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# MARKET SUPPLEMENT POLICY

## 1. Introduction

- 1.1 The Council recognises that financial pressures and pay restraints have impacted on the ability of public sector employers to compete in the labour market. Where the Council finds it difficult to recruit to specific posts and / or retain employees in those posts, the payment of a Market Supplement to base salary may be necessary as set out within the single status agreement. Typically, a Market Supplement is paid where the 'going rate' for a specific job or specialism is higher than that offered by the Council and it has been unable to recruit / or is struggling to retain current post-holders as a result.
- 1.2 The arrangements set out in the single status agreement have now been reviewed and amended in light of the guidance produced by the National Joint Committee. Once adopted the contents of this document supersede the arrangements included within the Single Status Agreement.

## 2. Summary of the guiding principles for the payment of Market Supplements

- 2.1 This section outlines guiding principles for the payment of Market Supplements. Putting the principles into practice is discussed in subsequent sections.
  - Care must be taken to prevent the indiscriminate or uncontrolled use of Market Supplements which would jeopardise the integrity of the job-evaluated pay and grading structure, potentially exposing the Council to legal claims and undermining budgetary control and cost management.
  - Payment of Market Supplements will only be considered where it can be shown that the problem cannot be resolved through the use of the Council's existing job evaluation and/grading arrangements.
  - Market Supplements will be paid as a separate and clearly identifiable addition to basic pay and should be paid to all in the relevant post.
  - Market Supplements will be time-limited payments. Prior to the expiry date, or if circumstances change (as discussed later), the payment of the supplement will be reviewed.
  - Costs associated with approved Market Supplements will be included as part of annual budget preparations.
  - The contractual conditions for the payment and withdrawal of Market Supplements will be clearly set out for recipients (and potential recipients), including notice provisions.

## 3. Equal Pay and Market Supplements

- 3.1 Every care must be taken to ensure that the payment of a Market Supplement does not expose the Council to a potential equal pay claim.
- 3.2 To minimise the risk of an equal pay (and/or other legal) challenge the Council will ensure that the policy/procedure set out within this document is followed in a systematic and transparent manner. Where a decision is taken to award a supplement this will be supported by a business case setting out the rationale around why a supplement should be paid.

## **4. Equality Impact Assessment and Monitoring**

- 4.1 An equality impact assessment has been undertaken on this policy.
- 4.2 The Council will monitor the overall application of the policy to ensure that it is being applied in a consistent and non-discriminatory manner. Monitoring will be undertaken by gender and protected characteristics. It will include analysis (by service / business unit / job role) of the number of applications received, rejected and approved; amounts paid; and the outcomes of reviews. Equality monitoring reports on Market Supplements will be shared with the union[s] on an annual basis.

## **5. Checks to ascertain whether payment of a Market Supplement is warranted for a specific post or groups of posts / specialism**

- 5.1 The following checks should be carried out sequentially:

Review:

- When the post was last evaluated and whether the job description/job evaluation paperwork reflects current job demands;
- Whether the Council's approved Job Evaluation arrangements (GLPC) have been correctly applied;
- Whether there is any other evidence (such as numerous grading appeals) which might indicate that posts have been incorrectly evaluated/graded;
- Whether there is a case for re-evaluating the post[s] having regard to significant changes in the demands of the job[s] since the last evaluation to the extent that a re-evaluation could lift the post into a higher grade.

- 5.2 If it is confirmed that the evaluation of the post has been properly conducted, the Council will then investigate whether a factor (or factors) other than base pay is (are) the cause of the recruitment / retention difficulties by reviewing:

- the number and calibre of job applications received;
- the recruitment methods/initiatives used and whether alternatives can be considered e.g. targeted advertising;
- whether the current job description person specification properly reflect the demands and requirements of the role;
- whether the value of the total reward package including employee benefits been promoted effectively to applicants / candidates;
- whether the opportunities for learning and development and career progression been highlighted in relation to these posts;
- whether changes to working arrangements are likely to make the post[s] more attractive e.g. being more flexible at the point of hire (consideration of job share/compressed hours/flexi working/ agile working);
- whether new introduction of new career pathways/training could relieve shortages by growing our own in relation to specific occupational groups;
- alternate resourcing arrangements e.g. secondments;

