

Additional Economic Indicators

Recommendation:

That the July 16, 2012, Financial Services and Utilities report 2012CA4928, be received for information.

Report Summary

This report examines alternative methods for using Alberta Average Weekly Earnings to calculate annual compensation increases for the Mayor and Council.

Previous Council/Committee Action

At the June 25, 2012, Independent Council Compensation Committee meeting, the following motion was passed:

That Administration provide a report to the Independent Council Compensation Committee outlining further examples of indicators to be used for Mayor and Councillor salary increases.

Report

- After a review of alternative economic indicators, the Committee concluded that Alberta Average Weekly Earnings was an acceptable basis for calculating annual changes in compensation paid to the Mayor and Council. However, the Committee requested that alternative methods for calculating the annual increase in compensation using the Alberta Average Weekly Earnings be explored.
- Table 1 presents three methods for using Alberta Average Weekly Earnings for calculating the annual change in compensation. The first presented in the table under the heading 'September over September' is the existing technique. This method uses the percent change in Alberta Average Weekly Earnings values between September of the previous year and the September of the year prior to that.
- The second approach is listed in Table 1 as '12 Month Average to September of the Previous Year'. This method calculates the percent change in the 12 month average of Alberta Average Weekly Earnings to September of the previous year against the same value for the year prior.
- The third method is set out in Table 1 as 'Three Year Moving Average'. This calculation takes the results of the second approach – '12 Month Average to September of the Previous Year' – and calculates an average using the current and previous two years.
- Table 1 also provides information on the variation in annual compensation growth for each method over the seven year period for which data was available for the required calculations. As statistical theory would predict, with an increase in the number of data points used for the calculation of compensation adjustments, the variation in the annual change in compensation falls.
- In so far as the stability and predictability of compensation changes for the Mayor and Council

are desirable, the second and third methods are preferable to the existing approach.

- Table 2 provides the annual values for each of the three methods discussed. Unfortunately data for Alberta Average Weekly Earnings prior to January 2001 are no longer available from Statistics Canada's web site. A request to Statistics Canada has been made to access earlier information in order to fill out Table 2.
- The gap in total change over the last seven years between methods 1, and 2 and 3 presented in Table 2 reflects the relatively short period for which data is available. This period includes a major anomaly in the current method which occurred in 2010. This biased the current method for calculating change in the Mayor's and Councillors' compensation growth downward.
- As soon as additional historical data becomes available from Statistics Canada an update to this report will be provided to the Committee.

Attachments

1. Tables 1 and 2

Tables 1 and 2

Table 1

Method	Calculation for 2012	Number of Data Points Used	Variation in growth over the past 7 Years (Highest annual % change minus lowest)
September over September	$(\text{Sept 2011 AAW} - \text{Sept 2010 AAW}) / \text{Sept 2010 AAW}$	2	5.2 percentage points
12 Month Average to September of the Previous Year	$(\text{Average value of AAW for 12 months ending in Sept 2011} - \text{Average value of AAW for 12 months ending in Sept 2010}) / \text{Average value of AAW for 12 months ending in Sept 2010}$	24	2.4 percentage points
Three Year Moving Average	$(\text{Average value of AAW for 36 months ending Sept 2011} - \text{Average value of AAW for 36 months ending Sept 2010}) / \text{Average value of AAW for 36 months ending Sept 2010}$	48	1.8 percentage points

Table 2

Year	September over September (current method)	12 Month Average to September of the Previous Year	Three Year Moving Average using 12 Month Average	Consumer Price Index, Edmonton CMA
2001	3.6%			2.2%
2002	3.2%			2.9%
2003	1.8%			5.3%
2004	2.2%	3.4%		1.0%
2005	2.6%	3.2%		2.1%
2006	5.8%	4.9%	3.9%	3.1%
2007	4.4%	5.8%	4.7%	4.8%
2008	4.4%	5.2%	5.3%	3.4%
2009	5.5%	6.1%	5.7%	0.2%
2010	0.6%	4.0%	5.1%	1.1%
2011	4.6%	3.4%	4.5%	2.5%
2012	5.4%	4.9%	4.1%	2.7%
Total from 2006	30.7%	34.3%	33.2%	17.8%