

PERSONNEL COMMITTEE

18 SEPTEMBER 2008

STRATEGY FOR TOTAL REWARD AND ENGAGED PERFORMANCE

REPORT OF HEAD OF ORGANISATIONAL DEVELOPMENT

Contact Officer: Vicki Finlay Tel No: 01962 848437

RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

The public sector faces significant challenges in terms of recruitment, retention and motivation of staff with the drive to provide a more tailored, customer focussed service along with demands for greater efficiency. The current economic climate means that there are constraints on real pay so employers need to focus on the other elements of the reward package. With the limited financial resources available, we need to find more innovative ways of recruiting and retaining employees and motivating those employees to deliver a high level of performance. However, it is crucial that we ensure that any reward practices are aligned to both business needs and the needs and wants of the employee, and that the various elements of a reward package integrate so that they support rather than contradict each other.

We also need to be aware of the signals that our strategies on pay and reward send out about our organisation. We need to ensure that our communication strategy explains clearly to staff what behaviours, values and performance we are rewarding, how and why

This report recommends the introduction of a Total Reward approach to pay and benefits to enable the Council to increase the employee's perception of their reward package whilst managing costs and maximises employee investment by reducing the emphasis on pay and considering other motivators.

The action plan included within the strategy sets out the proposed stages to be followed in order to implement the Total Reward approach, assisting in the Council's aim to become an Employer of Choice in the district and so increasing recruitment and retention rates through increased staff engagement and performance.

RECOMMENDATIONS:

1. That the Committee endorse the programme of work outlined in Appendix 1 and that the results and recommendations of the actions outlined in the programme are brought to Committee for approval as appropriate in accordance with the Council's decision making process
2. That the proposal to secure an external provider for the provision of the Total Reward system be approved.

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STRATEGY FOR TOTAL REWARD AND ENGAGED PERFORMANCE

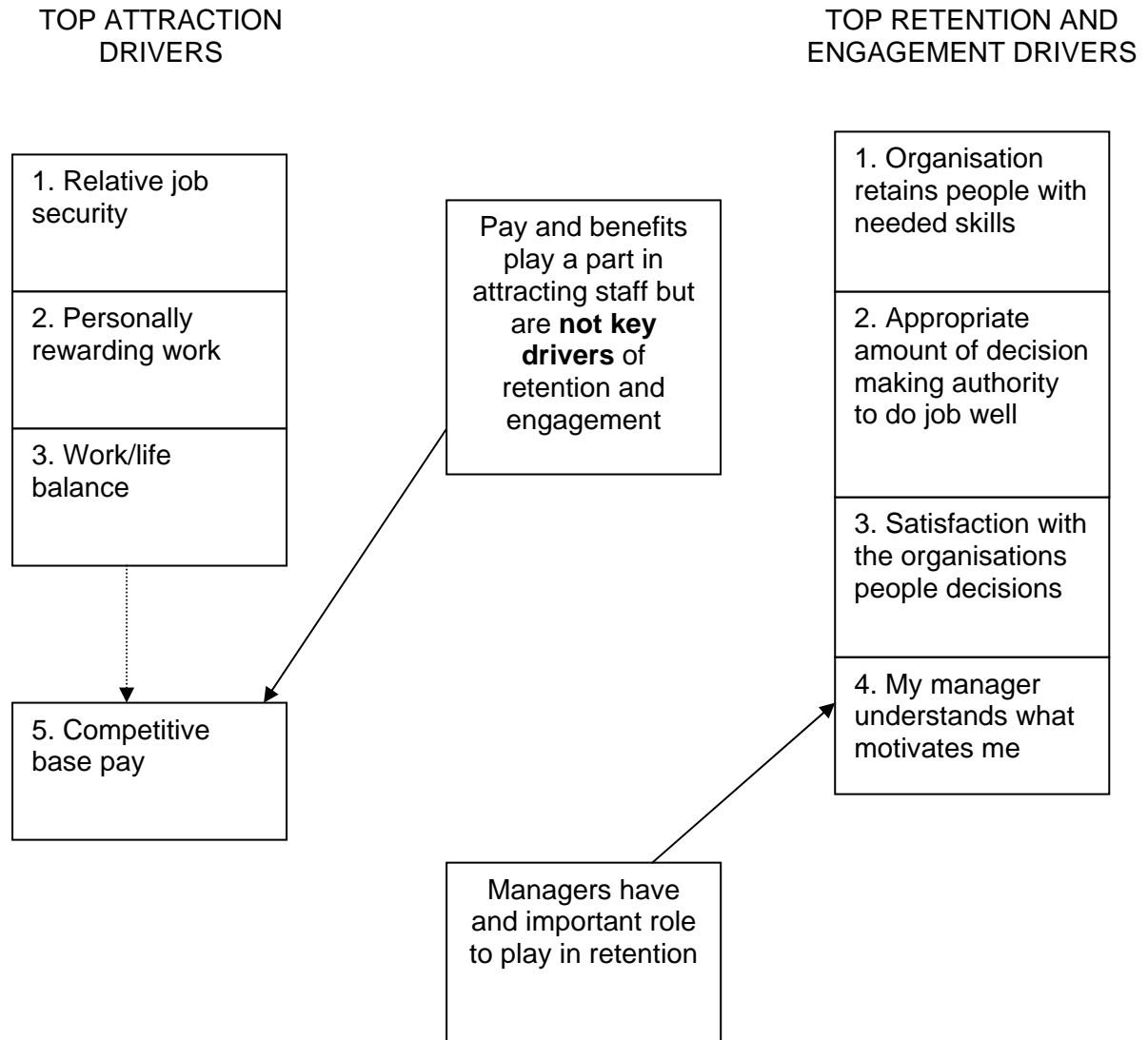
REPORT OF HEAD OF ORGANISATIONAL DEVELOPMENT

