

Provide the information required for each section. Refer to the Broader Public Sector Executive Compensation Guide for additional instructions and assistance with completing this form.

A. Compensation Philosophy Provide information on the designated employer's compensation philosophy including details on how the executive compensation program supports the employer's strategic objectives and what the program, including its approach to performance-related pay, is designed to reward.

B. Designated Executive Positions List all designated executives at the designated employer. If applicable, indicate the class or category of each designated executive position as it relates to the salary and performance-related pay structure in the executive compensation program.

C. Salary and Performance-related Pay Caps

Comparator Selection Provide information on the comparators used to benchmark salary and performance-related pay at the designated employer for each designated executive position or class of positions. Provide a rationale for the chosen comparators.

Comparative Analysis Details Provide information on the percentile used to benchmark the salary and performance-related pay cap for each designated executive position or class of positions. Additional information on the methodology used to determine salary and performance-related pay can provide useful context.

Structure Provide information on the salary and performance-related pay cap for each designated executive position or class of positions. Additional information on the salary ranges and performance-related pay structure can provide useful context.

D. Salary and Performance-related Pay Envelope Provide the sum of salary and performance-related pay paid to designated executives for the most recently completed pay year. In addition, provide the maximum rate of increase to the salary and performance-related pay envelope. Additional information on why changes are necessary and how they were determined can provide useful context.

E. Other Elements of Compensation Provide information on any proposed compensation elements, other than salary and performance-related pay, that would be provided to designated executive positions or classes of positions but that are not generally provided in the same manner and relative amount to non-executive managers.

Include rationale outlining the critical business reasons that justify the provision of each proposed element of compensation.

F. Supplemental Information Provide any additional information required to support or explain the information included in the executive compensation program.

Provide the contact information of the person completing this program.

Contact Information

Organization (Full Name)

Alcohol and Gaming Commission of Ontario

Completed By

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Title

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A. Compensation Philosophy

Provide information on the designated employer's compensation philosophy including details on how the executive compensation program supports the employer's strategic objectives and what the program, including its approach to performance-related pay, is designed to reward.

The Alcohol and Gaming Commission of Ontario (AGCO) is the largest regulatory body in Ontario. It is highly regarded world-wide and reflects the "gold standard" in its regulatory approach. Specifically, the AGCO is responsible for a framework of critical regulatory controls over three economically vital lines of business to the Province: that is, the alcohol, gaming (commercial and charitable) and horse racing industries. It ensures that these businesses are conducted with honesty, integrity, social responsibility and in the public interest. Further, in fulfilling its mandate the AGCO delivers its services in a cost-effective manner, thereby supporting the economic viability and vitality of these important industries. The Ontario alcohol, gaming and horse racing industries are by far the largest in Canada and among the top five in North America, generating 10s of billions of dollars to the provincial economy and significantly contributing to the Province's consolidated revenue fund.

To balance the AGCO's public interest and public safety responsibilities and respond appropriately and quickly to Provincial and industry changes and imperatives, its executive team is visionary, nimble and very high performing. To fulfill its mandate, it must be able to continue attracting, retaining and motivating strong and talented executives. Accordingly, the organization's compensation philosophy has four key objectives:

- To focus employees on meeting the AGCO's business and strategic objectives
- To attract and retain the highly qualified employees required to carry out the AGCO's mandate
- To have up-to-date and competitive compensation levels that are also responsible and compliant with appropriate provincial regulations
- To provide generally comparable levels of compensation for generally similar levels of contribution

Peer Group

No private sector companies were included in AGCO's comparator market group, and all public sector comparators are Canadian organizations.

Target Competitive Positioning

The AGCO has benchmarked itself to the 50th percentile of the 15 public sector organizations authorized by the AGCO Board to be used as comparators.

B. Designated Executive Positions

List all designated executives at the designated employer. If applicable, indicate the class or category of each designated executive position as it relates to the salary and performance-related pay structure in the executive compensation program.

