



# **Municipality of West Elgin 2024 Compensation Update Summary Report**

**June 13, 2024**

**Marianne Love**

**Marianne Love, *ML Consulting***

# Background

- ▶ The salary grid consists of 13 pay bands and has been adjusted annually to account for cost-of-living having regard to ability to pay. It is not known when the last compensation review was completed.
- ▶ The Organizational Review Report dated January 2020, recommended introduction of a process to update job descriptions to ensure work was appropriately defined and to support succession planning and cross training. The Report also recommended an evaluation of positions to ensure appropriate pay rates.
- ▶ The Pay Equity Act requires the employer to demonstrate that Pay Equity has been achieved for all female job classes and continued maintenance. The last pay equity review was conducted in 2015.
- The Consultant was retained to conduct a review of the current compensation program in January 2023; specifically, to assess the competitive pay market to facilitate attraction and retention and develop a revised salary grid for implementation in 2024, as well as a review of internal equity and that pay practice to ensure compliance with the Pay Equity Act.
- The outputs of this review and recommendations will enable future growth in organization and job design and provide the foundation to align fair and competitive pay with performance.

# Project Overview

- The Consultant met with the interim CAO in January 2024 to discuss project objectives, tools, systems, comparators and processes.
- Job descriptions were reviewed and updated by the CAO to ensure that current job information and job qualification requirements were reflected.
- All positions were evaluated using a new job evaluation system to assess internal equity and pay equity compliance.
- The current banding framework was tested to ensure that it will continue to support organization growth and job design.
- The Consultant completed a custom market study using 9 comparator organizations; these comparators were selected having regard to historical comparators, geographic placement and measures of size/scope of service.
- Proposed 2024 job rates were prepared based on the 50<sup>th</sup> percentile target of the competitive pay market and pay equity was tested.
- A 2024 salary grid framework was prepared for implementation costing.

# Executive Summary

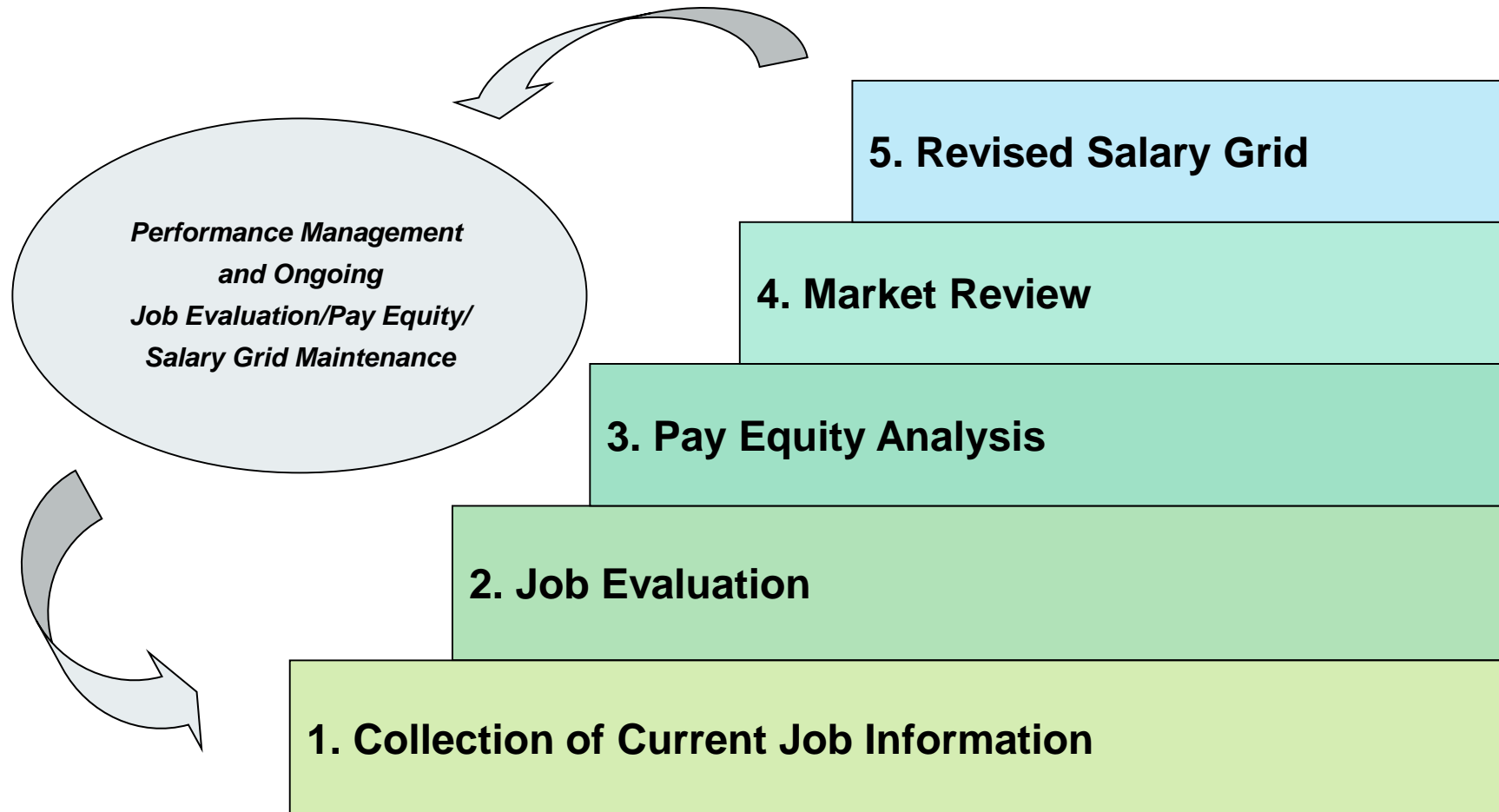
- The 50<sup>th</sup> percentile pay target is representative and reasonable having regard to scope, size and composition of the comparator group in relation to the West Elgin and current challenges of attraction and retention at the Municipality and in the municipal sector.
- On aggregate, West Elgin pays below the 50<sup>th</sup> percentile targets of the defined comparator group; with greater deviation in some positions.
- The revised compensation structure addresses:
  - Internal equity and Pay Equity compliance
    - All positions were reviewed using consistent interpretation and application of the new Job Evaluation System
    - Pay equity impacts have been addressed by revised band placement and new job rates in the new salary grid
  - Pay Policy with Job Rates (i.e., maximum rate in the salary range for each pay band) reflecting the 50<sup>th</sup> percentile in the market
- The banding framework was tested and determined that it will support organization growth and job design (i.e., considering number of Bands, position complement and placement of positions).

