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## **Council-In-Committee Meeting – April 12, 2022**

Subject: Salary Gapping Savings and Position Vacancies  
Report Number: CS-22-051  
Division: Corporate Services  
Department: Financial Management and Planning  
Purpose: For Decision

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### **Recommendation(s):**

THAT Report CS-22-051 Salary Gapping Savings and Position Vacancies be received as information;

AND THAT staff develop a Salary Gapping Policy and Procedure as outlined within this report;

AND FURTHER THAT Council provide staff with the authority to recruit temporary resources after the budget has been passed that are 100% funded from various sources other than additional levy or rate funding.

### **Executive Summary:**

The purpose of this report is to provide Council with the 2021 estimated salary gapping savings along with the number of vacancies throughout the year. In addition, staff is seeking to establish a policy regarding future usage of salary gapping savings as a result of staff turnover and to provide flexibility in staffing levels to meet service deliverables and temporary initiatives.

### **Discussion:**

Like most municipalities, salaries and benefits make up the greatest portion of total expenditures for Norfolk County. For 2022, \$76.4M was budgeted in the Approved Levy Supported Operating Budget, which represents 34.7% of total budgeted expenditures. Regarding the 2022 Approved Rate Supported Operating Budget, \$3.8M in salaries and benefits allocated represents 15.5% of the total budgeted expenditures. Of the total budgeted salaries and benefits for the levy supported operating budget, a portion is funded from various sources such as reserves, user fees or other levels of government.

Norfolk County's current budget philosophy behind staffing levels and associated costs include all position status types. Norfolk County's budget includes allocations for permanent full time, permanent part time, temporary full time, temporary part time,

students, casuals, and seasonal staff. Norfolk's Volunteer Firefighter complement has been converted to 1/10<sup>th</sup> of an FTE per employee.

### Position Statuses

Permanent positions are created to work for an extended or indefinite period of time to provide services approved by Council. These positions could be full time or part time. In comparison, temporary positions fill in for a brief or specific time period to fulfill a specific task, work program priority or backfilling for vacancies. Temporary positions can also be full or part time and have an end date.

Casuals are generally permanent staffing however, there is no set schedule of work hours and staff may be called in to fill a shift or a temporary position for a short period of time.

Student status is a temporary position, usually full time, and hired for a specific term and task, usually during the summer months.

Seasonal staff are both full time and part time permanent staff. These positions will work for specific time periods year after year.

### Management Budget Responsibility

General Managers, Directors, and Managers are responsible for managing their operating and capital budgets and working within their division / department's budget allocation. Salaries, wages, benefits and the related permanent and temporary Full Time Equivalent (FTE) count is approved by Council during the budget process.

An FTE is equal to the number of hours a full-time employee works for an organization. The concept is used to calculate "hours worked" rather than the number of employees to budget, forecast, staff, and calculate wages. For example, we consider 40 hours per week as full-time for various positions and if there are four employees who work 10 hours each per week, the hours for those four employees add up together to make 1.0 FTE. As a result, these items are included in the divisional / department budgets that General Managers, Directors, and Managers are responsible for managing.

### Position Vacancies

Similar to many municipalities, Norfolk County experiences position vacancies, which can significantly vary from one year to another year and can be quite difficult to manage.

As positions become vacant, management reviews the current organizational structure to ensure there is no need to revise the structure to meet current division deliverables, and that there continues to be a need for the vacant position.

In 2021, Norfolk County experienced approximately:

- 144 CUPE (inside/outside workers) vacancies,
- 52 ONA (Nurses at Health Unit) vacancies,
- 33 OPSEU (Paramedics) vacancies,
- 122 SEIU (Service Workers at Norview Lodge) vacancies,
- 9 UFCW (Registered Nurses at Norview Lodge) vacancies, and
- 97 Non-Union vacancies (not including students).

In total, during 2021, the County had 457 vacancies across the organization which equates to approximately a 46% vacancy turnover rate.

In addition, the annual Fire Fighter Recruitment program was conducted. This is a significant amount of turnover in positions. Reasons for vacancies include:

1. Backfilling for maternity leave, parental leave and extended sick or accommodation;
2. Filling positions due to normal attrition or retirement;
3. Internal movement to other positions including transfer, secondments, promotions, and acting assignments;
4. New employees recruited externally to fill vacant positions;
5. New FTEs approved by Council.

The Human Resources department tracks all vacancies and staff movement through our online staff requisition process and our applicant tracking software called Workable. In 2021, HR processed 438 staffing requisitions and posted 313 positions to various job boards including indeed, LinkedIn, etc.

Through these job postings, there have been 6321 candidates apply to positions, with 1016 being shortlisted and 738 candidates receiving interviews. From there, HR has made 674 offers and hired 283 new staff members in 2021. The average time it takes to fill a vacancy is 82 days with some harder to fill positions taking more time and several postings.

While overall, the number of vacancies at the County changes regularly, the overall FTE count does not change, unless Council approves a report that includes a temporary or permanent change to the total number of FTEs. On the other hand, the headcount – the number of employees on payroll – changes significantly from month to month due to the seasonal nature of many positions, and the number of people who leave compared to those who are hired.

### Current Practices

**Available Budget Allocation** – For situations such as maternity leave, parental leave, or an unpaid leave of absence, management will investigate and determine the need to backfill the position. If backfilling moves forward, temporary recruitment may or may not

be for the same position or position status as the vacancy, however, the recruitment will be completed within approved budget allocations. This flexibility provides management the ability to manage their operations and to ensure operational deliverables are met and customer service is maintained.

