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Report:
Chief Officer Job Evaluation Review

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1. Introduction

A Review of Reward Arrangements

Gwynedd Council has commissioned Hay Group to undertake a remuneration review of Chief Officer Roles.

Background

The authority has recently undertaken an organisation review, and hence a number of roles have changed, amalgamated and emerged as a result of restructuring. The 2008 review resulted in reductions in overall numbers of senior management and corporate roles across the Council, and subsequent savings of £785,000 per annum with the new formal structure commencing on 1st April 2009.

Our Approach

We have evaluated Gwynedd's roles using documentation provided (job descriptions, Council plans and organisation structures) as well as through interviews with incumbents. Having discussed evaluation scores and relativities with the Chief Executive, we have included options for the way forward in relation to grading and pay for Chief Officers.

Table 1 – Roles included in this review

Role
Chief Executive
Corporate Director - Resources
Corporate Director - Care
Corporate Director - Development
Head of Social Services
Head of Education
Head of Highways & Municipal
Head of Finance
Head of Customer Care
Head of Regulatory
Head of Economy & Community
Head of Provider and Leisure
Head of Human Resources
Head of Strategic and Improvement
Head of Democracy and Legal
Head of Gwynedd Consultancy

Recommendations

Following consultation on the job evaluation results, current reward arrangements; data from our Public Sector pay database; and remuneration 'best practice'; we have included options for the future in relation to structure, level and mix of remuneration. The options will help, to varying degrees, to ensure that the pay structure is robust, consistent, fair and effective. We have also made suggestions which would help to shape 'fit for purpose' pay arrangements for the future.

The results of the evaluation process are detailed in the next section. This is followed by an analysis of role size against chosen markets and considerations for setting future pay policy for these roles.

2. Evaluation of Roles

The Hay Group Job Evaluation Methodology consists of three key parts:

- Know-How : the sum of all the knowledge, skills and experience required to deliver the role
- Problem Solving : the thinking required to address the problems
- Accountability : the answerability for actions and impact on the organisation

The relative difference between Problem Solving and Accountability gives us an indication of the shape of the roles. We call this the Profile.

We have evaluated each of the roles using the information provided and information gathered during interviews. The result of the evaluation process is detailed in Table 2; roles are ranked by total score.

Table 2 – Chief Officer - Hay Job Size and Levels.

The evaluation scores clearly show 5 distinct job size levels as set out below. (Within the cluster of Heads of Service jobs in level 4 there is a range of job sizes which reflects a range of individual job scores in this group of jobs. However, we should emphasise that the differences in job size reflect differences in job "profile" only and are not sufficiently significant to justify a further subdivision of this group of jobs.)

Level	Role	Total Points
1	Chief Executive	1708
2	Corporate Director – Resources Corporate Director – Care Corporate Director – Development	1142
3	Head of Social Services Head of Education	924
4	Head of Highways & Municipal Head of Finance Head of Customer Care Head of Regulatory Head of Economy & Community Head of Provider and Leisure Head of Human Resources Head of Strategic and Improvement Head of Democracy and Legal	775 - 839
5	Head of Gwynedd Consultancy	702

3. Pay Analysis

We have compared the results of the job evaluation process with our National Public Sector pay database (April 2009). This database is widely used and robust, it contains pay data from around 150 public sector organisations and holds pay information on around 100,000 roles.

Definitions

The table shows the range of pay found within the market for roles at each of the 5 job size levels. (Comparisons are against annual cash payment of basic salary.)

- Upper Quartile : 25% of the organisations in the survey pay more, and 75% pay less.
- Market Median : 50% of the organisations pay more, and 50% pay less.
- Lower Quartile : 75% of the organisations pay more, and 25% pay less.

The pay levels give an indication of what might be expected by incumbents in roles of this size and in organisations of this type. Salary levels are of course also determined by a range of factors beyond just market comparisons. (We refer to a number of these in the following section)

Table 3 – National Public Sector market data (April 2009)

Level	Role	Total Points	Job Size Level	Upper Quartile	Median	Lower Quartile
1	Chief Executive	1708	1	£142,791	£129,377	£122,970
2	Corporate Director – Resources Corporate Director - Care Corporate Director – Development	1142	2	£101,965	£93,864	£84,256
3	Head of Social Services Head of Education	924	3	£86,503	£80,708	£72,200
4	Head of Highways & Municipal Head of Finance Head of Customer Care Head of Regulatory Head of Economy & Community Head of Provider and Leisure Head of Human Resources Head of Strategic and Improvement Head of Democracy and Legal	775 - 839	4	£71,233	£64,488	£58,185
5	Head of Gwynedd Consultancy	702	5	£59,466	£54,204	£49,652

Welsh Pay Practice

The data provided contains National Public Sector data, incorporating data from across the United Kingdom. In our experience, Welsh Local Authorities tend to pay between the lower quartile and median. Welsh Councils closer to the border with England tend to pay around the median, given the additional pressures on recruitment and retention.

