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PSAEW

Pay Comparability Study

HayGroup



*Prepared by
Helen Moorhouse
Peter Smith*



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1. Executive summary

- This study has been carried out in order to provide analysis and data to the Police Superintendents' Association of England and Wales for use in their submission to the Winsor Review of Police Terms and Conditions, and to support future work on behalf of their members.
- The study looks at Superintendent and Chief Superintendent roles from five case study Forces and national data from England and Wales from the past five years, reviewing the impact of recent changes in the policing context on job size.
- It compares actual pay for these ranks against the public and private sectors on the basis of base pay, total cash and total remuneration comparisons. We have used a broad range of comparator roles in our analysis in order to account for the fluctuations in pay even within the public sector market, and to provide a fair and robust comparison of remuneration arrangements.
- Analysis of national data trends shows that there has been a decrease in numbers of ACPO, Chief Superintendent, and Superintendent roles compared to a slight increase in total Force strengths.
- The recent policing environment including financial pressures, restructuring, increased scrutiny regarding performance, some delegated responsibilities from ACPO and reduced resources have led to Superintendent and Chief Superintendent roles feeling more pressured and difficult.
- The study has not found evidence of wholesale increase in job sizes for these ranks or a consistent pattern of changes across Forces, but there is evidence of some change in the distribution of roles within the ranks, which has led to a marginal increase in average job size.
- All roles covered by this study are on nationally negotiated and agreed pay scales, bonus arrangements and allowances. Some individuals included in the study also earn residual allowances that are no longer available to new starters.
- The pay relativities with Chief Inspectors and ACCs reflect our findings in relation to job size – there is a bigger step in pay and job size between Chief Inspector and Superintendent, and Chief Superintendent and ACC roles than between the superintending ranks.
- Base salary forms the majority of the total package for both ranks – at approximately 70% of the whole.
- Increases in police pay have broadly kept pace with the wider economy movement, which has been changeable in the past five years – involving pay freezes in the public and private sector, multi-year pay deals in parts of the public sector, and continued receipt of annual increments in organisations that operate this type of pay mechanism.
- Competitiveness of actual pay with both private and public sector markets is most affected by job size within the ranks – the smallest roles are mostly paid in line with or above the median of private sector market (base pay and total remuneration are 93% - 112% of the private sector median). The smallest roles are also paid in line with or above the median of the public sector market (base pay is 108% - 126% of the median and total remuneration is 126 – 137% of the median in the public sector market).

- The biggest roles in each rank are less competitive against the markets – base pay and total cash for these roles are 94% – 101% of the public sector market median, but total remuneration does fall at 101% - 119% of the public sector median.
- These findings do not necessarily point to a specific policy response. The study has raised a number of policy questions which are discussed in section 8 of this report.

2. Background

This report provides data and commentary on Superintendent and Chief Superintendent roles in Forces across England and Wales. It discusses the size and complexity of these roles, compares their remuneration with the wider public and private sectors, and highlights a number of issues that are related to discussion on pay and conditions for these roles.

This study was commissioned by the Police Superintendents' Association of England and Wales (PSAEW), in order to support future work on behalf of their members and to provide information for their submission to part two of the national review of Police Terms and Conditions being undertaken by Tom Winsor. This report does not seek to answer directly any of the questions in the Winsor Review's call for evidence, but it does provide information and context for a submission.

We are grateful to the Superintendents' Association's National Secretary, Committee and members for their support in providing information and context details at short notice for this study.

3. Method

Hay Group works with a wide range of police forces in the UK, including advising on structure, pay and reward issues. We have also undertaken independent research into reward, recognition and talent management issues on a national basis within the sector. We have built on that experience in this study through:

- Studying the structures and responsibilities of superintending roles within a small number of sample forces selected in agreement with the National Secretary:
 - Metropolitan Police Service
 - South Yorkshire Police
 - West Mercia Police
 - Gwent Police
 - Desk review of Norfolk ConstabularyThese were chosen to provide a representative sample of roles within a mix of small, medium and large rural and metropolitan forces, at different stages of reorganisation or reform.
- Reviewing structural data from the case study forces from 3 points in time – including 2006, a mid-point in time, and 2011 – in order to understand if or how roles have changed in the last five years. An outline of the data requested from the case study forces can be found in Appendix A.
- Conducting interviews with between four and seven Chief Superintendents / Superintendents from each of the four of the case study forces – in order to gain context information regarding the structural changes that have taken place, and perceptions on how roles have changed, comparator roles in other organisations, and considerations that are unique to remuneration of these roles. An outline of the interview protocol can be found in Appendix A.
- Examining key policy statements and data available from the Police Negotiating Board, Home Office, Office of National Statistics, PSAEW, and Hay Group research and databases.
- Analysing structural change and job sizes within these ranks using the Hay Group Guide Chart – Profile Method of Job EvaluationSM. This provides a view of relative job size within the Police Service, how this has changed over time, and a basis for external pay benchmarking. An explanation of the method can be found in Appendix B. We have not specifically evaluated jobs held by individual roleholders, but have outlined the spread of job sizes we have found across the forces. The technical details of the evaluations can be found in Appendix C.
- Comparing actual pay practice with the public and private sector pay markets across the UK – including base salary, total cash and total remuneration. Data to support these comparisons has been drawn from the following sources:
 - Pay information for jobs of a similar size from Hay Group’s pay benchmarking database.
 - Actual pay data for current incumbents provided by the five case study forces.
 - Police Regulations and Police Negotiating Board circulars.
 - Office for National Statistics reports outlining pay increases in the whole economy between 2006 & 2010.
- Discussing emerging questions and findings with the National Secretary of PSAEW.

4. Findings regarding job size

The core question to be answered as a result of the analysis of structures and roles over the five year period in the case study forces was whether superintending roles have changed in recent years, and if so, how?

What makes a difference to job size?

We have used analytical job evaluation to assess jobs within superintending ranks and changes over time, but it is also useful to outline in principle at this point what contributes to changes in job size and what does not.

Jobs at senior levels within organisations may increase in size if:

- The remit of the organisation extends significantly (due to legislation, merger etc).
- There is a change in the way services are commissioned and run so that power is concentrated more fully in the organisation.
- It acquires greater freedom to determine its own destiny. There are examples among NHS foundation trusts, in the schools system and in the commercialisation of some government agencies.

These same factors may influence jobs further down the organisation, depending on what they do.

(Conversely, jobs at the top of the structure can get smaller if the remit is narrowed, constitutional or governance reforms diminish local freedoms etc. There are examples in the recent reconfiguration of non-departmental public bodies within central government).

In addition, jobs at any level below the chief executive may grow even if the organisation has not done so. The most common reason is if they become responsible for a far wider range of services or subject matter, but other changes to structure can also have an impact.

It is important to note what is not in this (rather limited) list of potential influences. In particular, it omits:

- Simple changes in scale. In the decade to 2010, many parts of the public sector organisations had large increases in budget, but if they were still running the same services in the same circumstances, this has not made the jobs bigger; similarly, recent budget cuts have not generally reduced the complexity or challenge of roles. At the level of an individual job, if a manager moves from having 200 staff to 400 staff, this does not in itself add to job weight if it is simply managing more of the same type of work.
- A range of factors which may make the job feel different or more pressured. These include:
 - Increased exposure to political, audit or public scrutiny while running the same or similar services.
 - The requirement to drive structure change or service improvement in response to national policy, local initiatives and/or financial pressures. Having to do the same things differently, to a higher standard or more cheaply is one of the accountabilities of a management role.
 - Small or temporary changes in responsibilities. The addition of relatively minor tasks does not affect the size of any job. When jobs are already large, it takes a permanent and substantial shift in responsibilities to make it materially bigger - at senior level, extra remits, projects or initiatives come and go and will not affect the level of the role.

These are all examples of changes which job holders may notice and even feel strongly about but which do not change the size and price of a job.

The Policing context

The number of senior officers and proportions of Chief Officers to superintending ranks to total police officer and staff strength have fluctuated over the past five years, as a result of a period of increasing investment in policing and political focus on police officer numbers, followed by an economic downturn and reduced policing budgets.

Table 1 and Graph 1, below, show the national police officer and staff strength between 2006 and 2011 taken from Home Office figures, broken down by ACPO, Chief Superintendents, Superintendents, and total strength. They show that over the past five years there has been a cumulative 5% and 14% drop in ACPO and Superintending roles respectively, and a 3% increase in total police officer and staff strength since 2006. It also shows that the two main points of decrease were 2006-7 and 2010-11.

Graph 2 shows that the change in numbers is not consistent across the ranks. The ratio of Chief Superintendents to ACPO roles has fallen over the five years, while the proportion of Superintendent to Chief Superintendent roles has increased over the same time period.

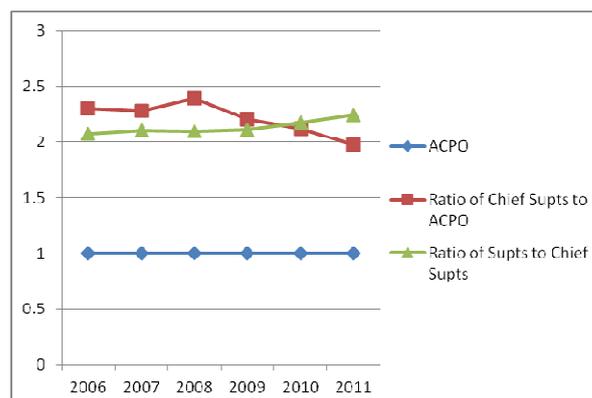
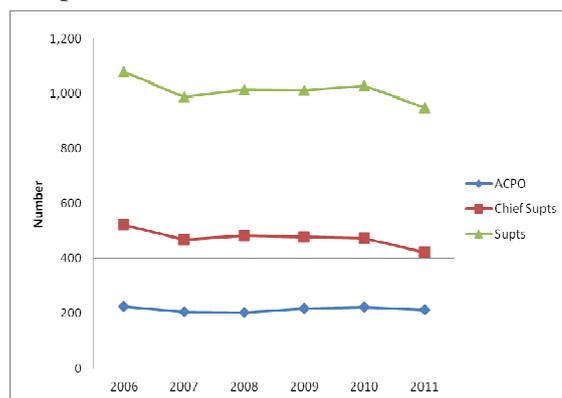
Table 1

	2006	2007	2008	2009	2010	2011
ACPO	226	206	202	217	223	214
Chief Superintendents	521	469	484	478	473	422
Superintendents	1,080	987	1,014	1,011	1,029	947
Total strength	226,207	232,948	237,114	243,126	240,431	233,255

This data covers full-time equivalent for police officers substantive in rank, and differs from PSAEW membership data, which includes temporary roles and numbers of individuals.

Data used in the following case studies is taken from the same source.

Graphs 1 & 2



The changing environment

Growing investment in policing and a high profile placed on increasing police officer numbers by the previous government in order to deliver public confidence led to a steady growth in police officer numbers prior to the economic downturn. This has meant that those in leadership roles have developed their experience in a time of increasing budgets and growth.

The financial position been an increasing pressure for all parts of the economy and is now in sharp focus for police forces as all are required to make cuts in the region of 25% to their budgets.

Over the longer term, forces have introduced police staff roles into the back and middle office, and some operational functions – allowing police officers to focus their time on core policing tasks. This has resulted in an increase of police staff at all levels of the organisation, including those equivalent to superintending ranks, and therefore a number of roles (corporate services, HR, learning & development or strategic planning, for example) previously held by police officers are now fulfilled by police staff.

Police forces have been encouraged to collaborate in order to deliver value for money, and amongst the first services to be delivered as part of regional or cross-force structures have been counter-terrorism and protective services (including major crime investigation), which will have had an impact on some superintending roles now operating in new, joint force settings.

The trend within the public sector to work more with partners and the community is increasing – leading to the introduction of superintending roles specifically responsible for this aspect, and geographically based roles such as BCU/Divisional Commanders and their management teams spending an increasing amount of time and energy on these responsibilities.

Changes to superintending roles

In our interviews with Chief Superintendents and Superintendents, respondents reported the following changes to their roles:

- A trend for gold command responsibilities e.g. public order, firearms and other critical incidents, to be increasingly delegated from ACPO ranks.
- A reduction in the number of individuals with appropriate qualifications required for different on-call responsibilities, with those in superintending ranks with specialisms being required to be on call more frequently.
- The current financial pressures are felt by those in these roles, even where financial management has been centralised, as a result of an expectation that functions will continue to deliver similar levels of service with reduced budgets.
- Increasing volumes of work for individuals in these roles, with reduced team sizes. Roleholders report delivering work that previously would have delegated to more junior ranks as well as covering work (such as gold command) that previously would have been carried out by ACPO ranks.
- Greater scrutiny on performance and targets from ACPO ranks, and being held to account for specific targets or critical decisions in a way that hasn't happened previously, raising the level of personal risk and accountability.
- A greater requirement to negotiate with and deliver joint services with partner agencies, requiring attendance at multiple meetings, longer decision making processes and different ways of working.
- A greater requirement to influence internally and externally in matrixed, cross-force and multi-partner structures, rather than working through traditional hierarchy.
- A sense of decreasing staff morale with these roleholders feeling accountable for motivating and encouraging their staff in difficult circumstances.

Chief Superintendents and Superintendents interviewed had a widely held belief that when taken together, the above issues make the job feel more pressured and difficult, impact considerably on their work-life balance and create consequent disruption to their lives outside of the police service.

Case studies

This section outlines the main changes to Chief Superintendent and Superintendent roles in each of the case study forces over the previous five years, as gathered from national data, information from forces, and context interviews.

Metropolitan Police Service

The Metropolitan Police Service remains the largest police service in the UK, and maintains its front-facing operational footprint across the 32 boroughs, with a large number of superintending ranks carrying out roles within Territorial Policing, Operational Support, Special Operations and Serious Crime. These latter functions have historically been centralised, and remain so. Professional and support functions such as HR, Finance and Resources have also been centralised in recent years. Table 2 shows a clear and relatively even reduction in roles across both ACPO and superintending ranks between 2006 and 2011, and the ratios of ACPO to Chief Superintendents to Superintendents remain relatively similar – 1: 2.4 : 2.5 in 2006, and 1: 2.4 : 2.4 in 2011.

