

Pay Supplement Policy

1. Introduction

This policy on pay supplements should be read in conjunction with the policy on faculty pay, which describes the School's approach toward faculty pay more generally.

- 1.1 The School operates a pay supplement policy which is in line with Framework Agreement for the Modernisation of HE Pay Structures (2003), following extensive consultation with the relevant trade unions. This subsequently resulted in the implementation of a single spine salary to determine pay rates for all staff (other than clinical academics) in HE Institutions. It provides a system of grade bandings with pay progression opportunities within bands in line with good equal pay practice.

The structure recognises that such a national agreement cannot cater for all skill sets in HE. For example the market, particularly when competing globally for talented individuals, will dictate the need for higher pay. This can be related to academic disciplines (e.g. Economics) or the skill sets of particular individuals, with a proven track record and acknowledged achievements. Similarly, the School may not be able to attract very high skilled individuals on a strong performance trajectory without offering a performance related supplement. To this extent a pay supplement policy is part of the range of salary payments and is in addition to basic salary in line with the single salary spine.

1.2 The School will operate a pay supplements policy which is used to meet its primary needs as follows:

- i) Market Supplements (MS) – this recognises that certain disciplines / professions may be highly demanded by employers and consequently the School’s basic salary derived from the single salary spine is not sufficient to attract an appointment in line with the recruitment criteria. A market supplement is therefore paid to attract and retain the individual (or all individuals that have the relevant skills). To date these have been more commonly used for certain departments as a generic payment although it is accepted that the need for market supplement may increasingly also apply to individuals outside these departments.
- ii) Advanced performance supplement (APS) – this recognises that an individual may be on a career trajectory which makes them highly attractive to other employers and consequently, to be competitive in recruitment (or for retention purpose), an APS is paid.

1.3 The terminology “Pay Supplements” is used in the paper to refer to both MS and APS.

1.4 The relevant salary budget available (to also fund supplements) is subject to annual salary budget limitations and approval of any individual and to the budgetary position at the relevant department/division level. It is likely that, for academic Pay Supplements, most recruitment decisions will be made around the most common start dates, but that some funding should be retained for retention cases and those for professional services members of staff, which may arise at other times in the year.

1.5 In appropriate cases where possible, current staff receiving market supplements will be migrated onto this Policy.

2. General Principles

- 2.1 LSE aims to attract, recruit, and retain, outstanding-quality staff in both academic and professional services roles. Supplements are normally restricted to New Academic Career staff and professional services staff.
- 2.2 The School has designed its pay structures to ensure it offers competitive salaries for all roles, alongside a range of other benefits that make the School an attractive place to work.
- 2.3 The School evaluates all roles and assigns a salary band (where applicable) which fairly rewards the role and its responsibilities, ensuring equal pay for work of equal value across the School.
- 2.4 The design of the School's pay structures are based on incremental pay scales, which provide for staff to be rewarded as they develop in their roles.
- 2.5 However, notwithstanding paragraphs 2.2 to 2.4, the School also recognises that in certain disciplines, certain fields and specialist areas there are recruitment and retention difficulties that need to be addressed by the application of attraction and retention premia, more commonly referred to as Market Supplements. Furthermore in specific circumstances the School may wish to reward an individual for the potential that they bring, in which case an Advanced Performance Supplement may be paid.
- 2.6 Pay supplements will be offered in fixed sum amounts (and not percentage of basic pay) in line with what would be best practice from the point of managing "equal pay", and avoiding widening of gender pay gaps without due consideration of such issues.
- 2.7 Pay supplements for professional services members of staff will be applied for a period not exceeding 5 years with a review every three years and in the year that the supplement is due to come to an end. Reviews are undertaken by the relevant HR Partners for up to and including band 9 posts or the Director of HR for all band 10 posts. Any dispute will be adjudicated by the Director of HR for up to band 9 posts and the Chief Operating Officer (outside of the line management of the individual whose pay supplement is being renewed) for all band 10 posts.
- 2.8 For academic staff, market supplements are subject to regular review. For Assistant Professors, market supplements are automatically reviewed at the point of their Major Review with Promotion to Associate Professor. Market supplements for Associate Professors are automatically reviewed at the point of their promotion to Professor. Market supplements for Professors will be subject to a general review every 5 years. Market supplements for all academic staff can be reviewed with a view to whether they need to be raised should there be significant changes in the market (and indeed decreased, if necessary, and following consultation on terms which accommodate a notice period of six months). Advanced performance supplements for academic staff are always given for a specified time period only and are reviewed in the year that the supplement is due to come to an end. Reviews are undertaken by the Pro-Director Faculty Development in consultation with the Vice-Chair of the Appointments Committee, the Head of Department and the Director of HR or their nominee.
- 2.9 Pay supplements are superannuable and, subject to the rules laid down in point 2.8 subject to individual, case by case review.
- 2.10 Pay supplements on fixed sums will be considered for annual changes in line with the national pay awards; review will be by the senior management of the School. The starting position will be that is expected that such increases are made, but this will be subject to a review of relevant diversity data on pay supplements, external market trends and other relevant considerations.

