



Review Body

on

Higher Remuneration

in the

Public Sector

Report No. 41

to

The Minister for Finance

on

The remuneration of certain posts in
the Health Service Executive

16 December 2005

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Chapter 1 Terms of Reference

Terms of Reference

1.1 The Review Body on Higher Remuneration in the Public Sector was set up in May 1969. The standing terms of reference of the Review Body are as follows:

To act as a standing body whose primary function will be to advise the Government from time to time on the general levels of remuneration appropriate to

- (1) members of the Government, Ministers of State, the Attorney General and the Chairman and Deputy Chairman of Dáil Éireann and Seanad Éireann;
- (2) the Judiciary;
- (3) civil servants outside the scope of the civil service conciliation and arbitration scheme;
- (4) higher management grades in the local authorities and Health Service Executive not covered by the Public Service Benchmarking Body process;
- (5) the ranks of Commissioner, Deputy Commissioner, Assistant Commissioner and Surgeon in the Garda Síochána;
- (6) Chief of Staff (Lieutenant-General), Major-General and Brigadier-General/Commodore in the Defence Forces;
- (7) the Comptroller and Auditor General;
- (8) the chief executives of non-commercial state-sponsored bodies;
- (9) hospital consultants;

and such other posts as it may be asked to examine from time to time.

Review of posts in the Health Service Executive

1.2 As indicated in the terms of reference set out in 1.1 above, the Review Body may be asked to examine particular posts from time to time. In our interim review of all the posts covered by our terms of reference (Report No. 40, dated 27 June 2005), we indicated that the Minister for Finance had asked the Review Body to carry out an examination of the pay of certain grades in the Health Service Executive (HSE) and to report thereon by the end of the year. This report relates to that examination.

1.3 The Review Body was provided with a copy of an agreement reached between the HSE and the IMPACT union in December 2004 which provided, *inter alia*, that “A review will be carried out in the New Year of the level of duties and responsibilities of the grade which will replace the grade of Programme Manager and any other relevant top management posts in the Health Service Executive and recommendations made on the appropriate level of remuneration which should apply by reference to existing public service norms.

Any adjustments from this review will be implemented with effect from the 1st January 2005.”

1.4 The grade level which replaced Programme Manager in the Health Service Executive, and the remuneration of which the Review Body was asked to examine, comprised the following 34 posts at the time of the review:

- 4 Assistant Directors, National Hospitals Office
- 6 Assistant Directors, Primary, Community and Continuing Care Directorate
- 3 Assistant Directors, Population Health Directorate ¹
- 10 Hospital Network Managers ²
- 4 Directors, Regional Health Offices
- 7 National Care Group Managers.

Some of these posts were vacant during the review.

Establishment of the Health Service Executive

1.5 The HSE came into operation on 1 January 2005 following the enactment of the Health Act, 2004. The HSE assumed full operational responsibility for running the country’s health and personal social services. The Act also provided for the dissolution of the Health Boards and the Eastern Regional Health Authority and a number of other agencies. The functions of the dissolved bodies transferred to the HSE. The establishment of the HSE was a major element of the Government’s health service reform programme.

1.6 Services for which the HSE is responsible are planned, managed and delivered through a number of national directorates. For instance, the National Hospitals Office Directorate has overall responsibility for the management of the country's 52 acute general hospitals and the community services are run by the Primary, Community and Continuing Care (PCCC) Directorate. Hospitals are managed through Hospital Networks which report into the National Hospitals Office. Primary, Community and Continuing Care services are managed through 32 Local Health Offices which report to Assistant Directors in the PCCC Directorate who in turn report to the National Director with responsibility for this area.

¹ There are three further posts of Assistant Director in the Population Health Directorate which are not covered by the terms of reference for this review.

² We were informed recently that the number of these posts will be reduced from 10 to 8 and that the title of the grade will be changed.

1.7 As set out in the Health Act, 2004, the Board of the HSE is the governing body of the Executive and is required to inform the Minister for Health and Children of any matter that it considers requires the Minister's attention. The CEO of the HSE is the Accounting Officer in relation to the appropriation account of the Executive.

