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School Leadership Comparator Studies

A research report for the Office of Manpower Economics

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Executive summary

Background and approach

- OME commissioned IDS to undertake a series of case studies examining how a range of public, not-for-profit and private sector organisations set and manage the pay of senior leaders in roles broadly comparable in size to head teachers and deputy head teachers. The brief was not to identify exact pay comparators, but to provide a broader perspective on the approach to rewarding similarly sized leadership roles in other sectors. In this context, we sought comparators who are responsible for delivery of a substantial operation, with a significant degree of autonomy and personal accountability.
- The role of head teacher can vary considerably in job size. Factors such as the size of school, the structure of the leadership team, and the school's particular circumstances and challenges all play a role in determining the scope and responsibilities of the job. A chief executive's role will similarly range considerably according to the number of employees, company turnover, complexity of the business activity and senior management structure. In organisations where the responsibilities and job weight of the most senior role very clearly exceed that of a typical head teacher we identified an appropriate comparator elsewhere in the leadership team. Within each organisation, comparators to head teachers and deputy head teachers were identified using criteria such as size of the role, including degree of autonomy and complexity, staff and budgets, and responsibilities.
- The research was based on 16 new case-studies and drew additionally on four studies from recent IDS work on senior pay¹, covering a broadly equal number of private and public/not-for-profit organisations. These included two groups of academies, an FE college, two small housing associations, a charity, a private library, an accreditation body, a local authority, two NHS trusts, a museum, a major retailer, a finance and professional services firm, a law firm, a broadcasting organisation, a manufacturer, two multinational corporations and a private sector services provider.

Key findings

The key findings of this research are as follows:

- The majority of organisations in the study use some form of job evaluation to determine the level of remuneration for senior staff and all undertake some form of benchmarking against the market.

¹ *Managers' Benchmark Pay Report 2012/13*, IDS, December 2012

- Case study organisations generally use spot salaries for comparators to head teachers; these are frequently set within a predetermined range for the post. In some organisations, senior staff at the level below are paid on incremental scales.
- Salary progression is often linked to performance and the rate of progression can vary depending on the existing market position of an individual's pay (with less headroom for performance-related increments for those whose basic pay is high relative to the market). For those on spot salaries, revalorisation can take account of performance as well as revised benchmarking of salaries.
- Key performance indicators tend to be quantitative and are frequently linked to wider corporate objectives.
- Cost of living increases were reported as being made at 14 of the 16 case-study organisations, although these have been affected in recent years by pay freezes.
- All the private sector field-work case study organisations operate bonus schemes for comparators. Only one of the public sector and not-for-profit organisations – one of the groups of academies – pays a bonus, and the other group of academies is currently consulting on introducing a bonus for heads.
- Non-pay benefits vary between sectors: private healthcare or insurance is commonly provided by the private sector organisations; and a significant subset of these also provide cars or car allowances.
- Almost all the private sector organisations in the study provide *defined contribution* pensions. Most other participating organisations operate *defined benefit* schemes.
- There is greater transparency around the reward arrangements of senior staff in the public/not-for-profit sectors with salaries frequently in the public domain.
- Pay decisions for senior roles in are approved by governing bodies in the public/not-for-profit sectors or by management boards and/or HR professionals in the private sector.
- Most organisations have strong professional HR oversight of pay structures and pay setting processes, although detailed pay decisions are often delegated to governors and line managers.

1 Introduction

The UK education sector is changing and in recent years, following the introduction of academy schools, there have been changes, too, to the structures and roles of school leadership teams. Pay arrangements for school leaders continue to be based on a pupil weighted index which takes account of pupil numbers and age, with secondary education pupils being more heavily weighted than primary school pupils. While there is some discretion to allocate a head teachers' salary, there is a widely held view that the existing pay arrangements do not fully take account of recent changes in structures and roles, and that pay determination for school leaders should take account of a wider range of factors than pupil numbers.

In light of this, the School Teachers Review Body (STRB) – the body that makes recommendations to the Secretary of State for the Department of Education on the remuneration and other conditions of employment for school teachers – anticipated a remit to examine the pay arrangements for school leaders in England and Wales and required research on leadership structures, responsibilities, reward packages and related issues for suitable comparators drawn from both within, and outside the education sector.

Scope of the research

The Office of Manpower Economics (OME) provides support to the School Teachers Pay Review Body (STRB). As part of this work in December 2012 the OME commissioned IDS to undertake a series of case studies examining how a range of public, not-for-profit and private sector organisations set and manage the pay of senior leaders in roles comparable to head teachers and deputy head teachers.

Our brief was not to identify exact pay comparators, but to provide a broader perspective on how similar leadership roles are rewarded in other sectors and we sought comparators who are responsible for delivery of a substantial operation, with a significant degree of autonomy and personal accountability. This is in some cases the chief executive or equivalent, but in organisations where the responsibilities and job weight of that role very clearly exceed that of a typical head teacher we have identified an appropriate comparator elsewhere in the leadership team. We have been guided by broad job weight (including degree of autonomy and complexity) rather than direct salary comparisons.

Once appropriate comparators had been identified, our objectives were to collect information on the key responsibilities, competencies and accountability of the role, the mechanism of pay determination for the role and the overall reward package.

Methodology

IDS approached 105 organisations in a range of sectors inside and outside education to establish whether they employed senior managers in roles comparable in job size to head teachers and deputy head teachers and if so, whether they would be prepared to discuss the way they determined pay levels, benefits and pay increases for those managers.

The sectors targeted for this research were academy chains, independent schools, social housing, charity, accountancy/actuary, legal, retail, engineering, local authority, private libraries, museum, hospitals, media, advertising/marketing, and architects. IDS was able to secure participation in the research from employers in the majority of those sectors set out above – however, architects, media, advertising and marketing organisations were unwilling to take part in the research. Our experience of monitoring pay and reward has shown these sectors to be particularly difficult to monitor.

When identifying possible case studies and at the initial stage of the case study interviews we sought comparators who were responsible for delivery of a substantial operation, with a significant degree of autonomy and personal accountability. Once these comparators had been identified we proceeded with the case study.

The role of head teacher can vary considerably in job size. Factors such as the size of school, the structure of the leadership team, and the school's particular circumstances and challenges all play a role in determining the scope and responsibilities of the job. A chief executive's role will similarly range considerably according to the number of employees, company turnover, complexity of the business activity and senior management structure.

The key differences in the job size relate to resources, accountability and freedom to act. Resources managed by chief executives at the highest level can far exceed those of head teachers of the largest schools with the former possibly managing an organisation employing thousands, if not hundreds of thousands of staff. The size and scope of the budget and other tangible assets can also be far greater for chief executives of very large businesses. Reporting structures can also be more complex.

The requirement for determining operational strategy in the job also creates divergence between the level required for a chief executive of a large organisation and a head teacher of a large school, or executive head. Head teachers act within a given remit within a national framework – while this varies for different types of school, the requirement to develop plans, policies, strategies or new ways of working is limited by the education system as a whole and

head teachers are not completely independent. For example, key aspects of the school curriculum and budget are determined at national level. The chief executive by comparison, takes a significant level of independent action when dealing with complex problems involving a wide range of wider business issues and determining the vision and direction for the whole organisation.

To further inform our comparisons and to gain a greater understanding of the head teacher role prior to identifying suitable comparators, three IDS personnel carried out a formal job evaluation of a 'generic' head teacher job description of a large secondary school². The evaluation allocated the role to IDS level 10a, which, according to our scheme consists of:

“Very senior executive roles in private and public sector organisations with substantial experience in, and leadership of, a specialist function, including some input to the organisation’s overall strategy, but usually not a member of a company board.”

One of the considerations we bore in mind when evaluating the role was the fact that, as mentioned above, the overall requirement to develop plans, policies, strategies or new ways of working is limited by the education system as a whole and heads are therefore not completely independent.

Within each organisation, we sought to identify comparators to head teachers and deputy head teachers using criteria such as size of the role, including degree of autonomy and complexity, staff and budgets, and responsibilities, and if so, whether they would be prepared to discuss on a confidential basis:

- key responsibilities of and competencies required for leadership posts, including typical experience and professional qualifications
- leadership structures and accountability arrangements, both for outcomes/resource management and accountability to other bodies such as inspectors, regulators and other governing bodies
- career paths, both inside and outside the organisation
- how and by whom pay levels are determined, and the governance of that process
- pay levels/ranges, arrangements for pay progression and performance management
- total reward packages, including wider benefits, leave and pension provision.

² The job description used was sourced from the TES website and can be located here: <http://www.tes.co.uk/Upload/Attachments/TES/3114022/Job%20Description.doc>

Case study participants were sent detailed questions in advance of the interview (see appendix 1 for details). In total some 16 employers agreed to participate in the research. We conducted 12 interviews face-to-face and four by phone and e-mail. Interviews were recorded with the permission of the interviewees in 12 of the 16 case studies. In all cases draft case studies were sent back to the organisations to be checked for accuracy. As well as the 16 field-work case studies this report also includes four additional case studies from the IDS publication, *Managers' Benchmark Pay Report*. The case studies, which cover similar ground, were selected to give further context to the study and focus predominantly on private sector practice.

The 16 field-work case study organisations include two groups of academies, an FE college, two small housing associations, a charity, a private library, an accreditation body, a local authority, two NHS trusts, a museum, a major retailer, a finance and professional services firm, a law firm and a manufacturer. All case study participants provided information on the basis of anonymity. Full details of case study organisations and comparators are set out below.

A is a group of academies. Schools range from small primaries to large secondary schools. The average number of staff per school throughout the group is 80, about a third of whom are support staff. The comparators are head teachers and deputy head teachers. Organisation A is a charitable trust.

B is a group of academies. Academy colleges in this group are structured in a similar way to a 'small schools' model of learning, with 300 to 400 students, 30 teaching staff and 25 support staff per school. The comparators are head teachers and deputy head teachers of small schools. Organisation B is a charitable trust.

C is a publicly-funded Further Education college with 7,000 students. It has an annual turnover of £15 million and 450 staff, 60 per cent of whom require a professional qualification for their role. The comparators are the college principal and the deputy principal.

D is a not-for-profit housing association with around 250 staff and a turnover of £21 million. Around 25 per cent of the staff have a degree and/or a professional qualification. The case study features one main comparator, the chief executive of the organisation. The director of

resources, who may deputise for the chief executive on occasion, but is not a formal deputy, is also considered as a comparator to a deputy head teacher.

E is a not-for-profit private library with an annual turnover of £3 million and a staff of 70. Some 80 per cent of staff have a first degree and 40 per cent have a further professional qualification. The comparators at organisation E are the chief executive and the deputy chief executive.

F is an accreditation body for a manufacturing industry. It has an annual budget of £8.5 million and 150 staff, two thirds of whom are professionally qualified. The head teacher comparator is the operations director, responsible for 90 qualified staff and turnover of £7.5 million. Organisation F is a non-profit organisation.

G is a public sector unitary local authority with an annual turnover of around £100 million and 3,700 staff. Of the 1,600 non-education staff, 40 per cent require a professional qualification for their job. The comparators are, for a head teacher, the head of a statutory service with 310 staff and, for a deputy head teacher, a service manager who has 125 staff.

H is a Community Healthcare NHS Trust employing over 3,000 staff with an annual operating revenue of over £130 million. The chief executive of the organisation is a comparator for head teacher. While this role is larger than would be found in schools, the role provides a useful comparator for examining reward for the 'top person' in a locally autonomous organisation.

I is an NHS Trust hospital with 1,100 staff and an annual operating income of £93 million. Some 70 per cent of staff have a professional qualification. The case study looks at two comparators: directors, comparable to head teachers, and deputy directors, comparable to deputy head teachers.

J is a charity providing housing and social care. It has 1,000 employees and a turnover of over £200 million. The chief executive and executive director roles are much bigger than those of a head teacher, so the comparator is an assistant director, who is responsible for managing 400 staff and a budget of £25 million.

K is a publicly-funded national museum with 700 staff and annual income of some £75 million. Three-quarters of staff have at least a first degree. The role of chief executive is bigger than that of a head teacher in terms of staff numbers, budget and the extent of

activities in the national and international spheres, so the head of one of the specialist areas, who manages 250 graduate staff, was identified as a comparator for a head teacher.

L is a private sector retailer with 65,000 staff and an annual turnover of £7 billion. The roles of chief executive and executive director are more substantial than that of head teachers, so an area manager was identified as comparable to a primary school head teacher and head of region as comparable to a secondary school head teacher.

M is a private sector professional services company with 1,500 staff and a turnover of £180 million. The chief executive, who has overall responsibility for the direction, strategy and financial success of this large organisation, was not a suitable comparator. Instead the group HR director, who oversees 20 staff across four functions, was chosen as a comparator for a head teacher.

N is a private sector law firm with 300 staff and an annual budget of £30 million. Most staff have a professional qualification. The chosen comparator is the finance director, who is responsible for 22 staff and has important compliance obligations.

O is a private sector manufacturer with 3,000 employees and an annual turnover in excess of £500 million. Around 10 per cent of staff are graduates or have professional qualifications. The role of general manager, who is responsible for 600 staff, is comparable to that of a head teacher of a large secondary while the role of senior manager, which reports to the general manager, is comparable with the head of a small school.

P is a not-for-profit housing association for older people. It employs 68 staff in total, 50 of whom work full time, and has an annual turnover of £2 million. The chosen comparator for a head teacher of a small primary school is the director, who is responsible for the delivery of the organisations' objectives and reports to the board of trustees, all of whom are volunteers.

Additional case studies

A further four case studies were included from the IDS publication *Managers' Benchmark Pay Report 2012* (MBPR). The case studies were selected to provide a further indication of pay practice among predominantly private sector companies.

Q is a chemicals manufacturer with around 2,000 staff in the UK and Ireland and 111,000 employees worldwide. The annual company turnover for the UK and Ireland is €1.6 billion.

The likely comparator at this organisation would be either a managing director or head of managerial role in grade 7.

R is a broadcaster that provides TV channels, radio stations and on-line services. It has a workforce of 20,300 and an annual turnover of £5 billion. The likely comparator for a primary school head teacher would be a manager in grade 11.

S is an online travel retailer and IT company and employs a total of 370 people in Edinburgh and London, up from 320 in 2011. Some 60 people work in the company's contact centre, with the remaining 310 staff made up of managers, professionals and specialists.

T is a tobacco manufacturer employing over 60,000 staff, with some 1,700 of these in the UK. Its annual turnover is around £46 billion.

2 ANALYSIS OF CASE STUDY FINDINGS

In this section of the report we provide a thematic commentary of the case study findings. In the first section we discuss the comparators identified from each case study organisation and the second section draws out the main themes in approaches to leadership reward determination.

2.1 Comparator roles

All 16 field-work case study organisations supplied information on comparators to head teachers, and seven supplied information on comparators to deputy head teachers. Data from the additional four MBPR case studies is included where available..

Staff and budgets

The number of staff for whom comparators to head teachers were responsible range from 20 in the NHS trust and the finance and professional services company, to 3,000, at the Community Healthcare NHS trust. Numbers of direct reports range from three to 11 while the number of qualified staff managed by head teacher comparators ranged from 12 to 15 professional engineers at the manufacturer, to 270, mainly teaching staff, at the FE college. The specialist qualifications of professional staff managed by other comparators cover housing, social work, occupational therapy, library/information management, physics, chemistry, engineering, materials science, health professionals, pharmacy and finance.

The budgets for which head teacher comparators were responsible ranged from £1 million at the NHS trust to £350 million at the retailer.

Only five of the seven organisations which could identify broad comparators to deputy head teachers were able to give details of the number of staff managed (19 at the library to 200 at the FE college) while just three identified details of the budgets managed – which ranged from £2 million at the library to £30 million at the retailer.

The workforce of most of the comparator organisations was predominantly female. Some 90 per cent of the manufacturer's workforce was male, as were 60 per cent of the accreditation body employees. The museum workforce was comprised equally of men and women. All the other case studies had more women in the workforce than men.

Part-time workers ranged from one per cent at the manufacturer to 60 per cent at the FE college.

Further information on comparator roles is shown in Table 4 (p.26) which sets out the number of staff managed by comparators, the budgets for which they are responsible, their accountability and whether or not the unit they manage is autonomous.

Autonomy and accountability

The autonomy or otherwise of the units managed by roles comparable to head teachers varies considerably. The chief executive of the small housing association was in charge of a completely independent unit, as was the chief executive of the Organisation H, the hospital trust, while the director of Nursing at the NHS trust was immediately accountable to the Trust Chief Executive. However, this director plays a strategic role in a high risk environment and is responsible for 400 professionally qualified nurses.

Accountability ranged from accountability to the chief executive for those at the next level down in the organisation to accountability to boards of governors or trustees. Public sector, not for profit and some private sector organisations are accountable to regulators, and the principal regulators mentioned by our case study contacts included Ofsted, the Homes and Communities Agencies, the Care Quality Commission, Monitor, NICE, the FSA and the Solicitors Regulation Authority.

Qualifications and careers

All but three of the 16 case study organisations (the retailer and the manufacturer) require at least a first degree for individuals in roles comparable to head teachers. Eight of these 13 require a further qualification, most often a financial qualification.

Comparators' careers were almost always within the sector in which they now work. Where they had come from another sector, it would have been one with closely allied activities. For example, the director of resources at a housing association had previously worked in local government. Among comparators there were no examples of individuals moving between the private and the public or not for profit sectors, or vice versa.

When organisations were asked the age and gender of comparators and those on the same level within the organisation or in the senior management team, men and women were mentioned a similar number of times while the ages cited were mostly commonly 40s and 50s. Time in role ranged from six months to 22 years.

Competencies and responsibilities

Competencies are one way of defining roles and the behaviours organisations expect employees to exhibit. Eight of the 16 organisations either use formal competency systems or

say that they expect comparator role holders to have certain competencies, most often financial and management competencies.

Case study organisations were asked whether head teacher comparators were responsible for strategy, decision-making, risk management, relationships with external organisations and budgets. All said yes to these questions, with the exception of the HR director at the finance and professional services firm, who has no external contacts. The two academy groups pointed out that their school leaders had less autonomy and a lower level of responsibility than their counterparts in maintained schools as a result of the need to answer to the group or to cooperate with other head teachers in the group.

Our contacts were also asked about the complexity, uncertainty and unpredictability of the roles being discussed. All said that their roles were at least as complex, uncertain and unpredictable as school leadership roles, and indeed it is unlikely that such senior roles within organisations would be dealing with simple and predictable matters. The academy groups believe that their roles are more complex than those in maintained schools due to their challenging improvement agendas, and the need to answer to directors as well as local governing bodies.

The FE college also believed that its principal's role was more demanding than that of a head, having to deal with a wider range of courses and examining bodies than a school, competing harder for funding, and, unlike schools, having to deal with a range of employers and selling services to them. The housing association and the charity, both of which provide housing and some social care, pointed to rapid changes in the social care sector, with extreme pressure on resources, changing regulations, short notice inspections and a very high level of risk to vulnerable clients and employees who work alone with clients. And the museum said: 'Everything for which there are standard procedures is delegated. The comparator deals with everything else.' A summary of competencies, qualifications, responsibilities and external relationships is shown in Table 6 on p.30.

Peer support

Comparators receive peer support from colleagues at the same level, their line managers, governors and trustees and colleagues in similar organisations. Two organisations provide coaching.

Table 1 Peer support for comparators

Organisation/comparator	Peer support
A – Academies Head teacher	Chair of the LGB, seen as a critical friend, also the local HR manager. Senior people at head office. There is a lot of collaborative working and heads make friends with other heads through that. All heads meet quarterly in a group forum, together with some deputies and people from head office. Some heads still use their local maintained schools network. Head office is also proactive with mentoring and coaching and will pay for head to have an external coach, meeting four or five times a year. Some take it up. The coach does not have to be from the education sector
B – Academies Principal/vice principal	Quite good peer support as heads can rely on principals of other colleges as well as support from the corporate functions such as HR and finance
C – FE college Principal/vice principal	Talks to other principals. All staff are encouraged to talk to their peers elsewhere
D – Housing association Chief executive	Peers in other housing associations, the board, and other directors
E – Library Chief executive	Trustees, and peers in professional library network
F – Accreditation body Operations director	Support internally from other directors, chief executive and governors, support externally from high level contacts on trade and professional bodies
G – Local authority Head of service	Has links with counterparts in other unitary authorities, particularly local ones
H – Community Healthcare NHS Trust Chief executive	Chief executive receives support from colleagues and other local trusts. There is a CEO network as well as support from NHS leaders programme and NHS Confederation, among others
I – NHS Trust Director	Director gets support from colleagues and other local trusts
J – Charity Assistant director	Support from all at the same level, externally from a senior group of care and support professionals
K – Museum Head of specialist area	Support from the rest of the management team and colleagues in universities and the wider scientific community
L – Retailer Head of region/area manager	HR support and also from peers
M – Finance and professional services firm Group HR director	Support from other employees at the same level across the company. Benchmarking activities provide support, as does the HR team
N – Law firm Finance director	Fairly extensive support, external network of FDs in law firms and in banks
O – Manufacturer General manager/senior manager	Management development programme, management coaching (by HR and line manager), weekly management strategy meetings which all general managers attend and daily meeting of general managers
P – Housing association Director	Director gets support from board, peers and external forums/conferences

2.2 Pay and benefits

Basic pay

The research found current pay rates for head teacher comparators in the public and voluntary sector range from about £49,500 for the director of a housing association (P) to £125,000 for an executive head of a cluster of academies (A). Pay for comparators at the private sector organisations that have supplied pay information is £82,000 at the retailer and £125,000 at the law firm and between £90,000 and £130,000 at the finance and professional services firm.

This compares with salary ranges of between £42,379 to £56,950 for the school leaders outside London in Group 1⁴ and £72,752 to £105,097 for school leaders in Group 8.

Looking in general at pay systems for this level of managerial role and according to recent IDS research into management pay⁵, senior managers are most likely to be in a broad-banded pay range, with progression based on individual performance. Median salaries for non-board directors (IDS job level 10a, the equivalent to head teachers) are £100,000, with an interquartile range of £77,000 to £140,000. The median salary at this level was £111,756 in the private sector and £82,900 in the public sector.

Table 2 Basic pay levels for comparators

Organisation	Comparator	Basic pay
A – Academies	Head teacher	Range of £70,000 for the head of a small academy to £125,000 for an outstanding candidate for a cluster of academies
	Deputy head teacher	Range of £38,000 for a small primary academy to £125,000 for a secondary academies
B – Academies	Principal	£75,000 on appointment, range £75,000 to £85,000
	Vice principal	£55,000
C – FE college	Principal	£110,000
	Deputy principal	£85,000
D – Housing Association	Chief executive	£107,000
	Director of resources	£79,000
E – Library	Chief executive	£77,000
	Deputy chief executive	Range of £48,075 to £58,600, with discretionary progression to £63,823
F – Accreditation body	Operations director	£105,000
G – Local authority	Head of service	£90,000, range £65,650 to £90,900
	Service manager	£51,000, range £50,804 to £55,472
H – Community Healthcare NHS Trust	Chief executive	£120,000
I – NHS Trust	Director of HR	£77,079, range £77,079 to £97,478
	Deputy director	Range of £54,454 to £67,134
J – Charity	Assistant director	£65,000
K – Museum	Head of specialist area	Range of £64,605 to £83,896, or £80,000 plus £10,000 management responsibility allowance, payable for 5 years
L – Retailer	Head of region	£90,000, range £80,000 to £120,000
	Area manager	£60,000, range £48,000 to £72,000
M – Finance and professional services firm	Group HR director (non executive)	Range £90,000 to £130,000
N – Law firm	Finance director	Spot rate set within range of £125,000 to £130,000
O – Manufacturer	General manager	Pay is confidential
	Senior manager	Pay is confidential
P – Housing	Director	£49,500

⁴ Including any additional payments for head teachers up to a maximum of 25 per cent of the spine point

⁵ IDS *Managers Benchmark Pay Report 2012/13*. See also section reproduced in Appendix 2.

Organisation	Comparator	Basic pay
association		
Q - Chemicals manufacturer	Department head/managing director	Range £71,000 to £119,000
R – Broadcaster	Commissioning executive	Range £43,888 to £69,472 (£47,567 to £73,151 in London)
S – Online ticket retailer	Head of/Director of	Range - £60,000 to £138,000
T – Tobacco manufacturer	Senior HR Manager	£100,000

Bonuses and other discretionary payments

All the private sector field-work case study organisations operate bonus schemes for comparators. Only one of the public sector and not-for-profit organisations – one of the groups of academies (B) – pays a bonus, and the other group of academies (A) is currently consulting on introducing a bonus of up to 19 per cent of salary for heads.

There were no discretionary payments other than share options, offered by the finance and professional services company. Here in addition to a bonus, the comparator is eligible to receive share options, of which there are two types – deferred options and equity awards. The equity award is based on share matching, whereby an employee is offered the opportunity to purchase a number of shares and in return will receive the same number of shares as a reward. This offer is based on performance and is only available to senior staff at the level below that of the comparator (associate director level) and above.

Among the four *Managers' Benchmark Pay Report* (MBPR) studies, the chemicals manufacturer said that its pay policy was geared towards 'total cash' and that over the years it has shifted an increasingly large proportion of its reward package towards variable pay. Its bonus scheme rewards employees based on corporate and individual targets and, in 2012, payouts were worth between 15 and 28 per cent of salary. There was no bonus scheme in operation at the broadcaster and the online ticket retailer said that although there was a bonus scheme in operation, worth up to 10 per cent of salary, incentives did not play a significant role in the company's reward offering. The tobacco manufacturer provided staff bonuses that ranged between 12.5 per cent to 45 per cent, depending on grade, with a proportion of payouts made in shares that are deferred for three years.

Pensions

Overall 10 of the 16 field-work case study organisations provide comparators with a defined benefit pension scheme, of which seven are public sector pensions. In one case, pension arrangements for the future chief executive at one of the housing associations (D) are currently under discussion as the incumbent is retiring shortly.

In three instances only the comparator has access to the defined benefit scheme, while other employees are covered by a defined contribution scheme. For example, at the two housing associations the defined benefit pension scheme is only available to the comparator and all other employees have access to the organisation's defined contribution pension scheme.

The remaining six organisations have defined contribution pension schemes covering both comparators and all other employees.

Among the four MBPR case studies all four offer DC pensions schemes with maximum employer contributions ranging from 5.5 per cent of salary at the online ticket retailer, to 15 per cent at the tobacco manufacturer.

Benefits

Six organisations offer private medical insurance to staff and one offers a cash plan. Organisation J, the charity providing housing and social care services to local authorities, provides comparators with a health cash plan, which is an insurance product whereby employees can claim money back towards the cost of vital healthcare costs, such as dental treatment, eye care and physiotherapy.

Of the 16 field-work case study organisations, just three offer company cars: one offers a car or a 10 per cent supplement, one offers a car and a fuel allowance, and one allows the comparator the choice between a car and a car allowance worth £7,500 for comparator 1 and £6,000 for comparator 2. Of the four MBPR case studies, two, the chemicals and the tobacco manufacturer, offer company car provision.

Hours and holidays

Weekly paid hours for comparators range from 35 to 41, although all case study organisations contractually oblige those in comparator roles to work the hours necessary to do the job. One organisation – the museum – requires senior staff to opt out of the Working Time Directive while the housing association says that senior staff can choose to do so.

On holidays, comparators drawn from outside the education sector offer between 25 days and 33 days of holiday after between two and ten years' service. One group of academies (A) gives eight weeks' holiday, one gives 12 weeks (B), and the FE college gives 32 days.

Employment contracts

All of the comparators in this study are employees of the organisation where they work and have standard employment contracts which only differ from those of all other employees in spelling out different benefits, such as longer holidays or car allowances.

2.3 Approaches to pay and reward determination

Job evaluation

Overall 10 of the case study organisations use job evaluation, and six – the two groups of academies, the FE college, one of the hospital trusts, a housing association and the law firm – do not. A wide variety of job evaluation methodologies is used. Two organisations use Hay, one uses a modified version of Hay, two use the Towers Watson Global Grading System, one uses NHS Agenda for Change, one uses the Civil Service Job Evaluation and Grading Support (JEGS), one uses IDS, one uses Tribal and one has a bespoke system.

Of the MBPR case studies, the broadcaster uses a points-factor job evaluation scheme and the tobacco manufacturer uses Hay to evaluate and benchmark the majority of jobs throughout the company

Pay ranges

All 16 case studies use spot salaries for the most senior posts and in seven of these the spot salary is set within a predetermined range. Two of the case studies - the NHS trust (I) and the library - use pay ranges through which comparators to deputy head teachers move by means of set increments.

