

Town of New Tecumseth Compensation Review Final Report December 4, 2018

BENEFITS | COMPENSATION | RETIREMENT | RISK MANAGEMENT



Jane Mizanski
Consultant
jane_mizanski@ajg.com

Susan Fong
Consultant
susan_fong@ajg.com

Gallagher Benefit Services (Canada) Group Inc.
Human Resources & Compensation Consulting
181 University Avenue, Suite 1200
Toronto, ON M5H 3M7

Table of Contents

1. Introduction	1
2. Background to the Assignment	1
3. Project Objective and Approach	2
4. Internal Equity	2
I. Job Evaluation	2
II. Similar Value Grouping	3
III. Employee Appeals	4
5. Pay Equity Analysis	4
6. Custom Market Study	5
7. Recommended Salary Structure and Administration	5
I. A Recommend Pay Policy and Structure	5
II. Salary Administration	6
8. Council Remuneration	7
9. Volunteer Fire Services	8
10. Conclusions.....	9

Appendices

Appendix A – Ladder Chart

Appendix B – Revised Pay Equity Plan

Appendix C – Market Review Comparator Group

Appendix D – Recommended 2018 Pay Structures

Appendix E – 2018 Council Remuneration Market Analysis

Appendix F – 2018 Volunteer Fire Services Market Analysis

1. Introduction

Gallagher McDowall Associates was engaged by the Town of New Tecumseth (the “Town”) to conduct a comprehensive compensation review to ensure that the Town is in compliance with the *Pay Equity Act - Ontario*, that internal equity has been maintained, and that the salary levels for the Town’s non-union positions are competitive to the external market.

The Consultant was also requested to undertake a review of remuneration for members of Council, and to assess external competitiveness for volunteer Fire Services positions.

The Consultant was selected through a competitive bid process in early 2018.

Gallagher McDowall Associates is a compensation and human resources consulting firm that offers expertise, data and tools for all aspects of total rewards design and management. The firm specializes in compensation design, job evaluation, pay equity compliance, and market reviews for Canadian private, public sector and not-for-profit clients. The consulting team was comprised of Jane Mizanski and Susan Fong, both of whom have deep experience with compensation design in the Municipal sector. Jane led the project and completed the job evaluation and market studies. Susan carried out the pay equity analysis and salary grid development.

The assignment began in May 2018 and concludes with this report.

This report outlines the scope of the assignment, the process undertaken and the results of the review.

2. Background to the Assignment

The Town of New Tecumseth achieved pay equity compliance in 1994 when a Pay Equity Plan was posted for non-union employee group. As a public sector employer, the Town is required to show evidence that pay equity has been achieved and maintained for all full-time and part-time employees. Pay equity is maintained when it can be demonstrated that all female jobs within a pay band have the same or higher rate of pay as the male comparator job within the same pay band. In the absence of such evidence, the Town is non-compliant in regards to pay equity maintenance.

The Town completed a market review to assess external competitiveness in 2010. There have been significant changes in the labour market in the past 8 years including employee demographics, economic growth and expansion within the municipality, as well as legislative changes impacting compensation.

In 2015, the Town undertook an organizational review; however, that review did not address compensation issues including testing for internal equity and pay equity with new and changed jobs flowing from the restructuring.

Lastly, in 2018, the province introduced *Fair Workplaces, Better Jobs Act* that impacted minimum wage and pay for part-time positions with full-time equivalents.

With this backdrop – outstanding pay equity maintenance, significant municipal growth and increased competition for talent, and disruption to internal equity through changed jobs – the Town engaged the Consultant to review the compensation program for non-union positions.

The Town also requested a review of remuneration for members of Council to ensure fair and equitable remuneration and identify prevalent comparator approach to address the repeal of 1/3 tax exempt provisions; and, to assess pay practices for volunteer fire services positions of comparable municipal organizations.

3. Project Objective and Approach

The compensation review was undertaken to ensure the Town was effectively positioned to attract and retain skilled employees, address pay equity compliance obligations, and ensure internal equity and wage compression issues were addressed.

The review conducted by the Consultant is reflective of best practices in the municipal sector and included the following key components: job evaluation using a pay equity compliant and robust evaluation tool, pay equity analysis using methodologies as prescribed by the *Pay Equity Act*, and a market assessment based on a comparator group using defined selection criteria.

4. Internal Equity

I. Job Evaluation

Internal equity is based on job evaluation. Employees and direct supervisors collaboratively compiled/updated job descriptions for 173 full-time and part-time positions, which were approved by management and submitted to the Consultant for evaluation. The Consultant recommended using the Gallagher (McDowall) Universal Job Evaluation Plan to evaluate all jobs. The Plan uses contemporary factor language and weight allocation, is gender neutral, and is easy to administer for future salary administration and maintenance. The Universal Plan remains defensible for pay equity purposes. The Plan has 12 factors that encompass the four basic pay equity factors of skill, effort, responsibility and working conditions.