2021 Update

2021 Full Job Title	2020 Class of Position
Chief Executive Officer & Registrar	20
Chief Operating Officer	17
Chief Strategy Officer	16 (a)
Corporate Secretary & Chief Corporate Relations Officer	16 (a)
Director, Legal Services Division	16 (a)
Chief Administrative Officer	16 (a)
Chief Information Officer	15 (a)

C. Salary and Performance-related Pay – Comparator Selection

Provide information on the comparators used to benchmark salary and performance-related pay at the designated employer for each designated executive position or class of positions. Provide a rationale for the chosen comparators.

Comparators 1

All of the executive positions will be compared against the same comparator group, this includes the following classes of positions: 20, 17, 16 (a) and 15 (a). (Note: See page 8, which follows, for the detailed explanation of what is meant by "comparator groups" and "classes of positions" for the purposes of this report. Classes of positions are compared against each other and not necessarily against positions with the same or a similar job title.)

Canadian Public Sector or Broader Public Sector Comparators

Organizations

Canada Deposit Insurance Corporation	The Ontario Financing Authority
Deposit Insurance Corporation of Ontario	Ontario Lottery and Gaming Corporation
Electrical Safety Authority	Ontario Securities Commission
Government of Ontario	Standards Council of Canada
Independent Electricity System Operator	Tarion Warranty Corporation
LCBO	Technical Standards and Safety Authority
Municipal Property Assessment Corporation	Veridian Corporation
Office of the Superintendent of Financial Institutions	

Rationale for Selected Comparators

The 15 organizations which were chosen for this compensation review were selected because they:

- All are Canadian Broader Public Sector organizations, regulatory bodies, or in a related field to the AGCO;
- All are organizations, by the nature of their size, industry, geographic location and similarity of the scope of responsibility of the roles, that the AGCO will compete with for executive talent;
- All have jobs of similar scope of responsibility to the AGCO executive roles, considering skill, knowledge, ability and accountabilities of each role, rather than title; and,
- All have up-to-date total remuneration data within the Hay Group database (i.e. data are effective May 1, 2016 and aged to May 2017).

The following table shows the consideration of criteria for each of the companies chosen. Scope as a criterion is listed in the table but explained further below; all organizations have jobs of a similar scope to one or more of the AGCO executive roles.

Organization	Criteria				
	Type of Operation/ Industry	Comparable Job Size	Competes for Talent	Location	Scope
1. Canada Deposit Insurance Corporation	✓	✓	✓		✓
2. Deposit Insurance Corporation of Ontario	✓	✓	✓	✓	✓
3. Electrical Safety Authority		✓	✓	✓	✓
4. Government of Ontario		✓	✓	✓	✓
5. Independent Electricity System Operator		✓	✓	✓	✓
6. LCBO		✓	✓	✓	✓
7. Municipal Property Assessment Corporation	✓	✓	✓	✓	✓
8. Office of the Superintendent of Financial Institutions	✓	✓	✓	✓	✓
9. The Ontario Financing Authority		✓	✓	✓	✓
10. Ontario Lottery and Gaming Corporation		✓	✓	✓	✓
11. Ontario Securities Commission	✓	✓	✓	✓	✓
12. Standards Council of Canada	✓	✓	✓	✓	✓
13. Tarion Warranty Corporation		✓	✓	✓	✓
14. Technical Standards and Safety Authority	✓	✓	✓	✓	✓
15. Veridian Corporation		✓	✓	✓	✓

Type of Operation/Industry – similar responsibility as a regulatory body

Comparable Job Size – Organizations with jobs of comparable size to the AGCO based on a consistent job evaluation methodology

Competes for Talent – Organizations by the nature of their size, industry, geographic location and similarity of the scope of responsibility of the roles, that the AGCO will compete with for talent.

Location – Organizations with roles in Toronto with which the AGCO would compete with geographically for talent

Scope – Organizations with jobs that have similar mandates to one or more AGCO role(s)

Note: the criterion of an organization's size is embedded within the HAY methodology – (see description in Salary and Performance Related Pay - Comparator Selection)

C. Salary and Performance-related Pay – Comparative Analysis Details

Provide information on the percentile used to benchmark the salary and performance-related pay cap for each designated executive position or class of positions. Additional information on the methodology used to determine salary and performance-related pay can provide useful context.

