



Office of Manpower
Economics

Take-home pay comparisons for Medical and Dental Officers

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Take-home pay comparisons for Medical and Dental Officers

Overview

- This report extends the pay benchmarking of Medical and Dental Officers (MODOs) in the Defence Medical Services (DMS) undertaken by IDR to include calculation of take-home pay.
- When looking at take-home pay, the value of the MODO package increases relative to its NHS comparator in each case, due to the absence of pension contributions in the armed forces. This effect is stronger for higher-paid roles due to the tiered pension contribution rate in the NHS. It is reduced to an extent by pension taxation for the more senior roles.
- When comparing gross salary and excluding X-Factor, MODO salaries are between 33.5% below and 33.2% above their NHS comparators. When comparing take-home pay (and excluding X-Factor), MODO roles are between 22.1% below and 43.8% above their NHS comparators.
- Including X factor, MODO salaries are between 23.9% below and 52.5% above their NHS comparators. When comparing take-home pay (and including X-Factor), MODO roles are between 12.6% below and 61.0% above their NHS comparators.

Introduction

1. This is a supplementary piece of work to support the remuneration benchmarking for Medical Officers and Dental Officers (MODOs) in the armed forces.¹ It uses the pay comparators identified in the first stage of the project and builds on this by accounting for pensions contributions and tax (including the pensions annual allowance tax charge) to enable a comparison of take-home pay.

Methodology

2. This analysis calculates take-home pay for the MODO roles in the armed forces and, for each MODO role, the same figures for civilian comparator roles as identified by IDR.
3. Pay inputs are drawn from IDR's final report on MODO pay comparability, while other parameters have been gathered from publicly available online resources.
4. **Take-home pay** is defined as total annual income after tax deductions and pension contributions. It is calculated as gross pay (base pay plus any performance-related pay, allowances or pay premia) less employee national insurance contributions, income tax, employee pension contributions and any annual allowance charges.
5. The analysis makes the following assumptions:
 - i. The focus is on the value of take-home pay in 2021-22, so the analysis does not track what may have happened to an individual in terms of pay progression or promotion.
 - ii. The analysis is conducted both including and excluding X-Factor. Any other relevant pensionable allowances or pay premia are included in the analysis unless stated otherwise.
 - iii. All roles are assumed to be in the current career average pension schemes open to new joiners since 2015.²

¹ IDR *Remuneration benchmarking for Medical Officers and Dental Officers in the Armed Forces*, September 2022.

² The analysis does not take into account the additional annual allowance tax liabilities that can be incurred from the uprating of past service in final salary pension schemes, especially after promotion.

- iv. No annual allowance is carried forward.
 - v. Any annual allowance tax charge is paid from in-year income rather than by Scheme Pays.
 - vi. X-Factor is pensionable for MODO roles. For comparator roles, only basic pay is assumed to be pensionable. Where no additional pay for a comparator role was identified by IDR, total pay is assumed to be pensionable.
6. The steps taken towards calculating take-home pay are outlined below.
- i. **Calculate pension contributions.** Multiply annual income, including any pensionable allowances, by the appropriate contribution rate (0% in the case of armed forces personnel).
 - ii. **Calculate income tax.** Work out the tapered personal allowance, which reduces from £12,570 by £1 for every £2 by which annual income minus pension contributions exceeds £100,000 to a minimum of £0. Subtract this allowance from gross annual income. Using this figure, calculate the amount of income tax charged on income at each of the basic, higher and additional rates using the applicable bands, and sum these to calculate the total annual income tax payable.
 - iii. **Calculate national insurance.** Calculate the amount of national insurance on earnings between the primary threshold and upper earnings limit, and the amount of national insurance above the upper earnings limit using the appropriate rates. Sum these to establish total annual national insurance contributions.
 - iv. **Calculate annual allowance charge.**
 - Calculate threshold income by subtracting pension contributions from gross annual income.

The McCloud remedy will extend final salary service to 2022 for those employed before 2012. It also does not take account of the different revaluation mechanisms between the schemes of past accrued pension for current members (AWE for the AFPS and CPI plus 1.5% for the NHS pension scheme). These are expected to be broadly similar over the long term.

