

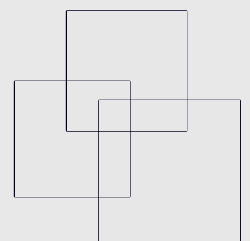
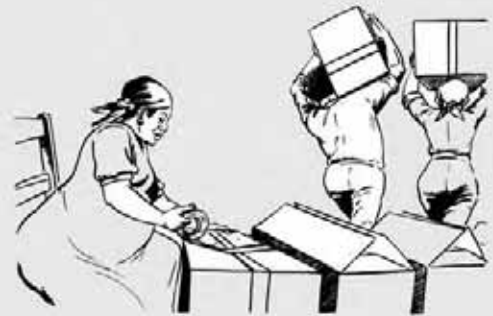


International
Labour
Office
Geneva

WISE +

Work Improvement in Small Enterprises

Action Manual





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Labour
Office

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WISE + Action Manual

Developed and piloted within the ILO/DANIDA project:
**Improving Job Quality in Africa through concerted efforts by Government,
Employers and Workers**

Conditions of Work and Employment Programme

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Work improvement in small enterprises (WISE) Action Manual

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Foreword

Work Improvement in Small Enterprises (*WISE*) is an innovative approach to improving working conditions and productivity in small and medium-sized enterprises around the world. It is not simply a training package, but a process in which entrepreneurs and managers are empowered and supported to address working conditions issues through the identification, sharing and implementation of local and affordable good practices. In the long term, the improvements in working conditions achieved are sustained through the development of supportive networks of local entrepreneurs and trainers who continue to share ideas and practices, motivated by the measurable improvements in productivity that participants experience.

A series of training modules and guides, first published in 1988, form the heart of *WISE*. Until now, these have provided guidance on nine technical areas of working conditions, all of which address the physical organization of the workplace and work processes and simple ways to alter these, so as to improve safety and health and increase productivity. These manuals have been used, adapted and translated into more than ten countries in Africa, Asia and Latin America, evidencing the flexibility and effectiveness of the *WISE* approach.

WISE-R (*More Work Improvement in Small Enterprises*) builds upon this success and is designed to meet the needs identified by *WISE* trainers and entrepreneurs around the world to expand the *WISE* package to include other key dimensions of working conditions. *WISE-R* consists of six new modules and training guides that address not only the physical work environment, but also the more complex day-to-day challenges that entrepreneurs face when handling employee recruitment, management and motivation.

WISE-R is a natural extension of the original *WISE* manuals. It reflects the global recognition that the employees of a business are not only often a significant investment, but that their performance holds the key to the success of the business. *WISE-R* reflects this reality and takes on the issues that are central both to workers' recruitment, retention and motivation, and to maximizing individual productivity in a safe and healthy way: wages, working time, maternity protection, work-family balance, management and motivation, and workplace relations.

As with *WISE*, the suggestions made in *WISE-R* are both practical and low-cost. The focus of these ideas is, in fact, to introduce simple working practices and measures that can make a huge difference to the motivation and the ability of employees to perform their job and, consequently, to the productivity of the business.

The concept of combining *WISE* and *WISE-R* into a *WISE+* package arose in the course of a six-month period of pilot testing carried out in Mozambique and the United Republic of Tanzania in 2009. Following the development of the *WISE-R* modules, a decision was taken to pilot the *WISE* and *WISE-R* training modules in tandem. The implementation phase was carried out with the cooperation and participation of a range of local and national actors, including local entrepreneurs, employers' and workers' organizations, labour inspectorates, ministries of labour, training institutions and others. The feedback received following this exercise has suggested that combining *WISE* and *WISE-R* is an efficient and effective approach.

This *WISE+* binder brings together the *WISE Action Manual (1997)* with the new *WISE-R Training Manual* to create a complete *WISE+ Action Manual*. We have also created a second binder, which contains the *WISE* and new *WISE-R Trainers' Guides*. In the longer term, further work will need to be undertaken to fully integrate the *WISE* and *WISE-R* modules, and their respective guides. This *WISE+* package is thus presented as a prototype, which is ready to provide a solid starting point for future work. The ILO would welcome the feedback of entrepreneurs and practitioners who will use and adapt the methodology to the multiple realities of workplaces around the world.



International
Labour
Office

WISE-R
More
Work Improvement in Small Enterprises

Module 4

Managing Wages and Benefits

Developed and piloted within the ILO/DANIDA project:
**Improving Job Quality in Africa through concerted efforts by Government,
Employers and Workers**

Conditions of Work and Employment Programme

Introduction

How often have you complained about the productivity level of your workers? How often have you asked yourself why you cannot find loyal or reliable employees, when so many people are looking for work?

WISE employers all over the world are realizing that one of the keys to recruiting and keeping the best workers is offering safe and attractive conditions of work. Wages, incentives and benefits programmes, are an important part of these conditions.

Wages are the “headline” condition of work. Others, such as health and safety and maternity protection, are equally important. But when a job is advertised, the first thing many workers looks at is the pay.

For example, if you want to attract and retain experienced workers then the wage has to be enough to support a family. If the pay does not correctly reflect the level of training a job seeker has completed, he or she will not apply for the post.

The importance of wages does not end with recruitment. When an employee works in one enterprise for some time, their experience grows. At the same time, the price of food and housing rises. If wages and incentives do not keep up with these constantly changing circumstances, workers may become de-motivated or discontented and will start to look for other job opportunities.

