

Reward News

NorthgateArinso Reward Solutions Newsletter

In this issue



3 How the Comprehensive Spending Review Impacts on Pay & Reward



4-5 Flexible Benefits: Maximising Return on Investment



10-11 Creating a Fair and Transparent Pay Structure for APUC

Contents

How the Comprehensive Spending Review Impacts on Pay & Reward

Page 3

Flexible Benefits: Maximising Your Return on Investment

Page 4 - 5

Comments from Our Consultants

Page 6 - 7

Are You Really Using SAP? New Features to Compensate

Page 8

Benefits Blog

Page 9

Creating a Fair and Transparent Pay Structure for APUC

Page 10-11

Welcome to the Tenth Issue of Reward News

Welcome to issue ten of Reward News, keeping you up to date on the developments within NorthgateArinso Reward Solutions.

At NARS we are very excited about our new solution that'll be coming to market soon! We've called it 'Flex in a Box' and it's been designed for smaller-sized businesses. We've given you a sneak peak on page 5 but watch this space as we'll have more about the up and coming solution very soon!

We've also created a benefits blog so our employees can share their thoughts and views on topics relating to employee benefits. We've included a few of the latest blogs that are focused around childcare vouchers, flexible benefits and TUPE in business. Check out the blog on page 9 for more interesting reads! On pages 6 and 7 you can also read some comments our consultants have made on certain equal pay topics that have been in the press recently.

APUC have recently worked with us to create a new pay and grading structure. Read the case study on pages 10-11 if you would like to find out about how we helped the college with their project.

With that in mind, get in touch and email us at rewardinfo@ngahr.com if you would like to speak to us about your business strategies and how we could help you turn the challenges you are facing into prospects and opportunities.

How the Comprehensive Spending Review Impacts on Pay & Reward

Following the implementation of single status, we now have the harsh reality of the Comprehensive Spending Review to manage within Local Government. CSR brings with it many challenges; not least managing the impact of budget cuts and the possibility of further changes to terms and conditions. Whilst such changes will be required to reduce future costs it will still be necessary to maintain an effective reward strategy.

There are significant opportunities presented by applying pay modelling in the current circumstances. The 'Link' Pay Modeller application was widely used during single status and remains an essential resource for effective pay reviews. Now trading as NorthgateArinso Reward Solutions, our Pay Modeller can also support you in the following key areas:

- Terms and conditions costing review. This is more than 'total costing' and will allow for individual and/or cost centre level analysis so that you can assess the savings arising from changes to terms and conditions throughout the organisation.
- Pay and Grading Structure review. Enables you to consider the cost and impact of different options should you need to re-visit the pay structure or are currently introducing a new structure.
- Model innovative approaches to pay progression that are more closely allied to performance rather than time served.
- Organisational re-structuring. It is important to be able to understand the cost of organisation restructuring and the potential savings.
- Equality Impact Assessment and Audit. Whenever you make changes it is essential to carry out an equality impact assessment to examine the effects of the change and ensure that these are fair, equitable and justifiable.

In addition to the Pay Modeller, our expert team of consultants are well positioned to support organisations in dealing with the challenges that the CSR presents. In particular, we can help design, cost and present options to achieve the necessary change to the reward strategy to produce the required efficiencies

We can offer:

- Reward strategy support to identify options and to provide focus at a time of uncertainty;
- Active pay modelling support to release internal resource to address other matters;
- Additional bespoke management information reporting taking pay modelling data for more complex and detailed financial modelling

Who Benefits?

Pay Modeller provides a focus for this review with benefits for both the HR and Finance teams.

For HR:

- Reducing the pay bill in a managed and focussed way that considers all options as opposed to solely cutting jobs with the loss of key skills;
- Examining headcount reduction options including turnover assumptions in order to achieve financial goals.
- The development of options to introduce a more flexible working arrangements

For Finance:

- Management information reporting to provide detailed analyses of year on year efficiency savings from options for changes to pay and reward.

Further Information

We have created a simple illustrative guide to pay modelling for spending review purposes. If you would like a copy of the guide please contact us (rewardinfo@ngahr.com).