- Calculate adjusted income by adding annual gross pension benefits (i.e., income * accrual rate * valuation factor) to threshold income.³
 - Calculate the tapered annual allowance threshold. If the threshold income exceeds £200,000, the annual allowance reduces from the maximum of £40,000 by £1 for every £2 by which an individual's adjusted income exceeds £240,000. The minimum annual allowance threshold is £4,000.
 - Subtract the tapered annual allowance threshold calculated at the previous step from annual gross pension benefits. If gross pension benefits exceed the annual allowance threshold (i.e. the result from this calculation is greater than zero), an annual allowance tax charge will be payable.
 - The annual allowance charge is calculated in bands at 40%/45% of excess pension savings, depending on annual income and the amount by which annual pension savings exceed the tapered annual allowance threshold.⁴
- v. **Annual take-home pay** equals gross annual income minus income tax, national insurance contributions, pension contributions and the annual allowance charge, as applicable.

Results

7. Comparing take-home pay, rather than gross pay, increases the relative value of the MODO role in each case, due to the absence of pension contributions for the armed forces pension scheme.⁵ The impact of this varies between roles due to the varying level of pension contribution for the NHS roles (9.3% to 14.5%) as well as the rate of marginal income tax. Annual allowance pension tax charges (broadly) affect those at OF5 and above (excluding X-Factor) and OF3 and above (including X-Factor).

³ Valuation factor of 16 used to calculate annual allowance liability. See: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/259732/GAD_report_on_flat_factor_version_14_October.pdf

⁴ Detailed guidance and a worked example are available at: <https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm056110>.

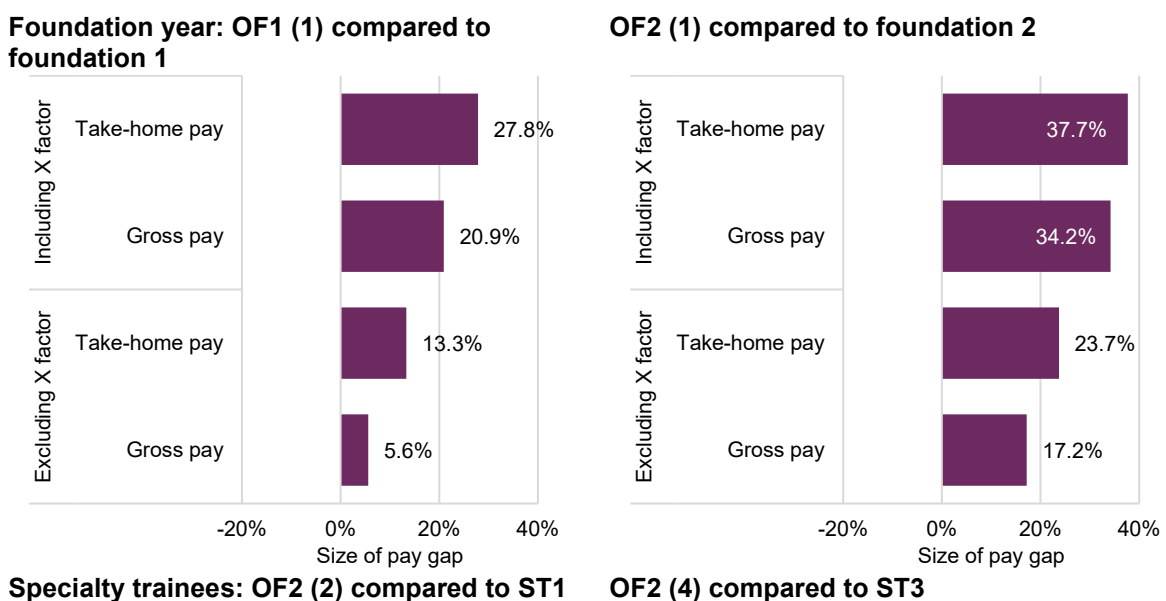
⁵ A positive figure indicates that the MODO role is paid more than the NHS comparator.

