



Social Organisation Limited

**Salary Administration
and Manpower Planning**

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SALARY ADMINISTRATION AND MANPOWER PLANNING

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Summary

Salary administration and manpower planning is based on matching the worth of a job with the rate for the man. The report describes the technique and shows how the worth of a job and the rate for the man can be evaluated at levels up to and including the board of directors.

The technique is called 'Salary Administration and Manpower Planning', abbreviated to 'SAMP' for ease of reference.

National Remuneration Scales are used to show how the worth of a job changes in time and to estimate annual increases allowing for increasing responsibility (merit), cost of living, and betterment.

It is shown how SAMP can be used to assess promotion and demotion in motivating terms. Its use in manpower planning for continuity, for succession and promotion, and for reducing excessive staff turnover, is discussed.

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WORTH OF JOB

A person carries responsibility when he is accountable for doing work and for the quality of the work he does. He may have to seek and choose between alternative possibilities, making decisions within the discretion and judgement authorised. The making of a decision commits the organisation's resources to the extent of the responsibility carried by the person making the decision. The worth of the job (payment) and differentials are related to responsibility, to the use of authorised discretion and judgement; such factors as title, number of subordinates or formal qualifications possessed are not too important.

One measure of responsibility is the maximum length of time, called the time-span, during which decisions commit the resources of the company without direct or indirect review. Another is to evaluate the level of responsibility according to the type of decision that has to be made, using six decision bands which range from 'policy making' through 'routine' to those made by unskilled workers.

Job Evaluation

Other measures of the level of working or of the worth of the job are derived through job evaluation, which also aims at relating the rate of pay to the job content. Different systems⁽⁴⁾ of job evaluation are used, such as ranking, grading, points rating or factor comparison. These are concerned with establishing a consistent system of time rates, and of differentials between them, but embody subjective assumptions. The results depend on the assumptions made in any particular case.

Different measures of the level of working and of the worth of the job seem appropriate at different levels, and companies often have separate wage structures for factory and office employees. Job evaluation can be adapted for evaluating managerial work but the evaluation of jobs for senior executives needs to be carried out with care. Fig. 1 illustrates results obtained⁽⁶⁾ when evaluating the worth of the job at senior executive and director levels. The results are at best within about $\pm 36\%$ of what is being paid to get the job done.