Abolition of grades previously examined by the Review Body

1.8 The Review Body has examined certain grades in the former health service structures on a number of previous occasions. In the last general review in 2000 (Report No.38 of the Review Body), the Review Body made recommendations on the remuneration of the following grades:

- Chief Executive, Eastern Regional Health Authority (ERHA)
- Chief Executive Officers of Health Boards
- Director, Planning and Commissioning, ERHA
- Director of Finance, ERHA
- Programme Managers in Health Boards

1.9 The above grades have now been abolished. The health boards and the ERHA have also been abolished as separate legal entities and subsumed within the unitary structure of the HSE.

Procedure for the current review

1.10 We invited and received written submissions from the IMPACT union, from the Health Service Executive and from the Department of Finance. We also held oral hearings with these parties.

1.11 We engaged the Hay Group (Ireland) to evaluate a sample of the posts covered by our terms of reference. We also asked the Hay Group to advise us on how these posts compared, in terms of job weight, with the former posts of Programme Manager which were evaluated during the last general review in 2000.

1.12 We wish to thank the parties who made submissions and provided factual information.

Chapter 2 Issues relevant to the current review and background information

The structure and remuneration of grades in the HSE

2.1 In the former health board structure, Programme Managers formed the senior management team immediately below the Chief Executive Officer. The management team also included Directors of Function whose pay was related to that of Programme Managers. Appointments as Programme Manager were made through public competitions. Following the abolition of the health boards, posts of Programme Manager ceased to exist. The posts now under review were filled from a competition overseen by the Public Appointments Service and confined to persons who had been serving in posts at Programme Manager level as well as posts of Director of Planning and Commissioning, Director of Monitoring and Evaluation and Senior Commissioner in the former Eastern Regional Health Authority. For the future it is envisaged that the posts will be filled by public open competition.

2.2 In the HSE structure, the grades under review can be described as being at the level of Assistant National Director although the individual grade titles vary. National Directors are at the level immediately above and they report to the chief executive of the HSE. The salaries of the National Directors are at three different levels. Two National Directors have a salary of €165,716 p.a.³ Five National Directors have a salary of €139,181 p.a. The salary for four other National Directors was set at €128,333 p.a. (one of these posts is filled by a person holding a higher salary on a personal basis and we were informed by the HSE that another of the posts is under review).

2.3 The pay scale applicable to the posts being reviewed is the scale which applied to the former grade of Programme Manager. This pay scale is €81,340 - 84,955 - 88,569 - 92,183 - 95,799 - 99,414.⁴ This scale and the salaries shown in the preceding paragraph include the general increase of 1.5% payable with effect from 1 December 2005 under the Mid-Term Review of Part Two of Sustaining Progress and half of the interim increase of 7.5% recommended in Report No 40 of the Review Body. The increase of 7.5% is being implemented in two phases – half with effect from 1 July 2005 and the balance from 1 January 2006. Full application of the increase of 7.5% with effect from 1 January 2006 will give a salary scale of €84,280 – 88,026 – 91,771 - 95,515 – 99,262 – 103,007.

³ The salary rates referred to in this and the following paragraph are gross rates i.e. without deduction of the employee contribution in respect of personal superannuation benefits.

⁴ We were informed that two people are in receipt of higher amounts because they were recruited from grades which had higher salaries and they retained their existing salaries on a personal basis.

2.4 In addition, the persons concerned are eligible for non-pensionable performance-related awards of up to 20% of pay, subject to an overall limit of 10% of the payroll for the relevant grades. Under the agreement in December 2004 between the HSE and IMPACT, consideration will be given to a temporary increase in the pool for awards to take account of transitional demands arising from the establishment of the HSE. The agreement provides as follows:

“The existing performance award scheme for Programme Managers and Directors of Function which provides for a total award pool of 10% of the payroll of the grades and maximum awards of 20% will continue to operate. In view of the major challenges and demands of the transition to the new regime which will be reflected in the objectives for the grades concerned, an independent review will be carried out at the end of 2005 and 2006 of the overall progress made in the transition process and a recommendation made as to whether or not the total pool should be supplemented for the year and if so by how much. This arrangement will not apply beyond 2006.”

Relevant Issues

General Points

2.5 As indicated in paragraph 1.3, our terms of reference require us at this stage to price the jobs under review **by reference to existing public service norms and not to the market**. The posts will be examined again by us as part of the full general review and will be priced by reference to market rates then. Accordingly, the relevant comparisons in the present review are the rates applicable to other public service posts.