Alternatively if you would like to discuss your requirements with one of our Consultants please contact us at rewardinfo@ngahr.com or call 01244 572722

Flexible Benefits

Maximising Your Return on Investment

Flexible benefits are sometimes presented as the answer to all manner of problems in the workplace.

Of course that might be a slight exaggeration, but there is no doubt that the concept of using technology to help employers communicate and manage their Employee Benefits package is now a “hygiene factor” consideration for most medium to large employers in the UK.

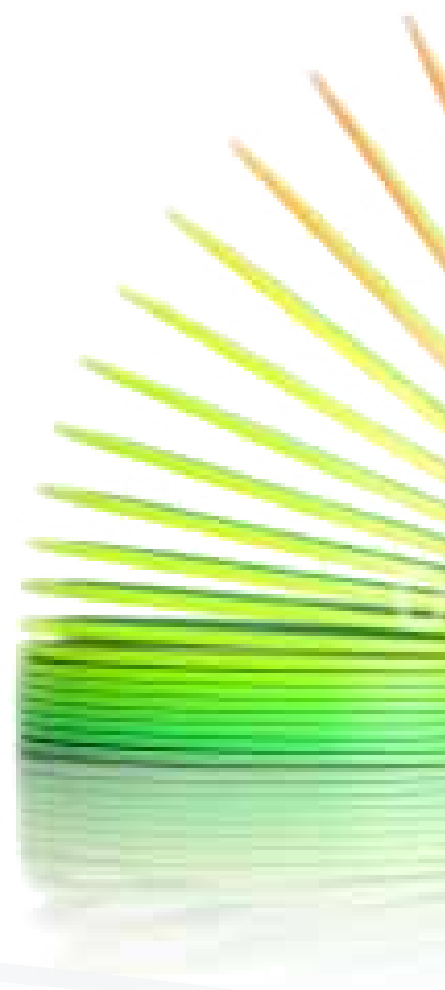
Against this background the recession has meant that employers are looking long and hard at their current employee benefit spend. In 2010 some 88% of HRDs surveyed identified that a primary objective for them was to maximise their return on Investment of their employee benefit spend & to maximise the efficiencies available in managing these benefits. Getting maximum bang for your buck if you like!

The main driver here is that both HR and Finance Directors have started to take a real interest in the employee benefit spend of their organisations with a view to streamlining the financial exposure.

We have all seen the move away from Defined Benefit Pensions to defined contribution schemes and indeed the introduction of Flexible benefits has often been used to harmonize the benefits of an organisation undergoing change. Now the FDs and HRDs are looking at other ways to increase efficiency and reduce costs.

Salary sacrifice has become a very significant catalyst for the continued growth in the flexible benefits market in the last 12-18 months. Maximising the tax and NI savings available to the employer and employee alike are driving board room discussions where the question being asked is how do we do this, not should we do this.

With such a powerful driver it is important that flexible benefits providers adapt their offerings to help facilitate these savings – almost commoditise the delivery of a service by making it simple to understand and run. Facilitate the running of salary sacrifice benefits with associated on line tax & NI modellers for the employee to understand the real impact of take home pay coupled to the facility to amend Contracts of Employment using secure systems thus doing away with the requirement to acquire a wet ink signature from every employee.



Coming Soon! - Flex in a Box

At NorthgateArinso Reward Solutions we feel that the time is here to look to evolve and enhance further the services we offer to add to, not replace, the Mychoice system capability. Watch this space as we develop and launch our Flex in a Box solution. However if any of this has struck a note with you just get in touch now & we will talk you through how we can make this a reality.

Core objectives are that this new streamlined service needs to:

- Be simple to build and roll out.
- Offer access to simple, but comprehensive, information to facilitate informed choice.
- Facilitate the delivery of a cost neutral salary sacrifice engine pre-populated with a panel of approved providers.
- Have quality yet simple reporting capability/benefits dashboard.
- Have a view to the future with auto enrolment and NEST around the corner.
- Be competitively priced.

