

Market Rate Supplement Policy

Policy Purpose

Derby City Council is committed to providing equal pay for jobs and has a job evaluation scheme to measure the value of all jobs.

The evaluated grade reflects the level of pay for those skills and occupations that Council colleagues have, but there can be fluctuations in the labour market, in particular due to demand and supply, that may affect the Council's ability to recruit and retain a suitably qualified and experienced workforce.

When recruitment and retention to a particular post becomes a problem because of these labour market fluctuations, it may be appropriate to pay a market rate supplement. A supplement is an amount paid in addition to the normal salary to attract suitable applicants and retain suitable staff so as to ensure that the Council can provide its services through people with the required skills. The value of the market rate supplement should only be what is necessary to recruit and retain a person and should be determined taking into account relevant local market data. It is not to reward individual or team performance.

Recruitment and retention problems are frequently caused by factors other than pay such as work environment or job design, and until these other factors have been considered and discounted, it is not appropriate to pay a market rate supplement. Proper workforce development planning should assist in reducing any shortfalls in specific skills and the need for an additional payment.

The payment of such supplements should be exceptional, not the norm.

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1. Overview

- 1.1 This policy applies to all Council colleagues except for those employed under the delegated powers of governing bodies of community and voluntary controlled schools and the Chief Executive, as there are separate provisions.
- 1.2 Please refer to Appendix 1 for definitions of roles and Appendix 2 for a Glossary of terminology used in this Market Rate Supplement Policy.

2. Roles and responsibilities

Manager/ Head of Service/ Director

- 2.1 The submitting manager will complete the application form and submit to the Service Director to review. The submitting manager is also responsible for ensuring the application form is filled out correctly, in-line with the MRS guidance and that all relevant benchmarking information is obtained and used as evidence and that the form is then submitted to HR.
- 2.2 Following HR review, the submitting manager is responsible for ensuring the completed application is submitted to Corporate Leadership Team (CLT) for consideration and informing HR of the outcome.
- 2.3 The submitting manager is also responsible for managing timely, clear, evidenced communications with colleagues in receipt of an MRS.

Human Resources (HR)

- 2.4 HR will be responsible for reviewing the submitted application and providing advice and guidance to the submitting manager.
- 2.5 HR will provide a risk analysis as part of the application for CLT to consider when making their decision.
- 2.6 HR will provide letters for colleagues in receipt of an MRS following any decision made by CLT.

Corporate Leadership Team (CLT)

- 2.7 CLT will have responsibility for reviewing and making a decision on submitted applications.

3. Policy aspects

- 3.1 The grading and salary range of all posts are determined by the outcome of job evaluation. Exceptionally, paying a market rate supplement may be considered where all the following circumstances apply:
- There is an inability to successfully recruit suitable staff to a particular post
 - There is difficulty in retaining staff in a particular post
 - Services are at risk of being disrupted
- 3.2 Market rate supplements will be paid in line with the requirements of equal pay legislation.
- 3.3 Market rate supplements are not linked to an individual's actual or anticipated performance within the role.
- 3.4 Where a market rate supplement is paid, it will be clearly identified as such and subject to review.
- 3.5 Recruitment adverts, where a post is subject to a market rate supplement, must clearly state that the supplement is temporary and subject to review.

4. Procedure

- 4.1 Where a market rate supplement is required for a new or existing post, the submitting manager must provide the information requested on the Market Rate Supplement Application Form and forward it to the Service Director.
- 4.2 The submitting manager should recommend a market rate supplement that genuinely reflects the difference between the grade of the post and the median of the market as evidenced through the application.
- 4.3 The submitting manager should seek advice and guidance from HR and submit the form to HR for review prior to the final submission to CLT.
- 4.4 HR will review the application and provide a risk analysis to complete the application.
- 4.5 The Service will seek approval through CLT.

