

**Submission of  
Geoff Summers, Strategic Pay Limited  
to**

**Independent Review of Relationship between  
Physiotherapists and ACC**

**April 2007**

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# 1 INTRODUCTION

Martin Taylor, Barrister, on behalf of New Zealand Society of Physiotherapists, has forwarded a list of questions that the Independent Reviewer has requested that Strategic Pay answer. Mr. Taylor has also asked Strategic Pay to answer further questions to provide context for other information which NZSP will provide. With the caveats as outlined in the text, I am happy to provide information as requested.

## 1.1 Staff recruitment, retention and remuneration

There is a lot of research that shows that people do not just work for money or leave their jobs just because of the level of monetary reward, although if other aspects of a job are not satisfying for an employee, the money may be the tipping point to leave for another roles. This is even more difficult for some occupations, and Physiotherapy is one of them. Because the rate that employers in the profession can pay is effectively controlled by a single client/funder, if a person wants to continue to operate in the profession but earn more money their only choice is to leave the country and try their luck somewhere else.

I have seen the submission of Lynne Taylor, AUT, which states that there were 541 advertised vacancies during the year to 31 December 2006. We can divide the number of vacancies by the total number of professionals to get a turnover rate, which will also tell us something about the profession. Generally HR managers will be reasonably comfortable with a turnover rate up to 10%. There is a natural expected attrition rate within any job setting for which this accounts. A level of around 16% will be seen with concern, as it indicates instability and significant recruitment and retraining costs, including lost production. A rate of around 25% is regarded as a crisis.

I have also been advised that the total number of physiotherapy professionals as at 1/4/06 was 3,298 and the number invoiced for practicing certificates as at 1/4/07 was 3,439. The midpoint for that financial year was therefore 3,369 persons.

These figures show a turnover rates of around 16%. In the HR Profession that is considered to be the point at which some serious action need to be taken to lower the rate, if for no other reason the very large cost involved in that rate of attrition.

## 1.2 Seniority within the workplace

In regard to aspects of the Society's submission, I have been asked to comment on some aspects and I do so below (the indented italics are the Society's submission);

1. *"A slightly increased number of patients per day seen by more experienced staff in the private sector reflects their increased ability to assess and treat more patients in a given time. Generally, seniority etc inevitably leads to greater ability and efficiency in physiotherapy, just as in any other field of endeavour. However, as in all other fields of endeavour, this effect will level out over time.*

This is widely accepted in the marketplace. It is the reason that staff who are not experienced are brought in at less than the 'market rate' for the role which is standard practice. It is also the reason why most professions have a role that is entitled "Senior ..." so that they can reward the higher productivity of the experienced highly competent performer.

- 2. Further, physiotherapy businesses are also like all other businesses. They tend to form a somewhat hierarchical structure, as it is necessary to have people with more seniority, skills and experience to take on management, mentorship, quality control, and more difficult matters. These are particular additional skills and duties beyond those undertaken by junior staff. They are a direct attribute of seniority/experience/post-graduate qualifications.*

This is correct, these are some of the ways that these staff add value to a business, and therefore assist to lift productivity.

- 3. As with any other business, a physiotherapy practice model which incorporates seniority/experience/training will be stronger than one which does not. In addition, a practice with a greater proportion of senior/experienced/well-trained staff may justifiably be able to consider itself to be expert, providing a maximum quality service.*

All roles within organisations exist to add value to something on behalf of the business, the more senior and experienced the role the more value is expected to be added.

- 4. NZSP wishes to reiterate that, by virtue of the compulsory nature of ACC, physiotherapy practices are almost entirely reliant on ACC funding, and the profession as a whole is likewise reliant. Therefore, the funding provided by ACC must in NZSP's view be tailored to fund the overall skill level of the profession and practitioners.*
- 5. NZSP's primary concern is that senior practitioners form an important part of an overall practice environment. They undertake management responsibilities, training of younger staff members, mentoring and provision of second opinions. Funding must reflect this fundamental and innate part of the physiotherapy practice and profession.*

All the businesses which I deal with have some form of structure involving more experienced staff. If the business owner had only junior inexperienced staff, then a much greater proportion of their work would be in supervision, to the detriment of the business.

## **2 SENSITIVITY TESTING**

### **1.3 Initial Comments On Sensitivity Testing**

The Reviewer has asked Strategic Pay to undertake sensitivity analysis in Question 2a, by substituting alternative points scores or job factor outcomes.

Job evaluation is not a science, in the sense that it cannot be subjected to the rigor of the scientific method. That makes it absolutely essential that the methodology is applied systematically to achieve consistent outcomes. That is how the system is used in Strategic Pay and that is the rigor that we apply to teaching evaluators and in conducting evaluations ourselves.

We understand that the Reviewer may wish to see salary levels which are slightly higher and lower than the roles as evaluated, in order to provide context. Indeed a comparison is used in Strategic Pay's initial report as a validity test. However, we would caution very strongly against arbitrary decisions that lower points levels are justified.

Strategic Pay's methodology has been developed to provide nuanced assessment of key factors which influence job size. Comparison to jobs at a similar points level is therefore a very blunt quality assurance mechanism. It is useful only to ensure that a final assessment passes a broad brush test for comparability, but is never used as a basis for choosing an alternative job size. This is particularly so, given that the comparisons are only able to be reported and assessed against job titles, which may not give an accurate picture of the actual content or level of responsibility of the role.

In best practice remuneration management, clients do place ranges around the monetary outcomes of our processes. For example, it is usual for private sector clients to have a range of 85% to 115% where the market alignment is 100%. However this is calculated on the remuneration that flows from the job evaluation outcome, not on the points themselves. What that provides is a new entrant to a role beginning at 85% while they gain competence and effectiveness in the role, and an outstanding performer being paid above 100%. 100% is the point where the fully competent and fully effective performer is paid.

