

# Market Supplement Pay Policy

## Introduction

Bangor University is committed to the principles of equal pay for work of equal value. It is, however, acknowledged that on occasion the total reward package determined by the University's pay and grading system may not be consistent with reward packages offered for comparable posts in the wider labour market, and that this may lead to recruitment and retention difficulties. In such circumstances, where there is a clear business need supported by objective market data, and other approaches have proved ineffective, the University will consider offering a market supplement payment in addition to the normal reward package for the post.

It is the University's policy to make such payments only in exceptional circumstances and to follow a clear and consistent framework for the determination of any market supplement payment which:

- ensures the University meets its obligations under equal pay legislation and maintains the overall integrity of its pay and grading structures
- allows market supplements to be considered only where a clear and demonstrable business need exists
- ensures that other non-pay issues are fully explored before a market supplement is considered
- permits market supplement payments where an objective assessment of appropriate evidence supports this approach and a rationale is recorded
- sets out the process by which such cases are considered, and the conditions that will be applied
- requires all market supplement payments to be reviewed on a regular basis and verified or removed where necessary
- includes a process for all payments to be monitored and also ensures that they are included in equal pay audits.

## Scope

This policy and procedure covers all prospective and existing university staff.

As well as additional payments covered by this policy, individuals may also be appointed above the minimum of a pay range (the normal starting point at appointment), if they have relevant skills and experience, or once in post may receive accelerated incremental progression or contribution pay to recognise exceptional performance. These are part of the normal appointment and reward and recognition policies and are not covered by this policy. Similarly, relocation packages would not be considered under this policy.

## **Definitions**

### **What is a market supplement payment?**

A market supplement payment is an addition to salary and other benefits for a specific individual post, or group or sub-group of posts. It is paid where higher pay rates offered by other employers (the market rate) prevent the University from being able to recruit or retain staff on the salary indicated for their role by job matching/evaluation alone. The total reward package (basic salary plus all other benefits e.g. pension, annual leave) will be considered when making comparisons.

Such payments apply to posts on a one-off (lump sum) or temporary basis and are subject to periodical review. The supplement may be applied to both open ended and fixed term contracts. Where there ceases to be an organisational need or market justification for a supplement, the post holder(s) will be given notice that the payment will be withdrawn.

### **Types of market related payment**

The University operates two types of market supplement payments, which may be considered, if they present a reasonable and proportionate means of overcoming recruitment and retention issues:

- Lump sum payments made as either a one off payment or in several stages to aid the initial attraction of staff to a particular role or to help retain staff.
- A market supplement payment is paid in addition to the individual's basic salary in order to bring the total annual salary for the role up to the market rate. This will be paid for a specific fixed term. Payments will apply where the labour market conditions, giving rise to recruitment and retention problems, are expected either to be short term and where the payment is expected to disappear or reduce in the foreseeable future, or where the labour market conditions are more deep-rooted and the need for the payment is not expected to vary significantly in the foreseeable future.

## **General Provisions**

Market supplement payments may be granted on a fixed term or lump sum basis where there is clear evidence that recruitment and retention difficulties are caused by the pay rate being low, relative to that offered by other employers for comparable posts. Heads of Colleges/Departments/Schools must adequately consider and implement non-pay solutions to retain staff before a market supplement will be considered.

Market supplements will be calculated as a fixed cash amount, the value of which will normally be reviewed annually and may result in the supplement being varied or withdrawn. The appropriate level of a supplement will be determined by calculating the difference between the University's pay rate (including the value of any allowances and other benefits) and the market rate, as determined by evidence from appropriate sources. The median market rate will normally be used when calculating supplement payments.

Market supplements are paid in relation to specific posts. Therefore where it is agreed that the payment of a market supplement is appropriate, it will apply to all identical posts and will be paid pro-rata for part time staff.

Where an employee who is in receipt of a supplement moves to another role within the University that does not attract such a payment, the supplement will cease from the date they take up the new post.

Staff who wish to raise issues on an offer, payment, variation or withdrawal of a market supplement should initially contact the HR Department for advice and/or use the appropriate University procedure .

## **Procedure**

### **Stage 1: Investigating Recruitment and / or Retention Problems**

Where recruitment and / or retention problems have been experienced, or there is significant evidence that this will be the case, the relevant Head of Department/College/School should consult the Deputy Director of HR or Senior HR Officer and investigate the cause(s) of the problems, recording their findings using form provided at Appendix 1.