So, if you have only ever thought about wages as a drain on your profits, then think again. These materials will help you to design wages, incentives, and benefits programmes that will increase your profits and productivity, with information and practical tips.

The objective of this module

At the end of this module you will understand:

- 1) Different types of pay and benefits and their link to worker and business performance
- 2) The steps you can take in order to develop and implement transparent wage practices
- 3) How to adjust and manage wage practices to attract and retain the best workers.

This module will cover the following subjects:

1. Know what you are talking about: pay, wages, salary and income
2. Understand both points of view
3. Create a fair job structure
4. Offer wages that attract and retain quality workers
5. Motivate workers through well-designed pay levels
6. How to link pay to work done
7. Adjust wages as the cost of living changes
8. Encourage workers with incentives and benefits
9. Create a transparent wage payment system
10. Use your wage policy for the benefit of your business

4.1

Know what you are Talking about: Pay, Wages, Salary, Income...

The advantages for your business

In some countries, wages equal just money – so much per hour, week or month. In others, or in particular industries, workers can receive a combination of things, such as money, products, rice or cooking oil, meals, accommodation, or transport.

Whether you are trying to work out your wage costs, design your new wages package, or ‘sell’ your idea to your staff, being clear about what is and is not included is very important.



A manager talks to workers about the company pay structure.

What you should know

In this training we use the words ‘pay’ or ‘wages’ to mean the total that a worker receives from their employer in return for the work that he or she does. This includes all types of wages, incentives, and benefits, such as:

- The regular money ‘wage’;
- Piece rates – when workers are paid an amount for each item they produce;
- Overtime pay, allowances, bonuses in cash or in another form;
- Merit or performance-related payments, and production incentives;
- Annual leave payments, 13th month;
- Other paid time off (e.g. for training, maternity or paternity);
- Social security payments including health, medical care, and pension.

What you can do

On a day to day basis, the most important thing for you to concentrate on is not the word you use for pay or wages, but that:

- you know how much your worker will cost your business;
- your employees know what they will receive.

Be clear from the start. If not, you could end up in a dispute later.

**Don't forget that your country
will have a definition of wages which you will have to apply in certain events,
such as when working out tax, redundancy or maternity pay.**

4.2

Understand Both Points of View

The advantages for your business

Understanding both points of view will be essential if you want to introduce affordable pay structures that will also be attractive to workers. Changing workers' pay will always involve some level of negotiation. Understanding the workers' view will help you to avoid conflict and to get the result you want.

What you can do

1. *Look at wages through a worker's eyes:*

Wages are important to both workers and employers – but in different ways. Some factors are listed below, but there are many more:

For employers	For employees
<ul style="list-style-type: none">– Represents a business cost– Difficult decision: how much to pay each worker– Involves calculations and records– Is a competitiveness factor– Important to employees' retention	<ul style="list-style-type: none">– Fairness– Is the main source of income for the employee and his/her family– Provides personal value and status– Leads to job satisfaction– Linked to long term security

2. *Be fair:*

Checkpoint 26: Be clear, fair and consistent, when you decide what you will pay your employees.

To be fair:

- Value the work and not the worker
- If workers do the same job or a job of equal value to the business, pay them equally

Two jobs may differ in content, i.e. a truck-driver and a nurse, but may be of equal value if the following are of equal value:

- the skills and competencies
- the responsibilities
- the efforts associated with them and
- the working conditions in which they are performed

Determining if two jobs are of equal value requires a method to compare them: to assess their requirements and characteristics on the basis of common and objective criteria.

Job evaluation methods are a tool to establish the relative value and rank of jobs. By allowing comparisons between jobs, they make it possible to determine whether their corresponding pay is just. For an objective and fair assessment of jobs, job evaluation methods must be free from gender bias. This means that all the key dimensions and characteristics of jobs, whether typically performed by women or by men, must be taken into account.



These workers are being given their wage slips.

3. Have a transparent pay structure so workers can see why some people are paid more than others.

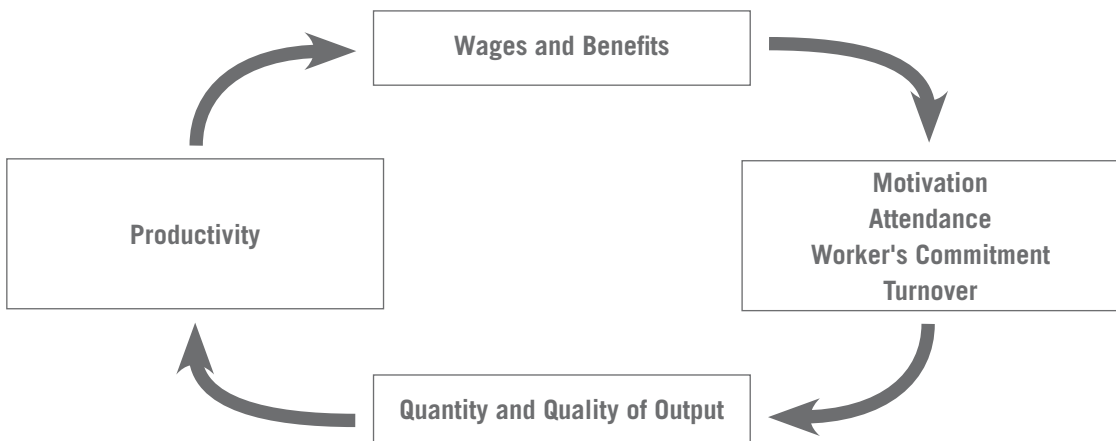
To save time on discussing wage levels with each individual worker, write down your job structure and pay structure (as described later) and give your workers a copy, or put it on a notice board with a date for review marked on it.

