

# DEMYSTIFYING

## Compensation for Exempt Employees

by

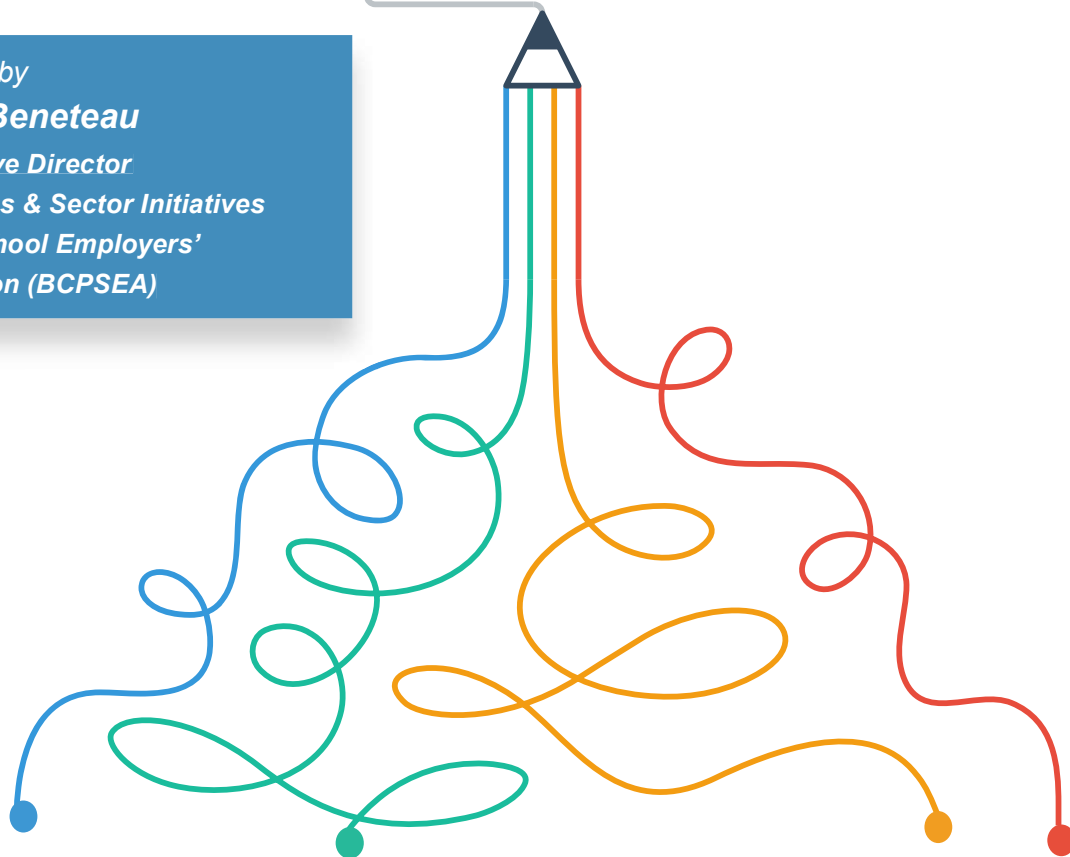
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### INTRODUCTION

My experience in British Columbia's public sector began in 2014 as part of the Employee Relations team at the Insurance Corporation of British Columbia (ICBC). In that role, I oversaw investigations and discipline for both bargaining unit and exempt employees and, as you can imagine, I did not get invited to many birthday parties.

One thing I shared in common with my coworkers, however, was a sense of confusion about compensation. When I negotiated my starting salary, I expected to be eligible for periodic increases based on performance. Little did I know that ICBC and other public sector employers were in the midst of a salary freeze for exempt employees, which made it difficult to reward employees for good performance.

Fast-forward to the present day and, while there is no current salary freeze, compensation for exempt employees remains a challenging and confusing topic for many employees. This confusion is something I have felt keenly since taking over direction of the exempt compensation portfolio at the BC Public School Employers' Association (BCPSEA) in Fall 2021.