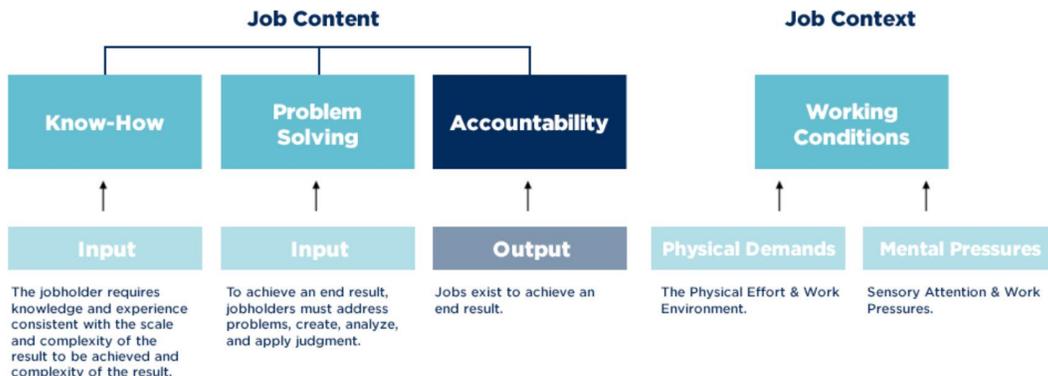
Executive and AGCO Job Evaluation (Scope)

Executive roles are evaluated considering the required skills, knowledge, ability, responsibility, and working conditions of the role. The evaluation system used to assess the AGCO's Executive roles is the Hay Group Guide-Chart Profile MethodSM, which is also used by many other organizations in Ontario, including those in the Ontario Broader Public Sector. The evaluation points of the role determine the executive grade within the AGCO.

This method of comparison is of key importance as it allows the AGCO to adjust for “job size” or, scope, relative to the jobs of the comparator organizations. Job evaluation point considerations include organization size, type of function, scope and portfolio. For illustration, for relatively larger comparators, the AGCO’s CEO, for example, would not be matched directly to the comparator CEO, but to an executive level that would have the same points as the AGCO CEO, as illustrated in the diagram below.



With this methodology, jobs of a specific point level at the AGCO can be compared to jobs of a similar size in the external market as they have similar levels of skills, knowledge, ability, responsibility, and working conditions. The graphic below shows the factors considered in the Hay job evaluation methodology:



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Positions or Classes of Positions

The executive job classes are being matched on a “similar job size” basis (i.e., not a similar job title basis), which is to say that the job classes at the AGCO are being compared to jobs of a similar size in the comparator market regardless of function. Jobs at the AGCO and within the comparator market have been evaluated using the Hay Group Guide-Chart Profile MethodSM, and the following table shows the resulting point levels at which the AGCO jobs are being compared to the market.

2021 Classes of Positions - Update

Full Job Title	Class of Position	Hay Points at which jobs are compared to the external market
Chief Executive Officer & Registrar	20	2676
Chief Operating Officer	17	1630
Chief Strategy Officer	16 (a)	1382
Corporate Secretary & Chief Corporate Relations Officer	16 (a)	1382
Director, Legal Services Division	16 (a)	1382
Chief Administrative Officer	16 (a)	1382
Chief Information Officer	15 (a)	1171

Comparing to organizations of a similar revenue / operating budget size can be an important consideration to ensure that the executive roles within the comparator organizations are comparable to the executives at the AGCO. However, this alone does not ensure that the roles will be of a comparable job content size because it does not take into account the specific accountabilities of each position and the variety of responsibilities that each job may have in their individual organization. Using a job evaluation methodology such as the one used in this analysis ensures that when comparing AGCO roles to the market we are comparing only to jobs of a similar size.

For example, when we compare the CAO role at the AGCO to the market we are not just comparing to CAOs in other organizations, which because of the specific accountabilities could conceivably have job content that is bigger or smaller than that of the CAO at the AGCO, we have actually evaluated the CAO using the Hay Guide Chart MethodTM of job evaluation and have sized the job within the point span of Grade 16 (a), which prices at 1382 points. We have also evaluated all of the jobs in the comparator market using the same methodology, so we are comparing an AGCO's 1382 point job to what a 1382 point job would be paid in the comparator organizations, this ensures a much more precise match to the market.