- 2.11 Other methods of attracting and retaining staff should be noted and explored, for example the strength of the benefits package and development and career opportunities.
- 2.12 Attraction and Retention Premia are restricted to market and advanced performance related criteria as distinct from contribution issues. Reward for exceptional contribution will remain available for employees receiving pay supplements.

3. Criteria for Pay Supplement

At least one, and more generally a subset, of the following have to be met:

Market Supplements

- The School experiences recruitment and/or retention difficulties in certain disciplines and fields
- There is notable demand for the profession or the specific skills of an individual in the relevant recruitment market
- There is clear evidence that equivalent roles are being sought at higher rates of pay at other comparator universities than the relevant School salary band
- There is specific demand for individuals who are recognised as higher performers within a profession which has notable demand
- The challenges within the School are such that it will need to pay the upper quartile level to attract the highest quality to the role (more relevant to non-academic roles)
- The market for the skills is very small, and indeed may be a market of only a very small number of individuals with the relevant skills and profile (more relevant for academic roles)

Advanced Performance Supplement

- An individual is on a strong career trajectory and to attract (or retain) them will require a remuneration level which recognises their future potential performance; or
- An individual is being targeted for a future level of performance and the APS is targeted for an expected performance level over a set period of time.

4. Procedure for pay supplements at the Recruitment Stage

The law requires that employers can, as a minimum; show that there is a non-discriminatory material factor reason which explains any difference in the rates of pay of staff whose work is of equal value. In certain situations, employers may also have to show that the pay differential can be objectively justified. It is therefore essential that where differential pay rates are proposed that Managers/Heads of Departments can provide both documented evidence of recruitment and/or retention difficulties and a rationale for any proposed level of additional supplement and demonstrate that the position of relevant existing staff has been considered (in terms of whether any salary differentials that would arise from the supplement can be justified or whether they should also receive a supplement).

