

THE CORPORATION OF THE
CITY OF WHITE ROCK
CORPORATE REPORT



DATE: February 26, 2024

TO: Mayor and Council

FROM: Kari Laing, Director, Human Resources

SUBJECT: Update to Exempt Compensation Policy No. 403

RECOMMENDATION

THAT Council approve and endorse the updates to the Exempt Compensation Policy No. 403.

EXECUTIVE SUMMARY

Staff recommend updating Council policy # 403 – Exempt Compensation to maintain 60% percentile of selected market for wages/salary.

INTRODUCTION/BACKGROUND

Competitive compensation remains a significant factor in recruitment and retention of employees. During our 2022 Employee Engagement Survey, staff were asked what the priority for improvements should be at the City over the next year. The top theme from staff indicated improvements to Compensation and Benefits should be a priority.

Employee turnover is very costly, and often results in a decrease in institutional knowledge due to the departing staff member. When employees leave, the City faces recruitment costs, retraining and onboarding costs, lost productivity, impact on morale and those left performing extra work, as well as impacts on customer satisfaction. Estimates of turnover costs normally equate to at least 30% of the employee's annual salary.

Quoting from a recent report from Gallagher Benefit Services (Canada) Group, "The labour market space for traditional municipal roles is increasingly difficult within the Province and across all Canadian Municipalities. The 'war for talent' stems in part from the high numbers of baby boomers retiring within the sector, lower number of post-secondary graduates seeking careers in the municipal sector, and an aggressive private sector seeking to attract similar skills and qualifications. Municipalities across Canada are aggressively competing for talent from the same limited pool of candidates. The tight labour market conditions puts candidates in a strong negotiating position for salaries, benefits and working conditions."

Council's Exempt Compensation Policy is currently structured to set the compensation at the 50th percentile of market. This means that 50% of the competitors pay their staff more than White Rock exempt employees and the other 50% would pay less.

The 50th percentile, also referred to as the median, is a measure of central tendency that divides a dataset into two equal halves. In other words, 50% of the data points are below the 50th percentile and 50th are above it. It can also be described as the middle value of a dataset.

For example, in the dataset [1, 3, 3, 6, 7, 8, 9] the 50th percentile is 6 because it is the fourth number in the sorted list, exactly the middle. For the dataset [1, 2, 3, 4, 5, 6, 7, 8] the 50th percentile is between 4 and 5, so it is calculated as $(4 + 5)/2 = 4.5$.

Competing municipalities within the Greater Vancouver area are generally paying well above the market median, with many paying at the 70th percentile. White Rock Exempt employees are very underpaid compared to their counterparts. To ensure that the City has the best chance to recruit and retain staff it is recommended that the Exempt Compensation Policy (Human Resources – 403) is revised to maintain a 60% percentile of selected market for wages/salary moving forward.

Whereas the 50th percentile is exactly the middle of a dataset, the 60th percentile is further towards the higher end of the dataset. At the 50th percentile 50% of the data lies below the 50th percentile, at the 60th percentile 60% of the data lies below the 60th percentile. The 60th percentile of a dataset gives insight into the distribution above the median, indicating a value below which a majority (but not as large as the median) of the data points fall. The 60th percentile is a more competitive target pay policy than market median (or middle).

Justifications to support paying exempt staff at the 60th percentile include:

1. As part of the recruitment process over the past three years, exempt hires were advised that the exempt compensation review would be completed, and salaries adjusted based on the Council policy.
2. Attracting and retaining talent: Offering compensation at the 60th percentile can help attract top talent by positioning the City more competitively within the job market. It can also help retain current employees who might otherwise be lured away or attracted by higher-paying municipalities. Generally, competing municipalities within Greater Vancouver are paying well above the market median, with many paying at the 70th percentile.
3. Motivation and morale: Paying exempt staff at the 60th percentile tends to boost morale and motivation. Staff feel more valued and motivated to perform well when they are compensated above the median.
4. Skill and experience: Paying at the 60th percentile reflects the value of the specialized knowledge and abilities required for their roles.
5. Market competitiveness: Paying above the median is necessary to remain competitive within the sector, especially where demand is high.
6. Cost of turnover: Investing in higher compensation can save money for the City in the long run by reducing turnover costs which are expensive due to recruitment, training, and lost productivity and historical knowledge.
7. City culture and values: Prioritizing fair compensation practices and valuing the idea of paying staff what they are worth aligns with the City's culture and values of fairness and equity.

FINANCIAL IMPLICATIONS

A change in policy to the 60th percentile could have financial implications based on the sample analyzed. Funding of changes in compensation could be smoothed out by a combination of the use of surplus and/or taxation to be determined by Council during the Budget approval process. The change of percentile would not have an impact on previous budgeting cycles and would only impact exempt employee salaries from January 1, 2024 forward.

INTERDEPARTMENTAL INVOLVEMENT/IMPLICATIONS

Proposed changes will involve the Human Resources Department and the Financial Services Department.

ALIGNMENT WITH STRATEGIC PRIORITIES

Recruitment and Retention are an important strategic priority for the City of White Rock

OPTIONS / RISKS / ALTERNATIVES

The following option is available for Council's consideration:

1. Keep the Exempt Compensation Policy at the 50th percentile.

This will continue to negatively impact the City's ability to successfully attract, engage, retain and motivate employees.

CONCLUSION

Staff recommend that Council approve and endorse the updates to the Exempt Compensation Policy No. 403.

