



TOWNSHIP OF NORTH HURON

REPORT

Item No.

REPORT TO: Reeve Vincent and Members of Council
PREPARED BY: Dwayne Evans, CAO
DATE: 07/05/2018
SUBJECT: Pay Equity and Market Review Implementation
ATTACHMENTS: Pay Equity/Market Review Study Summary; 2018 Pay Grid

RECOMMENDATION:

THAT the Council of the Township of North Huron hereby receives the report of the CAO, dated May 7, 2018 regarding implementation of a pay equity/market review study;

AND FURTHER, that Council approves an exception to Section 19.1 of the Procedural By-law to allow By-law 47-2018 being a by-law to establish salary ranges for municipal employees of the Corporation of the Township of North Huron to be passed at the May 7, 2018 Council Meeting;

AND FURTHER, that Council directs the Treasurer to amend the 2018 draft budget by increasing the budget by \$70,000 to implement the pay equity/market review study;

AND FURTHER, that Council approves implementation of the new pay grid effective May 14, 2018.

EXECUTIVE SUMMARY

At the August 8, 2017 regular meeting Council authorized staff to issue a Request for Proposal for consulting services to undertake a pay equity and market review. At the October 4, 2017 regular meeting, Council retained Gallagher McDowall and Associates to undertake this review. At a special meeting on April 30, 2018 in closed session, the consultant presented their findings. This report summarizes the report's findings and recommends Council adopt a revised pay grid with an implementation date of May 14, 2018 and that the Treasurer be directed to amend the 2018 draft budget by increasing the budget by \$70,000 to implement the pay equity/market review study.

DISCUSSION

The pay equity/market review was initiated to address the impact of an organizational review on new and changed jobs and to ensure the Township is externally competitive to attract and retain skilled employees. The project included the following components: review and update of internal equity and pay equity compliance; assess and address the impact of Bill 148 legislation; assess external competitiveness; and recommend salary administration policies to reflect sector best practices and ensure fair and equitable treatment of staff.

The last pay equity/market review was completed in 2013. The consultant at the time used a point factor job evaluation system to establish internal equity. Pay equity compliance was achieved in the early 1990s and updated in 2013. Market competitiveness was assessed in 2013 based on job rates of 19 area municipalities. In 2013, Council approved a compensation philosophy that targeted the median of the market (50th percentile). This compensation philosophy ensures the municipality remains competitive and the compensation is affordable.

The existing salary grid is comprised of 16 pay bands. Each band has 6 steps increasing by 5% to the maximum job rate. Employees move through the steps based on job performance. Over the last few years the municipality has moved towards individual employee contracts. These contracts have resulted in inconsistencies in some employment conditions such as overtime and flex time provisions. The consultant and the CAO are in the process of reviewing the employment condition inconsistencies. A future report will be provided for Council's consideration.

The review process undertaken by Gallagher McDowall and Associates began with a meeting with the CAO and the collection of existing municipal data and documentation. Employees were then invited to a launch meeting and asked to complete job information questionnaires which supplemented updated job descriptions. Using the job information questionnaires and the job descriptions, the consultant evaluated all full-time, part-time and casual positions using a new point factor job evaluation system. This system was introduced to enable comparison of positions for pay equity and internal equity purposes. Positions with similar point values were grouped into bands. Placement of positions in the bands was validated by the senior management team to test for internal equity. A pay equity analysis was conducted and a market evaluation was then completed to assess competitiveness.

Generally speaking, the consultant concluded North Huron is paying below the 50th percentile (median) of the market, with greater deviations in some positions. The consultant identified 6 positions requiring a pay equity adjustment and approximately 15 positions requiring a market adjustment. Most of the market review adjustments are minor which suggests the municipality has remained generally competitive to the defined pay market.

To ensure the municipality remains competitive and to achieve compliance with the Pay Equity Act, the consultant has developed a new pay grid (see attached) for Council's consideration. In accordance with the municipality's approved human resource policies, the consultant has included a 1.5% cost of living adjustment into the new pay grid. On January 1, 2019 the province's minimum wage rate is set to increase from \$14/hour to \$15/hour. Pending the outcome of the provincial election in June, staff may need to prepare and present a revised pay grid for Council's consideration later this year.

FINANCIAL IMPACT

With respect to costs, staff have undertaken a detailed financial analysis to implement the new pay grid. As per the attached summary, if the new grid was implemented and made retroactive to January 1, 2018, the total cost would be \$163,507.18, which includes approximately \$50,000 in pay equity adjustments. If the new grid was implemented at the start of the next pay period (May 14, 2018), the total cost would be \$140,616.17 including benefits and approximately \$33,000 in pay equity adjustments.

As part of the 2018 budgeting process, department heads budgeted approximately \$71,000 for 2018 pay adjustments. This subsequently reduces the necessary increase to the draft 2018 budget to implement the pay equity/market study to approximately \$69,000 (\$140,000-\$71,000). At the April 23, 2018 budget session, it was reported a preliminary financial analysis was suggesting the draft 2018 budget would need to be increased by \$80,000 to implement the pay equity/market review study. The draft 2018 budget has been revised by reducing the implementation of the pay

equity/market review study from \$80,000 to \$70,000. If Council wishes to mitigate costs, the new pay grid could be revised by putting a Step A below step 1. The projected savings would be minimal as most staff are beyond step 1.

FUTURE CONSIDERATIONS

Delaying implementation of the pay equity/market review study reduces the immediate financial impacts however, does not negate the overall costs. For example, if Council delayed implementation to January 1, 2019 the financial impact would be greater because Council would need to budget for a full year of implementation at higher rates than a partial year at slightly lower rates. Further, staff are aware that this study is underway and have been patiently waiting for the results. If Council decided to receive the study with no implementation date, staff morale may be negatively affected. Staff are also aware of the pay adjustments percentages recommended by the Police Services Board. Finally, and as noted by the consultant, failure to implement the pay equity/market review study increases liability for the municipality. For these reasons, it is recommended Council adopt the new pay grid; direct the Treasurer to increase the 2018 budget by \$70,000; and Council approve an implementation date of May 14, 2018.

RELATIONSHIP TO STRATEGIC PLAN

Goal #4-Our administration is fiscally responsible and strives for operational excellence.

A handwritten signature in black ink, appearing to read "Dwayne Evans", written over a horizontal line.

Dwayne Evans, CAO