Grading, salaries and benefits

This section looks at how to grade jobs and set the levels of salaries and benefits offered to staff.

Salaries and benefits are given to people in return for the work they do for the organisation. The level of salary makes a difference to how valued a member of staff feels. Salary and benefits play an important part in attracting people to work for the organisation and encouraging them to stay.

For good working relationships it is essential to set fair and appropriate salary levels and benefits. Therefore, it is important not to rush into any decisions about salary and benefit levels without working through the steps outlined in this section.

Salaries should be linked with the specific job that someone carries out. For example, a manager would normally be paid more than an administrator.

Benefits usually apply to all staff, although they may depend on the type of contract they have. For example, different benefits may be given to permanent staff than staff on fixed-term, temporary or casual contracts.

Bible study

Read Leviticus 19:13; Deuteronomy 24:14-15; Luke 10:1-7; 1 Corinthians 9:7-9 and 1 Timothy 5:17-18.

- *What do these passages teach us about the value of work?*
- *How does this help us as we consider what salaries to pay our staff and the benefits we offer?*

Read Colossians 3:22-4:1. This passage looks at the relationship between masters and their servants, but the principles can be used for a relationship between an employer and their staff.

- *Who should staff be seeking to please? Why?*
- *What do these verses tell us about the kind of character we should want to see in our staff?*
- *Who should employers be seeking to please? Why?*
- *What responsibility do organisations or line managers have for ensuring that the instructions in verses 22–24 can be followed?*
- *In chapter 4, verse 1, what does 'right and fair' mean in practice?*

2.1 Grading and salaries

There are three key issues to take into account when considering salaries:

- Salaries should be **consistent** with the organisation’s grading structure – the higher the grade the higher the salary. This ensures that the principle of equal pay for equal work is followed.
- Salaries should be **fair**. Consider what other similar organisations are paying people for carrying out similar jobs.
- The grading and salary system should be **transparent** and easy to understand. This means that staff can clearly see where their salary fits within the organisation’s overall grading and salary structure. This helps to ensure fairness and consistency because it enables staff to keep the organisation accountable.

To set a salary for a particular job, four steps need to be taken:

STEP 1 Write job profile

First it is necessary to consider what a particular job involves. This can be set out in a job profile. Guidance on writing job profiles is given in Section 4. Here we give an example of a job profile for a driver, which we will use throughout the rest of this section to show how the job might be graded and a salary set.

JOB PROFILE FOR A DRIVER	
Job description	**Person specification**
• Reports to the logistician	• Clean driving licence
• Ensures vehicle is maintained	• Two years’ driving experience in rural areas
• Drives staff to designated locations safely	• Punctual, accommodating, polite, patient
• Conducts errands, collects items	• Drives carefully and aware of good safe driving practice

STEP 2 Evaluate job

In order to set a grade for a job, the job profile needs to be evaluated. One way of doing this is to use a systematic method of scoring jobs so that they can be compared with one another to ensure fairness and consistency. Evaluation of jobs should be carried out by a member of the Human Resources Department and the line manager of the job being evaluated. Between them, they have an overview of the organisation and have a good understanding of the job.

Here we give an example of a simple system. Whatever system is used should be used to evaluate *all* jobs within the organisation.

Designing the system

Three criteria are used, against which job profiles can be assessed. The criteria may differ from organisation to organisation, but the three criteria we use in this example are:

LEVEL OF SKILLS
The level of skills that would normally be considered essential to do the job.

LEVELS OF RESPONSIBILITY
The amount of responsibility the person in the job has, such as managing other members of staff or financial responsibility

LEVELS OF REPRESENTATION
The extent to which the person in the job represents the organisation externally.

There are four levels for each criterion, each of which is given a certain number of points. Lower levels of responsibility, skill and representation are given fewer points than high levels of each of these criteria. More points are given in the **responsibility** column because in this example, organisation sees responsibility as more important than skills. **Representation** is given the least emphasis and is therefore given the lowest number of points.

