



## GUIDELINES FOR MARKET ADJUSTMENT SUBMISSIONS

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## **GUIDELINES TO DETERMINE, IMPLEMENT AND EVALUATE MARKET ADJUSTMENTS**

These Guidelines are provided to Government Departments, Agencies, Boards and Commissions to aid in identifying labour market inequities for officially classified positions in the preparation of a potential market adjustment Treasury Board Submission.

### **Market Adjustments**

Market adjustments are a type of remuneration that can be one solution to overcome employee recruitment and retention challenges. A market adjustment is a form of supplementary compensation that is based on current market conditions. Market adjustments consider how comparative positions are valued across other public sector employers. For example, a Newfoundland and Labrador public sector position might receive \$65,000 per year and a comparable Atlantic public sector position might receive \$75,000. The purpose of the market adjustment submission request would be to increase the direct compensation of the public sector position to compete with, within a reasonable amount, the salaries of the comparable position(s) in order to assist with either recruitment or retention of employees.

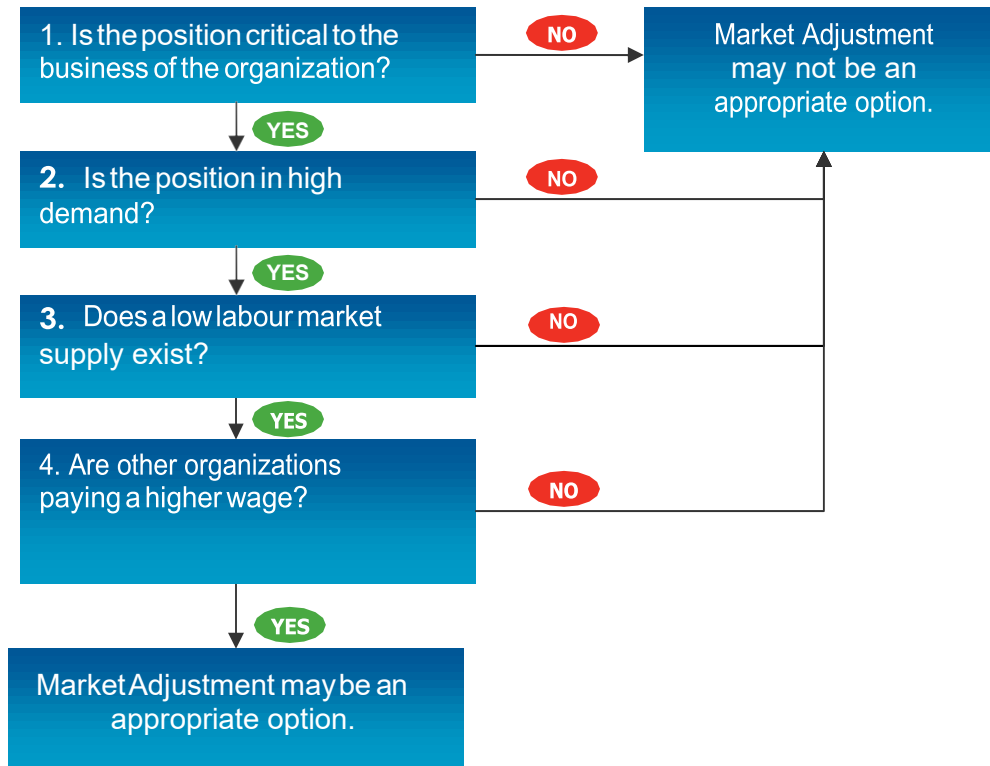
It may not always be necessary to balance the monetary gap completely as other factors, such as benefits (e.g. pension, leave provisions, statutory holidays) may be taken into consideration. In some cases, it may be necessary to offer compensation above the identified gap to attract and retain.

### **Determining the Need for Market Adjustments**

Market adjustments should only be used in exceptional situations, as noted below:

- Where other initiatives have been properly developed, implemented and deemed ineffective (such as succession planning, alternative recruitment practices, etc.).
- The position(s) to which market adjustments would apply currently exists in a low supply/high demand labour market.
- A higher salary is essential to recruit and/or retain an employee in an officially classified position that will serve a critical function that cannot be achieved by any other possible means (e.g. the duties and responsibilities of the position cannot be performed by another employee, or be reassigned to an existing position, etc.).

In order to determine whether market adjustments are a viable option, Government Departments, Agencies, Boards and Commissions should address the questions noted below. Depending on the organization, other issues in addition to those described may need to be considered. The information gathered for this purpose may be submitted or requested during the analysis of a proposal for a market adjustment. Treasury Board assessment may determine the need for additional information to support the request.



1. Is the position an officially classified position(s) classified by Treasury Board Secretariat with a corresponding Position Control Number (PCN)?
  - Provide confirmation of the classification such as the Treasury Board issued decision letter
  - Provide a list of all positions and corresponding PCNs for which the market adjustment may apply.
2. Is the position critical to the business of the organization?
  - Provide a description of the duties of the identified position, including a description of the service or programs that the position will provide, and if any of these services are essential.
  - Provide statistics or information regarding the services associated with this position.
  - Provide detailed evidence of the challenge(s) that the recruitment/retention issue creates for the organization.
  - Describe the potential best- and worst-case outcomes if the position is not recruited or retained.
3. Is the position in high demand?
  - Provide detailed evidence that the particular skill set/occupation is in high demand.
4. Does a low labour market exist?
  - Provide detailed evidence that the particular skill set/occupation is in short supply including:
    - Data from academic institutions in terms of graduating classes.
    - Out-migration data on the occupational group.
  - Detail recruitment efforts/competition statistics rates (evidence that the organization has been unable to fill the position).
  - Detail current and historic vacancy rates associated with this classification.
5. Are other public organizations paying a higher wage?
  - Assess relevant market data (i.e., evidence that market rates for comparable positions are paid at a higher rate).
  - Provide public sector labour market data (may be supplemented with comparable private sector information, if relevant).
  - Determine the recommended adjustment/differential in dollars and/or percentage increase.
  - Provide rationale for the request and how the organization purposes to fund it.

