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Pay thresholds in reward systems

A report for the Office of Manpower Economics



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Pay Data | Intelligent Decisions

This report has been produced by Incomes Data Research for the Office of Manpower Economics. The authors of this report are:

Louisa Withers

Ken Mulkearn

Sue Milsome

Lois Wiggins

Disclaimer

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Executive summary

This report has been produced by Incomes Data Research (IDR) for the Office of Manpower Economics (OME), on behalf of the School Teachers' Review Body (STRB). The aim of this report is to provide STRB members with evidence on the use of 'pay thresholds' in reward systems.

'Pay thresholds' are a complicated and detailed aspect of reward systems and their use is under-researched. Issues around the precise terminology and formality or otherwise of such arrangements make them difficult to study. Employers may not recognise the term or principle that we describe. For the purpose of this research, we defined a pay threshold as a pay progression mechanism where an employee needs to meet specified criteria before receiving an increase in pay, with the core responsibilities of the job role remaining the same pre-and post-threshold.

The principle of a pay threshold overlaps broad principles of both performance- and competency-related progression approaches and at times this is difficult to disentangle. There may also be a range of informal mechanisms which serve to manage progression. Despite these difficulties we have been able to identify and examine a number of examples of 'pay thresholds', the findings from which indicate that the teachers' approach is unusual.

All progression for teachers is based on performance appraisal. However, there is also an additional hurdle to pass if teachers are to move from the main pay range to the upper pay range and the criteria for passing the threshold are more rigorous than for 'normal' performance-related progression.

We were able to identify a small number of examples of 'pay thresholds' in both public and private sector organisations. Where we have found similar examples, we have not found any that closely resemble the mechanism used for teachers.

The key findings are as follows:

- Where pay threshold mechanisms exist, they are aimed at helping retention (and to a lesser extent recruitment); however, the way in which this is achieved appears to differ in the public and private sectors.
- In broad terms, the examples in the public sector tend to focus on rewarding continuing development by providing professionals with additional progression, whereas in the private sector approaches are more driven by 'the market' and tend to be aimed at providing further flexibility around pay for certain individuals or roles.
- In our private sector examples only some staff are expected to progress beyond the threshold, while those in the public sector typically provide the potential for all staff to progress, and only a minority of staff might expect not to.
- The universities however present somewhat of an anomaly, since their mechanisms cover relatively small proportions of staff.
- Thresholds are more likely to be linked directly to staff appraisals in the public sector. In the private sector other factors also play a role, such as the availability of work, salary benchmarking and budgets.
- In the main, our examples do not involve two types of progression, as the classroom teachers' mechanism does.
- Financial rewards vary significantly. In the private sector the amounts are typically expressed in broad percentage terms, while in the public sector the outcomes are more clearly defined in terms of additional points or increments, with published pay structures which detail salary levels for both 'normal' progression and additional post-threshold progression.
- In the main, the organisations we spoke to regard these mechanisms as effective, although for different reasons linked to the purpose of their specific mechanism. In the public sector success is measured by improvement in staff and organisational development, whereas minimising the number of staff passing the threshold is a criterion for success in the private sector.
- There are very few plans for changes to the current mechanism and where there are, they are generally minor.

Table 1 Summary of ‘threshold’ approaches

Organisation	Staff covered	Normal progression	Value of ‘normal’ progression	Threshold	Post-threshold progression	Numbers passing the ‘threshold’	Similarity or otherwise to the teachers’ mechanism
Teachers	Classroom teachers	Annual increments to the top of MPR subject to satisfactory appraisals	While the STRB only publish minima and maxima, many schools continue to use the spine points. On this basis there are five increments on MPR each worth around 8%	The STPCD states that applications will be successful when: a) the teacher is highly competent in all elements of the relevant standards; and b) the teacher’s achievements and contribution to an educational setting or settings are substantial and sustained	The step from MPR to UPR is worth around 5% and there are a further two increments worth around 4% each. There are not separate standards for MPR and UPR progression, however the threshold presents an additional hurdle and progression is generally harder and less frequent thereafter	DfE evidence to the STRB ⁱ suggests 53% of classroom teachers outside London are on UPR and that 30% are at the top of UPR	N/A
Middlesbrough College (FE; 1,000 staff; North Yorkshire)	Lecturers	Annual increments to top of Band 2 subject to satisfactory appraisals	Eight increments from the bottom of Band 1 (£24,660) to the top of Band 2 (£31,667)	Lecturers must achieve ‘Gold Standard Lecturer’ status and have achieved target measurable outcomes and two consecutive ‘good’ or ‘outstanding’ appraisals to pass the threshold onto the bottom of Band 3 (£32,250)	Three further increments to a maximum salary of £35,176. Progression to the top of band 3 requires lecturers to have achieved target measurable outcomes and ‘good’ or ‘outstanding’ appraisals each year	80%, although all lecturers have the potential	Similar to the teachers’ mechanism, whereby progression criteria are more challenging post-threshold

ⁱ Table B1: Teacher workforce by allocated spine point, rest of England pay area, [Government evidence to the STRB: the 2020 pay award](#), January 2020.

Organisation	Staff covered	Normal progression	Value of 'normal' progression	Threshold	Post-threshold progression	Numbers passing the 'threshold'	Similarity or otherwise to the teachers' mechanism
Mars (food and drink; 4,000 staff across 13 UK sites)	Not role specific as 'premium pay' is for high potential or a flight risk role	Progression through the salary ranges is based on a performance matrix which takes into account the outcome of individual performance ratings and position within the pay range	Annual pay rises typically range from zero to 5%, this covers both progression and cost of living	A small number of staff are able to progress beyond the maximum into what is termed internally as 'premium pay' and are allocated to the next pay range up without obtaining a promotion. Line managers submit a business case, and this is reviewed and approved by the HR manager, as well as the line manager's line manager	Premium pay enables staff to be paid at the salary range above their grade. Each grade is 80-120% and there is around 20-25% difference between each salary range. For example, rather than being paid 130% of your current salary range, staff would be moved to the next grade and sit at 105/110%, providing both the initial increase and a further 10% headroom for progression to reach 120% of the new grade	Around 2-3% of staff are on 'premium pay'; up to 1% are on developing pay ranges	Very different to the teachers' mechanism and is much more driven by 'the market'. The approach is aimed at providing further flexibility around pay for certain individuals or roles
Sue Ryder (charity; 3,000 staff; UK)	Clinical staff eg nursing assistants, registered nurses, senior nurses, therapists	All progression is 'threshold'	<i>Not applicable as all progression is managed via the skills grid/gateways</i>	Clinical staff are appraised against their skills grid. No judgement on the quality of performance as the skills grids describe exactly what staff need to do to move to a higher pay point	Salary for a nurse starts at around £25,000. The first step (which the majority pass) is worth £1,334 and second (which around a third get) is worth a further £1,212	Majority progress from the first point. It is more difficult to progress to the top point, and about a third do so, although all staff could potentially	Not the same as the teachers' mechanism. Appears to be competency progression, although it fits our definition that staff have to pass a bar or gateway and not all staff are expected to pass

Organisation	Staff covered	Normal progression	Value of 'normal' progression	Threshold	Post-threshold progression	Numbers passing the 'threshold'	Similarity or otherwise to the teachers' mechanism
Large food retailer (food retail; UK)	Not role specific but typically covers specialist roles with specialist skills ie scarce skills or difficult to recruit roles	Managers are given a recommended pay rise and a 'pot' to spend on annual awards which cover both progression and cost of living	Recommended rise of 1.5%, although rises of up to 9% for those paid 'under market' (single award for both progression and the cost of living)	Line managers submit a business case and provide the reason why this role requires a higher salary, including their own benchmarking with external roles	Roles that qualify are typically eligible for up to a maximum of 20% beyond the grade maximum	The majority of staff are only able to progress to the maximum of their salary range	Different to the teachers' mechanism and used to provide flexibility to recruit and retain the best candidates/individuals
Heriot-Watt University (HE; 2,000 staff; Scotland)	All grades	Staff progress through increments by securing at least a 'good' rating in their annual performance and development review (PDR)	Grades span five or six spine points before reaching the contribution point, each worth approximately 3%	Manager's put candidates rated as 'exceptional' forward. In a minority of cases individuals apply (one or two a year)	Contribution points are for staff at the top of their grade. There are two (three in grade 8) in each grade typically worth 3%. The arrangements also provide for accelerated increments for individual's not at the top of their grade and bonuses which can be awarded for 'exceptional' performance at any point in the grade	A total of some 5-10% of staff receive either an additional increment, a contribution point or a non-consolidated bonus each year	It is similar to the teachers' mechanism in that there is a set 'threshold'. Although it differs in that a) only a limited number of staff are expected to get it and b) mechanism also provides for other 'performance' awards

Organisation	Staff covered	Normal progression	Value of 'normal' progression	Threshold	Post-threshold progression	Numbers passing the 'threshold'	Similarity or otherwise to the teachers' mechanism
University B (HE; 4,000 staff; East Midlands)	All grades	Progression through the non-contribution parts of the pay spine by annual increments requires satisfactory performance	The lecturer grade has four increments and senior lecturer grade has eight increments each worth around 3% before reaching the contribution point threshold	Academic staff proceed through their thresholds when they have reached the top of their pay band and have received two consecutive 'sustained and exceptional' performance ratings	Each of the three contribution points for lecturers are worth between £1,135 and £1,204 per annum, while each of the three contribution points for senior lecturers are worth between £1,481 and £1,572. Arrangements also provide for double increments and bonuses for staff who have not yet reached the threshold (top of the grade)	Over time the University expects around 10-15% of academic staff to have received a contribution point, double increment or cash bonus	It is similar to the teachers' mechanism, however passing the threshold is automatic for high performing staff at the top of their grade
Audit Scotland (central government; 300 staff; Scotland)	Staff in Bands 1 and 2 (auditors) have additional pay zones under the Career Development Gateways policy (CDG)	Staff move up one incremental step each year, unless they have received a formal disciplinary warning for the preceding 12-month period	Bands 3 and 4 have six increments no additional pay zones; Band 1 (zone A) has four increments and Band 2 (zone A) has five increments. Typically, each increment is worth about 2.3%	Staff request a CDG meeting and submit proposal and evidence to a CDG panel and it is judged against set criteria. Depending on which zone the employee is in, CDG increase can be worth between £1,500 to £3,000 per annum approximately	Band 1 has two thresholds: zone B which has a further five increments and zone C which has a further six increments. Band 2 has one threshold: zone B which has a further five increments	There is no quota for the number of staff that can pass a gateway. Since January 2018 the organisation has received 30 proposals and 25 successfully passed	Very close to the teachers' mechanism. One difference is that it only covers a minority of staff

Organisation	Staff covered	Normal progression	Value of 'normal' progression	Threshold	Post-threshold progression	Numbers passing the 'threshold'	Similarity or otherwise to the teachers' mechanism
Welsh Water (utilities; 3,600 staff; Wales)	Some roles or groups of roles are already indicated as 'stretch', while others are considered on a case-by-case basis	Bands 1-5 progression is based on an assessment of use of acquisition and knowledge and skills in their role; Bands 6-9 as above plus annual performance reviews	Progression has been capped at 2.4% under the current long-term deal (will be 2% in the 2020-25 deal)	Certain 'stretch' roles are able to progress past the 'fully competent' level into another pay zone up to the maximum. Roles which fall into 'stretch' are agreed and signed off by joint management and trade union committee. There are set criteria for determining whether a role qualifies including individual performance	The increase is typically in the range of 2.5% to 5%. Maximums are not published but as an example the 'fully competent' rate – the maximum for most staff – for Band 6 is £37,804 and the maximum for those identified as 'stretch' is £42,404	There are 22 'stretch' roles, covering approximately 80 roles, and a further 30 specific individuals in a specific role	Differs to teachers' mechanism since decisions centre on the role and not individual performance
UWE Bristol (HE; 3,500 staff; South West)	Professors	Performance Band 1 is where Professors are placed upon appointment with the first merit point automatic after a year	The first merit point is automatic and is worth £2,639	Merit pay progression is assessed against performance across three key domains: research; knowledge exchange; and teaching and learning	Band 1 has three further merit pay points worth £2,639, £5,278 and £7,917; promotion to Band 2 is worth £10,556 followed by merit points of £13,195, £15,834 and £18,473; and promotion to Band 3 is worth £21,112, followed by merit points of £23,751, £26,390 and £29,029	Not known	Not similar to teachers' mechanism as focus is on merit pay, also only covers a small proportion of higher-paid staff operating at a higher level which is not comparable

Introduction

Incomes Data Research (IDR) was commissioned by the Office for Manpower Economics (OME) to provide detailed insight on whether and how ‘pay thresholds’ are used in reward systems. The research is being conducted to assist the School Teachers’ Review Body (STRB) in advising the Government on the pay framework for classroom teachers. A pay threshold in this context is a point in a pay structure beyond which further progression is dependent on an assessment of capability.

Pay thresholds are a complicated, specific and detailed aspect of reward systems. As a result, there is no existing independent evidence examining their use since most of the literature on progression is focused on the broader topic of performance-related pay progression. Our research breaks ground in that it looks specifically at the operation of mechanisms within pay progression models that meet the definition of a pay threshold.

The research is important because the STRB’s remit includes making recommendations on ‘[its] views on the role of progression to the upper pay range [for teachers] and the continued case for separate main and upper pay ranges’.¹ This report provides evidence of when and how similar mechanisms are used for other professionals, as well as the main issues affecting their implementation, use and continuation.

Methodology

This report is based on both primary and secondary evidence. The primary research involved semi-structured telephone interviews with employer bodies in sectors believed by us to operate a similar mechanism to that for schoolteachers and with a small number of HR managers in organisations that operate similar mechanisms in a number of sectors.

¹ School Teachers’ Review Body (STRB) remit letter for 2020, 18 September 2020 (see <https://www.gov.uk/government/publications/school-teachers-review-body-strb-remit-letter-for-2020>)

We conducted interviews with the employer bodies for higher education, further education, the NHS and local government ie University and Colleges Employers Association (UCEA), the Association of Colleges (AoC), NHS Employers, and the Local Government Association (LGA).

We conducted interviews with six employers about their specific mechanisms. This included one further education college and two universities² and three organisations in the private sector ie Sue Ryder, Mars and a large food retailer (case study D).

The selection process for the case study interviews varied. In the case of the further education college, Middlesbrough College's mechanism had already featured in previous research for the OME and we thought it pertinent to revisit them to see if the same mechanism was still in use and, if so, how it might have been adapted over the years. In higher education we invited a small number of universities that participate in our regular research to speak to us about their contribution pay approach.

Our approach for identifying organisations suitable for interview in the private sector differed since, apart from one example, we were not aware of any specific examples of 'pay thresholds' being used at private-sector firms. We therefore undertook a short qualifying survey designed to determine whether organisations' pay progression systems have a point in salary ranges beyond which only some staff may progress. The survey consisted of just four questions and qualifying firms were asked if they would be interested in speaking to us about their specific approaches.

