



University of  
South Australia

## MARKET ALLOWANCE GUIDELINES

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### APPLICATION

These Guidelines apply to all staff, excluding casuals and staff members whose remuneration is determined by the Senior Remuneration Committee.

### OVERVIEW

These guidelines reflect current endorsed practice of the University of South Australia. The purpose of these guidelines is to provide managers with clear information, options and procedures for the approval and review of market allowances.

The guidelines provide managers with the basis against which staff of the University can be remunerated above their classification level prescribed in the applicable industrial instrument.

### OBJECTIVES

The objectives of these guidelines are to:

- Provide managers with an ability to attract and retain key staff where prevailing market conditions result in the University being unable to compete for key staff, where the primary consideration is uncompetitive remuneration.
- Assist managers to ensure that they have the flexibility to award an allowance to attract and/or retain staff where the impact of taking no action will detrimentally and significantly impact on the achievement of key strategic outcomes.
- Provide a framework to ensure consistency and transparency of rationale, supporting processes and outcomes.

## **GUIDING PRINCIPLES**

The University is a diverse organisation both in function and also economic base. The University must respond to, and be flexible enough to support, the diversity of competitive markets within which it operates. The broad principles embodied within these guidelines are as follows:

- Managers must provide a business case to support the payment of an allowance under these guidelines.
- Market allowances sit outside of a staff member's conditions of employment determined by the relevant industrial instrument.
- Market allowances can be based on a percentage of the staff member's base salary, or defined as an absolute amount. The allowance may also be subject to salary increases awarded under the applicable industrial instrument.
- Market allowances can either be superannuable or non-superannuable. Approval of a superannuable allowance is subject to the conditions of the relevant superannuation fund. The staff member must seek advice from the University's Superannuation Officer as to the status of the allowance in relation to their fund.
- Market allowances should be agreed for a period of no greater than 3 years, reviewable annually at the local level subject to satisfactory performance.
- Market allowance payments will be no greater than 20% of the base salary under the applicable industrial instrument.
- Prior to an offer of a market allowance being made to a staff member, a business case must be developed by the staff member's manager and:
  - supported by the cost centre manager (where that person is not an SMG member); or
  - supported by the relevant Senior Management Group member, and
  - approved by the Director: Human Resources.
- The availability of an allowance under these guidelines will assist to maintain the integrity of the classification system and separate the issues of classification and remuneration.
- Fairness together with internal and external equity considerations should be paramount.

## **MARKET ALLOWANCE DEFINITIONS**

The payment of an allowance under these guidelines can be made with reference to a range of scenarios indicative of competitive market pressures. These definitions are not intended to be all-inclusive, but rather indicative of situations where an allowance could be justified.

### Attraction

Refers to the use of an allowance to attract an applicant into employment where uncompetitive remuneration is the primary factor influencing the decision to accept the employment offer.

## Retention

Refers to the use of an allowance to retain key staff where the loss of that staff member due to uncompetitive remuneration would impact negatively on the achievement of strategic outcomes of the local area and/or the University.

It is important to interrogate the influences on the intent to break employment from the University, assess if retention is viable and if the payment of an allowance is the most appropriate retention mechanism.

An example may be one that is commonly referred to as a 'market hotspot'. This relates to a group of professionals that are commanding a market premium due to supply and demand pressures. For example, recent growth in the construction and mining industries has led to skills shortages for engineers, geologists, surveyors and technical professionals. This 'war for talent' could lead to poaching of UniSA staff with expertise in these areas, therefore the payment of a retention allowance may be utilised in order to retain their skills. Advice to verify and clarify the existence and nature of a 'market hotspot' should be sought from the Remuneration team.

## **BUSINESS CASE**

Managers must provide a business case to support the payment of an allowance under these guidelines. The following elements highlight some of the items that may be included in the business case.

- Include a demonstrated analysis and diagnosis of the competitive market pressure.
- State any specific criteria associated with the allowance, e.g. expected performance achievements.
- List the critical skills and experience the staff member (or potential staff member) has to perform the role and why these are critical to the local area and/or the University.
- Demonstrate how the inability to attract or retain key staff will directly impact on the desired strategic outcomes of the local area and/or the University.
- Where applicable, demonstrate the legitimate risk of unwanted staff turnover that is directly related to uncompetitive remuneration.
- Where applicable, demonstrate past attraction and/or retention experience that establishes the ongoing indications of uncompetitive remuneration and its impact.
- State the percentage or dollar amount to be paid, the period of the allowance and identify local area review periods.