- 5.3 When considering staff turnover regard should be had to feedback provided through staff surveys, exit interviews or union representatives that remain unresolved and / or appear to be recurring workplace issues resulting in staff leaving the Council.
- 5.4 If measures to address 'non-pay' factors (such as those listed above) have not succeeded or cannot be implemented for valid reasons, or if alternative measures are not practicable because the need to fill posts or retain staff is urgent and essential to maintain service delivery and standards, then consideration should be given as to whether there is clear evidence that competitor employers' pay is the main driver in attracting staff to apply outside of the Council and / or deterring potential recruits?
- 5.5 In summary, where there is a necessity to recruit / retain staff in 'hard to fill' posts and the problem cannot be resolved through the Council's job evaluation / grading processes in the first instance and evidence suggests/confirms that 'non-pay' measures will fail to address the problem and that the issue links directly to pay being set at a level that is not competitive it would be appropriate to make an application for approval to pay a Market Supplement. An application form is located at Appendix 1.
- 5.6 As a result of carrying out the above checks, most of the evidence required to meet the qualifying criteria for approval of a payment should have already been gathered. The qualifying criteria are discussed in the next section.
- 5.7 Business Managers and Directors will be responsible for gathering evidence in liaison with HR prior to submitting an application to CMT for consideration. CMT will be responsible for approving applications and authorising payment. Business Managers are advised to seek assistance from HR, particularly on identifying the comparator market and obtaining relevant market data.

## **6. Qualifying criteria for the payment of Market Supplements**

- 6.1 All applications for market rate supplements must demonstrate a clear rationale for their payment, supported by evidence.
- 6.2 The post or group of posts in question must be identified (post number[s]; title; grade / band) along with the number of post-holders (including current vacancies).
- 6.3 The criteria for approval of applications are included below:
- i. Evidence of pay-related recruitment and / or retention difficulties (such as turnover rates in the specific posts or job group; responses to job advertisements or other recruitment initiatives; qualitative assessment of job applicants; details of other measures taken to boost recruitment and / or improve retention and the outcome);
  - ii. An explanation (with evidence) of the impact on service provision and delivery which would result from failure to recruit / retain the number, level and calibre of staff required.
  - iii. Clear evidence that the Council's rates of pay for the defined post or group of posts falls below the required level in relation to the comparator market. (The 'required level' will be determined by the Council at the time, taking account of relevant market data and the needs of the service.)

All three criteria must be met.

## **7. Identifying the comparator market and relevant market data**

7.1 The comparator market will depend on the type and level of the specific posts or group of posts for which an application for a Market Supplement is to be made.

7.2 Account should be taken of:

- The employment sector – national (where appropriate) and local labour market comparators e.g. local authority (unitary / district / county); wider public sector; not-for-profit; private sector;
- The geographic labour market as appropriate e.g. national, regional or local; (Where are recruits expected to come from and where are competitor employers located?)
- The organisations considered to be the main competitors for the post[s] in question;
- The size and resources of the comparator organisation (number of staff employed; budget size; functions; population / client base served);
- Other labour market factors relevant to the role e.g. skills shortage in a particular occupation.

7.3 Care needs to be taken when identifying (market) comparator posts. The wrong selection of comparators could defeat the purpose of the exercise resulting in the Council failing to recruit 'the right person / people at the right price' or losing a key individual(s) to another organisation. The cost implications of getting it wrong will also be significant given that Market Supplements once approved will be paid to all staff within the job evaluated post and not just the new recruit where multiple posts exist. It is also important to avoid potential equal pay challenges and to maintain a pay system which is transparent and fair.

7.4 When identifying comparator posts from market data, the posts should be the same, in terms of duties and responsibilities, or broadly similar in terms of the required knowledge, skills and responsibilities. Drawing on current examples of local authority practice, supporting evidence would normally include at least three or four examples of comparable jobs (in terms of the main duties, responsibilities, terms and conditions and total reward package). Job descriptions and person specifications for comparable roles should be provided where possible.

7.5 Equal pay issues could arise where starting salaries are at the discretion of Business Managers and Market Supplements are then also paid. Under normal circumstances new starters will be placed at the bottom point of the appropriate grade for their (evaluated) post unless exceptional circumstances prevail.

7.6 When considering pay, if the comparison includes elements of the reward package other than basic pay, this should be clearly identified.