A Review of Your Current Pay Structure

The Council's current pay structure is shown in Table 4 below. The existing pay structure is relatively flat, with overlapping pay grades.

The salary differential between current Gwynedd grades is modest (the difference in mid-points between each Head of Service level is approximately 6%). This contrasts with market pay practice which shows a much greater degree of differentiation between levels of work (see Table 3 above).

Table 4 – Current relativities and pay structure

Grade\ SCP	5*	4	3	2	1
Chief Executive	**108,264**	106,335	104,400	102,471	100,536
Corporate Directors	**83,121**	81,234	79,347	77,463	75,576
PG4 ■ Head of Social Services	**68,598**	66,882	65,169	63,453	61,740
PG3 ■ Head of Education, ■ Head of Highways & Municipal, ■ Head of Finance, ■ Head of Democracy & Legal	**65,169**	63,540	61,908	60,279	58,653
PG2 ■ Head of Provider & Leisure, ■ Head of Human Resources, ■ Head of Strategic & Improvement	**61,740**	60,198	58,653	57,111	55,569
PG1 ■ Head of Economy & Community, ■ Head of Customer Care, ■ Head of Regulatory, ■ Head of Gwynedd Consultancy	**58,311**	56,850	55,395	53,937	52,479

Commentary on current pay structure

The maximum level of pay for the Chief Executive at Gwynedd is below the market lower quartile. We are aware that in comparison with other roles across North Wales, this role does also appear to be at the lower end of the market. The maximum point of Gwynedd's Director Pay Band is also around the lower quartile of the market.

While Gwynedd has four grades for Heads of Service, the Hay Group evaluation review has identified 3 levels of Head of Service. While the majority of Heads of Service roles fall within the same overall job size level, levels, there are two clearly larger Head of Service roles (Social Services, and Education); and one smaller role (the Head of Consultancy).

It is likely that several Heads of Service roles existed at this smaller level prior to restructuring but these have subsequently taken on additional service areas (for example Head of Customer Care)

Table 5 – Pay Analysis: Current Pay against the National Public Sector Market April 2009

National Public Sector, April 09			Base Salary				
Job Title	Hay Points	Salary	U Quartile	Median	L Quartile	Compa % Median	Compa % L Quartile
Chief Executive	1708	£108,264	£142,791	£129,377	£122,970	**84%**	**88%**
Corporate Director - Resources	1142	£83,121	£101,965	£93,864	£84,256	**89%**	**99%**
Corporate Director - Care	1142	£83,121	£101,965	£93,864	£84,256	**89%**	**99%**
Corporate Director - Development	1142	£83,121	£101,965	£93,864	£84,256	**89%**	**99%**
Head of Social Services	924	£68,598	£86,503	£80,708	£72,200	**85%**	**95%**
Head of Education	924	£65,169	£86,503	£80,708	£72,200	**81%**	**90%**
Head of Highways & Municipal	775-839	£65,169	£71,233	£64,488	£58,185	**101%**	**112%**
Head of Finance	775-839	£65,169	£71,233	£64,488	£58,185	**101%**	**112%**
Head of Customer Care	775-839	£58,311	£71,233	£64,488	£58,185	**90%**	**100%**
Head of Regulatory	775-839	£58,311	£71,233	£64,488	£58,185	**90%**	**100%**
Head of Economy & Community	775-839	£58,311	£71,233	£64,488	£58,185	**90%**	**100%**
Head of Provider and Leisure	775-839	£61,740	£71,233	£64,488	£58,185	**96%**	**106%**
Head of Human Resources	775-839	£61,740	£71,233	£64,488	£58,185	**96%**	**106%**
Head of Strategic and Improvement	775-839	£61,740	£71,233	£64,488	£58,185	**96%**	**106%**
Head of Democracy and Legal	775-839	£65,169	£71,233	£64,488	£58,185	**101%**	**112%**
Head of Gwynedd Consultancy	702	£58,311	£59,466	£54,204	£49,652	**108%**	**108%**

Commentary:

This table compares current Gwynedd Council pay against the Public Sector Market (April 2009) and presents a comparison ratio of salaries against the market median and lower quartile:-

- The Head of Gwynedd Consultancy is paid at 108% of the market median. The bulk of Heads of Service roles (i.e. those in "level 4" of the job size levels) are at 90 – 96% of the market median. The Heads of Finance, and of Highways, are currently marginally above the market median at 101%.
- The two larger Heads of Service roles are currently paid significantly below the market median, at 81-86%. (This equates to around £12-£15,000 below the median base salary.)
- The Corporate Directors' pay is also below the market median, at 89%. (Effectively at the lower quartile of the pay market.)
- The Chief Executive's salary is below the lower quartile of the market for roles of that size, at 84% of the market median.

Chart 1 – Gwynedd incumbents against the Public Sector Market (April 2009)

Incumbents Vs National Public Sector April 2009
Base Salary
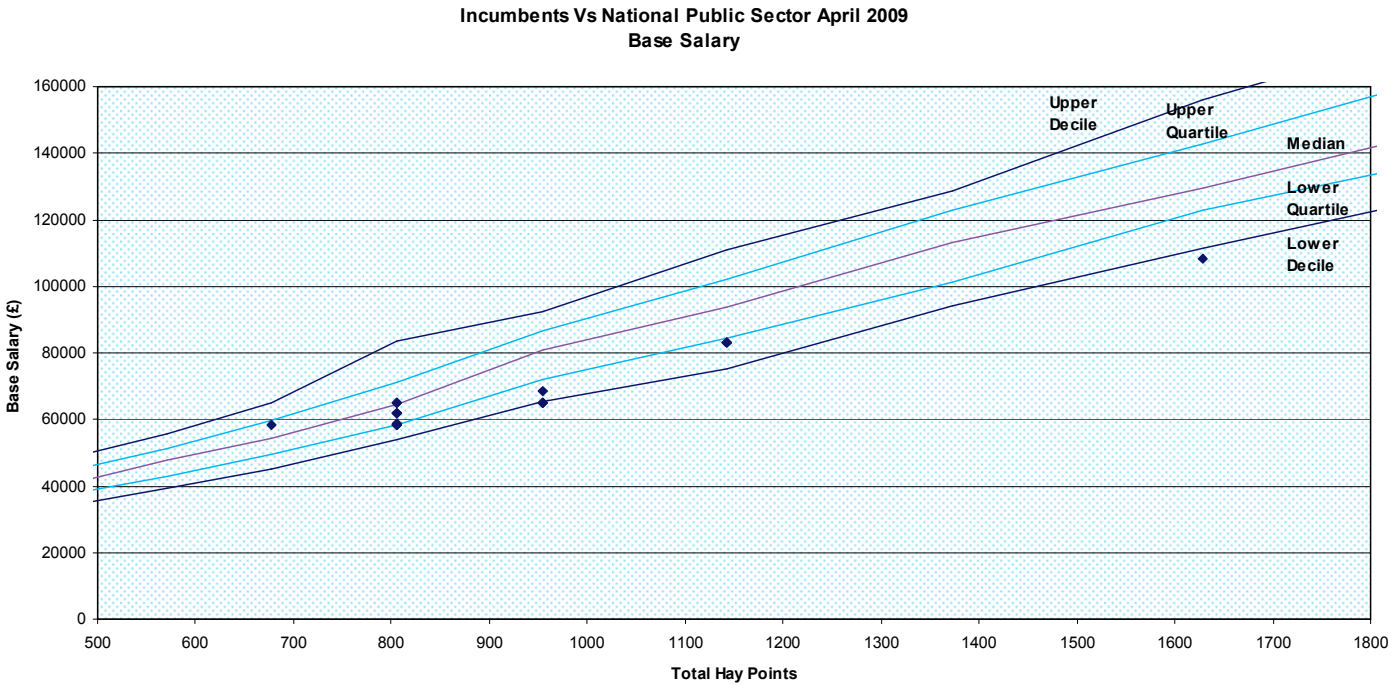
Commentary:

The chart shows that the more senior, larger roles become relatively less competitive against the market.

