REPORT 11-002
NON-UNION COMPENSATION SUB-COMMITTEE
9:30 a.m.
August 3, 2011
Room 192
City Hall
71 Main Street West
Hamilton, Ontario

Present: Mayor B. Bratina
         Councillors L. Ferguson (Chair), M. Pearson (Vice-Chair), R. Powers

Absent with Regrets: Councillor C. Collins – Vacation
                     Councillor T. Whitehead – Personal

Also Present: Rob Rossini, General Manager, Finance and Corporate Services
              Helen Hale Tomasik, Executive Director Human Resources & Organizational Development, Human Resources
              David Godwaldt, Manager, Compensation & Organization Design, Human Resources
              A. Grozelle, Legislative Assistant, Clerk’s Office

THE NON-UNION COMPENSATION SUB-COMMITTEE PRESENTS REPORT 11-002
AND RESPECTFULLY RECOMMENDS:

1. Non-Union Salary Administration Policy (HUR11007) (City Wide) (Item 5.1)
   (a) That the revised Non-Union Salary Administration Policy attached as Appendix “A” to report 11-002 be approved.
   (b) That Report HUR11007 respecting Non-Union Salary Administration be received.

General Issues Committee – August 9, 2011
2. Non-Union Compensation Update HUR11006 (City Wide) (Item 6.2)

(a) That report HUR11006 respecting the Non-Union Management and Professional Exempt Employee Group compensation, be received for information purposes; and

(b) That the contents of report HUR11006 remain confidential as it contains information related to labour relations and employee negotiations.

3. Non-Union Compensation Update HUR11006(a) (City Wide) (Item 6.3)

(a) That Sub-section (a) of Item 53 of Committee of the Whole Report 09-011, approved by Council on April 1, 2009, be amended by deleting ‘1.5%’ and replacing it with “0%” in lieu thereof, to read as follows:

   (a) That due to the tough economic times, the cost of living increase for the non-union Management and Professional Exempt employees be 0% in 2009, 1.5% in 2010 and 0% in 2011, which is also intended to set the tone for upcoming labour negotiations;

(b) That the budgeted amount of $1.2M for non-union compensation be committed as the second installment to move the Non-Union Management and Professional Exempt group of employees’ salaries towards the 50th percentile as this group is currently at the 32nd percentile; and

(c) That the contents of report HUR11006(a) respecting the Non-Union Management and Professional Exempt Employee Group Compensation remain confidential as it contains information related to labour relations and employee negotiations.

FOR THE INFORMATION OF COMMITTEE

(a) CHANGES TO THE AGENDA (Item 1)

The Committee Clerk advised that there was an error in the distributed Confidential agenda package as Appendix ‘D’ to Report HUR11006(a) was not attached. Copies were provided at the meeting.

The agenda of the August 3, 2011 Non-Union Compensation Sub-Committee was approved as amended.

(b) DECLARATIONS OF INTEREST (Item 2)

None
(c) APPROVAL OF MINUTES (Item 3)

April, 4 2011 (Item 3.1)

The Minutes of the April 4, 2011 were approved as presented.

(d) Memorandum respecting Item 53 of Committee of the Whole Report 09-011 (Item 4.1)

On a Motion the memorandum respecting Item 53 of Committee of the Whole Report 09-011 was received for information purposes.

(e) Non-Union Salary Administration Policy (HUR11007) (City Wide) (Item 5.1)

Sub-Committee members asked several questions. Highlights included but were not limited to the following:

- Councillor Powers asked if the $210,000 in estimated annual savings from the policy change would be contributed towards the additional $1 million in savings staff were directed to find
- Staff indicated that this would not be captured in that amount as it is cost avoidance not a savings
- Staff clarified questions around how the new policy will impact, promotions and acting pay in a way that is comparable to what is being done in surrounding municipalities by setting the maximum increase at 8%

For further disposition on this Item refer to Item 1.

(f) PRIVATE AND CONFIDENTIAL (Item 6)

(i) Closed Session Minutes, April 4, 2011 (Item 6.1)

The Closed Session Minutes of April 4, 2011 were approved as presented and will remain confidential as they contain information related to labour relations and employee negotiations.

(ii) On a Motion the Sub-Committee moved into Closed Session, at 9:43 p.m. respecting Item 6.2 Non-Union Compensation Update, Report HUR11006 and Item 6.3 Non-Union Compensation Update, Report HUR11006(a) pursuant to Section 8.1, subsection (d) of the City’s Procedural By-Law and Section 239 subsection (d) of the Ontario Municipal Act as amended as the subject matter pertains to labour relations and employee negotiations.

General Issues Committee – August 9, 2011
Chair Ferguson advised those in attendance that following the Closed Session the Sub-Committee would reconvene in Open Session to deliver their recommendations.

The Sub-committee reconvened in Open Session at 9:53 a.m. and delivered their recommendations.

