




060665



City Commission - November 13, 2006

# 2006 Compensation Study



## Three Phase Project

- Phase 1 – FY2004-FY2006 (last study)

**Goal: Move positions to market**

- Brought people to at least minimum (not yet at market) by year 3



## Three Phase Project

- Phase 2 – FY2007-FY2008 (years 4 and 5 of this project)

### **Goal: Move incumbents to market**

- City Commission adopted Compensation Philosophy
- Used Compensation Philosophy to guide this study
- Continue classification evaluations
  - IT positions
  - Analysts



## Three Phase Project

- Phase 3 – 2007

### **Goal: Update compensation policies**

- Adopt policies to define how people move through the ranges based on performance (MAPs) after five year phase-in
  - Support today's market place
  - Recruit and retain quality workforce



## Pay System Alternatives

- Two ends of the continuum
  - Pure-Market Based
  - Socially Equitable



## Pay System Options

- Option 1: Pure Market-based system
  - Pay MAP positions what market will bear for caliber of person needed
    - Salary dollars controlled by budget rather than by pay structure
    - Pays no more and no less than market requires
    - Could result in significant pay differences between individuals in same job classification if one has knowledge, skills, or abilities more highly valued in the marketplace



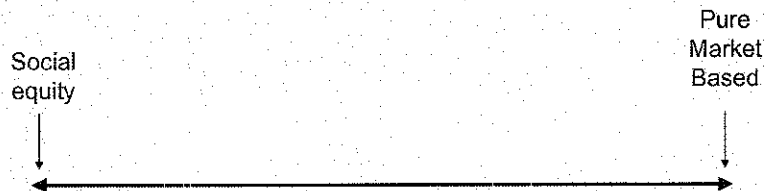
## Pay System Options

### Option 2: Social equity system

- Narrows base salary divide between highest and lowest paid employees (Current ratio about 8:1); exacerbates problem that with overtime some employees make more than their supervisors who work similar hours
- May overpay easy to recruit positions and under pay hard to recruit employees



## Pay System Continuum



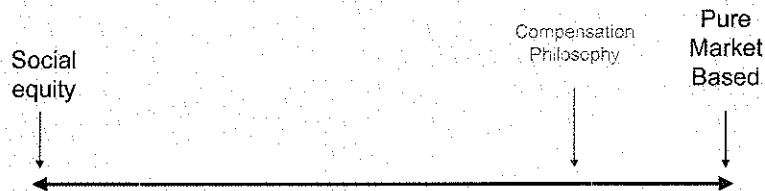


## Compensation Philosophy

- Adopted in February 2006
- Targeting the 50th percentile of the market median
- External equity is evaluated using market data developed with commonly accepted compensation practices to compare City salaries to the external labor market
  - taking into account geographic indexing or cost of labor differentials
  - industry type
  - organization size*as applicable and recommended by the outside consultant.*
- Both internal equity and external labor market are key components of the base pay plan



## Pay System Continuum





## Pay System Options

- Alternative Pay Structure with Reduced Midpoint Progressions

Salary Grade	Grade Minimum	Grade Midpoint	Grade Maximum	Midpoint Progression	Range Spread
1	\$30,125	\$36,150	\$42,175	N/A	40.00%
2	\$32,836	\$39,404	\$45,971	9.00%	40.00%
3	\$35,792	\$42,950	\$50,108	9.00%	40.00%
4	\$39,013	\$46,815	\$54,618	9.00%	40.00%
5	\$42,038	\$51,497	\$60,955	10.00%	45.00%
6	\$46,242	\$56,647	\$67,051	10.00%	45.00%
7	\$50,866	\$62,311	\$73,756	10.00%	45.00%
8	\$55,953	\$68,542	\$81,132	10.00%	45.00%
9	\$60,317	\$75,397	\$90,476	10.00%	50.00%
10	\$66,349	\$82,936	\$99,523	10.00%	50.00%
11	\$72,984	\$91,230	\$109,476	10.00%	50.00%
12	\$80,282	\$100,353	\$120,423	10.00%	50.00%
13	\$86,579	\$110,388	\$134,197	10.00%	55.00%
14	\$95,237	\$121,427	\$147,617	10.00%	55.00%
15	\$104,760	\$133,570	\$162,379	10.00%	55.00%