## **ALLOWANCE STRUCTURE**

Competitive market supply and demand fluctuate over time and this should be recognised and reflected in the manner that allowances are structured. Reviewing the competitive market ensures that the University is able to manage its cost structures with regards to payment of allowances under these guidelines, and to ensure ongoing flexibility and alignment with strategic need and corporate goals.

It is important to conduct regular reviews of the relevant competitive market pressures to continue to understand the comparative position of the University and to ensure that the payment of an allowance is justified and necessary on an ongoing basis.

It would be unusual to substantiate payment of a market allowance for a period of greater than 3 years or a payment greater than 20% of base salary. In these instances, approval must be sought from the Vice Chancellor.

Market allowances will be maintained during periods of paid leave and included in the calculation of terminated payments.

### **PRIOR TO MAKING AN OFFER**

- Investigate other possible alternative markets for similar skill sets.
- Investigate and evaluate the risk of any possible flow on effects within the local area and the University in paying an allowance.
- Seek advice from the Remuneration team or local HR representative, to test the rationale and amount of the proposed allowance. This will ensure that the allowance is consistent and equitable.
- Compare competitive remuneration on a total employment cost basis and consider other benefits provided by the University when evaluating the competitive proposition (i.e. flexible work arrangements, staff development opportunities, leave provisions, etc.).
- Consider carefully how the allowance will be structured and applied. The allowance should have a review date and a pre-agreed term.

### Approvals

Approval of market allowances will be assessed with reference to the demonstrated merits of the case. Prior to an offer of a market allowance being made to a staff member, a business case must be developed by the staff member's manager and:

- Supported by the cost centre manager (where that person is not an SMG member);  
or
  - supported by the relevant Senior Management Group member, and
  - approved by the Director: Human Resources (where the allowance is less than 20% of base salary)
- or
- approved by the Vice Chancellor (where the allowance exceeds 20% of base salary)

### **FUNDING**

Market allowances will be funded by the local cost centre.

All market allowance business cases and supporting documentation must consider the overall financial status of the University in its design. It is not appropriate to pay allowances where the payment would have a financially detrimental effect.

### **REPORTING**

The Director: Human Resources will provide SMG with an annual report of all market allowances.

## **FURTHER INFORMATION**

- Market allowances may be paid in addition to other University approved incentives, e.g. performance based remuneration payments.
- Payment of market allowances will be made through the University's Payroll system.
- Please refer to the Market Allowance Administrative Procedure – Attachment 1.

## **RESPONSIBILITIES AND/OR AUTHORITIES**

Responsibility for the application of these guidelines rests with the direct line manager and relevant Senior Management Group member.

Market allowance business cases must be approved by the Director: Human Resources, in accordance with the Vice Chancellor's Authorisations.

The Vice Chancellor, on the recommendation from the Director: Human Resources may approve a variance to the application of these guidelines.

## **CROSS REFERENCES**

- Applicable industrial instrument
- Vice Chancellor's Authorisations
- Remuneration and Reward Policy

## **FURTHER ASSISTANCE**

Managers and staff may seek further advice from the local HR representative or the Remuneration Team in the central HR Unit.

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Updated: August 2009

## Attachment 1

### Market Allowance Administrative Procedure

- 1 The business case is developed by the Cost Centre Manager, in conjunction with the local HR representative. The central HR Services team can provide assistance with writing the business case and the Remuneration and Workforce Strategy (RW&S) team can be consulted for benchmarking and remuneration advice.
- 2 The local HR representative forwards the business case to the relevant Senior Management Group (SMG) member and other managers (as appropriate) for endorsement.
- 3 Once endorsed by the SMG member, the local HR representative forwards the business case and any supporting documentation to the Director: Human Resources for approval.
- 4 The Director: Human Resources informs the relevant SMG member, Cost Centre Manager and local HR representative of the outcome (approval or non-approval).
- 5 The local HR representative prepares a letter to the staff member advising the terms of the approved market allowance. The correspondence is placed on the staff members personnel file.
- 6 The local HR representative consults with the staff member regarding their superannuation requirements and completes the [HRIS 016](#) payment form. The form with the email approval attached is forwarded to Payroll Services for processing.
- 7 The allowance is entered on the payroll system for an initial 12 month period and continuation of the allowance is subject to annual review. The full period of the allowance is entered in the comments field.
- 8 The local HR representative identifies from the UniSA Info "Allowance Ending Report" allowances that are due for annual review and follows up with the manager. The outcome of the annual review is documented and placed on the staff members personnel file.
- 9 If approved at the local level, the local HR representative notifies Payroll on the HRIS016a form to continue payment of the allowance for a further period of up to 12 months. NB: The allowance will not be paid beyond the annual review period without approval from the local area.
- 10 The Manager: Human Resources will provide SMG with an annual report of all market allowances.