(iii) **Non-Union Compensation Update (HUR11006) (City Wide) (Item 6.2)**

For disposition on this Item refer to Item 2.

(iv) **Non-Union Compensation Update HUR11006(a) (City Wide) (Item 6.3)**

For disposition on this Item refer to Item 3.

(g) **ADJOURNMENT (Item 7)**

There being no further business the Sub-committee adjourned at 10:10 a.m.

Respectfully submitted,

Lloyd Ferguson, Chair
Non-Union Compensation
Sub-Committee

Andy Grozelle
Legislative Assistant
August 3, 2011
**Salary Administration Policy (revised)**

| POLICY STATEMENT | An employee’s salary may be increased, decreased or salary protected as a result of:  
|                  | • a general economic adjustment;  
|                  | • a progressive step increase based on a performance appraisal rating of equal to or higher than effective performance;  
|                  | • staffing changes (for new employees, reclassifications, promotions, promotions to management positions, lateral transfers);  
|                  | • transfer to another position;  
|                  | • a temporary transfer to another position on an acting or career development basis, or a secondment to a special project;  
|                  | • a job evaluation;  
|                  | • a market rate adjustment;  
|                  | • a supervisory differential adjustment; or  
|                  | • an adjustment to reflect the assignment of duties and responsibilities in addition to the employee’s regular position |

| PURPOSE          | This policy identifies the terms and conditions under which salary changes may be enacted for the purposes of Salary Plan Placement (new employees, reclassifications, promotions, promotions to management positions and lateral transfers); Market Rates, Acting Pay, Additional Temporary Duties and Salary Protection as well as outlining how salaries are processed under these conditions. |

| SCOPE            | This policy applies to all permanent, temporary or contract full-time employees of the City of Hamilton who have successfully completed their probationary period. This policy excludes unionized employees. |

<table>
<thead>
<tr>
<th>DEFINITIONS</th>
<th>The following terms referenced in this Policy are defined as:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Plan Placement</td>
<td>The City of Hamilton recognizes that staffing changes within the organization may affect an employee’s compensation. Actions taken with the Salary Plan Placement Policy vary depending on the reason for the movement. Five situations typically occur – hiring of new employees, job reclassifications, promotions, promotions to management positions and lateral transfers within the same salary/wage grade.</td>
</tr>
<tr>
<td>Market Rates</td>
<td>The Employer may establish a job rate that is different from that established through the job evaluation plan in response to market conditions or other factors such as &quot;hot skills&quot;. Such rates must be substantiated by difficulty recruiting employees, difficulty retaining staff or a skills shortage of a particular skill set in the local market and/or employment market research.</td>
</tr>
<tr>
<td>Acting Pay</td>
<td>When an employee temporarily assumes a substantial portion of the responsibilities of a higher position, and is no longer responsible for their own normal duties, the employee is considered to be in an acting capacity.</td>
</tr>
</tbody>
</table>
| Temporary Additional Duties | Salary premiums for additional responsibilities are based on the following criteria:  
|                  | • the temporary responsibilities are generally for a period of one to six months duration;  
|                  | • the employee is responsible for specific projects; and  
|                  | • the employee is required to demonstrate additional skill, effort, responsibility or working conditions over and above their current responsibilities |
Salary Protection

An employee will be salary protected if changes in the job content result in a lower evaluation and salary grade for a job. This means that the employee(s) will continue to receive the same salary for the period of time set out in the Salary Protection section of the Salary Administration Policy.

PRINCIPLES

The following principles apply to this Policy:
1. Market Rates - Market rates will be reviewed annually to ensure they continue to be justified.
2. Expansion of salary range beyond job rate (up to a maximum of 8%) to be used for compensation premiums for additional temporary duties and/or special projects.
3. Retired or terminated employees are not entitled to retroactive adjustments for job evaluation reclassifications unless the employee was an active employee at the time of the job evaluation decision and/or Council approval of rate changes.
4. If an employee is within five years of eligibility for a planned retirement that meets OMERS eligibility requirements, the employee would be entitled to either the salary protection provisions at their current hourly rate or for such longer period that the employee would need to ensure no negative impact on their best five years of income for pension eligibility.

TERMS & CONDITIONS

Salary Plan Placement

New Employees
New employees are placed in the appropriate salary grade for their position, based on demonstrated skills, knowledge and experience.

Placement in the salary grade must reflect the current market conditions, and ensure adequate compensation for the skills, knowledge and experience the employee brings to the City.

Reclassification
Where changes in skill, effort, working conditions or responsibility result in a change in rating, the employee is moved to a different salary grade and their compensation is adjusted accordingly.

Adjustment to pay due to reclassification can be applied retroactively for a maximum of six months effective from the date that Human Resources receives the job evaluation documentation completely signed off by all parties. Employees that are considered ‘active employees’ and are in receipt of a pay cheque at the time of the reclassification will be entitled to retroactive adjustments.