Our analysis shows that there remains a range of Chief Superintendent and Superintendent job sizes across the Force, including a number of temporary posts focused on projects or operations such as Olympic planning or one-off jobs managing specific functions. It also appears that there has been an increase in the level of scrutiny and performance management from central functions as well as greater centralised management of resource. Our view is that for many roles the restructuring and reductions have resulted in increases in work volumes, and a slight shift in balance towards a higher number of larger roles within each rank.

Table 2

Metropolitan Police	2006	2009	2011	Change
ACPO	39	36	34	-13%
Chief Supts	92	85	81	-12%
Supts	229	213	196	-14%

This data covers full-time equivalent for police officers, and differs from PSAEW membership data, which includes numbers of individuals.

South Yorkshire Police

The main structural change in South Yorkshire Police has been to merge geographical areas and work with other forces in order to share resources and save costs. Operational Support, Specialist Crime and Criminal Justice remain as central units, though a number of departments are undergoing elements of restructuring and merging with other forces.

Table 3 shows that there has been a reduction in ACPO and Chief Superintendent roles over the last five years, and a fluctuation in Superintendents numbers . The ratios of ACPO to Chief Superintendents to Superintendents change from 1 : 2.2 : 2.1 in 2006, to 1 : 2.5 : 2.3 in 2011. The merging of districts have created bigger geographical areas to manage, with all support services retained within the local area. This move has also created a potentially unique management structure for one of the areas in particular – a Chief Superintendent heading the command, with a second Chief Superintendent reporting into them on the management team. This reinforces our view that there is more than one size of Chief Superintendent role, with different focus and accountabilities.

Table 3

South Yorkshire	2006	2009	2011	Change
ACPO	5	5	4	-20%
Chief Supts	11	10	10	-9%
Supts	23	25	23	0%

This data covers full-time equivalent for police officers, and differs from PSAEW membership data, which includes numbers of individuals.

West Mercia Police

West Mercia Police reports little structural change for superintending roles for the first part of the period we are studying (although there was some change to Chief Inspector roles during this time, it had little impact on the ranks above), with a major restructure taking place in 2010. This restructure involved the centralisation of intelligence, CID, personnel, finance and facilities functions (previously all locally managed), and the removal of all but one Chief Superintendent roles within Territorial Policing. This structure now sees a Superintendent managing each of the local policing areas (now narrowed in breadth of functions), with one Chief Superintendent overseeing the operational aspects of the whole Territorial Policing function, reporting to an ACC.

Table 4 shows that this restructure has resulted in the number of Chief Superintendents nearly halving in the latter part of the study period, and significant reductions across both Chief and Superintendent roles. The proportions or ratios of ACPO to Chief Superintendents to Superintendents have also changed quite significantly over this time period, from 1 : 2.5 : 1.6 in 2006, to 1 : 1.4 : 2.1 in 2011.

Table 4¹

West Mercia	2006	2009	2011	Change
ACPO	4	4	4	0%
Chief Supts	10	13	7	-30%
Supts	16	17	15	-6%

This data covers full-time equivalent for police officers, and differs from PSAEW membership data, which includes numbers of individuals.

Gwent Police

Gwent Police refocused its resources from a geographical structure in 2006 to a workstream focused structure in 2009, merging some of these workstreams in 2011. This has resulted in a change for superintending ranks from being generalists managing all functions within their command units to operating within a specialist field providing services or operations across the whole force.

Table 5 shows that the overall number of individuals within superintending ranks has actually increased over this time, and the distribution between Superintendents and Chiefs has changed. Ratios have changed from 1 : 1.7 : 2 in 2006 to 1 : 1.3 : 2.8 in 2011.

¹ This data is taken from Home Office information, for consistency. However West Mercia submitted the following data to this study, which shows a different picture of change over the five years:

West Mercia	2006	2009	2011	Change
ACPO	4	4	4	0%
Chief Supts	10	11	4	-60%
Supts	16	16	15	-6%

Table 5²

Gwent	2006	2009	2011	Change
ACPO	3	3	4	33%
Chief Supts	5	5	5	0%
Supts	10	12	14	40%

This data covers full-time equivalent for police officers, and differs from PSAEW membership data, which includes numbers of individuals.

Norfolk Constabulary

Our analysis of Norfolk Constabulary has been on the basis of a desk review of data provided, and this has not been supplemented with context interviews as in other forces. It is however apparent, that the general trend of changing ratios between Chief Superintendent and Superintendent ranks also holds true in Norfolk – from 1 : 3.3 : 1.1 in 2006 to 1 : 1.5 : 2.5 in 2011. Norfolk has also moved from a geographically based Basic Command Unit structure to a more centralised structure with all operational support and professional services managed centrally. Only local policing is delivered on a geographical basis.

Future plans for Norfolk include collaborating with Suffolk to deliver all support functions, and it is envisaged that approximately 20 superintending roles will be able to deliver this joint structure. The impact on these roles, and the distribution between Chief Superintendents and Superintendents roles has yet to be seen.

Table 6

Norfolk	2006	2009	2011	Change
ACPO	3	4	4	33%
Chief Supts	10	8	6	-40%
Supts	11	17	15	36%

This data covers full-time equivalent for police officers, and differs from PSAEW membership data, which includes numbers of individuals.

Summary of structural findings

The summary of our findings from having studied both national and local figures is as follows:

- Forces have regularly restructured over the five years – some annually. In a number of cases, this restructuring over the five years has tended to deliver an incremental reorganisation or refocusing of resources rather than significant removal of roles.
- Where roles have been removed from superintending ranks, the result has often been to redistribute the smaller portfolios amongst the remaining roles, or to replace the role with a police staff professional.

² This data is taken from Home Office information, for consistency. However Gwent submitted the following data to this study, which does not include temporary ranks and shows a different picture of change over the five years:

West Mercia	2006	2009	2011	Change
ACPO	3	3	4	33%
Chief Supts	5	5	4	-20%
Supts	10	12	0	0%

- Many forces starting with a geographically based structure have recently centralised professional services and operational support functions, and reduced the number of policing areas. Superintending roles have often then been left with a greater geographical area to manage, greater volumes of work, similar or greater numbers of staff to oversee, but less control of finance and resources and a similar level of complexity of core work.
- Some forces have grown and then shrunk over the time period studies but do not necessarily have significantly fewer roles than in 2006.
- There is some evidence that there are still a few roles being held by individuals with a superintending rank that in other forces are filled by a member of police staff and/or more junior individual.
- Whilst ACPO and superintending roles are without doubt challenging, they still appear to have manageable spans of control, when compared to structures in other organisations.
- The number of Chief Officers has decreased nationally, but this has not happened consistently across all the forces, and our research shows that the types and scope of ACPO roles that have been removed also varies. There is therefore a mixed picture of delegation of accountabilities to superintending ranks.
- There has been a change in the distribution of the senior population in Forces between ACPO, Chief Superintendent and Superintendent ranks. Taking into account the overall reduction in numbers, there has been a greater drop in the number of Chief Superintendent roles than ACPO or Superintendents.

Table 7 summarises the findings on ratios for our case study forces, largely supporting the national pattern shown earlier in graph 2.

Table 7

Force	Metropolitan Police			South Yorkshire			West Mercia			Gwent			Norfolk		
Year	2006	2009	2011	2006	2009	2011	2006	2009	2011	2006	2009	2011	2006	2009	2011
ACPO	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Chief Supts	2.4	2.4	2.4	2.2	2.0	2.5	2.5	2.6	1.4	1.7	1.7	1.3	3.3	2.0	1.5
Supts	2.5	2.5	2.4	2.1	2.5	2.3	1.6	1.3	2.1	2.0	2.4	2.8	1.1	2.1	2.5

Impact on job size

A fuller explanation of job evaluation and our methodology can be found in Appendix B, however a brief introduction might be useful at this point.

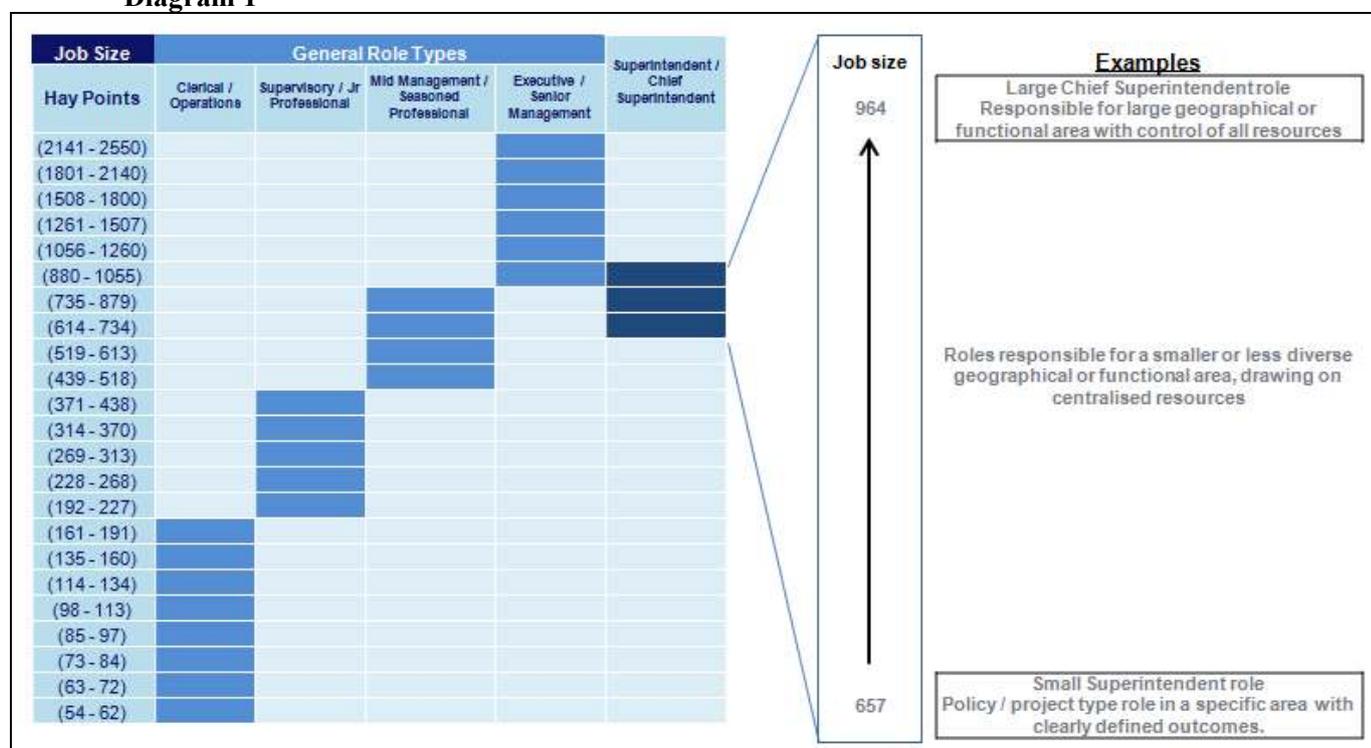
Any job evaluation methodology seeks to determine the relative size of roles within an organisation, many assessing a range of factors and awarding points on the basis of these factors. Hay Group's method assesses the level of know-how required for the role, the complexity of problem solving, and the level of accountability for impact on the organisation. The output of an evaluation is usually a total points score which then provides you with a rank-order of roles.

In addition to producing a total points score, Hay Group's methodology also allows us to describe the shape or nature of the role (in these examples highlighting a focus on operational service delivery or partnership and policy type work). Roles with a different shape may have similar technical requirements and be similarly challenging, but the differences in job scores reflects the difference in the nature of their impact on delivery.

It is usual to group ranges of job sizes together, and Hay Group’s methodology creates natural clusters of job sizes to enable this, with these ranges forming the basis of grades in many organisations. Most forces will use this approach in determining grades for police staff, for example. This approach enables people to understand and articulate where jobs are broadly similar, and where there are significant differences in size.

Diagram 1 below shows where Chief Superintendent and Superintendent roles fall, in job size terms, against the broad range of job sizes in organisations we work regularly with. It shows that while there is approximately 300 Hay points difference between the largest Chief Superintendent and smallest Superintendent job sizes, this does not represent major variation of roles when compared against the broader scale of roles we review.

Diagram 1



Relativities

Diagram 2 below shows the range of job sizes for both Superintendent and Chief Superintendent roles, using Hay Group’s job evaluation methodology. It also shows the relationship with ranks either side.

Appendix C outlines the detailed evaluations for these roles, and comments on the differentiation between the job sizes, but in summary:

- Chief Superintendent roles vary between 805 and 964 Hay Points, and this demonstrates a variation in the breadth and variety of functions managed, and a reflection of whether the role is directly accountable for delivery or has a more indirect impact.
- Superintendent roles vary between 657 and 839 Hay Points, and this demonstrates not only a variation in breadth and level of accountability, but also the level of complexity involved, strategic impact of the role, and the level of direction available.
- Diagram 2 shows that as well as there being a variety of job sizes in these ranks, there is also a clear overlap between the biggest Superintendent roles and smaller Chief Superintendent roles. Part of this has been the result of the removal and reintroduction of the Chief Superintendent

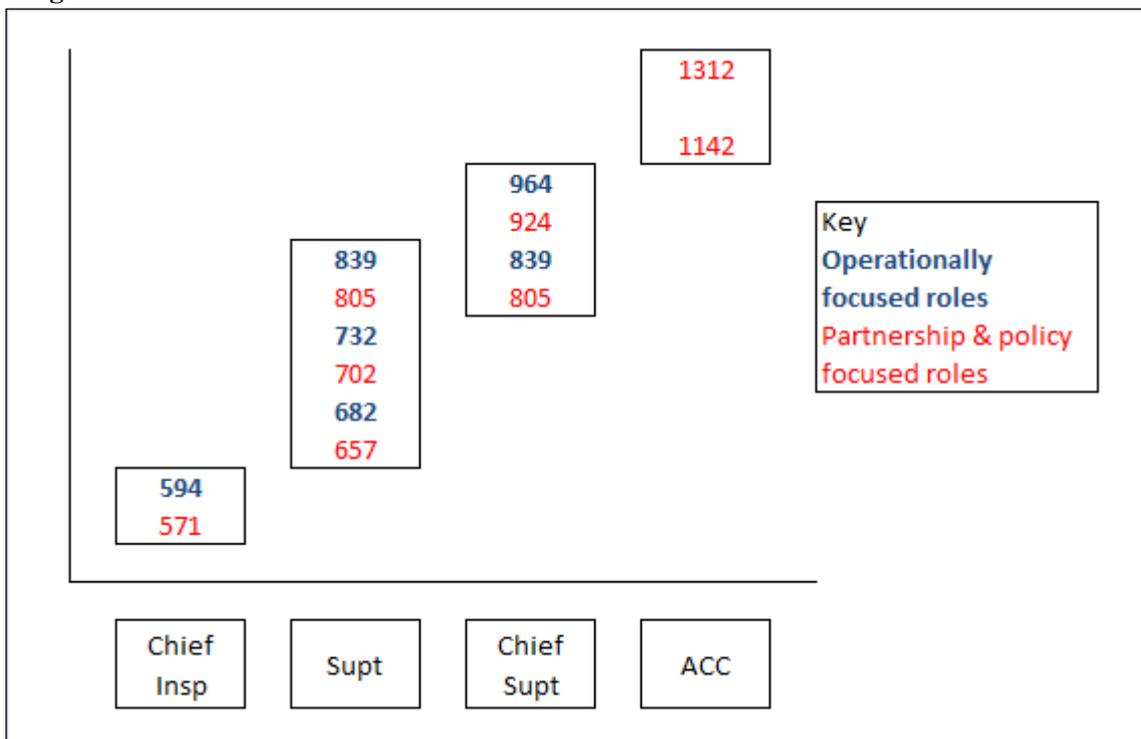
rank some years ago but also more recently the change in ratios between Superintendents and Chief Superintendents.

