Policy on the use of market related payments

Contents

1. Purpose of this policy

1.1. Following the JNCHES Guidance, this policy and the accompanying procedure and checklist have been designed to ensure that the University:

1.1.1. Awards recruitment and retention premia in a fair, consistent, transparent and robust manner.

1.1.2. Complies with equal pay legislation, i.e. has objective evidence of the need to offer different rates of pay to staff whose work is of equal value and an appropriate mechanism in place for removing premia when they are no longer warranted by labour market conditions.

1.1.3. Considers other potential issues and mechanisms to achieve effective recruitment and retention of staff.

1.2. In order to do this the policy takes account of:

- the JNCHES's Framework Agreement for the assimilation of individual staff to new pay structures;
- The Equal Pay Act 1970;
- examples of best practice in improving recruitment and retention;
- discussions with campus trades unions.

1.3. This policy provides the mechanisms to address pay related recruitment and retention issues and replaces other means previously used such as Fund for Special Payments or promotion criteria. It also encompasses the HEFCE funded 'Golden Hello' scheme introduced in 2003.

2. Definitions

<u>What is a recruitment & retention premium?</u>

2.1. A recruitment and retention premium is an addition to the salary for a specific individual post, or group of posts. They are paid where other employers' higher pay rates (the market rate), prevent the University from being able to recruit or retain staff on the salary indicated for the role by role analysis alone.

2.2. 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does not attract a recruitment and retention premium, their entitlement to that payment will cease and the premium be withdrawn in line with agreed notice and protection periods.

2.3. Recruitment and retention premia may be applied to both permanent and fixed term posts.

3. Types of market premia

3.1. The university will use two means of increasing pay rates to overcome recruitment and retention problems. These are:

3.1.1. Lump sum payments e.g. Golden hellos which are lump sum payments which aid in the initial attraction of staff to a particular role. They can be made as either a one-off payment or in several stages to help retain staff. Typically these types of payments can be used to facilitate the recruitment of particular groups of staff e.g. staff who may not typically enter the sector, new teaching staff, graduate/post graduate students.

3.1.2. An ongoing recruitment or retention premium, 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. These can be paid for:

- A specified 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).
- For an indefinite period, subject to an annual review, after which they can be increased, reduced or withdrawn.

3.2. Where a market premium is appropriate for a role with a significant teaching element and to bring in staff from outside the sector HEFCE funding may be available. Guidance on the availability and use of this funding can be found in the procedures document.

3.3. As well as additional premia covered by this policy and awarded on a temporary basis, individuals may also be appointed above the minimum of a pay range (the normal recruitment point), if they have relevant skills and experience which warrant this. This is part of the normal appointment process and not covered by this policy.

4. How they will be used

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

4.2. This will involve managers adequately considering and implementing appropriate non pay solutions to recruit and retain staff.

4.3. The accompanying procedure for determining and awarding market related payments includes a checklist to be used by the Head of School/Service in conjunction with the Faculty HR Manager to ensure all appropriate evidence is considered and to determine if a premium is required. Any recommended payment must be agreed via the Faculty Dean and Director of HR.

4.4. Recruitment and retention premia will usually be expressed as gross cash sums and will be separately identifiable from any other component of pay. A pro rata amount will be paid to part time staff.

4.5. Where an ongoing premium is applied to a role the value will be determined by the difference between the University's normal pay rate, usually the midpoint of the grade for the post as determined by role analysis (and including the value of allowances and other benefits) and the market rate, as determined by evidence from appropriate sources. HR Managers can advise on appropriate sources of information.

4.6. Individuals will be appointed onto the grade for the role as determined by role analysis. The incremental point on appointment will be determined as normal taking into account factors such as previous experience. The individual will then progress through the increments in the normal way. The recruitment or retention premium will be paid in addition to their basic salary.

4.7. The use of all recruitment and retention premia will be reviewed by the Head of School/Service and the HR Manager annually in line with the market rate for the particular job and for their effectiveness in improving recruitment and retention within the University. Where an ongoing recruitment and retention premium has been applied this review will also take account of any increases in the normal pay rate for the post.

4.8. Ongoing recruitment and retention premia for a role may be withdrawn or reduced following adequate reviews. Where this reduction or removal would result in a decrease in an individual's total pay a notice period of three months from the annual review date will be given of the University's intention to reduce or withdraw the premium. The premium may then be reduced or withdrawn in stages over a period of up to a further nine months.

4.9. 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, that increase will take effect in the month following the review date.

4.10. Where recruitment and retention premia are paid on an ongoing basis either for a fixed term or an indefinite period they will be included in calculations for the purposes of other payments such as maternity pay, sick pay and overtime.

4.11. Lump sum payments and premia paid for a specific fixed period of time will not be pensionable as they cannot be considered to be part of basic pay and have a definite end date. It would therefore not usually be in the staff members' interests to pay the additional contributions.

4.12. Where recruitment and retention premia are awarded on an indefinite basis the individual may choose for them to be considered as pensionable pay. Although these payments are not part of basic pay and may be withdrawn the University recognizes that given their indefinite nature the individual may in some cases wish the market rate to be reflected for final salary purposes.

4.13. 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.

4.14. Where a staff member has received a lump sum recruitment or retention premium and leaves the University within two years of that premium being awarded they may be required to reimburse the full amount already paid to them.

4.15. There is no right of appeal by the individual against a decision to remove or reduce a market premium.

5. Cautions

5.1. There are a number of issues which managers need to be aware of regarding the use of recruitment and retention premia. These include:

5.1.1. Where there are a number of employers competing on pay grounds for staff in a particular area (geographical, specialist field etc) this may merely result in a pay spiral as employers try to out bid each other for staff.

5.1.2. Recruitment and retention premia can create ill-feeling among staff in posts which do not warrant them.

5.1.3. It is critical that the evidence to support the decision to award a market premium is robust. The University will be required to demonstrate that any additional payments resulting in differences between jobs of equal value are justified in line with The Equal Pay Act 1970.

5.1.4. Payments made as an indefinite increase to salary can be very difficult to withdraw when they are no longer necessary. This may result in de-motivating the individuals concerned, which in itself could affect retention.

5.1.5. There are limited occasions where a recruitment or retention premium is the most effective course of action to address a recruitment or retention issue, and indeed, it is very rare for retention payments to be made. Recruitment and retention problems are often caused by factors other than pay, such as ineffective advertising or unrealistic job design.

6. Applying recruitment and retention premia

6.1. If a Head of School/Service believes that they have a recruitment or retention issue they should contact their Faculty HR Manager who can provide advice and guidance on the most appropriate course of action as well as sourcing appropriate market data.

6.2. A checklist has been designed to help Heads of School/Service gather the appropriate information to discuss with the HR Manager. This can be found in the Market Pay procedures document.

6.3. Any recommended premium will then be agreed via the Faculty Dean and the Director of Human Resources.