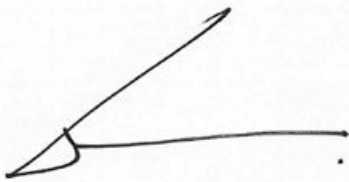
Respectfully submitted,



Kari Laing
Director, Human Resources

Comments from the Chief Administrative Officer

I concur with the recommendation of this corporate report.



Guillermo Ferrero
Chief Administrative Officer

Appendix A: Exempt Compensation Policy (Human Resources 403)

THE CORPORATION OF THE
CITY OF WHITE ROCK
15322 BUENA VISTA AVENUE, WHITE ROCK, B.C. V4B 1Y6



POLICY TITLE: EXEMPT COMPENSATION

POLICY NUMBER: HUMAN RESOURCES - 403

<i>Date of Council Adoption: November 3, 2008</i>	<i>Date of Last Amendment: July 27, 2015</i>
<i>Council Resolution Number: 2008-IC-073, 2013-134, 2015-285</i>	
<i>Originating Department: Human Resources</i>	<i>Date last reviewed by the Governance and Legislation Committee: July 13, 2015</i>

Policy:

Compensation Philosophy

The City of White Rock's compensation program will be reflective of the City's mission of building community excellence through effective stewardship of all community resources and values of excellence, respect, integrity, responsibility, accountability and value and, community participation in government.

The City will consider its competitive market place, the relative value of each position, individual performance, qualifications and experience when compensating individuals. The compensation plan will be designed to enable the City to successfully attract, engage, retain and motivate employees. The total compensation program offered includes wages/salary and a wide range of benefits and will reward individuals for their overall contributions through a performance based and feedback culture.

Principles:

- **Objective:** Transparently aligned to and in support of short and long term strategies and wherever possible, linked to quantitative metrics to measure achievement.
- **Performance Based:** Reflects the type and quality of work performed, recognizes differences in performance and reinforces desired behaviours.
- **Clear and understandable:** Clearly defined and consistently communicated on an ongoing basis, ensuring protection of privacy where applicable.

Principles Continued:

- **Competitive:** Regularly monitor the external municipal market to ensure competitiveness and consistency with desired market position on a total compensation basis reflecting the economic value of jobs.
- **Affordable:** Balances market competitiveness with the ability to pay for the desired competitive position and demonstrates the appropriate expenditure of public funds.
- **Limitations:** All compensation decisions are subject to policies and approval processes established by Council Policy, HR Directives, carriers and/or legislation.

Purpose

- Recruit and retain qualified employees
- Increase or maintain morale/satisfaction
- Reward and encourage peak performance
- Reduce turnover and encourage longevity of employment with the City

Responsibility

1. Council

- Authorize changes to the compensation policy and market position.
- Authorize changes to the Chief Administrative Officer's compensation adjustments.

2. Chief Administrative Officer

- Evaluate and recommend changes in the compensation policy to Council.
- Authorize the composition of the exempt market comparators.
- Evaluate and authorize compensation level adjustments for all exempt staff.
- Hear appeals on compensation matters.

3. Director of Human Resources

- Recommend the composition of the exempt market comparators to the City Manager.
- Develop and maintain an ongoing liaison with the identified market comparator organizations.
- Develop recommendations for revisions to the compensation policy, systems and procedures as required.
- Prepare and recommend to the Chief Administrative Officer, compensation adjustments resulting from market information.
- Implement authorized compensation program adjustments.
- Communicate information to employees.

Guideline for Administration

Market Comparators – recommended by the Director of Human Resources to the Chief Administrative Officer based on various existing market conditions.

Market Position – maintain ~~50%~~60% percentile of selected market for wages/salary and 30% of payroll for exempt benefits.

Market Review Periods – recommended that exempt compensation reviews occur in alignment with the collective bargaining cycles.

Review of comparator market would begin in January of the expiration year of the CUPE Collective Agreement.

Periodic events may initiate reviews outside of the bargaining cycles as directed by the Chief Administrative Officer or Council.

Off Cycle Adjustments – in order to maintain market position, ranges would be adjusted annually at the same rate as the CUPE pay scales.

Internal Relativity – base wages/salary will typically be set through a position valuation process based on the following factors:

- Education and experience – or an equivalent combination thereof
- Working relationships
- Responsibility and complexity of decisions
- Initiative
- Leadership
- Impact of Actions

Exceptions may occur on a one time basis based on recruitment and retention pressures, unanticipated workload increases sustained over an extended period of time or on specific talent/skills required to meet strategic priorities.

Senior Management Role – is one at the strategic level where decisions generally have an effect on corporate policy and performance. Manages the human, financial and operational resources and facilitates the achievement of the Departments and/or Councils goals by implementing strategies and provides others with expert advice on issues of current and emerging practices.

Managers Role – is one at a high operational level ensuring overall effectiveness of a functional area leading people.

Technical Specialists Role – is one that provides advanced knowledge in an area of expertise drawing upon knowledge of the principles, practices, and procedures of their area of expertise.

Corporate Support Role – typically performs duties that support other processes and/or roles and may be relatively independent at more senior levels.

Progression – Progression within the scale is authorized by the Chief Administrative Officer for all positions (except the Chief Administrative Officer position) based on qualifications, experience, market conditions and the successful achievement of performance work plan objectives as recommended by the individuals supervisor.

Benefits Committee – An Exempt Benefits Committee, established with at least four (4) exempt employees and chaired by the Director of Human Resources will review the exempt benefits program and the allowances every 2 years. Adjustment recommendations will be provided to the Chief Administrative Officer for approval in accordance with this policy.

Rationale:

This policy has been established to provide for the ongoing administration, planning and outlines consistent processes in regard to the compensation for exempt staff.