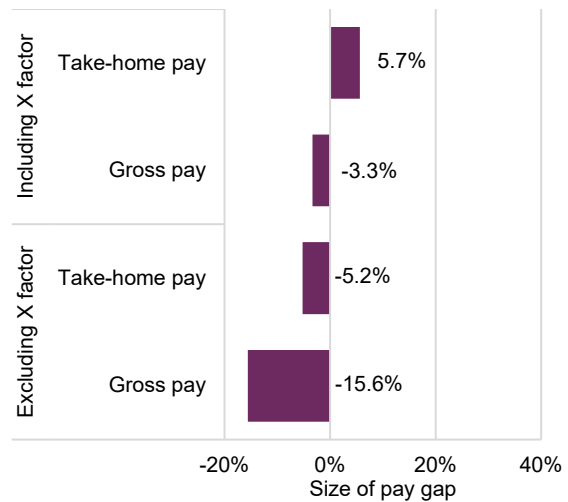
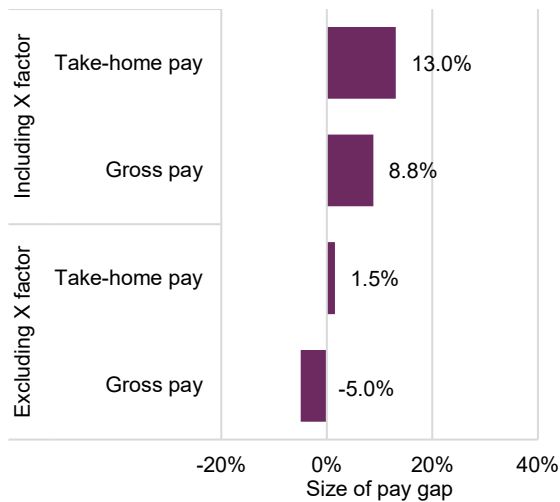
8. X-Factor is designed to compensate for the non-market factors of military life. Including X-Factor increases the comparison in favour of the MODO roles, but to a much lesser extent at the most senior levels, due to the reduced level of X-Factor (at OF5 and above) and higher marginal tax rates (especially where annual allowance charges are incurred).
9. To simplify the outputs, this report does not use every pay point covered in the IDR report. A summary for each group of roles is given below. Full results are given in the annex. IDR considers a pay difference of more than 10% to be significant.

Junior doctors in training

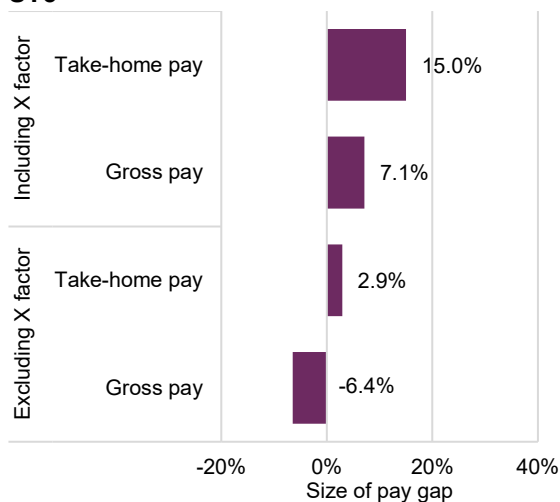
10. The gross pay comparison showed that DMS pay for doctors in training is broadly in line with pay for NHS doctors in training at most stages but significantly ahead at foundation year 2 (+17.2% excluding X-factor) and significantly behind at ST3 specialty registrar level (-15.6% excluding X-factor).
11. Looking at take-home pay improves the relative position of the MODO roles, though most remain broadly in line with their NHS equivalent before X-factor is included. Excluding X-factor, the foundation year 2 role has a significant 23.7% take-home pay advantage, and the foundation year 1 has a 13.3% take-home pay lead.

