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# ***Compensation For Alberta Government Senior Officials***

*May 12, 2005*

**Prepared for**

Premier Ralph Klein

**Prepared by**

Committee Members:

Jack Donahue, Chair

Pierre Alvarez

Eric Newell

Lorne Taylor

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## Introduction

Recruitment and retention of senior officials within the Alberta Public Service is an important factor in ensuring that the necessary leadership is in place to assist the Alberta Government in achieving its goals. Compensation is one element of recruitment and retention.

A private sector committee comprised of Jack Donahue (Chair), Pierre Alvarez, Eric Newell and Lorne Taylor was commissioned by Ron Hicks on behalf of the Premier to examine the question of appropriate compensation for Alberta Government senior officials. Senior officials represent a category of employees including Deputy Ministers, chairs of agencies, boards and commissions, and other senior members of the Alberta Government.

Terms of reference were provided to the Committee, and are attached as an Appendix to this report.

This type of a review was last done in April of 1998. Since then, there have been small increases to the cash compensation of senior officials. There is now recognition that the compensation levels may be out of alignment with those in comparable jurisdictions. Specifically, the Committee was asked to investigate:

- ◆ Base salary.
- ◆ Bonus plan design and amounts.
- ◆ The vehicle benefit and vehicle allowance.

The Committee met three times, compiled compensation information, conducted detailed analysis, and developed the recommendations included in this report.

## **Executive Summary**

Compensation is an important element in recruiting and retaining senior officials within the Alberta Public Service. A private sector committee was commissioned by Ron Hicks on behalf of the Premier to examine the question of appropriate compensation for Alberta Government senior officials. The Committee was asked to look at:

- ◆ Base salary.
- ◆ Bonus plan design and amounts.
- ◆ The vehicle benefit and vehicle allowance.

The Committee looked at recent statistics with respect to attraction, retention and demographics, and concluded there are strong indications that there is indeed an issue with respect to attracting and retaining the most senior positions within the Alberta Government.

With respect to base salary, the Committee looked at base salaries in other Canadian provinces and the Federal Government, the national broader public sector, and the Alberta broader public sector. Based on these surveys, the Committee concluded that Deputy Ministers are below market in their base salaries:

- ◆ 14% to comparable provincial governments.
- ◆ 22% to the national broader public sector.
- ◆ 36% to the Alberta broader public sector.
- ◆ 51% to the Federal Government.

With respect to bonus plans, the Committee looked at plans in other governments in Canada, as well as in the national broader public sector. The Committee looked, as well, at the operation of Alberta's plan as opposed to plans elsewhere and concluded that the bonus percentage appears to be about the right figure, but that the current Alberta plan does not allow enough distinction among participants in measuring performance.

And finally, the Committee looked at vehicles and compared the Alberta plan to plans in other government jurisdictions and the private sector, and concluded that Deputy Ministers

should be eligible for vehicles, and that the capital cost appears to be about right, but that the annual allowance is low.

As a result of the above, the Committee recommends that:

**1. Base Salaries**

- a) The base salary for Deputy Ministers be set at \$200,000 per annum (the midpoint between the comparable provinces and the Alberta broader public sector), with the Deputy Minister of Executive Council set at 25% above this figure.
- b) The current process of using a single salary for all Deputies be retained, and that the Deputy Minister of Executive Council continue to be empowered to use a modifier where required.

**2. The Bonus Plan Design and Amounts**

Regarding the bonus plan, the Committee recommends that:

- a) The need for the Government of Alberta to achieve its overall financial goal be dropped as the trigger.
- b) The need for an external review team be eliminated.
- c) A pool be created, calculated at 20% of the total of base salaries.
- d) This pool would allow individual bonuses to vary between 0% and 30%, with the highest being reserved for exceptional performance.
- e) The evaluation process be modified to allow for more measurement and reward of individual performance.
- f) The evaluation be conducted collaboratively between the appropriate Minister and the Deputy Minister of Executive Council, with recommendations taken to Agenda and Priorities Committee.
- g) The bonus percentage for the Deputy Minister of Executive Council be set at 25%.

