

Report of the Executive Director

MARKET SUPPLEMENT POLICY1. Purpose of report

To seek the Committee's recommendation for the removal of the current Scarcity Rating arrangements from the Evaluation and Re-evaluation of Posts policy to reflect the guidance received following a review of the scarcity rating arrangements by East Midlands Councils and to approve the new Market Supplement policy.

2. Background

A review of the current scarcity rating arrangements contained within the Evaluation and Re-evaluation of Posts policy was commissioned by the Council in November 2019. The scarcity rating arrangement is failing to address the difficulties experienced by the Council in two main areas, namely delay and retention.

- 1) By introducing a delay before a scarcity rating can be applied i.e. a failure to recruit following three advertising campaigns places additional pressure on, in some cases, already stretched resources.
- 2) As the scarcity rating was not designed to assist in the retention of existing experience within the workforce the Council has lost experienced resource.

A report (see appendix 1) was received by the Council 6 December 2019 from East Midlands Councils, highlighting eight areas of the current scarcity rating arrangements that would benefit from revision. The report suggests that an option would be to replace the current scarcity rating arrangement with a new market supplement; the suggested policy is provided at appendix 2; introducing a number of improvements over the existing arrangements including: -

- RETENTION following the provision of appropriate evidence in a business case a market supplement would enable the flexibility to be applied to a post in order to retain skilled resource.
- A REVIEW would be built into any application of a market supplement (for example every two years) to ensure that should the market improve any market supplement could be removed thereby ensuring that equal pay claims can be appropriately defended. It is recommended that employees are given three months notice of removal and six months' pay protection.

If agreed the Evaluation and Re-evaluation of Post policy would be amended to remove reference to the scarcity rating arrangements (see amended policy at appendix 3). While no other changes to the policy are requested at this stage a future report to the Committee will highlight a number of further proposed improvements.

3. Financial implications

A request for the application of a market supplement will be presented to GMT along with a business case containing the appropriate evidence of the current market conditions including previous experience in recruitment for the job role in question.

Recommendation

The Committee is asked to RECOMMEND to Personnel Committee that the implementation of a new Market Supplement policy and the amended Evaluation and Re-evaluation of Posts policy be approved.



Report for Broxtowe Borough Council on a Review of its Policy for Paying Supplements to Support Recruitment and Retention

1. Introduction

East Midlands Councils is the body representing the interests of all local authorities in the region, and is also the Regional Employers' Organisation. As a member of East Midlands Councils, Broxtowe Borough Council is able to access independent advice on employment issues.

From the brief, it appears that the Council is finding it difficult to attract or retain staff in key positions. This situation is echoed in many local authorities and to be competitive within a challenging labour market, organisations need to be able to respond to those pressures whilst maintaining fairness and supporting its equality objectives.

The brief indicated that some staff are leaving to join neighbouring organisations, sometimes for a relatively small increase in pay compared to their salary at Broxtowe. We have been commissioned to help the Council to review its current policy for paying supplements to support recruitment and retention and to put forward options, including the development of a new policy. The aim of the policy would be to help the Council to meet its aims of retaining and attracting key staff and enable the Council to be in a position to support an equal pay defence.

The purpose of this report is to provide outcome of this work.

2. Review of the Current Policy

The Council uses job evaluation to provide an objective way of determining pay for different roles within the organisation. Two schemes are used – the GLPC scheme for most roles, and Hay for senior officer roles. Job evaluation provides the mechanism for fairly comparing roles within an organisation, but does not take into account external factors such as labour market pressures, where there is a particular requirement for specific skills/experience, or market rates of pay.

