

Subject: Staff Compensation Program Review**Recommendation:**

BE IT RESOLVED THAT Council receive Report #2021-0149 – Staff Compensation Program Review;

AND BE IT FURTHER RESOLVED THAT Council approve the establishment of five grid steps in the Town's compensation grid which begin at the 80th percentile of the job rate and are characterized by equal increments of 4%;

AND BE IT FURTHER RESOLVED THAT Council approve the formal adoption of a compensation target for town staff of the 55th percentile (on average) of the comparator group;

AND BE IT FURTHER RESOLVED THAT Council approve the Town of Pelham's "Municipal Comparator Group" for salary comparison purposes as constituting the following municipalities: City of Thorold, City of Port Colborne, Town of Lincoln, Township of Wainfleet, Town of Niagara-on-the-Lake, Town of Fort Erie, Town of Grimsby, Haldimand County, Town of Kingsville, Town of Tillsonburg.

AND BE IT FURTHER RESOLVED THAT Council approve the expenditure of \$52,000 from the Human Resources Capacity Reserve so as to allow all non-union staff to move to the next step on the compensation grid effective October 4, 2021.

Background:

In response to one of the Strategic Plan action items to develop a performance management system, recognition and compensation program for staff, the services of ML Consulting were retained to complete a pay equity analysis and compensation review of the current remuneration for both staff and council. Please note that the results of the council remuneration survey will be discussed in a separate report.

Staff salaries have not undergone a market study since 2016. The consultant that

undertook this review at that time opted to select only 15 positions with which to conduct a market comparison and determine how Pelham compensates its employees in relation to its municipal comparators. This decision left over 40 positions without a proper market review for much longer than the current administration can determine.

Town staff have not been awarded merit-based increases to their compensation in either 2019 or 2020. Merit-based increases were also not budgeted for 2021, and unless this report is approved, will again not be awarded in 2021. Town administration is concerned that this will have a strong negative impact on the Town's capacity to attract and retain staff.

Analysis:

ML Consulting reviewed municipal comparator information collected by staff and prepared a market summary of base pay using the 55th percentile target. The CAO directed the work to target the 55th percentile of the comparator salary range as the lowest appropriate target that allows the Town to advertise itself as being both a progressive and above-average paying employer. The comparator municipalities were chosen based on geographic placement, comparable size, similar employment markets, equivalent service alignment, innovative service delivery and proximity (for all but Kingsville and Tillsonburg). The comparator organizations, including population levels, are as follows:

Thorold (18,801)	Fort Erie (30,710)
Port Colborne (18,306)	Grimsby (27,314)
Lincoln (23,787)	Haldimand County (48,361)
Wainfleet (6,372)	Kingsville (21,552)
Niagara-on-the-Lake (17,511)	Tillsonburg (15,872)

The results of the market review indicate that Pelham does not pay competitively. Salaries are below the 55th percentile targets, with some positions significantly lower than others, including the majority below the fiftieth percentile.

Although the leadership team is generally happy with the municipality's succession management program and with the existence of reasonable budgets to support training opportunities, the Town is currently failing at compensation and rewards. Compensation is low and the Town has no bonus system or program. The effects of this are being seen with an increased difficulty attracting and retaining qualified staff. 2021 has seen significantly high turnover, having received 15 resignations since January. Staff are leaving Pelham primarily to work for neighbouring municipalities to do the same work for an increase in pay. Dissatisfaction pertaining

to compensation has been noted in almost every exit interview conducted since 2018.

Human Resources has been overwhelmed with recruitment this year and the cost of continuous recruitment is steadily increasing. At time of writing, Human Resources has reviewed almost 700 resumes and conducted over 150 interviews this calendar year. The cost of job advertisements alone since January is just over \$11,000. There is no easy way to quantify the intangible costs associated with high turnover. Undeniably the Town experiences decreased productivity as new staff require some amount of time to become familiar with Town processes before being realistically able to match the productivity of the people they succeed.

It is worth noting that implementing this type of compensation model does not guarantee automatic increases. On an annual basis, staff performance will continue to be evaluated through the existing performance review process. Those with satisfactory performance will move to the next step on the grid and those who are underperforming will remain at their current step and have performance be otherwise addressed by such items as coaching, mentoring, training and potentially discipline, as appropriate.

Financial Considerations:

The net impact of the salary grid to the Town's tax levy supported Operating Budget for 2021 effective October 4, 2021 is \$52,000, which is proposed to be covered by the Human Resources Capacity Building Reserve. Therefore, the impact to the 2021 operating budget variance is zero. The Human Resources Capacity Building Reserve has a balance of \$339,363 as at December 31, 2020. It was established in 2020 by accumulating corporate savings from staffing vacancies which can then be used to support employee-based initiatives.

The impact of the salary grid for the 2022 tax levy supported Operating Budget is \$27,000. This amount can be funded by either the Tax Levy or the Human Resources Capacity Building Reserve. A salaries allocation review was done for the rate supported budgets such as Water & Wastewater and Building Department. Staff salaries are allocated to these budgets based on time supporting these departments. Increases from the new salary grid model and revised salary percentage allocations will be funded by these rate supported budgets. The Building department fees and the Water & Wastewater rate forecast in the BMA study should be sufficient to cover these increases.

It will take five years to fully implement the new salary grid model which will bring staff salaries to the maximum job rate. The average increase in the next four years

following 2022, is approximately a 0.5% Tax Levy increase. The Human Resources Capacity Building Reserve will be used to partially offset these increases over the four years following 2022 in the total amount of \$100,000 (\$40,000 for 2023; \$30,000 for 2024; \$20,000 for 2025 and \$10,000 for 2026).

Alternatives Reviewed:

Council has three alternatives to the proposed course of action: do nothing, approve the creation of steps on the grid but not adjust salaries to the 55th percentile, or approve the steps on the grid with a compensation change to some level other than the 55th percentile of the comparator group. Doing nothing is not recommended as the Town can be expected to continue to lose key staff to better paying organizations. The other two options, while not recommended, are viable courses of action.

Strategic Plan Relationship: Strong Organization

Implementing a fair and competitive wage structure satisfies one of Council's action items to support a strong organization. The proposed salary grid with a clear progression path provides cost certainty with respect to future budgets and insures both internal and external wage equity.

Consultation:

This report and project was undertaken with contribution from all members of the senior leadership team, the human resources department and ML Consulting.

Other Pertinent Reports/Attachments:

Appendix A – Proposed 2021 Salary Grid

Prepared and Submitted by:

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