7.7 It is important that there is not a mismatch in comparing pay data. Further guidance can be found at Appendix 2.

## **8. Amount of a Market Supplement**

8.1 After the appropriate comparator post[s] has (have) been identified, along with the relevant market data on pay, the next step is to determine the amount of the Market Supplement.

8.2 The starting point is to assess the extent of the difference between the comparator market range and the equivalent grade range for the post[s] within the Council. If the basis for the assessment is the difference in basic pay, account should be taken of any additional allowances that apply to the Council's and competitor employer[s'] posts.

8.3 Setting the amount of a Market Supplement involves making an assessment of:

- The level which is considered necessary to ensure that the overall remuneration for the post[s] is sufficient to enable the recruitment / retention of staff (and no higher);
- Where the Council wants to position itself in relation to the comparator market. This could vary according to the type or level of post[s] concerned and the specific recruitment / retention difficulties experienced. (Because these decisions determine the extent of the pay difference between posts in receipt of a supplement and non-recipient posts, it is important that the rationale for them is transparent and evidenced).

## **9. Duration of the Market Supplement and Review Arrangements**

9.1 Market conditions fluctuate and supplements are intended to provide a solution to a temporary problem. Time limits and reviews ensure that payments do not continue being made in circumstances where they are not achieving their purpose or they are no longer necessary because other (non-pay) measures have resolved the problem, or labour market conditions have changed so that vacancies are no longer hard to fill. Market Supplements must be provided for a finite period. They must be subject to half yearly reviews to ensure that at all times it can be shown that the market forces relied on remain the reason for any pay differential.

9.2 The standard period for the payment of a Market Supplement is up to two years, subject to review after 6 months. The supplement will then expire unless it is extended following a review. A review may result in the payment being increased, reduced, or removed.

9.3 A review will also take place if a post in receipt of a Market Supplement is re-graded (following an evaluation) to assess whether there remains a need to pay a supplement, or vary the amount.

9.4 A review will automatically be triggered if a job holder in receipt of a Market Supplement leaves the employment of the Council. Employees' contractual terms and conditions must be taken into account (see below) when payments are to be varied or withdrawn.

## **10. Paying Market Supplements – Contracts of Employment**

10.1 This policy applies to all employees of the Council irrespective of the terms and conditions they are employed on e.g. NJC or JNC on the understanding that where necessary the Head of Paid Service reserves the right to adopt a different approach in circumstances where it is not possible to identify comparator posts, particularly for those officers engaged on JNC terms.

10.2 A Market Supplement is a post-related payment, not a payment relating to the performance or merit of an individual employee.

10.3 Where a Market Supplement is introduced for a specific post or group of posts, all existing employees in that post (or those posts) will be entitled to receive it.

10.4 When the payment of a Market Supplement has been approved, all employees entitled to receive it will be notified in writing of its approval and the conditions attached to its payment.

- 10.5 When advertising and recruiting to any post[s] for which a Market Supplement is paid, the supplement must be identified as a separate amount which is time-limited and subject to review.
- 10.6 A Market Supplement is not subject to pay protection arrangements. If posts (or a post) in receipt of a Market Supplement are (is) downgraded, this will trigger a review of the supplement to assess whether the payment remains justified.
- 10.7 Where, as a result of a review, a Market Supplement is to be reduced or withdrawn from an existing employee(s), any new employees appointed will not be eligible to receive a payment. The existing employee(s) will receive contractual notice confirming reduction or withdrawal of the supplement payable.
- 10.8 Where a post-holder in receipt of a Market Supplement payment is promoted (or changes jobs either permanently or as a consequence of a secondment) to a post not in receipt of a supplement, or moves voluntarily to a post with a lower or no supplement, the payment will cease (or reduce) with effect from the date the appointment is made. Where the change in post is as a result of re-deployment at the instigation of the employer, contractual notice of the withdrawal (or reduction) of the payment will be given as it would for any other changes to the contract.
- 10.9 Because Market Supplement payments are paid as a fixed amount in addition to the substantive salary for the post, they will not be increased in line with annual pay awards / cost of living increases and / or incremental progression. In the event of a pay award the Market Supplement figure will be reduced so as to ensure that the salary level remains the same.
- 10.10 Market Supplements will be paid on a monthly basis. They will be clearly identifiable as a separate supplement to basic pay on pay slips. Where the recipient post-holder[s] is [are] part-time workers, the supplement will be paid at the pro rata rate.
- 10.11 Market Supplement payments are subject to any relevant statutory deductions, such as tax and national insurance and pension contributions (where applicable).
- 10.12 Market Supplements will not be treated as part of gross pay and thereby they will not be included in calculations for sick pay, maternity / parental leave, overtime, holiday pay, and redundancy pay
- 10.13 Market Supplement payments may be withdrawn in circumstances where individuals are absent from work for a period of 2 months or more.
- 10.14 If an employee in receipt of a Market Supplement decides to leave the Council, repayment of all or some of the supplement may be required at the discretion of the Head of Paid Service or their Deputy.