### **3. Vehicles**

And with respect to vehicles, the Committee recommends that:

- a) The capital cost amount be left unchanged.
- b) The allowance in lieu of a vehicle be set at a number approximately equivalent to the annual lease cost of the capital value, and be non-pensionable.
- c) The replacement policy be amended to the earlier of four years or 120,000 km.

And finally, the Committee identified a number of related matters on which it made recommendations:

4. An external Compensation Committee be struck for the purpose of reviewing senior official compensation on a periodic basis and making recommendations to Treasury Board; this Committee would also assess the performance of the Deputy Minister of Executive Council after consulting with the Premier.
5. The salaries of other senior officials (ranges A, B and C) be set in an appropriate relationship to those of the Deputy Ministers.
6. A review be conducted of which agency heads have been slotted into which categories, and adjustments made if necessary.
7. A process be put in place to ensure that when non-Deputy Minister senior officials produce satisfactory performance, they move through their salary range in a maximum of five to seven years.
8. The concepts developed for the bonus pool for Deputy Ministers be carried through for Assistant Deputy Ministers.
9. The government put in place processes of succession planning and managing human resources as a corporate entity.
10. The cross-Ministry approach be retained, but modified to provide for a more responsive, shorter duration (6-18 months) task force approach.

The Committee calculated that the base salary adjustments for Deputy Ministers, together with the bonus implications, will cost an additional \$1.1 million annually. Salary adjustments to the other senior officials (chairs and members of agencies, boards and commissions) and to other management positions within the Alberta public service will result in additional costs.

## **The Work of the Committee**

### **Is There a Compensation Issue Among Senior Officials in Alberta?**

Prior to calculating the impact of compensation gaps, the Committee wanted to know if there was a serious issue with respect to compensation of senior officials in Alberta. This is typically measured by looking at:

- ◆ Attraction—are qualified people applying for Deputy Minister positions from outside of the government? Are the external candidates successful in these competitions?
- ◆ Retention—are an undue number of Deputy Ministers leaving for positions elsewhere?
- ◆ Demographics—is there a healthy balance of senior officials at all age groups, so that large cohorts will not be retiring at the same time, and sufficient younger employees can move to more senior positions?

All of the measures above are surrogates for the real question—is the compensation level appropriate to attract and retain the best people in the most senior positions in the Alberta Government?

Our analysis produced some alarming statistics:

- ◆ Within the Deputy Minister cohort:
  - 29% were eligible to retire in March 2005.
  - 32% will be eligible in March 2006 and 2007.
  - 39% will be eligible in March 2008.
- ◆ Within the Executive Manager 2 category (Assistant Deputy Ministers):
  - 35% were eligible to retire in March 2005.



- 43% will be eligible in March 2006.
  - 49% in March 2007.
- ◆ Within the Executive Manager 1 category (typically, Executive Directors):
- 24% were eligible to retire in March 2005.
  - 30% will be eligible in March 2006.
  - 34% in March 2007.
- ◆ In the seven most recent competitions for Deputy Minister or Assistant Deputy Minister positions, six of the seven were filled by internal candidates, even though by far the vast majority of applications came from the outside. In discussing this with the Deputy Minister of Executive Council, it is apparent that either the positions themselves or the compensation levels do not attract senior, private sector individuals. Typically, private sector applicants are two or three levels below those one might expect to successfully fill a Deputy Minister or Assistant Deputy Minister position.
- ◆ Since we would expect EM1 and EM2 employees to replace retiring Deputy Ministers, we find the following average age statistics troubling:

	<u>Average Age</u>
Deputy Ministers	54
EM2	53
EM1	51

- ◆ Exhibit 1, *following*, shows the age distribution of the EM1 and EM2 cohort. A surprisingly small percentage is under 45 years of age.

Although the above measures are only indications, they provide strong indication that there is indeed an issue with respect to attracting and retaining the most senior positions within the Alberta Government.