Market pay

All of the field-work case study organisations except one benchmark the pay of their head teacher equivalents against the market. The exception is the museum, where the Cabinet Office set pay rates several years ago, and there have been no pay increases since 2009. The ways in which organisations benchmark include:

- informal benchmarking, whereby HR departments contacts similar organisations to obtain pay rates for comparable jobs
- scrutinising all advertisements for head teachers in the Times Educational Supplement
- benchmarking against the Inbucon Housing Association survey of salaries and benefits
- bespoke pay benchmarking by IDS

- using Hay data.

One organisation benchmarks the pay of its chief executive, but pays the deputy chief executive according to the pay scales applying to all other staff.

Eight organisations told us where they positioned their pay ranges or spot salaries against the market. Four said that they pay median rates (with one of these saying that they expect to pay upper quartile rates for the best performers, two said they pay lower quartile rates, one pays upper quartile rates and one organisation benchmarks against the average market rate.

Of the four MBPR case studies, the chemicals manufacturer and the broadcaster has established pay bands with an upper and lower limit, the online ticket retailer uses spot rates and the tobacco manufacturer has an established 'market-anchor'. The market anchor is a competitive salary point for each grade and is the level at which the firm would expect to pay a fully-experienced employee performing a job at a fully satisfactory level after a number of years' employment. Salaries are managed around the anchor point and typically range from 80 to 120 per cent.

Other factors determining pay on appointment

Nine case studies said that a candidate's previous salary was an important factor in determining their salary on appointment, two said the candidate's ability to negotiate their salary was important, three mentioned previous experience, one mentioned internal relativities and one said meeting internal business-specific competencies was important.

Cost-of-living increases

Cost-of-living increases are paid at 14 of the 16 case study organisations. At eight of these comparators' pay only increases by means of an annual cost-of-living increase which in recent years has either been low, or, in the case of the public sector, non-existent. At the museum, pay for the comparator was last increased in 2009. Two comparators to deputy head teachers receive annual increments as well as cost-of-living increases.

Performance-related pay

At eight organisations there is performance-related pay, which in five cases is benchmarked against the market. This means, for example, that a really good performer who is already well paid in comparison with market rates will probably only receive a low increase, while a less good performer earning less than the market rate is likely to get a bigger increase. Just three organisations will award a pay increase to someone who has reached the top of their

pay band. The museum says that ‘in rare cases, where an individual is brilliant, they may be promoted to a personal grade or given a non-consolidated cash payment. But this is rare.’ The manufacturer comments that an employee at the top of the pay scale may still get a small increase, while the retailer commented that although line managers can continue to award pay increases they are discouraged by HR from doing so.

Three of the four MBPR case studies provide further information on performance pay arrangements. At the chemicals manufacturer, for example, individual pay increases vary depending on performance ratings and competencies. The tobacco manufacturer also bases salary increases on performance and salary awards are judged according to a three-point performance rating scale:

- Outstanding
- Successful
- Requires improvement.

Appraisal and objectives

All 16 organisations appraise employees in comparator roles, even though only eight use performance pay. Appraisals are usually carried out by the comparator’s immediate line manager, and/or by trustees, governors or non-executive directors for the most senior roles.

Examples of the objectives and KPIs set for comparators include exam results, managing the budget, pupil numbers, Ofsted inspection results for the principal at one of the groups of academies (A) to personal objectives arising from the business plan, such as fundraising, number of members and meeting deadlines for building work, at the library. In most cases these are quantitative and arise directly from corporate short term and long term plans.

Further details are provided in the table below.

Table 3 **KPIs for comparators**

Organisation/comparator	Objectives/KPIs
A – Academies Head teacher/ deputy	Exam results, managing the budget, pupil numbers, Ofsted inspections
B – Academies Principal/vice principal	Student progress and development areas
C – FE college Principal/deputy principal	Increase or maintain pass rates, student numbers
	Increase or maintain pass rates, student numbers
D – Housing association Chief executive/director of resources	Appraised against five corporate ambitions and eight competencies. Objectives are quantitative
E – Library Chief executive/deputy chief executive	Personal objectives arising from the business plan – e.g. fundraising, no of members, meeting deadlines for building work
F – Accreditation body Operations director	Personal objectives arising from the business plan

G – Local authority Head of service/service manager	Budgetary, number of serious case reviews, how quickly care plans drawn up
H – Community Healthcare NHS Trust Chief executive	Performance measured against key criteria, including organisation strategy, management of risk, safety and quality accountability etc.
I – NHS Trust Director of nursing/deputy director	Trust board performance measures are cascaded into objectives for all. Also sickness absence rate, agency spend, labour turnover, completed appraisals
J – Charity Assistant director	Financial targets, customer satisfaction, risk, performance against commissioner contracts
K – Museum Head of specialist area	No of research papers published and times museum on international conference circuit, research funding obtained
L – Retailer Head of region/area manager	Stores revenue
M – Finance and professional services company Group HR director	Personal objectives
N – Law firm Finance director	Six business based competencies and quarterly business objectives
O – Manufacturer General manager/senior manager	Safety, quality, costs
P – Housing association Director	Personal objectives
Q – Chemicals manufacturer	Personal objectives
R – Broadcaster	-
S – Online ticket retailer	-
T – Tobacco manufacturer	'Business' results (contributing to growing volume, shares, profit, cash flow etc.) and 'people' results such as contributions to talent, leadership and personal development

Transparency

There is a marked difference in pay transparency between public sector and not for profit organisations on the one hand, and the private sector on the other. In the four private sector case study organisations, details of pay and progression of comparators are confidential and generally known only to the comparator, their line manager and HR. In the public and voluntary sectors, salaries are often published; seven of the eleven employers in these sectors publish salaries in annual reports and/or on the internet, and one publishes salaries when it advertises jobs. The two groups of academies and the accreditation body do not publish salaries. In one group of academies, salaries are known only to the chair of the local governing body and a director. In the other, they are known to the main trust board and local academy boards. Governors scrutinise the pay of the comparator in the accreditation body.

Governance

In 11 of the 12 public and voluntary sector case study employers, pay for comparators is formally agreed by governors (sometimes in the form of a remuneration committee) or, in the local authority, by elected members. Governing boards vary from organisation to organisation. Some boards are mostly made up of high ranking individuals who have either had very successful careers in the sector or are at a high point in their career. This is the case

at the housing association, the charity providing housing and social care, the library, the accreditation body and the museum. Other governing bodies tend to be more representative of service users. In two of the four private sector case studies, pay was scrutinised by the board. In the other two, HR played an important role.

The role of HR in pay setting

15 of the 16 field-work case study employers have HR departments; at the accreditation body the company secretary looks after HR. HR departments are usually responsible for establishing particular pay structures and pay setting processes, but once these are in place they may take a back seat, leaving pay decisions to governors in the public and voluntary sectors or to line managers. In six organisations – the FE college, the housing association, the library, the accreditation body and the two NHS trusts – HR is confined to carrying out pay benchmarking on a small or large scale, to inform governors' decisions on the pay of comparators. Other organisations said that their inflexible pay structures, where comparators get the rate for the job, meant there was little need for HR interventions. In contrast, the manufacturer said that HR was firmly in control of pay and progression decisions, all benchmarked against the market, to ensure consistency.

Table 4 **Staff and budgets**

Org.	Comparator	No. of staff for whom responsible	No/occupation of professionally qualified staff and qualifications	No of direct reports	Size of budget
A - Academies	Head teacher	80 (average)	Same as maintained sector	Up to 6	Budgets range from £1.7 million to £17.5 million
	Deputy head teacher	N/A	Same as maintained sector	6-8	N/A
B – Academies	Principal	55	30 teaching staff	-	No real budgetary responsibility as budget based on student numbers and staff costs
	Vice principal	-	N/A	-	No budget
C – FE college	Principal	450	270, mostly teachers	3	£15 million
	Deputy principal	350	200, mostly teachers	5	N/A
D – Housing Association	Chief executive	250	62, housing officers, social workers, occupational therapist	5	£21 million
	Director of resources	25	N/A	3	-
E - Library	Chief executive	70	56 have first degree, 28 also have further professional qualification as librarians/information management	7	£3 million
	Deputy chief executive	29	19 have first degree, 7 also have further professional qualification as librarians/information management	4	£2 million
F – Accreditation body	Operations director	90	90, technically qualified in physics, chemistry, engineering and materials science	11	£7.5 million
G – Local authority	Head of service	310	95, mostly social workers and occupational therapists	6	£43
	Service manager	125	45, mostly social workers and occupational therapists	5	£20 million
H – Community Healthcare NHS Trust	Chief executive	3,000	9	9	£130 million
I – NHS Trust	Director	20	16, CIPD (personnel) qualification	3	£1 million
	Deputy director	N/A	N/A	N/A	No devolved budget but responsible for overall budget
J - Charity	Assistant director	400	45, social workers, health professionals,	5	£25 million

Org.	Comparator	No. of staff for whom responsible	No/occupation of professionally qualified staff and qualifications	No of direct reports	Size of budget
			social care professionals		
K - Museum	Head of specialist area	250	250 with at least a first degree	6	£5 million
L – Retailer	Head of region	150	Staff includes pharmacists	8-10	£350 million
	Area manager	-- 'large workforce'	Staff includes pharmacists	8-15	£30 million
M – Finance and professional services firm	Group HR director (non executive)	20		5	-
N – Law firm	Finance director	22	Finance professionals	3	-
O – Manufacturer	General manager	600	Professional engineers	3/4	£50 million
	Senior manager	15-300			£15-20 million
P – Housing association	Director	68		3	2 million

Table 5 **Accountability**

Org.	Comparator	Responsible for standalone business unit/local autonomy-	Reports/accountable to-
A – Academies	Head teacher	Yes	Local governing body through the chair and the group managing director. Regulated by Ofsted
	Deputy head teacher	No	Head teacher. Regulated by Ofsted
B – Academies	Principal	80% autonomy and 20% requirement to operate within group policies and procedures	Local governing body and trust chief executive. Regulated by Ofsted
	Vice principal	No	Head teacher. Regulated by Ofsted
C – FE college	Principal	Yes	Board of governors. Regulated by Ofsted
	Deputy principal	No	Principal. Regulated by Ofsted
D – Housing Association	Chief executive	Yes	Group board. Regulated by the Homes and Communities Agency
	Director of resources	No	Chief executive. Regulated by the Homes and Communities Agency
E – Library	Chief executive	Yes	Trustees
	Deputy chief executive	No	Chief executive
F – Accreditation body	Operations director	No, but responsible for delivering £7.5 million out of £8.5 million total turnover	Chief executive. Regulated by the UK Accreditation Service
G – Local authority	Head of service	Not formally, but great deal of autonomy in practice	Strategic director. Regulated by the Care Quality Commission
	Service manager	No	Head of service. Regulated by the Care Quality Commission
H – Community Healthcare NHS Trust	Chief executive	Yes	Chair/Board of governors
I – NHS Trust	Director	No	Chief executive. Regulated by the Care Quality Commission, NICE and Monitor
	Deputy director	No	Director. Regulated by the Care Quality Commission, NICE and Monitor
J – Charity	Assistant director	Yes	Director. Regulated by the Care Quality Commission and the Homes and Communities Agency
K – Museum	Head of specialist area	No	Director
L – Retailer	Head of region	Not formally, but great deal of autonomy in practice	Store director (responsible for 2,500 stores)
	Area manager	Not formally, but great deal of autonomy in practice	Head of region (each responsible for 80 stores)
M – Finance and professional	Group HR director (non executive)		Regulated by the Solicitors Regulation Authority

Org.	Comparator	Responsible for standalone business unit/local autonomy-	Reports/accountable to-
services firm			
N – Law firm	Finance director	No	Managing partner.
O – Manufacturer	General manager	Yes	Director
	Senior manager	No	General manager
P – Housing association	Director	Yes	Board of trustees

Table 6 **Qualifications and experience**

Org.	Comparator	Qualifications	Career path/experience ⁶	Competencies
A – Academies	Head teacher	Same as maintained schools	Same as maintained schools	Use the national standards
	Deputy head teacher	Same as maintained schools	Same as maintained schools	Use the national standards
B – Academies	Principal	Graduates with teaching experience	Same as maintained schools	No official competencies
	Vice principal	Graduates with teaching experience	Same as maintained schools	No official competencies
C – FE college	Principal	Postgraduate, management qualification	Previously the HR director, could become chief executive of another organisation	Management and financial management competencies required
	Deputy principal	Teaching qualification	Head of department	No formal competencies
D – Housing association	Chief executive	Degree or professional qualification plus management qualification	Experience of running and developing a business and working with government agencies. Could come from a smaller housing association, and become the chief executive of a bigger one	Leadership, communication, strategic thinking, problem solving and decision making, developing the business, managing change
	Director of resources	Finance qualification	Housing and local government experience	Eight competencies for all staff, linked to five 'corporate ambitions'
E – Library	Chief executive	Postgraduate degree and professional library qualification	Joined the library in a junior professional role and worked up, could become the chief executive of another charity.	No competency system but financial competencies required
	Deputy chief executive	Postgraduate degree and professional library qualification	Has had a number of senior management roles in information management in other not for profit organisations. Could become chief executive	No competency system but financial competencies required
F – Accreditation body	Operations director	Postgraduate qualification	15 years' experience in a technical managerial role. Came from another standards body, could become chief executive of another certification body, manufacturer, professional or trade association.	No competency system
G – Local	Head of	Degree in social	Has been a social	No competency

⁶ Several case study interviewees said that requiring a particular period of experience when recruiting for a job contravenes the age discrimination legislation.

Org.	Comparator	Qualifications	Career path/experience ⁶	Competencies
authority	service	work and management qualification	worker, specialist, team manager and service manager in other local authorities	system
	Service manager	Degree in social work	Has been a social worker, and team manager	No competency system
H – Community Healthcare NHS Trust	Chief executive		Other NHS trust. Background in Department of Health NHS policy	Competencies for all staff as part of the NHS Knowledge and Skills Framework
I – NHS Trust	Director	Postgraduate, CIPD qualification	Worked in the NHS for many years; 5 years' experience of working at board level required. Could become HR director at a larger NHS trust	Competencies for all staff as part of the NHS Knowledge and Skills Framework
	Deputy director	Degree, CIPD qualification	Experience of working in the NHS required	Competencies for all staff as part of the NHS Knowledge and Skills Framework
J – Charity	Assistant director	Degree in health and social care	Came from a health and social care provider; 15 years' experience required. Could become chief executive of another care and support organisation or secure a senior role at the Care Quality Commission	Leadership, commercial and financial awareness, influencing and negotiation, in the context of external relationships, customer service
K – Museum	Head of specialist area	PhD, visiting professor at top university	Could have worked up from the bottom of the department or been recruited from a university; 20 years' experience required	Leadership
L – Retailer	Head of region	None	Typically employed as a store manager or pharmacist and promoted	No competency system. People leadership and coaching are important
	Area manager	None	Typically employed as a store manager or pharmacist and promoted	No competency system. People leadership and coaching are important
M – Finance and professional services company	Group HR director (non executive)		Experience of managing/leading/headed HR in a medium-sized organisation required	No competency system
N – Law firm	Finance director	Chartered accountant	Experience in law firms and industry. Could move to a global FD role, CEO at another law firm	Six internal business-specific competencies

Org.	Comparator	Qualifications	Career path/experience ⁶	Competencies
			or chief executive role at a smaller firm	
O – Manufacturer	General manager	Formal qualification unnecessary	Promoted through the business or could have come from another manufacturer; 20 years' experience required	Formal competency system
P – Housing association	Director	No formal qualifications required	Experienced in the sector. Career path within the organisation or the sector	No formal competency system

Table 7 Responsibilities and external relationships

Org.	Comparator	Responsible for strategy, decision-making, risk management	Relationships with external organisations	Public profile
A – Academies	Head teacher	Yes, but less than maintained school as answerable to group	Yes, same as maintained schools	Yes, in their own communities and more widely, as a result of corporate initiatives. Important to raise the profile of the school
	Deputy head teacher	No	Yes, same as maintained schools	Yes
B – Academies	Principal	Yes, but less than maintained schools as must agree cooperate with other principals	Ofsted. Each principal responsible for relationships with a particular external agency, e.g. the local authority	Yes
	Vice principal	No	Yes, same as maintained schools	Yes
C – FE college	Principal	Responsible for strategy, finance, new builds, mergers	Yes, government bodies for funding, Ofsted	Yes, networks with secondary schools, employers, other community groups. Very important for funding
	Deputy principal	Make decisions on academic matters	Yes, Ofsted	Yes, same as the principal
D – Housing association	Chief executive	Yes to all	Yes, Homes and Communities Agency, Department for Communities and Local Government	Yes, voted one of the most influential people in housing
	Director of resources	Responsible for finance	Yes, Homes and Communities Agency, Department for Communities and Local Government	No
E – Library	Chief executive	Yes to all	Member of Association of Chief Executives of Voluntary Organisations and professional links with other libraries	Yes, within the field
	Deputy chief executive	Involved in strategy development and implementation	Professional links with other libraries	Yes, within the field
F – Accreditation body	Operations director	Yes to all	Other inspection bodies, trade associations, professional bodies	Speaks at conferences, non-executive director of other industry organisations
G – Local authority	Head of service	Yes to all	Other local authorities and service providers	Might occasionally speak at a conference
	Service manager	Yes for own budget area	Other local authorities and service providers	No
H – Community Healthcare	Chief executive	Yes to all	National Institute for Health and Care Excellence (NICE),	Yes

Org.	Comparator	Responsible for strategy, decision-making, risk management	Relationships with external organisations	Public profile
NHS Trust			Care Quality Commission, commissioners. OFSTED, HMP Inspectorate	
I – NHS Trust	Director	Director is strategic	National Institute for Health and Care Excellence (NICE), Care Quality Commission, commissioners	Yes, within the field
	Deputy director	Deputy director is operational	National Institute for Health and Care Excellence (NICE), Care Quality Commission, commissioners National Institute for Health and Care Excellence	No
J – Charity	Assistant director	Yes to all within overall regulatory framework	Care Quality Commission, local authority commissioners	Speaks at conferences, sits on the boards of small voluntary organisations
K – Museum	Head of specialist area	Contributes to overall strategy, high-level decision-making and risk management. Main responsibility is handling high-level relationships inside and outside the organisation	Academic institutions	Yes
L – Retailer	Head of region	Makes key decisions on people and business	Care homes and the NHS	No
	Area manager	No	No	
M – Finance and professional services firm	Group HR director (non executive)	Yes to all	No	No
N – Law firm	Finance director	Yes to all	Yes, with banking regulator and professional indemnity insurers	Speaks at conferences and to the press
O – Manufacturer	General manager/senior manager	Yes to all	Yes, with other manufacturers	Yes
	Senior manager			
P – Housing association	Director	Yes to all	Yes, with care commission, inspectors and others in sector	No

Table 8 **Job evaluation and benchmarking**

Org.	Comparator	Job evaluation	Market pay	Position in market
A – Academies	Head teacher	No	Benchmarked against all jobs advertised in the TES over past 12 months	Median, upper quartile for good performers
	Deputy head teacher	No	Benchmarked against all jobs advertised in the TES over past 12 months	Median, upper quartile for good performers
B – Academies	Principal	No	Based on the Leadership scale/ISR for a small maintained school and market rates	Based on the Leadership scale for maintained schools
	Vice principal	No	Based on the Leadership scale/ISR for a small maintained school and market rates	Based on the Leadership scale for maintained schools
C – FE college	Principal	No	HR obtains guidance from the Association of Colleges, and benchmarking information from other colleges and regional networks	N/A
	Deputy principal	No	HR obtains guidance from the Association of Colleges, and benchmarking information from other colleges and regional networks	N/A
D – Housing association	Chief executive	Tribal JE scheme, based on competencies	Benchmarked against Inbucon Housing Association survey of salaries of benefits	N/A
	Director of resources	Tribal JE scheme, based on competencies	Benchmarked against Inbucon Housing Association survey of salaries of benefits	N/A
E - Library	Chief executive	Bespoke scheme	Trustees gather benchmarking information from ACEVO and other sources	-
	Deputy chief executive	Bespoke scheme	Based on universities' nationally agreed pay spine	-
F – Accreditation body	Operations director	IDS JE scheme	Benchmarked against the market by IDS	Median

Org.	Comparator	Job evaluation	Market pay	Position in market
G – Local authority	Head of service	Modified version of Hay JE scheme	Externally benchmarked	N/A
	Service manager	Modified version of Hay JE scheme	Externally benchmarked	N/A
H – Community Healthcare NHS Trust	Chief executive	No	Yes	Average
I – NHS Trust	Director of HR	Agenda for Change job evaluation. Pay loosely based on Agenda for Change band 9	Benchmark against NHS pay in other trusts	Lower quartile
	Deputy director	Agenda for Change job evaluation	No	Lower quartile
J – Charity	Assistant director	Hay JE scheme used	Benchmarked by an external consultant, but Hay data not used	Median
K – Museum	Head of specialist area	Job Evaluation and Grading Support (JEGS) Civil service JE scheme	No	Pay bands were drawn up by the Cabinet Office some years ago
L – A retailer	Head of region	Towers Watson JE scheme	Will move to market pay ranges (80-120%) in June 2013	Median from June 2013
	Area manager	Towers Watson JE scheme	Will move to market pay ranges (80-120%) in June 2013	Median from June 2013
M – Finance and professional services firm	Group HR director (non executive)	Towers Watson JE scheme	Yes	-
N – Law firm	Finance director	No	Firm obtains some benchmarking information from consultants and some from other law firms to ensure it pays market rates	-
O – Manufacturer	General manager/senior manager	Hay JE scheme	Target rates drawn from Hay 'All companies' survey data	Upper quartile
	Senior manager	Hay JE scheme		
P – Housing association	Director	No	Externally benchmarked using sector surveys	-
Q – Chemicals manufacturer	Departmental head/managing director	Strata JE scheme	Market pay data is collected centrally in Germany with particular reference made to surveys	-

Org.	Comparator	Job evaluation	Market pay	Position in market
			conducted by Mercer and HayPayNet	
R – Broadcaster	Commissioning executive	Bespoke JE scheme	Benchmarking to establish market rate for the job	-
S – Online Ticket retailer	Head of/Director of	-	Flexible approach to pay – benchmark every role each year	Between median and upper quartile
T – Tobacco Manufacturer	Senior HR Manager	Hay JE scheme	Market based ‘anchor’ established for each role	Between 80-120% of anchor depending on skills/experience

Table 9 Comparators' hours and holidays

Org.	Comparator	Weekly hours	Contractual obligation to work the hours necessary to get the job done	Holidays, excluding bank holidays
A – Academies	Head teacher	37.5	Yes	8 weeks
	Deputy head teacher	37.5	Yes	8 weeks
B – Academies	Principal	37	Yes	12 weeks
	Vice principal	37	Yes	12 weeks
C – FE college	Principal	37	Yes	32 days
	Deputy principal	37	Yes	32 days
D – Housing association	Chief executive	35	Yes. Can choose to opt out of the Working Time Directive	29 days rising to 33 days after 5 years' service
	Director of resources	35	Yes. Can choose to opt out of the Working Time Directive	29 days rising to 33 days after 5 years' service
E – Library	Chief executive	35	Yes. Senior staff are compensated with an extra week's holiday	30 days plus 3 library days
	Deputy chief executive	35	Yes. Senior staff are compensated with an extra week's holiday	30 days plus 3 library days
F – Accreditation body	Operations director	37.5	Yes	30 days
G – Local authority	Head of service	37	Yes	28 days
	Service manager	37	Yes	28 days
H – Community Healthcare NHS Trust	Chief executive	37.5	Yes	30 days
I – NHS Trust	Director of HR	37.5	Yes	27 days rising to 33 days for all after 10 years' service
	Deputy director	37.5	Yes	27 days rising to 33 days for all after 10 years' service
J – Charity	Assistant director	35	Yes	28 days rising to 30 days after 2 years' service
K – Museum	Head of specialist area	41	Yes, required to work 'such additional hours – unpaid – as are necessary for the proper performance of the manager's duties. Required to agree that the Working Time Directive does not apply	28 days
L – Retailer	Head of region	37.5	Yes, typically work 10-12 hours per day	30 days
	Area manager	37.5	Yes, typically work 10-12 hours per day	25 days rising to 30 days after five years' service
M – Finance and professional services firm	Group HR director	-	-	30 days
N – Law firm	Finance director	-	-	25 days rising to 30 days after 5 years' service

Org.	Comparator	Weekly hours	Contractual obligation to work the hours necessary to get the job done	Holidays, excluding bank holidays
O – Manufacturer	General manager	39	Yes	25 days rising to 29 days with service
	Senior manager	39		25 days rising to 29 days with service
P – Housing association	Director	36	Yes	30 days
Q – Chemicals manufacturer	Departmental head/managing director	-	-	25 rising to 30 days after 10 years' service
R – Broadcaster	Commissioning executive	-	-	25 days plus a company day rising to 27.5 days plus company day after 10 years' service
S – Online ticket retailer	Head of/Director of	-	-	25
T – Tobacco manufacturer	Senior HR Manager	-	-	25 days

Table 10 **Basic pay and bonuses**

Org.	Comparator	Spot rate or pay range	Bonus
A – Academies	Head teacher	£70,000 for the head of a small academy, £125,000 for an outstanding candidate for a cluster of academies	Consulting on possible bonus worth up to 10% of salary
	Deputy head teacher	£38,000 for a small primary academy, £125,000 for a secondary academies	No
B – Academies	Principal	£75,000 on appointment	Based on exam success
	Vice principal	£55,000	
C – FE college	Principal	£110,000 pa	No
	Deputy principal	£85,000	No
D – Housing association	Chief executive	£107,000	Not as a regular event. £10,000 paid once.
	Director of resources	£79,000	No
E - Library	Chief executive	£77,000	No
	Deputy chief executive	Incremental range: £48,075-£58,600, with discretionary progression to £63,823	No
F – Accreditation body	Operations director	£105,000	No
G – Local authority	Head of service	£90,000	No
	Service manager	£51,000	No
H – Community Healthcare NHS Trust	Chief executive	£120,000	No
I – NHS Trust	Director of HR	£77,079	No
	Deputy director	Incremental range: £54,454-£67,134	No
J – Charity	Assistant director	£65,000	No
K- Museum	Head of specialist area	£64,605-£83,896 or £80,000 plus £10,000 management responsibility allowance, payable for 5 years, where appointee has been recognised as a merit researcher	No
L – Retailer	Head of region	Typically £82,000 (range not available), will increase to £90,000 (range £80,000-£120,000) in June 2013	Target 25%, maximum 50% plus deferred bonus of up to 20% of salary if target profit achieved or exceeded
	Area manager	£44,000-£72,000, typically £59,500, will increase to £60,000 (range £48,000-£72,000) in June 2013	Target 20%, maximum 40%
M – Finance and professional services firm	Group HR director (non executive)	£90,000-£130,000	Yes
N – Law firm	Finance director	Spot rate set within range of £125,000-£130,000	Up to 13%

Org.	Comparator	Spot rate or pay range	Bonus
O – Manufacturer	General manager	Pay is confidential	Varies by grade in line with Hay market data
	Senior manager	Pay is confidential	
P – Housing association	Director	£49,500	No bonuses
	Departmental manager/managing director	Range £79,000 to £119,000	Up to 28%
R – Broadcaster	Commissioning executive	Range £43,888 to £69,472 (£47,567 to £73,151 in London)	No bonuses
S – Online ticket retailer	Head of/Director of	£60,000 - £138,000	Bonus based on company and individual performance
T – Tobacco manufacturer	Senior HR Director	£100,000 (market anchor)	Annual cash bonus based on 4 measures – on target bonus worth up to 45% at senior levels

Table 11 **Comparator benefits**

Org.	Comparator	Pension	Car or car allowance	Private medical insurance	Any other discretionary payments
A – Academies	Head teacher	DB scheme: Teachers' Pension Scheme	No	BUPA membership for individuals	None
	Deputy head teacher	DB scheme: Teachers' Pension Scheme		BUPA membership for individuals	None
B – Academies	Principal	DB scheme: Teachers' Pension Scheme	No	Yes	None
	Vice principal	DB scheme: Teachers' Pension Scheme	No	Yes	None
C – FE college	Principal	DB scheme: Teachers' Pension Scheme or Local Government Pension Scheme	No	No	None
	Deputy principal	DB scheme: Teachers' Pension Scheme or Local Government Pension Scheme	No	No	None
D – Housing association	Chief executive	DB scheme: Social Housing Pension Scheme for current chief executive. Arrangements for new chief executive under discussion	Can choose between a car or a car allowance of 10% of salary	Yes, for all staff	None
	Director of resources	DC scheme	Car or car allowance of 10% of salary	Yes, for all staff	None
E – Library	Chief executive	DC scheme, employer matches employee contribution up to 6%	No	No	None
	Deputy chief executive	DC scheme, employer matches employee contribution up to 6%	No	No	None

