



P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 8**  
**Halifax Regional Council**  
**August 4, 2015**

**TO:** Mayor Savage and Members of Halifax Regional Council

Original Signed by Director

**SUBMITTED BY:** \_\_\_\_\_  
Catherine Mullally - Director, Human Resources

**DATE:** June 15, 2015

**SUBJECT:** Non Union Compensation

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**INFORMATION REPORT**

**ORIGIN**

On April 14, 2015 Halifax Regional Council requested an In Camera discussion with the CAO and Human Resources to gain further clarification regarding:

- The current non-union performance rating and compensation process;
- Rates of movement through the salary bands in comparison to other public sector groups such as the Province of Nova Scotia; and,
- The linkage between performance and annual salary increases and how they are set.

**LEGISLATIVE AUTHORITY**

HRM Charter, Part II, Section 35(2)(d)(vi) which states: The Chief Administrative Officer may subject to policies adopted by the Council, determine the salaries, wages and emoluments to be paid to municipal officers and employees, including payment pursuant to a classification system

## **BACKGROUND**

### **Workforce Composition**

As of March 31, 2015 the total number of employees at HRM was 3517. Of this number 2897 or 82.4% were unionized employees. Of the remainder, 383 were non-union professionals which include engineers, financial consultants, chartered accountants, HR consultants, lawyers, analysts, etc. and 237 were non-union Managers which include frontline supervisors, middle managers, senior managers and executives.

The 620 total non-union employees noted above includes non-union interns and legislative assistant support staff who do not qualify for Individual Salary Adjustment (ISA) increases. Therefore, only 599 non-union employees are eligible for performance-based ISA in 2015. The total number of non-union employees has fluctuated by less than an average of 1% since 2008, but there has been a greater fluctuation in the ratio of managers to professional non-union employees. As of March 31, 2015, 237 of the 599 non-union employees were managers as compared to the high of 287 managers in 2011. This represents a reduction of 50 management staff over the past four years bringing the management population to 6.7% of employees.

## **DISCUSSION**

### **Performance and Salary**

Since 2010, non-union salary increases have been 100% based on performance. Prior to 2010, some amount of the salary increase (ISA) budget has been based on either cost of living and/or wage inflation. The decision to move to 100% performance was made to reinforce a performance-based culture and to maximize the differential of salary increase based upon performance.

Allocating some of the ISA budget to cost of living factors reduces the differentiation of increase between solid performers and high performers. This is due to the fact that a cost of living allocation creates an across the board minimum increase, leaving fewer dollars to spend on performance.

Removing the automatic cost of living/wage rate component has increased the differential between a normal performer and a high performer by an average of 18% since 2010. This is due to the fact that without a minimum increase, the lower performers use less of the available budget leaving more of the budget to provide increases for higher performers.

In addition, the performance-based culture reinforced by the 100% performance-based salary increase approach has increased HRM's effectiveness in dealing with low-performing, non-union employees. Having no annual increase for non-performing employees sends a clear message to those employees that the organization does not tolerate non-performance. For example 62% of non-union employees who were identified as non-performing in 2012 are no longer employees either through voluntary or involuntary departure. Similarly, 33% of non-performers from 2013 are no longer with HRM and 19% of the 2014 non-performers are no longer with HRM.

The performance based increase approach means that individual non-union employee increases will vary from year to year; the cumulative average wage increase for non-union

employees over the past seven years (2008-2014) is approximately 21.7%. The cumulative average wage increases for all HRM's unionized employees over the same period is 22.9%.

#### Performance Review Process – My Action Plan

The performance review process starts with the employee and manager setting out the performance and development objectives for the upcoming fiscal year. In 2015 this process has been refreshed utilizing the newly designed My Action Plan (MAP) form. This form has been designed to create an alignment between all non-union employee performance objectives and *Plan on a Page*. This will establish a clear connection of non-union employee activities to organizational priorities, behaviours and outcomes.

The employee and manager meet throughout the performance year to discuss achievement of the objectives and make adjustments as required to adapt to changes in the business environment. At the end of the cycle, the manager assesses the employee's performance for the year based upon achievement of the objectives. This assessment is translated into a performance rating between 1.0 and 5.0. These assessments are peer reviewed within the Business Unit to ensure consistent application of the performance rating tool. The final performance ratings for all non-union staff are also reviewed by the CAO and DCAO for corporate consistency.