The pension scheme is where the big savings are to be had for the employer. If an employee sacrifices 5% of their salary to allow the employer to invest that into the company's pension arrangement then the employer is saving 12.8% (currently) NI on that contribution and no tax is being paid on that investment by either employer or employee. At NorthgateArinso we have built a very simple calculator for clients both existing and potential to allow them to see for themselves what their savings might actually be. By all means have a play!

Link to Calculator:
<http://roicalc.mychoice.northgearinso.com>

Of course one of the big risks when undergoing such a significant change is the vital area of employee communications. Providing access to financial information/education enabling employees to make an informed choice has to be a core consideration.

For more information about any of our services, please contact us by calling: 01244 572 722 or email us at: rewardinfo@ngahr.com

Comments From Our Consultants

Graeme Stephen, our Senior Reward Consultant specialises in the broad arena of 'equal pay' and is responsible for delivering state of the art job evaluation systems to underpin total reward initiatives and offers detailed solutions to complex pay and reward environments using the unique Pay Modeller and Equal Pay Reviewer software in support of his project delivery approach. Graeme's thoughts on recent EHRC guidance can be found below.



Equality Impact Assessments required for Spending Review decisions

The Equalities and Human Rights Commission have issued guidance in relation to the requirement to undertake Equality Impact Assessments (EqIA) on any proposals relating to redundancies or changes to terms and conditions of employment as a result of the Spending Review. It is also worth noting that the Equality Act has extended the definition of 'protected groups' covered by the Act. As a result, these reports should be extended beyond gender tend to include race and disability impact and, in due course include, age, sexual orientation, pregnancy and maternity, and religion or belief analyses. This extension however will be subject to approval by legislation due in April 2011 and for many public bodies current available data will be insufficient for any meaningful analysis to be made.

The Gender Pay Gap Narrowing

The latest gender pay gap statistics make for encouraging reading. A reduction in the overall pay gap is reported. However as we progress through the spending review cycle,

two things will happen. A reduction in the numbers of females employed across a wide swathe of the public sector in areas such as catering, cleaning, social care and administration. Conversely, we also see a major squeeze on 'premium payments' such as overtime, shift and car allowances which have traditionally be earned by males working unsocial hours. The strive towards flexible and efficient working practices may indeed further reduce the reported pay gap. However, the numbers of females physically employed will reduce.

The Equality Act Releasing The Pressure From Private Sector

The coalition government ease pressure on private sector employers to address equal pay. The clear focus here is to remove any undue pressures which would jeopardise business in the drive for efficiency and competitiveness. The same approach does not apply to the public sector. Despite even greater cost pressures, the reporting and legal exposure to continuing equality issues will remain a central issue for the entire public sector.



Dan Wilson, Director of Consultancy covers all areas of reward management and has significant experience in dealing with organisations who are undertaking pay reform projects and implementing a fairer and transparent pay and grading structure. Here are Dan's Thoughts...



Gender Pay Reporting



The voluntary system of gender pay reporting was always the intention of the Equality Act, with a mandatory approach recommended only if employers didn't take up the initiative.

Regardless of whether audits are mandatory or not, the current equal pay legislation clearly still applies and ultimately, it's only actual claims for unequal pay that will put the pressure on employers in the private sector to make sure they're compliant. However, claims like this are less likely

to happen in the current economic conditions, in which most people are generally happy just to be employed.

I'm not sure employers are taking the inequality in pay seriously enough just yet. In the main, the gender pay gaps are mainly due to occupational segregation rather than deliberate discrimination. This issue of why there are more male chief execs and more female receptionists is a complex one, and will take a long time to change.

The Equality Act is a step forwards, but it will take pressure from the media, women's groups and claimants to bring it further into the public eye.



Dan Wilson Helps CIPD With Their 2011 Research Project Around The Pay Review Process

The aim of the CIPD guide was to help HR and reward practitioners with their salary reviews and suggest ways on how to evaluate procedures for managing the process in their own organisations. To facilitate with the report, CIPD commissioned four members from the reward community including Dan to draw on their experiences and insights on this demanding task.