Where as a result of this investigation it is established that:

- no problems with the advertising or recruitment process can be identified, or
- evidence suggests that the main reason for staff leaving is for more pay (other than as part of the normal career/personal development process), or
- strong evidence exists to suggest that such problems are likely to arise,

the Head of Department/College/School and the Deputy Director of HR or Senior HR Officer should discuss whether any improvements can be obtained by offering or making applicants aware of non-pay benefits (e.g. pension schemes, training and career development opportunities, facilities, access to a range of policies that support work-life balance, the opportunity to engage in leading edge research).

If non-pay approaches have proved ineffective and the evidence suggests that the normal reward package offered may be uncompetitive, the Head of Department/College/School, in discussion with the Deputy Director of HR or Senior HR Officer, should compile relevant evidence using the 'Stage1' section of Appendix 1 and submit this to the HR Department. Investigation and analysis of relevant external pay data will be undertaken in order to determine whether a market supplement might be appropriate.

### **Stage 2: Analysing the Market Data**

The HR Department is responsible for identifying and analysing an appropriate and relevant sample of labour market pay data in order to establish whether justification exists for the payment of a market supplement. The independent evidence from which data are gathered will vary depending on what is relevant for the particular

post under examination, however data from a minimum of two reliable sources will usually be required, such as, UCEA Annual Remuneration Surveys, Independent Data Surveys (IDS). Industry rates or trades unions agreements may also be considered. The results of these investigations will be recorded using the 'Stage 2' section of Appendix 1.

If the evidence established indicates that the market rate is equal to or lower than the value of the total reward package offered by the University, a market supplement will not be appropriate and the Deputy Director of HR or Senior HR Officer will work with the Head of Department to identify other underlying recruitment or retention problems and the most appropriate ways of overcoming these.

Where market pay supplements have established evidence to suggest that the market pay rate is significantly higher than the reward package offered by the University, the HR Department may recommend the use of a market supplement and the initial period of duration. Recommendations will be made using the 'Stage 2' section of Appendix 1.

### **Stage 3: Formal Consideration of the Case**

Where evidence established at stages 1 and 2 of this procedure indicates that a market supplement payment may be a reasonable and proportionate response to recruitment and retention difficulties, the resulting recommendations will formally be considered by the HR Director and Remuneration Sub-Committee and their decision will be recorded using the 'Stage 3' section of Appendix 1.

The HR Department will retain a record of all cases that have been considered including a rationale of why applications have been approved, type chosen or refused.

Should a recommendation be approved, a market supplement payment will be established taking the form of:

- a lump sum, non pensionable, payment or
- an ongoing payment in addition to salary for a specified period of time.

In cases where the post is to be advertised the advert will refer to the payment of a market pay supplement. All employees entitled to a market supplement will be provided with a written statement detailing the amount of supplement, its duration, and the review periods that apply.

Further particulars and contracts of employment will identify market supplements as a distinct and separate element of pay, specifying the duration of the supplement. Supplements will be paid through the normal salary system, but will be identified separately from the base salary in documentation and records, including payslips.

Market supplements will be subject to National Insurance, PAYE income tax and, in the case of on-going payments, pension deductions. Market supplements will be taken into consideration in the calculation of all statutory entitlements such as sickness, maternity support, adoption leave and redundancy. However, for the

calculation of all other payments, such as overtime, market supplements will not be included.

Employees in receipt of a market supplement will continue to progress incrementally up the normal pay scale for their grade and receive relevant inflationary pay awards on that scale. Pay increases under the standard pay and grading arrangements will be taken into consideration whenever the market supplement is reviewed.

## **Review Stage**

The review process follows a three stage procedure similar to that detailed above. The form contained within Appendix 2 will be followed each time the supplement is due for review.

Market supplement payments will normally be reviewed by the Remuneration Sub-Committee on an annual basis, unless they were paid as a one-off lump sum and no continuing entitlement exists. At this time a further assessment of the market conditions and organisational requirements will take place to determine whether the payment should be preserved, varied or withdrawn. Payments will be withdrawn after a defined notice period where there ceases to be an organisational need or market justification for a supplement. The Director of HR will be responsible for providing the reports and recommendations.

Post holders will receive written confirmation of the outcomes of the review.

Where the outcome of the annual review is that the supplement is to be reduced or withdrawn, the employee(s) concerned will be informed and their current salary level protected for a maximum of 12 months. Where a review demonstrates that a higher market rate supplement should be paid, the increased rate will take effect the month after the review.

Any continuation of the market supplement payment will be for a fixed time period, normally one year, and any further extension will be considered at the next review date.

## **Monitoring**

Data on market supplement payments (including lump sum payments) will be compiled and reviewed annually by the HR department for equal opportunities monitoring purposes and for presentation to the HR Task Group. Supplements will also be included in any equal pay audits that the University undertakes.

Information compiled for monitoring purposes will be shared annually with the recognised campus unions and consultation will take place to enable the effectiveness of this policy to be reviewed.