To improve cooperation:

Be available for workers or their representatives, so that, if any grievances arise, you can resolve them in a positive way and before they lead to problems.

If a worker has worked particularly well, it is good to let them know. Praise is a strong motivator. But, to be fair to everyone, avoid making ‘bonus’ payments which are not in your pay and benefits package, unless you give them to all workers.

Remember:



4.3

Create a Fair Job Structure

The advantages for your business

A job structure is not just a chart showing who is in charge of whom. It describes how tasks and responsibilities are divided and how work is organized.

Taking the time to develop a clear job structure will help you to organize, manage, and improve your work organization and to respond to personnel issues in a consistent way. It will save you time, reduce disputes, and improve fairness, and all of these changes will boost your productivity.

Fair job structure => better motivated workers => increase in productivity

What you can do

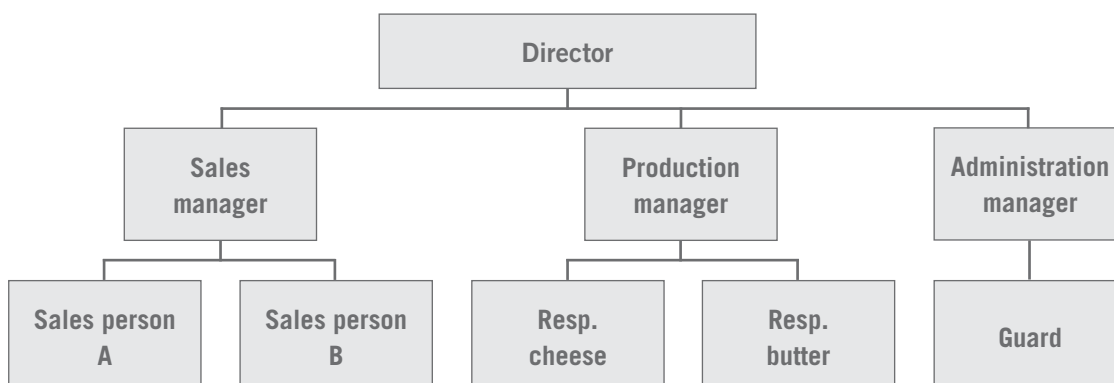
To create your job structure you will need to take 4 steps:

- Find out who does what (and create an organizational chart);
- Write comprehensive job descriptions for each job;
- Create a list of job factors that you can use to compare and rank all the jobs in your enterprise;
- Score each job.

Step 1: Find out who does what (create an organizational chart)

Checkpoint 27: Create an organizational chart with everyone, including you, on it.

Begin by creating an organizational chart for your enterprise. Everyone who works for you, including you, should have a position on this chart. Put lines between workers to show that one supervises or manages another or to show teams. You can also note the type of job that each does, using broad categories that make sense to your enterprise, such as:



- Management/supervision
- Production
- Maintenance
- Sales
- Administrative

You might also want to show whether workers on the chart are permanent or temporary employees.



This employer is explaining the enterprise job structure to a group of workers.

Step 2: Write job descriptions

Checkpoint 28: Prepare a comprehensive job description for each job.

You have to know what a job involves and requires if you are going to decide how much to pay a worker to do it. Sometimes you can tell from the title, but not often.

For example, a Production Worker might do the same unskilled task – say, put a product into a box. But she might work on a larger product – say, a car – and do specialist welding.

To be sure about what each job involves, write a comprehensive description of the tasks to be done and skills needed: a job description. (for more information on drawing up a job description see WISE-R Module 2, Managing and Motivating Workers)

Here is an example of a completed job description:

Job: Quality Checker

Responsibilities:

- Ensures quality of products
- Member of production management team

Tasks and any specialist tools used:

- Checks garments
- Identifies processing problems
- Investigates source of problems
- Provides machine use training where necessary
- Provides written reports on problems that recur

Experience, training and education needed:

- Training as machinist
- At least 5 years experience as machinist

If some tasks are only done occasionally, the job description should clearly state that.

Step 3: Rank the jobs

Each card on this table provides information on one job. To rank the jobs, the cards are going to be placed in order.

The aim of this step is to put the jobs in order, from those who will get the lowest pay to those that will get the highest.

➤ **Card ranking:**

If you only have, say, 3 workers, for instance, a tea maker, a secretary, and an accountant, you might be able to rank them quite easily by putting each job title on a card then putting the cards in order of value and importance to the business.

But if you have, say, 6 workers – a tea maker, a secretary, an accountant, a security guard, a sales manager, an office manager, and a driver – it becomes more difficult. How do you decide if the security guard is to be paid more or less than the secretary? And who is more valuable, the office manager or the sales manager?

➤ **Create a list of factors for ranking:**

Checkpoint 29: Rank jobs by comparing the skills they involve and their importance to YOUR business.

This method is useful when you have to rank a larger number of jobs, or some jobs that seem similar. It enables you to evaluate the tasks performed in an enterprise, regardless of its size and the economic sector in which it operates.