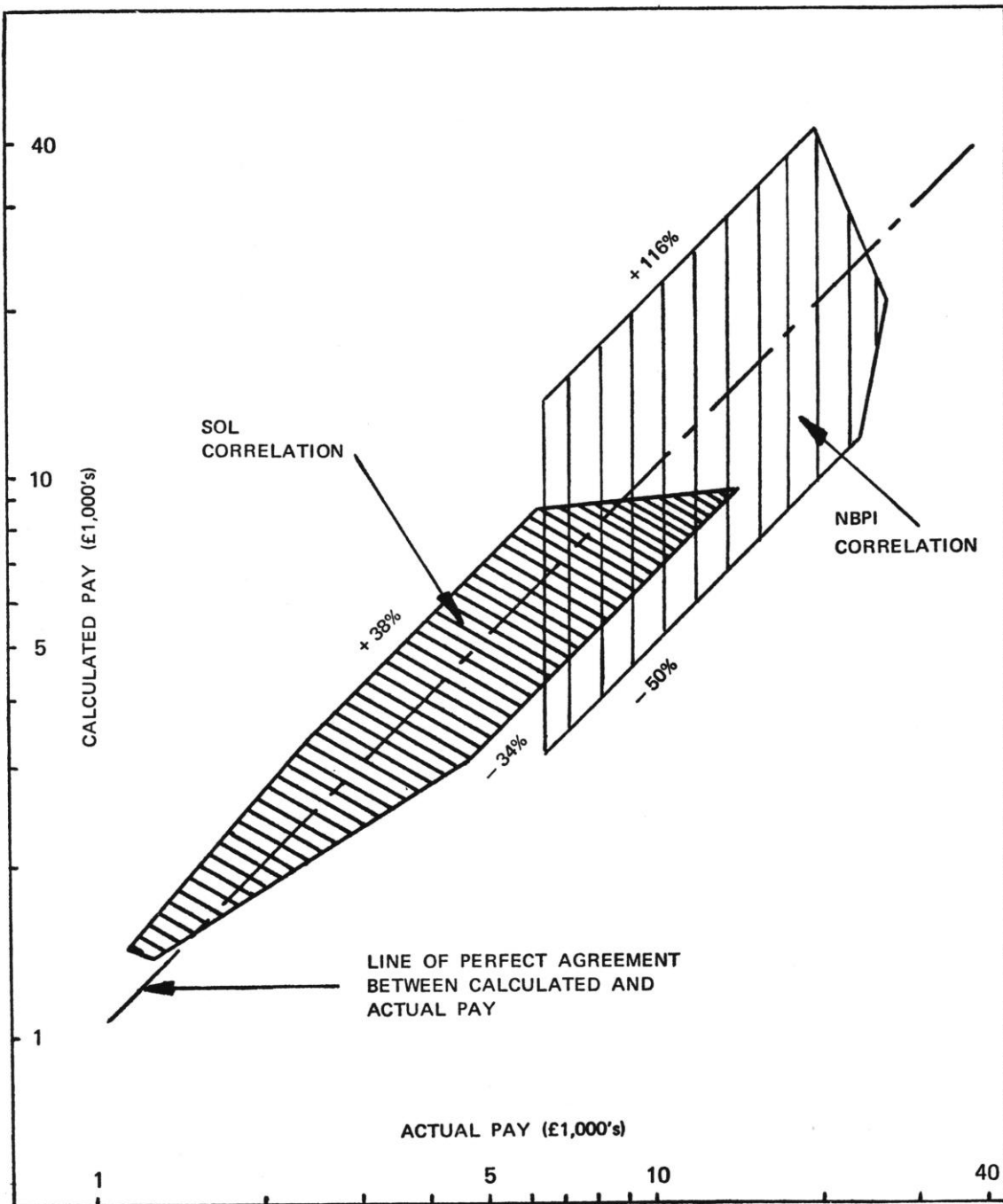


FIG.1 PAY PER JOB

COMPARISON BETWEEN CALCULATED AND
ACTUAL PAY, FOR DIRECTORS AND SENIOR
EXECUTIVES, 1968.

RATE FOR MAN

Remuneration

Remuneration consists essentially of a basic minimum, paid when responsibility carried is negligible, plus additional reward in proportion to responsibility carried. It depends not only on job content but also on the existing demand to have the work carried out. At one end there are manual employees and at the other professional employees.

The term 'professional employee' is used here to describe all levels of managerial, executive, professional and technical staff. Their ability to judge and decide increases with experience while they remain in the same 'grade'⁽⁶⁾. The manual employee, concerned with low levels of responsibility, once fully trained, does not increase his usefulness in the same way. He is paid the negotiated rate for his grade. And here lies the difference between them⁽³⁾. The manual employee's rate is fixed at any particular time in accordance with his grade. Should he be able to carry more responsibility than he may, by promotion, advance to a higher grade and be paid at a higher rate, fixed irrespective of age. The professional employee, on the other hand, absorbs and applies experience and the level at which he works increases continually, that is, the responsibility which he carries increases continually as he grows older. He is paid according to the level at which he works so that his remuneration increases as he grows older. Remuneration also depends on level of success in his profession, that is on his 'grade'. His grade is determined by his ability to judge, that is by his ability to carry responsibility, and by the positions open to him. National Remuneration Scales show^(3,6) how remuneration depends on age and grade for individual professions and skills. These remuneration scales show the rate for the man, the competitive rate which is being paid by other employers for an employee of same age and working at a similar level.

