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June 25, 2015

SENT BY EMAIL

Renzo Del Negro, CEO  
BC Public School Employers' Association

Gentil Mateus, CEO  
Community Social Services Employers' Association

David Logan, President and CEO  
Health Employers' Association of British Columbia

Blair Littler, Executive Director  
University Public Sector Employers' Association

Anita Bleick, CEO  
Post-Secondary Employers' Association

Dear Colleagues:

**BC Public Sector Compensation Review – Implementation**

I am writing today to provide an update on Government's implementation of the *BC Public Sector Compensation Review* recommendations following consultation with employers' associations and employers earlier this year. Additionally, I am providing an update on the excluded management compensation freeze.

Over the past several years, a disciplined focus has been used to manage compensation costs in the broader public sector including the management compensation freeze and introduction of the Taxpayer Accountability Principles (TAP) to strengthen accountability and promote cost control. These measures have been integral to stabilizing the Province's fiscal situation. The willingness and collective efforts of both employers and employees has contributed significantly to Government's ability to deliver on the promise for consecutive balanced budgets and is greatly appreciated.

While Budget 2015 shows a larger-than-planned surplus for 2014/15, forecasts for the following years show narrow surpluses and ongoing fiscal risks. With compensation costs accounting for

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nearly 60 per cent of provincial spending, careful and prudent management of public sector compensation will remain an ongoing Government priority.

### ***Public Sector Compensation Review—Implementing a Common Compensation Philosophy***

The firm of Ernst and Young was retained to review broad trends in B.C. public sector compensation to ensure alignment with the TAP principle of *Appropriate Compensation* while recognizing the need to recruit and retain leaders who can positively impact the public sector.

This review was released in 2014 and included a number of recommendations that have been endorsed by Government; the key recommendations include:

- Create a common compensation philosophy and enablers based on core government's philosophy, including a refresh of that philosophy, shared principles standardized benchmarking, and investment in more accessible and comprehensive data;
- Build a governance model and processes to ensure alignment across the public sector, including establishment of a clear role for Cabinet and Crown corporations boards and alignment of employers' associations; and
- Deploy and make sustainable a model that includes regular market reviews, approval processes, and regular refreshment of the core government philosophy.

Earlier this year, PSEC led a focused, data-driven consultation with employers' associations and employers across the broader public sector to review compensation philosophies, as well as collect data on impacts of the wage freeze. The analysis demonstrated a lack of alignment in some areas, reaffirming the *BC Public Sector Compensation Review's* findings that shared principles would encourage greater rigour and consistency in the determination of compensation.

Government has endorsed the recommendation to align compensation practices in the broader public sector through the implementation of a shared, common compensation philosophy.

As the next step in implementing a common compensation philosophy, employers are being asked to update and align their compensation plans with the following core principles:

- **Performance** – Compensation programs support and promote a performance-based organizational culture.
- **Differentiation** – Differentiation of salary is supported where there are differences in the scope of the position within an organization, and/or due to superior individual team contributions.
- **Accountability** – Compensation decisions are objective and based upon a clear and well documented business rationale that demonstrates the appropriate expenditure of public funds.
- **Transparent** – Compensation programs are designed, managed and communicated in a manner that ensures the program is clearly understood by employees and the public while protecting individual personal information.

Detailed information is found in the attached *Employers' Guide – Implementing a Common Compensation Philosophy for the B.C. Public Sector*. I would ask that organizations submit to PSEC by November 30, 2015 a refreshed philosophy, for review and approval by the Minister

Responsible for the *Public Sector Employers Act* (Minister of Finance). PSEC staff are available to discuss draft materials and to assist with any questions.

***Update: Management Compensation Freeze***

A common philosophy will provide a standardized foundation for compensation decisions across broader public sector organizations. While employers are revising compensation philosophies, Government is authorizing some flexibility to address specific compensation issues that resulted from the wage freeze. This flexibility recognizes that during this period of frozen management compensation, unionized employees have received general wage increases and regular 'step' increments. Public sector managers play a key role in delivering services to British Columbians in a cost-effective manner every day. It's important to recognize the vital work they do, and one way we can do that is by providing some flexibility within the management compensation freeze policy.

Effective July 1, 2015, employers and employers' associations with an approved business case will be able to provide management staff with modest, targeted increases -- within existing salary ranges and subject to the parameters outlined below:

- Increases will focus on cases of demonstrated salary compression or inversion or to ensure the retention of high performing employees.
- No general wage increases; proposed salary adjustments must be within existing salary ranges.
- Increases are to be funded within existing budgets and not impact other efficiency targets.
- The wage freeze remains status quo for executive employees at this time.

For further discussion, PSEC will be hosting a conference call for employers' associations to ask questions or seek clarity on Friday, June 26, 2015 @ 1:30pm.

On behalf of PSEC, I would like to extend my appreciation for your cooperation and participation in our consultations and data requests over the past few months.

If you have any questions, please feel free to contact me at (250) 387-0842 or [Christina.Zacharuk@gov.bc.ca](mailto:Christina.Zacharuk@gov.bc.ca)

Sincerely,



Christina Zacharuk  
Interim President and CEO

Attached: *Employers' Guide – Implementing a Common Compensation Philosophy for the B.C. Public Sector*

cc: Dave Byng, Deputy Minister  
Ministry of Education

cc: Cont'd.

Sheila Taylor, Deputy Minister  
Ministry of Social Development and Social Innovation

Mark Sieben, Deputy Minister  
Ministry of Children and Family Development

Stephen Brown, Deputy Minister  
Ministry of Health

Sandra Carroll, Deputy Minister  
Ministry of Advanced Education