This information is incorporated into a table like the one on page 14. Each column represents one of the three criteria and each row represents the level for each criterion.

	RESPONSIBILITY		SKILL		REPRESENTATION	
	POINTS	DESCRIPTION	POINTS	DESCRIPTION	POINTS	DESCRIPTION
Low	3	• Little or no accountability for materials, equipment or finance • No responsibility for the work of others • Works under close supervision	2	Performs a small number / range of simple, routine tasks	1	Has little or no contact with people outside of his / her own working group
Medium	6	• Accountable for the use, control and / or protection of the organisation's resources • May be responsible for the supervision of staff • Works with moderate supervision	4	• Performs tasks which require discretion and judgement • Has knowledge of a variety of procedures, methods and techniques	2	Has frequent contact with people inside his/ her own working group and others within the organisation
High	9	• Accountable for part of the organisation's work • Responsible for a significant budget and / or a significant number of staff • Works with minimal supervision	6	Performs highly complex tasks, involving a number of different aspects of the organisation	3	• Has frequent contact with people within and outside the organisation • Frequently required to use influencing skills
Very high	12	• Fully accountable for a complete area of the organisation's work • Works independently within broad policy, professional standards and budgetary limits	8	Deals with a variety of highly complex assignments across the organisation	4	• Has regular contact with people at senior levels, both within and outside the organisation • Needs to develop and maintain relationships and to influence people as a fundamental part of the job

Once this table is designed, it is used to evaluate all jobs within the organisation.

Method for evaluating a job

Start with the first column of the table which represents **responsibility**. Look at the job profile and identify which level of responsibility is appropriate. Give the job an appropriate score for **responsibility**. Sometimes jobs fit between levels. In this case, an appropriate score can be given between the points stated on the table.

Then repeat this process for **skill** and **representation**.

When all three criteria have been scored, add the points together to arrive at the total number of points for the job.

EXAMPLE

We review the driver job profile (see page 12) and look at the evaluation table to score the job for responsibility, skills and representation.

RESPONSIBILITY The driver will have responsibility for maintaining the vehicle and ensuring that the vehicle is driven safely. However, the driver will not be responsible for any other staff. The driver will be supervised by the logistician, but when driving the vehicle the driver will be on their own. We could therefore say that the driver job fits between low and medium levels of responsibility. A score of 5 may be appropriate.

SKILLS Driving safely is a task that requires good judgement. However, as the main task is driving, the driver does not need to have knowledge of many procedures, methods and techniques. Therefore a score of 3 may be appropriate.

REPRESENTATION The job involves transporting staff but not guests. A score of 2 may therefore be appropriate.

We then add up the scores: 5 + 3 + 2 = 10.

STEP 3 Assign a grade

Evaluating a job by giving it a score is only the first step in the grading process. The job must also be compared to the other jobs in the organisation to ensure that the job evaluation has been carried out fairly. Therefore, once the job has been evaluated and a score has been identified, it should be checked against the organisation's grading structure.

The grading structure is based on the scoring during the job evaluation. The jobs with more points are at a higher grade than those with fewer points. An example is given on page 16. The names of the job families will vary according to the organisation. Each organisation should consult with staff to establish a grading structure that reflects its own needs, purposes and values.

EXAMPLE
of grading structure

GRADE	POINTS	JOB FAMILY
A1	24	Senior management
A2	23	
A3	21 / 22	
A4	20	
A5	19	Project management
A6	18	
B1	17	Officers
B2	16	
B3	15	Administrators
B4	14	
C1	13	Assistants
C2	12	
C3	11	Driver
C4	10	
D1	9	Domestic
D2	8	
D3	7	
D4	6	

EXAMPLE

The driver job that was evaluated has a total score of 10. This fits with the grading structure, which indicates that a driver should score either 10 or 11 points. The job that was evaluated is given the grade C4.