Remuneration, at any particular time, is determined by the volume and by the level of the work being done. The greater the amount of work done or the hours worked, the greater is the remuneration received by a manual employee. The remuneration of professional employees, on the other

hand, depends on level of work, on the responsibility carried. The factor

$$F = e^{-w}$$

indicates⁽³⁾ how remuneration, and thus how responsibility being carried, varies with age for a person in a particular grade, where 'w' depends on the age of the individual and on his occupation.

For the trained manual employee who receives his maximum remuneration from the point of view of responsibility at whatever age he happens to be, the factor F is unity. In between manual and professional employees there is the complete range of employees. The overall scale ranges from manual employees, through professional employees, to directors.

Differentials

Jaques' data⁽¹⁾ are not in agreement with the above facts. He considered that maximum time-span was related to what was felt to be fair payment for the work that was being done, giving a differential which was felt to be fair. Time-span, however, is a measure only of responsibility and not of differential.

When remuneration of a professional employee increases more slowly than the remuneration of a manual employee, that is at a smaller percentage, then differential seems lost. The payment that is felt by individuals to be a fair reward is, on the whole, an estimate⁽²⁾ of the increase in remuneration they feel is required to maintain their differential relative to others, based on percentage changes felt to have taken place. Percentages can be misleading since what matters is the amount gained, the purchasing power which this represents.

Jaques analysed the biggest jobs individuals had done at various stages in their career in terms of maximum time-span. But he measured not an individual's capacity to carry responsibility but the responsibility he carried⁽²⁾. Only when the individual is unable to carry greater responsibility are the two the same.

Felt fair payment is clearly not a measure of the worth of the job and it may be concluded that the relationship between remuneration and responsibility cannot be evaluated from what is subjectively felt to be fair payment, but only from objective National Remuneration Scales as determined from remuneration surveys.

We know how incomes are changing⁽⁵⁾ in the U.K. Percentages are used to compare income changes so that the purchasing power of those who are well paid increases at a much greater rate than that of those who earn less. The result is that differentials are increasing. The use of percentages when talking about salary and income changes is misleading. What matters are actual amounts. The overall scale, which is the remuneration pattern for the U.K.⁽⁶⁾, illustrated by Fig. 2, shows median remuneration at different levels of work and skill, ranging from directors at one end to wage earning women at the other, showing how remuneration depends on age.