## Analysis

Once an organization determines that a market adjustment is an option, it should undertake a broader analysis of the potential implications. As noted below, consideration should be given to the extent of the problem, fiscal capacity, potential impact throughout the organization and broader public service, interventions for mitigation, evaluation techniques, and examination of alternative strategies. See below for more detail on these issues.

### **What is the extent of the problem?**

- How many employees or positions are affected?
- How critical is the work of the position to the performance of the organization/the ability of the organization to meet its commitments?
- Are there other ways in which to address the concern or to meet organizational commitments?
- What other strategies has the organization already utilized to stabilize the workforce?

### **Fiscal Capacity**

- What is the estimated cost associated with this option?
- How will the market adjustment be funded?
- Does the organization/department have sufficient funds to cover the cost?
- If not, where will these funds come from? What will be the impact of this on the organizational/departmental budget?

### **What impact will this have on others within the organization?**

- Are there inversion or compression situations which will be created as a result of this option being implemented?
- Will other occupations/groups be impacted negatively?
- Will morale of other employees in similar occupations be negatively impacted if they do not also receive a market adjustment, thus impacting productivity?

### **What impact will this have on other public sector organizations/departments?**

- Will other public sector occupations/groups be impacted negatively?

### **What has the department done to mitigate the situation?**

- Describe interventions that have been attempted.
- What has worked?
- What has not?

### **Will the market adjustment be required for an extended period of time?**

- Has the organization/department developed an alternate plan to address the issue?

### **How will the organization/department evaluate the need for continuance?**

- Detail the evaluation plan in place.

### **Does the organization/department have an exit strategy?**

- Detail how the organization will evaluate and remove the adjustment, if deemed appropriate to do so.

### **Is there an evaluation plan in place to determine the effectiveness of the market adjustment on recruitment and retention?**

- Describe how the organization plans to determine the effectiveness of the market adjustment.

### **What other recruitment and retention strategies could be implemented if a market adjustment is not approved?**

- Is there a plan for a broader recruitment strategy to eliminate the need for market adjustment?
- What improvements can be made to the recruitment process to reduce barriers for applicants?

- What non-financial incentives could be strengthened to improve employee engagement and job satisfaction?
- Can leadership development opportunities and succession planning be utilized to increase employee retention?

#### **Other Factors to Consider:**

- Market adjustments might be applied to officially classified occupational groups, which can be very costly depending on group size and market differential;
- Market adjustments would not normally be applied to a remuneration where the salary already exceeds the average labour market wage;
- Application may cause or exacerbate internal salary compression and/or inversion issues;
- Once applied, reduction or elimination of the market adjustment can be difficult for employees who become dependent on the additional remuneration; and
- Increases in Government remuneration may prompt competitive employers to also increase salaries in order to remain competitive.

#### **Preparing the Proposal**

A proposal to Treasury Board regarding the application of a market adjustment will need to demonstrate related evidence and planning activities.

The evidence necessary for Treasury Board to make an informed decision may vary according to the position, its location, and/or other circumstances that may present. Generally, however, the following can be used to guide the preparation of a proposal.

#### **Evidence**

The following are some, but not all, of the possible evidence and other considerations that could be required in a proposal:

- Evidence of current labour market conditions and a demonstration of a labour/skills shortage within the organization;
- Evidence that current labour market conditions will persist for a significant period of time;
- Thorough historical recruitment and retention information related to the classified position, including creation date, recruitment efforts, turnover and vacancy rates;
- Determination of a comparable market adjustment with supporting rationale for the request;
- Detailed cost estimate of the market adjustment and how it is to be funded;
- Complete historical information related to departmental efforts to resolve the recruitment and retention issue(s);
- Detailed evaluation that determined the efficiency and impact of previous departmental efforts; and
- Comprehensive presentation of relevant recruitment and retention plans and activities including how the Department will eliminate the market adjustment in the future.

## Planning

The planning components of the proposal should address anticipated issues that would accompany the use of market adjustments. These include the following:

- Periodic review of market conditions to determine if a market adjustment should be increased, decreased, maintained or eliminated;
- An implementation plan that describes clear goals and objectives, steps for implementation, available resources, how employee expectations and reactions will be managed, steps for discontinuance, and other relevant information that may be required;
- An evaluation plan that details how the organization will measure the impact of the market adjustment on the recruitment and retention of employees;
- Development of candidate pools;
- A communication plan that addresses anticipated reactions to the application and discontinuance of the market adjustment should be submitted; and
- A copy of the notification to the affected employee(s) which details the amount, start and end date as well as the timeline for evaluation of the market adjustment.

Departments, agencies, boards and commissions may also wish to include other pertinent evidence to support the request for a market adjustment.

## Submitting a Proposal

### Departments

At the Government department level, the Deputy Minister would ensure that the submission is prepared in accordance with the policy and guidelines and submitted to Treasury Board as per normal submission processes.

### Agencies, Boards and Commissions

The Chief Executive Officer ensures that the submission is prepared in accordance with the policy and guidelines and submitted to the respective Government department for submission as per normal process.