In total, some 75 private-sector firms completed the qualifying survey and 19 organisations reported that their progression systems involved use of a pay threshold or similar, as defined in the survey. Of these, six agreed to provide further details about their mechanisms. IDR managed to secure interviews with five of the six; however, when interviewed it emerged that

² One of which later declined to be included as a case study in the research, but we draw on the aggregate findings in our commentary.

two of the six do not in fact operate ‘pay thresholds’.³ As a result, we interviewed one further education college, two universities and three private organisations about their specific mechanisms. Table 1 provides a summary of the different approaches.

In addition to the interviews that we conducted specifically for the purposes of this research we also drew on other detailed examples that we were aware of. IDR was fortunate to have interviewed three other organisations for a separate project⁴ and information from these case studies is referenced in our commentary.

The secondary evidence was based on a review of the current literature and evidence on ‘pay thresholds’ and similar mechanisms. The academic literature in this area was quite limited, and therefore we also drew on the so-called ‘grey literature’ aimed at HR professionals. This included previous published research conducted for the OME, archive information from Incomes Data Services’ publication Pay Report, publicly available pay structures and other relevant materials.

Appendix 2 provides a list of data sources.

³ This further points towards the rarity of these sorts of mechanisms. Employers elsewhere are not familiar with them and therefore there is scope for confusion with other types of pay mechanism, eg ‘ordinary’ performance-related progression.

⁴ ‘Private sector practice on progression: A report for the Office of Manpower Economics’, IDR, forthcoming.

Chapter 1: Current evidence on ‘pay thresholds’

In this chapter we summarise the current evidence on whether and how these pay threshold mechanisms are used for professional staff, which commences with a brief overview of the teachers’ approach covering both official guidance and what we know about how teachers’ pay operates in practice.

The teachers’ pay system

Under the current framework for teachers’ pay, there are two salary ranges for classroom teachers: the main pay range (MPR) and the upper pay range (UPR). The ‘threshold’ was first introduced in English primary and secondary schools in 2000. At that time teachers that passed the threshold assessment received a pay rise (which was then £2,000) and moved onto the UPR. This specific element of performance-related reward was introduced to ‘modernise’ teaching and raise standards at a time when the profession was facing significant recruitment and retention pressures.

The School Teachers Pay and Conditions Document (STPCD)⁵ specifies only the statutory minima and maxima of MPR and UPR since statutory fixed pay points were scrapped in 2013, although schools may still use them and research indicates that many schools, including academies,⁶ continue to use the previous STPCD spine points structure, which continue to be updated and publicised by the different teaching unions.

The process for teachers’ progression is set out in the statutory STPCD and section 19.2 states: “The relevant body must decide how pay progression will be determined, subject to the following:

- a) the decision whether or not to award pay progression must be related to the teacher’s performance, as assessed through the school or authority’s appraisal arrangements in accordance with the 2012 Regulations;

⁵ The School Teachers Pay and Conditions Document 2019.

⁶ ‘Academies’ approaches to teachers’ pay: A report for the Office of Manpower Economics’, IDR, October 2017.

- b) a recommendation on pay must be made in writing as part of the teacher's appraisal report, and in making its decision the relevant body must have regard to this recommendation;
- c) where a teacher is not subject to the 2012 Regulations, the relevant body must determine through what process the teacher's performance will be assessed and a pay recommendation made for the purposes of making its decision, except in the case of newly qualified teachers (NQTs), in respect of whom the relevant body must do so by means of the statutory induction process set out in the Education (Induction Arrangements for School Teachers) (England) Regulations 2012(7)
- d) pay decisions must be clearly attributable to the performance of the teacher in question;
- e) continued good performance as defined by an individual school's pay policy should give a classroom or unqualified teacher an expectation of progression to the top of their respective pay range;
- f) a decision may be made not to award progression whether or not the teacher is subject to capability proceedings.

The statutory document sets out the process for teachers progressing from the MPR to the UPR (sections 15.1-15.4) and outlines that a teachers' application to the upper pay range is assessed by the relevant body (usually the school's head teacher and governing body) and will be successful if:

- a) the teacher is highly competent in all elements of the relevant standards; and
- b) the teacher's achievements and contribution to an educational setting or settings are substantial and sustained.⁷

⁷ 'School teachers' pay and conditions document 2019 and guidance on school teachers' pay and conditions', Department for Education, September 2019, para 15.2, p22.

Table 2 Classroom teachers' pay structure, effective 1 September 2019

Spine point	National salary
Main pay range (MPR)	
Minimum (M1)	£24,373
M2	£26,298
M3	£28,413
M4	£30,599
M5	£33,010
Maximum (M6)	£35,971
Upper pay range (UPR)	
Minimum (U1)	£37,654
U2	£39,050
Maximum (U3)	£40,490

Source: [NASUWT](#)

While the STPCD outlines the broad requirements for progression and that progression decisions must take account of annual performance appraisals, schools set their own specific criteria for pay progression locally under their own pay policies.

Newly qualified teachers are employed on the MPR and the STPCD requires all schools to undertake an annual pay review for all teachers each September. In practice most (although not all) teachers progress by one pay point each year, subject to satisfactory performance up to the top of MPR. Thereafter teachers apply to pass the threshold to the UPR, and again most (although slightly less than those that get 'normal' progression) are successful. While all progression for teachers is based on performance appraisal against the teacher standards [STPCD states: "pay decisions must be clearly attributable to the performance of the individual" (2019, para 19.2, p.24)], the precise criteria for progression onto the upper pay range appears to be more rigorous than for 'normal' performance-related progression and presents an additional hurdle for teachers to pass. Once on the MPR progression appears to be more difficult to obtain, with research suggesting fewer teachers are successful in obtaining progression.

The School Teachers' Review Body (STRB) has expressed an expectation, which has been endorsed by the Department for Education, that good teachers should be able to progress to the maximum of the main pay range in around five years, which just happens to be the time span in which teachers would have expected to progress under the previous spine points. Teachers on

the main pay range may apply to progress to the upper pay range at any time, but generally will do so having reached the top of the main pay range. The timescale for progressing to the upper pay range will vary for individual teachers, but a typical career path might involve progressing after two years at the top of the main pay range (ie seven years in total).

While around half of classroom teachers outside London are on the upper pay range⁸ we are aware that the operation of the mechanism has faced some criticism from staff representatives, with both staff that have passed and have not passed the threshold reporting frustrations. For example, a recent report on the issue⁹ provides evidence of staff on the upper pay range being denied progression more frequently than staff that have not yet passed the threshold, while those that have yet to pass through the threshold report frustration at being stuck at the top of the main range. Recent surveys of teachers and school leaders¹⁰ reveal mixed views about the upper pay range. When teachers were asked what elements of the pay framework provided an incentive for them to progress their career, the UPR was the most common response. However, the surveys indicated that views on the responsibilities that should be held by those on the UPR differ, and less than half of classroom teachers respondents to one survey were clear about the requirements for progressing to the UPR and the expectations of UPR teachers in their schools.

Academic literature on ‘pay thresholds’

The topic of ‘pay thresholds’ is under-researched: the only sources of academic research we identified that discuss ‘pay thresholds’ specifically are those that examine the teachers’ mechanism and focus on teachers’ experience of it. Studies by Mahony, Menter and Hextall¹¹ in 2002 identified the potential for discriminatory outcomes, with women more likely to under-rate

⁸ According to the Department of Education’s evidence to the STRB.

⁹ ‘Teachers’ Pay and Progression for September 2018’, NEU, January 2019.

¹⁰ ‘Teacher Voice Omnibus June 2019 Survey’, National Foundation for Education research (NFER), 2019 and ‘Teachers’, leaders’ and governors’ views on the pay framework’, Institution of Employment Studies, November 2018.

¹¹ ‘Threshold Assessment and Performance Management: Modernizing or Masculinizing Teaching in England?’, Mahony, Menter and Hextall, 2002; ‘What a performance!: the impact of performance management and threshold assessment on the work and lives of primary teachers’, Mahony, Menter and Hextall, 2005.

themselves and therefore less likely to put themselves forward for the threshold assessment. The 2002 study identified problems with the process in the early years which resulted in teachers feeling negatively about the mechanism.

The 2010 study by Haynes, Wragg, Wragg and Chamberlin¹² examined the experience of teachers who were unsuccessful in their threshold assessment (which in the early years was the norm – the study showed that 97% of teachers that applied in the first round in summer 2000 were unsuccessful) and highlighted a range of issues with the procedure and how it operated at school level.

A 2016 report by the Institute of Employment Research at the University of Warwick (IER)¹³ also looked specifically at the teachers' mechanism and highlighted the subjective nature of personal performance assessments and the potential for 'gender bias'. In contrast, a 2017 report commissioned by the Department for Education¹⁴ to evaluate the 2013 pay reforms that introduced greater pay flexibility found no evidence to support concerns that females or members of black and minority ethnic groups were disadvantaged by these reform. However, the report noted that further research would be required to conclusively state if this was the case. The evaluation also found some evidence of increased flexibility in progression from the main to the upper pay range following these reforms, with a greater proportion of those below the top of the main pay range progressing to the upper pay range following the reforms (2.7% between 2010 and 2011 compared with 7.8% between 2014 and 2015).

Some studies have examined the issue in the context of wider competency-based progression schemes, in terms of identifying how pay thresholds or similar can be used as a mechanism for this. For instance, a case study report by the Institute for Employment Studies (IES)¹⁵ in 2012 reviewed mostly hybrid systems of pay progression; commonly using market, performance,

¹² 'Threshold Assessment: the experiences of teachers who were unsuccessful in crossing the threshold', Haynes, Wragg, Wragg and Chamberlin, 2010.

¹³ 'Teachers' pay and equality: A literature review', Warwick Institute for Employment Research, March 2016.

¹⁴ 'Teachers' pay reform: evaluation', Department for Education, October 2017.

¹⁵ 'Case Studies on Pay Progression', Institute for Employment Studies, 2012.

skills and contribution as measures for progression, and moving away from service-linked progression. One of the case studies (the Met Office) referenced in the IES report used ‘pay zones’ – mechanisms that were developed under broad banding to restrict pay progression. Broad banding opens up the possibility of movement to much higher pay levels and pay zones offer the prospect of controlling this progression through the means of ‘gates’ or ‘bars’ which halt progress until a competency is acquired, a test is passed, or a responsibility is added.

The Met Office’s three-zone system, had an entry zone for those developing into a role, a fully contributory zone (usually aligned to the desired external pay market position) and a ‘high value’ zone for those who were contributing above the norm for their grade/band. Each generic role had its own pay range, each of which were divided into the three pay zones. Staff moved between the zones by performing against set objectives, exhibiting development of knowledge and skills and demonstrating Met Office values and behaviours. However, moves between zones were also dependent on the size of the annual pay budget (i.e. if there was a sufficient budget to facilitate progression). The Met Office approach was fairly close to that for teachers, however in this context such ‘zones’ or ‘bars’ were introduced to limit or restrict progression. In contrast, the teachers’ mechanism appears to be encouraging progression, although its precise purpose is not detailed in the statutory guidance and may have evolved over time.

One criticism of the ‘pay zone’ approach or reason for *not* introducing such a model, as put forward by the financial services company in the IES study, is that the criterion for passing through pay zones can be a subjective one, although the same argument holds for nearly all ‘performance-based’ progression systems. “Whether someone is ‘competent’ or ‘advanced’ can be quite subjective, leading to the risk that unjustified progression occurs if the assessment process (especially if in the hands of local managers) is weak” (2012.p3).

The IES study also raised the issue of affordability affecting the ability of new pay systems to operate as intended. “For some organisations, committing to following through with a reward change and fully operating a new system has been limited due to tight budgets. For example, at the Met Office the public sector pay constraints have halted employees’ pay progression under

the new model relative to contribution and their impact on the business. A well-developed mechanism for progression exists but the ability to operate it, as designed, is not, due to the pay constraints in place” (2012, p.30).

What did we know about other ‘pay thresholds’?

We set out knowing very little about the use of pay thresholds in private sector pay systems and hypothesised that progression is mainly managed via the use of performance matrixes. This research shows that there are examples of ‘pay thresholds’ in the private sector, however they are quite different to that for teachers and those in other parts of the economy known to have similar mechanisms. These examples are limited to higher education, local authorities, further education colleges and the NHS, although the NHS mechanism has been discontinued.

Higher education

The most widely used pay thresholds are those in higher education, where pay scales typically include additional pay points intended to reward contribution at the top of each academic grade (known as ‘contribution pay’). The broad mechanism is similar to that for teachers in that there is a performance-linked threshold or barrier which staff need to pass. However a key distinction is that progression up to the threshold in HE is only withheld in exceptional circumstances, for example when performance is judged to be poor, and so can be described as semi-automatic, whereas all progression for teachers is linked to appraisals. There are also a small number of cases where progression in HE is still linked solely to length of service. It also differs in that only a limited number of staff are expected to get contribution pay and the national guidance provides for other types of performance awards which can be awarded to staff at any point in the grade ie pre-threshold. An example of this is an accelerated or double increment or a performance bonus.

The Framework Agreement,¹⁶ as developed by the Joint Negotiating Committee for Higher Education Staff (JNCHES and now new JNCHES), provides a common national framework for

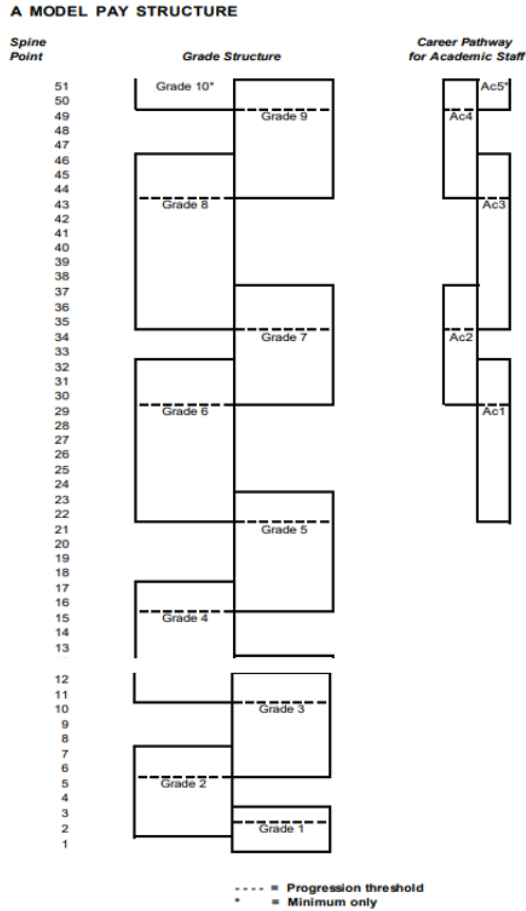
¹⁶ ‘Framework Agreement for the modernisation of pay structures’, Joint Negotiating Committee for Higher Education staff, July 2003.

pay arrangements for higher education institutions (HEIs). Institutions follow the principles of this agreement, including the single pay spine, but determine grading locally. Guidance in the agreement on progression within grades/pay ranges states that this will depend in part on an individual's length of service in the grade and that there is an expectation that staff progress annually up to the contribution threshold for their grade. HEIs are free to negotiate variants to the grading and progression arrangements in partnership with their recognised trade unions and in accordance with the principles of the agreement. This includes criteria for progression.

