RS-PSCTA2024-027

30 January 2024

Jackie Lovely, MLA
Chair, Standing Committee on Families and Communities
e-mail: FCCommittee.Admin@assembly.ab.ca

Dear Ms. Lovely,

Re: Review of the Public Sector Compensation Transparency Act

Thank you for the opportunity to share our perspective on the Public Sector Compensation Transparency Act (PSCTA) with the Standing Committee on Families and Communities.

The PSCTA has been in place for nine years and it has certainly increased the level of individual pay transparency within the public sector. While pay transparency has some clear benefits, the added value has been outweighed by some significant concerns and issues. We recommend that the government repeal the PSCTA.

We base our recommendation on four core factors:

1. With the implementation of compensation regulations across the broader public sector, including the *Reform of Agencies, Boards and Commissions Compensation Act* and Regulations (RABCCA), and upon its recent repeal, the development of the new compensation framework for agencies, boards, and commissions, the provincial government now has significant oversight over compensation across the public sector. Within the current framework, the PSCTA appears to be redundant.
2. While conceptually, there are some benefits to the salary disclosure, it has been observed to be very ineffective and has driven many unintended consequences.
3. The PSCTA has resulted in a significant administrative burden at the university.
4. The PSCTA has impacted the university's ability to attract talent and has actually been a deterrent for many potential candidates.

1. Government Compensation Oversight

Since implementing the PSCTA, the provincial government has brought forth robust compensation regulations and directives that apply to the broader public sector. The government has repealed RABCCA and will implement a new compensation governance framework for the public sector. Within this framework, compensation plans will need to be submitted and approved by the government. This new model, like RABCCA, will continue to provide the government with significant governance and oversight of compensation practices. When the government enacted the PSCTA, this oversight was not in place. Therefore, it could be considered redundant.

Another consideration is that the government has established four core compensation principles under RABCCA, which will likely remain unchanged within the new compensation framework. The PSCTA does not fully align or support all of these principles, so the added value and general alignment are in question. See the table below for more details:

Government of Alberta Core Compensation Principle	**University of Alberta Comments**
Public Service: Compensation supports the recruitment and retention of members with required competencies, as well as required specialized experts.	The PSCTA does not support this principle, as it has an adverse effect on the recruitment and retention of employees with required competencies and specialized experts.
Fairness and Consistency: Compensation recognizes the principle of 'equal pay for work of equal value', and is competitive with comparable roles in the Alberta public sector and similar jurisdictions.	The PSCTA discloses pay for individuals without clearly articulating the relative "value" of the positions being disclosed. The principle states "equal pay for work of equal value", so in order to correctly assess whether "equal pay" is in fact in question, the reader must also understand the "equal value" portion of the principle. Right now, only position titles are shared and it is unknown whether jobs that are being compared are equally valued or not.
Transparency: Compensation policies and decisions related to remuneration for public agency members are clearly communicated and accessible to public agency members, employees and the public.	The PSCTA does provide transparency of individual compensation, however lacks the required context and accompanying details to ensure the reader has the correct understanding and interpretation.
Fiscal Prudence: Compensation decisions for public agency members are evidence-based, fiscally prudent and demonstrate accountability for the expenditure of public funds.	The PSCTA has increased compensation costs, adds a significant administrative burden and does not support fiscal prudence or accountability for the expenditure of public funds.

2. Overall Ineffective

While the overall intent of the public salary disclosure is to increase transparency and accountability across the public sector, the university's opinion is that the act is ineffective and drives a variety of negative impacts.

UNIVERSITY OF ALBERTA

Adverse Effect on Job Satisfaction and Pay Satisfaction

A research study conducted by the University of California and published in the American Economic Review identified that salary disclosure has an adverse effect on job satisfaction and pay satisfaction. This study showed that when compensation is disclosed through a form of "sunshine list", those employees below the median report lower pay and job satisfaction. They also found a significant increase in the likelihood of these employees looking for new jobs. The study also showed that employees may be completely satisfied with their compensation before the disclosure, as their satisfaction is linked to relative pay comparisons with peers. However, as employees learn of any pay disparity, they become dissatisfied and disengaged, where they were perfectly satisfied with their compensation before the disclosure.

This study reveals that immediately after releasing the disclosure list, 50 per cent of the employee population will have lower pay and job satisfaction and an increased risk of looking for a new job. That substantially impacts the workforce and creates a significant risk to the university. Having 50 per cent of employees disengaged and exploring other job opportunities does not support a sustainable culture or work environment, particularly when they were perfectly satisfied with their compensation before the disclosure. Employees deserve the ability to work in a psychologically safe environment. Unfortunately, salary disclosure has an adverse effect on the work environment for employees. This study highlights the negative effect the public salary disclosure has on employees, which we believe is an unintended consequence that needs to be addressed.