DETAIL:

1. Introduction

- 1.1 The public sector faces significant challenges in terms of recruitment, retention and motivation of staff with the drive to provide a more tailored, customer focussed service along with demands for greater efficiency. Research undertaken by the Cabinet Office has shown that a proactive approach to 'total reward' can increase the return on the investment employers make on their staff and also encourage new and better ways of working.
- 1.2 In Winchester, there are specific challenges which we face in terms of recruitment and retention such as:
- Difficulties in recruiting and retaining high calibre staff within competitive local employment market
 - Maintaining competitive pay levels in comparison to competition from both private and public sector
 - High cost of living in the District
 - Increased financial pressure on the Council
 - Changing priorities of employees
 - Increasingly diverse employment market
- 1.3 Although research shows that pay is often the focus for employers, evidence shows that often it is not the ultimate motivator (fig 1) and so it is important to emphasise other aspects of the reward package which motivate and improve recruitment and retention. A survey by Manpower suggested that Public Sector is a benefits leader and offer better work-life benefit policies than other sectors. It is important that we focus equally on the rewards that seek to engage staff and motivate performance such as:
- Opportunities for personal and career development
 - Flexible working
 - Being involved in decisions that affect how and when employees do their work
 - A pleasant working environment

- Good performance management and appraisals
- Recognition e.g. employee of the month awards, team based events



Source
Towers Perrin – Engagement in the Public Sector Survey 2007

2. Total Reward

- 2.1 Total Reward can be described as all the investments an organisation makes in its workforce and everything that the employees value in working for the employer. All employers have a total reward package, the question is whether or not we make the best of it and whether the benefits work to strengthen the organisations objectives or dilute them.
- 2.2 The key is to try to maximise the alignment between investment and the preferences of the employees at little or no extra cost. This can be done by managing rewards in a holistic way to improve recruitment, retention and

performance. In other words 'developing a compelling argument for working for an organisation' (Nationwide)

2.3 A Total Rewards approach is a constructive approach to making the most out of the package on offer and the resources available.

2.4 There are a number of consistent themes of a Total Reward Strategy (CIPD)

Holistic	Focuses on how organisations attract retain and motivate employees to contribute to organisational success using an array of financial and non-financial rewards
Best fit	Programmes need to be tailored to the organisations own particular culture, structure, work processes and business objectives
Integrative	Delivers innovative rewards which are integrated with other human resource management policies and practices
Strategic	It aligns all aspects of reward to business strategy
People centred	It begins by focusing on what employees value in the total work environment
Customised	It identifies a flexible mix of rewards that offers choice and is better designed to meet employee needs, their lifestyle and stage of life
Distinctive	It uses complex and diverse sets of rewards to create a powerful and idiosyncratic employer brand that serves to differentiate the organisation from its rivals
Evolutionary	It is a long term approach based on incremental rather than radical change

3. Aims and Benefits of Total Reward Approach

3.1 Aim

A Total Reward strategy aims to support the achievement of the organisations objectives by improving recruitment and retention, encouraging desired behaviours and achieving value for money. It aims to listen to employee in order to develop the type of environment that will bring out the best in the workforce.