Four factors are sufficient and essential to compare the value of the jobs to your business. These are:

- skills and competencies
- effort;
- responsibilities; and
- conditions under which work is performed

These factors can be broken down into sub-factors. These will make it possible to capture the more detailed characteristics of the different types of jobs that exist in your enterprise.

For example, the “skills and competencies” factor could be broken down into “academic or vocational training certified by a diploma” or “work-related experience” or “manual dexterity” or “interpersonal skills”.

On the other hand, the “effort” factor could be broken down into “physical” (e.g. lifting young children or dependent adults), “mental” (e.g. data entry, correcting texts or checking figures) as well as “emotional” (e.g. negotiating with customers that may be dissatisfied or aggressive) sub-factors. Ideally, the number of sub-factors should be no more than 10.

You will use the final list of factors and sub-factors to score or value each and every job in your structure, so the list must not be too specific to any job.

Let’s take the example of a toymaker, who might employ:

- Machinists who need to have, say, 6 months of training in machine use;
- Marketing workers who need to have a university degree in marketing;
- A cleaner who needs no formal training, but requires some paid work experience.

So one job factor on the list might be the level of training required – with a list of levels such as 0 – 1 years, 1 – 3 years, ... university or professional level.

Your aim is to identify job factors which you can apply to most of your jobs, but which help you to see the differences between them (see the example below).

Job factors	Score range
Education level needed to do the job (school attendance to age16, until age18, or completion of higher education)	0-20
Work experience needed to do the job (0 to 1 year, 2-5 years, 6+ years)	0-30
Efforts: Mental physical or emotional	0-20
Level of responsibility for staff or processes or equipment	0-50
Consequence of errors (on finance, customers or production)	0-50

Step 4: Score each job

Next you will need to give each factor in the list a value or score range. So, for example, skills and experience are worth between 0 – 30 points. The more skills or experience a job requires, the more points it will score on this factor.

By looking at each job description you will be able to work out the total score for that job. See the following example for a secretary and a security guard:

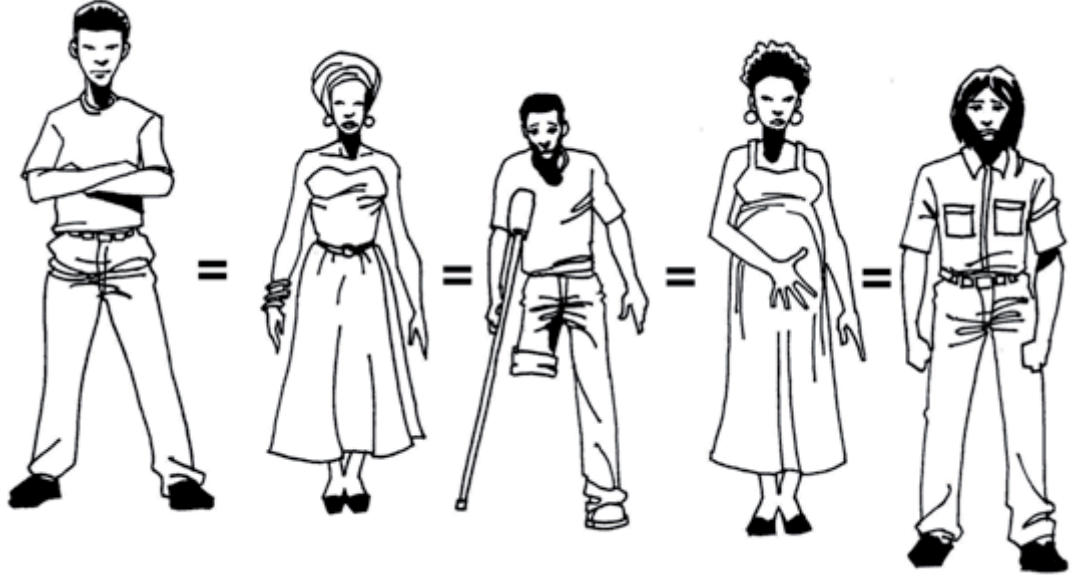
Job factors	Score range	Score for job of secretary	Score for job of security guard
Education level needed to do the job (school attendance to age 16, until 18, or completion of higher education)	0-20	10	0
Skills, experience needed to do the job (0 to 1 year, 2- 5 years, 6+years)	0-30	25	15
Effort: Mental, physical or emotional	0-20	5	1
Level of responsibility (e.g. for staff or processes, for confidentiality, e.g. payroll department employee, or equipment, e.g. maintaining and fixing office equipment)	0-50	30	25
Consequence of errors (on finance, customers or production)	0-50	30	34
Working conditions (e.g. exposure to oil and dust, frequent interruptions by telephone and in person, moderate and constant exposure to noise)	0-30	15	15
TOTAL		115	90

Remember the scores you give will relate to your business needs. If, for example, **your** business is in a place where robbery is common (as in the above case) the job of security guard will be more risky and more important and so score higher.

**Score the job not the job holder,
so the score will not have to be changed
when a new worker takes on the job.**

Do not let irrelevant characteristics affect your judgement:

If you want the best person for the job, you need to choose them because of their skills and experience, and look at what benefits they will bring to your business. If, instead you choose someone just because they are a particular race, skin colour, religion or gender, then you are not choosing the best candidate. If you decide not to consider someone because they have a disability, are older than average workers, have different political beliefs, or are members of a union, you will have a smaller pool of candidates to choose from.



