

# Performance Management and Performance Related Pay

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# Aims for reward management

- Support the achievement of the organisation's strategy and short-term objectives
- Help communicate the organisation's values and performance expectations
- Support culture management and change
- Drive and support desired behaviour
- Encourage value-added performance
- Promote continuous development
- Compete in the employment market
- Motivate all members of the organisation
- Promote teamwork
- Promote flexibility
- Provide value for money

# The development framework

- The internal and external environments
- The business strategy
- Human resource management strategy
- Reward philosophy
- Reward strategy
- Reward policies
- Reward practices

# Why is job evaluation necessary?

- A rational basis is required for making defensible decisions on job grades and rates of pay
- A consistent approach is required
- An equitable pay structure is unlikely to be achieved unless a logical method of measuring is utilised
- Equal pay for work of equal value can only be resolved by use of a formal and analytical method of job evaluation
- A formal approach to job evaluation provides a strategic framework
- A logical and consistent approach to measuring the relative size of jobs will not be achieved unless there is an agreed method or set of criteria

# Strategy

- Providing a framework within which strategic decisions can be made
- Concentrating on either on output factors to focus on improved performance and contribution, or on input factors to develop and extend the skills base, or better still, combination of both
- Helping to manage diversity
- Reinforcing the existing reward system or make it more responsive to organisational needs
- Producing information on roles and relationships
- Obtaining data on job demands in terms of skills and competences to assist in formulating continuous development and career management strategies

# Equal pay for equal work

***Discrimination arises when equal are treated unevenly***

**-Robert Elliot-**

# The material factor defence

- If the employer can show that the difference in pay is due to a material factor the claim may be rejected even when the jobs have been shown to be of equal value
- The term “material” means significant or relevant

# Criteria for pay structures

- Be appropriate to the characteristics and needs of the organisation
- Be flexible to internal and external pressures
- Facilitate operational and role flexibility
- Give scope for rewarding high-level of performance and significant contributions
- Facilitate rewards for performance and achievement
- Help to ensure that consistent decisions are made
- Clarify pay opportunities, development pathways and career ladders
- Be constructed logically and clearly
- Enable the organisation to exercise control over the implementation of pay policies and budgets

# Objectives of PRP

- Motivate ALL employees
- Deliver a positive message about performance expectations
- Focus the attention to the key performance issues
- Differentiate rewards to people consistency and equitably across to their skills and competence
- Help to change culture where they need to become more performance orientated or where the development of other key values needs to be encouraged
- Reinforce existing cultures and value
- Emphasise the importance of teamwork as well as individual contributions
- Improve the recruitment and retention of high quality employees
- Flex pay costs in line with the organisational's performance

# Argument against PRP

- Its effectiveness as a motivator can be questioned
- Financial incentive may work for some employees
- It can encourage people to focus on tasks and less concerned about, innovation, long-term issues and quality
- May not be objective or consistent
- It can lead to pay rising faster than performance if proper control is not exercised

**THANK YOU**  
for this opportunity  
to meet with you