3.2 Benefits

- i) Improve the commitment and motivation of the workforce by giving employees a deal more suited to their needs. This is more likely to encourage them to use their 'discretionary' effort.
- ii) Aligns and so strengthens the organisations message to employees

- iii) Manages costs and maximises employee investment by reducing the emphasis on pay and considering other motivators
- iv) Increases the employee's perception of their reward package. Studies have found that communicating the total value of the reward package to staff increases the employee's perception and satisfaction with the value of it.
- v) Improve recruitment rates by communicating the total value of the employment package and outlining the benefits of working for the Public Sector.
- vi) It provides a means to create an employer brand.

5. Key Drivers for developing a Total Reward Strategy

5.1 There are a number of issues facing the Council which indicate the need for a strategic approach to Pay and Reward.

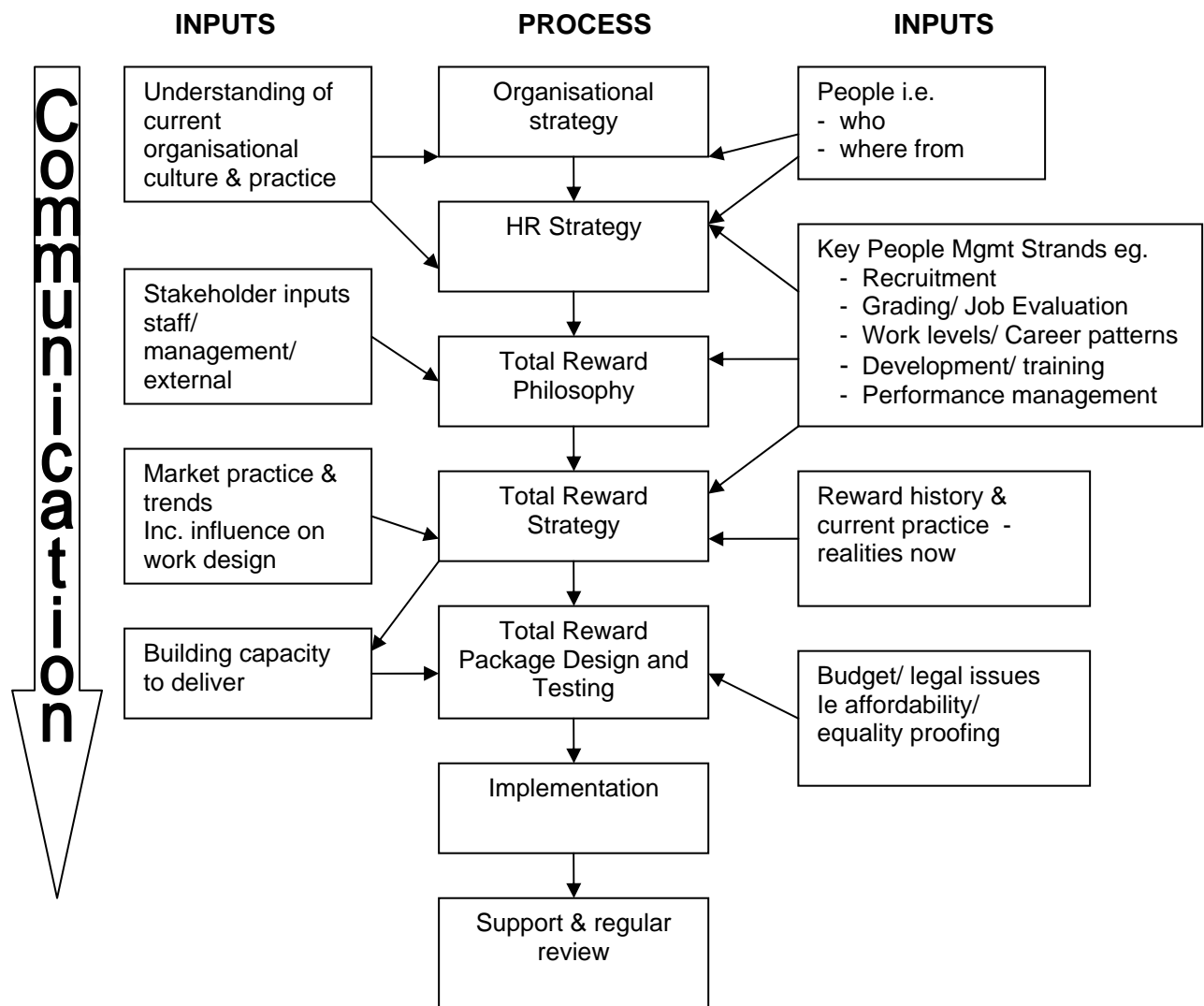
- i) The Council's pay structure was last reviewed in 1999/2000. Whilst indications from salary surveys and exit interviews show that we are in line with market rates in most areas, there are areas which need to be reviewed. An initial benchmarking exercise needs to be undertaken with a 'basket' of jobs to assess where the Council sits in terms of salaries.
- ii) The current value of the benefits available to Winchester City Council employees needs to be highlighted to staff and research undertaken as to how this can be enhanced.
- iii) The current system of appraisal and performance management needs to be improved and monitoring systems developed to measure competency levels and performance
- iii) Base line information needs to be collated and analysed to establish a level against which to measure improvements in recruitment and retention.
- iv) The Workforce Development plan needs to be reviewed to ensure that it continues provide the framework for working toward becoming the Employer of Choice in the area and supports the organisational goals set out in the Corporate Strategy.

