

# Compensation Philosophy, 2020 and Beyond

A Compensation Philosophy and Recommendations for the United Counties of Leeds and Grenville  
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## **Executive Summary**

A successful compensation philosophy consists of both financial and non-financial elements. Examples of financial elements are salaries and wages, and employee benefit plans. Examples of non-financial elements are opportunities for professional development and flexible work arrangements. Compensation philosophies attracting skilled workers, retain key talent and help in motivating existing employees.

Developing a compensation philosophy will become increasingly challenging in the coming years as the dynamic of the workplace is changing. Employers will have to examine the current structure of their compensation philosophy and make changes to accommodate the changing workplace.

This report will examine the components of compensation at The United Counties of Leeds and Grenville and make recommendations for potential areas of improvement. The final recommendation would be for The United Counties of Leeds and Grenville to develop a formalized and well documented compensation philosophy.

**Table of Contents**

Executive Summary.....1

List of Tables, Charts and/or Diagrams.....3

Scope and Methodology.....4

Introduction and About the United Counties of Leeds and Grenville.....5

Section One – Compensation

    What is Compensation?.....5

    Generational Shift.....5

    What is a Compensation Philosophy?.....7

Section Two – Financial Elements

    Direct Financial Elements.....10

    Indirect Financial Elements.....15

Section Three – Non-Financial Elements.....20

    Job Position Non-Financial Benefits.....21

    Work Environment Non-Financial Benefits.....22

Section Four – Conclusion.....24

Bibliography.....26

Appendices

    Appendix A: United Counties of Leeds and Grenville 2018 Wage/Salary Grid.....28

**List of Tables, Charts and Diagrams**

Table 1: Examples of Financial vs Non-Financial Compensation.....7

Table 2: Canadian Workforce Demographics.....8

Table 3: United Counties of Leeds and Grenville Demographics.....18

Table 3: Benefit Percentage.....20

## **Scope and Methodology**

The report titled Compensation Philosophy, 2020 and Beyond – A Compensation Philosophy and Recommendations for the United Counties of Leeds and Grenville; summarizes my research findings. This includes best practices on how to develop an effective compensation philosophy and program with the objective to attract skilled employees and retain qualified high performers for the upper tier municipality of the United Counties of Leeds and Grenville.

This research report refers to the changing climate of the work environment based on demographics. The research conducted found that different generations value the components of compensation differently. An evaluation of this research demonstrates that employers should be aware of the differing values in designing a compensation program that appeals to all generations in the workplace.

This report is broken up into sections. The first section defines what compensation is and what makes up a compensation philosophy; it also outlines the aforementioned generational shift. This section also provides background on the United Counties of Leeds and Grenville and its current compensation program.

The second section and third section detail the specific elements of compensation philosophies and provides research on what employees are looking for in return for their services. These sections also provide insight on the how the United Counties of Leeds and Grenville's policies and procedures fit into the program and recommendations for areas that can be improved.

In conclusion, the fourth section summarizes the research on compensation philosophy and outlines my recommendations for the United Counties of Leeds and Grenville.

This report refers to the performance management, job evaluation and pay equity processes however; it does not go into detail in how these processes work or what they should contain. It is important to note that while the United Counties of Leeds and Grenville has union and non-union employees, this report focuses on non-union employees.

## **Introduction**

In the municipal world, organizations are held accountable to the public for actions taken. Ontario municipalities need to remain transparent and be able to answer questions from the public on decisions that have been made and why something was done the way, it was. In fact, in Ontario the Municipal Act, 2001 includes provisions on accountability and transparency.

A compensation philosophy is important because it will explain to taxpayers why employees are paid what they are paid and why they receive the benefits, they receive. By having, a clearly articulated philosophy and program the United Counties of Leeds and Grenville will improve transparency and employees will have a clear understanding of their compensation throughout their career with the organization.

The United Counties of Leeds and Grenville (The Counties) is an upper tier municipal government organization, located in Eastern Ontario, about halfway between Ottawa and Kingston along the 401 corridor. The Counties employs approximately four hundred and twenty-five (425)<sup>1</sup> employees and offers a wide range of services, including Economic Development, Provincial Offences, Social Services (including Housing and EarlyON), County Roads Maintenance, Paramedic Services and Long Term Care. The main decision makers at the Counties is their Council. The Council is made up of the Mayors from the ten member municipalities. The Counties practice would be that a compensation philosophy would be designed and recommended by staff and management and approved by Counties Council.

The Counties prides itself on its people and it's purpose and core values reflect that. The Counties purpose is to be "*A professional municipal team striving for excellence in the provision of services while planning for the future*". At the staff level the Counties has five core values they are: respect, wellness, accountability, honesty, innovation.<sup>2</sup> Further Council identified its values at a workshop in 2017. A report (#CW015-2017) stated that Councils values were openness and transparency, innovation, professional leadership, customer centric, honesty & integrity and wellness.<sup>3</sup> This workshop also confirmed Councils priorities for 2017 and 2018. These included

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<sup>1</sup> Leeds Grenville Economic Development Department Survey, 2015

<sup>2</sup> United Counties of Leeds and Grenville, Onboarding presentation, 2018

<sup>3</sup> United Counties of Leeds and Grenville, Council Report Number CW018-2017

Short-Term and Long-Term plans, program/service evaluation, fiscal responsibility, competitive environment and (look at things through a) rural lens.<sup>4</sup>

Developing a compensation philosophy would support Councils priorities. Given there is a municipal election in October 2018, it is a good opportunity once the new Council is in place to review the term of Council priorities and how a compensation philosophy might fit into that. This is the rationale behind titling this report as 2020 and beyond.

