TO: Mayor & Members  
Committee of the Whole  
WARD(S) AFFECTED: CITY WIDE

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<th>COMMITTEE DATE:</th>
<th>February 9, 2010</th>
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<tr>
<td>SUBJECT/REPORT NO:</td>
<td>Human Resources Budget Meeting 2% Guideline (HUR10005) (City Wide)</td>
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| SUBMITTED BY: | Chris Murray  
City Manager |
| PREPARED BY: | Helen Hale Tomasik (905) 546-2424 ext. 4155 |

**RECOMMENDATION:**

(a) That the 2010 Human Resources budget allocation for contractual services for mediations and arbitrations be held at the 2009 level of $80,000;

(b) That the 2010 Human Resources budget allocation for corporate employee recognition program be set at $17,000;

(c) That the 1 FTE Occupational Health Nurse Consultant enhancement for Return to Work Services be established as a temporary position for 3 years, at which time a decision can be made as to whether to eliminate or make the position permanent based on the return on investment achieved;

(d) That the Occupational Health Nurse Consultant be funded from the LTD and WSIB reserves, with no net levy impact in 2010;

(e) That the 1 FTE Return to Work Services Assistant be a transfer of 1 FTE and base budget of $65,000 from Public Works.

**EXECUTIVE SUMMARY**

Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.  
Values: Honesty, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork
The 2010 Human Resources (HR) Budget came in with a 4.4% increase. Staff were directed to report to Committee of the Whole with additional information respecting service level changes to achieve 2% net levy increases. Given that the HR division has recently undergone an extensive organizational review that concluded that current resources and service levels were not adequate for an organization the size and complexity of the City of Hamilton, and the City’s strategic plan has established a significant focus on the human capital of the organization, staff are not recommending a service level decrease to achieve the 2% target. Rather, staff recommend that the budget for mediation and arbitrations be held at the 2009 budgeted level of $80,000. Senior Management Team (SMT) has committed to covering the anticipated $100,000 shortfall in mediation and arbitration expenditures in 2010 through budget exception until such time as SMT can determine a strategy to cover this underfunded area in the Human Resources budget. Senior Management has further committed to supporting the funding necessary for the corporate employee recognition program in 2010. By decreasing the operating budget by $120,000, the Human Resources budget achieves the 2% net levy increase.

With respect to the Return to Work Services enhancements (HUR10001) supported by Audit and Administration Committee on January 14, 2010, staff are now recommending that the Occupational Health Nurse Consultant be employed as a temporary position for 3 years. Depending on the savings achieved in work accommodations, sick pay, long term disability and WSIB claims, Council can determine whether to eliminate the position or make the position permanent. Staff further recommend that the 1 FTE Return to Work Services Assistant be achieved through a transfer of 1 FTE from Public Works because of the significant potential for cost savings in this department. The Audit and Administration Committee has directed staff to report to the Committee on a quarterly basis on budget reductions and savings resulting from these Return to Work Services program enhancements.

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)**

**Financial:**

To achieve the 2% guideline, Human Resources needs to reduce the submitted budget by $120,000. This will be done by:

- Maintaining the contractual services budget for mediations and arbitrations at the $80,000 budget level established in 2009. Senior Management Team (SMT) has committed to covering the anticipated $100,000 shortfall in mediation and arbitration expenditures in 2010 through budget exception until such time as SMT can determine a strategy to cover this underfunded area in the Human Resources budget.
- Transferring only $11,000 from the previous Quarter Century Club budget ($26,000) to the corporate employee recognition program for a total of $17,000. Senior Management has committed to supporting the funding necessary for the corporate employee recognition program in 2010.
Reducing $5,000 from other operational lines within Human Resources

The Occupational Health Nurse Consultant and associated operational costs ($141,000) will be funded from the LTD and WSIB reserve accounts, with no levy impact in 2010. Because the potential payback for Public Works is conservatively estimated at $100,000 per year in work accommodation costs alone, Public Works has committed to the transfer of 1 FTE and base budget of $65,000 for the Return to Work Services Assistant. Public Works expended more than $1 million in work accommodations in 2009.