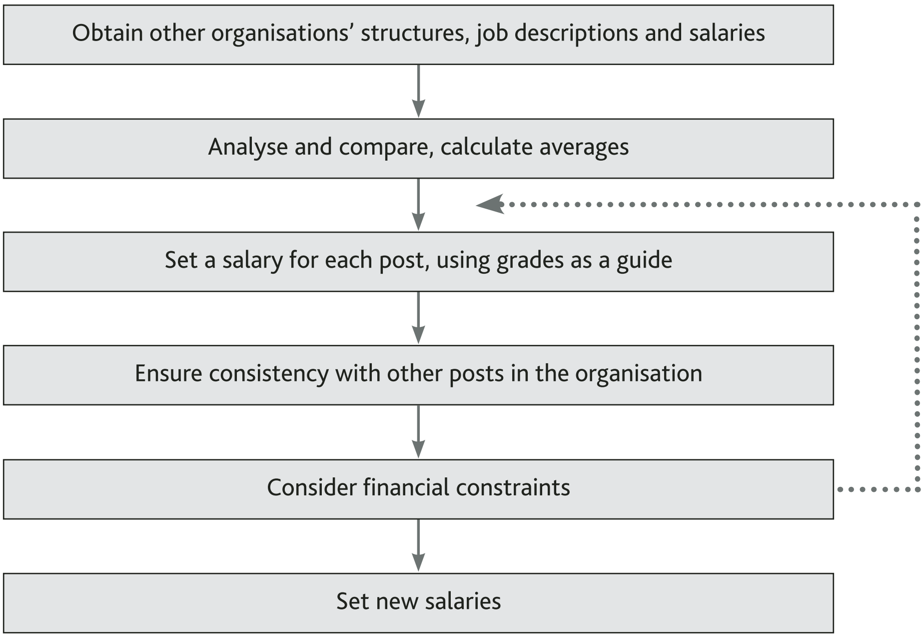
After comparing a job evaluation score with the organisation's grading structure, it may be necessary to assign the job to a slightly higher or lower grade than the score indicates, in order to make the job consistent with other jobs in the organisation.

STEP 4 Set the salary

Some organisations have one salary per grade. In this case, when a job is assigned a grade, the salary is easy to identify. However, many organisations have a salary range for each grade, so it is necessary to identify a particular salary for each job within that salary range.

When an organisation sets its salary levels it is helpful to understand what similar organisations are paying their staff for similar roles.

The process for setting a salary structure is shown in the diagram below.



When identifying salaries, take the following issues into account:

- **Local labour legislation and employment practice** such as employment tax, minimum wage and social security. Where possible, gain advice from a local employment lawyer or consultant.
- **Local common practice on salaries, allowances and other benefits.** This includes researching other organisations (based locally if possible) involved in similar work. Where there are no local organisations, collect information from a nearby town or main city and adjust the data according to the local cost of living. To identify common practice, it is best to contact at least eight similar organisations. It is recommended that a human resources specialist visits other organisations as it can sometimes be difficult to compare jobs between organisations. Organisations use different job titles, and duties carried out by similar roles may not be identical. It is therefore helpful to gather organisational charts and job profiles from other organisations and understand how each organisation calculates its salaries, in order to decide whether it is a fair and consistent method.
- **Location of the job.** If the job is based away from the main office, it may be necessary to carry out separate research for this location. However, the time needed to do this can only be justified if the cost of living is substantially different from the main office.
- **Budget available** to pay salaries. In principle, salary levels should not be driven by available funding. Instead, salaries should reflect the salaries paid by similar organisations to their staff. However, sometimes funds are limited, which may have an impact on salary levels.

Since analysis of salary data can be difficult and take a lot of time, it is advisable to seek help from a member of staff with financial expertise or a local professional consultant. A local salary survey carried out by another organisation could also be useful. However, check that the survey data is accurate and meets the organisation's requirements.

Here we provide some ideas for analysing salary data and setting salaries:

- Draw a table in which to put salary data collected from other organisations. Use only data from organisations with similar roles, and with fair and consistent salaries. Each row in the table represents a job that is being compared across organisations. The columns represent different organisations.
- Once the salaries have been inserted, calculate an average across the organisations for the same job. It is suggested that the highest and lowest figures in each row are excluded from the calculation. To find the average, add up all the remaining salaries for each job and divide the sum by the number of salaries included in the calculation.