Manipulating the remuneration in this manner is fair and has sensible logic behind it, manipulating the points outcomes does not have that sensibility, the job is the same 'size' regardless of the position where the employee is paid, the pay difference being a performance-in-role matter.

Further, it is fair to say that a client may not offer salaries to employees at Strategic Pay's identified market level. However, those decisions are generally due to affordability, or the scarcity or abundance of the vocation concerned within the market, rather than concern as to whether the level is correct. That may have ramifications in terms of the calibre or number of staff able to be recruited and retained.

Finally, the evaluations in our report were conducted following an extensive information gathering exercise where a number of senior and knowledgeable employers of physiotherapists were interviewed in an exhaustive focus group process. The meeting did not end until I was satisfied that I had all the information that I needed to conduct the evaluations and get them right. I quality checked the evaluations through our data base of evaluated roles. I would be very surprised if an independent evaluation process by another person expert in the system were to arrive at a total that was any more than one step different in one of the ten factors.

## **1.4 Question 2a – Sensitivity +/- Percentage**

Question 2 a) requested:

*Sensitivity analysis of conclusions reached – including how much difference to the comparator positions and benchmark salaries identified would result from:*

- i) *a difference of +/-5% or +/-10% in the evaluated points for each of the four positions evaluated?*

Below is set out the various comparisons showing the differences that would accrue from the 5% and 10% variations as requested.

### **1.1.1 Owner/operator role**

The owner/operator role was evaluated at 855 points. The variations would be as follows (in each case I have repeated the original report's comparator in the middle between the +/- 5% tables):

+ 10%	940
+ 5%	898
<b>Original</b>	<b>855</b>
- 5%	812
- 10%	769

POINTS	COMPARISON ROLES
942	<ul style="list-style-type: none"> <li>Commercial Manager – big provincial port company</li> </ul>
941	<ul style="list-style-type: none"> <li>GM Finance – large regional council</li> </ul>
939	<ul style="list-style-type: none"> <li>GM corporate services – provincial DHB</li> <li>Director corporate services – metropolitan city council</li> </ul>
<b>Owner/operator at + 10% points – 940</b>	

POINTS	COMPARISON ROLES
899	<ul style="list-style-type: none"> <li>Chief financial Officer –provincial port company</li> <li>GM Business Units – Shipping Co.</li> <li>GM Finance &amp; Admin – private sector vehicle testing Co.</li> </ul>
897	<ul style="list-style-type: none"> <li>GM Large Maori Land Group</li> <li>Operations HR Manager – Provincial DHB</li> </ul>
<b>Owner/operator at + 5% points – 898</b>	

POINTS	COMPARISON ROLES
853	<ul style="list-style-type: none"> <li>Divisional manager engineering, private sector energy company</li> </ul>
854	<ul style="list-style-type: none"> <li>Chief information officer – Metropolitan DHB</li> <li>General manager, leasing – Shopping mall operator</li> </ul>
<b>855</b>	<ul style="list-style-type: none"> <li>NZ General Manager of a private healthcare provider</li> </ul>
856	<ul style="list-style-type: none"> <li>Director rail, large regional council</li> </ul>
858	<ul style="list-style-type: none"> <li>General manager retail development – supermarket chain</li> <li>Director corporate services – national not-for-profit organisation</li> <li>Human resources manager – metropolitan DHB</li> </ul>
<b>Original Comparisons – 855 points</b>	

POINTS	COMPARISON ROLES
899	<ul style="list-style-type: none"> <li>Director Nursing – provincial DHB</li> </ul>
812	<ul style="list-style-type: none"> <li>Research leader – technical university</li> <li>Director employment relations – large DHB</li> </ul>
811	<ul style="list-style-type: none"> <li>Divisional IT Manager – private sector trading company</li> </ul>
<b>Owner/operator at – 5% points – 812</b>	

POINTS	COMPARISON ROLES
771	<ul style="list-style-type: none"> <li>Director allied health – metropolitan DHB</li> </ul>
769	<ul style="list-style-type: none"> <li>Manager surgical – provincial DHB</li> </ul>
768	<ul style="list-style-type: none"> <li>Purchasing Manager – medical laboratory</li> </ul>
<b>Owner/operator at – 10% points – 769</b>	

For ease of comparison, I have only used the health sector remuneration data below for each of these job sizes and the actual evaluated size. I have used March 2006 remuneration data as that was the data used in the initial report.

Use of the health sector data has been adopted by NZSP as a conservative and responsible level of remuneration. From a simple remuneration assessment, I would note that use of the general market data would potentially be a more appropriate benchmark. The health data is likely to incorporate a disproportionate level of public sector roles, which are invariably lower than their private sector counterparts, as can be seen in each of the comparison tables in Strategic Pay's initial report.

Physiotherapists are private sector practitioners, so that would ordinarily be the appropriate analysis point. However, the health sector also provides a generally lower level of remuneration. Therefore use of the general market data would be appropriate, because it balances incorporation of public sector data against inclusion of non-health data to provide the most appropriate point of comparison. The use of health sector data is therefore, in my view, another conservative element in NZSP's remuneration analysis.