5.2.1 It is important to establish a reward strategy which clearly articulates the aims of the various reward elements, integrates them in a coherent way and tells employees what they can expect to receive and why. The strategy needs to be written, communicated and understood throughout the Council. Without this the various reward elements will at best seem like a collection of individual initiatives, at worst, our employees will be left to form their own opinions about what we are trying to achieve.

5.3 There are a number of constraints facing the Council which affect the Council's ability to be flexible in terms of pay and reward, including the increased pressure on cost, pay awards which are negotiated on a national basis and the need to

provide value for money. In addition, the Council is located in a prestigious but expensive area to live with a number of competing employers within an easy commute. It is important that the Council can differentiate itself as an employer and compete in this job market.

- 5.4 The introduction of a Total Reward approach will enable the Council to increase the perceived level of reward whilst minimising the cost of doing so, improving recruitment and retention rates.



6. Implementing a Total Rewards System

- 6.1 In order to gain the most benefit from a Total Reward approach, it is essential that employees clearly understand appreciate and value the existing employment package. Research by the Chartered Institute of Personnel & Development has shown that on average, employees undervalue the benefit provisions provided to them by an estimated 30% of the true cost.

- 6.2 Total Reward systems can be resource intensive when introduced by individual organisations in terms of the day to day administration of the system and answering queries. In addition smaller organisations have less 'buying power' when negotiating discounts and benefits from other companies.
- 6.3 A number of companies, working with local authorities, offer tailor made total reward solutions which are administered remotely and available on line to all staff. The advantages of using these providers are:
- On line benefits statements available to all staff – providing a communication platform for the introduction of future benefits and tax free incentives.
 - Increased voluntary benefits at discounted rates providing staff with a wider choice of benefits which can be linked to their lifestyle.
 - Minimising administrative burden on the Council
 - Support in communicating and promoting benefits
 - Management information detailing usage of the scheme
- 6.4 In light of the advantages set out above, it is recommended that the Council procures an external provider for a Total Reward system.

7. Action Plan

- 7.1 A proposed action plan is included at appendix 1 which sets out the anticipated stages to develop and implement a Total Reward approach within the Council with the aim of assisting in the Council's aim to become an Employer of Choice in the district and so increasing recruitment and retention rates through increased staff engagement and performance.

8. Conclusion

- 8.1 It is requested that Members endorse the proposed programme of work as outlined in appendix 1. The results and recommendations of the actions outlined in the programme will be brought to Committee for approval as appropriate in accordance with the Council's decision making process.