- This diagram also shows that there is a clear step up required from a core Chief Inspector role to the superintending ranks, and again a clear step difference between the biggest Chief Superintendent role to the smallest ACC post. This was reinforced by interviewees' comments and highlights an issue of talent management and development for this group of ranks. ACC posts have also been subject to recent Hay Group job evaluation, and our findings are that the main reason for the clear step difference between the two roles is the requirement for Assistant Chief Constables to have a broader corporate view and to have responsibilities for and shared accountability (with other chief officer colleagues) for whole force performance.

Even in structures where there is a 1:1 ratio of ACC to Chief Superintendent, it is clear that the Chief Superintendent role is responsible for day-to-day operational management of the function, with the ACC accountable for overall direction of the function in the long term and corporate responsibility across the Force, as well as national responsibilities.

Hay Group's *Stepping up – Making the move to ACPO Report (Jan 2010)* supports this finding. It highlights that the differences most felt by those promoting to ACPO ranks are the requirement to carry a level of corporate accountability for the force's operation (rather than accountability for a specific area alone), the requirement to operate in different political context, the breadth of accountability, and the requirement to move readily and frequently between strategic and operational thinking.

Diagram 2



Impact on overall range of job sizes

There has always been a range of job sizes for these ranks, and in assessing the information we received as part of this study, we have found that there has not been a wholesale increase in job sizes since 2006 (i.e. Superintendent job sizes ranges have **not** changed to a range of 702 to 964). The

smallest roles within these ranks remain the same size, and the largest roles within these ranks also remain the same size.

We have not found evidence of greater overlap between Superintendent and Chief Superintendent roles as a whole, or evidence of overlap between Chief Superintendent and Assistant Chief Constable roles, when considering these roles in the round.

The methodology measures increase in job size as a percentage increase, rather than incremental change. For senior roles such as these, the increase in accountability and scope has to be somewhat significant in order to move the role into a higher grouping of job sizes – managing a more staff or a bigger budget, for example, is a relatively less complex additional challenge for roleholders of this seniority than it would be for much more junior staff.

Referring to the *What makes a difference to job size?* section earlier in this chapter, we have found that many of the elements that were raised in interviews do not contribute to a bigger job size in terms of the complexity of the core work, or overall accountability of the role, but do point to a trend of individuals needing to operate differently and carry out their role in a more challenging environment than they have been used to.

Superintending ranks have always held accountability for efficient and effective deliver of services against targets and within budgets, however the increased financial pressures and tighter performance management regimes bring this aspect of their role into sharper focus at the moment than previously. Lack of experience of managing in this context has led to roleholders feeling more pressured in carrying out this part of their accountability.

Elements such as partnership working, cross structural working and influencing, and leading a team in challenging circumstances require different leadership behaviours in order for roleholders to be successful, but do not necessarily reflect a significant change to the core accountabilities of the roles.

Change in distribution of roles, and movement within the range of job sizes

The changes to structure have often resulted in a change of focus for superintending roles or an increase in volume of work, but not necessarily a significant increase in the complexity of the work they are carrying out to warrant a wholesale increase in job sizes.

There are some exceptions to this general trend, however, and some larger roles have been created by simply merging two previously sizeable portfolios or commands.

There has also been a shift in ratios between the ranks that suggests that the average job size for both Chief Superintendents and Superintendents may well have increased as a result of the introduction of a greater proportion of larger roles within the ranges. This is supported by evidence from the case studies that include examples of a slimming-down of the numbers of roles at these ranks, the combining of functions, and the removal of previous roles that had smaller portfolios.

5. Current pay structure and practice

Salary levels for police officers are agreed nationally in the Police Negotiating Board and approved by Ministers.

Chief Superintendents

Chief Superintendents are on a three point scale from £74,394 to £78,636. They are typically appointed at the bottom of the scale and advance through the scale on the basis of their PDR rating – those rated as competent receive one increment, those rated at exceptional receive two increments or non-pensionable lump sums of the equivalent amount.

The median rate according to the data we received from case study forces is £77,821 and that is the figure we have used for comparison, irrespective of the size of role.

Those at the top of their scale for a period of 12 months or more are also eligible for performance related bonuses.

We have assumed that all Chief Superintendents are currently part of the Police Pension Scheme (known as PPS, which was replaced in 2006 by NPPS).

Superintendents

Superintendents are on a five point scale from £62,298 to £72,585. Range 2 Superintendents who were not given the rank of Chief Superintendent on its reintroduction have received pay protection, and are on a four point scale from £71,331 to £75,909. As with Chief Superintendents they are typically appointed at the bottom of the scale and advance through the scale on the basis of their PDR rating – those rated as competent receive one increment, those rated at exceptional receive two increments or non-pensionable lump sums of the equivalent amount.

The median rate according to the data we received from case study forces is £70,014 and that is the figure we have used for comparison, irrespective of the size of role.

Those at the top of their scale for a period of 12 months or more are also eligible for performance related bonuses.

We have assumed that all Superintendents are currently part of the Police Pension Scheme (known as PPS, which was replaced in 2006 by NPPS).

Allowance & other payments

Research into pay levels by PSAEW in July 2010 revealed that less than 50% of Chief Superintendents received double increments, non-pensionable payments (or bonuses) or post related allowances between 2005 and 2008.

Data received from our case study forces has revealed a variety of actual pay practice, including the payment of a range of allowances including:

- London Weightings & Allowances.
- Post related allowance.
- Central Service Allowance.
- Housing Allowance – *residual allowance no longer available to new starters.*
- Rent Allowance & Compensatory Grant – *residual allowance no longer available to new starters.*

Internal relativities – base pay

Graph 3 shows the internal relativities between Chief Inspectors, Superintendents, Chief Superintendents and Assistant Chief Constables, both in terms of job size and pay policy.

The x-axis shows job size, and highlights where the different ranks sit on this scale, and the y-axis shows pay levels.

The grey and blue lines show the lower and upper quartiles (P25 & P75), and the median (P50) in the public sector market for base pay.

The black boxes show the pay policy for the different ranks:

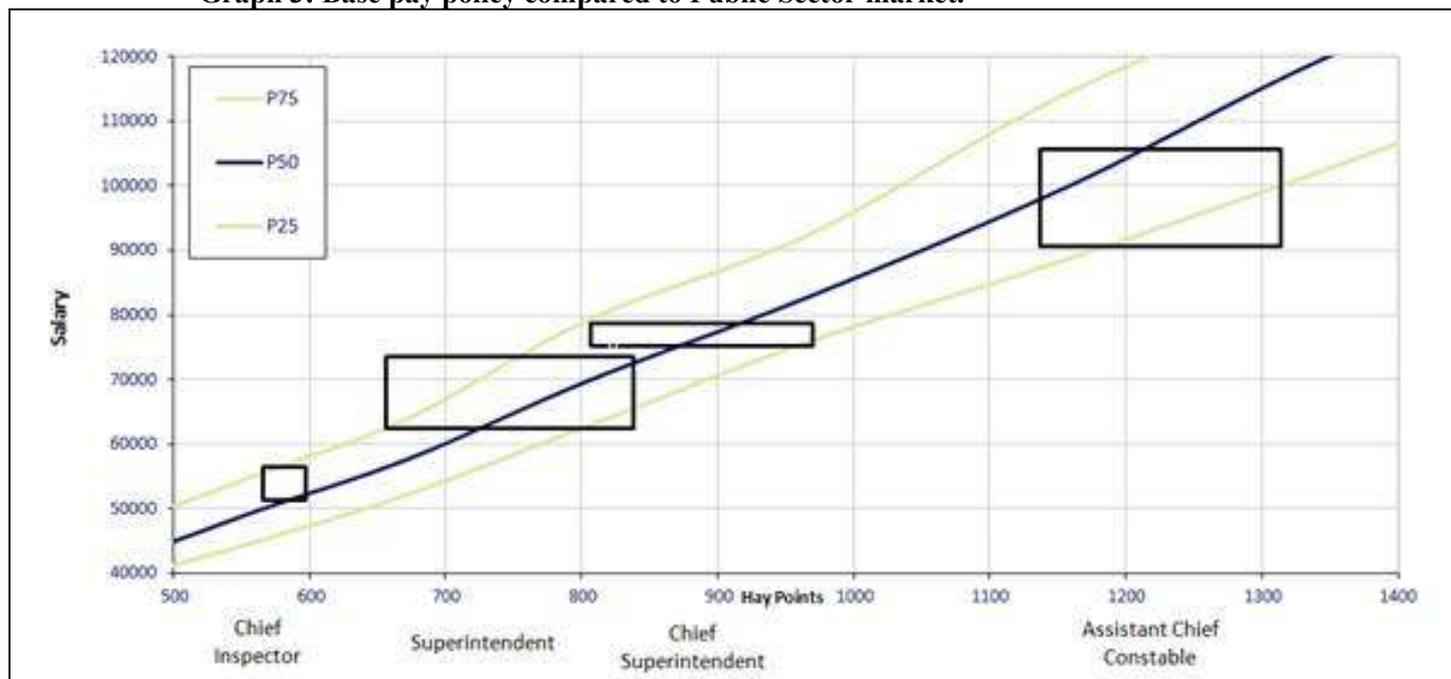
- £51,789 - £53,919 for Chief Inspectors
- £62,298 - £72,585 for Superintendents
- £74,394 - £78,636 for Chief Superintendents
- £90,726 - £105,849 for Assistant Chief Constables

This graph shows that the pattern of progression in job size terms and in pay terms is relatively similar – with larger gaps between Chief Inspector to Superintendent, and Chief Superintendent to Assistant Chief Constable, and smaller gaps between the superintending ranks.

It shows that the pay progression follows a similar trend to the wider public sector market and how pay policy compares to the market median. The more junior ranks within the group are positioned more competitively against the market than the senior ranks.

What this graph raises is an important broader question as to whether this type of progression, both in terms of how jobs and ranks are described and in terms of pay policy, is the right one when considering the broader requirements of the police service and its workforce.

Graph 3: Base pay policy compared to Public Sector market.



Elements within the total pay package

In order to provide a fair picture and analysis of remuneration for these roles, it is important to understand how the total pay package is constructed, how the pay elements combined with base salary, achieve levels of total cash, and total remuneration and what the proportions are.

Charts 1 and 2 below show the median total packages for Superintendents and Chief Superintendents broken down into these elements. It shows that the most substantial part of the package for both Superintendents and Chief Superintendents is base pay. Total cash elements form a minor element within the package, but major benefits form over a quarter of the total package.

Chart 1

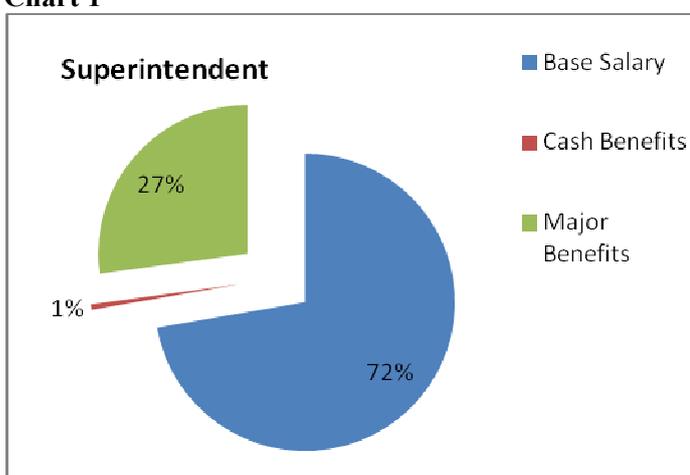
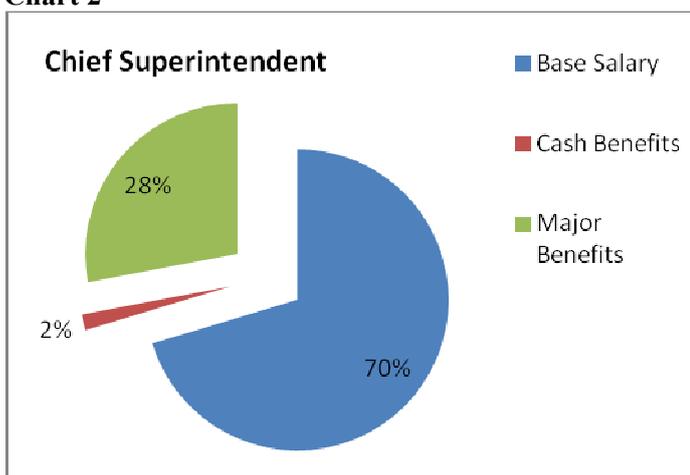


Chart 2



6. Pay comparisons

When discussing remuneration or reward policy, the starting point for such discussions should be the organisation's main purpose, method of delivering services, the shape of the workforce and how national and local requirements should therefore be reflected in how roles are rewarded.

