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How managers' experience of work is being impacted by the implementation of the Management Classification and Compensation Framework and Performance Pay

BCEEA Study 2017:

How Managers' experience of work is being impacted by the implementation of the Management Classification & Compensation Framework and Performance Pay.

Executive Summary

2017 has seen the implementation of the new MCCF (Management Classification and Compensation Framework), including six new salary bands (replacing three former ones) and a new approach to performance pay. The PBIRM (performance based in-range movement) allows for annual increases within a salary band based on individual performance. As is to be expected with any change of this scope and magnitude, there is wide variance in how those affected understand it. The BCEEA was aware that many of its members were concerned about the “human cost” of the implementation of these new policies, and therefore undertook a survey of excluded managers to understand the impacts of the new policies on their work and personal lives.

We found that the majority of those responding felt they had far too little information about these new systems, had little to no role in implementing them, and had significant concerns with some elements of the MCCF and PBIRM. The report lays out the main findings and suggests actions that could be taken to address the concerns. The most significant concerns and recommendations are:

1. That in depth information and analysis on the actual results of the new bands and performance pay be communicated through multiple channels to allay concerns and address confusion. Support to assist managers in explaining the MCCF and PBIRM to their staff is particularly urgently required.
2. That a standing committee of mid-level excluded managers be established to serve as a reference and advisory body to the PSA in the ongoing implementation and administration of the MCCF and PBIRM.
3. That information on the review and appeals process be proactively communicated through multiple channels; and that this process includes a step outside of the individual Ministry.
4. For those few staff members whose salaries will be rolled back because of the classification process, that they be “red circled” instead. The financial cost will be very low relative to the amount of distress and loss of engagement that has resulted.

The intent of this report is to identify issues and raise questions for further exploration, with the intent of improving the quality and effectiveness of the compensation system.

Background

The new 6-band management compensation framework was introduced as part of the BC Public Sector compensation philosophy adopted in 2015, which was intended to base compensation decisions on principles of performance, differentiation, transparency and accountability.

By January 2017 all existing management positions were to be classified according to the new structure, with the lead responsibility for decisions resting with each Deputy Minister (DM), while the BC Public Service Agency (PSA) provided assistance and advice. From January to June 2017, no reclassification of

excluded positions (except for new or vacant positions) was allowed. In some instances, however, the review of management positions resulted in the assignment of some individuals to lower salary bands than they had previously been assigned to. For individuals where the upper range of their new salary band was below their existing pay rate, their pay would be reduced over a period of 3 years to match the top level of the new band. There was no provision for “red-circling” such managers at their current rates of pay.

Starting in July 2017, the policy for annual “Performance Based in-range movement” (PBIRM) salary increases of up to 2% was introduced. The PSA instructions stated that the first payment of these would not be made until all new band assignments for all Ministries was completed. It appears that some payments have been made retroactive to a date in 2017. As with the classification, DM’s (with the advice of the PSA) have the authority to approve payments. Going forward, PBIRM is the basis for all pay progression in the management compensation framework: that is, there is no provision for “annual” or other non-performance based increases¹. Some increases have been received by members although many noted they were not sure what the basis for this was.

The BCEEA’s interest

BCEEA members have expressed concern that implementation of the new compensation approach may not have fully met the expected criteria of transparency and accountability. A number of issues framed the BCEEA’s concern:

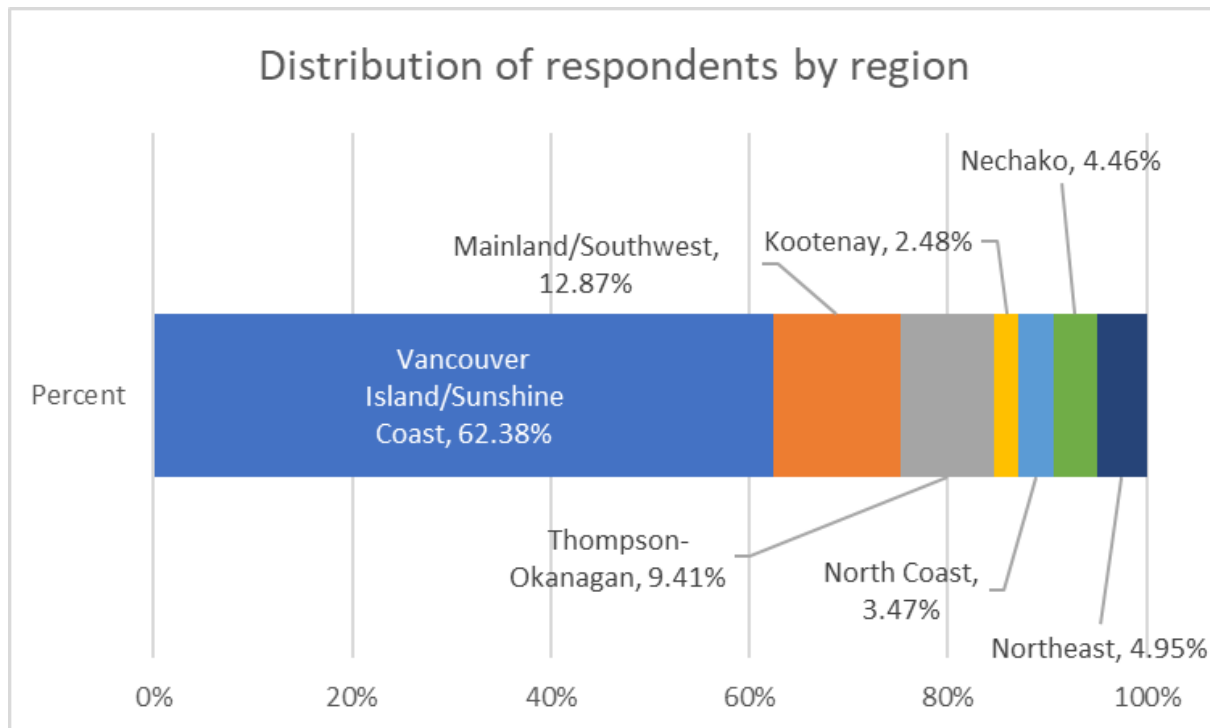
1. Despite the sincere effort by the BCPSA to identify common streams in positions across Ministries, members were concerned that the process did not recognize very real differences in scope and responsibility of some individual positions, resulting in incorrect assignment to salary bands;
2. The emphasis on individual Ministry authority resulted in a variance in the skills, knowledge and ability of those responsible for assessing the positions accurately also resulting in incorrect placements and inconsistencies between ministries;
3. The ability to compensate managers using PBIRM was linked to individual ministries’ “ability to pay”, which may have unduly affected outcomes;
4. The criteria for awarding PBIRM were not well understood and may not have been applied consistently; and,
5. The human impact of these changes was not adequately anticipated or addressed. Many excluded employees did not feel “heard”.

The BCEEA survey cannot be considered definitive in terms of assessing overall impact, but was intended to identify issues for discussion and with a view to improving the frameworks and the ongoing implementation.

Survey Design

¹ Information from *Management and Compensation Classification Framework Compensation Rules* October 20, 2017, BCPSA <http://www2.gov.bc.ca/gov/content/careers-myhr/all-employees/pay-benefits/salaries> accessed 12 December 2017

An internet-based survey was distributed to all BCEEa members and made available to all BC government excluded Managers, in October – November 2017. A total of 267 responses to the survey were received, with 210 respondents answering all questions. The average time worked for the BC government by respondents was 21 years, with 6 years in the current position. The average age was 52.5 years. Sixty-one and one-half percent (61.5%) of respondents indicated they were female, 38.5% identified as male. In terms of geographic distribution, the majority (62%) were from Vancouver Island/Sunshine Coast, although there were respondents from all regions.