For a more detailed explanation of the Hay Group Guide-Chart Profile MethodSM, please see the supplemental information section.

C. Salary and Performance-related Pay Structure

Provide information on the salary and performance-related pay cap for each designated executive position or class of positions. Additional information on salary ranges and performance-related pay structure can provide useful context.

Salary and Performance Related Pay Structure

The suggested salary range structures and performance-related pay caps for each designated executive position or class of positions are illustrated in the following table.

2021 Update

Executive Position or Class of Positions	Salary Range Minimum (\$)	Job Rate (\$)	Target Annual Performance – related pay (% of salary)	Maximum Annual Performance – related pay (% of salary)	Salary and Performance – related Pay Cap (\$)
20	\$371,000	n/a	n/a	0%	\$500,000
17	\$204,500	n/a	n/a	0%	\$276,400
16 (a)	\$182,500	n/a	n/a	0%	\$246,400
15 (a)	\$144,300	n/a	n/a	0%	\$220,800

The figures shown in the table above are well below the 50th percentile (total compensation) of the comparator group of 15 Canadian public sector organizations, which is in compliance with the regulation guidelines. (Note: In this report, the 50th percentile (total compensation) of the comparator group is also referred to as the P50 market median or P50 range maximum.)

The proposed salary range minimums will allow the AGCO to maintain internal equity among the executive roles.

The proposed salary ranges comprise the AGCO executives' full compensation, and includes merit/pay-for-performance remuneration. Put differently, there is no additional remuneration for the various AGCO executives based on merit/pay-for-performance.

D. Salary and Performance-related Pay Envelope

Provide the sum of salary and performance-related pay paid to designated executives for the most recently completed pay year. In addition, provide the maximum rate of increase to the salary and performance-related pay envelope. Additional information on why changes are necessary and how they were determined can provide useful context.

2021

Sum of Salary and Performance-related Pay for the Most Recently Completed Pay Year (\$)	Maximum Rate of Increase to Envelope (%)
\$1,931,400	5.0%

Rationale for the Proposed Maximum Rate of Increase:

The AGCO is asking for a maximum rate of increase to its annual salary and performance-related pay envelope ("the pay envelope") of 5% per year, for a minimum of three years. Its rationale for the increase being sought is detailed below.

Reporting to the Board of Directors, the AGCO's talented executive team effectively leads Canada's largest alcohol, gaming and horse racing industries' regulator. The industry sectors it serves bring in billions of dollars to the Provincial coffers and provide employment for thousands of Ontarians. The AGCO supports the government's public policy priorities and fiscal objectives and complies with its accountability and transparency objectives.

The AGCO's executive team is vital for achieving its over-arching Strategic Goals: to be a modern regulator; to provide value for money through effective operations, strong governance and accountability; to strategically engage with its key partners and stakeholders; to create a quality service experience; and, to provide a rewarding workplace to the agency's employees. The agency's strategic efforts serve the public interest by advancing consultative, risk-based approaches to regulation, while enhancing compliance, increasing public confidence in the industries it regulates, and supporting the businesses of its industry partners.

In anticipation of, as well as in response to a variety of strategic, political, economic and operational factors, the AGCO embarked on an innovative, multi-year transformation initiative, beginning several years ago. The successive phases of this highly successful and bold change agenda continue to be implemented to date. By embracing essential change imperatives, the AGCO's executive team has ensured that the agency remains an effective regulator, providing integrated, interactive and intuitive services that are in the broader public interest. What's more, the agency's progressive transformation agenda, which is in keeping with AGCO and Provincial priorities, is significantly reducing regulatory burden and costs to users.

Some examples of the agency's noteworthy change-related achievements in fiscal 2016-17 include: within the gaming industry, implementing the Registrar's Standards for Gaming for casinos; within the horseracing sector, integrating the regulation of horse racing into the AGCO's mandate and committing to reviewing and modernizing the Rules of Racing in Ontario; and in the alcohol industry, modernizing the sale and service of alcohol and providing more convenience and choice to Ontarians (e.g. by implementing the regulated sale of beer, cider and wine in grocery stores).

