

**PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
BRIEFING NOTE - FOR INFORMATION**

**PREPARED FOR:** Honourable Michael de Jong, Q.C.  
Minister Responsible for the *Public Sector Employers Act*

**MEETING DATE:** Thursday, June 4

**TITLE:** Background materials for meeting with Minister of Advanced Education.

**ISSUE:**

The Ministry of Advanced Education (AVED) requested information on executive compensation, recruitment, and the implications of the management compensation freeze and total compensation maximums in the college sector. The request was in preparation for a meeting between the Minister of Advanced Education and the Minister of Finance on June 4.

It is anticipated that the Minister of Advanced Education will propose: "the relaxation of compensation rules for executive positions to enable institutions to attract and retain senior staff"; and, will raise the recruitment challenges in securing candidates with experience as college presidents.

**DISCUSSION:**

From January to March 2015, PSEC consulted with public sector employers and employers' associations from all sectors (health, research universities, K-12 education, post-secondary, community social services, and Crown corporations) on the recommendations from the *BC Compensation Review* - specifically the creation of a common compensation philosophy and enablers based on core government's philosophy, shared principles and standardized benchmarking.

Consultation on the report recommendations also provided an opportunity to gather evidence to assess impacts of the management compensation freeze. Employers provided compensation data for their excluded management staff for PSEC to assess levels of salary compression and inversion across the public sector and comparability across sectors. Detailed data was received from the college sector during the consultation process through the Post-Secondary Employers' Association.

In response to AVED's request for information, the attached *Appendix A – Context for Executive Compensation* was prepared. The appendix provides some background relating to recruitment and retention challenges in the sector and the extent of turnover of senior staff in recent years; in particular:

- Total compensation maximums are in place for executives throughout the public sector; the current total compensation maximum for a college president is \$17

- Total compensation maximums for teaching university presidents is set at s.17

- s.17

- s.17

Attachment: Appendix A – Context for Executive Compensation

Prepared by: Ken Dawson  
Director – Labour Relations  
PSEC Secretariat

Approved by: Christina Zacharuk  
Interim CEO and President,  
PSEC Secretariat

Mobile #: s.17

s.17

## Context for Executive Compensation

- The Post-Secondary Employers' Association (PSEA) is the employer bargaining agent for all public colleges, special-purpose teaching universities, and institutes in British Columbia. These nineteen institutions constitute the BC Post-Secondary sector. They are governed by the *College and Institute Act* and the *University Act*, respectively. PSEA has statutory authority as bargaining agent for this sector.
- The BC Colleges Association is a sector specific advocacy body with voluntary membership from 11 colleges.
- Total compensation maximums are in place for executives throughout the public sector; the current maximum for a college president is s.17
  - Total compensation maximums for teaching university presidents is set at s.17
- s.17
- s.17
- s.17
- There are no demonstrated salary compression issues between senior college staff and their unionized workforces. s.17

• s.17

CONFIDENTIAL

4

*This briefing document contains confidential information pertaining to labour relations and other matters.*

## **PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT DECISION NOTE**

**PREPARED FOR:** Honourable Michael de Jong, Q.C.  
Minister responsible for the *Public Sector Employers Act*

**ISSUE:** **Compensation Plan Approval – VP Cancer Care and Head of the BC Cancer Agency**

### **SUMMARY:**

The Provincial Health Services Authority (PHSA) is recruiting for a Head of the BC Cancer Agency/VP Cancer Care to replace the former CEO who resigned in November 2014. The compensation plan requires approval.

### **BACKGROUND:**

The compensation for the former CEO included a base salary of \$500,000 with a total compensation of \$558,500. In addition, the BC Cancer Foundation was to provide \$75,000 annually for five years. The elements funded by the BC Cancer Foundation were not approved prior to implementation and as a result, the former CEO's compensation was reduced by 10%.

No total compensation maximum has been assigned to the BC Cancer Agency as it falls within the purview of the CEO of the PHSA, in addition to other such smaller organizations such as the BC Children's Hospital and the BC Women's Hospital. <sup>s.17</sup>

### **DISCUSSION:**

PHSA is in the final stages of recruitment for the Head/VP Cancer Care position. The position is both a member of the executive leadership team of the PHSA as a vice president and the Head of the BC Cancer Agency; the PHSA has determined that the requirements of the position include extensive clinical experience either as a medical doctor or a senior scientist in the appropriate discipline in addition to executive leadership and administration experience. The position will also be responsible for leading research initiatives at the Agency.

The PHSA has proposed a compensation plan of <sup>s.17</sup> consistent with CEO compensation maximum for his role as the Head of the BC Cancer Agency. In addition, the incumbent will also take on research initiatives through the University of British Columbia and Simon Fraser University in addition to his CEO responsibilities. This is a preferred approach for PHSA, the universities, and the candidate as it presents opportunities for greater linkages and collaboration on shared research initiatives in the areas of genomics, as well as cancer prevention and control

**CONFIDENTIAL**

*This briefing document contains confidential information pertaining to labour relations and other matters.*

consistent with work of the Agency. The incumbent will receive an additional \$100,000 in research stipends from the universities for research work (see Appendix 1).

For comparison purposes:

- A salaried oncologist at PHSA can earn up to a base salary of \$335,000 and total compensation of approximately \$402,000;
- s.17

### RECOMMENDATION:

Approve the Provincial Health Services Authority's proposed compensation package for the position of Head of the BC Cancer Agency/VP Cancer Care.

