
Subject: Non Union Compensation Review Update

Report to: Corporate Services Committee

Report date: Wednesday, March 6, 2024

Recommendations

1. That Report HR 3-2024 Non Union Compensation Review Update **BE RECEIVED** for information.

Key Facts

- In support of the People Plan, a Total Rewards Strategy, Philosophy and related workplan inclusive of 2023 to 2027 has been developed.
- The key priorities and focus areas for the Total Rewards Strategy are competitiveness, flexibility, effective communications, health and well-being, and rewarding career progression.
- Through the 2023 operating budget, Regional Council approved funding to complete a comprehensive compensation review for the non union employee group.
- As a key component of the Niagara Region's People Plan, a qualified firm was sought to provide consulting services with respect to compensation strategy, policies, practices, external market competitiveness and labour market conditions.
- A Request for Proposal (2023-RFP-118) was conducted in 2023 with Ernst and Young LLP being awarded the contract.
- There are three required phases of the RFP and this project:
 - Phase I: Non Union Compensation Policy, External Comparator, and Labour Market Conditions Review
 - Phase II: Non Union Market Pricing and Salary Structure Review
 - Phase III: Non Union Salary Administration Procedure Review

Financial Considerations

Costs to perform the work in Phase One of the project were accommodated within the Council approved 2023 Budget. The approved budget amount totalled \$237,000 for consulting services and a temporary staffing resource to assist with the review.

Costs to implement Phase Two of the project will be included in the 2025 budget submission to Regional Council for their approval. There will be a future report to Corporate Services Committee including a presentation from Ernst and Young on their findings and recommendations.

Analysis

Total Rewards Strategies are evolving and an integral part of the Region's Human Resource strategy and employee experience. Niagara Region takes a systems approach to rewards, integrated with the organizational culture, leadership, overall business strategy and the People Plan. Competitiveness, flexibility, effective communications, rewarding people through career progression and taking a holistic approach to supporting the health and well-being of the workforce and their families are key elements necessary in a comprehensive approach to total rewards programs for Niagara Region. Recognizing Diversity, Equity and Inclusion's significance across rewards programs and the focus areas, DE&I has been integrated. To ensure that the Total Rewards Plan is sustainable and meets intended outcomes, an evaluation strategy has been developed which clearly lays out objectives, outcomes and measurables for each of the five themes.

In 2012, Regional Council approved CSD 55-2012 - Non Union and Senior Executive Compensation and Benefit Review. At that time, Regional Council directed the implementation of a compensation policy based on an approved compensation comparator group and a target of the 50th percentile to determine a competitive compensation level. Niagara Region last undertook a comprehensive non union compensation and salary structure review, in partnership with Mercer Canada in 2015-16, in 2016 with a new job evaluation system and salary structure. The current Non Union Compensation Policy was approved by Regional Council in 2016 via report HR-04-2016.

The Non Union Compensation Policy, approved in 2016, states that Niagara Region's policy is to compensate its employees for their services in a way that attracts, retains and motivates top talent required to achieve Niagara Region's mission. Based on Council's strategic priorities, external market conditions, legislation and internal factors, Niagara Region strives to pay salaries which compare competitively with similar occupations in the municipal public sector and the broader public and private sector comparator market. It is not intended for Niagara Region to be a market leader; but rather ensure pay structures are responsive to prevailing market conditions. The

guidelines contained within the policy include a provision that external competitiveness is maintained by regular reviews of the comparator group and that the salary structure is maintained based on market best practices and in a manner that supports Niagara Region's people strategy. Further, that we strive to maintain salaries for benchmarked positions at the median/50th percentile of the comparator group and that we are committed to a pay for performance program designed to reward commitment to the values of Niagara Region and exemplary performance across the organization.

Individual non union salary increases are determined through a merit based, pay for performance system, with no automatic cost of living, step or time-based increases. The Pay for Performance program is designed to reward performance with salary progression and achieve a level of movement through the ranges that brings employees to the top of their range within a reasonable number of years.