*People may look different from each other or have different beliefs,
but they should not be valued less because of this.
Be objective when deciding what a job is worth: ignore the personal characteristics of the post-holder.*

Remember that:

The score will only help you to put the jobs in order. If two jobs score very differently, this means one will be paid more than the other but it does not mean that the pay difference will be very big.

4.4

Offer Wages that Attract and Retain Quality Workers

Once you have drawn up your organizational chart and ranked the jobs, you can move on to deciding the wage level for each job.

The advantages for your business

In a well-designed pay structure, the wage paid for a job is not just a single amount – say, 1000 coins. The job is put on a pay level, which has a bottom and a top point. Often workers start on the lowest point and gain points as time goes on, such as for each year of service.

Identifying the right pay level for any job is, possibly, the trickiest part of the wage structuring process, but also one of the most important to attracting and retaining the best workers. This is because workers who know that their pay will improve (as they gain experience) are more motivated.



A worker discusses his wage level with a manager.

Attracting and retaining the best workers => increased productivity

What you can do

You will need to decide on two things:

- how much the job is worth and what you are willing and able to pay for it
- the number of pay levels and the range of pay within them

➤ **Respect laws and fairness:**

Checkpoint 30: Do not pay any worker less than the minimum wage in your country.

- No worker should be paid less than the legal minimum wage
- Workers doing the same job should be paid the same
- Jobs of equal value should be paid on the same pay level

Know the minimum wage:

Most countries have a law that sets the minimum wage for workers. In some countries there is one minimum that applies to all workers. In others, it is divided between regions or by work sectors. You need to find out the minimums that apply to your workers and make sure you do not pay below that level.

➤ **Gather information about the range of wages others pay for the same job:**

The legal minimum wage provides you with the lowest wage you can consider. But, if you want to attract and retain the best workers, the working conditions that you offer, including pay, need to be as good or better than the local (or national) businesses that you are competing with.

Use your investigating skills to gather information on the going rate from:

- Collective agreements covering any of your workers, including agreements reached across an industrial sector
- Guidelines on industry practice e.g. from chambers of commerce
- Wages offered in newspaper advertisements, particularly of competitors
- Salary surveys, often published on the web
- Interviews with job applicants
- Business network contacts, such as the WISE networks.



An entrepreneur checks the local papers to see what other employers are paying their workers.

Your investigations are likely to leave you with a list of different examples of wage levels for jobs that are similar to those in your business.

➤ **Look at what you can afford to pay and other things you can offer**

You cannot offer to pay workers more than your business can earn – this will lead you to bankruptcy and your workers to unemployment. So when you are deciding the wages for a particular post, you need to bear in mind your total wage bill, your present productivity, and the effect the appointment could have on it (More on this later).

4.5

Motivate Workers through Well-designed Pay Levels

The advantages for your business

In a well-designed pay structure, the wage paid for a job is not just a single amount – say, 1000 coins. Instead, the job is put on a pay level, which has a bottom and a top point. Often workers start on the lowest point and gain points as time goes on, such as for each year of service.

If you divide each pay level into a number of pay points you will benefit in two ways:

- You can put a number of similar jobs in a single pay level but starting on different points.
- You can use pay points to adjust the wage to the qualities of the worker.
 - If you have two people doing the same job, but one has a lot more experience than the other, you can pay the experienced worker more pay points.
 - The promise of receiving regular pay points can encourage workers to work hard and stay with the company.

Having clear pay levels in your pay structure will improve the clarity and fairness of pay decisions in your business and so improve worker-management and worker to worker relations. This means that you will spend less time dealing with workers' grumbles and disputes, and will have more time to focus on your growing business.



This entrepreneur is explaining the company pay structure to a new worker.

An adequate and fair pay structure => increased productivity

What you can do

Checkpoint 31: Give every job a pay range, so that workers have the chance to improve their pay over time, even if they stay in the same job.

1. Design your pay levels

You will need to decide on the top and bottom point of each level and the position and number of pay points within it.

Pay levels are not boxes that sit one on top of the other. They overlap like bricks in a wall. You can decide the difference between the start of each level. Ideally this is between 5% and 20% (but it can be as high as 50%).

See the example in Table One, where the difference in the base salary between levels 1 (100) and 2 (115) is 15 units (or 15%).

Table One	Base Salary	Level Differential
Level 1: Unskilled worker	100	–
Level 2: Skilled worker, Clerk	115	15 %
Level 3: Quality inspector	132	15 %
Level 4: Team leader	145	10 %
Level 5: Accountant	159	10 %

Table 1: Example of pay levels in a business

In Table Two, the difference between the bottom of level 1 and the bottom of level 2 is 5 more than the bottom of level 1. This means that a worker in level one who has many years of service can earn the same wage as a worker starting in level 2 and even level 3.