## **Section One – Compensation**

### *What is Compensation?*

Compensation can be defined as all of the rewards earned by employees in return for their labour.<sup>5</sup> Compensation has three main components these include direct financial compensation, indirect financial compensation and non-financial compensation. Direct financial compensation includes salary, wages, bonuses and commissions. Payment is made at regular and consistent intervals. Indirect financial compensation includes all financial rewards not included in direct compensation such as, benefits, retirement plans, education plans, vacation and leave time. Non-financial compensation includes any benefits that have no financial relation, such as: career development and opportunity for advancement, service recognition and work environment and conditions.

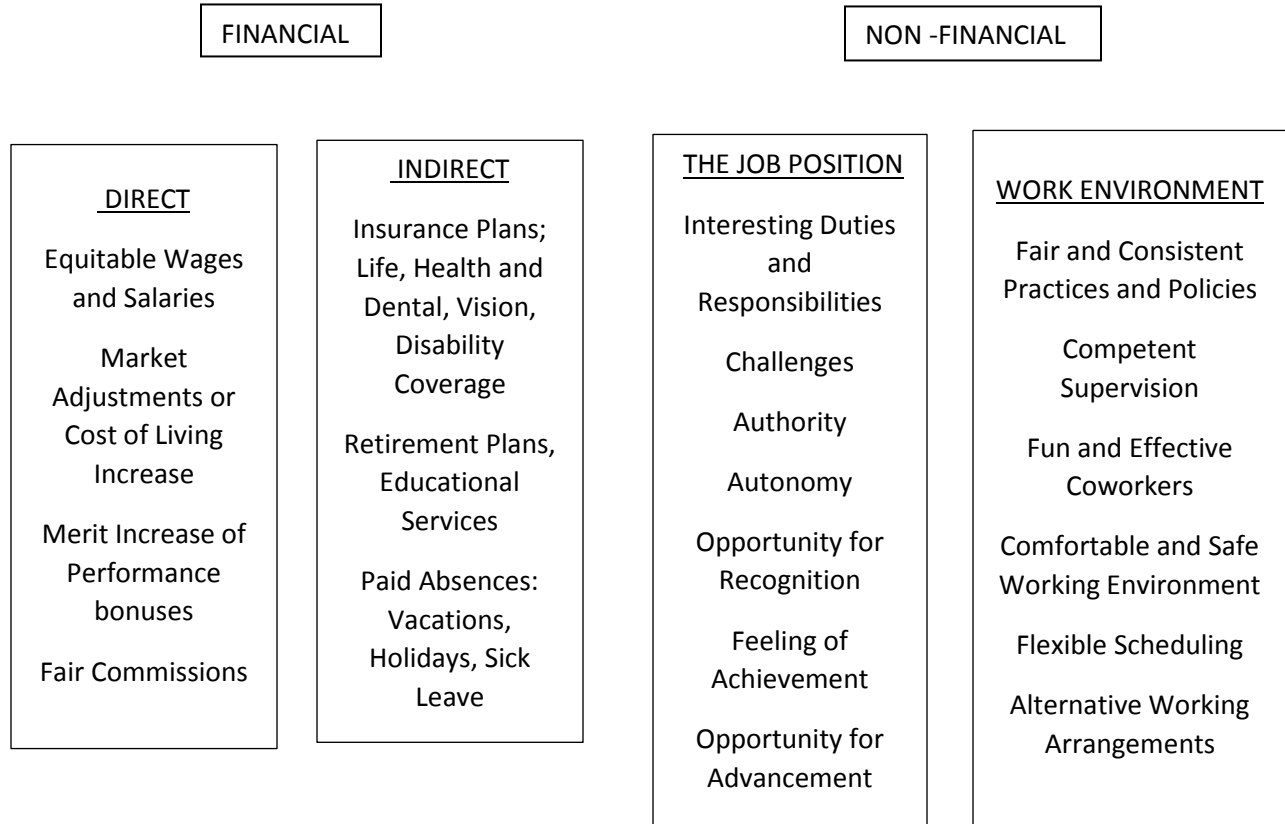
The chart on the following page from the HR Toolkit defining compensation helps to describe and provide some examples of the components of compensation.

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<sup>4</sup> United Counties of Leeds and Grenville, Council Report CW018-2017

<sup>5</sup> HR Council, HR Toolkit Defining Compensation [online] available at <http://hrcouncil.ca/hr-toolkit/defining-compensation.cfm>; Internet; accessed on December 12, 2017

## Examples of Financial vs Non-Financial Compensation<sup>6</sup>



### *Generational Shift:*

In my experience, I have perceived that the majority employees are interested in the financial aspects of compensation; they appear focus on the pay and benefits they will be receiving. However, in the municipal environment where the benefits and pay are relatively equal in a geographic market, research has shown it is the non-financial aspects of compensation that will attract and retain employees.

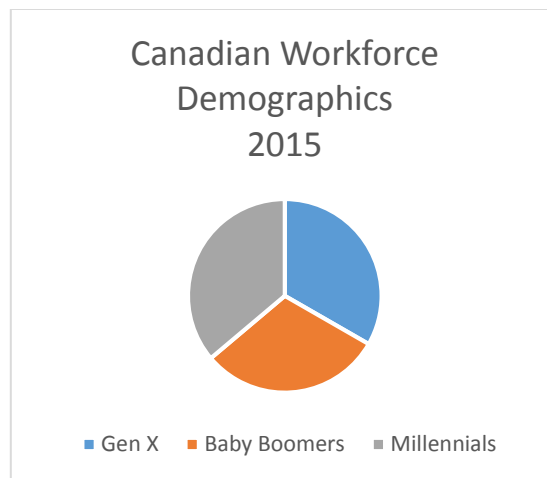
The generational make-up of today's workforce is changing, according to Statistics Canada 2014 Census Data the millennial generation (adults born between 1981-2000) make up 36.8% of the workforce, Generation X (1965 – 1980) make up 33.9 % and Baby Boomers (1946 -1964) make