As figure 1 overleaf shows, there are incremental 'contribution' pay points at the top of each grade and JNCHES provides guidance to identify the criteria and draw up procedures for contribution-based pay progression at these points. The guidance states that "the purpose of contribution-related pay is to reward individuals whose contribution, on a sustained basis, exceeds that normally expected in their role in terms of high levels of outcomes and of competence". Contribution pay covers all staff, not just academic staff although it is uncommon for staff in lower grades to receive it since work here is often more team based.

Most HEIs provide progression through the grades, at least to a threshold 'contribution point', often irrespective of an assessment of performance (employees may regard themselves as guaranteed several years of progression through the scale even without taking part in a performance review process). This represents a difference with the teachers' system in that the entirety of teachers' progression is conditional.

Figure 1 Model pay structure for the HE sector



Source: JNCHES

For example, the University of Glasgow’s pay structure comprises a normal pay progression range and a ‘contribution zone’, with length of pay ranges and the number of increments varying across the different grades. There is an expectation that employees’ contribution will increase over time in light of the additional skills and experience gained whilst in the role. This is reflected in objective setting through the performance development review process, and in the expectations of delivery in the role. Staff have a normal expectation that progression from point to point up to the contribution threshold will take place on an annual basis, subject to satisfactory performance. Accelerated progression, including progression into the contribution range, will reflect sustained exceptional contribution by the job holder.

If the member of staff is at the top of their grade or within the contribution range for their grade, normal incremental progression is no longer automatically applicable. In order to achieve accelerated incremental pay progression, employees must show how their contribution has exceeded normal expectations within the role. If successful, staff qualify for an accelerated incremental pay rise of one point within the contribution zone. Staff are not able to progress further through the contribution zone unless they are awarded another additional increment in subsequent years. Case study E and extract C provide further details of how contribution pay works in practice.

Figure 2 Pay and grading structure at the University of Glasgow

		Contribution
Contribution zone		
Pay Range Maximum		
		Pay progression range
Pay Range Minimum		

According to a 2013 survey by the University and Colleges Employers Association (UCEA), around two-third of universities have contribution pay and, given the climate of pay restraint, little has happened in respect of pay developments since then, so this figure continues to be reflective of the overall picture. While we have not witnessed more implementation of contribution pay our interview with the University and Colleges Employers Association (UCEA) indicates that there has been evolution of existing models.

When first brought in, line managers nominated individual staff members for contribution pay and this stood apart from the annual appraisal process. Now contribution pay is aligned to appraisal and the process had moved to self-application (ie staff had to apply for it) but now

managers are asked once again to nominate staff, mainly because of gender bias in applications whereby men were found to be much more likely to apply for contribution pay than women. Most schemes allow both applications from managers and individuals. In most cases, staff who receive the requisite appraisal rating are placed in a pool of staff who become eligible for progression pay. This does not mean they will be successful, and applications are considered by a review body, which usually comprise of the HR Director, Head of School, a clerk and chair. Universities set their own criteria, but a contribution point is typically awarded where the review body is satisfied the individual has consistently demonstrated 'exceptional' performance or service over and above the normal expectation of the role.

The allocation of funds for contribution pay (which covers contribution pay points, accelerated increments and bonuses) also varies, where institutions that have done better under the relatively new university fee arrangements, such as the Russell Group, have tended to direct more funds into their contribution pot, whereas others, particularly post 1992 universities, may be freezing the pot. The progression budget is often about 1.5 to 1.6% of paybill (maybe even as much as 2%), with about half of staff eligible for an increment every year. What is left is/can be used for contribution pay (estimated to be around 0.3% of the paybill). Each contribution point is typically worth 3% and, in some cases, it is consolidated from the outset, in others it is consolidated after two years and it is also possible that some institutions choose not to consolidate it at all.

The JNCHES framework also has other mechanisms for managing progression, including accelerated progression and non-consolidated awards and these interact with each other differently at different institutions. Anecdotal evidence suggests that accelerated incremental progression is the most common means of rewarding exceptional performance across the HE sector.

While not delivered through a pay threshold mechanism, we note that the potential for academic staff to be promoted from lecturer to senior lecturer also presents some parallels to the MPR and UPR structure for teachers. Almost all UK universities follow the same broad academic

pathway from lecturer to senior lecturer to reader and finally professor. Progression through the lecturer grade via increments is generally automatic. Progression from lecturer to senior lecturer is not automatic, each institution set its own procedures for academic promotions but typically lecturers must evidence that they meet all of the criteria in the role profile and are capable of undertaking the duties at senior lecturer level.

Local authorities

IDR is aware that at some local authorities the highest pay points for some grades are only reached following the passing of a performance 'bar'. In some ways this is similar to the STRB approach, but the difference is that in local government, 'normal' progression is more or less automatic and only the 'bar' points are subject to some form of performance appraisal. Desk research for this project uncovered one example within local government at Tameside Metropolitan Borough Council.¹⁷

The new pay structure at Tameside Council extended the national pay spine and includes additional professional classifications H+, I+, and J+ at the top of grades H, I, and J, accessed via a development bar. Only specific job roles are able to progress through the 'development bar point', all of which are in professional jobs categories [Building Control; Communications and Public Relations; Computing, Technology and Digital; Creative, Media and Marketing; Engineering; Environmental Health; Finance; Health, Psychological and Social Work (Occupational Therapist, Social Workers, Speech and Language Therapist); Public Health; Human Resources/Organisational Development; Legal; Pension Benefits; Pensions Investment; Planning; School Business Management; Surveying; Trading Standards; Youth Justice].

In respect of qualifying criteria, the documentation states:

"For an employee in a professional job category they will need to meet the following professional development criteria to progress through the development bar point:

1. Relevant professional qualification for the job role at Level 6 or above e.g. social work degree, AND

¹⁷ [Tameside MBC NJC Pay Award 2019-2020 Information Booklet](#)

2. Minimum of 2 years post qualification experience in the role, AND
3. Maintained membership of a regulated body where this is a requirement to practice in the role, AND
4. Professional standards practised to the highest expected level.”¹⁸

However, these types of approach appear to be rare in local government: when we interviewed the Local Government Association (LGA) it said it had no knowledge of any pay arrangements resembling threshold payments. Its own research in early 2019¹⁹ indicates that the majority of local authorities (75% across England) continue to operate time-served incremental progression for the majority of their staff, although this does not necessarily discount the possibility of there being some form of ‘gateway’ or pay threshold within some local pay structures.

Table 3 Tameside Metropolitan Borough Council pay structure at 1 April 2019

Grade	Spine points	Minimum	Maximum
A	1-2	£17,364	£17,711
B	3-4	£18,065	£18,426
C	5-6	£18,795	£19,171
D	7-10	£19,554	£20,751
E	11-16	£21,166	£23,369
F	17-22	£23,836	£26,317
G	23-28	£26,999	£31,371
H	29-31	£32,029	£33,799
H+	32-34	£34,788	£36,876
I	35-37	£37,849	£39,782
I+	38-39	£40,760	£41,675
J	40-41	£42,683	£43,662
J+	42-43	£44,632	£45,591
K	44-47	£46,634	£50,417
L	48-51	£51,344	£57,282
M	52-55	£59,540	£65,707
N	56-59	£68,965	£76,763

Note: only specific job roles are able to progress through the ‘development bar point’ at the top of grades H, I and J.

Source: Tameside MBC NJC Pay Award 2019-2020 Information Booklet

¹⁸ Ibid. p.11.

¹⁹ Local Government Workforce Survey 2017/18 Research report June 2019, Table 26, p.23.

NHS

The Agenda for Change (AfC) pay system in the NHS used to incorporate gateways for progression near the top of each band. However, in practice these were rarely utilised. The NHS pay system no longer contains any mechanisms that are similar to the threshold for entry to the teachers' upper pay range, though it contains a number of innovations which may be of interest to the STRB.

The Knowledge and Skills Framework (KSF) was introduced in 2006, following the implementation of the Agenda for Change (AfC) pay system in 2004. AfC combined annual incremental progression with a system of 'gateways' – two performance gateways in all the AfC pay bands except the lowest pay band, near the bottom and the top – which were linked to appraisals of knowledge and skills. The first one, the foundation gateway, took place after a maximum of 12 months after the staff member joined the organisation, and its purpose was to ensure that staff were meeting the basic demands of their post. The second gateway was at a fixed point near the top of most pay bands and its purpose was to confirm that the individual was consistently meeting the full demands of their post. There were slightly different arrangements for new staff in band 5, typically covering newly-qualified nurses, who received additional development support in their first year (or preceptorship), with two development reviews and the potential for accelerated pay progression of up to two spine points during their preceptorship. The success, or otherwise, of these arrangements was determined by whether or not there was an effective appraisal process.

Research conducted by IES²⁰ in 2010 showed that the way progression operated varied between trusts. For example, Salford Royal NHS Foundation Trust only withheld progression if an employee was going through a capability procedure, while Kings College Hospital NHS Foundation Trust withheld progression at a gateway if an employee failed to meet the standards expected. In other trusts progression often happened automatically regardless of whether or not there was a gateway.

²⁰ 'NHS Staff Council Review of the NHS Knowledge and Skills Framework', Institute of Employment Studies, 2010.

The gateways were abandoned under pressure from the Department of Health and some trusts made all pay points conditional on appraisals, the systems for which were to be based on a combination of knowledge and skills (as embodied in the framework drawn up under Agenda for Change a decade or so before) and local criteria, appropriate to trusts or different types of trust. However, annual appraisals proved difficult or impossible to implement for many NHS trusts for a variety of reasons to do with culture and/or resources. There may also have been an issue of willingness, since for an important portion of the employers' side, the avowed aim was to limit progression.

Since then the NHS pay and progression system has been restructured and no longer has a system that might be seen to be analogous to the UPR threshold for teachers. The 2018-2021 NHS pay deal restructured the pay system, removing progression in the lowest AfC pay bands and transforming these into spot rates, and reducing the number of points in the AfC pay bands above these. The changes mean that most staff will get to the top of their bands more quickly than previously. Crucially, though, it also changed the timing of progression from annual to every two years or longer, depending on band (though appraisals will still have to take place annually, albeit only linked to pay at the aforementioned intervals). Other innovations include making staff rather than managers prove they are eligible for progression and insisting that managers are not eligible for progression unless they have carried out annual appraisals with their staff.

Staff in the senior/management AfC pay bands 8c, 8d and 9 will have to re-earn their pay points once they reach the top of their band, or face salary reductions of between 5% and 10%. This is less of a threshold and relates more to an element of jeopardy. The staff in question are mainly managers on salaries between £73,000 and £105,000, far in excess of classroom teachers' pay rates. The new progression system was supposed to be introduced in 2019 for new starters and in 2021 for existing staff.

Criteria for appraisal are to be developed, reviewed and monitored in partnership with trade unions at a local level and should focus on organisational objectives and values, especially those

related to patient care, and also existing competency frameworks such as those relating to knowledge and skills under Agenda for Change.

The main drivers for the changes were central and local employers' desire to reduce the costs associated with progression, by reducing the number of points and limiting progression to less than annually, against a backdrop of increased marketisation of the NHS and the changing role of NHS Trusts within this. While one of the key objectives of the agreement was to increase staff engagement by putting appraisal and personal development at the heart of pay progression, so that staff are supported to develop their skills and competencies in each band and are rewarded for this. This will help ensure that all staff have the appropriate knowledge and skills they need to carry out their roles, so make the greatest possible contribution to patient care.

FE colleges

In further education we are aware of one example of a pay threshold in the sector, at Middlesbrough College, which came to our attention in 2014 when our staff (when at Incomes Data Services) conducted a case study with the College for a project on behalf of the Association of Colleges (AoC).²¹ The College adopted a new pay strategy in 2011/12 which reconfigured the lecturers' pay scale to provide progression opportunities and staff assessed as 'good' performers that had successfully completed an in-house development course could progress to much higher salaries than previously, via a 'higher pay range'. This enabled lecturers to move freely to the top of the pay scale without having to take on additional responsibilities or wait for a more senior colleague to leave.

We revisited Middlesbrough College as part of this project (see case study A) and the criteria for moving through that threshold were changed in 2018 as the previous approach had not achieved what the college had originally intended. While it opened up progression, the mechanism did not sufficiently help the second objective to improve teaching and learning. The revised approach introduced instead a range of measurable outcomes, for example

²¹ 'Pay strategy in further education: A research report from Incomes Data Services commissioned by Association of Colleges', Incomes Data Research, September 2014.

achievement rates (exam grades), retention (students completing courses), and student value-added (progress from the starting point made by students compared with progress made across England).

However, according to the AoC these arrangements are unusual. Many FE colleges have one role – advanced practitioner – entry to which involves a threshold. The role, taken on by around 10-15% of lecturers, is designed to improve teaching excellence through sharing knowledge and skills with other staff. But comparisons with pay arrangements for teachers on the upper pay range are not straightforward. Reward for the advanced practitioner role frequently takes the form of a reduction in teaching hours of around 10% and/or an allowance rather than progression to a further salary point or points. This is because although advanced practitioners occupy a role between lecturers and managers who still teach, such as curriculum managers, there are usually no salary points to reflect this, particularly as colleges generally want to maintain existing differentials between lecturers and managers. Further research would be required to discover whether advanced practitioners in FE are comparable to teachers on the upper pay range or whether their role involves the sort of work carried out by leading practitioners in schools.

Information Commissioner's Office

When we commenced this research, we were aware of only a handful of other examples of pay thresholds or similar in other employment areas. For example, the Information Commissioner's Office (ICO) published its revised pay policy on its website in February 2019²² and this document describes two points in the salary structure which represent thresholds beyond which only certain staff are expected to pass. The first is the point immediately beyond the 'market rate' and the second an 'exception zone' for employees that have reached the maximum of the pay scale.

²² Pay Policy, Information Commissioner's Office, February 2019 (<https://ico.org.uk/media/about-the-ico/policies-and-procedures/2614388/pay-policy-february-2019.pdf>)

The ICO's structure consists of eight grades, each with five salary points, from entry to the scale maximum (see table 4). Progression is achieved via assessment against the organisation's 'Career Progression Framework'. Individuals are assessed according to three criteria (four for people managers and staff in grades E-F): ambition; service focus; collaboration (and leadership for managers and senior grades).

Table 4 Pay scales at the Information Commissioner's Office, 2019

	Entry (scale minimum)	1	2 (market rate)	3	4 (scale maximum)	Exception zone
Level B	£19,299	£19,967	£20,634	£21,302	£21,969	
Level C	£21,211	£22,740	£24,269	£25,798	£27,327	
Level D	£26,768	£28,697	£30,626	£32,554	£34,483	
Level E	£35,013	£37,534	£40,055	£42,575	£45,096	
Level F	£45,697	£48,990	£52,284	£55,577	£58,870	
Level G	£57,596	£61,747	£65,898	£70,048	£74,199	
Level G2	£72,879	£78,163	£83,447	£88,731	£94,015	
Level H	£95,758	£106,002	£116,24	£126,489	£136,732	

Source: ICO Refresh Pay Policy 29.11.18

Band 2 of each scale represents the relevant 'market rate' and all staff have the opportunity to reach this level. Bands 3 and 4 provide an opportunity for staff to earn above the market rate, although the policy notes that 'progression to these bands requires consistent contributions and impact above normal expectations. Achievement of these bands will be challenging as they recognise levels of mastery in a role. These are, however, intended to be achievable for highly skilled staff who have a greater impact on the role' (2019, p.5).

