

Review of Non-Union Salary Administration Policy

Presented To:	Finance and Administration Committee
Meeting Date:	September 10, 2024
Type:	Managers' Reports
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Report Summary

This report provides a recommendation regarding a review of the non-union staff salary administration policy with a focus on the current plan's external equity goal and external comparators. It also provides a set of guiding principles using current compensation and reward management theory underlying changes that could be made to salary administration practices. The City's compensation consultant reviewed and assessed the suitability of comparator municipalities and the principles that guide the policy's scope, application, and alignment with Council's strategic priorities.

Resolution

THAT the City of Greater Sudbury Council directs staff, with assistance of an external consultant to produce, by the end of Q4 2024, a report outlining the implications associated with changes to:

- a) The list of comparators used for external salary benchmarking;
- b) The process for conducting the external market review for non-union salaries.

Relationship to the Strategic Plan, Health Impact Assessment and Climate Action Plans

Achieving Council's desired outcomes from its Strategic Plan and Climate Change Action Plans require the attraction and retention of talented municipal employees with the right combination of competence, technical skill, education, experience and commitment to public service. The non-union salary administration policy is a critical tool for enabling the achievement of Council's priorities.

Financial Implications

Human Resources and Organizational Development retains the services of an external consultant for certain compensation related tasks. The consultant estimated that work on options in this report will cost \$34,000 to \$40,000 and take about 3 to 4 months to complete. If approved, this work can be funded from external compensation consulting services in the Compensation and Benefits budget.

Background

The corporation employs approximately 360 non-union, full-time employees and 218 full-time equivalent non-union part-time employees. Most non-union part-time employees are employed in entry level or student jobs (e.g., junior arena maintenance, service and program staff in Leisure Services).

The current salary administration policy was developed in 2004 based on a set of policy decisions made by the compensation committee. In 2001, the Transition Board overseeing municipal amalgamation adopted resolutions about several human resources related items. One item was the establishment of the compensation committee (comprised in 2004 of the CAO, two of the General Managers and the Directors of Human Resources and Finance) and its authority to:

- Adopt and administer a job evaluation system (to maintain internal equity and comply with Pay Equity legislation),
- Adopt and implement a performance appraisal and review process for non-union employees, and
- Present recommendations to the new CGS Council on variable-based pay.

Council approved the current list of comparators used to maintain the corporation's non-union salaries using an external equity view (the list of municipalities that constitute the City's desired relevant labour market for pay comparison). Council also controls the policy via the "ability to pay" goal in the statement of pay philosophy, which reflects Council's ability to retain control over the total corporate wage bill. These limits on the compensation committee's authority have remained in place since 2004. Each year since then, Council has provided direction on all annual general wage increases (both those bargained in the context of collective agreement negotiations and all annual increases afforded to non-union staff).

The Current Salary Administration Policy

Statement of Pay Philosophy

The following statement of pay philosophy was adopted by the Transition Board and was incorporated by reference into the Employee Handbook and every non-union employee's offer of employment letter forming a part of the contract between the parties.

"CGS's ongoing pay philosophy will support the purpose of the organization by compensating jobs, such that internal and external equity are achieved. The compensation of individual employees will be set at a level equivalent to their job performance.

The above Statement of Pay Philosophy addresses each of CGS's four (4) compensation goals.

Goal 1: Internal Equity

Looking at our internal culture, CGS's goal is to set job rates such that jobs are paid relative to their value to the organization as determined through job evaluation.

Goal 2: External Equity

Looking at external labour markets, CGS's goal is to set job rates such that total cash compensation is competitive in the labour marketplace.

When internal and external findings conflict on a specific job, the salary range will represent a melding of internal and external values for that job.

Goal 3: Employee Compensation

Compensation systems are intended to achieve three (3) organization goals:

1. Attraction

2. Retention
3. Motivation

Looking at individual employees, CGS has a goal to pay for performance. Employees move through five step salary grids to the job rate provided performance warrants an increase. General wage increases are afforded to employee groups annually by resolution of Council and/or collective bargaining.