#### Individual Salary Adjustment Process (ISA)

After the peer and corporate review process is completed, the non-union performance ratings are translated into salary adjustments through the ISA process. The ISA process ensures that performance increase dollars within the annual ISA budget are distributed proportionately based upon each employee's relative performance rating so those employees with a higher rating receive a higher proportionate increase.

The annual ISA budget is determined by researching national, regional and local public sector salary increase data as reported in annual salary surveys including The Conference Board of Canada, The Hay Group, Mercer's, Gerald Walsh Associates and Morneau-Shepell.

#### Comparator Employers

Research has indicated that many Municipalities offer a baseline cost of living increase to satisfactory performers and then have additional performance-based increases for those with above satisfactory performance. For example, a 2013 report on non-union salaries at The City of Toronto indicated that in the Ontario municipal sector the performance amount ranged from 1.2% to 4% on top of the cost of living.

In addition to providing a baseline cost of living adjustment, these municipalities also annually increase their salary bands by a cost of living adjustment so that employees, regardless of performance, maintain their relative position within their salary band.

At the Province of Nova Scotia (PNS), the pay bands for excluded non-union employees consist of 30 steps of 1% each and employees move through the band by moving up the steps. Excluded employee's individual pay can increase either through an economic adjustment to the pay band and each step within it and/or a merit pay increase based upon individual performance which moves individual employees up the steps in their band. The PNS has currently frozen the

economic increase component for the next three years. The merit pay structure at the PNS is subject to approval each year.

In comparison, HRM non-union employees only move through their pay bands based upon performance and when the pay bands are adjusted, as was done in 2014, they can only regain their relative position in the new pay band through the performance-based system.

**FINANCIAL IMPLICATIONS**

The amount of ISA funding in the 15/16 budget is 2% or \$1,290,000 (approximately \$516,000 for Managers and \$774,000 for Professionals).

**COMMUNITY ENGAGEMENT**

N/A

**ATTACHMENTS**

- A. Presentation – Non Union Compensation

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If the report is released to the public, a copy can be obtained by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by:           Britt Wilson, Manager, Total Compensation, Human Resources   902.490.5099

Report Approved by:           \_\_\_\_\_  
Catherine Mulally, Director, Human Resources   902.490.7239

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# **Non Union Compensation**

Presentation to Halifax Regional Council  
August 4, 2015

Attachment A

# AGENDA

- Why we are here today
- Workforce Composition
- HRM Annual NU Salary Adjustment Model
- Performance and Salary
- Performance Review Process – My Action Plan
- Individual Salary Adjustment Process (ISA)
- Comparator Employers
- Questions

# Why are we here today?

Council requested an In Camera discussion with the CAO and Human Resources to gain further clarification regarding:

- The current non-union performance rating and compensation process;
- Rates of movement through the salary bands in comparison to other public sector groups such as the Province of Nova Scotia;
- The linkage between performance and annual salary increases and how they are set; and
- Options for Council to consider in regard to impacting the rate of annual salary increases for non-union employees.