Professional services staff

- 4.1 Where a **market supplement** is requested at the recruitment stage, the recruiting manager will need to write a case to Human Resources.
- 4.2 The case should include reference to the following sources of information:
- Evidence of failure to appoint previously
 - Two advertisements for similar posts in suitable comparators (preferably in HEI's)
 - Salary Survey Data – this may be available from published data on pay surveys, in 'trade magazines' or through specialist Consultant databases. HR may also hold data.
 - A spreadsheet of salaries within the department (including, where relevant, any comparators outside the department) showing the gender of the relevant staff members and which staff, if any, are already in receipt of supplements.
- 4.3 The case should also include the recruiting manager's recommendation on the level of award that would be appropriate, with reasoning for this level based on the evidence collected as well as relevant funding confirmation from Finance Division. The case should together with an explanation of what consideration has been given to whether these existing staff should also receive a supplement for retention purposes (and, if no award is considered appropriate, why not) and justification for any salary differential that would be created by the award.
- 4.4 The case will be reviewed and approved by the relevant HR Partner for up to and including band 9 posts and the Director of HR for all band 10 posts. Any dispute will be adjudicated by the Director of HR for up to band 9 posts and the Chief Operating Officer (outside of the line management) for all band 10 posts.
- 4.5 Human Resources will contact the manager of the post and will request up to date Salary Survey data which will inform the decision making process. The decision will be made based on this data.
- 4.6 Where an **Advanced Performance Supplement** is requested at the recruitment stage, the recruiting manager will need to write a case to Human Resources. The case should include the recruiting manager's recommendation on the level of award that would be appropriate with an explanation of why the individual deserves the recommended award, demonstrating that consideration has also been given to the position of relevant existing staff and explaining why the case for an advanced performance supplement does not apply in their case. The case should be accompanied by a spreadsheet of relevant salaries within the department (including, where relevant, any comparators outside the department) showing the gender of the relevant staff and which staff, if any, are already in receipt of supplements. The case as well as the letter of appointment should include a clear statement of the expectations required to be fulfilled by the individual and the timescales including a statement when the supplement will be reviewed.

Academic staff:

- 4.7 The School recognises that certain disciplines, fields and specialist areas require **market supplements** due to recruitment and retention difficulties. In such cases, salary supplements will automatically be allocated to recruits in these areas and reviewed in accordance with 2.8 above.
- 4.8 Where a market supplement is requested in a discipline, field or specialist area that the School does not normally regard as one with recruitment or retention difficulties, then a case should be made at any point before an appointment is offered to the Pro-Director Faculty Development

(through the Vice-Chair of the Appointments Committee for appointments at the Assistant or Associate Professor level). The case should refer to the reasons for the request of a market supplement, using relevant salary data that supports the request. The case should be accompanied by a spreadsheet of relevant salaries within the department (including, where relevant, any comparators outside the department) showing the gender of the relevant staff and which staff, if any, are already in receipt of supplements., together with an explanation of what consideration has been given to whether these existing staff should also receive a supplement for retention purposes (and, if no award is considered appropriate, why not) and justification for any salary differential that would be created by the award.

- 4.9 In cases where an **Advanced Performance Supplement** is requested, the Head of Department will need to make a case to the Pro-Director Faculty Development (through the Vice-Chair of the Appointments Committee for appointments at the Assistant Professor level) at any point before an appointment is offered.
- 4.10 The case should include the Head of Department's recommendation on the level of award that would be appropriate with an explanation on why it is necessary to award the individual the recommended Advanced Performance Supplement. Consideration needs to be given to the position of other comparator staff and whether the case for an Advanced Performance Supplement also applies in their case. The Pro-Director Faculty Development and the Head of Department will take into account a spread sheet, updated in regular intervals by HR, of relevant salaries within the department (including, where relevant, any comparators outside the department) showing the gender of the relevant staff and which staff, if any, are already in receipt of supplements. The letter of appointment should have a clear statement of the expectations required to be fulfilled by the individual and the timescales, including a statement when the supplement will be reviewed.
- 4.11 The Pro-Director Faculty Development will consider the request for a market or Advanced Performance Supplement and make a final decision in consultation with the Director and, where the financial position of a Department is significantly impacted, with the Pro-Director Planning and Resources. For Professorial candidates, the Director makes the decision in consultation with the relevant Pro-Directors Faculty Development. The Director of HR or their nominee will be able to advise the Pro-Director Faculty Development or the Director to reach a decision if necessary.

