

MARKET SUPPLEMENTS POLICY

1.0 POLICY STATEMENT

- 1.1 CCBC is committed to the provision of high quality public services to the people of Caerphilly County Borough. In order to enable it to provide those services it is essential that CCBC recruits and retains a workforce of the highest standard. In this respect the workforce is recruited through the medium of CCBC's Recruitment and Selection Policy to posts, which have been graded under a job evaluation scheme and placed on a pay structure that has been based on the principles of equal pay law.
- 1.2 The grading of posts are based on CCBC's job evaluation scheme as this ensures that the pay system is based on equality as defined in the Equal Pay Act 1970 and ensures consistency in pay decisions. For these reasons any deviation from this system may create a risk to CCBC that must be tightly regulated and must be for significant and clear reasons.
- 1.3 However, there may be occasions when market forces produce a situation where a particular Service within CCBC is experiencing severe recruitment and/or retention problems related to a particular post. This Market Supplements Policy explains how CCBC may in exceptional circumstances, and in order to attract and retain an individual to a particular post, offers an additional temporary supplement to the salary grade identified through the Authority's grading scheme.
- 1.4 Market supplements enable an employer to take account of the fact that job evaluation does not reflect the relative market worth of jobs in the wider jobs market. However there are very specific rules to the application of market supplements if they are going to be able to be objectively justified if ever called into question (the example in an equal pay claim situation). Current employment case law recommends that market supplements should be:
- i) restricted to a limited number of jobs where there is clear evidence of the councils own pays significantly lower than the market rate for specific jobs *and* there are recruitment and retention problems
 - ii) designated as temporary and subject to regular review
 - iii) clearly identified as separate from basic pay (so that the employee understands their basis and they can be justified if an equal pay issue arises)
 - iv) paid separately from basic pay; for example as an annual payment (which might also serve as a retention measure)
 - v) capable of being withdrawn. It should be written into contracts employment that they can be removed. A clear process for withdrawal should be established
- 1.5 All aspects of the implementation of the policy will be rigorously scrutinised and reviewed by the Human Resource Strategy group in conjunction with the Head of HR & OD.
- 1.6 The award of a market supplement payment onto a post will be the absolute exception rather than the rule.

2.0 POSTS TO WHICH THE POLICY WILL APPLY

- 2.1 This policy will apply to those posts that were evaluated as part of the Local Single Status Pay & Grading Review. It may in some circumstances apply to other posts within CCBC. with the exception of teachers.

3.0 DEFINITION

- 3.1 A market supplement is a discretionary payment, which is paid in addition to the basic salary of a post or a group of posts. The payment is designed to address exceptional circumstances when CCBC is experiencing or clearly identifies severe recruitment and retention difficulties, and in particular when those difficulties are a result of offering a lower salary than that which is being offered by other employers within the market identified for that particular post e.g. local market, regional market or when skill shortages means CCBC is having difficulty attracting candidates to a particular post.
- 3.2 A market supplement is not a permanent addition to the salary. Should circumstances related to the market rate of the post change, or where a member of staff is transferred by CCBC to a different post that does not attract a market supplement, their entitlement to the payment will cease and the supplement will be withdrawn in line with agreed notice. Staff members who apply and are appointed to a post that does not attract a market supplement will automatically lose the supplement on their last day in the post that does attract a market supplement. It is important that the payment of any market supplement is kept under review and continued payment remains appropriate.
- 3.3 Paying a market supplement is an exceptional measure and there must be a justifiable rationale for the payment, supported by clear and detailed evidence concerning severe recruitment and/or retention difficulties. The evidence must demonstrate the following:
- That the rates of pay for the post concerned in the relevant external employment market are above the rate of pay identified for that post under CCBC's Pay & Grading Structure. This must be quantified in order to identify how much the market supplement should be.
 - That as a result of the above CCBC is having severe difficulties in recruiting to and/or retaining employees in the post.