Beyond that staff can progress to an 'exception zone' which is between 5 and 15% above the scale maximum. The policy states: 'Payment of a salary within this zone is intended to reflect very rare circumstances where a staff member is making such an exceptional contribution within their role, that they even exceed the criteria for assessment at Band 4 at the top of their pay scale. Payment of salary rate within the Exception Zone may also be used to mitigate an exceptionally acute recruitment or retention risk.' (2019, p.5). Employees are put forward by line managers and require approval from a relevant director to be awarded a salary in the exception zone. Final decisions on progression to the exception zone are determined by a 'Pay Consistency Panel'.

Chapter 2: ‘Pay thresholds’ in practice

This chapter looks at pay thresholds in practice and is based on evidence gathered by the case study interviews conducted by IDR specifically for the purposes of this research, as well as intelligence gained from our recent report on private sector practice on progression for the Review Bodies.²³

Prevalence of pay thresholds

A key objective for this research was to establish whether any other organisations (public or private) operate mechanisms which might be similar to that which applies to the main and upper pay ranges for teachers and, if they do, learn how these mechanisms work in practice. We set out knowing that similar mechanisms have operated in some parts of the public sector but knew less about the use of pay thresholds or similar in the private sector.

Therefore, at an early stage in the research we set out to discover if any such mechanisms existed in private sector pay structures and we subsequently learnt that here too there are some examples of gateways, thresholds or fixed points where employees need to meet specified criteria before receiving an increase in pay, with the core responsibilities of the job role remaining the same pre-and post-threshold, although importantly these sorts of mechanism are rare and operate differently to that for schoolteachers.

Our survey of 75 private sector firms found that 19 reported operating some type of pay threshold according to the definition we provided (see Appendix 1). Additionally, we came across three examples in the case studies undertaken for the separate project on private sector progression noted above. We also learnt that some private sector organisations with performance-related pay systems operate informal arrangements, whereby some employees might receive pay beyond the maximum of their grade, albeit in exceptional circumstances.²⁴ This exceptionality highlights one of the findings of this study: that mechanisms in our private

²³ ‘Private sector practice on progression: A report for the Office of Manpower Economics’, Incomes Data Research, forthcoming.

²⁴ Case study I, *ibid.*

sector examples expect only some staff to progress beyond the threshold, while those in the public sector provide the potential for all staff to progress, and only a minority of staff might expect not to do so.

Purpose of pay thresholds

Where pay threshold mechanisms exist, they are aimed at helping retention (and to a lesser extent recruitment); however, the way in which this is achieved appears to differ in the public and private sectors. In broad terms, the examples in the public sector tend to focus on rewarding continuing development by providing professionals with additional progression, whereas in the private sector approaches are more driven by ‘the market’ and tend to be aimed at providing further flexibility around pay for certain individuals or roles. In our private sector examples only some staff are expected to progress beyond the threshold, while those in the public sector provide the potential for all staff to progress, and only a minority of staff might expect not to do so.

Where staff and organisation development drive mechanisms, the focus is on providing professionals with further progression opportunities. For example, Audit Scotland’s ‘Career Development Gateways’ are designed to: enable Audit Scotland to develop the workforce to meet the business challenges ahead; help colleagues to influence and control their career planning with Audit Scotland; and encourage experienced, confident and talented individuals to grow further as part of a comprehensive workforce plan across the whole organisation.²⁵ These types of approach inevitably have a positive impact on staff retention too.

Where pay progression acts as a recruitment and retention tool, it is often intended to help employers to remain competitive against the market. At Mars, for example, ‘premium pay’ enables individual colleagues to be allocated to the next pay range up without obtaining a promotion. The Reward Manager explains ‘the organisation has associates that are currently high in the range and subsequently have reduced pay potential going forward. So if you’re an

²⁵ Career Development Gateways Guidance and Principles, Audit Scotland, November 2017.

individual at say 115/118% of the range, unless you're getting 4s and 5s in your performance rating, your position in the pay range is not moving by an awful lot each year, so that can sometimes be an issue from a retention perspective. And then, on the flip side, with attraction there are some roles in the market that seem to attract a large premium...[Mars] has a production site and offices in both Paddington and Slough, where you have all of your main FMCG competitors.'

Table 5 Purpose of the pay threshold as cited by employers

Organisation	Purpose of the threshold
Middlesbrough College (case study A)	To enhance the quality of teaching and to improve recruitment and retention by being able to recruit at any point in the scale and enable lecturers to progress freely without waiting for someone to leave
Mars (case study B)	To aid recruitment and retention, assist with succession planning and to provide the business with flexibility
Sue Ryder (case study C)	A skills-based approach used to differentiate between different levels of the role
Large food retailer (case study D)	A recruitment aid, predominately to do with attraction and trying to keep the best people
Heriot-Watt University (case study E)	To drive performance and to some extent to challenge the semi-automatic progression through the rest of the incremental scales
University B	To improve performance and to support career development, and to continue to reward highly performing academics who have reached the top of their grade
Audit Scotland (extract A)	To develop the workforce to meet business challenges ahead; to help colleagues influence and control their career planning; and to encourage experienced, confident and talented individuals to grow further
Welsh Water (extract B)	Mechanism covers specific roles that have specialist skills (ie fish farmers) or differ from others in the band (ie executive PAs). It can also recognise additional skills or market pressures that warrant progression past the fully competent zone (ie IT specialists)
UWE Bristol (extract C)	Additional merit pay points (performance bands 1-3) for professors which reflect additional contribution
Utilities firm	The 'added-value' zone is intended to support the retention of high performers

How do thresholds work?

The mechanics of the thresholds we evidence in this report vary. Nevertheless, we have categorised them under a number of headings and the broad distinction between further professional development in the public sector and an aid to retention in the private sector continues to affect our findings.

The role of staff appraisals?

A key question is whether thresholds are linked directly to staff appraisal outcomes. The majority of our examples that are linked directly to staff appraisal outcomes are in the public sector. This might simply be a reflection of government pay policy, which dictates that all public sector pay progression should be linked to appraisal. In the private sector, such mechanisms are used much more flexibly and can be driven by line managers pursuing additional pay progression for certain roles or individuals. Appraisals still play a role since managers are only likely to recommend 'good' performers, but other factors also feature.

Public sector examples include the approach at Middlesbrough College (case study A). Here lecturers progress by annual increments to top of Band 2 subject to satisfactory appraisals. There are eight increments from the bottom of Band 1 (£24,660) to the top of Band 2 (£31,667). Thereafter, lecturers must achieve 'Gold Standard Lecturer' status and have achieved target measurable outcomes (such as attainment levels, student retention and student progress) and two consecutive 'good' or 'outstanding' appraisals to pass the threshold onto the bottom of Band 3 (£32,250). Once lecturers have successfully passed the threshold, they are eligible for three further increments up to a maximum salary of £35,176. Progression to the top of band 3 requires lecturers to have achieved target measurable outcomes and 'good' or 'outstanding' appraisals each year.

The Heriot-Watt University and University B examples work similarly and progression through the non-contribution parts of the pay spine is via annual increments subject to satisfactory performance. Grades have between four and six increments worth approximately 3% each. At Heriot-Watt University (case study E) line managers put candidates rated as 'exceptional' forward for consideration for contribution pay and in a minority of cases individuals apply (one or two a year), while at University B academic staff proceed through their thresholds to the contribution pay points when they have reached the top of their pay band and have received two consecutive 'sustained and exceptional' performance ratings. There are generally two or three 'contribution points' worth around 3% each. Both also operate other performance awards under the scheme, which covers accelerated increments and bonuses.

The approach at UWE Bristol is different and covers professors where the base salary is either spine point 50 (currently £60,905) or 51 (£62,727), far higher than that for classroom teachers making them a less useful comparator. Progression for the professoriate through the merit pay points is assessed against performance across three key domains: research; knowledge exchange; and teaching and learning. Merit progression payments can add between £2,639 and £29,029 to the base salary.

At Audit Scotland, staff in Bands 1 and 2 (covering qualified and senior auditors) have additional pay zones under the 'Career Development Gateways' policy (CDG). Normal progression sees staff move up one incremental step each year unless they have received a formal disciplinary warning for the preceding 12-month period. Band 1 has four increments and Band 2 has five increments typically worth about 2.3% each. Staff request a CDG meeting and submit a proposal and evidence to a CDG panel and it is judged against set criteria. The gateway is passed via panel assessment with evidenced inputs from the staff member's business case.

The panel must also assess the availability of work at a higher level and the budget for the requested increase before reaching a decision. Depending on which zone the employee is in, the CDG increase can be worth between £1,500 to £3,000 per annum approximately. Band 1 has two thresholds: zone B with a further five increments and zone C with a further six increments. Band 2 has one threshold: zone B with a further five increments. This approach looks to be very close to the teachers' mechanism but with one key difference that it only covers a minority of staff, although has the potential to cover more.

At Sue Ryder (case study C) all progression for clinical staff is managed via the skills grid/gateways. Clinical staff are appraised against their skills grid. There is no judgement on the quality of performance as the skills grids describe exactly what staff need to do to move to a higher pay point. The salary for a nurse starts at around £25,000. The first step (which the majority pass) is worth £1,334 and second (which around a third get) is worth a further £1,212. This mechanism has similarities with both the teachers' mechanism and the former NHS K&S

gateways, although we would suggest it maps more closely to a traditional competency-related progression model. However it does fit our definition of a pay threshold in that staff have to pass a bar or gateway by meeting specified criteria before receiving an increase in pay, with the core responsibilities of the job role remaining the same pre-and post-threshold.

Welsh Water has a small number of 'stretch' roles that are able to progress past the 'fully competent' level (the maximum for the majority of staff) into another pay zone up to the maximum. Roles which fall into 'stretch' are agreed and signed off by a joint management and trade union committee. There are set criteria for determining whether a role qualifies which includes both an assessment of individual performance and whether the request meets a genuine business need (see Box 1).

The criteria are slightly different for senior roles and those in Bands 6 to 9 must have been rated as 'exceeding' or 'outstanding' in the last two consecutive financial years (see Box 2). Guidance for progression increases states that they are typically expected to be in the range of 2.5% to 5% of current salary.

BOX 1: Progression assessment for Bands 1 to 5 at Welsh Water

Progression from Pay Scale Minimum up to Fully Competent:

- Employee has satisfactorily completed the probationary period – minimum 6 months
- Suitable length of experience – typically a minimum of 3 years to be fully competent
- Employee has acquired and demonstrated the use of all of the required knowledge and skills, enabling the employee to perform all of the role accountabilities to a satisfactory standard.

Progression above Fully Competent:

- Employee has acquired and demonstrated the use of all of the required knowledge and skills, enabling the employee to perform all of the role accountabilities to a satisfactory standard

PLUS

- Employee has acquired and demonstrated the use of knowledge and skills which are in excess of the requirements of the core role, and which meet the following conditions:
- Must be significant i.e. representing a 'stretch' for the employee to achieve over a period of time and with a degree of difficulty involved
- Must meet a genuine business need in the employee's business area for those particular skills to be used
- Must be applied in practice by the employee regularly and permanently

Recommended Progression in Role Salary Increases – Band 1 to 5

When deciding whether an increase should be awarded, the following factors should be taken into account:

- outcome of the knowledge and skills assessment within the PMR process
- salary levels of other employees in the same or similar roles with the same level of knowledge, skills and experience

Source: Salary Policy & Procedure, Welsh Water, July 2019

Box 2: Progression assessment for Bands 6 to 9 at Welsh Water

Progression from Scale Minimum up to Fully Competent Salary:

- Employee has satisfactorily completed the probationary period – minimum 6 months
- Suitable length of experience – typically a minimum of 5 years to be fully competent
- Employee has acquired and demonstrated the use of all of the required knowledge and skills, enabling the employee to perform all of the role accountabilities to a satisfactory standard
- Personal performance is assessed as at least ‘Achieved Expectation’s i.e. the employee has completed all of their objectives and has consistently performed at the standard expected in their role

Progression above Fully Competent Salary:

- Employee has acquired and demonstrated the use of all elements of the required knowledge and skills, enabling the employee to perform all of the role accountabilities to a satisfactory standard

PLUS

- Employee’s personal performance has been assessed for a minimum of two consecutive financial years as either:
 - ‘Exceeded Expectations’ i.e. the employee has exceeded most of their objectives through their personal contribution and has consistently performed above the standard expected in their role
 - OR
 - ‘Outstanding Performance’ i.e. the employee has achieved outstanding results against all of their objectives through exceptional personal contribution and consistently performed far beyond the standard expected in their role.

AND

- Employee has acquired and demonstrated the use of knowledge and skills which are in excess of the requirements of the core role, and which meet the following conditions:
 - must be significant i.e. representing a ‘stretch’ for the employee to achieve over a period of time and with a degree of difficulty involved
 - must meet a genuine business need in the employee’s business area for those particular skills to be used
 - must be applied in practice by the employee regularly and permanently

Recommended Progression in Role Salary Increases – Band 6 to 9

When deciding whether an increase should be awarded, the following factors should be taken into account:

- personal performance rating (PMR)
- outcome of the knowledge and skills assessment
- the salary levels of other employees in the same or similar roles

Source: Salary Policy & Procedure, Welsh Water, July 2019

Some private sector companies might pay staff above the maximum of a range, but usually only on the basis of market need and both Mars (case study A) and the large food retailer (case study C) provide examples. In both mechanisms line managers submit a business case for a particular role or individual to pass the threshold (the salary maximum) and must provide reasons as to why it requires a higher salary. A panel reviews and undertakes benchmarking to check that this is appropriate. It might be for a ‘niche role’ that has a specific skill set, for example. Line managers can present their own benchmarking with external roles in terms of what the role is paid out in the market to the senior talent partner, which then goes to the reward team to undertake a Hay role evaluation. The business case goes to a panel (which meets weekly) at which the whole job description is examined; the line manager also attends

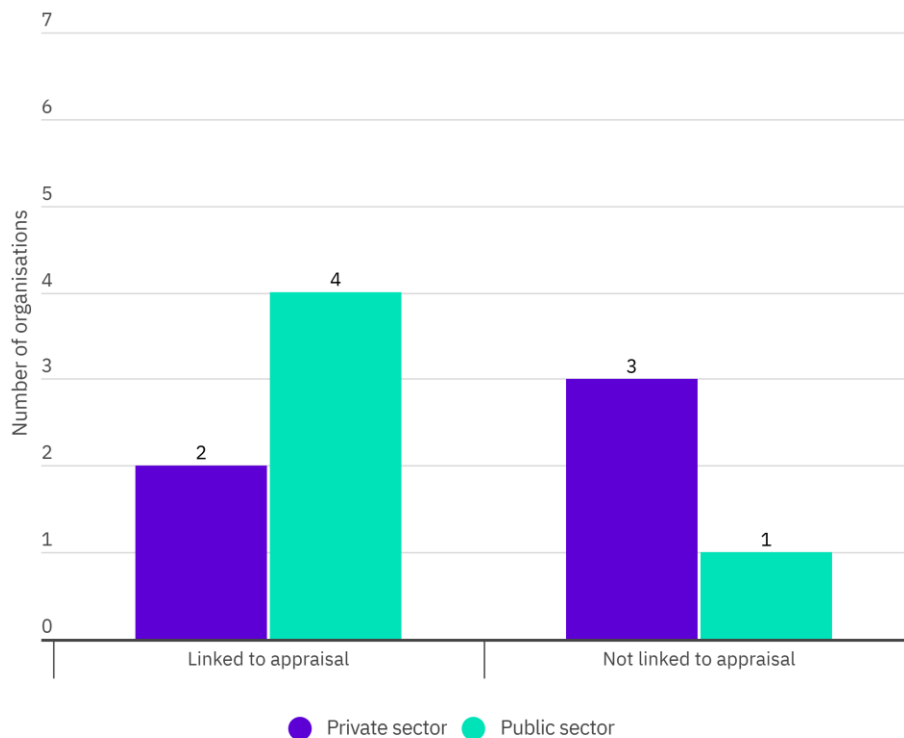
the first part of the meeting to answer any specific questions. The reward team then undertakes an external benchmarking exercise and reports back to the line manager and senior talent partner with data on what similar roles are being paid in the market. Such requests tend to arise most commonly for roles in IT, as well as data marketing and finance. Requests typically cover scarce skills.