Information regarding the broader pay market is useful in understanding the current position, but should be taken in context:

- Public sector comparisons are of interest when different parts of the public sector are encouraged to collaborate in the delivery of services.
- Pay is generally higher in parts of the public sector where the recruitment market is most open – recruitment into senior police officer roles is a closed market, and so police forces are not competing in the open market for recruits to these roles.
- Secure and relatively high value pension arrangements have traditionally compensated those in areas of work where a closed market operates.
- Private sector pay data is often used to provide broader context – there tends to be a trend of the public sector paying more competitively than the private sector for junior roles and less competitively for senior roles.
- The fact that we are able to evaluate the size of police officer roles, and use this information to draw pay comparisons does not necessarily mean that this should form the basis of pay policy decisions. Policing's tradition of using broad ranks to determine pay assists in achieving flexibility in deployment, talent and career management, and the administration of pay in what is a rapidly adapting workforce.

Specific comparator roles

As part of our interviews, we asked roleholders which roles in the broader market they felt would be fair comparators in terms of the levels of complexity and accountability involved in the roles, and this revealed differing perceptions of which roles in the broader public sector are similar to Superintendents and Chief Superintendents.

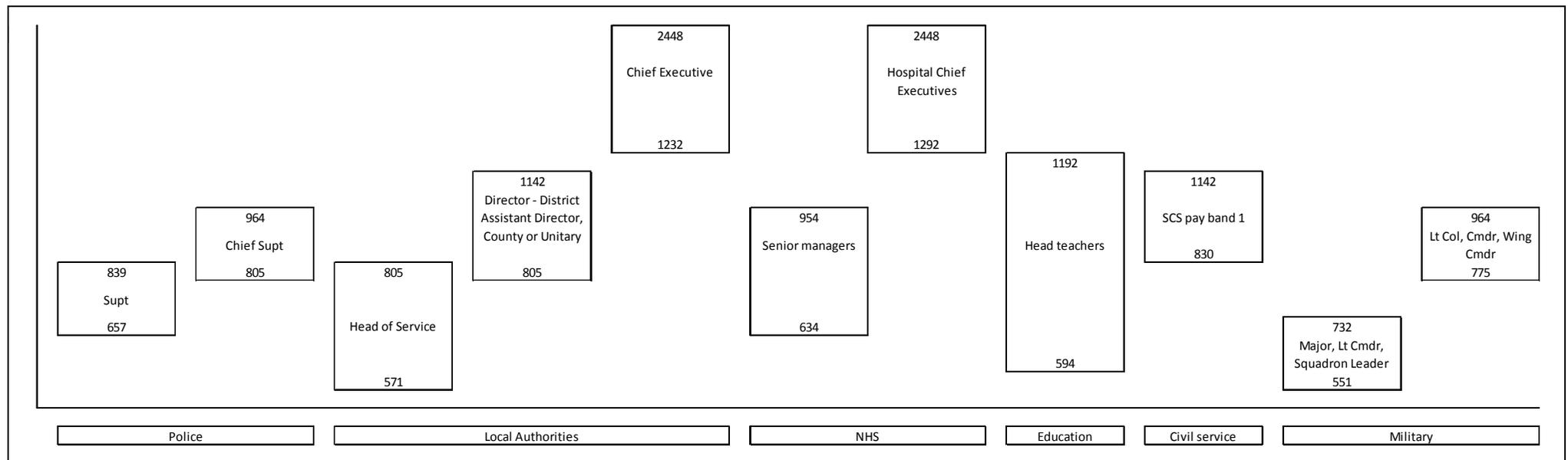
These interviews also revealed that role holders feel that their pay has fallen behind other parts of the public sector. It is important to explain how this feeling can be reconciled with the analysis elsewhere in this report.

The first step in making a robust comparison is to select roles which are similar in size, and this may be the first problem. Senior police officers such as Chief Superintendents work alongside directors and chief executives in other public services on, for example, event or incident planning, community improvement initiatives and the Olympics, and there is a natural tendency to see them as directly comparable peers. However, they may not be comparable when their job is seen as a whole.

For example, the chief executive and directors of a unitary or county local authority are responsible for a wide range of services, including education, social services, environmental and technical services and housing; they run operations costing hundreds of millions of pounds and capital investment in buildings and roads of at least tens of millions of pounds; and they are typically the accountable individual for an organisation or service. These roles are alongside Chief, Deputy Chief and Assistant Chief Constables in terms of job size.

Diagram 3 below shows the range of job sizes for Superintendent and Chief Superintendent, alongside local and central government, police, military and healthcare comparators. At this stage, the aim is simply to illustrate which roles are broadly similar in size and which are bigger, using the points score which is the output of job evaluation.

Diagram 3



Pay for comparator roles

The second step in making comparisons is to look at the pay of a broad range of public service roles which are of relevant size. The critical point here is to explore the sector as whole. There are always, nationally and in any locality, jobs which stand out as particularly well paid, and market factors apply – the public sector just like the private sector shows a variety of practices.

Local authorities pay relatively well among public services; in the NHS, provider trusts on the whole pay better for jobs of similar size than commissioning organisations; and the military and the senior civil service, which predominantly draw senior people from within a lifetime career structure, offer lower salaries. Among head teachers, the national salary range bears comparison with other services but there are well publicised examples of off-scale payments, as there is a longstanding concern about the shortage of suitable candidates for school leadership (and the biggest head teachers equate more to Assistant and some Deputy Chief Constables than to Chief Superintendents).

The table below shows broad comparisons which illustrate this spread of practice. It is based on core ranges alone and takes no account of other factors such as London allowances and additional payments. Figures are rounded:

Police	Local govt (a)	NHS (b)	Education	Civil service	Military
Chief Supt £74-79,000	Heads & Asst Directors £65-95,000	Band 9 £77-97,000	Heads range £42-105,000 (c)	Pay band 1 £73,000 (d)	£67-78,000 (f)
Supt £62-73,000	Heads of service £55-75,000	Band 8c-d £54-81,000		Various roles (e)	£48-57,000 (g)

Notes:

- a) From Hay Group remuneration database. Will include some directors of smaller authorities
- b) Agenda for Change system, which applies throughout the NHS. Chief Superintendents will also compare with some trust directors, whose pay starts from about £80-85,000
- c) The smallest and biggest head teacher roles are not comparable with superintending ranks – see Diagram 2 above
- d) Median base salary, published by the Cabinet Office Feb 2011
- e) There are many different departmental and agency roles and pay systems at this level. Average practice would be broadly in line with the public sector median quoted elsewhere in this report
- f) 2011 rate for OF-4: Commander, Lieutenant Colonel, Wing Commander
- g) 2011 rate for OF-3: Lieutenant Commander, Major, Squadron Leader

This complexity and diversity helps to explain:

- Why we have chosen elsewhere in this report to use a general public sector market and to look at broad indicators (such as median) within it.
- Why comparative pay information does not in itself indicate what the policy should be. It can inform debate and prompt questions, but it cannot provide any answers.

General market comparisons

This section looks at how pay for superintending ranks compares with the public and private sector on a base pay, total cash and total remuneration basis.

The data for this comparison comes from Hay Group’s pay database which collects data from our clients across the globe, is updated on a quarterly basis, and includes job size, function, and pay data for every incumbent. We have drawn pay information for roles of a similar size across in the public and private sectors across the UK, and the information below shows comparisons of base salary; total cash (base salary plus any bonus and guaranteed earnings); total remuneration (total cash plus the value of benefits and any longer term incentives, including pensions).

Total reward philosophy, as shown in Diagram 4 below, identifies that in addition to these tangible rewards, there are elements of work such as career development, work-life balance, job security etc, that individuals find important in their working life, but which cannot be attributed a financial value, and so are not included in these comparisons.

Diagram 4: Total Reward Model

	Common examples	Reward elements	Definitions	
Internal value or motivation	<ul style="list-style-type: none"> ■ Career development ■ Work-life balance ■ Safety and security 	Non-financial rewards	Total Reward	
Rewards to which an objective dollar value can be assigned	<ul style="list-style-type: none"> ■ Social security 	Statutory benefits	Total remuneration plus	
	<ul style="list-style-type: none"> ■ Retirement provision ■ Death/disability/medical ■ Cars ■ Benefit allowances/loans 	Non-statutory benefits	Total remuneration	
	<ul style="list-style-type: none"> ■ Executive share options ■ Restricted/performance shares ■ Long term cash schemes 	Long Term Incentives	Total direct compensation	
	<ul style="list-style-type: none"> ■ Sales commission ■ Annual bonus ■ Annual incentive 	Annual variable	Total	
	<ul style="list-style-type: none"> ■ Basic salary ■ Fixed payments ■ Near cash allowances 	Guaranteed cash	cash	

Method of comparison & outputs

Having identified a range of job sizes for Superintendents and Chief Superintendents, we have drawn data from our database that identifies what roles of the same size in other organisations are paid.

The tables in this section show for each size of Chief Superintendent and Superintendent job (large to small):

- What the job size is in Hay Points
- What the median actual pay is (based on data received from the case study forces)
- How actual pay compares against the market median for jobs of the same size, expressed as a percentage.
- The upper quartile, median and lower quartile of the market data.

Definitions of terms:

Upper quartile	Upper quartile which divides the top 25% from the remaining 75% of data.
Median	Median which divides the upper 50% from the lower 50% of data.
Lower quartile	Lower quartile which divides the lowest 25% from the remaining 75% of data.

The graphs in this section express the same information in graphical form.

- The x-axis represents job size and the y-axis pay levels.
- The red and green dots show the actual median pay for Superintendents and Chief Superintendents, plotted against the range of jobs sizes (small to large).
- The black, red and blue lines show the upper quartile, median and lower quartile of the market.

From these graphs it is possible to see how the actual pay compares with market levels.

Base Salary: Private & Public Sector Comparison

Chief Superintendent and Superintendent base salaries are between 82% and 112% of the private sector median, depending on the size of role and rank. They are between 94% and 126% of the public sector median.

We have used the median of actual salaries for both ranks for this comparison, taken from the sample of data provided by our case study forces. These medians are position relatively high in the pay range for these ranks, so if actual data for the whole population were compared against the market, it is likely that the scatter would also include some salaries positioned lower in the market.

Comparing the pay ranges with the market median for these ranks, it's likely that there is actually a spread of salaries between 76% and 115% of the private sector median, and 85% and 129% of the public sector median.

I.e. A Superintendent on a starting salary of £62,298 in the largest Superintendent role (job size 839) would be earning 76% of the private sector market median of £81,600. A Superintendent at the top of the pay range (£72,585) in the smallest Superintendent role (job size 657) would be earning 115% of the private sector market median of £63,100.

Competitiveness with the market is therefore affected quite substantially by the size of the role within the rank.

Table 8 – Private Sector Base Salary Comparison

Job Title	Job Size	Base Salaries £	as % Median	Base Salaries £		
				Upper Quartile	Median	Lower Quartile
Chief Superintendent [964]	964	78,636	82%	113,100	96,300	84,000
Chief Superintendent [924]	924	78,636	86%	107,700	91,800	80,000
Chief Superintendent [839]	839	78,636	96%	95,600	81,600	71,000
Chief Superintendent [805]	805	78,636	101%	90,700	77,500	67,400
Superintendent [839]	839	70,725	87%	95,600	81,600	71,000
Superintendent [805]	805	70,725	91%	90,700	77,500	67,400
Superintendent [732]	732	70,725	100%	82,100	70,400	61,200
Superintendent [702]	702	70,725	105%	78,600	67,600	58,600
Superintendent [682]	682	70,725	108%	76,200	65,600	56,900
Superintendent [657]	657	70,725	112%	73,300	63,100	54,800

Graph 3 – Private Sector Base Salary Comparison

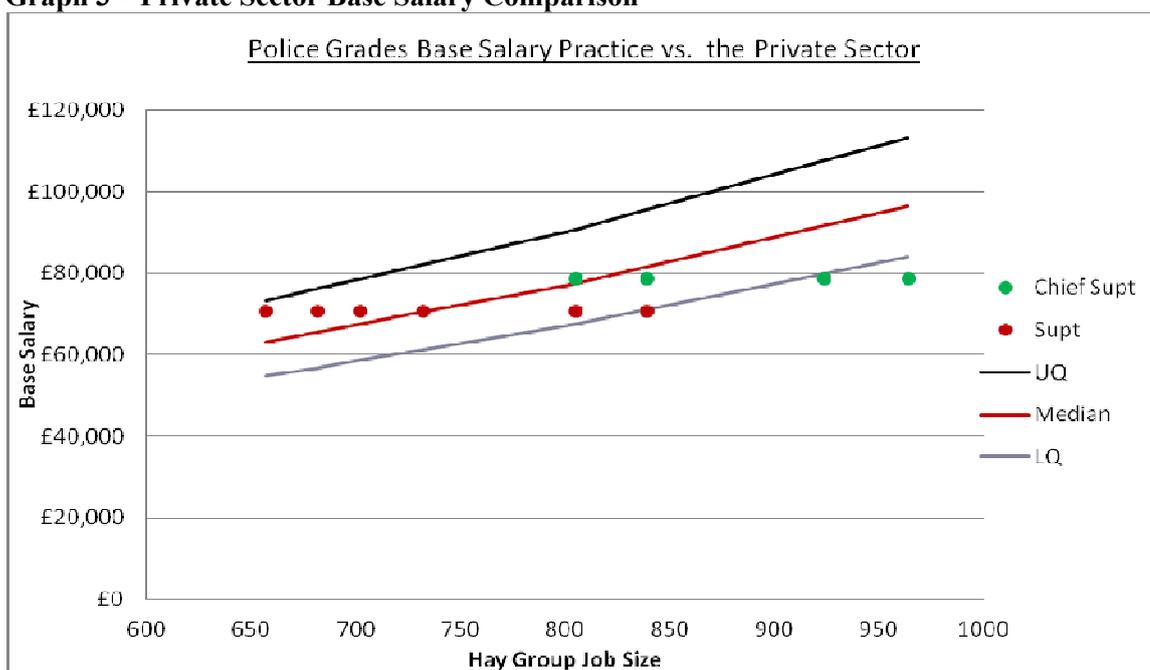
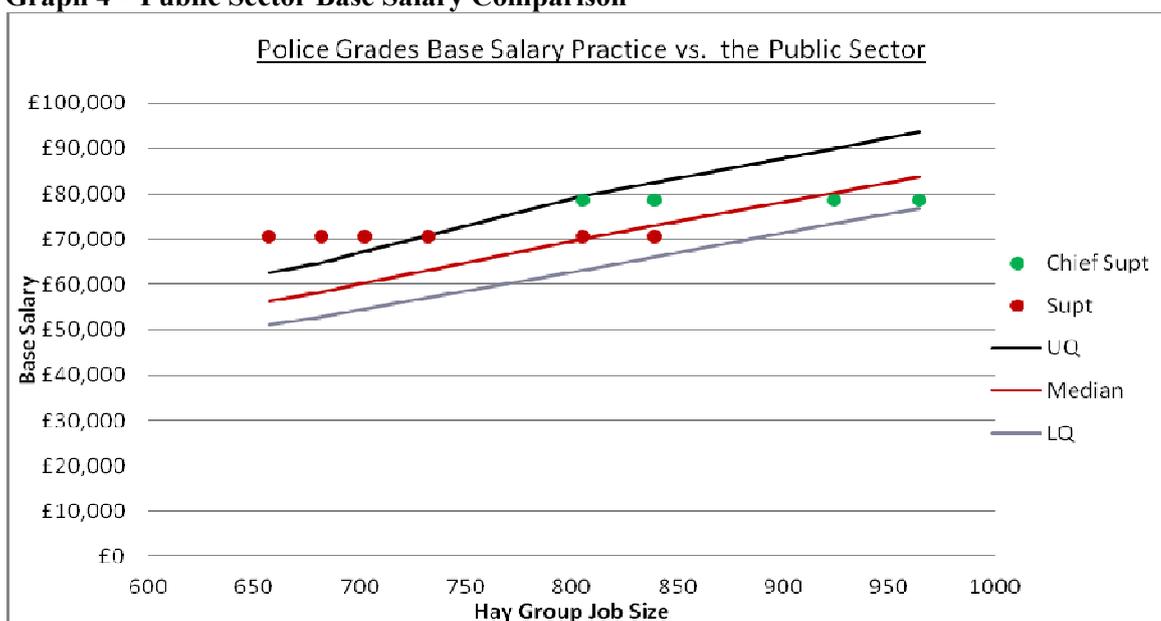