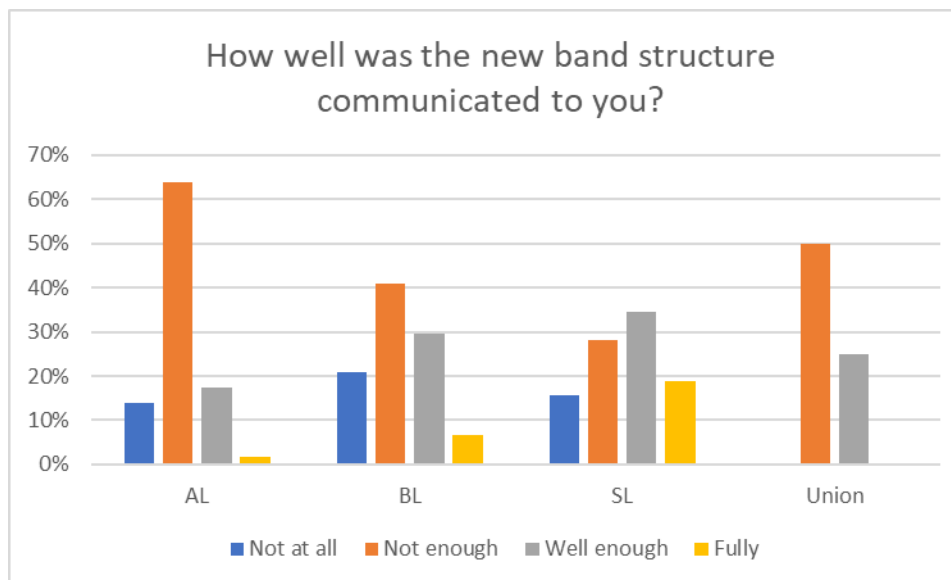
The survey asked respondents to rate their awareness and level of involvement in implementing the new salary bands and in performance pay, and indicate whether impacts had been positive or negative personally and professionally. The survey provided space for respondents to describe their experiences and reactions, and many respondents did so.

As many respondents stated, the BCEEa survey was “the first time anyone asked” for their input and ideas.

General findings

1. New salary bands

The majority of respondents indicated they had little or no involvement in the process of implementing the new salary bands, with only 18% of respondents stating that they had been well enough or fully involved in implementation. The differences between previous band level was notable, with former AL and BLs reporting significantly less involvement than former SLs.



While more respondents (just over 1/3) felt the classification and compensation process was communicated well enough or fully, again the differences by previous band level were striking.

Only 17% of respondents stated that the process of assigning people to

new salary bands in their Ministry was transparent and consistent, with the majority (41%) stating it was not at all transparent and consistent. Just over a third felt that the results of the classification and compensation process seemed appropriate overall. The majority (55%) were not aware of how the process went in other Ministries.

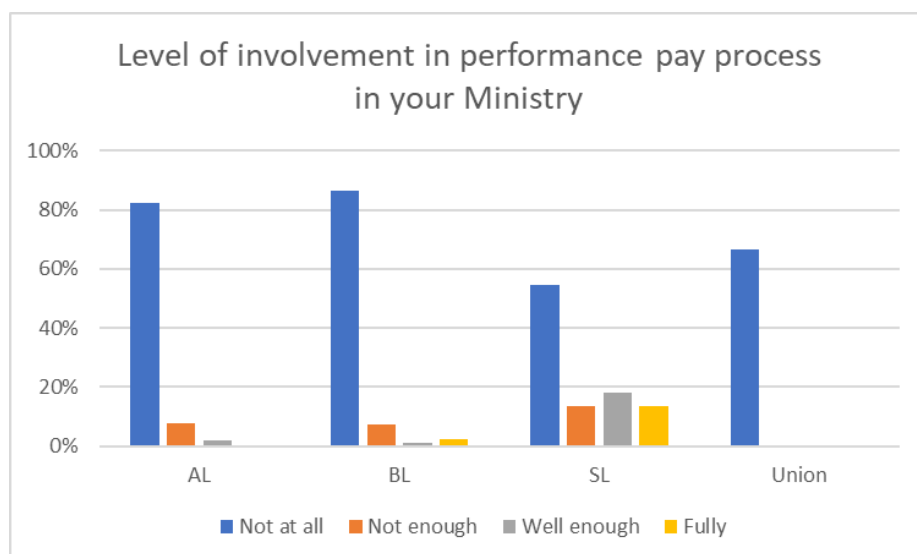
Most respondents reported that the impact on their own compensation level (53%) and attitude to work (59%) was neutral, 26% said the impact on their compensation was negative, and 33% that the impact on their attitude to work was negative as a result of the process and how it was conducted.

