7.1

CITY OF HAMILTON

MOTION

Terms of Reference for the Non-Union Compensation Sub-Committee

That the Terms of Reference for the Non-Union Compensation Sub-Committee attached as Appendix “A” to report HUR08009/FCS08061 be referred to the Non Union Compensation Sub-Committee for review and report back to the Committee of the Whole.
SUBJECT: Non-Union Compensation Committee (HUR08009/FCS08061) (City Wide)

RECOMMENDATION:

That the Terms of Reference for the Non-Union Compensation Sub-Committee attached as Appendix “A” to report HUR08009/FCS08061 be referred to the Non-Union Compensation Sub-Committee for review and report back to the Committee of the Whole.

EXECUTIVE SUMMARY:

At the April 9, 2008, meeting, Council concurred in a motion to establish a Committee of Members of Council to review and recommend a process to implement a Pay-for-Performance process for non-union employees and to report back on the Gazda, Houline & Associates – Market Review of the City’s Non-Union Management and Professional Exempt Grid Structure and Market Review report. This report provides a Terms of Reference for a Non-Union Compensation Committee of Council and
recommends that the Mayor appoint a Committee of four members of Council, including the Mayor, to undertake the two tasks assigned on April 9, 2008, by the end of 2008.

BACKGROUND:

At its’ meeting on June 26, 2001, City Council approved Non-Union Compensation Report (HUR01005) along with three recommendations as follows:

a) That the compensation policy of the City of Hamilton reflect the principles of market competitiveness and internal equity with base non-union compensation at the 50 - 65th percentile of the comparator group. Based on performance, an opportunity be provided to earn up to an additional 10% annually;

b) That the non-union salary grid be approved, effective January 1, 2001, to be implemented with the placement, appointment or confirmation of individual employees into non-union positions; and

c) That annually, the grid be compared by a third party to the external market, with any recommendation for changes brought before Council for approval.

The City’s Performance Incentive Program was discontinued during 2003 at Council’s direction.

At its’ meeting on April 9, 2008, City Council deliberated on the recommendations of the Non-Union Management & Professional Exempt Group Market Review (report HUR08005/FCS08029) and approved the following motions:

a) That the non-union salary schedule for the City’s full-time Management and Professional Exempt Group be increased by an aggregate of 3% effective January 1, 2007, (net of the 2.5% increase previously provided) and a further 3% effective January 1, 2008, and that individual salaries be adjusted accordingly;

b) That the benefits provided for the City’s full-time Management and Professional Exempt Group be adjusted to be consistent with the Memorandum of Settlement for CUPE Local 5167;

c) That, in accordance with Recommendation # 2 of Appendix "A" to report HUR08005/FCS08029, the General Manager of Emergency Services be placed at Level 5 in Salary Band 13; and

d) That a Committee be established of Members of Council to review and recommend a process to:

   (i) implement a Pay-for-Performance process for non-union employees; and

**ANALYSIS/RATIONALE:**

The Gazda, Houlne & Associates (GHA) report represents an objective perspective on the issue of Non-Union Management and Professional Exempt Salary Grid Structure and the Non-Union Compensation Philosophy for the City of Hamilton, based on meaningful and accurate market data, obtained from our Non-Union Compensation Market Competitiveness Comparator Group. Staff recommends that the Non-Union Compensation Committee (supported by Human Resources) consider each recommendation from the GHA report, as previously presented to Committee of the Whole on April 7, 2008.

Mr. Gazda has advised that he would return to make a presentation to Council on Pay-for-Performance on a no-charge basis. This presentation would provide a starting point for the Non-Union Compensation Committee to review the merits of a Pay-for-Performance process in the context of a total compensation strategy, as well as, the implementation considerations in municipal government.

Staff has drafted “Terms of Reference” for the Non-Union Compensation Committee which would serve an on-going role beyond the two tasks identified by Council in response to the GHA Report. The draft Terms of Reference is attached as Appendix “A” to report HUR08009/FCS08061 for review by the appointed Non-Union Compensation Committee with final recommendation to and approval by Council. The Non-Union Compensation Committee would be responsible for the annual review of the Management & Exempt Group compensation policies and practices to ensure that the principles of market competitiveness and internal equity are being maintained in compliance with the City’s Salary Plan Policy.

The Non-Union Compensation Committee will ensure that the City of Hamilton’s total compensation strategy is positioned to attract, motivate and retain excellent staff. By having a Committee of Council to focus their attention on compensation issues, the City will be taking a proactive approach to address pending challenges with an increasingly competitive market for talent in the public sector.

**ALTERNATIVES FOR CONSIDERATION:**

N/A
FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

The recommendations of the Committee will result in budgetary considerations for the 2009 budget process. These will be determined when the Committee makes recommendations to Committee of the Whole by the end of 2008.

The work of this Committee would be supported by Human Resources staff who have expertise in compensation.

POLICIES AFFECTING PROPOSAL:

The Compensation Policy of the City of Hamilton, which is to maintain the Non-Union Management and Professional Exempt Group at the 50th - 65th percentile of the comparator group, is currently not being attained.

The following four Compensation Policies may need to be reviewed and updated, as required, to reflect any revisions based on GHA’s recommendations. These four policies would be forwarded to Council, for approval, should revisions to the City’s Compensation Policy be approved by the Non-Union Compensation Committee:

- Salary Plan
- Acting Pay Policy
- Temporary Assignment Policy
- Salary Premium Policy

RELEVANT CONSULTATION:

N/A

CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑Yes ☒No
Ensuring that the City of Hamilton pays competitively for its non-union positions ensures that quality candidates will be attracted to the City and once hired, will remain as contributing members of the organization.