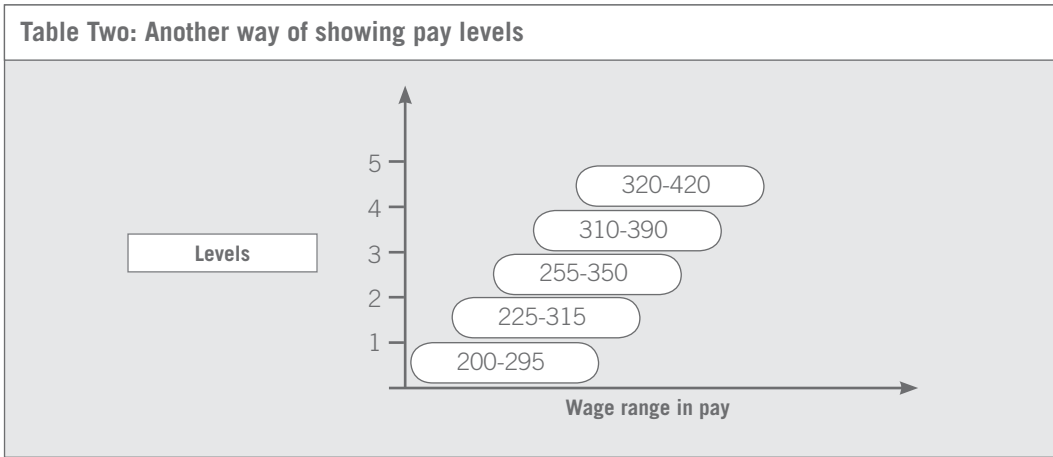
Level 1 in Table Two, could be divided into 5 pay points of 20 coins each (total possible increase is 100 coins). A point is normally awarded based on fixed criteria – for instance, for each 2 years of service an employee would go up one pay point). So, if for example, a worker works at the enterprise for 2 years, his or her wage increases by 40 coins (in addition to any changes to take account of inflation).

2. Fix pay levels for your business budget

When designing wage levels, you will need to take into account the impact that appointing people on these pay levels could have on your productivity in the future. If your productivity will not cover these costs, you can:

- look for ways to increase productivity through improvements in efficiency or organization
- try to decrease other costs, such as reducing the price paid for raw materials

BUT, if you are not able to balance the books you will have to look again at your job pay levels.



Pay attention to jobs with high turnover or those that are difficult to fill

The benefits of overlapping pay levels: rewarding loyalty and experience

To build loyalty, it is important that long service is properly rewarded in pay levels. In the example you can see that a worker with , for example, many years of experience and dedication in a level 1 job can earn as much as a new worker on level 3.

Checkpoint 32: Consult on your pay structure and pay levels with your workers and their representatives.



Employers and workers talk about pay and incentives.

3. Be open about the way your pay points are decided upon

When you design your pay structure you will need to make clear the criteria for awarding pay points. These might include points for:

- For each year (or number of years) of experience
- For each year with the company
- Training or diplomas obtained
- Extra duties taken on

4. Think about other working conditions too!

The pay you offer should just be one part of the employment package, which should all be designed to boost the motivation of employees. (See later)

Pay points can be a motivator or a de-motivator:

If the way pay points are given or earned is clear, workers can see how they can progress and improve their pay. If, on the other hand, the reasons for giving them are not clear, pay points will cause jealousy and mistrust.

4.6

How to Link Pay to Work Done or Hours Worked

The advantages (and disadvantages) for your business

There are many ways of linking wages to work carried out. The most common is to pay for each hour, week, or month worked. But, there are other ways to calculate pay. Knowing the choices you have, and the advantages and disadvantages of each, will help you to make the best decisions for your business.

An appropriate link between work and pay => increased productivity

What you should know



This worker looks at the price of goods in a shop window then checks if he has enough money to buy something.

There are three common ways of linking wages to work done:

1. **A fixed wage (money and/or other goods) paid for a time period – hourly, weekly, monthly e.g. 200 coins per week**

This system is often used for long or varied production cycles, when it is difficult to count output and when quality and stability are more important than quantity:

Fixed rate pros and cons:

- a) Easy to administer and fixes wage costs/earnings which helps both business managers and workers;
- b) Gives business a more stable work force;
- c) Can add incentives and benefits to motivate and attract workers.

2. Piece rates or payments by results: an individual or a team of workers is paid per product sold or produced or per task completed

This system is often used for when output is precisely measurable –gaphen producing many examples of the same object.

Piece rate pros and cons:

- a) Business only pays for work done, but output and wage bill not fixed;
- b) It can be difficult to set the right piece rate – enough to provide fair wage and to encourage hard work;
- c) To maintain fairness and morale, earnings have to be in line across all parts of the business;
- d) Workers must have control over speed of output and quality needs to be measurable;
- e) Risk of accidents or injuries can be higher;
- f) Most workers prefer to work for a fair fixed wage (high worker turnover!)

3. Mixes of the above (semi-fixed rate): usually a low fixed earning rate with an additional payment for, say, selling each product or attracting each new customer

This Works best when quality is not as important as quantity, but worker motivation is important to success in the task e.g. selling

Semi-fixed rate pros and cons:

- a) Many of the points relating to piece rates apply;
- b) The fixed earnings can satisfy the minimum wage, and worker has a basic income for rent, food, etc;
- c) Competition between workers can negatively affect worker relations;
- d) Workers may be tempted to ‘cheat’ to sell more (e.g. misinform customers) which can lead to a loss of reputation for the business.

What you should do

Use your judgement! You do not have to choose only one method. You may decide to pay different jobs in different ways.

As you have seen, paying workers a fixed wage is easier to administer and, if set at the right level, it provides a more stable and trusted workforce. On the other hand, piece rates can encourage workers to work harder. You need to work out what your business needs, and make a choice on that basis. But, don’t forget to involve employees in this decision, as this will help you make a choice that is good for worker motivation and performance.



These workers, who are paid a fair rate of pay, are going home after doing a good day’s work.

