

# REMUNERATION – MEASURING AND REWARDING PERFORMANCE



**WORLD BANK GROUP**

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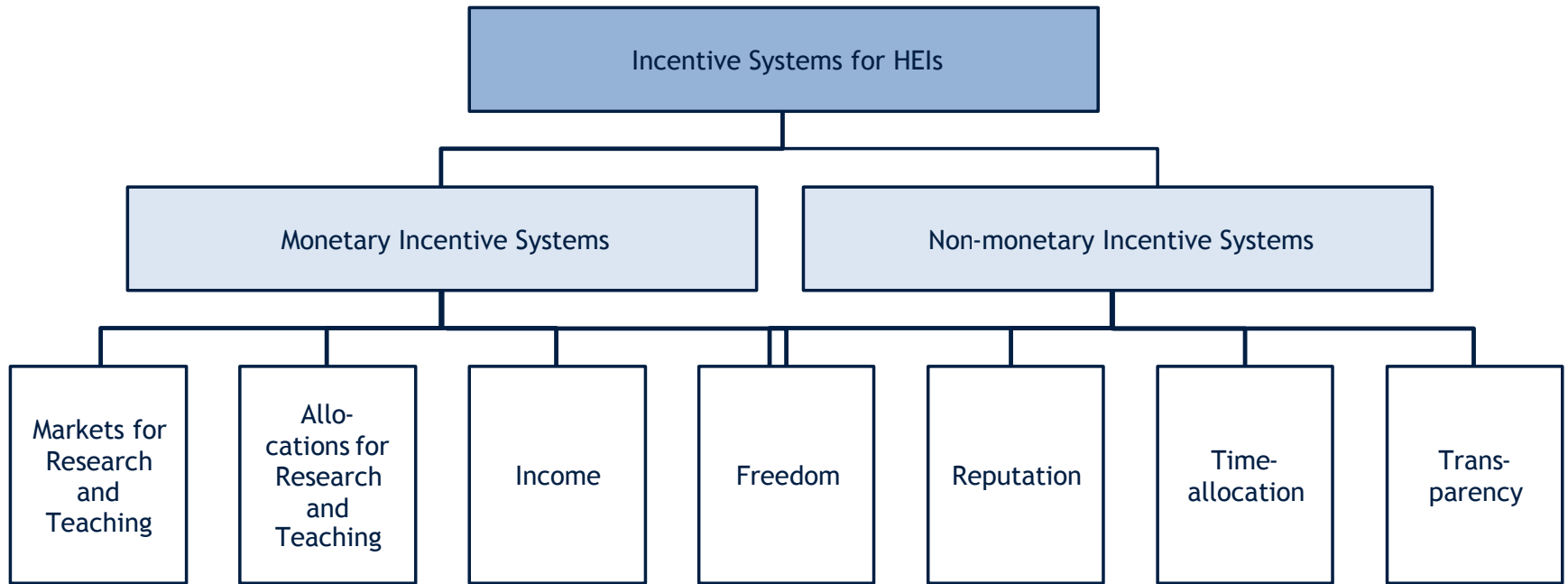
Riga, 22 January 2018

# Total Rewards Strategies

<b>Compensation</b>	
Base pay	Wages and salaries
Merit pay	Base-pay increases based on employee performance
Incentives	Cash bonuses based on employee performance
Promotions	Base-pay increases based on potential to perform new job
Pay increases	Base-pay increases based on length of service with the organization
<b>Benefits</b>	
Health and welfare	Payment for injuries and illness both on and off the job
Paid time off	Payment for vacation time or excused days from work
Retirement	Payment for work no longer performed based on length of employment
<b>Personal Growth</b>	
Training	Skill development through on- or off-the-job instruction
Career development	On-the-job coaching to develop skills
Performance management	Ongoing goal setting and feedback to develop skills

- Fix vs. variable
- Permanent vs. temporary
- ...

# Incentives at HEIs



Source: Ziegele and Handel 2004, 6.

