



Treasury Board of Canada
Secretariat

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du Canada

Canada

Policy Framework for the Management of Compensation

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Policy Framework for the Management of Compensation

Effective Date

This framework is effective as of February 22, 2007.

Context

Compensation is a central component of effective management. There are many diverse and complex factors that must be taken into consideration when addressing compensation issues including private and public sector labour market trends, economic trends, relations with unions, legislation, social policies, federal public administration organizational structures, job classification structure, internal relativity, public policy forums and advisory committees, and public policy to name a few.

In order to help develop a better understanding of these factors, the Public Service Labour Relations Board has received the mandate to provide compensation analysis and research services, including conducting compensation surveys, and make its information and analysis available to the parties and the public.

This framework sets out specific principles and an approach to managing compensation within the federal public administration. The framework guides Treasury Board ministers in their role as financial and human resources managers, set out in section 7 of the [Financial Administration Act](#) (FAA). The coverage of the framework includes the specific roles and responsibilities of the Treasury Board in respect of the: core public administration, separate agencies, persons hired under the *Royal Canadian Mounted Police Act*, the Canadian Forces, and the segment of federal government business enterprises that receive government funding (i.e. appropriation dependent crown corporations). The Treasury Board's responsibilities vary in important ways across these different areas of the federal public administration, as detailed below in the section Roles, Responsibilities and Policy Instruments. The Framework's coverage does not include those employees covered by the Parliamentary Employment and Staff Relations Act.

Principles

Compensation serves, with other key frameworks, to attract, retain, motivate and renew the workforce required to deliver results to Canadians.

Compensation decisions by the Treasury Board in its various roles will be guided by four overarching principles:

External Comparability:

Compensation should be competitive with, but not lead, that provided for similar work in relevant labour markets;

Internal Relativity:

Compensation should reflect the relative value to the employer of the work performed;

Individual/Group Performance:

Compensation should reward performance, where appropriate and practicable, based on individual or group contributions to business results; and,

Affordability:

The cost of compensation must be affordable within the context of the commitments to provide services to Canadians, the fiscal circumstances, and the state of the Canadian economy.

Government compensation decisions are always made taking into account relevant laws and general public policy. Consequently, the above-mentioned principles are to be balanced against the following considerations:

- economic policy objectives;
- social policy objectives; and
- public expectations and pressures.

Roles, Responsibilities and Policy Instruments

Treasury Board

While the range of Treasury Board responsibilities regarding compensation vary across the different areas of the federal public administration, some of them apply across all areas:

- The Treasury Board is responsible for all matters relating to human resources management in the federal public administration, including the authority to determine terms and conditions of employment. The Treasury Board is also responsible for the terms and conditions of persons appointed by the Governor in Council whose terms and conditions of employment have not been established by an Act of Parliament.
- The President of the Treasury Board is the Minister responsible for the *Public Service Superannuation Act* and has overarching responsibility with respect to the financing and funding of all the federal public sector pension plans. Also, the President of the Treasury Board and/or the Treasury Board are responsible for certain discretionary decision-making under the legislation governing the plans.
- The Treasury Board has the authority to establish or enter into a contract to acquire group insurance or benefit

programs for the federal public administration or any of its areas and to set the terms and conditions of those programs, including those relating to premiums, contributions, and benefits.

The area-specific responsibilities of the Treasury Board with regard to the management of compensation are:

- *Core public administration:* The Treasury Board is the employer of employees in the core public administration. It has the authority to enter into collective agreements with bargaining agents and to set the terms and conditions of employment for executive and other unrepresented employees.
- *Separate agencies:* Separate agencies may exercise their own human resources authority granted by their enabling statute or by Order in Council. This authority may be unconditional or subject to conditions such as prior consultation with or approval by Treasury Board. Separate agencies are employers in their own right. Most separate agencies require the approval of the Governor in Council to enter into collective agreements with the bargaining agents representing their employees. By Cabinet directive, 1967, the Governor in Council requires separate agencies, in advance of bargaining, to obtain from the President of the Treasury Board their collective bargaining mandates, including the objectives to be pursued and the limits to be observed.
- *Royal Canadian Mounted Police:* The RCMP is listed in Schedule IV of the FAA as a part of the core public administration. The *Royal Canadian Mounted Police Act* provides the Commissioner of the RCMP with certain powers and authorities normally exercised by Treasury Board. However, the Treasury Board is responsible for establishing pay and allowances to be paid to members.
- *Canadian Forces:* The Treasury Board is not the employer of non-commissioned members of the Canadian Forces. However, the *National Defence Act* provides that Treasury Board is responsible for establishing pay and allowances of officers and non-commissioned members.
- *Appropriation Dependent Crown Corporations:* As part of the process for funding appropriation dependent crown corporations, adjustments are made to their annual reference levels to address increases in compensation costs at a rate determined by the Treasury Board.

