



SUBJECT: Market Competitiveness
TO: Committee of the Whole
FROM: Human Resources Department

Report Number: HR-3-19

Wards Affected: All

File Numbers: 325-04

Date to Committee: November 4, 2019

Date to Council: November 18, 2019

Recommendation:

Adopt the principals outlined in human resources report HR-3-19; and
Direct the Executive Director of Human Resources to realign non-union salaries as outlined in Confidential Appendix A of HR-3-19 and adopt option 2.1 as contained in the report.

Purpose:

- An Engaging City
- Good Governance
-

Background and Discussion:

On July 15th Council approved HR-2-19. Contained within this report was the commitment to report back to council with more detailed information and specific recommendations regarding non-union salary market competitiveness. This report is focused on non-union employees, comprising of approximately 50% of our workforce. The purpose of this report is to provide additional information, options and recommendations for moving forward.

HR-2-19 outlined the factors which, when combined, make up our workplace culture. Over the past three years the City has consciously focused on several aspects of its

organizational culture and will be re-surveying staff this year to take a pulse on if, as an organization, there has been improvement on our workplace culture scores. However, one area closely related to culture which we know to have fallen behind is that of compensation. While, compensation in of itself does not motivate people, if employees are compensated poorly in relation to the marketplace, it will lead to higher turnover and less engagement. HR-2-19 outlined the current experiences we are having with turnover, especially related to compensation, our current retirement outlook and our capacity to deliver on Council's workplan. As outlined in the Mercer review:

- Most companies align themselves with a market position of the 50th percentile – however in the highly competitive GTA, companies align with the 60th to 75th percentile to compete for employee resources.
- The City's current Council approved market position is mid third quartile, between the 50th and 75th percentile.
- Actual salaries are aligned appropriately to our current job rates (the 50th percentile).
- Our market competitiveness varies across the salary grades and this could be an indication of challenges with our job evaluations system not being robust and up to date.

Given the current challenges the City is having in attracting and retaining talent, the following will outline options for Council to consider moving forward.

Strategy/process

Key Components of a Compensation System:

A compensation system comprises of the following elements:

- 1) Alignment with corporate strategy;
- 2) External competitiveness;
 - a. Market comparators
 - b. Market position/Pay philosophy
- 3) Internal consistency;
 - a. Job Evaluation System

1. Alignment with Corporate Strategy

Compensation strategy must be in line with corporate strategy. Focus Area 5 from Vision to Focus includes the following goals and key actions and identifies one aspect of

achieving a 21st century workplace as salary competitiveness.



Focus Area 5 - Delivering Customer Centric Services with a Focus on Efficiency and Technology Transformation

We will achieve...	We will need to execute on these initiatives...	We will know we are successful when...
<p>A 21st century workplace with our commitment to...</p> <ol style="list-style-type: none"> 1. Developing employees to fill management vacancies from within 2. Improving our employment identity to become a top employer in the Greater Toronto and Hamilton Area 3. Increasing employee engagement and workplace culture scores 4. Diversifying the employee demographics that participate in engagement activities 	<p style="text-align: center;">KEY ACTIONS</p> <ul style="list-style-type: none"> • Complete the assessment of salary competitiveness and implement recommendations • Complete and implement a diversity and inclusivity strategy for Burlington as an employer • Invest in employee development through succession management programs and employee development initiatives • Strengthen recruitment channels to ensure a positive candidate experience and improve inclusivity • Conduct employee surveys to measure staff engagement and staff awareness of City goals and objectives • Employ a range of communication and engagement tactics to attract diverse demographics 	<ul style="list-style-type: none"> • Decrease voluntary turnover to 4% by 2022 • Decrease to 15% the number of difficult to attract positions by 2022 • Increase the number of people leader positions filled internally* • Improve culture survey general lower scores by 5% and maintain high scores by 2022 • Increase by 7% employees participating in the succession management program and participating in employee development initiatives by 2022 • Complete and ensure the implementation plans are in progress for: <ul style="list-style-type: none"> • The Salary Assessment Review by Q4-2020 • The Diversity and Inclusivity strategy by Q3-2020 <p>NOTE: *Key Performance Indicators that require further research as there is either work to undertake to determine an appropriate benchmark or target; or there are data quality or availability issues; or both circumstances exist.</p>

Council has identified goals and key actions focused on salary competitiveness and the measures for success within Vision to Focus. To achieve these goals a review of both the external market competitiveness and the internal job evaluation system is required.