Goal 4: Ability to Pay

CGS believes the above philosophy is in harmony with the long-term purpose of the Organization. Adherence to the above philosophy in any given year is contingent on CGS's financial health, or ability to pay, as assessed by Council." (CGS Salary Administration Plan, Pay Philosophy tab, pages 4 and 5).

Analysis

This report assesses the current policy's effectiveness and how, in accordance with current compensation and reward management theory and practice, non-union salary administration could be updated and improved upon.

Goal 1: Internal Equity

All evaluations conducted are in accordance with the non-union job evaluation plan, which is the system developed by The Avalon Group (a tool commonly used by municipalities that measures job content using a series of sixteen (16) defined factors). The Plan is a gender-neutral method of comparison and meets requirements under the *Pay Equity Act*.

A committee of peers (COP) appointed by the compensation committee from departments across the City is responsible to approve all final non-union job evaluation ratings for manager level positions and below using standard job analysis methodology. The COP is gender balanced and receives training and orientation to the tool. All job evaluations for Director level roles are further reviewed by a compensation consultant. For over 20 years, the consultant was a former member of the Avalon Group with extensive experience in application of the Avalon tool across Canadian municipalities. In 2023, a new consultant was retained for this purpose, and they have provided advice and guidance in preparing this report.

Changes to job evaluation systems are rare. They usually occur when the roles in the organization have changed substantially (such as when a substantial reorganization occurs) and/or there are equity concerns that cannot be addressed using the existing tools. This has not been the corporation's experience. The number of job evaluation requests is steady and normal as job duties shift over time amongst classifications. There have been no pay equity challenges.

Goal 2: External Equity

To review CGS's competitiveness with the external market a regression analysis is completed every two years. This analysis helps identify trends and patterns and whether CGS' pay is competitive in its relevant labour market. This market was determined by Council in 2004.

Current Comparators

In determining how to collect market data from similar municipalities in Ontario, the compensation committee, based on a report by Gazda, Houlne and Associates (GHA) recommended a set of eleven (11) municipalities in Ontario as the most relevant labour market for managerial positions like those in the non-union group. They are the Municipality of Chatham-Kent, City of Thunder Bay, City of Kingston, City of Oshawa, City of Burlington, City of Kitchener, City of London, City of Hamilton, Region of Halton, Region of Niagara and the

Region of Waterloo. The last five (5) comparators (although larger in population) were added to address the risk that the survey group would be more dominated by lower tier municipalities and not inclusive of the services provided by the City of Greater Sudbury.

GHA, like all compensation consultancies, collects compensation data, adds value by analyzing this information and provides advice based on a municipality's compensation goals. They provided three reference groups to the Transition Board. Reference group A contained data from smaller towns and cities, reference group B contained larger towns and cities, and reference group C contained large cities and regional municipalities, all in southern Ontario. The addition of the five larger comparators, however, meant that Greater Sudbury would have to request customized reports using six (6) municipalities from reference group B and the larger five from reference group C.

Ultimately the compensation committee recommended, and Council approved, the use of the standard GHA reference group B for all non-union positions at CGS. This group includes the City of Barrie, City of Burlington, City of Cambridge, Municipality of Chatham Kent, City of Guelph, City of Kingston, City of Kitchener, City of Markham, Town of Oakville, City of Oshawa, Town of Richmond Hill, City of St. Catharines, City of Thunder Bay, City of Vaughan and City of Windsor.

The target for non-union roles to achieve goal number 2 of the pay philosophy is the 50th percentile among these municipalities.

The current salary administration plan details the rationale for this choice:

“The advantages to using reference group B is that the comparisons are irrefutable in terms of size and geography (as many say “it is inappropriate to compare Sudbury to those big southern Ontario municipalities”), while still containing some municipalities that are single tier like ourselves (Windsor, Thunder Bay and Kingston). The Compensation Committee determined to not collect and use comparator data from reference group C (i.e. “Big Southern Cities”), as it determined it could not support using that reference group statistically, as there has been virtually no departure of our professional and managerial staff to reference group C municipalities. (CGS Salary Administration Plan, External Equity Tab, page 3).”

