

Salary Review Process Research Conducted

The research conducted by NorthgateArinso focussed on private sector organisations with 1,000 or more employees.

Question 1:

Which reward task is the most difficult to complete?

30% of respondents said the salary review process is the most labour intensive job they carry out.

Other tasks that featured highly were:

- Communicating with employees
- Bonus calculations

Question 2:

What time of year do you carry out pay reviews and how often are they carried out?

13% of organisations do more than one pay review a year

29% of respondents carried out their pay review in April

29% of respondents carried out their pay review in January

Question 3:

Which department coordinates the pay review process?

In the majority of cases HR or Reward coordinate the pay review process but many organisations stated that it was a joint effort between HR and Finance with Finance driving the affordability.



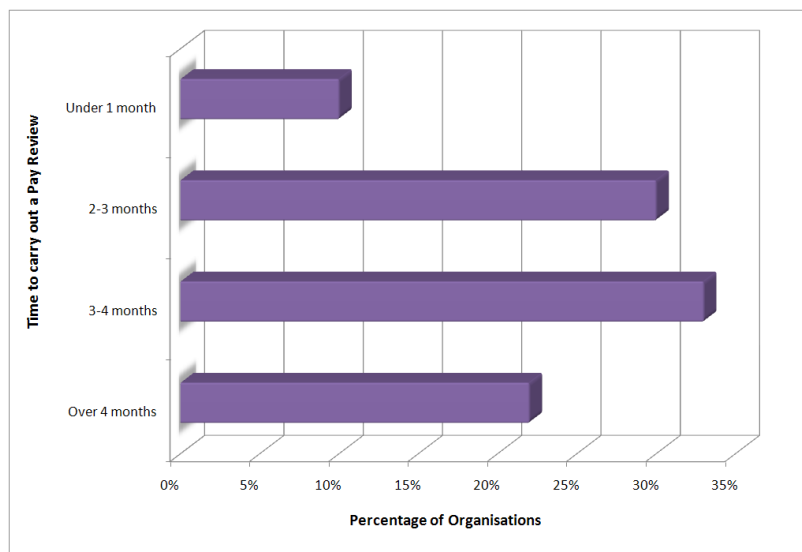
Question 4:

What components underpin the decision making?

A variety of components were recorded. Affordability and budget were the key drivers with performance and market conditions also important. Other elements such as market rate, length of service, size of role and profitability of the company were all listed as key components. Numerous organisations mentioned that they strive to pay in the upper quartile and this affected their decision making.

Question 5:

How long does the salary review process take?



2.75

On average it takes 2.75 months to complete the salary review process

Question 6:

Are pay increases linked to performance through a rating system?

46% of companies said yes

36% polled companies said no and the rest of the companies said that it varied.

Question 7:

If yes to question 6, does the employee get a fixed percentage based on their rating or is there some flexibility for the manager to make a decision?

33% of people polled said there was no flexibility for managers and that the pay increase was fixed as a company standard irrelevant of performance. 63% said that there was flexibility for managers whether that be through a rating system where low performers get a certain percentage and high performers another, or right through to a situation where managers are given a pot of money and they decide how they spend it.

Question 8:

Would you send a letter to an employee detailing their new salary?

96% of organisations said that they do send letters, even though the process of doing so is time consuming.

4% of organisations said no – they either used the company intranet or left it to line managers to advise.

Summary

Our research tells us that many HR and Reward departments are faced with an arduous task of completing the salary review process whilst still maintaining the usual expected level of service the department provides. Payrolls, new starters, leavers and other day-to-day tasks still need to be managed while the salary review project is underway. This usually means the department is significantly under resourced during this period, and our research shows that this can be for a prolonged period of time. In some cases organisations were telling us that it took well over 6 months to complete.

Many of the respondents we spoke to felt that the process could be simplified, that the use of spreadsheets meant it was prone to unintended manipulation and error, all of which meant more work for the department managing the process.

Interestingly, many organisations gave line managers the ability to make decisions on how to reward their staff, this again is prone to unintended gender bias and could pose equal pay issues in the future. Some of the other information that came out of the report was that communicating to managers about the salary review process was hard to manage and that HR didn't have the skills or resources to be able to run that effectively.