5. Procedure for pay supplements at the retention stage

Professional services staff:

- 5.1 In cases where a professional services member of staff needs to be retained via a pay supplement or an increase in an existing pay supplement, the following process will apply:
- 5.2 The relevant manager will write a case to Human Resources.
- 5.3 The case should include reference to the following sources of information:
 - The reasons for the retention
 - Relevant Salary Survey data
 - Any competitive offers made to the individual.
 - A spreadsheet of salaries within the department (including, where relevant, any comparators outside the department) showing the gender of the relevant staff and which

staff, if any, are already in receipt of supplements. an explanation of what consideration has been given to whether these comparator staff should also receive a supplement for retention purposes (and, if no award is considered appropriate, why not) and justification for any salary differential that would be created by the award.

- 5.4 If the retention case is for a member of staff who does currently hold a salary supplement, then the Director of HR (up to and inclusive of band 9 posts) or the Director of HR with the relevant SMC member (for and 10 posts) will review the supplement in order to identify if there is a need for an increase of the supplement due to market conditions.
- 5.5 If the retention case is for a member of staff who does not currently hold a salary supplement, then the Director of HR (up to and inclusive of band 9 posts) or the Director of HR with the relevant DMT member (for band 10 posts) will consider whether the retention is in relation to a market condition or whether a contribution pay award can be made instead using the contribution pay procedures for professional services staff.
- 5.6 Any dispute will be adjudicated by a SMC member outside the line management of the individual whose pay supplement is being reviewed.

Academic staff

- 5.7 In a retention situation, the case made to the Pro-Director Faculty Development by the Head of Department should normally include the following information:
 - A written offer of employment from a comparator university
 - The Head of Department's assessment as to whether the individual is likely to leave and the loss in their contribution that would follow.
 - The Pro-Director Faculty Development and the Head of Department will take into account a spread sheet, updated in regular intervals by HR, of relevant salaries within the department (including, where relevant. any comparators outside the department) showing the gender of the relevant staff and which staff, if any, are already in receipt of supplements. Consideration should be given to whether these comparator staff should also receive a supplement for retention purposes (and, if not, why not) and consideration must be given to any salary differential that would be created by the award.
- 5.8 The decision, which can be an offer of a market supplement or an Advanced Performance Supplement or an increase in any existing supplements, will be made by the Pro-Director Faculty Development in consultation with in consultation with the Director and, where the financial position of a department is significantly impacted, with the Pro-Director Planning and Resources. For Professorial candidates, the Director makes the final decision in consultation with the Pro-Director Faculty Development. The Director of HR or their nominee will be able to advise the Pro-Director Faculty Development or the Director to reach a decision if necessary.

6. Reduction in Advanced Performance Supplements

- 6.1 Where a review results in a reduction in the Advanced Performance Supplement, this will be actioned as follows:
 - The individual will have a discussion with their Head of Department (or equivalent line manager)
 - A letter will be issued from HR to confirm the changes

- Six months' notice from the date of the notification before the salary is reduced will be given.

7. Equal Pay considerations

- 7.1 All individuals involved with the decisions around pay supplements must consider the wider consequences of their decision, the potential salary differences that would follow from the award of a supplement and whether these are justifiable on objective grounds, and the findings of the latest equal pay review.
- 7.2 Any individuals involved in the review of pay supplements should reflect on whether they have suitable awareness of diversity information to understand the impact of any single decision and the basis on which any supplement awarded can be justified. This expectation is also placed upon managers who are making recommendations for pay supplements to be awarded.
- 7.3 In addition, a report to the Remuneration Committee to include trends and relevant data will be submitted annually. Such a report will also be considered by School management in the context of considering whether pay supplements should be increased in line with the national pay award.
- 7.4 An Equality Analysis has been undertaken on this policy and is available from the Human Resources Division.

Review schedule

Review interval	Next review due by	Next review start
December	December 2018	August 2018

Version history

Version	Date	Approved by	Notes
1	February 2015	Human Resources	
2	July 2017	Human Resources	

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Communications and Training

Will this document be publicised through Internal Communications?	Yes/ No
Will training needs arise from this policy	Yes/ No
If Yes, please give details	