Executive Leadership Roles

In 2004, GHA gave the compensation committee recommendations for a comparator group for the executive leadership team as part of the senior management compensation review. The composition of the comparator group includes single tier municipalities and comparable size (i.e. population). The Regions of Niagara and Waterloo and the Cities of Hamilton and London were added to the comparator group to consider compensation practices in municipalities at the upper tier and other newly created single tier municipalities offering the full range of municipal services. It was decided and Council approved the use of the 65th percentile for market comparison for General Managers and the CAO. Table 1 illustrates the Council approved comparators for non-union staff comparison purposes and for the CAO and GM roles.

Table 1 – Current Non-Union and CAO/GM Comparators

	Non-Union	CAO/GM
City of Greater Sudbury		
Barrie	*	
Burlington	*	*
Cambridge	*	
Chatham-Kent	*	*
Guelph - City	*	
Hamilton - City		*
Kingston	*	*
Kitchener	*	*
London		*
Niagara - Region		*
Markam	*	
Oakville	*	
Oshawa	*	*
Richmond Hill	*	
St. Catharines	*	
Thunder Bay	*	*
Vaughan	*	
Waterloo - Region		*
Windsor	*	*

Bi-annual Updates lead to Adjustments in 2023 to Pay Groups 15 – 18

The Compensation Committee reviews the output of regression analysis of all non-union pay group salaries versus the salaries paid by our comparators for like roles. The analysis produces what is commonly called a payline comparison.

Council received updated payline comparisons in 2022 and 2023 using 2021 data. Those updates demonstrated that classifications in pay groups 16-18 were 10% or more below the 50th percentile among Council approved comparators. In April of 2022 and 2023, the CAO on behalf of compensation committee approached Council with, (for the first time in the plan's 20-year history), a recommendation to make market adjustments to pay groups 16-18. This was recommended because, for several years, a trend had resulted in these group falling well behind the plan's stated external equity goal to pay at the 50th percentile among our Council approved comparators. Several individual positions within these pay groups fell 15-20% below similar roles among our comparators. There was turnover in these groups that was at least partially attributable to lower salaries and difficulty in attracting qualified applicants to vacant roles.

Council delegated authority to the CAO to address these payline issues and adjustments of 6% to all roles within pay group 15 and 8% to all roles within pay groups 16-18 were applied effective April 1, 2023, prior to the application of the 2023 general wage increase of 3%.

Notwithstanding these adjustments, the payline comparison (after the 2023 adjustments were made) using 2023 data indicates all pay groups remain below the 50th percentile among our Council approved comparators. The pay groups that received the 2023 adjustment via the CAO's delegated authority remained 2.1% to 4.3% below market.

Positions in pay groups 10 and below fall below the 50th percentile by increasing margins. Examples of non-union classifications in these groups are Administrative Assistants, Ward Clerks and some coordinator positions such as Scheduling Coordinators, Coordinator Events and Administration, Office Coordinator in the Mayor's Office, Market and Communications Coordinator. Historically, market adjustments have not been made to these pay groups as there have been fewer benchmark jobs within these groups and an understanding that the current external comparator group may not be representative of the relevant labour market for these roles. Further, the roles at these levels were not experiencing the attraction and retention issues that the organization was experiencing at pay groups 15-18.

The 2023 data indicates the three (3) General Managers are within an acceptable range of the external market. The CAO role is approximately 4% behind the market and should be monitored closely in upcoming analysis to ensure variation with the 65th percentile does not worsen.

How the Corporation's Non-union Positions are Compared

To ensure the data collected is relevant, compensation practice includes focusing on job functions rather than titles (i.e. Manager) and sharing job descriptions to match roles. The level of the role within the organizational hierarchy must also be considered.

Tightness of role matches are evaluated using comparator job descriptions as either having less, equal, or more accountability. Some municipal roles are consistent between organizations such as Chief Administrative Officer or City Manager. But many roles, particularly those at more entry level positions or among the first line of supervision, can vary quite extensively. These role comparisons along with the number of municipalities who have responded to the information request inform the analysis of data quality. Where there are poor quality matches or an insufficient number of responses, results are excluded when determining market medians until more reliable data can be obtained from comparators with tighter matching positions.