HEALTH SECTOR	LQ	Median	UQ	Average
<b>940 POINTS</b>				
Base Rem	\$134,097	\$153,104	\$167,362	\$151,503
Total Cash	\$138,267	\$157,814	\$171,367	\$158,878
Fixed Rem	\$142,594	\$157,181	\$172,249	\$157,157
Total Rem	\$145,320	\$164,055	\$179,922	\$164,567
<b>898 POINTS</b>				
Base Rem	\$126,800	\$143,427	\$159,949	\$143,413
Total Cash	\$131,132	\$148,192	\$163,319	\$149,828
Fixed Rem	\$134,611	\$147,277	\$164,397	\$148,622
Total Rem	\$136,519	\$155,933	\$170,553	\$155,073
<b>855 POINTS</b>				
Base Rem	\$119,328	\$133,520	\$152,360	\$135,130
Total Cash	\$123,828	\$138,341	\$155,079	\$140,563
Fixed Rem	\$126,437	\$137,138	\$156,358	\$139,883
Total Rem	\$127,508	\$147,618	\$160,960	\$145,353
<b>812 POINTS</b>				
Base Rem	\$111,857	\$123,612	\$144,770	\$126,847
Total Cash	\$116,523	\$128,490	\$146,839	\$131,298
Fixed Rem	\$118,264	\$126,998	\$148,319	\$131,144
Total Rem	\$118,498	\$139,303	\$151,368	\$135,633
<b>769 POINTS</b>				
Base Rem	\$104,210	\$115,157	\$134,612	\$118,227
Total Cash	\$108,377	\$119,698	\$136,831	\$122,021
Fixed Rem	\$109,592	\$118,305	\$138,486	\$122,074
Total Rem	\$109,717	\$129,303	\$141,579	\$125,907

Owner/operator at the various points sizes

### 1.1.2 Senior practitioner

The senior practitioner was evaluated at 545 points. The variations would be as follows:

+ 10%	599
+ 5%	572
<b>Original</b>	<b>545</b>
- 5%	518
- 10%	490

POINTS	COMPARISON ROLES
600	<ul style="list-style-type: none"> <li>▪ Pacific Health Manager – metropolitan DHB</li> <li>▪ Financial accounting manager – private sector company</li> </ul>
599	<ul style="list-style-type: none"> <li>▪ Manager operating theatre services – metropolitan DHB</li> <li>▪ Business managers (numerous) – provincial DHB</li> </ul>
598	<ul style="list-style-type: none"> <li>▪ Financial advisory manager – metropolitan city council</li> <li>▪ International marketing manager – technical institute</li> </ul>
<b>Senior practitioner at + 10% points – 599</b>	

POINTS	COMPARISON ROLES
573	<ul style="list-style-type: none"> <li>▪ Investment strategy manager – government funding agency</li> <li>▪ HR Manager – Government Ministry</li> </ul>
572	<ul style="list-style-type: none"> <li>▪ Operations manager – metropolitan DHB</li> <li>▪ IT strategy manager – technical university</li> <li>▪ Clinical leaders – metropolitan DHB</li> </ul>
571	<ul style="list-style-type: none"> <li>▪ Food and nutrition manager – metropolitan DHB</li> <li>▪ Engineering contracts manager – provincial district council</li> </ul>
<b>Senior practitioner at + 5% points – 572</b>	

POINTS	COMPARISON ROLES
544	<ul style="list-style-type: none"> <li>▪ Head of customer services – provincial DHB</li> <li>▪ Management accountant – medium private company</li> <li>▪ Senior internal auditor – public sector</li> <li>▪ Two team leaders rehab – metropolitan DHB</li> <li>▪ Clinical audit unit leader – provincial DHB</li> </ul>
545	<ul style="list-style-type: none"> <li>▪ City safety unit manager – provincial local government</li> <li>▪ Quality and health and safety manager – laboratory</li> <li>▪ Scientists – regional council</li> <li>▪ Technical supervisor – metropolitan DHB</li> <li>▪ Optometrist – metropolitan DHB</li> <li>▪ Creative director – medium radio network</li> </ul>
546	<ul style="list-style-type: none"> <li>▪ Modelling specialist – power company</li> <li>▪ Three nurse advisors – metropolitan DHB</li> <li>▪ Charge nurse – private hospital</li> <li>▪ Sociologist – metropolitan DHB</li> </ul>
<b>Original Comparisons 545 points</b>	

POINTS	COMPARISON ROLES
519	<ul style="list-style-type: none"> <li>▪ Operations support manager – large public finance sector org.</li> <li>▪ Senior HR consultant – private sector company</li> <li>▪ Administration manager – provincial DHB</li> </ul>
518	<ul style="list-style-type: none"> <li>▪ Air quality specialist – regional council</li> <li>▪ Business systems manager – private retail company</li> <li>▪ Senior data analyst – public corporation</li> </ul>

517	<ul style="list-style-type: none"> <li>▪ IT analyst – provincial port company</li> <li>▪ Project engineer – power company</li> </ul>
<b>Senior practitioner at - 5% points – 518</b>	

POINTS	COMPARISON ROLES
491	<ul style="list-style-type: none"> <li>▪ Quality facilitator – provincial DHB</li> <li>▪ Risk management coordinator – provincial DHB</li> </ul>
490	<ul style="list-style-type: none"> <li>▪ Manager animal welfare – metropolitan city council</li> <li>▪ Brand manager – energy company</li> </ul>
489	<ul style="list-style-type: none"> <li>▪ Clinical support specialist (numerous) – metropolitan DHB</li> <li>▪ Project manager – not for profit advisory council</li> </ul>
<b>Senior practitioner at - 10% points – 490</b>	

March 2006 health sector remuneration data for roles of these sizes:

HEALTH SECTOR	LQ	Median	UQ	Average
<b>599 POINTS</b>				
Base Rem	\$73,771	\$84,004	\$90,625	\$83,700
Total Cash	\$74,957	\$86,607	\$94,629	\$85,401
Fixed Rem	\$74,628	\$86,199	\$96,932	\$85,781
Total Rem	\$75,430	\$87,286	\$102,596	\$87,513
<b>572 POINTS</b>				
Base Rem	\$70,736	\$80,525	\$86,409	\$79,965
Total Cash	\$71,761	\$82,803	\$89,988	\$81,495
Fixed Rem	\$71,477	\$82,450	\$91,964	\$81,833
Total Rem	\$72,170	\$83,389	\$96,987	\$83,390
<b>545 POINTS</b>				
Base Rem	\$67,700	\$77,045	\$82,194	\$76,230
Total Cash	\$68,565	\$78,999	\$85,347	\$77,589
Fixed Rem	\$68,325	\$78,701	\$86,997	\$77,884
Total Rem	\$68,910	\$79,493	\$91,378	\$79,266
<b>518 POINTS</b>				
Base Rem	\$64,665	\$73,566	\$77,978	\$72,496
Total Cash	\$65,369	\$75,194	\$80,706	\$73,683
Fixed Rem	\$65,174	\$74,952	\$82,029	\$73,936
Total Rem	\$65,650	\$75,597	\$85,769	\$75,142
<b>490 POINTS</b>				
Base Rem	\$61,518	\$69,957	\$73,607	\$68,623
Total Cash	\$62,054	\$71,249	\$75,893	\$69,632
Fixed Rem	\$61,906	\$71,065	\$76,877	\$69,842
Total Rem	\$62,269	\$71,556	\$79,952	\$70,866

**Senior practitioner at the various points sizes**

### 1.1.3 Mid-level practitioner

The mid-level practitioner was evaluated at 459 points. The variations would be as follows:

+ 10%	505
+ 5%	482
<b>Original</b>	<b>459</b>
- 5%	436
- 10%	413

POINTS	COMPARISON ROLES
506	<ul style="list-style-type: none"> <li>▪ Manager civil works – provincial port company</li> <li>▪ Protection engineer – power company</li> <li>▪ Accounting Manager – private equity firm</li> </ul>
505	<ul style="list-style-type: none"> <li>▪ Project leaders (numerous) – regional council</li> <li>▪ Nursing managers (numerous) – laboratory company</li> <li>▪ Management accountants (numerous) – technical institute</li> </ul>
504	<ul style="list-style-type: none"> <li>▪ Brand manager – private retailer</li> <li>▪ Buyers (numerous) – mail order company</li> </ul>
<b>Mid-level practitioner at + 10% points – 505</b>	

POINTS	COMPARISON ROLES
483	<ul style="list-style-type: none"> <li>▪ Management accountant – public finance sector corporation</li> <li>▪ PR &amp; Marketing Manager – provincial university</li> <li>▪ Scientist – private sector utility company</li> </ul>
482	<ul style="list-style-type: none"> <li>▪ Landscape architect – metropolitan city council</li> <li>▪ Scientific editor – not for profit society</li> <li>▪ Charge nurse (numerous) – provincial DHB</li> </ul>
481	<ul style="list-style-type: none"> <li>▪ Database analyst – airport company</li> <li>▪ Nurse team leader – private fertility clinic</li> <li>▪ Business excellence advisor – provincial city council</li> </ul>
<b>Mid-level practitioner at + 5% points – 482</b>	

POINTS	COMPARISON ROLES
458	<ul style="list-style-type: none"> <li>▪ Senior water quality technician - metropolitan local government</li> <li>▪ Parks strategic planner- metropolitan local government</li> <li>▪ Senior ward planner - metropolitan local government</li> <li>▪ Five DSU Manager Ac – provincial DHB</li> <li>▪ Heart failure project manager – provincial DHB</li> <li>▪ Three rural team coordinators – provincial DHB</li> <li>▪ Charge nurse mothercraft unit - – provincial DHB</li> <li>▪ Two <b>Physiotherapy specialists</b> - provincial DHB</li> </ul>
459	<ul style="list-style-type: none"> <li>▪ Two legal counsels – public sector</li> <li>▪ Three business analysts – private healthcare provider</li> <li>▪ Project manager – professional association</li> <li>▪ Environmental resource officer – provincial local government</li> </ul>
460	<ul style="list-style-type: none"> <li>▪ Senior systems administrator – public sector</li> <li>▪ Corporate accountant – private facilities provider</li> <li>▪ Storm water operations engineer – metropolitan local government</li> <li>▪ Senior trade waste technician - – private facilities provider</li> </ul>
<b>Original comparisons 459 points</b>	

POINTS	COMPARISON ROLES
437	<ul style="list-style-type: none"> <li>▪ System administrator (numerous) – crown corporation</li> <li>▪ Product designer – private sector manufacturer</li> <li>▪ Electrical coordinator – private forestry company</li> </ul>
436	<ul style="list-style-type: none"> <li>▪ Café manager – metropolitan DHB</li> <li>▪ Policy analyst – ITO</li> <li>▪ Systems engineer – energy company</li> </ul>
435	<ul style="list-style-type: none"> <li>▪ Merchandise planner (numerous) –retailer</li> <li>▪ Engineering technician – regional council</li> </ul>
<b>Mid-level practitioner at - 5% points – 436</b>	

POINTS	COMPARISON ROLES
414	<ul style="list-style-type: none"> <li>▪ Commercial account manager – private retailer</li> <li>▪ Registrar museum – provincial city council</li> <li>▪ Assistant programmer – TV company</li> </ul>
413	<ul style="list-style-type: none"> <li>▪ Internet developer – metropolitan DHB</li> <li>▪ Works manager – provincial DHB</li> <li>▪ Accountant – electronics company</li> </ul>
412	<ul style="list-style-type: none"> <li>▪ Sales executive – meat company</li> <li>▪ Laboratory technician – university</li> <li>▪ Office supervisor – private company</li> </ul>
<b>Mid-level practitioner at - 10% points – 413</b>	

