

Compensation of municipal employees

MANAGERS AND SUPERVISORS TAKE THE LION'S SHARE: ALMOST TWICE AS WELL PAID AS WHITE-COLLAR AND BLUE-COLLAR WORKERS

Montréal, October 5, 2020 – The study released today by the Centre for Productivity and Prosperity – Walter J. Somers Foundation (CPP) is intended mainly to take a closer look at employee compensation and numbers in Quebec municipalities, and give Quebecers objective and accessible information allowing them to decide to what extent compensation is an issue in their municipality. “We considered this study all the more important at a time when the COVID-19 pandemic is putting significant pressure on public spending and a study released in 2016 – the *Quebec Municipalities Rankings* – had already found that over half the growth in spending by municipalities between 2010 and 2014 was directly attributable to spending on compensation,” says Robert Gagné, CPP Director and co-author of the study.

For its analysis of the current situation, the Centre’s researchers developed a series of indicators on employee compensation and numbers in municipalities of 25,000 or more inhabitants, building on the expertise acquired previously. All the indicators were calculated using data from the financial reports that municipalities have to submit to the Ministère des Affaires municipales et de l'Habitation (MAMH).

Main findings

First of all, the CPP analysis shows that the *Act to foster the financial health and sustainability of municipal defined benefit pension plans* seems to have produced the desired results. Since it was adopted, in 2014, average annual growth in compensation has plunged, owing mainly to the restrictions on payroll taxes; this change is especially notable in municipalities with populations of 100,000 or more.

Another finding is that the compensation issue is particularly worrisome in Quebec’s largest cities. For example, an employee in a municipality with a population of 100,000 or more earned an average of \$104,533 per year in 2019, or nearly \$20,000 more than in municipalities of 50,000 to 100,000 inhabitants. Moreover, in addition to offering more generous wages and fringe benefits than smaller municipalities, Quebec’s largest cities have proportionally more employees. Consequently their compensation has a greater impact on their budgets.

“But the disparity doesn’t stop there: managers and supervisors take the lion’s share when it comes to compensation,” notes Jonathan Deslauriers, CPP Executive Director and co-author of the study. “In municipalities with populations of 100,000 or more, the average hourly wage is almost twice that of a white-collar or blue-collar worker.” And although they may have more employees to oversee, they earn considerably more than their counterparts in smaller municipalities. The difference can be as much as 24% when their average salary is compared with that of managers and supervisors in municipalities of 25,000 to 49,999 inhabitants, and 16% as compared with municipalities of 50,000 to 99,999.

Lastly, the study reveals that economies of scale seem to apply only up to municipal populations of 50,000 to 99,999. While the number of employees required to serve 1,000

residents tends to decline as the size of a municipality increases, this tendency appears to reverse above the threshold of 100,000 inhabitants.

Some recommendations

“These observations help us better understand what drove certain municipalities to press for this legislation in 2014,” maintains Gagné. “Since they had been unable to manage the growth in compensation for years, and had relied on ratepayers for too long to cover these increases, rather than being proactive in their bargaining, many administrations faced a budgetary dilemma when their employees’ pension funds were hit by the financial crisis of 2008. The province had to intervene in the bargaining process and halt the growth in compensation.”

Now, with the impact of COVID-19, these same municipalities recently asked the province to amend the Act and allow them to run deficits. But since the government refused, some of them are already looking at slashing services to the public or raising taxes. “Given that it is precisely this strategy that made compensation an issue for the municipal sector, it would be a good idea for municipalities to take advantage of the current situation to realign their budget priorities, so that ratepayers aren’t on the hook once again to finance the lack of initiative by their local administrations,” concludes Gagné.

For more information:

- The report: [*Le point sur la rémunération et les effectifs dans les municipalités du Québec*](#)
- Le communiqué [en français](#).

About the Centre for Productivity and Prosperity – Walter J. Somers Foundation (CPP)

The CPP has a twofold mission. First of all, it is devoted to research on productivity and prosperity, mainly in Quebec. The Centre then shares its research findings through knowledge transfer and educational activities.

About the Walter J. Somers Foundation

The Somers family established the Walter J. Somers Foundation in tribute to the founder of Walter Surface Technologies. Through different donations, the Foundation pursues the family heritage of commitment to the community and contributes to the prosperity of Quebec society, firstly by helping to enhance its productivity but also by supporting excellence in youth education.

For more information on the Centre, visit www.hec.ca/cpp or write us at info.cpp@hec.ca.

Source:

Liette D’Amours
Media Relations Officer
Tel.: 514 649-2347
info.cpp@hec.ca