Org.	Comparator	Pension	Car or car allowance	Private medical insurance	Any other discretionary payments
F – Accreditation body	Operations director	DC scheme, employer matches employee contribution up to 4.99%, 5% employee contribution gets employer contribution of 6%	No	No	None
G – Local authority	Head of service	DB scheme: Local Government Pension Scheme, employer contributes 13%, employee contributes 7.5%	No	No	None
	Service manager	DB scheme: Local Government Pension Scheme, employer contributes 13%, employee contributes 7.2%	No	No	None
H – Community Healthcare NHS Trust	Chief executive	DB scheme: NHS Pension Scheme	No	No	None
I – NHS Trust	Director of HR	DB scheme: NHS Pension Scheme, employer contributes 14%, employee 8.9% if earning £48,993-£69,931	No	No	None
	Deputy director	DB scheme: NHS Pension Scheme, employer contributes 14%, employee 9.9% if earning £69,932-£110,273	No	No	None
J – Charity	Assistant director	DC scheme, employer pays 1.5 times the employee	No	Health cash plan	None

Org.	Comparator	Pension	Car or car allowance	Private medical insurance	Any other discretionary payments
		contribution up to 13.5% if employee contributes 9%			
K – Museum	Head of specialist area	DB scheme: Civil Service Pension Scheme	No	No	None
L – Retailer	Head of region	DC scheme, employer contributes double the employer contribution up to employee 6%, employer 12%	Car allowance of £7,500 pa	No	None
	Area manager	DC scheme, employer contributes double the employer contribution up to employee 6%, employer 12%	Car allowance of £6,000 pa	No	None
M – Finance and professional services firm	Group HR director (non executive)	DC scheme, employer contributes 3% if employee contributes nothing, 8% if employee contributes 3% of salary	No	Yes	Share options
N – Law firm	Finance director	DC scheme, employer contributes %, employee contributes 5%	No	Yes	None
O – Manufacturer	General manager/senior manager	The company operates both DB and DC schemes	Car with fuel	Individual plus family	None
	Senior manager	The company operates both DB and DC schemes	Car with fuel	Individual plus family	None
P – Housing association	Director	DB final salary scheme. All other employees DC scheme	No	No	None
Q – Chemicals manufacturer	Departmental manager/managing director	DB scheme closed to new entrants. DC scheme, employer contribution 4%, employee contribution 3% (core) or employer	Yes, choice between status car or cash allowance	Yes for employees and subsidised rates for family members	None

Org.	Comparator	Pension	Car or car allowance	Private medical insurance	Any other discretionary payments
		contribution 10%, employee contribution 6% (max)			
R – Broadcaster	Commissioning executive	DC scheme, employer contributions 4 to 10% max, employee contributions from 4%	No	Via flexible benefits	None
S – Online Ticket Retailer	Head of/Director of	DC – employer match up to 5.5%	Yes	Yes	None
T – Tobacco manufacturer	Senior HR Manager	DC scheme – 10% employer contribution and then matching up to an additional 5%	Yes	Yes	None

DB = defined benefit; DC = defined contribution

Table 12 **Pay progression**

Org.	Comparator	Annual cost-of-living increase	Performance- pay increase	Pay increase benchmarked to market	Who appraises comparator	Objectives/ KPIs
A – Academies	Head teacher	Yes	Yes	Yes	Chair of LGB and director	Exam results, managing the budget, pupil numbers, Ofsted inspections
	Deputy head teacher	Yes	Yes	Yes	Head	Exam results, managing the budget, pupil numbers, Ofsted inspections
B – Academies	Principal	Yes	Formal review and leaders move up the ISR	No	Deputy CEO	Student progress and development areas
	Vice principal	Yes	Formal review and leaders move up the ISR	No	Deputy CEO	
C – FE college	Principal	Cost-of-living increase only, at the discretion of the governors	-	-	Governors	Increase or maintain pass rates, student numbers
	Deputy principal	Cost-of-living increase only, at the discretion of the governors	-	-	Principal	Increase or maintain pass rates, student numbers
D – Housing association	Chief executive	Yes	Yes	Benchmarked against Inbucon housing sector data	Board performance committee and chair	Appraised against five corporate ambitions and eight competencies. Objectives are quantitative
	Director of resources	Yes	Yes	Benchmarked against Inbucon	Chief executive	Appraised against five corporate ambitions

Org.	Comparator	Annual cost-of-living increase	Performance- pay increase	Pay increase benchmarked to market	Who appraises comparator	Objectives/ KPIs
				housing sector data		and eight competencies. Objectives are quantitative
E – Library	Chief executive	Cost-of-living increase only	No merit pay	-	Remuneration and appraisals committee	Personal objectives arising from the business plan – egg fundraising, no of members, meeting deadlines for building work
	Deputy chief executive	Cost-of-living increase only	Incremental progression	-	Chief executive	N/A
F – Accreditation body	Operations director	Cost-of-living only, after progression to the rate for the job	No performance pay	-	Chief executive	Personal objectives arising from the business plan
G – Local authority	Head of service	Cost-of-living increase only	No performance pay. Elected members decided it was a waste of resources	-	Director	Budgetary, number of serious case reviews, how quickly care plans drawn up
	Service manager	Cost-of-living increase only	No performance pay. Elected members decided it was a waste of resources	-	Head of service	N/A
H – Community Healthcare NHS Trust	Chief executive	Yes	No	-	Chair	Performance measured against key criteria, including organisation strategy, management of risk, safety and quality

Org.	Comparator	Annual cost-of-living increase	Performance- pay increase	Pay increase benchmarked to market	Who appraises comparator	Objectives/ KPIs
						accountability etc.
I – NHS Trust	Director of HR	Yes	Incremental progression only	-	Directors make a presentation to the business performance committee of NEDs	Trust board performance measures are cascaded into objectives for all. Also sickness absence rate, agency spend, labour turnover, completed appraisals
	Deputy director				Director	Trust board performance measures are cascaded into objectives for all. Also sickness absence rate, agency spend, labour turnover, completed appraisals
J – Charity	Assistant director	Cost-of-living increase only	No performance pay – rejected because thought it would stop staff supporting each other and working as a team	-	Director	Financial targets, customer satisfaction, risk, performance against commissioner contracts
K – Museum	Head of specialist area	Cost-of-living increase only	-	-	Director and remuneration committee	No of research papers published and times museum on international conference circuit, research funding obtained
L – Retailer	Head of	No	Yes	Yes	Store	Stores

Org.	Comparator	Annual cost-of-living increase	Performance- pay increase	Pay increase benchmarked to market	Who appraises comparator	Objectives/ KPIs
	region				director	revenue
	Area manager	No	Yes	Yes	Head of region	Stores revenue
M – Finance and professional services company	Group HR director (non executive)	No	Yes	Yes	Finance director	Personal objectives
N – Law firm	Finance director	Yes	Yes	Yes	Managing partner	Six business based competencies and quarterly business objectives
O – Manufacturer	General manager	Yes	Yes	Yes	Director, moderated by HR	Safety, quality, costs
	Senior manager					
P – Housing association	Director	Yes	No	Yes	Board	Personal objectives
Q – Chemicals manufacturer	Departmental head/managing director	No	Yes	Yes	-	Personal objectives
R – Broadcaster	Commissioning executive	Yes	No	Yes	-	-
S – Online Ticket Retailer	Head of/Director of	Yes	Yes	Yes	-	
T – Tobacco Manufacturer	Senior HR Manager	No	Yes	Yes		Business/people results

Table 13 **Setting pay on appointment and the role of HR in pay setting**

Org.	Comparator	Who sets pay on appointment	Other factors determining pay on appointment	Availability of HR support and role in pay setting
A – Academies	Head teacher	Individually determined by group chief executive, directors and chair of local governing body	Previous salary and experience. May pay over the market rate to secure an outstanding candidate	There is a central HR function, a local HR administrator and a local HR manager who looks after several schools. HR carries out pay benchmarking
	Deputy head teacher	Individually determined by head and chair of local governing body	Previous salary and experience	There is a central HR function, a local HR administrator and a local HR manager who looks after several schools. HR carries out pay benchmarking
B – Academies	Principal	Individually determined by the chief executive and board of governors	Negotiations with the appointee	Principals have HR support from the HR director in the corporate services function. HR does not have much of a role in pay setting as all teachers are appointed on a scale
	Vice principal	Individually determined by the chief executive and board of governors	Negotiations with the appointee	There is a central HR function, a local HR administrator and a local HR manager who looks after several schools. HR carries out pay benchmarking
C – FE college	Principal	Individually determined by the remuneration committee of governors, with no input from HR	N/A	There is no role for HR other than some informal pay benchmarking; the governors make the decisions
	Deputy principal	Individually determined by the remuneration committee of governors, with no input from HR	N/A	There is no role for HR other than some informal pay benchmarking; the governors make the decisions
D – Housing association	Chief executive	Individually determined by the remuneration and nominations committee of governors	Current salary and experience	HR supplies information to and obtains data from the Inbucon Housing Association Survey of Salaries and Benefits. Data

Org.	Comparator	Who sets pay on appointment	Other factors determining pay on appointment	Availability of HR support and role in pay setting
				passed to the committee
	Director of resources	Individually determined by the remuneration and nominations committee of governors	Current salary and experience	HR supplies information to and obtains data from the Inbucon Housing Association Survey of Salaries and Benefits. Data passed to the committee
E – Library	Chief executive	Individually determined by the remuneration and appraisals committee of trustees	Previous salary for the role	No HR support required as no flexibility on pay setting. HR may do some benchmarking research
	Deputy chief executive	Pay set within the structure by the chief executive	Pay set within the structure	No HR support required as no flexibility on pay setting
F – Accreditation body	Operations director	Individually determined by the remuneration committee, advised by the company secretary	Appointees are employed on rates 10-20% below the market and are expected to move to the market rate in around two years if satisfactory performers	Company secretary provides some HR support but little required. No pay progression once staff are receiving the rate for the job, usually after two years
G – Local authority	Head of service	Individually determined by the appointments panel, consisting of the lead elected Member, other Members and the director	Previous salary and candidate's negotiating ability	No HR support required as pay is inflexible and there is no performance pay
	Service manager	Individually determined by the head of service	Previous salary and candidate's negotiating ability	No HR support required as pay is inflexible and there is no performance pay
H – Community Healthcare NHS Trust	Chief executive officer	Chair, remuneration committee		Little role for HR decisions as pay decided by the remuneration committee
I – NHS Trust	Director of HR	Set within the range by the remuneration committee of non-executive directors	Previous salary. When an individual moves from another NHS role they move to the next increment up from their existing salary	Little role for HR decisions as pay decided by the remuneration committee. HR does some research
	Deputy director	Set within the range by the director	Previous salary. When an individual moves from another NHS role	Little role for HR decisions as pay decided by the remuneration

Org.	Comparator	Who sets pay on appointment	Other factors determining pay on appointment	Availability of HR support and role in pay setting
			they move to the next increment up from their existing salary	committee
J – Charity	Assistant director	Rate for the job determined by HR and approved by the executive board	Rate for the job paid. HR may vary this in exceptional circumstances, subject to executive board approval	HR manages pay, subject to board approval. No managerial discretion
K – Museum	Head of specialist area	Set within the range by the director and trustees	Ability and reputation as a scientist, previous salary and internal relativities	Advised by the head of employment policy. But no differentiation between performance, either satisfactory or not, so minimal support required
L – Retailer	Head of region	Set within the range by the recruiting line manager	Previous salary	Line manager manages pay on the basis of performance ratings. HR does pay benchmarking and sets range
	Area manager	Set within the range by the recruiting line manager	Previous salary	Line manager manages pay on the basis of performance ratings. HR does pay benchmarking and sets range
M – Finance and professional services firm	Group HR director	Set within a range	-	Comparator manages pay through prescribed decisions based on performance scores and allocation of the budget. HR benchmarks pay
N – Law firm	Finance director	Individually determined by HR and the Managing Partner	Internal business-specific competencies	Dedicated HR corporate function to assist with all areas of personnel. HR benchmarks pay
			Previous experience and salary	
O – Manufacturer	General manager			
	Senior manager			
P – Housing association	Director	Board set pay within a range	Previous experience and salary	None, no HR department

Table 14 Transparency and governance

Org.	Comparator	Transparency	Governance
A – Academies	Head teacher	Salaries not published, known only to chair of LGB and director	Chair of LGB and a head office oversight
	Deputy head teacher	Salaries not published, known only to head and chair of LGB	Head and head office oversight
B – Academies	Principal	Only main trust board and local academy boards know where on the ISR the principal's pay is situated	Main trust and local academy boards scrutinise
	Vice principal	Only main trust board and local academy boards know where on the ISR the vice-principal's pay is situated	Main trust and local academy boards scrutinise
C – FE college	Principal	Published	Governors make decisions on pay
	Deputy principal	Published	
D – Housing association	Chief executive	Published	Pay set by remunerations and nominations committee of board members
	Director of resources	Published	Pay set by remunerations and nominations committee of board members
E – Library	Chief executive	Published	Trustees scrutinize and set
	Deputy chief executive	Pay band is published	-
F – Accreditation body	Operations director	Not published	Governors scrutinise pay
G – Local authority	Head of service	Published	Employment panel of elected members decides
	Service manager	Published	Employment panel of elected members decides
H – Community Healthcare NHS Trust	Chief executive officer	Salary published in annual report in 5K bands	Chair, board of governors
I – NHS Trust	Director of HR	Published	Council of governors through the NEDs scrutinise
	Deputy director	Pay scale published	-
J – Charity	Assistant director	Jobs are advertised with their salaries	Governors scrutinize pay strategy, policy and practice
K – Museum	Head of specialist area	Published	Remuneration committee of trustees and Treasury controls pay awards
L – Retailer	Head of region	Not published	HR produces salary range and line managers make decisions
	Area manager	Not published	HR produces salary range and line managers make decisions
M – Finance and	Group HR director	Not published	Remuneration

Org.	Comparator	Transparency	Governance
professional services firm			committee sets pay
N – Law firm	Finance director	Not published	Managing partner and board sets pay
O – Manufacturer	General manager	Not published, though framework understood	HR provides firm framework and oversees how it is used in practice
	Senior manager		
P – Housing association	Director	Published in annual report	Board of trustees

3 Case studies

3.1 Case study A – Group of academies

Introduction

Organisation A is a group of academies. The schools for which head teachers are responsible range from small primaries to clusters of secondary academies. The average number of school staff throughout the whole group is 80, about a third of whom are support staff. The organisation states that the proportion of qualified professional staff is the same as in the maintained sector.

Comparators

This case study looks at two roles, head teachers and deputy head teachers. These roles are similar to head and deputy head teachers in maintained schools except that they report to a director as well as their local governing body.

Head teachers:

- earn between £70,000 a year at a small primary academy to £125,000 a year for an outstanding executive head of a cluster of secondary academies
- are responsible for budgets ranging from £1.7 million to £17.5 million
- have up to six direct reports
- have between one and three deputies, depending on the size of the school.

Deputy head teachers:

- earn between £38,000 a year at a small primary academy and £78,000 a year at a large secondary academy
- have between six and eight direct reports.

Structure of the organisation

A group board runs the academies. Underneath the board are directors. Each school has its own local governing body. The head teacher is accountable to the local governing body through the chair and also has a direct reporting line to a director who, together with the chair, leads appraisals and quarterly reviews of the head's performance. Deputy head teachers report to the head teacher, as in maintained schools.

Roles and responsibilities

Head teachers are responsible for budgets, staff, pupil numbers, academic performance and school improvement. Roles of head teachers in organisation A are similar to those of head teachers in maintained schools although their autonomy is less than that of heads of maintained schools because of the need to be answerable to the overall group, principally for the strong improvement agenda, as well as the local governing body. However, organisation A believes that their head teachers' roles are more demanding than those in a maintained school because of the emphasis on improvement. There is no competency system at present – the national standards for maintained schools are used.

Every school has a five-year strategic plan, as well as a one-year development plan, and these plans are approved by a director as well as the local governing body. The head teacher leads on the five-year plan, drafts it, draws on expertise from head office and is responsible for delivering it along with the one-year plan. Head teachers are expected to have a public profile in their own communities and further afield, through work on corporate initiatives.

The head is supported by the chair of the local governing body and the local HR manager, both of whom may be 'critical friends', and senior staff at head office. Heads build relationships with other heads through participation in a group forum. This includes all heads, some deputies and head-office staff. Head office is also proactive with mentoring and coaching and will pay for any head teacher to have an external coach, who they meet four or five times a year.

Qualifications and experience

Head teachers and deputy head teachers have qualifications and experience similar to their counterparts in maintained schools. The organisation is about to start a talent management programme for school leadership to ensure an internal pipeline of heads and senior leaders for the future.

Basic pay

Pay benchmarking is used to set spot salaries for head teachers and deputy head teachers, with the organisation aiming to pay market median rates on appointment and upper quartile rates for outstanding performance. The HR department gathers information on all school leadership roles, including those in the maintained sector, advertised in the Times Educational Supplement in the year to 31 August. This is enhanced with information gathered locally. The group chief executive, the directors and the chair of the local governing body determine the salary for the head teacher, on appointment and from year to year.

Location, the size of a school and the context, such whether it is particularly demanding school, are taken into account. Pay for deputy heads is also benchmarked but decisions on individual pay are made locally, by the head teacher and the chair of the local governing body.

Pay for head teachers and deputy head teachers is reviewed each year in line with benchmarking data, and a cost-of-living award – always at least as much as, and sometimes more than, the maintained sector – is given each year too.

Posts have not previously been job evaluated but evaluation is being considered for support staff and is currently being trialled in head office.

Table 15 Example spot salaries at case study A, September 2012	
	£pa
Head teacher	70,000-125,000
Deputy head teacher	38,000-78,000

Note: Salaries vary according to size of school, location and context.

Contracts for head teachers and deputy head teachers are similar to those applying in the maintained sector, apart from holidays where the contract specifies eight weeks' holiday, compared to the maintained sector contract which gives all school holidays. Contracted weekly hours are 37.5, with an obligation for school leaders to do the hours necessary to get the job done.

Bonus

The organisation is currently consulting on introducing group-wide bonuses of up to 10 per cent of salary in academies. Bonuses will not be introduced in academies if head teachers are fundamentally opposed to this.

Pay on appointment

Pay on the appointment of head teachers is set by the group chief executive, the directors and the chair of the local governing body and is based on pay benchmarking, as described previously. Pay is set according to the size of a school, its location and its context, with the group aiming to pay market median salaries on appointment. Pay for deputy head teachers is set by the chair of the local governing body and the head teacher in line with benchmarking data. Appointees' previous salaries are taken into account; it may be necessary to pay outstanding candidates salaries in excess of market rates.

Pay progression

There are no pay bands for school leaders. Pay progression results from a combination of benchmarking data, personal performance and a cost-of-living increase. Pay benchmarking for all school leader roles takes place each September and pay increases may be awarded based on this data. Progression from median rates on appointment to upper quartile rates is available for the best performers.

Head teachers are appraised annually against the five-year plan by a director and the chair of the local governing body. There are also quarterly review meetings. Head teachers' objectives are not published although they are encouraged to share them with their staff. KPIs include academic performance, budgets, pupil numbers and how heads are contributing to organisation-wide initiatives. Head teachers have a mixture of qualitative and quantitative targets.

Benefits

Head teachers belong to the Teachers' Pension Scheme. Holidays are currently eight weeks, although TUPE'd head teachers retain their right to all school holidays. BUPA membership is provided for individuals. There are no cars or car allowances.

Transparency and governance

Leadership salaries are currently not published and are known only to the chair of the local governing body, the chief executive, the directors and HR at head office.

HR support

HR support is provided to heads by:

- the central HR function, which carries out the pay benchmarking research each year
- a local HR manager who is part of head office and provides HR services to five or six schools. This individual supports and advises the school leadership team and is involved in local pay decisions such as teachers' pay. Local HR managers are currently being trained to become business partners and part of the school management team
- a local HR administrator, who uses the group HR system.

3.2 Case study B – Group of academies

Introduction

Organisation B is an academy trust in the South of England. The trust is a charitable company limited by guarantee. The majority of the trust's income is from the Education Funding Agency although it also receives income from private and commercial sponsors. The trust oversees the activities of a number of academies and, in total, employs around 300 teachers and around 200 support staff. The case study focuses on the role of Principal within one of the several academy colleges. The academy colleges are structured in a similar way to a 'small schools' model of learning.

Comparators

The case study looks at two comparators. The first comparator is a secondary academy principal and is equivalent to a head teacher of a small school. The reasons for selecting this comparator role are:

- the role is responsible for around 300 students, approximately 30 professional teaching staff and around 25 support staff
- the starting salary for the role is £75,000 a year

The second comparator, vice principal, is equivalent to a deputy head teacher of a small school. The reasons for selecting this comparator role are:

- the comparator assists the principal with the day to day running of the college, in the same way as a deputy head teacher would assist the head teacher in a small school.
- the starting salary for the role is £55,000 a year,

Two thirds of the trust's principals are female; the age of all principals and vice principals, ranges from late 30s to 50s.

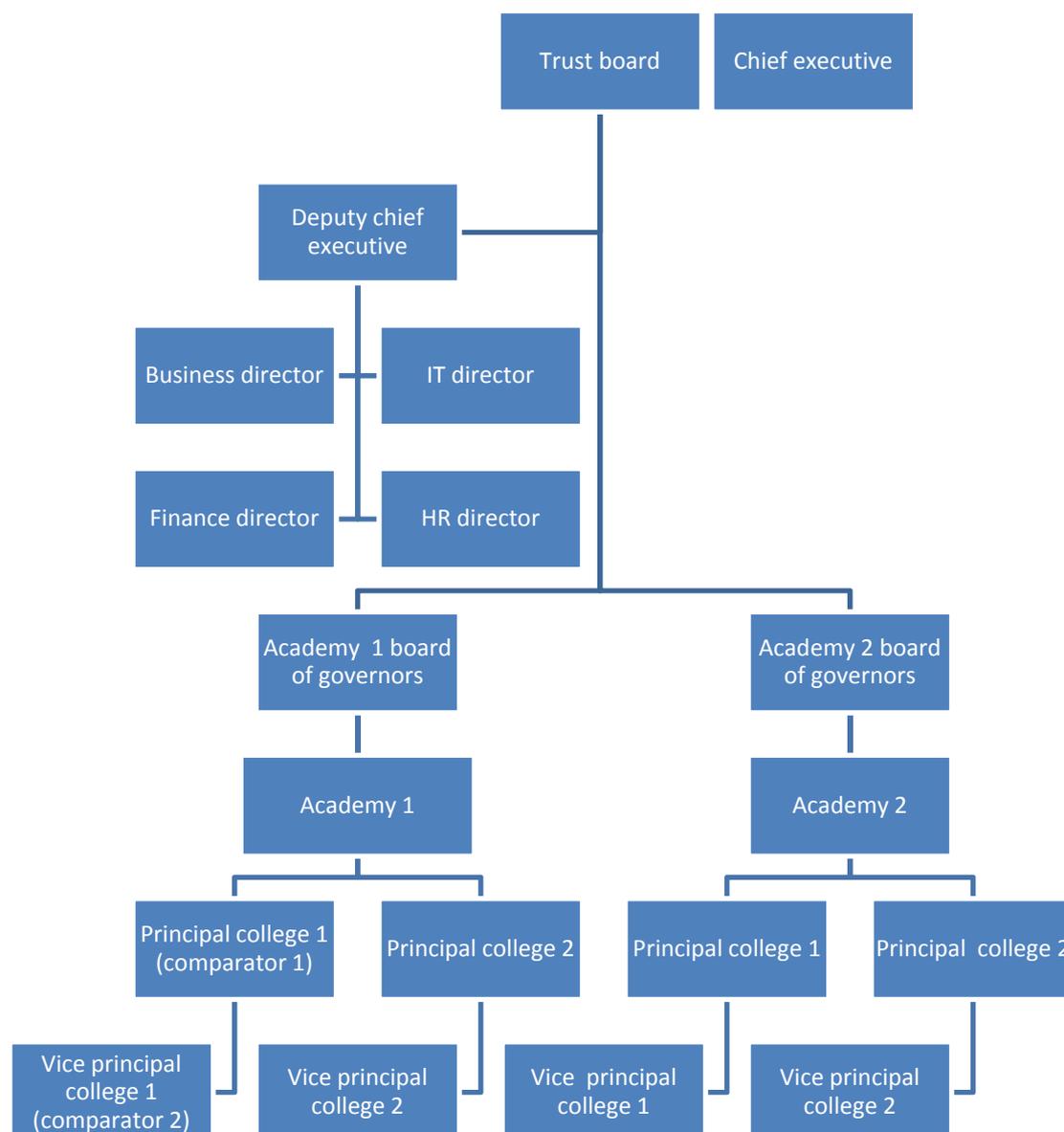
Structure of the organisation

Academies within the trust are organised as small schools or colleges. The secondary academies, the subject of this case study, have within them a number of colleges each with between 300 and 400 pupils. Each academy has its own local board of governors which will include parent governors, teacher governors, and a representative from the main trust board.

Each academy and college within the trust has 80 per cent autonomy to make decisions and implement personalisation of learning and operates subject to a notional '20 per cent' requirement that all academies within the trust operate in accordance with the policies and procedures as directed by the chief executive officer. The trust provides each academy with a range of corporate services including IT, HR, finance and business support functions. A

leadership group consisting of nominated trust principals meet regularly to review the implementation of strategy and policy.

Figure 1: Case study B leadership structure



Roles and responsibilities

As well as around 300 students the principal is also responsible for 25 to 30 professional teaching staff. Principals are involved in formulating educational strategy in relation to exam results targets and some specific trust responsibilities are devolved to principals. Some decision-making is consensual in that, for example, where the head teacher of a large unitary school with 1,000 pupils could make a decision regarding uniform policy, here, the principals of individual colleges need to reach a consensus with the other principals. Certain

responsibilities regarding, for example, liaising with external agencies is devolved to individual principals so someone may have a role dealing with, as an example, the local authority on special educational needs policy. There is no real budgetary responsibility as budget is based on calculations regarding student numbers and the majority of that, up to 85 per cent, is based on staff costs.

The principal role, and to a lesser extent the vice principal role, is fairly complex in that there is a lot of work in terms of new directives, educational policy, teaching standards, curriculum standards as well as day-to-day issues regarding, for example, student/teacher relationships or dealing with parents.

Qualifications and experience

Principals and vice principals would be graduates with a certain number of years teaching experience and it would usually be the case that you would 'go through the ranks', from classroom to head of department, to vice principal and principal. Currently a principal would not be recruited from outside education. Traditionally, for head teachers, there was little career progression as such. A head could move to a bigger, more challenging school for example, but it would be rare for a head to move into another field unless it was education related such as an Ofsted inspector or a role with the Local Education Authority. Now, with the development of academies, and the management structure they require, there is another potential tier for a head or principal to move towards.

The structure means that principals are used to working collaboratively and there is a strong support network. There is also the existence of corporate functions, such as finance or HR or IT, which means that a principal or vice principal has a number of colleagues with whom to discuss issues.

Basic pay

Salaries for principals and vice principals are based on the market however, there is no benchmarking as such and spot salaries are based on comparable salaries in other schools. Salaries for principals and vice principals are spot-rates and although there is a general band for principals, running from £75,000 to £85,000 a year, there is no formal structure in place. The starting rate of £75,000 a year is based loosely on the figure for a small secondary school. Many academies perhaps experience an initial feeling of relief when schools receive academy status and this is related to the fact that they are now free from Local Authority control and the ISR, but there are serious ramifications relating to equal pay, for example, and fairness. Because of this there is an expectation that the case study academy may move

towards some kind of banding criteria so that there is some structure and control over both starting levels and upper limits.

Bonus

The comparator roles are members of a bonus scheme based on targets relating to student performance. The organisation believes that this scheme is not as rigorously managed as a private sector scheme might be. In the private sector, for example, an employee would have very clear targets based on a range of objective key performance indicators but in education the only hard data there is to work with is the performance of the students. Another consideration is that for bonuses to be effective they have to be big and naturally there are constraints in education as to how much money can be set aside for bonuses. The bonus at the moment is worth around £4,000.