Environmental Well-Being is enhanced. ☑Yes ☒No
This proposal will have no ill effect on the environment.

Economic Well-Being is enhanced. ☑Yes ☒No
An appropriately skilled and diverse workforce will be attracted and retained through a competitive salary schedule.

**Does the option you are recommending create value across all three bottom lines?**

- Yes  ☑ No

Value is created in two out of three bottom lines. A salary schedule that is reasonably competitive with our comparator group contributes to our goal of spending wisely and investing strategically and attracting, retaining and motivating employees so that the City is seen as a preferred employer for high performing public servants.

**Do the options you are recommending make Hamilton a City of choice for high performance public servants?**

- ☑ Yes  No

A competitive non-union salary schedule contributes to ensuring that the City can attract and retain qualified staff to deliver service to the public and supports the City of Hamilton as an employer capable of attracting a skilled and diverse non-union workforce.
NON-UNION COMPENSATION COMMITTEE

DRAFT
Terms of Reference

PURPOSE

The Non-Union Compensation Committee’s principal role is to ensure that due diligence has been directed towards ensuring that the City of Hamilton’s core pay principles of market competitiveness and internal equity are maintained as part of the City’s Salary Plan Policy. This framework provides reasonable assurance that the operational and regulatory objectives of the City are achieved and that the governance and accountability responsibilities of Council and management are met. The Non-Union Compensation Committee fulfills its role on behalf of City Council.

The Non-Union Compensation Committee undertakes, on behalf of Council, responsibility for the annual review of the Management & Exempt Group compensation policies and practices to ensure that the principles of market competitiveness and internal equity are being maintained in compliance with the City’s Salary Plan Policy.

OBJECTIVES

The objectives of the Non-Union Compensation Committee are:

- to help Council fulfill its oversight responsibilities, including the accountable management of public funds, the economy, efficiency and effectiveness of compensative policies and practices and the upholding of a competitive total compensation program that will ensure the City’s competitiveness with the Market Competitiveness Comparator Group;
- to ensure compliance with employment regulations and compensation policies;
- to ensure reliability of external and internal reporting;
- to strengthen the compensation function by providing a forum for communicating findings to Council;
- to communicate the concerns of City Council to the external consultants who do the annual market compensation reviews and to have input into the overall direction of annual market compensation reviews; and
- to promote effective and timely resolution of compensation issues.

ORGANIZATION

The Non-Union Compensation Committee will be comprised of the Mayor and three (3) Members of Council. Members will be appointed for the term of Council. The chairperson of the Committee will be nominated and approved at the first Committee meeting in the term of the current Council. The Committee reports to Council.

The Non-Union Compensation Committee shall meet not less than two (2) times a year to coincide with the annual budget process. Special meetings may be convened at the discretion of the Chair. The Executive Director, Human Resources or the Manager, Compensation & Organization Design can also request a meeting of the Non-Union
Compensation Committee. A quorum for any meeting will be three (3) members. The Executive Director, Human Resources, the Manager, Compensation & Organization Design, the City Manager, the General Manager of Finance & Corporate Services and any other staff deemed necessary shall also attend the meetings.

ROLES AND RESPONSIBILITIES

Control Framework

The Non-Union Compensation Committee has the following control functions:
- ensure that corporate activities are managed with an appropriate degree of care and due diligence and within an appropriate framework of ethics and control;
- obtain assurances that the City has compensation policies and procedures which are in compliance with legal and regulatory requirements;
- review compensation policies and procedures that preserve the City’s pay philosophy with management and External Consultants; and
- ensure that the City has implemented appropriate internal control systems over compensation policies and practices and that these are operating effectively.

In Reference to Compensation Section of Human Resources

The Non-Union Compensation Committee:
- approves any revisions to the Non-Union Compensation pay philosophy mandate and Non-Union Total Compensation Policies;
- recommends the appointment of any External Consultant to the Non-Union Compensation Committee;
- confirms the annual market review work plan of the Compensation Section;
- receives and reviews the results of the annual external market review for the Management & Professional Exempt Group by ensuring that appropriate action has been taken;
- ensures the Manager, Compensation & Organization Design has direct and open communication with the Committee; and
- discusses the scope and timing of the compensation review with the External Consultant with particular reference to the City’s pay philosophy as well as any emerging compensation issues.

In Reference to External Compensation Consultant

The Non-Union Compensation Committee:
- approves the recommendation of the Compensation Section for the appointment of any External Consultant;
- approves the External Consultant’s annual fees. In addition, the nature of and fees for other services that have been provided by an External Consultant are reviewed annually;
- receives and reviews the annual external market compensation review and forwards it to Council for information and any necessary recommendations that flow from the market compensation review; and
o provides a scheduled opportunity, as required, to meet with the External Consultant for full, frank and timely discussions of all material issues, with or without management, as appropriate to the circumstances.

Other

The Non-Union Compensation Committee:
o requests special compensation studies to fulfil its’ objectives; and
o reviews and updates, if necessary, the Non-Union Compensation Committee Terms of Reference with every term of Council.

REPORTING STRUCTURE

Reports to Committee of the Whole.