



## Compensation Planning & Administration:

### Guidance Document for Primary Care Organizations

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## Introduction

The purpose of this document is to support executive directors of primary care organizations (PCOs) in their development of compensation plans and policies. The term “compensation” refers to the combination of salaries, pension, benefits, vacation allotment and other incentives an employee may receive in exchange for work. At a minimum, organizations need to ensure that their compensation policies adhere to employment legislation. Elements of compensation that are regulated by provincial employment standards acts include:

- Vacation pay
- Equal pay
- How payment is made
- Contents of pay stub (information must be reported to employees)
- Overtime pay
- How often employees receive their pay
- Deductions
- Payroll records (information that must be tracked and documented)

The AFHTO website contains a repository of sample [HR Employment Policies and Procedures](#) relating to elements of compensation that member organizations can access (see section on sample employee handbooks).

Additionally, it is important for organizations to adopt compensation principles that ensure fairness and equity in pay rates and salary administration, and transparency in compensation practices. To this extent, the following document offers a number of factors to consider in determining salary ranges, pay rates and the allocation of pay increases for staff within the organization.

A sample template is provided to further assist executive directors in reporting to the board and to the Ministry on how compensation planning and administration has been implemented in the organization.

**The advice and templates within this document are advisory only and meant to assist AFHTO member organizations in the development of compensation plans and the implementation of compensation increases.**

## Recruitment and Retention

While the increase in funding announced in the 2016 Ontario budget is an instrumental first step to achieve greater equity in compensation, one of the biggest challenges to attracting and keeping skilled providers in primary care is the inability to offer competitive compensation to the non-physician health professionals and administrative staff. On behalf of its membership, AFHTO continues to press for the full funding needed to make working in primary care attractive to recruit and retain competent staff in this sector. In the meantime, non-monetary strategies – e.g. offering flexible schedules, education opportunities, mentor programs, hiring bonuses where feasible – remain important to recruit and retain interprofessional healthcare providers and administrative staff in primary care.

It is therefore important for primary care organizations to adopt a compensation philosophy and principles that would enable them to attract and retain the calibre of staff needed. AFHTO, together with its members, will continue to support the membership by monitoring compensation trends, advocating on behalf of this sector, and offering guidance to help each organization to develop their compensation philosophy, policies and plans.

## SECTION 1 – Compensation Planning

This section identifies key elements of a compensation plan and provides a number of steps for development.

### Ministry Funding Rate vs. the Organization's Pay Rate: what is the difference?

Ministry funding for compensation is based on a formula that is applied to the number and type of positions within the primary care organization, together with an additional percentage to allow for a pension and benefit package for staff as a whole. It is up to each organization, however, to determine the actual pay rate for staff members and the percentage rate to apply to the pension and benefit component of the compensation package. These compensation policies – establishing salary bands, salary ranges, how staff progress through these ranges, and the pension and benefit package – are developed by the organization through the executive director, and approved by the organization's board. Within the framework of the board's compensation policy and funding available from the Ministry and any other sources, the board is accountable for setting the pay rate for the executive director, and the executive director is accountable for setting the appropriate pay rate for each staff member. As FHTs/NPLCs reach a new state of maturity, the Ministry is no longer identifying compensation benchmarks as was done prior to April 2016.

### Compensation Planning Step 1 – Establish Internal Equity through Salary Bands

The first step in designing a compensation plan is to identify appropriate bands for each position title within the organization. Organizations evaluate job descriptions using objective criteria such as experience, education and responsibility to assign jobs to different salary bands. A good starting point for this is to use the [AFHTO, AOHC and NPAO recommendations](#), developed from a primary care compensation study by the Hay Group in 2012. The Hay Group reviewed "standard" job descriptions, developed through a working group of EDs from AFHTO and AOHC member organizations, then evaluated them using the Hay methodology. Thirteen different salary bands were identified as depicted in the chart below:

Band	Position Title	
13	Executive Director	
12	no jobs	
11	Director	
10	Manager Nurse Practitioner*	Traditional Healer Psychologist*
9	Supervisor/Lead Pharmacist*	Community Health Planner
8	Chiropodist Social Worker (Therapist) Data Management Coordinator Occupational Therapist	Nurse Speech Pathologist Dietitian** Health Promoter** Physiotherapist Respiratory Therapist***
7	IT Technician	

