

Provincial Government Announces Amendment to Management Compensation Freeze

The provincial government has announced an amendment to the management compensation freeze implemented in September 2012. This bulletin reviews:

1. the context and background of the compensation freeze
2. the work conducted by the BC Public School Employers' Association (BCPSEA), including the work of the BCPSEA Exempt Staff Compensation Working Group, to prepare for the amendment to the freeze
3. the BC Public Sector Compensation Review report recommendation for a consistent public sector compensation philosophy and policy to apply across the provincial government and the broader provincial public sector
4. the parameters of the amended compensation freeze as set out by the Public Sector Employers' Council (PSEC)
5. the service and assistance BCPSEA will provide to districts, in conjunction with external compensation consultant Western Compensation and Benefits Consultants, to review and revise individual district exempt staff salary structures for submission to and approval by PSEC.

1. Background

On September 13, 2012, as the Minister responsible for the [Public Sector Employers Act](#), the Minister of Finance announced a comprehensive compensation freeze for all management excluded positions in the broader public sector. Government advised that the compensation freeze was implemented in response to the continued economic downturn and the associated pressures on the provincial budget.

During this period, as part of the government's Core Review process, Ernst & Young was retained to review compensation across the broader public sector, including local government. [The BC Public Sector Compensation Review](#) (the Review report), released in October 2014, included a number of recommendations, which have been generally accepted by government. PSEC was tasked with implementing the recommendations specific to public sector employers.

The three key recommendations in the Review report are:

1. Create a common compensation philosophy for the provincial public sector based on the refreshed philosophy for Core Government including shared principles and discipline in decision making.

2. Build a governance model to ensure alignment across the public sector, articulating clear roles and responsibilities.
3. Deploy a model that includes regular reviews, approval processes, and a periodic refresh of core government's compensation philosophy.

2. The BCPSEA Exempt Staff Compensation Working Group

Shortly after the compensation freeze was implemented, BCPSEA re-convened the Exempt Staff Compensation Working Group (ESCWG) comprised of representatives of the BC School Superintendents' Association, the BC Association of School Business Officials, the BC Principals' and Vice Principals' Association, the Public Sector Employers' Council Secretariat, school district senior human resources practitioners, external compensation consultants, and BCPSEA staff.

This proactive initiative was undertaken to prepare the necessary business case — grounded in data-based analyses and methodology, and consistent with the BCPSEA exempt staff compensation management plan for the sector, which reflects both compensation governance best practices and compensation technical best practices — in order to inform government and the K-12 sector itself of the specific challenges and implications of decisions related to exempt staff compensation, including the challenges of attracting and retaining qualified individuals in key leadership positions.

The resulting discussion resource, "Realities, Risks, and Rewards: Taking a Systems Approach to Executive and Exempt Staff Compensation in the K-12 Public Education Sector," which was presented at the BCPSEA Symposium in October 2014 and distributed to school districts shortly thereafter, includes considerable information, analysis, and recommendations for consideration.

A key recommendation of the ESCWG is the implementation of regional salary models for principal and vice principal positions, at pages 16-20 of the report.

The report's recommendation with respect to the development and maintenance of compensation structures for district-based exempt positions is set out on pages 27-30 of the report:

"The ESCWG recognizes that the current technical approach to exempt staff compensation administration in the sector is congruent with compensation best practice — the alignment of relevant external labour market compensation data with the organization's internal equity." (p. 29).

The approach to review of compensation for district-based positions needs to be consistent with:

- compensation industry governance and technical standards/best practice
- the exempt staff compensation management plan for the K-12 public education sector ([Policy 95-06, Compensation and Employment Standards for School District Employees Not Subject to a Collective Agreement](#))
- the Public Sector Employers' Council (PSEC) [guidelines](#) for executive and exempt staff compensation. The latter includes PSEC's work to implement the recommendations of the [BC Public Sector Compensation Review](#) report as referenced on page one of this bulletin.

3. Common Compensation Philosophy

The [BC Public Sector Compensation Review](#) report includes a recommendation for a consistent public sector compensation philosophy and policy that would apply across the provincial government and the broader provincial public sector.

The BCPSEA approach is generally consistent with a common compensation philosophy for the public sector, based on shared principles and a standardized approach to benchmarking consistent with compensation technical best practice.

Having said that, PSEC does require the compensation philosophy for the broader public sector, including the K-12 public education sector, to embody the following four core principles:

- **Differentiation:** Differentiation of compensation is supported where there are differences in the scope of the position within an organization, and/or due to superior individual team contributions.
- **Performance:** Compensation programs support and promote a performance-based (merit) organizational culture.
- **Transparency:** 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.
- **Accountability:** Compensation decisions are objective and based upon a clear and well-documented business rationale that demonstrates the appropriate expenditure of public funds.

