

COUNTY OF MILWAUKEE
DEPARTMENT OF HUMAN RESOURCES
INTER-OFFICE COMMUNICATION

DATE: February 26, 2015

To: Chairwoman Marina Dimitrijevic, County Board of Supervisors

FROM: Kerry Mitchell, Director, Department of Human Resources *KM*

Prepared by Mike Blickhahn, Compensation Director

SUBJECT: Implementation of revisions to employee compensation

Background

In 2013, the Compensation Division was tasked with reviewing and updating the compensation system utilized for Milwaukee County employees. This project became what has come to be identified as the "JEQ process." While completion of Job Evaluation Questionnaires (JEQ) was an important part of this process, the larger, more vital needs for Milwaukee County and its employees are correcting a flawed compensation system and establishing new pay ranges for all positions that are in line with current standards and practices. This document outlines the phases this project has gone through and provides an update on the overall status.

Early phases of the process

The initial phases of this process consisted of positions being reviewed and assigned to one of the existing pay ranges and steps for County employees. Ten smaller departments were addressed using this approach. The results of this initial work were previously presented to the Finance, Personnel and Audit Committee on reclassification reports for 100 individuals, representing a total cost of annual \$343,106.93. The compensation changes associated with these reclassifications have been held pending approval by the County Board. Because these increases represent appropriate market based adjustments that have already been communicated to the affected employees, we are recommending their approval at this time. (Attachment 1)

Challenges during these initial phases

During September and October of this year, new leadership in the Compensation Division conducted an analysis of the project to date. We discovered that the structural need to assign individuals to a step actually drove salary costs up, and didn't appropriately capture the most efficient approach of getting employees to the market minimum for their role. While this original attempt at the process did move several positions to appropriate pay ranges, it did not address the significant problems that exists with the compensation system in place for the County. Some of these problems include:

- The existing ranges really are not "ranges;" rather, they are a set of steps that do not tie directly to any market factors;
- The existing ranges have a wide variety in the number of steps, and the difference between steps is not consistent, creating significant equity concerns in how employee compensation is determined and managed;

- The concept of steps has not been utilized as a general employee compensation practice for some time. Steps represent an antiquated system that is no longer common or recommended.

Rewards to project and new pay ranges

In November of 2014, the Compensation Division reviewed the project to date. It became apparent the greatest challenge in employee compensation was that existing starting rates for almost all positions were not aligned with comparable positions across southeastern Wisconsin. We determined the best course of treatment for all employees would be to, as soon as possible, complete the process of assigning all positions to a market appropriate range on a new pay range structure. This assures all employees are at least being hired and paid at appropriate starting rates. The Compensation Division then began a department-by-department exercise of assigning all positions to new ranges. This represents a change from in excess of 150 current pay ranges (with anywhere from 3 to 21 steps) to 84 new standardized pay ranges for all Milwaukee County employees. Once these new pay ranges are approved, we will be better able to fill open positions, address any equity issues, and advance effective and consistent compensation practices across Milwaukee County. Attachment 2 provides a title by title summary of all classified positions and their new pay ranges.

The move to this structure aligns the pay ranges for our employees to those of local employers. These ranges provide an accurate starting rate and a market appropriate maximum, and because ranges are selected to match the average pay for a role to the midpoint of the range, we will begin to follow established compensation practices and more clearly focus employee compensation around the midpoint of the pay range. Attachment 3 provides each of the new pay ranges.

As part of this process, we will move all employees currently paid below the minimum of their position's new range up to the minimum of the new range. The attached fiscal note outlines the cost of these adjustments and how they will be funded.

Why make this change?

Over the last thirty years, there has been a shift in employee compensation practices. Step rates, with fixed increase amounts and set increase dates tied to employee experience in a position, along with other types of across-the-board increases, have slowly been phased out by almost all employers in both the public and private sectors. Employers have consistently moved to performance-driven compensation models. These types of models assure through objective measures that your best performers are compensated appropriately. This shift results in spending today's limited pay increase budgets on the employees who achieve the greatest work results. In this region we have seen this change occur in several county and municipal areas, as well as just about every large employer.

These new pay ranges would be effective July 5th for all classified positions not covered by a contract.

Action requested

The Department of Human Resources requests that this item be referred to the Committee on Finance, Audit and Personnel for consideration at the March 19, 2015 committee meeting and recommends adoption at the March 26, 2015 meeting of the County Board.