



## **Hutton Review of Fair Pay in the Public Sector**

ATL welcomes the Hutton Review of Fair Pay in the Public Sector and is pleased to submit this evidence.

### **About ATL**

The Association of Teachers and Lecturers (ATL) is an independent, registered trade union and professional association, representing approximately 160,000 teachers, head teachers, lecturers and support staff in maintained and independent nurseries, schools, sixth form, tertiary and further education colleges in the United Kingdom.

ATL exists to help members, as their careers develop, through first rate research, advice, information and legal advice.

ATL is affiliated to the Trades Union Congress (TUC), Irish Congress of Trade Unions (ICTU), European Trade Union Committee for Education (ETUCE) and Education International (EI). ATL is not affiliated to any political party and seeks to work constructively with all the main political parties.

### **How leadership group pay works at the moment**

Teachers' salaries are determined by the Secretary of State for Education following recommendations from the School Teachers' Review Body (the STRB). The STRB receives evidence from trade unions, employers' organisations and the government before making their recommendations. The regulations governing teachers' pay are laid down in the School Teachers' Pay and Conditions Document (the Document).

The salary of a head teacher is determined by following a formula based on the number of pupils in the school at each key stage. The result then places the school into one of eight school groups. Each school group is assigned a range of spine points (known as the Individual School Range) on which they must place their head teacher. Each head teacher should be placed on a seven point range within their school's Individual School Range and progression is annual, based on his or her performance. The leadership pay spine currently has 43 points rising from £36,618 to £102,734 per annum outside of London (£43,538 to £109,658 in Inner London).

If the school is causing concern or has difficulty in recruiting or retaining a head teacher the school is permitted to set their school group up to two groups above that achieved by use of the formula. Where the school is in the top two groups already they may exceed the maximum of the leadership pay spine. There is currently no limit by which salaries can exceed the maximum of the pay spine for those schools in the top two groups.

The Document prohibits schools from paying bonuses or honoraria to any teacher. However, under the Document, head teachers are able to supplement their earnings with additional allowances for initial teacher training, out of hours learning activities and professional development undertaken outside the school day.

Outside of the scope of the Document, head teachers are supplementing their earnings with payments made to the school for participating in improvement work with neighbouring schools as part of government funded initiatives.

The traditional model of every school having its own head teacher has changed in recent years to be replaced by a number of headship models where a head teacher runs or advises several schools. Some schools have grouped together in formal ('hard') or informal ('soft') federations. Other schools employ a head teacher but also have used the services of an executive head teacher who oversees and advises several schools. The salaries for such heads cannot easily be set through the existing mechanisms within the Document. ATL believes that a full examination of the leadership structures within schools and the way in which school leaders are remunerated is long overdue and would like to see a remit issued to the STRB on this issue as soon as possible.

Figures released by the Department for Education do not break down where school leaders are placed on the pay spines and give only average salaries. Transparency as to how school leaders' pay is made up is therefore important particularly in the light of recent press reports.

### **Implementing fairness**

**1. Do you agree that the organising principle of the Review should be that for pay to be fair it must be proportional to the effort of the individual and the value of the work done?**

It is difficult to gauge the value of the work undertaken within the public sector. The value of teachers cannot be measured in the same way as the output from factories or increases in share prices. All teachers must meet nationally agreed professional standards. The teachers' performance management system works by setting individual objectives for teachers agreed annually with their line managers within the context of their professional standards. These objectives should meet the specific needs of the individual, the school and the pupils. It is not possible to compare the objectives and outcomes of one teacher with others at that school let alone with others at different institutions. For head teachers, performance is assessed and managed by the governing body.

### **How to manage the value of work done?**

**2. What should Government's role be in promoting fairness in public sector pay?**

The budgets for the public sector are finite and an element of the fairness of public sector pay should be that there remains sufficient funding within the system to meet the needs of the wider community.

Remits to Public Sector Review Bodies should set clear principles which can be adhered to by all Public Sector Review Bodies. This should ensure that there is a degree of consistency in pay across the public sector.