4.7

Adjust Wages as the Cost of Living Changes

The advantages for your business

Unfortunately, the price of fuel, food, and transport, and the employment market, do not stay the same for long. This means that a wage that helped you to attract experienced workers last year may not be enough for a trainee this year.

So, the argument for regular increases in pay is simple – if you don't change the pay you offer you will lose workers and find it more and more difficult to find new ones.

Regular wage increases => motivated workers => increased productivity

What you should do

Checkpoint 33: Adjust wages periodically in order to improve or, at least, maintain workers' standard of living.

A fixed annual review date is the simplest system for wage reviews. Without a review date, as life gets more expensive, workers will start to complain to you and to each other. They will be distracted by looking for ways to keep up with their bills and, as morale drops, so will productivity. But with a regular review pattern, workers will know that their situation will improve and disputes and stoppages are much less likely.

**The minimum wage tends to change from year to year,
so your wage levels should be reviewed to ensure
they respect the up-to-date minimums.**



An employer shares the business financial figures (costs and profits) with his employees.

To promote cooperation:

Meet with workers to discuss changes and give them a chance to present their views on the level of increase that is needed.

Be prepared to share business figures so workers can see the state of the business. Workers can then help to provide ideas for operational changes that will help to support increases in wages.

4.8

Encourage Workers with Incentives and Benefits

Incentives and benefits included in your 'wage' package can be used to further motivate and reward workers, but when, why and how they are earned needs to be thought through. Below, you will find just a few ideas on the use of cash and non-cash incentives and benefits.

The advantages for your business

If you have pay levels and pay points, why do you need incentives and benefits on top? The answer is that they are an additional motivator for workers to be efficient and to reach higher levels of productivity. In addition they can help:

- Attract and retain workers.
- Increase workers' sense of belonging.
- Make your business stand out from competitors.
- Improve worker welfare.

But, to get these results, the form and size of the incentives and the way they are awarded have to be known to your workers and seen as fair. If it is not, you will end up motivating one worker and de-motivating all the others!

Fair benefits and bonuses => motivated workers => increased productivity

What you should do

Checkpoint 34: Be sure to give all workers feedback about their performance and what they can do to access or compete for cash and non-cash rewards.



This employer is congratulating two workers on their good performance.

1. *Adopt one or more of these ideas*

Types of bonus	Characteristics and advantages for business and workers
<i>Attendance bonuses</i>	For continuous attendance or arriving on time: <ul style="list-style-type: none"> • Reward workers for being present at work • Decrease absenteeism and lateness
<i>Seniority bonuses</i>	Paid after a given length of service: <ul style="list-style-type: none"> • Contribute to retention • Can be paid regularly or one-time (say, after 10 years service)
<i>Savings/loans plans</i>	Includes subsidies/good interest rates (e.g. housing, savings or loans): <ul style="list-style-type: none"> • Low cost way of increasing sense of belonging and attracting workers in high demand
<i>Other bonuses</i>	Performance bonuses, often linked to profits: <ul style="list-style-type: none"> • boost productivity if rules for giving bonuses are clear and there is a fair chance for all workers • show workers their performance is valued • give workers personal interest in productivity • but, it needs to be made clear, when and why rewards will be paid and who decides them

To promote cooperation: Communicate the rules that you will apply and who can (and who cannot) benefit. Make sure the evaluation criteria for receiving bonuses is clear, equally accessible for all employees, and does not discriminate against some workers because of their sex or age or nationality.

2. *Use non-cash incentives and benefits*

Money is not the only thing that workers are interested in. So, when you are looking for ideas to attract and motivate workers, you need to be a little imaginative.

- Start by finding out what non-cash incentives your workers would particularly appreciate, by chatting with them, doing a survey or simply asking them for their ideas.
- Look at the costs and benefits for each idea: these will include the effect on recruitment and retention, industrial relations and productivity

Some examples are given below:

- Emergency loans
- Providing work clothing
- Food at work
- Providing transport home
- Longer rest periods
- Lunchtime or after work activities, such as keep fit
- Increased paid leave
- Insurance schemes and medical care
- Wage advances or loans

- Less overtime work
- Greater flexibility in working time arrangements to enable workers with family responsibilities to engage in paid work, while also looking after their families
- Educational or training assistance for workers or their children
- Child-care facilities at the enterprise premises or vouchers or subsidies for child-minding services provided by a third party
- Tickets to entertainment or sporting events
- Negotiate with another business to offer price reductions on products to each others' workers
- Provide short term loans for family emergencies, with an agreement that repayments can be deducted from salary.



*Rewarding workers by allowing them a little extra time off
can be perfect for workers with family responsibilities.*

Opportunities to improve health, work-family balance, leisure and social life, food, training opportunities ... may be more valuable to your workers than a little extra cash.

4.9

Create a Transparent Wage Payment System

As an employer, you should always remember and be guided by a simple truth: the main, though not the only, reason that your workers come to work and perform the tasks they are given is because you have promised to pay them! A simple and efficient wage administration system is the best way to ensure that you can keep this promise.

The advantages to your business

If your pay system provides clear pay calculations and ensures the reliable delivery of wages, it will be a foundation for trust and confidence between you and your workers. It will greatly reduce the chance of disputes over pay so business time and energy will not be wasted on trying to identify and put right pay mistakes.

A good pay administration system will provide an efficient way for you to quickly calculate the wages, bonuses and rewards due to workers. It will also set out a clear procedure for making payments.



This employer is paying an employee and asking him to sign a payment record.