4.0 GENERAL PRINCIPLES

- 4.1 The decision to pay a market supplement will only be taken when all other non-pay related measures to successfully recruit and/or retain a staff member have been reasonably explored. The extent to which the various measures are explored depends entirely on each individual case.
- 4.2 CCBC will justify a market supplement by gathering clear and detailed evidence for awarding such a payment, including information on recruitment and/or retention problems within CCBC and external pay data.
- 4.3 CCBC has identified a number of indicators that may suggest that there is a severe recruitment and/or retention problem within a particular Service. It is important to note that these are merely indicators; they do not mean that a post will attract a market supplement. The indicators are as follows and are not intended to be exhaustive:
- The post has been externally advertised on 3 occasions, and those 3 attempts have resulted in a failure to appoint an individual to the post.
 - Information concerning turnover within a post or a group of posts within CCBC.
 - Information concerning the external labour market e.g. Local labour market survey data, salary rates advertised for posts with other employers.
 - Information gained through the medium of exit interviews.
 - Any other significant retention issues.
- 4.4 The various recruitment solutions will be explored when the post is advertised for the second and third time; Services must not advertise the post three times without reviewing the documentation and methods used. At the same time a Service does not

have to advertise a post on three separate occasions if there is substantial evidence from other sources of information that there may be a case for paying a market supplement.

4.5 A market supplement will be financed from the relevant Service's budget. The Head of Service will prepare a business case for submission to the Head of Human Resources for awarding the acting up payment, including the following information:

- The reason for the market supplement, including the clear evidence for the decision to request the payment.
- Financial implications of the arrangement

Business Case approval will require the signature of the Director, Head of Service and Head of HR & OD

The business case will be scrutinised by the HR Strategy group, and no market supplement will be granted for any post without the endorsement of the Head of Human Resources.

4.6 The amount of market supplement paid will depend entirely on the circumstances of each case and the evidence gathered to justify the supplement. The final decision as to whether a post attracts a market supplement rests with CCBC's Head of Human Resources. No offer or indication must be given to any candidate/potential employee without this authorisation.

4.7 A market supplement payment is pensionable.

4.8 When a post is being advertised the market supplement element will be clearly identifiable from the base salary element.

4.9 All market supplement payments will be regularly reviewed at the request of the relevant Head of Service or at least on an annual basis before the end of the financial year. A market supplement will also be reviewed each time the post vacancy arises. The Head of Human Resources, in consultation with the HR STRATEGY GROUP, will undertake the review process.

4.10 If the circumstances relating to a particular market supplement changes, CCBC will remove the payment in line with agreed notice. This will include situations when the market supplement is to be reduced rather than removed completely. The decision to reduce or remove a market supplement will be taken by the Head of Human Resources and his decision will be final.

4.11 The notice period for reducing or removing a market supplement is three months.

4.12 Each post will be treated individually. Therefore if a post attracts a market supplement it does not necessarily mean that similar posts will attract the same payment. At the same time, CCBC has the discretion to pay a market supplement to a group of posts. Any candidate appointed to a post which carries a market supplement will have the amount and terms of the supplement, including CCBC's ability to withdraw it on notice, explained and confirmed in writing.

Responsibilities

4.13 The responsibilities under this policy are as follows:

- The Head of the relevant Service, in consultation with the Directorate's Personnel Officer and the Human Resources Service will explore all possible solutions to try and resolve the identified recruitment and/or retention problems.
- The Head of the relevant Service will present a business case to CCBC's Human Resources Service for the payment of a market supplement to a post or

a particular group of posts. This will include clear and detailed documentation and potential evidence of the problems within the Service.

- In addition to the information presented by the Head of the relevant Service the Human Resources Service will maintain up-to-date information on the relevant labour market.
- The Human Resources Service will assess the market data and the information presented by the relevant Service in order to assess whether there is a case for paying a market supplement.
- The Head of Human Resources will be responsible for deciding whether to pay a market supplement or not. Such an assessment will consider the risk of failing to appoint to a post/retain current staff against the risk of receiving any challenges under Equal Pay legislation. The Head of Human Resources' decision will be final.
- The Human Resources Service will be responsible for reviewing and if necessary removing the market supplement in line with the agreed notice period.

5.0 Monitoring

- 5.1 The Policy & Performance Unit in Corporate Personnel will monitor the equalities aspects of the operation of this policy. Reports will be prepared on an annual basis to the Equalities Executive Board.
- 5.2 All Market supplements will be reviewed on an ongoing basis. Annual Reports will be prepared on an annual basis to the HR Strategy group.