# Compensation Philosophy

The following principles were considered during this Review:

- Fairness
  - **Internal equity** is achieved through Job Evaluation and placing similar valued positions in the same Band with a common Job Rate
- Compliance
  - **Pay Equity** maintenance is achieved through analysis to ensure there are no pay gaps for female job classes compared to male job classes of similar value
- Competitiveness
  - **Market competitiveness** addresses attraction and retention issues; achieved by paying at a competitive percentile relative to the market
- Sustainability and Renewal
  - Determined by Council taking into account **budget implications and projections**
  - **Best practice compensation tools, systems and renewal processes** are used to support the compensation program

# Compensation Program Elements



# New Job Evaluation System

FACTOR	SUB-FACTOR
SKILL	<ul style="list-style-type: none"><li>➤ Education</li><li>➤ Experience</li><li>➤ Judgement and Decisions</li><li>➤ Ingenuity and Creativity</li></ul>
EFFORT	<ul style="list-style-type: none"><li>➤ Physical/Mental Exertion</li></ul>
RESPONSIBILITY	<ul style="list-style-type: none"><li>➤ Independent Action</li><li>➤ Financial Management</li><li>➤ Impact of Errors</li><li>➤ Supervision</li><li>➤ Influencing Others (Contacts)</li><li>➤ Confidentiality</li></ul>
WORKING CONDITIONS	<ul style="list-style-type: none"><li>➤ Operating Environment/Hazards</li></ul>

# Internal Equity

- ▶ Job information was updated for all positions.
- ▶ A 12-factor Job Evaluation System was introduced to evaluate all positions. The system measures skill effort, responsibility and working conditions; includes factor language and weight allocation that supports organization design, leadership and decision-making models; has been accepted by Pay Equity Review Services and is widely used in the Municipal sector.
- ▶ The Consultant evaluated all positions based on the updated job information provided.
- ▶ A banding framework was prepared that holds jobs of similar value. The framework consists of 12 pay bands prepared using a consistent increasing 5-point spread and supports the new salary grid framework and pay equity compliance. Two empty bands have been included to support changes in job design and future growth (Bands 5 and 11).
- ▶ The banding framework supports the new salary grid and is used to demonstrate compliance with the Pay Equity Act.



# Pay Equity Compliance Obligations

- Pay equity is achieved with production of a deemed approved pay equity plan for full-time and part-time positions in the employee group
  - when it can be demonstrated that all female job classes have the same job rate (maximum pay rate) as the male comparator job class within the same band
  - obligations for public sector employers span back to 1990
- Pay equity compliance is typically maintained by using the job evaluation system that supports the pay equity analysis, if available
  - new job classes are evaluated when created, and changed job classes are re-evaluated when there is significant change in job function
  - Pay Equity compliance should be tested annually
- There is no Pay Equity Plan on file.
- A 2024 pay equity analysis was prepared using 2024 job rates and gender was determined having regard to current, historic and stereotypic incumbency. There are male comparators identified for four (4) female job classes; a regression line was used to determine the proportional value pay rate for two (2) female job classes.
- Adjustments have been identified for two (2) female job classes.