2.6 While higher rates apply to two persons on a personal basis, for the purposes of this review we have taken the salary applicable to the former Programme Managers as the current rate for the jobs being examined and have considered whether a salary above this level is warranted. Accordingly, it was our view that an important consideration in the review was the extent, if any, to which the jobs now being reviewed were more demanding than the former posts of Programme Manager. We sought, and were given, views on this issue in the written submissions we received and in the oral hearings. We were also advised on the matter by the consultants we engaged.

Comparison with posts of Programme Manager

2.7 Arguments were made to us that the new posts were significantly more demanding than the former posts of Programme Manager. The main arguments can be summarised as follows:

- The span of responsibility of the Programme Manager grade related only to his/her Health Board area. Some new posts have national responsibilities and in other cases, managerial responsibility relates to newly configured regions which may be larger than the areas covered by former health boards.

- The new positions have greater responsibility than the positions they replaced in the former health boards as a result of the Health Act, 2004 which has transferred functions of the Department of Health and Children to the HSE.
- The scale of budgetary responsibility and personnel management has increased. For instance, the average budget managed by a Programme Manager was somewhere in excess of €100 million while that of an Assistant National Director, PCCC is about ten times this level. Geographically the Assistant National Director's regional responsibilities encompass either two or three of the former health board areas. Similar comparisons were made in the case of other posts covered by the review.

Other comparators

2.8 Submissions made to us also suggested other public service groups which might be appropriate comparators for the HSE posts. These comparisons related to other posts in the wider health service and to posts in other employments. The submission made by IMPACT suggested that groups such as Assistant Secretary in the civil service, CEOs of the former health boards or other groups at similar levels of remuneration were appropriate comparators. By reference to the maximum of the pay scale, application of the salaries of the posts mentioned to the grades under review would result in an increase of approximately 29%.

Other posts in the HSE

2.9 The submission made to us by IMPACT drew our attention to the fact that the salary scale applicable to the grades under review is also payable to the Managers of Local Health Offices responsible for the delivery of primary, community and continuing care services. The submission stated that the work of the Managers is overseen and co-ordinated by Assistant Directors in the Primary, Community and Continuing Care Directorate. It was argued that this position provided clear justification for an increase in the rate for the Assistant Directors.

Common salary scale

2.10 At present all the posts under review have a common salary scale although, as indicated, some persons filling these posts have higher rates on a personal basis. In the former health board structure a common rate also applied to posts of Programme Manager. In the light of differences in the nature of the work of the various posts covered by our terms of reference we gave consideration to the question of whether the posts were broadly similar in terms of job weight and the related question of whether a common salary scale for all the posts remains appropriate. We address this issue in Chapter 3.

2.11 We have given full consideration to the issues set out in the preceding paragraphs as well as other factors which influenced our approach. We comment further on these matters in the following chapter.

Chapter 3 Conclusions and Recommendation

Evolving state of the HSE

3.1 The HSE is in an evolving form and a major process of change is underway. Movement from the previous structure of separate health boards to a unified organisation represents a major challenge. At this point, it is not possible to assess with certainty the full extent of the change which will arise or the impact of this on management posts such as the ones covered by the present review. Some of the jobs we examined are clearly in a transitional state and the roles have not yet been fully developed. In these cases, it seemed to us that there was a lack of clarity at this stage about the future content of jobs. We are aware also of proposed alterations to the current structure which may result in changes in elements of the roles being exercised at present with implications for the extent of management responsibilities and other factors which are central to any evaluation of the jobs. The absence of stability created difficulties for us in evaluating the posts covered by our review.

3.2 In the circumstances mentioned in the preceding paragraph, our examination related to a structure and jobs which may change significantly. This is an unsatisfactory situation and hindered the process of evaluating the posts covered by our review. It would, in our view, have been preferable to postpone our review until a more stable position emerges. Nevertheless, it was considered that our terms of reference, and the agreement made between the HSE and IMPACT last year, required us to proceed with a review based on the current organisation.