The examples at Mars (case study B) and the large food retailer (case study D) are only superficially similar to the teachers' mechanism, in that they have a formal mechanism which controls access to higher pay. Although these are outside existing structures, unlike UPR which is an integral part of the teachers' pay system. At Mars 'premium pay' is requested by managers when they need to make a counteroffer when an associate has been offered a job externally or when trying to recruit an external candidate. Individuals would have to be deemed a 'high potential' associate and either be a 'flight risk' or in an area that is difficult to recruit to qualify. At the large food retailer (case study D) line managers submit a business case for a particular role to pass the threshold and will provide the reasons as to why it requires a higher salary. It might be for a niche role that has a specific skill set, for example. In both examples line managers can present their own benchmarking with external roles in terms of what the roles are paid out in the market.

These mechanisms are designed to provide headroom in specific instances, limited to a few cases so as to not raise costs (or at least not significantly). Indeed, Mars (case study B) feel its current approach is effective, partly because there are not too many applications, however the Reward Manager recognises that could change and that the approach needs to be affordable. Arguably, the mechanisms at Mars and the large food retailer (case study D) are not pay thresholds in the sense that the teachers' and the other examples we present are, and act instead as market pay tools. In both examples the threshold is the maximum of the grade and the mechanism enables consolidated pay rises beyond this point, where in many other systems staff reaching this point would either no longer receive an increase, receive only a very small consolidated increase or be awarded a non-consolidated bonus.

Some of our examples require high appraisal scores over consecutive years rather than just a single year, ie the employee must consistently perform at a high or outstanding level. For example, Middlesbrough College’s (case study A) lecturers must achieve ‘Gold Standard Lecturer’ status and have achieved target measurable outcomes and two consecutive ‘good’ or ‘outstanding’ appraisals to pass the threshold. University B automatically progress academic staff through the thresholds to the contribution pay points when they have reached the top of their pay band and have received two consecutive ‘sustained and exceptional’ performance ratings. At the utilities firm staff only enter the 'added value' pay zone after they have demonstrated sustained high performance over a number of years. Welsh Water also requires ‘exceeding’ or ‘outstanding’ ratings for the last two consecutive financial years as one of the criteria for staff in Bands 6-9 to obtain progression beyond the threshold (in this case the ‘fully competent’ salary).

Figure 3 Case study organisations: Pay thresholds directly linked to appraisal outcomes by sector



Where mechanisms are linked to business cases, staff appraisals only make up part of the picture and other considerations, such as scarce skills, market rates or counteroffers, also play a role. Examples include mechanisms at Audit Scotland and Welsh Water (extract A and B).

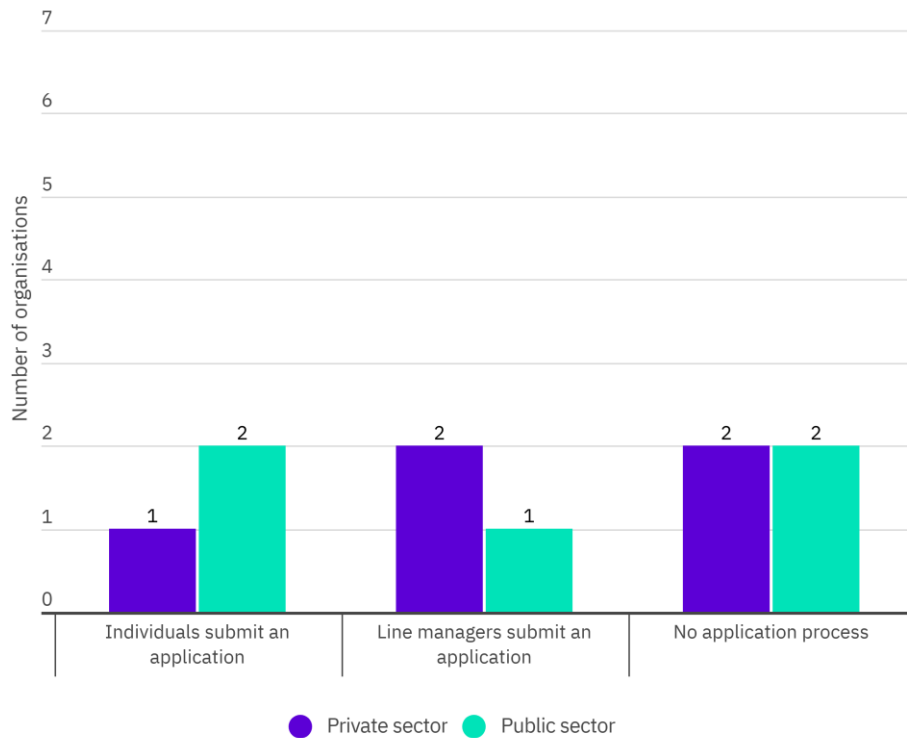
Is the onus on individuals to apply?

The next criteria which might be useful to look at when trying to understand how these mechanisms work is whether the onus is on individuals to apply and the extent to which they are supported in this. Teachers apply to be paid on the upper pay range and each school's pay policy will set out the criteria and process for assessing applications. It is difficult to generalise from the limited number of examples and approaches vary. Some specify that individuals must apply, others that managers submit a business case, and others have no formal application process since the criteria for passing the progression threshold are linked directly to the achievement of specific skills or a qualification.

Table 6 Who applies to pass the progression threshold by sector

Organisation	Who applies?
Middlesbrough College (case study A)	No application process – progression into the top band requires achievement of Gold Standard Lecturer status and 'good' or 'outstanding appraisal' ratings
Mars (case study B)	The line manager raises an informal business case
Sue Ryder (case study C)	No application process – clinical staff are appraised against their skills grid (these vary by role)
Large food retailer (case study D)	Line managers submit a business case
Heriot-Watt University (case study E)	Line managers put candidates rated as 'exceptional' forward for consideration, although in a minority of cases individuals apply (one or two a year)
University B	No-one applies for contribution points; they are awarded automatically to those achieving the appropriate appraisal outcomes in two consecutive years
Audit Scotland (extract A)	Staff request a Career Development Gateway meeting and prepare a business case which is supported by line managers
Welsh Water (extract B)	Staff can apply but some roles are already designated as 'stretch' roles. Roles which fall into 'stretch' category are agreed and signed off by joint management and trade union committee. Other individuals can apply via their manager if they feel they have additional skills or there is market pressure that warrants progression past the fully competent zone
UWE Bristol (extract B)	Professors typically apply every couple of years. A review cycle is conducted each year, overseen by a university panel and professors may take the opportunity to make an individual application
Utilities firm	No application process as movement is linked to high performance ratings over a number of years

Figure 4 Case study organisations: Who applies to pass the progression threshold by sector



Two types of progression?

A further distinction is between those systems that involve two types of progression (as classroom teachers’ does) and those that do not. All progression for teachers is based on performance appraisal. However, there is also an additional hurdle to pass if teachers are to move from the main pay range to the upper pay range and the criteria for passing the threshold are more rigorous than for normal performance-related progression. In the main our examples do not, although Middlesbrough College (case study A) and Audit Scotland (extract A) both do.

At Middlesbrough College normal progression is nearly automatic and is subject only to satisfactory appraisals, while progression into the top band requires achievement of Gold Standard Lecturer status and good or outstanding appraisal ratings, not additional responsibilities. Gold Standard Lecturer status depends on the achievement of measurable outcomes which support the College’s ambition to continue to receive gold ratings in the Government’s Teaching Excellence and Student Outcomes Framework (TEF), and to deliver student achievement rates which exceed the national average.

At Audit Scotland under normal progression staff move up one incremental step each year, unless they have received a formal disciplinary warning for the preceding 12-month period. To pass through a CDG there are three requirements: “You must provide evidence to a CDG panel that you are ready to undertake more complex and demanding work and accept the responsibility that comes with this; there must be sufficient work or business demand for you to work at a higher level; sufficient funding must be available to meet the increased salary that comes with progression through a CDG”.²⁶

Outcomes for staff

In the main pay threshold mechanisms in the private sector only provide further progression for a small proportion of staff, with figures of 2-3% (Mars, case study B) and 5% (Welsh Water, extract B). Whereas mechanisms in the public sector either currently cover or have the potential to cover a large number of staff. For example, Middlesbrough College (case study A) reports that 80% of lecturers have passed the threshold. The college anticipates nearly 100% doing so in future and has no reservations about this as it believes that outstanding lecturer performance translates to outstanding college performance. Audit Scotland reports that 25 staff have been successful in passing the CDG gateway (around 8% of the total workforce of which only Bands 1 and 2 are eligible to apply) so far, however the mechanism is relatively new and there is no quota for the number of staff that can pass a gateway, so potential exists for it to cover more staff over time (available work and budgets permitting).

The mechanisms at universities only cover a relatively small proportions of staff: 5-10% at Heriot-Watt University (case study E) and 10-15% at University B. Sue Ryder (case study C) also sits at odds with the other findings and here around a third of staff progress to the top point of the skills grid. Although it should be noted that these examples are in sectors that are slightly intermediate to the public and private sectors.

²⁶ Career Development Gateways Guidance and Principles, Audit Scotland, November 2017.

Table 7 Numbers passing the ‘threshold’

Organisation	Staff covered	Numbers passing the ‘threshold’
Middlesbrough College (FE; 1,000 staff; North Yorkshire)	Lecturers	80%, although all lecturers have the potential
Mars (food and drink; 4,000 staff across 13 UK sites)	Not role specific as 'premium pay' is for high potential or a flight risk role	Around 2-3% of staff are on ‘premium pay’; up to 1% are on developing pay ranges
Sue Ryder (charity; 3,000 staff; UK)	Clinical staff eg nursing assistants, registered nurses, senior nurses, therapists	Majority progress from the first point. It is more difficult to progress to the top point, and about a third do so, although all staff could potentially
Large food retailer (UK)	Not role specific but typically covers specialist roles with specialist skills ie scarce skills or difficult to recruit roles	The majority of staff are only able to progress to the maximum of their salary range
Heriot-Watt University (HE; 2,000 staff; Scotland)	All grades	A total of some 5-10% of staff receive either an additional increment, a contribution point or a non-consolidated bonus each year
University B (HE; 4,000 staff; East Midlands)	All grades	Over time the University expects around 10-15% of academic staff to have received a contribution point, double increment or cash bonus
Audit Scotland (central government; 300 staff; Scotland)	Staff in Bands 1 and 2 (auditors) have additional pay zones under the Career Development Gateways policy (CDG)	There is no quota for the number of staff that can pass a gateway. Since January 2018 the organisation has received 30 proposals and 25 successfully passed
Welsh Water (utilities; 3,600 staff; Wales)	Some roles or groups of roles are already indicated as ‘stretch’, while others are considered on a case-by-case basis	There are 22 ‘stretch’ roles, covering approximately 80 roles, and a further 30 specific individuals in a specific role

Financial rewards vary significantly, as shown in table 8. In the private sector the amounts are expressed in broad percentage terms while in the public sectors the outcomes are more clearly defined in terms of additional points, with published pay structures which detail salary levels from both normal progression and additional post-threshold progression. Transparent pay systems such as these raise staff expectations that the published salaries are achievable, which links to our broader point about these mechanisms tending to cover far more staff in the public sector.

Table 8 Financial rewards for staff that pass the threshold

Organisation	Financial rewards
Middlesbrough College (case study A)	The pre-threshold at the top of band 2 is £31,667. The minimum salary post-threshold at the bottom of band 3 is £32,250 (+1.8%) and there three further increments to take the salary to £32,835 (+1.8%), £34,008 (+3.4%) and £35,176
Mars (case study B)	Premium pay enables staff to be paid at the salary range above their grade. Each grade is 80-120% and there is around 20-25% difference between each salary range. For example, rather than being paid 130% of your current salary range, staff would be moved to the next grade and sit at 105/110%, providing both the initial increase and a further 15-10% headroom for progression to reach 120% of the new grade
Sue Ryder (case study C)	The pay differential for nurses between the first and second spine points is £1,334 a year (+c.5%), and the differential between the second and the top point is a further £1,212 a year (+c.5%)
Large food retailer (case study D)	Roles that qualify are eligible for up to a maximum of 20% beyond the grade maximum
Heriot-Watt University (case study E)	Each contribution pay point is worth c.3% and there are two in most grades but three in grade 8. The scheme also provides for accelerated increments worth between 1.8% and 6% and bonuses worth £500-£1,500
University B	Each of the three contribution points for lecturers is worth c.3%
Audit Scotland	Career Development Gateway are worth between around £1,500 to £3,000 (typically +3%)
Welsh Water	For example, Band 6 maximum rises from £37,805 to £42,204 (total progression headroom +11.6%)
UWE Bristol	Merit pay varies by band and there are four points in each band. Band 1 merit pay worth between £2,639-£7,919; band 2, £10,556-£18,473; band 3, £21,112-£29,029
Utilities firm	A notional pay range of £40,000 to £60,000 might break down into a developing zone of £40,000 to £47,000, a core zone of £47,000 to £55,000 and an added-value zone of £55,000 to £60,000, for example

Note: IDR calculations in (brackets).

Effectiveness

In the main the organisations we spoke to regard their pay threshold mechanisms as effective. Sue Ryder (case study C) reports that the structure has supported skill acquisition and provided pay transparency and opportunities for progression. Heriot-Watt University (case study E) reports that it believes its procedures are both fair and effective.

A number of our examples introduced their mechanisms relatively recently. Audit Scotland (extract A) said that the Career Development Gateways have been working well since their introduction in 2018. Middlesbrough College (case study A) reports that the new arrangements introduced in 2018 have already led to increased staff motivation, improved recruitment and retention, continuously improved teaching quality and the ability to pay teaching staff rises if an overall award is unaffordable. Mars (case study B) said the mechanism was introduced in 2014 and is working well so far, without too many applications.