# Remuneration: system-level framework

- Employment **legislation and policies**
  - Employment status of academics
  - Salary regulations
  - Wage agreements with unions
- **Financial autonomy**
  - Lump sum budgeting vs. line items
  - Fixed amounts for certain remuneration elements

# Remuneration reform in Germany

- Fundamental reform via **federal law** in 2002
- Details of **implementation** determined by federal states and HEIs

**Basic salaries in Bavaria** (*June 2017, in EUR*)

Salary class	Experience level		
	<i>Level 1 (5 years)</i>	<i>Level 2 (7 years)</i>	<i>Level 3</i>
<i>W1</i>	4,444.41 ( <i>Junior Professor</i> )		
<i>W2</i>	5,516.74	5,741.92	6,079.68
<i>W3</i>	6,530.03	6,755.19	7,036.66

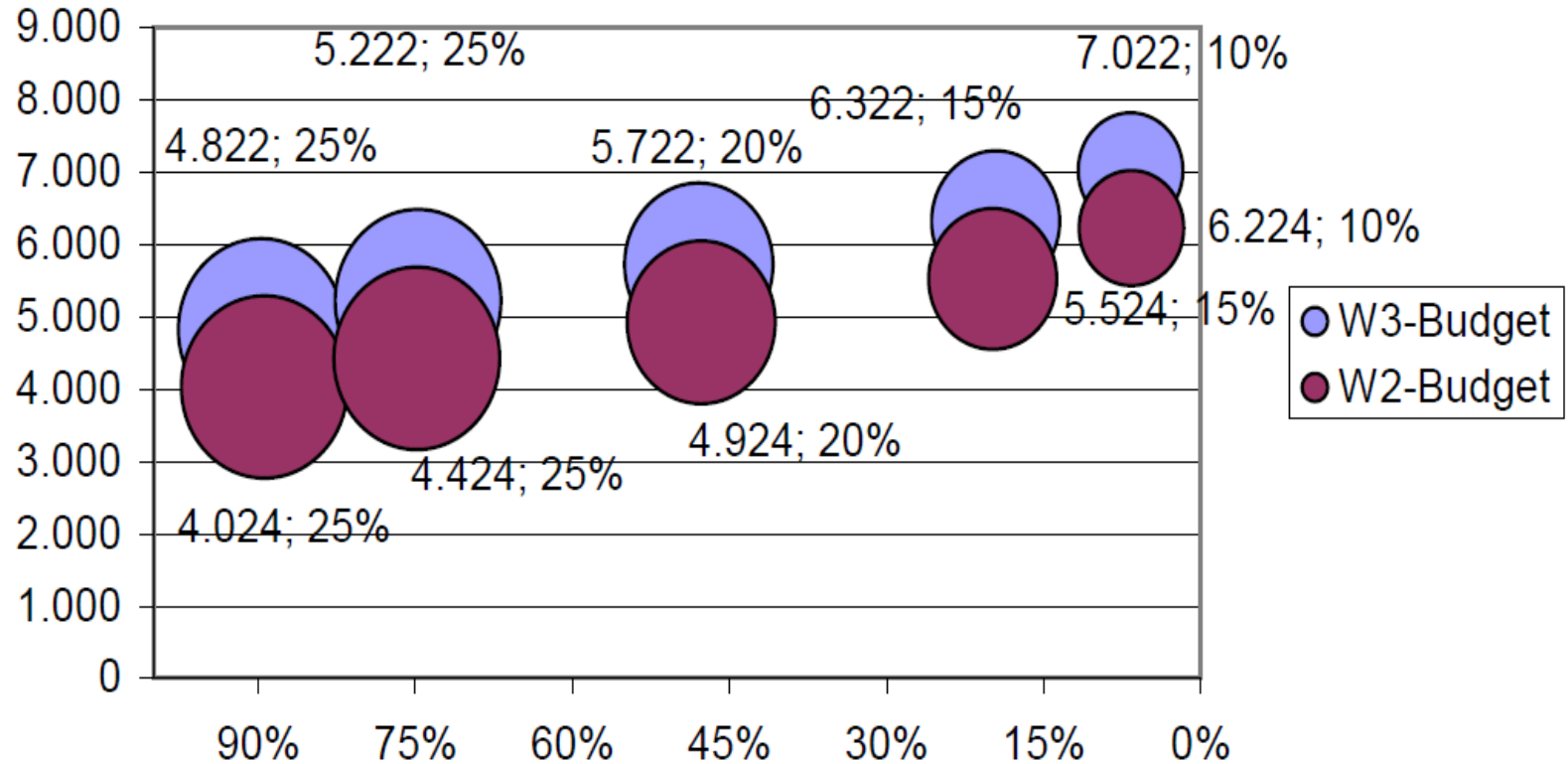
- **Key changes:**
  - New salary categories with lower basic salaries, but introduction of performance-related remuneration elements
  - Replacement/supplementation of seniority increases by variable salary elements determined by HEIs (within state-level framework)

