



Report of: Corporate Director of Resources

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| Meeting of Audit Committee | Date 19 th March 2018 | Agenda Item | Ward(s) |
| Delete as appropriate | Exempt | Non-exempt | |

SUBJECT: Market Supplements

1. Synopsis

1.1 In January 2015 the Audit Committee adopted a market supplements policy with effect from 1st March, 2015 with a view to addressing the difficulties being experienced in recruiting to a number of specific technical and professional roles. This report provides an update on the effectiveness of market supplements in attracting the skills required by the council and whether they have proved more cost effective than engaging agency workers.

2. Recommendations

2.1 To note the update provided in this paper.

3. Background

3.1 The Policy and Performance Scrutiny Committee undertook a review of the council's use of agency workers and presented its report to the Executive in May 2014. Recommendations arising out of that review included one that the council should consider the use of market supplements for 'hard to fill posts' as part of a strategy for reducing the use of agency workers.

3.2 The policy sets quite stringent requirements in respect of evidence of the need for a supplement and requires that markets supplements are approved by the Chief Executive, or if they meet specified criteria, are considered by the Audit Committee itself.

3.3 The policy requires that a business case is prepared before a market supplements can be agreed. The business case is required to address the following issues:

- (a) The anticipated detrimental impact on the operation of the council and its services of failing to recruit to, or retain, suitable employees in the post;
- (b) Alternatives available to the use of market supplements (e.g. use of agency workers);
- (c) The outcome of previous attempts to recruit to the post and/or difficulties in retaining employees in the post due to its remuneration, including exit interview information;
- (d) Evidence of steps taken to maximise the attractiveness of the role and the likelihood of recruiting to it;
- (e) Detailed information about the local labour market relevant to the post concerned using specific comparator jobs or survey information where sufficiently detailed and relevant;
- (f) This information to cover at least 3 comparator roles and include the job descriptions (including management span and budget responsibilities), person specifications and overall remuneration and benefits package (including annual leave entitlement and other benefits) of roles cited as comparators;
- (g) The calculation of the proposed supplement based on the median of the comparators used;
- (h) Confirmation that the cost of the market supplement if applied can be met from the service's existing budget.

4. Use of market supplements

4.1 The following market supplements have been implemented since the policy was introduced and the posts were filled:

| Department | Service | Job title | Period | Amount per annum |
|-----------------------|-------------------------------------|---------------------------------------|---------------------|------------------|
| Finance and Resources | Digital Services and Transformation | Information Security Adviser | 27/05/15 - 03/05/16 | £8175 |
| Finance and Resources | ICT Strategy and Transformation | Business Engagement Manager | 29/06/15 - 30/11/15 | £4995 |
| HASS | Housing Property Services | Principal Lift Engineer | From September 2017 | £5,000 |
| HASS | Housing Property Services | Senior Electrical Engineer | From September 2017 | £8,000 |
| HASS | Housing Property Services | Electrical Engineer | From 30/05/17 | £7,000 |
| E&R | Street Environment Services | Corporate Fleet and Transport Manager | From 05/01/18 | £9,819 |

4.2 The following market supplements have been approved but it has not been possible to fill all the posts:

| Department | Service | Job title | Period | Amount per annum | Comments |
|------------|---------------------------|----------------------|---------------------|------------------|---------------------|
| HASS | Housing Property Services | Mechanical Engineer | From September 2017 | £11,000 | 1 of 2 posts filled |
| HASS | Housing Property Services | Mechanical Inspector | From September 2017 | £10,000 | 1 of 2 posts filled |
| HASS | Housing Property Services | Electrical Inspector | From September 2017 | £10,000 | 1 of 2 posts filled |

4.3 The following market supplements have been approved but it has not been possible to fill any of the posts:

| Department | Service | Job title | Amount per annum | Comments |
|------------|---------------------------|--|------------------|--|
| HASS | Housing Property Services | Group Lead, Mechanical and Electrical Team x 1 | £9,000 | Attempts to recruit on two occasions have been unsuccessful despite offer of market supplement |
| HASS | Housing Property Services | Lead Domestic Gas Engineer x 2 | £6,870 | |

4.4 An application for the following market supplement is currently being considered:

| Department | Service | Job title | Amount per annum |
|------------|------------------------------|-----------------------------|------------------|
| E&R | Highways and Energy Services | Energy Conservation Officer | £3,285 - £4,785 |

5. Effectiveness and cost of using market supplements

5.1 Feedback from managers in HASS and E&R demonstrates that markets supplements have been essential in enabling recruitment to these technical and specialist roles. Even so, not all posts have been filled. It is necessary to re-advertise the ones that remain vacant and there is no guarantee of a successful outcome to the campaigns. Candidates have commented that market supplements are not the same as a permanent salary, as they are reviewed annually and could in theory be withdrawn. When posts are advertised, the market supplement has to be shown separately and this may also deter potential candidates. For certain roles, amounts in the region of £15,000 can be spent on advertising, due to the need to use specialist media.

5.2 It has not been possible for the recruiting manager to make significant progress on filling the roles at 4.2 and 4.3 for the past 6 months due to a number of personal and job-related issues not directly related to the remuneration issues associated with these jobs.

