

# Market Supplement Policy and Guidelines

## Policy and Procedure

### Document Control

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This policy will be reviewed periodically to ensure compliance with changes in HMRC guidelines, Pension Regulations, employment law and equality and diversity legislation. In the event that this policy or procedure is not compliant, the relevant legislation shall prevail.

**Changes to this policy will be subject to consultation with the University's recognised Trade Unions before implementation**

## Contents

1. Introduction .....	3
1.1 Statement.....	3
1.2 Definition and scope .....	3
a) Types of market supplements.....	4
b) Definition of business need .....	4
2. Procedure.....	4
Stage 1: Investigate recruitment and / or retention problems .....	4
Stage 2: Gathering / analysing market data .....	5
Stage 3: Formal approval of a market supplement .....	5
Stage 4: Implementation of the supplement.....	5
a) Value and duration.....	5
b) Payment process.....	6
c) Applying supplements to other posts.....	6
d) Withdrawing supplementary payment.....	6
Stage 5: Monitoring and review.....	7

### 1. Introduction

#### 1.1 Statement

Brunel University London is committed to the principles of equal pay for work of equal value and by using the HERA job evaluation process this ensures a consistently applied and robust approach which measures the relative value of jobs within the University. This in turn determines the grade and position on the University's pay structure within Grades S1 to H5, which are covered by the Framework Agreement. The University does acknowledge, however, that there may be occasions where the total reward package offered for particular posts may not be as competitive as those offered in the wider labour market, leading to recruitment and retention difficulties.

In such cases where it is established that there is a clear business/organisational need, and this is supported by objective market data, the University will consider applying a market supplement to the normal reward package for the post.

This policy has been developed to ensure the University has a clearly defined approach to applying market supplements where a genuine business need arises and follows the guidance set out in Appendix E of the National Framework Agreement Guidance for Use of Attraction and Retention Premia. It also complies with the legal requirement that employers have objective justification if they offer different rates of pay to staff whose work is of equal value.

Such payments will only be made in exceptional circumstances and the University will follow a clear and consistent procedure for the determination, implementation and review of any market supplements which ensures that:

- there is compliance with equal pay legislation;
- a clear and demonstrable business need exists;
- an objective assessment of appropriate evidence has been carried out which supports this approach;
- all other methods, approaches and potential problems have been fully explored (including non-pay issues), before a market supplement is considered;
- supplementary payments will be subject to review on a regular basis;
- the rationale for the use of a market supplement is recorded, and the pay data is included in equal pay audits.

#### 1.2 Definition and scope

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 employees with a particular skill or group of skills. Market forces can fluctuate and market rates of pay may go down as well as up.

The total reward package in this instance includes basic salary plus all other benefits (e.g. pension, annual leave) and will be used when making comparisons with the market. The initial payment is normally for a fixed period of 2 years and is then subject to review every 2 years thereafter.

This policy covers all prospective and existing employees, and relates to both internally and externally funded posts. For equal pay purposes, where a market supplement payment has been agreed, it must be applied to all employees with a directly comparable role as determined through the HERA grading.

### a) Types of market supplements

1. 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.
2. 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.
3. A **Welcome Supplement** (bonus) is a one off payment made to an individual at the outset of their appointment, and maybe where an individual is accepting a role at a lower salary than their current salary, however there is no data to support an ongoing market impact. This is a taxable payment, and is not included for pension contributions.

### b) Definition of business need

1. Job analysis does not take account of labour market trends and there may be a need to attract or retain high calibre staff who are recognised for their expertise or specialism within their particular field who can help drive the University forward.
2. 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.
3. 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. Procedure

Where significant difficulties are experienced in recruiting or retaining staff in a role, or there is evidence that this will be the case, the following procedure should be used to assess whether a market supplement payment is justified.

### Stage 1: Investigate recruitment and / or retention problems

A market supplement will only be considered once other ways of improving recruitment, retention, recognition and reward have been explored and exhausted and market pay is shown to be the primary issue.

Therefore, before a request for a market supplement is made, the Department must establish (where applicable) that:

- the recruitment process has been of a high quality, and no problems with it can be identified;
- evidence concerning high levels of employee turnover suggests that the main reason for staff leaving is for more pay to undertake comparable roles (thus discounting normal career progression/personal development);
- strong evidence exists to suggest that such problems are likely to arise;
- non-pay approaches, including reward and recognition routes, offering secondment and experience opportunities, giving greater prominence to benefits, offering training and career development opportunities (not an exhaustive list) have proved ineffective;
- there is evidence to suggest that the normal reward package offered is uncompetitive in the current market.

