

## **Flysheet on Grace 1 of 11 May 2016**

### **On the Arrangements for Approving Market Pay**

In order to attract and retain outstanding staff, the University needs a competitive remuneration package. For that reason in 2005 the University introduced *Market Supplements*, refined in 2013 to a combination of *Advanced Contribution Supplements* and *Market Pay*. As the 2013 Report put it:

“Market pay would be a pensionable payment additional to stipend to reflect the fact that the market rate of pay for the individual concerned was higher than the rate of pay which would otherwise be awarded under the Single Salary Spine.”

When introduced in 2005, the Council stated that “it is anticipated that in the majority of appointments where a market supplement is proposed, the supplement will not exceed 10% of the total of all other components of salary”, and “it is anticipated that evidence basing of cases, affordability, equal pay auditing and review will, of themselves, place constraints on the number and size of any market supplements proposed by institutions”. Neither prediction is now true. In the year to 31 July 2015, over 60% of market pay awards were over 10%, over 10% of awards were over 50%, and, as noted by the Council in May 2016, “there are certain specific disciplines in which cases for market pay are being made for a significant fraction of appointments”.

The reason for the recent large increase in market pay is not hard to discern; over the last six years, HE pay has decreased by over 10% compared to inflation. The presumable consequence is that Cambridge salaries are uncompetitive, both internationally and with those in the private sector.

The proposal in the Grace is to raise the threshold for which approval by the HR Committee is needed from 10% of stipend to the lower of 50% or £50,000. This may result in 50% of stipend, or a significant fraction of it, becoming the market-pay norm. If the Grace is approved the University will have a permanent arrangement for market pay which could, without Committee approval, take a Lecturer's pay above that of a Professor, or a postdoc's pay above that of a Reader.

Moreover, the latest Equal Pay Review noted that ‘the average payment in 2014 for market supplements, market pay, and advanced contribution supplements equates to £15,855 for male and £9,374 for female employees’. Given this disparity, the University's growing concern for gender equality, and in order to assess the legitimacy of current practices, surely we need more information and transparency about the process than at present. This Grace would move in the opposite direction.

The checks and balances on market pay need to work fairly and equitably, otherwise the University runs a risk of rewarding a few at the expense of many loyal staff. If the checks and balances in the existing arrangements are unable to cope with the numbers of awards requested, the solution is not to reduce the checks and balances in a system which is already far from transparent and whose beneficiaries are not evenly distributed.

Rather the University should address the underlying cause; increased use of market pay papers over the cracks rather than fixes the problem.

Fortunately, as noted by the Council, “a full review of various aspects of the University’s Human Resources strategy, including pay and reward, is underway for consultation and discussion by the Regent House”. Hence, this is an inopportune moment to loosen the threshold for Committee approval of market pay. The Regent House should decide on reforms in the whole, and the outcome of the consultation and discussion should not be prejudged.

Opposition to this Grace is not opposition to the principle of market pay; it is opposition to inadequate oversight of large secretive awards. We urge you to vote Non Placet on Grace 1 of 11 May 2016.

D. S. H. ABULAFIA	A. C. HERLE	M. D. POTTER
S. ANTONAKOUDIS	D. R. HEWITT	D. R. PRATT
P. R. M. BADCOCK	E. J. HINCH	C. M. F. RAE
M. B. BECKLES	A. HONERKAMP-SMITH	D. A. RASHEED
N. BEREND	M. C. HOUGHTON	O. RATH-SPIVACK
A. R. BERESFORD	P. M. R. HOWELL	A. C. RICE
A. E. T. BOUTEL	K. M. JEARY	K. M. RODDWELL
B. J. BURCHELL	B. D. JONES	S. C. ROGERS
T. K. CARNE	R. JOZSA	M. ROSE
C. P. CAULFIELD	S. R. KELL	J. A. ROSS
C. E. CHAMBERS	J. P. KING	M. J. RUTTER
R. L. C. CHARLES	J. R. D. G. LANDEL	M. G. SARGEANT
I. C. H. CLARE	I. J. LEWIS	W. O. SAXTON
T. W. CLYNE	P. F. LINDEN	S. J. SCHAFFER
A. A. COPESTAKE	J. M. LINE	C.-B. SCHÖNLIEB
S. J. COWLEY	M. M. G. LISBOA	J. E. SCOTT-WARREN
S. B. DALZIEL	J. R. LISTER	I. SITARIDOU
R. J. DOWLING	D. W. MCBRIDE	P. SOUSI
S. J. EGLIN	T. G. MICKLEM	A. G. THOMASON
A. L. ERICKSON	G. D. MOGGRIDGE	N. TIPPLER
R. C. FRANKLIN	A. W. MOORE	E. J. TOMLINSON
C. A. I. FRENCH	E. M. MORFOOT	C. A. TOUT
C. GAGNE	C. G. A. MOUHOT	M. C. VERNON
J. R. GOG	S. M. MURK-JANSEN	P. WADHAMS
R. E. GOLDSTEIN	A. MYCROFT	Y. WAN
D. J. GOODE	A. D. OLIVER	S. WATSON
J. T. A. GREATOREX	S. M. OOSTHUIZEN	S. E. WESTWOOD
S. E. HAKENBECK	K. OTTEWELL	F. G. WOODHOUSE
R. K. HARLE	H. PAPAZIAN	M. J. V. WORTHINGTON
B. J. HARRIS	A. I. PESCI	W. YAQOUB
R. HAYNES	C. A. PETRIE	
P. HEINER	A. M. PITTS	

