

Committee of the Whole (2) Report

DATE: Tuesday, February 13, 2024

WARD(S): ALL

**TITLE: EMPLOYEE ATTRACTION & RETENTION STRATEGY AND
COMPENSATION REVIEW**

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To provide information, updates and approval for the City's Employee Attraction and Retention Strategy.

Report Highlights

- A refresh of the City's attraction and retention strategies identifies 37 recommendations including a review of the City's current compensation structure and framework.
- The City's 50th percentile pay line policy is currently well below our comparator municipalities' benchmarks for non-union salaries. The compensation review also included a review of Council remuneration.

Recommendations

1. That the City adopt a pay policy for non-union/management employees that establishes job rates and a non-union salary schedule that reflect the 75th percentile of the defined pay market effective July 1, 2024;
2. That the City also adopt a pay policy for Council that establishes job rates that reflect the 75th percentile of the defined pay market effective July 1, 2024; and
3. That the City's Attraction and Retention Plan as prepared by StrategyCorp be received.

Background

The City of Vaughan is dedicated to ensuring its public service can effectively meet the needs of residents, businesses, and community members. However, the world of work is rapidly changing, particularly in a post-pandemic environment, and employers, including municipalities, are contending with a range of issues and challenges, including but not limited to attracting and retaining top talent.

As a result, refreshing the City's attraction and retention strategies to align with best practices in and outside of the sector is critical to maintaining the City's position as an Employer of Choice and ensuring it has the human capital required to support continued service excellence, in alignment with its 2022-2026 Term of Council Strategic Plan.

Although many of the current workforce challenges facing the City are not unique to it, there are initiatives and best practices that the City can advance to ensure it has the organizational capacity and bench strength needed to remain a top employer.

The attached Attraction and Retention Plan prepared by StrategyCorp identifies 37 recommendations to support the City on this journey, which have been grouped into six categories, each of which includes specific measures to enhance various aspects of the organization's human resources practices and prepare for future workforce needs and trends.

Many of these recommendations are already underway within the City, with some advising enhancements to existing practices and others offering new opportunities for further exploration, pending capacity and resources.

A key recommendation contained within StrategyCorp's plan was the suggestion that the City reevaluate its compensation package and structure to ensure it remains an attractive and competitive employer.

The Office of the Chief Human Resources Officer annually reviews non-union compensation and positions against the City's current pay line policy of a 50th percentile benchmark. However, given recent economic pressures and rising cost of living increases, this is not currently providing the City with a competitive advantage for attraction and retention strategies that are required to continue being an Employer of Choice.

As a result of the ongoing challenges and StrategyCorp's recommendation, the City retained an external compensation expert (Marianne Love Consulting) to review the City's current compensation model related to the external market and to provide proposed recommendations. Part of the Consultant's compensation philosophy addresses the principles of internal equity (fairness), pay equity (compliance), market equity (competitiveness) and ensures sustainability and renewal, while ensuring employees are paid fairly and competitively in an everchanging compensation landscape. The Compensation Review also included a review of Council Remuneration.

This report and the attachment listed below detail the steps and recommendations needed to help address the City's attraction and retention challenges and maintain the City's position as an Employer of Choice.

Previous Reports/Authority

N/A

Analysis and Options

1. 75th Percentile Pay Policy for Non-Union/Management Employees

As part of the City of Vaughan's attraction and retention strategy, a full review of the City's non-union compensation structure and current pay line policy was undertaken, including benchmarking of the Mayor and Members of Council salaries. Various options have been analyzed and recommendations provided.

As noted in the consultant report, the current 50th percentile is no longer allowing the City to remain competitive within the current labour market, especially amongst our comparator municipalities. The recommended increase to the 75th percentile will allow the City to improve its current attraction and retention strategy and will also allow the City to remain competitive in the market, allowing better competition with other municipalities for new and existing talent. The City of Vaughan has historically used Brampton, Mississauga, Oakville, York Region, Richmond Hill and Markham as market comparators. However, for this review, and in light of the increase in remote work across the sector, additional municipalities were also included in the analysis for benchmarking purposes.

The market review determined that approximately 40% of the City's current non-union positions have maximum job rates that are below the current pay target of the 50th percentile. Some of the contributing factors would be that many of the comparator municipalities have already completed a review of their salary and compensation strategy, resulting in increases to their pay bands, to achieve competitive job rates. Five out of the six comparator municipalities have adopted a pay policy that is either at or exceeds the 65th percentile. Some of the analysis also determined that Vaughan is less competitive when comparing job rates (maximum rates) for some senior and mid-management level positions (current bands 8 to 16), whereas positions in lower bands were closer to the identified targets, which would not require a significant adjustment.

