5.2 Approach to delivering the contract

We have set out a three-phase approach to delivering the contract, with weekly project team meetings and other ad-hoc meetings/presentations covered by our approach.

Phase 1 – Initial review of CCS's pay and reward position / Weeks 1 and 2

In this initial phase of work we will look to set up the foundation for the successful delivery of the project and conduct an initial review of key features of the pay and recognition framework. This will allow us to develop an initial view of suitability for the future of the current approach and how it can support recruitment and retention of key talent.

To do this we will start with a kick-off meeting with the CCS project team in order to agree: roles and responsibilities, governance for the project, success measures, ways of working, support needed with key stakeholder engagement, and information requirements and availability.

Then, in the same session or soon after, we will look to speak to members of the pay and reward and wider HR team who can provide an overview of key features of policy and process that determine pay and recognition outcomes – and the degree to which these are achieving the desired objectives. As part of this discussion we will look to establish what the main recruiting pools for CCS are in order to identify different groups of organisations to use as the basis for benchmarking and other comparisons.

We will also look to speak to the Chief Executive in order to understand the business context of CCS and how it relates to the people plan and the pay and recognition framework.

Finally, during this period we will look to gain access to and review documentation and information related to strategic and people priorities; reward policy and communications materials; pay and grading data; employee feedback on reward from surveys and exit interviews; and, other supporting information such as handbooks, job descriptions, etc.

On the basis of these conversations and the review of the aforementioned materials we will produce a report with an initial diagnostic providing a 'Red/Amber/Green' position, and supporting commentary, for key aspects of the pay and recognition framework including:

- Guiding principles;
- Grading structure and job evaluation;
- Alignment of pay ranges to relevant comparators;
- Annual pay review;
- Hiring salaries;
- Pay progression;
- Allowances;
- Links to performance, including non-consolidated awards;
- Benefits; and
- Recognition

Our review will indicate which aspects of the framework:

- Seem fit for the future and supportive of recruitment and retention – and wider business and people objectives (Green);
- Present a potential risk to reward effectiveness and the ability of CCS to recruit and retain key talent (Amber); and
- Present a clear risk to reward effectiveness and the ability of CCS to recruit and retain key talent (Red).

These findings will of course be tested further through additional analyses and interviews, with a final assessment due to be presented at the end of phase 3 of the project.

Phase 2 – In-depth pay benchmarking / Weeks 2 to 6

In order to understand the competitive position of pay and benefits against the market we will conduct a series of benchmarking assessments.

To do this we will first agree with you which are the appropriate market references to compare to. We will then proceed to source data from sources currently available to you – and our own sources – to provide a market benchmark for each grade and function in the organisation. We have found that this approach supports a meaningful and cost/time effective exploration of competitiveness.

In exploring data sources to support the benchmarking work we will make sure to consider the different recruitment pools and groups of comparator organisations discussed in phase 1 of the project. We will also test with you our proposed mapping of your roles to benchmarking functions to ensure we make like-for-like comparisons.

We will report back aggregate outcomes by function and grade as well as contextual commentary and key messages emerging from this exercise. We will also provide a detailed spreadsheet showing the competitive position of each role at CCS for you to use as a future reference and conduct additional analysis as appropriate.

In terms of benefits, we will research details of policy and practice of core benefits (e.g. pension, annual leave, enhanced sick leave, maternity leave, etc.) and compare the position of CCS against common market practice. We will also provide a view of other benefits and perks that are commonplace in the sector or popular amongst employees – and therefore should be considered as part of this review.

Phase 3 – Full diagnostic and options for the future / Weeks 2 to 8

In this phase we will look to complete and report on a full diagnostic of your pay and recognition framework, as well as recommendations to improve the current approach including options within and outside the Civil Service pay remit guidance.

To complete the diagnostic work we plan to:

- Conduct a test of the current grading structure, including current placement of roles in grades and supporting job evaluation processes;
- Test internal pay equity using a pay dispersion analysis and comparisons of reward outcomes across genders and other groups with protected characteristics;
- Conduct up to 5 focus groups with employees and up to 10 interviews with an extended group of stakeholders to test views on strengths and weaknesses of the current framework – and how the framework supports employee engagement and the wider employee value proposition at CCS.

Our findings will be presented using the QCG "5 Cs" reward effectiveness model. This model shows how the organisation is performing against key aspects of reward that impact on employee engagement as illustrated below.