Treasury Board Secretariat and Public Service Human Resources Management Agency of Canada

The Treasury Board Secretariat is responsible for compensation planning in the federal public administration, for reporting on compensation and for ensuring that government decisions in the area of compensation are aligned with the principles laid out in the Policy Framework for the Management of Compensation.

The Secretariat is also responsible in its capacity of employer to implement decisions with respect to the core public administration except for decisions related to senior level officials and classification, which are under the responsibility of the Public Service Human Resources Management Agency of Canada. The Secretariat and the Agency are responsible for ensuring that government policies in the area of compensation are aligned with the principles laid out in this Framework.

Public Works and Government Services Canada

The *Department of Public Works and Government Services Act* requires the Department to provide such administrative and other services required for the disbursement of pay, employee benefit plans and Superannuation or pension plans to persons employed in or by any department, and to persons employed in or by other portions of the federal public administration, as the Governor in Council may direct.

Deputy Heads

The Public Service Collective Agreements Implementation Order delegates to deputy heads the authority to exercise and perform such powers and functions of the Treasury Board as may be required to give effect to and administer the provisions of collective agreements, subject to any direction of the Treasury Board. The responsibilities of the Deputy Heads are specified in the policy documents and in the legislation identified in the policy documents.

Policy Instruments

Responsibility for the policies under the framework is divided between the Treasury Board Secretariat and the Public Service Human Resources Management Agency of Canada and is specified in the documents outlining the policies. The specific legislative, regulatory and policy instruments that support this framework are set out in Appendix 2.

Relationship to other Treasury Board Policy Frameworks

The Policy Framework for the Management of Compensation is related to the People Policy Framework, Official Languages Policy Framework and the Financial Management Policy Framework. Some of the policies under the People Policy Framework, such as the Organizational Authority and Classification of Executive Positions Policy, have implications on the compensation of employees in the federal public administration. The bilingual bonus included in the Official Languages Policy Framework is also part of the compensation package of employees. In addition, all the applicable policies and directives under the Financial Management Policy framework apply to the administration of the pay process.

Monitoring, Reporting and Performance Assessment

Performance indicators, reporting requirements, and compliance mechanisms with respect to the management of compensation, where applicable, are identified in individual policies outlined in Annex II.

Consequences

Consequences for non-compliance are described in the individual policies underpinning this framework. They range from various corrective measures taken by deputy heads within their organizations to address errors or non-compliance, to the withdrawal of deputy heads' delegated authorities and requirement to repay from their departmental budgets any costs associated with errors or other forms of non-compliance with the existing policies.

Enquiries

Responsibility for this policy framework is vested with the Treasury Board of Canada Secretariat. Responsibility for the policies under the framework is divided between the Treasury Board Secretariat and the Public Service Human Resources Management Agency of Canada and is specified in the documents outlining the policies.

Please direct enquiries to:

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Appendix I: Definitions

"Compensation"

implies total compensation and covers cash and non-cash remuneration provided to an employee for services rendered, and includes, but is not limited to:

- wages and salaries and other cash compensation such as performance awards;
- pensions and insurances benefits;
- paid time off;
- allowances, such as the Penalogical factor allowance; and programs that compensate employees for the costs of serving in difficult environments (the Isolated Posts Directives and the Foreign Service Directives for example).

"core public administration"

means the departments named in Schedule I and the other portions of the federal public administration named in Schedule IV to the FAA.

"separate agency"

means a portion of the federal public administration named in Schedule V to the FAA.

Appendix II: Supporting Legislative, Regulatory and Policy Instruments

- [Policy on the Administration of the Public Service Pension Plan and Group Insurance and Other Benefit Programs](#)
- [Policy on Terms and Conditions of Employment](#)
- [Directive on Leave and Special Working Arrangements](#)
- [Directive on Terms and Conditions of Employment](#)
- [Directive on Terms and Conditions of Employment for Certain Excluded/Unrepresented Employees](#)