EXAMPLE

	Organisation:								
	1	2	3	4	5	6	7	8	**Average**
Field Manager	~~1,000~~	~~1,500~~	1,250	1,100	1,050	1,100	1,300	1,250	**1,175**
Finance Manager	~~900~~	1,020	~~1,100~~	1,000	980	1,000	950	1,010	**993**

To find the average salary for the Field Manager job:

- Remove the highest (1,500) and lowest (1,000) salaries.
- Then add up the remaining salaries: 1,250 + 1,100 + 1,050 + 1,100 + 1,300 + 1,250 = **7,050**
- Divide the total by the number of salaries included in the calculation: 7,050 ÷ 6 = **1,175**

The average for the Finance Manager job is $\frac{1{,}020 + 1{,}000 + 980 + 1{,}000 + 950 + 1{,}010}{6} = \mathbf{993}$

- Use these calculated averages for each job as a starting point for setting the salary. Decide how the organisation wants to compare itself with these other organisations. It may want to pay salaries above or below the average.
- The salaries should follow the same pattern as the grades. In the example grading structure on page 16, salaries should be higher in the A grades than the B grades.
- When a job cannot be compared with jobs in other organisations, the grades can act as a guide as the example on page 19 shows. Using this system means that salaries are calculated in a simple way and line managers are not paid huge salaries compared with those they line manage. However, it is possible that jobs on the same grade may not always be paid the same salary. For example, an officer working on a medical project may need medical qualifications and therefore be given a higher salary than an officer working on a community development project.

- Once a set of salary levels has been identified, consider the overall costs in relation to available funds. If necessary, repeat the process until an acceptable solution has been achieved.

EXAMPLE

IDENTIFYING AN ADMINISTRATOR'S SALARY FROM THE GRADING STRUCTURE

It was not possible to obtain salary data for an Administrator's job from other organisations. The job has been given a job evaluation score of 15 points and given grade B3. Insert salaries for other jobs in the structure. By using the data we already have for Officer and Assistant, it is possible to work out what the Administrator's salary will be. The highest Officer's salary is 2,000 and the lowest level Assistant's salary is 1,000. There are four grades in between these roles. To ensure a steady increase, divide the difference between the two salaries by the number of grades between the two roles. In this example, the increase between each grade is 200. The Administrator's salary would therefore be 1,600.

Jobs	Points	Grade	Salary	Increase
Officer	17	B1	2,000	200
	16	B2	1,800	200
Administrator	**15**	**B3**	**1,600**	**200**
	14	B4	1,400	200
Assistant	13	C1	1,200	200
	12	C2	1,000	200

Other salary issues

Informing staff about salaries

Staff should be informed of their salary, and any change in salary, by letter, and the grade should be set out in the employment contract.

Payment of salary

Payment should be made directly to the member of staff. Where payment is in cash, both the organisation and the member of staff should keep a signed payslip as proof of receipt. Tax and social security payments should be deducted from a staff member's salary where this is a legal requirement.

Salary reviews

Individual salary levels should be reviewed each year to take account of increases in the cost of living and local conditions or customs. Cost-of-living information could be obtained from an employment consultant or government department. It is wise to collect fresh salary data from other organisations every two to three years to ensure the organisation's salaries are competitive.

REFLECTION

- **How do we set salaries in our organisation? Is this fair, transparent and consistent? How can we improve on this?**
- **Do we have clear job descriptions? If not, how can they be improved? Do we fully consider the kind of person we are looking for when a vacancy arises?**
- **Do we grade jobs? If not, what would be the benefits if we did?**
- **What issues do we take into account when we decide how much a member of staff is going to be paid? Are there other things we should consider?**

2.2 Benefits

When researching local practice on salaries, it is helpful to also collect information about staff benefits that other organisations provide. Organisations that cannot afford to pay high salaries could offer a good benefits package in order to attract staff.