Over the past two years, BCPSEA has undertaken a sectoral compensation review, authorized improvements to benefits for exempt staff, and completed two annual exempt staff salary increases (with funding, no less). Throughout, we have strived to improve communication with the sector about exempt compensation through written instructions, discussions with and presentations to employee associations such as the BC School Superintendents Association (BCSSA), BC Association of School Business Officials (BCASBO), and BCPVPA, and through reconstituting the Exempt Compensation Working Group. Our goal has been to improve understanding and alleviate confusion about exempt compensation within the sector.

And so, when the BCPVPA reached out to me about writing an article for *Principl(ed)*, I happily accepted. Through this article, my hope is that you, our education leaders, will gain an improved understanding of the exempt compensation regime for our sector. You may not like it (I still, unsurprisingly, don't get invited to many birthday parties), but I hope that after reading this article you feel a little less confused and better equipped to ask questions.

## FRAMEWORK

The Public Sector Employers' Council Secretariat (PSEC Secretariat) is responsible for oversight of compensation processes for the entire public sector. Through direction from the Minister of Finance, who is responsible for the *Public Sector Employers Act*, the PSEC Secretariat sets compensation rules, guidelines, and processes for public sector employers and employers' associations when it comes to employees not covered by unionized collective agreements (exempt employees). The Act provides the Minister with broad powers over compensation in British Columbia's public sector.

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BCPSEA and PSEC Secretariat work closely together to ensure that compensation in our sector balances the need to recruit and retain employees, while staying within the policy framework and budgets set by the provincial government.

While there are a number of recurring processes, the two big ones that are generally of interest to all employees are: 1) salary grids, and 2) individual increases.

## SALARY GRIDS

BCPSEA is responsible for setting exempt salary grids for school districts. Within the grids, school districts have discretion to set starting salaries for new hires and promotions.

The current methodology for setting the grids was established as part of a comprehensive sectoral compensation review conducted in 2016. Through that review – which involved consultation with sector stakeholders, an independent data market review, technical advice from compensation experts, and oversight by the PSEC Secretariat to ensure consistency across the province – two distinct streams were established:

- the Regional Salary Model for Principals and Vice-Principals, and
- district-specific salary grids for all other exempt positions.

District-specific grids are generated based on compensation data for equivalent positions from comparator organizations. The 2022 sectoral compensation review consisted of updates to both compensation data and comparator organizations for each school district.

The Regional Salary Model, by contrast, is generated using a differential above the highest potential earning teacher within a region. The regions consist of multiple school districts based on the BCPSEA Employer Regional groupings as they existed at the time of the 2016 review. For Vice-Principals, the grid ranges between 106% (Elementary, Level A) and 118% (Secondary, Level C) of the highest potential earning teacher in the region (including salary and related cash compensation amounts under the collective agreement). For Principals, the grid is set at 114% of the Vice-Principal grid.

As part of the 2022 sectoral compensation review, we also introduced a 'smoothing' increase to the regional salary grids for the Okanagan, Kootenay, Vancouver Island, and Fraser Valley regions.

In between market reviews, the PSEC Secretariat authorizes annual 'aging' (increases) for salary grids. Normally, aging is linked to bargaining unit increases. For 2023, exempt salary grids were aged by 6.75%, which is equivalent to the 5.75% base increase and 1.00% cost of living allowance increase for bargaining unit employees.

It is important to understand that when BCPSEA adjusts salary grids and distributes them to school districts, there is no automatic increase to individual salaries. The process for individual increases is related, but distinct.

## INDIVIDUAL INCREASES

The key tenet of the common public sector compensation philosophy is that individual increases must be based on employee performance. As part of an employee performance model of compensation, general increases (in which all employees receive the same increase) or step increases (based on time-served in a position), are not permitted.

