

# Employee Compensation Policy

## HUM-001-034

### Report on the 75<sup>th</sup> percentile

Council Meeting  
July 18, 2017

# Overview

- May 9<sup>th</sup> Council Motion
- Context and History
- 75<sup>th</sup> percentile
  - What does the 75<sup>th</sup> percentile mean?
  - Why the 75<sup>th</sup> percentile?
  - How is the policy and process administered?
- Current Status
- Comparator Policies
- Other considerations
- Questions

# May 9, 2017 Motion

THAT Administration review Policy HUM-001-034 Employee Compensation and provide a report to Council on the rationale for classified positions at the 75<sup>th</sup> percentile of current pay levels of other similar sized Alberta municipalities, other public sector organizations in Alberta, and the broader public sector in Western Canada; as well as any other potential policy recommendations; and that this report be provided to Council for consideration by September 5, 2017.

# Context

- The Employee Compensation policy links to Strathcona County's vision and goals
  - Delivery of quality public services with a focus on social, environmental and economic sustainability
  - Corporate Business Plan Goal #6 – Employer of Choice
  - *"Canada's most livable community"*
- The policy encompasses total rewards, not just pay
  - Pay & Benefits
  - Terms & conditions including leave programs (illness/vacation)
  - Learning & Development
  - Health & Safety
  - Employee Wellness

# Context cont'd

- Key points from within the Employee Compensation Policy:
  - We manage our human and financial resources to meet community needs and priorities
  - We strive for a competitive advantage with a highly qualified and engaged workforce
  - We have an effective, competitive, fiscally responsible total employee compensation package
  - Our values are fundamental to the way staff work (integrity, respect, safety, fairness and cooperation)
  - Employees share a responsibility for learning & development and personal wellness

# History of Compensation Policy

- Prior to 2001, Strathcona County paid at the 50<sup>th</sup> percentile of the comparable market.
- In 2001, Strathcona County changed the pay grade structure and began to pay at the 60<sup>th</sup> percentile of the market.
- On July 12, 2011 the Employee Compensation Policy (HUM-001-034) was approved by Council.
  - This was the first formal policy that referenced a target percentile (the 75<sup>th</sup> percentile)

# WHAT is the 75<sup>th</sup> percentile?

- Based on a group of comparators it is the point at which 75 percent of comparators pay less and 25 percent pay more (than our wages)

# WHY the 75<sup>th</sup> percentile?

- “We create a competitive advantage through qualified and engaged employees” – HUM-001-034 Employee Compensation Policy
  - A total rewards perspective - not just pay
    - Updated terms & conditions of employment through a review of the classified handbook in 2015
    - Updated learning & development guideline in 2017
    - Employee engagement survey 2014 & 2017
- Fiscally responsible
  - Comparators are reviewed regularly
  - Data is gathered every two years
  - Recruitment and retention challenges are monitored
  - Classification process ensures consistency and resists “classification creep”
- Edmonton and the Government of Alberta are significant comparators
  - Generally, we pay between them



# HOW are pay rates established?

- Establishing pay is an art and a science
  - *The art:* ensuring a close match of jobs so they are comparable
    - Comparator organizations may have a different organizational design, different job designs (how responsibilities are grouped) and judgement is required to compare (or match) jobs for pay purposes
  - *The science:* analyzing the data
- The 75<sup>th</sup> percentile applies to classified employee pay rates
  - Classified staff are non unionized employees
    - Include management, professional, technical, support and operational staff
  - Unionized staff pay is established through collective bargaining
- Two separate parts to the process
  - Salary survey
  - Analysis of data related to the Broader Public Sector

# Salary Survey

- HR administers a market based salary survey every two years
- Choosing the “right” comparators is important
  - 10 or more is seen to be a robust comparator group
  - However need **good, strong** matches or the results will be skewed
    - Organizations of similar size, industry and complexity
    - Organizations that we attract talent from or lose talent to
    - Quality over quantity
  - Municipal comparators
    - Similar sized Alberta municipalities are more likely to have jobs of a similar size and design (Cities of St. Albert, Red Deer, Medicine Hat and Lethbridge)
  - Government of Alberta and City of Edmonton are significant for Strathcona County due to proximity
    - We compete for the same talent
    - There is a lot of employee movement between us and them

