

# MARKET PREMIUM PROCEDURE FOR RECRUITMENT AND RETENTION OF STAFF

Version 2, March 2010  
Adapted for Schools



## 1. Introduction

- 1.1 The Council's Reward Strategy sets out to recruit and retain the best possible staff with the skills, knowledge and experience needed to deliver excellent services. The appropriate application of this procedure will help to ensure that the Council retains the flexibility to award incentives to recruit and retain staff in areas where this is difficult to achieve.
- 1.2 This procedure should be read in conjunction with in the Market Premium Policy for Recruitment and Retention of Staff and the Equal Pay Policy.

## 2. Objectives

- 2.1 The objectives of this procedure are to ensure that the Council, including schools:-
  - Recruits and retains the best staff for each post
  - Complies with equal pay legislation and aims for best practice in its reward policy
  - Where market conditions so demand, seek to award additional payments to achieve effective recruitment and retention in an externally competitive and internally fair manner

## 3. Scope

- 3.1 **For recruitment purposes**, payments made under this policy will only apply to posts which have been advertised at least once without successful appointment and have been approved by the Governing Body
- 3.2 **For retention purposes**, payments made under this policy will only be made where the Head teacher/Chair of Governors can demonstrate that difficulties in replacing staff will cause skills shortages that will prevent effective business operations.
- 3.3 In either case, any proposed use of this facility will only happen after alternative, acceptable ways of recruiting and retaining staff have been explored, therefore it is expected that the use of these adjustments will be in exceptional circumstances only therefore will be extremely rare.

## 4. ROLES & RESPONSIBILITIES

- 4.1 Chair of Governors/School Pay Committee will:-
- Review recruitment activity in line with this policy where posts within their school are proving difficult to fill
  - Assess the need to retain particular individuals on the basis of their essential skills and experience, the loss of which would have a detrimental impact on service delivery and the availability of these skills on a wider market basis
  - Apply the provisions of this policy fairly and consistently in line with current legislation, best practice and equal pay principles as outlined in Appendix 1.
- 4.2 Head teacher/Bursar
- Check for similar roles in other schools
  - Check the grade for the role is appropriate
  - Conduct a review of salary survey data to establish where the role is paid in the market
  - Where no useful data can be established, comparators will be sought in other Local Authorities
  - Review payments annually to ensure payments are still appropriate
- 4.3 Personnel Supplier
- Advise on particular recruitment and retention issues as appropriate, including the impact on other individuals / groups
  - Advise on the appropriateness of any recruitment campaign or specific retention issues
  - Communicate levels of payment and adjustments to relevant employees

## 5. PAYMENT TYPES

- 5.1 There are a number of options for determining the amount and type of market premium payment as summarised in Table 1:-
- a) One off lump sum on appointment (Recruitment Payment)
  - b) Instalments paid quarterly subject to annual review (Market Pay Premium)
  - c) Deferred lump sum (Retention Payment) to be paid after an agreed period of employment
- 5.2 All types of payment will be subject to appropriate contractual conditions being met, e.g. remaining within the school's employment for a specified period, and individual's will be required to sign an agreement to this effect.
- 5.3 Payments to part time staff in 'hard to fill' posts will be made on a pro-rata basis.
- 5.4 These payments will be in addition to the individual's normal salary but will be subject to the normal income deductions.
- 5.5 If, after receiving a Recruitment Payment as set out in 5.1, (a) above, an individual leaves the school within the agreed period of operation of the

payment, the individual will be required to pay back monies received under the scheme, except in the circumstances set out in 6.6 below. A repayment schedule is set out in the example agreement in Appendix 4.

- 5.6 If an individual leaves the school because of injury, illness, disability, redundancy or retirement, the member of staff will not be required to refund payment.
- 5.7 The amounts and/or type of payment must be based on research of the market rate for the job which will be conducted by the Head teacher/Bursar, then agreed by the Pay Committee in consultation with the appropriate Head teacher, prior to a report to the Chair of Governors. See Appendices 2 and 3.

