

Progress toward a New Employee Compensation Plan for Cochise County

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Findings

- Cochise County lags the market by approximately 15-20%. Unless pay deficit issues are addressed, as the economy improves we will be losing many of our best/most skilled performers to external organizations.
- Pay increases issued in recent years have been one time distributions which do not address market inequities or allow salary growth for employees.
- The piecemeal approach to job studies/salary adjustments used in the past eight years is not a comprehensive solution to an overall salary deficit.
- Current pay structure is complex and not consistent in range width, range differentials and across Classified and Unclassified job classes.

Current Workforce Numbers

Positions

| | |
|----------------------|-----|
| Funded/Budgeted | 702 |
| Frozen (Not Funded) | 48 |
| Total Position Count | 750 |

Classes/Pay Grades

| | |
|-------------------|-----|
| Total Class Count | 322 |
| In Current Use | 204 |
| Pay Grades | 38 |

Sheriff Deputies, Detention staff not included in pay grades

Employees

| | |
|-----------|-----|
| Current | 623 |
| Full Time | 585 |
| Part Time | 38 |

Does not include judicial positions, classes or employees.

Primary Data Sources for Current Market Position

- AZ Local Government Salary and Benefit Survey
- National salary data from salary.com website
 - Basis of weighting for Cochise County is data from Bisbee and Sierra Vista area zip codes compared to national data. Overall factor of 75% used for Cochise County.
 - For top professional and managerial employees, may need to approach national pay levels to successfully recruit and retain.

Current Market Position

Market ratios for classes with LGSBS or salary.com data:

| | LGSBS Comparatios | | | | salary.com Comparatios | |
|---------|----------------------|--------|---------|--------|---------------------------|---------|
| | Midpoint | | Actual | | National | Cochise |
| | Average | Median | Average | Median | | |
| Average | 79.0% | 79.6% | 84.3% | 85.4% | 66.7% | 88.9% |
| Median | 79.7% | 80.1% | 84.1% | 85.1% | 65.6% | 87.5% |

of classes with LGSBS data: 66. With salary.com data: 106

Internal market position of current employees (comparatio to their existing range midpoint) indicates need for revised structure:

Average 96.8%, Median 93.9%

External Market Influences

Recent and projected salary increases (national):

| | | | |
|------|------|------|------------------|
| 2013 | 2.8% | 2014 | 2.9% |
| 2015 | 3.0% | 2016 | 3.1% (projected) |

- Increases in external salaries will leave us further behind.

Note: City of Sierra Vista recently allocated \$1.2M for pay increases.

- To move current Cochise County employees below midpoint to 100% of their current midpoint under our existing midpoint structure would cost \$1.425M.
- Each 1% increase for our current employees would cost \$250,000.
- The cost to move our employees to the real, external market would be approximately \$3.76M.

Developing an Effective Compensation Plan

- Collect market data and age data to middle of fiscal year based on lead/lag.
- Determine level of competitiveness for job classes based on market where we recruit for specific types of jobs (local/regional/national).
 - Generally set market at 50th percentile (midpoint) of market data.
- Adopt a pay structure which supports pay for performance, skills development and department level decision making (subject to funding levels).

Developing an Effective Compensation Plan

What approach to employee pay best meets our goals to:

- support pay for performance
- support skills development
- support department level decision making?

We believe that Broadbanding provides the flexibility needed to meet our goals.

What Is Broadbanding?

1. Use of a salary structure divided into fewer, broader pay ranges than traditional grades.
2. Consolidates existing grades and pay ranges
3. Advantages: Broadbanding improves the organization's ability to:
 - Reward performance (and employees to earn pay increases) without position change or promotion.
 - Compete with the external market and recruit and retain critical talent by giving greater weight to the candidate's abilities, market rates, and competitors' offers – and less weight to the grade and pay structure.

Advantages of Broadbanding (cont.)

Advantages: Broadbanding improves the organization's ability to:

- Simplify job evaluation by reducing the number of grades/levels of work.
- Make job evaluation and pay reflect the organization's mission and work.
- Manage a flexible workforce by reducing the number of distinctions between levels, reducing paperwork needed to adjust assignments in response to workload changes, and refocusing attention from job evaluation to mission accomplishment.

Who uses Broadbanding?

Private Sector

- Bank of America
- Baxter Healthcare
- Boeing
- Eli Lilly
- General Electric
- Georgia-Pacific
- IBM
- Merrill Lynch
- Sears, Roebuck

Public Sector

- City of Charlotte, NC
- States of SC & VA
- Arizona State University
- Federal
 - CIA
 - GAO
 - Dept of Commerce
 - Air Force
 - Navy
 - FAA
 - IRS

Proposed Pay Structure

| | MIN | MAX | Width | |
|---------------|-----------------|------------------|-------------|-----------------------------|
| Band A | \$20,800 | \$41,600 | 100% | Clerical/Support |
| Band B | \$28,080 | \$56,160 | 100% | Technician/Paraprofessional |
| Band C | \$37,908 | \$75,816 | 100% | Professional |
| Band D | \$51,176 | \$102,352 | 100% | Sr Professional/Management |
| Band E | \$69,087 | \$138,175 | 100% | Mid-Management |
| Band F | \$93,268 | \$186,536 | 100% | Executive |

Overlap between bands: 1.35%

Note: Sworn law enforcement positions would not be included in this structure.

Next Steps

BOS Action:

- Approve proposed pay structure.
- Approve total compensation philosophy.
- Approve/fund comprehensive pay plan.

HR Action:

- Based on market data and recruitment/retention issues, adjust pay of classes most significantly below market (subject to performance levels).
- Collapse job families into limited number of titles and levels and eliminate unused classes.
- Assign jobs to new bands based on organizational level.

Next Steps

HR Action (cont.):

- Develop guidelines to assist managers in determining the employee's competency level in their job class and their performance level.
- Revise performance appraisal system into 3 performance levels:
 - Superior (estimated at 4-8% of workforce)
 - Meets standards (estimated at 80-90% of workforce)
 - Does not meet (estimated at 5% of workforce)
- Draft a total compensation plan for Board approval