Benefits could include:

- medical cover
- death in service provision
- provision for retirement
- various types of leave
- allowances such as free transport to and from work
- flexible working hours
- learning opportunities
- staff retreats
- personal use of office equipment
- accommodation.

In this section we look in detail at some of these types of benefits. It is not always necessary or possible to provide all of these benefits to staff, but according to the local situation it may be appropriate to provide some of them. Whatever benefits are provided, it is important that they are provided to all categories of staff where possible.

Types of contracts and the salary and benefits each could receive

Salary and benefits	Permanent	Fixed	Part-time	Casual	Volunteers
Salary	✔	✔	✔	Paid higher salary to compensate for lack of benefits ✔	
Medical cover	✔	✔	✔	✔	Consider medical cover as a result of an incident at work
Death in service provision	✔	✔	✔	✔	Consider death in service provision for volunteers
Provision for retirement	✔	✔	✔		
Various types of leave, such as annual leave, sickness leave and compassionate leave	✔	✔	✔		
Allowances such as free transport to and from work, free food and drink while at work	✔	✔	✔	Transport and lunch allowances could be provided	✔
Flexible working hours	✔	✔	✔	✔	✔
Learning opportunities	✔	✔	✔	✔	✔
Staff retreats	✔	✔	✔		
Personal use of office equipment	✔	✔	✔		✔
Long service, such as additional leave or pay for those who stay with the organisation for a number of years	✔	✔	✔		

For medical cover and death in service, insurance is sometimes available. In some countries, employment law states that certain types of insurance must be provided. Types of insurance that organisations could provide are given in the table on page 22.

Organisations usually find it easiest to provide such benefits by taking out policies with commercial insurance companies. However, this is not always possible. Where insurance companies are not accessible, the organisation could consider whether it can provide such benefits itself. The box on page 22 provides some advice.

Types of insurance

Type of insurance	Who for?	Insurance provision	Examples of exemption
Medical	Staff Possibly spouse and legally dependent children	Usually covers: • hospitalisation • out-patient care • doctor's fees • prescriptions	Routine dentistry, physiotherapy, pre-existing medical conditions, non-prescription medicine.
Death in service	Staff Casual staff could be considered	Amount provided could be a minimum of the annual basic salary. It should reflect local law and common practice. A contribution to funeral expenses could also be considered.	
Travel and accident	Staff when travelling on business Casual staff could be considered	• Personal accident • Emergency medical and travel costs • Personal loss of possessions	

WHERE INSURANCE COMPANIES ARE AVAILABLE

- Decide which company to use:
  - Use an insurance broker for advice where possible. Otherwise find out what companies similar organisations use.
  - Investigate the company's reputation. How long has it been established? What is its past history for paying when a claim is made?
- Consider how much it will cost to take out a particular type of insurance for all staff. Remember that excess charges may need to be paid in order to make a claim.
- Ensure that staff members complete the necessary forms and attend any medical examinations required by the insurance company.
- Consider what will happen if a member of staff is involved in an event that is excluded from the insurance cover. Will the organisation cover the costs?

WHERE INSURANCE IS NOT AVAILABLE

- Find out what common practice is amongst local organisations. Have they set budgetary limits for medical and death in service provision?
- In order to budget for medical and death in service cover, calculate past costs of medical provision for staff and find an average. Multiply this average by the number of employees to give a total. Where there is no historical data, ask other local organisations what a likely cost would be.
- In order to reduce financial risk on medical cover, it is wise to set a monetary limit for each staff member, where local law allows. The staff member could also make a contribution towards medical costs, such as 20 percent of all claims. There could be exceptions to such limits. For example, if an employee requires medical treatment due to a work-related incident, the organisation may cover all the costs.
- Organisations should decide how they would address long-term illness such as cancer, hepatitis, HIV and diabetes.

Once each type of insurance scheme is in place, the details must be communicated to staff members. They should be made aware of the basis of cover, essential criteria and exclusions, and how to claim from the policy.