OTHER CONSIDERATIONS:

8. CORPORATE STRATEGY (RELEVANCE TO):

- 8.1 The introduction of a Total Reward and Engaged Performance Strategy links to the requirement for service and financial planning, for delivering services efficiently and offering value for money and to ensure equality in all that we do.

9. RESOURCE IMPLICATIONS:

- 9.1 The budget for the provision of the Total Reward system, costed at £10,000 will be vired from monies identified in the training budget.

- 9.2 Where resource implications arise through the monitoring of pay under this policy, they will be included in business plans and service plans and will be taken into account when setting budgets.

BACKGROUND DOCUMENTS:

Held within Human Resources Directorate.

APPENDICES:

Appendix 1 Draft Total Reward and Engaged Performance Strategy

Total Reward and Engaged Performance Strategy



Winchester
City Council

DRAFT

Total Reward and Engaged Performance Strategy



Contents

Key Objectives

Total Reward

Total Reward Framework

Key Drivers and Outcomes

Key Priorities

Potential Blockages

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Action Plan

For further information about the Pay & Reward Strategy contact:

Alison Gavin
Head of Organisational Development
City Offices
01962 848511
Email: agavin@winchester.gov.uk

Vicki Finlay
Principal Human Resources Advisor
City Offices
01962 848437
email: vfinlay@winchester.gov.uk



Key Objectives

In order for the Council's Total Reward and Engaged Performance Strategy to be successful the following key objectives must be met:

- To attract and retain a skilled, flexible and efficient workforce to meet existing and future business needs.
- To provide competitive rates of pay and reward to attract and retain the highest calibre of employees.
- To provide a fair and consistent reward scheme which supports the Council's aim to be positioned as the Employer of Choice within a diverse employment market.
- Provide pay and reward which meets the expectations of the current and future workforce

Total Reward

The Council's employees represent its greatest asset. By providing the opportunities, facilities and appropriate financial resources the Council aims to ensure that all its employees possess the skills, knowledge and experience necessary to perform their job roles to the highest possible standard.

The Council's Total Reward and Engaged Performance Strategy aims to develop a Total Reward approach to draw together the financial and non financial investment made in our workforce. The emphasis is on an integrated approach to reward from pay and benefits through flexible working to learning and development and the quality and challenge of work itself.

The aim of the Total Reward and Engaged Performance Strategy is to increase employee engagement through:

Improved organisational performance

- By aligning investment with employee expectation and needs,
- Recruiting and retaining high quality staff,
- Increasing staff engagement by improving motivation and morale
- Leading to better value for money and greater productivity

A better deal for employees

- Responding to employee preferences and values to create an environment that brings out the best in the workforce.
- A financial and non financial reward package that will make existing employees want to stay with Winchester City Council and attract high calibre potential employees to join us.

Improved customer service

- A motivated and engaged workforce will deliver higher standards of customer service.