Market conditions have put pressure on the Niagara Region in the attraction, retention and promotion of talent and for the compensation practices to be more agile and flexible. Funding for staff compensation is subject to the annual operating budget approval process by Regional Council. The ability to attract, retain, promote and engage staff is at the center of the Region's People Plan. Balancing affordability and the investment in staff wages to achieve the desired outcomes and deliver municipal services is challenging.

We are experiencing a highly competitive labour market resulting in difficulty attracting and retaining employees across all divisions and departments of the organization. With more prevalent hybrid work arrangements, the talent landscape has changed. Organizations are leveraging remote and hybrid work arrangements to cast a wider net geographically to attract talent. Niagara Region has lost top talent to other organizations where they can earn a higher salary and still live in Niagara and to higher paying jobs in communities where they previously would not have sought or considered employment. In addition, Niagara Region has been losing top talent to local municipalities, hospitals and educational institutions. As a result, it is necessary that we compare our compensation levels to the broader private and public sectors which includes universities, colleges, hospitals, and long term care facilities.

In the current labour market environment, organizations have experienced increased challenges with attracting and retaining employees, resulting in increased turnover. The average cost of turnover can vary significantly, depending on variables such as wage, role and skillset. With increased turnover, organizations face increased costs of

recruiting to maintain their labour force. Direct recruitment costs include hiring costs such as recruitment and advertising fees, interview expenses including time to conduct interviews, onboarding and training time. Indirect costs include lost knowledge, lower engagement of those employees remaining, a loss of productivity and risks associated with mis-hiring. With these costs of hiring in mind, there should be some considerations towards whether investing in systems and programs to increase retention would lower costs in the long-term. This includes investments in competitive compensation and benefits, stronger work from home policies, flexible scheduling allowing for work-life balance, providing wellness offerings, and strengthening professional and personal development programs.

Historically, the employee value proposition saw competitive compensation and benefits at the core with differentiating factors such as careers, wellbeing and providing meaningful and fulfilling work complimenting the core elements of rewards. There has been a significant shift where the core now includes flexibility in addition to competitive compensation and benefits. Flexibility at work has become a key driver in the employee value proposition and what matters to individuals. While this report focuses on competitive compensation, we cannot ignore the impact of flexible work on the intent to stay. Our People Plan recognizes this shift and emphasizes not only providing competitive rewards. Our aim is to support our employees' health and well-being, providing the experiences and resources needed to grow careers, and offer the flexibility required for our employees to be their best, at home and work.

The non union employee group has a vast number of unique roles across all Departments, in 14 salary grades. The average years of service in our non union employee group is 8.5 years, over 40% of non union employees have less than 5 years of service. Voluntary resignations have increased significantly in the last two years and have more than doubled since 2019. Retirements were at a five year high in 2021 and 2022. These departures translate to more vacancies, new hires and internal movement including promotions.

The 2023-2027 Total Reward Strategy, Philosophy and Plan sets our guiding principles and key priorities for the Niagara Region. The goal of the new Region's Total Rewards Philosophy is to offer a comprehensive total rewards package inclusive of wages, benefits, the OMERS pension plan and recognition programs. The Region strives to provide competitive total rewards programs that attract and retain a skilled and engaged workforce. Programs are inclusive, well communicated and supportive of employee

well-being, driving organizational performance and exceptional public service while balancing fiscal responsibility.

The Total Rewards Strategy was developed through employee and leadership input, including local union leaders, validated against prior feedback from key interested parties, employee surveys, and balanced against best practice research. The key priorities and focus areas for The Total Rewards Plan are competitiveness, flexibility, effective communications, health and well-being and rewarding career progression.

The Region has developed our 2023-2026 People Plan, anchored by four themes – Top Talent, Strong Leaders, Flexible Workplaces, and Healthy & Well Employees & Workplaces. With a People Plan target of 68% of people leader roles being filled internally, consideration of non union vs. union rewards must consider compression with union wages. Relevant to this report and presentation, we must ensure non union compensation incentivizes career progression and promotions, this is particularly important in the non union employee group where approximately 60% of NU employees hold people leadership positions.