**No Available Budget Allocation** – One of management’s resource challenges is dealing with vacancies as a result of leaves such as extended sick leaves, *Employment Standards Act* protected leaves and accommodation requirements under the *Occupational Health and Safety Act*. Management will first investigate and determine if there is a need to backfill the position. Generally, in these situations, Norfolk County is required to continue compensating the current employee resulting in no available budget allocations to recruit and backfill temporary replacement(s). When it is determined there is a need to backfill in this type of circumstance, the only options available are to request a temporary replacement under the Short-Term Staffing Replacement Policy or to utilize salary gapping dollars. Like the situation above, temporary recruitment may or may not be for the same position or position status.

**Change From Contract to Staffing** – Currently, when approval has been provided to move forward with a new temporary initiative involving contracting out to a third party, a report must be presented to Council requesting approval to change from contracted services to the hiring of temporary staff to reduce costs and find efficiencies.

**Approved Funding for a Specific Project** – Similar to the above scenario, management is also currently required to seek Council approval for temporary staffing for a specific project that has received funding approval or deemed strategically a priority by the Senior Leadership Team. Usually, it is for a specified period of time for the duration of the project and not a reoccurring role. In both situations, Norfolk County may be required to contribute to the project which may require the use of salary gapping savings, additional levy costs or other sources of funding if available. This has resulted in projects being delayed or not moving forward.

In the situation as outlined above, if funding becomes available for specific projects (such as a grant that would cover 100% of the cost of a temporary, project specific resource) or an initiative has been identified as a priority need after the budget has been passed, removing the requirement to present a report to Council seeking an increase in temporary FTE’s would provide management with more flexibility to provide deliverables and enhance services. The initiative would only move forward if funding of 100% of salaries and benefits has been determined including the use of gapping dollars.

### Salary Gapping

Staff turnover is healthy for organizations, and Norfolk County can expect that there is always going to be job vacancies throughout the Corporation, resulting in a gap in time between when a position becomes vacant and when it is filled again. The time between will depend on if it proves to be a challenge to find suitable replacements and the time it takes to post and fill positions properly. This is called “salary gapping” or “salary

gapping savings” and while a certain level can be sound management, too much of it can hide real problems at the expense of County services being provided.

Gapping represents the savings that can be achieved as a result of vacancies or staff turnover not intended to be filled (known gapping) and savings for unplanned or unanticipated staff turnover (unknown gapping). It includes the savings from a position being vacant to the time it is filled with a new incumbent. It does not include any savings or additional costs if the position is filled at lower or higher compensation than previously paid. This difference is considered a variance. For 2021, the unaudited salary gapping savings is approximately \$1.1M. This amount has been reduced by costs associated with the hiring of temporary resources in order to provide current services throughout the year.

Based on the assumption that staffing will not be at 100% complement the entire year, a number of municipalities include an allowance or target as part of their budget to reflect salary gapping savings resulting from position vacancies throughout the course of a year. At times, minor salary gapping savings have been included in Norfolk County’s budgets to reduce tax levy requirements, however not consistently. In addition, there has been no formal policy or practice when it comes to the utilization or allocating salary gapping savings.

As a result, staff is proposing that a policy be developed which includes the following guidelines:

1. Forecasted salary gapping savings will not be included in budgets;

Rationale: It is true, accurate expenditure projections are very important and applying forecasting techniques to provide a more accurate picture to reduce tax levy requirements is important. However, Norfolk County’s goal is to continue to improve services and given the struggles experienced with staff turnover and recruiting talent over the last few years, it is suggested gapping dollars need to be available for management to use strategically be able to deliver and meet expected service levels. This is of utmost importance especially when the demand for increased and improved services continue to rise.

2. Salary gapping savings will not include partially or fully funded positions;
3. Salary gapping savings may be used to offset additional costs as a result of temporary backfilling or requiring additional temporary resources for specific projects in order to ensure services are delivered and/or improved;
4. Flexibility will be provided to divisions to utilize up to 75% of gapping savings in-year based on CAO approval in order to provide current service levels and deliverables and temporary initiatives;

5. 25% of in-year gapping savings be administered by the Senior Leadership Team for corporate initiatives;
6. Any salary gapping savings at year-end will form part of the overall surplus/deficit for that year;
7. Salary gapping savings be reported semi-annually by division detailing utilization of dollars;
8. Review this policy and trends every two years unless it is determined there is a need to review the policy earlier;
9. A revised definition of FTE counts and streamlining of temporary or contract (term and task) recruiting processes to increase efficiencies and delays in hiring.

The development of a salary gapping policy will provide staff and Council with the guidelines for allocating and utilizing savings as a result of staff turnover.

#### **Financial Services Comments:**

As mentioned above, Norfolk County has not included a salary gapping savings budget allocation on a regular basis because a policy has not existed, and savings have been very difficult and time consuming to determine. Currently, this is a very manual process however, staff have been working to streamline the process which should provide more accurate information and increased reporting ability.

#### **Interdepartmental Implications:**

Salary gapping savings affect all departments/divisions and will require collaboration and planning at all levels to ensure service deliverables are met in the most efficient manner.

#### **Consultation(s):**

Senior Leadership Team, Human Resources, Financial Management and Planning

#### **Strategic Plan Linkage:**

This report aligns with the 2019-2022 Council Strategic Priority "Build Solid Foundations".

Explanation: Providing guidelines for the use of salary gapping savings and providing additional flexibility for management to oversee operations and services will foster an engaged workforce to find solutions, savings efficiencies, and continued service improvements.

**Conclusion:**

Staff's recommendations to redevelop how temporary staffing opportunities are dealt with and developing a salary gapping policy will promote and assist management in being creative and meet the challenges encountered because of position vacancies. In addition, services will be maintained and potentially include improved and more efficient services for Norfolk County residents.

**Attachment(s):**

- None

**Approval:**

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