



Market Supplement Policy & Procedure

1. Introduction

- 1.1 The University is committed to the principles of equal pay for work of equal value and uses a job evaluation scheme (HERA) to measure the relative value of all jobs. The grading, and therefore the salary range, of all posts is determined by the outcome of job evaluation.
- 1.2 However, there are occasions when the grading determined for a post result in an inability to successfully recruit or retain staff in particular posts. In such cases it may be appropriate to pay a supplement in addition to the salary.
- 1.3 This policy sets out when such supplements may be paid, the process by which these cases are considered and approved and the conditions applied to them to ensure that the payment of a supplement complies with the legal requirement that employers must have objective justification if they offer different rates of pay to staff whose work is of equal value.
- 1.4 The policy follows the guidance set out in UCEA's National Framework Agreement Guidance for Use of Attraction and Retention Premia.
- 1.5 It applies to all posts at St Mary's in grades A – L where there is a business case.
- 1.6 Managers should be aware of their responsibility to explore other ways of attracting and retaining staff notably staff development and career opportunities and not assume that supplements to pay are the only means of addressing the issue.

2. Definition of Market Supplements

- 2.1 A market supplement is an additional temporary payment to the basic salary of an individual job or specific group of jobs where market pressures would otherwise prevent the University from being able to recruit or retain staff with a particular skill or group of skills. For instance:
 - there may be a skills shortage affecting a single job or a group of identical jobs which makes it difficult to recruit or retain staff in a specific area of work.
 - the job holder may be required to have specialist skills or knowledge of a particular type that similar existing job holders do not possess.
- 2.2 A supplement will only be paid in exceptional circumstances, where there is a clear business need and normal methods of recruiting and retaining staff have been exhausted. A business case must demonstrate that any skills being rewarded through the application of a market supplement are **essential** to the job. It must also demonstrate that market forces indicate pay

and benefits being offered significantly exceed that being offered by the University, as determined by HR.

2.3 There are two types of market supplement:

- A **Recruitment Supplement** is a temporary payment made to an individual to ensure their recruitment by enhancing the salary being offered, bringing their total reward package up to the market rate. These payments will be subject to regular review.
- A **Retention Supplement** is a temporary payment made to an existing employee over and above their basic salary in order to retain their services, bringing their total reward package up to the market rate. These payments will be subject to regular review.

2.4 Payment of a market supplement due to recruitment difficulties will not result automatically in a payment of a retention supplement being paid to existing staff in identical jobs. However, it should be remembered that market supplements apply to jobs and not individuals and consideration should be given to the number of staff who are in jobs to which the supplement might apply.

3. Process

3.1 In order to comply with Equal Pay legislation, the University will ensure that the process of objective justification is followed in each case.

3.2 If the Line Manager believes they have a recruitment or retention problem they should discuss this with their HR Partner. The HR Partner will provide advice on the most appropriate action to take, giving consideration to the reasons for the problems.

3.3 If there is deemed to be a recruitment or retention issue, the Line Manager will write a clear business case for a market supplement. A robust process must be followed for determining the appropriateness of applying market supplements, including sourcing quantitative and qualitative market data to support the business case. All evidence must be objective and verifiable. Please refer to Appendix 1 for what information needs to be included in a business case.

3.4 The appropriate external market data will be determined by HR in conjunction with senior management. Sources of data may include EEC (HERA) pay data service, UCEA data, independent industrial and occupational surveys e.g., IDS, pay rates as published in job advertisements, etc.

3.5 The Reward & Benefits Manager will source the appropriate external salary data.

3.6 The HR Partner/Reward & Benefits Manager will discuss the case for a market supplement with the Finance Partner, and then the HR Director. The business case cannot be progressed without Finance approval.

3.7 All the evidence will in turn be submitted to the Chief Operating Officer who will make the final decision.

- 3.8 The rationale for the payment of a supplement must be recorded by HR. Letters of appointment and variation letters will confirm the criteria for the market supplement element.
- 3.9 The intention to pay a market supplement should not be discussed with recipients prior to the final decision being made.

4. Payment criteria

4.1 When determining the value of the supplement, the following factors must be considered:

1. the supplement will usually be the difference between the top point in the grade for the job as determined by job evaluation, and the market rate for the job in question;
2. the payment will not exceed 20% of the maximum point on the grade;
3. when reviewing competitor pay rates the total reward package will be taken into consideration as the benefit/total reward package being offered elsewhere may not be as generous as the one being offered by the University e.g., annual leave, closure days, pension, etc;
4. the University's "ability to pay" must be factored into any calculation.

4.2 All market supplements are temporary payments, subject to regular review and will not be incorporated into basic salary at any time.

4.3 The supplement will not be subject to the annual cost of living rise effective from 1st August each year.

4.4 The market supplement payment will be paid pro rata for part-time staff.

4.5 It is pensionable, and will be subject to the normal statutory deductions. It will also be included in calculations for the purposes of other payments such as maternity/adoption, paternity and sick pay, redundancy calculation.

5. Monitoring & Review

5.1 A review of market supplements will take place every two years, in May/June, by Human Resources, and agreed changes must be approved by the Chief Operating Officer. There may be circumstances where supplementary reviews are required.

5.2 Where the outcome of the review indicates the market conditions have changed and this results in a decrease in an individual's total reward package, a notice period of 3 months from the review date will be given of the University's intention to reduce or withdraw the supplement.

5.3 Where the results of the review indicate an increase in the supplement, this will be effective from the date of the review.

- 5.4 Payments will cease if the employee is subsequently promoted to a job that does not attract a market supplement or if the job is re-graded through the job evaluation process.
- 5.5 There is no right of appeal by the individual against a decision to remove or reduce a market supplement. However, a summary of the market intelligence will be shared with the individual to show how the review was conducted, the sources of information that were used during the review, and also how the decision impacts the individual's pay.

Business Case – what to include

- 1 **Where recruitment has been unsuccessful** and a Market Supplement is required to aid a recruitment campaign, this business case will need to cover:
 - Market analysis detailing the pay and reward packages used by comparable external organisations
 - Evidence of previous failed recruitment exercises due to higher external market pay rates, in comparison to the total reward package available to St Mary's employees.
 - Details of staff hired within the last 12 months at the same grade
 - Analysis of any equal pay impact this will have within the School/Department for those undertaking comparable roles.

- 2 **Where the candidate you wish to offer the post to is requesting a salary outside the current grade pay ranges**, this business case will need to cover:
 - Evidence of the candidate's current pay and reward package
 - Evidence of the broader external market pay and reward packages
 - Confirmation that no other appointable candidates were available who do not require a Market Supplement to be recruited
 - Analysis of any equal pay impact this will have within the School/Department for those undertaking comparable roles
 - Where there are comparable roles, details of the step difference in skills and experience the individual has compared to those within these roles

- 3 **For Retention Market Supplements**, this business case will need to cover;
 - Reason for retention
 - Evidence of an offer by an external organisation, with proof of the pay and reward package being used to attract the individual
 - Evidence that the external role is comparable to the current role
 - Evidence that pay is the main contributing factor in the retention that cannot be addressed in other ways (e.g. by improved training/career development opportunities, improved job design)
 - Evidence that other reward mechanisms (e.g. regrading, responsibility allowances, etc) cannot be applied
 - Analysis of any equal pay impact this will have within the School/Department for those undertaking comparable roles