**Exhibit 1**  
**Age Distribution**

	<b>Age Group</b>			
	<b>25-34</b>	<b>35-44</b>	<b>45-54</b>	<b>55+</b>
EM1:				
◆ Number	2	47	180	124
◆ % of total	0.6%	13.3%	51.0%	35.1%
EM2:				
◆ Number	1	15	38	55
◆ % of total	0.9%	13.8%	34.9%	50.5%

**The Committee Started with Current Base**

The notional base salary for Deputy Ministers was \$152,800 effective April 1, 2003. An Order in Council was passed increasing this salary by 3% effective April 1, 2004, making the notional base \$157,400. In addition, modifiers have been used to make adjustments as required in individual circumstances, such as dealing with specific market conditions, or positions that are typically difficult to fill from outside (e.g., Deputy Minister of Justice).

As a result, and excluding the position of Deputy Minister of Executive Council, the effective range for salaries of Deputy Ministers in 2004 was \$152,800 to \$177,600, with only a very few at the top end of the range. The average actual base salary in 2004 was \$161,400.

## The Committee Commissioned a Number of Salary Surveys

### 1. Deputy Minister base salaries in other governments

We show in Exhibit 2 the salaries for a number of comparable provincial jurisdictions, as well as for the Federal Government. The exhibit shows the effective date for these ranges, and then the range for the highest salaried position, as well as the next two ranges.

#### Exhibit 2 Base Salaries in Other Governments

Jurisdiction	Effective Date	\$000		
		Highest Salary <sup>(1)</sup> Range	Next Lower <sup>(2)</sup> Range	Next Lower <sup>(3)</sup> Range
British Columbia	2002	173.0-203.5	154.0-185.0	134.3-167.0
Ontario <sup>(4)</sup>	2003	167.5-187.2	167.5-187.2	167.5-187.2
Quebec	2003	143.4-186.4	139.2-180.9	135.0-175.4
Federal	2004	232.1-273.1	207.2-243.8	185.0-217.7
Averages:				
◆ Overall		179.0-212.6	167.0-199.2	155.5-186.8
◆ B.C./Ont./Que.		161.3-192.4	153.6-184.4	145.6-176.5

Source: PAO survey.

<sup>(1)</sup>Equivalent to Deputy Minister of Executive Council.

<sup>(2)</sup>Equivalent to most other Deputy Ministers.

<sup>(3)</sup>Equivalent to some Deputy Ministers and heads of agencies.

<sup>(4)</sup>Under review.

Most Alberta Deputy Ministers would compare to the middle column. The Committee concluded that the best comparison was likely to the average of British Columbia, Ontario and Quebec. Given that most Deputy Ministers are likely at or near the top of this middle-column range, and using these three provinces as the best comparison, we conclude that the Deputy Ministers in Alberta are below the provincial government market by 14% (\$184,400 for comparable provinces versus \$161,400 in Alberta).

There is also an argument to be made for comparing to the Federal Government. Alberta Deputy Ministers frequently deal with, and negotiate with, their counterparts at the Federal level. In making this comparison, and again assuming that the Federal Deputy Ministers are at or near the top of the range, the Alberta Deputies are 51% below the Federal market (\$243,800 versus \$161,400 in Alberta).

**2. PAO commissioned a survey of the national broader public sector**

The Committee asked the Personnel Administration Office to develop information on current compensation practices in the national broader public sector in Canada. This would include provincial and federal governments, but also universities and colleges, school boards, health authorities, and other quasi-public sector entities. A total of 127 organizations were surveyed for this purpose.

The survey produced the information that the actual base salary at average for this broader public sector throughout Canada is \$196,500. At this average, the Alberta Deputy Ministers are 22% below the market in base salary (\$196,500 versus \$161,400 for Deputy Ministers in Alberta).

**3. Alberta broader public sector**

On behalf of the Committee, the Personnel Administration Office collected the published salaries of CEOs and Presidents of regional health authorities, colleges and universities, and regulatory and other agencies in Alberta. In total, forty organizations were surveyed for this purpose. In order to ensure reasonable results, the two highest and the two lowest salaries were removed from the comparison.