If, following this initial investigation, it is established that market pay is the key issue, sufficient data must be gathered to support this. The request for the initiation of Stage 2 must be provided by the Recruiting

## Market Supplement Policy

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Manager, in conjunction with support from their Human Resources Business Partner, and submitted to the Reward Team Email

### Stage 2: Gathering / analysing market data

Market pay data will be gathered by a Reward Team member, and will be sourced from relevant and reliable sources. This may include benchmarking with other roles within the institution, as well as UCEA market data. Current market data may also include similar institution recruitment initiatives and similar role vacancies although it will be considered that recruitment data may provide a false high.

The Reward Team will then provide a report with the identification and analysis of relevant and appropriate market pay data.

If, following an analysis of the data, it is established that the market rate for the post/group of posts is significantly higher than the total reward package being offered by the University, the report will include a proposal outlining the type of market supplement and both a minimum and maximum amount of the supplement for consideration to the Recruiting Manager and Department Budget holder in conjunction with the Department's Human Resources Business Partner. This report will also include any relevant impacts relating to the implementation of a market supplement, including if other roles or current role incumbents would also be affected.

### Stage 3: Formal approval of a market supplement

In order to formally implement a Market Supplement, the budget holder will respond to the report provided by the Reward Team in respect of the proposal confirming acceptance.

Where the proposal is a Welcome Bonus, this can be confirmed to the applicant at this time, and not prior to confirmation from the report and approval of the budget holder.

### Stage 4: Implementation of the supplement

#### a) Value and duration

Where payment of a market supplement has been approved, it will be for a fixed period of time, normally two years, and, thereafter, will be subject to review every 2 years.

The value of the market supplement will typically be calculated from the difference between the pay point and the median market rate, but will not normally exceed 20% of the maximum point on the grade.

The amount of the supplement will be determined by the difference between the top point of normal progression in the grade for the job as determined by job evaluation, and the value of the market rate for the job in question.

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.

Market supplements will be subject to National Insurance, PAYE income tax and pension scheme deductions, where the employee is a member of a scheme. These payments will not be subject to cost of living increases. Market supplements will be taken into consideration in the calculation of all statutory and occupational pay entitlements such as sickness, family leave (maternity, paternity, adoption, etc.) overtime and redundancy.

## Market Supplement Policy

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### b) Payment process

Supplements will be equated to an annual cash amount, normally paid equally over 12 months through the normal salary system, and will be identified separately from the base salary in documentation and records, including payslips.

On appointment, an employee shall be placed on the appropriate scale point of the graded post (as identified through role analysis). Normally, this will be the top non-discretionary point of the grade that the role has been evaluated at. The market supplement will then be applied.

The market supplement payment will be subject to the following criteria:

- will not be subject to increases under any pay awards
- will be subject to the normal statutory deductions
- will be pensionable
- will be included in calculations for the purposes of other payments such as maternity/adoption, paternity and sick pay
- will be paid pro rata for part-time staff

### c) Applying supplements to other posts

Market supplements are paid in relation to specific posts and where it is agreed that the payment of a market supplement is appropriate, it will apply to all directly comparable posts as agreed by Human Resources Rewards and will be paid pro-rata for part-time staff. All employees entitled to a market supplement will be provided with a written statement detailing the amount of the supplement, its duration and the review periods.

### d) Withdrawing supplementary payment

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 their new post.

Where there ceases to be an organisational need or market justification for a supplement (see Monitoring and Review below), the post holder(s) will be given three months written notice that the payment will be withdrawn.

If the supplementary payment is to be reduced it will be phased out as follows:

- Month 1-4: 75% of the supplementary payment will be made
- Month 5-8: 50% of the supplementary payment will be made
- Month 9-12: 25% of the supplementary payment will be made

A market supplement is a temporary payment, subject to regular review and will not be incorporated into their basic salary at any time.

There is no right of appeal by the individual against a decision to remove or reduce a market supplement (although this does not affect any statutory rights). However, a summary of the market data (the report) will be shared with the individual to show how the review was conducted and also how this decision impacts the individual's pay.

### Stage 5: Monitoring and review

Data on all market supplements will be reviewed annually via the Reward Team. Supplements will also be included in any equal pay audits that the University undertakes.

Individual market supplements will be formally reviewed every 2 years by the Rewards Team in conjunction with the relevant Human Resources Business Partner. This will involve a further assessment of the market conditions and organisational requirements to determine whether the payment should be preserved, varied or withdrawn.

A recommendation will be put forward to the Department budget holder or Director for formal consideration and approval.

- Where the outcome of the review is that the supplement is to be increased to reflect the current market conditions, this will take effect in the month following the review date.
- Where the outcome of the review is that the supplement is to be reduced or withdrawn, the employee(s) concerned will be given three months written notice of the variation, after which time the reduction/withdrawal will take effect.
- Any continuation of the market supplement will be for a fixed time period, normally two years, and any further extension will be considered at the next review date.