Table 9 – Public Sector Base Salary Comparison

Job Title	Job Size	Base Salaries £	as % Median	Base Salaries £		
				Upper Quartile	Median	Lower Quartile
Chief Superintendent [964]	964	78,636	94%	93,700	83,800	76,700
Chief Superintendent [924]	924	78,636	98%	89,900	80,300	73,400
Chief Superintendent [839]	839	78,636	108%	82,500	72,900	66,100
Chief Superintendent [805]	805	78,636	112%	79,500	70,000	63,100
Superintendent [839]	839	70,725	97%	82,500	72,900	66,100
Superintendent [805]	805	70,725	101%	79,500	70,000	63,100
Superintendent [732]	732	70,725	112%	70,800	63,000	57,000
Superintendent [702]	702	70,725	117%	67,200	60,200	54,500
Superintendent [682]	682	70,725	121%	64,800	58,300	52,900
Superintendent [657]	657	70,725	126%	62,600	56,300	51,100

Graph 4 – Public Sector Base Salary Comparison



Total Cash: Private & Public Sector Comparison

Bonus arrangements form approximately 10% of the total cash package within the the private sector for jobs of a comparable size to those included in this study. Within the police and wider public sector, however, at these job sizes bonuses are a minor element of the total cash received by individuals.

This comparison shows that the total cash received by Superintendents and Chief Superintendents is more competitive in the public than the private sector, and again that job size makes a significant difference to the competitiveness of pay in these ranks.

Table 10 – Private Sector Total Cash Comparison

Job Title	Job Size	Total Cash £	as % Median	Total Cash £		
				Upper Quartile	Median	Lower Quartile
Chief Superintendent [964]	964	80,526	70%	138,200	115,500	93,800
Chief Superintendent [924]	924	80,526	74%	130,800	108,800	88,800
Chief Superintendent [839]	839	80,526	86%	114,400	93,800	77,900
Chief Superintendent [805]	805	80,526	92%	107,800	87,800	73,600
Superintendent [839]	839	71,300	76%	114,400	93,800	77,900
Superintendent [805]	805	71,300	81%	107,800	87,800	73,600
Superintendent [732]	732	71,300	91%	95,800	78,600	66,400
Superintendent [702]	702	71,300	95%	90,900	74,800	63,500
Superintendent [682]	682	71,300	99%	87,600	72,300	61,500
Superintendent [657]	657	71,300	103%	83,700	69,200	58,900

Graph 5 – Private Sector Total Cash Comparison

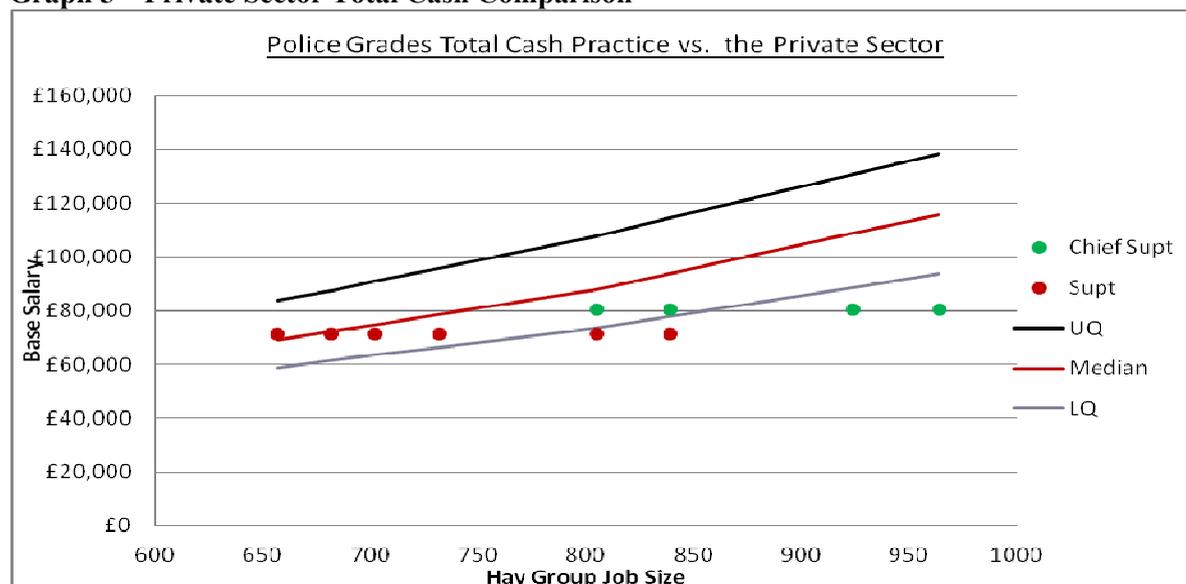
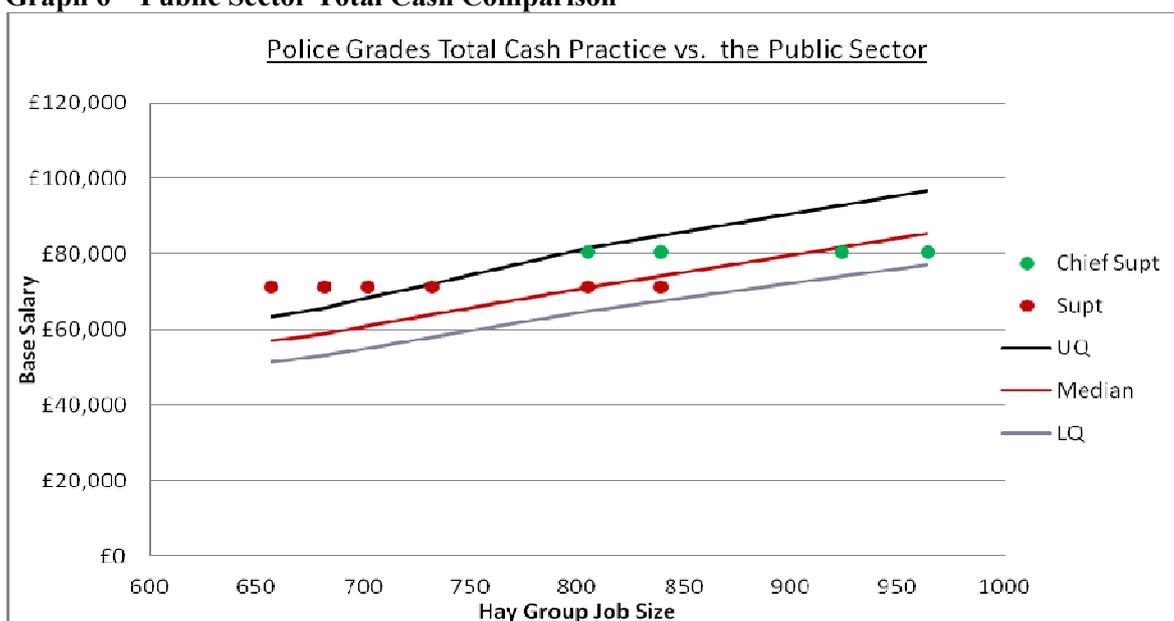


Table 11 – Public Sector Total Cash Comparison

Job Title	Job Size	Total Cash £	as % Median	Total Cash £		
				Upper Quartile	Median	Lower Quartile
Chief Superintendent [964]	964	80,526	94%	96,900	85,600	77,200
Chief Superintendent [924]	924	80,526	98%	93,000	82,000	74,200
Chief Superintendent [839]	839	80,526	108%	84,900	74,300	67,600
Chief Superintendent [805]	805	80,526	113%	81,600	71,200	65,000
Superintendent [839]	839	71,300	96%	84,900	74,300	67,600
Superintendent [805]	805	71,300	100%	81,600	71,200	65,000
Superintendent [732]	732	71,300	111%	72,200	64,000	58,000
Superintendent [702]	702	71,300	117%	68,400	61,100	55,100
Superintendent [682]	682	71,300	121%	65,800	59,100	53,200
Superintendent [657]	657	71,300	125%	63,500	57,100	51,400

Graph 6 – Public Sector Total Cash Comparison



Total Remuneration: Private & Public Sector Comparison

When comparing total remuneration, allowances and pension values for police officers (often discussed as being relatively generous) do not necessarily compete with the high values of long term incentives and other benefits offered in the private sector, for jobs at the bigger end of this scale (e.g. the biggest Chief Superintendent roles).

When comparing with the public sector market, however, the picture is different. Total remuneration for Superintendents and Chief Superintendents ranges between 101% and 137% of the wider public sector median.

Table 12 – Private Sector Total Remuneration Comparison

Job Title	Job Size	Total Remuneration £	as % Median	Total Remuneration £		
				Upper Quartile	Median	Lower Quartile
Chief Superintendent [964]	964	109,955	72%	181,400	152,900	139,500
Chief Superintendent [924]	924	109,955	77%	169,800	142,100	129,200
Chief Superintendent [839]	839	109,955	93%	144,800	118,500	104,700
Chief Superintendent [805]	805	109,955	101%	134,800	109,000	94,900
Superintendent [839]	839	97,288	82%	144,800	118,500	104,700
Superintendent [805]	805	97,288	89%	134,800	109,000	94,900
Superintendent [732]	732	97,288	99%	120,600	98,500	85,000
Superintendent [702]	702	97,288	103%	114,800	94,100	81,000
Superintendent [682]	682	97,288	107%	110,900	91,300	78,300
Superintendent [657]	657	97,288	112%	105,700	87,200	74,900

Graph 7 – Private Sector Total Remuneration Comparison

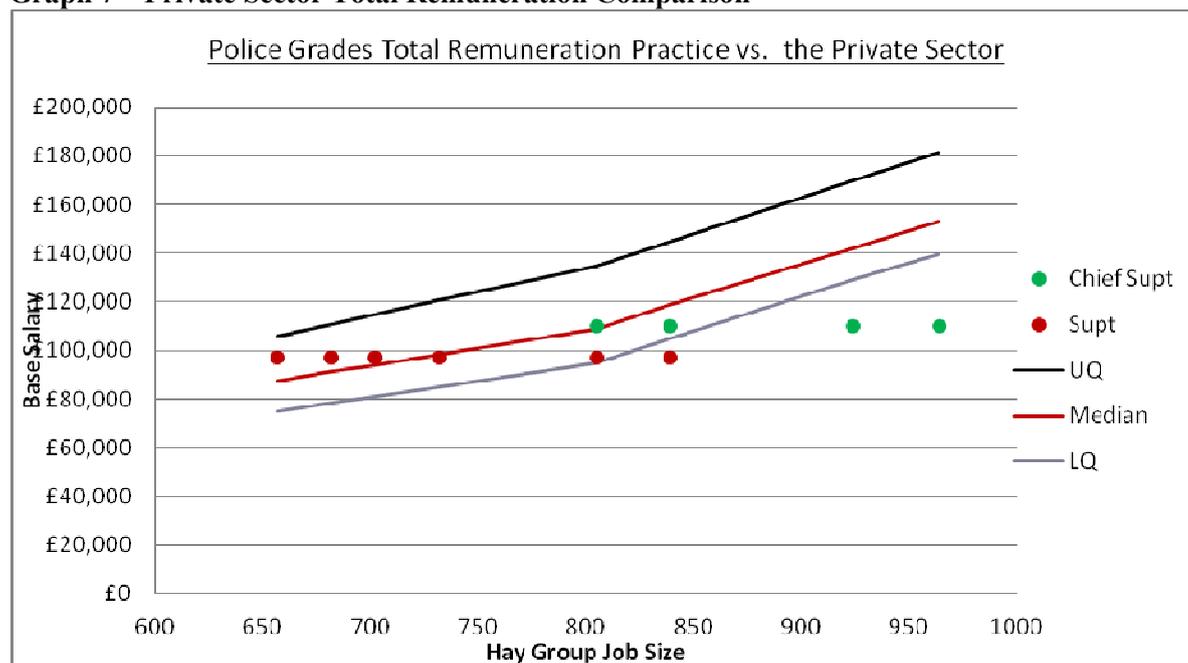
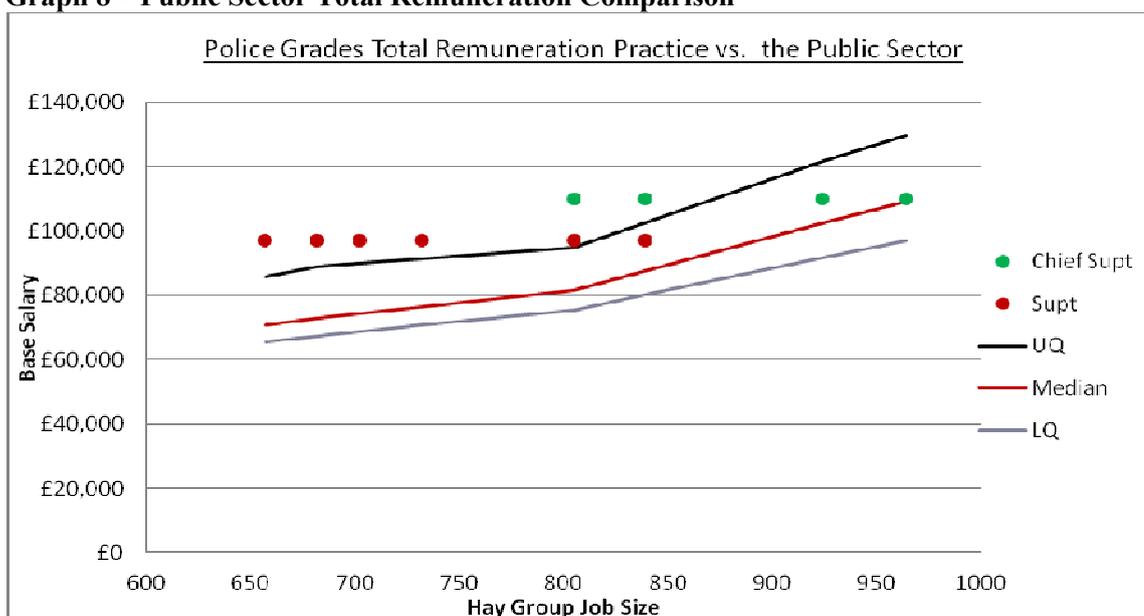