Goal 3: Employee Compensation

The compensation committee recognized that the interim salary administration system adopted for CGS by the Transition Board did not fully address the compensation goal of motivation. The compensation committee reviewed the fact that many private sector organizations attempt to achieve this third compensation goal through a myriad of "pay at risk" systems. The growing trend in the municipal sector to place some pay at risk was also discussed, and the variable based pay systems introduced at the municipalities of Halton, Peel, and Hamilton were reviewed by the compensation committee. The compensation committee did not recommend these to Council at that time.

In 2022, staff recommended the development of a "pay at risk" or individual based performance pay system to Council citing similar systems in place at the City of Niagara Falls, Region of Niagara and City of Toronto. Council did not approve this.

Goal 4: Ability to Pay

This goal is achieved by approval by Council of any general wage increases to be afforded to the non-union staff group.

Environmental Scan - Review of Ontario Municipal Salary Administration Policy

2024 External Market Survey for Pay Philosophy

Municipalities across Ontario were asked to share their salary administration policies, pay philosophy and municipal comparator criteria.

Fifteen municipalities responded and shared the following information:

Salary Administration Policy

Nine municipalities shared a salary administration policy, procedure, or guideline. Most policies have a similar general statement of the purpose of the policy indicating fair, equitable and competitive compensation to ensure success at attracting and retaining experienced and engaged professionals.

Most documents included definitions, market competitiveness information including municipal comparators, salary compression guidelines, pay band, economic adjustments, step placement, etc. Only two

municipalities publicly share these policies.

Market Position

As per the market adjustment criteria policy and salary administration policy, the corporation's policy calls for holding a position at the 50th percentile of the range of job rates within our external comparator group. A "market issue" is defined as an instance where the CGS job rate is lagging the 50th percentile of the Council approved comparator group by more than ten percent (10%). Plus or minus ten percent (+/- 10%) is considered an acceptable variance.

The table below illustrates the pay philosophies for those who responded.

Table 2: Environmental Scan – Target Market Position

Market Position	Number of Municipalities
50 th Percentile	Four
Above 50 th Percentile but below the 75 th Percentile	Three
75 th Percentile	Three
Hybrid of 50 th Percentile and 75 th Percentile	Two

Four municipalities assess their market position using the 50th percentile as a benchmark. Three municipalities compare at above 50th percentile but below 75th percentile, and three compared to the 75th percentile. Several municipalities around the Greater Toronto Area have shifted to higher market percentiles to retain and attract employees. Two municipalities have a hybrid philosophy that compares lower job groups at the 50th percentile and higher job groups at the 75th percentile.

There has been a trend since 2020 as the current period of wage inflation and lower unemployment impacted labour markets for municipalities, including some of our comparators, to move from benchmarking at the 50th percentile to some other market position. This influences comparisons with the corporation's payline. Where a comparator municipality chooses to increase its target market position, it contributes to an increasing gap between benchmark jobs and the corporation's own market position.

Internal Hiring and Exit Interview Data – 2022 to present

Attraction: An analysis of the prior employers of recent hires indicates that previous employers for non-union staff were organizations classified as follows:

Local – Private	39%
Local – Public	29%
Other – Private	18%
Other – Public	14%
Municipal	8%

Retention: For those non-union employees that exited the organization for continued employment, they left to work in similar locations and sectors:

Local – Private	33%
Local – Public	35%
Other – Private	2%
Other – Public	19%
Unknown	12%
Municipal	5%

In the last two years, there has been a total of 6% of employees who came from or left CGS to work at another municipality. The majority of employees are attracted from or leave to work for other Sudbury employers.

The use of municipal comparators continues to be a reasonable practice that is supported by virtually all Ontario municipalities and our compensation consultant. External municipal comparators are necessary as they enable tightly matched roles for comparison and reliability of data. Some municipalities are taking a hybrid approach and including a mixture of municipal and local public and private comparators, especially for entry level or non-managerial roles. Given the recent data on the importance of the local labour market, staff suggest further review is worthwhile on the feasibility of obtaining reliable and accurate comparison data from representative local employers, especially for roles in pay groups 10 and below.

UNDERLYING THEORY AND POTENTIAL DIRECTIONS FOR CHANGE

The following principles underly competitive and effective reward management practices and are presented to help evaluate the need for or potential to change the current salary administration program.

