloguing process in itself is not a re-grading exercise or a change in individual responsibilities. It is aimed at streamlining processes for all concerned during the inevitable organisational change exercises which councils and their staff are increasingly experiencing.

WHAT APPROACH SHOULD YOU TAKE?

Each local authority will wish to adopt it's own approach to job simplification, depending on its priorities, culture and employee relations environment. The engagement of line managers, Trade Union partners and employees during that process is essential.

Below we set out a suggested process for the implementation of a job simplification process.



Each stage of the process should be subject to rigorous quality assurance and governance processes. These should ensure that the job catalogue fairly reflects the range of jobs across the Council to manage the subsequent risk of Equal Pay claims.

EXAMPLES OF GOOD PRACTICE

BUCKINGHAMSHIRE COUNTY COUNCIL

The County Council moved from over 1,000 detailed job descriptions towards having just 150 role profiles. All jobs are placed into one of ten job families, and these were linked to the Council's competency framework and performance management processes.

NHS AGENDA FOR CHANGE

The NHS Agenda for Change system uses job profiles for matching JDs of commonly-occurring jobs to, organised in job families. Each profile is a fully-evaluated summary of several real jobs and NHS organisations access the profiles and other information online and use this to match their jobs to. Any unusual roles for which there is no profile have to be fully evaluated using a job analysis questionnaire. This enables a consistent approach to job evaluation for around 1.2 million employees.



LINKING PAY TO PERFORMANCE

The use of performance-related pay is controversial in local government, and this is an issue that often divides opinion sharply. The question as to whether performance-related pay works is dependent on:

- The objectives established for performance-related pay, which should directly influence the design of any arrangement.
- The nature of the workforce, recognising that performance-related pay is better suited to some jobs than to others.
- The capability within the organisation to assess individual performance, in terms of both the quality of line management and supporting systems and processes.
- In recent years many public sector organisations have adapted their pay progression arrangements to link these more closely with performance. The Local Government Association has published research on the current approaches which shows that 32% of councils have made changes to their systems. Headline messages from the research are in [Annex A](#) along with a link to the recommendations based on the research. The recommendations are designed to show the simple moves that any council could quickly implement before assessing the need for more complex changes.

The movement towards linking increments more closely with performance is an important first step on the journey towards linking pay with contribution. The following sections deal with some of the fundamental principles relating to performance-related pay and provide some examples as to how it may operate in local government.

ESTABLISH YOUR OBJECTIVES AND PRINCIPLES

The first step in the design of any approach to linking pay with performance is to establish a clear view of what needs to be achieved. Often there is confusion as to what the objectives of systems of performance-related pay should be and this makes it difficult to assess the effectiveness of such arrangements.

Sometimes the stated objective is excessively ambitious and there is a hierarchy of possible objectives as illustrated below:



Many systems of performance-related pay in both the public and private sectors are purportedly designed to achieve all of the objectives listed above, not recognising that the more ambitious and difficult objectives may not be achievable. Legitimate and successful systems of performance-related pay can be established to achieve less ambitious objectives, so it is important that objectives are clear during the design stage.

In local government, performance-related pay is unlikely to operate effectively if the primary objective is the 4th objective (see above), therefore the focus should be on the 2nd and 3rd objectives.

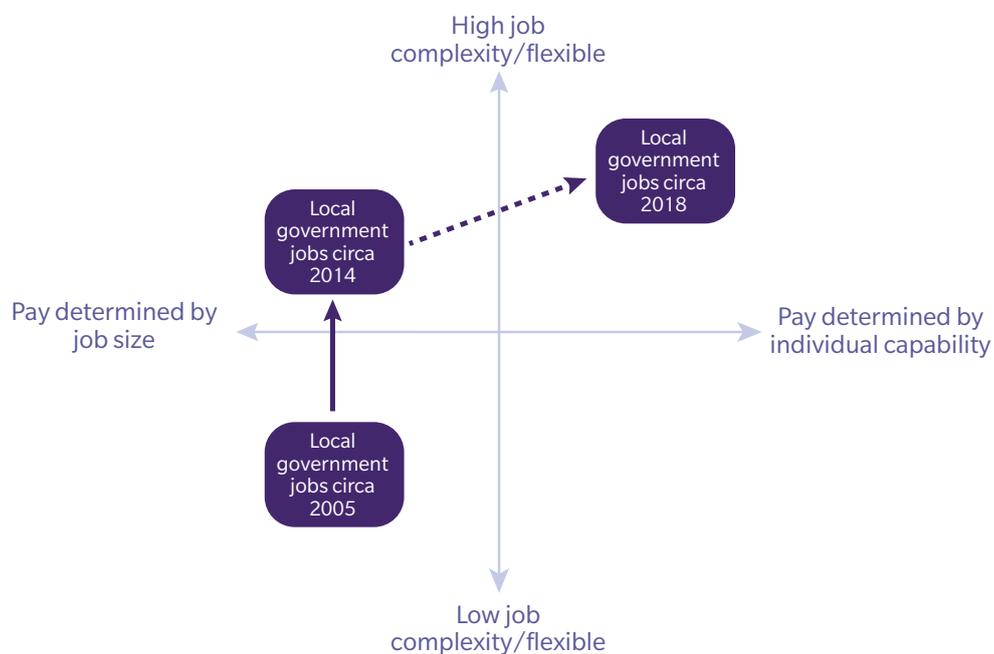
The 3rd objective, which is to reward employees fairly, is of increasing importance. As local government jobs become more complex and flexible, pay systems that fail to recognise the different contributions that individuals make may be regarded as inherently unfair.