Source: <http://www.w-besoldung.net/>  
[https://www.hochschulverband.de/fileadmin/redaktion/download/pdf/besoldungstabellen/grundgehaelter\\_w.pdf](https://www.hochschulverband.de/fileadmin/redaktion/download/pdf/besoldungstabellen/grundgehaelter_w.pdf)

# Institution-level framework

- Use of different **remuneration elements** (e.g. basic salaries, retention premiums, merit pay, one-off bonuses)
  - **Degree of structuring**: systematic approach vs. free negotiations
  - **Formalization** of policies, guidelines and procedures
- **Prominent model:**
- Salary categories for academic positions with several levels each
  - Progression *within* positions based on seniority and/or performance; progression *among* them via promotion

# Multi-stage model University of Bremen



Source: Arnhold and Handel, 2004, 18.

# Key aspects of performance-based remuneration

- (1) **Measuring** performance
- (2) **Relating** performance to remuneration
- (3) Designing **procedures**
- (4) Relation to **internal funding**



# Measuring performance

- **Quantitative vs. qualitative assessments**
  - Hard factors: greater simplicity, transparency and objectivity (*at least at first sight*), but difficult to find adequate indicators perceived as fair
  - Soft factors: less transparent, but greater latitude for decision-makers to account for case specifics and perceived as more adequate in academia
    - *Use of hard factors as main/exclusive criteria is rare*
    - *Possibility for mixed approaches (e.g. quantification of qualitative assessments)*
- **Dimensions of performance**
  - Focus on teaching and research
  - Possibility to account for wider range (e.g. academic self-governance and “third mission”)
    - *Diversity relevant for link to institutional strategy*

# Relating performance to remuneration

- **Degree of structuring**
  - Free, individual negotiations increase latitude for decision-makers, but are less transparent and more time-consuming
  - Pre-defined levels (e.g. in salary structure) restrict latitude, but: simplify processes, increase comparability, facilitate planning, and allow for connecting different remuneration elements
  - Formula / fixed-prices models encounter difficulties related to using indicators (*and are rarely used*)
- **Permanent vs. temporary increases/bonuses**
  - Influence on motivation (e.g. negative effects of “taking away” increases)
  - Financial implications: permanent increases lead to long-term commitments
  - Possibility to relate type of benefit to type of performance (e.g. permanent increases for performance increases expected to last; one-off bonuses for particular achievements)
- **Use of additional instruments**
  - Temporary increases tied to performance agreements
  - Possibility of “free negotiations” next to structured approaches

# Designing procedures

- **Initiation:** application by academics vs. nomination by superiors vs. regular “screening”
  - Resource intensity differs among approaches
  - Perception of fairness can also differ
  - Option of mixed approaches (e.g. application of academics combined with recommendation by deans)
- **Timing of procedure:** possible at any time vs. regular intervals
- **Formalization** of procedure
  - From basic process to rights and responsibilities of bodies and actors to assessment criteria
  - Potential to increase transparency
- Relation to **other types of evaluation**
  - Increased amount of information available
  - Potentially critical feedback effects
- **Involvement and decision-making rights:** policies and guidelines and individual decisions