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<sup>6</sup> HR Council, HR Toolkit Defining Compensation available at <http://hrcouncil.ca/hr-toolkit/defining-compensation.cfm>



up 31.1 % of the workforce. Further, the percentage of millennials is expected to rise to 50% of the workforce in 2020 and 75% by 2025<sup>7</sup>. The research conducted for this report has indicated that millennials will thrive in situations where they are given opportunities for personal and professional development. In addition, millennials enjoy having flexible work hours; they want time for family and friends, volunteering and personal hobbies. The pie chart below demonstrates that in Canada in 2015 millennials make up the largest generation in the workplace. The Counties needs to question what impact this will have on the municipality.



### *What is a Compensation Philosophy?*

A compensation philosophy is simply a formal statement documenting the company's position about employee compensation. It essentially explains the "why" behind employee pay and creates a framework for consistency.<sup>8</sup> Research has shown that when compensation philosophies are correctly designed, they may support the organizations strategic plan. Best practices would suggest that the compensation philosophy will reflect the culture and values of the Municipality.

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<sup>7</sup> Millennials are now the biggest generation in the Canadian Workforce by Graham F. Scott; (Scott)<http://www.canadianbusiness.com/innovation/the-millennial-majority-workforce/>

<sup>8</sup> Planning and Design: What is a Compensation Philosophy? What should be included in a Compensation Philosophy? By Society for Human Resource Management; <https://www.shrm.org/resourcesandtools/toos-and-samples/hr-qa/pages/compensationphilosophy.aspx>

A compensation philosophy serves many purposes, the key ones are to ensure the organization meets legislative requirements, retain and motivate employees and establish fair, equitable and transparent processes. Each of these are discussed in more detail as follows:

- **Ensure the organization meets legislative requirements:** Many different forms of legislation, such as The Pay Equity Act, Employment Standards Act, The Occupational Health and Safety Act and The Human Rights Code, bind Employers. Municipalities must adhere to legislation like other employers. These pieces of legislation have an impact on the development of a compensation philosophy. Legislation, such as the Employment Standards Act will often provide the minimum that must be provided to employees, many employers offer above the minimums. In addition, changes to legislation must be monitored, in 2018; the Ontario Government introduced Bill 148, which provided increases to the minimum benefits that must be given to employees.
- **Retain and Motivate Employees:** Gone are the days when employees began and ended careers with the same organization, gradually moving up the ladder to higher paid positions, employees now typically stay with organizations for less than five years, where one study found that the current average tenure at an organization is 4.6 years<sup>9</sup>. A well designed program will also motivate employees to work to the highest potential. One writer commented that if employees are satisfied and pleased with the compensation and benefits they are receiving they will be motivated to work hard and perform effectively and efficiently. Unmotivated employees are less productive and are more likely to leave the organization in search of a new position.<sup>10</sup>
- **Fair, Equitable and Transparent Processes:** Effective management of salary and benefit costs can allow an organization to main competitive and cost effective. Compensation philosophies will help to provide a strong starting point for the employee and the organization. In the absence of a compensation philosophy, managers may be tasked with the difficult challenge of determining what pay and benefits to offer to an

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<sup>9</sup> How Long Should an Employee Stay at a Job; by Alison Doyle; <https://www.thebalancecareers.com/how-long-should-an-employee-stay-at-a-job-2059796> (Doyle)

<sup>10</sup> The Disadvantages of Unmotivated Employees; by Catherine Capozzi; <https://bizfluent.com/info-12124485-disadvantages-unmotivated-employees.html> (Capozzi)

employee. If the manager offered a package that was too high in comparison to what other employees were receiving, this would have the potential to create an unfair work environment, given that employees were not treated equally. Further, if the manager offered a package that was too low, the organization may be unsuccessful in the recruitment of qualified employees.

The United Counties of Leeds and Grenville has found recruitment and retention of skilled workers has been a challenge recently given the shortage of skilled workers. Statistics Canada reported the national unemployment rate for July to be 5.8 per cent, which is the lowest it has been in the past four decades.<sup>11</sup> These challenges support the need for a more structured and transparent compensation philosophy.

## **Section Two – Financial Elements**

### **Direct Financial Benefits**

Salaries and wages consist of two parts, including base pay and bonus or incentive pay. Base salaries or wages can be defined as a fixed amount of money paid to an employee by an employer in return for work performed. Base wages or salaries do not include benefits, bonuses or any other potential compensation from an employer.<sup>12</sup> The difference between salaries and wages is the type of payment. Salaries are paid on a fixed schedule, where most frequently salaries are paid bi-weekly. Wages are paid hourly, an example would be where employees working seven (7) hour days, five (5) per week will receive a total of seventy (70) paid hours in each bi-weekly pay period. Incentive Pay is a monetary gift provided to an employee based on performance, which is thought of as one way to entice the employee to continue delivering

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<sup>11</sup> Canada's Labour Shortage Is the 'New Norm,' Will Last A Decade: Economist; by David Paddon; [https://www.huffingtonpost.ca/2018/09/05/labour-shortage-canada\\_a\\_23517802/](https://www.huffingtonpost.ca/2018/09/05/labour-shortage-canada_a_23517802/) (Paddon)

<sup>12</sup> Business Dictionary.com, What is base salary? Definition and Meaning [online] available at [www.businessdictionary.com/definition/base-salary.html](http://www.businessdictionary.com/definition/base-salary.html)

positive results<sup>13</sup>. A bonus is compensation for work performed above and beyond normal or expected duties; bonuses are often used as incentives for increased productivity<sup>14</sup>.