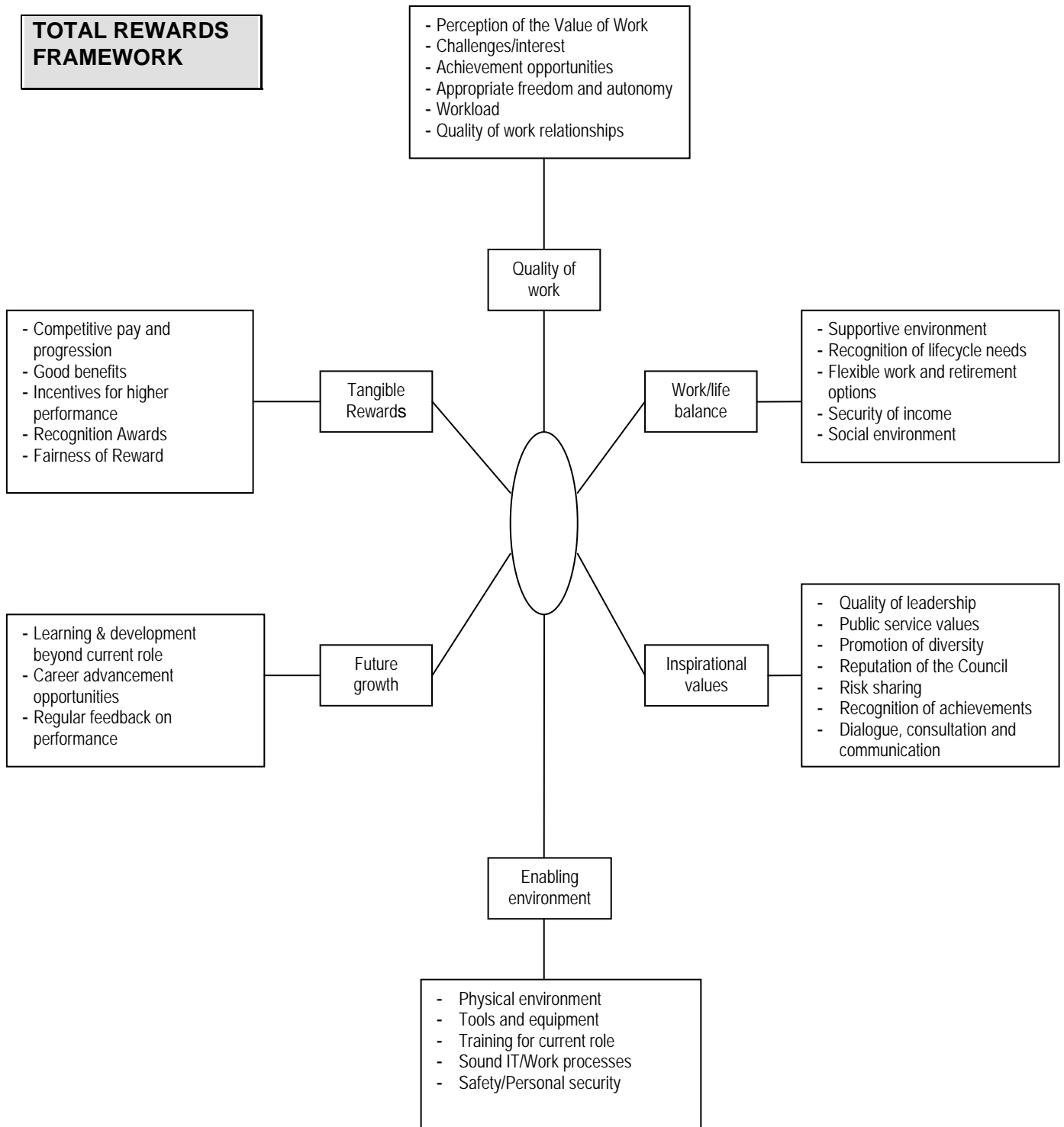
It's about employees and their engagement