Pay on appointment

The starting rate for principals of £75,000 a year is based loosely on the salary range for a head teacher of a small secondary school. Both comparators have a nominal requirement for a 37 hour working week but this is often exceeded.

Pay progression

Pay is reviewed annually and progression for comparators is based on the ISR increments.

Benefits

The comparator roles do not receive company cars or car allowances. They do receive private medical insurance.

Transparency and governance

Transparency around pay for comparators is limited. The trust and the chair of governors are informed about pay and benefits for these roles but principals do not know the salaries of their colleagues.

HR support

HR support is provided to the academies for all the typical HR functions including recruitment and the management of pay and benefits.

3.3 Case study C – Further Education college

Introduction

Organisation C is a further education (FE) college in the South West of England with 7,000 students. It is a stand-alone autonomous organisation. The site on which it is located also houses a sixth-form college and another college providing FE courses, all of which are recruiting from the same pool of students. It has an annual turnover of £15 million and 450 staff, 60 per cent of whom require professional qualifications. Some 60 per cent of all staff work part time.

Comparators

This case study looks at two comparators. The college principal is a comparator to the head teacher and the deputy principal is a comparator to the deputy head teacher.

The principal:

- is responsible for a workforce of 450 staff, including three direct reports and about 270 professionally-qualified staff
- reports to a board of governors
- earns £110,000 a year
- is responsible for a budget of £15 million.

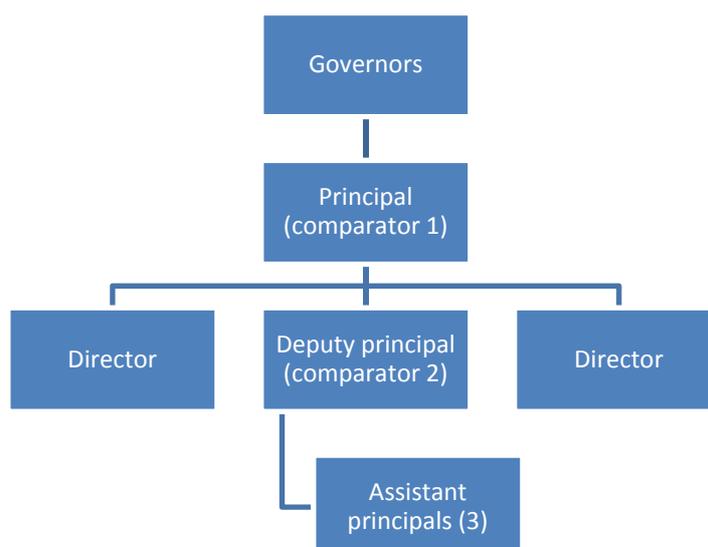
The deputy principal:

- is responsible for around 350 staff, including five direct reports and around 200 professionally-qualified staff
- reports to the principal
- earns £85,000 a year
- Information on the size of the deputy principal's budget is not available.

Structure of the organisation

The principal reports to a board of governors, who are similar in nature to school governors, and the deputy principal reports to the principal. The three assistant principals are each responsible for an area of the curriculum, and report to the deputy principal. A remuneration sub-committee of the board of governors makes decisions on cost-of-living increases and salaries for the principal, deputy principal and assistant principals.

Figure 2: Case study C leadership structure



Roles and responsibilities

The principal is responsible for a budget of £15 million, and draws up the organisational strategy, with input from the deputy and assistant principals. This strategy is approved by the board and then cascaded down the organisation. Although the principal is in overall charge of all areas, the postholder mainly focuses on academic standards, financial issues, mergers and a new-build programme. The deputy principal focuses on curriculum management.

The main risk issues faced by the college are financial – seeking to ensure that it recruits sufficient numbers of students to maintain its funding. This is something that all senior staff are expected to work toward. Building relationships with schools, the local Chamber of Commerce and individual employers is an important part of the work of the principal, deputy principal and assistant principals, who seek constantly to raise the profile of the organisation.

The principal and deputy principal are responsible for a wider range of courses, more exam bodies, and a wider range of sources of funding than most schools. The college also has to compete hard for all its students. There are two other major providers of education for 16 to 18 year olds on the same site, and several other providers of adult education in the locality.

Qualifications and experience

The principal has a first degree and a postgraduate qualification in HR – and had previously been the HR director at organisation C. Locally, the trend has been to recruit FE principals with a background in finance – ‘Gone are the days when a teaching qualification was required.’ The organisation does not require a certain number of years of experience as a prerequisite for the job, since this could be seen as age discrimination, it believes. Instead,

recruiters would look for management and financial competencies. In future, the principal could move to run a larger FE college or become the chief executive of another organisation providing or associated with education. The principal has been in post for eight years while the deputy principal and assistant principals have been appointed in the last two years. The deputy principal and assistant principals all have a teaching background. In future, the deputy principal could become the principal of this or another FE college.

Basic pay

The college has three separate incremental pay scales for teachers, support staff and managers. Increments are paid as a matter of course. Pay for senior managers, including the principal, deputy principal and assistant principal is set by the remuneration committee of the governors. Senior managers receive spot salaries, with subsequent progression limited to cost-of-living increases. Such progression is unrelated to the performance management system. Job evaluation is not used.

Contractual weekly hours are 37 but all senior managers are contractually required to work the hours necessary to get the job done. The principal and the deputy principal have individual contracts, and the assistant principals have management contracts, but these only vary in minor ways from the contracts used for all other staff.

Table 16 Example pay rates at case study C, August 2012	
Job example	Spot salary £pa
Principal	110,000
Deputy principal	85,000
Assistant principal	55,000

Bonus

There are no bonus arrangements for comparators.

Pay on appointment

Pay on appointment is determined by the remuneration committee of the governors. HR carries out some research through its regional network into pay at other colleges but it does not make recommendations on pay levels for individuals. The remuneration committee uses this information to help it determine spot salaries for senior management appointees.

Pay progression

There is no pay progression beyond cost-of-living increases. The principal's performance is managed by the governors, although there is no link between this process and the annual cost-of-living increase. The job holder's objectives could include maintaining or increasing

exam pass rates and increasing student numbers. The principal and the deputy principal's objectives stem from the organisation's corporate plan. All staff except the principal receive the same cost-of-living increase each year, agreed by the governors. When the governors meet to discuss this they confirm that the principal should receive the same increase.

Benefits

The principal and deputy principal receive 32 days' annual holiday. There are two defined benefit pension schemes, the Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme. Non-teaching staff, including the principal, belong to the LGPS, with the latter paying 8 per cent and the employer paying 14.1 per cent of salary. The deputy principal belongs to the Teachers' Pension Scheme and pays 7.5 per cent of salary, with the employer paying 18.3 per cent. There are no other benefits.

Transparency and governance

Pay for the principal and deputy principal is set by the governors. Pay for the principal is published in the college's accounts and also by the Skills Funding Agency in its analysis of the accounts of all FE colleges.

HR support

HR is required to carry out informal pay benchmarking prior to the appointment of senior managers. It has no role in pay setting other than providing research support as the remuneration committee of the governors makes decisions on all pay issues.

3.4 Case study D – Housing association

Introduction

Organisation D is a housing association with around 250 staff and an annual turnover of £21 million. 25 per cent of staff have a degree and/or a professional qualification. One-in-ten employees work part time.

Comparators

This case study features one main comparator – the chief executive of the organisation. The director of resources, discussed in the case study, deputises for the chief executive if the latter is off sick, but does not have a formal role as a deputy.

The chief executive has been chosen as a comparator because the role holder:

- is in charge of an autonomous unit, subject to the approval of a board of governors
- manages a staff of 250 people, including five direct reports
- is responsible for a turnover of £21 million.

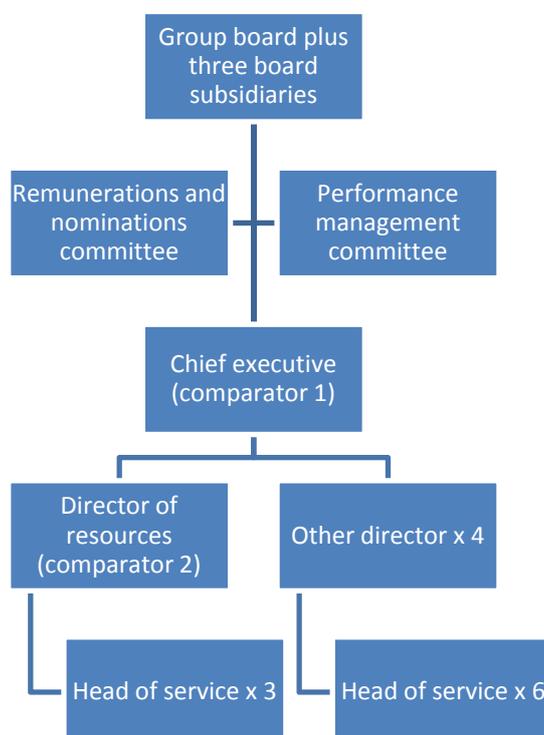
The director of resources:

- is responsible for finance, IT and HR
- manages a staff of 25 people, including three direct reports
- is responsible for a budget of £8 million.

Structure of the organisation

There is an independent board of governors and chair, three board subsidiaries and two committees consisting of board members, which monitor and review performance and HR. The chief executive reports to the chair of the governors and the director of resources reports to the chief executive.

Figure 3: Case study D leadership structure



Roles and responsibilities

The chief executive is responsible to the group board for strategy, risk, and for the financial viability and overall performance of the organisation. Relationships with external government agencies, local government, construction and social care sector organisations are an important part of the role. The amount of regulation across housing and social care activities, plus the high level of risk, makes the job extremely complex and unpredictable. The postholder supports the boards in the development of strategic goals, objectives and financial plans and leads the implementation of those plans. In practice, strategy is worked up by heads of service and the directors and agreed by the board of governors and risk is reviewed each month by the senior management team, which consists of directors and heads of service. Budgets are broken down by directorate and service, and financial outcomes are reviewed monthly. The director of resources is responsible for the devolved budget for the directorate while the senior management team is responsible for the implementation of agreed strategy.

Qualifications and experience

The chief executive is required to have a relevant degree or equivalent professional qualification together with a management qualification and experience of working with

government agencies. The postholder needs to have considerable knowledge and experience of housing, leadership, and managing and developing a business. The current postholder has worked in the organisation for 22 years and previously worked in local government and another housing association. Recruits to the post might have previously been a director of another housing association or the chief executive of a smaller housing association. The director of resources has a finance qualification and experience of working in housing and local government, and has been in post for 10 years.

Basic pay

The chief executive, directors and heads of service are on spot salaries. Pay for the chief executive and directors is set by the remuneration and nominations committee of the board which oversees the group’s human resources strategy, including its employment and remuneration policies and staff pay and conditions, including salary scales. This committee also arranges and oversees appraisals for board members. Pay levels are benchmarked against the market using regional data from the Inbucon Housing Association Survey of Salaries and Benefits, in which the organisation participates. HR obtains the relevant data and supplies it to the group executive, who, in conjunction with the staff consultation group makes a presentation to the remuneration and nominations committee.

Table 17 Example pay rates at case study D, April 2012	
Job	Spot salary, £pa
Chief executive	107,000
Director of resources	79,000

All posts at case study D have been evaluated using the Tribal job evaluation scheme, which is based on the following competencies:

- commitment
- communication and influencing
- customer focus
- embracing change
- equality and diversity
- leadership
- team-working
- working efficiently and effectively.

Staff below the level of heads of service are on incremental pay scales. All employees, including the chief executive and the director of resources, receive a cost-of-living increase each year, which is based on Inbucon data and negotiated with the staff consultation group.

Contractual hours are 35 a week but heads of service and above are required to work the hours necessary to get the job done, although they are discouraged from contacting colleagues at home or late at night. Staff can choose to opt out of the Working Time Directive.

Bonus

There are no regular bonus arrangements. Exceptionally, the chief executive received a bonus of £10,000 in 2012 for establishing and successfully implementing a substantial improvement programme following the takeover of council housing stock.

Pay on appointment

Pay on appointment is decided by the remunerations and nominations committee and is based on Inbucon regional salary data. Previous salary is taken into account and there may be a small amount of negotiation around the spot salary determined by the Inbucon data.

Pay progression

There are no formal arrangements for pay progression for the chief executive and the director of resources. Instead, the remuneration and nominations committee benchmarks their salaries against Inbucon data and decides on an appropriate increase, which may include a general cost-of-living increase, taking performance into account.

The chair of the board of governors appraises the chief executive and the chief executive appraises the directors. Their objectives and KPIs are quantitative, and arise from the organisation's five 'corporate ambitions', which include the provision of excellent services, satisfied customers, growth and development, benefits to the community and sustainable communities. Performance management for the whole organisation is overseen by the board-level performance management committee, which also oversees risk management arrangements and receives and reviews internal audit reports.

Pay progression for all staff is based on the attainment of eight competencies, linked to the corporate ambitions. Housing is regulated by the Homes & Communities Agency, which focuses on governance, financial viability and value for money. There are many targets, and housing associations are required to report performance against those targets. In addition, organisation D has its own internal targets. The chief executive is required to have the following competencies: leadership, personal qualities and gravitas, communication, strategic thinking, problem solving and decision making, developing the business and managing change.

Benefits

All staff receive a basic holiday entitlement of 27 days a year, rising to 32 days after five years. The basic entitlement increases by one day for managers and two for executive staff. The current chief executive is a member of the defined benefit Social Housing Pension Scheme, with an employee contribution of 7.3 per cent and an employer contribution of 20 per cent. The comparator is about to retire and the pension arrangements of the new chief executive have yet to be determined. The chief executive and directors are entitled to their choice of a company car or a car allowance worth 10 per cent of salary, and all staff are offered private medical insurance.

Transparency and governance

Salaries for the chief executive and the director of resources are set by the remuneration and nominations committee and published in the organisation's statutory financial statements.

HR support

The role of HR in pay setting is to participate in the Inbucon housing survey and obtain the benchmarking data on which all pay decisions are made by the board-level remuneration and nominations committee. HR also supports the appraisal process for all staff.

3.5 Case study E – Library

Introduction

Organisation E is a private library. It receives no public or government funding. It has an annual turnover of £3 million, funded largely through membership subscriptions, and a staff of 70. Some 80 per cent of employees have a first degree, and 40 per cent have a further professional qualification. Around a quarter work part time.

Comparator

The case study focuses on two comparators, the chief executive of the library and the deputy chief executive. The chief executive is the comparator for a head teacher and has been selected because the postholder:

- runs an autonomous organisation
- is responsible for a staff of 70, including seven direct reports. Around 56 staff have a first degree, of which 28 also have a further professional qualification
- is responsible for a budget of £3 million
- has a salary of £77,000 a year
- reports to a board of trustees.

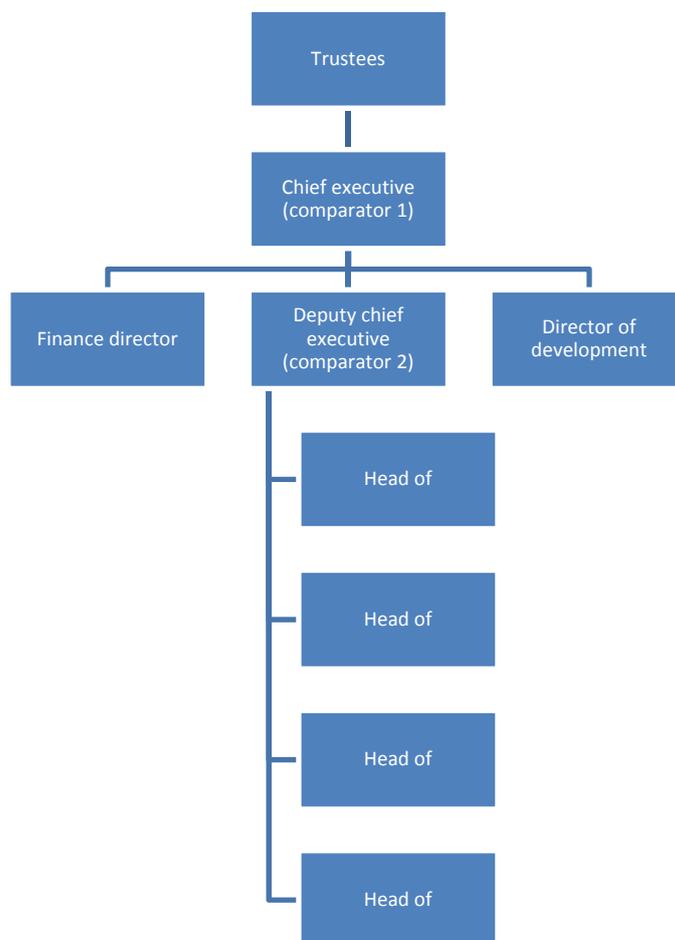
The deputy chief executive is the comparator for a deputy head teacher and:

- is second in command to and deputises for the chief executive
- is responsible for a staff of 29, including four direct reports. Of these, 19 have at least a first degree and seven a professional qualification
- is responsible for the staffing budget of £2 million
- has a salary of £55,000 a year
- reports to the chief executive.

Structure of the organisation

The executive team at the library consists of the chief executive, the deputy chief executive, the finance director and the director of development. The chief executive reports to the trustees and the deputy chief executive reports to the chief executive. The executive team makes recommendations to the trustees, who approve them. The trustees tend to focus more on the governance and finances of the organisation than on the day-to-day running and culture of the organisation.

Figure 4: Case study E leadership structure



Roles and responsibilities

The chief executive is responsible for the library as a whole, a budget of £3 million, and a staff of 70. This role focuses in particular on the strategic direction of the library and its collections while the deputy chief executive delivers the day-to-day library service to members and oversees the staffing budget of £2 million, which is two-thirds of the total budget.

Qualifications and experience

Both the chief executive and the deputy chief executive have postgraduate academic and professional qualifications. The chief executive was the previous deputy chief executive, having originally joined the library in a junior professional role, and has been promoted through the years. The deputy chief executive has had a number of senior managerial roles in information management in other not for profit organisations. The chief executive has been in post for over ten years while the deputy chief executive has been in post for three years. In future, both could become chief executives of other charities.

Strategy for the organisation is worked up by the executive team, with input from heads of department. This is discussed with and approved by the trustees. The chief executive makes day-to-day decisions in some areas (collections and accommodation) and the deputy chief executives makes staffing decisions (except at very senior level). The chief executive is a member of the Association of Chief Executives of Voluntary Organisations (ACEVO) and has links with other professional libraries while the deputy chief executive also has links with peers in other charities. Both have a public profile designed to obtain funding support.

The contact at organisation E believes that levels of unpredictability and uncertainty in the library are similar to those in a school; both are facing constant funding issues.

Basic pay

The chief executive receives a spot salary, determined by a three-person remuneration and appraisals committee. For all other staff, including the deputy chief executive but excluding the development director, the library has a pay structure modelled on pay in universities. Each role has a pay band with a number of increments, typically between five and seven and two or three discretionary increments which are only awarded for exceptional performance. This is based on a nationally agreed pay spine – the Universities and Colleges Employers’ Association (UCEA) pay scale – which is a list of 54 salary points. Each individual institution has its own grading structure that maps its jobs onto the pay spine according to internal relativities, established through job evaluation.

Table 18 Example pay rates at case study E, August 2012			
Role	Spot salary £pa	Current salary £pa	Pay band £pa
Chief executive	77,000	-	-
Deputy chief executive	-	55,000	48,075-58,600

Note: The deputy chief executive has a discretionary progression band of £60,291-£63,823.

Organisation E uses a bespoke job evaluation scheme, which uses the following factors:

- knowledge required – mental/physical, organisational
- decision making – with sub factors of discretion (accountability) and impact (effect of decisions)
- problem solving based on complexity of job/tasks, the need to identify, analyse and evaluate solutions
- responsibility – sub-divided for staff, financial resources, income generation, statutory compliance
- contact and communications – subdivided into degree of personal contacts internal and external, communications skills

- working environment – exposure to hazardous or extreme working environment.

The development director receives an individually determined spot salary plus an additional element of discretionary performance related bonus and some development staff receive pay supplements as the pay they would receive on the basis of the job evaluation scores of their posts would not enable the organisation to recruit.

The library is open six days a week – Monday to Saturday. Contractual weekly hours are 35, worked over six days. Senior staff are expected to attend evening meetings, with some occasional Saturday strategic cover when the library is open. The chief executive, deputy chief executive and other senior staff work many hours in excess of their contractual hours and receive an additional week's holiday in compensation and recognition of this. There is a standard employment contract for all staff.

Bonus

There are no bonuses specifically for the comparators. Everyone in the organisation is eligible for a bonus of around £250, net of tax, for performance outside the normal expectations of the job. A few members of staff receive this each year. Senior managers would never award this to themselves. The director of fundraising receives a bonus if fundraising targets are met.

Pay on appointment

The spot salary for the chief executive was set by the three-person remuneration and appraisals committee of the trustees. This committee looks at pay in similar organisations and charities. Pay for the deputy chief executive is set by the chief executive, within the pay band established for the role by job evaluation. There is no expectation that staff will be appointed at the bottom of the pay band as a matter of course.

Pay progression

The chief executive only receives the cost-of-living pay award recommended by the University and Colleges Employers' Association (UCEA) and paid to all staff. It was 1 per cent in 2012. The pay band for the deputy chief executive contains eight standard increments and three discretionary increments, though the latter are only awarded for exceptional performance. All staff who have not reached the top of their pay band receive increments, subject to the approval of the trustee remuneration and appraisals committee.

To date, the chief executive is the only employee whose performance has been appraised. The remuneration and appraisals committee meets annually to carry out the appraisal. The

postholder is set objectives arising from the overall strategy and these could include increasing the number of members, and meeting financial targets, and targets associated with building work. There is no link between this appraisal and pay and the chief executive has refused pay increases for many years, although one was agreed recently.

A performance management system is currently being brought into the library for all staff, although this too will have no link with pay. The new system is designed to increase performance and a link with pay is not considered desirable. All staff are currently being appraised for the first time.

Benefits

The comparators receive 30 days' holiday each year, plus three special days in addition to bank holidays. There is a defined contribution pension scheme with the employer matching employee contributions up to 6 per cent. There is also a meal allowance of £540 a year, paid to all staff. There are other smaller benefits, such as interest free season ticket loans and staff can purchase books at publisher discount prices.

Transparency and governance

Pay for the chief executive is set by the trustees, while the deputy chief executive is paid according to a published pay scale. The executive team puts forward recommendations for the payment of annual increments, and the remuneration and appraisals committee of the trustees approves the payments.

HR support

HR, for which the deputy chief executive is responsible, plays a minimal role in pay setting. Pay is set either by the trustees (for the chief executive and the director of development) or is according to published pay scales. Pay progression through increments or the annual cost-of-living award is automatic unless a member of staff has performed really badly.

3.6 Case study F – Accreditation body

Introduction

Organisation F is an accreditation body for a manufacturing industry. It was set up by government some 50 years ago but was simultaneously incorporated as a non-profit-distributing company.

There are around 150 staff, two-thirds of whom are professionally qualified, at levels ranging from HNC to postgraduate. Some employees have nationally or internationally recognised levels of expertise.

Comparator

The chief executive is responsible for 150 staff, an annual budget of £8.5 million, and earns £125,000 a year. However, we chose the operations director as the comparator to the head of a school because the role has recently been evaluated by IDS as level 10, equivalent, broadly, to a head teacher of a large secondary. The reasons for selecting the operations director as a comparator include:

- the postholder reports to the chief executive and earns £105,000 a year
- the postholder manages a workforce of 90 qualified staff, including 11 direct reports
- the postholder is responsible for delivering services worth £7.5 million a year.

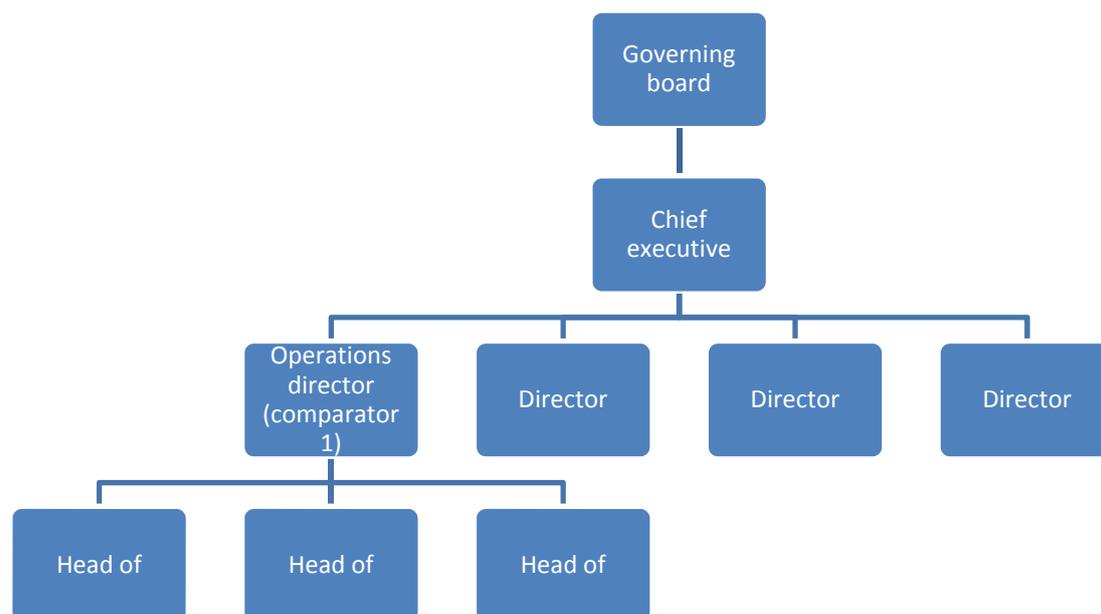
There are no roles comparable to a deputy/assistant head teacher. The operations director would deputise for the chief executive.

Structure of the organisation

There is a board of directors, the non-executive members of which are the chief executives of stakeholder bodies and other industry leaders. There are six non-executive directors and four executives. The four executive directors, with two senior managers, comprise the management team.

The comparator, the operations director, is responsible for delivering all of the company's products and £7.5 million out of a total turnover of £8.5 million. The other directorates are there to support the operations directorate.

Figure 5: Case study F leadership structure



Roles and responsibilities

The comparator delivers the services provided by the organisation. The postholder’s unit is not a standalone unit – it is the business as a whole. The comparator has considerable autonomy, although accountable to the chief executive, the board and the UK Accreditation Service. The postholder manages staff to achieve operational, financial and market objectives, identifies incremental and new growth opportunities and ensures the technical integrity of the department’s output. The department has 90 staff, including 11 direct reports, eight of whom are ‘heads of’ technical functions, which include testing, approvals and inspections. The majority of the comparator’s staff are technical professionals qualified in disciplines such as physics, chemistry, engineering and materials science. The postholder is managed by the chief executive.

The comparator is responsible for strategy, decision-making and a budget of £7.5 million. Risk is substantial. If an accredited product fails, the reputation of the organisation will be destroyed. The operations director has to be satisfied that every technical certificate is robust, which means that the postholder has to understand the science of all the accredited areas. There are high-level relationships with external organisations including other inspection bodies, trade associations and professional bodies. The postholder is a non-executive director of industry bodies.

The role is complex and unpredictable. Every product is different. There is a great deal of innovation in the industry, which has to be assessed if certification is to be given. At the same time, consistent accreditation processes must be adhered to. The comparator needs to be an

entrepreneur, developing new business and moving the business into different areas. The operations director also manages highly-qualified and demanding staff who are accustomed to challenge every claim with which they are confronted.

The comparator’s formal hours are 37.5 a week, but the postholder is required to work as many hours as are necessary to discharge their responsibilities.

Qualifications and experience

The comparator required a postgraduate qualification and around 15 years’ experience in a technical managerial role before joining the company. The postholder has been in post for eight years – the next role could include being chief executive of organisation F, a certification body or a professional or trade association. The operations director has a public profile, speaking at conferences and acting as a non-executive director of industry bodies. Other directors, the chief executive and the members of the board provide support, as do high-level contacts throughout the industry.

Basic pay

There is no formal grade structure. Each job has been evaluated using the IDS job evaluation scheme and benchmarked against the market by IDS. There is a spot rate for each job, based on the market median, to which employees progress after around two years. There is no discretion for line managers to vary basic pay once the rate for the job has been reached. The comparator and the chief executive have contracts similar to those of all other employees.