- 4.6 When a market rate supplement is applied to a post it will be applied to all current and new employees in that post. Those roles managing employees in receipt of a market rate supplement, not in the scope of the agreed application, will not automatically be increased to maintain pay differentials.
- 4.7 The Council will determine the date a market supplement becomes effective following approval, but at a date not prior to receipt of the application.
- 4.8 Employees are required to pay pension contributions on the value of the market rate supplement if they are a member of a scheme. It will be included in any final pension calculations.
- 4.9 The market rate supplement will be included in gross pay and be used for calculations of statutory payments: for example, sick pay, maternity, redundancy pay, and when making any deductions.
- 4.10 The market rate supplement will not apply to overtime.
- 4.11 If basic salary increases due to reasons such as incremental progression, regrade or pay awards, the market rate supplement will be automatically reduced, without notice so as not to exceed the total pay for the role as approved.

5. Reviewing the payment of a market supplement

- 5.1 Each MRS application if approved, will be payable for a fixed period up to a maximum of 24 months, and reviewed 6 months prior to the end of the fixed period to determine whether the payment should be withdrawn and/or changed. A review can take place earlier, if market conditions suggest this is appropriate.
- 5.2 Following the review, should the evidence suggest the need to withdraw or reduce the market rate supplement, affected employees will be given one month's notice.
- 5.3 Pay protection will not apply should a market rate supplement be decreased or withdrawn.

6. Support and guidance

- 6.1 A full description of the process including application form, guidance, supportive information and documentation can be found at:

<https://iderby.derby.gov.uk/human-resources/starters-leavers-changes/pay-and-expenses/pay-and-honoraria/>

6.2 Other related guidance, policies and websites can be found at:

<https://iderby.derby.gov.uk/human-resources/grievance-resolution/>

6.3 Colleagues without access to this information can ask their manager for a printed copy.

7. Appeals

7.1 There is no right of appeal against the amendment or withdrawal of a market rate supplement payment. Colleagues can express concerns regarding the application of the MRS process through the grievance resolution policy.

Role definitions

In this policy, unless the context otherwise requires, the following expressions will have the following meanings:

‘Chief Officer’ means an administrative and executive head of a department, directorate or service. This includes Strategic Directors and Service Directors.

‘Strategic Director’ (Tier 1) means an administrative and executive head of a department or directorate.

‘Service Director’ (Tier 2) means an administrative and executive head of a service.

‘Head of Service’ (Tier 3) means an operational head of a service.

‘Manager’/‘Supervisor’/‘Team Leader’ (Tier 5)

“CLT” Corporate Leadership Team refers to the Chief Officer Group that meet on a regular basis to discuss and approve organisational matters.

‘Submitting Manager’ means the individual completing and submitting the MRS application. This could be the operational leader, Head of Service or Service Director.

Glossary

In this policy, unless the context otherwise requires, the following terms will have the following meanings:

“Equal Pay” as set out in the Equality Act 2010, men and women in the same employment performing equal work must receive equal pay unless any difference in pay can be justified.

“Job Evaluation Scheme” aims to eliminate unfair discrimination by ensuring jobs that are ranked the same are paid the same, regardless of who is undertaking the job. A job evaluation scheme provides a consistent method of collecting job information and analysing the job content. Derby City Council use the Kornferry Hay methodology for our job evaluation scheme.

“Labour Market” the availability of employment and labour, in terms of supply and demand.

“Fluctuations” the rise and fall in the availability and demand of the workforce

“Recruitment” the process of hiring people for a specific job.

“Retention” the ability to keep people in a specific job.

“Workforce Development Planning” identifying the current and future skills and number of employees needed to deliver service objectives

“Non-pay related options” these are employee benefits such as pensions, work life balance, employee benefit scheme, employee assistance programme that make up the terms and conditions of employment.

“Comparator Labour Market” external public and private organisations or businesses that provide or deliver a similar service.

“Median” the middle value in a set of data when ranked from smallest to largest.

“Pay Differential” the difference between the salary of the specific job and its manager.

“Pension Contributions” the amount deducted from your salary and put towards your pension.

“Gross Pay” total pay before tax, pensions or National Insurance are taken off.

“Overtime” a period of work agreed by management, carried out in excess of working 37 hours a week, and recompensed in line with our terms and conditions.

“Incremental Progression” for employees on an incremental grade, your salary will normally rise within your appointed grade by annual increments up to the maximum of the appointed grade.

“Pay Award” nationally agreed annual pay increase.

“Total Pay” is basic pay plus the market rate supplement

“Regrade” the process of evaluating a role to recognise substantial changes to a role over time.