Reward Effectiveness – What organisations should aim for	
Clarity	The principles, rules and processes to manage pay are simple and easy to understand and communicate
Consistency	Reward decisions follow the agreed guidelines, minimising the need for exceptions
Competitiveness	The pay and benefits package is valued by employees and supports recruitment needs
Control	There is a clear connection between employee contribution and performance and their reward
Congruence	Reward is aligned with the CCS strategy and values, as well as the political and economic pressures of the market

Then, based on the outcomes of these diagnostics and work from the previous project phases, we will proceed to develop ideas and options for change for the same aspects of the pay and recognition framework reviewed in phase 1 as follows.

Firstly, we will consider options outside of the Civil Service pay remit guidance, with freedoms in areas of particular relevance including scale of pay increases, mechanisms for pay progression and allocation of budgets to non-consolidated performance-related awards.

In developing these options we will draw on the latest thinking on reward management and our own recent experience of developing innovative reward solutions. We will test the boundaries of what is possible as appropriate and put together fully-costed options that in our view will improve the effectiveness of the current approach without the constrains of the Civil Service framework.

Secondly, we will develop options observing the current Civil Service pay remit guidance. In our experience, despite the restrictions of the pay remit, organisations tend to have a wide range of options to improve the effectiveness of reward, using our "5 C" framework as a reference.

This approach also allows for the exploration of interventions that do not require additional investment, which would be particularly relevant in the event of a pay freeze being implemented.
Our recommendations will include advice on the optimal allocation of the allowed paybill increase, including the use of recyclables and other savings as appropriate.
These recommendations will also include zero-cost potential changes to the structure and criteria underpinning pay and recognition decisions, which can still improve the effectiveness of current arrangements even in a pay freeze scenario. In fact, it is even more important for organisations to demonstrate a transparent reward system, with consistent decisions being made in times where pay has been frozen – as decisions concerning pay and recognition will likely be scrutinised more heavily by employees in light of pay not moving.

Our proposed options for change will be informed by recent work with organisations operating within and outside the Civil Service pay remit and ongoing dialogue with the Civil Service Employee Policy (CSEP) team, which allows us to test the interpretation of the pay remit and explore the flexibility of its provisions.

5.3 Ensuring fit of proposals within Civil Service pay framework

In the context of this project we have identified a number of factors to consider in order to ensure that proposals fit within the Civil Service pay framework.

In the first place it is important to have a through degree of understanding of the letter and application of the guidance set out in the Civil Service pay remit. Through a detailed study of these guidelines and applying them to work with clients covered by the framework we can test any proposals for compliance with the pay remit.

This includes, but is not limited to, key features of the framework such as:

- Managing increases to total paybill within the set limits, including annual pay awards and other adjustments to salaries;
- Removing time-served provisions from pay increases, considering instead mechanisms based on capability, performance or other approaches approved within the remit; and
- Managing and interpreting non-consolidated, performance-based awards within the allocated 'pot'.

Moreover, it is also important to have the expertise required to adequately interpret the guidance from the Civil Service. For example, it is important to understand which compensation elements are included in (and excluded from) the total paybill calculation that needs to meet the relevant limits in order to ascertain the viability of recommended changes.

Our ability to make a sound interpretation of these guidelines has been evidenced in successfully advising multiple organisations on changes to reward structures that are compliant with the Civil Service pay framework.

In addition, we have worked with a number of organisations on preparing, presenting and securing approval for business cases for pay flexibility to HM Treasury. In all these instances it is critical to have detailed knowledge of the guidelines issued by Civil Service to manage pay, and the principles behind them, in order to seek authorisation to make changes that fall outside these parameters.

Finally, there are instances when it is necessary to be able to test the thinking behind proposed changes to ensure compliance with the Civil Service pay framework. This is particularly important in aspects of the guidance that can be open to interpretation such as what effectively constitutes a performance-related award that is funded from a separate pot than salaries.

In these instances we draw on two sources of expertise to inform our recommendations. Firstly, we look at precedents form previous project work and other client experiences in understanding what is likely to be compliant with Civil Service guidelines. Secondly, we have a working relationship with the Civil Service Employee Policy (CSEP) team that allows us to get a view from them on the degree of compliance of potentially contentious recommendations, which we have done most recently in evaluating the development of new performance-related awards for the Money and Pensions Service.

Consequently, through all of the above activities we can ensure that proposals meet the requirements from the Civil Service pay framework.

