



SUBJECT: Enterprise risk – labour market

TO: Committee of the Whole

FROM: Human Resources Department

Report Number: HR-02-19

Wards Affected: Not Applicable

File Numbers: 301-01

Date to Committee: July 8, 2019

Date to Council: July 15, 2019

Recommendation:

Receive and file human resources department report HR-02-19 regarding enterprise risk – labour market.

Purpose:

- An Engaging City
- Good Governance
-

Background and Discussion:

With Council in the process of finalizing the 2018 to 2022 workplan, focus is on the implementation of many strategic initiatives by the Burlington Leadership Team (BLT) through the development of performance measures and completion by dates. These are all vital steps to ensure the successful execution of the plan however, in addition to goals, resources, and budgets, we also must consider the staff team who will execute the strategy.

A well-known quote from management consultant Peter Drucker states “Culture eats strategy for breakfast” - a simple yet powerful statement. What this means is that while targets and performance measurements have been identified, it is workplace culture and focused leadership that will drive the execution of strategy. Culture will either strengthen or undermine our ability to attract and retain quality employees to execute this strategy.

Therefore, the purpose of this report is to review those attributes which make up a healthy workplace culture; identify risks to our own culture; and map out the steps required to move forward.

What is Culture?

Culture is described as:

- The critical organizational element that will attract talent, drive engagement, impact satisfaction and affect performance
- The personality of the business;
- The City's employment brand;
- The sum of its values, traditions, beliefs, interactions, behaviour and attitudes;

Simply put – culture is the difference between having a performance driven, highly engaged organization which executes ongoing strategy and an organization where goals are set, targets are generally met, and staff are performing satisfactorily overall.

The following seven attributes define those areas that influence a workplace culture. For more specific examples as to what falls under each category, please refer to Appendix A:



What does our data tell us about our workplace culture?

The following data is provided to assess our current workforce strengths and risks with regards to our ability to deliver Council's priorities.

1. Culture Survey 2016:

In 2016 the City conducted its first Culture Survey. While the results are now three years old, the following were the high and low scores at that moment in time:

High scores:

- Planning the work is ongoing and involves everyone in the process to some degree;
- There is an ethical code of conduct that guides our behaviour and tells us right from wrong;
- Teamwork is used to get work done, rather than relying on orders from management
- There is continuous investment in the skills of employees
- Public input directly influences our decisions.

Low scores:

- Leadership has clearly communicated objectives we are trying to accomplish;
- There is a clear and consistent management style, so employees know what to expect;
- There is a clear and consistent culture;
- We continuously track our progress against our stated goals;
- Our people are viewed as an important source of our competitive advantage.

When the results were further analyzed, it became apparent that communication within the organization diminishes between hierarchical levels. Specifically, between the Burlington Leadership Team and the Supervisors/Manager level and then between the Supervisors/Managers level and their direct reports.

In response to the 2016 survey four employee teams were setup to identify and execute projects/programs to improve our results. Specifically, the teams organized themselves around the following themes and have been developing and implementing programs to address our survey results and improve our culture:

- **Innovation**
- **Staff Investment**
- **Organization Values**
- **Communication**

2. Turnover

Turnover is a simple retention measure. Over the past decade voluntary turnover has remained consistent between 4.2% to 5.7%. Voluntary turnover includes those staff who have quit or retired to date. From the results below, we are trending to a much higher voluntary turnover in 2019 – closer to 10%. The graph below shows full year voluntary turnover for 2017 and 2018 and up to May 31st for 2019.

	2017		2018		2019
	Jan-May	All Year	Jan-May	All Year	Jan-May
Quits	11	23	14	32	30
Retirements	10	28	9	20	18

It is important to know why we are experiencing higher turnover. When voluntary turnover for the past two and a half years was reviewed, compensation came out clearly as the most significant factor.

	Number of quits mentioning compensation as a reason for leaving	% of total employee quits
2017 (full year)	11 of 23	48%
2018 (full year)	16 of 32	50%
2019 (till May 31 st)	23 of 30	76%

Examples of other reasons provided for employees leaving varied and include promotions, job closer to home, position not the right fit and supervision to name a few.

3. Difficult to Fill Positions

A review was also completed of the positions which were advertised externally in the marketplace from the perspective of how difficult it was to fill these roles. Difficult to fill positions can occur for several reasons including compensation, not attracting qualified candidates, and being turned down by first candidates and having to offer to second or third choices. Difficult to fill positions are in both the non-union and the unionized workforce except for the unionized fire employees. For example, in our Legal Department, the position of Solicitor was advertised, our offer was turned down, even after considerable negotiation, and we have now employed an outside agency to assist in sourcing appropriate candidates.

	Number of External Postings (full-time and contract)	Number of Difficult to Fill Positions	%
2017	57	22	39%
2018	92	32	35%
2019	63 (till May 31st)	15	24%

4. Retirement Outlook

A forecasting report has been obtained from OMERS to assist us identify who can retire with an unreduced pension up to 2023. This data assists us with our Succession Management Program and will provide another view of our current employee retention risk.

Currently there are 185 employees who can retire with an unreduced pension by 2023. This represents 20% of the city’s full-time workforce. Of the 185, 36% are people leaders while 64% are individual contributors.