As submitted by auditor's office

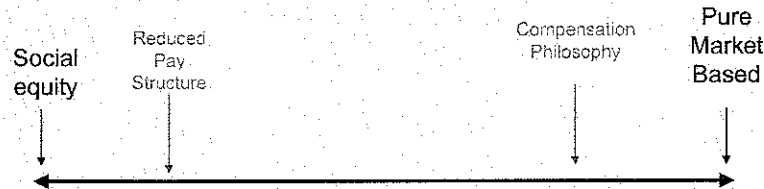


## Pay System Options

- Form of Social Equity System
  - Narrows base salary divide between highest and lowest paid employees, exacerbates problem that with overtime some employees make more than their supervisors who work similar hours
  - Benchmarks positions are now placed below what the market suggests
    - Recruitment and retention issues
    - Compression issues



## Pay System Continuum



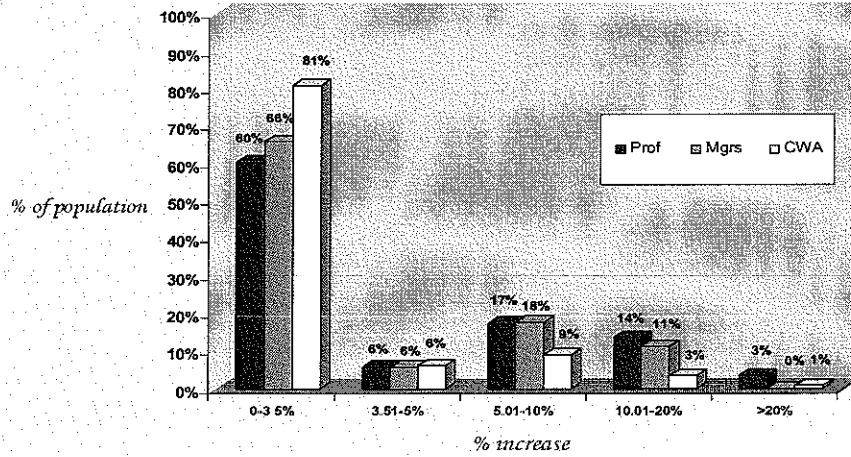
## Original Recommendation

### Wachovia's original recommendation

- Greater of
  - 60% range penetration the place incumbents within their pay range based on time in position or
  - 3.5% up to maximum of the range for incumbents already properly placed in their pay range
- Everyone gets at least \$1000
  - Either as a pay increase, a lump sum bonus, or a combination of the two
- 2 year implementation
- Freeze upper quartile of MAP pay grades 13-15 until Phase 3



## Distribution of Increases



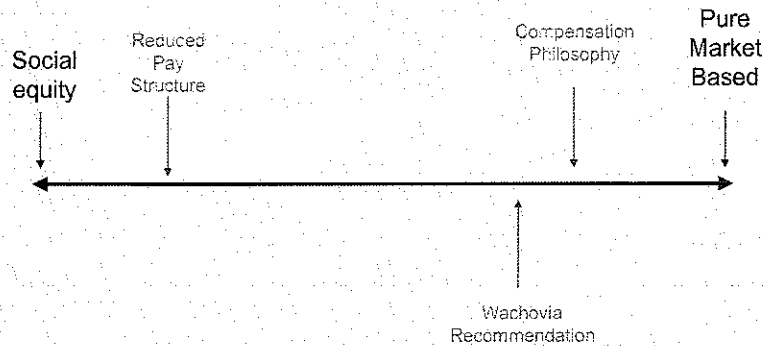
## D i s t r i b u t i o n o f i n c r e a s

Group	Largest % increase	Largest \$\$ increase
CWA	21.4%	\$7,320
Professionals	32.3%	\$10,812
Managers	15.8%	\$11,443





## Pay System Continuum



## Implementation Options

### Option 1 - \$\$ cap

- Cap pay increases at a certain dollar level
  - \$5000, \$7,500, \$10,000
- Everyone gets at least \$1000
  - Either as a pay increase, a lump sum bonus, or a combination of the two
- Freeze upper quartile of MAP pay grades 13-15 until Phase 3



## Implementation Options

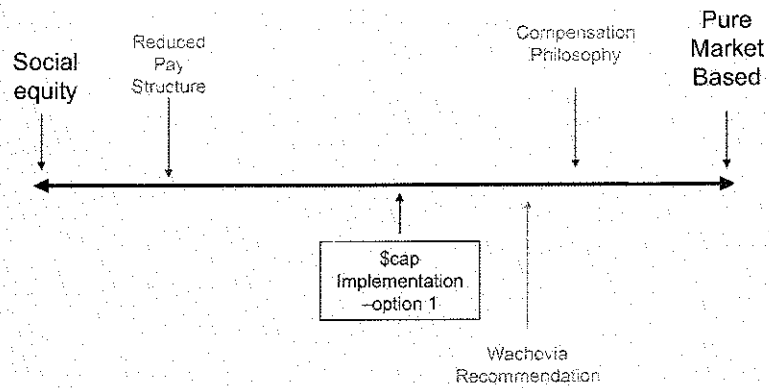
### Option 1 - \$\$ Cap

# affected	CWA	Professionals	Managers
\$5,000	8	42	31
\$7,500	0	18	16
\$10,000	0	2	4

Largest % increase	CWA	Professionals	Managers
\$5,000	17.7%	19.0%	9.9%
\$7,500	21.3%	27.3%	13.5%
\$10,000	21.4%	29.9%	15.8%