The results are shown in Exhibit 3.

**Exhibit 3  
Base Salary Comparison—Alberta Broader Public Sector**

	\$000s					
	By Sector			By Organizational Size		
	Finance	Health	Learning	Small	Medium	Large
Minimum	183	149	108	108	120	165
Maximum	446	441	372	233	433	446
Average	312	260	180	162	219	284

Source: PAO Survey.

The average of these average salaries is \$219,200. This figure puts the Deputy Ministers 36% below the Alberta broader public sector in terms of base salary (\$219,200 versus \$161,400 for Alberta Deputy Ministers).

### **The Committee Drew the Following Conclusions**

Based on the surveys conducted, the Committee concluded that the Deputy Ministers are definitely below market in their base salaries:

- ◆ 14% to comparable provincial governments.
- ◆ 22% to the national broader public sector.
- ◆ 36% to the Alberta broader public sector.
- ◆ 51% to the federal government.

### **The Committee Next Looked at Bonus Plans**

#### **1. Alberta's plan is unique in Canada**

The Alberta Senior Officials Bonus Plan was developed as part of the 1998 review. Its operations have the following characteristics:

- ◆ The Government of Alberta's financial targets have to be met before the pool is released.
- ◆ The bonus is set notionally at a maximum of 20% of base salary.
- ◆ An external review team is struck annually to assess the performance of the Deputy Ministers on Cross-Ministry Initiatives (CMIs). For example, if the external review team concludes that the overall performance on CMIs is 80%, then 0.8 of 20% bonus is made available, or 16%.

This 16% is then allocated as follows:

- 75% of it is given directly to all Deputy Ministers, regardless of the level of their involvement or contribution to the CMIs.
- The remaining 25% is assessed on an individual basis by the Deputy Minister of Executive Council, in consultation with the appropriate Minister. If the pool available, as per the example above, is 16%, then 25% of the 16% equals 4%, making the effective range available for rewarding individual performance 0% to 4%.

- ◆ The final allocations are approved by Cabinet.

Exhibit 4 shows the current Cross-Ministry Initiatives, as well as the number of years that these initiatives have been on the CMI list, the number of targets, and their achievement. We note that a number of the CMIs have been on the list for many years. This was not the original intent in the design of the bonus plan. It was intended that key topical issues would be assigned to the list by Cabinet, be addressed through cross-Ministry collaboration, and then be replaced by other issues.

#### Exhibit 4

##### Bonus Plan—Achievement of 2003/04 Cross-Ministry Initiatives

Cross-Ministry Initiatives	# of Years as CMI	# of Targets	# of Targets		
			Achieved	In Progress	Not Achieved
Alberta Children & Youth Initiative	6	10	10	—	—
Aboriginal Policy Initiative	5	20	17	2	1
Economic Development Strategy	5	30	18	3	9
Health Sustainability Initiative	3	15	10	5	—
Cumulative %		75	55 73%	10 87%	10 100%

We are concerned further that the 25% of the total that is related to individual performance may be subject to normative pressures. We would expect, in a typical group, that there would be some high achievers and some people who have not reached their goals. Over the last four years, it appears that all Deputy Ministers have achieved in the 20%-25% range, with by far the large majority at the 25% number.

Our review shows that although the average bonus in 2003/04 was \$30,327, the standard deviation around that number was only \$1,936. The bonus element is not working as it was designed to do. It was intended to reward group and individual behaviour, and to discriminate between high and low performers.

## 2. The Committee surveyed bonus plans elsewhere

The Committee was interested in knowing if bonus plans existed in other comparable provincial governments and the federal government, and if so, the range of bonus percentages. We show in Exhibit 6, *following*, the data with respect to these questions. We conclude that bonus plans do indeed exist, and generally are consistent with Alberta's plan in terms of the range of bonus provided.

**Exhibit 6**  
**Deputy Minister Bonus Plan Comparisons**

Jurisdiction	Range
Alberta	0-20%
Federal	0-25% <sup>(1)</sup>
British Columbia	0-10% <sup>(2)</sup>
Ontario	0-20%
Quebec	0-10%

<sup>(1)</sup>At the highest level; 0-20% and 0-15% at the lower Deputy Minister levels.

