



## Decision Letter

### Employee and Labour Relations Committee

<b>Meeting No.</b>	6	<b>Contact</b>	Frances Pritchard, Manager
<b>Meeting Date</b>	Tuesday, June 5, 2012	<b>Phone</b>	416-392-6627
<b>Start Time</b>	9:30 AM	<b>E-mail</b>	elrc@toronto.ca
<b>Location</b>	Committee Room 2, City Hall	<b>Chair</b>	Councillor Doug Holyday

EL6.2	ACTION	Amended		Ward:All
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### Non-union Employee Compensation

#### Committee Decision

The Employee and Labour Relations Committee recommends to the Executive Committee that:

1. (a) Effective January 1, 2013, and for the year 2014 (for 2012 and 2013 performance respectively) only, City Council amend the Non-union Compensation Policy to establish new individual merit Performance Review Levels, Performance Targets Allocations and Performance Financial Rewards as follows:

Performance Review Levels	Performance Targets Allocations	Performance Financial Rewards
Unsatisfactory	3% of staff complement	0%
Meets Most But Not All Expectations and/or Developmental	10% of staff complement	1%
Meets Expectations	70% of staff complement	2.5%
Exceeds Expectations	up to 20% of staff complement	5.0%

- (b) City Council re-confirm its continuing support that employees eligible for progression through their respective grade salary ranges (i.e., progression from minimum to maximum) receive merit performance salary progression;
  - (c) Effective January 1, 2012, for the years 2012 (for 2011 performance) and 2013 (for 2012 performance) only, City Council direct that the merit performance-based re-earnable lump sum to recognize performance of employees who are at the top of their salary range be reinstated.
2. City Council direct that general annual salary range increases be implemented as follows for Non-union employees and Senior Management (Grade 11 and above Division Heads, Deputy City Managers, City Manager and Accountability Officers):

Effective Date	Non-union Employees	Senior Management
January 1, 2012	1.90%	2.75%
January 1, 2013	1.90%	2.75%

3. City Council request the City Manager and Executive Director, Human Resources, in consultation with the Hay Group, to develop recommendations for the implementation of a Variable Pay Program commencing January 1, 2013, for the first payment in 2014. Such program to include measurable corporate performance factors, applicable employee group/subgroup, the costs and funding sources. Such report shall be provided to the Employee & Labour Relations Committee no later than November, 2012.
4. City Council request the City Manager and the Executive Director, Human Resources to conduct a review and report back to the Employee and Labour Relations Committee, before the end of the 2013 calendar year regarding implementation of Recommendations 1 and 2 and provide any recommendation for further changes or amendments, if any, to the compensation of the City's non-union employees.
5. City Council authorize staff to transfer funding from the 2012 Approved Non-Program Expenditure budget to the respective 2012 Approved Operating Budget for City operations and Toronto Public Health to provide the necessary funding to implement these recommendations for 2012 and to prepare future year budgets accordingly.

### **Decision Advice and Other Information**

The following made presentations to the Employee and Labour Relations Committee:

- Karl Aboud, Hay Group Limited
- City Manager
- Executive Director, Human Resources
- Director, Strategic Recruitment, Compensation and Employment Services

### **Origin**

(May 29, 2012) Report from the City Manager and the Executive Director, Human Resources

### **Summary**

The purpose of this report is to provide recommendations regarding organizational best practices to ensure a modern, affordable and competitive compensation policy and program is in place for all non-union employees. High performing organizations must have comprehensive best practices compensation policies and performance reward programs to optimize performance outcomes and effectively retain and attract high-performing non-union and senior management employees. The report addresses human resources best practices deficiencies in the current compensation policy and performance review program and provides recommendations for revised new performance review levels, performance financial rewards and the implementation of performance review target allocations that will help drive performance and lead a cultural performance management change at the City of Toronto.

