



Report of: Corporate Director of Resources

Meeting of Audit Committee	Date 28 th January 2020	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 since verbal updates to the Audit Committee on 31st January 2019 and 3rd June 2019 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 three 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.

A key action of the 2019-2022 Workforce Strategy is 'Attracting and Retaining the Best Talent' To achieve this, we have committed to introducing a strong employer brand and employee value proposition (including good pay, benefits and conditions). This includes reviewing our Reward Strategy as a priority. Although work has commenced it will take some time to finalise a new pay and reward approach. In the meantime, market supplements are vital in assuring that Islington is able to recruit to crucial positions and therefore it is unlikely that there will be significant change in the next year.

4. Use of market supplements

4.1 The following market supplements have been paid in 2019/20.

Directorate	Service	Job Title	Amount per annum (£)	Comments
Environment and Regeneration	Public Realm	Corporate Fleet and Transport Manager	9,819.00	paid since January 2018
Housing	Housing Property Services	Senior Electrical Engineer	8,000.04	paid since September 2017
Housing	Housing Property Services	Electrical Engineer	6,999.96	post filled in 2019
Housing	Housing Property Services	Electrical Engineer	6,999.96	paid since June 2017
Housing	Housing Property Services	Mechanical Inspector	9,999.96	post filled in 2019
Housing	Housing Property Services	Mechanical Inspector	3,666.66	Postholder left in September 2019
Housing	Housing Property Services	Principal Lift Engineer	5,000.04	paid since September 2017
Housing	Housing Property Services	Senior Mechanical Engineer (Communal)	11,000.04	post filled in 2019
Housing	Housing Property Services	Mechanical Engineer (Communal)	11,000.04	paid since September 2017

Housing	Housing Property Services	Mechanical Engineer (Communal)	1,537.64	Postholder left in May 2019
Housing	Housing Property Services	Lead Domestic Engineer	6,870.00	post filled in 2019
Housing	Housing Property Services	Lead Domestic Engineer	6,870.00	post filled in 2019
Housing	Housing Property Services	Lead Gas Engineer	6,870.00	post filled in 2019
Housing	Housing Property Services	Electrical Inspector	6,999.96	post filled in 2019
Housing	Housing Property Services	Mechanical Engineer (Communal)	11,000.04	post filled in 2019
People	People	Director	2,592.96	paid since April 2017
Resources	Digital Services	CRM and Web APIs Manager	1,374.00	agreed in 2019
Resources	Digital Services	Business Advisor	6,000.00	agreed in 2019
Resources	Digital Services	Operational Services Manager	12,294.96	agreed in 2019
Resources	Digital Services	Programme Delivery Manager	607.91	market supplement started in Dec 2019

5. Effectiveness and cost of using market supplements

- 5.1 Feedback from Housing Property Services and Digital Services demonstrates that markets supplements have been essential in enabling recruitment to these technical and specialist roles. In particular, in filling the roles of Mechanical Inspector, Mechanical Engineer, Lead Domestic Engineer, Lead Gas Engineer. 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 a permanent salary, as subject to annual reviews and could 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 Managers in 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 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.
- 5.4 Examples of roles for which market supplements have been agreed, with the costs of permanent employees compared to agency workers are:

Job title	Islington grade/ Salary	Market supplement	Approximate on-costs (c 20%)	Total cost of employee
Principal Lift Engineer	PO5 £44,373 - £47,274	£5,000 pa (£49,373 - £52,274)	£9,875 - £10,455	£59,248 - £62,729

Senior Electrical Engineer	P04/P05 £41,466 - £47,274	£8,000 pa (£49,466 - £55,274)	£9,839- £11,055	£59,359 - £66,329
Mechanical Engineer	P02/P03 £36,486 - £41,466	£11,000 pa (£47,486 - £52,466)	£9,497 - £10,493	£56,983 - £62,959
Mechanical Inspector	S01/S02 £31,434 - £34,986	£10,000 pa (£41,434 - £44,986)	£8,287 - £8,997	£49,721 - £53,962

Job title	Day Rate	Day Rate (including agency fee)	Annual contract cost (48 weeks)
Principal Lift Engineer	£260.00	£286.00	£68,640
Senior Electrical Engineer	£260.00	£285.00	£68,400
Mechanical Engineer	£235.00	£255.00	£61,200
Mechanical Inspector	£200.00	£220.00	£52,800

5.5 One reason 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 attract better pay in the private sector. From the examples listed above, the cost of engaging an agency worker is generally greater than the cost of hiring a permanent employee. Offering market supplements in order to recruit on a permanent basis to hard-to-fill posts is the preferable option in terms and costs and for the following reasons;

- 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;
- A high use of agency workers undermines efforts to build organisational and individual capability and does not support effective succession planning;
- An over reliance on agency workers carries significant risk in view of the speed at which workers can terminate contracts;
- A more transient workforce can be less motivated and less committed to working to achieve the council's vision and values;

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 employment market may lead an employer to increase the pay of a particular job to attract candidates on 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:



Alan Grant
Acting Director of HR and Head of Schools
HR

Date: 16th January 2020

Received by:

Head of Democratic Services

Date

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