Over half of respondents (54%) were not aware of any means for addressing concerns with the process of assignment to salary bands.

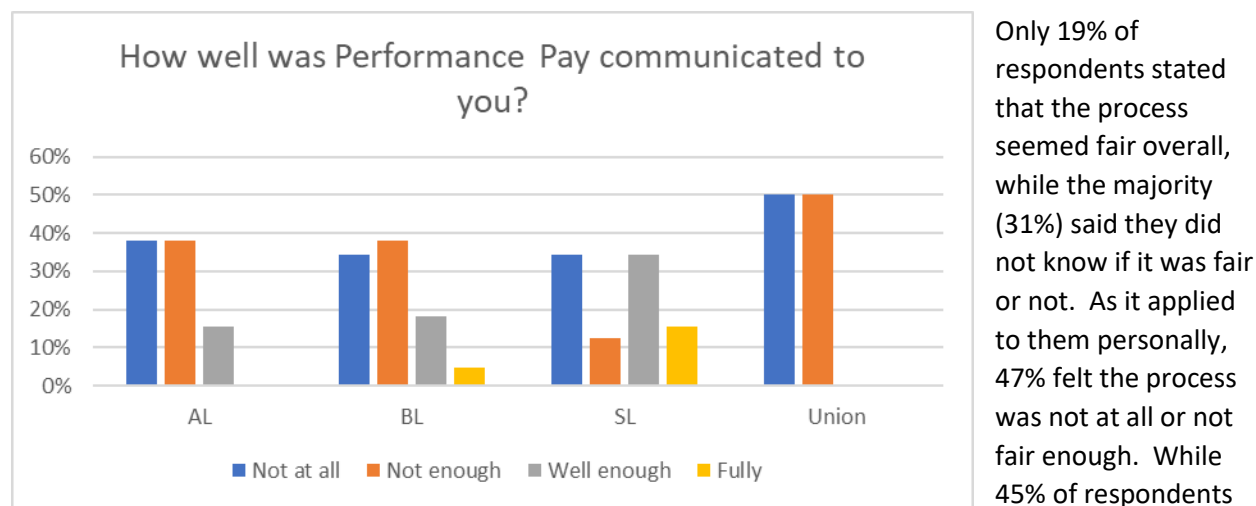
2. Performance Pay

In general, respondents felt even less involved in the PBIRM process than in the initial classification and compensation exercise, with 78% reporting no involvement at all. Even among former Strategic Leads (SLs), fewer than 20% said they were fully involved in the process.

Similarly, 71% of respondents stated that the PBIRM approach had



not been communicated adequately. Former SLs were the only group where more than 50% reported that the approach was communicated well enough or fully.



say that their experience to date with performance pay has been neutral, and 58% say it has had a neutral impact on their attitude to work, for many the new approach has been negative. Thirty-one percent (31%) say their experience has been negative, 27% say it has had a negative impact on their attitude to work, and 20% say it has had a negative impact on their personal life.

Observations and Suggestions

The purpose of the survey was to document and explore in more depth concerns that had been raised by excluded employees and identify areas for ongoing dialogue and potential action by the Association and by the Government as employer. The following points are issues that in our opinion warrant further discussion and exploration with the Government.