<sup>(2)</sup>Plans to raise the upper limit to distinguish performance.

We examined the operation of these plans in the federal government, as well as in each of the comparable provinces. We found three significant differences between the Alberta plan and these others:

- ◆ In no other province is there a trigger such as the Alberta Government's requirement that the financial objectives be met prior to release of the bonus pool. In the case of Ontario, there is an annual Cabinet decision, but it is not based on an objective measure such as Alberta's.
- ◆ The evaluations tend to be on individual performance; Ministry and corporate performance are taken into account, but a higher weight is applied to individual performance.
- ◆ In no case is an external review panel used to assess overall performance.

The national survey referenced earlier, conducted by the Personnel Administration Office, also provided information about bonuses in the broader public sector. At the average level of the 127 organizations surveyed, the bonus amount was \$29,500. This compares favourably with the \$30,300 average actual paid in Alberta in 2003/04.

### **3. Our Conclusions**

As a result of the above, we conclude that a bonus program is indeed quite common in the public sector, and that 20% appears to be about the right figure<sup>(1)</sup>. We are concerned that the Alberta design does not discriminate well among participants either in terms of performance to individual goals or contributions to Cross-Ministry Initiatives.

## **And Finally, the Committee Looked at Vehicles**

### **1. Alberta's plan**

In Alberta, all Deputy Ministers are eligible for an executive vehicle of their choice up to a capital value of \$40,000. This figure was recently increased by administrative policy to \$43,500. The Government of Alberta pays all licensing, operations and maintenance costs. The policy for replacement has recently been changed from every three years or 120,000 kms, whichever comes *first*, to every three years or

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<sup>(1)</sup> Ontario is at this level, B.C. is planning to raise theirs likely to this level, and Quebec is lower at 10%.



120,000 kms, whichever comes *later*. A Deputy Minister may choose, in lieu of a vehicle, an annual payment of \$3,000, which amount is pensionable.

## **2. The Committee made comparisons to other jurisdictions**

The Personnel Administration Office examined the prevalence and value of vehicles in both the private and public sectors.

With respect to the private sector, 90% of CEOs and Presidents receive a vehicle or an allowance, and 87% of executive and management positions receive a vehicle or allowance. The average capital cost of the vehicle is \$38,000. Where a vehicle allowance is provided, the median value is \$10,000 per year.

Vehicles are provided in two of the three provinces that the Committee used as comparators (British Columbia, Quebec and Ontario) with the vehicle capital cost being in excess of \$30,000 on average. An annual vehicle allowance option is provided in British Columbia and Quebec, at about \$7,000 per year.

## **3. The Committee drew the following conclusions**

As a result of the above, the Committee concludes that eligibility for vehicles or a vehicle allowance is appropriate for Deputy Ministers. The capital cost appears to be approximately right, but the annual allowance is low. The \$3,000 figure should likely be \$7,000 or so, set at a lease cost approximately equivalent to the capital cost of the vehicle. The bonus is not pensionable by Canadian Revenue Agency rules. We see no reason why the vehicle allowance should be pensionable.

## **The Committee Makes the Following Recommendations**

Recommendations by the Committee are grouped into the three categories discussed in the previous chapter:

- ◆ Base salaries.
- ◆ Bonus plan design and amounts.
- ◆ Vehicles and vehicle allowance.

The Committee also makes recommendations on some related matters that came to its attention, and concludes with an estimate of costs to implement the recommendations.

### **Base Salaries**

The analysis in the previous chapter shows that the base salaries for Deputy Ministers are significantly below market. How much below market is a question of which comparator one uses:

- ◆ 14% below provincial governments.
- ◆ 22% below the national broader public sector.
- ◆ 36% below the Alberta broader public sector.
- ◆ 51% below the federal government.