The return on investment from these two individuals will be the savings achieved from a decrease in lost time, decreased over-time expenses, lower staff replacement costs, and decreased work accommodation budgets in operating departments as indicated in the Return to Services Enhancement (HUR10001). The City paid a total cost of $20.5 million for individuals who weren’t at work due to illness or work-related injury in 2008. If the investment of $206,000 can realize a 5% reduction in the cost of lost time, each year, over the next three years, it will translate into a savings of $1.02 million, $976,000 and $928,000, respectively, for a total of $2.92 million. A 5% reduction per year over the next three years would bring Hamilton in line with our municipal comparators. The Return to Work Services enhancement should therefore realize a payback of $2.3 million over three years.

Staffing:

The expertise required for the Occupational Health Nurse Consultant will necessitate an external competition. Most municipalities of comparable size and composition have at least one occupational health nurse on staff. The Occupational Health Nurse will:

- Ensure a better focus on the 60% of our absences that require medical documentation and enable better liaison with external medical professionals; this will enable a safe return to work environment as early as possible by for example, offering modified duties that are within the employee’s restrictions
- Provide expertise to all levels of the organization on occupational health and disability management. Operating departments have requested this expertise; it is not the role of Public Health Services to provide this service to the organization
- Develop communicable disease and infection control guidelines, and occupational health surveillance protocols for the City e.g. fit testing for N95 masks, needlestick injury program, monitoring and reporting of infectious diseases and occupational exposures
- Ensure confidentiality of employee health records as per PHIPA legislation

The 1 FTE Return to Work Services Assistant can be achieved through the transfer of 1 FTE from Public Works. This position will be an integral member of the Return to Work Services team and is essential for implementing and maintaining the new Disability Management computer system that was acquired at the end of 2009. This position will enable our Disability Management Specialists and the Occupational Health Nurse Consultant to better implement a more proactive disability management approach. This individual will:

- Input data into disability management software system and generate reports
• Set up, update and close employee claim files
• Coordinate delivery of disability management training for managers and supervisors
• Assist with inputting absences and respond to requests for information from employees
• Generate weekly absence reports and more customized absence reports for managers

This administrative support will enable current staff to:
• More critically assess claim forms for discrepancies and appropriateness of the absence
• Better follow up with employees who have reached sick absence thresholds and are required to provide medical documentation
• Get LTD packages out to employees in a timely fashion
• Prevent delays in the verification of closed absence reports

Any delays and inability to keep in close contact with injured and ill employees results in longer periods of absences, and in some cases, misappropriate payment of employee sick benefits.

HISTORICAL BACKGROUND  (Chronology of events)

A comprehensive Human Resources Organizational Review conducted by external consultants in 2007 recommended an additional 19 FTE Human Resources (HR) staff to support current organizational needs and future service expectations. Senior Management Team (SMT) proposed an alternative organizational design with a total increase of 9.4 FTE; 2.4 additional FTE were approved in 2008 to provide the new management structure and enhanced resources in the labour relations area. The other 7 FTE were designated as distributed HR positions to be focused on the Human Resource service needs of the operating departments, financially supported by the operating departments with existing budgets, and with reporting and accountability to HR Management. The distributed HR positions included 3 Staffing FTEs, 2 FTE Labour Relations Officers and 1 FTE Organizational Development Specialist.

In the 2009 budget process, Planning & Economic Development identified funding for a Workforce Planning & Staffing Specialist with the reduction of two FTE positions in Building Services, and Public Works reallocated an FTE to create an Organizational Development Specialist during their restructuring in the fall of 2009. To date, 2 of the 7 HR distributed FTEs have been established through the reallocation of operating budgets within departments. Hamilton Emergency Services is currently looking for a way to bring on a Workforce Planning & Staffing Specialist and a Health & Safety Officer.
In 2009, staff prepared a report for the Mayor and Members of Budget Steering Committee (HUR09004) which outlined reasons why service level reductions in Human Resources were not feasible. The same reasons hold true in 2010. Operating departments continue to look for ways to enhance their HR staff complement in core service areas. In addition, the City Manager and SMT are relying on Human Resources to develop and implement a workforce planning and labour management strategy that will ensure the City has the human capital required for municipal services in the future.