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# HRM Workforce Composition

as of March 31, 2015

Total number of employees (headcount) 3517

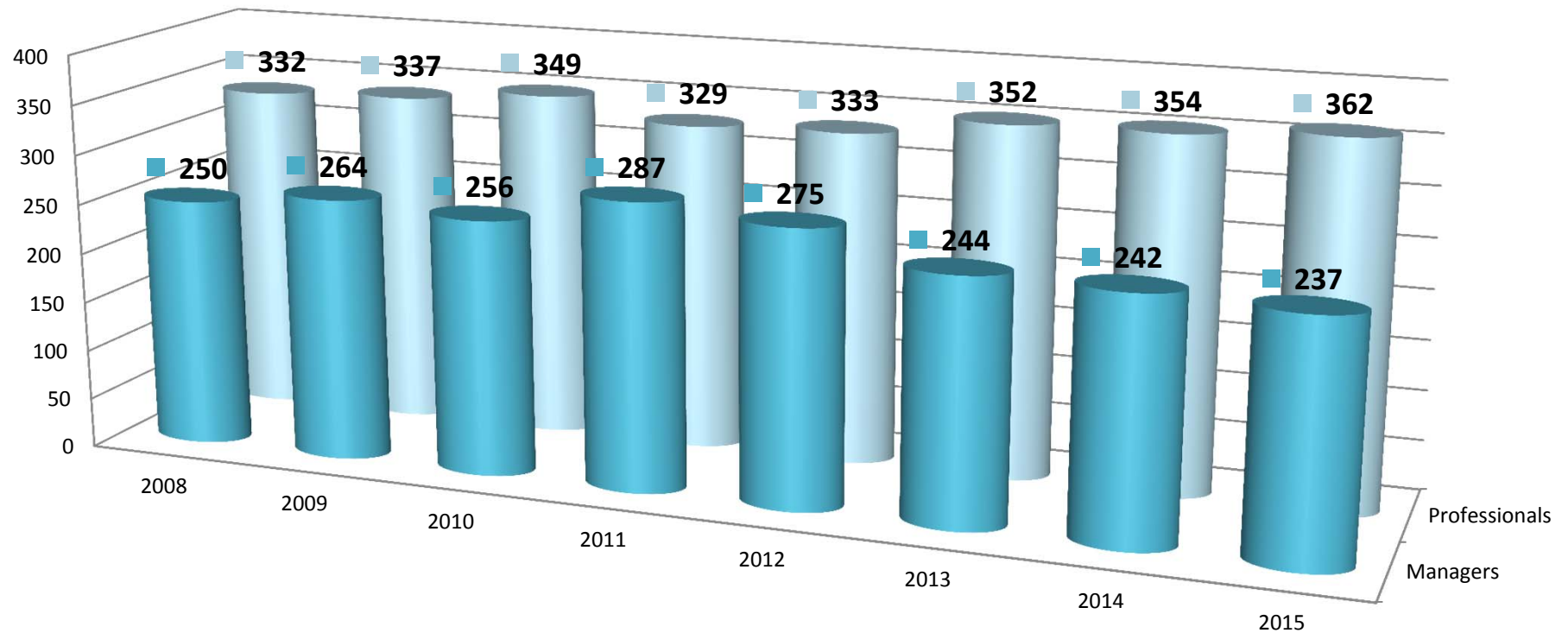
- Non union (Managers) - 6.7% 237
- Non union (Professionals) - 10.9% 383
- Union - 82.4% 2897

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# ISA Eligible Non Union Employees

