

**Manchester City Council
Report for Resolution**

Report to: Personnel Committee - 12 December 2016

Subject: Market Rates Policy

Report of: Chief Executive

Summary

All established posts are subject to job evaluation to determine the rate of pay. Where it can be justified, payment of a market supplement is a legitimate means of increasing the salary of a post where it is not competitive and therefore causes recruitment and retention difficulties.

Recommendations

Personnel Committee is requested to agree Market Rate Supplements (as set out in Appendix 1, attached)

Wards Affected All

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable City: supporting a diverse and distinctive economy that creates jobs and opportunities	The transparent and fair approach to pay and reward will ensure the skills and competencies base of the workforce is highly developed to support the leadership and delivery of high performing services
A highly skilled City: world class and home grown talent sustaining the City's economic success	
A progressive and equitable City: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon City: a destination of choice to live, visit, work	
A connected City: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy:

- Risk Management
- Legal Considerations

Financial Consequences – Revenue

None, appeals are addressed as part of the workforce budget.

Financial Consequences – Capital

None

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above:

Pay Policy Statement: 2016/17

1. Introduction

- 1.1 The Council is committed to the principle of equal pay for work of equal value and has introduced an analytical job evaluation scheme to measure the relative value of all senior jobs.
- 1.2 Employees are the Council's most important resource, and the Council needs to attract and maintain a workforce with the skills to deliver the City's priorities.
- 1.3 The nature of work undertaken by the Council as an ambitious, world class city means that Manchester competes within national and regional labour markets, as well as locally.
- 1.4 The current position on Market Rates Supplements is set out in the Council's Pay Policy Statement 2016/17 that is where objectively justified, Personnel Committee can approve market rate supplements for staff remunerated above the equivalent to Spinal Column Point 57. The Personnel Committee recommends pay packages to Council, for all roles at or above £100,000 inclusive of Market Rates Supplements, where appropriate.
- 1.5 For posts Grade 12 and below, in addition to the substantive grade established through the NJC job evaluation scheme, a Head of Service can request a Market Rate Supplement of 25% of the job evaluated salary or £5,000 (whichever is the lesser amount) without recourse to Personnel Committee.
- 1.6 The current Market Rates Supplement policy was set in 2006 and it is therefore timely to review the policy to determine if the approval process and upper limits and approval remain fit for purpose.

2. Aims of the Policy

- 2.1 To ensure that the Council is able to attract and retain suitably skilled employees.
- 2.2 To provide a fair, transparent and consistent basis for considering payment of Market Rates Supplements.
- 2.3 To ensure that the Council complies with Equal Pay legislation in the application of Market Rates Supplements.

3. Types of Market Supplements

- 3.1 A Market Rate Recruitment Supplement is a temporary payment made to an individual to ensure their recruitment by enhancing the salary being offered, bringing their total reward package up to the market rate.
- 3.2 A Market Rate Retention Supplement is a temporary payment made to an existing employee over and above their basic salary in order to retain their services, bringing their total reward package up to the market rate.

- 3.3 Such supplements are lawful under the Equal Pay Act (1970) where there is evidence to justify that market factors are the “material reason” for the post attracting a higher rate of pay than other posts graded similarly.

4. Comments of Director of HR/OD

- 4.1 The Market Rates Policy complements the implementation of an analytical job evaluation scheme for senior posts, and together with arrangements for Grade 1 to 12 posts, clearly demonstrates fairness and transparency in the way that pay is determined.
- 4.2 It is a requirement for Market Rate Supplements to be supported by evidence of the need to apply the market rate. The rate remains fixed and not subject to annual pay awards. Market Rates must be reviewed on a regular basis to ensure they are still appropriate and applicable to the post.

5. Trade Union Comments

“UNISON notes the content of the report and the revised policy related to market rates. It is our view that it is essential that these are only applied where there is an absolute need and that robust and transparent criteria are applied in reaching such a determination. We welcome the proposed monitoring arrangements as a means of ensuring such transparency.”

6. Conclusion

- 6.1 If agreed the revised Market Rates Policy will provide a strong and transparent framework for services to vary remuneration packages across the Council, where there is a robust business case, to deliver the City’s priorities.

Market Rate Supplement

Employee Relations Team
HROD
December 2016

DRAFT



MANCHESTER
CITY COUNCIL

TABLE OF CONTENTS

1. Purpose
2. Scope
3. Legal Provision
4. Organisational Arrangements
5. Determination of Market Rate Supplement
6. Qualifying Criteria
7. Approval Process
8. Review
9. Monitoring

1. Purpose

Manchester City Council is committed to the provision of high quality public services to our residents and it is therefore essential the organisation recruits and retains a workforce of the highest standard. The City Council is committed to being seen as an Employer of choice for high caliber candidates.