Universal Evaluation Factor	Pay Equity Factor Grouping
1. Knowledge/Education/Training	Skill
2. Experience	Skill
3. Decisions & Skill in Operations	Skill
4. Ingenuity and Creativity	Skill
5. Independent Action	Responsibility
6. Budgets and Funds	Responsibility
7. Mental Effort and Impact	Effort
8. Confidentiality	Responsibility
9. Leadership Supervision & Functional Advice	Responsibility
10. Influencing Others (Contacts)	Responsibility
11. Physical Skill and Effort	Effort
12. Disruption to Lifestyle & Working Conditions	Working Conditions

Each of the 12 factors has sub-factor levels or degrees; each level has points assigned. Using the job evaluation rating system, the Consultant interpreted job information in relation to the factors, and assigned a factor level that best described the job. The total point score (i.e. the sum of points assigned to the respective level of each factor) for each job reflects its value to the Town in relation to the factors to which the job was compared, and in relation to other jobs within the Town. The factor ratings for each job were documented on a rating record by the Consultant and will be maintained by the Town.

II. Similar Value Grouping

The jobs were then listed in descending order of point value and grouped into ‘similar value’ bands in order to achieve internal equity and compliance for pay equity purposes. The proposed banding methodology produces 14 bands with an increasing 5 point spread in each band.

A proposed ladder chart, providing an overall view of where each position fits in respective hierarchical order according to value was thereby derived for the employee group. The jobs in each similar value group are shown in alphabetical order so as not to indicate where each position was evaluated within each respective similar value group.

III. Employee Appeals

The Town communicated the proposed ladder chart to employees. Employees were offered an opportunity to meet with the Consultant to clarify position ratings and/or provide additional job information. Incumbents in 29 positions requested a review meeting. Ratings were adjusted where required based on the additional information received and validated with the Supervisor. All positions were reviewed again by the Consultant to ensure internal equity was maintained. Six positions moved up in band placement as a result of the appeals.

The finalized ladder chart for the non-union employee group is attached as **Appendix A**.

5. Pay Equity Analysis

The *Pay Equity Act* requires that all public sector employers show evidence of pay equity maintenance. The obligation arose in 1990 and extends to all full-time and regularly recurring part-time positions.

Job class gender was identified for each position as required by the *Pay Equity Act* having regard to current, historic and stereotypical incumbency. Using the finalized ladder chart, the Consultant reviewed 2018 job rates and male comparators to determine whether pay equity adjustments were required. Hourly job rates (the maximum rate paid for each job class) were used for the analysis to ensure a direct and relative comparison, given that the positions may work different hours. The pay equity analysis was completed using the job-to-job method of comparison (i.e. the job rate of a female job is compared to the job rate of the lowest paid male job within the similar value group). If the female job rate is below the male comparator job rate, then the adjustment is the difference between the two job rates.

The results of the evaluation process and pay equity analysis indicate that there are pay equity adjustments required for seven (7) female job classes in the employee group at a cost of \$44,000 in 2018.

The proposed revised Pay Equity Plan is included in **Appendix B**, with an effective date of January 1, 2019.

6. Custom Market Study

The Consultant reviewed comparators used in 2010 market review and 2015 organization review, and recommended a comparator group giving consideration to the following criteria: geographic location; economic/growth conditions; similar service alignment; and size / population served. A total of 10 municipalities were solicited for participation in the study - see **Appendix C**.

Positions were matched based on job titles, functions and organizational placement. Analysis only included matches where there were a minimum of four (4) observations.

Overall the Town pay is below the median (50th percentile) of the defined comparator market, with greater deviation in some positions. Based on a comparative analysis of 2018 job rates, the Town is 6.5% below the median annual job rate and 4.9% below the median hourly rate. The difference in gap to the annual and hourly market is attributable to differences in hours of work across the comparators and the additional data points for part-time positions that have no comparable annual rate.

The Consultant considered the 2018 market survey results to support the development of a 2019 market competitive grid with a pay policy to pay at or approaching the 50th percentile.

7. Recommended Salary Structure and Administration

I. A Recommend Pay Policy and Structure

The objective of the assignment was to develop an internally equitable and externally competitive salary structure for the Town's positions.

Municipalities typically pay between the 50th and 65th percentile, approaching higher percentiles to address specific attraction and/or retention issues. Given the Town's current gap to the median of the comparator market and the financial costs to close the gap, the Consultant recommends a 50th percentile (median) pay policy that addresses the principles of external competitiveness and fiscal responsibility.

