

Where can I get more information?

Acas advisory booklet *Pay systems* or Acas Rights at Work information leaflet *Pay* – to order, call Acas Publications on 08702 42 90 90 or order online at www.acas.org.uk.

DTI *Factsheets for small firms: Sex discrimination and equal pay; Maternity rights; Itemised pay statements; National minimum wage and Suspending employees from work* – available at www.dti.gov.uk/publications.

Acas runs charged training for small firms and has a national helpline – 08457 47 47 47 – which gives free advice on employment matters.

This information is intended to be a brief introduction to the subject. Legal information is provided for guidance only and should not be regarded as an authoritative statement of the law.

Acas can help with your employment relations needs

We inform

We answer your questions, give you the facts you need and talk through your options. You can then make informed decisions. Contact us to keep on top of what employment rights legislation means in practice – before it gets on top of you. Call our helpline **08457 47 47 47** or visit our website www.acas.org.uk.

We advise and guide

We give you practical know-how on setting up and keeping good relations in your organisation. Look at our publications on the website or ask our helpline to put you in touch with your local Acas adviser. Our Equality Direct helpline **08456 00 34 44** advises on equality issues, such as discrimination.

We train

From a two-hour session on the key points of new legislation or employing people to courses specially designed for people in your organisation, we offer training to suit you. Look on the website for what is coming up in your area and to book a place or talk to your local Acas office about our tailored services.

We work with you

We offer hands-on practical help and support to tackle issues in your business with you. This might be through one of our well-known problem-solving services. Or a programme we have worked out together to put your business firmly on track for effective employment relations. You will meet your Acas adviser and discuss exactly what is needed before giving any go-ahead.

What if I get it wrong?

Inadequate or unsuitable pay arrangements or changes in pay without the agreement of employees can lead to many problems, including:

- court cases or employment tribunal cases
- lack of motivation and poor performance
- poor employee relations.

What are the legal requirements?

The law affects many aspects of pay and it is not possible to list them all here but you must:

- pay employees in accordance with their contract of employment;
- pay men and women equally for doing like work or work of equal value;
- ensure you meet the requirements of the Minimum Wage Act 1998;
- not make deductions from wages without prior written agreement unless required or authorised by the employees' contracts or by law (eg National Insurance contributions): special limits apply in retail trade for deductions to recover cash shortages or stock deficiencies;
- give employees itemised pay statements showing: the gross amount of wages or salary; the amount and purpose of any variable or fixed deductions; net wages or salary payable; and, where the net amount is paid in different ways, the amount and method of each payment;
- pay as appropriate: statutory sick pay; statutory maternity pay; pay for lay-offs; pay for medical or maternity suspension.

Why are pay arrangements important?

Pay is one of the key factors affecting motivation and relationships at work. It is therefore important to develop pay arrangements which are right for your firm and which reward employees fairly for the work they perform.

How do I get it right?

- ✓ Remember pay is only one element of motivation and will work best where you also give attention to:
 - developing good management and supervision
 - designing jobs and organising work groups to make them as satisfying as possible
 - providing feedback to staff about their performance and training and development
 - making effective arrangements for communications and consultation.
- ✓ Make annual checks that your rates of pay are competitive.
- ✓ Keep up-to-date with legal developments affecting pay: your accountant or trade association may provide advice.
- ✓ Involve managers, supervisors, employees and their representatives in any changes to pay, and seek to gain their agreement.
- ✓ Identify the objectives of your payment system eg to: ensure pay rates are competitive; increase productivity or sales; control unit labour costs; develop a quality approach; encourage teamwork.
- ✓ Take stock of the existing system to identify where improvements are required.

- ✓ Consider various payment systems – singly or in combination – and their possible advantages and disadvantages, including:
 - *Basic rate systems* where employees are paid a rate for the job (these are often used in combination with other systems, such as team or individual performance pay);
 - *Performance pay systems* where a proportion of pay is based on *individual output*;
 - *Performance pay systems* where a proportion of pay is based on *group or company output*;
 - *Performance pay systems* where a proportion of pay is based on merit rating following an appraisal of performance;
 - *Share incentive schemes* which involve the provision of shares to employees – either by giving them direct or allowing them to be bought;
 - *Skill-based pay systems* which are not related directly to output or performance but reward individuals for the skills they possess or acquire.
- ✓ Make your payment system as simple as possible to understand and operate.
- ✓ Explain to employees how their pay is calculated.
- ✓ Provide training to those who will operate the system.
- ✓ Maintain and review the system at regular intervals.