Table 13 – Public Sector Total Remuneration Comparison

Job Title	Job Size	Total Remuneration £	as % Median	Total Remuneration £		
				Upper Quartile	Median	Lower Quartile
Chief Superintendent [964]	964	109,955	101%	129,800	109,300	97,000
Chief Superintendent [924]	924	109,955	107%	121,700	102,700	91,800
Chief Superintendent [839]	839	109,955	126%	102,600	87,600	80,100
Chief Superintendent [805]	805	109,955	135%	94,900	81,600	75,500
Superintendent [839]	839	97,288	111%	102,600	87,600	80,100
Superintendent [805]	805	97,288	119%	94,900	81,600	75,500
Superintendent [732]	732	97,288	127%	91,400	76,400	70,700
Superintendent [702]	702	97,288	131%	90,000	74,200	68,800
Superintendent [682]	682	97,288	134%	89,000	72,800	67,500
Superintendent [657]	657	97,288	137%	86,000	70,900	65,500

Graph 8 – Public Sector Total Remuneration Comparison



Pay movement over the five year period

Table 15 compares the pay increases awarded to the police service between 2006 and 2010 (pay increase data for 2010 – 11 is not consistently available), and compares this to movement in the general market. In order to make this comparison we have drawn on movement for all incumbents in the UK within Hay Group’s pay database, and the Office of National Statistics data on pay movement in the whole economy.

This shows that the cumulative increase in police pay as a result of annual pay awards between 2006 and 2010 has been 14.58%. This figure does not include increases in pay for individuals as a result of receipt of pay increments on a scale.

Hay Group’s data for this period only includes those individuals who have been part of our dataset consistently between 2006 and 2010. It shows the actual increase in pay for these individuals including any and all pay rises during this period was 17.27%.

The Office of National Statistics (ONS) data for this period shows the increase in average earnings across the whole economy being 13.97%.³ This will include data on individuals who have cycled through organisations in this time, and introduce data for new starters each year, which will bring the overall average down.

It is difficult to draw precise conclusions from this picture, as we are not able to compare like with like, and the information and methodologies used for each set of data are slightly different. It is possible to say however that police pay increases have broadly kept pace with the wider economy.

The effect on this comparison of the freeze of public sector pay and changes in the wider economy remains to be seen.

Table 15

With effect from:	2006	2007	2008	2009	2010	Cumulative increase
Police Pay Increases	3.00%	3.00%	2.65%	2.60%	2.55%	14.58%
Hay Group all incumbents movement	3.40%	3.60%	4.00%	2.90%	2.30%	17.27%
ONS average earnings (All)	2.90%	2.90%	4.70%	2.50%	0.30%	13.97%

³ ONS figures shown here are taken from the Annual Survey of Hours and Earnings. There are other ONS sources, one of which - Average Weekly Earnings - shows a larger increase in total earnings over the period of 15.9%

Summary of pay findings

- Pay relativities with Chief Inspectors and ACCs reflect our findings in relations to job size – there is a bigger step in both pay and job size from Chief Inspector to Superintendent and from Chief Superintendent to ACC, than between Superintending ranks.
- Pay varies quite considerably between different parts of the public sector, depending on the market that the organisations are competing in to recruit to specific roles, so using a broad group of roles and organisations in pay comparisons will give the most robust and fair outputs.
- Finding roles to fairly compare pay with needs to take into account the whole of the job, and the broader public sector in order to ensure like is being compared with like – there is some evidence that individuals in superintending ranks don't always have a true picture of how their roles compare against others in the wider market.
- The factor that has the most significant impact on the competitiveness of pay for these roles is the size of the job within the rank.
- Pay comparisons show that the smallest Chief Superintendent and Superintendent roles⁴ are mostly paid in line with or above the median of both the public and private sector markets, for all forms of remuneration (with one exception).
- There is a consistent picture in relation to the private sector market: pay for these roles falls between 93% and 112% of the medians for private sector base pay and total remuneration. It is less consistent when comparing with the public sector – total remuneration (126% - 137% of the median) for these roles is more competitive than base pay (108% - 126% of the median).
- The comparisons also show that the biggest roles in both ranks⁵ are less competitive against the private than the public sector. These roles are paid in line with the public sector market median in base salary and total cash terms (94% - 101% of the median), and above the median in total remuneration terms (101% - 119% of the median).
- Police pay increases have broadly kept pace with the wider economy - which has included some unusual circumstances including pay freezes in both public and private sectors, pay cuts in some private sector organisations, multi-year pay deals in parts of the public sector, and continued receipt of annual increments in organisations that operate this type of pay mechanism.

⁴ Superintendents job sizes 657 – 732, Chief Superintendents job sizes 805 - 839

⁵ Superintendents job sizes 805 – 839, Chief Superintendents job sizes 924 - 964

7. Considerations unique to the police service

One of the specific questions raised in Winsor's call for evidence for part two of the review of terms and conditions is *what considerations unique to the police service are pertinent to the question of pay for these ranks?*

We agreed to cover this question as part of our interviews with roleholders, and the main responses are recorded below with our commentary on these factors:

A group of factors that roleholders felt were either unique to their role or not sufficiently remunerated as part of the package include:

- On call / standby requirements.
- The cost of relocation on taking up a new post in a different area.
- The cost and impact of travelling long distances in a force with a large geographical areas.

Some organisations do choose to provide additional allowances and remuneration for this type of factor, but most often this will occur at more junior levels than superintending ranks. Organisations expect to have to offer additional sums to compensate for variations to standard junior roles in order to motivate the workforce to undertake these variations to role – overtime is a good example of this – but not at managerial levels.

This is partly due to a widely held expectation that at managerial levels, flexibility in role and variation in working practices are just part of the role. It is also due to the fact that the earning potential for individuals in these roles is greater and can in some way compensate for such additional requirements.

Where these factors are rewarded at senior levels (i.e. in the medical profession) the amounts paid are relatively small in comparison to overall salary.

The second group of factors cited by roleholders include:

- Risk to job security.
- Personal accountability.
- Criticality of decision making.
- Lack of rights to union membership.
- Specialisms, certification and additional national duties.

These elements are those that can contribute to a role being difficult to recruit to – either because the role has become unattractive because of the working conditions, the reputation of an organisation and/or a profession, or because there is a skills shortage in a particular specialism.

In these cases, salaries are higher because there is a genuine shortage of capable applicants. This happened in recent years with top jobs in children's services. There is no evidence that there is currently a shortage of applicants for Superintendent roles, which means that there is unlikely to be these types of pressures on pay for these roles in the short term.

Among police officers, two main developments could influence pay for these factors: if recruitment to middle and senior roles is opened up to people from other, more expensive markets; and if there is an identifiable and persistent shortage of candidates with the right qualities to succeed in particular ranks or roles.

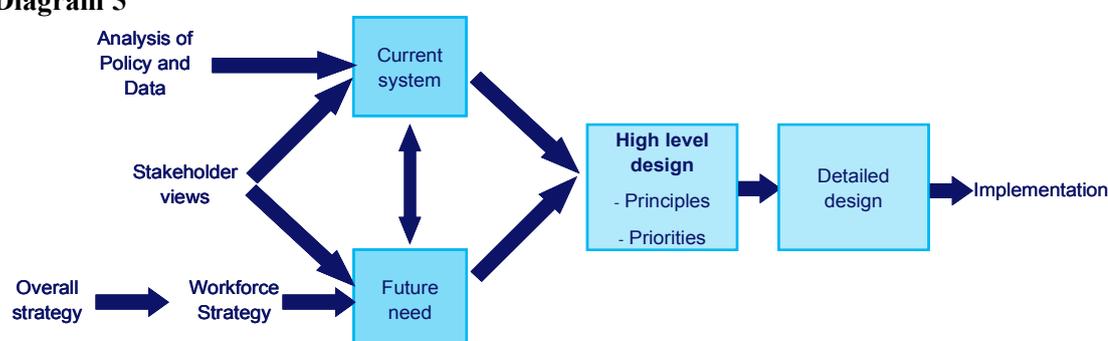
8. Observations and policy questions

Hay Group was commissioned specifically to cover questions of job size and pay comparability in this study, however throughout the process we have found a number of recurring themes that raise broader questions for consideration.

The flow of reward design

The first is a general observation that while there are specific questions to be answered in the design of a pay scheme, the starting point for these questions should be a discussion and clarification of the purpose of the organisation, ensuring that reward arrangements are aligned to the overall strategy of the organisation, reflect the way the organisation needs to operate in order to meet its purpose, and enable the recruitment and retention of the type and calibre of workforce that is necessary.

Diagram 5



The information included in this report can help to address specific questions of pay levels, but in order to develop a sensible and robust reward policy for the future it is important not to get drawn into these types of questions before considering the overall context.

Patterns of change

The inconsistent patterns of change across England and Wales, specifically in response to an immediate need to make efficiency savings, has likely led to greater variation in the types of roles within superintending ranks. There is less of a common picture of what the core role of a Superintendent or Chief Superintendent is, or indeed what their core skills and competencies should be. This raises a question of whether the development activity being delivered to those in more junior ranks is developing the right skills in the Superintendents of the future.

Changes in proportions and types of roles

The changes we've highlighted in the proportion of roles between whole force strength, superintending roles, and ACPO levels mean that there will be a different pattern of career progression between these levels. Where there are proportionately more posts at the next level up, this could lead to individuals progressing more quickly than has been the case historically, and not necessarily being ready for the more senior position being taken on.

Where there are proportionately fewer posts at the next rank, this could lead to stagnation at certain ranks, and a narrowing of career progression opportunities for some individuals. The implications of this on the delivery of service and development of individuals progressing to these ranks may well need further exploration.

This change in the number of "large jobs" within each rank also suggests a marginal increase in the average job size for the ranks, and therefore a slightly different anchor point within the pay market.

The changes in types of roles – the requirement to motivate staff in increasing difficult organisational circumstances, the need to exhibit greater commercial acumen at more senior ranks, and the requirement to operate in multi-agency, matrixed structures require different leadership capabilities than those developed in a traditional hierarchical organisation. The question is whether or to what extent these skills are being developed in those aspiring to superintending ranks, or in the Superintendents aspiring to ACPO.

Impact of job size

The finding that job size has the biggest impact on competitiveness of pay against the market, could lead into a discussion of how to pay more to those with bigger jobs within the ranks. This discussion should be pursued with caution, in our opinion, as there are other implications of a job-sized pay mechanism for flexibility of deployment within a given rank, which could create unforeseen complications in delivering services and managing talent within and across forces.

Engagement and enablement

A number of the issues raised by roleholders when asking about the changes to their jobs in recent years have not necessarily contributed to an increase in job size, but have contributed to feelings that jobs have become more pressured and difficult, and have an impact on individuals' lives outside of work.

Hay Group's work with organisations in the areas of employee engagement regularly reinforces our finding that the intangible elements of total reward are critical to organisational performance. The aspects of work that contribute to employees feeling engaged with their employer organisation and equipped to fulfil their role have the biggest impact on the level of discretionary effort employees are willing to exert, and therefore on organisational outputs.

In order to comment on these aspects within the superintending population, we have compared the results of the PSAEW resilience survey with norms data taken from our database of responses gathered by our employee survey practice.

This comparison is not statistically rigorous, as the questions asked in the surveys are worded differently and collected in different ways, but it does give some kind of indication of whether the environment Superintendents report that they are working in is significantly different to the rest of the economy.

For questions regarding:

- opportunities to progress or concerns about progression, 40% of PSAEW respondents answered unfavourably, compared to 48 – 51% answering neutrally or unfavourably in our norms data;
- receiving helpful or regular feedback on performance, 58% of PSAEW respondents answered favourably, compared 56 - 61% answering favourably in our norms data;
- sufficient or insufficient resources to carry out the work, 55% of PSAEW respondents answered unfavourably, compared to 50% answering neutrally or unfavourably in our norms data;
- receiving training required to undertake the role, 54% of PSAEW respondents answered favourably, compared 60% answering favourably in our norms data;
- flexibility of work schedule to meet needs or balance with non-work life, 70% of PSAEW respondents answered unfavourably, compared to 32 - 45% answering neutrally or unfavourably in our norms data;
- high or unreasonable levels of demand, 97% of PSAEW respondents answered unfavourably, compared to 40 - 46% answering neutrally or unfavourably in our norms data.