Future modernization initiatives, such as iAGCO, AGCO 2020 and AGCO NEXT, will foster an agile culture that maximizes the use of technology and promote innovation, collaboration and exceptional service. (iAGCO will offer on line services for licencees, including streamlined renewal processes; AGCO 2020 will integrate compliance activities (e.g. one inspector for all lines of business) and rationalize the field office structure through a new regional Hub model where OPP will not be housed at each casino but rather dispatched from various Hubs, therefore requiring fewer FTE's; and, AGCO NEXT will facilitate a fundamental transformation and change in approach to the leadership of the organization and its culture.)

The AGCO's executive team oversees an operating budget of over \$100 million and a staff of around 545 AGCO-hired persons, together with about 165 Ontario Provincial Police officers, who are assigned to the AGCO's Investigation and Enforcement Bureau and are situated in various locations across the Province. Guided by its executives, the AGCO is responsible for the administration of the following legislation: the *Liquor Licence Act*; the *Wine Content and Labelling Act, 2000*; the *Liquor Control Act* (and its Regulations); the *Gaming Control Act, 1992*; the *Charity Lottery Licensing Order-in-Council*; Part I of the *Alcohol and Gaming Regulation and Public Protection Act, 1996*; and, the *Horse Racing Licence Act, 2015*.

Successful achievement of the AGCO mandate requires an executive team with skills of the highest order. As well, it requires a compensation package that appropriately and adequately reflects the substantial social, political and fiscal responsibilities borne by the executives of the Province's largest, world class regulatory agency.

The following are specific answers to the considerations set forth by the Broader Public Sector Executive Compensation Guide:

- **The financial priorities and the compensation priorities of the Government of Ontario:**

The AGCO is an agile, responsive, efficient and cost-effective regulator, aligned with the government's financial and compensation priorities. Over the past several years, the agency has provided regulatory support for numerous Provincial initiatives, including:

- the Ontario Lottery and Gaming Corporation (OLG's) modernization strategy;
- iGaming and cGaming (and administering the related regulatory frameworks);
- at the Attorney General's request, the AGCO has been, and will continue to support the Ministry of the Attorney General in the development of a regulatory framework for cannabis in Ontario;
- the sale of VQA wine at farmers' markets;
- beer, cider and wine sales in grocery stores; and,
- the merger of the Ontario Racing Commission with the AGCO, together with the assumption of regulatory oversight of the horse-racing industry.

As well, in support of the government's goal for simpler, better and faster interaction between government and business, the AGCO has launched many initiatives, including:

- adopting a standards' based approach in the gaming sector to allow operators and businesses to be more flexible and competitive;
- working to modernization Ontario's beverage alcohol industry; and,
- reviewing its approach to the regulation of wine, beer and spirits manufacturers, manufacturers' representatives, ferment-on-premise operators and liquor delivery services.

These agency initiatives result in new investment, innovation and economic prosperity in the Province, while maintaining strong protection of the public interest.

- **Recent executive compensation trends within the relevant industry within the Canadian public sector/broader public sector:**

Korn Ferry Hay Group's 2016 Executive Market Trends report indicates a cumulative increase in actual base salary from 2012 to 2016 of approximately 10%, or a compound annual growth rate of 1.9% for executives in the national broader public sector.

Despite substantial increases in the AGCO executive team's responsibilities over the years, their salaries have not kept pace with the comparable markets. In fact, each AGCO executive is presently compensated at below the P50 range maximum. Their salaries are not market competitive, particularly at the Class 20 position. A 5% increase to the pay envelope per year, for a minimum of three (3) years, is needed and will help to address this significant problem.

Finally, the proposed increase of 5% per year, for a minimum of 3 years, is needed for the initial and future annual compensation adjustments that are essential for attracting, retaining and motivating the executive team, and/or addressing any internal/external inequities.

- **Comparison between the existing percentage of operating budget designated to executive compensation and the percentages of the identified comparator organizations:**

As noted in the BPSEC Guide: *Data related to this factor will be more readily available for the development of subsequent executive compensation programs, as information regarding executive salary and performance-related pay envelopes will be provided in public-facing executive compensation programs.*

- **The effect on attracting/retaining talent of the pay increase between affected executive positions and their direct reports:**

The request for a 5.0% per annum increase, for a minimum of 3 years, to the pay envelope would position the salary maximum for each class of position at approximately 80% (or less) of the P50 market median data. In order to retain and motivate its current leaders, as well as to attract new executive talent, the AGCO needs to adjust the appropriate compa-ratio of the new grades.