We must ensure rewards programs are externally competitive supporting the attraction and retention of top talent, are responsive to market conditions, consider the impact of the vacancy on service delivery and operations, and are responsive to the continuously evolving workforce requirements. To do that and in light of the rapidly changing labour market and talent competition, a commitment to review market comparators every five (5) years to ensure they are relevant and current is laid out in the plan. Market comparators are the organizations with which we compete for talent. Best practice in the selection of comparators is that they should be broad-based to include municipalities of similar size and complexity, markets where the Region would normally recruit from and/or lose employees to and should be large enough to provide sufficient information. As such a review of the target market position, comparator markets and pay philosophy has been completed as Phase One of this project

A review of the market comparators has been completed by Ernst and Young. They recommend expansion of the primary market to include the Region of Peel, City of Mississauga and the City of Toronto and the removal of the City of Windsor. These changes reflect the organizations we now compete with for talent. As a result, the Corporate Leadership Team has approved the following:

Current Primary	Recommended Primary
Ontario Municipal Sector <ul style="list-style-type: none"> • City of Brantford • City of Burlington • City of Hamilton • City of London • City of Kitchener • City of Niagara Falls • City of Oakville • City of St. Catharines • City of Waterloo • City of Windsor • Halton Region • Region of York • Region of Durham • Regional Municipality of Waterloo 	Ontario Municipal Sector <ul style="list-style-type: none"> • City of Brantford • City of Burlington • City of Hamilton • City of London • City of Kitchener • City of Niagara Falls • City of Oakville • City of St. Catharines • City of Waterloo • City of Windsor • Halton Region • Region of York • Region of Durham • Regional Municipality of Waterloo • Region of Peel • City of Mississauga • City of Toronto

The Ontario Municipal Sector secondary market reflecting municipalities with similar sized operating budgets would remain unchanged. The Broader Public and Private sector, or Tertiary Market would continue to include organizations in Ontario, however including the GTA in the tertiary market was recommended and also approved by CLT. These changes reflect the best practices of selecting market comparators. These comparators must be reviewed more regularly, as such, external comparators will become part of the Non Union Salary Administration Procedure, which remains subject to approval of the Corporate Leadership Team. This ensures we are responsive to the continuously evolving workforce requirements.

There are no changes recommended to the compensation philosophy related to the target market position at the median or 50th percentile of the external comparator market to set salary structure. It is suggested that pay for performance remain a key part of the compensation philosophy and policy. A revised policy will be presented to Regional Council for approval later this year.

The next phase of this project is for external consultants, Ernst and Young, to complete a comprehensive non union market pricing exercise and provide recommendations for salary structure changes using the changes to the comparator group at the target market position of the 50th percentile. Their findings will be presented to Corporate Services Committee later this year and will inform the 2025 non union salary budget submission subject to Regional Council approval.

Provisional Phases included in 2023-RFP-118 include a review of external union comparators, target market positioning and market pricing for all six union employee groups in preparation for the next Collective Bargaining Strategy.

Alternatives Reviewed

An alternative considered was to do nothing, that is to maintain the existing policy, comparators, and target positioning without changes. However, this would not be consistent with the current compensation policy and would not reflect the expanded competitors nor the evolving workforce requirements and changes in the employee value proposition. This would not be consistent with the Council Strategic Priorities, the People Plan nor the Total Rewards Strategy.

A secondary alternative was to conduct the compensation review in house, however that was deemed not appropriate considering the market volatility over the last several years and the long lapse since the last fulsome compensation review was completed; this would not be consistent with best practices.

Relationship to Council Strategic Priorities

This report supports Council's Strategic Priority of Effective Region Objective 1.4: Invest and support a skilled and aligned workforce at Niagara Region.

Other Pertinent Reports

HR 2-2024 People Plan Update

HR 2-2016 Non Union Compensation Review Report

HR 4-2016 Non Union Compensation Policy

CSD 55-2012 Non Union and Senior Executive Compensation and Benefit Review

Prepared by:

Kristen Angrilli
Manager, Total Rewards

Recommended by:

Franco Meffe
Director, Human Resources

Submitted by:

Ron Tripp, P.Eng.
Chief Administrative Officer

This report was prepared in consultation with Danielle Halliday, Compensation Specialist; Jodie Middleton, Associate Director Talent, Development, and Rewards.

Appendices

Appendix 1: C-HR-001 Non Union Compensation Policy