Figure 1: **Comparisons for junior doctors in training**

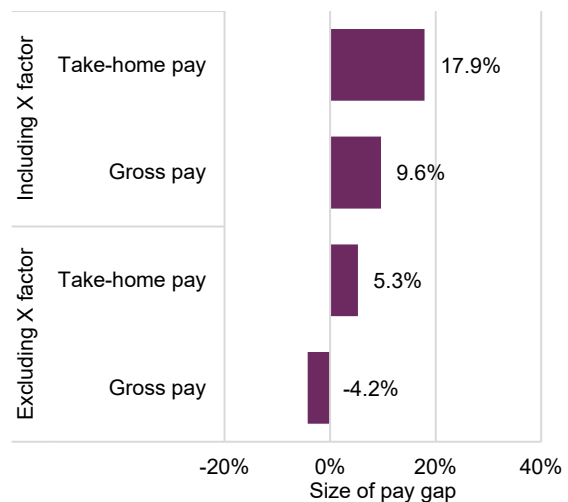




Specialty trainees: OF3-5 (1) compared to ST5



OF3-5 (4) compared to ST8



General dental practitioners

12. The gross pay comparisons showed that DMS pay for OF3-OF4 general dental practitioners (GDPs) is ahead of the NHS comparator but the picture for OF2 is mixed: excluding X-factor, pay for dental officers at OF2 is significantly ahead (33.2%) of average earnings for associate/performer specialist dentists, while pay for senior dental officers at OF2 is significantly behind (-20.7%) average earnings for partner/providing-performer dentists. Pay for senior dental officers at OF3 and sub-regional dental officers at OF4 is significantly above the comparators.

Figure 2: Comparisons for GDPs



13. When comparing take-home pay, three of the four dental roles move even further ahead of the NHS comparators. The exception remains the OF2/senior dental officer role, which is broadly in line with the NHS comparator.