3.3 In the general review we will examine again the posts covered by this report. The position should be clearer then. At that stage the impact of change will be an important consideration in our evaluation of the posts. However, it is important to state that change is a normal feature of most jobs, particularly at management levels. It would be expected that, in the normal course, management posts such as the ones covered by this review would adapt to change and even promote a change process. Change does not in itself justify reward. We consider that it is relevant to our consideration in the general review only where it goes beyond what can reasonably be regarded as a normal process of change and results in a fundamental alteration in the demands of a job. Accordingly, the extent to which change has actually been achieved and the manner in which jobs have been affected by this will influence our recommendations in the general review. We consider that real change which has resulted in significant development in the nature of the jobs should be reflected in the remuneration to be recommended in the general review.

Comparison with the former grade of Programme Manager

3.4 As already indicated, arguments were made to us that the new jobs were considerably more demanding than the former grade of Programme Manager. Reference was made to matters such as national roles of some of the new jobs as compared with the regional roles of Programme Managers, the size of the geographical areas for which the new posts were responsible, in the case of posts with regional responsibilities, the increased budgetary and other responsibilities. We acknowledge these points but we do not feel that they are sufficient, in themselves, to establish that the new posts are more demanding than the former posts of Programme Manager. The weight of a job is not determined by quantitative factors alone but by the overall responsibility borne, the level of accountability and the demands made on the job holder.

3.5 Our overall assessment of the new jobs had to have regard to the transitional state of the organisation and the uncertainty, referred to in Paragraph 3.1, about the future content of some of the jobs. Insofar as quantitative matters are concerned, the budgets and geographical areas for which some jobs are responsible are clearly larger than those that would have applied to an individual health board. However, as indicated in the preceding paragraph, these factors are not the only ones affecting the overall assessment of the jobs. For instance, we consider that freedom to act is an important measure of accountability and is a function of a job's position in the organisation. Programme Managers were at the second level of management in the former health boards. In the HSE the general position is that the jobs covered by this review are at the third tier of management – the first and second tiers comprising the CEO and the National Directors respectively. While we would not wish to over-emphasise this point, it has an offsetting effect on the other factors mentioned and has implications for freedom to act. The jobs covered by the review have generally less freedom to act than the National Directors at the second level of management who in turn have less freedom than the chief executive.

3.6 We refer in paragraph 3.10 to variations in the demands of the jobs being reviewed. We consider that there is some evidence of a shift in responsibilities by reference to the former grade of Programme Manager but at this stage it seems to us that the position in this regard varies between posts. Given the current state of development of the jobs, we are not satisfied that there is conclusive evidence at this stage that the generality of the posts are more demanding than the former grade of Programme Manager to a major degree. However, this position may be affected by the ongoing process of change and a different situation may emerge subsequently.

Managers of Local Health Offices

3.7 We considered the argument made by IMPACT regarding the position in relation to the Managers of Local Health Offices. The Managers are paid the same salary as the posts under review although, unlike these posts, the Managers are not covered by a scheme of performance-related awards. The submission by IMPACT argued that the work of these Managers is overseen and directed by some (though not all) of the posts we are examining and that this provided a clear case for payment of a higher salary to the new posts.

3.8 In considering arguments of this kind it is, of course, important to establish the precise nature of the relationship between posts. The fact that one grade co-ordinates the work of another is not, in our view, sufficient in itself to warrant a higher salary. Co-ordination can mean little more than drawing together the work of others without necessarily directing that work or carrying greater responsibility. In this case, the oral and written information presented to us indicated that some of the posts under review had traditional supervisory responsibilities for the Managers of Local Health Offices.

3.9 However, we do not feel that we can give much weight to the remuneration of the Managers of Local Health Offices in the present review. Only a small number of the posts under review have responsibilities in relation to these Managers. Furthermore, it is not part of our terms of reference now to consider whether the salary payable to the Managers of Local Health Offices is at an appropriate level and, at any rate, we are not in a position to do so as we have not examined the Manager posts. We may be asked to examine the remuneration of these posts in the general review. In that event, we will, as part of the general review, consider the appropriate relationship between their remuneration and that of the grades covered by the present review.

Conclusions

3.10. As indicated in Paragraph 2.10, at present all the posts under review have a common salary scale although some persons have a higher rate on a personal basis. We formed the view, however, that the jobs were not of a uniform weight and that some jobs were more demanding than others. In general, it seemed to us that in the current organisation structure the bigger jobs are those posts in the Hospital Network and the Primary, Community and Continuing Care Directorate which are most closely accountable for service delivery on the ground. However, we consider that even within these areas there are variations in job size.