Traditional ways of addressing this issue, such as through promotion prospects, by increasing the pay of longer serving employees, or by using job evaluation systems to give additional responsibilities often create artificial job design and may add to cost. Changes in the nature of the local government workforce also make these traditional approaches difficult to manage.

Some jobs are better suited to the use of performance-related pay than others, and alternative approaches may be adopted for different segments of the workforce within the same local authority. If the main objective is to create a fairer pay system, performance-related pay is more important for complex jobs where the capability and discretion of individuals has the most significant impact on outcomes.



The diagram illustrates how the nature of the local government workforce is changing and the need to shift the emphasis towards assessment of individual capability and contribution when making pay decisions.



It is important to emphasise that job evaluation should be retained as a baseline for determining pay. The change required is to move away from the reliance solely on job evaluation towards a greater emphasis on individual capability, measuring through a fair and transparent process.

WHAT APPROACH SHOULD YOU TAKE?

The design of performance-related pay requires careful consideration, especially in times of austerity. Crucial decisions need to be made:

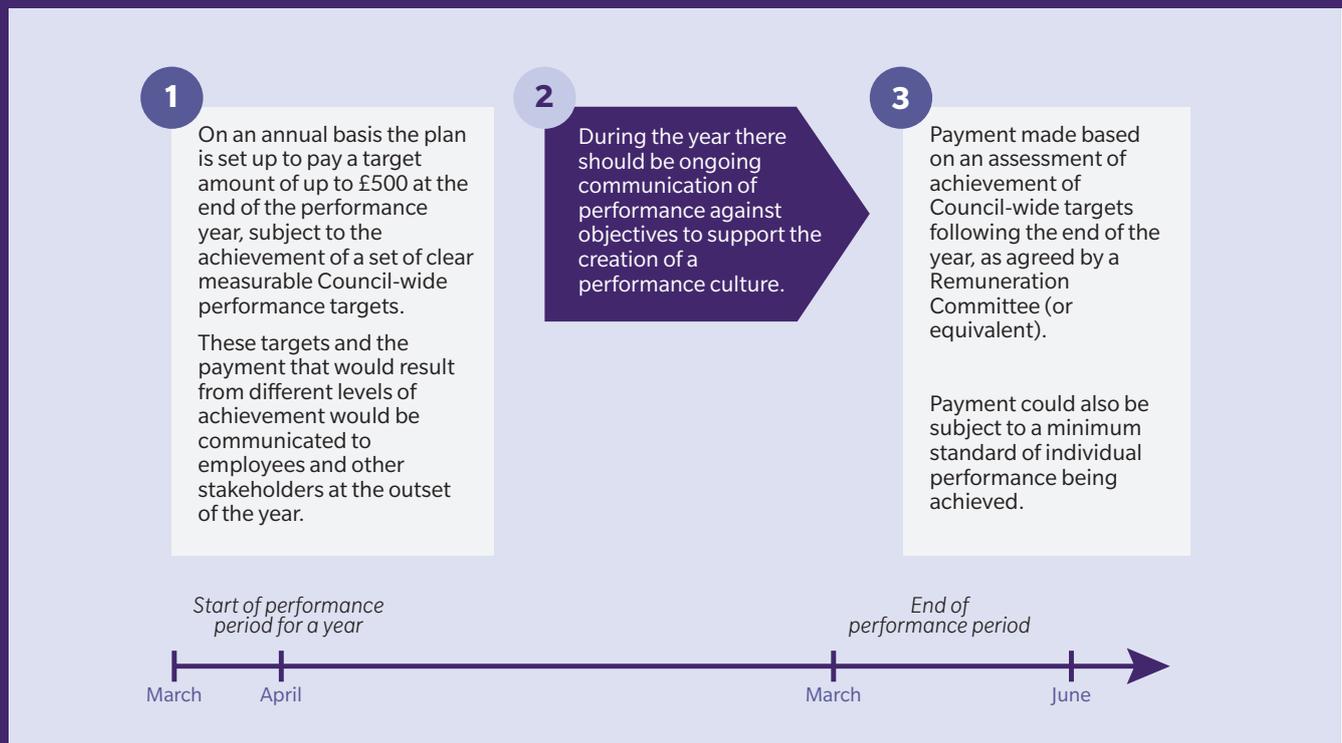
- Should performance-related pay be additional to existing pay (which will be costly) or should an element of existing pay be restructured (so that employees place an element of pay at risk)?
- Should performance-related pay be consolidated into base salary or should it be paid separately as a non-consolidated payment which has to be earned back each year?