University B said that it is too early to judge as contribution pay was only implemented in 2018.

Welsh Water (extract B) reports that the main challenges to its approach, whereby certain jobs are classified as 'stretch' and therefore able to progress pass the normal competency level into a higher pay zone, is that staff do not understand that progression is not time-served.

Future changes

There are very few plans for changes to the current pay threshold mechanism and where there are, they are generally minor. In the HE sector, Heriot-Watt University (case study E) is currently consulting on centralising the budget for contribution pay and University B is considering some minor changes to the appraisal process and associated rewards. Sue Ryder (case study C) is currently consulting on a range of broader changes to its pay and progression approach.

Chapter 3: Case studies

In this section we provide detailed case studies of the specific arrangements at case study organisations, as well as extracts from case studies that have a pay threshold which featured in our broader report on private sector pay progression practice.

Case study A: Middlesbrough College

Background

Middlesbrough College is a further education college with some 13,000 students and 1,000 staff. This case study describes pay and progression arrangements for qualified lecturers, who are on a 12-point, three-band incremental pay structure. Progression through bands one and two is subject only to satisfactory appraisals, and nearly automatic while progression into the top band requires achievement of Gold Standard Lecturer status and good or outstanding appraisal ratings, not additional responsibilities. Gold Standard Lecturer status depends on the achievement of measurable outcomes which support the College's ambition to continue to receive gold ratings in the Government's Teaching Excellence and Student Outcomes Framework (TEF), and to deliver student achievement rates which exceed the national average.

A performance threshold was first introduced for lecturers in 2012, and the criteria for moving through that threshold were changed in 2018. The College sets its own salary ranges rather than following the recommended salary scales for all FE colleges promulgated by the Association of Colleges. It can also pay market rate supplements of up to £5,000 a year to teachers on any spine point and/or one-off golden hellos of up to £5,000.

Key points

- Lecturers progress via annual increments to top of Band 2 subject to satisfactory appraisal. There are eight increments from the bottom of Band 1 (£24,660) to the top of Band 2 (£31,667).

- Lecturers must achieve 'Gold Standard Lecturer' status and have achieved target measurable outcomes and two consecutive 'good' or 'outstanding' appraisals to pass the threshold onto the bottom of Band 3 (£32,250)
- Thereafter there are three further increments to a maximum salary of £35,176. Progression to the top of Band 3 requires lecturers to continue to achieve target measurable outcomes and 'good' or 'outstanding' appraisals each year.
- Under 2012 arrangements only some lecturers were expected to pass the threshold and they all did. However, under the revised 2018 system 80% of lecturers are reaching the top of Band 3.

Purpose of the threshold

When introduced, the purpose of both the 2012 and 2018 thresholds was to enhance the quality of teaching and to improve recruitment and retention. Recruitment and retention are supported by the college being able to recruit staff at any point of the pay scale, and to enable lecturers to move freely to the top of the pay scale without having to take on additional responsibilities or wait for more senior colleague to leave.

Mechanics of the threshold

Prior to 2012 the college had a rigid three band pay structure for lecturers whereby individuals could only progress from one band to another through promotion to a vacant post. Over time this had resulted in a number of the most talented lecturers being stuck on the top of bands one and two and many long-serving poorly performing staff being paid at the top of band three. In 2012, the bands were opened up, so that all lecturers could progress to the top of band two, subject to satisfactory performance appraisal. Progression to band three depended on good or outstanding appraisals and the completion of an advanced practitioner course. A voluntary redundancy programme resulted in the departure of many lecturers on band three.

In practice, all lecturers who remained passed the advanced practitioner course and achieved the required appraisal outcomes, so the 2012 changes did not succeed in differentiating

between the least and the most effective staff. This reduced the quality improvement effect of the changes.

In 2018, another attempt was made by the college to differentiate and improve lecturer performance and only reward excellent performance. The new arrangements abolished the advanced practitioner course and introduced instead a range of measurable outcomes. The targets are set at or above national targets for measures such as achievement rates, including exam grades, student retention - students completing their courses - and value-added – student progress from their starting point. Lecturers continue also to be appraised against a range of personal objectives such as business generation, over-and-above contribution and attendance at continuous professional development events.

There is no application process for the threshold. All lecturers progress to the top of band two if their performance is satisfactory. On their anniversary of reaching the top of band two they will automatically progress to the bottom of band three if they have achieved the specified measurable outcomes and received good or outstanding appraisals. Progress to the top of band three continues on the same basis. Failure to achieve this will mean that their salary progress stops until the next performance review. The policy does allow for salary reductions where performance does not improve, though in reality this has been rarely instigated.

Performance appraisal is carried out between August and November of each year, with pay increases effective from the following January.

Table 9 Pay for lecturers at case study A (Middlesbrough College) from 1 January 2020

Band	Role	Increment point	Basic pay
1	Newly qualified lecturer	5	£24,660
		6	£25,838
		7	£27,001
2	Experienced lecturer	7.1	£27,584
		8	£28,167
		9	£29,337
		10	£30,486
		11	£31,667
3	Lecturers who have achieved target measurable outcomes and two consecutive 'good' or 'outstanding' appraisals	11.1	£32,250
		12	£32,835
		13	£34,008
		14	£35,176

Notes:

- 1) Lecturers in Band 1 receive annual increments up to and including the top of Band 2, providing their performance is satisfactory.
- 2) Lecturers on points 11.1-14 are known as Gold Standard Lecturers.
- 3) Progression to the top of Band 3 requires lecturers to continue to achieve target measurable outcomes and 'good' or 'outstanding' appraisals each year.
- 3) All salaries can be increased by up to a £5,000 per annum market rate supplement and a one-off golden hello for new starters who incur costs when leaving their previous employer and/or changing location.

Middlesbrough College appraises its lecturers in four areas – impact on the student, personal review, personnel review and individual personal objectives. There are four performance ratings – 'outstanding', 'good', 'requires improvement' and 'unsatisfactory'. Criteria for the different areas are set out below. Performance is assessed mid-year and at the end of each year.

The College's appraisal criteria for its Gold Standard Lecturers are designed to support its ambition to continue to receive gold ratings in the Government's Teaching Excellence and Student Outcomes Framework (TEF, and to deliver student achievement rates which exceed the national average). The Government introduced the TEF in 2017 to recognise and encourage excellent teaching in higher education. In that year Middlesbrough College achieved a gold rating, for delivering consistently outstanding teaching, learning, and outcomes for its students. Awards are valid for three years.

Table 10 Extracts from Middlesbrough College’s lecturers’ appraisal criteria

Impact on students	
Main vocational area	English and Maths
<ul style="list-style-type: none"> - Teaching and learning - Sharing good practice - Student voice - Achievement rates (Gold Standard Lecturer criteria for vocational/A level/GCSE/functional skills lecturers are 3% above national rates) - Retention rates - Pass rates - Student progress - Grade profile of students - Attendance rates and initiatives to support good attendance 	<ul style="list-style-type: none"> - Support/actions to promote and develop English and Maths within the vocational area - Attendance rates of main vocational students at English and Maths sessions - English and Maths achievement, progress and high grades for main vocational programmes students
Personal review	
Personal attributes	Record keeping
<ul style="list-style-type: none"> - Punctuality - Timekeeping - Flexibility - Effective communication - Meeting deadlines - Team approach - Attendance at team meetings - Positive input - Demonstrates the College’s values 	<ul style="list-style-type: none"> - Registers - Course files - Quality assurance processes including assessment and internet verification - Student reports - Compliance with policies and procedures
Personnel review	
Mandatory training, CPD and professional updating	Other
<ul style="list-style-type: none"> - Progress against last year’s training targets - Attended all mandatory training events - Attended 6 out of 12 CPD sessions - Identify and agree future training needs - Complete a minimum of 4 days industry and professional updating training 	<ul style="list-style-type: none"> - Sickness record - Disciplinary/capability record - Achievement of contractual hours (covering contractual and timetabled hours)

Outcomes for staff

Between 2012 and 2017 all lecturers reached the top of band three. Since the new arrangements were introduced in 2018 some 80% of lecturers are reaching the top of band 3. The college anticipates nearly 100% doing so in future but has no reservations about this as it believes that outstanding lecturer performance translates into outstanding college performance.

Effectiveness

Middlesbrough College says that its 2018 pay structure has resulted in:

- increased staff motivation
- improved recruitment and retention
- continuously improving teaching quality outputs and
- the ability to give teaching staff pay rises if an overall pay award is unaffordable.

On the downside, the proportion of staff moving since 2018 to the pay band maximum keeps increasing. This is outweighed by the increase in the College's performance and the fact that the pay to income ratio remains low.

Future developments

There are no plans to change the current arrangements.

Case study B: Mars

Background

Case study B (Mars) is a food and drink manufacturer that employs around 4,000 staff across 13 sites in the UK. The pay structure is based on four career bands, each with many levels with numerous salary ranges. Progression through the salary ranges is based on a performance matrix and the organisation operates a mechanism, or pay threshold, that provides a small proportion of staff further progression beyond the pay range maximum. There are no trade unions recognised for pay bargaining.

The pay and progression structure

The pay structure is based on four career bands (business operations, technical leadership, people leadership and managing directors) which cover all the organisation's operations, from manufacturing to marketing and sales, support roles and managing directors. The career bands are based on the focus of the role rather than job function. Each career band has a number of levels (typically four when managing directors are excluded), within which there are a number of salary ranges (up to a maximum of six), which span from 80% to 120% of the market rate. For example, the business operations career band has levels B1, B2, B3, B4 and B1 contains three salary ranges. Overall, there are around 40 to 50 salary ranges.

Progression through the salary range is based on the outcome of individual performance ratings and position with the pay range. Performance ratings are 1 to 5; 1 is the lowest score ('unsatisfactory') and recipients of such a rating are usually subject to a performance management procedure, while 5 is 'outstanding' and typically less than 10% of the population achieve this. A performance rating of 1 or 2 results in a zero award, while increases for staff with ratings of 3, 4 or 5 typically range from 2% to 3.5%.

The majority of staff are only able to progress to the maximum of their salary range (120% of market), after which they must obtain a promotion to reach the next salary range up. There is however a mechanism whereby certain individuals are able to pass the 120% 'threshold' into

the next pay range above that for their role without obtaining a promotion (or in some cases the pay range below that for their role, as described in more detail further on) and this is known internally as ‘premium pay’ (or ‘development pay’).

There are no separate market supplements, only a temporary responsibility allowance where an associate may step up to a bigger role temporarily.

Purpose of the ‘threshold’

The organisation reports that the purpose of the mechanism is to aid recruitment and retention, assist with succession planning and to provide the business with flexibility.

On the impact on retention and recruitment the Reward Manager explains ‘the organisation has associates that are currently high in the range and subsequently have reduced pay potential going forward. So if you’re an individual at say 115/118% of the range, unless you’re getting 4s and 5s in your performance rating, your position in the pay range is not moving by an awful lot each year, so that can sometimes be an issue from a retention perspective. And then, on the flip side, with attraction there are some roles in the market that seem to attract a large premium...[Mars] has a production site and offices in both Paddington and Slough, where you have all of your main FMCG competitors.’

On succession planning, he reports that: ‘some roles we want to over-recruit every now and then. For example, we’ve got sales directors who we think will probably be moving onto the next role in the next 12 or 18 months; our career planning in the pipeline for that role is dry and we see that as a potential issue, we would rather try and bring someone in kind of the next level down maybe a year early and for them to be the next sales director. So, occasionally we are recruiting for the next position. That’s quite often when we have to offer more money.’

The mechanism also provides the business with flexibility to be able to manage staffing issues: whether it be retaining or attracting staff, or thinking ahead, the mechanism provides flexibility to respond to situations.

Mechanics of the 'threshold'

Staff progress through the range up to 120% and for the majority of staff the only way to move beyond this point is to obtain a promotion. However, a small number of staff are able to progress further into what is termed internally as 'premium pay' and are allocated to the next pay range up without obtaining a promotion. For example, this approach may be adopted for external or internal recruitment to specific roles or where a line manager needs to make a counteroffer when an associate has been offered a job externally. In these cases, the line manager raises an informal business case recommending the staff member moves into the premium pay zone. Individuals would have to be deemed a 'high potential' associate and either be a 'flight risk' or in an area that is difficult to recruit to (at the moment digital, for example). The other criterion is that the offer is going to take them above 120% of the range.

The line manager's recommendation is reviewed and approved by the HR manager, as well as the line manager's line manager. Premium pay is reviewed annually and there is no automatic right to remain in the higher pay range. If there is evidence the premium is not needed, it will be removed. Similarly, when an associate gets a promotion in the future, they do not carry premium pay into the next role unless they meet the criteria again.

The rules around premium pay mean there are relatively few applicants for such an increase and as HR business partners own the process, they are accountable for the recommendations. As such, they are required to keep abreast of pay and reward trends and market pressures. The Reward Manager adds: 'and the line-manager-plus-one sign-off helps. They are a little bit further back from the process and so for them it is less emotive...' If a request is turned down, line managers tend not to reapply.

Around 2-3% of staff are on premium pay and the company seeks to be disciplined about approving moves into premium pay, as the Reward Manager explains, 'otherwise everybody will be on premium pay, so we expect our HR managers to manage that process quite strictly'.

The organisation also makes use of the mechanism in reverse and can put someone in the pay range below. They aim to start all associates on 80% of the pay range but in some cases, they will be recruited to the development pay zone. As the Reward Manager explains, 'I would only expect the associate to be in that zone for 12 to 18 months and with a clear plan of what is expected from them in order to move them into the right pay range. Otherwise, we abuse it and underpay associates for essentially doing the job.' Typically, there will be up to 1% in developing pay ranges.

Development pay is typically used on promotion higher up the pay structure, where the 'rungs of the ladder' are further apart, while lower down the pay ranges are closer together.

Outcomes for staff

There is a differential of around 20-25% between pay ranges, which means when an associate moves to the next pay range their position within range will move down accordingly, providing further headroom for progression. For example, an associate at 115% of the range who qualifies for premium pay would move to 90-95% of the next pay range. After this, staff continue to receive an annual consolidated pay award on the same basis as other staff, ie according to their performance rating and position in the grade.

The Reward Manager notes that the line manager would be expected to communicate to the staff member that they are well paid for the job, given that they were already above market (ie 100% of the salary range) and have subsequently secured premium pay, which is the pay range for the next level up.

Effectiveness

When the mechanism was first introduced around six years ago there were some concerns that it could be abused but with the controls in place the organisation reports that it seems to be working well. At present there are not many applications from line managers for premium pay but that could change, and the business actively monitors the situation.

One area for close monitoring are associates who have secured premium pay but who, after three years or so, have not moved on or been promoted to another role. This, the Reward Manager explains, 'is quite expensive for the business and...we are just paying them a high premium for doing their current role.' This situation is also perceived to impact promotion opportunities for others: 'if this is then used higher up in the organisation in some respect they become a bit of a blocker for other people moving through and up the organisation, because they are not going anywhere. Maybe that's the danger with any role. I'm not sure premium pay solves that problem and it possibly even contributes towards it in some cases.'