If you are a member of the CIPD you can access the report by visiting: www.cipd.co.uk/subjects/pay/general/_pay-review-process



compensate

What does Compensate do? - Simplifies and shortens the Salary Review Process

Our research shows that it can take an organisation up to three months to complete a salary review and invariably companies are still using excel to carry out the process which can be prone to error and not offer full visibility throughout the stages.

Compensate will eliminate all of these pitfalls and ensure your pay reviews are pain free while also saving you months of your time.

If you would be interested in seeing how Compensate would work in your organisation please call us on: 01244 572 722 or email: rewardinfo@ngahr.com

Are You Really Using SAP HCM?



NorthgateArinso are accredited SAP Partners for HCM and over the years have developed a range solutions which can help you get more from your SAP investment. From upgrades, systems implementations and consultancy to specific 'quick win' tools, if you need more from HR and you have already invested in SAP, NorthgateArinso can help you.

Our suite of Accelerator products are designed to help deliver HR services more accurately & efficiently - live on your SAP HCM database.

HR Query is an add-on to SAP HCM that takes HR reporting to a significantly higher level. HR Query enables you to generate extremely fast custom queries against your SAP HCM data – without needing ABAP knowledge or involving your IT team.

HR Data Control is an add-on to SAP HCM that helps you to ensure compliance with Sarbanes-Oxley or other rules. HR Data Control allows you to track any modification (insert, update or delete) made on any infotype, resulting in strict controls of the payroll (and other) processes.

HR Career History is an add-on to SAP HCM that enables you to see a clear profile of historical data of your employees. HR Career History allows organisations to migrate over legacy

personnel data into SAP HCM quickly & cost effectively from other SAP instances or different source systems.

Payroll Simulator is an add-on to SAP Payroll that takes what-if? and what-changed? payroll enquiries to a significantly higher level. Payroll Simulator enables you to formulate correct answers to your employees on questions about changes in the parameters of their remuneration – without needing ABAP knowledge or involving your IT team.

To download our factsheets on our SAP Accelerator add-ons please visit <http://solutions.northgatearinso.co.uk/accelerators>

For more information about how NorthgateArinso can help you with your SAP requirements simply contact your account manager, email hrrsolutions@ngahr.com or call **0800 035 0545**.



Exciting Evolution of the Product

Compensate is our salary planning solution, which shortens and simplifies the pay review process.

We are continually looking to develop the product and customer feedback has lead to an exploration into the requirements around variable pay, such as Bonus and Incentive plans.

The feedback received to date regarding Incentive Based Pay requirements is extremely varied and we want to ensure numerous vertical markets are considered when developing this additional functionality.

We are looking for a small number of organisations to work with us in the design and specification stages of the project. This will require one or two brief meetings at your premises over the next couple of months in order to ascertain your current processes and any specific challenges you encounter when budgeting, devolving, calculating and communicating your variable pay processes.

If you are interested in being involved in this project, please contact us at rewardinfo@ngahr.com

To find out more about Compensate, please visit: www.northgatearinso-reward.co.uk/compensate

Benefits Blog

*I think,
therefore
I Blog!*

Is There More To Life Than Flex?

Running a business and its people irrespective of size means that the job of an HR professional can be challenging and not a little daunting.

There is no end of issues that might lead to a bout of insomnia. Whether it is job evaluation, pay modelling, salary/ bonus allocation, equal pay audits or establishment and management of an employee benefits programme the bottom line is the bottom line. Any business dealing with HRDs at corporate clients must focus on delivering wide ranging solutions that can deliver savings and efficiencies to the bottom line. This approach is what drives the Reward Consultancy at NorthgateAriso Reward Solutions. We adopt a consultative approach to solving problems and utilise technology to deliver these solutions in the most cost effective fashion. So yes we are experts in the provision of employee/flexible benefits but there are so many other ways in which we can help our clients manage, develop and deliver their reward strategy and develop their human capital.