The factors on which the IDS job evaluation is based are:

- knowledge and skills
- thinking and creativity
- communications
- freedom to act
- resources
- service delivery
- context.

Table 19 Example rates for the job at case study F, February 2013		
Role	Rate for the job £pa	IDS JE score
Chief executive	125,000	900
Operations director	105,000	812

Bonus

There are no individual bonuses at organisation F. Half the organisation's profit is distributed to employees, with all staff receiving the same proportion of salary – 2 per cent in recent years, although the aim is to achieve 5 per cent. The payment has been kept relatively low deliberately as the organisation does not want individuals to have their judgement swayed by the possibility of increasing the profit sharing payment.

Pay on appointment

In organisation F, all staff are initially employed on rates 10 to 20 per cent below the market rate. They then, subject to satisfactory appraisals, are expected to move to the market rate within around two years. If there is an outstanding candidate who the company wishes to pay at or in excess of the market rate, then the job will be modified rather than undermine the integrity of the existing pay system. Pay for the comparator is set formally by the remuneration committee (consisting of three non-executive directors), which is advised by the company secretary, who is responsible for HR in the organisation.

Pay progression

All staff have a one-to-one interview with their line manager each month at which progress towards achieving their annual objectives is reviewed. A formal appraisal takes place annually. Anyone who receives less than a 'satisfactory' rating receives no pay increase and no profit-share. They could also be placed in the disciplinary process. Staff who are rated as satisfactory or better and are progressing towards the rate for the job will receive a progression payment and a general across the board increase, subject to profitability of the company. The comparator and the company secretary 'sanity check' pay progression against rates for the job (see below). The general increase is informed by the Retail Prices Index (RPI) and Consumer Prices Index (CPI) measures of inflation, as well as average wage increases and ease of recruitment and retention. The increases have recently been 2 per cent. Staff, on the rate for their job, including the operations director, only receive the general increase.

The comparator's performance is managed by the chief executive, against personal objectives arising from the business plan and budget. These would include meeting budget, maintaining technical rigour, satisfactory or better customer feedback, and meeting all operational targets for income and productivity. There are also developmental objectives such as increasing revenue, raising the profile of the organisation and enhancing the value of the company's engineering services. The comparator's department has KPIs which measure quantitative progress towards these strategic targets.

Benefits

The comparator receives 30 days' holiday a year. There is a defined contribution pension scheme for all, where the company matches employee contributions up to 5 per cent. Where the employee pays more than 5 per cent the company contributes 6 per cent.

Transparency and governance

The remuneration committee of the board sets, scrutinises and approves the comparator's pay, advised by the company secretary.

HR support

The operations director is responsible for pay on appointment, performance appraisal, and progression towards the market rate of staff in the department. The comparator discharges these responsibilities with the support of the company secretary, who is in charge of HR.

3.7 Case study G – Unitary authority

Introduction

Organisation G is a unitary authority in the Home Counties. It has an annual turnover of around £100 million and a total of 3,700 staff, including 2,100 education staff. Of the 1,600 non-education staff, 40 per cent work part time and 40 per cent require a professional qualification for their job.

Comparators

The managing director of the authority - 'first among equals' of a total of four strategic directors – has a role larger than a head teacher, with a staff of 3,700, an annual turnover of £100 million and a salary of £129,000. Instead, the case study focuses on comparators whose responsibilities are comparable with those of head teachers and deputy head teachers.

The head teacher comparator, comparator 1, is the head of one of the largest statutory services provided by the council. The reasons for selecting this role as a comparator for a head teacher are:

- the postholder manages a workforce of 310, of which 95 are professionally qualified, mostly as social workers and occupational therapists, through six direct reports
- the head of service is responsible for the delivery of services worth some £43 million a year
- the postholder has a salary of £90,000 a year
- the role above the comparator is a strategic director earning £122,000 a year, who is responsible for a budget of £66 million and three major services in addition to the one managed by the comparator.

The deputy head teacher comparator, comparator 2, is a service manager who can deputise for comparator 1. The reasons for selecting this comparator are:

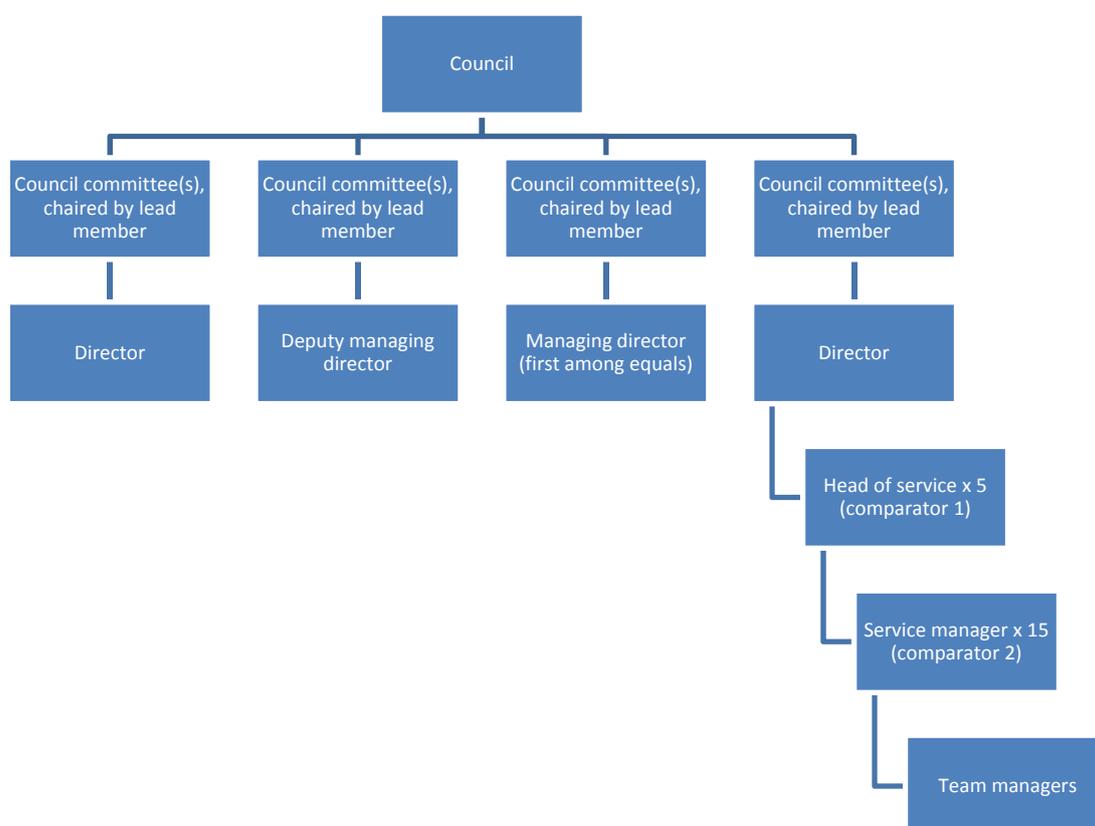
- the service manager has a staff of 125 staff, including 45 requiring professional qualifications (again, mostly as social workers or as occupational therapists) and five direct reports
- the postholder has a salary of £51,000 a year
- the role is responsible for a budget of around £20 million.

Structure of the organisation

Elected councillors meet together as the council, which is responsible for approving key strategic policies and setting the council budget. There is a cabinet, which consists of the

elected leader and a number of cabinet members appointed by the leader. Each cabinet member is a lead member for an individual area of responsibility in which they make decisions. There is also a committee of elected members, chaired by the lead member, which oversees each area. Senior managers are accountable to elected members whose prime motivation is political. The director is responsible for five service areas, and comparator 1, the head of service, answers to the director and the lead member. The service manager, comparator 2, reports to the head of service.

Figure 6: Case study G leadership structure



Roles and responsibilities

The head of service has a complex role and is required to ‘lead, manage and develop [the service] in order to achieve continuous and sustained improvements in service delivery making the best use of resources.’ The comparator is not autonomous, reporting to a director, a key member, a committee and the full council. The postholder is responsible for the management of a devolved budget of £43 million and the management of 310 staff, of whom 95 require qualifications in social work or occupational therapy.

Strategy for the department is written by the head of service, approved by the director and lead member, and then implemented by the head of service. Risk is substantial because the

service deals entirely with vulnerable people and there is one-to-one working, exposing both service user and service supplier to the risk of abuse. The head of service is required to have a wide range of external contacts including professional bodies, government bodies, stakeholders and NHS managers. The comparator also has to negotiate and manage the outsourcing of some services to external providers.

The role delivers highly regulated statutory services, which means that there is a degree of stability in day-to-day operations. However, the number of people requiring services is ever increasing while resources are diminishing, leading to the need for continuous improvement through the reorganisation of services. This results in unpredictability and uncertainty. The comparator to the deputy/assistant head teacher is the manager of one of the services provided by the head of department. This role is subject to the same pressures as those bearing on the head of service.

Qualifications and experience

A typical career path for this head of service, who is in their 50s, would be social worker, specialist social worker, team manager, service manager and head of service. Future roles could include becoming a director at organisation G or another local authority, or a head of service at a larger local authority. The comparator has a degree in social work and was expected, on appointment, to have a further postgraduate qualification either in social work or business. The head of service has a limited public profile, occasionally speaking at conferences, but this is not a recognised part of the role. The head of service has links with and meets her counterparts in other local unitary authorities. The service manager, who is in his 30s, is following the same career path. Both the head of service and the service manager have been in post for less than a year.

Basic pay

This local authority departed entirely from national bargaining in February 2013. Before this the pay for senior staff was determined locally, while those earning less than £35,000 a year received nationally-determined pay increases. Pay and benefits for staff earning over £50,000 a year are set by an elected member employment panel.

Jobs are evaluated using a modified version of the Hay scheme. This assesses roles against the following ten elements:

- knowledge, skills and experience
- contact and communication
- planning and organising
- problem solving
- freedom and decision making
- influence and impact
- working environment
- physical demands
- mental demands
- emotional demands.

There are six pay bands for directors and heads of service, although three share one starting salary and two another, so that there are only three minimum salaries and five maximum rates (see table). There is a seven band management pay structure, ranging from £37,581 to £92,655 a year. Both comparators receive individually-determined spot rates within their pay band – £90,000 a year for comparator 1 and £51,000 a year for comparator 2, and receive no further increases, other than cost-of-living increases. There have been no cost-of-living increases since 2009. All staff are on the same type of employment contract. The two comparators have nominal weekly hours of 37, but are contractually obliged to do whatever hours are necessary to discharge their responsibilities.

Table 20 Example pay ranges at case study G, April 2009

Job example	Min £pa	Max £pa
Managing director	108,952	141,572
Strategic director B	95,950	131,300
Strategic director A	95,950	121,200
Head of service C (on corporate management team)	65,650	90,900
Head of service B (comparator 1)	65,650	90,900
Head of service A	65,650	80,800
Service manager (comparator 2)	50,804	55,472

Note: The pay ranges at organisation G have been unchanged since April 2009.

Bonus

Neither comparator, nor any other senior manager, receives a bonus and there are no bonuses of any kind at this organisation.

Pay on appointment

When pay bands for directors and heads of services were introduced in 2008, individuals were placed within the band according to a market comparability exercise. Both comparators

were appointed within the last year, and the head of service pay band was benchmarked externally prior to the appointment. The actual salary was then determined by the appointments panel, which included the lead elected member, other members and the director. The candidate's existing salary and their negotiating ability have a strong bearing on the salary at which they are appointed. HR was not involved. There are no restrictions on starting salaries other than that they must be within the relevant pay band.

Pay progression

There is no pay progression other than through cost-of-living increases and there is no link between performance and pay. Performance pay was recently abandoned because it was thought by elected members to provide poor value for money. Performance is appraised informally every six months and formally once a year. Performance objectives for the head of service are set by the director, while those for the service manager are set by the head of service. These may include financial targets, the number of serious case reviews, or the time taken to draw up care plans. The director and the lead member decide whether objectives have been met. Any employee who is rated as less than satisfactory is placed in the capability procedure. There are no KPIs for individuals although there are KPIs for the service provided by the whole department.

Benefits

The comparators receive 28 days' annual holiday plus bank holidays. They are members of the Local Government Pension Scheme and make contributions of 7.5 per cent (head of service) and 7.2 per cent (service manager). The employer contribution is 13 per cent. Mileage is paid at HRMC-approved rates. The only other benefits are free car parking, membership of an employee assistance programme and a benefits portal through which shopping discounts can be obtained and childcare vouchers purchased.

Transparency and governance

Pay bands are determined by elected members as is pay on appointment. Actual salaries of directors and heads of services are posted on the internet.

HR support

The pay system is inflexible and there are no payments other than basic salary, so managers do not require support from HR to manage pay on appointment, progression pay or bonuses.

3.8 Case study H – Community Healthcare NHS Trust

Introduction

Organisation H is a Community Healthcare NHS Trust in the North West of England employing over 3,000 staff and with an annual operating revenue of over £130 million. There is a 50/50 split between those working part-time and those working full-time.

Comparators

The chief executive is the role selected as comparator for head teacher. While this role is larger than would be found in schools the role it provides a useful comparator for examining reward for the 'top person' in a locally-autonomous organisation. The current incumbent is a male in his mid-forties

Other reasons for selecting this comparator are:

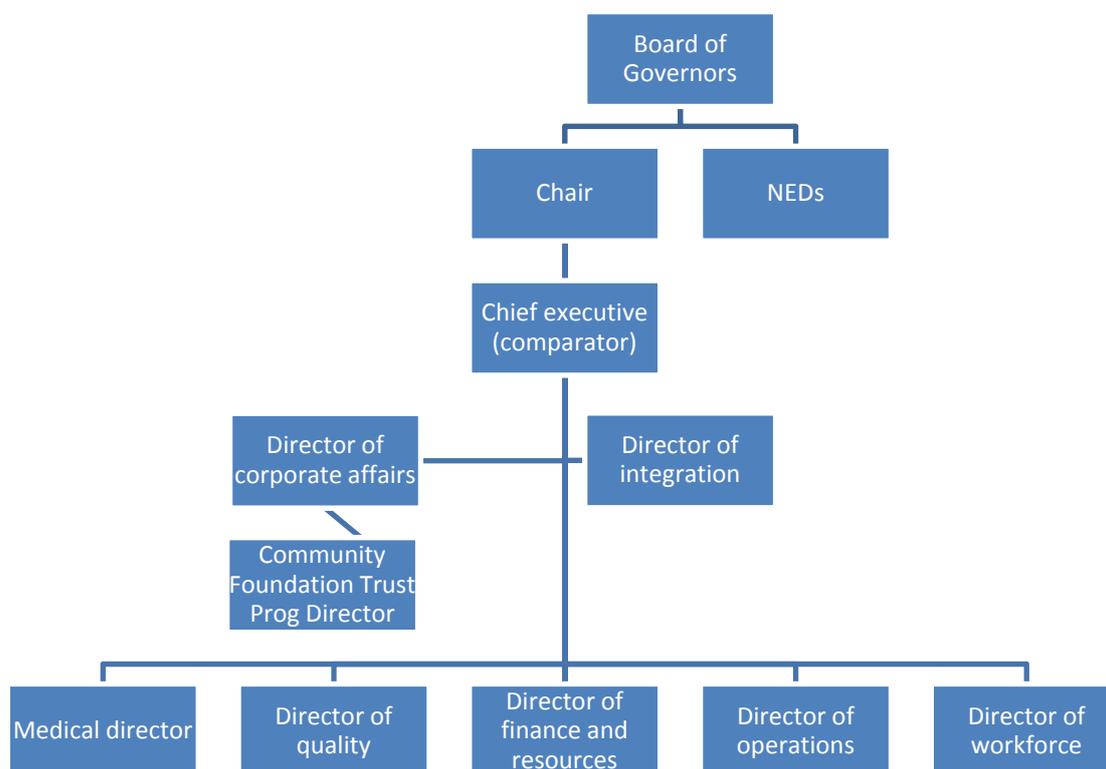
- it is the most senior executive role within the organisation
- the role is responsible for a workforce of over 3,000 people
- the salary for the role is £120,000 a year
- the postholder is responsible for a budget of £130 million
- the postholder is accountable to the board.

There is a deputy chief executive as there is a requirement for a formally accountable officer to be answerable for the organisation in the absence of the chief executive. This role is currently held by the director of finance and resources. The postholder has an additional requirement to show the right behaviour and values and may be expected to chair committees if the chief executive is unavailable. There is no additional remuneration for the role of deputy chief executive.

Structure of the senior management team

The chief executive is accountable to the board which comprises five executive directors and six non-executive directors. The chief executive is appointed by the chair and non-executive directors. The executive directors are collectively responsible for corporate performance as well as their own areas of the business. Among the chief executive's nine direct reports, one is the P.A., four are executive directors and four are directors but are not executive though two sit on the board. All the chief executive's direct reports hold professional qualifications.

Figure 7: Case study H leadership structure



Roles and responsibilities

The chief executive is the Accountable Officer for the organisation. In this, the postholder is accountable for the value of every pound spent by the Trust and for the safety of every patient. Accountability is to patients, to the board, to regulators such as the Care Quality Commission and to partners such as HMP Inspectorate and Ofsted as well as various clinical commissioning groups. There is therefore a high degree of significant, overlapping accountability. The chief executive role is highly complex and requires that the postholder operates at a national level. The current incumbent chairs national groups for the Department of Health and has a regional role in the city where the trust is based. There is a high degree of risk and uncertainty associated with the role, not least due to the ongoing restructuring of the NHS, but the demands on the organisation can also be affected by unpredictable characteristics such as the weather, the possibility of pandemic and major incidents.

The chief executive has a number of objectives which fall into several categories. Broadly, the postholder is responsible for the organisation and delivering the objectives set by the board.

Among the stated chief executive's responsibilities above, the postholder will:

- be accountable to the chair and to the board of directors directly
- be responsible for proposing and developing the trust's strategy and overall objectives
- run the trust's business
- ensure that the chair is alerted to forthcoming complex, contentious or sensitive issues affecting the trust
- promote and conduct the affairs of the trust with the highest standards of integrity, probity and corporate governance.

Broadly, it is the chief executive's responsibility to ensure that the organisation delivers high quality care, that its staff are supported to deliver these objectives and that the Trust remains a viable and sustainable organisation.

Qualifications and experience

Typical qualifications and experience for the roles would be a degree and a Masters, or equivalent. The postholder would be expected to have had experience working at a senior level in the NHS or in a similarly complex organisation as well as experience in managing significant budgets. More specific competencies as developed within the NHS leadership framework are also required. These encompass leadership aspects such as strategy/influencing, ability to flex leadership style and ability to manage budgets. A background as a management trainee within the NHS is not a necessary prerequisite for an executive director role and the current directors at the trust come from a broad spectrum of backgrounds, including clinicians, social workers, business operations and NHS Fast Track graduate schemes. The background of the current chief executive includes the leadership of a Primary Care Trust and experience in policy development in the Department of Health.

Basic pay

The majority of senior personnel at the Trust are on national terms and conditions under the Agenda for Change framework, or on consultants'/doctors' contracts. A small number of staff are on local Trust-based contracts and this includes the chief executive. Pay at this level is set in relation to the average salary for a similar role elsewhere in the UK. The chief executive's salary and contract are therefore individually determined and the chair and the remuneration committee receive HR support, as well as data from external agencies, to help benchmark salaries. The chief executive's salary is currently around £120,000 a year. Because salaries are individually determined there is some flexibility in pay setting and in this case the chief executive took the decision to receive a reduced salary to meet the Trust's

requirements for cost savings which also necessitated some redundancies. The flexibility inherent in the Trust's approach to salaries could also result in the ability to pay slightly higher than the national average if required, for example in the recruitment and retention of senior executive personnel although this was not the case for the chief executive.

Bonus

There is no bonus scheme for the chief executive.

Pay on appointment

Pay for the role is decided by the chair and the remuneration committee and policy at the trust is to set pay at the average for a similar role in the market. The remuneration committee and chair were assisted in benchmarking by HR and relevant data from external agencies.

Pay progression

The remuneration committee makes an annual decision on what would be a fair and reasonable pay increase for the Trust's staff not on national terms and conditions. This includes the chief executive and directors. All other pay is determined nationally. Local pay will become a possibility for all staff when the trust becomes a Foundation Trust. Given that there is currently a 1 per cent pay increase cap across the public sector, if the remuneration committee do decide to award an increase it would not be expected to exceed that. Annual pay increases for the chief executive role are subject to satisfactory performance against objectives as assessed in the annual appraisal with the chair and mid-year review. Performance is measured against key criteria which encompass the organisation's vision and strategic objectives. An annual plan and personal objectives are aligned to those objectives and cascaded through the organisation. The chief executive's personal objectives are measurable and SMART.

Benefits

The chief executive currently receives 30 days holiday per year. The current postholder is a member of the NHS Pension Scheme and currently contributes around 12 per cent into the scheme. There is no company car or car allowance and no other financial benefits.

Transparency and governance

Pay for the role is set by the chair and remuneration committee and is published in five thousand pound bands in the annual report and accounts.

HR support

The chief executive is responsible for the pay, performance and appraisals of the role's direct reports. In carrying out these responsibilities, the postholder receives support on aspects such as pay, recruitment and retention and staff development from HR.

3.9 Case study I – NHS Trust hospital

Introduction

Organisation I is a small acute NHS trust in the North of England with 1,100 staff and an annual operating income in 2012/13 of around £93 million. Some 70 per cent of staff have a professional qualification and about 20 per cent of staff work part time.

Comparator

This case study looks at two comparators: directors, comparable to head teachers, and deputy directors, comparable to deputy head teachers. The main comparator is the director of nursing, but the post of HR director is also discussed.

The director of nursing is a voting director on the board and was chosen as a comparator because the postholder:

- has a staff of 400 nurses, all of whom are professionally qualified
- has a salary of £93,014 to £97,478 a year
- reports to the chief executive
- information on the director of nursing's budget is not available.

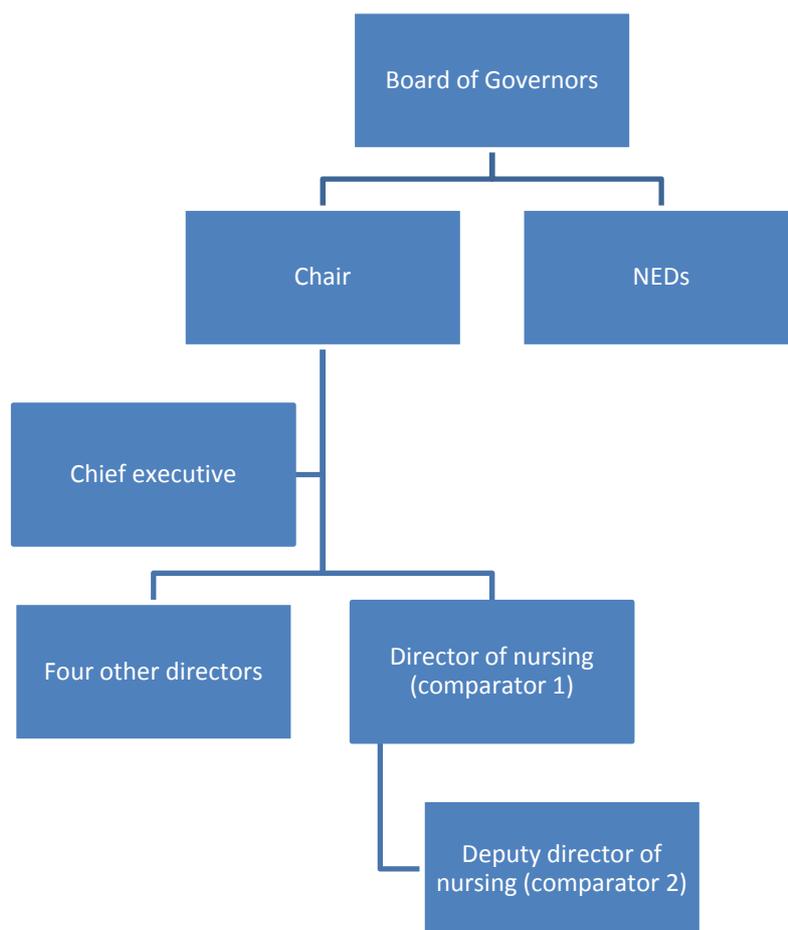
Deputy directors are comparable to deputy head teacher roles and have been selected as comparators because postholders:

- are responsible to directors for operational management and have an important service improvement and governance role
- they are responsible for the budget of the overall directorate/function
- are paid on bands 8C and 8D of Agenda for Change (AfC) pay scales, at £54,454 to £67,134 a year and £65,270 to £80,810 a year respectively.

Structure of the organisation

Members of the 30-strong council of governors are either elected by geographical constituencies or are stakeholder governors. Service commissioners, universities and staff are among those represented by stakeholder governors. The council of governors appoints six or seven non-executive directors and their remuneration is determined by the council of governors. The chair and the non-executive directors appoint the chief executive. The directors are accountable to the chief executive and the deputy directors are each accountable to their respective director. The directors are collectively responsible for corporate performance, not just their own areas.

Figure 8: Case study I leadership structure



Roles and responsibilities

Directors are accountable to the chief executive. The director of nursing is responsible for ensuring that all the trust’s nursing services are delivering safe and effective patient care. KPIs arise from those responsibilities. Staff on Agenda for Change contracts are required to have competencies in line with the NHS Knowledge and Skills Framework.

The directors are responsible for strategic planning – what needs to be done – and the deputy directors are responsible for the operational delivery of their directors’ strategic plans. Risk is substantial, mitigated by complex governance arrangements and reinforced by regulation by the Quality Care Commission, Monitor, NICE standard operating procedures and feedback from patient and friends and family surveys. There is considerable cross functionality across a complex system, and directors and deputy directors need to maintain relationships – with governors, non-executive directors and commissioners – while managing innovation to find better ways of delivering services. In addition, current systems are being reconfigured to take account of the 2012 Health and Social Care Bill.

Qualifications and experience

Directors and deputy directors have a first degree and a professional qualification and usually have a postgraduate degree too. Directors must have had at least five years' experience of working at board level (making presentations and recommendations, for example) though are not required to have sat on a board. Directors at organisation I are aged between 37 and 55 and have been in post for periods of between one and seven years. They have not been in post for as long as might be the case in other, larger trusts. The director of nursing had previously been a deputy director of nursing. In future, the comparators might become directors of larger NHS trusts, or a chief executive of a similarly sized one. Deputy directors could expect to become directors at this or another trust in due course.

Basic pay

Deputy directors receive NHS Agenda for Change bands 8C and 8D pay rates. These roles have been evaluated using the NHS job evaluation scheme, which is a weighted eight-level 16-factor scheme. The factors are:

- knowledge training and experience (the most important factor)
- skills: communication and relationship; analytical; planning and organisation; physical
- responsibility: patient/client care; policy and service; financial and physical; staff/HR/leadership, training; information resources; R&D
- freedom to act
- effort: physical; mental; emotional
- working conditions.

They are eligible for five annual increments, which they receive if they meet 100 per cent of their objectives.

Directors' pay loosely mirrors Agenda for Change band 9 pay rates. Band 9 ranges from £77,079 to £97,478 a year, whereas the maximum pay for a director is £105,000 a year. Basic pay for trust directors is set at the lower quartile. Weekly hours for the comparators are 37.5, but postholders are contractually obliged to do whatever hours are necessary to meet their objectives and in reality is substantially more than 37.5 hours a week.

Table 21 Example pay rates at case study I, April 2012

AfC pay band	Job example	Min £pa	Max £pa	NHS job weight
-	Chief executive	137,000*	-	-
-	Director of nursing	93,014	97,478	-
-	Director of HR	77,079	88,753	-
8C	Deputy director of HR	54,454	67,134	630-674
8D	Deputy director of nursing	65,270	80,810	675-720

*Spot salary.

Bonus

There are no bonuses for any employee at this trust.

Pay on appointment

Pay for the chief executive and the directors is set by the remuneration committee, which consists of non-executive directors. The HR department benchmarks the trust's roles against national NHS rates, national foundation trust rates through Foundation Trust Network and local foundation trust rates. Pay is set at lower quartile rates. When an individual moves from another NHS role they will move to the next increment up from their existing salary. Appointees with no NHS experience start at the bottom of the pay scale. There is a standard employment contract for all staff, although specific terms and conditions, such as notice periods, vary according to role.