Future developments

There are currently plans to change or to discontinue the approach. It is relatively new, only six years old, and it was quite a big overhaul to implement. The main debate at the moment is less about the grades and pay structure and more about where to benchmark pay against the market.

Case study C: Sue Ryder

Background

Sue Ryder is a charity employing around 3,000 staff. Of these, some 40% are clinical staff working in the organisation's four care homes and seven hospices who are covered by a seven-grade incremental clinical health and social care pay structure. This structure covers roles ranging from nursing assistants to first line managers. Each grade contains three points and there is a detailed skills grid for each point on each grade. Progression through the grade thresholds is through skills acquisition. Most staff move onto the second point after about a year, providing they have demonstrated the appropriate skills. A few staff do not progress from the first point and that is not a problem – teams require a balance of people with different skills, the organisation says. It is more difficult to progress to the top point, and about a third do so. There is no progression beyond the top point of each grade other than promotion to a more senior role which has become vacant. Promotion is on the basis of skills and qualifications.

Recruitment and retention pressures vary by location and an annual allowance averaging 15% of salary for those who receive it is paid to around two thirds of nurses. Locations can also vary the pay rates set out in the pay structure by up to 5%. In both cases, pay is determined by the market.

Non-clinical staff are on spot salaries and alternative pay point structures, although the latter do not use any kind of skills-based pay progression. Progression is by means of annual merit increases which reward performance against objectives.

Purpose of the threshold

The purpose of the threshold is to differentiate between different levels of the role. The skills grids describe exactly what staff need to do to move to a higher pay point, and this provides some progression. The three pay points also support retention.

Mechanics of the threshold

No one applies for threshold payments. All clinical staff are appraised annually against their skills grids. The skills grid for nurses, for example, contains five competencies: clinical practice, communication, values and ethics, quality assurance and personal and people development. In some cases, the skills grids are linked to specific qualifications. There are a number of performance criteria for each competency and appraisees need to provide evidence that they have met the criteria. There is no judgement as to the quality of performance – criteria have either been met or not met. The pay differential for nurses between the first and second spine points is £1,334 a year, and the differential between the second and the top point is a further £1,212 a year.

Outcomes for staff

In any one year between 15% and 25% of clinical staff move one spine point, and around one third of staff are on the top point of their band.

Effectiveness

The organisation believes that its pay structure has supported skill acquisition and provided pay transparency and opportunities for progression.

Future developments

Sue Ryder is currently consulting clinical staff in its care homes on changes to the pay structure. It is proposing to buy out enhanced payments for night shifts and weekend and bank holiday working and instead of the three-point grades it would like to have more flexible pay bands. Although staff may no longer be progressing onto spine points, they will still progress through skills and development.

There is no intention of changing the pay bands for clinical staff working in hospices. Unlike care home staff, their roles are similar to those of NHS staff who still have incremental pay scales. The organisation is hoping in future to transfer all staff currently on spot salaries to flexible pay bands. Staff reaction to these possible changes is not yet known.

Case study D: Large food retailer

Background

Case study D is a major food retailer employing in the UK.

The pay and progression structure

There are separate pay and progression arrangements for hourly-paid colleagues and head-office staff, with spot rates for hourly-paid staff and salary ranges with progression linked to individual performance appraisals for head-office staff. The pay structure for head-office staff has nine grades, each with its own salary range. Staff progress through the salary range by way of line manager reviews. Each year the company sets a budget for pay rises and a recommended increase (eg 1.5%). Line managers have the option to either increase or decrease that figure; however, if the increase is above the recommended pay rise level, they have to provide a rationale as to why that staff member is getting that increase. This also applies for any increases below the recommended level. During the latest pay round, for the first time, HR reviewed all staff pay and added 'markers' so that line managers can see where staff are being paid above or below the market rate for that role.

The majority of staff are only able to progress to the maximum of their salary range; however, the company operates a mechanism whereby certain qualifying roles can be paid above the pay grade maximum, subject to a successful business case.

Purpose of the 'threshold'

In respect of the purpose of the mechanism, the Reward Analyst told us: 'that would be a question for our recruiters but it is predominately to do with attraction and trying to keep the best people for the best roles.'

Mechanics of the 'threshold'

Line managers submit a business case for a particular role to pass the threshold and will provide the reasons as to why it requires a higher salary. It might be for a 'niche role' that has a specific skill set, for example. Line managers can present their own benchmarking with

external roles in terms of what the roles are paid out in the market to the senior talent partner, which then goes to the reward team to undertake a Hay role evaluation. The business case goes to a panel (which meets weekly) at which point the whole job description is examined; the line manager also attends the first part of the meeting to answer any specific questions.

The reward team then undertakes an external benchmarking exercise and reports back to the line manager and senior talent partner with data on what similar roles are being paid in the market.

Such requests tend to arise most commonly for roles in IT, as well as data marketing and finance. Requests cover 'scarce skills'. The Reward Analyst was unable to provide a figure as to how many requests are successful.

This same mechanism can be used for new recruits developing in the role; in such instances they are paid a salary lower than the grade minimum during their probation period (usually 12 weeks) and are moved up to this point/the minimum upon successful completion of their probation.

Outcomes for staff

Roles that qualify are eligible for up to a maximum of 20% beyond the grade maximum, although it may be possible for a line manager to secure even higher increases in very exceptional circumstances. Those at or above the maximum may still receive an annual pay award – the decision is left to line managers who are given a pot to spend each year, along with a recommended increase level for all staff.

Future developments

There are no plans for the organisation to stop using this mechanism or have a radical re-think of its pay strategy.

Case study E: Heriot-Watt University

Background

Heriot Watt University has some 9,500 students and 2,000 staff. It has a single incremental pay spine, based on skills, job families and job evaluation, which covers all employees. Most staff progress through their scale on the basis of skills, length of service, and 'good' performance. Employees can pass through a performance threshold to receive additional increments – paid while moving through the main scale - or paid on top of the main scale for the role.

The University drives and rewards 'exceptional' performance in three ways – by awarding an accelerated increment to those not at the top of their scale, by awarding up to two additional 'contribution' points to those at the top of their scale, or by giving a non-consolidated one-off bonus of up to £1,000. Bonuses can be given to individuals on any salary point who demonstrate exceptional performance over a limited period or for a specific piece of work.

Each grade has two contribution points, with the exception of grade 8 which has three points, for historical reasons. Staff can progress through the non-contribution part of their pay band by securing at least a 'good' rating in their annual performance and development review (PDR). Contribution points are only awarded to those receiving an 'exceptional' rating.

Purpose of the threshold

The purpose of the three mechanisms is to drive performance and to some extent to challenge the semi-automatic progression through the rest of the incremental scales. Withholding an increment, before an employee reaches the top of their scale (excluding contribution points) is almost unknown.

Mechanics of the threshold

Evidence for the award of accelerated increments, contribution points or bonuses is obtained from each employee's annual PDR.

The PDR process is designed to:

- engage colleagues in objective setting so that they understand what is expected of them;
- identify the resources, training, development and support that colleagues need to carry out their role and achieve their objectives;
- evaluate how well objectives have been met and required skills demonstrated;
- provide the basis for linking exceptional contribution to reward; and
- facilitate the achievement of personal career objectives.

Individual performance can be rated as 'underperforming', 'good', 'very good' and 'exceptional'. Payment of standard increments depends on the achievement of at least a 'good' rating, while an 'exceptional' rating may result in the employee's manager putting forward the case for an accelerated increment, contribution point or bonus to their head of school or director of professional services. In response to an annual invitation from HR, these senior managers in turn make supported cases for awards to a review board. This consists of the secretary of the University, the deputy principal staff development and engagement, the HR director, a head of school and a reward and employee engagement consultant acting as clerk.

Individuals can put themselves forward for exceptional performance awards but only a tiny minority – one or two a year – do so.

Table 11 Pay spine for all employees¹ at Heriot Watt University, effective 1 August 2019

Job examples	Grade	Spine points	Min £pa	Max £pa	Value of each accelerated increment/contribution point
Cleaner, catering assistant	3	6-10	17,682	19,133	1.8-2.5%
	CP	11, 12	19,612	20,130	2.6-2.7%
Admin support	4	11-15	19,612	21,814	2.6-2.7%
	CP	16, 17	22,417	23,067	2.8-2.9%
Supervisors, senior admin support	5	16-21	22,417	25,941	2.8-3.1%
	CP	22, 23	26,715	27,511	3.0%
Teaching assistant, specialist admin	6	22-26	26,715	30,942	3.0-9.0%
	CP	27, 28	31,866	32,817	3.0%
Assistant professor (lecturer A)	7	28-33	32,817	40,322	3.0-6.0%
	CP	34, 35	41,526	42,792	3.0-3.6%
Assistant professor (lecturer B)	8	34-38	41,526	49,533	3.0-6.0%
	CP	39-41 ²	51,034	54,131	3.0%
Associate professor (senior lecturer/reader)	9	39-44	51,034	59,135	3.0-6.0%
	CP	45, 46	60,905	62,727	1.5-3.0%

¹Except professors and the most senior managers.

²Grade 8 has three contribution points, one of which is a legacy from a historical assimilation exercise.

Outcomes for staff

Every employee who achieves an ‘exceptional’ performance rating is eligible for consideration for either an accelerated increment or contribution point. Those consistently rated as good/very good but have demonstrated ‘exceptional’ performance on a specific piece of work or limited period of time can be considered for a performance bonus. An accelerated – additional – increment can be worth between 1.8% and 6% of salary, depending on which grade an employee is on and their position in the grade. A contribution point is worth between 2.5% and 6%, again depending on grade and position in the grade. One-off bonuses are worth between £500 and £1,000.

A total of some 5-10% of staff receive either an additional increment, a contribution point or a non-consolidated bonus each year.

Effectiveness

The University believes that its contribution pay procedures are fair and effective. They also provide an incentive for employees at the top of their scale to perform well. It 'checks cases robustly' it says, to ensure that no-one gets an award just for doing their job.

Future developments

A staff survey recently revealed that many employees did not know about contribution pay. This will be addressed by advertising the scheme more widely. The survey also found criticism of potential favouritism in awards. Consultation is currently taking place to change individual departmental and service contribution pay budgets to a central budget, with cases moderated across the organisation. This could help improve the fairness of the process and outcomes.

[Note the following are extracts from case studies published in ‘Private sector practice on progression: A report for the Office of Manpower Economics’, IDR, 2020]

Extract A: Audit Scotland

Background

Extract A (Audit Scotland) is the public sector spending watchdog for Scotland. The vast majority of the organisation’s 300 staff are professionals, many of whom are employed in specialist roles and include researchers, data analysts, financial accountants, and performance management specialists.

The pay system is based on grades with incremental steps and was implemented in 2016/17. Each April all staff receive a ‘general’ pay award and separately, qualifying staff receive one progression increment on the 1 April pay review anniversary date. The vast majority of staff achieve progression each year and typically each increment is worth 2.3%. Staff in Bands 1 and 2 (auditor and senior auditor grades) are covered by the organisation’s Career Development Gateways, enabling further progression beyond their pay zone.

Career Development Gateways

Staff in Bands 1 and 2 are covered by the organisation’s Career Development Gateways (CDG) policy. These provide a ‘gateway’ to a higher pay range without the requirement for a promotion to the next grade.

The basis upon which staff pass through a gateway into the next zone includes a mix of evidenced inputs (skill, knowledge and performance) but equally weighted with two other important factors – that there must be the work available at the higher level, and there is budget.

The policy states that the purpose of the gateways is to:

- enable Audit Scotland to develop the workforce to meet the business challenges ahead;
- help colleagues to influence and control their career planning with Audit Scotland;

- encourage experienced, confident and talented individuals to grow further as part of a comprehensive workforce plan across the whole organisation.

The policy specifies that successfully passing through a CDG is dependent upon three requirements:

- you must provide evidence to a CDG panel that you are ready to undertake more complex and demanding work and accept the responsibility that comes with this;
- there must be sufficient work or business demand for you to work at a higher level;
- sufficient funding must be available to meet the increased salary that comes with progression through a CDG.²⁷

Staff request a CDG meeting and can do so at can come at any time. A previously known vacancy is not a prerequisite. One would expect the person to have been in their current post for a good while so that they are credible in their pitch and experience for the next step in their career. But there is no role that stipulates this and so colleagues can request a CDG discussion even if their pay is not yet at the max for their current role.

Any individual wishing to progress through a gateway typically starts with a face-to-face meeting with their line manager. Once fully prepared, the individual submits their proposal to HR. A meeting will be arranged with a CDG panel where the staff member will have to put forward their proposal and submit supporting evidence. The staff member can invite their manager to attend the meeting, or to come to part of it if they wish. The decision of whether a staff member can pass the gateway or not lies with the CDG panel, which is made up of a group of three trained career development gateway panel members. The Human Resources and Organisational Development Manager explains: ‘the outcome is either that the individual will pass through the gateway because they have given us enough evidence and because we have the money and the work for them or “not yet”. If the decision is “not yet”, then the panel will advise the individual “this is what we think you need to work on” and they will agree with the individual as to when they want to meet with the panel again. This could be six months, 12 months or two years for

²⁷ Career Development Gateways Guidance and Principles, Audit Scotland, November 2017.

example, and the panel will work with the manager and individual to give them the kind of experience they need to provide the evidence required. The same panel would meet with them in the future and they will consider the application again. So, it's a significant investment in the talent development of the individual who is working here.'

There is no quota for the number of staff that can pass a gateway, although the need for sufficient financial resources and availability of suitable work are key elements of the process. Since January 2018, the organisation has received 30 proposals from colleagues (about 10% of the workforce). In total 25 successfully passed through the gateway at the first attempt and five colleagues received feedback on how they can develop further prior to applying to the CDG panel again.

Gateway progression is funded from the salaries budget, but occasionally pitches are made where the organisation will transfer money from the non-salary budget – for example, where an individual is proposing to undertake work that had previously been undertaken by an external consultant or supplier and which presents operational or financial advantages.

Table 12 Pay structure at Audit Scotland as at 1 April 2019

Pay band	Job examples	Pay zone ²⁸	Minimum	Maximum	No. of increments
1	Graduate Trainee	A	£22,979	£24,603	3
		B	£27,368	£30,167	4
	Qualified Auditor	C	£31,696	£35,150	5
2	Senior Auditor	A	£41,193	£46,157	5
		B	£47,658	£51,609	4
3	Senior Manager	-	£57,973	£64,296	5
4	Audit Director	-	£73,110	£82,304	5

Outcomes for professionals

The value of the progression increment varies according to pay band and where staff sit in the grade but typically each increment is worth about 2.3%.

²⁸ Pay zones are not applicable to Band 3 and 4.

In addition, staff in Bands 1 and 2 who move up a zone through the CDG process receive an increase worth between £1,500 and £3,000 (typically +3.0%) as they move from the top of one pay zone to the bottom of the next and will continue to receive annual increments as outlined previously. There are three gateways: between the maximum of pay band 1A and the minimum of pay band 1B; the maximum of pay band 1B and the minimum of pay band 1C; and the maximum of pay band 2A and the minimum of pay band 2B. The initial gateway increase between the maximum of pay band 1A and the minimum of pay band 1B is worth more in percentage terms than the other two and this typically covers graduate trainees part way through their training.