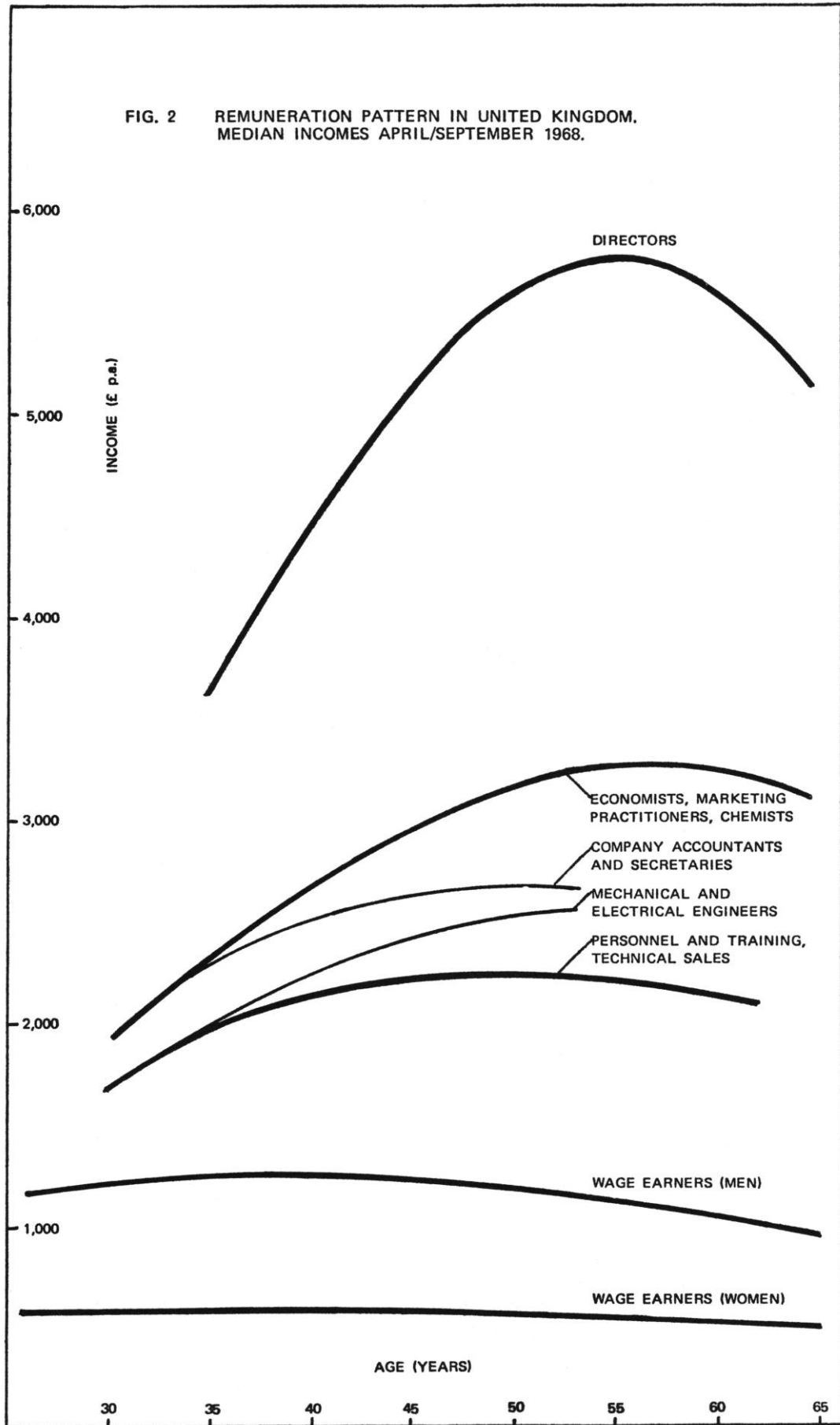
Motivation

It is the grade⁽⁶⁾ which has to be used to compare positions, titles being no help. An engineer in a small organisation may carry the title "chief engineer", while in a larger organisation the engineer of the same grade and remuneration, age for age, may be a "senior engineer". Indeed, a senior engineer in one organisation may thus carry more responsibility and receive correspondingly higher remuneration than the chief engineer in another. It is the grade as obtained from the National Remuneration Scale, however, which clearly defines their relative position.

The difference between ability to carry responsibility and that actually carried is a source of frustration or anxiety. An individual will press towards finding work at a level corresponding to his current ability to carry responsibility. If he carries either more or less responsibility he will take steps to decrease or increase it, respectively. He may, for example, press for promotion, change his job, or off-load responsibility on to his manager or on to his colleagues.

A person who carries responsibility in accordance with his ability to carry it, and whose responsibility varies as his ability to carry it varies, will be content as far as his work is concerned.

FIG. 2 REMUNERATION PATTERN IN UNITED KINGDOM.
MEDIAN INCOMES APRIL/SEPTEMBER 1968.



SALARY ADMINISTRATION AND MANPOWER PLANNING TECHNIQUE (SAMP)

Salary administration

The technique is illustrated by Figure 3. The worth of the job, that is of the levels of work that need to be done in any of these positions, is given by the money scale. The individual grade lines from the National Remuneration Scale for the particular profession are shown superimposed, drawn to the same scale. In this way the man can be matched to the job by matching the rate for man to the worth of the job.