## 11 Monitoring and Review

- 11.1 This policy will be reviewed by Human Resources following consultation with the Trade Unions in response to changes in relevant legislation and/or other Council policies, procedures or agreements.

**APPLICATION FOR APPROVAL FOR PAYMENT OF A MARKET SUPPLEMENT**

This form is to be completed by the Business Manager, signed by the Director and forwarded to the Business Manager Human Resources for checking before forwarding onto CMT for consideration.

**1. POST DETAILS**

<b>Post title</b>	
<b>New / existing post?</b>	
<b>JE Number</b>	
<b>Number of staff in this post (include and identify any vacant posts)</b>	
<b>Business Unit</b>	
<b>Grade / pay band /</b>	
<b>Salary</b>	
<b>Total amount of Market Supplement requested</b>	
<b>Period for which the payment of a Market Supplement is sought (months / years)</b>	
<b>2. Is this an application for approval of a new Market Supplement or continuation of an existing one? NB: This check must be carried out prior to making an application for approval of payment of a Market Supplement.)</b>	
<b>NEW</b>	
<b>/ CONTINUATION</b>	
<b>3. What evidence is there of pay-related recruitment and / or retention difficulties?</b>	
a) Number of times the post has been advertised (including dates of adverts)  b) Number of responses to job advertisements  c) Assessment of the quantity of responses (e.g. inadequate, satisfactory)  d) Assessment of the quality of responses (e.g. below required standard, satisfactory)  e) Turnover statistics for the post[s]  f) Supporting data from exit interviews, staff surveys or other feedback  g) Articles in professional bodies' journals / websites, press etc re skill shortages and / or evidence from national surveys (LGA surveys, for example)	

(4.) What evidence is there that pay (and not some other factor) is causing the recruitment / retention problems being experienced?

(5.) What other recruitment / retention initiatives have been tried / exhausted? (eg. changes in methods / types of advertising; changes to information for potential job applicants)

(6.) Have alternatives to paying a Market Supplement been considered, i.e. measures to resolve 'non-pay' issues underlying the recruitment / retention difficulties? If so, please specify.

For example:

- What other measures have been explored? (eg. appropriate changes to the job role or responsibilities; changes to working arrangements; flexible working options)

(7.) Is filling the post[s] essential to maintaining adequate staffing levels to ensure service delivery requirements are met? (Include any legal implications and how long the post[s] have been vacant)

(8.) Has the impact of making the payment on other staff in the team / service been considered and how do you intend to deal with this?

(9.) Labour market data: the 'going rate' for the job:

a) What appears to be the 'going rate'?

b) Is this the 'going rate' for the job in the locality / region / national or occupational labour market?

c) What sources have been used to obtain this data? (eg. recent media advertisements, survey data, pay databases, other local authorities / schools, regional employer networks - please specify)

### **10. Comparable posts**

'Comparable posts' are those which are comparable to the post[s] for which a Market Supplement (or a continuation) is sought, assessed on the basis of the criteria below.

Please provide the following information for comparable posts in three organisations.

Post 1: (This example includes the questions for post 1 only. They will be the same for posts 2 and 3.)