3.11 We consider that it is too early to be certain of the extent to which the process of change will affect the jobs being reviewed. Likely further developments may have a significant impact and may affect the relative demands of the jobs. In these circumstances, we consider that we should not recommend any fundamental revision of the present salary structure based on a changing situation and that it will not be possible to make a definitive evaluation of the posts covered by our terms of reference until a more stable position emerges. Accordingly, we concluded that the present common salary structure should not be altered pending a further examination of the posts in the general review. However, we intend to return to this matter in the general review and, if there are significant differences in job weights in the more stable environment which should exist at that stage, there will be a clear case for differentiation in the levels of remuneration.

3.12 We consider also that there is insufficient evidence at this stage of major permanent change affecting the nature of the generality of the jobs being reviewed to warrant a substantial increase in the current level of remuneration.

3.13 In considering the appropriate level of remuneration for the groups covered by this review, we were conscious that they already benefit from the interim increase of 7.5% recommended in Report No 40. As already mentioned, our terms of reference require us to recommend an appropriate level of remuneration by reference to public service norms. Accordingly, for the purposes of this review, the appropriate comparisons are the rates of remuneration of other public service groups and not market rates. We have already referred to the difficulties in conducting this review now in the changing environment of the HSE. This presented particular problems for us in making comparisons with other public service grades. The evolving nature of the jobs meant that we had to compare jobs in a state of transition with other public service jobs in a more stable environment.

3.14 The submission we received from IMPACT argued that the appropriate remuneration for the posts being reviewed was at the level of the salary of the grade of Assistant Secretary in the civil service or other groups with similar remuneration elsewhere in the public service. We do not consider that the jobs as presently constituted warrant remuneration at this level.

Recommendation

3.15 Having regard to comparison with other management posts in the public service, we are satisfied that the present level of remuneration of the posts covered by our review is somewhat lower than is appropriate by reference to the demands of the generality of the posts. In forming this view, we were conscious, as already indicated, that there has been some shift in the responsibilities of the posts by reference to the former grade of Programme Manager, although this has been uneven.

3.16 In view of the factors referred to above, we considered that an increase in the current remuneration was justified. The changing nature of the jobs creates difficulties in making an assessment of the precise increase which is appropriate now and this must be a matter of judgement. We took the view that our recommendation should reflect the present state of development of the jobs and comparison with the general levels of remuneration of other management posts in the public service. By reference to these considerations, we concluded that, on balance, an increase of 4% is justified at this point and we recommend accordingly. This is intended as a final settlement of the agreement reached between the HSE and IMPACT last year in regard to the review covered by this report. However, the jobs in question will be examined again by us in the forthcoming general review. We would stress that likely developments affecting these jobs require that a fundamental re-appraisal of them be carried out in the general review.

3.17 The interim increase of 7.5% recommended in Report No 40, will apply to the remuneration as increased by 4% giving a cumulative increase of just over 11.5%, in addition to the general increases arising under the Mid-Term Review of Part Two of Sustaining Progress.

3.18 The increase of 4% recommended in this report is intended to apply to the basic salary only of the groups we have examined. In any event, we were informed by the HSE that no allowances are payable to these groups in addition to basic salary.

3.19 The agreement reached with IMPACT on the present review provides that any increased remuneration recommended by us will be implemented with effect from 1 January 2005. Accordingly, the remuneration payable with effect from 1 January 2005 should be increased by 4%. The remuneration thus increased should attract the increase of 7.5% recommended in Report No 40 of the Review Body (phased in accordance with the Government's decision on the implementation of that increase). The general round increases arising under the Mid-Term Review of Part Two of Sustaining Progress should, of course, also be applied from the relevant dates.

3.20 As already indicated, two persons hold personal salaries which are higher than the pay scale applicable to the posts covered by this report. The personal salaries also exceed the revised pay scale resulting from our recommendation. Accordingly, while the personal salaries should continue to be paid to the persons in question, they should not attract the recommended increase of 4%.

Tony O'Brien, Chairman

John Doherty

Brian Hillery

Vivienne Jupp

Peter Malone

Noel O'Neill

Brendan Duffy, Secretary

16 December 2005