Consider now a particular level of position in an industrial organisation, such as that of "senior engineer", as illustrated by Fig. 3. The position demands carrying responsibility between the minimum and maximum limits shown for the position, the corresponding worth of the job consisting of remuneration ranging from a minimum of £2,320 p.a. to a maximum of £3,000 p.a. Individuals of all grades from about G30 upwards may now hold this position, as indicated by the following table.

Table 1 Residence Times for Position of Senior Engineer

Grade	Lower Age	Upper Age	Years Position Held
30	44	65*	21
40	40	65*	25
50	37	51	14
60	35	44	9
80	31	37	6
90	28	33	5

* Retiring Age

The individual of grade G90 may start in such a position at age 28 at a salary of £2,320 p.a. but at age 33 he will take on work at the highest level of responsibility available, then perhaps earning £3,000 p.a. From then on he will seek promotion or another position with another organisation. The individual of grade G30 would not start in a position such as this until 44 years of age and would stay in such a position until retiring age. However, he would not work at the higher levels of responsibility.

Income changes with time and Fig. 4 illustrates this for chemical engineers of average standing in their profession. It applies to chemical engineers of grade G50 who earn median salaries. In other words, 50% of engineers of any particular age group earn a salary which is equal to, or less than, that given by the remuneration curves. Fig. 4 shows how the remuneration of these engineers has changed in time. Each curve is a remuneration scale for this grade of engineer, applying to a particular year. A position worth £2,510 p.a. in 1959 increased its worth as follows:-

1959	£2,510
1962	£2,790
1965	£3,150

This increased worth of the job, of the work that is being done, given by vertical increments between remuneration scales (Fig. 4), results from general inflation and from a higher standard of living. A vertical increment represents, to an individual, an increase which includes an amount absorbed by higher cost of living due to inflation, and also includes 'betterment' where betterment is advance of earnings over increased cost of living, is his share of any increase in the national cake.

The remuneration scale shows how the remuneration of the employee increases as he grows older, as he gains experience and works at a higher level. The scale states the merit increase he receives annually in accordance with the professional work he is doing.

The progress of an individual, of the grade to which the scales apply, can be shown on this kind of scale, as illustrated by Fig. 4. An engineer, 30 years old in 1959, then earning £1,470 is of grade G50 and thus the scales apply. He would be earning £1,870 in 1962, then 33 years old. His salary in later years can be similarly estimated. Table 2 lists the total increases this individual would receive, separating merit increases from the increased worth of the work he is doing, showing the betterment once the increase in cost of living is deducted.

Table 2 Component increases for the G50 chemical engineer

Year	Age	Salary (£/a)	Increase			
			Merit (£)	Increased worth		Total (£)
				Cost of living (£)	Betterment (£)	
1959	30	1,470				
1962	33	1,870	220	130	50	400
1965	36	2,410	260	190	90	540

Note Salary and increases are based on National Remuneration Scales (3,6)

For example, during period 1962-1965, his salary increased partly because he continued to work at higher levels because of his increasing experience, this merit increase amounting to £260 as determined by movement along grade lines. In addition, the worth of his work increased by £280 as determined by vertical increments between grade lines, and this amount he also received as part of his salary increase during this period. Of this £280 about £190 was absorbed by increased cost of living due to higher prices, leaving him better off by the betterment of £90, this being his share in the rising standard of living.

The merit increase given to professional employees is reward for working at a higher level, for working at a greater level of professional proficiency due to increased experience and thus reward for working at a higher level of responsibility. These merit increases are regular increments of specified amounts, specified by remuneration scales such as those illustrated in Fig. 4, detailed on National Remuneration Scales which apply to professions as a whole.