The precise design of any system of performance-related pay depends on the objectives that are to be achieved. On the following pages we set out two possible approaches that may be considered, aimed at achieving the 2nd and the 3rd of the four objectives set out on page 7.

The first of these potentially relates to all employees within the Council, and the second is appropriate to more complex jobs and especially to senior manager roles.

OBJECTIVE 2 - ALIGNING REWARD TO ORGANISATIONAL PERFORMANCE & COMMUNICATE PRIORITIES

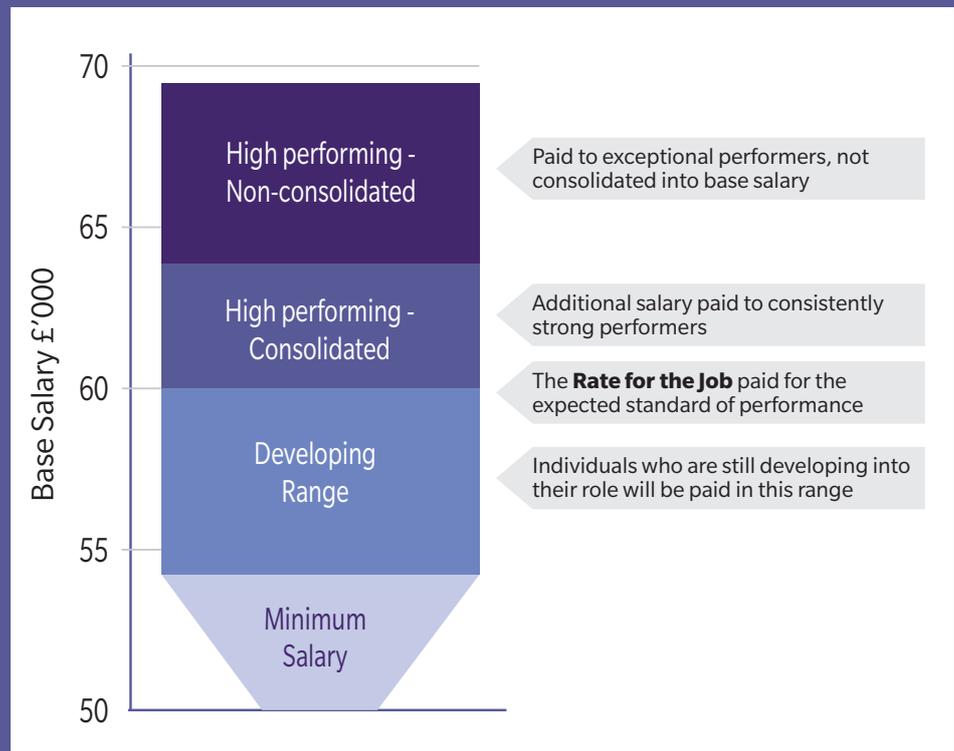
The example below shows how an all-employee “gainsharing” plan might operate in local government.



The amount of money that is paid on an individual basis does not need to be substantial, because the primary purpose of the arrangement is to make the connection between reward and the organisation’s objectives and outcomes. It’s purpose is also to use the payment as a tool to communicate issues relating to the performance of the organisation, and how individual employees are able to contribute to that performance. The key aspect of the design is that the local authority should have a clear set of stable objectives that can be readily communicated to employees.