This suggests that individuals in this population receive similar levels of feedback, training, and resourcing support in carrying out their work to a broader population in our norms database (covering a wider range of corporate and global organisations). They also seem to have a similar level of expected opportunity for career progression.

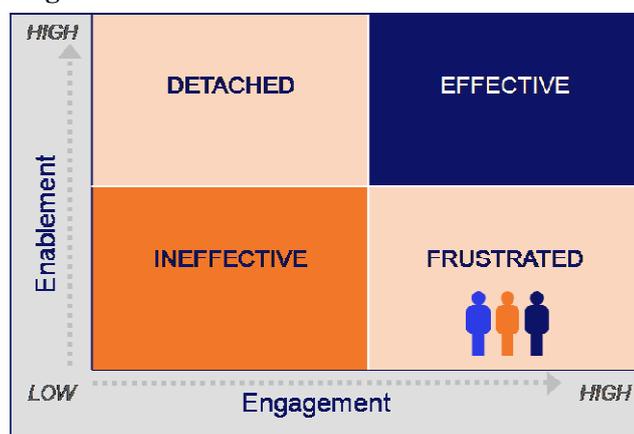
Where the findings in the PSAEW survey seem to depart from the norms data is regarding questions of work-life balance and the reasonableness of demands placed upon them by their job.

Whilst comparisons of these data sets cannot lead us to draw concrete conclusions, it does suggest that in addition to considering the tangible reward elements offered to those in policing roles, the working environment and intangible elements also deserve consideration if impact on delivery is to be well-managed.

Diagram 6, below, provides a model for improving employee performance by identifying the potential groups of individuals within an organisation:

- Those that are engaged and enabled are the most effective employees, most likely to give the discretionary effort that delivers superior organisational performance.
- Those who feel engaged with the organisation’s values and purpose, feel valued and see potential for career progression, but do not have the resources and training to do their jobs effectively will become frustrated and may either leave or work to a reduced level of quality.
- Those who have the skills and resources, but feel undervalued or disengaged from the organisation are likely to only contribute the minimum requirements for the job.
- Those that are lacking on both scales will be operating ineffectively and inefficiently.

Diagram 6



A balanced discussion of the elements that contribute to organisational performance, in the wider context of organisational strategy, needs to accompany specific questions regarding pay elements in order for policing to effectively deliver results in the current environment.

Appendix A – Case study Forces

Force	Type of Force
Metropolitan Police Service	Major population groupings and significant policing and / or political context
South Yorkshire Police	Substantial population groupings and policing complexity
West Mercia Police	Mid sized population coverage or small to medium in scale but with added policing complexity
Norfolk Constabulary	Mid sized population coverage or small to medium in scale but with added policing complexity
Gwent Police	Smaller force

These Forces were asked to provide the following information:

- Numbers of Chief Officers, C Supts & Supts each year 2006 – 2011.
- Organisational charts including all Supt & C Supt roles, and reporting lines to Chief Officers – for versions of the structure in 2006, 2011 and a mid point.
- Breakdown of key responsibilities of Supt & C Supt roles (bullet points are fine) including dimensions information – for versions of the structure in 2006, 2011 and a mid point.
- JDs for any unusual or one-off roles.
- Current actual pay data for Supt & C Supts in the Force (template to be provided).

Interview protocol

For the MPS, South Yorkshire, West Mercia and Gwent, this information was supplemented by context interviews with approximately 5 Superintendents or Chief Superintendents in each Force, following the protocol below.

Introduce yourself and the purpose of the interview. Explain the structural and pay benchmarking analysis we are undertaking, and emphasise that these interviews are to understand perceptions.

- Have superintending roles have changed in recent years? How?
- Which roles in the public and private sector would you say are reasonable comparators in terms of job size, complexity and nature of work?
- What is your perception of how pay & the total package for these ranks compares with the public sector market, local government market and private sector ?
- Do you have any particular view about the mechanisms used to award pay, or specific elements of the package?
- Do you have any views on how pay and pay mechanisms for these ranks compare with other parts of the police (Chief Officers, more junior officers, police staff etc)?
- What are the implications for other considerations such as career progression, national mobility etc?
- What specific and unique elements of a police role should be considered when setting pay for these ranks?

Appendix B – Hay Group Method of Job Evaluation

Overview

The core of Hay Group's work in this study is founded on its job evaluation scheme, the Hay Guide Chart Profile Method of Job Evaluation which was developed some 40 years ago and is now the most widely used job evaluation scheme across the world. The scheme has been developed and refined but its structure and principles have remained consistent throughout its history and have enabled Hay Group to analyse jobs in a consistent and coherent way across eight factors present in all jobs of whatever size and complexity. The output from evaluations can describe jobs in terms of the relationship between those factors and between layers in organisations but ultimately they express the weight of any job in terms of a number of points scored across all the various factors. This enables comparisons to be made between jobs on a common basis of job score irrespective of the size, complexity, sector or geography of that job and can enable comparisons across the UK and, if required, international job markets.

This note provides a brief outline of the Hay Guide Chart Profile Method of job evaluation. It is intended to provide an introduction to the method and is not a substitute for formal training or the subsequent advice and quality assurance from Hay Group which enable individuals to become proficient evaluators.

What is job evaluation?

Job evaluation is a means of establishing differentials through ranking jobs. It originates in two concepts:

- more complex or more responsible work should receive greater compensation than less complex or responsible work, otherwise there will be no incentive to acquire deep skills or assume responsibility; and
- there should be like pay for like work within an organisation. Ranking jobs in top to bottom order in a single function is not difficult. What is more difficult is to gauge the extent of the difference in the sequence. More difficult again is to relate a number of different functions together. Formal job evaluation schemes were designed to overcome these difficulties.

Features of the Hay Method

The Hay Guide Chart - Profile Method has a number of key features:

- the three factors common to all jobs which facilitate comparison between jobs;
- the step difference principle, which is the tool of comparison;
- the numerical scale for relating different levels of jobs;
- the profile.

The evaluation factors

There are a number of different methods of job evaluation. Some compare whole jobs; the majority look at factors or elements which are common between jobs such as knowledge, skills, experience, mental effort and responsibility. The Hay scheme is based on the analysis of three main factors:

Know-How	- The level of knowledge, skills and experience required for fully acceptable job performance.
Problem Solving	- The span, complexity and level of analytical, evaluative and innovative thought required in the job.
Accountability	- The discretion given to the job holder, either to direct resources of all kinds or to influence or determine the course of events, and his/her answerability for the consequences of his/her decisions and actions.

The step difference principle

Some job evaluation schemes compare job factors against pre-determined scales. These are known as points rating schemes. The Hay scheme compares jobs against jobs using the step difference principle which works as follows:

- if the difference between an element in two jobs is immediately evident, and requires no consideration at all, then it is probably three steps or more
- if, after some consideration, the difference is reasonably clear, it is probably two steps
- if, after very careful consideration and scrutiny, a difference can just be discerned, then the difference is one step
- if, after very careful scrutiny and consideration, no difference can be detected between the elements in the jobs, then they are, for evaluation purposes, identical

The numerical scale

Each of the evaluation factors is set out on a grid, with defined levels within the factors and points scores indicating job size alongside them. The relationship between these points scores is another distinctive feature of the Hay Method. The numbers themselves are directly proportional to each other in a geometric progression, e.g. 100, 115, 132, 152. This avoids the difficulty that in an ordinary progression, e.g. 1, 2, 3, 4, the numbers are in a constantly diminishing relationship to each other. The Hay scale of progression is 15% and means that each judgement is given this constant relativity wherever it falls on the scale.

This approach to the numerical scale helps evaluators to compare the size of different jobs within a structure. Along with other features of the Hay Method, it also ensures that total job scores tend to cluster, which is important for creating grades linked to pay ranges.

The Profile

The Hay Group scheme has a facility for checking the soundness of an evaluation by considering the shape or profile of the job. This is done by testing the distribution of the three elements of Know-How, Problem Solving and Accountability in the evaluation of each job to see if it makes sense, and relates to the nature of the role (accountable line manager, adviser, researcher etc).

The factors in more detail

1. **Know How** – The sum of every kind of knowledge, skill and experience (however acquired) necessary for standard acceptable performance in the role. The framework for judging Know How includes three dimensions, each of which has several defined levels:
 - Depth and range of Know How (judged against a scale of A to H which covers all job types and levels in the economy).
 - Breadth of management Know-How - the requirement for planning, organising, coordinating, directing, executing and controlling over time (normally judged against a scale of 0 to IV, but this may vary depending on the scale and nature of the organisation).
 - Human relations skills, i.e. the skills needed to communicate with and influence individuals and groups, within and outside the organisation to achieve results (judged against a scale of 1 to 3).

The evaluator takes a view on how the role fits each of these criteria, and this produces a composite score for Know How. On this and the two other factors, detailed judgements can be adjusted by adding a + or -. So, for example, a job which seems close to but slightly less than level E on the scale for depth and range of Know How might be E-.

2. **Problem Solving** - The thinking required for analysing, evaluating, reasoning, arriving at and drawing conclusions. The framework for judging Problem Solving has two dimensions, each of which has several defined levels:
 - Thinking Environment, which assesses the extent to which thinking is constrained by its context (business environment, organisation policies, guidelines and procedures, etc) – judged on a scale of A to H.
 - Thinking Challenge, which assesses the complexity of the problems encountered and the extent of original thinking needed to arrive at conclusions (judged on a scale of 1 to 5).

Again, the judgments against these criteria produce a composite score for Problem Solving.

3. **Accountability** - The extent to which a job is answerable for actions and their consequences. The framework for judging accountability has three dimensions, each of which has several defined levels:
 - Freedom to Act, which assesses the extent to which the job is subject to guidance or control (on a scale of A to H).
 - Area of impact, which gauges how much of the organisation is impacted by the job (on a main scale of four or five levels).
 - Nature of impact, which is concerned with how directly the job affects end results in that area (on a four level scale).

Again, the judgments against these criteria produce a composite score for accountability.

The evaluator adds the scores for the three factors to produce a total job size. There are also consistency checks to be done, to ensure the evaluation line describes the type or shape of the role in a coherent way, and relativity checks, to ensure that the conclusion makes sense in comparison to evaluations of other roles. Either of these sets of checks can lead to adjustments in the evaluation.

The overall evaluation lines produced by this process make little sense at first glance, but are a form of language with which trained and experienced assessors become very familiar.

The evaluation process

There are many ways of applying the Hay Method in practice.

It takes training and experience to become effective in the use of the scheme. Many organisations evaluate jobs using trained people in panels to reach a consensus judgment. This kind of group process can help to bring different perspectives into the evaluation and can add to the credibility of the judgment. However, other organisations rely more on expert assessment by experienced individuals in the HR department or from Hay Group.

Hay evaluation can be based on a written job description, as long as the job content and the context of the work are clear and the description presents an agreed view of the work. However, in certain circumstances it can be useful to interview the jobholder and/or their line manager.

General use of the Hay Group scheme

The Hay Group scheme has found widespread acceptance as it is applicable to any job from the shop floor to the Chairman, can relate different cultures and styles of organisation, and has been shown to be effective in both private and public sectors. It offers an analytical approach which is capable of meeting equal value requirements. In addition, it can give access to market pay data to provide like for like salary comparisons between organisations. Consequently the Hay Method is now used by more organisations around the world than any other single type of evaluation scheme.

It can be adapted both for specific sectors and for organisations. Some core principles – the three factor framework, the step difference and the concept of the profile – cannot be changed, but the wording which describes factors and factor levels can be adjusted to suit the nature of work, the structure and processes and the language of a particular environment.

Use in policing

Hay Group job evaluation is used by over half the UK's police forces to establish grades and conduct pay benchmarking for police staff. It has also been used in many studies of police officer ranks – in national reviews of ACPO roles, Superintendents and Constables, in local advice on how ACPO roles compare with the wider market, and in projects to assess the size and shape of ACPO level roles.

Appendix C – Technical details of evaluations

The job evaluation process results in a judgement under each of three factors and a total points score. The detailed evaluations are as follows:

Chief Superintendent

The evaluations below show larger and smaller job sizes, and reflect two different role types. For the operational roles, the larger job size indicates those roles that are responsible for a large geographical or functional area, and illustrates a greater managerial or functional breadth than the smaller role.

For those roles with a partnership and policy focus, the larger job size illustrates a greater breadth of influence and a less direct impact on a substantial breadth of service delivery across policing and other related externally delivered services.

These evaluations also demonstrate clear differences between these roles and the ACCs for every element being evaluated.

Larger				
	Operational focus		Partnership & policy focus	
Know How	FII+3	460	FII+3	460
Problem Solving	E4 (43%)	200	E4 (43%)	200
Accountability	E+3+P	304	E4S	264
Total score	964 A3		924 A2	

Smaller				
	Operational focus		Partnership & policy focus	
Know How	FII3	400	FII3	400
Problem Solving	E4 (43%)	175	E4 (43%)	175
Accountability	E3P	264	E3+ S	230
Total score	839 A3		805 A2	

Superintendent

The evaluations below show larger, mid-level and smaller job sizes, and reflect two different role types.

As before the larger job size illustrates a greater breadth of responsibility and impact (directly or indirectly) on a more substantial proportion of the Force's (or partners') service delivery and a greater level of functional variety involved.

The distinction between the mid-level and smaller job sizes reflects a difference in the level of autonomy or direction available to the role, and the complexity or strategic impact of the issues being handled by these roles.

These evaluations demonstrate the overlap between the smaller end of the Chief Superintendent rank and the larger Superintendent roles.

Larger				
	Operational focus		Partnership & policy focus	
Know How	FII3	400	FII3	400
Problem Solving	E4 (43%)	175	E4 (43%)	175
Accountability	E3P	264	E3+ S	230
Total score	839 A3		805 A2	

Mid-level				
	Operational focus		Partnership & policy focus	
Know How	F-II-3	350	F-II-3	350
Problem Solving	E4 (43%)	152	E4 (43%)	152
Accountability	E2+P	230	E3S	200
Total score	732 A3		702 A2	

Smaller				
	Operational focus		Partnership & policy focus	
Know How	F-II-3	350	F-II-3	350
Problem Solving	E3+ (38%)	132	E3+ (38%)	132
Accountability	E-2+P	200	E-3S	175
Total score	682 A3		657 A2	

For context we also include the detailed evaluations of ranks either side of Superintendent and Chief Superintendent.

