

Public Sector Management & Executive Compensation Freeze Policy September 2012

Purpose

This policy results in a freeze in compensation paid to managers and executives employed by public sector employers in British Columbia.

Background

The legislative authority for this policy is the *Public Sector Employers Act*. The *Act* requires that employee compensation plans and contracts be approved by the Minister responsible for the *Act* prior to implementation of those plans and contracts and provides the Minister with the authority to direct public sector employers to prepare compensation plans consistent with the Minister's direction.

Scope

This policy applies to Public Sector Employers and Employers' Associations as defined in the *Public Sector Employers Act* ("Public Sector Employer").

This policy applies to wages and salaries ("Cash Compensation") paid to all excluded managers and executives of a Public Sector Employer ("Managers and Executives"). This policy does not apply to employees whose compensation is tied to collective agreement salary structures, such as employees who are covered by a collective agreement or similar document, employees who are employed in bargaining-unit equivalent positions, or positions excluded from union membership by the *Labour Relations Code*.

This policy is effective September 13, 2012, and will continue while Government undertakes a review of spending.

Policy

Compensation for Managers and Executives who are covered by this policy is frozen.

Managers and Executives may not receive any increases in Cash Compensation, including increases based on length of service, merit, increments, or progression through salary ranges.

Managers and Executives may continue to receive re-earnable incentives that are part of a legally-binding contract and approved compensation plan.

Managers and Executives may also receive compensation increases that are specified by time and amount in legally-binding contracts and approved compensation plans.

Employers may not use organizational restructuring or reclassification of positions in order to circumvent the intent of this policy.

This policy does not delay the implementation of modified executive and excluded compensation plans that are required by the July 2012 Crown Corporation Executive Compensation Policy.¹

Implementation and Compliance

Where issues arise in specific circumstances that are not addressed by this policy, the PSEC Secretariat will work with Public Sector Employers to resolve those issues in a manner that is consistent with this purpose of this policy.

The *Public Sector Employers Act* has a number of enforcement provisions which will assist Government and employers to implement this policy. Please direct any questions you have about these provisions to the PSEC Secretariat.

¹ http://www.fin.gov.bc.ca/psec/disclosedocs/crown_corporation_executive_compensation_july_2012.pdf.

FREQUENTLY ASKED QUESTIONS
Public Sector Management & Executive
Compensation Freeze
Policy
October 2012

1. What is the purpose of this policy?

The purpose of this policy is to freeze compensation paid to managers and executives employed by public sector employers in British Columbia at current levels in an effort to control public sector compensation costs.

2. Who is included in this freeze?

This policy applies wages and salaries paid to managers and executives employed by a Public Sector Employer or Employers' Association as defined in the *Public Sector Employers Act*.

3. Who is defined as a Manager?

In the context of this policy, a Manager will usually be an individual classified or compensated according to a management compensation or classification structure. This will usually be a person whose responsibilities include supervising or directing staff, although there are instances where this may not be the case. Public Sector employers should contact the Public Sector Employers' Council Secretariat with any questions that they may have on who is covered by the definition of manager.

4. Who isn't covered by the policy?

This policy does not apply to employees whose compensation is tied to collective agreement salary structures. This will include employees who are covered by a collective agreement or similar document, employees who are employed in bargaining-unit equivalent positions (e.g., "Schedule A" employees employed in the Public Service), and positions excluded from membership by the *Labour Relations Code*.

5. When does it take effect, and when does it end?

This policy is effective September 13, 2012, and will continue while Government undertakes a review of spending.

6. What does this policy mean to my organization?

The compensation paid to Managers and Executives at a Public Sector Employer who is covered by this policy is now frozen. Managers and Executives may not receive any increases in cash compensation, including increases based on length of service, merit, or progression through salary ranges.

Managers and Executives may receive compensation increases that are specified by time and amount in legally-binding contracts and approved compensation plans.

7. How does this affect reclassifications of positions?

Employers may not use organizational restructuring or reclassification of positions in order to avoid the purpose of the freeze and the intent of this policy.

8. Can I renew a contract that will result in an increase to the salary?

No. During the freeze, employers may not renew contracts that will result in a compensation increase. However, employers may include reopener provisions in contracts that will allow a discussion of compensation increases at a later time should Government policy on the freeze change.

9. Can I add a new retention bonus to ensure key Managers and Executives do not resign from my organization during this freeze?

No. A retention bonus is not acceptable under the terms of the policy as it would be considered a compensation increase.

10. Can I rehire a Manager or Executive to a more highly paid position if he/she resigns the previously held job?

Employers may not circumvent the intent of the policy by rehiring existing managers or executives at a higher rate of pay.

11. What if my contracts stipulate that I must pay bonuses to my managers and executives?

Managers and Executives may continue to receive re-earnable incentives that are part of a legally-binding employment contract and approved compensation plan.

12. Does this offset or change any direction coming out of the Crown Corporation Executive Compensation Policy?

No. This policy does not delay or otherwise change any aspect of the implementation of modified executive and excluded compensation plans that are required by the July 2012 Crown Corporation Executive Compensation Policy.²

13. Under what authority is this freeze being directed?

The legislative authority for this policy is the *Public Sector Employers Act*. The *Act* requires that employee compensation plans and contracts be approved by the Minister responsible for the *Act* prior to implementation of those plans and contracts and provides the Minister with the authority to direct public sector employers to prepare compensation plans consistent with the Minister's direction.

14. What should I do if I have an exceptional circumstance and require assistance?

The PSEC Secretariat will work with Public Sector Employers to resolve issues in a manner that is consistent with this policy's intent.

² http://www.fin.gov.bc.ca/psec/disclosuredocs/crown_corporation_executive_compensation_july_2012.pdf.