



## PSA PAY AND REMUNERATION POLICY

1. Matthew Flinders and Rosie Campbell were elected as Chair and Vice Chair (respectively) of the PSA on 27 June 2014. Their initial planning statement consisted of a large number of reform proposals that were each in their own ways united through an emphasis on visibility, professionalism and ambition. This draft statement on pay and remuneration is an essential element of this strategy and particularly speaks to the themes of *visibility* (within the profession) and *professionalism* (in terms of the governance and institutional resilience of the organisation) and *ambition* (in terms of having a chief executive of the very highest calibre). This document sets out the PSA Pay and Remuneration Strategy. It was first formulated in January 2015 and draws-upon a large amount of research into the charitable sector. The April 2014 *Report of the Inquiry into Charity Senior Executive Pay and Guidance for Trustees on Setting Remuneration* by the National Council of Voluntary Organisations was particularly useful in shaping this document.
2. The PSA is a small charity working within the educational sector. It is one of around fifty learned societies but employs just five staff and has an annual turnover of around £750,000. This statement on pay and remuneration and the process for the governance of such matters has therefore been designed with simplicity, clarity and organisational effectiveness in mind.

### **Context**

3. Working for a charity is often described as both a job and a vocation. For senior staff the data suggests that the pay gap between the charitable sector and the private sector is somewhere between 25 and 50 per cent for equivalent roles. The existence of lower levels of pay is often described as the ‘charity discount’ and those working within charities are often said to enjoy certain non-financial benefits in terms of esteem, social purpose and value. (The so called ‘warm glow theory’ coined by economist James Andreoni.)

4. There are almost 161,000 charities in England and Wales with an annual income of just over 39 billion pounds. Of these charities, over ninety per cent have no paid staff and fewer than 1 per cent employ a member of staff on more than £60,000 per year. The salary gap tends to be highest in relation to the most senior appointments with chief executives of charities tending to earn far less than similar roles in the private sector. However, research also shows that some specific charities – notably those in the educational sector – do need to pay higher salaries than average in order to recruit and retain senior staff with the appropriate skill set.
5. As the PSA grows in size and its structures become more formalised it is crucial that it has a clear policy statement in place. This should set out the organisational values behind pay and remuneration as well as the practical procedures for setting and reviewing pay.
6. The driver towards greater transparency puts pressure on trustees to justify publicly how their decisions on pay are made, and how these decisions are in line with the trustees broader legal requirement to make the best interests of the organisation and its members their primary focus.

### **Proposal**

7. The PSA should publish an annual statement explaining the ethos and practice behind remuneration and also reporting the actual remuneration of all members of staff. These should be illustrated using a salary band system and should not be hidden in annual reports and accounts.
8. The PSA should adopt a ‘two clicks’ policy of transparency in the sense that this information should be both prominent on the website and never more than ‘two ticks’ from the homepage.
9. The PSA should adopt a ‘remuneration ratio’ of 3:1 that ties the salary of the highest paid member of staff with the lowest paid member of staff. This reflects a principle of shared growth and collective effort.

## PSA Statement

1. The goal of the PSA's pay policy is *to offer fair pay to attract and keep appropriately qualified staff to lead, manage, support and or deliver the organisations aims.*
2. In establishing this goal the PSA recognises (1) that trustees are never paid and (2) that PSA staff are not academics and are not based in a university. Therefore traditional university pay scales and progression systems are not appropriate. The learned society sector is therefore a very specific and esoteric element of the broader charitable sector.
3. To set the pay and rewards properly for these staff there is a need to make informed judgements as well as adhering to the PSA's governance and constitutional arrangements.
4. Trustees are legally and constitutionally responsible for setting rates of pay and this responsibility cannot and should not be wholly delegated to private agencies or independent experts.
5. In deciding on levels of pay for all staff the following factors will be taken into account (Table 1 below). These factors are not exclusive and any decision will inevitably include an element of discretion on the part of trustees.

**Table 1. Factors Affecting Decisions on Pay and Remuneration**

1	The purpose, aims and values of the PSA and its general needs.
2	How any decision might impact on the overall pay policy for all staff (especially where a 'remuneration ratio' is in place.
3	The type of skills, experience, competences, etc. that the PSA needs.
4	A significant increase in responsibilities or major change in job description.
5	The PSA current strategic plan and how this might affect future needs.
6	The PSA's ability to pay.
7	Some assessment of the individual's performance against expectations, where possible with clear evidence and targets.
8	Appropriate available information on pay levels in other learned societies relative to size, budgets, responsibilities, etc.
9	The nature of the wider 'employment offer' where pay is only one part of the package (this might include additional benefits or less material factors such as work-life balance, flexibility, less pressure, etc.).
10	The PSA's track record in recruiting and retaining high-performing staff.
11	The likely impact of any decision on the public reputation of the PSA, especially amongst members.

6. The PSA upholds a 'remuneration ratio' of 3:1. This creates a total salary banding that roughly goes from £25,000 to no more than £75,500.
7. In accordance with the recommendations of the Charity Finance Group the PSA has a small Remuneration Committee that meets annually and consists of the Chair, Vice Chair, Treasurer

and one independent member. The current independent member is Professor Gillian Stamp and she will serve from January 2015-January 2018.

8. Professor Gillian Stamp, Founder of Bioss International. She works globally as an advisor to chairmen, chief executives, senior civil servants and senior staff of organisations both large and small, including social entrepreneurs and voluntary organisations. Professor Stamp is a Fellow of the Windsor Leadership Trust, she is a standing parliamentary specialist with the Public Administration Select Committee in the House of Commons and has worked with the Civil Service Commissioner in support of the selection and development of high-potential civil servants and Permanent Secretaries. She has served on the board of the National School of Government and the Sunningdale Institute and her work with commercial concerns covers a wide spectrum including ICI, BA, BP, BAA, Rio Tinto, Morgan Stanley, Lazard, Schroders, Cisco, Westpac, Huntsman, Unilever, Borsodchem Hungary, the Prudential and Anglo American. She is a member of a National Council of Voluntary Organisations Inquiry into executive pay in the voluntary sector.
9. The PSA will always pay interns.
10. The PSA guarantees staff an annual increase in line with inflation but does not guarantee annual pay awards or operate a bonus scheme. Increases in salary will only be recommended to the Executive Committee where there is clear evidence of sustained outstanding performance or where the staff member has taken on additional roles or responsibilities.
11. The role of the Remuneration Committee is: (1 ) to review the salary of all staff against an independent benchmarking tool; (2) to determine the salary of the chief executive and other staff; (3) approve any emergency retention pay awards that might be recommended by the chief executive for staff; (4) determine pension arrangements; (5) ensure terms of termination are fair and transparent; (6) give attention to career progression and training needs for all staff; (7) always ensure a living wage and family friendly work practices; (8) review the suitability and operation of the 'remuneration ratio'. The Remuneration Committee will make recommendations that will be taken to the full Executive Committee.
12. The current pay grid for the PSA is set out in Table 2.

**Table 2. PSA Pay Grid, January 2015**

Range	No. of Staff
£20,000-30,000	3
£30,000-40,000	1
£40,000-50,000	0
£50,000-60,000	0
£60,000-70,000	1