5.3 Managers in a range of services where there are specialist roles which require lengthy study and high-level qualifications, and for which there is often competition with more generous salaries in the private sector, find that they struggle to recruit. The evidence shows that market supplements provide a solution, at least in part, but that it would be beneficial to look into the problems in recruiting to these posts in greater detail, including reviewing recruitment processes and ensuring that the full benefits packages are explained. In particular, feedback from managers is that the NJC job evaluation scheme does not adequately recognise the value of roles requiring technical qualifications and knowledge, as well as management and leadership skills and commercial flare. This combination is prized in the private sector and attracts very high remuneration. Human Resources colleagues have been providing dedicated support to managers to assist them with these resourcing challenges, including to ensure advertisements capture all the benefits of working for the council. Colleagues with specialist knowledge of job evaluation have been working to ensure the evaluation of these roles is effective and supports the attraction of the right calibre of candidates.

5.4 Examples of roles for which market supplements have been agreed, with the costs of permanent employees compared to agency workers are listed here:

| Job title | Islington grade/ Salary | Market supplement | Approximate on- costs (c 20%) | Total cost of employee |
|----------------------------|------------------------------------|--|--|-----------------------------------|
| Principal Lift Engineer | PO5 £42,651 - £45,438 | £5,000 pa (£47,651 - £50,438) | £9,530 - £10,088 | £57,181 - £60,525 |
| Senior Electrical Engineer | P04/P05 £39,855 - £45,438 | £8,000 pa (£47,855 - £53,438) | £9,571 - £10,688 | £57,426 - £64,126 |
| Mechanical Engineer | P02/P03 £35,070 - £39,855 | £11,000 pa £46,070 - £50,855 | £9,214 - £10,171 | £55,284 - £61,026 |
| Mechanical Inspector | S01/S02 £29,424 - £33,627 | £10,000 pa £39,424 - £43,627 | £7,885 - £8,725 | £47,309 - £52,352 |
| Electrical Inspector | S01/S02 £29,424 - £33,627 | £7,000 pa £36,424 - £40,627 | £7,285 - £8,125 | £43,709 £48,752 |

| Job title | Day Rate (Contractor) | Day Rate (including agency fee) | Annual contract cost (48 weeks) |
|----------------------------|--------------------------|---------------------------------------|--|
| Principal Lift Engineer | £260.00 | £286.00 | £68,640 |
| Senior Electrical Engineer | £250.00 | £275.00 | £66,000 |
| Mechanical Engineer | £180.00 | £198.00 | £47,520 |
| Mechanical Inspector | £200.00 | £220.00 | £52,800 |
| Electrical Inspector | £200.00 | £220.00 | £52,800 |

5.4 One of the reasons that managers engage agency workers is because they experience difficulties in recruiting to posts permanently due to the salaries the council offers for jobs which may typically attract better pay in the private sector. As can be seen from the examples listed above, the cost of engaging an agency worker is generally greater than the cost of hiring a permanent employee. However, there are broader issues, with less easily quantifiable costs which should be noted and which, when taken into consideration alongside the costs, mean that offering market supplements in order to recruit on a permanent basis to hard-to-fill posts is the preferable option. These issues are as follows:

- The council wishes to act as a responsible and ethical employer, providing opportunities which offer people stability and security for them and their families and contribute to making Islington a fairer place;
- Unless used in conjunction with planned knowledge transfer, a high use of agency workers undermines efforts to build organisational and individual capability and does not allow for effective succession planning;
- An extensive use of agency workers carries significant risk in view of the speed at which workers can terminate contracts;
- A more transient workforce will be less motivated and less committed to working to achieve the council's vision and values;
- Some agency workers may have chequered work histories, which are very difficult to identify in advance due to the fact that they work through agencies.

6. Implications

6.1 Financial implications:

As part of the process to approve market supplements, managers must assess where the funding will come from and ensure that sufficient funds are available to pay for the supplements from within their existing budgets.

6.2 Legal Implications:

Where the council awards a market supplement (in addition to the evaluated grade of a post), the potential for equal pay claims arises. The council needs to be able to demonstrate that the award of the supplement is justified by a material factor (which is neither directly nor indirectly discriminatory) in order to avoid or defend such claims. The state of the employment market, which may lead an employer to increase the pay of a particular job in order to attract candidates, can constitute an objectively justified economic ground for a pay disparity, provided the

applicable pay levels are not due to underlying discriminatory reasons. Having a robust market supplements policy in place, which has been and continues to be equality impact assessed, is subject to regular review and which requires documentary evidence of the market conditions and recruitment difficulties, mitigates the risks of using supplements.

6.3 Environmental Implications:

There are no environmental implications arising from this report.

6.4 Resident Impact Assessment:

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A resident impact assessment was undertaken in respect of the Market Supplement policy. The policy itself is not considered likely to have an adverse impact on any particular group but as the policy gives discretion to managers the use of the policy by managers will be monitored to ensure it is being fairly applied.

Final report clearance:

Signed by:



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