## **Report of the Council on the arrangements for approving market pay**

### ***Placet Fly-sheet***

The arrangements for the approval of market pay operate on a two-tier basis; senior officers have authority to make decisions on awards up to a threshold, currently set at 10% above the lowest point of the Grade or Band in question, whilst an additional committee-level approval is required for decisions above that threshold.

We agree that there needs to be a continued close and rigorous scrutiny of market pay. However, the job market has not stood still and the threshold introduced in 2013 is no longer operating effectively. The revised threshold of 50% or £50k of basic pay, whichever is the lower, proposed by this Grace is set at a level that is considered to be appropriate in order to screen out the more straightforward requests for decision by the officers and was accepted by the Council on the recommendation of the Council's Remuneration Committee. We believe that this is a sensible change based on the experience of those operating the procedure that will ensure that committee scrutiny is appropriately directed to those cases that most require the committees' time.

We also believe that there are appropriate measures in place to ensure that the officers remain accountable for their decisions. The Remuneration Committee and the HR Committee retain responsibility for decisions on market pay; committee oversight is maintained by the report of decisions made by officers to the HR Committee and, for those on Grade 12, to the Remuneration Committee. The University community is also able to monitor those decisions; a commitment to the regular publication of data on pay was an important element in obtaining the approval of the Regent House for the proposals in the 2005 Joint Report. Data on market pay, together with information on market supplements and advanced contribution supplements, is already included in the statistical information published annually in the *Reporter* (the most recent data for 2014–15 was published on 17 February 2016; see Tables 11(a)–(e), [Reporter, 6415, 2015–16, p. 366](#)). The presentation of the data will be reviewed before publication of the 2015–16 statistical information to ensure that it continues to meet expectations for transparency whilst remaining compliant with data protection legislation.

Cases considered by the officers are reviewed against the same criteria as those reviewed by the committees, with the Pro-Vice-Chancellor (Institutional and International Relations) consulting the Chair of the Remuneration Committee and the Vice-Chancellor over academic cases before making a recommendation, and the Registry similarly consulting the Chair of the Remuneration Committee and the Vice-Chancellor for non-academic cases. In all cases, requests from Departments and Faculties receive initial close scrutiny from the Head of the School (or other relevant body). The endorsement of the latter is an important element of the case in support of the award, bringing insight from a disciplinary perspective but also the context provided by other, competing demands for resources and an understanding of the place of this appointment within the strategic aims of the School.

A Market Pay Working Group has been established by the HR Committee to develop a framework for assessing market pay that is evidence-based, transparent and equitable, as part of the University's strategies for recruiting and retaining staff. The revised framework will continue to operate on the basis of a tiered approval process but will strengthen the current arrangements by enhancing the role of the approving committee in monitoring the evolving job market, ensuring greater consistency of approach in the assessment of individual requests, and also bringing early consideration of anticipated market pay awards within the planning round.

In short, the change proposed in this Grace directs committee attention to where it is most needed and is an important step in the development of a framework in which there is more effective committee scrutiny. We consider that the current two-tier approval process serves the University well and that the revised threshold will provide an appropriate level of scrutiny for these important but time-constrained decisions.

C. ABELL  
P. M. ALLMENDINGER  
A. C. DAVIS  
A. L. FOWDEN  
A. N. S. FREELING  
F. J. GILBERT  
S. GOYAL  
P. B. JONES

F. E. KARET  
C. H. LOCH  
H. W. LOW  
D. LOWTHER  
D. J. MASKELL  
P. H. MAXWELL  
M. J. MILLETT  
R. PADMAN

R. W. PRAGER  
N. K. H. SLATER  
J. SPENCE  
R. D. ST JOHNSTON  
G. J. VIRGO  
I. H. WHITE  
J. L. N. WOOD