6	Counsellor Community Health Worker Office Administrator	Executive Assistant Volunteer Coordinator
5	RPN Early Childhood Educator	Bookkeeper Administrative Assistant
4	no jobs	
3	Medical Secretary Clinical Assistant	Secretary
2	Receptionist/Secretary	Medical Record Clerk
1	Maintenance Worker	

(Based on the Hay Group Guide Chart Method of Job Evaluation)

\* The compensation structure developed by the Hay Group evaluated the Nurse Practitioner and Psychologist roles as being comparable and falling in Band 10, while the Pharmacist was evaluated as belonging in Band 9. However, Hay Group determined that these three positions should be considered as “market exceptions” and that the salary ranges for these positions should be established solely based on market value considerations (and not through job evaluation).

\*\* Note the Hay Group conclusion that Dietitians and Health Promoters belong in the same salary band as Registered Nurses, Social Workers, etc. In the past, the ministry had funded these two roles at a lower level.

\*\*\* The Respiratory Therapist role was re-evaluated since the role had been newly introduced and not yet fully developed at the time of the 2012 Hay study. A 2016 evaluation report from Hay recommend that the RRT be placed in the provincial grading structure at Level 8, which is comparable to other regulated health professionals and therapists.

## Compensation Planning Step 2 - Identify Salary Ranges for each Salary Band, in light of Market Competition and Available Funding

Once salary bands are determined, the next step is to identify salary ranges for each band:

- A maximum pay rate – usually represents the salary that a fully competent person with a number of years’ experience earns in a specific position.
- A minimum pay rate – usually represents the entry level rate for a new hire who is not fully competent.

Factors to consider when establishing salary ranges in order to align compensation with the organizational strategy of the primary care organization include:

*i) Market competition* - Consider the external organizations in which you compete for talent and/or organizations that employ similar skills/position titles, then determine your “pay positioning”, i.e. where pay should be positioned relative to the market. The [AFHTO, AOHC and NPAO recommendations](#) referenced above include a provincial compensation structure, designed to reflect both internal equity and external market conditions at that time (i.e. 2012. Refer to pg.8). This may serve as a helpful guideline, but recognize that, as of the 2016-17 Ontario Budget, Ministry funding rates remain well below the 2012 recommended rates.

*ii) Funding available* – Consider the funding available within the organization for the complete compensation package – i.e. salaries, pension and benefits. Salary ranges identified for each salary band must be realistic and feasible.

*iii) Internal Pay Equity* – Every public sector employer in Ontario must have a pay equity plan that meets the requirements of the Pay Equity Act. The purpose of pay equity is to ensure that there is equal pay for jobs of equal value. [Click here](#) for more information on Pay Equity available to members on AFHTO's website.

*iv) Impact on team dynamics* – In addition to market and funding considerations, each organization will need to look at how changes to salary ranges may be seen by team members as being “fair”. This could be particularly challenging where there are team members whose salaries are funded from different sources (e.g. FHO-funded staff working alongside FHT-funded staff).

*v) Organizational factors:* Evaluate your budget considerations or constraints and align compensation with organizational strategy and priorities. The strategy helps ensure that the organization is able to attract and retain the skills required to achieve its vision, mission and strategic directions.

***Like most things in compensation, there is no hard and fast rule on salary ranges. You'll want to do what is best based on the goals for compensation within your organization.***

## SECTION 2 – Compensation Administration – Framework for Determining Pay Rates for Each Staff Member

Once salary bands and ranges for each band have been established, the next step is to establish policies for determining each employee's placement within their salary range. At a very basic level, it may be established as:

- Minimum = new hire with little to no experience
- Midpoint = proficient & meeting performance expectations
- Above midpoint = takes into account factors above such as experience, performance, education...whatever the organization values most.

Identifying pay rates within the appropriate salary range must be determined with the organizations overall HR budget in mind. Building in a contingency in the event that people may have to work extended hours (such as during flu season) can be a wise approach to financial planning and budget management.