Pay progression

Directors who are on incremental scales only receive an annual increment if 100 per cent of their objectives are achieved. There are no further pay increases for directors and deputy directors other than the cost-of-living increases received by all staff. Until April 2013 there had been no cost-of-living increase for NHS staff earning more than £21,000 since April 2010. A 1 per cent inflation uplift for staff on Agenda for Change and consultant contracts has now been approved from 1 April 2013.

The chief executive manages the performance of the directors and the directors manage the deputy directors. In addition, individual directors make a presentation to the business performance committee, which consists of non-executive directors, on their achievements against their objectives. Trust board performance measures are published and these are cascaded down the organisation in the form of individual objectives.

Benefits

All staff at the trust receive 27 days' annual holiday, rising to 33 days after 10 years' service. The comparators are members of the NHS Pension Scheme, to which the employer contributes 14 per cent of salary and the employee contributes between 8.9 per cent for those earning between £48,993 and £69,931 a year and 10.9 per cent for those earning over £110,274 a year. There are no other financial benefits.

Transparency and governance

Pay for the chief executive and directors is set by the non-executive director constituted remuneration committee, scrutinised by the council of governors and published by Monitor,

which is the independent regulator for the NHS. Pay for deputy directors is determined according to published pay scales.

HR support

HR carries out research and makes recommendation to the remuneration committee on director's pay.

3.10 Case study J – Housing and social care charity

Introduction

Organisation J is a housing association with around 1,000 employees and a turnover of over £200 million. The organisation provides rented housing, shared ownership housing, supported housing, and statutory care services under contracts from a number of local authorities.

Comparators

The chief executive and executive director roles in an organisation of this size are larger than those of a head teacher: an executive director, for example, is responsible for managing the entire assets of the housing stock and the social care activities of the organisation. The appropriate comparator, on whom this case study focuses, is an assistant director, who reports to a board director and earns £65,000 a year. This role is equivalent to the head of a small school.

The reasons for selecting this comparator are:

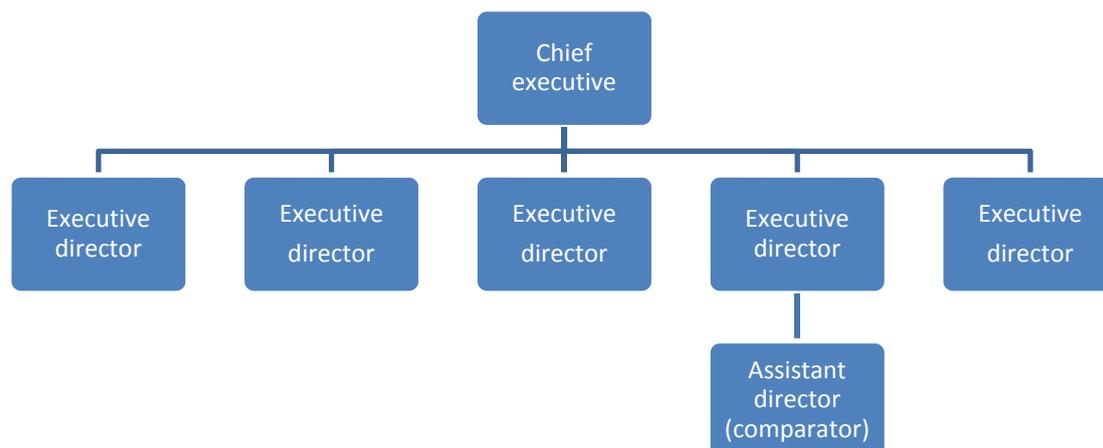
- the postholder manages a workforce of around 400, through five direct reports. Of these, some 45 staff have professional qualifications in disciplines such as social work, health and social care
- the role is responsible for a budget of some £25 million
- the Hay score is 571, suggesting an IDS level 9 role
- the role above the comparator manages the entire assets of the housing stock and the social care activities of the organisation.

The chief executive, who earns around £180,000 a year, is subject to the same terms and conditions as the comparator and all other senior managers, outlined below.

Structure of the organisation

Overall responsibility for the organisation rests with a board of governors which includes directors of house building and finance sector organisations, together with the executive board and two service users. The executive board consists of the chief executive, who receives total pay of £180,000, and five board directors, receiving salaries ranging from £100,000 to £140,000, depending on area of responsibility. The organisation's housing activities are regulated by the Homes and Communities Agency while social care is regulated by the Care Quality Commission.

Figure 9: Case study J leadership structure



Roles and responsibilities

The comparator manages an autonomous unit with some 400 staff who deliver housing and support services, including domiciliary care, to vulnerable people, including people with mental health problems, older people and young people. It provides personal development activities for young people aged 14 to 25 through one-to-one support, volunteering and work placement opportunities and access to training and employment. It also supports vulnerable young people such as care leavers and young mothers and babies.

The comparator is accountable to the executive board and ultimately the board of governors for all the activities undertaken by their staff. The postholder writes the strategy and plan for the unit, which is approved by the board, then implements it. The comparator makes decisions within overall financial and regulatory frameworks. The postholder has a public profile, speaking at external conferences and sitting on the board of a number of small voluntary organisations, and belongs to a peer group of colleagues across the social care sector. The comparator has to deal with commissioning organisations, regulators, relatives and external professionals within a budget. There is considerable complexity and unpredictability in all areas of the business. Risk is substantial. Lone working means that service users are vulnerable to carers and carers are vulnerable to service users.

Qualifications and experience

Potential recruits to the roles would come from other organisations providing care and support and would have a degree in health and/or social care and at least 15 years' experience. The current incumbent has been in the job for four years. The comparator's next roles could include running their own care and support organisation or a very senior role at the Care Quality Commission.

The postholder is required to have competencies in leadership, commercial and financial awareness and customer service and influencing and negotiation skills in the context of external relationships. Support is available from colleagues at the same level within the organisation, the line manager and the board. The comparator also belongs to a group of senior care and support professionals in other organisations.

Basic pay

Organisation J has no formal grade structure. Instead, there is a spot salary, which is the rate for each job, established by an external consultant and market tested by a consultant every three years. Rates are market medians. Each job is evaluated using Hay job evaluation, although Hay market pay data is not used. This assesses roles against the following four elements, each of which has a number of sub-elements:

- know how, sub-divided in to technical knowhow, management breadth and HR skills
- problem solving, sub-divided into thinking environment and thinking challenge
- accountability, sub-divided into freedom to act, magnitude and nature of impact
- additional work elements, sub-divided into physical effort and difficult working conditions, over and above those of a normal office or classroom environment.

The executive board and the board of governors approve pay strategy, policy and pay levels. Pay rates on appointment are set in accordance with policy and HR is in tight control of rates for the job and actual pay rates. There is no discretion for line managers at any level to vary pay rates although HR may do this in exceptional circumstances, such as the recruitment of an outstanding candidate. This would require executive board approval, but even then, variations would just be ‘tinkering around the edges’. The nature of employment contracts is the same for all employees, the only differences of substance are pay rates, holidays and sick pay.

Table 22 Example rates for the job at case study J, February 2013

Role	Rate for the job £pa	Hay score
Chief executive	180,000	Role not evaluated using Hay
Board directors	100,000-140,000	Role not evaluated using Hay
Assistant director	65,000	571

Bonus

A bonus of up to £1,000 is paid to all staff each year if the organisation exceeds its financial targets. There are no individual performance bonuses for any staff.

Pay on appointment

The comparator is paid the rate for the job as set out previously.

Pay progression

There is no performance-related pay at organisation J. The board considered it some years ago but rejected it on the grounds that it would undermine the desired culture of staff supporting each other and working as a team. The comparator does have performance objectives, which include financial/budgetary targets, customer satisfaction, risk areas such as fire risk assessments, and performance against care commissioner contracts, all arising from organisational and departmental strategy. The line manager, a board director, assesses whether they have been met.

Annual pay increases are based on the cost-of-living and are the same percentage for all employees. Salaries can only increase at this rate. There are no financial incentives as all staff are paid the rate for the job, and there are no pay bands through which to progress.

Benefits

The comparator receives 28 days' annual holiday, rising to 30 days after two years. There is a defined contribution pension scheme for all, where the employer contribution is one and a half times the employee contribution, up to a maximum employer contribution of 13.5 per cent where the employee pays 9 per cent. There is a health cash plan to help with the cost of dentistry and glasses. Individuals who are seriously ill would receive half pay for three years through an insurance scheme, with the insurer deciding whether or not payment is justified. There are no cars or car allowances; those driving on organisational business receive mileage payments.

Transparency and governance

Jobs are advertised with their salaries. There are no subsequent payments apart from cost-of-living increases which are the same for all.

HR support

HR controls pay rates. There is no line management discretion as to pay rates, so no need for HR advice or support in individual pay setting as the policy is clear on how pay rates are set, although HR advises the board and the governors.

3.11 Case study K – National museum

Introduction

Organisation K is a national museum, located in London, which employs around 700 people, three quarters of whom have at least a first degree. Most work full time.

Comparators

The chief executive role manages 700 people, most of whom are graduates, and has three direct reports. The annual salary is £165,000. The role is to plan and direct the resources of the organisation to deliver the museum's vision and mission under the over arching direction of the museum's board of trustees. The chief executive is the chief accounting officer for the museum, responsible to the public for governance, decision-making, risk, value for money, accounting accuracy and for the organisation's financial position and transactions. The chief executive has to appear before the Committee of Public Accounts (PAC) to give evidence on the museum's performance. The postholder has the same terms and conditions as all other senior managers, outlined below.

This role is much bigger than that of a head teacher, in terms of responsibilities for numbers of staff, the size of the budget and the extent of activities in the national and international spheres. We consider the more appropriate comparator to be the head of one of the specialist areas. The reasons for selecting this comparator are:

- the role manages 250 graduate staff – six of whom are direct reports who themselves manage smaller departments – and a budget of £5 million
- the JEGS score for the post suggests that this is an IDS level 10 role
- the role has a very high level of subject expertise and is responsible for maintaining this at a national and international level
- the role has a salary band of between £64,605 and £83,896
- the role at the level above the comparator is a much bigger role, responsible for more staff, a bigger budget and more activities in the national and international spheres.

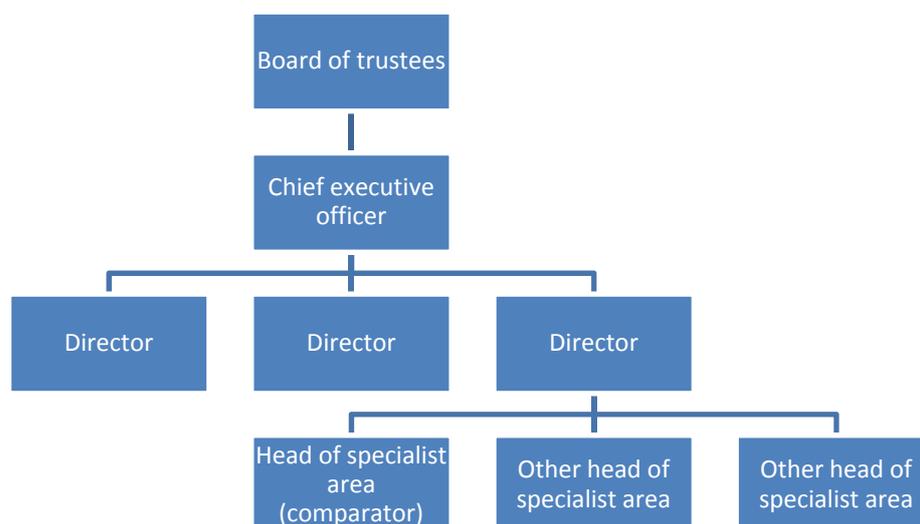
There are no comparators to the deputy or assistant head teacher roles; in the event of the comparator's absence cover responsibilities are flexible. They could move up or down the organisation, or not be provided at all.

Structure of the organisation

The museum's activities are grouped into three main sections; one focusing on the body of knowledge in which the museum specialises, one on public engagement and one providing

corporate support. Each of these areas has a director and the whole is overseen by the museum director and the board of trustees. People at the level of the museum comparator, the director to whom he reports, the museum director, and the trustees are all eminent in their field.

Figure 10: Case study K leadership structure



Roles and responsibilities

The comparator manages researchers and curatorial staff and has some influence over facilities, such as laboratories. He is a member of a collective board, consisting of others at the comparator’s level and their director, which provides the governance structure for the specialist area. The comparator’s direct reports are heads of smaller departments who manage the collections within them. Across the organisation, two thirds of those at the same level as the comparator are male, while the whole group is aged between just under 50 and over 60 years.

The comparator is responsible to the director for a budget of around £5 million, 250 staff and departmental outcomes. The role holder contributes to the overall strategy of their own department and that of the broader area and has a public profile within the speciality. The comparator is responsible for everything that happens in the department – the buck stops with this individual. The comparator’s main personal responsibility is for handling high-level relationships and managing ambiguity. There is considerable complexity in the role; activities governed by procedures are delegated and the comparator deals only with non-routine matters.

Qualifications and experience

Those at comparator level will have a doctorate of philosophy (PhD) and around 20 years of experience. They will have published many papers in peer-reviewed journals and are usually visiting professors at Russell Group universities. They are required to display leadership competencies. Senior managers could have progressed through the organisation from a more junior level, or have been recruited from a university. When they leave they may become head of department at a university. Currently, the comparators and others at their level are likely to have been in post for between 10 and 15 years.

Basic pay and hours

The museum has two pay structures, one designed around seven occupational groups - job families - each of which has its own competency framework, and one consisting of broadbands for senior managers, who are required to have leadership competencies. The pay ranges for all staff below the level of senior manager have a number of incremental steps worth 2.5 per cent through which staff could progress, prior to the pay freeze announced in 2010. However, the increments are non-contractual and have not been paid since pay was frozen. Senior managers have a three-band pay structure, with broad bands, through which individuals move, in theory, on merit. Pay progression is discussed below.

Roles are allocated to pay bands through job evaluation. The museum uses JEGS – Job Evaluation and Grading Support – the scheme developed for the Treasury by Towers Perrin. This assesses roles against seven factors:

- knowledge and skills
- contacts and communication
- problem solving
- decision making
- autonomy
- management of resources
- impact.

The comparator's roles have been evaluated according to JEGS, and the accompanying pay bands were drawn up together with the Cabinet Office.

Normal working hours for senior managers are '41 per week and such additional hours – unpaid – as are necessary for the proper performance of the manager's duties'. Postholders are required to agree that the 48-hour limit on weekly working time under the Working Time

Directive will not apply to their employment, although they can give three months' notice of withdrawal from exclusion from the 48-hour limit.

Table 23 Pay structure at case study K, August 2012

Pay band	Job example	Min £pa	Max £pa	JEGS score
1	Head of small department	38,812	58,338	600-685
2	Senior scientific researcher, merit researchers	-	-	685-720
3*	Head of large department (comparator)	64,605	83,896	720+
-	Director of science	110,000	115,000	-
-	Museum director	160,000	165,000	-

*Where the individual appointed as head of a large department has been recognised as a merit researcher by the National Environment Research Council, they receive a salary of £80,000 a year plus a management responsibility allowance of £10,000 per year.

Note: Pay rates have been frozen since 1 August 2009.

Bonus

Senior managers are eligible for discretionary bonuses worth up to 10 per cent of basic salary. These are awarded against key performance indicators – which at organisation J are quantitative improvement objectives based on the museum's strategic plan. For the comparator to the head teacher these objectives include the number of research papers published in peer-reviewed journals, the number of appearances by the museum on the international conference circuit, the amount of research funding obtained by the department and income raised through providing specialist training courses and developing staff capacity through supervising Master of Science (MSc) and PhD students. Performance against objectives is assessed by the director and the remuneration committee. This committee consists of trustees and oversees the performance and remuneration of the museum director, and receives and approves recommendations from the director on the remuneration of other senior managers.

The chief executive officer also has objectives set by the Secretary of State and key performance indicators which measure quantitative progress towards attaining those objectives. These include increasing self-generated income, increasing access to the museum through digitisation of the collection and increasing visitor numbers.

Pay on appointment

A new appointee's initial pay and benefits package is set by the director (the comparator's line manager) and the trustees, and is determined by their ability and reputation in their specialist field. If an internal candidate becomes a senior manager they receive the better of a 10 per cent increase in their salary in the job family structure or the starting salary for the pay band. The salary of an external candidate is individually negotiated and mostly determined according to their previous salary and internal relativities. Senior managers have standard employment contracts which differ only from those of the majority of staff in

spelling out different benefits, such as longer holidays. The fact that the £10,000 annual management allowance is limited to a period of five years is set out in a covering letter.

Pay progression

Currently, the comparator's salary can only increase at the rate set by the government – 1 per cent in 2012/13. Staff covered by the job families structure have an incremental structure through which employees progress on merit, but that is non-contractual and in abeyance during the pay freeze. Senior managers can also progress on merit, but the museum does not differentiate between performance increases for any staff, including senior managers. Appraisals have just two marks – 'satisfactory' and 'unsatisfactory'. All staff – including the head teacher comparator - rated as 'satisfactory' receive the same percentage increase. Those few staff who receive 'unsatisfactory' performance markings at their annual appraisal receive no increase and are put on 'performance measures', an active programme to improve performance.

In rare cases, where an individual has reached the top of their pay band and is considered an outstanding performer, they may be promoted to a 'personal grade' or given a non-consolidated cash payment.

Benefits

The comparator receives 28 days' holiday a year and is a member of the defined benefit Principal Civil Service Pension Scheme (PCSPS). The employee's contribution to the PCSPS is 3.9 per cent and the employer's contribution is in the region of 25 per cent. There are no other benefits.

Transparency and governance

Pay bands for senior managers are published, pay and bonuses are authorised by the trustee remuneration committee, and the Treasury controls the amount of pay awards – effectively of each individual since all staff receive the same pay increase.

HR support

The Head of Employment Policy advises the director and the trustees on pay setting and pay progression for the comparators. He is also available to advise the comparators on pay setting for their recruits and on pay progression. However, since all staff rated as satisfactory receive the same increase, HR support is not required for decisions on pay progression.

3.12 Case study L – Retailer

Introduction

Organisation L is a non-food retailer and pharmacist which has around 2,500 stores across the UK. It has a headcount of 65,000, predominately store staff but also includes 3,500 head-office staff and 2,000 logistics staff. Part-time working is common at store level and less so at managerial level.

Comparators

When considering the most appropriate comparator for this exercise from this organisation, we examined the stores director role first. We began at this level rather than that of chief executive since the UK organisation has an annual turnover of around £7 billion, around 65,000 staff and 2,500 stores, making the role of chief executive significantly larger in scope, budgets and responsibilities than that of a head teacher.

At director level, there are three store directors who manage around 47,000 employees and report directly to the chief operating officer. The typical salary for the role is between £170,000 and £190,000⁷ a year plus bonus payments and the role sits at a Towers Watson level 18/19, broadly equivalent to an IDS job level 10 or Hay score of between 850 and 1,480. This role is larger than that of a head teacher in terms of resources and accountability; we subsequently decided that the most suitable comparators are a head of region for a head teacher of a secondary school and are an area manager for a head teacher of a primary school.

Both comparators manage qualified pharmacists, and many will have moved into management having been employed as a pharmacist by the organisation. This makes the comparator role different to other retail management roles as there are not many retail managers that manage professional staff. The heads of region report to one of three store directors⁸, who in turn report to the chief operating officer for stores operations in the UK. There are around 150 area managers across the organisation who report to one of 30 heads of region. The typical basic salary for a head of region is £82,000 a year, plus a target bonus of 25 per cent of salary. The typical basic pay for an area manager is £59,500 a year, plus a target bonus of 20 per cent of salary.

⁷ Pay for directors and above is individually set based on the market.

⁸ There are another 20 staff at this level across the company.

The reasons for selecting the first comparator of head of region are:

- the role manages a large workforce⁹ in a number of multi-site teams through eight to 10 direct reports who are either area managers or store managers of large or flagship stores
- this role sits at a Towers Watson level 15/16, broadly equivalent to an IDS level 9 and a Hay score of between 771 and 1,055
- the postholder earns a basic salary of £82,000 a year plus a target bonus of 25 per cent of salary
- the role is responsible for stores generating a combined turnover of around £350 million.

The reasons for selecting the second comparator of area manager are:

- the role manages a large workforce in a number of locations through eight to 15 direct reports employed as store managers of smaller stores and/or stores without pharmacies
- this role sits at a Towers Watson level 13/14, broadly equivalent to an IDS level 8 or Hay score of between 621 and 770
- the postholder earns a basic salary of £59,500 a year plus a target bonus of 20 per cent of salary
- the role is responsible for stores generating a combined turnover of around £30 million.

The profile of both comparators is skewed slightly in favour of men, whereby two-thirds are male. The age profile is slightly older in age, with an average age of 42 for area managers and 45 for heads of region. The majority work full time.

Structure of the organisation

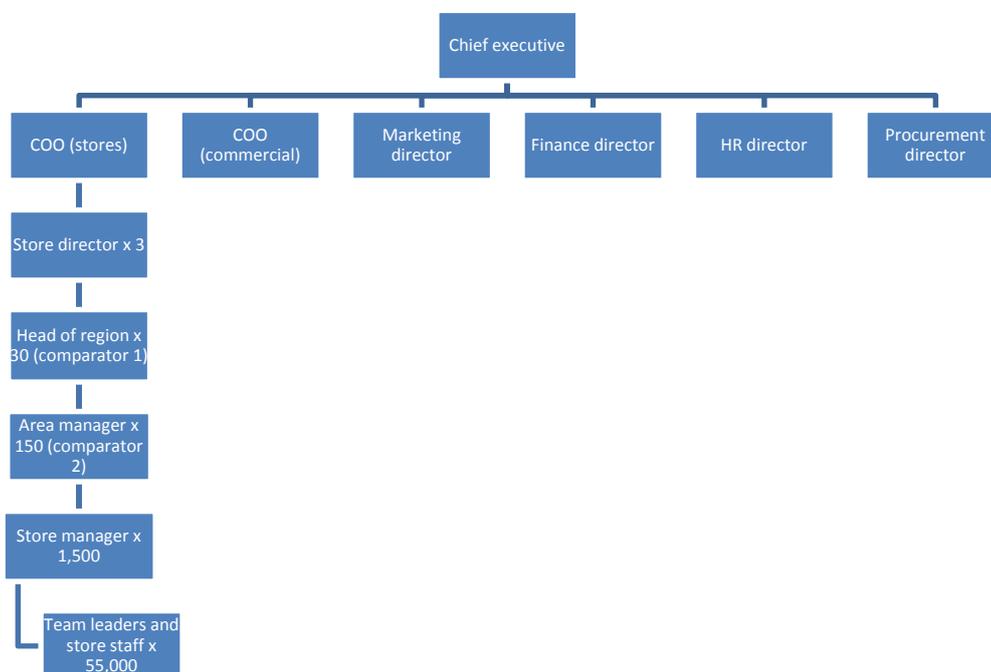
The UK organisation is headed by a chief executive who has six direct reports; chief operating officer for stores operations, chief operating officer for commercial, marketing director, finance director, HR director and procurement director. The organisation as a whole is headed by an executive chairman.

The UK stores function is headed by three store directors who report directly to the chief operating officer for stores operations. Overall there are around 20 employees at this level

⁹ There are approximately 55,000 retail staff (headcount) and stores are divided according to revenue, with area/regional managers being responsible for stores generating a given turnover level, rather than by number of employees working in those stores.

across the company, so this role is fairly large and probably equivalent to an IDS level 10b – above that for head teachers.

Figure 11: Case study L leadership structure



Roles and responsibilities

People leadership is a strong requirement for both comparators as they are viewed by the company as 'performance coaches' to drive performance of both stores and individuals. A key part of both roles involves having coaching conversations with direct reports to get the best performance from them and their stores.

In terms of strategy and decision-making, the head of region plays a role in helping to shape commercial and people strategy by acting as a link between head office, where decisions are made, and the stores, where information is gleaned for example, about what is happening on the high street and where there might be new store opening opportunities. Primarily both comparators are communicators of strategy, rather than being strategic decision makers. The head of region role is responsible for key decisions on people and business actions within their geographical remit, which includes property, operations and people.

There is no risk management or public profile aspects to either comparator role. However, the head of region does have some contact with external organisations, such as with care homes and the NHS, supporting discussions as part of a wider group.

The head of region role is fairly complex, compared with similar roles in other retail organisations, as it combines financial, operational and people issues across two core business areas, which means that the role involves a wide range of skills.

There are some aspects of uncertainty and unpredictability since both roles are responsible for a number of stores or areas which employ a large number of staff and have many customers. However the area manager is more reactive to issues in stores, such as a death in a store, robbery or a major customer issue. Store performance can also be unpredictable and can be affected by a wide range of things outside of the area manager or head of region's control, such as adverse weather conditions.

While comparators predominately work Monday to Friday, Saturday working is also fairly common practice (more often for area managers) and both are expected to work some Sundays and one or two bank holidays a year – both of which are compensated through time-off-in-lieu. The contracted weekly hours of work are 37.5, however travelling to conduct store visits, and for heads of region to participate in head office meetings typically once a month, means that comparators typically work 10 to 12 hours a day. There is no provision for overtime pay.

Qualifications and experience

There are no formal qualifications required for either comparator but the key competencies are leadership, through being an exemplar performance coach, commercial awareness and financial literacy, having a strong understanding and handling of sales figures, managing costs and profit growth.

In terms of career path, comparators will be experienced retailers, having either progressed within the organisation or at a competitor retailer. Many will have progressed from pharmacist, having been trained by L, and some from store manager, with just a handful from the shopfloor. Employees progressing to this level from within the company have typically joined the organisation at junior management level. Potential recruits from the external market are from competitors within the retail sector. In future, the head of region could progress to store director either internally or externally and the area manager to head of region.

Basic pay

Basic pay for an area manager is typically £59,500 a year, from a salary range of £44,000 to £72,000, and for a head of region is typically £82,000 a year. Both comparators are eligible to receive bonuses as detailed in the following section.

Table 24 Example salaries at case study L, June 2012				
Role	Min £pa	Typical £pa	Max £pa	Equivalent Towers Watson level
Head of region	-	82,000	-	15/16
Area manager	44,000	59,500	72,000	13/14

The organisation has recently undertaken a pay benchmarking exercise and will move to market-linked pay ranges from June 2013. This exercise was based on data from a sector-specific salary survey by Alan Jones and the benchmarking exercise was based on similar roles across leading UK retailers covering food and non-food sub-sectors. The outputs of this exercise identified the market median basic salary as £60,000 a year for an area manager and £90,000 a year for a head of region. The salary range will be set at 80 to 120 per cent of market. The organisation will also introduce a link to position in market when determining individual performance increase, effective from June 2013.

Table 25 Example market rates proposed at case study L, June 2013			
Role	80% market £pa	100% market £pa	120% market £pa
Head of region	80,000	90,000	120,000
Area manager	48,000	60,000	72,000

Bonus

The bonus scheme covering both comparators is based on 60 per cent company profit – company level as they find it difficult to measure profit at local level – and 40 per cent individual performance e.g. their individual performance rating as determined by their line manager. The target bonus payment for an area manager is 20 per cent of basic salary and the maximum is 40 per cent, and for a head of region the target is 25 per cent of basic salary and the maximum is 50 per cent.

Heads of region are also invited to join a deferred annual bonus scheme based on group profit. This scheme is discretionary and can pay a maximum of 20 per cent of salary in two equal payments 12 and 24 months after its award. Payments are only made if profits are at or exceed 100 per cent of target. Invitations are sent annually and most heads of region have been invited as some who are new in role are yet to be in post during the invitation round. Eligibility to join this scheme is subject to satisfactory performance; however it is rare for a head of region to be excluded as awards have the dual purpose of rewarding performance as well as providing a long-term incentive which encourages staff retention.

Pay on appointment

Pay on appointment for both comparators can be anywhere in the salary band and is based on the person's existing pay however, it will tend to be around the median for someone recruited externally. HR will support the appointing manager in deciding how to set the pay but if the offer is within the salary band they can generally make this decision without director approval.

Pay progression

Currently, pay progression is linked to performance-related pay increases and line managers are responsible for determining individual performance ratings and distributing the budget for pay increases. Individual performance appraisals are held annually, and progress against individual performance objectives is reviewed on an on-going basis informally, and formally on a biannual basis i.e. half-year and year-end. HR provides support and guidance on the level of awards but the final decision on the performance score and pay award sits with line managers. In last year's pay round, the organisation paid performance increases worth 4 per cent to the highest performers, 2 per cent to the second best scorers and zero for the bottom two performance ratings. Once the link to market is introduced later this year, HR will provide a suggested matrix for pay increases with larger increases for individuals lower in the range/below market rate.