The following principles are reflected in components of modern salary administration programs so that compensation is appropriately managed balancing the strategic and operational needs of the organization, the attraction and motivation of skilled employees and compliance with legislation.

1. **Felt Fair Pay:** Policies should ensure equitable pay for comparable roles, avoiding disparities based on factors like gender, ethnicity, or tenure.
2. **Transparency:** Clear communication about how salaries are determined, including the criteria and processes involved, helps build trust with employees and the public. Transparency in salary administration fosters accountability and mitigates potential conflicts.
3. **Fiscal Responsibility:** Policies must align with the municipality's budgetary constraints and long-term financial plans. This involves balancing competitive compensation with the need to manage taxpayer funds responsibly.
4. **Market Competitiveness:** Municipalities should regularly benchmark salaries against comparator municipalities in their *relevant labour market** to ensure that their compensation packages remain competitive. This helps in attracting and retaining skilled personnel in a competitive job market.
5. **Alignment with Council Priorities:** Salary administration policies should support the kinds of human resources required by Council's strategic plan. Policies should be flexible enough to adapt to changing council priorities and community needs.
6. **Compliance with Legal and Bargaining Requirements:** Policies must adhere to all applicable laws and collective agreements. This includes ensuring compliance with labour laws, employment standards, pay equity and terms negotiated with employee unions.
7. **Regular Review and Adaptation:** Salary policies should be reviewed periodically to ensure they remain relevant and effective. Regular assessments help municipalities adapt to changes in economic conditions, labour market trends, and internal organizational needs.

*** General Criteria for Selection of Comparators**

To ensure that salary comparisons are relevant and useful, municipalities typically select comparators based on a combination of the following elements:

- **Size and Population:** Comparisons are often made with municipalities of similar size or population to ensure that the scale of operations is comparable.
- **Geographic Location:** Regional comparators help account for local cost-of-living variations and economic conditions.
- **Budget and Revenue:** Municipalities with similar budget sizes and revenue streams provide a more accurate comparison in terms of financial capacity.
- **Service Scope:** Comparisons with municipalities offering similar services or having similar organizational structures help ensure that roles and responsibilities are comparable.

Adapted from (Kanungo and Mendonca, 1997)

The current pay philosophy and salary administration policy and plan document incorporates the majority of these principles, however, staff recommend an update to the policy to incorporate recent changes and any additional changes Council directs. Even if Council does not direct changes to the salary administration approach, the policy should be revised to remove some of the history from municipal amalgamation and edited to clearly express the philosophy and the procedures in place.

External Consultant Review and Recommendation: Potential Change to Current Comparator Group and Process for Performing Reviews of External Equity

The compensation consultant reviewed the current market comparators against identified criteria.

A preliminary list of seventeen comparators was identified as best aligned with revised selection criteria (see Appendix A). Additional time and analysis is required to assess the full benefits and costs of the revised comparator group.

Additional analysis would include:

- A. Revising the list of comparators (relevant labour market) used for external equity comparison purposes to the list recommended by the consultant in Appendix A,

Reviewing the market comparators for pay groups 10 and below and recommending a set of comparators that based on criteria more specifically addressing roles within these groups and,

- B. Change the process for performing an external review, once per Council term that considered both the suitability of comparators and an external equity analysis providing a thorough report for Council and recommendations to meet external equity goals and
- C. Updating the salary administration plan based on the changes in A and B above.

Should further analysis of any of these or any other options be directed, staff with the consultant's assistance would return by the end of Q4, 2024 with revised comparator information, an updated salary administration policy and processes that could be implemented for Council's review either by the end of the current term (i.e. early 2026) or early in the next term of Council (i.e. early 2027).

Staff do not recommend performing the optional steps in the consultant's analysis (Step 5: Update Job Evaluation and Internal Equity and Step 6: Pay Equity Analysis and Pay Equity Maintenance Plan). Conditions that typically prompt such steps are not present in the corporation at this time.

Resources Cited

The CGS Salary Administration Plan (Non-union)

Compensation: Effective Reward Management 2nd edition, Rabindra N. Kanungo and Manuel Mendonca, copyright 1997, John Wiley and Sons Canada, Limited, Toronto