March 2006 health sector remuneration data for roles of these sizes

HEALTH SECTOR	LQ	Median	UQ	Average
<b>505 POINTS</b>				
Base Rem	\$63,204	\$71,890	\$75,949	\$70,698
Total Cash	\$63,830	\$73,363	\$78,471	\$71,802
Fixed Rem	\$63,657	\$73,147	\$79,637	\$72,035
Total Rem	\$64,080	\$73,721	\$83,068	\$73,157
<b>482 POINTS</b>				
Base Rem	\$60,619	\$68,926	\$72,358	\$67,516
Total Cash	\$61,107	\$70,122	\$74,518	\$68,475
Fixed Rem	\$60,972	\$69,954	\$75,405	\$68,672
Total Rem	\$61,303	\$70,401	\$78,290	\$69,644
<b>459 POINTS</b>				
Base Rem	\$58,033	\$65,962	\$68,767	\$64,335
Total Cash	\$58,385	\$66,881	\$70,565	\$65,148
Fixed Rem	\$58,287	\$66,760	\$71,173	\$65,309
Total Rem	\$58,525	\$67,082	\$73,511	\$66,131
<b>436 POINTS</b>				
Base Rem	\$55,448	\$62,998	\$65,176	\$61,154
Total Cash	\$55,662	\$63,640	\$66,611	\$61,820
Fixed Rem	\$55,603	\$63,567	\$66,942	\$61,945
Total Rem	\$55,748	\$63,763	\$68,733	\$62,618
<b>413 POINTS</b>				
Base Rem	\$52,862	\$60,034	\$61,585	\$57,972
Total Cash	\$52,940	\$60,400	\$62,658	\$58,493
Fixed Rem	\$52,918	\$60,373	\$62,710	\$58,582
Total Rem	\$52,971	\$60,444	\$63,955	\$59,105

**Mid-level practitioner at the various points sizes**

### 1.1.4 Entry-level practitioner

The entry-level practitioner was evaluated at 354 points. The variations would be as follows:

+ 10%	389
+ 5%	371
<b>Original</b>	<b>354</b>
- 5%	336
- 10%	319

POINTS	COMPARISON ROLES
390	<ul style="list-style-type: none"> <li>▪ Building inspectors (numerous) – provincial city council</li> <li>▪ Executive assistant – government corporation</li> <li>▪ Assistant librarian – university</li> <li>▪ Student advisor - university</li> </ul>
389	<ul style="list-style-type: none"> <li>▪ IT administrator – government ministry</li> <li>▪ Finance managers (numerous) – university</li> <li>▪ Pool accountant – shipping company</li> </ul>
388	<ul style="list-style-type: none"> <li>▪ Events manager – polytechnic</li> <li>▪ Trainer/in store support (numerous) – retailer</li> <li>▪ Environmental health officer – provincial city council</li> </ul>
<b>Entry-level practitioner at + 10% points – 389</b>	

POINTS	COMPARISON ROLES
372	<ul style="list-style-type: none"> <li>▪ Recruitment consultant – retailer</li> <li>▪ Health and safety officer – mail order company</li> <li>▪ Zoo educator – provincial city council</li> <li>▪ Technical officer – provincial port company</li> </ul>
371	<ul style="list-style-type: none"> <li>▪ Communications advisor – regional council</li> <li>▪ Training coordinator – metropolitan DHB</li> <li>▪ Executive secretary – regional council</li> <li>▪ Planner – metropolitan city council</li> </ul>
370	<ul style="list-style-type: none"> <li>▪ Assistant accountant – not for profit society</li> <li>▪ Research analyst – metropolitan city council</li> <li>▪ Electricity market analyst – energy company</li> </ul>
<b>Entry -level practitioner at + 5% points – 371</b>	

POINTS	COMPARISON ROLES
353	<ul style="list-style-type: none"> <li>▪ Two senior graphic designers – department store</li> <li>▪ Health and safety manager – provincial port company</li> <li>▪ Two health information business analysts – metropolitan DHB</li> <li>▪ Assistant accountant – regional government</li> <li>▪ Clinical training advisor – metropolitan DHB</li> </ul>

354	<ul style="list-style-type: none"> <li>▪ Communications advisor – small public commission</li> <li>▪ Graduate resource planner – provincial local government</li> <li>▪ Youth worker – religious organisation</li> <li>▪ Childcare manager - polytechnic</li> </ul>
355	<ul style="list-style-type: none"> <li>▪ Senior team leader – private healthcare provider</li> <li>▪ Mail supervisor – university</li> <li>▪ Four claims team leaders - private healthcare provider</li> <li>▪ Graduate engineer – medium private company</li> </ul>

**Original Comparisons 354 points**

POINTS	COMPARISON ROLES
337	<ul style="list-style-type: none"> <li>▪ Personal assistant (three) – retailer</li> <li>▪ Executive secretary – regional council</li> <li>▪ Kitchen supervisor – not for profit society</li> <li>▪ Senior technician – university</li> <li>▪ Personal assistant - university</li> </ul>
336	<ul style="list-style-type: none"> <li>▪ Homecase managers (numerous) – healthcare trust</li> <li>▪ Technical officer – provincial city council</li> <li>▪ Accounts assistant – investment fund</li> <li>▪ PA to GM – energy company</li> </ul>
335	<ul style="list-style-type: none"> <li>▪ Recruitment officer</li> <li>▪ Executive assistant (numerous) – technical institute</li> <li>▪ Forest technician – private forestry company</li> <li>▪ Care managers (numerous) – healthcare trust</li> </ul>

**Entry -level practitioner at - 5% points – 336**

POINTS	COMPARISON ROLES
320	<ul style="list-style-type: none"> <li>▪ Utilities officer – provincial district council</li> <li>▪ Customer services coordinator – provincial city council</li> <li>▪ Engineering assistant - provincial city council</li> <li>▪ Payroll officer – TV company</li> </ul>
319	<ul style="list-style-type: none"> <li>▪ PA to CE – government ministry</li> <li>▪ Client services librarian – university</li> <li>▪ Sales resource manager – health care provider</li> <li>▪ Pay officer – provincial port company</li> </ul>
318	<ul style="list-style-type: none"> <li>▪ Senior consultant travel – airport company</li> <li>▪ Executive support secretary – regional council</li> <li>▪ Legal executive wills – public finance institution</li> <li>▪ Accounts assistant – investment company</li> </ul>

