

Employee Reward
EXAMINER'S REPORT
November 2007



Chartered Institute of Personnel and Development

Professional Development Scheme

Generalist Personnel and Development

Employee Reward

November 2007

12 November 2007 13:50-16:00 hrs

Time allowed - Two hours and ten minutes
(including ten minutes' reading time).

Answer Section A and SEVEN of the ten questions in Section B.

Please write clearly and legibly.

Questions may be answered in any order.

Equal marks are allocated to each section of the paper.
Within Section B equal marks are allocated to each question.

If a question includes reference to 'your organisation', this may be interpreted as covering any organisation with which you are familiar.

The case study is not based on an actual company. Any similarities to known organisations are accidental.

You will fail the examination if:

- **you fail to answer seven questions in Section B and/or**
- **you achieve less than 40 per cent in any section.**

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SECTION A – CASE STUDY

Note: It is permissible to make assumptions by adding to the case study details given below provided the essence of the case study is neither changed nor undermined in any way by what is added.

Ruby's is the trading name of a company that manufactures and distributes Indian ethnic foods. Their mission statement is "to profitably identify and satisfy world-wide market opportunities for Ruby's branded food products, by creating outstanding value for customers and consumers, whilst providing secure and stimulating employment for all employees."

The company, which is privately owned and family run, is led by Sanjit and Meera Singh. Sanjit was brought up in the family Indian foodstuff import business and formed and developed his own packing, supplies and distribution business, PSD. He then went on to purchase a nearby manufacturing facility where he could produce pastes, pickles, chutneys and sauces.

On his father's semi retirement Sanjit took on the whole business, supported by his wife who was responsible for recipe and product development. It was then that PSD adopted the brand name Ruby's. Due to continued success, the company has moved to new custom built premises and now produces high quality products for a range of own brand labels.

Distribution is franchised to a food distribution specialist company. Sanjit's cousin manages the factory and his brother-in-law is responsible for sourcing and importing ingredients from around the world through commissioned agents.

The factory manufacturing process is highly mechanised and employs 60 operatives working alternate three-day shifts. Administrative staff number ten and all processes including HR are extensively computerised. Continuing demand despite heavyweight competition indicates that further expansion is likely over the next two to three years. Local unemployment is low and all staff wages are barely above the National Minimum Wage or industry minimum. The workforce is mixed ethnicity and gender, and ages range across three generations. At least 20% of operatives have been there all their working lives.

The culture at Ruby's is family oriented and the workforce is structured into six teams of ten operatives and a team of admin staff, each with their own team leader. The senior management team numbers four plus Mr. Singh senior who is still actively engaged in the financial management of the company. Communications in the factory are two-way and open. There are regular team meetings to discuss a range of issues, and it's understood these should never last more than an hour.

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Mr. Singh senior has recently advised the senior team that he feels company finances could be used more efficiently and effectively in the achievement of the business aims. One area he is keen to explore in this regard is that of remuneration.

The senior team agrees to the appointment of a reward specialist and you have been seconded into that role from your job at the regional development agency. Your brief is to assist in devising a reward strategy and structures that will reflect the nature and expectations of the business and incorporate good practice and recent research. You are required to present your recommendations in a brief report to the senior team. The report should contain:

- (1) Reasoned recommendations for a medium term reward strategy and related pay structures for all staff, including the senior team, that will result in greater efficiency and enable the achievement of the stated aims of the company.
- (2) The identification of any short-term threats or longer term risks to the successful implementation of your recommendations and how these might be overcome.

Candidates are advised to spend 70 % of their time on task 1 and 30% on task 2.

PLEASE TURN OVER

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SECTION B

Answer SEVEN of the ten questions in this section. To communicate your answers more clearly you may use whatever methods you wish, for example diagrams, flowcharts, bullet points, so long as you provide an explanation of each.

1. “Although the moral case for equal pay is widely accepted, the economic argument tends to win out. Many employers therefore prefer to take their chances rather than open up the Pandora's box on equal pay” (ACAS, 2005).

Respond to this statement and demonstrate the business case that an equal pay review is essential to such organisations.

2. Drawing on your knowledge of research and good practice, outline and justify the benefits of employee share plans for both employees and employers.

3. The training officer in your organisation wants to see the introduction of competence related pay to support a move to developing more training and competence profiles. The production manager says it will just encourage staff to spend all their time training and they'll never be at work. Explain how competence related pay can be used in a way that will meet the objectives of the training officer and allay the fears of the production manager.

4. Outline and justify ways in which organisations can accommodate the increasing demands from employees who want different reward packages at different stages in their careers.