In determining what municipalities are willing to pay for wages and salaries, management will need to have an understanding of several important items to form their recommendations to Council. They will need to have a solid understanding of the current and forecasted economic conditions of the region in which the organization operates and in addition, they must also review the volume of qualified candidates for the current and upcoming positions as well as they must have knowledge of any legislative and regulatory requirements.

There are several steps to be taken in determining the base rate of pay for a position. In order to determine the base rate of pay for a position, management must have an understanding of what the main role of the position is and how it links with the organization, how much responsibility will this position hold and how much complexity is involved in the duties of the position. One way to ensure that management has a clear understanding of the position, is to create detailed job descriptions for each position in the organization. Following the completion of the job description a job analysis or job evaluation should be conducted to assess the position against using a job evaluation tool. The job evaluation will compare the new or changed position against positions that already exist in the organization and rank the position on the existing salary grid. By evaluating all new/changed positions against using the same tool will help to ensure the organization is maintaining internal equity. Internal equity ensures that positions performing similar duties or tasks are being compensated the same.

Organizations may decide to take the determination of base rates one step further by reviewing the current and forecasted economic conditions of the region in which the organization operates. One method for this is to complete compensation surveys and/or polling the comparator municipalities.

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<sup>13</sup> Business Dictionary.com, What is incentive pay? Definition and Meaning [online] available at [www.businessdictionary.com/definintion/incentive-pay.html](http://www.businessdictionary.com/definintion/incentive-pay.html)

<sup>14</sup> Business Dictionary.com, What is performance bonus? Definition and Meaning [online] available at [www.businessdictionary.com/definition/performance-bonus.html](http://www.businessdictionary.com/definition/performance-bonus.html)

It is important for organizations to conduct a periodic review of its pay structure to ensure that the organization is remaining competitive in relation to the market in which they operate. In addition, best practices suggests that an annual review should be conducted to determine if the organizations are maintaining the legislative requirements.

Base pay has been defined as the fixed amount paid to an employee, Pay increases occur when the base pay an employee receives increases. Research shows that there are four main types of pay increases that employees are eligible to receive, cost of living increases, market adjustments, promotional increases and merit increases.

A cost of living increase; is an increase awarded to employees regardless of performance with the purpose of increasing the employees base wage to account for increases in the cost of living. At the Counties cost of Living increases are typically awarded once per year, at a rate recommended by staff and approved by Council.

A market adjustment is an increase that usually occurs following a market review of a position, typically following the completion of a salary survey. Organizations review their current rates of pay against those of the comparators to ensure their position in the market remains the same as identified in the compensation philosophy, i.e. do organizations wish to lag the market, meet the market or lead the market.

A promotional increase is given to an employee who receives a promotion or advances to a position at a higher base pay then the employee currently receives. Organizations can set policy for what a standard promotion increase would be.

A merit increase is typically awarded to employees as a way to recognize their contribution to the organization, they are directly linked to an employees performance. Merit increases are a way to move employees through the current pay band, moving them from the starting position up to the job rate. Merit increases are typically awarded on an employees anniversary date and upon the completion of a successful performance evaluation. Some employers may also set merit increase dates based on calendar or other date.

The combination of the direct financial benefits noted above assist in the creation of one area of a compensation philosophy. The United Counties of Leeds and Grenville has many of those elements.

The Counties current salary structure was first developed in 1999, at the time of provincial downloading and growth of the organizations size and which has been amended from time to time. The first step in this process was job evaluation. After conducting initial job evaluations to achieve both pay and internal equity. The Counties has conducted maintenance job evaluation reviews every five years order to ensure that pay and internal equity is maintained. As new positions are introduced they are evaluated using the same gender neutral evaluation tool that is used to conduct the maintenance exercise. The Counties pay structure consists of hourly and salary paid employees. The hourly pay grid consists of five different pay bands and each band has seven steps. The salary grid consists of four pay bands and the annual salary is shown in three steps (min, mid and max).

Cost of Living (COLA) adjustments are awarded on an annual basis effective January 1<sup>st</sup> of each year, subject to Council approval. In determining the appropriate cost of living adjustment, management will review the market index and salary and wage information from neighbouring municipalities to ensure that the increases are consistent across the region. A sample copy of the Counties 2018 Salary grid can be found in Appendix A. In addition to reviewing wages and salaries annually, the Counties participates in a compensation survey every three to five years, to review their wage placement for different job classes across Ontario.

Historically, the Counties wages have lagged the market; however, given the information regarding recruitment of skilled workers, in my opinion going forward The Counties should revisit its wage structure and move towards a pay scale that matches the market. To meet Councils objective of being competitive and balancing fiscal responsibility. This will provide them with the ability to attract and retain workers using indirect financial and non-financial elements.

Merit increases at the Counties are awarded to employees based on successful performance in the previous year. Hourly paid employees are eligible for merit increases annually on their

anniversary date, upon the approval of the employee's direct supervisor. Salaried employees are eligible for merit increases on January 1<sup>st</sup> of each year. Increases are approved by the Divisional Director and signed off by the Chief Administrative Officer. Further study should be done in the area of performance management and what defines successful performance.

Promotional increases are awarded to employees who are successful in their application to a higher paid position. Promotional increases are awarded in accordance with the Counties HR Policy. The Promotion Policy states that "an employee promoted to a higher level classification will be placed in the salary range applicable to the new position at a step which gives the employee an increase in salary".