**Entry -level practitioner at - 10% points – 319**

March 2006 health sector remuneration data for roles of these sizes:

HEALTH SECTOR	LQ	Median	UQ	Average
<b>389 POINTS</b>				
Base Rem	\$50,235	\$56,893	\$58,076	\$54,833
Total Cash	\$50,247	\$57,103	\$58,922	\$55,264
Fixed Rem	\$50,237	\$57,103	\$58,947	\$55,343
Total Rem	\$50,247	\$57,114	\$59,831	\$55,776
<b>371 POINTS</b>				
Base Rem	\$48,328	\$54,495	\$55,654	\$52,639
Total Cash	\$48,359	\$54,705	\$56,465	\$53,059
Fixed Rem	\$48,332	\$54,704	\$56,699	\$53,156
Total Rem	\$48,359	\$54,735	\$57,499	\$53,578
<b>354 POINTS</b>				
Base Rem	\$46,526	\$52,230	\$53,367	\$50,566
Total Cash	\$46,577	\$52,441	\$54,145	\$50,976
Fixed Rem	\$46,532	\$52,439	\$54,576	\$51,090
Total Rem	\$46,577	\$52,488	\$55,297	\$51,502
<b>336 POINTS</b>				
Base Rem	\$44,618	\$49,831	\$50,945	\$48,372
Total Cash	\$44,689	\$50,043	\$51,689	\$48,771
Fixed Rem	\$44,626	\$50,040	\$52,329	\$48,903
Total Rem	\$44,689	\$50,109	\$52,965	\$49,303
<b>319 POINTS</b>				
Base Rem	\$42,817	\$47,566	\$48,657	\$46,299
Total Cash	\$42,906	\$47,779	\$49,369	\$46,688
Fixed Rem	\$42,827	\$47,774	\$50,206	\$46,837
Total Rem	\$42,906	\$47,862	\$50,763	\$47,227

Entry -level practitioner at the various points sizes

### 1.1.5 Comment on Comparisons

I pointed out in the original report that job title matching is a fraught process because identical job titles can, in reality, be quite different roles. Both in the original report and above, I have attempted to use role titles from the database which display at least a reasonable understanding of their job content.

With the caveat about the inadequacy of title matching, I believe that the above analysis reinforces the veracity of the original evaluations. All the +10% roles seem to be bigger than the physiotherapy roles being compared, and the -10% roles all seem to be smaller. The +/- 5% roles are hard to tell, and that itself reinforces the earlier evaluations.

Most job evaluation systems use a 15% step between scores based on Weber's law of Psychometric progression, which basically says that differences under 15% are below the level of noticeable difference. With that in mind, I am not surprised to see little obvious differences in the +/- 5% outcomes and am a little surprised that the +/- 10% outcomes are reasonably obvious.

### 1.5 Question 2 a) continued: Factor Reduction Owners / Operators

*Sensitivity analysis of conclusions reached – including how much difference to the comparator positions and benchmark salaries identified would result from:*

...

- ii) *reducing factor 5 (problem solving) and factor 7 (impact of discretionary decisions) and factor 8 (human relations skills/contacts) by one level for owner/operators?*

### 1.1.6 Process comment

Strategic Pay has serious difficulty with this analysis. I have undertaken what was requested below, but I did so with the caveat that this process breaks the most fundamental rule of job evaluation, and Strategic Pay would not allow this to occur in any of our client remuneration management work.

The entire basis of job evaluation as a remuneration management tool is that it must be conducted by matching actual job content with the factor language in the manual. To push factor scores up or down to engineer a desired outcome is absolutely forbidden in the use of these systems.

### 1.1.7 Owner Operator

When the evaluation is changed as requested the following outcome is achieved:

Education	Experience	Complexity	Scope	Sub Total	Problem Solving	Freedom to Act	Impact	Human Relations	Authority Exercised	People Management	Total
J132	J132	D45	D20	171.6	D87	E87	D176	D350	E266	B222	824

The difference is 31 points, which is only about 3.5%. This is no longer an accurate evaluation of the role and produces some serious deficiencies with the evaluation:

- Factor 5 Adjustment: Freedom to Act (factor 6) is usually one 'step' lower in points than Problem Solving (factor 5) - although it can be the same in some roles.
- Even though the owners/operators role is effectively a CEO role, the original evaluation was set one step back due to the limitations on freedom that occur from the professional practice requirements and the strict limitations of the funding model that these roles work within. Therefore, I would say that, if the Problem Solving score above were right (and it is not), the Freedom to Act score would be wrong. This reinforces the difficulty in undertaking this type of manipulation.
- Factor 7 Adjustment: it should be noted that the Impact score (factor 7) could have been higher than it was in our original evaluation. There are three columns in that factor with different scores in each: the first column is for most roles; the second is for CEO roles; and the third is for internationally impacting roles. I used the first column, even though an argument could have been made to use the second for this role.

I did that for two reasons: firstly, when doing generic role evaluations we always aim to be conservative and this achieved that objective; and secondly, the funding model for these businesses places severe limitations on the operator's ability to make high impact decisions. I therefore determined to score the role at E 1 87 rather than the E 2 115 evaluation that might more likely occur in the evaluation of a specific job. Thus the initial evaluation was conservative. As I have used the lowest column for that factor, the suggested lower score cannot be correct.

- The Human Relations Skills/Contacts score is now inappropriate. There are three possible scores in each level (the level being indicated by the capital letter). This aspect evaluates the internal contacts that the role has: the low score indicates that the role has only limited contact with other staff within the business; the middle score indicates that the role has regular contact with most of the staff within the business; and the high score indicates that the role has contact with all the staff within the business. The owner/operator obviously has contact with everyone in the business, so the reduction to a lower level in the above evaluation is inappropriate.