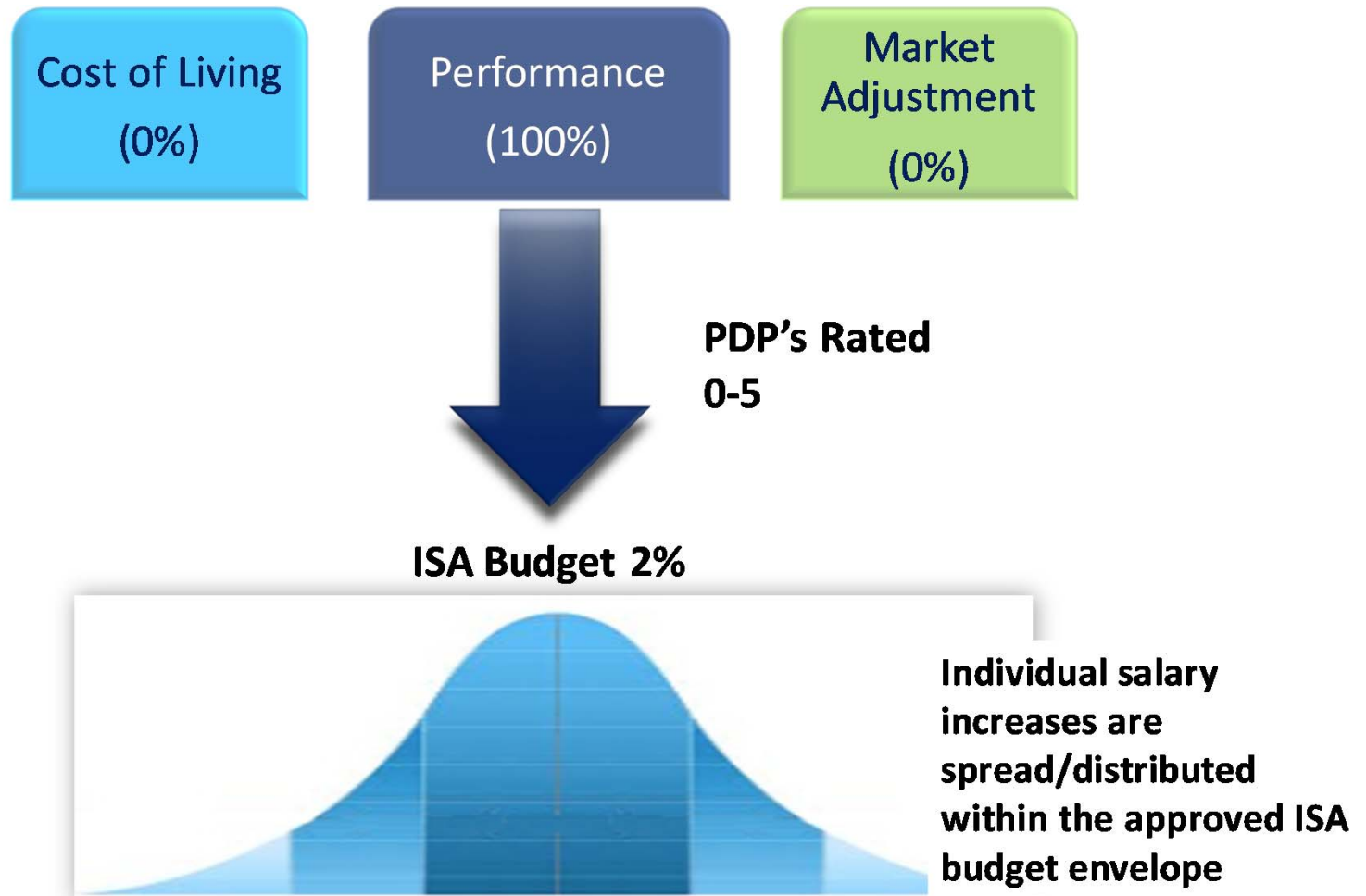
As of April 1st by Group



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# Annual Salary Adjustment Model



# Performance and Salary

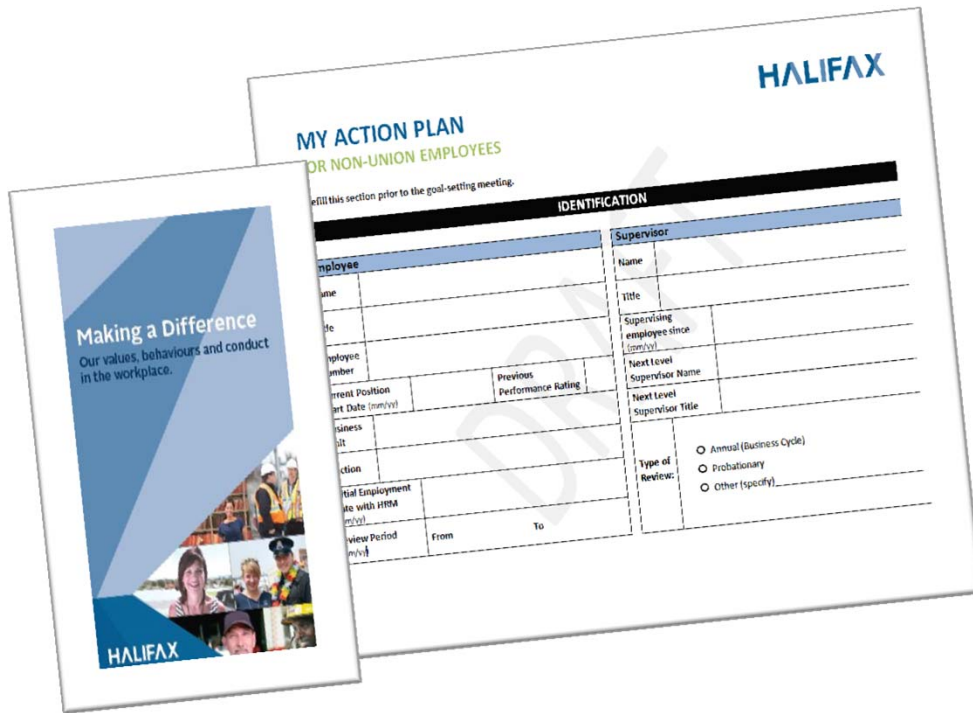
- Since 2010, non-union salary increases have been **100% based on performance.**
- Prior to 2010, some amount of the salary increase has been based on either cost of living and/or wage inflation.
- The decision to move to 100% performance was made to reinforce a performance based culture and to maximize the differential of salary increase based upon performance

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# Performance and Salary (cont'd)

- In addition, the performance based system ensures that non-performers (rated at less than 2.6) receive no increases, allowing more ISA \$ to go to performers.
- Non union salaries are market-driven. Union salaries/wages are not as they are determined through negotiation.
- When non-union pay bands are adjusted, as in 2014, individual salaries are not adjusted, therefore employee's compa-ratios (position in range) are reduced.
- Employees can only regain their compa-ratio position through higher performance.