NOTE There are some types of medical provision that enable people to carry out their jobs, particularly those who travel. These may include vaccinations, malaria treatment and mosquito nets. These should be included with the equipment that is provided to staff as relevant to their role, rather than viewed as a benefit.

Provision for retirement

In some countries it is either customary or a legal requirement for employers to contribute towards a staff member's future retirement. Such contributions are usually a percentage of an individual's salary and are made in addition to the salary. The contribution should be clearly indicated on the payslip.

Relocation allowance

It is worth considering providing a relocation allowance for staff who need to move residence to another area of the country in order to work for the organisation. Such an allowance could be a contribution towards transporting family and possessions to the new location. It could also provide for temporary accommodation after relocation.

Leave

Policies for the following types of leave should reflect local law and common practice.

Annual leave

It is very important for staff to have a certain amount of rest from work during their contract. All staff members should be entitled to a number of days of paid annual leave.

Issues to consider include:

- **How annual leave will be calculated for part-time or short-term contracts**. For example, someone on a three-month contract could be allowed to take one-quarter of the annual leave entitlement of permanent staff. Someone who works half-time could be entitled to take half the number of days that a full-time member of staff can take in one year.
- **How staff will apply to take their annual leave.** It is important that all staff members do not take annual leave at the same time. Where possible, leave should be taken proportionately through the year.
- **Whether staff members can carry forward unused annual leave to the following year**.

National holidays

A list of recognised national and local holidays should be prepared and circulated to all staff members. Provision should be made for staff members who have to work on any of those days. For example, they could be paid extra or they could take an additional day's paid leave.

Overtime

Organisations should consider how staff are compensated if they work more than the normal number of hours per week. For example, they could be paid for those hours, sometimes at a higher hourly rate of pay, or they could be awarded with additional leave.

Short-term sick leave

Short-term sickness is usually defined as a periods of sickness that last less than a certain number of weeks. Sometimes, local law or practice requires staff to produce a certificate from a doctor if they are absent from work for more than a certain number of days.

Sick leave should never be viewed as additional annual leave. A certain amount of sick leave should be paid, but it is wise to set an annual limit to discourage staff from abusing this benefit.

Long-term sick leave

Long-term sick leave is usually defined as a period of sickness of more than the period set for short-term sick leave. Often, allowances for long-term sickness are based on the length of employment. For example, staff members who have worked for the organisation for over one year may be entitled to more paid long-term sick leave than those who have served the organisation for less time.

If a staff member is unable to work for a long period of time as the result of an accident at work, it may be appropriate for the organisation to provide them with greater support than usual.

Staff on long-term sick leave should be monitored very carefully. Organisations should remain in contact with staff members who are on long-term sick leave in order to show concern for the staff member, and to assess when they can return to work. If the staff member is unable to carry out their job as a result of an illness or accident, the organisation may need to review their position and consider whether a more appropriate position could be offered.

Paid sick leave usually only applies to staff who have an employment contract. It would not usually apply to those carrying out casual work.

Maternity and paternity leave

Issues to consider include:

- How long a staff member needs to work for the organisation before they are entitled to paid maternity or paternity leave.
- How many weeks of paid maternity leave women can take. Consider whether this should be taken at a particular time, such as a certain proportion of the leave taken immediately after the birth of the child. Consider whether women can accumulate annual leave while they are on maternity leave. Consider whether to allow women to take additional unpaid leave.
- How many weeks of paid paternity leave men can take, and when they can take it.

Consider writing guidelines for staff, which include information about the documentation that will be required, such as medical statements and birth certificates.

Compassionate leave

Compassionate leave should usually apply only to situations where a close relative such as the spouse, legal dependent, parent or sibling of a staff member has died. In cultures where the extended family is strong, it is important to consider this carefully and state clearly the circumstances under which compassionate leave can be taken.

REFLECTION

- What benefits does our organisation offer to staff? Can all staff access these benefits? Can volunteers access any of these benefits?
- Are there new benefits that we should consider providing?