## 1.6 Question 2 a) continued: Factor Reduction Senior Practitioners

*Sensitivity analysis of conclusions reached – including how much difference to the comparator positions and benchmark salaries identified would result from:*

...

...

- iii) *reducing factor 5 (problem solving) and factor 7 (impact of discretionary decisions) by one level for experienced senior practitioners?*

The caveats above apply to the outcome documented below.

### 1.1.8 Senior Practitioner

When the evaluation is changed as requested the following outcome is achieved:

Education	Experience	Complexity	Scope	Sub Total	Problem Solving	Freedom to Act	Impact	Human Relations	Authority Exercised	People Management	Total
J132	H76	C40	C15	114.4	C57	D66	B1 33	C1 29	B0 14	A1 10	531

The difference is 14 points, which is only about 2.6%. This is no longer an accurate evaluation of the role. It produces some serious deficiencies with the evaluation:

- As per the above section, it is extremely unusual to see an evaluation where Freedom to Act (factor 6) is higher in points to Problem Solving (factor 5). This is because there is a natural link between problem solving and freedom to act. Work practices tend to allocate the appropriate amount of freedom to enable people in jobs to undertake the more difficult functions, which tend to be the problems that they have to solve. This role, and the mid-level practitioner, were evaluated with factors 5 and 6 at the same level because the job content demanded it. All the practitioners who participated in the information gathering stage were adamant that these roles operate and make decisions completely free from supervision or overview by the owner/operator, so the higher level of freedom to act score was appropriate. The score outlined above is therefore not appropriate.
- Dropping the Impact (factor 7) score does not matter a lot in this instance. These are generic evaluations and have therefore been conservatively evaluated. Should evaluations of a number of these actual roles be undertaken, I would expect many to be evaluated a lot higher in this factor, whilst there will be some that will be down at the suggested level due to differing work practices in different businesses. The original evaluation was one step back from what I would expect to see in the majority of cases. Again, this lower step was used initially to ensure a conservative outcome.

The effect of these changes is shown in the following tables. I have used the health sector only for comparison purposes, March 2006 data:

HEALTH SECTOR	LQ	Median	UQ	Average
<b>Original evaluation for Owner/Operator 855 POINTS</b>				
Base Rem	\$119,328	\$133,520	\$152,360	\$135,130
Total Cash	\$123,828	\$138,341	\$155,079	\$140,563
Fixed Rem	\$126,437	\$137,138	\$156,358	\$139,883
Total Rem	\$127,508	\$147,618	\$160,960	\$145,353
<b>Reviewer's suggested evaluation for Owner/Operator 824 POINTS</b>				
Base Rem	\$113,942	\$126,377	\$146,888	\$129,158
Total Cash	\$118,562	\$131,239	\$149,139	\$133,883
Fixed Rem	\$120,545	\$129,827	\$150,562	\$133,583
Total Rem	\$121,012	\$141,624	\$154,045	\$138,346
<b>Original evaluation for Experienced Senior practitioner 545 POINTS</b>				
Base Rem	\$67,700	\$77,045	\$82,194	\$76,230
Total Cash	\$68,565	\$78,999	\$85,347	\$77,589
Fixed Rem	\$68,325	\$78,701	\$86,997	\$77,884
Total Rem	\$68,910	\$79,493	\$91,378	\$79,266
<b>Reviewer's suggested evaluation for Experienced Senior Practitioner 531 POINTS</b>				
Base Rem	\$66,127	\$75,241	\$80,008	\$74,294
Total Cash	\$66,907	\$77,026	\$82,941	\$75,564
Fixed Rem	\$66,691	\$76,757	\$84,421	\$75,837
Total Rem	\$67,219	\$77,473	\$88,469	\$77,128

### 3 USE OF COMPARISON DATA

#### 1.7 Question 2 b): Remuneration Data From Other Countries

*Remuneration data from other OECD countries (e.g. Australia) which sheds light on the relativities or remuneration in those countries between physiotherapists and the "comparison roles" identified in the report.:*

The issue of comparison with other professions is also raised by the Reviewer's question 1 to NZSP, as well as by the Reviewer's question 2(b) to Strategic Pay.

##### 1.1.9 Initial Comments on Comparison with Other Professions

To make those comparisons is to utilise a system that was termed 'job classification'. That was where people attempted to rank jobs against another job using 'whole of job' evaluation. The reason that points-factor job evaluation systems (similar to the current Strategic Pay's SP10) began to be developed early last century was to overcome the serious inadequacies of job classification systems.

By breaking jobs down into component parts and evaluating them all against the same criteria, evaluators are now able to apply fairness and more specific analysis in the comparisons between roles (as close to apples with apples as one can get). This then enables a fair application of remuneration for roles of similar sizes.

Equally, the SP10 system also allows comparison with remuneration from roles in dissimilar professions which in fact have the same level of responsibility and skill involved. This is particularly valuable where, as here, data from within the profession is limited.

Strategic Pay therefore adds a significant proviso that modern remuneration management best practice is to avoid the 'whole of job' comparison system sought by the reviewer. The benefits of using a market survey based on job evaluated inputs is that an organisation does not have to use job classification, and nor do they need to only compare against other workers doing identical work.

Best practice in this area of remuneration assessment is to do the following:

1. Have the jobs evaluated professionally (either by an internal trained resource or by an independent external consultant) using a proprietary system, and note the job size in points terms;
2. Participate in that Company's salary survey;
3. Purchase the survey and note what each job's 100% point is according to the data, taking account of:
  - a. the individual roles sizes,
  - b. the appropriate market for comparison (e.g. private sector, public sector, health sector etc.),
  - c. the appropriate quartile for comparison (e.g. upper quartile, medium, lower quartile etc.);
4. Determine what each individual role-holder's "position-in-range" should be based on their performance (the range being the 85% to 115% system explained earlier in this paper).