## **6. MARKET PREMIUM PAYMENTS**

- 6.1 All new employees must be appointed to the appropriate point on the Kent Scheme pay scale. This should be at, the bottom of the evaluated grade for their job. This is to ensure that all employees can progress in their job according to Total Contribution Pay principles. In exceptional circumstances, this pay may not be sufficient to recruit employees with the required skills and consideration needs to be given to the payment of a premium.
- 6.2.1 A Market Pay Premium payment is an addition to salary for a specific post, or group of posts. It will be paid where a post(s) has been identified as 'hard to fill' and the school is prevented from being able to recruit or retain staff on the salary determined by the Council's grading scheme.
- 6.3 Where a Market Pay Premium payment is agreed for a member of staff in a post which is identical to another / other posts, these post holders may be eligible for the same payment.
- 6.4 In order to ensure Market Premium payments are only used in appropriate circumstances, they will be based on agreed principles (Table 1.) and paid only when specified criteria are met.
- 6.5 Payments will:-
  - Only be used in exceptional circumstances
  - Take account of any equal pay / equal value considerations, in order to avoid / minimise the potential for challenge on this point
  - Be paid as a clearly identified supplement, with properly documented supporting reasons
  - Be subject to regular monitoring and review and will be withdrawn when the market factor no longer applies.
- 6.6 The Head teacher is responsible for informing their payroll service when a member of staff should have a proportional reduction or cancellation in their market Pay Premium. Circumstances include:-
  - A period of long term absence (more than 4 weeks)
  - Change of job
  - Change of grade

- 6.7 Any case for the payment of a Market Premium must be properly justified, with supporting evidence from the following range of criteria:-

Evidence of pay-related recruitment and retention difficulties against a range of indicators, e.g.:-

- Abnormally high turnover rate for the role
- Number of responses to job advertisements
- Qualitative assessment of applicants
- Market-based salary comparisons with competing local or regional employers (public and / or private sector as appropriate)
- Only be used after other recruitment initiatives have been explored/exhausted (e.g. innovative / targeted advertising, promoting the advantages of living and working in Kent, promoting non-pay benefits)
- Only be used after other retention initiatives have been explored/exhausted (e.g. learning and development opportunities. promoting non-pay benefits)
- Use is essential to maintain adequate staffing levels in order to ensure service delivery requirements are met
- Exploration of the use of other measures, e.g. changes to organisational / working arrangements
- Consideration of the impact on both cost implications and on other existing staff within the defined job group

- 6.7 In addition to the criteria above, account should be taken of the wider employment context applicable to the occupational group and whether the payment of a market premium will address the particular issues underlying the recruitment/retention difficulties, or whether alternative / additional actions are required. For example:-

- Are the difficulties an indicator of other issues of concern within the service / occupational group which can be more appropriately resolved by other management action and/or non-pay measures?
- Is there a specific, regional or national shortage for which new / alternative training schemes would be a more appropriate solution?
- Are there more appropriate ways of resourcing / delivering the service rather than through an in-house workforce?

## **7. APPROVAL PROCESS**

- 7.1 It is important to consider all possible options and issues which can contribute to recruitment and retention problems. This may involve a discussion with your Personnel Support adviser, as appropriate.

The Head teacher should complete the approval form in Appendix 2, have this signed by the Chair of the Pay Committee and forward this to the Chair of Governors for signature.

- 7.2 The costs of payments will be met by the school from within existing resources.

7.3 Payments will be made through payroll and will be subject to the appropriate statutory deductions. They will however be clearly identified as a separate payment from the substantive salary.

