

# **Leeds Beckett University**

## **POLICY ON THE USE OF MARKET RELATED PAYMENTS**

### **Purpose**

This policy and the accompanying procedure have been designed to ensure that the University:

- Awards market pay supplements to address recruitment and retention issues in a fair, consistent, transparent and robust manner.
- Complies with equal pay legislation, which requires employers to provide objective evidence of the need to offer different rates of pay to staff whose work is of equal value and to establish an appropriate mechanism for removing premia when they are no longer warranted by labour market conditions.
- Considers other potential issues and mechanisms to achieve the effective recruitment and retention of staff.

### **Definition**

A market pay premium is an addition to the salary for a specific individual post, or group of posts. It is paid in order to assist the University with the recruitment or retention of staff.

The payments apply to posts on a temporary basis. Should labour market conditions change and market pay rates fall, or where an employee moves to a different post that does not attract a recruitment and retention premium, their entitlement to that payment will cease and the premium be withdrawn in line with agreed notice and protection periods.

Recruitment and retention premia can be applied to both permanent and fixed term posts and can be paid either on a fixed term (for example, where market pay rates have increased for some temporary reason, such as for IT staff in the run up to the millennium or a particular project that requires specialist skills) or an indefinite basis (subject to an annual review).

As well as additional payments covered by this policy, individuals may also be appointed above the minimum of a pay range (the normal recruitment point), if they have relevant skills and experience equivalent to a member of staff who has been in post some time. This is part of the normal appointment process and not covered by this policy.

### **Application**

Market premia will only be awarded where there is market based evidence that recruitment and retention difficulties are caused by University pay rates being low relative to those offered by other employers for similar posts.

This will require managers to give adequate consideration to the implementation of appropriate non pay solutions to recruit and retain staff. The accompanying

procedure sets out the steps that are involved in ensuring that all appropriate information is taken into account when determining if a premium is required. Any market premium must be approved by the Dean/Director and Director of HR.

The value of premia will be determined by the difference between the University's normal pay rate for the post as determined by job evaluation (and including the value of allowances) and the market rate, as determined by evidence from appropriate external market sources.

Recruitment and retention premia will usually be expressed as cash sums and will be separately identifiable from any other component of pay.

The use of all market payments will be reviewed annually in line with the market rate for the particular job and for their effectiveness in improving recruitment and retention within the University. This review will also take account of any normal incremental progression that the individual could expect.

Market payments for a role may be withdrawn or reduced following an annual review. The employee will receive notice of the reduction/withdrawal equal to the contractual notice of employment to which they are entitled. The premium will then be reduced or withdrawn in stages over a period of up to 6 months in line with agreed guidelines (providing a maximum of 9 months in total from notice of withdrawal/reduction of the premium and the final outcome). There will be no specific right of appeal by the individual against a decision to remove or reduce a market premium although the University's grievance procedure is available to any employee who feels that the process or outcome is not appropriate.

Where, following the review, the available evidence on pay rates elsewhere and labour market conditions shows that an increase in the recruitment and retention premium is required, the increase will take effect in the month following the review date.

Where recruitment and retention premia are awarded on an indefinite basis they will be considered as pensionable pay. However, market premia paid for a specific fixed period of time will not be pensionable as they have a definite end date.

Market payments will also be reckonable for holiday, sick pay and redundancy purposes but not in the calculation of other payments such as overtime or unsocial hours payments.

Where a staff member chooses to leave a role which attracts a market premium and takes up a role which does not, no notice or protection will be applied.

## **Further Considerations**

The payment of market related supplements has a number of potential implications which managers need to consider. These include:

- Where there are a number of employers competing on pay grounds for staff in a particular area (geographical, specialist field etc) the application of market supplements may result in a pay spiral as employers try to out bid each other for staff.
- Market payments can create ill feeling among staff in posts of an equivalent evaluated grade and size which do not warrant them.
- It is critical that the evidence to support the decision to award a market premium is robust. The University may be required to demonstrate that any additional

payments resulting in differences between jobs of equal value are justified in line with equal pay legislation.

- Market payments which have been made on an indefinite basis can be very difficult to withdraw when they are no longer necessary. This may result in demotivating the individuals concerned, which in itself could affect retention.
- Recruitment and retention problems are often caused by factors other than pay, such as ineffective advertising, unrealistic job design, heavy workloads or a perceived lack of career progression opportunities. The range of situations where a market payment is the most effective course of action to address a recruitment or retention issue is very limited.

### **Applying market premia**

If a manager believes that there is a recruitment or retention issue in their area they should contact their HR Manager for advice and guidance on the most appropriate course of action as well as sourcing appropriate market data.

A checklist has been designed to help managers gather the appropriate information to discuss with the HR Consultant. This is attached as part of the procedure for applying market premia and can be found at <web URL>.

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