



# Market supplement policy

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# Market supplement policy

## Section 1: Introduction

The University of Essex is committed to the principles of equal pay for work of equal value, and uses the HERA job evaluation scheme and national role profiles to determine the relative value of all job roles, in Grades 1 to 10, which are covered by the Framework Agreement. It is acknowledged, however, that there may be occasions where the total reward package offered for particular roles may not be as competitive as those offered in the wider labour market, therefore leading to recruitment and retention difficulties. In such cases where it is established that there is a clear business need, supported by objective market data, the University will consider applying a market supplement to the normal reward package for the role.

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

- there is compliance with equal pay legislation
- the overall integrity of the pay and grading structure is maintained
- a clear and demonstrable business need exists
- an objective assessment of appropriate evidence has been carried out
- all other methods, approaches and potential problems have been fully explored (including professional development opportunities), before a market supplement is considered
- all market supplement payments will be subject to review on a regular basis and varied or removed as necessary
- the rationale for the use of a market supplement is clearly and consistently recorded and reported, and the pay data is included in equal pay audits

## Section 2: Definition and scope

Market supplements are payments made in exceptional circumstances and applied to an individual job role<sup>1</sup> (or group of roles) in addition to the basic salary established through the job evaluation process. They are paid when it has been demonstrated that the total reward package offered by the University is not sufficient to attract, recruit and retain employees as a result of labour market forces. The total reward package which will be used when making comparisons with the market includes basic salary plus all other benefits (e.g. pension, annual leave). This policy covers all prospective and existing job roles, and relates to both internally and externally funded posts.

Market supplements are driven by labour market forces and will not be used as a method to respond to outside offers of employment. In such circumstances, where applicable and at the discretion of the Vice-Chancellor Ordinance 36 and 37 will apply.

## Section 3: Procedure

Where significant difficulties are experienced in recruiting or retaining employees 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 methods of improving recruitment and retention have been explored and exhausted and market pay is shown to be the main barrier to recruitment or retention. Therefore, before a request for a market supplement is made, the School/Department/ Section must establish (where applicable) that:

- there is evidence to suggest that the normal reward package offered is uncompetitive in the current labour market
- the recruitment process has been thorough and robust and no problems with it can be identified
- evidence concerning high levels of employees turnover suggests that the main reason for employees leaving is for more pay to undertake comparable roles (thus discounting normal career progression/personal development) or there is strong evidence to suggest that such problems are likely to arise

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<sup>1</sup> For the purposes of the Market Supplement Policy, the term 'role' shall refer to a job role rather than an academic departmental role such as Head of Department, Director of Employability etc.

- the full use of pay scales has been utilised, this will normally mean use of the top non- discretionary point of the pay grade

If, following this initial investigation, it is established that market pay appears to be the key issue, then sufficient data must be gathered to support this.

## **Stage 2: Gathering / Analysing market data**

At this stage advice should be taken from People and Culture to ensure the reliability of the data source and the relevance and appropriateness of the selected data.

Market pay data must be gathered from the practices of comparable Higher Education Institutions and a minimum of two relevant and reliable sources.

Possible sources could be:

- Government statistics
- pay research bodies
- sector pay surveys
- HR networks
- recruitment agencies' adverts
- professional bodies
- industry sponsored surveys
- specialist consultants' databases
- local/national job adverts

If, following an analysis of the data, the School/Section/Department considers that the market rate for the job role or group of roles is significantly higher than the total reward package being offered by the University, a formal request to implement a market supplement along with a recommendation as to its amount should be made to the relevant Executive Dean or the Registrar and Secretary.

## **Stage 3: Formal request for a market supplement**

In order to request a market supplement, the relevant Head of Department/School/ Section should submit a business case using the template provided in appendix 1. The business case should include the relevant job description, an assessment of the impact on equality issues and the necessary supporting information and evidence to satisfy the conditions of stage 1 and 2 of this process. The most up to date annual market data can be used for stage 2 to avoid any duplication of work.

The business case and supporting documents should be submitted to the relevant Executive Dean or the Registrar and Secretary for consideration in conjunction with the Director of People & Culture.

All requests will be considered by the Director of People & Culture to ensure compliance with legislation, best practice and consistency of application across the University. At this point the Director of People & Culture may seek further information and clarification in relation to salary benchmarking, labour market forces or performance data in order to make a written recommendation to the Deputy Vice-Chancellor. This process could involve analysis and benchmarking exercises provided by an external industry expert selected by the University via a tendering process. External evaluation will focus on an agreed sector determined on a case by case basis and will be dependent on the relevant role and discipline.

The decision accompanied by all supporting documentation will be recorded and retained by People & Culture for audit and reporting purposes.