## Pay System Continuum





## Implementation Options

### Option 2 - % cap

- Cap pay increases at a certain %
  - 10%, 15%, 20%
- Everyone gets at least \$1000
  - Either as a pay increase, a lump sum bonus, or a combination of the two
- Freeze upper quartile of MAP pay grades 13-15 until Phase 3



## Implementation Options

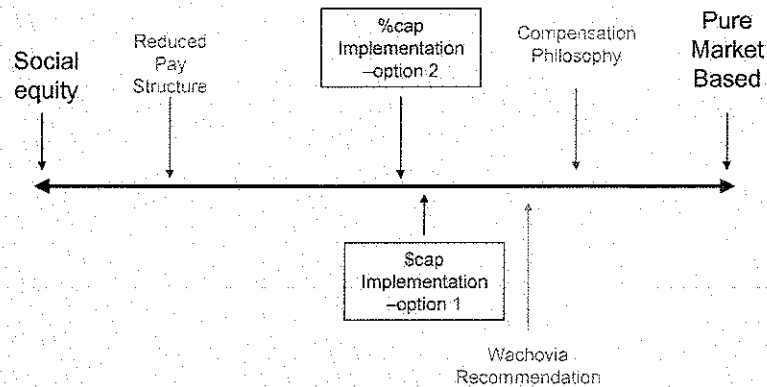
### Option 2 - % Cap

# affected	CWA	Professionals	Managers
10%	35	55	12
15%	9	27	1
20%	6	11	0

Largest \$\$ increase	CWA	Professionals	Managers
10%	\$5,034	\$6,341	\$11,145
15%	\$6,238	\$8,537	\$11,443
20%	\$7,320	\$10,209	\$11,443



## Pay System Continuum



## Implementation Options

### Option 3 – combination of \$\$ cap and % cap

- Cap pay increases at \$7500 or 20% ----- whichever is less
- Everyone gets at least \$1000
  - Either as a pay increase, a lump sum bonus, or a combination of the two
- Range penetration for MAPS spread over 3 years
- Freeze upper quartile of MAP pay grades 13-15 until Phase 3



## Implementation Options

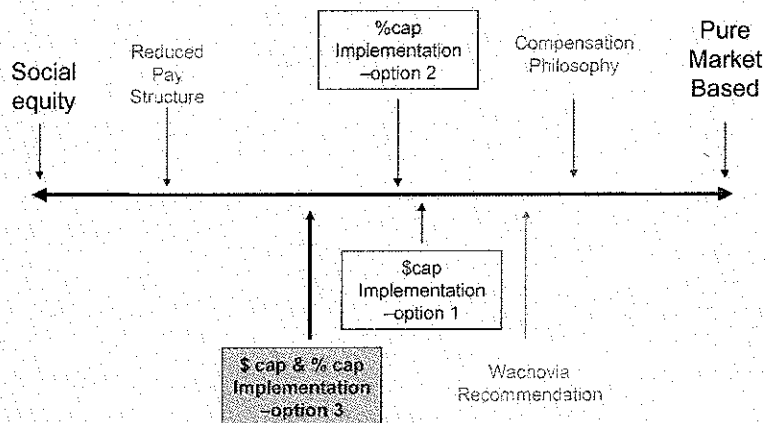
Option 3 - \$7500 or 20%, whichever is smaller\*

	CWA	Professionals	Managers
Number with reduced increase	0*	21	16
Largest % increase	21.3%*	20.0%	13.5%
Largest \$\$ increase	\$7,320	\$7,500	\$7,500

\* For CWA – larger of \$7,500 or 20% - 6 employees at approx. 21% but lower than \$7,500 (result of negotiations)



## Pay System Continuum





## Recommended Option

### **Option 3 - \$7,500 or 20%**

- Moves employees to appropriate position relative to market
  - CWA within 2 years
  - MAPS within 3 years
- Higher % increases for CWA and Professional employees – 20%; manager pay increases restricted to 13.5%
- Reduces potential for pay compression issues
- More reflective of compensation philosophy
- Disaffects 37 MAP employees
  - hard to recruit/retain engineers impacted