

GUIDANCE ON SETTING SENIOR MANAGER SALARIES

This note provides a description of policy on setting salaries within pay bands. The policy you decide upon is flexible, this note should be seen as guidance on good practice for public sector organisations.

Principles

The new system is intended to provide greater flexibility to reflect the different experience levels and market rates of new recruits and the performance of staff once in post. At the same time, salaries must be managed fairly according to clear criteria. Where the flexibility is used to differentiate salaries, there must be a clear and demonstrable link to evidence about performance or the market.

Recruitment Salaries

The new pay ranges range from 10% below to 10% above a market anchor point. It is expected that most recruitment salaries will be set in this zone, at or close to the range minimum.

Factors influencing the starting salary within this recruitment and development zone will include:

- The previous salary and therefore expectations of the individual.
- The candidate's experience and therefore the level of contribution they are expected to make in the first few months.
- Salaries of existing employees on the same grade and/or in comparable roles

In a small number of exceptional cases it may be necessary to set a starting salary at or above the fully acceptable level. This is likely to be for one of two reasons:

1. This is a highly experienced and capable recruit who has a track record of achievement in a similar role and/or at a similar level before. They are therefore expected to be high performers from the outset.
2. The skill set needed for the job is unusually expensive in the market. In practice, the pay market shows few major functional variations and depending on where you choose to set pay (upper quartile or median), it should be rarely be necessary to offer more.

In either case, it is essential to identify clear and robust supporting evidence and to keep a record of the reasons for the decision. This will provide an audit trail to assist later pay reviews and to provide a defence against any equal pay challenge. In the case of market price (reason 2 above) there should be regular – at least annual – checks on the market to test whether the market pay lead for the skill has changed or disappeared.

Progression

It is recommended that pay progression following appointment or promotion will be managed according to the performance of the individual, rather than rewarding time served. This is consistent with recent central government messaging on moving away from time based incremental progression.

Fully satisfactory performers recruited on the range minimum should take no more than three years to reach the fully acceptable salary level for their grade. Staff who are high performers and/or enter the range above the minimum will reach fully acceptable level faster than this.

**Hay Group
November 2013**

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