<table>
<thead>
<tr>
<th>RECLASSIFICATION PAY ADJUSTMENTS TABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position is</td>
</tr>
<tr>
<td>Rated higher</td>
</tr>
<tr>
<td>Rated lower lower but is within the higher salary grade</td>
</tr>
<tr>
<td>Rated lower lower and is below the higher salary grade</td>
</tr>
</tbody>
</table>


Non-Union Compensation
Sub-Committee

Appendix A to Item 1 of Report 11-002

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**SALARY PROTECTION TABLE**

<table>
<thead>
<tr>
<th>Position</th>
<th>Maintain previous salary for</th>
<th>After Adjustment Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below Director</td>
<td>three weeks per year of service</td>
<td>place at the highest rate in the lower salary grade to minimize financial impact</td>
</tr>
<tr>
<td>Director and above</td>
<td>four weeks per year of service</td>
<td>place at the highest rate in the lower salary grade to minimize financial impact</td>
</tr>
</tbody>
</table>

Any employee who requires salary protection due to his/her job being reclassified and is within a planned retirement that meets OMERS eligibility requirements, would be entitled to either salary protection (red circling) provisions at their current hourly rate or for such longer period that the employee would need to ensure no negative impact on their best five years of income for pension eligibility. These employees may continue to be salary protected (red circled) to minimize the financial impact on their pension income if within five years of eligibility, as per OMERS eligibility requirements. Thereafter, the employees’ salary will be reduced to the maximum of the salary grade should the employee choose not to retire at the conclusion of the five year timeline. Salary protected (red circled) employees are not entitled to annual increases; their salary is protected up to the maximum of 5 years. Employees should notify their Compensation Specialist to ensure that the employee meets eligibility.

Salary progression increase dates do not change on reclassification.

**Promotions**

Employees promoted to a higher salary grade are placed in a rate within the new salary grade that allows a *maximum of eight per cent increase* in salary over their previous permanent salary grade or moves to the minimum rate of the new salary grade.

All promotional increases are calculated on an employee’s annual salary except where the employee's bi-weekly hours are reduced as a result of the promotion. In these cases, the promotional increase is calculated on the employee’s bi-weekly rate.

**Promotions to Management Positions**

Salary determination for employees promoted to management positions considers the salary levels of the employee’s direct subordinates. Non-union management employees are placed in a rate within the salary grade that allows up to 10 per cent above the closest union subordinate, without going over the maximum rate for the grade to maintain appropriate compression differentials.

Placement in the grade cannot be above the maximum of the salary grade determined through internal equity.

Progressive salary increase dates change to reflect the effective date of the promotion. Employees promoted to the City Manager or General Manager/Executive Director positions will have a salary progression increase date of January 1.

Employees who are within three months of receiving a progressive salary increase in their former positions will have this considered in the calculation of the promotion increase.
### Employee Move To Lower Salary Grade
Where an employee moves to a management position that has a lower salary grade than the employee’s current position, the employee is placed in the lower salary grade:
- at the rate within the salary range that provides the minimum financial impact when the lower salary grade overlaps the higher salary grade
- at the highest rate in the lower salary grade when the lower salary grade does not overlap the higher salary grade.

### Lateral Transfers
Employees who move positions laterally maintain the rate of their previous position.

Salary Progression increase dates do not change to reflect the effective date of the transfer.

Performance assessments are based on a combination of the new position and the former position, where appropriate.

### Compression Rates
The employer shall maintain a 10% wage differential between the top rate of the closest unionized subordinate and the top rate of the non-union management employee. These situations are reviewed annually or as required on a case by case basis and adjusted as a result of any rate or organizational changes.

Issues of salary compression between non-union positions are reviewed on a case-by-case basis. The employer may implement a 5% differential in these circumstances. Consideration may be given where an employee has had a previous acting assignment that enhanced his/her skill sets. Consideration will be given to the experience of the subordinates as well as the promoted employee in determining if compression pay is required.

### Market Rates
Market rates will be established after discussions with Human Resources to determine justification based on defined market rate criteria for a minimum of one year by communicating to the employee that he/she will receive the base internal equity rate for the job in addition to a market adjustment that will be paid through additional duty pay. The market rate adjustment will be reviewed annually to determine if the market adjustment should continue for another year or if same is no longer required due to external market conditions. The additional duty pay will be discontinued if the market adjustment is no longer required and the employee will continue to receive the internal equity rate.

Notification to discontinue existing market rates no longer required due to external market conditions will be based on the following criteria:
- positions below the Director level - three weeks notice for each year the market premium was paid
- Director level and above - four weeks notice for each year the market premium was paid

### Acting Pay
Acting Pay is remuneration for a period of time that an employee is actually performing the essential core duties of a position in a higher salary grade. Acting pay is not automatic and must be initiated by the Department Director and approved by Human Resources.