# Market Competitiveness

- The Consultant prepared a custom survey:
  - Municipal comparators were selected based on a defined set of criteria:
    - comparable size (population/households)
    - similar employment markets
    - equivalent scope of services
    - innovative service delivery
- Municipal pay market focus; 8 Municipal Comparators selected

# 2024 Municipal Comparators (8)

- **Blandford Blenheim**
- **Dutton Dunwich**
- **Bayham**
- **Lucan Biddulph**
- **North Middlesex**
- **Southwold**
- **Southwest Middlesex**
- **Plympton Wyoming**

# Market Competitiveness—Approach

- Positions were matched by the Consultant to similar positions in comparator organizations having regard to job title, job information, organizational charts, and 2024 annual and hourly job rates (maximum pay rates).
- A conservative approach was used in the job matching exercise and outlier matches were removed from the analysis.
- Market statistics based on 3 or more matches were calculated to determine market competitiveness using median (50<sup>th</sup> percentile), 55<sup>th</sup> and 60<sup>th</sup> percentile values.
- The percentile target is a measure of how the positions are ranked in the comparator group, highest to lowest.
  - the 50<sup>th</sup> percentile target is the \$ Rate where 50% of the wage rates in the comparator organizations are below this amount and 50% are above; this is the market median
  - the 60<sup>th</sup> percentile target is the \$ Rate where 60% of the wage rates in comparator organizations are below this amount, and only 40% are above.
- The Market Summary indicates that on aggregate, Job Rates for West Elgin positions are low to the competitive pay market with greater deviation in some positions (i.e., paying below typical salary).

# Market Competitiveness—Aggregate comparison

*Aggregate Comparison—  
West Elgin Job Rates compared to  
Market Percentile Targets (% below  
target)*

	<i>P50</i>	<i>P55</i>	<i>P60</i>
<i>Annual Job Rate</i>	<i>12.7%</i>	<i>15.1%</i>	<i>17.4%</i>
<i>Hourly Job Rate</i>	<i>16.8%</i>	<i>19.2%</i>	<i>21.7%</i>

- Differences in annual and hourly market deviations are due to differences in annual hours of work for positions amongst the comparator group.
- Revised band placement for some positions have aligned pay rates closer to market based on internal equity.
- West Elgin is less competitive when comparing job rates (maximum rates) for Senior and Mid-Management positions in Bands 7 to 12. Positions in Bands 1 to 6 are lightly more competitive to the defined pay market. This is in keeping with market observations for many Municipalities across the province, given the age demographic and challenges to attract and retain top talent.
- There is an inequity in the employee group as it relates to market competitiveness.

# Market Competitiveness—Results

- Approximately 90% of the job rates are below the 50<sup>th</sup> percentile pay target.
- Contributing factors to current market placement:
  - Historic economic adjustments have not kept up with the economic adjustments in the sector, for all years.
  - Many of the Comparators have completed a salary review in the last 5 years and adjusted their salary grids accordingly.
  - Some of the Comparators have revisited their compensation policy and adjusted their comparator pool and/or increased the target market percentile above the 50<sup>th</sup> percentile to achieve competitive job rates.

# Recommended 2024 Salary Grid

- Job rates targeting the annual 50<sup>th</sup> percentile of the pay market are recommended based on the size/scope of the comparator group in relation to West Elgin, a conservative approach to job matching, attraction and retention challenges experienced at the Municipality, and local/regional economic influences.
- A Salary Grid was prepared that includes a 6-step progression, Step 6 being Job Rate; and a 4% differential between each wage Step.
- Job Rates were tested for compression and pay equity compliance. The percentile target will provide competitive job rates.
- Step movement through the Salary Grid will be based on successful performance as defined by a Performance Management Program.
- Staff have prepared an implementation costing for placement of all positions in the new Bands, considering a next closest step/reasonable step placement based on current pay rates and considering pay equity impacts. This approach reflects equity and consistency and supports retention and sustainability.

# Recommendations

- It is recommended that West Elgin Council:
  - approve the 2024 Salary Grid with job rates reflecting the 50<sup>th</sup> percentile pay target effective January 1, 2024
  - CAO to communicate results of the Compensation Review
  - maintain internal equity by evaluating new and changed positions and test Pay Equity annually
  - adjust the salary grid annually having regard to average projected adjustments provided by the comparator group, published survey projections, and ability to pay
  - monitor Job Rates for senior management and market sensitive positions to ensure competitiveness with the external pay market and effective succession planning
  - conduct a cyclical market review (every 3 to 4 years) to inform any changes required to pay bands in the Salary Grid; this will mitigate large market adjustments in any one year to achieve competitive rates
  - review the market comparator group and/or consider adjusting the target market percentile in future years
  - update the Salary Administration Policy to address these elements and prepare a Pay Equity Plan for file