The Office of the Chief Human Resources Officer has conducted a thorough analysis of the data the compensation consultant provided and prepared several options, as well as costing. It is recommended that staff be placed using the next closest step methodology without decreasing their current pay, considering consistency, equity, retention and financial sustainability.

Recommended Pay Line Policy and effective date for Non-Union/Management Employees:

It is recommended that the City adjust the City's non-union compensation benchmark to the 75th percentile of comparator municipalities as of July 1st, 2024. The implementation cost of this option is approximately \$740,000 (July 1, 2024, to December 31, 2024). 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.

The benefit to selecting this course of action is that the City will be able to successfully compete and attract talent from other municipalities/sectors, as well as help retain our current top talent. Through HR metrics and analysis, the 2022 turnover rate for non-union staff (voluntary, involuntary and retirement) was 12.76% compared to 10.84% in 2021, 5.80% in 2020 and 6.30% in 2019. The turnover significantly impacted the City's business, mainly many hard-to-fill positions within the Planning and Legal Services departments. Turnover also has additional unquantified costs associated with recruitment (*i.e.*, paying recruiters for specialized positions) and onboarding costs.

Mayor and Members of Council Remuneration:

Part of the analysis also included a market review of total compensation data for the Mayor and Members of Council. It was determined through this analysis, that Vaughan's Mayor and Members of Council require an adjustment as well. Historically, the Mayor and Members of Council base pay is adjusted on an annual basis, using the same increased percentage/economic adjustment as approved for the management/non-union group.

Currently, the data demonstrates that the Mayor is under the current 50th percentile pay line policy, and the Deputy Mayor and Councillor positions are just above the current policy. The market median for Mayor and Member of Council positions is the 50th percentile.

The consultant's analysis and recommendation are that the 75th percentile target also applies to the Mayor, Deputy Mayor and Member of Council positions to ensure the remuneration of the City's elected officials is in line with our neighbouring municipalities.

Using the recommended 75th 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). The proposed revised Councillor pay rates can be adjusted by 10% to derive the new Deputy Mayor pay rate.

The proposed new rates would be:

- Mayor: \$150,410
- Deputy Mayor: \$104,688
- Councillor: \$95,171

The anticipated financial impact of paying at the 75th percentile for Mayor and Members of Council effective July 1, 2024, is \$42,250 in 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 non-union employees. Other elements of remuneration were also benchmarked, and the data shows they are currently comparable. A detailed analysis is found within the attached report.

Financial Impact

This report is consistent with the priorities previously set by Council and the anticipated financial impact of these recommendations will be contained within the 2024 budget.

Operational Impact

This report is consistent with valuing and encouraging a highly motivated workforce and attracting, retaining, and promoting skilled staff. These recommendations will contribute to the term of council service excellence strategic plan which will directly impact staff engagement, operational performance, and the citizen experience strategic priorities.

The City requires skilled, engaged and motivated staff to deliver upon the City's strategic priorities. Not attracting the right talent or losing talent does not allow the City to continue doing important work efficiently and effectively. Ensuring we remain competitive in this ever-changing labour market is key to ensuring Vaughan is set up for success to deliver service excellence to the residents we serve.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

In review of the analysis provided, it is recommended that management be authorized to proceed with implementing a 75th pay line policy for non-union/management staff and Council. If approved, the Office of the Chief Human Resources will work closely with the Financial Planning & Development Finance department on implementing the new pay structure model and revise the non-union salary structure, as well as with payroll on the timing of implementation. We would also work with Corporate & Strategic Communications on any communication to staff on the implementation of the recommendation.

As a result of approving these recommendations, the City will be set up for success as an initial step of refreshing the City's attraction and retention strategies to align with the best practices and municipal benchmarks. This will ensure the City is an Employer of Choice in the years ahead with the right people being attracted and retained, to continue supporting the City's overall strategic plan and to continue delivering service excellence.

For more information, please contact: Mark Bond, Chief Human Resources Officer, Extension 8327.

Attachments

1. Final Report – City of Vaughan – Attraction and Retention Plan, StrategyCorp December 2023
2. Final Vaughan 2023 Compensation Review Summary Report, Marianne Love Consulting, January 2024

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