Effectiveness of the pay progression system

The Head of HR and Organisational Development views the approach as effective and would say that staff are reasonably satisfied with the pay and reward system.

Future developments

There are no planned changes to the current approach.

Extract B: Welsh Water (Dŵr Cymru)

Background

Extract B (Welsh Water) is a not-for-profit utility company servicing Wales and parts of West England, which employs around 3,600 staff in a range of specialist and generalist roles. Pay and conditions for the majority of staff are determined by collective bargaining. The current pay structure is based on salary ranges, with roles allocated to grades through job evaluation. Progression is linked to annual assessment of employees' acquisition and demonstration of knowledge and skills in their role, ie competency-based progression. Progression is budgeted for separately to the overall award.

Staff receive a general award each April and progression in role payments are made in June. Both the pot and distribution of the pot are negotiated with the union, along with the general award. Staff are typically recruited at the pay band minimum and professional staff in bands 6-9 progress to the 'fully competent' (the maximum for most staff) after a minimum of five years. Around 5% of staff are in 'stretch' roles, with the ability to move beyond the fully competent rate.

Mechanics of the threshold

Once staff reach the fully competent rate, they generally no longer qualify for progression pay but continue to receive the annual pay award. However, colleagues in certain 'stretch' roles are able to progress past the 'fully competent' level into another pay zone up to the maximum. Some roles, or groups of roles, are already indicated as stretch, while others are considered on a case-by-case basis. Roles which fall into 'stretch' are agreed and signed off by the joint management and trade union committee.

It would typically take a minimum of seven years for a standard performer in a 'stretch role' to progress from the pay band minimum to the maximum. This will vary by role, the individual and the breadth of the pay range for each band. This has changed (lengthened) in recent years, due to financial constraints. However, 'exceptional performers would typically get a promotion to a

higher band, so we would expect those individuals to move onto another job, rather than stay in the same role,' the Reward Specialist continues. 'There are certain areas, such as operations, where some staff have a specialist or particular interest in the area and have been in role for many, many years. But we tend to see people promoted out of the band before they hit the top.'

'There are certain pockets where staff can progress pass the 'fully competent' threshold up to the maximum,' explains the Reward Specialist. This pay zone, or range between the fully competent and maximum, is not published and is an internal figure. Within this zone progression works on the same basis as regular progression. Staff know about it and it is known as stretch. Staff will ask "is this role a stretch role?".'

The company applies the following criteria for determining whether a role qualifies as 'stretch': 'The employee has acquired and demonstrated the use of knowledge and skills which are in excess of the requirements of the core role, and which meet the following conditions:

- must be significant, for example by representing a 'stretch' for the employee to achieve over a period of time and with a degree of difficulty involved;
- must meet a genuine business need in the employee's business area for those particular skills to be used;
- must be applied in practice by the employee regularly and permanently.²⁹

As outlined previously, some roles are already designated and signed off by management and trade union representatives as being 'stretch' roles. There are 22 such roles, covering approximately 80 staff in total. For example, some operational supervisors on band 6 work alone with more autonomy and with no other manager on shift when they are working. These staff can progress all the way to the top of the maximum for the range (£42,204) without any additional justification. Other stretch jobs are specific to an individual and depends on the area of business within which they work, the breadth of the role and specialist skills required. Fish Farmers, for example, are stretch roles on band 3 because of how they interact with fishing companies,

²⁹ Welsh Water Salary Policy and Procedure document, July 2019.

customers who apply for fishing licences, Natural Resource Wales and the Environment Agency. Stretch jobs still qualify for annual progression awards.

Other individuals can apply via their manager if they feel they have additional skills or there is market pressure that warrants progression past the fully competent zone. For example, IT specialists might be evaluated as a band 9 but in South Wales there is a lot of market pressure as Welsh Water competes with Go Compare, the DVLA and the Office for National Statistics for staff. Rather than introducing complexity by adding a market supplement for these roles (covering approximately 30 staff), the company uses the stretch area. 'We can award stretch for a specific individual in a specific role,' explains the Reward Specialist. 'These tend to be higher-banded roles, including senior professional staff and technical specialists. These individuals have no expectation for further progression as they are already being rewarded for the knowledge and skills that they bring to the company, over and above the core requirements for the role.'

Effectiveness of the pay progression system

The main challenge to the existing progression model is that staff do not always understand that progression is not time-served but is linked to assessment of progress in skills and knowledge. As the Reward Specialist explains: 'it does achieve aims in respect of promoting behaviours and managing their own development. But are we fully there yet? No, as it's not fully understood; staff simply see it as another pay increase. They get a pay rise in April, another one in June and a variable pay award in July, but staff don't necessarily think about what this means.'

Future developments

Over the longer term, say five-year period, the organisation will be looking at the pay and grading structure as a company-wide project. The company intends to test whether the existing structure is right, or if an alternative structure would be more appropriate.

Extract C: UWE Bristol

Background

Extract C (University of the West of England, Bristol) employs over 3,500 staff. The pay system for the majority of staff is based on a sector-wide nationally agreed pay spine. Grades are determined locally and have increments between the minimum and maximum of the grade. Incremental progression is based on length of service for all staff except professors. This case study outlines pay and progression arrangements for two key groups on the main pay structure: academic and professional staff and professors.

Pay progression within grade for all employees on the main pay structure, with the exception of professoriate, is based on length of service within the grade. Each year staff progress by one increment within their grade, until they reach the grade ceiling. The average progression payment that staff receive is 3% [which is the value of each point on the spine]. The length of time it takes to progress to the top of the grade for academics and professional services staff is dependent on the entry spine point within the grade and the width of the grade, but typically four to five years is the standard expectation.

Progression for professors through the merit pay points is assessed against performance across three key domains: research; knowledge exchange; and teaching and learning. A review cycle is conducted each year, overseen by a University Panel and Professors may take the opportunity to make an individual application to be considered for progression to the next merit pay point. Movement between performance bands is only upon promotion.

Mechanics of merit pay points

Pay progression within grade for all employees, except professors and senior staff, is based on length of service within the grade. Each year staff progress by one increment within their grade, until they reach the grade ceiling. Staff reaching the maximum of their pay grade receive only a cost-of-living rise with further pay progression only possible through promotion to the next pay grade.

The professorial grade sits at the top of the structure [Grade J] and covers spine points 50 and 51. In addition to the professorial basic salary scale [two spine points], additional merit pay points are available. The merit pay points are arranged into three separate performance bands [1-3] which reflect the different levels a professor is working at. Each performance band contains four merit pay points [see table below]. Merit pay is paid as an additional pay element on top of basic salary which is earned. Progression through the merit pay points is determined by “assessed achievement and sustained performance against a criterion for excellence”.³⁰ Performance is assessed against three key domains: research; knowledge exchange; and teaching and learning. A review cycle is conducted each year, overseen by a university panel and professors may take the opportunity to make an individual application to this panel to be considered for progression to the next merit pay point if they consider that they meet the required criteria across the above three domains. Dialogue concerning performance and readiness for progression to the next merit pay point is also discussed with line managers in formal PDRs on an annual basis. Typically professors make an application for progression every couple of years.

Table 13 Professorial reward structure at University of the West of England, Bristol

SCP	Basic salary	Merit pay		Performance Band 1	Merit pay	Performance Band 2	Merit pay	Performance Band 3	
51	£62,727						3d	£29,029	£91,756
51	£62,727						3c	£26,390	£89,117
51	£62,727						3b	£23,751	£86,478
51	£62,727						3a	£21,112	£83,839
51	£62,727				2d	£18,473	£81,200		
51	£62,727				2c	£15,834	£78,561		
51	£62,727				2b	£13,195	£75,922		
51	£62,727				2a	£10,556	£73,283		
51	£62,727	1d	£7,917	£70,644					
51	£62,727	1c	£5,278	£68,005					
51	£62,727	1b	£2,639	£65,366					
50	£60,905	1a	£2,639	£63,544					

Broadly, Performance Band 1 is where Professors are placed upon appointment with the first merit point being automatically paid. Band 2 is reserved for those recognised as ‘leading

³⁰ UWE Professorial performance and reward scheme, 2019

national' figures; and Band 3 for 'international contributors'. There are also sub-criteria within these bands. Professors who reach the maximum of their Performance Band receive only the annual cost of living rise; if there is no band movement permitted. Promotion controls the movement between Performance Bands.

The senior staff grades S1 to S5 contain four incremental spine points, with pay progression determined in relation to how the individual meets a set of criteria. Senior staff grades S6 (DVC) and S7 (VC) do not contain incremental spine points with REMCO determining the level of annual pay increase for the VC and DVC.

Future plans

There are no pay and grading developments currently planned for the near future.

Appendix 1 – Semi-structured interview questionnaire

Case study questionnaire

Definition:

For the purpose of this research, we would define a pay threshold as a pay progression mechanism where an employee needs to meet specified criteria before receiving an increase in pay, with the core responsibilities of the job role remaining the same pre-and post-threshold.

The exact aim of 'pay thresholds' in pay systems may vary but will generally relate to rewarding employees for having reached specific standards in relation to their skills/competencies. These will therefore differ in aim from elements of pay system such as allowances for taking additional responsibilities, retention payments or performance bonuses.

We would expect that the criteria used to make decisions about staff progressing over a pay threshold would be clearly defined and specifically relate to competency/skills required in order cross this threshold. In this way, a pay threshold will differ from normal pay progression, where salary increases may be linked to time served or a general assessment of performance.

As set out above, an employee will fundamentally be performing the same role pre-and post-threshold. There may be some additional responsibilities required after crossing a pay threshold, but these will be ancillary issues. In this way, the pay threshold should be distinct from a promotion to a substantially different role.

It seems that alternative terminology in use for mechanisms that perform the same function as the pay threshold in teaching include 'gateways' and 'pay zones'.

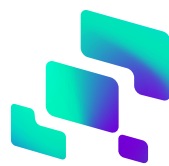
1. Basic organisation features covering sector, business activity and size (regions?)
2. Which of the following best describes the main pay system that operates in your organisation: incremental scales/ranges (salary goes up by defined steps), salary ranges (no defined steps), spot rates/single salaries?
3. What are your pay scales/salary ranges based on: grades, roles, job families, job evaluation, other (please specify)?
4. Does your organisation operate a system of progression (include the definition)?
5. On what basis do staff progress in grade (options: performance, behavioural competencies, length of service, skills acquisition, contribution or other)
6. Is there a point in the grade/salary range which only some staff are expected to pass?
7. Does this apply to all staff/grades or only to certain jobs/roles/grades? If this only applies to certain staff or individuals, please provide details.
8. Where is this in the grade/salary range? And does it vary for staff in different roles/grades or functions? Please provide details
9. On what basis are employees selected or assessed for consideration to pass this point? (ie do they put themselves forward or are they recommended by a manager/department/type of work?)
10. What factors determine movement beyond the threshold?
11. Who assesses if they pass or fail? Is there a dedicated team/panel that manage this?
12. How many staff apply/are considered annually?
13. And what proportion/how many people typically pass the 'threshold'?
14. Typical level of pay increase for those passing the threshold and annually thereafter?
15. How much further can staff potentially progress after this point either in monetary terms or expressed as a percentage of the pay range?
16. What is the main purpose of the 'threshold'? If this varies for different staff groups – provide further progression and/or development opportunities, reward further skills acquisition, reward further contribution, manage recruitment and/or retention, reward long service, to reward a differential level of a job/acting up (please specify)?
17. How effective is the mechanism in achieving this/these aims?
18. Are there any future plans to change or discontinue this approach?

Appendix 2 – Data sources

Data sources

Primary sources	
NHS Employers	Employer body interview conducted for this research.
UCEA	Employer body interview conducted for this research.
Local Government Association	Employer body interview conducted for this research.
Middlesbrough College	Case study interview conducted for this research. See case study A.
Mars	Case study interview conducted for this research. See case study B.
Sue Ryder	Case study interview conducted for this research. See case study C.
Large food retailer	Case study interview conducted for this research. See case study D.
Heriot-Watt University	Case study interview conducted for this research. See case study E.
University B	Case study interview conducted for this research. Only aggregate information used as the case study was withdrawn prior to publication.
Secondary sources	
Audit Scotland	See extract A.
Welsh Water	See extract B.
UWE Bristol	See extract C.
Utilities firm	Aggregate information from the progression report. No extract as the case study was withdrawn.
Reports and other materials	<p>‘Teachers’ pay and equality: A literature review’; Warwick Institute for Employment Research, March 2016.</p> <p>‘Case Studies on Pay Progression’, Institute for Employment Studies, 2012.</p> <p>‘Framework Agreement for the modernisation of pay structures’, Joint Negotiating Committee for Higher Education staff, July 2003.</p> <p>Tameside MBC NJC Pay Award 2019-2020 Information Booklet</p> <p>Government evidence to the STRB: the 2020 pay award, January 2020.</p> <p>School Teachers’ Review Body (STRB) remit letter for 2020, 18 September 2020 (see https://www.gov.uk/government/publications/school-teachers-review-body-strb-remit-letter-for-2020)</p> <p>The School Teachers Pay and Conditions Document 2019.</p> <p>‘Private sector practice on progression: A report for the Office of Manpower Economics’, IDR, July 2020.</p> <p>‘Academies’ approaches to teachers’ pay: A report for the Office of Manpower Economics’, IDR, October 2017.</p> <p>‘Threshold Assessment and Performance Management: Modernizing or Masculinizing Teaching in England?’, Mahony, Menter and Hextall, 2002; ‘What a performance!: the impact of performance management and threshold assessment on the work and lives of primary teachers’, Mahony, Menter and Hextall, 2005.</p> <p>‘Teachers’ Pay and Progression for September 2018’, NEU, January 2019.</p>

	<p>'Threshold Assessment: the experiences of teachers who were unsuccessful in crossing the threshold', Haynes, Wragg, Wragg and Chamberlin, 2010.</p> <p>Local Government Workforce Survey 2017/18 Research report June 2019,</p> <p>'NHS Staff Council Review of the NHS Knowledge and Skills Framework', Institute of Employment Studies, 2010.</p> <p>'Pay strategy in further education: A research report from Incomes Data Services commissioned by Association of Colleges', Incomes Data Research, September 2014.</p> <p>Pay Policy, Information Commissioner's Office, February 2019 (https://ico.org.uk/media/about-the-ico/policies-and-procedures/2614388/pay-policy-february-2019.pdf)</p> <p>'Private sector practice on progression: A report for the Office of Manpower Economics', Incomes Data Research, April 2020.</p> <p>Career Development Gateways Guidance and Principles, Audit Scotland, November 2017.</p> <p>Salary Policy & Procedure, Welsh Water, July 2019.</p>
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IDR

Incomes Data Research
71-75 Shelton Street
London
WC2H 9JQ

e: IDRTeam@incomesdataresearch.co.uk
w: www.incomesdataresearch.co.uk
t: +44 (0)1702 669549