4.   Options for the Future

In considering future options, there are a number of issues to consider, including:

- The relativities between roles – The evaluation exercise has identified a number of senior management levels, and the authority should consider current pay practice against newly identified levels. This is particularly relevant for roles which have recently taken on additional responsibility.
- Market data – The pay data shows that roles are largely paid below the market median, this is particularly the case for the most senior managers.
- Affordability – How much can the authority afford to pay in rewarding senior managers, both financially and politically?
- Recruitment and retention – The Council should consider the effect of pay on attracting new candidates to senior management positions, and on retaining existing job holders.
- Pay Policy – While correcting the most pressing immediate issues of pay consistency and internal equity, we suggest the Council should consider its broader approach to pay, its pay market position in the longer term, and the balance between cost, sustainability and risk in relation to its senior management population.

In considering options for the future we set out below two main approaches. The first approach, Option 1, is relatively limited in scope and aims to address issues of "internal" relativity only within the existing grade and pay structure. The second approach, Option 2 is broader in scope and aims to address both the short term issues of internal relativity and the more fundamental and far reaching issues of the external market and pay policy in the longer term. For each approach we have outlined advantages and disadvantages, in light of the considerations above.

Short Term – Resolving Internal Relativities

There are two options for a short term approach, which both look at resolving the current inequity created by the recent restructure.

OPTION 1 – Using the existing pay structure to address internal relativities

In the recent restructure a number of roles have taken on a greater range of responsibilities and services. This has had an impact on job size. In order to address this and reward the increased scale and diversity of management, it is possible to use the current pay structure.

The approach would reposition jobs in the existing grade structure to reflect significant changes in job size following restructuring. In terms of job size levels this would result in aligning evaluated job size levels within the grade structure as follows:-

PG2 = level 5; PG3 = level 4; PG4 = level 3; CS = level 2.
(The PG1 grade might then be deleted as unnecessary)

This would mean moving roles from where they currently are in the pay structure to the new relevant Gwynedd grade, on a 'maximum to maximum' approach to grade allocation. Roles already in the correct 'aligned' grade would remain at their current salary point.

The total salary cost (on a maximum to maximum approach) is £34,290

Job Size Level	Role	Current Salary	Proposed Salary	Salary Cost to Maximum
2	Corporate Director - Resources	83,121	83,121	0
	Corporate Director – Care	83,121	83,121	0
	Corporate Director – Development	83,121	83,121	0
3	Head of Social Services	68,598	68,598	0
	Head of Education	65,169	68,598	3,429
4	Head of Highways and Municipal	65,169	65,169	0
	Head of Finance	65,169	65,169	0
	Head of Customer Care	58,311	65,169	6,858
	Head of Regulatory	58,311	65,169	6,858
	Head of Economy and Community	58,311	65,169	6,858
	Head of Provider and Leisure	61,740	65,169	3,429
	Head of Human Resources	61,740	65,169	3,429
	Head of Strategic and Improvement	61,740	65,169	3,429
	Head of Democracy and Legal	65,169	65,169	0
5	Head of Gwynedd Consultancy	58,311	0	0

Advantages:

- Using the current pay structure allows a quick and pragmatic approach to revising levels of pay
- The current structure is widely understood and this approach re-allocates roles based on new evaluations
- This approach reward roles which have recently taken on additional service areas by moving them to a higher band.
- This is a "low cost option", with salary costs of around £34,290.

Disadvantages:

- The salary differential between current Gwynedd grades is modest, which contrasts with market pay practice where a much greater degree of differentiation between levels of work is found.
- The most senior roles will remain unchanged and are less than 90% of the market median. This could have implications on recruitment and retention.
- This approach does not consider the Council's fundamental approach to pay, and builds on existing structures.

OPTION 2 – Developing a new grade and pay structure aligned to a clearly defined approach to overall pay policy.

This approach is about both addressing the issues on internal consistency and fairness, and ensuring that Chief Officer salaries are appropriately positioned against external pay market practice, taking due consideration of those issues of affordability, recruitment and retention, "sustainability" and risk.

We would suggest taking a fresh, considered approach to senior pay rather than a short term view. Organisations which use a 'sticking plaster' approach, that is to say they make quick fixes rather than address the fundamentals of pay and reward, inevitably face a number of issues sooner or later. Short term approaches tend to result in mis-alignment of pay levels and further issues before too long.

A longer term approach is not necessarily a costly exercise, but rather tackles the basic approach to senior management pay. It involves considering the following issues and asking the following questions to form a 'pay policy':

- The relativity of the salary levels – one to another – but also to Heads of Service and Directors.
- How competitive does Gwynedd wish to be in relation to the market?
- How much difficulty does the Council have in recruiting and retaining senior leaders?
- How much can the Authority afford to pay?

From this you can then look at developing a new pay structure – in light of the levels of work we have identified, the market pay data, and your own unique considerations (costs, performance, retention/attraction issues, relativities etc).