Following is a yearly breakdown of our retirement outlook:

	2019	2020	2021	2022	2023
People Leaders	31	13	10	6	6
Individual Contributors	52	16	17	18	16

5. Non-Union Compensation – Market Review

In May of this year a non-union compensation analysis was conducted by Mercer - a copy of their results is contained in Confidential Appendix B and a summary of the results are as follows:

- Most private companies align themselves with a market position of the 50th percentile – however in the highly competitive GTA, public sector employers align with the 60th to 75th percentile to compete for employee resources.
- The City’s current Council approved market position is the 65th percentile however our recently surveyed actual job rates are now aligned with the 50th percentile.

- To realign with the 65th percentile, job rates will have to be increased by approximately 3% to 8%.
- Our market competitiveness varies across the salary grades and this is likely an indication of challenges with our job evaluation system, which was developed in the 1980's, not being reflective of current workplace requirements and expectations.

While a survey has not been conducted with unionized salaries, we are experiencing similar compensation issues within our workforce represented by CUPE, especially as it relates to neighboring municipalities i.e. Oakville, and Hamilton.

6. Additional Initiatives:

Following are examples of projects and initiatives that are either in process or that have been implemented which positively impact our culture:

Corporate Culture Area	Examples of Completed and In-Progress Culture Activities
Leadership	<ul style="list-style-type: none"> • Mohawk Future Ready Leadership Program. • DeGroote Leadership Development Program • Launch of Succession Management Program • Review of the role and the function of BLT • Introduction of Leadership Competencies
Management	<ul style="list-style-type: none"> • Introduction of Mobile Workforce guidelines • Discontinuation of performance appraisal form and the introduction of Coaching and People Leader Training for the setting and management of performance expectations
Workplace Practices	<ul style="list-style-type: none"> • Introduction of BRAVOS Awards • Realignment of Performance Excellence Program and Service Awards • Focus Area 5.7 of Council's workplan: Complete an assessment of salary competitiveness and implement recommendations.
Mission Vision Values	<ul style="list-style-type: none"> • Approval of "Vision to Focus" workplan to identify corporate priorities and related strategic actions for next four years. • Development and launch of Organization Values.
Policies/Philosophies	<ul style="list-style-type: none"> • Addition of a Diversity and Inclusion strategy into Council's four-year workplan – Focus Area 5.8.

	<ul style="list-style-type: none"> • Restating the Dress Code policy to the more flexible “Dress for Your Day” guidelines.
Work Environment	<ul style="list-style-type: none"> • Corporate Accommodation study and implementation • Health and Safety Standards implementation • ITS Strategy implementation • Implementation of ERP – process transformation for all human capital management, financial and payroll practices. • Staff BBQ and holiday gathering
Communication	<ul style="list-style-type: none"> • The development and communication of Council’s four-year workplan identifying action, projects and initiatives with measurements. • Development of the BI tool to use dashboards to track progress and communicate with the community and employees.

Strategy/process

The City of Burlington has been and will continue to be a great employer however, we are exposed to considerable human resource risks. To deliver council’s workplan and to build upon our employment brand, we need to put a conscious effort into strengthening our workplace culture. We are experiencing workforce pressures not previously felt, pressures which will require targeted action to be able to retain engaged and skilled staff and to compete in the marketplace for qualified staff. We need to deliver on Council’s priorities through strategic focus and execution. Our Enterprise Risk Registry has identified our workforce as the number one risk facing this organization and the data outlined above supports this position on the registry. We are now starting to feel significant attraction and retention pressures which will impact our culture and therefore our ability and internal capacity to deliver the workplan. To address these pressures the following next steps have been identified:

1. Focus on Strategic Management

Priorities and accountability for delivery of Council’s workplan have been clearly identified and assigned to members of BLT. A review of the corporate structure, one which will assist the City Manager to strategically transition the organization into a more flexible twenty-first century organization, will occur over the next few months. In

addition, the City Manager, in keeping with the direction approved by Council during the 2019 budget, is completing the realignment of the City Manager's Office to address the overall strategic management capability of the organization. The goal of this review is to ensure our structure is aligned to retain highly skilled staff and to attract new talent entering the workforce. In support of this goal, a review of the role of the Burlington Leadership Team is also underway.

2. Culture Survey 2019

Complete a second culture survey in the Fall of 2019. A comparison of 2016 to 2019 results will assist us in determining where there are further gaps so that we can target additional efforts in those areas.

3. Diversity and Inclusivity Strategy

As identified in Council's workplan Focus Area 5.8, work will begin on a Diversity and Inclusivity strategy and implementation plan for execution over Council's term.

Expanding our recruitment channels, ensuring the culture within the workplace is open, and welcoming to all and is reflective of our community will strengthen the City as an employer now and well into the future.

4. Non-Union Compensation System

While this report has provided some information about the city's current competitiveness to the marketplace, a follow-up report with detailed compensation system recommendations and potential cost impacts will be brought to Council in the early fall. The following items will need to be considered and approved by council in this follow-up report:

- The City's competitive market position;
- Appropriate municipal comparators; and
- Development and implementation of a new job evaluation system.

In the meantime, the leadership team will be considering where temporary market premiums are required to retain highly skilled or at-risk employees and implementing these premiums as appropriate.

5. Please refer to Confidential Appendix C

Financial Matters:

Not applicable

Conclusion:

It is important to appropriately align the City's resources, both budgets and staff, to ensure the successful execution of Council's workplan. This report outlines the human resource and workforce pressures we are currently experiencing which puts at risk our ability to successfully implement Council's workplan.

Respectfully submitted,

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Appendices: (if none delete section)

- A. Workplace Culture Attributes
- B. Confidential Mercer – Non-Union Compensation Executive Summary
- C. Confidential Strategy 5

Report Approval:

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.