5.4 Outline of benefits for CCS of solutions

Short term benefits

Firstly, there will be an improvement in the capability of the reward and wider HR team as a result of knowledge transfer and enablement to 'own' proposed changes.

Also, during and immediately after the project we have observed the following benefits in clients that we would expect to see at CCS:

- Improved credibility of the pay and recognition framework by virtue of having external experts test and provide recommendations to make it work better;
- Increased transparency and clearer understanding of how pay and recognition decisions are made, which results in higher trust in the system and good will amongst employees; and
- Improvement in employee perceptions of different aspects of the pay and recognition framework, especially those areas that would be a source of concern and are prioritised for intervention.

These benefits are typically evidenced by formal and informal feedback from employee and managers, including general opinion surveys and 'flash polls' specifically targeted at factors relevant to the project.

Another short term benefit is a reduction of compensation risks and the likelihood of Equal Pay claims and other internal equity challenges from employees. We achieve this by identifying instances of unjustifiable differences in pay between employees performing a similar job in our diagnostics and suggesting mitigating actions accordingly.

Medium term benefits

Over the period of 6 to 12 months that follow the conclusion of the project we expect to see improvements in employee satisfaction with reward and, all other things remaining equal, overall employee engagement.

Whilst still early, in this time frame we do start to see improvements to internal equity as measured by different types of dispersion analyses. As part of this we can expect changes to reward to start contributing to a reduction in the Gender Pay Gap and other equity metrics.

We would also expect for the work on pay and recognition to start impacting recruitment efforts through increased number of candidates and a reduction of time-to-hire metrics. This of course requires an articulation of project outcomes with other interventions involving aspects such as communications, employee value proposition, job design, etc.

From a governance point of view, there should be a reduction of requests for exceptions in pay and recognition policy and a reduction in the gap between the agreed annual pay increase budget and annual pay movements for employees in the same role (which include any 'in-year' increases in addition to the annual pay review).

In considering medium and long term benefits of reward projects it is important to understand that it is difficult to trace direct causality of changes in some areas specifically to these interventions.

For example, closing the Gender Pay Gap typically requires changes in talent management processes; or, recruitment and retention can also be impacted by political, economic or talent-supply factors. Therefore, we recommend considering these benefits in the context of how reward can support different goals instead of looking for (potentially unrealistic) direct cause-and-effect relationships.

Long term benefits

To start with, the rate of reduction in pay dispersion should accelerate, resulting in greater pay equity across the organisation. Provided that appropriate talent management measures are in place, it is possible for changes to pay and recognition to have a more noticeable effect in the Gender Pay Gap and other equity metrics too.

The work on pay and recognition, alongside interventions in other areas, should help CCS to continue seeing improvements to recruitment of key talent.

Improvements to retention should become more apparent too, again, provided that contextual elements and other measures are in place to support this. In particular, there should be a reduction in the number of employees leaving the organisation because of dissatisfaction with pay and recognition – especially when fully articulating the overall EVP in recruitment efforts, resulting in less of a gap between expectations for candidates and actual experiences when they become employees.

In terms of Diversity & Inclusion, having clearer criteria to inform pay and recognition decisions, and a more consistent application of these criteria as a result as an improved system, should reduce the impact of biases on outcomes across groups with protected characteristics. Overall, pay recognition will support better the wider Diversity & Inclusion agenda through improved pay equity for all employees.

Another benefit we expect to see is a complete articulation of pay and recognition with performance management. We see this as more of a long term benefit given that we have found most organisations requiring enough time to first consolidate their performance management approach before fully articulating it with pay and recognition.

More generally, over the long term, the outcomes from this project should help sustain initial improvements to satisfaction scores with pay and recognition – and wider employee engagement.

6.1 Reporting format and data sharing

The gradual transferral of skills to and increased understanding/capability of the CCS team will allow for having the insight to respond to and effectively engage internal stakeholders, building on our ability to present results in a format easy to explain to and share with multiple stakeholder groups.

To that end, we recommend using PowerPoint presentations as the primary reporting method, supported with spreadsheets for detailed analyses results.

These of course will be complemented by workshops and verbal briefings to discuss the content and key messages of different reports, and go over any questions from the team.

From experience we have found that PowerPoint presentations provide an ideal format to communicate findings and recommendations to a variety of audiences. This format allows for presenting key messages in a concise and easy to understand format, whilst allowing for the use of appendices to present more detail as necessary.

If appointed to deliver this project we will prepare a PowerPoint report at the end of each phase of work presenting the outcomes described on section 5.2 of this proposal. On the second page of this section we present sample images of reports in this format.

