

A wide-angle photograph of Niagara Falls at sunset. The sky is filled with dramatic, dark clouds, with a bright orange and yellow glow from the setting sun breaking through near the horizon. The water of the falls is a deep blue, and the mist rising from the base is illuminated by the low sun. In the distance, a large white building is visible on the right side of the frame.

Market Trends and Compensation Philosophy

Regional Municipality of Niagara:
Consulting Services for Non-Union Compensation
Review

March 2024

Agenda

- ▶ Introduction
- ▶ Market Trends and Insights
- ▶ Compensation Philosophy

Market Trends and Insights



Key Drivers of Attraction and Retention

- ▶ Post-pandemic shift in employee mentality continues to consider the employee experience, broadening the conversation beyond just compensation



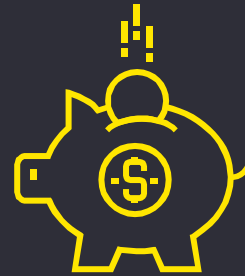
Physical Health and Fitness

- ▶ Continued focus on health and well-being benefits, including physical health and fitness
- ▶ Organizations putting together employee wellbeing support programs



Work-Life Balance

- ▶ Employees are continuing to prioritize work-life balance
- ▶ Flexible work arrangements and work-life balance are increasingly becoming important parts of the employee experience



Retirement

- ▶ Financial concerns around retirement planning remain top of mind.
- ▶ Employer provided support, including education and projection tools can help ease uncertainty



Mental Health

- ▶ Mental health continues to be at the forefront of support desired by employees
- ▶ Organizations increasing mental health benefit amounts and broadening benefits provided. Also implementing workplace policies and infrastructure for self-care (e.g. quiet/break rooms)



Personal Fulfilment

- ▶ Employees are seeking fulfilment from workplaces where they feel their work makes an impact on their peers and the world

The Costs of Hiring and Retaining Employees

- ▶ 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 have to face increased costs of recruiting to maintain their labour force.
- ▶ The costs of recruiting include:

Direct Costs

- ▶ Hiring costs (e.g. through recruiters or advertisers)
- ▶ Interview expenses, including time spent during the interview process
- ▶ Onboarding and training time

Indirect Costs

- ▶ Lost knowledge
- ▶ Lowered engagement and employee morale
- ▶ Decreased productivity during training and learning period
- ▶ 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.
- ▶ Some non-compensation related strategies that organizations have considered include:
 - ▶ Stronger work from home program and policies
 - ▶ Flexible scheduling allowing for work-life balance
 - ▶ Providing wellness offerings and other job perks
 - ▶ Strengthening professional and personal development programs

From Total Rewards to Total Value for an Individual

Compensation and benefits are **foundational** to any total rewards offering and it is critical to be **competitive on these offerings** within the marketplace to attract and retain key talent



Compensation Philosophy



Compensation Objectives & Guiding Principles

Compensation* is a key element of an employee value proposition and serves as the foundation to any total rewards program – it is critical for the Region to remain competitive in this area. While compensation is a key element of an employee's total rewards program, it remains only one element.



* Compensation includes base salary only

OBJECTIVE

The Region recognizes the important role and the valuable contributions its employees make to the overall accomplishments of the Region. Further, the Region recognizes the desirability of attracting and retaining talented and highly skilled employees to achieve its mandate and strategic directions.

In order to achieve its goals, there is the need to ensure that there is the provision of fair and competitive compensation that targets the skills and true performance of its employees. The Region relies on the below guiding principles in its employee compensation philosophy.

GUIDING PRINCIPLES

1. Emphasis on total rewards

- A proper balance of fair and competitive compensation, along with other elements of the total rewards offering, is critical for the Region to maintain
- While the Region continues to strive to be competitive on compensation, there is a strong emphasis put forth on other total rewards elements such as hybrid-work, work-life balance, flexible hours, benefits program, OMERS pension etc., which assist in the employee value proposition

2. Focus on talent

- The Region values talent and is looking to achieve a competitive compensation level that attracts, retains and motivates highly skilled individuals
- Having a compensation program that truly values the performance of the employees is critical for the Region.

3. Externally competitive

- While being a market leader is not required by The Region, providing a compensation package that is externally competitive with its peers and is responsive to prevailing market conditions is important.
- The appropriate level to compare to the external market in which the Region competes for talent is defined to ensure the ability to attract, develop, engage and retain high calibre leaders vital to the Region's ability to achieve its mission.

Compensation Philosophy

- ▶ Comparator markets should be:
 - ▶ Be broad-based to include comparators of similar size and complexity
 - ▶ Include markets where the Region would normally recruit from and/or loses employees to
 - ▶ Should be large enough to provide sufficient information

1. Primary Market: The following Ontario municipalities in which it competes for talent:

- | | |
|---------------------------------------|----------------------------------------|
| ▶ City of Brantford | ▶ City of Waterloo |
| ▶ City of Burlington | ▶ Halton Region |
| ▶ City of Hamilton | ▶ Region of York |
| ▶ City of London | ▶ Region of Durham |
| ▶ City of Kitchener | ▶ Regional Municipality of Waterloo |
| ▶ City of Niagara Falls | ▶ Region of Peel (suggest to add) |
| ▶ City of Oakville | ▶ City of Mississauga (suggest to add) |
| ▶ City of St. Catharines | ▶ City of Toronto (suggest to add) |
| ▶ City of Windsor (suggest to remove) | |

2. Secondary Market: Ontario municipalities with similar sized operating budgets (within the range of 0.5x to 2x of the Region’s operating budget)

3. Tertiary Market: Broader Public and Private Sector (“BPPS”) organizations in Ontario (potentially including the GTA)

- ▶ The following defines the calculation to be used to blend the comparator compensation data to determine the target positioning:
 - ▶ Grades 1 – 10 (if a match is available in the Mercer MBD survey): 50% Primary, 25% Secondary, 25% Tertiary
 - ▶ Grades 1 – 10 (if no match is available in the Mercer MBD survey): 50% Primary, 50% Secondary
 - ▶ Grades 11 – 13: 50% Primary, 50% Secondary

Compensation Philosophy

TARGET POSITIONING	<ul style="list-style-type: none">▶ The Region targets base salary at the 50th percentile, to establish compensation levels competitive with comparator markets.▶ For more critical and hard-to-source positions there should be consideration to target a higher percentile.▶ External competitiveness will be maintained through regular reviews of the comparator group.
INTERNAL EQUITY	<ul style="list-style-type: none">▶ The Region’s compensation practices will not discriminate or be arbitrary.▶ The Region is committed to maintaining a fair and equitable workplace, and will pay equal compensation for employees performing similar work.▶ Equity includes intersecting dimensions, such as gender, race, age, tenure, career progress, rank, and length of service.▶ Any pay gaps that are identified should be addressed in a timely manner, to provide pay fairness within the Region.
LEGISLATIVE REQUIREMENTS	<ul style="list-style-type: none">▶ The Region’s compensation program will meet all legal and contractual requirements, including maintaining confidentiality of individual salaries.▶ The Region will also ensure that the compensation program is grounded in pay equity principles.
EMPLOYEE COMMITMENT	<ul style="list-style-type: none">▶ Compensation levels will be established to encourage long-term commitment to the Region.
FINANCIAL CONSTRAINTS	<ul style="list-style-type: none">▶ The Region’s ability to maintain competitive salaries and benefits is at all times subject to budgetary considerations and “the ability to pay”.

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