

**City of Vaughan  
2023 Management/Non-Union Compensation Review**

**Summary Report**

Marianne Love, ML Consulting  
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# Background and Objective

- ▶ The City of Vaughan conducted a comprehensive compensation review for exempt positions in 2003 that included job evaluation using a weighted point factor job evaluation system, a pay equity analysis and market survey. A salary grid was prepared with job rates reflecting the 50<sup>th</sup> percentile of the defined pay market. Job evaluation has been maintained using the job evaluation system introduced in 2003.
- ▶ The Salary Grid consists of 16 pay bands and has been adjusted annually having regard to negotiated increases, comparator increases and ability to pay.
- ▶ The Consultant was retained in 2023 to conduct a review of the current compensation program; specifically, to assess the competitive pay market and the current pay policy (percentile target).
- ▶ The outputs of this review and recommendations will enable attraction and retention, future growth in organization and job design and provide the foundation to align fair and competitive pay with performance.

# Project Overview

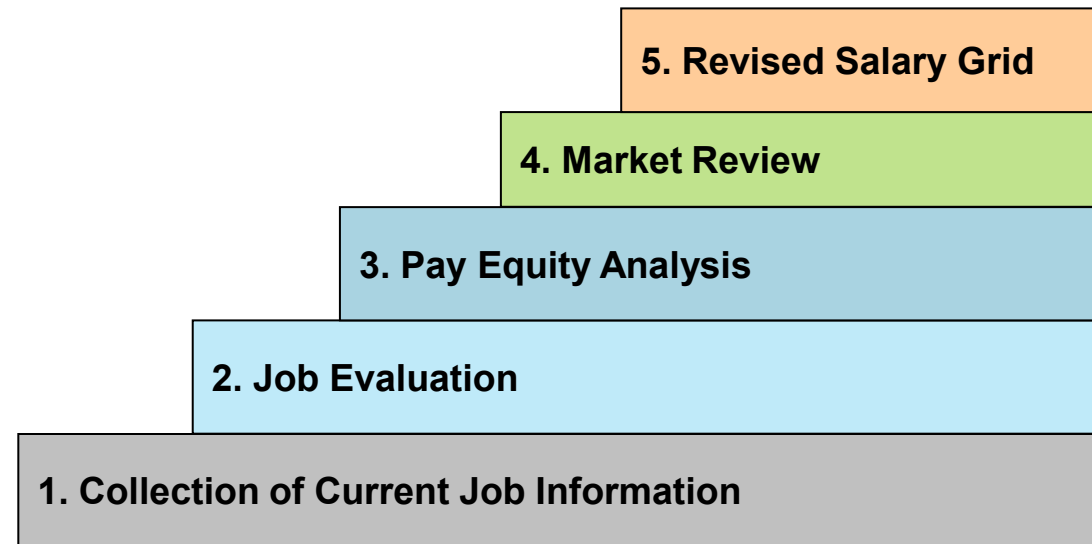
- ▶ The Consultant met with HR Leadership Team to discuss project objectives, tools, systems and processes.
- ▶ The market comparator group was reviewed and confirmed having regard to historical comparators, geographic placement and measures of size/scope of service.
- ▶ The Consultant performed the market matching exercise and prepared a Market Summary reflecting market placement based on various percentile target comparisons.
- ▶ The banding framework was reviewed to ensure that it will continue to support organization growth and job design.
- ▶ Proposed 2023 job rates were prepared based on the competitive pay market.
- ▶ A 2023 salary grid framework was prepared for implementation costing and can be further adjusted (economic increase) for the 2024 budget cycle.

# Vaughan's Approach to Compensation

Vaughan's compensation philosophy addresses principles of:

- ▶ Internal Equity (fairness)
- ▶ Pay Equity (compliance)
- ▶ Market Equity (competitiveness)
- ▶ Sustainability and Renewal

The compensation program consists of these elements, and market competitiveness was the focus of this review:



# Executive Summary

- ▶ Ensuring employees are paid fairly and competitively is a requisite for effective service delivery, given the limited resources in municipalities and the challenges in attracting and retaining staff in specialized, technical and management positions.
- ▶ The 75<sup>th</sup> percentile pay target for the Management/Non-Union employee group is recommended as representative, progressive and reasonable having regard to scope, size and composition of the comparator group in relation to the City of Vaughan, a conservative approach to job matching, attraction and retention challenges, geographic placement, economic conditions and external influencers (e.g., competitor pay data and evolving pay practice in the broader public sector pay in the local/regional area).
- ▶ On aggregate, Vaughan currently pays below the 75<sup>th</sup> percentile target of the defined comparator group; with greater deviation in some positions.
- ▶ The updated compensation framework addresses:
  - ▶ Market competitiveness
    - ▶ Updated pay policy with job rates that reflect the 75<sup>th</sup> percentile of the defined pay market.
  - ▶ Internal equity for all positions
    - ▶ Positions are placed in pay bands using a consistent interpretation and application of the Job Evaluation System.
  - ▶ Pay equity compliance
    - ▶ All female job classes have a job rate equal to the male comparator job rate to ensure compliance with the *Pay Equity Act*, based on the current banding framework.