We illustrate a suggested new grade and pay structure based on two alternative pay market positions. We therefore illustrate the following tables:-

- Salary maximum based around the median of the market.
- Salary maximum based around a "mixed" market policy position of lower quartile for Directors and the Largest Heads of Service; and the median for other Heads of Service.

Example 1: Salary <u>maximum</u> based around the median of the market.

Job Size Level	Role	Current Salary	Proposed Salary	Salary Cost to Maximum
2	Corporate Director - Resources Corporate Director – Care Corporate Director – Development	83,121 83,121 83,121	93,846 93,846 93,846	10,725 10,725 10,725
3	Head of Social Services Head of Education	68,598 65,169	80,708 80,708	12,110 15,539
4	Head of Highways and Municipal Head of Finance Head of Customer Care Head of Regulatory Head of Economy and Community Head of Provider and Leisure Head of Human Resources Head of Strategic and Improvement Head of Democracy and Legal	65,169 65,169 58,311 58,311 58,311 61,740 61,740 61,740 65,169	64,488 64,488 64,488 64,488 64,488 64,488 64,488 64,488 64,488	0* 0* 6,177 6,177 6,177 2,748 2,748 2,748 0*
5	Head of Gwynedd Consultancy	58,311	54,204	0*

*We have assumed 'red circled' roles would be pay protected.

The total maximum salary cost for this option would be £86,599. This represents the maximum potential salary costs over time.

- **Example 2: Salary <u>maximum</u> based around a "mixed" market policy position of lower quartile for Directors and the Largest Heads of Service; and the median for other Heads of Service.**

Job Size Level	Role	Current Salary	Proposed Salary	Salary Cost to Maximum
2	Corporate Director - Resources	83,121	84,256	1,135
	Corporate Director – Care	83,121	84,256	1,135
	Corporate Director – Development	83,121	84,256	1,135
3	Head of Social Services	68,598	72,200	3,602
	Head of Education	65,169	72,200	7,031
4	Head of Highways and Municipal	65,169	64,488	0*
	Head of Finance	65,169	64,488	0*
	Head of Customer Care	58,311	64,488	6,177
	Head of Regulatory	58,311	64,488	6,177
	Head of Economy and Community	58,311	64,488	6,177
	Head of Provider and Leisure	61,740	64,488	2,748
	Head of Human Resources	61,740	64,488	2,748
	Head of Strategic and Improvement	61,740	64,488	2,748
	Head of Democracy and Legal	65,169	64,488	0*
5	Head of Gwynedd Consultancy	58,311	54,204	0*

*We have assumed 'red circled' roles would be pay protected.

The total maximum salary cost for this option would be £40,813. This represents the maximum potential salary costs over time.

Salary Structure and Range

Council's often create incremental steps or salary ranges around such figures as those outlined in the examples above.

The use of an increment based salary range remains relatively common in the public sector. Fixed incremental ranges, compared to more open salary range minimum and maximum, have been criticized for their lack of flexibility to recognize and reward differential levels of performance.
Incremental ranges do however provide a degree of security and clarity for jobholders, particularly if individual performance is not in question, and where retention is of greater concern.

More open salary ranges and spot salaries, designed to reflect and reward different levels of individual performance, while more flexible also require robust and credible performance measures and management processes.

Conclusion

The examples illustrated in the above tables are presented for consideration. We should emphasise that the lower quartile, or the median, of the market simply provide useful reference points to inform pay policy decisions. You may decide that an appropriate position for your senior manager salaries is either around one market level or a mixture of two levels as our second example shows. This would be based on a decision that a more competitive position is more desirable and appropriate for the bulk of Heads of Service roles as opposed to larger roles.

The choice of market position and salary structure will need to take account of the main factors described above, and in striking the right balance between internal equity, contribution and reward; market competitiveness and attractiveness; affordability, sustainability and risk.

We submit this report for your consideration.

6.   Overview of the Hay Group Methodology

The Hay Group was founded 50 years ago in the United States and has grown to become the largest dedicated Human Resources consultancy in the world. In the UK Hay Group has 7 offices and over 180 consultants. The Hay Group has three key areas of operation:-

- Reward
- Organisational Effectiveness
- Competencies and People Development (McBer)

General

The Hay Group Guide Chart and Profile Method of Job Evaluation is the most widely used in both the UK and the world and has stood the test of time over many years. It can be employed just as effectively in a de-layered, matrix organisation as in a traditional functional, hierarchical organisation. The methodology provides an effective, objective and resilient means of assessing relative job content, and provides a sound and practical basis for building HR processes that support business success.