Author: Andrew Morris
Business Development Director
of Employee Benefits



Pay and Reward in TUPE and Other Transfers

Mergers, acquisitions, TUPE transfers and disposals require very careful planning and execution, particularly in respect of employee pay and benefits. More often than not, bringing together groups of people with different terms and conditions will present the employer with situations that will carry significant risk and need to be handled properly.

Full legal compliance is clearly a major part of managing risk and professional advice is essential. Completing the transfer or merging of employees normally leads to the establishment of multiple terms and conditions within one organisation and it's here where careful consideration should be given to how they are managed in the coming years. A strategic approach to managing multiple terms and conditions has a number of advantages. Firstly, it means that employee costs remain under control and are approached consistently across the organisation.

Author: Dan Wilson
Director of Consultancy

To check out our blog, please visit:
www.northgatearinso-reward.co.uk/blog_posts

Childcare Vouchers

With effect from 6th April 2011 we will see significant changes for higher rate and additional rate tax payers that elect to purchase childcare vouchers.

The amount a 40% tax payer will be able to purchase tax free will reduce from £55 a week to £28, which effectively means the savings they can make using childcare vouchers will reduce from £1,196 per annum to £608.

Any employees that currently receive childcare vouchers will not be affected by the change in legislation. We would, therefore, recommend that employers effectively communicate the implications of this new legislation to their higher and additional rate tax payers, and actively encourage them to consider joining their childcare vouchers scheme before 6th April if they have qualifying children, and if they currently pay for childcare, or know they are going to have to start paying for childcare. If an employee has recently had a baby but is not going to need childcare until after April 2011 they can purchase vouchers now and use them later as they have no expiry date, but if an employee is expecting their first baby after April 2011, unfortunately they can't join the scheme yet. And remember childcare vouchers are not just for nursery or childcare your employers can also use them for after school clubs or holiday clubs.

Our flexible benefits software MyChoice has been revised in light of the recent changes in legislation. You should have received an e-newsletter about the modified version but if not just get in touch and we'll send you a copy.

Author: Debby Hannaford
Senior Benefits Consultant



Secondly, if communicated clearly, then the employee relations' climate can be harmonious and prevent such commonplace occurrences like high turnover, poor morale and motivation, large volumes of grievance and disciplinary matter and other inefficiencies in business processes, simply because employees are on different terms and conditions.

In approaching these challenges, it is critical to consider the associated costs and affordability of either protecting terms and conditions or unifying them. Flexible benefits can provide a relatively simple solution by offering everyone access to the same types of benefits, even if there may be differences in entitlements. Job evaluation will help with considering what comparisons should be drawn between roles and people, and where pay and grade structures exist already, assimilation is important to prevent equality issues arising, wage drift and loss of control over the pay bill.



Creating a Fair and Transparent Job and Pay Structure at APUC

The Challenge

APUC had identified that the organisation lacked a clear structure for people to see how their careers and salary could develop. The company wanted to make sure that a visibly consistent and fair job and pay structure was in place.

Our Solution

In order to support the planned job evaluation and pay modelling exercises, APUC looked at a number of products and NorthgateArinso's Evaluate and Pay Modeller solutions seemed most suitable. Both solutions are the latest versions of NorthgateArinso's proven job evaluation and pay modelling technology that draws on 30 years' experience of delivering pay and reward solutions.

The Benefits for APUC

- Fairness and transparency of the job evaluation and pay modelling processes.
- Comprehensive reporting capability to support transparency and decision making.
- A comprehensive suite of software solutions and accompanying consultancy, training and helpdesk support for a smooth process.

About APUC

APUC (Advanced Procurement for Universities and Colleges) Limited is the procurement centre of expertise for Scotland's universities and colleges. APUC's mission is to support the embedding and consistent application of good procurement practice within Scotland's further and higher education institutions, and to increase significantly the sustainable value for money from institutions' procurement expenditure through the provision of advanced procurement services.

A Fair and Transparent Job Evaluation Process

The evaluation exercise involved every employee at APUC, with most of them holding senior roles as procurement professionals. One of the first steps in the process was a review of job descriptions.