City Council's approved pay policy sets salaries to be at the 75<sup>th</sup> percentile of the GTA public sector market; however, the City has not maintained its non-union and senior management

salaries at this policy level. In the past five years the City's compensation decisions for non-union employees have negatively impacted the City's position in its comparator market. Reviews undertaken by Mercer in 2008 and by the Hay Group in 2012 have clearly demonstrated that managers' salaries and most pronouncedly senior managers' salaries are significantly below the approved 75<sup>th</sup> percentile of the comparative market, and in fact are more closely aligned with the 50<sup>th</sup> percentile of this market. As outlined in the Table that follows, it is important to note that employers in the GTA market comparator group have provided annual salary adjustments for non-union employees that are more in line with union settlements.

Further, the report identifies that the non-union/management employees salary increases have not been comparable to unionized employees over the past 5-year period (2007-2011). The City's non-union employees received -3.89% *lower* cumulative total general salary increases and Senior Management group received a -7.06% *lower* cumulative total general salary increases over the previous 5-year period versus unionized employees.

City of Toronto (Toronto Public Service) and GTA Comparator Group:  
2007-2011 5-year Annual Salary Increases, Cumulative Total by Employee Group  
(Union, GTA Comparator group, Non-union, Senior Management)

Employee Group/ GTA Municipal & Regional Employers	2007-2011 5-year Annual Salary Increases "Cumulative" Total	Non-union/Senior Mgmt. vs. Union 5-year Salary Increases "Cumulative" Total Differential	Non-union/Senior Mgmt vs. GTA Comparator Group 5-year Salary Increases "Cumulative" Total Differential
CUPE Local 79	13.98%		
TCEU Local 416	13.98%		
GTA Municipal and Regional Employers	13.60% (avg. of comparator group, non-union)		
Non-union Employees	10.09%	- 3.89% [10.09% - 13.98%]	-3.51% [10.09%-13.60%]
Senior Management <i>Division Heads &amp; Above</i>	6.92%	- 7.06% [6.92% - 13.98%]	-6.54% [7.06%-13.60%]

Therefore, given the significant differential, as per the above, recommendations contained in this report provide a four-year schedule of general salary increases for non-union employees and senior management to address this differential. The proposed increases will help to minimize any further gaps going forward, but do not address the impact of the differential over the previous 5 -year period.

As outlined and recommended in this report, a best practices high performing organization has a comprehensive compensation and performance reward program for its non-union and senior management employees that includes:

- Performance-based Merit Pay
- Variable Pay Program
- Competitive Salary Grades and Annual Salary Increases

The report's recommendations, supported by the Hay Group's review and advice, provide for the amendment of the current non-union employee and senior management compensation policy and reward program, to ensure a modern, affordable and competitive compensation policy is in place.

### **Background Information**

(May 29, 2012) Report with Appendices A to C, from the Executive Director, Human Resources on Non-Union Employee Compensation

<http://www.toronto.ca/legdocs/mmis/2012/el/bgrd/backgroundfile-47950.pdf>

(June 5, 2012) Presentation from the Hay Group titled "Report Overview for Employment and Labour Relations Committee - Pay-for-Performance: Good for the City its Employees and its Residents"

<http://www.toronto.ca/legdocs/mmis/2012/el/bgrd/backgroundfile-48153.pdf>

(June 5, 2012) Presentation by the City Manager and the Executive Director, Human Resources titled "City of Toronto: Toronto Public Service" on Non-Union Employee Compensation

<http://www.toronto.ca/legdocs/mmis/2012/el/bgrd/backgroundfile-48154.pdf>

### **Communications**

(June 5, 2012) Letter from Letter from Richard Majkot, Executive Director, COTAPSA (EL.New.EL6.2.1)

<http://www.toronto.ca/legdocs/mmis/2012/el/comm/communicationfile-30665.pdf>

### **Speakers**

Richard Majkot, Executive Director, COTAPSA  
Councillor Janet Davis