Once individuals have reached the top of their salary band, it is left to line managers' discretion on whether to award a pay increase, however they are encouraged not to award increases but in some exceptions they still do. They do not award lump sums. This practice is expected to continue once the link to market is introduced.

Benefits

Area managers receive 25 days' annual holiday (plus bank holidays¹⁰), rising to 30 days after five years' service, and heads of region receive 30 days' annual holiday (plus bank holidays). There is a defined contribution stakeholder pension scheme for all employees, which matches employee contributions on a two-for-one basis, up to a maximum employer contribution of 12 per cent. As part of the pension scheme employees receive death in service benefit, worth four times basic salary.

Comparators receive a car allowance which is used to select a company car from a list, for area managers this is worth £6,000 a year and the typical car is a BMW 1 series, and for a

¹⁰ Comparators receive time-off-in-lieu if they work a bank holiday.

head of region this is worth £7,500 a year and the typical car is a BMW 3 series. There is no petrol allowance but comparators can claim expenses for business travel.

All employees are entitled to a staff discount worth 22.5 per cent on own-brand products and 12.5 per cent on all other items. Furthermore, the company operates salary sacrifice for a childcare vouchers and is looking to introduce a bike scheme, although the take-up for childcare vouchers is quite small. There are also a range of voluntary benefits available to all employees.

Transparency and governance

There are no trade unions recognised for pay bargaining in stores but USDAW is recognised for logistics employees.

Pay scales are shared with managers, down to store manager level, for the purposes of helping with pay review discussions but are not published internally or externally. The organisation is trying to move to greater transparency so that employees can recognise that the organisation follows a policy of paying market salaries.

Reward strategy is signed off at executive level by the HR director and there is a remuneration committee for executive reward but not for other employees.

HR support

HR determines the pay structure and budget for performance increases.

3.13 Case study M – Finance and professional services firm

Introduction

Organisation M is a financial and professional services company which has two main divisions: investment management and tax and business services. The company has 11 office locations across the UK, with a head office in the City of London. In total the company employs around 1,500 staff, the majority are professionals.

Comparator

The organisation found some difficulty in identifying a suitable comparator for school leaders. The chairman of organisation M sits at a Towers Watson level 19, broadly equivalent to an IDS job level 10b or a Hay score of between 1,261 and 1,507, and was not considered to be a suitable comparator as this is a more substantial role than that of head teacher. The role has overall responsibility for the direction, strategy and financial success of the whole organisation, supported by a company board. This case study therefore looks at a role more comparable in job size to an executive head teacher, that of HR director.

Organisation M employs 280 directors across all business and reports to either the chairman or one of four executive directors. The salary range at this level is between £90,000 and £130,000 a year. Given the relatively large number of staff at this level across the organisation this case study focuses, where appropriate, on a particular director-level role of HR director. The conditions of employment for employees at director level do not vary by department, however there are variations in the number of direct reports and, in the case of the HR director, experience and qualifications, as this role tends to be recruited externally rather than being 'home grown'.

The reasons for selecting the comparator are:

- the HR director oversees 20 staff across four functions within HR and reports directly to the chairman who sits on the board
- the role has five senior direct reports
- the role sits at a Towers Watson level 16/17 and is broadly equivalent to an IDS job level 9 or a Hay score of between 771 and 1,055
- the role earns a salary in the range of £90,000 to £130,000 a year plus discretionary bonus.

Structure of the organisation

The organisation is headed by a chairman and four executive directors – a finance director, two managing directors (one responsible for each of the two main divisions) plus one other.

The group HR director leads the HR function at organisation M, which includes 20 staff across four functions through five senior direct reports employed as directors/associate directors covering reward, generalist HR, recruitment, learning and development, and administration. These each have between one and three direct reports. The group HR director reports to the COO.

Roles and responsibilities

In terms of role responsibilities, the comparator has responsibility for strategic decisions and budget setting. There is no public aspect to the HR director role but other directors deal with clients. Unpredictability and uncertainty are limited to variations in company and department performance.

Qualifications and experience

The majority of senior staff are trained up internally from graduate level. Each year the company takes on around 40 graduates and has the capacity to employ all of them at the end of the training. A career path for a director-level employee at organisation K is typically within the company, or they join/leave to work for a competitor or within a different industry. In most cases talent is 'home grown' and the company has a low level of staff turnover at around 11 per cent. Employees at comparator level within the specialist areas would typically begin their career as a trainee on a three-year training course, followed by 18 to 24 months' service post-qualified, 18 to 24 months' service as assistant manager and 18 to 24 months' service as a manager, after which point he/she would be promoted to associate director. Once at this level it takes approximately two to three years to be promoted to director. Therefore the comparator would have at least 10 years' experience and either hold a professional qualification or have passed exams. The HR director will have professional qualifications and have at least 10 years experience of working in and leading HR.

Basic pay

The company's global grades structure is based on the Towers Watson job levels. There are five key grades below board level.

Job level	Indicative salary range £pa	Equivalent Towers Watson level
Assistant manager	40,000-45,000	12-13
Manager	50,000-55,000	13-14
Associate director	65,000-70,000	15
Director/partner (comparator)	90,000-130,000	16-17
Board executive	-	18-19

Bonus

The comparator is eligible to receive a discretionary bonus based on individual, team, department and company performance. There are no guarantees for bonus payments or a set structure in place for awarding bonuses.

The comparator is also eligible to receive share options, of which there are two types – deferred options and equity awards. The equity award is based on share matching, whereby an employee is offered to purchase a number of shares and in return will receive the same amount of shares free. This offer is based on performance and is only available to senior staff at associate director level (the level below that of the comparator) and above.

Pay on appointment

Pay on appointment is determined by the remuneration sub-committee.

Pay progression

Progression is via the annual performance-related salary review or by promotion. Individuals can progress through the pay structure by annual pay awards up to a certain level but to reach the comparators level is via promotion and is subject to approval from the remuneration committee.

Individual pay rises are linked to performance and there are four performance markings – exceeds, meets, partially meets and unsatisfactory. Performance is managed by annual appraisals with line managers, as are objectives for the year. There are no KPIs. These are then assessed by the line manager at the end of the year. There is a pay pot, which is determined by the remuneration committee along with guidance for its distribution, and line managers have to determine individual awards. The size of pot for each department is linked solely to financial performance, with no link to the number of employees in a department.

Benefits

Holiday entitlement varies by grade and length of service. The comparator and other staff at this level have 30 days' annual holiday, plus public holidays.

The reward package for comparators is made up of base salary, holidays, death-in-service, income protection, private medical insurance, pension (DC or DB – depending on length of service), plus flexible benefits via salary sacrifice – such as childcare, critical illness, cycle scheme, buying/selling holidays, dental insurance. Directors also have a Blackberry mobile phone, free eye tests and laptops, and the company operates a save-as-you-earn scheme.

Table 27 Defined contribution pension scheme contribution levels	
Employee contribution	Employer contribution
0	<3%
≥3% or more	8%

Transparency and governance

Reward policy and practice are well documented but are not published internally or externally. All staff can have information on the department structure, reporting lines, performance and development plans, objectives for the year, their performance marking and how their package is made up for their grade. Staff are not given access to pay and reward information for posts more senior than themselves, and the pay structure is not published.

All reward decisions are overseen and signed off by the remuneration committee; this includes the pay pot and recommended guidance on distribution of the pot within each department, decisions on promotions, and decisions on equity awards for comparators and above. The remuneration committee is comprised of six non-executive directors from various parts of the business.

There is also a sub-committee of the remuneration committee which has five board members. The subcommittee makes the first recommendations on reward issues, such as the budget for pay rises, changes to the reward package and promotions, and has sight of all the data. The remuneration committee does not get involved in the details but has final sign off. The sub-committee also sets salaries for the organisation's 280 directors whilst the remuneration committee sets salary for the chairman and four other executive directors.

Salaries are reviewed on 1 July each year and individual performance awards are subject to the remuneration committee's approval. Each year the company undertakes a market benchmarking exercise to inform the review process. There are no trade unions recognised for pay bargaining.

There are no recruitment and retention payments or golden hellos or other such payments, since these types of payments have been out ruled by the Financial Services Authority (FSA). Previously the company may have made such payments for a new hire.

HR support

The HR function provides guidance and support to comparators when determining the distribution of individual performance scores and associated pay rises, equity awards and promotions. Each department head is given a budget for performance awards and, together

with his/her associate directors, allocates the distribution of awards. The line manager has discretion over the distribution of the pot.

3.14 Case study N – Law firm

Introduction

Organisation N is a law firm in London. The firm employs around 300 staff and specialises in several areas of law. The firm has an annual turnover of around £35 million. The majority of staff at the firm require a professional qualification.

Comparator

The case study looks at one role, the finance director, as a comparator for head teacher. The reasons for selecting this role as a comparator are:

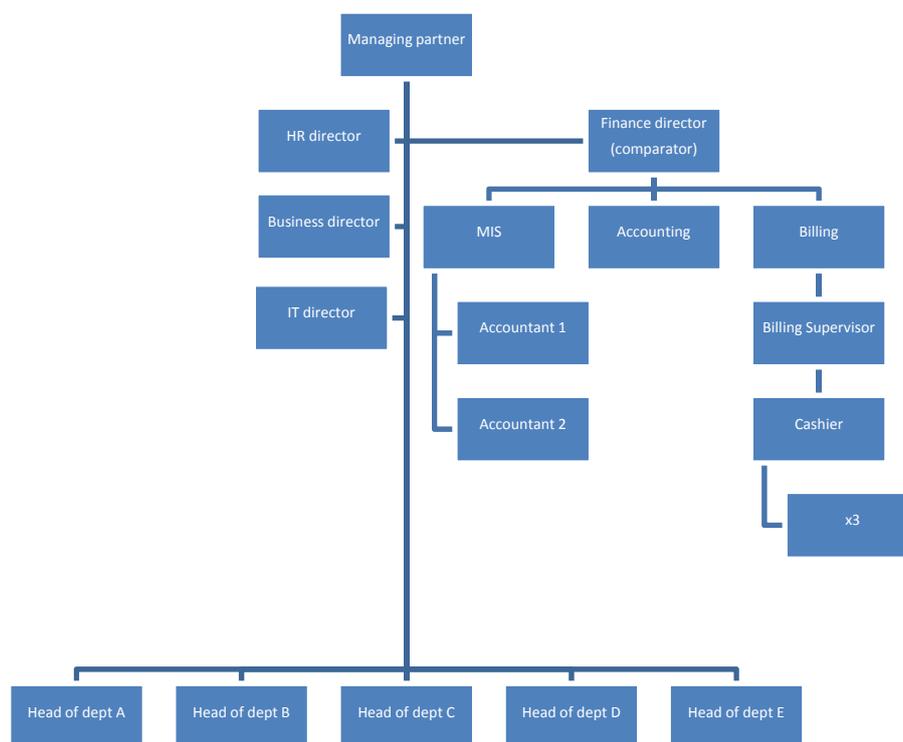
- the postholder is responsible for 20 staff
- the role reports to the firm's managing partner
- the salary for the role is between £125,000 and £135,000 a year
- the role is responsible for a budget of £3 million.

The comparator role is currently held by a male in his late forties. The current incumbent has been in post for three years.

Structure of the organisation

The managing partner has overall responsibility for the business and sits on a management board comprising the heads of departments as well as the functional directors of the corporate functions, HR, business development, IT and, the comparator for this case study, finance.

Figure 12: Case study N leadership structure



Roles and responsibilities

The finance director manages three senior managers who are professionally qualified management accountants responsible for discrete functions (management information systems (MIS), accounting and billing), each with their own staff reporting directly to them. The finance director has an impact across the whole business and has quite a complex reporting structure. The finance director is managed by the managing partner and provides significant input into the strategy of the business. As well as the day-to-day internal requirements of the job, the role has additional responsibility to ensure compliance and risk management with industry regulations. For example, the finance director is the organisation's compliance officer for finance and administration (COFA) and is responsible for ensuring that the firm complies with the Solicitor's Regulation Authority accounts rules. Complying with the requirements of these rules also means that that the postholder is responsible for implementing and maintaining systems and process such as:

- a system for ensuring that only the appropriate people authorise payments from client accounts
- a system for ensuring that undertakings are given only when intended, and that compliance with them is monitored and enforced
- a system for ensuring that basic regulatory deadlines are not missed e.g. submission of the firm's accountant's report, arranging indemnity cover, renewal of practising

certificates and registrations, renewal of all lawyers' licences to practise and provision of regulatory information

- a system for monitoring, reviewing and managing risks
- ensuring that issues of conduct are given appropriate weight in decisions the firm takes, whether on client matters or firm-based issues such as funding file reviews
- appropriate systems for supporting the development and training of finance staff obtaining the necessary approvals of managers, owners and COLP/COFA
- arrangements to ensure that any duties to clients and others are fully met even when staff are absent.

There are also a number of relationships with external organisations such as with the firm's bankers, with the professional indemnity insurers, and with major suppliers such as the providers of the financial management systems. This is a relatively complex role with a requirement to measure a fairly high amount of uncertainty and risk. There is a potential public profile through activities such as speaking at conferences or to relevant media. There is a relatively robust support network for the role both externally, through professional law and finance associations, and internally, with other directors.

Qualifications and experience

The postholder is a qualified chartered accountant with experience in law firms and in industry. There is a competency framework in the firm and the postholder was interviewed against the criteria in the framework. In terms of career path development, this role could conceivably move into a chief operating officer role at another law firm or into a smaller law firm into a chief executive role.

Basic pay

There is no overarching pay structure in place at the comparator level. Pay levels are spot rates set with reference to market comparisons and internal relativities. The firm takes part in a number of surveys and pay data is provided based on relevant regional and other stratification. There is also a network of informal contacts within the market so the organisation is able to discover whether pay is in the correct 'ball park'. Contracts are standard contracts, not negotiated individually. Initial pay levels on recruitment are based on internal business-specific competencies. There are no recruitment and retention allowances. Pay is set by HR in collaboration with the managing partner.

Bonus

The comparator roles are members of a director bonus scheme based on a mix of personal and business targets. Bonus payouts can range from 2.5 to 13 per cent each year and are subject to the final decision of the managing partner and board. The postholder also participates in a firm wide bonus scheme linked to the financial performance of the firm.

Pay on appointment

The starting rate of between £125,000 and £135,000 a year was based on the experience of the postholder.

Pay progression

Pay is reviewed annually and performance is assessed against business-specific base competencies. There are also quarterly business objectives and performance is assessed each quarter against those. This used to be an annual exercise but because of the nature of the business the firm undertakes, a decision was made to shift to quarterly targets. Targets and objectives are set in collaboration with the relevant director and managing partner. The managing partner seeks feedback from the management board to assess whether targets have been achieved and a '360 degree' feedback policy allows directors to nominate other individuals within the business to provide feedback on the postholder's performance in meeting targets.

Benefits

The comparator receives a range of benefits including a Group Personal Pension with employee contributions up to 5 per cent. Holiday entitlement is 25 days a year rising to 30 days after five years. There is a five-year income protection scheme and a life assurance scheme worth up to four times salary and a number of other benefits such as a subsidised gym membership scheme, nursery vouchers and income protection. There are no company car benefits and no other financial incentives.

Transparency and governance

There is not much transparency around pay at the comparator levels.

HR support

Ongoing professional HR support is provided to the finance director for a range of activities such as benchmarking on recruitment, or dealing with any staff performance issues. Pay benchmarking is carried out on a regular basis using data from other organisations and market information from recruitment consultants.

3.15 Case study O – Manufacturer

Introduction

Organisation O is a manufacturer with over 3,000 employees. It has an annual turnover of more than £500 million. About one-in-ten staff are graduates or have other professional qualifications. Part-time staff constitute around 1 per cent of the workforce.

Comparators

The chief executive of this large organisation is an inappropriate comparator. Instead, we looked at two roles, a general manager of a manufacturing area and a senior manager, who reports to a general manager. The general manager is probably equivalent to a head teacher of a large secondary school or executive head while the senior manager is equivalent to the head of a small school.

The general manager was chosen as a comparator because the role:

- manages around 600 staff, about 12 to 15 of whom are professionally qualified engineers
- has three direct reports
- is responsible for a budget of £50 million.

The senior manager grade was chosen as a comparator because the roles:

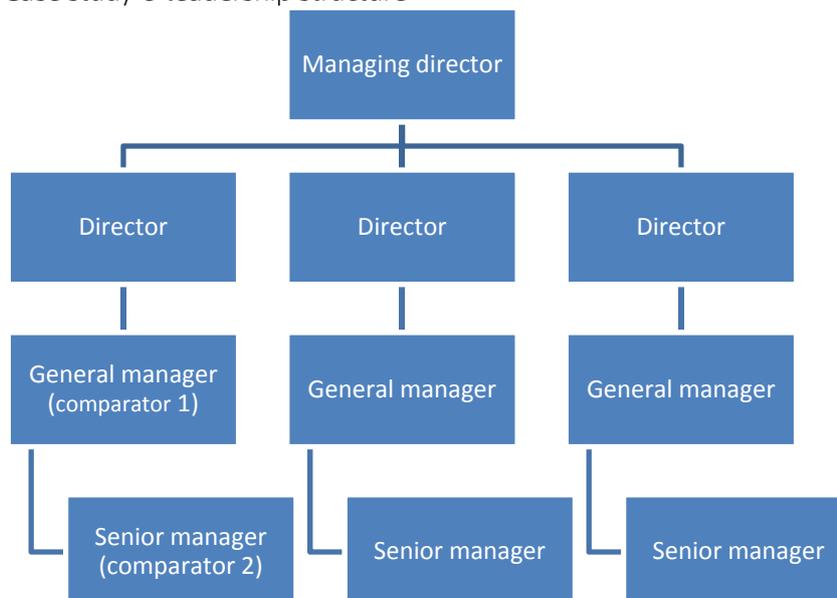
- manage around 150 to 300 staff, five to nine of whom are professionally qualified engineers
- have four direct reports
- are responsible for a budget of £15 to £20 million.

Pay is set in exactly the same way for the two roles, so, while this case study focuses on the general manager, all processes apply equally to the senior manager. Salary information, which is commercially sensitive, is not available for either role.

Structure of the organisation

There is a managing director and a number of directors. Each division has a general manager reporting to the director, and one or more senior managers reporting to each general manager.

Figure 13: Case study O leadership structure



Roles and responsibilities

The general manager prepares a five-year business plan for the manufacturing area, and is responsible for long-term planning decisions – such as the manufacture of new products which would require heavy investment in new plant – overall strategy and risk management. The postholder is responsible for 600 staff and a budget of £50 million, which in themselves result in complexity and uncertainty from day to day. The general manager is accountable for all aspects of the role to the director of manufacturing.

Qualifications and experience

The main requirement for the job is at least 20 years' experience of manufacturing. Formal qualifications are less important than experience, although an individual who is directly managing professional staff will also have professional qualifications. The postholder has worked their way up through junior roles in the organisation although an external applicant could be recruited in future. Support is available to the general manager through the management development programme, management coaching provided by the HR department and line management, weekly management strategy meetings which all general managers attend, and daily meetings of general managers.

Basic pay

All jobs are benchmarked using Hay job evaluation. A target pay rate is set based on upper quartile market pay, drawn from Hay 'All companies' survey data. A pay band of 80 to 120 per cent of this target rate is then established for each managerial role. Managers move through the pay band in line with their achievement of the organisation's competencies, their

position in the band and annual benchmarking of market rates. Managers' formal hours are 39 per week but they are contractually obliged to work the hours necessary to get the job done.

Bonus

Managers' performance is also rewarded with a bonus, which varies by grade in line with Hay market data. The managerial bonus pot is arrived at through a matrix based on different levels of company performance. Individual managers are then appraised by their line managers against the personal objectives set at the beginning of the performance cycle. These could include safety, quality and costs. Objectives are moderated by the HR department to try to ensure that objectives are similarly challenging for all managers. Appraisal outcomes are also moderated by HR.

Pay on appointment

Pay on appointment is determined by HR, to ensure consistency. The appointee's previous experience and salary determines their starting position on the pay band.

Pay progression

Pay progression for managers is based on performance, position in range, labour market movements and the cost-of-living. All managers are assessed annually against the organisation's competencies. Line managers conduct full appraisals and give employees a score based on the extent to which they have demonstrated each competency. The final appraisal mark collates points from each competency into an overall score from one (poor) to five (outstanding). Overall appraisal scores are awarded according to a defined distribution. Individuals then progress through the pay band in line with their appraisal score and their position in the pay band. If two individuals have the same ratings the person whose salary is at the lower end of the band will generally receive a higher increase than the person whose salary is near the top.

In addition, individual pay increases take into account a cost-of-living factor based on market movements, CPI, RPI, Hay forecasts, the increase received by production staff and overall business performance.

Benefits

All staff receive 25 days' annual holiday, rising to 29 days with service. The company operates both defined benefit and defined cost pension schemes. All general and senior managers receive private medical insurance for themselves and their families, and a company car plus fuel. There are no other benefits.

Transparency and governance

Individual managers know the basis on which their pay will increase from year to year, and how their bonus is determined. The pay system is approved by the managing director and controlled by HR.

HR support

There is little managerial discretion on pay decisions. Basic pay, performance pay and bonuses are determined according to matrices, and where there is managerial discretion, in assessing performance against competencies, setting bonus objectives and assessing whether they have been met, HR moderates the outcomes. HR does not so much support individual managers in pay decisions as provide a firm framework and oversee how it is used in practice.

3.16 Case study P – Housing association

Introduction

Organisation P is a not-for-profit organisation providing housing for older people in the South East. It operates a 33-room care home, manages 137 self-contained sheltered accommodation rental flats and owns the freehold to a further 28 residential leasehold units. The organisation is currently undergoing expansion, which involves development of a new care home and redevelopment of the former care home site into further leasehold units (see below for further details). The organisation employs 68 staff in total, 50 of whom work full-time.

Comparator

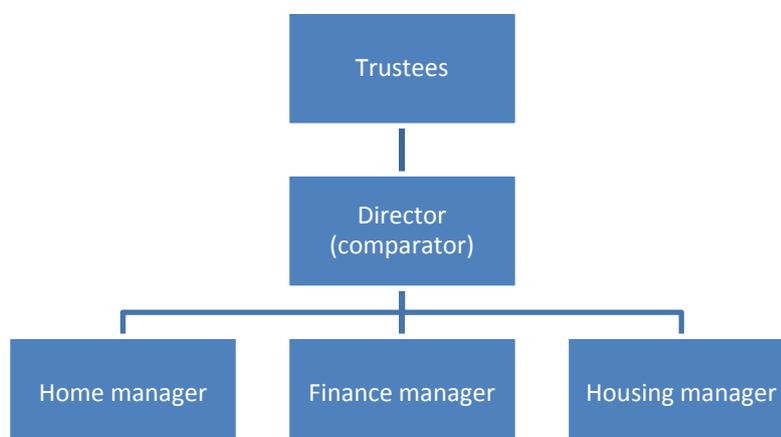
The director is comparable to a head teacher of a small primary school. The current postholder is a female in her 50s. The reasons for selecting the comparator are:

- the role is responsible for the delivery of the organisations' objectives
- the role manages a workforce of 68 staff via three direct reports
- the postholder earns an annual salary of £49,500
- the role is responsible for an annual turnover of around £2 million
- the postholder acts as project manager for the organisation's redevelopment project, which has a budget of £10 million.

Structure of the organisation

The organisation is headed by the director who has three direct reports; home manager, finance manager, housing manager. The director reports to a board of trustees, all of whom are volunteers.

Figure 1: Case study P leadership structure



Roles and responsibilities

The main responsibilities of the role are to implement the mission and objectives set for the organisation by the board and effectively lead the whole organisation. In terms of strategy and decision-making, the postholder is responsible for making recommendations to the board and will take day-to-day decisions referring only major decisions to the board. The postholder will liaise with a range of external stakeholders, such as the Quality Care Commission and other inspectors, to ensure services are being run to the required standards. The postholder will also attend sector forums and conferences.

In addition to overseeing operational and strategic running of the organisation, the role is also responsible for project managing development works. The organisation is currently undergoing expansion and the comparator has been leading the building development programme for a new, larger 48-room care home. The development is due to complete in July 2013 and the care home will open in August. Phase Two of the project involves redevelopment of the existing care home site into 29 leasehold flats in partnership with a developer. The comparator will also have responsibility for Phase 2 of the project. The overall project has a budget of £10 million and aspect of the role is complex and quite substantial, even with the help of appointed consultants at the developer.

The comparator is contracted to work 36 hours a week and the hours worked in the office tend to fall within this parameter, however the comparator often works additional hours from home. There is an expectation that the postholder will do the hours to get the job done. There is no provision for overtime pay.

Qualifications and experience

There are no specific formal qualifications required for the job however the postholder will have significant experience in the field, with excellent management and leadership skills. Historically the organisation has tended to promote from within the organisation: the comparator was formerly employed as HR manager and continues to have responsibility for this remit. They have looked at recruiting from the external market and candidates were from the care home sector. In order to progress further the postholder would have to move to a larger housing association.

Basic pay

The basic pay for the comparator will rise to around £49,500 following completion of this year's salary review. Salaries for senior managers are reviewed every three years. All other employees receive a cost-of-living general pay award each year.

Bonus

There is no precedent for bonuses, being that the organisation is operated on a not-for-profit basis. The board of trustees had wanted to award the director a bonus this year in recognition for the success of the development project so far, and wider contribution to the organisation. However the postholder did not wish to accept this award as she felt it was against the ethos of the organisation. Instead the individual has been awarded a pay increase of around 8 per cent – this is outside the regular three-year review cycle for senior managers.

Pay on appointment

Pay on appointment can be anywhere in the salary band and is based on the person's existing pay and experience. This will be set by the board of trustees.

Performance management

Individual performance appraisals are held annually and progress on individual performance objectives are reviewed on an on-going basis informally and formally on a biannual basis i.e. half-year and year-end. The comparator is appraised by a member of the board and is responsible for undertaking appraisals of her three direct reports. There are no performance-linked pay rises or bonuses.

Benefits

The director and other senior managers receive 30 days' annual holiday plus bank holidays. The comparator is a member of the Social Housing Pension Scheme (SHPS), a final salary pension scheme for people working in social housing. There is a defined contribution stakeholder pension scheme for all other employees, including other senior managers. There are no other benefits.

Transparency and governance

Pay for the comparator is published in the annual company report as she is the highest-paid director and there is a link to the latest report on the organisation's website. The board provides a regulatory function.

HR support

There is no HR support since the HR function is undertaken by the comparator as she was formerly employed in the role of HR manager.

3.17 Case study Q – Chemicals manufacturer

Introduction

Organisation Q is a chemicals manufacturing business with around 2,000 staff in the UK and Ireland and 111,000 employees worldwide. The annual company turnover for the UK and Ireland is €1.6 billion.

Comparator

The likely comparator at this organisation would be either a managing director or 'head of' managerial role in grade 7. Salaries for employees in grade 7 range from £71,000 to £119,000 a year.

Basic pay

The salary structure is based on seven grades, running from '7' at senior manager level to '1' for administration and production staff. Each of the seven grades '7' to '1' and their associated pay ranges are divided into two 'sub-bands' each with minima, maxima and 'central point' salary rates. Examples of salary ranges are given below. Managerial roles start at grade '4', which also includes sales staff. For the last eight years, the 'Strata' job evaluation tool has been used to allocate jobs to grades. Strata looks at three main areas: problem solving, knowledge and experience, and accountability and impact.

Market pay data is collected centrally in Germany with particular reference made to surveys conducted by Mercer. Although the findings of these surveys are used as a base, before any final decisions are reached, HayPayNet and local expertise is used to refine and adjust the results to reflect the local UK market and give more focus to the chemicals industry.

Table 28 Example salary ranges at case study Q, April 2012

Job examples	Pay band	Lower limit £pa	Upper limit £pa
Head of, MD of, executive manager	7.2	79,000	119,000
	7.1	71,000	107,000
Head of, MD of, senior manager, executive team leader, executive specialist	6.2	65,000	97,000
	6.1	55,000	84,000
Head of, manager, senior team leader, senior specialist	5.2	52,000	77,000
	5.1	44,000	66,000
Manager, supervisor, team leader, specialist	4.2	40,000	59,000
	4.1	34,000	51,000

Bonus

The organisation's pay policy is geared towards 'total cash', defined as basic salary plus variable pay. This is designed to be competitive against local markets and aimed at rewarding individual performance. Using a combination of pay data for all industries supplied by Mercer and local HR expertise from within organisation Q, total cash in the UK is benchmarked to ensure it remains competitive against the market. Over the last few annual pay reviews the company has been shifting a larger proportion of the reward package towards variable pay, and this is a process that will continue in the coming years. In 2012 an uplift of between 1 and 2 per cent was applied to target bonus levels.