Escalates Costs

Another key issue is that disclosure can actually drive up costs for the organization, which does not align with the core compensation principle of fiscal prudence identified by the government. One of the unintended consequences of the salary disclosure is that employees will pressure their leaders to increase their compensation due to data they have observed through the salary disclosure, which actually increases costs for the organization. Unfortunately, employees and organizations lack the pertinent information on the actual size, scope, and complexity of the job and simply compare based on title. Additionally, position titles can be somewhat inconsistent. Organizations are often pressured to react to these issues raised by employees without fully understanding the nature and scope of similarly titled jobs in other organizations or within the same organization. The lack of information and context leads to decisions that result in increasing compensation costs.

Pay Equity

With pay transparency, we believe that one of the underlying benefits is to address pay equity issues. However, unless organizations are provided with the flexibility and means to address these, the salary disclosure simply increases dissatisfaction or disengagement since organizations have not been able to address these pay equity concerns due to RABCCA limits on individual compensation adjustments following a significant period of salary freeze.

Equal Pay for Work of Equal Value

One of the key compensation principles identified by the government is fairness and consistency, with a reference to "equal pay for work of equal value". While the university also believes strongly in this principle, the salary disclosure does not fully support this key principle. Through the disclosure, individual pay is shared. However, the relative value/job size is not. The result is that we are not comparing jobs of equal value to determine whether there is equal pay; instead, we are simply looking at titles alone. To truly drive equal pay for work of equal value, there needs to be a consideration of the overall value/size of jobs to the pay of individuals, information that isn't available to most readers of salary disclosures.

Circumvents Market Value for Roles
Another critical consideration is that the disclosure list shares the actual pay of employees. However, it does nothing to indicate where those employees compare against the market and the current value of the jobs. For example, we may have a list of five employees where one appears to be lower than the others, but we fail to raise the issue of whether all five are behind the market and at risk of leaving. We should address the fact that all five are below market and look to correct any existing gaps.

Does Not Consider Individual Performance
Actual compensation is also highly driven by individual performance, which the sunshine list does not consider. One employee earning a higher salary may also be an exceptional performer compared to their peers, may bring a unique experience to the role or any other factors that could influence the individual salary placement. This context is lacking through the disclosure, so anyone reviewing the list is not considering all relevant factors when identifying concerns with expense or equity.

Inaccurate Representation of Salaries
The earnings reported in the disclosure are based on year-to-date figures and are not a true reflection of individual base salary. The disclosure amount may include elements such as one-time payments, adjustments, etc, as well as partial-year prorated earnings. These factors all skew the accuracy and interpretation of the information disclosed, leading to confusion and misinterpretation. In addition, the disclosure is based on a calendar year vs fiscal year, which sometimes skews the information or may cause confusion.

3. Administrative Burden
Each year the university invests significant resources and time to complete the salary disclosure process. We estimate that each year, the university allocates five resources and 180 hours. We feel this is a significant administrative burden to complete this process each year. Resources and time are spent at various levels of the organization to respond to inquiries before and after the disclosure is released. The estimated cost impact for the University is $13,000 each year.

In the spirit of red tape reduction, where the government is looking to reduce the regulatory burden and remove needless red tape, we feel this is a prime example of an administrative process that provides limited value. It would be much better to reallocate resources, time and money that was previously dedicated to this work to other key university priorities.

4. Deterrent to Attract Talent
Through our university strategic plan, we have set some key strategic objectives that will shape the university for the next 10 years. A key driver of the success of our strategic plan is our people and ability to attract and retain key talent required to achieve our strategic priorities. The university has observed that qualified candidates are sometimes hesitant to join the university due to the salary disclosure requirements. This hesitancy has impacted our ability to secure the talent we need as an organization.

UNIVERSITY OF ALBERTA

Another concern is regarding the protection of personal information for those who require the protection of data. While there is a process for an employee to request an exemption from disclosure, one must prove an undue threat to their safety and provide this proof to the government for review and approval. Not all cases are reported, which may cause people not to apply for work at an organization subject to salary disclosure requirements. Many employees are concerned about their own privacy of information and do not feel comfortable having their salaries, or in cases of termination, severance amounts, publicly disclosed. This has impacted our ability to attract the best talent we need to grow as a university, as employees can choose other employment opportunities where salary disclosure is not required.

With the labour market as competitive as it is for specialized talent, we need to remove this barrier to help the university achieve our strategic plan.

Thank you for taking the time to consider our feedback and perspectives.

If you have any questions or would like to discuss our feedback in more detail, please contact Marcie Chisholm, Associate Vice President of Human Resources, Health, Safety & Environment at marcie.chisholm@ualberta.ca.

Yours truly,

[redacted]

Bill Flanagan
President and Vice-Chancellor

Cc:
Kate Chisholm, Chair of the Board of Governors
Todd Gilchrist, Vice-President, University Services and Finance