Government schemes allowing school leaders to take part in outreach work should take into account the staff remaining at the school who take on additional duties and any necessary investment in the school itself as well as acknowledging additional work that system leadership creates for the head teacher.

**3. Do you agree with a pay differential between highest and lowest earners of 20:1 as a means of promoting pay fairness? If not, what is your preferred alternative?**

Using a blunt instrument such as a simple ratio between the highest and the lowest paid within an organisation will not achieve fairness in pay. Every attempt by government to raise the living standards of the poorest in society and making work a more attractive option to benefits will be undermined by the exponential impact that this will have on the highest earnings.

With the national minimum wage at just over £10,000 per annum<sup>1</sup> the lowest possible annual salary for inclusion within the ration would be £200,000. Any payment above the national minimum wage, or increase by the government in the national minimum wage would have a significant impact on the maximum salary payable.

An increase in the national minimum wage of one percent to £10,100 would increase the maximum salary of the leadership group to £202,000. Whilst the percentage is the same, the effect of the £100 increase to the lower paid working is much less than the potential spending power of the £2,000 to the highest paid. ATL believes that the government objective should be trying to close the gap between the richest and the poorest, not increasing it. Assuming a one percent per annum increase in the national minimum wage this would increase the pay gap from £190,000 to £207,800 over a ten year period.

Creating a ceiling is likely to encourage some leaders to see the maximum as the goal to which they are working. Competition within schools will see the schools in the wealthier areas tempting away school leaders with high salaries leaving the schools most in need without the resources to compete.

ATL notes that the Secretary of State for Education recently announced a proposal that the pay of school leaders should be capped at to the value of the Prime Minister's salary. ATL, in conjunction with all the other teacher unions, wrote to the Secretary of State for Education expressing concern that such an arbitrary cap pegging the salary of school leaders to the politically influenced salary of the Prime Minister would be problematic to impose. The Secretary of State has since heeded the concerns raised and has indicated that a remit will be issued to the STRB to make recommendations on a pay cap for school leaders. ATL believes that this is the fairest way to determine the reward package for school leaders.

The use of the STRB would help ensure that the shape of the pay structure for teachers is maintained and that the salaries for school leaders are not disproportionately higher than the salaries of the rest of the school workforce.

ATL is concerned that this Review is only concentrating on the fairness of the gap between the highest and lowest paid public sector employees. There is a much wider issue of fairness of pay for all workers in the public sector.

#### **4. How important do you consider the process by which pay is determined to delivering fairness?**

The importance of transparency in the pay structure cannot be overemphasised. Fairness within an organisation can only be assured when every member of staff is confident that colleagues with the same level of responsibilities are being paid the same salary. It is important that the salaries of those higher on the salary scale are placed there for sound reasons relating to the job weight or level of responsibility.

Through the STRB, teachers can have confidence that the pay structure in their school as long as it is applied consistently. The national pay scales ensure that teachers can relocate as necessary without a fear of suffering financial disadvantage. All schools are required by the Document to have a clear staffing structure which details the salaries of all staff and a pay policy which defines how these salaries are arrived at. The role of governing bodies and personnel committees needs to be more firmly defined to ensure that they are accountable for compliance with the details of the Document.

Concerns over fairness arise when additional payments are made for undefined reasons or are kept secret. The Equality Act 2010 will help to ensure that organisations are more open about their salary structures. This is an important tool in addressing the gender pay gap.

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<sup>1</sup> £5.80 per hour over a 35 hour working week for 52 weeks = £10,556

**5. From the perspective of your sector / area of expertise, do you have any other comments on the approach this Review is taking?**

The Review should consider the role of the Public Sector Review Bodies in determining the pay in the public sector. The independence of the Review Bodies is vital as a forum where the parties involved in developing the reward structure for the public service. Without the Review Bodies, each element of the public sector would be diverted from their core functions to negotiate with each element of the workforce on salaries. In education, this would take up valuable time of the school leadership and additional legal costs to the process.