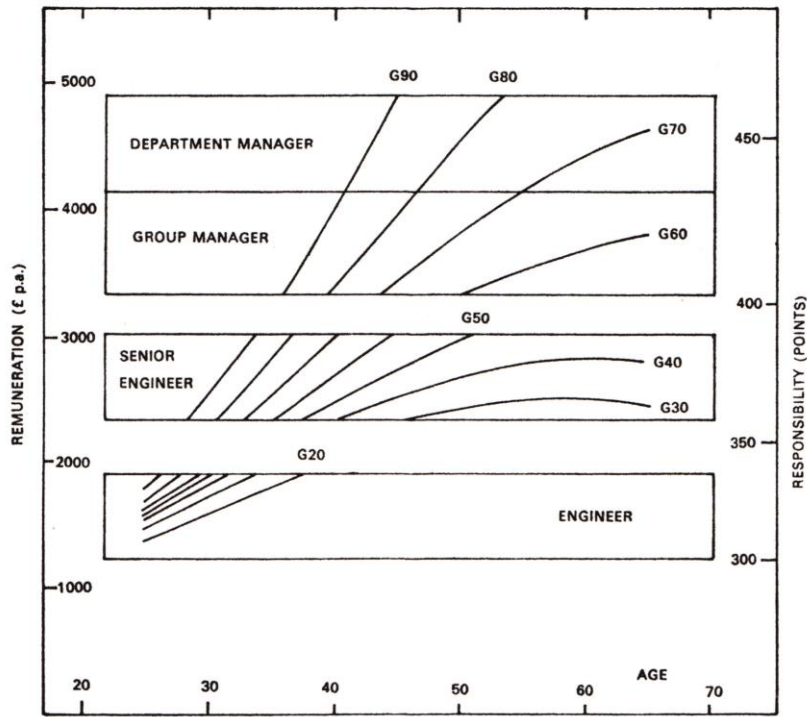


FIG. 3. SALARY ADMINISTRATION AND MANPOWER PLANNING TECHNIQUE (SAMP)