APPROVED / NOT APPROVED

Date: \_\_\_\_\_

\_\_\_\_\_  
Michael de Jong  
Minister Responsible for the *Public Sector Employers Act*

Attachment: Appendix 1 – Total Compensation Package

Prepared by: Pratibha Bhatnagar  
Policy & Research Analyst  
Phone #: 250 356-0156

Approved by: C. Zacharuk  
Interim President & CEO  
s.17

CONFIDENTIAL

*This briefing document contains confidential information pertaining to labour relations and other matters.*

## Appendix 1

Total Compensation Package		Research Stipend
Annual Salary/Benefit	\$	\$
UBC Research Stipend Associate Dean of Academic Oncology with partner institution appointment as Full Professor		60,000
SFU Research Stipend Professor, Faculty of Health Sciences		40,000
PHSA Salary	s.17	
Benefits on PHSA Salary		
CPP	s.17	
EI		
MSP		
Extended Health		
Dental		
AD&D		
Life Insurance		
LTD		
Dependant Life		
WCB		
Pension		
<b>Total Compensation</b>		<b>\$100,000</b>

\*totals may not be exact due to rounding.

CONFIDENTIAL

*This briefing document contains confidential information pertaining to labour relations and other matters.*

**PUBLIC SECTOR EMPLOYERS' COUNCIL SECRETARIAT  
BRIEFING NOTE – FOR DECISION**

**PREPARED FOR:** Honourable Michael de Jong, Q.C.  
Minister responsible for the *Public Sector Employers Act*

**TITLE:** **Implementation of the Public Sector Compensation Review  
Recommendations**

**ISSUE:**

Core Review has a stated objective to ensure public sector management wage levels are appropriate while recognizing the need for leaders who can positively impact the effectiveness and productivity of public sector agencies. The Public Sector Compensation Review made a number of recommendations in support of this objective in 2014. Cabinet generally endorsed these recommendations; PSEC consulted with employers in the Broader Public Sector (BPS) on the recommendations and has developed a draft implementation plan.

**BACKGROUND:**

Ernst and Young was retained to review broad trends in BC public sector compensation, including both the BPS (those employers subject to the *Public Sector Employers Act*) and the local government sector. The review made recommendations applicable to both local government and for the BPS, which government has accepted generally (Appendix A). The Ministry of Community, Sport and Cultural Development will return to Cabinet at a later date with the proposed approach for implementation of the local government recommendations.

The key BPS recommendations of the review:

1. 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;
2. 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,
3. Deploy and make sustainable a model that includes regular market reviews, approval processes, and regular refreshment of the core government philosophy.

PSEC consulted with employers' associations and employers on the first recommendation; options for the second and third are to be considered at a later date. These consultations were discussed with the Minister responsible for the *Act* on April 13<sup>th</sup>.

**CONFIDENTIAL**

*This briefing document contains confidential information pertaining to labour relations and other matters.*



## **DISCUSSION:**

The Review noted a significant variation between the approved Public Service compensation philosophy approved in 2008 and the implementation. The review recommended refreshing the philosophy:

- s.17
- Market comparators include BC Public Sector, other provincial jurisdictions (excluding territories), and the private sector (only in cases of specific talent in high demand).

To support compensation decisions, core government utilizes four guiding principles that govern the design, implementation and administration compensation programs – Differentiation, Performance, Transparency, and Accountability. PSEC will require employers to refresh their compensation philosophies to include and embody these four principles. Philosophies will be refreshed and approved by PSEC over the next six months, and implemented by early 2016.

A common philosophy utilizing shared principles and benchmarking tools should over time, result in increased rigour in compensation decisions, reduction in variation of salary ranges, and create consistency (Appendix B):

### **Management Compensation Freeze**

Consultation on the report recommendations also provided an opportunity to gather evidence to assess impacts of the management compensation freeze. Employers report that the freeze has had a positive effect on their ability to control costs and manage employee compensation expectations; it has also resulted in employers identifying their key priorities for any thaw on the freeze. s.17

**CONFIDENTIAL**

*This briefing document contains confidential information pertaining to labour relations and other matters.*

**FINANCIAL IMPACTS:**

Because the new compensation guiding principles will improve salary decision-making and standardize benchmarking, it is expected that the recommended philosophy changes will exert downward pressure on compensation costs.

**CONFIDENTIAL**

*This briefing document contains confidential information pertaining to labour relations and other matters.*

The managed thaw of the wage freeze will result in some increased costs for employers.  
s.17

**APPROVED** / NOT APPROVED

  
Minister

Date: April 20, 2015

Prepared by:	Chris Rathbone Executive Director 250-356-0949	Approved by:	Christina Zacharuk Interim President & CEO s.17
Date:	April 17, 2015		

**CONFIDENTIAL**

*This briefing document contains confidential information pertaining to labour relations and other matters.*

Page 12 to/à Page 13

Withheld pursuant to/removed as

s.17

**Draft Common Compensation Philosophy - Shared Principles**

**Common Guiding Principles**

- **Differentiation:** Differentiation of salary is supported where there are differences in the scope of the position within a ministry or corporate context, and/or due to superior individual or team contributions.
- **Performance:** Compensation programs support and promote a performance based organizational culture.
- **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.
- **Accountable:** Compensation decisions are objective and based upon a clear and well documented business rationale that demonstrates the appropriate expenditure of public funds.

**Common Benchmarking**

- BC public sector
- Other provincial jurisdictions
- Federal government
- Private sector (specific to talent in high demand only)

CONFIDENTIAL

*This briefing document contains confidential information pertaining to labour relations and other matters.*