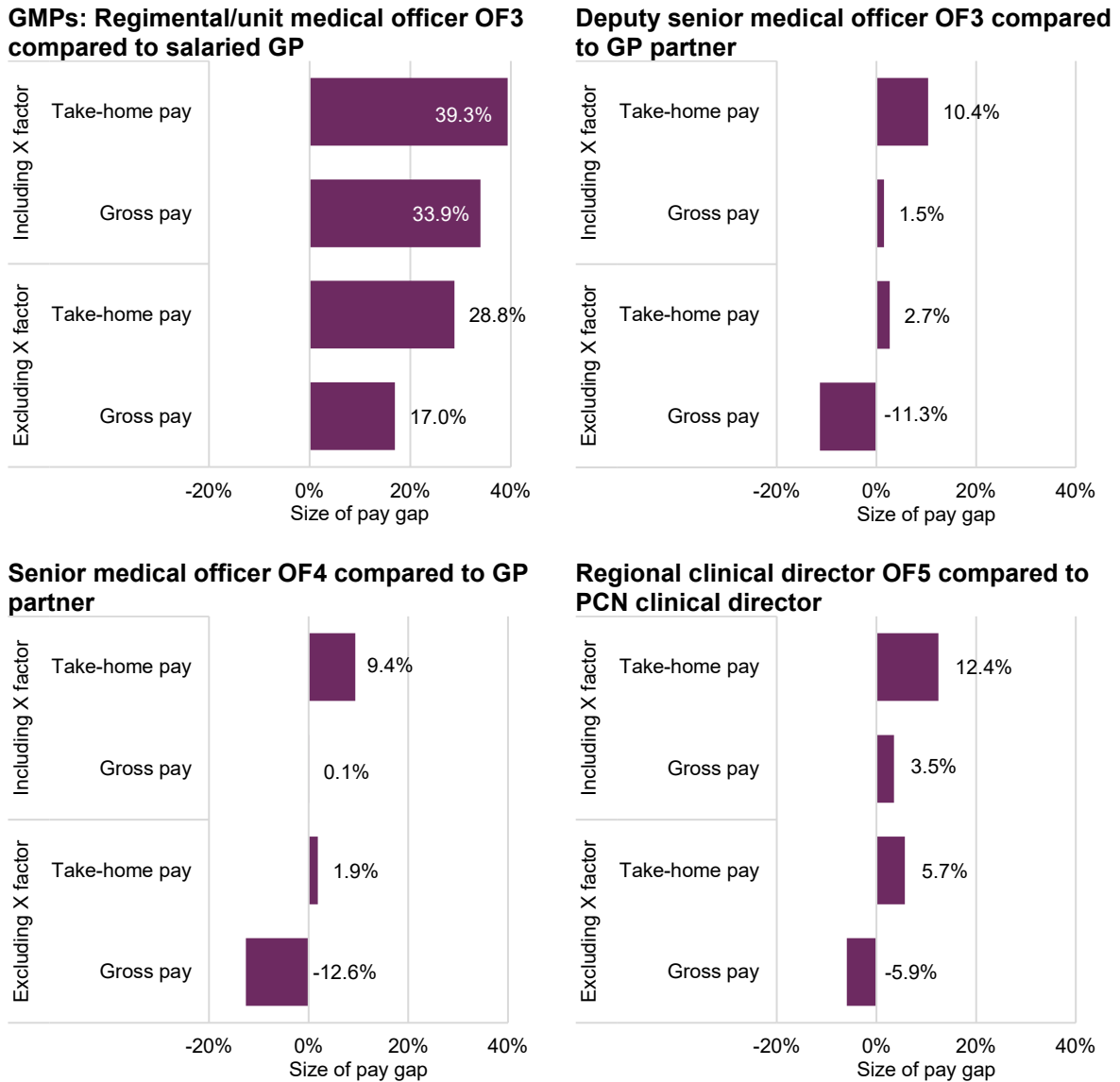
General medical practitioners

14. The gross pay comparisons show that before X-factor is included, pay for regimental/unit medical officers at OF2 is significantly ahead (17.0%) of average earnings for equivalent salaried GPs. Pay for deputy senior medical officers (OF3) and senior medical officers (OF4) is significantly (-11.3% and -12.6%)

behind pay for GP partners. Pay for a regional clinical director (OF5) is broadly comparable with the NHS equivalent.

- Comparing take-home pay sees those roles that were behind their comparators move in line, while the OF2 regimental/unit medical officers move further ahead (28.8%).