That is the system that most employers in the western world use to determine their staffs' salary levels. It is the system that ACC itself uses.

For physiotherapists, the generic evaluation outcomes in my original report would suffice for step 1. The policy positions in step 3 would need some consideration of the fact that they are a health sector profession so that sector may be appropriate, they are (in the main) private sector organisations so that sector may also be appropriate, they are funded primarily by a public sector organisation so that sector may also be appropriate. Many organisations would utilise a weighted average of those to gain their remuneration information. It would be normal for groups like this to use the medium as the alignment quartile because they are not attempting to either lead or lag the market.

This system is fair and provides consistent results over time, which is why it is dominant in the marketplace.

#### **1.1.10 No Comparison Salary Data Found**

Strategic Pay has, in any case, not found any significant salary data for comparator professions either in New Zealand or in Australia. We are also very concerned as to use of WMS Business benchmark data.

The most likely cause of this lack of comparator data is that physiotherapists tend to operate similarly both in New Zealand and in the other countries – i.e. in small private sector practices that do not show in the market remuneration surveys that are conducted in any country.

Small organisations do not often involve themselves in formal remuneration management schemes such as those operated in New Zealand by Strategic Pay, the Hay Group and Mercer Human Resource Consulting. All three of these companies operate job evaluation schemes and conduct regular market surveys for their clients who are mostly medium and large organisations. Consequently, professions that tend to be concentrated throughout society in small groups do not show up in the surveys.

Small enterprises take a 'finger in the wind' approach to setting wage levels. This may seem problematic, but the reality is that they pay what they can afford. Physiotherapy practices are a good example of this system.

They are overwhelmingly reliant on a single organisation for their revenue stream. If that organisation takes a strong stand to hold down its costs in funding these services, then the individual business owners will be only able to pay salaries that fit within the constrained revenue stream. The outcomes can be that salaries are kept artificially low in comparison to the market.

Where no data exists for a profession from a client database, it is possible to undertake custom surveys which seek to survey potential comparison professions both to assess comparability in terms of job size, and remuneration. However, this is an extremely expensive process, takes significant time, relies on the goodwill of the target profession to proceed, and may end up identifying only that the profession is not truly comparable. The results are therefore not guaranteed, NZSP has not asked Strategic Pay to undertake such a process, and I would not in any case recommend it.

### **1.1.11 International Data**

Strategic Pay also counsels against use of international data for comparisons, unless the role is truly seeking to attract a global applicant, and therefore needs to be globally competitive. This may be the case for a role such as the CEO of the Warehouse or similar, but not for physiotherapists.

When the role is a national one only, there is real difficulty in comparing remuneration. In the first instance the whole economy of that other country is different, with different living costs which will often set salary baselines, and different levels of national wealth, which will affect general standard of living. Further, there are other factors such as environment and quality of life which can result in a trade off between lower (or higher) remuneration generally, relative to the quality of life on offer.

In my view international remuneration is therefore not particularly relevant to the setting of physiotherapist remuneration in this country.

Comparison of the relative remuneration of physiotherapists to other comparison professions may also tell you about the relative remuneration position of physiotherapists in other countries. However, it will not tell you whether remuneration is fair or appropriate in that market either. For example, I understand that there are numerous state and federal injury insurance schemes in Australia which may impact on remuneration for physiotherapists there also.

Ultimately, Strategic Pay's SP10 system will identify fair remuneration for the skills, experience and responsibility exercised by physiotherapists, relative to the New Zealand job market. I believe this is much more appropriate and fair than putting any store in the general relativities between specific professions in other countries where physiotherapists may also be receiving inadequate market remuneration.

### **1.1.12 Waikato University Management School benchmark survey**

Having seen WMS Benchmark survey that has been obtained by NZSP, I urge significant caution in how the data is used.

The Benchmark Survey generally collects only business data rather than salary data, and is therefore an extremely poor tool for remuneration assessment. The general wage data incorporated in the results does not include contractors, and includes support staff, so is of no use in assessing any physiotherapy roles or any comparison roles for employed professionals. The net profit before owners' wages does not specify return on investment, and therefore cannot assess salary and benefits with any precision.

I agree that the reporting of a series of annual net profit results for physiotherapists will give some indication as to the performance physiotherapy business generally. Poor business performance is likely to lead to low remuneration conditions. However, I do not think that any more detailed conclusions can be discerned from such data.

Further, in regard to comparison professions, such data takes no account of job size – so you have no way of testing whether you are actually comparing something that is even similar. It is quite possible that each of the different professions, if properly job evaluated, could be shown to be of many different sizes, some larger than physiotherapists roles, and some smaller.

From a remuneration management perspective, you need quality inputs to get quality outcomes. As a Company, we often advise clients to use information from other sources, not just Strategic Pay data. If one of these clients asked me to use the WMS benchmark data, I would decline because it would not add any value and would damage Strategic Pay's reputation.

I have particularly considered whether the comparison data could be used even for analysis of the relative positions of comparison professions. I believe that the remuneration information within the data is too limited, and the ability to assess true comparability of roles too poor, to rely on the data even for this purpose.

These comments would also apply to any international business survey data proposed to be used in this manner.

## 4 CONCLUSION

Having conducted this further analysis, I have no reason to alter the conclusions that I came to at the end of the first report.

I conclude that:

- the original evaluations of the roles were conservatively correct evaluations;
- the sensitivity testing requested by the Independent Reviewer actually reinforced the veracity of those evaluations;
- the position adopted by the Society, in regard to market alignment to the health sector, is a very conservative stance;
- use of the standard market remuneration process as outlined in this response is the appropriate method to test the market worth of physiotherapists, not only now, but long term – because only such a method will provide fair and consistent results over time.



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