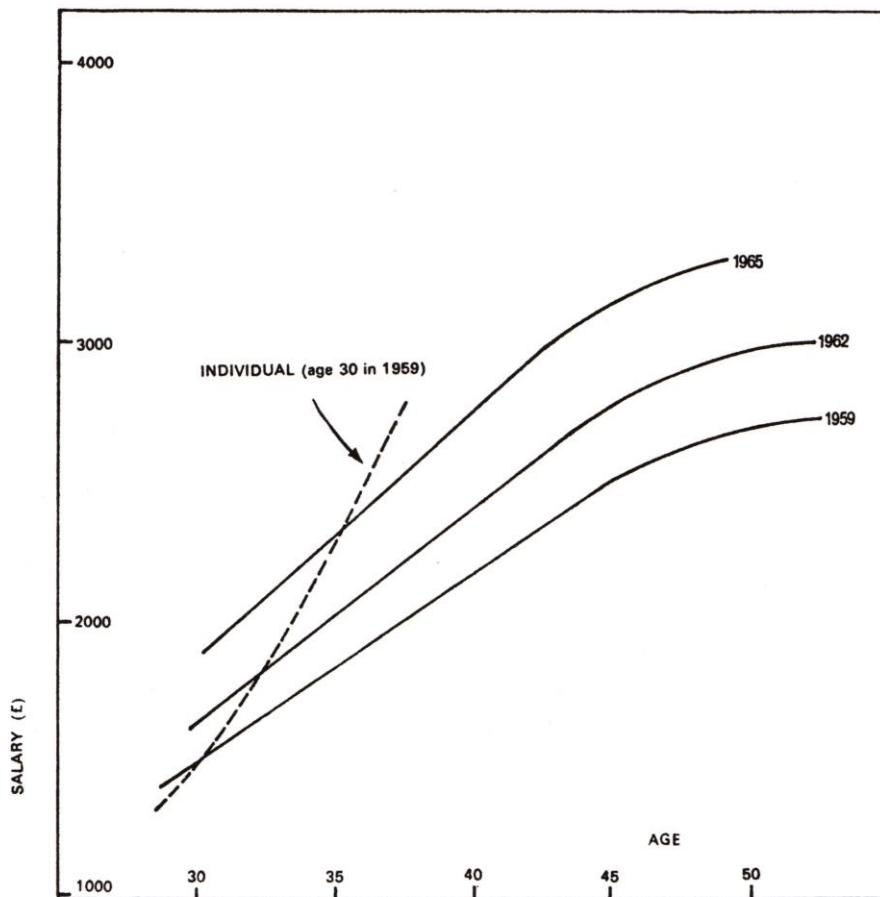


FIG. 4. CHANGE IN REMUNERATION PATTERN OF MEDIAN CHEMICAL ENGINEERS

Grading

Individuals have to find their grade and both his executive superior and the person himself should agree on the grade of the person concerned. A grade change should not be based on an assessment by the executive superior alone, unsupported for example by that of the subordinate. There should not be any hesitation in increasing an individual's grade and the level of the work he does where his ability to carry responsibility has increased. Any failure in this respect may only lead to frustration on the part of the individual and to his leaving the work unit concerned in due course, both of which are detrimental to the performance of the work unit.

The required progress of any professional employee may now be estimated and his actual progress compared with the norm, by means of published equations and data⁽³⁾. In this way much of the trial and error content is eliminated from salary and remuneration administration, and this is likely to reduce excessive turnover and increase morale.

Promotion and Demotion

Industrial and government work units such as companies or departments have salary structures and remuneration scales, either known or kept confidential. An example of such a scale is given in Fig. 3 by the remuneration limits for each position. The titles are given purely to indicate the level of each position in a medium sized industrial (process plant contracting) company. As remuneration varies with responsibility carried, the remuneration of an executive superior should be higher than that of his subordinates, in all cases, and irrespective of the ages or grades concerned, so as to avoid difficulties.

It is seen that there may or may not be gaps in remuneration between successive levels of position. When a gap exists, the change from one level to the next higher is called 'promotion' and such changes are illustrated by Fig. 5. The gap ensures that the remuneration of an individual in the next higher position is higher than that of an individual in the lower position, irrespective of age. Where such a gap is not present, the individual either remains in his grade or else, remaining at his maximum, is continually demoted with respect to grade.

An individual may be promoted as soon as he reaches his maximum for the position he holds. But then he is not likely to have been employed at his full capacity, and may have been frustrated to some considerable extent, before promotion. On the other hand the possibility exists that he is now tackling work at a level which is beyond his immediate capacity. Any movement away and to the right of his grade line is demotion and the individual who remains at the maximum for his position for any length of time is being demoted and, although subsequent advance to the higher level of position may restore his grade (path A), the overall outcome may still be demotion such as that from grade G90 to G80 (path B). Should an individual follow path B it is possible that he would be frustrated also in his new position, assuming he was correctly graded initially.

The gap in the scale is an effective means of promotion and demotion, where these refer to grade. Change of grade is a measure of promotion and demotion in real terms, namely in relation to others of same age and level of success in one's own profession, and is felt as such by the employee. Promotion and demotion by change of grade is highly motivating.

Manpower planning

The problem now arises of providing continuity as individuals holding a position come and go, while at the same time enabling individuals to accept responsibility to the maximum of their ability. Fig. 3 indicates how such problems can be resolved. Consider the job of the senior engineer. It appears that continuity should be provided by individuals of grade G30 to G50, the various grades being balanced to cover the work that requires to be done. It follows that individuals have to be trained for promotion to this position while they are in the next lower position, the training programme being based on the scale so that they progress smoothly to the next higher position in accordance with their grade. Fig. 3 further illustrates that consistent continuity of experience within the work unit cannot be expected where this level of position is held by a number of young, but high grade, individuals. On the other hand expansion, stability or contraction of the work unit depends on the difference between responsibility carried and the ability of its manager to carry it. Hence staffing may be carried out systematically using SAMP as a guide.