"We felt that staff would very likely be routinely carrying out tasks that weren't included in their job descriptions," explains Dee Denholm, APUC's HR Manager. "It was also likely that some tasks included in a job description weren't in fact being carried out by the post holder, for example if tasks had evolved onto other people."

"So we arranged for all post holders with the same job title to meet as groups with their line managers. At the meetings, the actual job duties were reviewed against the job description, enabling us to update the job descriptions."

"It worked very well to interview post holders in groups as it meant there could be discussion to reach a consensus, rather than getting different results for the same post."

With the job descriptions up to date, the rest of the evaluation process could take place. This included forming an evaluation panel with representatives from across the company, all of whom received training from NorthgateArinso on Evaluate and the job evaluation process in general.

The evaluation process assigned scores to each role that accurately reflected the demands of roles and their value to the organisation. It was important to take subjectivity out of the evaluation process as far as possible, so evidence from the job descriptions was provided for each aspect of the evaluation. This ensured that accurate information was fed into Evaluate and gave the panel confidence that the results would be robust.



Evaluate's questionnaires helped to ensure that factual rather than subjective information was input, as Dee explains: *"Evaluate gave us a framework for the evaluation process. It meant that information couldn't be skipped and ensured that the right questions were asked to gather information on all the factors that were part of the evaluation process."*

"The reporting tool within Evaluate was another important feature. It allowed us to validate all the answers and prompted us to check any apparent discrepancies in the results."

"The reporting tool also enabled us to provide comprehensive information to our Chief Executive, with the results clearly shown. He asked lots of questions and we were able to answer all of them because we had excellent information available, and because we had confidence in the result of what had been a stringent process."

The reporting capability of Evaluate also meant that every employee could see their job grade in the new structure, as well as how their job descriptions had been used for the evaluation.

Indeed, when the results of the evaluation were communicated to staff most of the queries received were about what the factors meant, rather than questioning the accuracy or fairness.

Pay Modelling

Once the job evaluation process was complete, the next step was to carry out a pay modelling exercise. The APUC team assessed the value of the contribution of each role to the company and used NorthgateArinso's Pay Modeller solution to create a new pay grade structure.

Pay Modeller is a much more efficient alternative to using spreadsheets, which has traditionally been the way to carry out pay modelling exercises.

It is a sophisticated tool that incorporates detailed financial forecasting functions, letting users create 'what if' scenarios to assess the impact of different scenarios.

Dee says: *"Pay Modeller proved to be a powerful tool that enabled us to create a proposed new grading structure that we could present to our pay policy group for approval. It provided us with plenty of modelling options so we could instantly assess the cost implications of each scenario. Once again, it supported the decision making process and provided excellent transparency."*

Continuing value and support Job evaluation and pay modelling shouldn't be one-off exercises of course, and APUC will continue to review their job and pay structures.

"We will be using Evaluate and Pay Modeller on an ongoing basis," says Dee. *"Very soon after the initial exercises were completed we used Evaluate when creating two new posts. We will continue to have confidence in the fairness of our job structure."*

What Our Customer Said:

"We will no doubt continue also to draw on support from NorthgateArinso because one of the things we especially liked about using both Evaluate and Pay Modeller was the service we received. The blend of consultancy, training and helpdesk support was excellent and helped us to get the most from the solutions - and from the job evaluation and pay modelling processes themselves."

For an initial discussion about your requirements call us on 01244 572722 or email: rewardinfo@ngahr.com or visit northgearinso-reward.co.uk

Reward Talent

Equality Bill

Vacancies


Market Pressures

Retention

Performance



Managing all the considerations for salary increases can be difficult

 **compensate** NorthgateArinso's new tool has been designed to make awarding pay increases easy.

The toolset helps HR effectively manage the pay review process and gives access to powerful reward management information, as well as the following:

- Speeds the process up while reducing potential errors
- Integrates with any HRIS system for seamless data transfer
- Helps the business to reward talent appropriately
- Accesses market data to aid decision making
- Ensures compliance with the Equality Act

To find out more call us on **01244 572 722**

Consider

Control

Comply

Communicate