7.4 The School Pay Policy should be amended if appropriate.

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**Table 1. - Types of Market Premium payments and appropriateness of use**

Payment Type	Paid	For Recruitment	For Retention	Reason	Typical amount / calculation	Like jobs receive	Clawback if leave in (eg) 1st year	Justification (Applies to all payment types)
Recruitment Payment - One Off Lump Sum  See Appendix 4.	On appointment	Yes	No	Specific recruitment difficulty  To secure an individual's appointment	Equal Opportunities Commission suggest 5%. Managers need to justify if 5% or less. If over 5%, need objective data from Reward Team.	No	Yes	Criteria should be based on skills and experience, not previous salary – see Appendix 1.  Be aware of Equal Pay issues – possible indirect discrimination against women.
Market Pay Premium	Instalments	Yes	Yes	Competitiveness - recognise specific market pressures in key roles. Quality candidates unlikely to apply / people leaving a job in large numbers	Percentage based, normally up to market median, reviewed annually.	Yes	No	
Deferred Retention Payment	Lump sum paid at point in the future	No	Yes	Need to keep individuals / groups for set period eg key project needs to be completed. Specific skills shortage / continuity of personnel is essential	Equal Opportunities Commission suggest 5%. Managers need to justify if 5% or less. If over 5%, need objective data from Reward Team.	Possibly – dependant on circumstances	No (paid at end of period)	Paid for specific skills and directly relevant experience as outlined in job description and person specification. Applies to males and females on an equal basis.

## APPENDIX 1.

### Equal Pay Principles

- The basic principle of equal pay legislation is “equal pay for work of equal value.”
- Market forces can provide a defence to an equal pay claim, but scope is limited. What an employer has to show is not “that’s what everybody else pays” but rather “that’s what I needed to pay to get the person I needed to fill the vacancy I had.”
- Market forces must account for all the difference in pay, not just part of it. If not, the courts will decide what proportion of the difference is accounted for by market factors. This is why thorough market analysis is important.
- For a market factor to be a defence against a claim we must be able to show that the factor was genuinely taken into account when setting the rates of pay. Any market factor must be genuine, material and current.
- Evidence on market rate should be treated with caution – don’t rely on hearsay. Market rates will vary over time and so market premia must change to reflect this. Any payment under the Market premium Policy would normally be made for a maximum of two years followed by a review for any extension. It may not be appropriate to pay the premium at all in the future.
- When we set pay on appointment, we need to be aware that we risk importing pay inequalities from other organisations. There are also risks with starting external appointments on higher salaries than people promoted internally – poor morale, resignations or a potential equal pay case.
- Criteria for setting salaries on appointment (or market premia) should be based on skills, experience and market rates – not previous salary.
- Decisions on pay must be properly documented, so we can
  - explain the reasons to employees
  - manage the risk of claims, should the decision be challenged at a tribunal
- If you want to find out more about equal pay issues, please Francis Samra, Reward Analyst, in the Reward Team on (01622) 694784 (internal: 7000 4784)

## MARKET PREMIUM PAYMENTS

### APPLICATION FOR APPROVAL FOR PAYMENT

To be completed by the Head teacher, signed by the Chair of the Pay Committee and forwarded to the Chair of Governors for signature.

#### **JUSTIFICATION FOR PAYMENT**

The application for a Market Premium payment must be fully supported and evidenced by completing the following:-

<p>1. Describe the job or group of jobs for which payment is proposed, include:</p> <ul style="list-style-type: none"> <li>• post title</li> <li>• grade</li> <li>• number of postholders</li> <li>• brief outline of responsibilities (Attach Job Description, Person Spec and Organisation Chart)</li> </ul>
<p>2. What evidence is there of pay-related recruitment and retention difficulties?</p> <ul style="list-style-type: none"> <li>• number of times the post has been advertised</li> <li>• number of responses to job advertisements</li> <li>• turnover rates in the particular occupational group</li> <li>• qualitative / quantitative assessment of applicants</li> </ul>
<p>3      Is the job recruited locally or nationally? Sector – Public, Private, Both?</p>
<p>4. What other recruitment / retention initiatives have been explored / exhausted?</p>
<p>5. What other measures have you explored? e.g. changes to organisational / working arrangements</p>

6. How is the payment essential to maintaining adequate staffing levels to ensure service delivery requirements are met?

7. Has the impact the payment will have on other staff been considered and how do you intend to deal with this?

8. Has the wider employment context and whether the payment of a market premium will address the particular issues underlying the recruitment/retention difficulties been considered? Are alternative additional actions required?

