



## Policy on Market Supplements (Recruitment and Retention Premia)

### **Introduction:**

Heriot-Watt University competes nationally and internationally for high quality staff in a range of disciplines and in a wide variety of employment markets. As competition for academic and other staff is increasing and in order to build on our position of excellence, it may be necessary for certain posts to attract a market premia.

With the new 51 point pay spine, this policy allows pay flexibility in **exceptional conditions** without distorting the grading structure.

### **Policy**

The law requires that employers have objective justification if they offer different rates of pay to staff whose work is of equal value. Objective justification can only be made in the following instances:

- Where there is clear and documented evidence that the external pay rate is significantly higher than the internal pay scale allows for
- Failures in recruitment or retention will place at risk the business needs of the University
- Where other means of attracting and retaining staff have been explored and remuneration is found to be a key factor

For transparency and fairness, a clear business case will be made by the school/section for each role identified as having exceptional conditions. The business case will encompass evidence for necessity of a market premium, including the data sources and details of the exploration of other, non pay related ways of attracting/retaining staff. This will allow the rationale to be reviewed at annual intervals to confirm it is still valid and to ensure compliance with Equal Pay legislation.

Approval of the use of such premia will be given by the Vacancy Management Group (VMG) upon recommendation by a group made up of no less than:

- Head of School/section
- HR Manager or Director
- Relevant Financial Controller
- Appropriate Trade Union Representative

Premia will be paid on a recurring monthly basis with a fixed time frame. It will be as a fixed amount (as opposed to % of salary) and can at the request of the individual be superannuable but will not count for any other payments linked to basic pay. The premia will normally be approved for a two year period and thereafter be reviewed annually. It may be withdrawn or have the value adjusted subject to a notice period of 3 months.

Supplements will only be awarded where a differential of more than 10% is proven between the mid point of the pay range for the grade and the relevant external market. The supplement should not exceed 25% of the base grade salary.

## **Procedure**

Where a Head of School/Section has severe recruitment or retention difficulties, these should be discussed with the relevant Human Resources Adviser as early as possible. The HR Adviser can investigate and advise on a range of options to address the difficulties.

### **Difficulties in Recruitment:**

Normally difficulty in recruitment will be defined by the fact that a role has been advertised, in the appropriate press, at least once but preferably twice and has failed to attract an appropriate number of applicants who meet the role and person specification.

In such cases, the HR Adviser and the Head of School/Section will investigate the following areas (the list is not exhaustive but gives general examples):

- Review the job advert to ensure it is worded appropriately
- Review the person specifications – could we recruit someone at a lower level and dedicate x weeks/months in giving appropriate training?
- Is there someone internally who with training would match the requirements and who would welcome a development opportunity?
- Is there some other way we can make the role more attractive, e.g. offering flexible working, offering support in particular research area etc.
- Is there an alternative way of structuring the work

### **Difficulties in Retention:**

Normally, difficulty in retaining staff will be clearly demonstrated by turnover statistics in particular schools/sections.

There may also be indications in some schools/sections of low morale which can lead to high turnover. This should be addressed as early as possible – please see your HR Adviser for advice.

Heads of Schools/Sections should normally through their day to day interaction with staff and through the Annual Development Review process, be able to highlight any staff who may be unhappy and/or considering seeking alternative employment. Again, in such cases, this should be addressed straight away. Your HR Adviser can give guidance where appropriate.

Where retention is an issue, HR can advise and assist – perhaps the role can be redesigned, flexibility can be looked at, development opportunities can be identified.

### **Benchmarking Salaries:**

If the role being investigated is found to have no non pay solutions, then a benchmarking exercise can be carried out to ascertain if there is a differential in salary which may be causing recruitment/retention difficulties.

HR will benchmark the salary of the role(s) against the relevant external market drawing on relevant sources. Data used will in most cases come from the UCEA salary survey, IDS Pay Benchmarking Service, IDS Salary Survey, local market data etc, however the role will define which sources are the most appropriate. If a differential of more than 10% is proven against other organisations in the relevant geographical area, then a clear business case (from the School/Section) and recommended supplement (as benchmarked by HR) can be presented to the VMG.

It is important that ‘like for like’ comparisons are made when benchmarking. For instance, similar job titles may be used across different organisations but which encompass varying job content and responsibilities.

NB: It is important to remember that recruitment and retention premia apply to posts and not individuals. The contribution of an individual should be evaluated separately and is not relevant to this process.

Inevitably there will be roles where good external data is not available. Where this is the case, any justification for a market supplement will need to rely on the circumstances of the specific attraction or retention issue for the role in question. The process for agreeing and signing off the supplement should however be the same.

#### **Approval of Recruitment/Retention Premia:**

A detailed business case made by the School/Section (with the support of the HR Adviser), together with a summary and findings of the benchmark exercise (done by HR) and a recommendation of amount awarded (HR), will be signed off by the HR Manager or Director, Head of School/Section, relevant Financial Controller and a relevant Trade Union Representative. This will then be forwarded to the VMG.

The VMG will approve the level of premia required based on the evidence given. The details of the supplement will be clearly stated and recorded along with the business case, in the personnel file of the recipient.

#### **Written Confirmation:**

The employee will receive written confirmation of the premia they have been awarded (to include amount, frequency and initial timescale for award), along with a summary of the rationale. They will also be reminded that the award will be reviewed and when, and that it may increase, decrease or be withdrawn with a 3 month notice period.

All Contracts of Employment post August 2006 will include the conditions under which a Recruitment/Retention Premia is paid and may in certain circumstances, be reduced or withdrawn in accordance with the agreed policy.

The supplement will be stated as a cash amount and not a percentage of salary. It can, at the recipients request be superannuable although in such cases the value of the supplement will be adjusted to reflect the University's costs. The supplement will be separately stated on the individual's payslip.

Any supplement will normally be approved for a 2 year period in the first instance. The need for the supplement will thereafter be reviewed annually - or sooner if deemed appropriate - and may be increased, decreased or withdrawn depending on the new findings. In all cases, 3 months notice will be given of any changes.

If the person to whom the supplement has been awarded subsequently moves to a post which does not attract a market supplement, the payment will cease with immediate effect.

#### **Equal Pay:**

As part of our Equal Pay Review Process, the proportions, in the groups to whom Recruitment and Retention Premia are paid, of men and women, of different racial groups, and of those with disabilities will be identified. Any differences in pay of those carrying out like work, work rated as equivalent or work of equal value, which arise from Recruitment and Retention Premia, will need to be objectively justified – and if it is found that in fact it cannot be objectively justified, corrective action will be taken.

It may be that a recruitment or retention premia will need to be awarded to a wider group of existing staff, in order to be fair and to comply with Equal Pay legislation. However, while the premia applies to posts and not post holders, it may be that a generic role profile covers a range of staff with different specialist skills. Where this is the case, it is possible that a market supplement may be required where specialist skills or knowledge of a particular type are required. If this can be clearly demonstrated, then not all role holders will be entitled to the supplement.

#### **Review of Recruitment/Retention Premia:**

The review will be conducted on the anniversary of the award following the initial 2 year period, or sooner if deemed necessary, by HR in association with the relevant Head of School/Section and

approved by the VMG. Details will be held on the relevant personnel file and an explanatory letter sent to the recipient.

**Monitoring:**

Reports from monitoring the awarding of recruitment and retention premia will be reviewed by HR and the VMG to ensure promotion of equal opportunities and race equality.

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