Employees, who have temporarily been given responsibilities of a position in a higher classification, are eligible for Acting Pay in accordance with the applicable HR Policy. The Acting Pay policy states that employees will be paid at a step in the salary range of the higher paying position that gives the employee a minimum of five percent (5%) increase for the duration of the acting assignment.

There is a discrepancy between the promotion policy and the acting pay policy; it could result in an employee having a decrease in pay if they are in an acting role, while the Counties is completing the recruitment and if the employee is then selected for the role. For example, an employee who currently sits in band D, at step 7 with an hourly rate of \$34.19, is fulfilling an acting role for an employee in band E. According to the current Acting pay policy that employee would be paid at the step in band E that gives them a 5% increase, this would be Step 5, \$36.32. However if this employee was given a promotion to a position in pay band E, they would only move to the step in that pay grid that provides them an increase, in this case they would move to step 4, \$34.74. The employee had a greater benefit during the acting assignment. In my opinion, as part of its philosophy, the Counties should implement a five percent (5%) minimum increase to anyone receiving a promotion or working in an acting role.

I believe that the Counties would benefit from a review of their current salaries and wages structure and applicable policies. In my opinion, the Counties would benefit if they increased the

salary and wage scale so that it matches what the market is paying. Part of the rationale for this is related to the shift in demographics and employment market conditions.

### **Indirect Financial Benefits**

Indirect benefits are optional and are not included in base wages, they are offered in addition to an employee's normal base wage or salary. Indirect benefits may include group insurance plans (health, dental, vision, life and ad&d), disability income protection (short term/ long term disability plans), retirement benefits, daycare, tuition reimbursement, sick leave, vacation (both paid and not paid) and funding of education as examples.

There are many benefits to benefit plans some of which are discussed in detail here. Employers may see increased productivity in employees because they feel a sense of security for the health and well-being of family. Employers may see higher retention rates if the benefit plans offered are more flexible or superior to that of its comparators. If employees are awarded the opportunity to contribute to a retirement or pension plan, they will feel more secure knowing that they will have a pension upon retirement.

While most employers offer benefits such as those noted above, employers have the ability to get creative to increase the quality of the benefits they offer, some suggestions from the HR Councils, HR Toolkit on Developing a Compensation rewards program are:

- Allowing employees to access benefits on their date of hire, instead of having to wait a standard waiting period
- Giving employees their birthday off with pay
- Being able to use some sick days as "personal health days" to allow employees to have a break without using all their holidays
- Providing flexibility with personalized benefit options such as health spending accounts or increased paramedical coverage.<sup>15</sup>

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<sup>15</sup> HR Council, HR Toolkit Defining Compensation available at <http://hrcouncil.ca/hr-toolkit/defining-compensation.cfm>



The starting point of most benefit plans, are health and dental plans. As healthcare costs are rising more and more employees are looking at the health and dental plans offered by employers, prior to accepting a position or as a reason for remaining at an organization when they receive a new job offer. Employers have the ability to be flexible in the level of benefits offered to employees; and can design plans that fit within the organizations budget.

In addition to offering health and dental benefits, employers may offer life insurance and accidental death or dismemberment (AD&D) coverage to protect the employee and their families. Life and AD&D coverages are normally a factor of the employees' annual salary, i.e 2x annual salary. Occasionally plans may include an option for additional coverage that the employees may purchase themselves.

Many employers offer income replacement plans in the event an employee needs to be absent due to non-occupationally illness or injury. Most plans consist of short-term disability provisions and long-term disability provisions. The idea with short-term disability is to offer income protection and bridge an employee until they are eligible for long-term disability. Many municipalities have set, the long-term disability elimination period at one hundred and twenty (120) days or seventeen (17) weeks. Employers may offer differing levels of short-term disability coverage depending on an employee's length of service with the organization. For example, a long-standing employee may be eligible for seventeen weeks of short-term disability at their regular base rate of pay, whereas a newer employee with very few years of service may be eligible for seventeen weeks of short-term disability at a percentage of their regular base rate of pay. Employers have flexibility in the short-term programs they offer, this allows for some cost savings in the benefits offered. Long-term disability programs provide employees a percentage of their regular base rate of pay as income replacement if they are unable to perform the essential duties of their position. Long-term disability plans differ in the elimination periods and termination/return provisions, employers must be aware of the differences and have an idea of what they are looking for when designing a Long-term disability program.

Many employers recognize that employees may require confidential, short term counselling to help them with a variety of issues, to assist employees in these areas, many employers offer

Employee Assistance Plans (EAP) or Employee and Family Assistance Plans (EFAP). EAPs offer a variety of services to assist employees and their dependents with personal and professional issues. The services offered by the EAP/EFAP providers are free of charge to employees and the information offered during the counselling sessions is confidential.

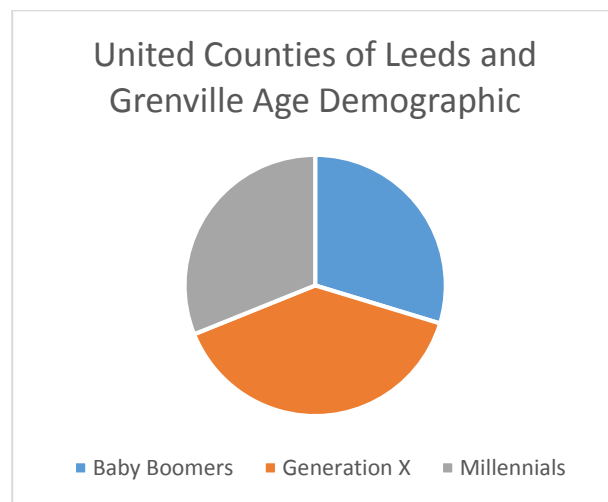
Further to the benefits noted above employers often, offer retirement plans to employees. Retirement plans allow employees to continue to receiving a monthly income after they have finished working. In the Municipal world, most employers offer enrollment in the Ontario Municipal Employees Retirement System (OMERS) pension plan. Employees will contribute to the plan by a percentage of their regular base pay, and this contribution is matched by the employer.