The Consultant recommends a salary structure developed based on the pay policy characteristics of fairness, compliance, competitiveness and affordability. The recommended salary structure design addresses:

- Harmonized job rates for positions within each pay band having regard to the hours worked, job evaluation results and market competitive rates
- Compression between front line managers/supervisors and supervised positions by maintaining a differential of at least 5% between bands
- All job rates are pay equity compliant and incorporate identified pay equity adjustments
- Includes job rates aligned to the 50th percentile with a 5 step grid for full time positions where step 5 is job rate and step 1 is 80% of job rate
- A part-time seasonal structure is based on 3 and 4 step grids with alignment to the full-time equivalent pay and minimum wage requirements
- Adjusting the grids annually to reflect the average increase of the municipal comparator group having regard for the Town's ability to pay

A recommended 2018 pay structure was prepared based on the results of the job evaluation, pay equity analysis and market data. **Appendix D** shows the 2018 recommended pay structures for the Town.

II. Salary Administration

Upon implementing the recommendations outlined in this report, the Town will be able to demonstrate pay equity maintenance that meets the requirements of the *Pay Equity Act*. In addition, job evaluation and salary administration programs will be implemented that meet the objectives of the assignment.

The Pay Equity Plan must be maintained pursuant to the legislation. It is recommended that the Director, Human Resources adopt a maintenance program that will ensure internal equity and approach a market competitive position in order to attract and retain qualified employees. Recommended methods to maintain the program are as follows.

a. Council Determines Salary Administration Policy

The Council determines and approves pay policies. Council has ownership of the pay policy and pay schedules outlined; however, future pay equity adjustments are legislated and must be implemented. Human Resources administers the salary policy and the job evaluation program.

b. New/Changed Job Evaluation

As new jobs are created and existing jobs undergo significant change in duties and responsibilities, we recommend they be evaluated by Human Resources. The Consultant can be available to peer review and/or evaluate HR jobs.

c. Pay Equity Maintained

A pay equity check should be conducted on new job rates for compliance, ideally on an annual basis.

8. Council Remuneration

The Consultant was requested to review the remuneration practices across comparator municipal councils to ensure the Town's base pay provisions were competitive and fairly compensated Council members.

The same comparator group as identified for the Town positions was initially used as the basis for analysis; however, the analysis was further refined to five (5) municipalities that had a similar Council composition of Mayor, Deputy Mayor and Councillor to ensure appropriate comparison of the scope of duties and responsibilities.

Council remuneration for the Mayor and Councillor roles are significantly below the median of the 5 comparator organizations; the Deputy Mayor role is slightly below the market median. The comparative analysis is included in **Appendix E**.

The Consultant recommends adjusting Council remuneration to reflect the 50th percentile (median) of the adjusted comparator market for each of Mayor, Deputy Mayor and Councillor roles.

At the time the council survey was issued, not all comparators had confirmed their approach to addressing the 1/3 tax exemption provisions. Only six comparators responded with confirmed plans: four (66%) planned to gross up base salary; two (33%) planned to maintain the base rate as fully taxable. As a result, the 2019 market median for council will have noticeable movement with 4 out of 6 confirmed grossed up salaries. To address this unique situation, the Consultant recommends that Staff re-survey Council comparators before the 2020 budget to assess any change in the actual market median. The Consultant recommends this revised rate be used as the basis for adjusting Council remuneration effective 2020.

Furthermore, the Consultant recommends as a best practice for the sector, that Council remuneration be adjusted annually to align with the COLA adjustments provided to Town positions.

The Consultant also recommends that Council conduct market reviews of the identified comparators in tandem with future staff reviews to ensure continued alignment to the median of the defined comparator market.

9. Volunteer Fire Services

The Consultant surveyed comparators regarding compensation practices for volunteer fire fighter (VFF) positions. Five comparators (Bradford-West Gwillimbury, Innisfil, King, Orangeville and Orillia) were used as the basis for comparison. The remaining comparators did not have volunteer service staff or did not respond.

The Town volunteer services are comprised of 5 levels based on experience, roles and responsibilities: Probationary, Volunteer Fire Fighter (VFF), Captain, Assistant District Chief, and District Chief. The market results for the core positions of Probationary, VFF and Captain indicate that the Town is significantly below the median of the comparator market.

The Consultant provided a number of options to align the VFF job rates to the median of the comparator market, using the market median Probationary rate as the foundation and building a step progression for VFF, Captain, Assistant and District Chief roles, **Appendix F**. The recommended compensation schedule gives consideration to paying at the median of the comparator market, recognition of skills and responsibilities progression, and ability to pay.

10. Conclusions

This report outlined the process used to develop a revised compensation program for all Town full-time and part-time positions, and recommended revised 2018 pay structure. This report also includes summary observations and recommendations regarding the Town's Council remuneration and pay for Volunteer Fire Services. All compensation recommendations for Town staff, council and volunteer positions are based on a common pay philosophy tied to the median of the comparator market. This approach ensures and supports principles of consistency, fairness and affordability.

We appreciate the opportunity to work with the Town of New Tecumseth staff and senior leadership team. All involved took great effort and time in this major endeavor. We look forward to providing any future assistance you may require in maintaining your compensation programs.

Yours very truly,



Jane Mizanski
Consultant



Susan Fong
Consultant