Nevertheless, most school districts use experience-based guidelines to apply the Regional Salary Model for Principals and Vice-Principals. This approach is permissible, but increases must still be contingent on good performance.

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In terms of process, each year BCPSEA develops an instruction document for school districts based on annual parameters set by the PSEC Secretariat. School districts then submit proposals for individual increases. Proposed increases must not exceed the salary range maximums established by the grids, and must also be compliant with the parameters set out in the instruction document. The decision to increase any individual's salary rests with the school district and the school district alone.

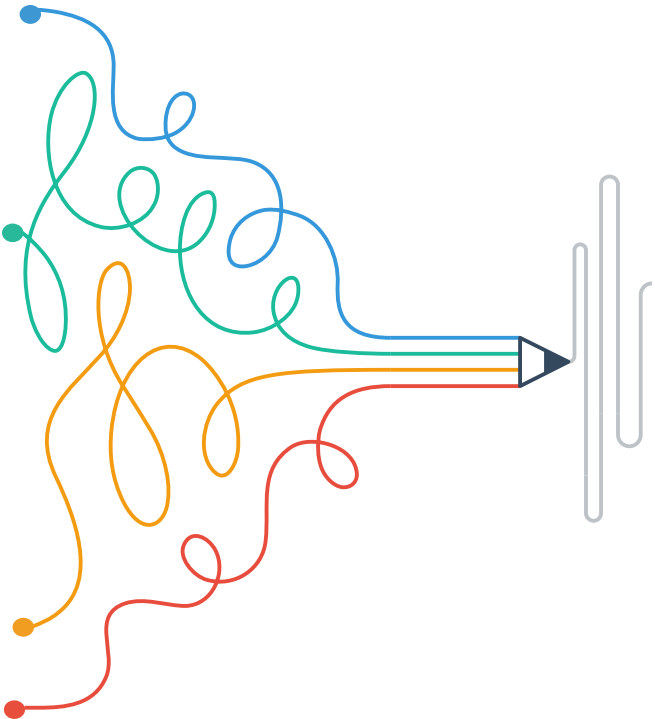
BCPSEA's role is to review school district submissions based on the parameters set by the PSEC Secretariat. BCPSEA generally does not scrutinize or interfere with proposed increases at the individual level; rather, we review the submission as a whole to ensure that it is in line with parameters and that school districts provide appropriate rationale where required.

For 2023, school districts were allowed to provide normal performance-based increases of up to 6.75% for most employees, with special increases of 6.76% or more reserved for the top 10% of performers. School districts were also directed to ensure that, absent of performance concerns, employee salaries were at least equal to the salary range minimum for their position, and BCPSEA worked with school districts to approve special increases to make this happen (such increases did not count towards a district's 10% target).

We recognize that, due to the parameters for 2023, some employees did not advance along the grid as they might have expected. BCPSEA expects to be able to authorize a larger number of special increases next year when salary grid aging is less severe.

## CONCLUSION

And that's it. That's everything there is to exempt compensation... if you don't count non-salary compensation, reporting requirements, job evaluations, employment contracts and... Okay, there's definitely a lot more to exempt compensation. But still, the above is a good place to start.



Compensation is a sensitive topic. What we earn is important to each and every one of us, and life certainly doesn't seem to be getting any less expensive (How much for a pint of raspberries that my two-year-old is going to throw on the floor?!) But just because it's sensitive, doesn't mean it should be a mystery.

When you have questions about your compensation, I strongly encourage you to talk to your manager or to your school district's human resources department. If they don't know the answer, that's where BCPSEA can help.

You can also talk to the team at BCPVPA. Our two organizations have worked hard over the past two years to foster a more open, collaborative relationship and, when questions arise, we work together to ensure that employers and employees are on the same page.

I hope that this article has helped improve your understanding about how compensation works in our sector. I also want to take this opportunity to thank you, our province's Principals and Vice-Principals, for the incredible work that you do every single day. You are helping to shape the next generation and, with a little bit of luck, a brighter tomorrow.



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