The Review focuses on the pay at the upper echelons of the public sector but ATL is also concerned by the pay levels of employees at the other end of the scale. Many teaching assistants and other school support staff are employed on salaries barely above the minimum wage that are further devalued by the use of term-time only contracts and the refusal to pay for additional hours worked. Fairness of pay in the public sector must concentrate on ensuring that the available salary fund is distributed fairly amongst all employees and not concentrated at the top so that they can be seen to compete with the earnings of the directors of multi-national companies.

The salary structure for classroom teachers is tightly controlled by criteria. Revised criteria have been introduced for the award of special educational needs allowances from September 2010. However, in the same Report the STRB recommended criteria to be met before teachers could be placed on the leadership group and this has been rejected by the Secretary of State for Education. It seems that the larger the salaries within the public sector the less control there is over the amounts payable. This is highlighted by the ability to pay teachers over the leadership spine with no maximum limit or recommended increment between points. This lack of consistency between these groups would seem to work against the concept of fairness and therefore the need for relevant criteria at all points on the pay scale, would be appropriate.

**Benefits of fairness**

**6. Do you have any evidence that fair pay, or a perception of fair pay, has an impact on productivity or brings other benefits to organisations and their staff?**

Everyone wants to feel as though they are being treated fairly but there will always be differences of opinion as to what constitutes fair pay for various roles within organisations. ATL believes that fairness of pay within a school and the profession as a whole is more important than perceived fairness with other sectors of the economy.

Through the School Teachers' Pay and Conditions Document ATL has worked to ensure that the pay structures within schools are transparent so that every member of staff knows exactly what their colleagues are earning. This transparency allows teachers to satisfy themselves that pay is fairly distributed within the school. This transparency must be continued into academies and free schools and should equally apply to school leaders.

More transparency may be required of schools to publish total earnings of school leaders including any payments made for working with external agencies.

**7. Do you believe that there could be negative effects of a pay ratio, or other means of promoting fair pay?**

As outlined in our answer to question 3, ATL believes that the pay ratio could have a detrimental effect on the perceived fairness of pay by widening the gap between the highest and lowest paid. The pay ratio could also set a benchmark by which some leaders may wish to be judged against if the maximum ratio was seen to be a target. This could drift in the pay bill for the public sector.

**8. What relationship do you think there is between fairness in pay and innovation and entrepreneurship?**

Within education the scope which school leaders have to innovate within their schools is controlled by government. Schools must operate within a national framework to ensure that access to and the quality of education is as constant across the country as possible. It may be essential within some areas of the private sector to constantly innovate and introduce new products or services, but within schools this approach can be disruptive to the education of pupils.

An experiment in one school which failed could see a large group of children disadvantaged and missing out on their one chance at an education.