We can also produce interim reports as required and/or prepare Word-based papers and briefings for discussion in stakeholder groups such as the Board of Directors or Remuneration Committee.

We will also remain available to present or co-present our reports to different audiences as appropriate.

In order to establish reporting requirements and preferred format(s) we would discuss this with the CCS project team at the outset of the project, whilst remaining flexible to support emerging requirements throughout its course.

In addition, we will provide the pay and reward team detailed spreadsheets with the results of the different analyses we conduct, with the content from these spreadsheets typically summarised and presented as charts in our report.

Having these spreadsheets available will allow the pay and reward team to perform further analysis and create reports following the conclusion of our work. In handling these files we will make sure to follow the required security and GDPR protocols to protect the confidentiality of sensitive data.

The spreadsheets we provide will cover:

- Benchmarking results, with market median and quartile reference values for each role at CCS;
- Pay dispersion charts and source data; and
- Pay equity analyses including source data and comparisons of reward outcomes across genders and other groups with protected characteristics.

Sample reporting slides – Summary of findings and "5 Cs" diagnostic outcomes

Overview of findings from the diagnostic stage

Reward is not working well at <CLIENT>, even though evidence shows a better positioning of pay than it is perceived.

Many of the mechanisms and structures supporting reward decisions are not fit for purpose, with other factors outside of reward adding pressure to pay.

- There is a general view that employees are underpaid at <CLIENT>. This is linked primarily to unfavourable comparisons to other organisations, misalignment of pay and qualifications of individuals, and/or cost of living pressures.
- Salaries and benefits are aligned to the market median of a large sample of <SECTOR> organisations in the UK.
- Excessive focus on benchmarking outcomes create confusion, discontent and adds pressure to pay.
- Other key issues comprise a lack of understanding over key reward decisions and processes. This is exacerbated by a lack of reward guiding principles, leading to an erosion of trust in reward.
- There are indications of inconsistent outcomes and approaches to manage reward at <CLIENT>.
- Only c. 50% of performance plans being submitted reflects disengagement and limited impact/relevance of current approach.
- There is also concern over the ability of employees to influence reward outcomes.
- A perceived absence of recognition, high workload, lack of career progression and a general sense that it is hard to 'get on with the job' also put pressure on pay.
- We found no evidence of structural issues related to pay impacting exclusively on D&I, with concerns about competitiveness of pay in this context reflecting general concerns for all staff, not just a D&I issue.
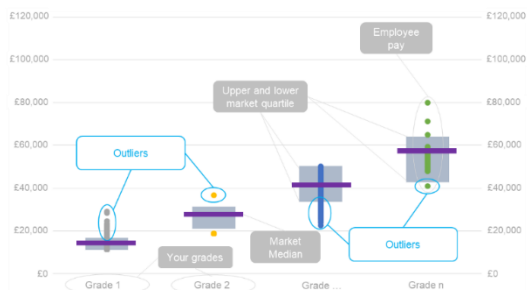
Clarity

In the absence of clarity over aspects of reward at <CLIENT>, and any principles to guide reward decisions, there is a risk of eroding trust in reward at the organisation.

- Whilst there is awareness of the existence of pay bands and thresholds, there is a general lack of understanding about many aspects of reward decisions and processes at <CLIENT>, including the rates of pay within bands, how salaries are set for new hires, remuneration of agency staff, market rate allowances, time off in lieu, etc.
- Although some employees acknowledged communications for the most recent pay review, they perceived the contents of the communications as complex and unclear.
- We have observed a lack of clarity in the benchmarking process and a low level of understanding around how the outcomes should be used in relation to informing pay decisions.
- Employees are unclear as to whether roles are comparable across sites. In some cases roles viewed as comparable are in different bands, leading to employees working outside of London feeling undervalued in comparison to their colleagues.
- The benefits package offered by <CLIENT> was either seen as difficult to access, irrelevant or unknown to employees.
- The absence of guiding principles and comprehensive policy documentation impacts the clarity and transparency of reward at <CLIENT> and potentially internal equity.

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Sample reporting slides – Pay dispersion and benchmarking outcomes

Competitive analysis by <CLIENT> job family

The majority of job families are positioned closely to the external market median.

However, salaries in <SELECTED FUNCTIONS> are positioned furthest from the median.

In contrast, employees in <SELECTED FUNCTIONS> are more than 5% above the relevant median.