It's about total rewards not just flexible benefits and performance pay

It's about reward communications, implementation and process not just design

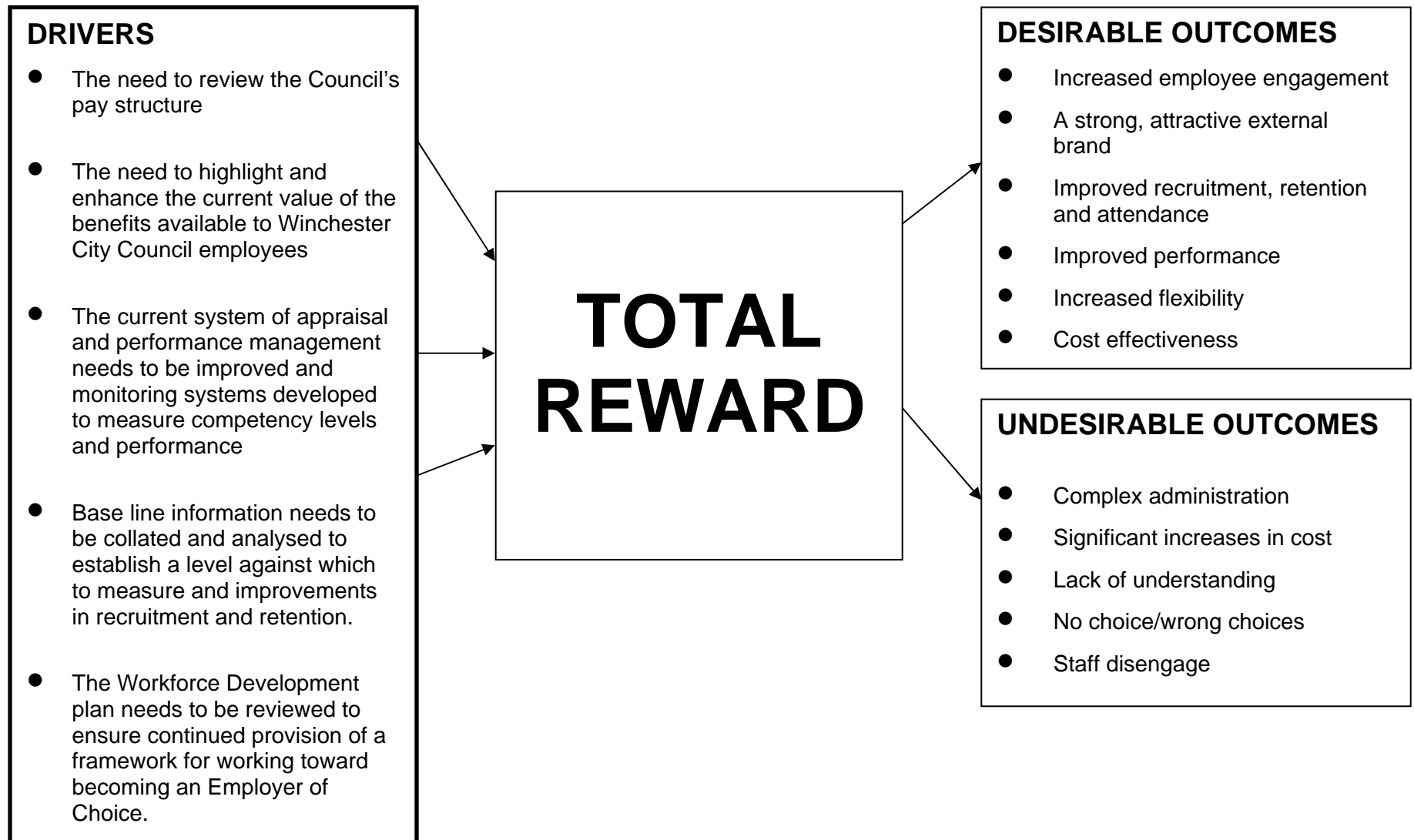
It's about line managers not just HR policies

TOTAL REWARDS FRAMEWORK



Source: Cabinet Office

Key Drivers & Outcomes





Further information and links

- Corporate Strategy and Objectives
- Modernisation and Improvement Plan
- Modernising Local Government
- People Strategy and Training Strategy
- Workforce Development Plan
- Recruitment and Retention Strategy (to be developed)
- Flexible Working Policy
- Inclusion, Cohesion and Equality Strategy

ACTION PLAN

Objectives

- To attract and retain a skilled, flexible and efficient workforce to meet existing and future business needs.
- To provide competitive rates of pay and benefits to attract and retain the highest calibre of employees.
- To provide a fair and consistent reward scheme which supports the Council's aim to be positioned as the Employer of Choice within a diverse employment market.
- To operate a fair and consistent performance management system to ensure performance levels are improved and maintained
- Provide pay and reward which meets the expectations of the current and future workforce

Stage 1

Action	Responsible Officer	Date by	Comments	Progress to date
Benchmark salaries for 'basket' of jobs	Principal HR Advisor			In progress. Information currently being collected
Review of current recruitment and retention rates, staff surveys etc to set base level against which to monitor improvements	Principal HR Advisor			Indicators being developed to allow information to be collected
Implementation of on-line appraisal system to allow information to be collected on current performance and competency levels	Learning and Development Advisor			System implemented Autumn 08. Training underway
Investigation into implementation of 'golden handshake' system	HR Advisor			
Highlight current rewards package	HR		With communications team	

Stage 2

	Action	Responsible Officer	Date by	Comments	Progress to date
	Review of workforce development plan	Principal HR Advisor			
	Procurement and implementation of Total Reward system	HR Advisor			
	Further development of employee recognition schemes eg Alfies, Learning Award, Long Service Award	Head of Organisational Development			

Stage 3

	Action	Responsible Officer	Date by	Comments	Progress to date
	Review of pay structure and grading	Head of Organisational Development			
	Continued development of flexible working practices	Head of Organisational Development			