- **Any significant expansion in the operations that is not the result of a significant organizational restructuring:** The AGCO acquired the regulatory functions of the Ontario Racing Commission (ORC) (July 2015 "soft" merger - April 1 2016 official merger) requiring the development, implementation and restructuring/implementation of an appropriate regulatory framework. Further, it created broader responsibilities for the AGCO executives and the need to qualify the salaries of these roles relative to their enhanced mandates. In the coming months, depending on the regulatory role it is given by the Province the introduction of legalized cannabis will also expand the mandate and operations of the AGCO.

E. Other Elements of Compensation

Provide information on any compensation elements, other than salary and performance-related pay, that would be provided to designated executive positions of classes of positions but that are not generally provided in the same manner and relative amount to non-executive managers.

Include rationale outlining the critical business reasons that justify the provision of each element of compensation.

Element 1

Element of Compensation

Car Allowance

Position and Class of Position

Class 20, 17, 16(a) and 15(a)

Rationale

The AGCO is an Ontario-wide agency, resulting in an extensive travel component to its executive team's work.

Element 2

Element of Compensation

Position and Class of Position

Rationale

F. Supplementary Information

Provide any additional information required to support or explain the information included in the executive compensation program.



THE HAY GROUP GUIDE CHART–PROFILE METHODSM

The Hay Group job evaluation method is a form of factor comparison that has been used by thousands of organizations to evaluate clerical, trade and technical, management and professional, and executive level jobs. At present, it is used in profit and non-profit organizations in over forty countries around the world. A substantial number of clients have relied on our approach for many years, applying the methodology through many reorganizations; during periods of growth and also when they must rationalize their structures. They have also used it to evaluate totally new product and service organizations and as a means to maintain consistency in periods of great change or legal challenge to the previously established order.

The Hay Group's method works because it is a dynamic process that organizations adapt and apply in ways that meet their needs. It is based on the notion that jobs can be measured on the basis of their relative contribution to the overall objectives of the organization. By considering core aspects of content and context that are common to all jobs, it provides a clear, understandable and systematic basis for defining and comparing the requirements for all kinds of jobs at all levels. However, the Hay Group method can readily be adapted to reflect special determinants that affect only some jobs in some organizations.

It is this combination of discipline and flexibility that has made it possible for the fundamental principles of the Hay Group method to remain intact over the years, even as there have been many refinements in language and application. For example: in Canada core factors of Know-How, Problem Solving and Accountability have been expanded to include, once again, a fourth factor – Working Conditions – in response to equal pay legislation. The following explanation covers all four factors and their twelve dimensions.

The Four Factors Used by Hay Group

Know-How

This factor is used to measure the total of every kind of ***knowledge and skill, however acquired***, needed for acceptable job performance. Three dimensions are considered:

- practical procedures and knowledge, specialized techniques, and learned skills;
- planning, coordinating, directing or controlling the activities and resources associated with an organizational unit or function; and
- active, practising, person-to-person skills in the area of human relationships.

Problem Solving

This factor measures the ***thinking required*** in the job by considering two dimensions:

- the environment in which the thinking takes place; and
- the challenge presented by the thinking to be done.

Accountability

This factor measures the relative degree to which the job when performed competently, can affect the end results of the organization or a unit within the organization. The opportunity to contribute to an organization is reflected through three dimensions:

- the nature and degree of the decision-making or influence of the job;
- the unit or function most clearly affected by the job; and
- the nature of that effect.

Working Conditions

This factor measures ***the context*** in which the job is performed by considering four dimensions:

- ***Physical Effort*** – Levels of physical activity that vary in intensity, duration and frequency that contribute to physical stress and fatigue.