# Market Competitiveness

- ▶ The market comparator group was selected to reflect relevant scope/criteria:
  - ▶ Measures of size and scope of service
  - ▶ Similar service alignment/”like” services
  - ▶ Geographic location
  - ▶ Reflective of local/regional economy and recruitment
  - ▶ Historic comparators
  
- ▶ 6 comparators were selected for the 2023 Market Review

# Market Comparators....

- Brampton
- Mississauga
- Oakville
- York Region
- Richmond Hill
- Markham

*\*historic comparators*

# Market Competitiveness—Approach

- ▶ Positions were matched by the Consultant to similar positions in comparator organizations having regard to job title, job information, organizational charts, and 2023 annual job rates (maximum rates).
- ▶ A conservative approach was used in the job matching exercise and outlier matches were removed from the analysis so that results were not skewed.
- ▶ Market statistics based on 3 or more matches were calculated to determine market competitiveness using 6 percentile targets (50<sup>th</sup>, 55<sup>th</sup>, 60<sup>th</sup>, 65<sup>th</sup>, 70<sup>th</sup> and 75<sup>th</sup> percentiles). Percentile targets help define Vaughan's relative placement to the defined pay market.
- ▶ The Market Summary indicates that on aggregate, current Job Rates for the Management/Non-Union employee group are below all percentile targets, with greater deviation in some positions (i.e., paying below typical salary).
- ▶ The percentile target is a measure of how the positions are ranked in the comparator group, highest to lowest.
  - ▶ the 50<sup>th</sup> percentile target is the \$ Rate where 50% of the wage rates in the comparator organizations are below this amount and 50% are above.
  - ▶ the 75<sup>th</sup> percentile target is the \$ Rate where 75% of the wage rates in comparator organizations are below this amount, and only 25% are above.



# Market Competitiveness—Aggregate Comparison

*Aggregate Comparison--  
Vaughan's 2023 Job Rates  
compared to 2023 Market  
Percentile Targets (% below  
target)*

	<i>P50 (median)</i>	<i>P55</i>	<i>P60</i>	<i>P65</i>	<i>P70</i>	<i>P75</i>
<i>Annual Job Rate</i>	1.3%	2.3%	3.4%	4.6%	6.0%	7.4%

- ▶ Vaughan is less competitive when comparing job rates (maximum rates) for some Senior and Mid-Management positions in Bands 8 to 16. This is in keeping with market observations for many municipalities across the province, given the age demographic and challenges to attract and retain top talent.
- ▶ Positions in Pay Bands 1, 2, 3, 4 and 5 are closer to the identified targets, impacting the overall aggregate assessment.
- ▶ There is an inequity in competitive pay throughout the employee group.
- ▶ 34 positions have been identified for revised band placement, supported by the pay market and internal equity. The positions that have moved band placement include Directors, Senior Managers and Managers.

# Result of the Market Review

- ▶ Approximately 40% of positions have job rates (maximum rates) below the current pay target (50<sup>th</sup> percentile).
- ▶ Contributing factors to current market placement:
  - ▶ Many of the Comparators have completed a salary review in the last 3 to 5 years and adjusted their salary grids accordingly.
  - ▶ Many of the Comparators have revisited their compensation policy and adjusted their comparator pool and/or increased the target market percentile above the 50<sup>th</sup> percentile to achieve competitive job rates.
    - ▶ *5 of the 6 comparators have adopted a percentile pay policy of that exceeds the 65<sup>th</sup> percentile.*
    - ▶ *The prevailing target for Vaughan's comparator group is the 75<sup>th</sup> percentile.*

# Why the 75<sup>th</sup> Percentile for the City of Vaughan?

- ▶ It is recommended that Vaughan adopt a pay policy that establishes job rates that reflect the 75<sup>th</sup> percentile of the defined pay market, having regard to:
  - ▶ the size/scope of the 2023 comparator group;
  - ▶ a conservative approach to job matching;
  - ▶ attraction and retention challenges;
  - ▶ geographic placement; and
  - ▶ economic conditions and external influencers.
- ▶ This reflects a progressive approach in aligning job rates with an evolving and competitive pay market using foundational tools and systems and the current banding framework; and supports Vaughan's strategic priority to ensure attraction and retention of quality staff and succession planning.
- ▶ The revised pay target will better align the competitive pay targets for positions in the employee group and achieve equity when comparing to the defined pay market.