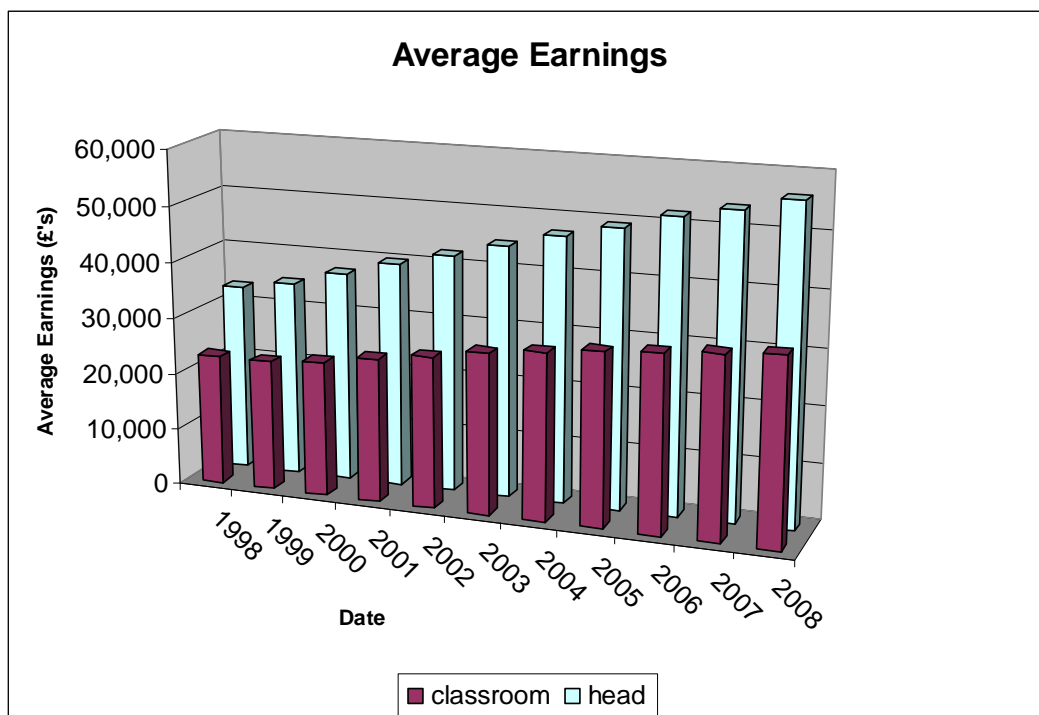
**Public sector**

**9. In the public sector, do you know of any examples of high pay differentials, or executive pay that could otherwise be considered unfair? What is your perception of the trend in pay differentials over time?**

The graph below shows that since March 1998 the gap has widened between the average salary of classroom teachers and that of head teachers and their deputies. The average salaries for classroom teachers have increased by 47% between 1998 and 2008 whilst the increase has been 61% for head teachers.

The widening of the pay gap between head teachers and classroom teachers is more surprising as the period includes the introduction of the higher pay scale for classroom teachers (referred to as the post-threshold or upper pay scale) which has added significantly to the earnings of many classroom teachers between 2000 and 2006. The annual uplift in teachers' salaries has been equally applied to leadership and classroom teachers.

The chart shows only average salaries and does not include the additional elements which may be paid to school leaders through the provisions of the Document (recruitment or retention payments, payments for out of hours learning activity or for undertaking consultative or outreach work with local schools).



Unfortunately, there is no nationally available data for the salaries of support staff over this period which would allow us to compare the differentials between the very lowest paid staff in schools and the school leadership.

**10. Are public sector leaders able to have the impact over their organisations that would warrant high pay differentials?**

Within education school leaders can and have had have an impact on the outcomes of the school. The school workforce is a team that needs to be led and managed to bring out the best in all the individuals. There are many examples of school leaders turning around poorly performing schools. However it must also be acknowledged that they have not done this on their own and the team of teachers and support staff can claim credit for this too'

**11. How could a 20:1 pay ratio be enforced in the public sector?**

Clarity would need to be established as to what elements of reward were counted towards the pay to be compared within any ratio. It would also need to be established which staff are to be included within the comparison. For school leaders it may be appropriate to include the full-time equivalent salaries of support staff such as teaching assistants and school meals supervisors when making the comparison. Some of these staff are term time only and their salaries should be set at the full-time equivalent level.

National pay scales are common within the public sector. Within teaching there are four geographical pay scales and these play an important part in allowing the mobility and flexibility of the teaching workforce. Three of the teaching pay scales cover the London area. Consideration would need to be taken of the competitive salaries within the London area and whether the 20:1 pay ration would allow the public sector to continue to attract and reward the right individuals in the capital. It is important that any ration would allow employers within the London area to maintain a differential in the salaries of their staff to aid recruitment and retention.

Clear direction would need to be undertaken if the ratio were to be adopted as to what elements of pay would be included. Whilst the Document specifically excludes the payment of bonuses or honoraria to any staff provision currently exists within the Document to pay additional sums for participation in :-

- Recruitment and retention payments;
- Out of hours learning activity payments; or
- Continued professional development undertaken outside of the normal working day.

In addition, some head teachers can receive additional remuneration outside of the Document for participating in government outreach programmes such as City Challenge.

ATL's opinion is that the entire reward package must be considered when applying any limit or ratio to leadership pay.

**12. Should there be exceptions to a 20:1 pay ratio within the public sector, and where and why?**

ATL believes that for the application of any ratio or cap to be successful there should be no mechanism to avoid this. As discussed in our answer to question 11 the elements which are included need to be clearly defined.