- ***Physical Environment*** – Progressive degrees of exposure of varying intensities to unavoidable physical and environmental factors which increase the risk of accident, ill health or discomfort.
- ***Sensory Attention*** – Levels of sensory attention (e.g., seeing, hearing, smelling, tasting, touching) during the work process that vary in intensity, frequency and duration.
- ***Mental Stress*** – Progressive degrees of exposure of varying intensities of factors inherent in the work process which increase the risk of such things as tension or anxiety.

Hay Group Guide ChartsSM

Hay Group **Guide ChartsSM** provide the standard tools that clients use to systematically evaluate all of their jobs, or a particular group of jobs in the organization. **Guide Charts** (see the illustrative example below) are tailored to suit the

client organization and the jobs to be evaluated. Today, the logic of the **Guide Charts** is often incorporated within computer software as an additional way to assist the evaluation process.

The image displays several overlapping Hay Group Guide Charts. The top chart is 'Working Conditions', which includes sub-sections for Physical Effort, Physical Environment, Sensory Attention, and Mental Stress. Below it is the 'Accountability' chart, which details levels of responsibility. The 'Problem Solving' chart is divided into 'Thinking challenge' and 'Problem Solving' sections. The 'Know-How' chart is a large grid with a 3D cube icon, used for measuring professional knowledge. Other charts like 'Thinking challenge' and 'Thinking challenge' are also visible, showing various criteria and scales.

There are a Variety of Ways to Apply the Hay Group Method

When there are a large number of jobs within an organization to be evaluated, a representative sample of jobs is usually evaluated first by an experienced Hay Group consultant and the client organization. The resulting evaluations can be used as **benchmark references** to assist in the evaluation of all other jobs in the organization.

Often a committee, representing various groups within the client organization, is trained in the use of the Hay Group method so that it can evaluate the organization's jobs. More and more these days, the evaluation process is assisted by computer, within committees providing **quality assurance** to the evaluation process. In other organizations, Hay Group consultants might evaluate the jobs and have them checked by the client. In some organizations, the human resources group is charged with the evaluation process and uses various approaches to gather job information, develop evaluations and have them accepted.

Regardless of who is involved, our process of job evaluation is based on **consensus building** after all components of a job are fully understood. Working from documentation which describes the content of the job and the content of the job and

the environment in which it is performed, plus the definitions and quantitative measures provided, each job is given a ranking on the four factors in relation to other jobs in the organization. When only Know-How, Problem Solving and Accountability are used to measure jobs, the results are represented by "total points". When all four factors are used, the results are referred to as "full points". For example, the evaluation for a Research Scientist might be as follows:

Know-How	460
Problem Solving	230
Accountability	(50) 132
Total Points – Content	P4 822
Working Conditions – Context	<u>33</u>
Full Points – Combined	855

Frequently Asked Questions About the Hay Group Method

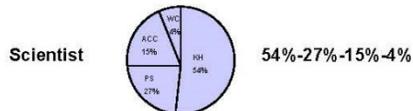
Can a Well-Established Evaluation Method Meet the Needs of a Changing Organization?

The Hay Group method works because it is based on the most flexible elements found in both job rating and ranking systems. It is a **dynamic** process that organizations adapt and apply in ways that meet their needs. It provides the **discipline** of a consistent, systematic means for measuring the relative contribution of different jobs over time, regardless of how the individual jobs may change or how the interrelationships may change. At the same time, it provides the **flexibility** of a process that can be adapted to the specific needs of the organization.

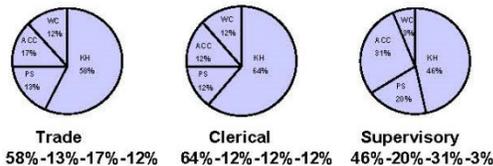
What is the Weighting of the Factors?

This is an often asked question. The answer is that there is **no** universal "weighting". When the Hay Group Method was being developed, it was found that jobs which were the same in nature would have evaluation points distributed between the factors in much the same way, **even though the jobs might differ significantly in size**. In other words, the proportion of the points assigned to Know-How, Problem Solving, Accountability and Working Conditions tends to be similar for similar types of jobs, regardless of the total number of points involved.