2. External Market Competitiveness

External market competitiveness can be described as Council’s compensation philosophy as to where employees should be paid relative to the marketplace. It consists of two elements:

- a. Our comparators – these are our competitors for talent; and
- b. Our pay philosophy or market position stated as a percentage.

a. External Market Competitiveness - External Comparators:

In 1999, Council approved the City’s market position to be “mid third quartile, between the 50th and 75th percentile” and the following market comparators (our municipal competitors) for non-union positions.

	Market Position		Market Position		Market Position
City of Kingston	60th	City of London	65th	Region of Peel	75th
City of St. Catharines	No stated position	City of Hamilton	50th	Region of Waterloo	50th
Town of Oakville	75th	City of Brampton	75th	Region of Niagara	50th
City of Kitchener	50th	City of Mississauga	75th		
City of Markham	50 th to 75th	Region of Halton	75th		

Given it has been twenty years since market comparators were first implemented, a review of potential and current comparators was conducted using the following criteria:

- Where do staff go when they leave the city?
- Which organizations are within a reasonable commuting time (i.e. One hour)?
- What organizations have similar type roles?
- Which organizations are of a similar size (i.e. FTE and population served)?
- Single tier/regional governments versus two tier governments.

Finding a balance between all these factors is the goal to identifying comparators that will inform our market position in a responsible and fair manner.

Private Sector Comparators: Based on information provided by Mercer, municipalities within the GTHA do not typically lose employees to the private sector. Private sector compensation systems and philosophies can be very different from the public sector. While the public sector provides base salaries, pension and a benefit package it is not uncommon for large private sector employers to offer this plus incentives and bonus programs which are not typically provided within the public sector and therefore from a total compensation approach do not provide a good match. Conversely, smaller private sector firms are not able to provide some of the benefits afforded to the public sector and therefore, do not compare well from a total compensation perspective. Private sector compensation approaches are different from municipal practices and as such do not provide a good basis for comparison.

The Broader Public Sector: The broader public sector was also considered especially in the areas of hospital and academic employers. The size of employers in these two areas tends to be much larger and the core business or service delivery very different. In addition, employers in these areas tend to be more heavily unionized. Compensation approaches between non-union and unionized staff is quite different. Finding good

matches with these employers to positions across our entire organization is difficult and as such these employers do not provide a good match.

Regional Governments: In the past the City has compared its positions to those found both within municipalities and regional governments. Regional governments and municipalities have both similar and dissimilar governance areas. Regional governments also tend to be much larger in size from both an FTE and operating budget perspective. However, as we have lost staff to regional governments, they are a potential source for comparison and should be considered when determining market comparators.

One Set of Comparators Versus Two: Historically, the City has used the same comparators for all non-union positions. As an alternative, we may wish to consider using different comparators for Director levels and above and Manager levels and below.

Directors and Above: Mercer suggests that the size of operations (e.g. FTE, operating budget, population) is a significant driver of relative complexity and market pay levels for positions with significant leadership accountabilities.

Managers and Below: Mercer suggests a comparator group selected primarily on the basis of proximity to the City, as these roles are more correlated to the local region labour market; though size and complexity should still be considered.

Options and recommendations for Marketplace Comparators:

Option 2.1: Separate the comparators based on the position level as described above and make changes to the current comparators.