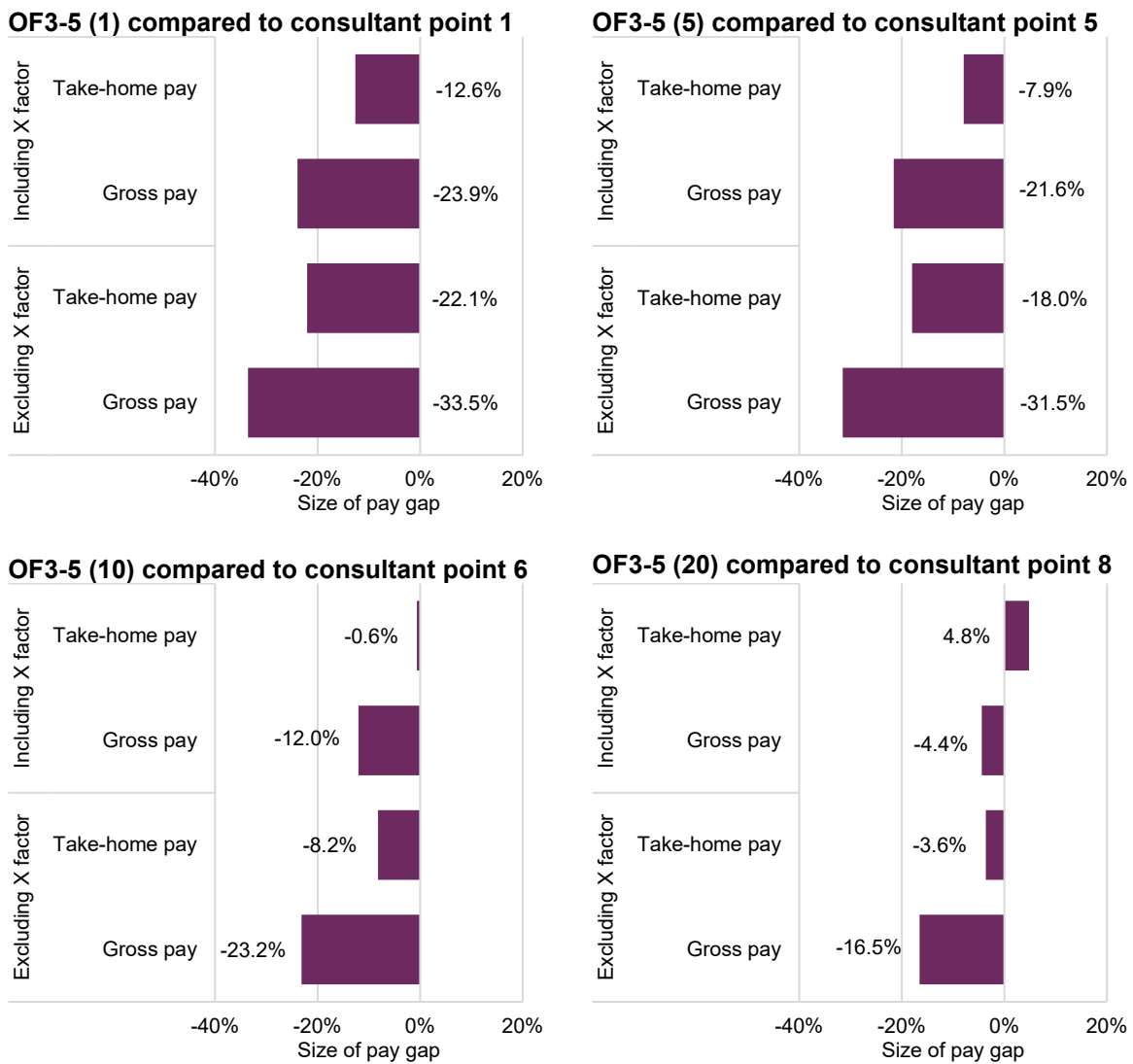
Figure 3: Comparisons for general medical practitioners (GMPs)



Consultants

- The gross pay comparisons shows that DMS pay for consultants is significantly below NHS consultants at all points.
- Looking at take-home pay brings the DMS roles more in line with the NHS, though it remains significantly behind for the first five years.

Figure 4: Comparisons for consultants



Pension taxation

18. Including X-Factor, the pensions annual allowance of £40,000 affects the dental officers at OF3 and OF4, and all ranks of general medical practitioner, as well as senior consultants (reducing take-home pay by around £2,500). None of the NHS comparator roles are affected.

Annex – detailed outputs

Role grouping	Role	Base salary £pa	Additional pay £pa	Annual allowance charge £pa	Take-home pay £pa
Foundation year dental officers and medical officers	OF1 (1) inc X-Factor	40,001	5,800	-	34,807
	OF1 (1) exc X-Factor	40,001	-	-	30,863
	Foundation 1	29,384	8,487	-	27,228
	OF2 (1) inc X-Factor	52,843	7,662	-	43,782
	OF2 (1) exc X-Factor	52,843	-	-	39,338
	Foundation 2	34,012	11,077	-	31,792
Specialty trainees (medical officers)	OF2 (2) inc X-Factor	54,335	7,879	-	44,773
	OF2 (2) exc X-Factor	54,335	-	-	40,203
	Specialty trainee 1	40,257	16,920	-	39,605
	OF2 (4) inc X-Factor	57,347	8,316	-	46,774
	OF2 (4) exc X-Factor	57,347	-	-	41,950
	Specialty trainee 3	51,017	16,920	-	44,266
	OF3-5 (1) inc X-Factor	63,562	9,216	-	50,900
	OF3-5 (1) exc X-Factor	63,562	-	-	45,555
	Specialty trainee 5	51,017	16,920	-	44,266
	OF3-5 (4) inc X-Factor	72,124	10,458	-	56,587
	OF3-5 (4) exc X-Factor	72,124	-	-	50,521
	Specialty trainee 8	53,398	16,920	-	47,994