Organizations should develop a *Salary Administration Policy* to assist in maintaining and administering their compensation frameworks. The Guideline could include the following elements, as outlined in the Hay Group's report:

### **New Employees**

As much as possible, new employees should start at the minimum or lower end of the salary range. Where the new employee has significant prior experience in a similar position or brings special skills that reduce the on-the-job learning period, organizations could hire at an

intermediate rate between the minimum and maximum salary range. Only in exceptional circumstances should employees be hired at the maximum rates.

### **Transfers/Promotions/Demotions**

When an employee is permanently transferred or promoted to a position in a higher salary range, the new rate of pay should provide for an appropriate increase.

If an employee is permanently demoted or transferred to a position in a lower pay band, the present salary level can be continued or the position red-circled. If the employee receives sufficient notice that the salary will be reduced, the salary can be reduced to an amount within the newly assigned pay band. If a primary care organization wishes to pursue the latter approach, legal advice should be sought in each case with respect to the proper procedures.

### **Changes to Salary Ranges:**

Salary ranges should be reviewed every 1-2 years. Normally all ranges should be increased based on market conditions or general trends in the economy or the community. However, actual funding available within the primary care organization for compensation may dictate the feasibility of changes to salary ranges.

### **Pay Increases**

Typically salary reviews are conducted annually, often in conjunction with performance reviews. Primary care organizations need to clearly establish, communicate and apply decision-making criteria for pay increases. Decisions on pay increases can be based on a number of factors, such as experience, cost of living increases, or performance based (see list of factors to consider below). Organizations choosing to adopt performance based pay increases need to ensure that they have a clear performance management policy that is applied equitably throughout the organization. Due to funding constraints, it can be common for FHTs/NPLCs to give staff the same percentage increase as a cost of living increase rather than performance adjusted. In either case, organizations must have clear policies outlining their approach to pay increases.

### **Red Circle Policy**

A “red-circled” position occurs where a permanent incumbent is earning more than the maximum of the salary range. A policy to manage these salaries should be developed and should indicate that there will be no reduction or increase to the incumbent’s salary in a red-circled position upon implementation of a new compensation structure.

### **Market Exception Policy**

A “market exception” occurs when a permanent incumbent is earning more than the maximum of the salary range as a result of market compensation pressures and demands. Typically, there are very few market exception positions. The policy to manage the salaries for these positions should outline that the salaries are considered anomalies and will be administered outside of the relevant salary range. Market exception positions should be reviewed annually to determine whether they continue to be exceptions.

A number of factors can be considered when determining the appropriate salary to offer staff or when deciding on pay rate increases. These factors include:

**Experience/Skill:** Specifically, the number of years of industry and relevant functional experience the staff member possesses should be considered.

**Performance:** A review of recent performance evaluations should be conducted to assess the overall performance of staff members and their level of proficiency in meeting performance expectations.

**Education/Knowledge:** Relevant education, training and/or certifications above and beyond those listed as minimum requirements should be reviewed and considered.

**Recruitment difficulties:** Individuals who possess skills that are scarce in the labor force may be in higher demand and require additional salary consideration. Factors such as the scarcity of qualified applicants, competition for employees with the needed skills and education, the number of rejected job offers, and the turnover rate for the position should be considered.

**Other non-salary benefits:** When setting salary levels, recognize that pay is only part of the total reward package. Don't forget to factor into your pay decision other attractive benefits the organization provides such as flexible work schedules, fulfilling work, recognition programs, positive work environment, opportunities for professional development, generous time off or health care and retirement benefits.

When setting salaries, it's important to be fair, and to be seen as being fair through consistent application of the organizations compensation policy. Perceived inequity not only impacts employee morale and motivation but also may trigger contentions of discrimination or grievances. This does not imply that all employees in similar positions who have similar years of experience and education should be paid the same salary. Recognition of varying levels of skills and performance, for example, may result in differences in pay increase and salary levels among employees.