**POLICY IMPLICATIONS**

None

**RELEVANT CONSULTATION**

Senior Management Team
General Manager, Public Works

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

**City of Hamilton’s Strategic Plan**

The City’s Strategic Plan has a focus area which is devoted to the people within the organization – a skilled, innovative and respectful organization. The desired end results for this focus area address employee performance management, employee attraction, employee retention, employee health, safety and wellness, employee diversity, succession management, training and professional development, all of which are aligned with the core business of Human Resources. The activities that will achieve the desired end results of the strategic plan form a substantial portion of the Division’s work plan over the next 3 – 5 years.

**Benchmarking with Comparator Municipalities**

An analysis of the two reported HR performance measures from the Chief Administrative Officers’ Ontario Municipal Benchmarking Initiative (OMBI) would suggest that Hamilton’s HR Division has a higher workload and is more efficient than the comparator municipalities (Brant, Halton, Niagara, Waterloo, Windsor, Sudbury, Durham, London, Ottawa, Peel, Muskoka, Thunder Bay, Toronto, York). The first bar graph below presents the number of T4’s processed per Human Resources FTE as compared to the municipal average from
2005 to 2008. This performance measure is an indicator of **workload or productivity**. The municipal average number of T4’s per HR FTE has decreased from 130.1 to 125.6 since 2005, whereas in Hamilton the average # of T4’s per HR FTE has increased from 129.1 to 142.7 during this same time period.

The next bar graph presents the **HR Administrative Expense per T4 supported** (Total HR Budget divided by number of T4’s that HR processes per year) which is a measure of **efficiency**. The average municipal HR administrative expense has increased from $732.32 to $791.85 since 2005, whereas the Hamilton HR expense has decreased from $724.26 to $631.40 during this same time period. This performance measurement indicates that Hamilton does more work for less cost than the municipal comparators.
Lastly, in 2006 Hamilton started to participate in the Human Resources Benchmarking Network (HRBN) which includes 14 municipalities in Ontario (Halton, Niagara, Waterloo, Burlington, Kitchener, Sudbury, Mississauga, Brampton, Durham, Ottawa, Peel, Muskoka, York, Hamilton). The HRBN annually measures the number of Employees per HR FTE and the results for 2006 – 2008 are presented in the next bar graph. The municipal average number of employees per HR FTE has decreased from 110.6 to 106.1 since 2006, whereas Hamilton’s number of City employees per HR FTE has increased from 117.5 to 121.6. In other words, while Hamilton’s employee population has increased, the number of HR FTEs available to support our employees has not kept up relative to the employee population.
# Employees per HR FTE

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<thead>
<tr>
<th>Year</th>
<th>City of Hamilton</th>
<th>HRBN Performance</th>
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<tbody>
<tr>
<td>2005</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>117.50</td>
<td>110.60</td>
</tr>
<tr>
<td>2007</td>
<td>125.80</td>
<td>97.10</td>
</tr>
<tr>
<td>2008</td>
<td>121.60</td>
<td>106.10</td>
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### ALTERNATIVES FOR CONSIDERATION:

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

This report presents an alternative to the 2010 Human Resources Budget

### CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)


**Skilled, Innovative & Respectful Organization**

- Performance Management – 90% of employees will have had a regularly scheduled performance appraisal and a learning and development plan
- Attraction – 90% of competitions attract qualified candidates (that manager agrees to interview) the first time job is posted

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*Values: Honest, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork*
• Attraction – 90% of employment offers with City of Hamilton are accepted
• Safety – Reduce the WSIB lost time injury rates by 15% by 2011
• Retention – maintain an annual 5% employee turnover rate (excludes retirements and terminations
• Succession Management – 90% of management and other key strategic positions have an identified succession plan for the position
• Diversity – City of Hamilton’s workforce reflects the diversity of Hamilton's available labour market pool
• Well-being – 10% reduction in average lost sick days per year by 2011
• Phased increase to City’s training/professional development spending to Conference Board of Canada's average of 1.8% of salaries/wages