Role grouping	Role	Base salary £pa	Additional pay £pa	Annual allowance charge £pa	Take-home pay £pa
General dental practitioners	Dental officer OF2 median inc X-Factor	68,989	10,003	-	54,505
	Dental officer OF2 median exc X-Factor	68,989	-	-	48,703
	Associate/performer specialist dentist	51,880	-	-	33,859
	Senior dental officer OF2 upper quartile inc X-Factor	70,444	10,214	-	55,471
	Senior dental officer OF2 upper quartile exc X-Factor	70,444	-	-	49,547
	Partner/providing-performer dentist	88,865	-	-	53,033
	Senior dental officer OF3 median inc X-Factor	105,963	15,365	521	74,273
	Senior dental officer OF3 median exc X-Factor	105,963	-	-	68,955
	Partner/providing-performer dentist	92,352	-	-	54,773
	Sub-regional dental officer OF4 median inc X-Factor	112,220	16,271	1,497	76,689
	Sub-regional dental officer OF4 median exc X-Factor	112,220	-	-	71,333
	Partner/providing-performer dentist	95,839	-	-	56,513
	General medical practitioners	Regimental medical officer OF3 median inc X-Factor	103,370	14,989	117
Regimental medical officer OF3 median exc X-Factor		103,370	-	-	67,970
Salaried GP		88,368	-	-	52,785
Deputy senior medical officer OF3 upper quartile inc X-Factor		107,076	15,526	695	74,583

Role grouping	Role	Base salary £pa	Additional pay £pa	Annual allowance charge £pa	Take-home pay £pa
	Deputy senior medical officer OF3 upper quartile exc X-Factor	107,076	-	-	69,378
	GP partner	120,764	-	-	67,575
	Senior medical officer OF4 median inc X-Factor	111,121	16,113	1,325	76,131
	Senior medical officer OF4 median exc X-Factor	111,121	-	-	70,915
	GP partner	127,095	-	-	69,614
	Regional clinical director OF5 median inc X- Factor	121,568	12,204	2,216	79,033
	Regional clinical director OF5 median exc X- Factor	121,568	-	554	74,331
	Senior hospital consultant	129,254	-	-	70,309
Consultants	OF3-5 (1) inc X-Factor	75,292	10,918	-	58,691
	OF3-5 (1) exc X-Factor	75,292	-	-	52,359
	Consultant point 1	84,559	28,733	-	67,174
	OF3-5 (5) inc X-Factor	84,859	12,304	-	65,044
	OF3-5 (5) exc X-Factor	84,859	-	-	57,907
	Consultant point 5	95,143	28,733	-	70,624
	OF3-5 (10) inc X-Factor	100,028	14,504	-	72,211
	OF3-5 (10) exc X-Factor	100,028	-	-	66,700
	Consultant point 6	101,431	28,733	-	72,674
	OF3-5 (20) inc X-Factor	119,148	17,276	2,577	80,210

Role grouping	Role	Base salary £pa	Additional pay £pa	Annual allowance charge £pa	Take-home pay £pa
	OF3-5 (20) exc X-Factor	119,148	-	224	73,741
	Consultant point 8	114,003	28,733	-	76,530