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The new ***My Action Plan*** includes policy sign offs for employees to increase accountability and reduce risk.

## Standards of Conduct:

Employees will review and acknowledge they understand the conduct that is expected from them at the workplace. Employees should clarify any uncertainties regarding conduct with their supervisors. Visit the links below to review the following policies and principles:

[Values and Ethics](#) [Substance Abuse Policy](#) [Workplace Rights Policy](#) [Routine Access Policy](#) [Privacy Policy](#) [Workplace Violence Prevention Policy](#)

I have reviewed the materials listed in the Standards of Conduct and acknowledge that I understand and accept these policies.

**Employee's Electronic Signature:**

Signature line with a blue background and a small orange arrow icon on the left.

**Date:**

Date line with a blue background.

# Performance Rating Process

- Identifies and provides feedback to an employee to assist in the achievement of success in performance and personal development
- Non-union employee performance is rated using a Rating Scale of 0-5
  - Exceptional
  - Leading
  - Solid
  - Building
  - Unsatisfactory

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# Performance Based Culture

Having a performance based culture tied to pay enhances the employer's ability to address employees whose performance is unacceptable as it is more than just a low number – it impacts the employee's bottom line. For example:

- **62%** of Non-Union staff who did not receive a performance increase in 2012 due to non-performance are **no longer with HRM**
- **33%** of Non-Union staff who did not receive a performance increase in 2013 due to non-performance are **no longer with HRM**
- **19%** of Non-Union staff who did not receive a performance increase in 2014 due to non-performance are **no longer with HRM**

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# Individual Salary Adjustment Process (ISA)

- ISA is the process by which the individual PDP ratings are translated into a salary adjustment
- The process ensures that performance increase dollars within the budget are **distributed proportionately** based upon each employee's relative performance rating (higher rating = higher proportionate increase)
- The shift towards performance based pay is an intentional break with a culture of entitlement

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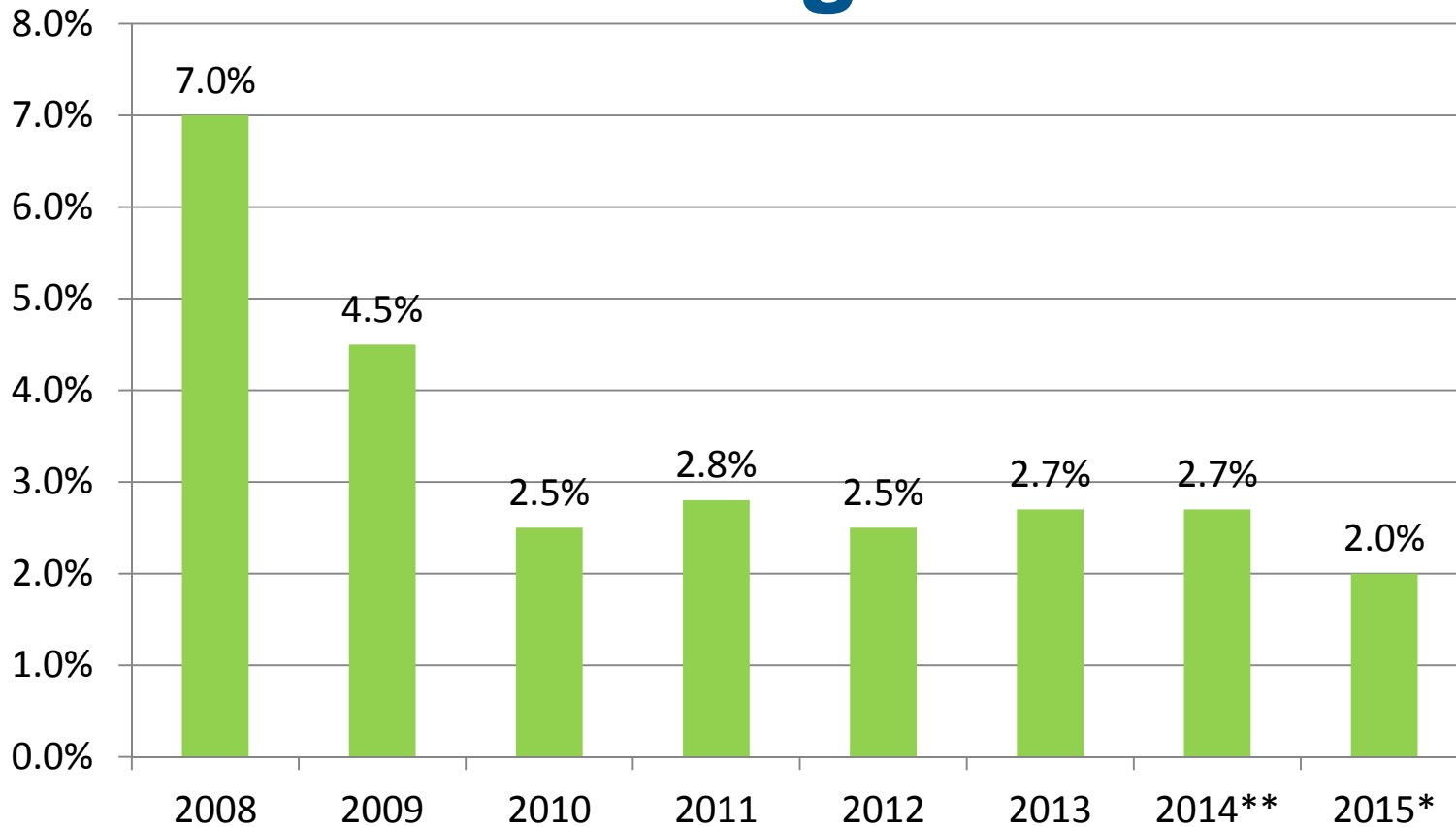
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# Salary Adjustment (ISA) Budget