1. Communication and change management

The MCCF represents a substantial organizational change. As such, it is to be expected that good principles of change management need to be used, most particularly in terms of communication. The BCEEA survey reveals that considerable additional effort is required to ensure the new processes are fully communicated and well understood. The concerns raised about the perceived fairness and transparency of establishing new salary bands and setting performance pay suggest a need for more information about the processes and actual results. Examples² of comments and concerns raised include:

- *Communicate to everyone - not just executive. Executive is very selective of what information they allow to trickle down. The process for addressing concerns should start outside the ministry and then circle back. There is no incentive to address issues when it can be shut down and swept*

² These comments are composites of the many received. Several respondents indicated they were concerned about being identifiable.

under the carpet within a ministry. There needs to be accountability from ministry executive to some other organization on how and why they addressed concerns.

- *Branches should have been able to discuss the process and share communication materials with all excluded staff instead of just informing staff of the outcome.*
- *I think the part about managers potentially being classified lower than their previous classification was glossed over. More communication with information about how the process could go—either positive or negative—was needed. Also, the process to address concerns in the process is not really very clear and should have been stated up front.*
- *A process for addressing concerns that sits outside ministry would be very welcome. There is too much of an incentive for some executives in a ministry to shut down any dissent.*
- *The merit principle was not followed in developing the new bands...There was no opportunity to contribute, it was a very secretive process...Management just wants to place staff in the lowest band possible to save money...It was demoralizing and insulting.*
- *I have been strongly discouraged from appealing...There was no one to speak for me, the new executive did not understand my work.*

BCEEA suggests that follow-up communications take place in two main areas:

- overall ministry communication from executive, incorporating public service-wide data; and,
- one-on-one communication between supervisors and their direct reports, with supervisors having access to more information and support to address staff questions and concerns.

Broad communication could include:

- including detailed information and analysis showing how the new salary bands are structured across Ministries;
- how compensation levels have been affected; and
- how performance pay is being applied would help staff to better understand the process and allay concerns about the impacts.

We also note the very significant differences in the apparent effectiveness of communication between those who were formerly SLs (likely with more direct contact with senior Ministry executive) and those who were formerly Applied Leads (ALs) and Business Leads (BLs). This suggests a need to ensure that managers who have excluded staff reporting to them need better support to communicate effectively. In our view, more attention needs to be given to reaching all levels of excluded management, both directly from executive and from the PSA, and through better briefing, materials and support for managers to their reports.

The BCEEA notes that there is limited awareness of any appeal or review process for decisions on assignment to a salary band. Having a visible review process, especially one that is impartial and outside Ministries would be a positive step. This could also ensure better understanding of the process and ensure the accountability and transparency underlying the approach.

One strategy for improving communication through increased channels would be to create a standing committee of excluded managers to provide advice, feedback and act as a reference point for the PSA and Ministries. Such a body could potentially also have a role in a review/appeal process.

2. Possible bias in position weighting

Many respondents described unique features of their job which in their opinion were not reflected in the framework. Specifically, they are concerned that the framework over-emphasizes operational responsibilities reflected in direct public sector FTE reports, and under-emphasizes the accountabilities and impact of less operational roles. The salary bands may also limit flexibility in non-traditional team structures and reporting chains.

The framework appears to favour highly operational roles with large teams and large budgets (usually driven by the high STOB50 salary dollars). In other words, the bigger the team and budget, the higher the salary band an individual might be assigned to. This is often appropriate given larger HR responsibilities, but does not address the case of people (“generalist experts”) that government relies on for innovation and transformation: those who are called on to solve cross-ministry policy problems, pilot new programs, or transform systems, using small, nimble high-performing teams and relatively modest budgets. These “special project” roles are often complex, high profile with high impact stakeholders, have very aggressive deadlines that necessitate a lot of evening and weekend hours, and can have far-reaching impacts on public servants, stakeholders and/or citizens. There are also swift and career-limiting consequences if these experts don’t deliver. These roles require a rare combination of hard and soft skills. Recognition of these roles generally depends on an ADM or DM lobbying hard for an exception to the requirement for a large team/large budget for a level. Comments from these generalist experts include:

- *My role is somewhat unique in that I am the only one in government who performs this corporate role—I have no JD: my director asked me to give her some details to what my role/duties were with no guidance with only a few hours response time; I sent and asked if what was required & for feedback, but I received no response...I was VERY surprised & shocked to learn that what I submitted to her was what was used to decide my band level-*
- *There seems to be bias in the system. A 'thumbnail' was not sufficient to explain our role-it is unique, no one else does what we do in the BC PS and so to place it in juxtaposition with other roles is impossible. We needed to be compared to industry for fair assessment.*
- *There was limited time to get the thumbnails done with little information on what they were looking for in terms of scope and impact.*
- *There was no clear process for appealing any band level decisions either from the PSA or from the Ministry, only now (10 months after the decisions) are we in a position to appeal.*
- *Too much depended on the individual ED leading the process in a branch, the process he/she followed and the results. I was on TA in another branch at the time and the process followed in my host branch was quite different than for my base position. I think this inconsistency of approach resulted in inconsistent results and dissatisfaction with the process.*

The framework can also constrain flexibility in designing teams. For example:

- *In the old framework, I would be the SL and my Director would be a BL with the option to have more junior BLs reporting to him. In the new framework, I have to hire a Director with staff reporting to him at the next band level down or lower—i.e., we can no longer have two staff members with a reporting relationship in the same band—which means I’m limited in what I can*

pay my Director's direct reports. These hierarchical restrictions make it difficult for us to recruit the specialists we need to fulfill our mandate.

BCEEA suggests that as part of the continuing communication about the MCCF, a study exploring how specialists and operational roles are weighted would be of great value in explaining and embedding the compensation framework.

Separating cost of living from performance increases

Managers' experience with lengthy hiring and wage freezes has strongly influenced their understanding and reception of the PBIRM system. Most comments urged a separation of across-the-board cost of living increases from performance pay. Most respondents were concerned that the performance pay process was arbitrary and without clear and consistent principles, as indicated in their comments:

- *Having my salary and classification negatively impacted has been very demoralizing...I feel completely disengaged, it's been like a kick in the gut to get a \$4,000 pay cut...While my experience, knowledge and ability to contribute keep increasing, along with the cost of living, my salary is going in the opposite direction...This has created prolonged stress for me and my family...This has impacted my marriage.*
- *I'm no longer able to receive increases as I'm now too close to the top of my new band...I've not had an increase in years, now I'm ineligible for further increases...I feel restricted and not valued and I am much less motivated.*
- *Having a 2% ceiling means I will be paid less than my colleagues in the same job forever...I didn't get the increase because I was on parental leave/on a TA.*
- *I did not get the increase despite being classified as 'exceeding expectations' because my classification was downgraded.*
- *I had no say or input on this...It has created an us/them atmosphere over who got & who didn't.*
- *My salary has not kept up with inflation for years, and neither will my pension.*
- *I was assigned an incorrect level. I received only part of the 2016 2% increase because of the band level, I am at the maximum. I did not receive the 2017 2% increase. I am now making far less than my previous union position. I expected the levels to be adjusted for inflation.*
- *I have not had a raise since 2009 and the union members have been getting them. It makes me feel unappreciated and unvalued as an employee.*

BCEEA suggests that cost of living increases (which affect everyone) be separate from performance pay: which should be recognition for exceptional performance or responsibility. At the very least, a detailed report on the implementation of performance pay should be issued so that staff have a clearer understanding of how it is implemented, and what means of redress there are where they have not been treated appropriately.

3. Consider "red-circling" instead of wage rollbacks

While the PSA has indicated that the overall percentage of those impacted by reclassification so that their current wage is above the maximum for their new salary band is small (3%), on an individual level the impacts are significant, even devastating. Many respondents spoke about impacts to their personal lives, for them as sole wage earners facing rising costs of living and for them as employees. The effects

for some will be significant—respondents reported expected reductions of up to \$9,000 per year. Even where reductions are smaller, the impact on managers' sense of worth and value to the employer is profound:

- *The impact is a 19% decrease in my pay! The process for appeal has been very poorly managed and communicated and has added additional stress. The stress is caused by 2 factors: 1.) being moved to a lower band 2.) the decision to not honour red-circling.*
- *I think a person should be red-circled rather than bumped down in wage. It is not a fair outcome for so many....I am terrified, anxious and seriously unsettled waiting.*
- *I know a number of people—not myself—who got pay cuts—they were disproportionately older women who have been with the public service a long time. I think they should have red-circled people instead of cutting their pay—which in my opinion amounts to constructive dismissal.*
- *They should have red-circled. There should be no time limits for appeal submission for those negatively impacted. Fast tracking classification reviews for any position negatively impacted to allow those staff ample time to find new work if the decision doesn't change. More clarity from ministry exec as to what exactly will be provided to support staff who have been negatively impacted to find new work. A little sympathy would have gone a long way too.*

The **BCEEA asks** that the PSA assess the overall cost/benefit of rollbacks versus red-circling those individuals until they leave their current positions. We believe that the human costs in terms of loss of morale and productivity greatly outweigh the potential savings. We are also concerned that in some cases a classification was made without a full appreciation of the scope and value of an individual's contribution. For these reasons we believe that a clear and defined reassessment of the classification needs to take place with the guidance of knowledgeable expertise.

4. Examine and rectify situations such as salary compression and instances of inequity such as unequal pay for similar work due to salary freezes and hiring timing

Respondents noted a significant number of instances where individuals doing the same work were paid significantly differently (though in the same salary band) due to the mechanics of past wage and staffing freezes and the impact of time spent on leave or TAs. Managers experienced this for themselves but also as managers of staff; they were unable to address unjustified inequities of pay, as indicated below in comments received:

- *My only suggestion is now that there is room, that past negative impacts by the previous wage freeze be remedied. I am paid a lesser amount for doing the same work as the other two directors in my branch. I think the difference now is approximately 3% but it is not transparent. And...I don't work a smaller percentage of the time! As far as I'm concerned there is no reason for this continued inequity.*
- *One of my staff has been excluded from a performance payment as they exceed the ceiling of their band. Another is in a catch-up situation, where a new manager in a lower band in the same team is getting more salary for less responsibility.*
- *I am paid less than my two male colleagues in the exact same position. Despite the room in the band my increments are the same percentages as theirs and I have not been raised up to where I should be because of the original freezing at 96%.*

- *I hire and train LSO4s and LSO5s so I am very aware of the salary compression issue. I love my job, but I feel the whole framework exercise was just another way of jerking our chains and avoiding paying us our full wage.*
- *Be clear on the appeal process so I can fix these baseline originating inequities to people who need to be paid comparably to their colleagues, so the whole performance pay thing actually has some validity*
- *The way performance pay was implemented in the Ministry of Health led to greater inconsistencies in pay. Numerous individuals haven't benefitted simply because they weren't in their current positions over an arbitrary period of time.*
- *Allow for one-time fixes on managers caught in the multi-year salary freeze. We have several longer-term managers who are 8-10 percent less than their newly hired counter parts.*

BCEEA suggests that ongoing assessment of pay differentials should be part of implementation. A review body outside individual Ministries would support greater consistency and ensure confidence in the process.

Conclusion

The BCEEA recognizes the enormous challenges in moving the entire cadre of BC Government excluded employees to a new banding and compensation structure. It is clear that the BCPSA sought to find a balance between centralized control of the process and individual Ministry authority and responsibility. As we reviewed the comments made about the process, it appears that in some cases Ministry staff responsible for developing the position assessments were not familiar enough with the scope and authority of those positions or lacked the skills and ability to articulately describe the position and function. In addition, despite best efforts to communicate throughout the implementation process and follow up—it has not been sufficient. There appears to have been a breakdown in the communication chain that has resulted in negative perceptions of the fairness and transparency of the process, even among those who whose compensation levels did not decrease. Lastly, those who experienced negative impacts in compensation feel abandoned and have suffered a sense of dislocation from their ministries and a real and measurable lack of confidence in the integrity of their employer. As a result, they are no longer contributing fully in their workplaces despite a previously high sense of engagement in their work. The cost to government of rectifying this situation for those few individuals is minor in the context of the overall salary budget.