OBJECTIVE 3 - REWARD EMPLOYEES FAIRLY, BASED ON THEIR INDIVIDUAL CONTRIBUTION

Here we show an illustration of a system of performance-related pay that recognises individual contribution. The system provides for a developing range as individuals move up to a Rate for the Job, with some additional base salary for consistently strong performance and then some additional non-consolidated pay for exceptional performers:



The non-consolidated payment may be made on a monthly basis to negate the controversy that may be attached to the payment of an annual bonus.

Linking pay to individual capability is essential for more complex jobs in which individuals can have significantly different levels of performance. Such individuals can make different levels of contribution in jobs that are evaluated as being of similar size. Failure to recognise these different levels of contribution have two clear consequences:

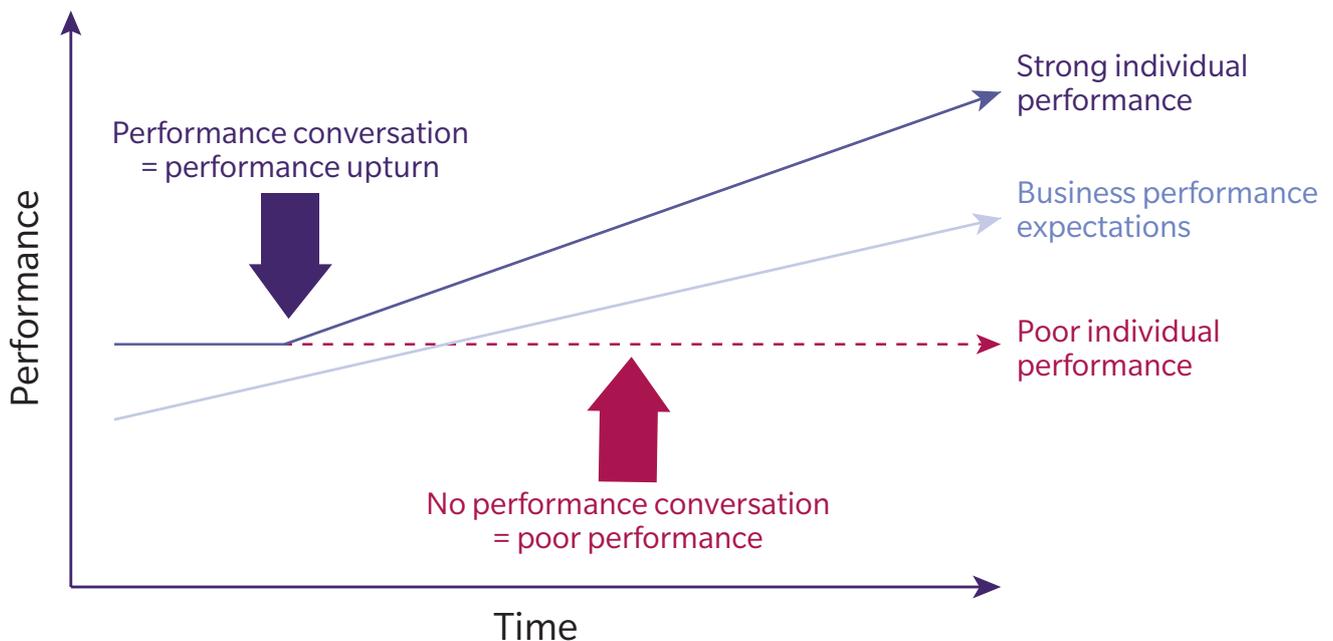
1. Where performance has no impact on the level of pay, performance could decline so that all individuals revert to a standardised and potentially mediocre level. Whilst it may be difficult to make the case that performance-related pay creates an incentive, the absence of performance-related pay can create a disincentive, and a high performance culture is difficult to sustain unless performance is connected with pay systems and talent management.
2. If the pay system does not enable additional pay to be provided to strong performers the local authority may find that it is difficult to retain its top performers. Other methods to increase pay, such as the use of promotion prospects or increasing the level of responsibilities, may be used successfully to retain high performing individuals in the short term, but these may not be practical long-term solutions in many circumstances.

HOW CAN YOU MANAGE PERFORMANCE?