Role grouping	MODO role	Comparator role	Gross pay gap £	Gross pay gap %	Take-home pay gap £	Take-home pay gap %
Foundation year Dental officers and medical officers	OF1 (1) inc X-Factor	Foundation 1	7,930	20.9%	7,579	27.8%
	OF1 (1) exc X-Factor	Foundation 1	2,130	5.6%	3,635	13.3%
	OF2 (1) inc X-Factor	Foundation 2	15,416	34.2%	11,990	37.7%
	OF2 (1) exc X-Factor	Foundation 2	7,754	17.2%	7,546	23.7%
Specialty trainees (medical officers)	OF2 (2) inc X-Factor	Specialty trainee 1	5,037	8.8%	5,168	13.0%
	OF2 (2) exc X-Factor	Specialty trainee 1	-2,842	-5.0%	598	1.5%
	OF2 (4) inc X-Factor	Specialty trainee 3	-2,274	-3.3%	2,507	5.7%
	OF2 (4) exc X-Factor	Specialty trainee 3	-10,590	-15.6%	-2,316	-5.2%
	OF3-5 (1) inc X-Factor	Specialty trainee 5	4,841	7.1%	6,634	15.0%
	OF3-5 (1) exc X-Factor	Specialty trainee 5	-4,375	-6.4%	1,289	2.9%
	OF3-5 (4) inc X-Factor	Specialty trainee 8	7,264	9.6%	8,593	17.9%
	OF3-5 (4) exc X-Factor	Specialty trainee 8	-3,194	-4.2%	2,527	5.3%
General dental practitioners	Dental officer OF2 median inc X-Factor	Associate/performer specialist dentist	27,192	52.5%	20,645	61.0%

Role grouping	MODO role	Comparator role	Gross pay gap £	Gross pay gap %	Take-home pay gap £	Take-home pay gap %
	Dental officer OF2 median exc X-Factor	Associate/performer specialist dentist	17,189	33.2%	14,844	43.8%
	Senior dental officer OF2 upper quartile inc X-Factor	Partner/providing-performer dentist	-8,207	-9.2%	2,438	4.6%
	Senior dental officer OF2 upper quartile exc X-Factor	Partner/providing-performer dentist	-18,421	-20.7%	-3,486	-6.6%
	Senior dental officer OF3 median inc X-Factor	Partner/providing-performer dentist	28,976	31.4%	19,500	35.6%
	Senior dental officer OF3 median exc X-Factor	Partner/providing-performer dentist	13,611	14.7%	14,182	25.9%
	Sub-regional dental officer OF4 median inc X-Factor	Partner/providing-performer dentist	32,652	34.1%	20,176	35.7%
	Sub-regional dental officer OF4 median exc X-Factor	Partner/providing-performer dentist	16,381	17.1%	14,820	26.2%
General medical practitioners	Regimental medical officer OF3 median inc X-Factor	Salaried GP	29,991	33.9%	20,764	39.3%
	Regimental medical officer OF3 median exc X-Factor	Salaried GP	15,002	17.0%	15,185	28.8%
	Deputy senior medical officer OF3 upper quartile inc X-Factor	GP partner	1,838	1.5%	7,008	10.4%
	Deputy senior medical officer OF3 upper quartile exc X-Factor	GP partner	-13,688	-11.3%	1,803	2.7%
	Senior medical officer OF4 median inc X-Factor	GP partner	139	0.1%	6,518	9.4%
	Senior medical officer OF4 median exc X-Factor	GP partner	-15,974	-12.6%	1,301	1.9%
	Regional clinical director OF5 median inc X-Factor	Senior hospital consultant	4,518	3.5%	8,724	12.4%

Role grouping	MODO role	Comparator role	Gross pay gap £	Gross pay gap %	Take-home pay gap £	Take-home pay gap %
	Regional clinical director OF5 median inc X-Factor	Senior hospital consultant	-7,686	-5.9%	4,022	5.7%
Consultants	OF3-5 (1) inc X-Factor	Consultant point 1	-27,082	-23.9%	-8,483	-12.6%
	OF3-5 (1) exc X-Factor	Consultant point 1	-38,000	-33.5%	-14,815	-22.1%
	OF3-5 (5) inc X-Factor	Consultant point 5	-26,713	-21.6%	-5,581	-7.9%
	OF3-5 (5) exc X-Factor	Consultant point 5	-39,017	-31.5%	-12,717	-18.0%
	OF3-5 (10) inc X-Factor	Consultant point 6	-15,632	-12.0%	-463	-0.6%
	OF3-5 (10) exc X-Factor	Consultant point 6	-30,136	-23.2%	-5,974	-8.2%
	OF3-5 (20) inc X-Factor	Consultant point 8	-6,312	-4.4%	3,680	4.8%
	OF3-5 (20) exc X-Factor	Consultant point 8	-23,588	-16.5%	-2,789	-3.6%