## **Stage 4: Implementation of the supplement**

### **Value and duration**

Where payment of a market supplement is approved, it will be for a fixed period of time, normally two years, and will be subject to market review on an annual basis.

The value of the market supplement will typically be calculated from the difference between the standard University of Essex pay rate (including, where appropriate the value of the other benefits) and the relevant market rate.

Market supplements will not be subject to cost of living increases, therefore any cost of living awards will be subsumed by the market supplement. The supplement 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. The value of the annual pay award will be subsumed by the market supplement and therefore the over level of remuneration will remain unchanged. Where performance concerns are identified the the market supplement should be withdrawn, subject to appropriate notice.

### **Payment process**

Market supplements will be equated to an annual cash amount, normally paid equally over twelve months through the payroll, and will be identified separately from basic salary in all documentation and records, including pay slips.

On appointment, where a market supplement has been agreed the employee will be placed on the appropriate scale point of the pay scales. This will normally be the top non- discretionary point of the evaluated grade for the role. The market supplement will then be applied.

## **Applying supplements**

Market supplements are paid in relation to specific job roles and where there is demonstrable evidence for justification through the application and approval process it will apply to all directly comparable posts unless there is clear objective justification not to do so.

This means payment of a market supplement for recruitment purposes will not automatically result in a payment of a market supplement for retention purposes for employees in similar posts

Where a market supplement is awarded for the purpose of retention, evidence will be required to demonstrate individual performance and contribution in relation to the University's strategic goals as set out in the strategic plan.

Market supplements will be paid on a pro-rata basis for part-time employees.

Exceptional performance will be rewarded through the award of discretionary increments or the award of bonuses as part of the annual review process, and will be added to gross salary (salary plus any market supplement).

All employees entitled to a market supplement will be provided with a copy of the market supplement policy and a written statement detailing the amount of the supplement, its duration and the review period.

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 role.

Where an employee who is in receipt of a supplement is awarded a promotion, the market supplement will be withdrawn with effect of the date of promotion. In such circumstances, if appropriate the relevant School/Department/ Section can make a formal request for a market supplement in line with stage 3 of this policy.

In the case of employees who apply for promotion through the Annual Review Procedures for Academic Employees, it is not anticipated that employees would suffer any financial detriment as a result of promotion and the potential withdrawal of a market supplement payment.

Where an employee tenders their resignation the market supplement will be withdrawn with immediate effect on the basis that the supplement was awarded for the purpose of retention and is therefore no longer applicable.

## **Stage 5: Monitoring and review**

Data on all market supplements will be reported to the University Steering Group and Remuneration Committee on an annual basis and will be included in any equal pay audits.

All market supplements will be subject to departmental review every two years and the outcomes of the review will take effect from the following 1 October. It is recommended that the department review should take place in June each year.

The departmental review will require the submission of a business case as outlined in stage three of this process with additional information in relation to performance which demonstrates individual performance and contribution in relation to the University's strategic goals as set out in the strategic plan.

For academic employees information relating to performance will include; research outcomes, education performance and leadership and citizenship contribution and should meet the requirements of the relevant role descriptors and criteria used for the Annual Review Procedures for employees on ASER, ASE and ASR contracts.

For Professional Services employees information relating to performance will include; appraisal information, achievement of objectives and targets, review of job description and person specification and any other relevant data.

All supplements will be subject to a market review of the data on an annual basis. The review will be undertaken by People & Culture during May of each year and the outcomes will take effect from the following 1 October.

All reviews will be considered by the Director of People & Culture to ensure compliance with legislation, best practice and consistency of application across the University. At this point the Director of People and Culture may seek further information and clarification in relation to salary benchmarking, labour market forces or performance data in order to make a written recommendation to the Deputy Vice-Chancellor. This process could involve analysis and benchmarking exercises provided by an external industry expert selected by the University through a tendering process. External evaluation will focus on an agreed sector determined on a case by case basis and will be dependent on the relevant role and discipline.

The decision of the review process accompanied by all supporting documentation will be recorded and retained by People & Culture for audit and reporting purposes.

- Where the outcome of the review is that the market supplement is to be increased to reflect the current market conditions, this will take effect from the following 1 October.
- Where the outcome of the review is that the supplement is to be reduced or withdrawn, the employee concerned will be given three months' written notice of the variation, after which time the reduction or 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.
- When positions are benchmarked and found to be lower than the current package (salary + market supplement) then the position will have the current value of the package frozen, with the market

supplement being reduced to offset any salary rises until the benchmark catches up with the package.

People & Culture will be responsible for the formal communication of decisions to all concerned parties. All employees in receipt of market supplements will receive a written notification of the outcomes of the review.

## Document Control Panel

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