Management wishing to increase productivity by making full use of its employees, should ensure that those employed are engaged in working at the highest level of responsibility which can be carried by them during any particular period. Excessive turnover may be caused by too many young and high grade individuals being engaged on tasks which quickly fail to come up to their ability.

The same considerations apply to almost all levels of staff such as those illustrated by Fig. 3, up to the Board of Directors. They assist in planning the staffing of work units to provide necessary replacements and for promotion, and in estimating training requirements.

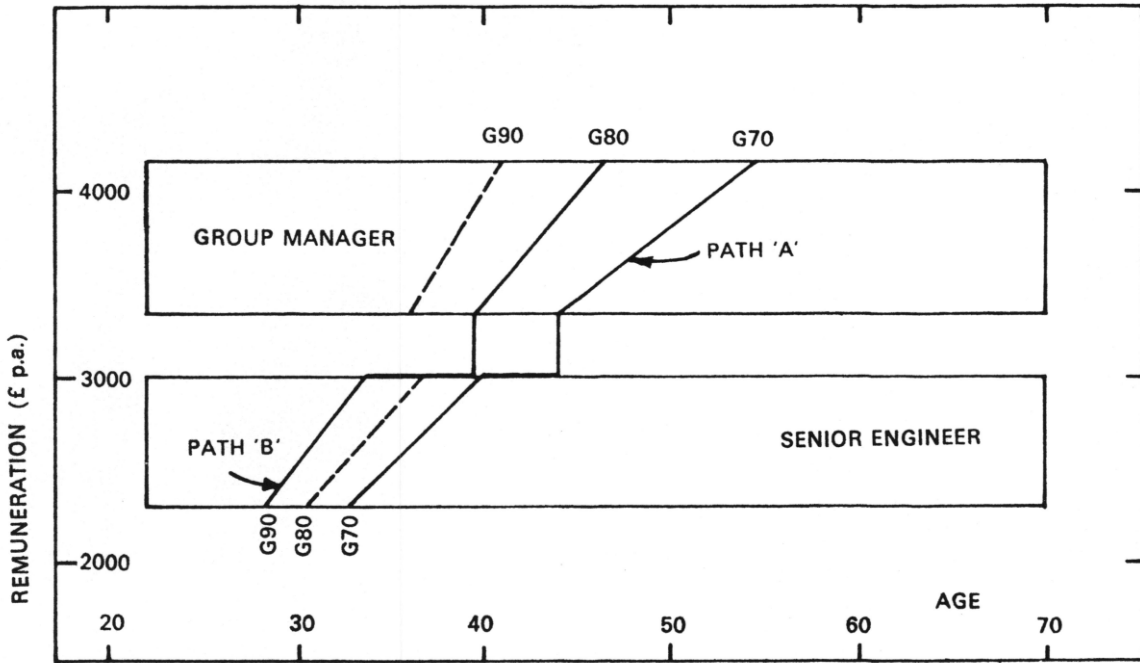


FIG. 5 PROMOTION AND DEMOTION

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PUBLICATIONS

SALARY ADMINISTRATION AND MANPOWER PLANNING

Describes the basis of salary administration and manpower planning technique SAMP and its use for estimating annual salary changes, for reducing excessive staff turnover, and for estimating how the worth of a job changes in time.

Salary structure and administration; Manpower planning for continuity of experience, succession and promotion; Evaluating the rate for the man; Motivating; Assessing training requirements.

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THE EFFECTIVE BOARD: A STUDY OF THE WORK AND REMUNERATION OF DIRECTORS

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Defines requirements for effective organisation; Analyses functions of design, development and research; Case studies; Describes and illustrates the MTW (Management Teamwork) technique, including working-through problems to the solution; Defines responsibilities and relationships between these work units in a way which provides the basis for effective organisation and teamwork.

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Level of remuneration; Rate for job; Rate for man; National Remuneration Scale; Adapting to change; Profit sharing; Motivation.

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