Aside from the indirect financial benefits noted above that provide security for employees with respect to health and well-being and their financial future, employers offer benefits such as paid vacation leave above the mandatory requirements, education leave and tuition reimbursement, supplementary top up plans for job protected leaves, such as pregnancy and parental leave.

Most of the benefits noted above are specifically designed for and awarded to permanent full time employees. Typically, part time employees will be given a set percentage as pay in lieu of benefits. This pay in lieu will be added to the employee's payroll deposit, in order to compensate for the benefits available to full time employees. One other option for providing benefits to part time employees, is offering a pro-rated portion of the benefits to part time employees based on the employees standard hours of work. For example if a part time employee works seventy-five percent (75%) of a full time employees regular work week, the part time employee may be eligible for health and dental benefits provided they contribute twenty-five percent (25%) of the premium.

The Counties offers a very comprehensive employee benefit package, including health, dental, vision, life insurance, accidental death and dismemberment coverage and long-term disability coverage. Enrollment in the plan is mandatory for all permanent full time employees and permanent part time employees working twenty-four (24) hours per week or more and the premiums are one hundred percent (100%) employer paid. Eligible employees are able to enroll

in the plan after three (3) months of continuous service. Employees have the option of purchasing additional life insurance coverage for themselves, their spouse or dependents; the premiums for the additional life insurance coverage is one hundred percent paid by the employee. The Counties provides sick leave and short-term disability coverage to employees to help them when they have personal illnesses that require them to be absent from the workplace. The Counties has three different generations in the workforce, based on 2018 payroll data, The Counties current age demographic has the Boomers at 29.7%, Generation X making up 39.2% of the population and millennials at 31.1% of the working group. The following pie chart shows the current generational makeup of the United Counties of Leeds and Grenville.



An article published by Benefits Canada, called the next generation of benefits plans by Kanupriya Vashisht, notes that as organizations are seeing more and more millennials entering the workforce and more baby boomers are exiting, it is important for organizations to recognize that health care has also evolved over time, health has evolved from being solely about curing ailments to be more about preventative care and overall wellness.<sup>16</sup> The Counties may benefit from designing a flexible benefit program that allows employees to choose the coverage and levels of coverage that best suit their lifestyle. For example, Vashisht notes that Baby Boomers value the traditional prescription drug coverage, as well as long-term disability coverage, should

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<sup>16</sup> The next generation of benefit plans. By Kanupriya Vashisht; [www.benefitscanada.com/benefits/health-benefits/the-next-generation-of-benefits-plans-578982print](http://www.benefitscanada.com/benefits/health-benefits/the-next-generation-of-benefits-plans-578982print). (Vashisht)

they be absent from work for an extended period of time. On the other end of the spectrum, millennials are not as focused on curing ailments; they are looking for coverage that assists them in achieving and maintaining a health and active lifestyle. Millennials show interest in alternate therapies, gym memberships, wellness programs and paramedical coverage. Stuck in the middle is generation X, or the sandwich generation, because this generation has to take care of aging parents and growing children, they are looking for benefits that provide them with support if they need to take time off to care for an ill parent. Adding compassion benefits to the short-term and long-term disability coverages will provide peace of mind to this generation. By designing a plan with flexibility in mind, the Counties may be able to allow employees to choose coverage levels without affecting the overall budget; some employees may choose increased paramedical coverages over prescription plans, whereas some may choose to increase the percentage of overall income payable if they were to use the long-term disability benefits.

The Counties also currently offers a supplemental pregnancy and parental leave benefit. This benefit provides a top up for employees who are in receipt of employment insurance pregnancy and/or parental leave benefits. Research has shown that while the Counties has a growing percentage of young employees, they may benefit from expanding the supplemental benefit policy to include additional leaves paid by employment insurance, such as compassionate care leave or family medical leave. The addition of these benefits will increase benefit cost, the value added to employees will, in my opinion outweigh the increase in cost. Employees may be more motivated and productive knowing that they have an option and the financial means to take time to care for an elderly parent, or ill family member.

While benefit coverage isn't provided to temporary employees or part time employees working less than twenty-four (24) hours a week, the Counties does pay a percentage in lieu of employer provided benefits to part time employees. Currently, part time employees receive six percent (6%) of their regular bi-weekly wages, on each payroll deposit in lieu of benefits. Given the estimated annual cost of the employer provided benefits offered to full time employees, the Counties may want to consider offering an increased percentage in lieu of benefits to part time employees. Providing part time employees with a percentage in lieu of eight percent (8%) will bring the percentage in lieu more in line with the overall cost of full time employee benefits.

Average Benefit Cost*	\$ 8,736
Average Employee Wage*	\$71,000
Benefits Percentage	12%

\*based on 2018 Employee and Benefits Data

In my opinion, the Counties provides a very attractive benefits package that will assist in the recruitment and retention of employees. By exploring some cost effective changes to the plan currently in place and benchmarking the plan against others, the Counties will be able to continue to recruit, retain and motivate the next generation of employees entering the municipality.

**Section Three – Non-Financial Elements**

The final components of a compensation philosophy are non-financial elements and have no financial impact on the organization. Ultimately, the culture and values of an organization will help to define what the non-financial benefits will look like. When developing the non-financial elements of a compensation philosophy the organization should be sure that, the benefits provided are in line with the organizations strategic initiatives or goals.