As a large survey company in the public sector, Mercer's database contains information on the factors listed above. Utilizing their database, Mercer looked at the above factors and recommended the following comparators for Options 2.1:

Directors and Above:

	Market Position		Market Position		Market position
City of Kitchener	50th	City of Kingston	60th	City of Markham	50 th to 75th
City of Vaughan	50th	City of Barrie	65th	City of Oshawa	65th
City of Cambridge	50th	City of Richmond Hill	66 2/3rds	Region of Halton	75th
Town of Oakville	75th	Town of Milton	65th		

Managers and Below:

	Market Position		Market Position		Market position
City of Brampton	75th	City of Cambridge	50th	City of Toronto	75th
City of Mississauga	75th	City of Richmond Hill	66 2/3rds	City of Kitchener	50th
Town of Oakville	75th	City of Hamilton	50th	Region of Halton	75th
City of Markham	50 th to 75th	Town of Milton	65th		

Option 2.2: Maintain one set of comparators for all positions. Mercer recommended comparators are as follows:

	Market Position		Market Position		Market Position
City of Brampton	75th	Region of Halton	75th	City of Richmond Hill	66 2/3rds
City of Hamilton	50th	Town of Milton	65th	City of Markham	50 th to 75th
Town of Oakville	75th	City of Cambridge	50th	City of Kitchener	50th

City of Mississauga	75th	City of Toronto	75th		

Option 2.2 allows for one set of comparators and is a combination of organizations from option 2.1. Some change from our current set of comparators is still being recommended in option 2.2. For example, the Town of Milton has grown significantly in the past years and has therefore become a good comparator from a size of operation, commutability and complexity perspective. With GO train service increasing since 1999, the use of the City of Toronto is also appropriate from a commutability perspective. The use of regional governments for comparators has been removed as in option 2.1 except for the Region of Halton who is within our local labour market.

Option 2.3: Maintain current comparators. Given the analysis provided by Mercer, keeping our comparators the same does not provide as good a match as to those provided in options 2.1 and 2.2.

Recommendation for External Market Comparators: Adopt option 2.1.

b. External Market Competitiveness - External Market Position for Burlington

This section will focus on the realignment of non-union salary ranges to the 65th percentile.

To be distributed under separate cover – Appendix A.

3. Internal Consistency – Job Evaluation

To determine if the City is consistently and fairly assessing and placing positions within appropriate salary ranges, a job evaluation system (JE) including job descriptions is used. Job descriptions are created based on the following factors:

- Skill
 - Knowledge, Education and Experience
 - Interpersonal Skills/Contacts
 - Problem Solving/Judgement
- Effort
 - Mental Effort
 - Physical Effort

- Responsibility
 - Level of accountability
- Working Conditions
 - Degree of exposure to disagreeable elements and hazards in physical and psychological environments
 -

A JE system provides the framework for job descriptions both as to how they are written, how titles are used and determines where positions are placed relative to each other within the salary structure.

The City's non-union job evaluation system was created in the 1980's and while it was reviewed independently by AON Consulting in 1999, it has not had a significant update since. It is Pay Equity compliant. However, having been created over thirty years ago it does not fully reflect the current workplace experience and challenges of 2019 and beyond.

A business case of \$180,000 (one-time funding) has been included in the 2020 operating budget to secure the services of a consultant to source, design and re-write job descriptions and develop a rating system against which all current and future non-union position will be rated. Implementation of the salary impacts of a new job evaluation system will be included if required as a business case on the 2021 operating budget.

Options considered

As provided above.

Financial Matters:

Total Financial Impact

\$180,000 has been included in the proposed 2020 operating budget to purchase the services of a consultant to implement a comprehensive new job evaluation system. \$450,000 has also been included in the proposed 2020 operating budget to initiate a multi-year phased implementation which will result in a renewed competitive market position.

Source of Funding

2020 Operating budget

Other Resource Impacts

Not Applicable

Public Engagement Matters:

In November 2019 all full-time and part-time staff will be provided the opportunity to respond to the City's culture survey. This will provide additional information to determine our current state, did the scores improve from 2016 and identify areas for further improvement.

Conclusion:

Undertaking the changes as outlined in this report and the confidential appendices for non-union employees (both full and part time) are significant both from a process, capacity and investment perspective. As such, phasing in the impacts over multiple years will be the approach followed by staff.

Respectfully submitted,

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Appendices:

A. Confidential: External Market Competitiveness - External Market Position for Burlington

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.