So the range of adjustment could be 14%-51%. The Committee believes that a point should be chosen within that range. At a minimum, Alberta Deputy Ministers should be paid salary at a level similar to the comparative provincial governments, which pay at an average of \$184,400. Building from this, the Committee feels that the competitive market for Deputy Ministers is the Alberta broader public sector, which pays at an average of \$219,200. The

Committee feels that a base salary located between these two figures would be an appropriate salary for Deputy Ministers.

As a result, the Committee recommends that:

**1. Base Salaries**

- a) The base salary for Deputy Ministers be set at \$200,000 per annum (the midpoint between the comparable provinces and the Alberta broader public sector).
- b) The current process of using a single salary for all Deputy Ministers be retained.

The Deputy Minister of Executive Council continue to be empowered to use a modifier where market conditions, or other urgent needs, so dictate; it is understood that these modifiers would be used on an exception basis.

The base salary for the Deputy Minister of Executive Council should be a separate salary, set 25% above the base salary for other operating Deputy Ministers.

**2. The Bonus Plan Design and Amounts**

The Committee concludes that the plan should be retained, but that it should be redesigned in order to allow for recognition of exceptional performers, and to serve as a motivational tool.

As a result, the Committee recommends that:

- a) The need for the Government of Alberta to achieve its overall financial goal be dropped as the trigger, inasmuch as in a province like Alberta, Deputy Ministers have little influence over this major factor.
- b) The use of an external review team be eliminated in assessing performance and achievement.

- c) A pool be created, calculated at 20% of the total of base salaries<sup>(1)</sup>.
- d) Although capped at 20% in total, not all Deputy Ministers should receive the same percentage; bonus percents should vary with performance; we recommend a range of 0-30%, with the highest being reserved for exceptional performance.
- e) The evaluation process and percentages be modified as follows: 25% based on the assessment by the Minister of the individual Deputy's achievements to the performance contract, and 75% based on the assessment of the Deputy Minister of Executive Council on achievement to the individual's performance contract; this 75% would be developed more formally with the following guidelines:
  - $\frac{3}{4}$  of the assessment would be based on what gets done—achievements on the four or so key initiatives agreed between the individual Deputy and the Deputy Minister of Executive Council in the individual's annual performance contract.
  - $\frac{1}{4}$  would be based on how the work gets done—determined by the exercise of skills such as leadership, management, working collaboratively with peers, and maintaining relationships with stakeholders.
- f) This evaluation process be conducted collaboratively between the appropriate Minister and the Deputy Minister of Executive Council, and the process reviewed by an external committee (discussed below) with the recommendations taken to Agenda and Priorities Committee for review and to ensure that the process was fair and reasonable.
- g) The bonus percentage for the Deputy Minister of Executive Council be set at a higher percentage; we recommend 25%.

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<sup>(1)</sup> *At a base salary of \$200,000, this 20% bonus will produce an average bonus amount of \$40,000, which is higher than the bonus amount of \$29,500 paid to the national broader public sector. However, the total cash compensation will remain below the Alberta broader public sector.*

### 3. Vehicles

We conclude that the vehicle policy should be retained, but recommend the following:

- a) The capital cost amount be left unchanged.
- b) The allowance in lieu of a vehicle be set at a number equivalent to the annual lease cost of the capital value above, and be non-pensionable.
- c) The replacement policy be amended to the earlier of four years or 120,000 km.

### Related Matters

In discussing the recommendations above, the Committee identified a number of related matters on which it wishes to make recommendations:

4. The last review of senior officials' compensation was conducted in 1998. The Committee feels strongly that a more regular process should be put in place, and recommends that an external Compensation Committee be struck for this purpose. This Compensation Committee would meet periodically, perhaps annually, to receive information on competitive salaries, and to make recommendations to Treasury Board for adjustment to the compensation of senior officials. The Compensation Committee would also be charged with reviewing the Deputy Ministers' performance rating process to ensure fairness. The Compensation Committee would assess the performance of the Deputy Minister of Executive Council, after consulting with the Premier.
5. The salaries for other senior officials (ranges A, B and C) are typically set in relation to those of Deputy Ministers and hence should also be reviewed.
6. The Committee also feels that a review is required of which agency heads have been slotted into which categories, and adjustments made as required.
7. For non-Deputy Minister senior officials, the current progression within the ranges of A, B, and C is inconsistent. In some cases, senior officials provide satisfactory or better performance, but are held back because the departments

through which they report do not have the budgets to increase their salaries. The Committee suggests a policy of progressing through the appropriate range to the maximum in five to seven years, assuming satisfactory performance on the part of the individual.

