

EMPLOYMENT MATTERS COMMITTEE

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A PROPOSAL TO IMPLEMENT COMPETENCY BASED PAY PROGRESSION

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1 Summary

- 1.1 This report presents a proposal to implement a competency based pay progression scheme for all staff.
- 1.2 The report was presented to Corporate Management Team on 10 December and agreed subject to amendments that have been incorporated here.

2 Background

- 2.1 At the Employment Matters Committee on 19 March 2002 Members agreed in principle to the introduction of competency based pay, subject to consultation. Any such scheme needs to reflect the culture and objectives of the Council, and should include improving customer service and developing performance management.
- 2.2 The proposed scheme will reward behaviour that brings the organisation closer to achieving its objective and gives a focus for employees on what needs to be achieved. It will also offer clearer career structures and enable planned development that promotes career progression.
- 2.3 A revised pay and grade structure for all employees below principal officer was implemented on 1 April 2002. This structure provided for long pay bands with nine incremental points, including an award 'bar' in pay band B2 to reward social workers for achieving the Post Qualification Award. Staff were advised when the new pay and grade structure was implemented that competency based pay would be introduced later.
- 2.4 The pay and grade scheme for principal officers and above will be implemented from 1 April 2004 and this also provides for long grades.

3 Proposal

3.1 Introduction

- 3.1.1 This paper discusses a competency based pay progression scheme that applies to all employees and is transparent and simple to operate. The scheme will reward contribution resulting from the use of competencies attained through development or experience. Progression through the full

pay band will not be possible without demonstrating the threshold of competence required to advance but those who demonstrate the required level will not be impeded from progressing to the top of the grade band.

3.2 Competencies

- 3.2.1 Competencies have been in use for more than 20 years and are widely used in major public and private sector organisations. They define *how* people should act in order to perform effectively in line with the organisation's core values and to contribute to achieving its objectives, whereas job descriptions and performance objectives define clearly what people should be doing in this regard. Both the *how* and the *what* are critical for balanced contribution to the organisation achieving its aims.
- 3.2.2 Competencies bind together the various people management processes to provide a cohesive approach to people management. They provide a benchmark against which people can be constructively measured, are used in recruitment to identify the best person for the job, and in performance review to measure performance 'on a level playing field' and identify areas for development, which are then addressed in a targeted way in line with the organisation's values and aims. Finally, competencies offer a way of rewarding people's contribution resulting from the way they use the skills and attributes they bring to their job.
- 3.2.3 The competency framework is attached in appendix one and the leadership framework is attached in appendix two. The aim is to ensure there are linkages between the leadership framework and the competency framework. These competencies will be combined with professional and/or technical competencies.
- 3.2.4 Each competency will define the action or behaviour that is needed to perform effectively. These definitions will be at different levels of performance to provide the behavioural benchmarks needed in different jobs.

3.3 Proposed scheme

- 3.3.1 It is proposed to place the competency step at the top three points of each pay band.
- 3.3.2 The competency step will be defined by a threshold competency profile that specifies the level of performance in each competency that must be demonstrated to progress. Attaining threshold competence will be contingent on demonstrating the required level of work performance, not simply by acquiring a qualification or skill. Threshold competence must be demonstrated on all elements of the profile to advance beyond the competency step.
- 3.3.3 It is proposed that the Performance and Development Review (PDR) will be adapted to provide the evidence base for determining whether a person has demonstrated competence to enable them to progress through the step, and/or identify areas for development.

3.4 Salary progression

- 3.4.1 Salary progression below the competency step will remain unchanged in that a person will progress by one spinal point each year until they reach the competency step. The only change will be that progress beyond the competency step is dependant on demonstrating threshold competency and

sustaining it. Thus, if a person reaches the relevant spinal point and is unable to demonstrate threshold competence, they will not progress to the next spinal point.

- 3.4.2 Individuals above the competency step must demonstrate threshold competence before they can progress. If they are unable to do so they will be frozen at their current incremental point, although pay awards will be payable. At this time a clear development plan must be put in place to provide the individual with the opportunity to develop to threshold competency. This will be supported by appropriate learning and development programmes and once individuals are able to demonstrate threshold competency their incremental progression will be reinstated.