As an illustration, in the previous example of a scientist, the points were distributed as follows:



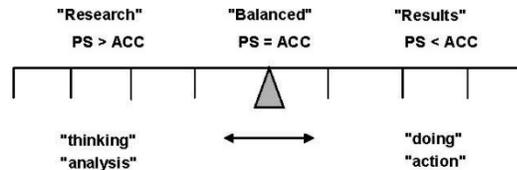
54-27-15-4 is the **"long profile"** or "weighting" or "relative distribution" of the factors for this job. Another position of a similar nature would have a similar weighting or **long profile, even though the total points might be different**. That is, one would expect most of the points **for scientists** to be given for Know-How and Problem Solving (81%) because of their relative importance in such a job. Other examples of typical profiles are:



What is the "Short Profile"

Know-How, Problem Solving and Accountability are all linked together. Working Conditions is more "contextual" in nature. **"Short profile"** assesses the **relationship** between

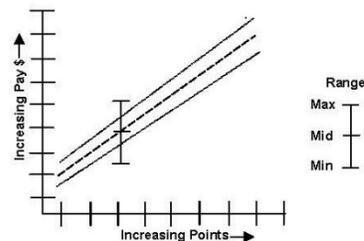
Accountability and Problem Solving (and to Know-How). Jobs with significantly more Accountability points relative to Problem Solving are usually very end results-focused. When Problem Solving is greater than Accountability, jobs are typically more research-oriented. Still other jobs are balanced, with similar amounts of Accountability and Problem Solving. **Short profile** is a valuable **quality control check**, it prompts evaluators to review their work to see if, on balance, they have developed the right "configuration", "relative contribution", or profile for the job being evaluated:



The Profile part of the Hay Group Guide Chart-Profile MethodSM not only provides a clear, brief "description" of the job, but also answers "weighting" and relationship questions.

How are Evaluations linked to Pay?

Evaluations result in Full Point values (K-H + PS + ACC + WC). These values, **through specific points, pay grades, broad bands, work levels, etc.** can be related to different types of pay (internal and/or market comparisons; base salary plans, base + incentive, etc.) Ranges with Midpoints, Maximums and Minimums can be developed that **compare points levels and pay levels**. Jobholders can be positioned in ranges based on a wide variety of criteria.



How does the Hay Group Method Fit with Equal Pay Legislation?

As can be seen on the next page, the four Hay Group factors fit closely with the Skill, Effort, Responsibility and Working Conditions factors which are stipulated in most equal pay legislation. Therefore, the Hay Group method is often used to develop Pay Equity plans.

The Hay Group Method and Equal Pay

*CANADIAN HUMAN RIGHTS ACT
AND EQUAL PAY GUIDELINES*

HAY GROUP GUIDE CHART-PROFILE METHODSM

Core factor	Sub factor	Dimension	Core factor
Skill	Intellectual skill	Knowledge and skill, however acquired, associated with practical procedures, specialized techniques and scientific disciplines	Know-How
		Conceptual or actual management knowledge and skill	
		Human relation skill	
	Physical skill	Physical skill associated with practical procedures and specialized techniques	
Effort	Intellectual effort	The independence, complexity and novelty of the thinking required in the job	Problem Solving
	Physical effort	Intensity, frequency and duration of physical effort or activity producing physical stress or fatigue	Working Conditions
Responsibility	Accountability for machines, finances and other resources	The size of the organizational unit or function which the job affects, as indicated by the resources involved (human and otherwise)	Accountability
	Accountability for work of other employees	The role of the job in bringing about the objectives of an organizational unit or function, including accountability for the work of others.	
	Reliance on employees to perform the work	The nature of the organizational unit or function requiring knowledge and skill.	Know-How
Working Conditions	Noise, heat, cold, physical danger, conditions hazardous to health, other conditions produced by the physical work environment	Intensity, frequency and duration of unavoidable conditions in the physical environment (e.g., fumes, temperature, noise, vibration, dirt, dust, and unavoidable exposure to hazardous substances, equipment, and/or situations)	Working Conditions
	Isolation, mental stress, other conditions produced by the psychological work environment	Intensity, frequency, and duration of exposure to factors inherent in the work process or environment, (e.g., isolation, multiple deadlines) which increase the risk of such conditions as tension or anxiety.	
		Intensity, frequency and duration of sensory attention during the work process	