Recommendations for Action

The BCEEA calls on government to consider its suggestions for improvements and ongoing dialogue in the process of implementing the MCCF and performance pay. Managers do see the benefits of a coherent and consistent system and are eager to contribute to improving it. Actions which might address ongoing concerns with the implementation of the MCCF include:

1. Ongoing communication, including data on the impact of the MCCF and performance pay, and clarity about appeals/ reconsideration processes. We recommend reports that include analysis of issues that managers identified as being of concern:

In implementation of the classification framework:

- Ministry differences in band assignment for similar jobs.
- Number and degree of impact on individuals paid above band maximum.
- Gender equity impact of band assignments.

In implementation of performance pay:

- Impact of the requirement to fund performance increases out of Ministry budgets.
- Correlation of performance pay awards with performance rating system, overall and by Ministry.
- An assessment of the criteria used in practice for awarding PBIRM. Publication and reiteration of the expected criteria would be very helpful.
- Impact of parental leave and TA on performance pay eligibility.

2. Clear information about appeals/reconsideration processes is urgently required. The BCEEAA specifically requests that a level of review outside the Ministry be available.
3. Active involvement of excluded employees in a classification and compensation committee or focus group.
4. Assess possible bias towards operations in position weighting.
5. Separate across-the-board cost of living increases from a performance pay system, and keep base pay in line with cost of living changes.
6. Reconsider red-circling as a transitional measure for the small number of staff whose existing pay is above their proposed compensation maximum.
7. Identify and address situations of inequitable pay and compression unintentionally caused by the effects of freezes, TAs etc.

Appendix: Voices from the Managers' survey

My personal issue with this is not so much the band levels as I am satisfied that I have been placed in the appropriate band (Band 4). However, I am extremely dissatisfied that the compensation issue I've had now for three years has not been rectified. I was hired in a director competition. Two positions were filled—one by me and one by another person who had been acting director. The fellow was hired at 100% of the salary and I at 96%. Historically this means that after six months I would be moved up to 100%. Then I was caught by the wage freeze and so was not moved up to 100%. When the next increase came along I was moved to the top of the band (under the old compensation program) but still was below what the other two directors were paid. With this new program there was hope that I would be compensated appropriately—i.e. same as the other two directors however that has not happened. There is room now to correct this discrepancy, but I am told various things including... 'other people are worse off'... 'don't let it interfere with how you do our job'... 'you were never meant to be paid 100%'... all pretty insulting and not addressing the root problem which is that I am paid less than my two male colleagues in the exact same position. Despite the room in the band my increments are the same percentages as theirs and I have not been raised up to where I should be because of the original freezing at 96%. I have raised this with my ED and the ADM but to no avail.

The annual increment criteria were disastrous for employees in the management class who were on maternity leave or in temporary assignments because one criterion was that you had to have been in your base position on a specific date and if you were not, because you had a baby or were completing a TA, then no annual salary increment. Makes no sense

My experience in management with the BC government has been so awful that I am seriously considering taking a union position after my current TA is over. I am willing to accept the loss in \$ in order to have the security of a union and some level of fairness. I would also strongly recommend a review of salary levels in mgmt now that we have the classification levels sorted. I am now in a TA Band level 2 making substantially more money than I was in my permanent Band level 3 job. Doesn't make sense at all and salary is all based on whether your boss likes you or not. Finally, there should be a thorough gender-based analysis of mgmt salary levels. I am noting that women in mgmt are being given much lower salaries than their male counterparts. Thank you for this opportunity to voice my concerns! There's been no opportunity to do so in government/PSA and I really appreciate this!

I was absolutely delighted in July when I learned I would be receiving this increase. It was only 2% but excluded managers had gone so long without an increase I was very happy and felt I had worked very hard for it. Then when I learned they would be taking it back I was angry. and then to learn that I was missing out on 2 other increases. I also heard from other managers that they didn't even know about it until much later and didn't receive one and didn't receive any feedback as to why.