For example:-

- Are the difficulties an indicator of other issues of concern within the service / occupational group which can be more appropriately resolved by other management action and/or non-pay measures?
- Is there a regional / national shortage for which new / alternative training schemes would be a more appropriate solution?
- Are there more appropriate ways of resourcing / delivering the service rather than through an in-house workforce?

Signature :.....

Print Name :.....

Job Title :.....

Date :.....

**Section 1. PAYMENT AMOUNT AND TYPE.**

**APPENDIX 3**

**What type of Market Premium payment is being recommended?**

**Tick**

1. One off lump sum on appointment	
2. Instalments	
3. Deferred retention payment	

**How will this be paid?**

**Amount (£)**

1. Lump sum upon appointment (Recruitment Payment) If more than 5%, has the Reward Team collated market data? Yes / No *	
3. Paid in instalments (Market Pay Premium) – amount = £ Instalment amount - £ Frequency - quarterly - monthly	
3 Lump sum after period of employment (Retention Payment) (state period of employment after which payment should be made). If more than 5%, has the Reward Team collated market data? Yes / No *	

**Section 2. HEAD TEACHERS SIGNATURE**

Signature of Head teacher..... Date.....

Once you have completed this form and attached the Application Form, pass it to the Chair of the Pay Committee for approval and signature.

**Section 3. AGREEMENT TO MARKET PREMIUM PAYMENT**

I agree that a market premium payment is appropriate in this instance and that all other avenues as per the policy have been explored appropriately.

Signature of the Chair of Pay Committee..... Date .....

**Section 4. CHAIR OF GOVERNORS SIGNATURE**

Signature of Chair of Governors.....Date.....

**MARKET PREMIUM RECRUITMENT PAYMENT  
ONE OFF LUMP SUM PAYMENT ON APPOINTMENT**

**UNDERTAKING TO REMAIN IN POST DURING THE PERIOD OF THE  
SCHEME OR TO REPAY MONIES IN THE EVENT OF VOLUNTARY EARLY  
TERMINATION OF EMPLOYMENT.**

**Agreement between KENT COUNTY COUNCIL (“the Council”, and  
..... (“the employee”).**

**Undertaking by the Council**

1. The Council has determined that the employee is entitled to the benefit of the Market Premium Payment Scheme.
2. The employee commenced employment on .....  
as.....at .....School.
3. The Council agrees to pay the employee a one off lump sum of £.....
4. Payments under this scheme will be paid as a bonus and not form part of the employee’s salary. Payments will be subject to statutory deductions and pensions contributions (where the employee is a member of the LGPS)

**Undertaking by the employee.**

1. The employee agrees and confirms that the above payment is by way of an incentive to ensure the employee is retained by the Council for at a period of least 2 years.
2. The employee agrees that in the event receiving a lump sum on appointment the employee voluntarily leaves the Council’s employment, or is dismissed, within 2 years of the commencement date of the employment the employee will repay monies paid in accordance with the scheme in the following way;
  - Leaving date up to 12 months of commencement of employment a sum equivalent to 100% of all monies paid under this scheme.
  - Leaving date between 13 and 24 months of commencement of employment a sum equivalent to 50% of all monies paid under the scheme.
  - Monies may be deducted from final salary or on an instalment basis if for example notice is given
3. It is agreed and accepted by the Council and the employee that in the event that the employee leaves the employment of the Council due to reasons of injury, illness, disability, redundancy or retirement the employee will not be required to repay any monies as set out in 2 above and the Council will have no recourse to claim back any monies paid to the employee under this scheme.

Signed ..... Date (Employee)

Signed .....Date (Manager)