Target level bonuses are linked to grade level and are expressed as a proportion of salary for each pay band. In 2012, there was an uplift of between 1 per cent and 2 per cent applied to target bonus levels that had not already reached their long term target. Target bonuses are now worth 15 per cent of salary at grade '4', 18 per cent at grade '5', 20 per cent at grade '6' and 28 per cent at grade '7'. The value of bonuses awarded to individuals is based on each band's central point salary, not the actual pay rate of each individual. For this reason, employees with the same individual performance rating in the same sub-band, but at different ends of the salary range, receive the same bonus in cash terms. The thinking behind this idea is that employees should be rewarded equally according to their job role in the wider market.

The greater emphasis on variable pay means that when the business is doing well employees will be able to share in the success, but when it performs less strongly the paybill will be reduced. The company has indicated the levels of on-target bonus it wants to reach as a 'long term goal', but no formal timetable has been set. This is to provide the flexibility to respond to market movements and factors, such as inflationary pressures. In some years it will be possible to move more quickly towards the long-term goal than in others.

Bonuses are calculated according to both individual and corporate metrics. The level of performance achieved under each of these two factors is then translated into a 'multiplier' which will increase, reduce or maintain the central point bonus level. Individual performance is assessed according to the nine performance ratings, so if the mid-level performance rating, '5', is achieved, the multiplier used is one – meaning that the central point bonus figure is left unchanged. The final bonus is then determined with reference to corporate results, as measured by return on average assets employed during the year. If the target business performance factor is similarly reached, the multiplier is also one and likewise no

adjustment is made to the central point bonus figure. But results above or below the on-target level translate into a higher or lower multiplier, affecting the final bonus payment amount.

In addition, employees are eligible to participate in an all-employee share ownership plan involving partnership and matching share elements.

Performance management

Employees can expect to have their salaries managed within their pay band depending on individual performance. Individual increases vary depending on performance ratings and position in the pay band and high performers are able to move towards the maximum more quickly. In 2012 basic salaries for managers and professionals rated as 'fully achieved' were increased by approximately 3 per cent.

Each year, employees agree between four and six personal objectives, including improvement objectives, which focus on their long-term and future development. In addition, performance in the core responsibilities of each job role is assessed. Targets must be measurable and linked to the ultimate goals of the business. At the end of the performance cycle, individual performance is rated according to a scale running from '1', 'marginally/not achieved', to '9', 'significantly exceeded'. An overall rating is then determined by the appraiser – their line manager.

When coming to a final performance judgement, appraisers in the UK are also required to take into account an individual's competencies. There is no forced distribution of the ratings, but experience so far is that approximately 60 per cent are likely to be rated as having 'fully achieved' their objectives, a quarter will have 'exceeded' them and under 10 per cent will be rated as 'mainly achieved'. After line managers have made their initial performance assessments, they meet with other managers and HR representatives as part of a stringent cross review process to make sure there is consistency in the ratings awarded. Although it is difficult to remove subjectivity altogether, there is an expectation that the reasoning used to decide ratings will be challenged in this forum and consequently changed on some occasions.

Benefits

Employees receive a basic holiday entitlement of 25 days, and after five years' service an extra day is awarded, rising to 30 days at 10 years' service. Managers in grade '5' and above are eligible for a status car or a cash allowance depending on seniority. Cars are allocated on

a job need basis below grade '5', defined as those employees who are required to travel a minimum of 7,500 business miles per year. Employees at grade '5' and above who travel 7,500 business miles must take a car and not the cash alternative.

The defined benefit pension scheme closed to new entrants around 13 years ago and was replaced with a defined contribution plan with varying contributions. Under the 'core' scheme, employee contributions are 3 per cent of salary, with 4 per cent added by the employer. Employees can choose to pay additional contributions, which attract higher contributions from the company. Under this arrangement, the maximum employee contribution is 6 per cent of salary which is matched by an employer contribution of 10 per cent.

All employees have BUPA membership with subsidised rates available for family members. Medical examinations are free every two years for all employees. The company also operates a long-service award scheme. After 25 years, employees receive a payment worth a full month's salary. After 30 years they are paid an additional sum worth half of their monthly salary, after 40 years the sum is equivalent to one and half month's salary and after 50 years it is worth three months.

3.18 Case study R – Broadcaster

Introduction

Organisation R is a broadcaster that provides TV channels, radio stations and on-line services. It has a workforce of 20,300 and an annual turnover of £5 billion.

Comparators

The information included in this case study suggests that the likely comparator for a primary school head teacher would be in grade 11, that for a secondary head teacher would be above this level. The salary for managers in grade 11 ranges from £43,888 to £69,472 a year outside London, and from £47,567 to £73,151 a year in London.

Basic pay

Job grades for professional and technical staff are based on a points-factor job evaluation scheme. The scheme was developed by an external consultancy, but has been customised to define responsibilities within the media industry. Individual salaries are set within the range for the grade, taking into account the skills, qualifications and relevant experience of the person and the external market rates for the job. Managers may also make salary adjustments as a result of factors such as the completion of a training programme, market pressures or increased responsibility. The latest salary ranges by grade and selected job titles are shown in the table. Senior managers above grade 11 are on individually determined salary rates that are not included in the table.

An annual London weighting allowance of £4,245 is paid to employees with an annual basic salary that is less than £25,000 and £3,679 is awarded for those earning £25,000 and above.

Table 29 Example salary ranges at case study R, April 2012					
Grade	Job examples	London minimum £pa	London maximum £pa	Outside London minimum £pa	Outside London maximum £pa
11	Commissioning executive, editor, executive producer	47,567	73,151	43,888	69,472
10	Assistant editor, engineering manager, series producer	42,935	65,802	39,256	62,123
9	Project manager, studio resources manager, TV producer	38,803	59,239	35,124	55,560
8	Graphic designer, lighting cameraperson, sound supervisor	34,672	52,713	30,993	49,034
7	Assistant TV producer, picture editor, web producer	30,900	46,742	27,221	43,063
6	Rights executive, web developer	28,146	41,491	23,901	37,812
5	Cameraperson, floor manager, HTML coder	25,185	36,832	20,940	33,153
4	Electrical technician, librarian	22,819	32,739	18,574	29,060
3	Costumier, production secretary,	20,553	29,161	16,308	25,482
2	Phone-in operator, runner, library assistant	18,851	26,664	14,606	22,419

Bonus

There is no contractual provision for staff to be paid a bonus.

Performance management

Remuneration policy seeks to attract and retain staff, reward performance and maintain fairness and consistency. At the last pay review all employees received a 1 per cent pay rise, effective from 1 June 2012. Salaries are typically reviewed in August and additional increases may be awarded towards progression targets. Subject to demonstrating satisfactory performance in the role, employees will move to a minimum of 110 percent of the floor of their pay range within three years and to 115 percent within six years. Employees assessed as consistently high performers may receive higher awards.

Benefits

All employees receive 25 days leave a year plus one company day. Those employees with more than 10 years service receive an extra 2.5 days holiday each year. A flexible holiday scheme allows employees to buy or sell up to five days holiday.

All employees are eligible to participate in the defined contribution pension scheme. Employer contributions range from 4 per cent of salary to 10 per cent of salary. Employee contributions start at 4 per cent of salary with no maximum contribution limit in place. Full details of employee and employer contribution rates for the scheme are given in table.

There is also a flexible benefits scheme for employees which includes a cycle to work scheme, childcare vouchers, healthcare assessments, travel insurance, dental insurance, critical illness cover, will writing and private medical insurance.

Table 30 Employer/employee pension contributions at case study R	
Employee contribution (% of salary)	Employer contribution (% of salary)
4.0	4.4
5.0	5.0
6.0	7.0
7.0	8.0
8.0	10.0
8.0 or more	10.0 maximum

3.19 Case study S – Online ticket retailer

Introduction

This travel retailer and IT company employs a total of 370 people in Edinburgh and London, up from 320 in 2011. Some 60 people work in the company's contact centre, with the remaining 310 staff made up of managers, professionals and specialists.

Comparator

The likely comparator in this organisation would be 'Head of' 'Director of'. Salaries in this category range between £60,000 and £138,000.

Basic pay

The company's salary policy is to pay between median and upper quartile market rates. Additionally, all employees are on spot rate salaries and there is no formal salary structure or parameters of any kind for managerial, professional and technical staff. The company says it will pay staff whatever is necessary to recruit and retain them. It adds that for a fast-growing entrepreneurial firm with a large number of specialist and technical roles, many of which require 'one-off' skills, it would be counter-productive to have pay ranges which could constrain recruitment by quickly becoming out of touch with the market.

Given the importance of flexibility the company's approach to salary setting is to benchmark the pay rates for every role against the external labour market each year. As a result, specialists may actually be paid more than their managers. Croner and IDS are used as benchmarking data sources and *IDSPay.co.uk* is consulted to check market rates for roles outside of the annual exercise. The company also takes part in numerous salary surveys, consults agencies when using them to recruit for a role, and looks at job details posted online. The pay benchmarking is underpinned by the company's own 'merged' job evaluation scheme which combines methods developed by IDS and Croner.

An indication of the range of salaries received by senior and junior managers at the firm is shown in Table 31. The figures in the table are not standard pay scales with mid-points, but show the range of actual spot salaries received by postholders. Although employees can be located in either London or Edinburgh there is no specific London allowance. In practice, however, because salary rates are determined by market comparisons Edinburgh-based managers are paid less than their counterparts in London.

Table 31 : Range of salaries paid at 1 April 2012

Job examples	Minimum £pa	Maximum £pa
Director	124,000	450,000
Head of/director of	60,000	138,000
Senior manager	61,000	125,000
Middle manager	35,000	92,000
Junior manager/specialist	27,500	82,000

Performance management

There are two performance reviews a year for all employees. Performance is assessed against five ratings, which was increased from four in response to a request from line managers for an additional 'satisfactory performance' category. There is no direct link between these ratings and subsequent salary increases; rather, the purpose of the review is to ensure that line managers talk to their direct reports regularly about their performance. Where staff are rated 'below requirements' or 'excellent', the HR department conducts follow up checks. 'Excellent' performers are followed up to ensure that the best staff are given the support they need to keep developing.

In April 2012 the workforce were awarded an across-the-board increase of 2 per cent, determined by the need to meet overall financial objectives. The best performers and specialists with scarce skills, however, received higher salary increases of up to 10 per cent if market data suggested a need to bring their pay into line with rates elsewhere. In contrast, a poor performer could be denied a pay rise, but in practice this is limited to a small number of employees each year.

Incentives

Incentives do not play a significant role in the company's reward offering. There is a bonus scheme, however, covering the executive team, sales staff and others who were employed before the firm was sold to a private equity organisation in 2006. Executives only receive a bonus if corporate targets are exceeded with potential awards varying according to role and the level of over performance. Managers and specialists may also receive a bonus even if corporate targets have not been achieved. Bonuses are linked to two metrics, company and individual performance, with each attracting awards worth 10 per cent of base salary.

There are no share option or similar schemes at the company, although some directors and managers currently own equity which they acquired when the business changed hands.

Benefits

All employees are eligible to join a defined contribution pension scheme. In the scheme, the company matches employee contributions of up to 5.5 per cent of salary. Some employees are also eligible for company car cash allowances which are supplied on either a job need or status basis. There are three levels of car allowance: £480, £600 or £700 per month. Other benefits provided include private medical and dental insurance and childcare vouchers. Holidays are 25 days for all and benefits cannot be flexed.

3.20 Case study T – Tobacco Manufacturer

Introduction

Organisation T is a tobacco manufacturer employing over 60,000 staff, with some 1,700 of these in the UK. Its annual turnover is around £46 billion.

Comparator

The likely comparator at this organisation would be the Senior HR Manager whose market rate is £100,000.

Salary structure

All roles are evaluated using the Hay Guide Chart Profile Method and graded accordingly. Altogether, there are seven job reference levels in the management structure, excluding the main board and management committee. The majority of jobs throughout the company are evaluated and benchmarked with the remainder 'slotted' into the structure created through the benchmark evaluation process.

A competitive salary point is established for each grade and this is called the market anchor – the level at which the firm would expect to pay a fully-experienced employee performing a job at a fully satisfactory level after a number of years' employment. Salaries are managed around this point, typically ranging from 80 per cent to 120 per cent, but with variations according to level and site. An indication of the range of jobs covered by levels 34 to 40, along with the market anchors and relevant Hay points, is shown in Table 32 below.

Table 32 Example job functions with market anchor rates by grade and Hay Group job evaluation points at 1 April 2012

Grade	Job function	Hay points	Market anchor (£pa)
40	Regional head of finance	1,621 - 2,080	220,000
39	Group chief accountant	1,351 - 1,620	185,000
38	Head of pensions	1,021 - 1,350	140,000
37	Senior HR manager	737 - 1,020	100,000
36	Taxation accountant	518 – 736	74,000
35	Brand manager	371 – 517	52,500
34	Accounts receivable manager	273 – 370	40,000

Performance management

The organisation's salary review process aims to ensure that the company maintains its competitive position in the market and that salary progression is linked to individual development and individual performance. The company does not take an 'across-the-board' approach and, as a result, salary increases will differ for individuals in the same grade or performing the same job.

Individual performance is measured across two key dimensions: business results that contribute to growing volume, share, profit, cash flow and other hard measures of success; and people results that contribute to talent, leadership and personal development, as well as organisational productivity. Following the annual performance review, employees are judged according to the following three point performance rating scale:

- Outstanding: the employee has significantly and consistently exceeded performance expectations;
- Successful: the employee has successfully met all performance expectations;
- Requires improvement: the employee has not fully met all performance expectations.

While the size of any final salary award is primarily dependent on the employee performance rating, position against the market anchor is also taken into account. To reflect ongoing development, a fully satisfactory performer whose pay is lower against the market anchor will typically receive a higher percentage increase than a similarly judged colleague whose salary is higher against the market anchor. Where an employee's salary is significantly higher than the market anchor, at 130 per cent, for example, then the increase may be substituted

by a non-consolidated lump sum payment. This approach is designed to ensure that salary progression for consistently good performers is not blocked.

In April 2012, UK based managers at the firm received individual performance-related increases averaging 4 per cent of salary. Pay policy is aimed at using reward, in conjunction with other HR practices, as an active tool in building and maintaining a high performance, highly motivated culture. The company's approach is based on a mix of financial, non-financial, long- and short-term incentives. Salaries are reviewed annually and take into account both market comparisons and conditions and individual performance and contribution.

Incentives

At the company, there is an annual cash bonus incentive scheme that depends on the business results of the whole company for HQ employees and on the relevant business unit for other staff. Four measures are used: volume share; operating profit; global drive brands volume; and cash flow. The aim of the incentive scheme is to focus attention on performance against key business indicators critical to the performance of the group. The size of any potential bonus paid depends on job level, as can be seen from the table below.

Grade	On-target bonuses (% of salary)
37 - 40	45.0
36	20.0
34 & 35	12.5

For those at grade '37' and above, 45 per cent of the bonus is paid in shares deferred for three years. For grades '38' to '40' there is a performance share plan which awards shares worth up to 25 per cent of salary at grade 38 and up to 75 per cent of salary for grades 39 and 40. The performance targets for this plan are a combination of total shareholder return and earnings per share.

Benefits

The company closed its defined benefits pension scheme to new entrants several years ago and now operates a defined contribution plan. The company contributes 10 per cent of salary and then matches employee contributions up to a maximum of a further 5 per cent of salary. This means that contributions of up to 20 per cent of salary can be paid into an employee's pension plan. On top of this, employee Additional Voluntary Contributions (AVCs) can also be paid.

All-employee share scheme arrangements include a save-as-you-earn (SAYE) scheme, free shares and partnership shares that are awarded under a separate share incentive plan (SIP). All UK employees at the firm are eligible to participate in a salary sacrifice flexible benefits scheme and full-time employees are entitled to 25 days paid annual leave. Management functions are entitled to partner or family cover for private medical insurance, while business support staff are able to 'trade up' to this level of cover.

Managers at grade '36' and above are entitled to a car or a monthly car cash allowance. The type of car and size of allowance varies by management grade.

Appendices

Appendix 1 – Case study questionnaire

CONFIDENTIAL

Introduction

Who are the comparators?

A Background to organisation and role

1. Sector/business activity
2. Structure of the organisation. Can we have an organisation chart please – must get this, or enough information to draw a simple diagram showing levels.
3. Total number and type of employees – gender, occupation, qualifications, part-time/full-time
4. Where does the comparator role fit into the overall structure?
5. What is the unit led by the comparator? Does it have local autonomy? Is it a standalone business unit?
6. Number and type of employees in the organisation/unit for whom the comparator is responsible – direct and indirect reports
7. Number of professional employees (occupations, qualifications) managed/line managed by the comparator
8. Age and gender of employee(s) in the comparator role
9. Who (job title) manages the person in the comparator role?
10. What HR support does the person in the comparator role receive to manage the pay of his/her subordinates?
11. What HR support does the comparator's manager receive to manage the comparator's pay?

B Comparator role

12. What are the key responsibilities of the comparator role? For example:
 - strategy
 - decision-making
 - risk management
 - relationships with external organisations
 - size of budget
13. How complex is the comparator's role in terms of the number and variety of tasks or functions and the number of procedures, policies and practices that govern those functions?
14. To what extent is the comparator required to manage uncertainty and unpredictability?
15. What is the JE score/grade of the comparator role?

16. To whom (line manager/board and/or governors/inspectors and/or regulators) is the comparator accountable:
 - For financial resources
 - for staff
 - for outcomes
17. What are the typical professional qualifications and experience required by the post-holder?
18. If the post-holder is required to have certain competencies, what are these and how do they fit into the overall competency system?
19. What might the post-holder's typical career path be – where were they recruited from, how have they progressed within the organisation, and into which jobs might they move in future?
20. Does the comparator have a public profile?
21. What is the support network for the role holder? For example:
 - Peer support
 - Other external or internal support or sources of advice

C Pay and benefits on appointment

22. What is the overall pay structure and how are pay levels set in the organisation?
23. Does the comparator's pay fit into the overall structure or is it individually determined?
24. Does the comparator have an individual contract and/or pay and benefits package?
25. How was pay set for the comparator on appointment:
 - market pay/formal pay structure/incremental pay structure/spot salary?
26. Which factors of the comparator's job determined their initial pay level?
27. Was an initial recruitment and retention allowance paid and if so, on what evidence was it based? For how long was this paid?
28. Who decided the comparator's initial pay and benefits package?
29. What HR support did the person setting the initial pay and benefits package receive?
30. What was/were the comparator(s)' previous roles?
31. How long have they been in their current role?

D Pay and benefits now

32. What is the current pay and benefits package for the comparator:
 - basic salary
 - contractual hours and whether comparators are required to work as many hours as necessary, paid or unpaid, to get the job done
 - bonus
 - other financial incentives

- employer and employee pension contributions. Is the pension a DB/DC scheme? If DB, which scheme?
- holidays
- company car or car allowance
- private health insurance
- discretionary payments
- other

E Performance management and performance-related pay

33. Who manages the performance of the comparator and on what basis:
 - Published criteria
 - Objectives agreed at the beginning of the performance cycle
 - Other
34. What is the nature of the objectives set and who sets them? Need to spell these out. Are there KPIs? What are they?
35. Who assesses whether objectives have been met?
36. On what basis does the comparator progress from their salary on appointment?
37. Is there a specified pay band? If so, what is the range?
38. Does the comparator receive performance bonuses?
39. What HR support does the comparator's manager receive to manage the comparator's pay progression?
40. What incentives are there, financial or non-financial, for those who have reached the top of their pay band and remain in the role for a long time?

F Transparency and governance

41. How transparent is pay setting/progression for the comparator? Are the details published? If not, who can scrutinise it?
42. Is there any regulatory or board oversight of the comparator's pay and benefits and their pay progression? If so, how is this oversight carried out in practice?

Incomes Data Services/21 January 2013

Appendix 2 – Management pay trends

To provide a further contextual backdrop for this study this section draws on data from a management pay survey, carried out for IDS's *The Managers Benchmark Pay Report 2012/13* (MBPR¹¹).

The survey covered 179 public and private sector organisations as well as 12 in-depth case studies of named organisations. The majority of data in the survey is split into four main management groups, non-board director, head of function, senior manager and professional and technical staff.

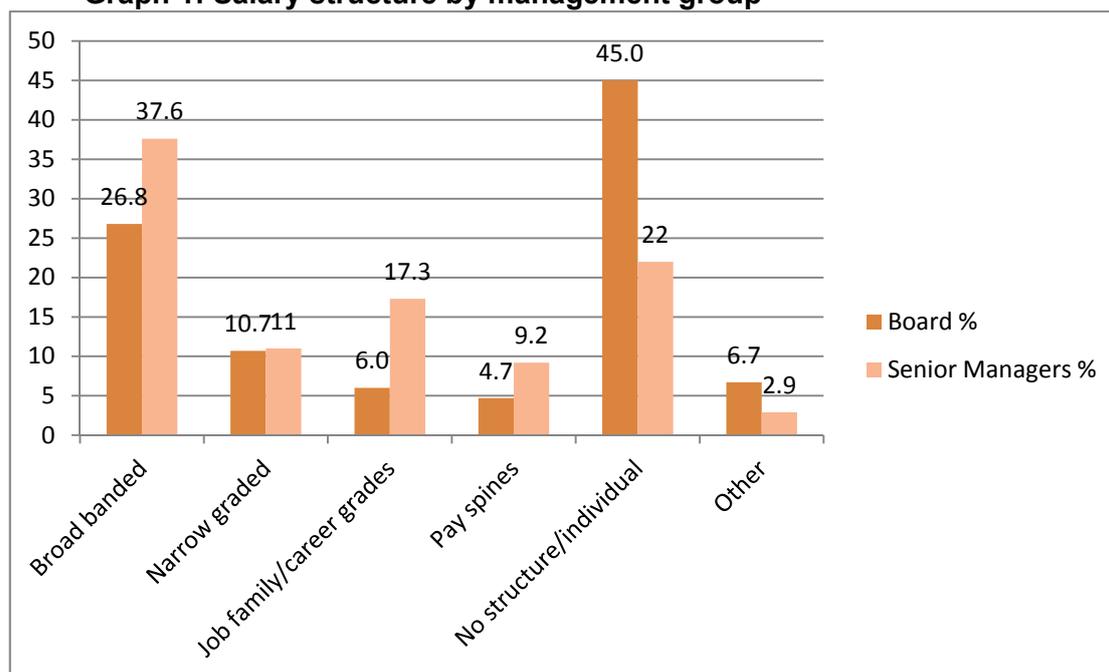
Salary structures

Graph 1:, below, shows the proportion of companies adopting each type of salary structure by management group. As the graph highlights, board level employees are most likely to have no formal salary structure in place whereas for senior managers the most common salary arrangement was a broadbanded structure.

The MBPR survey found further that of the 179 organisations contacted, some 62.1 per cent of respondents reported that they utilised a formal job evaluation scheme to underpin their salary arrangements. Analysis on a public/private sector split showed that 53.3 per cent of private sector organisations utilised a job evaluation structure, compared to 82.7 per cent of public sector organisations.

¹¹ The MBPR defines non-board directors as a 'Senior executive with a director title but does not sit on the main/parent board. May be a member of the senior management committee of a parent company or on the board of a subsidiary company. Leads a main function, develops strategy and exercises a broader corporate role.'

Graph 1: Salary structure by management group

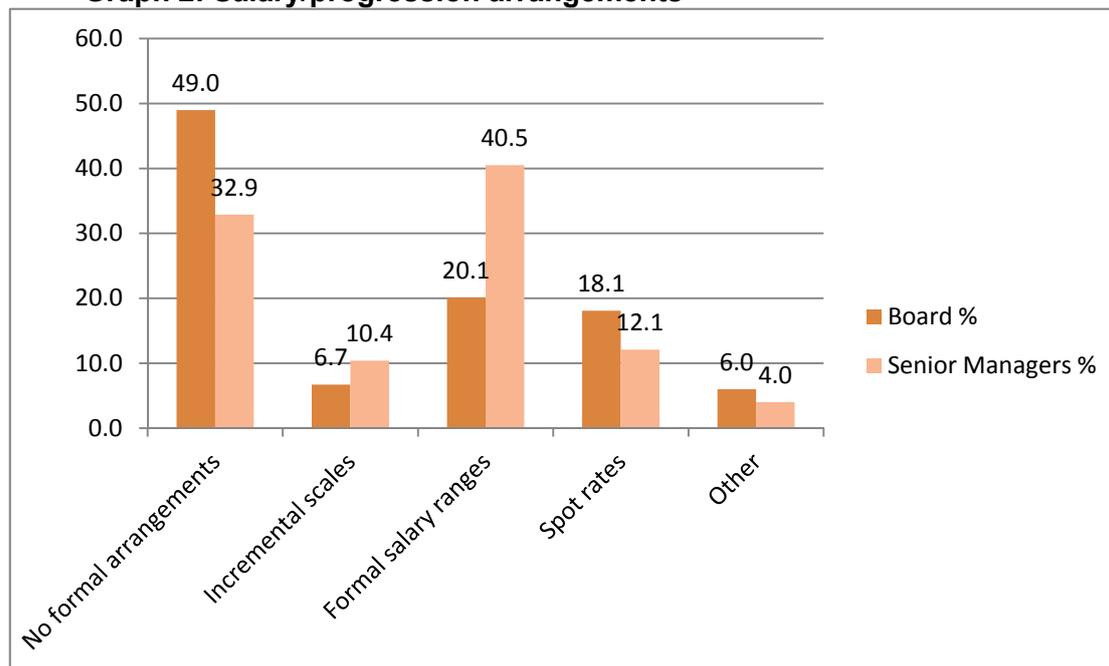


Source: Data from MBPR 2012/13

Pay progression

The MBPR also requested employer data on the type of pay progression arrangements in place. As Graph 2: shows, nearly 50 per cent of respondents to the survey did not have a formal progression arrangement in place for their board members while for senior managers the most common salary progression arrangements were formal salary ranges, utilised by some 41 per cent of respondents. Where further information on progression arrangements was requested, some 62.3 per cent of employers said that progression arrangements for board members was based on individual performance, while for senior managers the corresponding figure was 71.5 per cent.

Graph 2: Salary/progression arrangements



Source: MBPR 2012/13

Salary levels

The MBPR research also requested information on salary levels. Job capsule definitions, as per Table 34 below, were provided to respondents to enable them to match their own organisations salaries against the appropriate level.

Table 34 Job capsules used for MBPR respondent benchmarking

Management level	Definition
Non-board director (IDS job level 10a)	Senior executive with a director title but does not sit on the main/parent board. May be a member of the senior management committee of a parent or on the board of a subsidiary. Leads a main function, develops strategy and exercises a broader corporate role.
Head of function (IDS job level 9)	Reports to a member of the executive board or non-board director in a larger parent or subsidiary, or may be directly responsible to the chief executive/ managing director in a smaller organisation. Advises on strategy, responsible for planning and managing a key function or is a senior specialist.
Senior managers (IDS job level 8/9)	Reports to a head of function in a larger organisation or in a medium/smaller organisation may report to the chief executive/managing director without being on the board. Manages an area of activity, has business expertise and provides authoritative advice.

Table 35 summarises the findings for the relevant management groups and shows that at the median, salaries for non-board directors (who may be found on the boards of subsidiary companies), the closest comparator to the head teacher role, are £100,000. An analysis for

the same group by private and public sector split shows corresponding salaries of £115,756 and £82,900 a year respectively. The report found a strong correlation between organisation size, as measured by number of employees, for example, and salary levels, with median salaries for non-board directors ranging from £133,295 in organisations with over 10,000 employees, down to £55,000 for those in firms with less than 150 employees.

Table 35 Salary levels by management group at October 2012					
Management group	No.	Lower quartile £pa	Median £pa	Upper quartile £pa	Average £pa
Non-board director	308	77,040	100,000	140,000	400,000
Head of function	422	60,000	75,981	103,000	380,000
Senior Manager	440	48,000	60,000	78,430	286,000

Source: IDS/MBPR 2012/13