5. “Job evaluation might tell you the value of the job – but it won't make people work harder so why bother with it?” challenges a business acquaintance. Explain what you will say to him and why in defence of job evaluation.

6. A colleague has been reading about pay modernisation in the public services. He remarks that the word ‘harmonisation’ seems to feature a great deal but confesses that he doesn't really understand what it means. Using an example that will show the potential benefits of harmonisation, explain to him what the term means and how the process works.

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7. You are being interviewed on local radio about a variety of employment issues and the subject of payment comes up. "How on earth" says the interviewer, "can there ever be any justification for paying a footballer £50,000 a week or a city analyst a bonus of over a million pounds?" Based on your knowledge of how levels of pay are determined explain to him how these situations arise.

8. Evaluate the evidence that performance related pay encourages conformity, is divisive, unfair and demotivating, has confused objectives and is subjective.

9. Given the opportunity to revoke any piece of reward related legislation what would you choose and what would be the impact?

10. Armstrong and Murliss, 1998 claim that the essentially static techniques of salary administration have developed into the dynamic approach of reward management. To what extent is this true in your organisation and why has it or has it not happened?

END OF EXAMINATION

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Introduction

A total of two hundred and forty five candidates from forty five centres sat the Employee Reward examination in November 2007. One hundred and sixty eight achieved a pass mark or above. This gives a pre-moderation pass rate of 68%. This is 0.6% up on the pass rate for May 2007 and 4% up on November 2006. Two candidates failed because they had less than 40% in section B.

November 2007		
Grade	Number	Percentage of total (to 1 decimal point)
Distinction		
Merit	23	9.0
Pass	145	59.0
Marginal fail	38	16.0
Fail	39	16.0
Total	245	100.0

The figures shown are simply calculations based on the number of candidates sitting the examination in November 2007, whether for the first or a subsequent time, and are for interest only. They are not to be confused with the statistics produced by CIPD headquarters, which are based on the performance of candidates sitting the examination for the first time. It is from these figures that the national average pass rates are calculated.

The results are good with slightly fewer fails than in May 2007 though it is disappointing that there are no distinctions this time. Candidates are still too keen to write all they know about a topic instead of applying their knowledge and understanding to the situation in the question. In addition to reading the question carefully it might be a good idea for students to practice this application during classes and revision. Their knowledge and understanding will show through if the application is sound.

Section A

Candidates should have been guided by the mission statement of the company, which highlighted profitability, customer service and the security and stimulation of the employees. There is also anticipated growth and it would seem that the time is right for some formalisation of the reward processes and management. Many candidates rightly proposed a reward philosophy that incorporated flexible benefits and acknowledged intrinsic rewards. As much of the work is mechanised/computerised, efforts need to be made to keep the staff motivated and engaged.

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Weaker candidates were weak simply because they listed lots of ideas, without choosing any specific ones to fit the case study. When they did offer proposals they failed to offer any justification, hence it was not clear why these and not others. Whilst it can be considered good practice to suggest alternatives there is still a need to discuss their relative strengths and weaknesses. There is not always time for this in the examination unless it is called for specifically, and instead we end up with a long list of 'possibilities' but no rationale for choice. Candidates must remember who it is that they seek to advise and go for options that meet the stated requirements. Broad banding and/or some kind of team related reward were popular and relevant, as were some form of bonus or competence related pay. Some candidates went for reward structures that were holistic, others went for suggestions that differed for the different groups of employees.

Better answers incorporated reference to other dynamics of the case, such as the fact that there seems to be no succession planning and that the reward process might reflect opportunity for development.

There is a considerable amount of scope here as long as the candidate can justify the proposals and not just list everything in the textbook.

Many candidates denied themselves marks through the poor quality of the answer to the second part of the question. Some were too generalised, which is to be expected when the first part of the answer is simply a long list of 'everything'. This subject of threats and risks was largely ignored and certainly not justified by example or research evidence. It was noticeable, too, that some candidates introduced material into this part of the answer that had not previously been mentioned.

Despite the weakness of the second part of the answer, reference to published material is becoming more evident, though there is now a need to expand this beyond the CIPD Annual Reward Survey and the Black Box research findings. Candidates still have difficulty linking such evidence and examples from good practice to the actual case and to the responses but this will no doubt improve over time

Section B

Question 1

As with many section B answers, this one suffered from candidates writing generally about the topic and paying little heed to the nub of the question. It was pleasing to see that candidates are so well informed on equal pay but equally disappointing that

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very few could actually make a business case about the necessity of equal pay reviews. Such cases as were made relied very heavily on the 'you don't want to have to go to tribunal/pay out compensation' reasons forgetting the benefits to be accrued from treating people with respect and dignity and rewarding them for their contribution and not their gender.

