

# Pay & Career Progression

Call Centre Briefing



## Background

This briefing is based on the results of a special survey conducted by PAYdata during April 2007 that reviewed pay and career progression practices in call centres. This survey formed the basis of a discussion at a subsequent Call Centre HR Group meeting organised by PAYdata that was attended by the participants.

The participants include many of the major UK call centre employers. Broadly speaking, they operate in the following main industry sectors:

- ◆ Telecommunications
- ◆ Retail
- ◆ Finance
- ◆ Travel

## Pay – why and how to manage it?

In most service organisations pay is the single highest cost incurred and base pay makes up most of this cost. Ensuring that the organisation appropriately manages this cost and gets the best return on the investment it represents should therefore be a critical success factor for most businesses.

Day to day pay management in many organisations happens “at the coal face”. The everyday decisions that managers make about recruitment salaries, promotion increases and (where appropriate) the size of an employee’s annual pay review all have a direct impact. But pay management should start with determining the reward strategy, which in turn should be driven by the overall business strategy. Making sure that the organisation gets the maximum “bang for its buck” is about ensuring there is a clear line of sight between what and how people are paid and the achievement of business level goals.

Typically the reward strategy will determine the degree to which reward is integrated with other HR processes and how this will be achieved. It therefore provides a road map for development-specific policies and initiatives. Without a strategy there is a strong temptation for pay to be managed reactively with frequent tactical interventions.

## Practice in call centres

### **Type of pay structure**

Two types of pay structure are the most common, with the approach adopted varying by role type. For Managers, the most common approach is to use salary ranges (81%). Team Leaders are also likely to be paid against a salary range (56%) with 37% paid using a spot rate approach. Advisors on the other hand are more likely to be paid using a spot rate approach (60%) with two-thirds of those adopting this approach providing some form of pay progression through two or more rates.

Once the initial pay for the role is set, it is most commonly adjusted based on individual performance (75%). 44% of organisations apply some form of general increase to all (or most) pay levels with a further 31% recognising the achievement of competencies or qualifications.

### **Frequency of pay review**

The frequency with which pay is reviewed is typically related to the method by which it is adjusted. So an annual review is most common where adjustment is related to performance (83%) or takes the form of a general increase (71%). However, where the adjustment is related to competencies or qualifications it more common to use either a three-monthly review cycle (25%) or and an individually determined approach (50%).

### **Payroll Budgeting**

All organisations understandably budget for the annual pay review. What is less common is to budget for the pay changes outside of the pay review cycle. Only 40% of organisations budget for any pay drift between reviews.

This is a somewhat worrying trend and our experience as both reward consultants and salary survey providers has shown that in most organisations there is trend for pay to increase throughout the year as ad hoc adjustments and increases are applied. It is not untypical for this to equate to 1% - 1.5% of payroll and perhaps more in businesses that are either growing fast or experiencing strong competition for the key skill sets they employ.

### **Motivation and retention**

The survey that we conducted and the subsequent discussion amongst the participants looked more widely at the role of career progression and pay in motivating and retaining employees. Asked to rank a series of factors, culture came out as having the highest impact followed by base pay and working conditions. Base pay progression came out seventh and personal development at tenth.

Our observation on these results is that they contrast strongly with other research. For example, in Herzberg's work on motivation achievement and recognition ranks highest and pay came less than halfway down the list.

## **Further information**

To learn more about this topic or PAYdata's services, please call 01733 364070, or email [info@paydata.co.uk](mailto:info@paydata.co.uk)

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