Having in place the capability to manage individual performance is essential in linking performance with pay. Whilst most organisations have some scope for making improvements to their performance management processes, a high degree of confidence in the performance management system must be in place prior to the implementation of any formal link to pay. For example, any new performance management process should usually have a full year of operation so it is well understood and established before any formal link to pay is made.

Performance management and appraisal systems should not be designed and implemented for the primary purpose of linking pay with performance. The performance management system and, more importantly, the conversations that need to take place as part of the system, are processes that should be in place regardless of the link to pay. Nevertheless one of the advantages of linking pay with performance is that such conversations are more likely to take place and issues relating to individual performance may be addressed sooner than they otherwise would be.

The diagram below illustrates the importance of the performance conversation in ensuring that performance stays aligned to with changing business expectations:



EXAMPLES OF GOOD PRACTICE

HERTFORDSHIRE COUNTY COUNCIL

In 2013 the Council introduced a system under which increments are linked to performance. Employees do not receive an increment if performance does not meet expectations and those who exceed expectations may receive non-consolidated payments. Those at the top of the pay scale who are rated as exceptional performers may receive a higher level of non-consolidated payment.

BUCKINGHAMSHIRE COUNTY COUNCIL

In 2012 the Council introduced a new Contribution-Based Pay system. All increases in pay are linked to performance and on where the employee is currently placed in the pay bands. Strong performers who are at or towards the top of the pay range for each grade receive non-consolidated payments and fixed pay points are no longer used.

FINAL THOUGHTS

The potential advantages in linking pay with performance are clear, but some fundamental questions need to be resolved before embarking on the design of such a system. These are:

- Does the local authority have the processes in place to enable performance decisions to be made?
- Do managers have the skills and confidence to make fair, justifiable and sometimes difficult decisions about people's pay?
- What governance processes are in place to enable correct pay decisions to be made, and what is the capability to make those decisions?

It is important that pay decisions are made through a proper governance process and decisions are properly documented so that evidence is in place. Elected Members and others who are accountable for decisions must be able to explain and defend them, and evidence as to the decisions made will be necessary to manage the risks relating to Equal Pay.

CONTACTS

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PPMA/LGA/MERCER COLLABORATION

SUPPORTING ANNEXES

ANNEX A

LGA RESEARCH ON PAY PROGRESSION SYSTEMS

Regular LGA surveys show that the use of assessment-based pay systems remains relatively uncommon in local government. 68% of 161 respondents to the 2012/13 Workforce Survey said that their council used “time served (i.e. annual incremental progression)” for the majority of staff. This was followed by “performance/contribution related progression”.

RESPONSE	SHIRE DISTRICT	SINGLE/UPPER TIER	ENGLAND
Time served (i.e. annual incremental progression) (%)	70	67	68
Performance/contribution related progression (%)	22	24	23
Spot salaries (i.e. no incremental progression) (%)	4	6	5
Other (%)	4	2	3
Don't know (%)	0	1	1

An additional survey gathered more detail about the introduction of assessment-based systems. The responses suggest that councils are adopting a fairly cautious approach; all the systems used involve assessments and consequences for the individual against common criteria. Performance-related Pay (PRP) involves the simplest assessments against objectives. Competence-based pay (which assesses acquisition of key skills, competencies and sometimes behaviours) and contribution-related pay which in essence combines performance and competence assessment but is the most complicated to administer are less common.

Some have spot salary systems which involve no potential for anything beyond a basic pay increase until the spot levels are reviewed. This may involve some cost increases in the first year when staff can be offered higher salaries as an incentive to agree the new system. Some have actually moved back to automatic incremental systems, presumably because the systems have not delivered expected results and are complex to administer. This illustrates the longstanding advice that assessment-based progression systems cannot really be used to drive cultural change but instead are best used to sustain and develop changes that have already been made through stronger performance management etc.

Further details on this research and recommendations arising from it can be found on:
http://www.local.gov.uk/web/guest/workforce-local-government/-/journal_content/56/10180/3702152/ARTICLE#Documentation.

ANNEX B

FURTHER READING

PUBLICATION	PUBLISHED BY
Linking Pay to Performance in the Public Sector	Mercer 2013
Abandoning pay-for-performance myths in favour of evidence	Mercer 2013
Global Performance Management Survey Report	Mercer 2013

Please click the publication title to view a PDF copy.

The LGA has a range of advice available, much of it developed jointly with the trade unions, which sets out how change processes and any consequent job evaluation can be carried out more quickly without increasing equal pay risks; [click here](#) to view.



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