# Relation to internal funding

- **Amount of funding**
  - Funding responsibilities/pool located at central or unit level
  - Quota for different remuneration elements or units (flexibility and possibility for profile development vs. planning capacities and diversity of instruments / fairness among units)
- Long-term effects and **financial planning**
  - Need to secure future funding for permanent increases
  - Differing impact of elements on availability of funding in the future

# The “higher education single pay spine” in the UK

Spine point	2013-14 GBP	2014-15 GBP	2015-16 GBP	2016-17 GBP
1	13,621	13,953	14,323	14,767
2	13,977	14,257	14,599	15,052
3	14,344	14,631	14,953	15,356
...	...	...	...	...
22	24,289	24,775	25,023	25,298
23	25,013	25,513	25,768	26,052
24	25,759	26,274	26,537	26,829
...	...	...	...	...
46	49,216	50,200	50,702	51,260
47	50,688	51,702	52,219	52,793
48	52,204	53,248	53,780	54,372
49	53,765	54,841	55,389	55,998
50	55,375	56,482	57,047	57,674
51	57,031	58,172	58,754	59,400

- Determined among the Universities’ and Colleges’ **Employer Association (UCEA)** and the higher education **trade unions**
- Subject to **regular negotiations**
- Covering **support and academic staff**

Source: [https://www.ucu.org.uk/he\\_singlepayspine](https://www.ucu.org.uk/he_singlepayspine)

# Pay grades at the University of Oxford

Pay spine step	Salary	Grade 9	Grade 10	Grade 10a
55	£66,836		9*	
54	£64,895		8*	
53	£63,009		7*	
52	£61,179		6	11
51	£59,400		5	10
50	£57,674	9*	4	9
49	£55,998	8*	3	8
48	£54,372	7*	2	7
47	£52,793	6	1	6
46	£51,260	5		5
45	£49,772	4		4
44	£48,327	3		3
43	£46,924	2		2
42	£45,562	1		1
41	£44,240			
40	£42,955			

- **Grades** for most positions; **individual negotiations** for professors and readers
- **Yearly automatic progression** for first steps within grades
- **“Discretionary range”** for promotion and retention premiums and merit pay

Source: <http://www.admin.ox.ac.uk/personnel/reward/paystructure/>

# Performance-based remuneration at the University of Oxford

For **professors / readers** (*next to individual negotiations*)

- “Professorial Distinction Awards”: highly competitive, mostly permanent salary increases for exceptional performance

For **other academics**

- “Awards for Excellence Scheme”: annual review of all academics rewarding consistent exceptional performance in all key job areas with advancement to next salary level or non-recurrent payment
- “Recognition Scheme”: GBP 200 as one-off payment for specific contributions or achievements

# University of Oxford: “Professorial Distinction Awards”

Application by eligible candidates (list of publications, CV, names of three external assessors, etc.)

First examination by Divisional Distinction Award Committee

Second Examination by Senior Appointments Panel of University’s Personnel Committee (i.e. VC, 3 Pro-VCs, Registrar)

Potentially: Request for additional information / comments from Divisional Distinction Award Committee

Decision by Senior Appointments Panel based on criteria approved by University’s Personnel Committee

Source:

[https://www.admin.ox.ac.uk/media/global/wwwadminoxacuk/localsites/personnel/documents/academicemployment/Call\\_for\\_Applications\\_and\\_Procedures\\_2016.pdf](https://www.admin.ox.ac.uk/media/global/wwwadminoxacuk/localsites/personnel/documents/academicemployment/Call_for_Applications_and_Procedures_2016.pdf)



## Key aspect to consider

- Designing remuneration systems that **balance** collegiality and adequacy with strategic approach and performance orientation
- Finding the **right mix** of remuneration elements
- Accounting for difficulties of measuring performance and relating performance to remuneration
- Considering the relation to **internal funding**

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**Thank you!**

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