What you should do

Checkpoint 35: Keep good records on work done and wages paid, and develop an easy-to-read wage slip, so that workers can check their pay calculation with you.

As wages are paid every week or month, a little time spent on designing your payment system will save you time and energy over and over, for years to come.

The wage system you create and use will depend on a number of factors, including:

- the number of staff you have
- the ways workers' pay is calculated
- any duty to deduct tax, insurance, union dues, insurance, and other legal requirements
- local practice and practicalities
- the staff and technological support you have

When developing a system you should aim to keep things simple to operate and low cost.

The most important elements of an effective pay system are:

1. Put wage information in writing

For example, if a worker is paid by the number of boxes she packs, you will need to provide a way of recording that number and, ideally, a system that records her agreement to this number (e.g. by signing the record). You can apply the same idea to hourly paid workers, with workers filling in timesheets and supervisors countersigning them.

2. Develop an easy-to-read wage slip or receipt

This should be delivered before or with wages and should show how the wage has been calculated. You and the worker should both keep a copy of this, so that you can track earnings (and wage costs) over a longer period. Here is an example:

Salary statement for the period of ___ to ___:	Name of employee _____	Pay reference or employee number: _____
Amount earned	Company deductions	Legally required deductions
Base wages	– Salary advance repayment	– Income tax
+ Overtime wages	– Loan reimbursement	– Social security contributions
+ Other pay (e.g., bonuses)	– Contribution to enterprise voluntary savings plan or pension	
+ Maternity/paternity, sick pay		
Total gross pay (a)	Total company deductions (b)	Total legally required deductions[®]
Total net pay (Gross pay less private and legally required deductions) (A-B-C)		(Cumulative) Year-to-date wages
		Number of days/hours worked during period

3. Think about security

If you pay your workers in cash and in a regular way (say, every Friday) you will need to give attention to the risks that this creates for you and your workers.

- Always check the references of workplace security workers and accounts workers carefully
- Use a safe to keep money secure
- Be careful when transferring money from home or bank to the workplace and do not do so at a regular time or take a regular route
- Provide transport home or encourage workers to have family members collect them

4. Advise workers:

- not to share the details of the payments dates or systems with others
- to put pay packets away so that they are not visible or easy to reach while workers are travelling home.

Use your New Pay Policy for the Advantage of your Business

If you keep your new pay policy locked in a draw, you will not get good value from it. So, having spent valuable hours and energy creating your new pay policy, it is worth thinking about how best to share it!

Checkpoint 36: Get maximum impact from your wages and benefits program by communicating it clearly to workers.

The advantages for your business

By sharing your pay policy with your workers, you have immediately saved yourself or your managers a huge amount of time in answering individual questions. If each worker has a copy, and you put an extra one on the notice board, your workers will be able to find the answers to questions they have now such as, ‘Why am I on point one of pay level 1?’, or ‘What happens to my salary if I take maternity leave?’ without bothering anyone.

Small mistakes in paying workers can turn into confrontation and suspicion, so having written procedures for queries and complaints will help to reduce tension by reassuring workers that their concerns will be dealt with.

What you should do

1. *Be ready to answer questions*

Make sure workers have easy access to a payroll person in case there are questions about calculations or errors are made.

2. *When corrections in payments are needed, make them quickly.*

3. *Involve your workers*

Involve your workers in setting wage policies and procedures, and get their feedback on any incentives you propose. In a small enterprise, joint employer-employee participation can take the form of a committee composed of one employer’s representative and two employee representatives. It is important to involve workers who have a direct knowledge of the main jobs that are to be evaluated. Female workers should participate in the evaluation, so that the characteristics of jobs done by them are not overlooked.

4. *As a minimum, every worker should be given information about their base pay, work schedules, and annual leave.*

Checkpoints for WISE-R Module 4 Managing wages and Benefits

- Checkpoint 26:** Be clear, fair, and consistent when you decide what amount you will pay your employees.
- Checkpoint 27:** Create an organizational chart with everyone, including you, on it.
- Checkpoint 28:** Prepare a comprehensive job description for each job.
- Checkpoint 29:** Rank jobs by comparing the skills they involve and their importance to YOUR business.
- Checkpoint 30:** Do not pay any worker less than the minimum wage in your country.
- Checkpoint 31:** Give every job a pay range, so that workers have the chance to improve their pay over time, even if they stay in the same job.
- Checkpoint 32:** Consult on your pay structure and pay levels with your workers and their representatives.
- Checkpoint 33:** Adjust wages periodically in order to improve or, at least, maintain workers' standard of living.
- Checkpoint 34:** Be sure to give all workers feedback about their performance and what they can do to access or compete for cash and non-cash rewards.
- Checkpoint 35:** Keep good records on work done and wages paid, and develop an easy-to-read wage slip, so that workers can check their pay calculation with you.
- Checkpoint 36:** Get maximum impact from your wages and benefits program by communicating it clearly to workers.

WISE-R Module 4: Managing wages and benefits

Checkpoint 26: Be clear, fair, and consistent, when you decide what you will pay your employees.		
Do you propose action?		
<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> Priority
If yes, what action?		
Checkpoint 27: Create an organizational chart with everyone, including you, on it.		
Do you propose action?		
<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> Priority
If yes, what action?		
Checkpoint 28: Prepare a comprehensive job description for each job.		
Do you propose action?		
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<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> Priority
If yes, what action?		

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