- To determine the annual ISA budget, we utilize national, regional and local public sector salary increase data as reported in annual salary surveys including The Conference Board of Canada, The Hay Group, Mercer's, Gerald Walsh Associates and Morneau-Shepell.
- The 2015-16 ISA budget is 2% or \$1,290,000 (\$516,000 for Managers and \$774,000 for professionals), reduced from 2.7% in the 2014-15 budget.

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# Non Union Annual ISA Budgets



\* Proposed

\*\* 2014 cost also included an additional 0.3% in anticipation of the compa-ratio impacts of the band changes.

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## HRM Employee Earnings over 100K

- In 2014/15 446 HRM employees earned over \$100,000 in total earnings (base salary plus overtime, allowances, etc.)
- These 446 consist of:
  - 91 Non-Union employees (20%)
    - 71 Management (16%)
    - 20 Professionals (4%)
  - 125 IAFF 268 union employees (28%)
  - 226 HRPA (Sworn) union employees (51%)
  - 4 miscellaneous union group employees (<1%) (aggregated for privacy reasons)

## Comparators

# Other Municipalities

- Many Municipalities offer cost of living increases to satisfactory performers and additional increases for higher performers.
- These municipalities provide automatic individual cost of living increases **and** they also annually increase their salary bands by cost of living.
- A 2013 report on non-union salaries at The City of Toronto indicated that in the Ontario municipal sector this amount ranged from **1.2% to 4% above cost of living**.
- HRM **only** applies a salary adjustment based on performance; there are no additional cost of living increases.

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## Comparators

# Province of Nova Scotia (PNS)

- The PNS pay bands for excluded non-union employees consists of 30 1% steps and employees move through the band by moving up steps.
- Excluded employee's individual pay can increase either through:
  - an economic adjustment to the pay band and each step within it; and/or
  - a merit pay increase based upon individual performance which moves individual employees up the steps in their band.
- The PNS has recently frozen the economic increase component for the next three years.
- The merit pay structure at the PNS is subject to approval each year.

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# Salary Movement at HRM

- As of April 1, 2014 the average position in pay bands (compa-ratio) for non-union staff at HRM was 92.1% and almost 19% of non-union staff were at the top of their band (100% compa-ratio)
- Non-Union staff at HRM move up in their pay band based upon performance through the ISA process.
- When the non-union pay bands were adjusted in October 2014, non-union compa-ratios dropped by an average of 8% and no non-union staff had a base salary at the top of their band.

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The background features a large, stylized graphic of the Halifax logo. It consists of a dark blue triangle pointing downwards on the left, meeting a white triangle pointing upwards on the right. The top right corner is a solid dark blue rectangle. The bottom right corner is a light blue triangle pointing upwards, meeting a darker blue triangle pointing downwards. The word "HALIFAX" is written in white, bold, uppercase letters across the top right section.

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**Questions?**