***Remember, there is no magic formula or scientific method for setting pay; it's a matter of combining science (market data) and art, which is determining how to align that data with your compensation philosophy, funding available and the goals & objectives of your FHT/NPLC.***

## SECTION 3 – Additional Considerations

### Collective Agreements

Primary care organizations that have employees who are members of a union will need to pay careful attention to the collective agreements when developing compensation frameworks. For unionized employees, the collective bargaining agreement will include a negotiated provision for salaries and wage increases that usually includes a fixed general annual increase that may be combined in some instances with merit provisions and cost-of-living escalators. In a unionized environment, the employer must respect the role of the union as the sole and exclusive agent of the employees. The union must respect the employer's exclusive right to manage its operations and to direct its work forces. Both parties must recognize and acknowledge their respective rights and obligations under labour and other employment legislation and under the collective agreement, and the rights and obligations of the employees covered by the agreement.

Some additional factors for PCOs with unions to consider when developing their compensation plans:

- It may be wise to seek advice from a labour relations specialist to provide additional guidance.
- There are risks to implementing higher salary increases in a unionized environment for certain roles (as is the direction from the ministry in the 2016-17 increase in compensation funding). Strategies for dealing with this will depend on whether the positions involved are inside or



outside the same bargaining unit. It will require labour relations advice, a thoughtful communications strategy and may require reopening pay equity policies.

- Review your policies and procedures, be aware of and respond to any arising employee concerns. Communication and transparency are extremely important.
- To support its members and consider the impact of unionization, AFHTO developed a [case study](#) outlining the experience of 10 members and documented what they went through in the processes of union certification, negotiation, and managing in a unionized environment. These case studies may be a good additional resource for primary care teams to refer to.
- AFHTO can also assist if it would be helpful to speak with other unionized FHTs/NPLCs/primary care providers.

## Conflict of Interest

Each primary care organization has at least two potential sources of conflict:

- The executive director is responsible for developing a compensation plan and policies for board approval, and at the same time, he/she is a staff member whose compensation is funded from the same Ministry envelope.
- In provider-led and mixed-governance boards, where clinicians who are providing service to the corporation and working alongside staff are also board members who are making decisions on staff compensation.

Some strategies to assist boards in managing conflict of interest include:

- Ensure that board decisions are measured against their alignment with the compensation framework
- Ensure that the board, as the direct supervisor of the executive director, sets a compensation policy specific to that role (Note: All such decisions are left to the HR subcommittee of the Board and the ED should be a part of meetings to discuss their salaries.) If a HR subcommittee of the Board does not exist, the Board can utilize the Executive Committee of the Board to carry out such functions.
- EDs should also have a documented annual performance review with their board of directors.
- Remind directors that when they serve as board members, their duty to act in the best interest of the corporation must take precedence over personal or professional roles and relationships
- Carefully consider recommendations of independent, external board or committee members, should you have them
- Ask board members to declare an actual or apparent conflict of interest before any discussions or decisions in which anyone with whom they have a close personal relationship could directly or indirectly benefit or where such a benefit could be perceived.

## Guidance for the Compensation of Executive Directors

When the board establishes the appropriate salary range for the organization's ED, they should consider the complexity of the organization for which the ED is accountable. From the work completed by the Hay Group, based on focus group input, they identified criteria that could influence the scope, complexity and accountability of an ED position and influence salary levels accordingly, including:

- Annual operating budget
- # of sites
- Geographic dispersion of sites

- # of management positions reporting directly to ED
- # of volunteers
- more than one physician organization
- Health Link Host
- QIDS Partnership Host
- Diabetes Education Program Host

These criteria, along with a review of market competition and available funding together inform the development of an appropriate salary range for the organization's ED. The provincial compensation structure within the [AFHTO, AOHC and NPAO recommendations](#) reflects 2012 external market conditions and may serve as guidance in the process.

Determining the actual pay rate for EDs within the salary range identified should also consider a number of factors such as competencies, level and type of experience, education, leadership attributes, and performance. Some boards have been able to enhance ED compensation by tapping into funding streams available to their organization that are beyond the funds provided through their MOHLTC Funding Agreement. If the board is unsure of its compensation level for the executive director, it may be helpful to speak with other primary care organization boards (while keeping in mind differences in organizational complexity).

[The Fundamentals of Governance Guidebook](#) contains other important elements of executive leadership such as executive selection, performance evaluation, ED/Board Chair relationship and succession planning.