In order to ensure equal pay for work of equal value the council sets pay levels for roles through an analytical job evaluation process. The job evaluation process does not, however, take account of levels of pay within the wider employment market (i.e. pay within other authorities or elsewhere in the public or private sectors).

It is possible, therefore, that job-evaluated rates of pay may not match the current employment market for some posts and that this may present the organisation with recruitment and/or retention challenges. Where this is proven to be the case it may be appropriate to pay an additional supplement to attract new staff coming into the organisation.

This policy sets out the process for requesting a market rate supplement and the procedure for the determination, implementation and review.

2. Scope

A Market Rate Supplement may be paid to any job providing the post has been subject to a job evaluation and a grade has been set in accordance with the Council's pay and grading arrangements.

3. Legal provision

In determining the remuneration of its employees, the Council complies with all relevant employment legislation. For the payment of a market rate supplement the organisation must ensure that the application adheres to the principles of Equal Pay. In order to comply with Equal Pay legislation requests for a Market Rate Supplement must be subject to a systematic, clear and consistent process, there must be substantial evidence to support the payment and any comparisons should take account of the total reward package (including holiday entitlement, overall responsibilities, flexible working arrangements etc).

4. Definition of a Market Rate Supplement:

A Market Rate Supplement is a time limited additional payment to the basic salary of a Job Evaluated role. This discretionary payment will be limited to a restricted number of jobs and will be by exception rather than the rule. These cases will be where there is clear evidence that the position of the role on the new pay structure is, in monetary terms, significantly lower than the market rate and there are recruitment and/or retention difficulties.

There are two types of Market Rate Supplements:

A Market Rate Recruitment Supplement is a temporary payment applied to a post by enhancing the salary, bringing the overall reward up to the market rate.

A **Market Rate Retention Supplement** is a temporary payment made to retain an individual in a business critical role over and above their basic salary in order to retain their services, bringing their total reward package up to a competitive Market Rate.

The payment of a Market Rate Supplement must be justified and alternatives to an additional payment must be considered demonstrable, including possible succession planning arrangements should the market rate not be applied or removed at a later date.

5. Organisational arrangements

Under the Council's Pay Policy Statement remuneration and the main contractual conditions of all employee's are linked to the National Pay bargaining structures.

Whilst this policy applies to all Council roles covered by the Pay Policy Statement, payment of Market Rate Supplements in respect of roles above SCP 57 will continue to be referred to Personnel Committee for approval.

Market Rate Supplements for posts on Grades 1-12 may be determined by Heads of Service in conjunction with the Director of HR&OD.

Once a market rate supplement is established for a role, the overall remuneration set will be frozen for the period it is agreed. For example:

If the basic salary of a post of £40,000 and a £5,000 MRS is agreed the overall package will be £45,000. If there is any increase to the basic salary, for example a Pay Award or incremental progression, the level of Market Rate will be adjust so the overall package remains the same (i.e. £45,000)

Market rate supplements are non consolidated or index linked and are normally paid monthly as part of salary, the payment is subject to tax and national insurance and, except in the case of certain lump sum payments, is pensionable.

6. Qualifying criteria for requesting a Market Rate Supplement

It is not sufficient to establish that market rates are higher in general. It is necessary to determine that the disparity in salaries causes an organisational or operational problem and that an additional supplement will resolve or alleviate the issue.

7. Approval process

Once the Head of Service has collated the relevant evidence, the Market Rate Supplement Request form ([insert link](#)) should be completed and together with the evidence should be sent to HR&OD via ([insert email address](#))

HR&OD will verify the benchmarking information submitted, considering rates of pay for similar posts, with similar levels of overall responsibility, job content and general rates of pay for a range of similar posts in the local (or relevant) market. These will be compared with the evaluated grades

or rates for the post(s) to determine if a prima facie case for the payment of a market supplement exists.

If the evidence collected and the benchmarking exercise concludes there is a case for a market rate supplement, the case will be considered by the Director of HR&OD. This determination will be final and there is no right of appeal either by the relevant service manager, the trade unions or individual employees.

If the requested supplement is for an amount greater than the parameters of this policy (i.e. above SCP 57), the request must be submitted to Personnel Committee.

8. Review

After the initial approval, the Market Rate Supplement will be reviewed jointly every eighteen months by the relevant Head of Service and the Director of HROD Service Delivery. This review will establish whether the current labour market warrants the continuation of the payment.

The service will need to conduct a further full market analysis exercise, collating the same breadth of evidence as submitted for the initial request.

If it is determined the payment is no longer necessary, the employee will be notified of the termination of the supplement and contractual notice will be given.

If the market dictates ongoing payment of the supplement is necessary, this will be reviewed every 12 months.

9. Monitoring

A bi-annual report will be placed before Personnel Committee detailing an analysis of the application of the market rate policy across the whole of the Council during this period.

In addition the Payment of any Market Rate Supplements will be reported through the Corporate Joint Consultative Committee as a standing item.