BCPSEA will undertake any work necessary to ensure that the BCPSEA exempt staff compensation management plan for the K-12 sector is consistent with these principles.

4. The Parameters of the Amended Management Compensation Freeze as Set Out by PSEC

The amendment to the management compensation freeze authorized by government will permit a school district to provide modest, differentiated increases to individual exempt staff positions (district-based and principal/vice principal) effective for the 2015 and 2016 calendar years. Permitted increases will be effective (retroactive) July 1, 2015 and January 1, 2016. Proposed increases will require prior approval of PSEC, and BCPSEA will work with districts to conduct the necessary work and prepare the business case for submission (see The Sectoral Exempt Staff Review Project below).

It is important to note that the increases permitted are not to be applied as a general wage increase — increases up to the permitted maximum must be differentiated on the basis of high achievement/performance, recruitment/retention risks, and demonstrated salary compression or inversion.

The increases must be funded within the school district's existing budget — the provincial government is not providing funding for these increases — and must not affect other efficiency targets as previously identified by government.

NOTE: PSEC advises that government **has not authorized** salary increases at this time for executive positions in the broader public sector. Recognizing that in the K-12 sector the position of Superintendent is not covered by the management compensation freeze (but is covered by the compensation disclosure reporting requirements of the *Public Sector Employers Act*), PSEC advises that the compensation freeze **continues to apply** to the executive positions of Secretary

Treasurer and Assistant Superintendent. PSEC is continuing its work with respect to executive positions in the broader public sector and we will advise as further information is made available.

[The letter to employers' associations from PSEC advising of the amendment to the compensation freeze is attached for your information.](#)

5. What the Amendment to the Freeze Means for the K-12 Public Education Sector: The Sectoral Exempt Staff Compensation Review Project

BCPSEA will provide each of the 60 public school districts with the assistance necessary to review and revise their exempt staff salary structures and prepare the necessary business case for **ALL** exempt positions — including the positions of Secretary Treasurer and Assistant Superintendent — for submission to PSEC.

Working with an external compensation consultant — Western Compensation and Benefits Consultants — the Sectoral Exempt Staff Compensation Review Project will align with industry-standard technical best practice.

5.1 For district-based positions, the service and assistance provided will include:

- Identifying the relevant labour market comparator organizations.
- Analyzing the job content (duties/responsibilities) of the school district's district-based benchmark positions relative to the job content of similar positions in the labour market comparator organizations in order to ensure meaningful position matches (for example, positions with similar titles may actually have significant disparities in actual responsibilities, some of which may attract additional compensation).
- Obtaining total compensation data, including salary ranges and actual salaries paid, for position matches in the comparator organizations.
- Determining internal equity of all the exempt positions and combining the job content analysis results with the labour market comparator group data to develop a salary structure on a total compensation basis that considers both internal equity and the external market. Development of the revised salary structure will include the need for discussion with the district to confirm at which reference point relative to the external market comparator data the district wishes to make a business case to set its compensation levels (for example, the median of the market).

5.2 For principal and vice principal positions, the service and assistance provided will include:

- Review and discussion of the district's current principal/vice principal salary structure
- Development of a proposed plan to transition principal/vice principal positions onto the applicable regional salary model as outlined in the report of the BCPSEA Exempt Staff Compensation Working Group, "Realities, Risks, and Rewards: Taking a Systems Approach to Executive and Exempt Staff Compensation in the K-12 Public Education Sector," dated October 2014.

The transition plan must reflect increases up to the permitted maximum, differentiated on the basis of high achievement/performance, recruitment/retention risks, and demonstrated salary compression or inversion.

It is important to recognize that transition of district-based and principal/vice principal positions to the revised salary structures, once approved by PSEC, will, in most cases, occur on a phased basis over time in order to remain within the differentiated maximum increases permitted under the amendment to the compensation freeze.

- 5.3** Should a school district not wish to avail itself of the service and assistance through the Sectoral Exempt Staff Compensation Review Project, the district will be required to submit a plan to BCPSEA for review and subsequent submission to PSEC, which must demonstrate the scope of technical review and articulate the business case for any proposed increases to identified positions within the prescribed parameters of the amendment to the freeze as set out by PSEC.

Further Information

Further information on the Sectoral Exempt Staff Compensation Review Project will be distributed to school districts shortly. In the meantime, please direct any questions to Deborah Stewart, Senior Human Resources Consultant, at 604 730 4506 or deborahs@bcpsea.bc.ca.

Attachment: Letter to employers' associations from Public Sector Employers' Council