Question 2

Employee share ownership is an important and common feature of UK corporate culture, largely prompted by the desire to make employees act like owners and to show more enthusiasm for the company as a whole and not just themselves. Better answers echoed this and cited examples that demonstrated improved performance and employee benefits (Tesco was a popular example). The question asked for consideration to be given to both employer and employee, and candidates who maximised marks included both. To provide competitive advantage, such schemes must be part of a coherent policy, which is aligned with corporate strategy and the requirements, and expectations of employees.

Question 3

This argument is very common and highlights the need for reward specialists (and HR in general) to anticipate the reluctance of line managers to go along with what seem to be worthy proposals. Few candidates really answered this question well. Most of the answers were descriptions of competence related pay in action but did not explain how it can be used successfully to overcome the problems stated. Better candidates latched onto the identification and development of the right competences, and how a focus on these would actually improve performance on the job, thus improving productivity. Better answers also recommended that the production manager should be involved in the identification of those competences and in agreeing the standards desired.

Question 4

The career cycle is not a new phenomenon and is based on the premise that, to attract motivate and retain, the employer needs to be aware of which rewards are valued by employees. It was disappointing that so few candidates seemed to have actually read the last six words of the question. There were plenty of full answers about flexibility and diversity in reward, but only a handful that related any of this to career cycles and development. Company cars for graduates, training opportunities for those just starting or having just changed their jobs, mentoring opportunities for the more experienced employee, relocation benefits for fast trackers. Centres and candidates must realise that for all answers concepts must be applied to the question and not simply described.

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Question 5

Why bother with job evaluation (JE)? Answers fell into two distinct types - those that explained what JE is and does - and those that related that to 'making people work harder'. The latter made some excellent points about a better working culture because of the underpinning issues of trust, transparency, objectivity and perceived fairness. Some candidates supported this with reference to Equity theory in what were some very good answers.

Question 6

Harmonisation refers to the reduction or even eradication of differences in the pay structure and other employment conditions between categories of employees, usually manual and staff. It involves the adoption of a common approach and criteria. The pressure for harmonisation has occurred because of the belief that status differentials between people in the same employment cannot be justified. Differential treatment becomes harder to defend. In the public sector, where there is a history of long rounds of pay talks with many representative bodies, the introduction of harmonised pay structures has been of great benefit to all concerned. Candidates were soon able to show that they understood this and there were many good examples cited, especially from the health service and local government. Basic descriptions did not attract as many marks. There were also a few candidates who clearly did not understand harmonisation and should have looked for another question to answer.

Question 7

Many candidates may have asked themselves this very question! There were some extremely good answers here that took onto account market forces, short-lived career spans and added value. This scenario is often found around senior executive pay too – if you want the best you have to pay the best. This was a question about determining levels of pay, but there were not many marks for candidates who just wrote in general terms about what looked like the subheadings of a textbook chapter. This was an answer to a presenter with local radio – no place for academic diatribe.

Question 8

This view is expressed by Angela Wright in her book *Reward Management in Context* (2004), where she contrasts this view with a list of points that support Performance Related Pay (PRP). There is considerable evidence cited in textbooks and elsewhere that PRP is no longer the answer. Pfeffer, Sisson and Storey, Kohn and many others argue that PRP never lived up to the expectations of those who espoused it. One of the main problems seems to be that the structures and processes were never put into place. Very few candidates answered this question well. They could give their own reasons for the demise of PRP but did not relate to the evidence referred to in the question. Most candidates agreed with the view put

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forward in the question, and one thing that many did agree on was that it was not the principle that was found wanting but those who tried to put it into practice.

Question 9

This was not a popular question but, where there was an answer, it tended to be well thought out and expressed. Some candidates seemed to rewrite the question and say what legislation they would like to see introduced – but this did not get them many marks. There were some interesting and well thought out answers framed around the back pay dimension of successful equal pay claims. These candidates had thought through the effect this might be having on employers being reluctant in carrying out equal pay reviews etc, raised some very interesting questions and engaged in some informed debate

Question 10

This question called for a brief definition of the two approaches and the rest of the answer would be determined by what had happened in the candidate's own organisation. There are still plenty of organisations that do no more than administer pay, though there are plenty of examples of enlightened use of reward in a complex and business related context. Whilst many candidates were able to describe what had or had not been the case in their own organisation, they failed to discuss why, and so denied themselves potential marks. Where they did tackle both aspects of the question there were some good marks awarded. It is clear that most candidates are fully aware of their organisation's approach to reward but it is also important to know why it is as it is.

Tina Stephens
Examiner