The Council has a detailed Policy and Procedures for Evaluation and Re-evaluation of Posts. Included within this is a scarcity rating (Paragraph 3.8, page 12). This states:-

“Where it becomes increasing (sic) difficult to find a suitable applicant for a particular post, a scarcity rating will be applicable. The scarcity rating will be a percentage of the posts (sic) current JE score, this amount is then added to the current JE score providing the new JE score with the scarcity rating included. In order to qualify for the scarcity rating the post in question must have been advertised on three consecutive occasions with no successful candidates or where we have been successful after three consecutive attempts but failed to retain a candidate for longer than 12 months. The maximum scarcity percentage to be applied is 10% (This is restricted to 5% for Grade 13). Any scarcity rating applied to a post will be applied to all posts within that job group.”

The aspects of the policy that are recommended for revision are set out below:-

- a) How the scarcity provision is set out in the policy – within Section A that relates to GLPC evaluated posts – it would appear that there is no equivalent provision for

managerial roles evaluated on the Hay scheme. It is important that the Council has the ability to address recruitment and retention issues across all roles.

- b) The provision does not address how the Council can retain people who are leaving the organisation – it currently only applies to a very small proportion of roles and appears to apply to the role after the incumbent has left. There appears to be no means of encouraging an employee to remain who has been offered a higher paid role elsewhere.
- c) Having the policy apply to roles where the person has left within 12 months of starting, may be questionable in terms of its rationale. Employees who look for a job within 12 months of starting are more likely to be leaving for reasons unconnected to pay; it is more likely that the role, the organisation, or how the job fits with other aspects of their life have been the relevant factors in deciding to leave.
- d) The criteria to be met before the policy can apply appear to be overly onerous in terms of the impact on time and costs. A number of months would have to be spent trying to recruit before the pay can be adjusted. Each time a role is advertised, there is a cost attached – in some publications this can be around £3,000-£4,000. The authority may have therefore potentially spent £8,000-12,000 before being able to review the salary and re-advertising again.
- e) The approach remains focused on the internal job evaluation system when the scarcity policy is applied. If the market conditions are requiring the pay level to be reviewed, then it is more relevant to base any change in pay on market rates. Applying a percentage of JE points up to a maximum of 10% appears arbitrary and it would be more reasonable and objectively justifiable to pay the rate as required by the prevailing market. The increase in JE points may mean that the Council is paying too little or too much.
- f) The increase in pay appears to be a permanent provision. This can present an equal pay risk for the Council if there is no evidence to objectively justify the additional pay.
- g) It would be helpful to understand more about the reasons for people leaving the organisation. Clearly there are a number of “push” and “pull” factors, but a review of opportunities for employees to grow within the organisation and have opportunities for pay progression and career development may support the Council in retaining staff – particularly within key roles. While these aspects are outside of the scope of this review, the point is made as a relevant factor for consideration by the Council in terms of meeting the overall objective of attracting and retaining talent.

3. Options and Recommendations

The Council may wish to retain its current approach, however, it is recommended that the scarcity rating is revised to take into account the points raised above.

A further option is for the Council to replace the scarcity rating and introduce a market supplement policy to enable the Council to more quickly and more effectively address the challenges of attracting and retaining to key roles where pay levels are relevant. Such a policy should be developed in consultation with key stakeholders, eg managers and trade unions. An example of a policy can be provided.

The policy should focus on market rates of pay to inform and justify any supplements to pay levels, rather than link to JE points. This will make sure that any supplements are at an appropriate and effective level and can be justified in support of potential equal pay issues. Pay benchmarking is an effective mechanism for providing relevant pay information, enabling the Council to establish how its current pay levels compare to those of relevant organisations.

Any recruitment/retention supplement should be time-limited and reviewed to ensure that objective justification remains for the additional pay. Offering a supplement that is reviewable after 2 or 3 years is a common approach, or a review after 2 years and then protection for a certain time period if subsequent benchmarking no longer justifies the continuation of the payment.

In terms of retention, the Council should look at how it can provide pay and career progression within the organisation. Information from exit interviews and staff surveys may help to inform the Council's approach to retaining and developing employees. Providing clarity on the value of the overall rewards package available to employees may also be helpful in terms of both recruitment and retention.

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