# Revised 2023 Job Rates and Salary Grid Framework

- ▶ A salary grid framework was prepared for positions using job rates (maximum rates) that reflect the 75<sup>th</sup> percentile of the pay market. The framework consists of 17 pay bands with 5 steps with a 4% step differential; Step 5 (or the highest step in the Band) is job rate (maximum rate) for the pay band.
- ▶ Implementation costing has been prepared by staff using next closest step methodology (salary value)/next reasonable step considering consistency, equity, retention and sustainability.

# Pay Practice and Future Considerations

- ▶ It is recommended that the updated Management/Non-Union Salary Grid be implemented effective July 1, 2024, which is in addition to the 2% economic adjustment that became effective January 1, 2024.
- ▶ The anticipated financial impact of the new salary grid effective July 1, 2024, is approximately \$740,000 in 2024. The financial impact will be contained within the 2024 budget. There will be future financial impacts as a result of this change, as staff will be able to progress through the steps on the new salary grid.
- ▶ It is recommended that the following pay practices be continued to build resilience in pay policy, supported by prevailing practice in the sector:
  - ▶ That Vaughan adopt the practice of undertaking a periodic market review of all positions on a 3 to 4-year cycle in order to ensure competitive pay practices in light of changing demographics and work practices in the municipal sector.
    - ▶ This has become a best practice in the sector, providing analysis that supports adjustments to the salary grid to ensure an organization is not overpaying or underpaying positions.
  - ▶ That annual increases to the salary grid be determined by conducting a review of the comparator organizations to determine an average of the comparator group projected salary grid increases. This information, together with information relating to CPI increases, will inform the appropriate salary grid adjustments having regard to maintaining a sustainable compensation framework.
  - ▶ That new and changed positions continue to be evaluated using the new job evaluation system; and that pay equity compliance be reviewed annually.

# Mayor and Members of Council Remuneration

- ▶ Part of the analysis included a market review of total compensation data for the Mayor and Members of Council positions. Historically, the Mayor and Members of Council base pay rate is adjusted on an annual basis, using the same increased percentage rates as approved for the Management/Non-Union group.
- ▶ The data indicates that the Mayor position is below the existing 50<sup>th</sup> percentile pay policy, and the Deputy Mayor and Councillor positions are slightly above the policy.
- ▶ The Consultant's recommendation is that the 75<sup>th</sup> percentile target also apply to the Mayor, Deputy Mayor and Councillor positions, to ensure Vaughan is remaining competitive with our comparator municipalities.
- ▶ Using the recommended 75<sup>th</sup> percentile target, it was determined that Vaughan's Mayor and Councillor positions require an adjustment. The P75 market rate for the Mayor position is \$150,410. Pay rates range from \$139,466 (Richmond Hill) to \$151,064 (Markham). The P75 market rate for the Councillor position is \$95,171. Pay rates range from \$56,475 (Oakville) to \$95,171 (Brampton and Mississauga).
- ▶ A December 3, 2012, Member's Resolution established that the position of Deputy Mayor at the City of Vaughan was to be remunerated at the local municipal Councillor salary plus 10%. In accordance with this Member's Resolution, the proposed revised Councillor pay rates can be adjusted by 10% to derive the new Deputy Mayor pay rate.

# Mayor and Members of Council Remuneration Cont.

## Vaughan Council Compensation Review 2023 Base Pay Market Summary

	2023 Base Pay Rate Annual	2023 MARKET SUMMARY - ANNUAL BASE PAY RATE ( + % = below market)				
		No. of Obs.	Market Median Annual	% Diff.	Market P75 Annual	% Diff.
Mayor	\$139,583	5	\$149,756	+7.3%	\$150,410	+7.8%
Deputy Mayor	\$95,784	3	\$93,882	(2.0%)	\$95,171	(0.6%)
Councillor	\$87,075	5	\$85,347	(2.0%)	\$95,171	+9.3%

# Mayor and Members of Council Remuneration Cont.

- ▶ The proposed new annual salaries would be as follows effective July 1, 2024:
  - **Mayor:** \$150,410
  - **Deputy Mayor:** \$104,688
  - **Councillor:** \$95,171



# Mayor and Members of Council Remuneration Cont.

- ▶ The anticipated financial impact of paying at the 75<sup>th</sup> percentile for Mayor and Members of Council effective July 1, 2024, is \$42,250 in 2024, which is in addition to the 2% economic adjustment that became effective January 1, 2024.
- ▶ The financial impact will be contained within the 2024 budget.
- ▶ This recommendation is reasonable based on the size, scope and pay practices of the City's comparator groups and aligns with the recommended pay target for the Management/Non-Union employees.
- ▶ Other elements of remuneration were also reviewed. The data indicates that these elements are competitive with the market.