**13. How important is remuneration in attracting top candidates to executive positions in the public sector?**

Remuneration is a one factor amongst many that individuals consider when entering the teaching profession or aspiring to leadership roles. The vocational aspect of the job as well as the overall reward package are also important. School leaders need to be sure that their salary fairly reflects what is expected of them and the amount of time they spend undertake their duties. The importance of salary alongside other factors will fluctuate over time. A two-year pay freeze in the public sector has just been announced and as a result pay will certainly become more important during this period.

**Private sector**

- 14. Do you have any examples of high pay differentials within private sector organisations?**
- 15. Do you think that high pay differentials (between highest and lowest earners in the organisation, and between senior management) are beneficial or detrimental to senior management behaviour and wider business performance?**
- 16. What relationship do you think there is between executive pay in the private sector and the competitiveness of UK businesses?**

**Interaction between private and public sectors**

**17. How influenced is the public sector by private sector pay practices, and vice versa?**

As a graduate profession, teaching is competing with the private sector to attract the best graduates. There are currently shortages in several subjects within teaching especially in maths, chemistry and physics. Salaries need to be attractive enough to entice those graduates in these subjects into teaching.

There are a large number of independent schools within the United Kingdom and these are the most obvious comparisons for attracting teachers away from the state sector. We do not believe that it is salaries which attract teachers and school leaders from the state to the independent sector but that the attraction is based on a perception of better facilities, resources and the behaviour of independent school pupils. Per pupil investment at the same level as independent schools into the maintained sector could address some of these issues.

During the recent banking crisis it was expected that numbers of city workers displaced from their jobs would move into teaching as a preferred profession. The government fast-track scheme designed to attract such people received only 90 applications despite initial interest being high.

**18. Do the public sector and private sector compete for the same people, and if so in which professions / levels of seniority / geographical areas?**

As a graduate profession, teaching needs to be seen as an attractive career path for graduates. However, the best graduates may not be the best teachers or school leaders. When setting pay rates the STRB considers the vacancy rate alongside the wastage rate as it recognises the need to ensure that the teaching profession is sufficiently well rewarded to attract the right calibre and number of graduates.

The trend in recent years has been for older graduates to be entering the teaching profession usually after a number of years in the private sector.

Ideally, ATL believes that head teachers should have gained experience within the classroom but there is no requirement for head teachers to hold qualified teacher status. Some academies have made much of employing non-teacher head teachers, with mixed results.

**19. Should pay be set differently in the public sector to the private sector?**

Pay between the public and private sectors cannot be considered in isolation. The total reward package should be considered. The value of pension schemes and other conditions of service. The public sector can never compete with the potential of the private sector to offer bonuses, share options and football manager style pay-offs at the early termination of contracts.

Employment within the public sector is not secure and this especially true at the leadership levels where circumstances beyond your control can damage the rating of the school and lead the school to terminate employments. Likewise, changes in government policies and priorities can quickly change the employment prospects within the public sector. School leaders now do not need to be qualified teachers and in a changing education landscape where the public sector will be competing for pupils and resources with a larger private education sector driven by the expansion of the academies programme and the announcement of the 'free schools' initiative. These new types of schools will be outside any constraints imposed by the STRB and are likely to want to attract a wide range of applicants for posts so that they can select the best and as such will need to offer competitive salaries.

Within the private sector it is not uncommon for individuals to have director or board level positions with several companies. In the public sector this is less likely to happen and usually the individuals only have one post.

**20. Can and should the public sector compete with the private sector on executive pay? Are there other means by which it can attract top candidates?**

ATL believes that the public sector should not try to compete with the private sector on executive pay. What data is available that shows that the salaries available to leaders within the public sector are not inline with the salaries available to private sector leaders. Whilst there are certain elements of the private sector which attract large salaries there are large parts where the pay is moderate or even lower than the public sector. Much has been achieved by the last government in investing in the public sector workforce. This has been especially evident in education with improvements in pay, addressing workload issues and the expansion of the workforce.

ATL would be willing to meet and discuss further any issues raised in our submission to the Review.

Yours sincerely

Mary Bousted  
General Secretary