8. The Committee recommends that concepts developed for the bonus pool for Deputy Ministers be carried through for Assistant Deputy Ministers.
9. The management of a large workforce is a complex undertaking. With the aging of the civil service, it is imperative that key processes are developed and put in place to attract the right people, retain them, groom and promote them, and provide them with the opportunities to grow into more senior responsibilities. The Committee feels strongly that two key concepts need to be put in place:
  - ◆ Succession planning—a formal process should be developed and implemented to identify high potential people, to move them throughout the civil service in order to provide them with experience, enabling them to compete successfully for key positions.
  - ◆ Managing human resources corporately—in order for the process of attraction and retention to work best, and in order to ensure that senior staff are appropriately developed, all civil servants within the Government of Alberta should be treated as one resource. This will enable employees to gain experience in a variety of departments, and thereby mature into future leaders.
10. The Committee feels that a cross-Ministry approach is key to addressing many of the large policy issues facing government but that the existing Cross-Ministry Initiatives structure needs to be replaced by a more responsive, shorter duration (6-18 months) task force approach.

## **Cost Implications**

We calculate that these base salary adjustments for Deputy Ministers, together with the bonus increases attendant, will cost an additional \$1.1 million annually. Salary adjustments to the other senior officials (chairs and members of agencies, boards and commissions) and to other management positions within the Alberta public service, will result in additional costs.

## **APPENDIX**

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### **Terms of Reference**



## **Terms of Reference for the Senior Officials Compensation Ad Hoc Committee**

### **Background**

Senior Officials (SO) comprise Deputy Ministers as well as chairs, members and senior executives of judicial boards. The compensation scheme for SOs was last reviewed in 1998. There is evidence that compensation for these SOs is lagging the market.

The Deputy Minister of Executive Council has formed an ad-hoc private sector committee to study this matter and make recommendations to Cabinet on what SO compensation changes should be made to maintain Alberta's leadership position in attracting and retaining the best candidates to these positions.

### **Scope of Work**

Working with a consultant retained to support the work, the committee is expected to address directly the following questions:

Salary:

- ◆ Should there be one salary for all Deputy Ministers, or salary ranges, or distinct salary levels based on responsibility?
- ◆ What salary should be paid to ensure competitiveness?
- ◆ What should be the process for adjusting salaries?

Bonus:

- ◆ Should there be a bonus plan?
- ◆ If so, how should it operate?
- ◆ The current plan is based on a ratio of  $\frac{3}{4}$  for achievement of cross-government goals, and  $\frac{1}{4}$  on individual performance. Is this appropriate?

- ◆ The current plan allows for the bonus amount to be up to 20% of base salary. Is this figure appropriate?
  
- Benefits:
  - ◆ Generally, benefits are comparable across Canada for the senior public sector; but vehicles are a continuing question; is the vehicle benefit appropriate?
  - ◆ Are there other areas of benefits that should be addressed?
  
- Other areas may affect the competitive position of Alberta with respect to SOs. The Committee is encouraged to make comments in their report on any such areas; for example:
  - ◆ Relationship to pay of other public officials.
  - ◆ Other initiatives that could renew Alberta's public sector.
  - ◆ Policies of hiring, transferring, grooming, promoting, exchanging SOs, etc.
  
- Finally, the committee should consider how best to present their recommendations.

## **Timing**

The Committee is requested to complete their work and present their report by March 31/05.

## **Members of the Committee**

Jack Donahue, Chair  
Pierre Alvarez  
Eric Newell  
Lorne Taylor  
Ron Hicks (ex officio)