Job title

Salary range  
 Other benefits  
 Authority / organisation  
 a) Key requirements in the job description and person specification?  
 b) How do they compare with the internal post[s]?  
 How does the ('comparable') post compare in terms of job size, type of organisation, scope and responsibilities?  
 (eg. re local population, number of people directly supervised, number employed in service area, size of budget etc.)  
 Any other factors to consider?  
 What is the source of the above information? Please specify and attach copies of:

- the job description
- person specification
- organisation chart (if possible)
- job advertisements
- salary survey data,
- other supporting evidence

**3. PAYMENT AMOUNT AND TYPE**  
 Total amount of payment recommended (per annum)  
 £ \_\_\_\_\_

Basis (or rationale) for the calculation of the payment  
 If approved, how will the Market Supplement be paid?  
 Instalment amount (if applicable)  
 £ \_\_\_\_\_  
 Frequency – monthly, quarterly, other

**4. SOURCE OF FUNDING (please specify)**  
 (Can this payment be made from existing budgets?)

**5. ANY OTHER COMMENTS**  
 Include any additional information in support of this application not mentioned elsewhere.

**BUSINESS MANAGER'S SIGNATURE** **DIRECTOR'S SIGNATURE**

Signature  
 Date

Signature  
 Date

**HUMAN RESOURCES COMMENTS AND RECOMMENDATIONS**

**CMT APPROVAL / REJECTION**

**If no, reasons for rejection:**

<b>Names of staff to be paid the supplement and date they are informed of the decision in writing (with contractual conditions)</b>	
<b>Review date</b>	
<b>Employee(s) Informed</b>	
<b>EST2 to Payroll</b>	

### Sources of Market Pay Data

1. In deciding which salary survey or pay benchmarking data to use, the following questions serve as a useful guide (adapted from the CIPD Using Pay Surveys Checklist, 2011):
  - Who are the publishers of the survey?
  - How, when and why do they produce the figures? (Is the sample size large enough; is it stable over time; are the figures up-to-date; have some companies inflated their pay data to keep it up to date; is the survey analysis objective?)
  - Are your competitor employers represented in the survey[s]?
  - How can you be sure that you are matching like-for-like in terms of organisations? (While survey responses are usually anonymised, some include a list of participants.)
  - Is the regional, national or occupational labour market most important in relation to the posts or specialisms in question? (This will vary depending on the job. Many current shortages are in professional and technical practitioner roles for which there is an occupational labour market.)
  - What if the job in question is unique? (Logically, there will not be a 'going rate' for a job which is unique to your organisation so direct matching is not possible. Based on the job demands, you could look for a job of equivalent worth to use as a reference point.)
  - What elements of earnings are covered by the figures? (Salary surveys vary in the data they provide – from basic pay only to total salary and sometimes wider benefit packages.)
  - How many surveys are needed? (It depends on the survey used, what it covers, and the range of jobs for which data is needed)
  - What is the cost of the survey[s]? (Some survey results are only available to subscribers.)
2. Traditionally, for pay benchmarking, local authorities have used data from sources such as local / national advertisements, neighbouring authorities, regional local government employer networks, HR or profession-specific networks, consultants' pay databases and salary surveys and pay settlement data.
3. When researching 'going rates' of pay, the golden rule for using salary survey or pay benchmarking data is to compare like with like. Importantly, this includes checking the data definitions used in surveys to ensure that 'apples' are being compared with 'apples'.
4. For sharing and comparing public sector pay data, Epaycheck, a national online pay benchmarking service has been developed by a consortium of Regional Employers' Organisations which now includes the LGA. At the time of writing, it is on offer to local authorities and joint boards, with plans to make it available to other public sector organisations in the near future. Currently, it holds details for over 12,500 jobs, covering almost 50 job families, across 200 councils. Epaycheck enables subscribers to produce detailed data reports across organisation types, geographical areas, key services and job responsibilities. One of its cited advantages is it allows the user to provide a sound basis for setting Market Supplements.
5. The Epaycheck system contains a separate job template for every 'workforce' (Green Book) job for which pay data can be submitted. Jobs are categorised by job family and by levels (0 to III) within their family. (Levels reflect the level of seniority of a post determined by knowledge, responsibility and accountability.) Each job template shows the generic responsibilities commonly found within a local authority at that level within that job family. The system requires the user to define the closeness of their local role against the generic job template, using codes for match indicators (M, M- or M+). A

match ('M') indicates a full match to the responsibilities, accountabilities and competencies required for the authority's job against the job template in Epaycheck. A variation of 5% either way is still classed as a match.<sup>2</sup> The inclusion of bespoke duties for individual jobs does not preclude matches as matching is based on what are considered to be the main generic responsibilities of the role. In identifying matches, bespoke duties should be scrutinised to check that the job demands of these duties are accounted for in the main generic responsibilities and the ascribed level. (If not, this could prejudice the matching process were the variation to exceed 5%.)