To qualify for acting pay, the temporary assignment must be for at least 30 days.
Employees in acting positions are placed in the salary grade for the higher position that allows a **maximum eight percent increase** over their current salary.

Temporary assignments for less than six months duration may be filled at the discretion of management. Temporary assignments for longer than six months are normally filled by a job competition or through an Expression of Interest procedure. If the acting assignment is one year in duration or longer, the position must be posted corporately. In extenuating circumstances, the requirement for a job competition may be waived, but this requires the approval of the appropriate General Manager and the Executive Director, Human Resources or designate.

An employee in an acting capacity may be appointed to fill the position on a permanent basis during the acting period without a formal job posting only if the acting position was filled through a formal job competition consistent with the corporate standard and the employee has performance appraisal ratings of equal to or greater than effective performance.

**Temporary Additional Duties**

The City of Hamilton views temporary additional duties of higher responsibilities as a means to provide employees with opportunities for development and growth in the workplace, as well as allowing the City to find short-term solutions to operational challenges. This policy is not intended to cover routine vacation relief.

Assignment on a shared basis to a group of employees must be considered before assigning temporary additional duty pay to just one employee.

Temporary additional duties are based on the following criteria:

- Duration is generally for a period of a minimum of one month up to a maximum of six months
- The employee is responsible for specific projects
- Not merely increase in workload
- Requirement for additional skill, effort, responsibility or working conditions than in current responsibilities
- Consultation with Human Resources on the plan for temporary additional duties

An appropriate business case must be made and approved by the Executive Director, Human Resources or designate, for extensions beyond six months for temporary additional duty pay due to extenuating circumstances.

Employees with temporary assignments meeting these criteria receive a **salary premium of eight per cent** over their current base salary for the duration of the temporary assignment. A temporary assignment is expected to be temporary. If additional responsibilities continue beyond the project period, or are expected to continue indefinitely, the position is submitted for review under the non-union job evaluation plan.

**Salary Protection**

An employee is salary protected at the rate of pay in effect when the salary protection is applied. When salary protected, the employee’s rate of pay is frozen, the employee is not entitled to any across the board increases e.g. cost of living adjustments.

Employees who apply for and are awarded a lower-valued position are not salary protected but will be placed in the new lower salary grade to provide the minimum financial impact. Salary protection does not apply to compression rates.
Employees holding downgraded positions or placed in lower-valued positions are entitled to salary protection when:

- no opportunity exists to move the employee to an equal or higher salary within the lower grade for the lower-valued position
- the salary grade of the new lower-valued position does not cross over the existing higher salary grade.

Employees are placed in the new lower salary grade according to the following table:

<table>
<thead>
<tr>
<th>Position</th>
<th>Maintain previous salary for</th>
<th>After Adjustment Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below Director</td>
<td>Three weeks per year of service to a maximum of 18 months, or until such time as the salary protection is no longer necessary</td>
<td>place at the highest rate in the lower salary grade to minimize financial impact</td>
</tr>
<tr>
<td>Director and above</td>
<td>Four weeks per year of service to a maximum of 18 months, or until such time as the salary protection is no longer necessary</td>
<td>place at the highest rate in the lower salary grade to minimize financial impact</td>
</tr>
</tbody>
</table>

Pending Retirement Salary Protection (Red Circling)
Employees within five years of a planned retirement that meet OMERS eligibility requirements, who would be eligible for salary protection, are red circled at their current rate of pay, to minimize financial impact.

These employees are red circled until one of the following occurs:

- the new lower salary grade crosses the current higher salary grade (catches up to the salary protected rate)
- five years have elapsed from the salary protection notice
- the employee retires

RESPONSIBILITIES
Operating departments are responsible for consulting with Human Resources and fulfilling the responsibilities detailed in this Policy to:

- ensure promotional, acting pay and temporary additional duty pay formulas are calculated correctly.
- ensure reporting and discussion of compression issues as required.
- ensure receipt of advice and guidance in matters relating to starting salaries, performance matters, eligibility for removal of status and/or reassignment or re-evaluation.
- ensure a development plan is developed between the Supervisor and the employee in unique situations where the employee falls short of the job qualifications.
- ensure market rates are justified for specific job(s).
- ensure salary protection timelines are calculated correctly and appropriate notification is provided by Human Resources to the employee(s).

Human Resources is responsible for administering the salary administration processes.

COMPLIANCE
Failure to comply with this Policy and its associated Procedures will result in the employee(s) not being compensated fairly and appropriately.
The following related documents are referenced in this Policy:
2. OMERS Legislation.

This policy was approved by Council – 2002-02-13
Policy was revised on Council's direction – 2011-06-23
The revised policy was approved by Council – 2011-00-00