

COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION

TO: Willie Johnson, Co-Chair of Finance, Personnel & Audit Committee
Luigi Schmitt, Co-Chair of Finance, Personnel & Audit Committee

FROM: Scott Manske, Comptroller
Kerry Mitchell, Chief Human Resources Officer

DATE: January 8, 2016

SUBJECT: Informational Report: 2016 Budget Amendment # 1A007

BACKGROUND

In March, 2015, the Department of Human Resources (DHR) proposed a new, market-based compensation plan structure (Proposed Compensation Plan) for implementation at Milwaukee County, including nearly 500 salary adjustments for employees who were paid below the new recommended range minimums. The Finance, Personnel & Audit Committee laid the item over, requesting that a newly created Compensation Workgroup (Workgroup) review the DHR recommendation and provide the County Board with an analysis of the Proposed Compensation Plan. Subsequent to this referral, a budget amendment was proposed and approved to amend the 2016 Budget as follows:

“The Director of Human Resources and Comptroller are requested to provide a report to the County Board for the January 2016 meeting cycle outlining the specific positions that are affected, including the fiscal impact, for potential implementation early in 2016. The designated positions shall be advanced in the wage "step" pay grade system to a rate at or above the new minimum salary amount unless a new compensation plan structure is approved prior to that time.”

Because the Proposed Compensation Plan has not yet been approved, this report is being provided as requested above.

ANALYSIS

The DHR conducted a compensation study and concluded that certain positions were assigned to pay grades where the maximum pay in that pay grade was below recommended market minimums. There are currently 483 employees below the minimum of the proposed pay ranges for their positions. Upon approval of the Proposed Compensation Plan, these employees would have their pay automatically adjusted upward to at least the market minimum. Because the Proposed Compensation Plan creates ranges, there are no fixed salaries, with the exception of minimums and maximums. Therefore, raising an employee's salary in the Proposed Compensation Plan means an employee's salary can be set at exactly the market minimum.

In contrast, the proposed budget action directs that any employees identified with a salary below market minimum rates to be potentially raised to the minimum utilizing the current wage "step" pay grade system (Current Compensation System).

The Current Compensation System provides salary increases for employees through a step system. Each step within a pay grade has a fixed salary amount and increases between steps and number of steps are varied through the system for each pay grade. Therefore, to move an employee to a salary in the Current Compensation System that is the same as the market minimum under the Proposed Compensation System is nearly impossible. Instead, most employees will be raised to a step or a new pay grade that provides a salary that is greater than the market minimum under the Proposed Compensation System.

Attempting to resolve this issue with continued use of the Current Compensation System creates several challenges which are outlined below:

- **Pay Grades not high enough to meet minimum wages:** 45 employees are in a position with a pay grade that does not have a step with a salary high enough to get to the market minimum. These employees would have to move to a different pay grade, which would result in pay grade that is likely to high for the position.
- **Cost to move employees to the market minimum is greater under the current system:** Applying the recommended market minimums under the Proposed Compensation System costs \$1,065,705.77 for salaries only. Moving between steps and grades in the Current Compensation System costs \$1,385,177 due to the fact that market minimums under the Proposed Compensation System do not coincide with specific steps in the current system. This will result in \$319,471 in additional salary costs immediately, and will result in a higher cost to implement the Proposed Compensation System.
- **Creation of additional pay equity issues:** It is likely that implementing any adjustments under the Current Compensation System will inadvertently create additional equity issues. For example, moving an employee to a new step without moving others in a similar pay grade could result in employees with different levels of experience all being placed at the same step. An employee with more experience and more valued skills could be paid at the same level as an employee with far less experience and fewer skills.
- **Pay competitiveness still an issue:** The County will continue to have recruitment and retention issues within these positions because they are not properly aligned with market-based salaries and salary structures.
- **Not correcting position and grade misalignment:** The County currently has similar positions across departments in different grades that are all disconnected from market-based salaries. This action would not correct for those misalignments.
- **Employees may continue to be maxed-out at a low pay rate not tied to market-based salaries:** Employees in positions for which an additional step must be added to the pay grade will be maxed out at a low pay rate with no additional room for increases because they will again be at the top step. This results in a cyclical process to fix these employees every time their pay falls below market minimum.

CONCLUSION

A final report has been issued by the Workgroup and submitted to the County Board for review. Ultimately, the Workgroup agrees that the best course of action to addressing all issues throughout the entire compensation system is to move to the Proposed Compensation System as recommended by DHR. It is our recommendation that no action be taken on this item until the County Board is able to contemplate and take action on that proposal.