

Case Study: Southern Housing Group

Consolidating Pay and Reward

The Innecto team helped us think about approaching Southern Housing Group's pay review in a totally new way and successfully delivered the project on time and budget. We all learned a lot from them, and we also had lots of fun along the way.

*- Alene Wilton
Corporate Services Director*

Southern Housing Group is one of the UK's largest housing associations employing around 900 people. Founded over 100 years ago, it owns and manages 24,000 homes with more than 66,000 residents and works with 80 local authorities.

In 2007, Innecto was hired to carry out a complete overhaul of Southern Housing's pay and reward structure with the aim of introducing best practice from the private sector to a public sector organisation.

The existing reward system consisted of a basic job evaluation system, no real pay bands or routes for progression, salary increases that were awarded on a cost-of-living basis and one-off non-consolidated bonuses. As a result, employees didn't understand how their reward worked and were given little financial incentive to improve performance.

Innecto consultants worked with Southern Housing's HR team to develop a new scheme that would reward employees individually, enable Southern Housing to recruit and retain the best people

in the sector, and be open, transparent and fair.

A first step was to set up a Pay Design Group with the objective of involving employees in the process. Ten representatives were selected from across the organisation to work on specific objectives, provide employee feedback and act as champions for the project.

"This was a very important element for us," says Karen Harvey, Head of Human Resources and Employee Development at Southern Housing Group. "We believed it essential that employees felt fully involved and consulted so that when the new system was launched we would have their full buy in. It was the right decision – we discovered that people felt pleased to be asked to join the Pay Design Group and the contributions they made were invaluable."

The project followed a clear course of action: breaking jobs down into their component parts, creating a job evaluation system and pay benchmarking. With the help of Innecto, market salary

data surveys were conducted both with the housing association sector and beyond.

Innecto helped HR and the Pay Design Group to create a system of job families, slotted jobs into the appropriate position and assigned pay bands based on the market data. Unusually, the decision was taken to build a number of parallel systems to accommodate the regional spread of Southern Housing.

"Employing people throughout the South East, we faced a particular challenge of paying people fairly according to the market in their area," says Harvey. "The going rate for a care worker, for example, in London is different from that in the Isle of Wight and with our emphasis on fairness it was essential we reflect that. We are also tightly bound by Housing Corporation financial regulations, and could not afford to pay everyone London salaries."

The result was a pay scale that demonstrated clearly who should be paid how much according to the market, addressing Southern Housing's objective of recruiting and retaining the best people.

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Employees are now positioned within pay bands and – thanks to a complementary new performance management system which was also put together with the help of the Pay Design Group – have the opportunity to increase their pay as long as they perform well.

It was a hard message to get across. Employees were used to receiving a standard cost-of-living increase and had to come to terms with achieving personal objectives in order to increase their pay.

“Good communications have certainly helped,” explains Harvey. “We have been open,

honest and direct and have gone to great lengths to share each stage of the process with employees. The emphasis throughout has been on fairness and I think most people understand that we now have a system that benefits both individuals and the organisation far more than ever before. Now I would say that the vast majority of people are very happy with the new structure because it gives them the opportunity to be rewarded for their own hard work.

“It is still early days – we have only just rolled out the new system and see this as an evolving project, but overall it has

proved very successful. I don’t know of any other housing association that has made such a radical change to its pay and reward system and to do it with full employee support is quite a feat”.

Alene Wilton, Group Corporate Services Director at Southern Housing concludes, “The Innecto team helped us think about approaching Southern Housing Group’s pay review in a totally new way and successfully delivered the project on time and budget. We all learned a lot from them, and we also had lots of fun along the way.

“The result is a new pay and performance management system that is very innovative and forward-thinking within our sector. It will give us the flexibility and control to reward our staff fairly and competitively as our organisation changes and grows in the future.”