With the shift to more millennials occupying the workplace, organizations will need to put more emphasis on the non-financial components of compensation philosophies, 70% of millennial employees say they'd rather work remotely organizations will need to adapt to the changing work environment and research ways to offer non-financial benefits that will attract and retain these employees. Scott Allinson, of the Human Resources Professionals Association (HRPA) notes in an article published by Global News in April 2017, that work-life balance is one of the time things millennials consider important in their careers, this factor is so important to millennials that they're willing to give up a job with a good salary if it negatively impacts their work-life balance.<sup>17</sup>

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<sup>17</sup> Work Life Balance and Millennials, by Scott Allinson, [www.globalnews.com/](http://www.globalnews.com/)

There are two main types of non-financial benefits. These include benefits linked directly to the job position and those benefits linked to the work environment as a whole.

### **Job Position Non-Financial Benefits**

Job position benefits are linked to the job positions that an employee holds or aspires to hold within an organization, such as professional development and advancement opportunities and position duties, such as having autonomy.

Professional development can come in the form of either personal or professional growth. Personal growth could be an employee who is not overly comfortable with their ability to diffuse stressful situations and provide them with stress management strategy. For example, a Manager who needs to deal with difficult employees, providing that Manager the opportunity to attend courses on dealing with difficult people, to help build confidence in their role. Professional growth would allow an employee to develop skills related to their current role, or a future role they aspire to hold within the organization. In addition, offering employees reimbursement for courses taken outside of work, most often this would be any additional courses that an employee needs to take to achieve a personal designation or degree, can be seen as beneficial to employees.

Organizations may also benefit from supporting employees career development. Organizations can support employee's career development by building a review of annual goals into the performance review process and providing opportunities for cross training and advancement. Cross training will provide stability for an organization as well, by having more than one individual trained on a specific position; the organization will be able to offer continuous service in the event of absence by an employee.

An article published by Terry Bragg, notes that interesting and challenging work is a top motivator in the workplace. The work itself is a stronger motivator than the compensation for the work<sup>18</sup>. Randstad Canada in an article titled 8 Reasons you're losing your best employees

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<sup>18</sup> Motivate your employees by offering more interesting, challenging job experiences; by Terry Bragg; <https://www.bizjournals.com/louisville/stories/2002/09/02/editorial2.html> (Bragg, n.d.)

states that employers that offer meaningful, challenging work will prevent employees from becoming not challenged in the tasks they are assigned. In addition to challenging work, employees like to have the autonomy to complete tasks; employees who are given an opportunity to make decisions are more likely to feel fulfilled in their work.<sup>19</sup>

### **Work Environment Non-Financial Benefits**

Work environment benefits speak to how an employee fits into an organization, and whether the culture of the organization supports the employee's needs.

The overall organizational culture is something that employees will examine when determining if they would like to accept a position with an organization or if they will stay with an organization when presented with job offers outside of their current workplace.

One component of the organizational culture is the interaction between the employees and managers themselves. Research has shown that employees want to work at an organization when they get along with their coworkers and they receive effective direction and supervision.

Another component of organizational culture is the flexibility offered by the organization. With the changing demographic employees today are looking for flexible work environments that allows them to achieve the work/life balance they are looking for. There are several ways in which an employer can be flexible in allowing employees to achieve their work life balance, without compromising the organization's core function. Some options for flexible work schedules are detailed below.

- Flexible time: Allowing employees to come in earlier/later and completing work earlier/later provided the core number of hours per day have been completed.
- Compressed Work Weeks: Allowing employees to work longer hours over fewer days to make up the same weekly working hours.
- Working from Home (telecommuting): Allowing employees to work offsite, typically from their home instead of physically attending the work location.

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<sup>19</sup> 8 Reasons you're losing your best employees, Randstad Canada, [www.randstad.ca/workforce360-trends/archives/8-reasons-you-re-losing-your-best-employees.605/](http://www.randstad.ca/workforce360-trends/archives/8-reasons-you-re-losing-your-best-employees.605/)

Telecommuting has become increasingly popular as technology has improved and is especially popular among the millennial population.

Effective communication of the non-financial benefits available to employees is key in attracting new talent, as well as retaining talent. If potential and existing employees are not aware of the benefits available to them, they may overlook employment or look for new employment at an organization that places an emphasis on the non-financial benefits.

### **The United Counties of Leeds and Grenville and Non-Financial Elements**

The Counties is an organization that encourages its employees to develop their skills both personally and professionally. The Counties has a training and development policy that allows employees to attend seminars or take courses that will help to better themselves as individuals and employees. Introducing annual check-ins with employees as part of the annual review process, to determine what employee's career objectives and goals are, may be beneficial. The Counties could go one-step further and managers could sit down with employees, go over the employee's goals and objectives, and work out a development plan that helps employees achieve those goals.

With the changing dynamics of the workplace, The Counties needs to consider personal and professional development, as one of the top attractions in recruitment and retention, professional development is especially important to the millennial generations they have noted personal and professional development as their first choice benefit from employers<sup>20</sup>.

The Counties also needs to ensure that employees are performing work that is challenging and allows employees take pride in their work. Managers should consider offering new and challenging tasks to employees who make it known that they are looking for more challenging work as part of the review process. Everyone's needs are different and management needs to be flexible and understand that while one employee may be happy performing the same routine tasks, another employee is going to get bored easily and may be looking for new challenges.

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<sup>20</sup> Professional Development is Important to Millennials, By Bobclary101; <https://hr-gazette.com/professional-development-is-important-to-millennials/> (Bobclary101, n.d.)



These wants and needs can be identified as part of the performance review process. An employee looking for a more challenging task may thrive if given a new assignment working in conjunction with other employees.