Assistant Chief Constable

The two evaluations below are examples chosen from a potentially wider range of scores to illustrate a mainstream and potentially larger role. The core evaluation reflects (in breadth and Problem Solving) the range and corporate contribution required of any ACC. The larger score indicates broader thematic and/or geographical coverage and a greater area and therefore value of impact.

Larger		
Know How	F+III3	608
Problem Solving	F4 (50%)	304
Accountability	F4S	400
Total score	1312 A2	

Core		
Know How	F+III-3	528
Problem Solving	F4 (50%)	264
Accountability	F4-S	350
Total score	1142 A2	

Chief Inspector

The evaluations below show a core job size for Chief Inspectors, with an operational or a partnership & policy focus.

These evaluations also demonstrate clear differences between these roles and the Superintendents for both Know How and Accountability.

Smaller				
	Operational focus		Partnership & policy focus	
Know How	E+II-3	304	E+II-3	304
Problem Solving	E3+ (38%)	115	E3+ (38%)	115
Accountability	E-2P	175	D3+S	152
Total score	594 A3		571 A2	

Appendix D – Details of data used in this study

Structural data

Analysis of changes in numbers of posts has been based on Home Office Statistical Bulletins on Police Service Strength in England and Wales as of 31st March, published between 2006 and 2011. This data was used in order to provide a consistent comparison of roles across the years covered by this study. It covers FTE substantive roles, and therefore differs from PSAEW membership numbers which includes temporary roles, and numbers of individuals.

Pay data

Pay ranges: taken from PNB circulars published in 2010

Actual base pay, bonus and benefits data: collected from the five case study forces

Holidays: taken from Police Regulations – assumed to be 31 days, and valued using the methodology outlined in Appendix E.

Pension: valued using the methodology outlined in Appendix E.

Pay comparison data

Hay Group collects detailed data from across all sectors of the economy on the remuneration packages paid to individuals. Recorded by job type and by job score level, remuneration data is collected for base salary, bonus payments and key benefits such as company cars, health benefits, and other options. Because the underpinning of the recording system is the job evaluation score, we can ensure that we are making like for like comparisons across job types, sectors and localities and our data can be broken down and disaggregated into all of these categories.

Our database covers around 600,000 jobs spread over 600 or so organisations in the UK economy. All of these jobs are recorded and analysed by job weight and they represent the largest database of its kind in the UK. Our data is used extensively in both public and private sector organisations for benchmarking pay and Hay Group is the established supplier of remuneration data to the Cabinet Office and central government.

Specifically, the data used for the public sector market in these comparisons included the following organisations:

Audit Commission for Local Authorities and the NHS

Avon and Somerset Constabulary

Barts and London NHS Trust

Berkshire East Teaching Primary Care Trust

Berkshire West Primary Care Trust

Bexley Council

Big Lottery Fund

Birmingham City University

Blackpool Borough Council

Bracknell Town Council

Brighton & Hove City Council

British Council, The

British Library, The

British Transport Police

Bromford Housing Group

Buckinghamshire Primary Care Trust

C A B I

Cambridge Assessment

Cambridge City Council

Carbon Disclosure Project

Cherwell District Council

Church of England

Circle Anglia

City & Guilds

City of London Police

City of York Council

City West Housing Trust

Civil Aviation Authority

Civil Nuclear Constabulary

Countess of Chester NHS Foundation Trust

Cross London Rail Links

Crown Estate, The

Crown Prosecution Service

Dumfries and Galloway Constabulary

East Kent Hospitals University NHS Foundation Trust
 East Sussex County Council
 Elizabeth Finn Care
 Environment Agency, The
 Gallions Housing Association
 Guy's & St Thomas' Hospital NHS Foundation Trust
 Gwynedd Council
 Hampshire County Council
 Hampshire Primary Care Trust
 Harborough District Council
 Health Protection Agency
 Hertfordshire County Council
 Hertfordshire Partnership NHS Foundation Trust
 Hull Teaching Primary Care Trust
 Imperial College of Science Technology & Medicine
 International Baccalaureate
 Isle of Wight NHS PCT
 Kent County Council
 Kent Police
 Kingston Primary Care Trust
 Kirklees Council
 Lancashire County Council
 Leicestershire County Council
 Lewisham College
 London Borough of Barnet
 London Borough of Islington
 Maidstone Borough Council
 Manchester Airport
 Metropolitan Police
 Milton Keynes Primary Care Trust
 N H S Confederation, The
 National Audit Office
 National Policing Improvement Agency
 National Savings & Investments
 Norfolk County Council
 Norfolk Police Authority
 North West Development Agency
 Northamptonshire Police
 Northern Lighthouse Board
 Notting Hill Housing Trust
 Ordnance Survey
 Oxford Radcliffe Hospitals
 Oxford University Press
 Oxfordshire Primary Care Trust

P R S for Music
 Peabody Trust
 Port of London Authority
 Portsmouth City Teaching Primary Care Trust
 Quantum Care
 Queen Elizabeth Hospital Kings Lynn NHS Foundation Trust
 Royal Borough of Kensington & Chelsea
 Royal British Legion
 Royal Brompton and Harefield NHS Foundation Trust
 Royal Mail Group
 Royal Pharmaceutical Society of Great Britain
 Sanctuary Group
 Scottish Environment Protection Agency
 Scottish Water
 Skills For Justice
 Somerset County Council
 South Northamptonshire District Council
 South West Yorkshire Partnership NHS Foundation Trust
 South Yorkshire Police
 Southampton City Council
 Southampton City Primary Care Trust
 Southwark Council
 Sovereign Housing Group
 Specialist Schools and Academies Trust
 St Mungo's
 Suffolk Police
 Surrey Police
 Sussex Police
 Thames Valley Police
 Transport for London
 Trinity House Corporation
 Tunbridge Wells Borough Council
 U K Atomic Energy Authority
 U M I P
 University College London
 University of Birmingham
 University of Edinburgh
 University of Lincoln
 University of Newcastle-upon-Tyne
 University of Northampton
 University of Oxford
 University of Southampton
 Wandsworth Borough Council
 Warwickshire County Council

Wealden District Council

West Mercia Constabulary

West Northamptonshire Development Corporation

West Sussex County Council

Wiltshire County Council

Wokingham Borough Council

Working Links (Employment)

Appendix E – Benefits valuation methodology

Why compare benefit values?

Interest in benefit values, and the associated concept of total remuneration (cash pay plus benefit value), comes from those wanting to apply professional management tools to benefits and total remuneration policies. Managers are looking for a way of managing benefits similar to that used for pay i.e. answering the question of how much to provide relative to other organisations for the same job or job size.

Two categories of organisation are most concerned. First are those who now provide more valuable benefits than average. They may want to show management and employees the financial impact of these in order to justify a total remuneration package. Second, those who now provide less valuable benefits than average, who often want to keep those low benefits but need to be able to defend their lower value against criticism by ensuring that employees get sufficient cash remuneration to compensate.

The purpose of valuing benefits is therefore to enable compensation managers and general managers to compare on an objective basis the package of employee benefits their organisation provides with benefits packages provided by other organisations, and similarly to compare the total remuneration package (cash plus benefits) with other organisations. Comparisons between organisations are based on the employer's stated basic policy, but the same methods can be used to compare the remuneration packages of individuals within an organisation, or in different organisations. Hay Group's benefit valuation methodology also enables compensation managers to assess the effects of changes in the pay and benefits package on the competitive position.

The valuation process

In order to compare the different complex benefit packages provided for different jobs we need to find a way to add life cover to pensions to cars and so on to produce a single index for the whole package. The Hay Group benefit valuation is a process of calculating a money equivalent for each benefit, building up to a total value for the whole benefits package.

A common set of assumptions is used for valuing the benefits provided by all employers in the comparison, eliminating factors such as bulk buying power or pension funding history. All benefit features of any significant value are taken into account – over 60 features in all. These features are listed below, and followed by a description of the main assumptions used in producing money equivalents for the benefit features.

Features covered by the Hay Group benefit valuation

Cars

Status car eligibility, car models allowed, private use petrol provision, private use charge, replacement criteria, car allowances, car purchase loans [job requirement cars are not valued, except above the level where the majority of employees have cars, where they are valued in the same way as status cars].

Pensions, death and ill-health benefits

- **Retirement benefits** – accrual rate; averaging of final pensionable pay; state pension offset; pensionability of bonuses; pensions increases after retirement, widows' pension fraction; whether or not contracted-out; treatment of early leavers; lump sum on death after retirement, employer's contributions towards personal pensions and supplementation of additional voluntary contributions.
- **Death benefits** – lump sum life assurance; refund of contributions; widows' pension fraction; whether widows' pension based on actual, enhanced or potential service; children's pension amount; widowers' pension cover; and many of the features affecting retirement benefit listed above.
- **Ill-health benefits** – period of full sick pay; other rate sick pay; integration with State benefit; eligibility for and level of permanent health insurance; level of pension on ill-health retirement in the pension scheme; and many of the features affecting retirement benefit listed above.
- **Member contributions**
- **Retirement age** - normal retirement age; voluntary early retirement terms.

These benefits are valued using a model of a typical employee group and making standard demographic and other assumptions to determine the present value of these future and contingent benefits.

Holidays

Annual holiday entitlement; extra days with length of service; extra company days; restrictions and carry-forward arrangements; sabbaticals.

Fringe benefits

- Private medical insurance – level of cover; scope of family cover; proportion of cost paid
- Loans and mortgages
- Meals
- Miscellaneous expenses
- Gifts and awards
- Other benefits

Long term incentive schemes

The Hay Group long term incentive valuation methodology is a binomial model based on the Cox-Ross-Rubinstein formula. This formula contains the widely-used Black-Scholes formula for valuing share options as a limiting case, and if the inputs are the same both formulae produce the same values.

Black-Scholes values executive options as if they are traded securities and is the most widely used valuation method world-wide. The Cox-Ross-Rubinstein formula is more flexible than the pure Black-Scholes approach because it can more easily be adapted to:

- Allow the consistent valuation of performance share plans (LTIPs);
- Allow for the impact of performance conditions;
- Allow for the probability of forfeiture on exit prior to vesting.

Under Hay Group's model, the expected value of a long term incentive is the present value of future pay-outs taking account of the probability of many different future share price scenarios. The scenarios are assumed to follow a binomial distribution, and depend on the volatility and dividend yield of the share.

To establish the value of long term incentive plans which have performance conditions, the Hay Group model produces a probability distribution for the performance condition. We then use this to determine for each share price scenario whether the performance condition has been met and calculate the gain to the executive. Hence, we allow for both the share price movement and the percentage of shares vesting for different levels of performance. This gain is then discounted to the valuation date to take account of the time value of money.

The list below shows the features taken into account in the valuation process:

- Eligibility
- Level and frequency of grant
- Performance measures
- Payout levels (threshold, target and maximum)
- Vesting period and total length of plan
- Volatility and dividend yield
- Risk free interest rate and equity premium
- Decrements such as death, disability etc.

The annual grant is valued allowing for the volatility and dividend yield of the share, using a Hay Group valuation tool, and is discounted to a current value. Examples of valuations are shown below:

- An annual grant of **options over shares** with market value of 50% of salary, volatility of 20% and a 2% dividend yield is then worth 17.8% of salary.
- An example for a **restricted share plan** provides a threshold payment of shares worth 30% of salary (at grant date) if performance reaches the 50th rank in a comparator group of 100 companies. A maximum payment of 100% of salary is paid for reaching or exceeding the 75th rank and the plan vests after three years. This plan would be given a value of 43% of salary.

The resulting value is called the fair market value (FMV).

The benefit valuation method

The approach used is to calculate a theoretical or standardised cost of providing each benefit. The valuation measures the benefit that gets through to the employee, not the actual amount the employer is spending to provide the benefit.

This is particularly important in the case of pensions: the pensions schemes in two organisations may provide identical benefits from the point of view of employees, but have greatly different employer contribution rates because one fund has a surplus and the other a deficit for historical reasons. The Hay Group benefit valuation assigns the same value to both schemes.

Using standardised costs means the benefit valuation can be used by employers to help assess the cost of changes to their benefits policy - if the benefit value is £500 below median then a new benefit costing about £500 should bring the benefit value up to around median. For this reason no account is taken of tax advantages to the employee (e.g. with company cars) and no value is attached to benefits that generate no cost to the employer (e.g. the option to contribute for better benefits, flexitime).

Some benefits are particularly controversial in their value – some pension's aspects such as pension increases after retirement have been valued very differently by different actuaries in the context of comparing inflation-proofed public sector pensions with private sector pensions, and cars with their valuable tax advantage can be valued on a wide variety of assumptions. The Hay Group methodology uses assumptions that are close to the middle of the range of reasonable possibilities. Where a practice is very different from other organisations, e.g. no job status cars, then this should be taken into account when reviewing the value of the total package.

The assumptions are illustrated below for the main benefits:

- **Pensions** – We have valued Police Pension Scheme (PPS). Our methodology for valuing defined benefit (e.g. final salary) plans is intended to highlight the design value. This is impacted by factors such as: the definition and level of pensionable earnings; the accrual rate; the earliest retirement age with no actuarial penalty; the spouse's pension fraction; the pension increase rate etc. Any employee contributions are deducted from the value. The value we have placed on the employer-sponsored value of the PPS (before taking into account of the earnings cap for those roles currently affected by it or likely to be affected in the future) is 28.7% of pensionable earnings.
- **Holidays** – Entitlement in excess of 20 days per year is valued, an extra week's holiday being valued at 2% of salary.

The benefits valued are total benefits, excluding state benefits, net of any member contribution to pension, car or other benefit.

Appendix F - Project team

The following consultants undertook the analysis of these case studies:

David Borton – Senior Consultant

Melissa Green - Consultant

Helen Moorhouse – Senior Consultant & Head of Uniformed Services

Richard Muscat - Consultant

Annika Westerberg – Senior Consultant

The following team contributed to the analysis of the information and writing of this report:

Ann Le – Business Analyst

Helen Moorhouse – Senior Consultant & Head of Uniformed Services

Peter Smith – Director of Public Sector Consulting

Martin Stuart – Hay Group Associate and ex-Deputy Chief Constable

Jack Whittle – Reward Analyst