The Hay Group Guide Chart and Profile Method of Job Evaluation is basically a factor comparison scheme which enables evaluators to use their judgement to compare jobs against jobs and the elements of one job against the elements of another in a disciplined and consistent way. It requires an iterative process of consistent comparison to achieve a rank order.

The method provides a flexible framework within which the organisation can make judgements, but at the same time provides discipline to ensure that these are consistent. Consequently, the Hay Group Method of Job Evaluation has been adopted by thousands of organisations as their primary means of determining job relativities and as the basis for their grading and pay structures.

Introduction to Job Evaluation

Job evaluation is about the relative size of jobs. It establishes the relative importance of jobs to the organisation and the relative difficulty of jobs to the jobholders. It is a process that involves the exercise of judgement in identifying and assessing differences in value between jobs. It is not concerned with people, their performance, or pay - only with the size of jobs in relation to other jobs. The end results of evaluation are a rank order of jobs.

The Hay Group method of job evaluation has been used by a significant number of Public Sector organisations as a means of determining job relativities and as the basis for their grading and pay structures.

The Hay Group Method

The key elements of the Hay Group method are:

- the use of three factors common to all jobs, Know-How, Problem-Solving and Accountability; each factor being sub-divided into elements which have particular definitions for different levels within them.
- a numbering pattern built on the principle of 'step-difference' which uses a geometric progression to describe the relative difference between jobs for each factor.
- the concept of profile, or shape, of jobs as described by the balance (or distribution) of the three factors and used as a test of the soundness and consistency of evaluations.

Evaluation Factors

The three factors and their elements are briefly described below:

Know-How

This is the sum total of every kind of knowledge, skill and experience that is needed in order to perform the job competently, however that experience may have been gained. In other words it is the 'asset' or 'input' necessary to achieve the job's end results. It has three elements:

- The knowledge, skill and experience that is necessary in practical procedures and systems, specialised techniques, and professional and scientific disciplines.
- The requirements to plan ahead, integrate and harmonise different elements involved in managing, supervising or accomplishing individual tasks. Time-scale, complexity, diversity and size are all relevant features.
- The requirement to work with, or through, other people either inside or outside the organisation to accomplish job objectives.

Problem Solving

This factor concerns the thinking aspects of the job and the need to analyse, evaluate, reason and arrive at solutions. It has two elements:

- The guidance given to the job in considering the problems faced, as defined by the extent of principles, precedent or procedure.
- The nature and diversity of the problems to be addressed.

Accountability

This factor considers the accountability, or 'answerability', for action and the consequences of that action. It also examines the area of the organisation upon which the job impacts and the nature of that impact. There are three elements:

- The degree to which the job is required to take decisions and the guidance or constraint which is given in order to make decisions, for instance business goals, functional policies or specific procedure.
- The manner in which the job impacts upon the relevant area of the organisation, which could be one of control, or of guidance and advice.
- The size or importance of the part of the organisation upon which the job is required to influence or exert control.

Numerical Scale

The Guide Chart numerical scale is used to record the judgements made on each of the common factors, because simple ranking of jobs gives no indication of the distance between them (nor any basis for comparison with other organisations).

The relationship between the elements on the three scales (know-how, problem solving and accountability) and the numbering enables evaluators to explain relative differences between jobs.

The scales on the guide charts use a geometric scoring progression, with each number being 15% larger than the number preceding it. This geometric approach is based on the concept of 'perceptible difference', i.e. the notion that the ability of an evaluator or an evaluation panel to perceive a difference between two jobs is proportionate to the size of the jobs being compared. The 15% shift is referred to as a 'step', which represents a just perceptible difference; this logic extends through all three guide charts enabling judgement of the size of the gap between jobs as well as confirmation that one is bigger than the other.

Profile

Certain relationships exist between these factors. Different types of job will need different combinations of the three. For example, there will be jobs heavily weighted towards accountability and jobs where the balance between accountability and problem solving is more even, with problem solving perhaps having the edge. These relationships are assessed by means of the job 'profile', which assesses the contribution of each factor to the total evaluated score for the job. This is a further unique feature of the Hay Group method. It is an important part of the methodology because:

- It serves as an independent check on the validity and reliability of the judgements about job size
- It describes the nature of the contribution expected from a job by the organisation; whether the job is predominantly problem solving or accountability orientated in emphasis