# Salary Survey cont'd

- The survey gathers data on a sample of jobs from within each Job family
  - A job family groups common work (jobs) with a similar market
    - Management: Associate Commissioner; Director; Manager
    - Professional/Technical: Planner, Safety Codes Officer, Accountants, Systems Analyst
    - Engineering: Engineering Technologist; Civil Engineer; Transportation Modeling Engineer
    - Municipal Support Services: Administrative Assistant; Accounting Assistant
    - Operations: Lifeguard; Customer Service Representative; Equipment Operator
  - There are different levels of work within each job family
  - Significant recruitment challenges or anomalies for a similar jobs may indicate the need for a separate job family (e.g. Engineering)

# Salary Survey cont'd

- Surveyed jobs reflect different positions in various departments and job families.
  - Professional/Technical family
  - Jobs are found in most departments (e.g. Planning & Development Services; Financial Services; Recreation, Parks & Culture)
- The jobs represent each family as an indicator of the overall pay for that family
  - Planner, Safety Codes Officer, Accountant, Systems Analyst
- Validation is on the job family as a whole
  - Variation to the 75<sup>th</sup> percentile
- Further analysis and monitoring is done for individual job anomalies (outliers)

# Broader Public Sector Analysis

- The other comparison required by the policy is to the Broader Western Canada public sector
- Methodology is different
  - Data is obtained through the Hay database not a market survey by Strathcona County
  - Comparison is based on the total points assigned through the classification system
    - Requires consistent and effective classification processes by other organizations
  - Organizations in the database are (for the most part) not municipal, not local
    - E.g. crown corporations (banking/WCB); health/education sector employers

# Current status

- Last survey results are from 2015
  - In 2015, overall average variance to the 75<sup>th</sup> percentile was less than 2% based on key comparators:
    - Cities of Edmonton, Medicine Hat, Lethbridge, Red Deer and St. Albert as well as the Government of Alberta.
  - In comparison to the broader Western Canada public sector results were more varied
    - A senior level job was 24% behind the broader public sector but only 2% below the 75<sup>th</sup> percentile when compared with our key comparators
    - Other positions were ahead of the 75<sup>th</sup> percentile in the broader public sector but not when compared with those most similar to us
  - Since 2011, we have made one adjustment to our pay grades as a result of the market based survey. A 5% range increase was applied to the MSS1-MSS5 pay grades in 2013.

# Current Status

- The difference between the 75<sup>th</sup> and 50<sup>th</sup> percentile is relatively narrow
  - This is not unexpected
  - Similar sized municipalities tend to compare to each other so our pay tends to align (subject to local considerations)
  - There may be variations at an individual job level
- Overall average variance using municipal comparators

Organization	75 <sup>th</sup>	60 <sup>th</sup>	50 <sup>th</sup>
Cities of Edmonton, Medicine Hat, Lethbridge, Red Deer and St. Albert as well as the Government of Alberta	<2%	<4%	<6%

# Policy of comparator organizations

- Few publish their target percentile
  - If they publish, the target is for non unionized staff
  - Many of our jobs compare to unionized work in other municipalities
    - Pay for unionized jobs in those organizations is established through negotiations
- Generally our comparators target either the 50<sup>th</sup> or 60<sup>th</sup> percentile



# Other considerations

- Long term view
  - In economic boom comparators did not include private sector
  - In challenging times, top talent is even more sought after as employers do more with less – applies to private sector as well
    - Overtime and premium pay has come out of the market but employers are still providing base pay increases
  - As the economy recovers competition for talent will again increase
    - Compensation philosophy has to withstand highs and lows of the market
- Cost of turnover (Hay Group)
  - Estimated to be 1.5 times the salary for a manager or professional and half the salary for an hourly worker and up to 2x for senior-level individuals occupying a crucial role
  - Cost includes recruitment, training, engagement, productivity of new hires, service levels

# WHY the 75<sup>th</sup> percentile?

- “We create a competitive advantage through qualified and engaged employees” – HUM-001-034 Employee Compensation Policy
  - A total rewards perspective - not just pay
    - Classified handbook review
    - Learning & development guideline
    - Employee engagement surveys
- Fiscally responsible
  - Data is gathered and analyzed regularly
  - Recruitment and retention challenges are monitored
  - Classification process ensures consistency
- Edmonton and the Government of Alberta are significant comparators
  - Generally, we pay between them

# Questions