The Counties currently has a policy with respect to alternate work arrangements, however the policy is outdated and should be reviewed and updated. I would recommend the creation of a flextime policy, giving employees the option of designing their own workweek, as long as there is no interruption to the core services provided and where operational requirements permit. The employee's direct supervisor must approve flextime requests. Allowing employees to work compressed work weeks and to work from home, could be permitted on rare occasions, for example if an employee knows that they require a Friday off, their supervisor could permit them to work extra hours from Monday to Thursday to make up the time they need for Friday, or if an employee needs to stay at home one day due to a sick child or lack of daycare for a child, and they have the ability to perform their work from home, that could be allowed.

Communicating all of the non-financial benefits to employees should be done prior to hire, The Counties could develop a "New Employee Handbook", which could be done online through a staff engagement site, that contains all of the benefits available to them. This handbook would be beneficial to existing employees as well, who may not be aware of the benefits they have available.

#### **Section Four – Conclusion**

Compensation philosophies support an organization and its strategic plan. A well designed plan will reflect the culture and values of the municipality. Creating a philosophy that is transparent and equitable to all employees will ensure that organizations are meeting all legislative requirements and attracting and retaining key employees.

The key elements that make up a compensation philosophy are:

- Financial Elements
  - Direct Benefits
  - Indirect Benefits

- Non-Financial Elements
  - Job Position
  - Work Environment

As the makeup of the workforce is changing with millennials soon to make up more than half of the workforce organizations need to examine what it is that millennials are looking for in an employer. Understanding that money is not necessarily the most important factor, for many millennials professional development and flexibility rank above the base rate of pay in determining employment.

In summary, my key recommendations for the United Counties in developing its compensation philosophy for 2020 and beyond are”

- Review of Salary and Wage Grid to bring the wage rates closer to the market rates
- Review the current benefit plans and make some changes that appeal to the different generations in the workforce
- Examine the current flex time policy

In my opinion, a comprehensive and competitive compensation philosophy at the Counties will support Leeds Grenville and its brand identity *“Where lifestyle grows good business”*

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## Appendix A: United Counties of Leeds and Grenville, 2018 Salary Grid

2018 STAFF WAGE/SALARY CLASSIFICATIONS AND GRID									
HOURLY CLASSIFICATIONS									
Classification / Points Band and Wage Grid			STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	STEP 6	STEP 7
			76%	80%	84%	88%	92%	96%	100%
A	200-399		15.53	16.35	17.17	17.99	18.80	19.62	20.44
B	400-599	Equipment Operator 1 / Labourer - PW Weed Inspector (Seasonal) - PW	18.91	19.90	20.90	21.89	22.89	23.88	24.88
C	600-799	Accounting Clerk - CS Accounts Payable Clerk - CS Administrative Assistant - PS Administrative Assistant - MVL Administrative Assistant - PW Administration Support Clerk - ADM Economic Development Assistant - ADM Human Resources Assistant - CS Equipment Operator 2 - PW POA Collections Officer - CS POA Administration Clerk - CS Stockkeeper / Garage Attendant - PW	21.25	22.37	23.49	24.60	25.72	26.84	27.96
D	800-999	Accounting Services Analyst - CS Administrative Specialist - CS Consent Granting Authority Coordinator PW Court Services Representative - CS Executive Assistant - PW Human Resources Analyst - CS Engineering Technician - PW Financial Analyst - CS Forest Technician - PW GIS Technician - CS IT Support Analyst - CS Junior Planner - PW Training Associate - CS	25.98	27.35	28.72	30.09	31.45	32.82	34.19
E	1000-1199	Business Development Officer - ADM Business Retention Officer - ADM Corporate Services Coordinator - CS Deputy Clerk - ADM Economic Development Officer - ADM Human Resources Coordinator - CS Human Resources Representative - CS CSS Fin. Analyst/Acct. Systems Supervisor - CS Facilities Supervisor - CS Forest Manager - PW Maintenance Supervisor - CSS Mechanic - PW Patrol Supervisor - PW POA Coordinator - CS Policy and Program Review Analyst - CSS Program Coordinator -CSS Purchasing Coordinator - CS Resident Services Supervisor - MVL Support Services Supervisor - MVL	30.00	31.58	33.16	34.74	36.32	37.90	39.48

Appendix A Continued.

<b>SALARY CLASSIFICATIONS</b>					
<b>Classification / Points Band and Salary Ranges</b>					
			MIN	MID	MAX
F	1200-1399	Asset and Facilities Supervisor - CSS	\$ 72,002	\$ 78,860	\$ 85,717
		Assistant Director of Care - MVL			
		Deputy Treasurer			
		Economic Development Manager - ADM			
		Information Systems Services Supervisor - CS			
		GIS Manager - CS			
		County Clerk - ADM			
		Network Manager - CS			
		Program Supervisor - CSS			
		Public Works Coordinator - PW			
		Supervisor - PS			
G	1400-1599	Commander - PS	\$ 85,302	\$ 95,964	\$ 106,627
		Deputy Chief - PS			
		Director of Care - MVL			
		Mgr. Childrens Services			
		Mgr. CSS Financial Services - CS			
		Mgr. Engineering and Construction - PW			
		Mgr. Integrated Program Delivery - CSS			
		Mgr. Human Resources - CS			
		Mgr. Planning Services - PW			
		Mgr. Social Housing - CSS			
		Mgr. Technical Services - CS			
H	1600-1799	Administrator - MVL	\$ 102,932	\$ 115,798	\$ 128,665
		Chief - EMS			
		Treasurer - CS			
I	1800-1999	Director of Corp Services - CS	\$ 113,490	\$ 127,677	\$ 141,863
		Director of Community and Social Services - CSS			
		Director of Public Works - PW			