3.5 Review and monitoring procedure.

- 3.5.1 To ensure that competency assessments are carried out consistently across departments, the reviewing manager's line manager will be required to countersign all assessments and may refer to HR for clarification. In the event that a member of staff disagrees with the competency assessment made by their manager they will be able to ask for a review by their line managers' manager, who can seek further advice from HR if necessary.
- 3.5.2 The HR department will monitor all pay recommendations to ensure that there is a consistency of approach across sections.

3.6 Implementation

- 3.6.1 Before the scheme is applied fully with the competency assessments influencing pay awards, it is proposed to pilot the scheme with a representative selection of staff and managers. This pilot will enable us to identify any difficulties encountered in the application of all elements of the scheme, and to rectify these before any outcomes from the scheme affect people's pay. The timetable for the pilot is shown at appendix 3. The pilot will be evaluated in february/march 2005 and any proposed amendments to the scheme will be brought back to this Committee and the Employment Matters Committee.
- 3.7 It is proposed that any implications for pay will not occur until April 2006 after the pilot has been evaluated and the full scheme is in operation.

4 Consultation

- 4.1 Focus groups and interviews took place during July and September, which involved around 233 staff and members. All of these staff plus Medway Managers were then asked to provide feedback on the draft competency framework, and this involved around 600 staff and members. As some replies were received anonymously and from individuals as well as groups of staff we estimate that feedback was received from between 70 - 100 employees. Employees were asked to provide feedback on whether the competency framework:
- Appears relevant to their job
 - Easy to understand
 - Helps them understand what is required of them in their job
 - Helps them to see what they are doing well and where they can develop.

- 4.2 The majority of responses were in the very good to good categories and the comments supported this. The main concerns were:
- around understanding how the competency framework would be applied in practice;
 - how the competencies would be allocated to each position;
 - will training be provided to managers and staff on how to use the competency framework;
 - how the competencies will be measured;
 - an appeals procedure as the competency framework will be linked to pay.
- 4.3 Most of these concerns will be addressed in the roll out of the competency training as well as other training programmes to support managers and staff. A competency log will be issued to staff and managers to record evidence for each competency.
- 4.4 The trade unions have been consulted on this proposal and they have made some detailed comments on the frameworks, most of which have now been incorporated in the final version. There are, however, still some outstanding areas of concern, including :
- The interpretation and consistent application of the scheme
 - Agreement on where the competency step should apply (the trade unions would like to competency step to be at the top two points of the grade, the employers proposal is at the top three points)
 - The robustness of any review mechanism
 - The use of the PDR scheme to measure competence
 - Ability to ensure that sufficient time is given to enable meaningful consultation
- 4.5 Many of these issues can be addressed through the pilot scheme and the subsequent evaluation. In addition a further meeting has been arranged with the trade unions for 23 January 2003 and the outcomes from that meeting will be reported to this Committee.
- 4.6 This matter was also discussed by the Joint Consultation and Negotiation Committee on 29 January 2004 and there was unanimous agreement to the proposals.

5 Financial implications

- 5.1 The work relating to the development of these competencies is being funded from the corporate learning and development budget. The training in the use of such competencies will also be funded from this budget.

6 Legal implications

- 6.1 It is hoped that changes to individuals' contracts of employment will be achieved through a collective agreement. However if such an agreement is not reached then the Council will need to make changes to individual

contracts of employment. The latter is not a preferred option as it is most likely to be subject to a legal challenge.

7 Recommendations

- 7.1 The Employment Matters Committee is asked to note the proposed competency based pay scheme as detailed in this paper. The final details of the competency based pay scheme will be dependent upon the outcomes and determinations of the pilot process. Those determinations will be established in consultation with the trade unions during the period of the pilot. At the end of the pilot/consultation period a final scheme will be presented to the Joint Consultation and Negotiation Committee for their approval/recommendation to the Employment Matters Committee.
- 7.2 The pilot will be based on the following principles:
- (i) The placing of the competency bar at the top three points of the grade as outlined in paragraph 3.3.1.
 - (ii) Arrangements for freezing progression where threshold competence is not demonstrated as outlined in paragraph 3.4.2.
 - (iii) The timetable for the pilot and implementation as shown at Appendix 3.
 - (iv) The competency and leadership frameworks as shown in appendix 1 and 2.

Background papers

Employment Matters Committee -19 March 2002 – 30 July 2003

Joint Consultation and Negotiation Committee – 10 July 2003

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