

Agenda Item Report



Winnebago County
The Wave of the Future

DATE: February 21, 2023

FROM: *Mark Habeck, Director of Human Resources*

RE: *Updates to compensation schedule and employee wage adjustments based on compensation study*

General Description:

A proposed update to the compensation schedule and adjustments to employee pay based on recommendations made by McGrath Human Resources Group as part of the recently completed compensation study. The changes to the compensation schedule will bring it into greater alignment with the market. Adjustments to employee pay will help to address in-range compression, a major issue identified in the study.

Action Requested:

Approval of a resolution increasing rates of the Winnebago County Compensation Schedule as outlined and adjustments to employee rates of pay effective beginning the start of the next pay period for each position.

Procedural Steps:

(Show each level of committee and board approval needed, with meeting dates.)

Committee of Jurisdiction: P&F	Meeting date: 03/02/2023
Action taken: _____	Vote: _____
Other Committee: _____	Meeting date: _____
Action taken: _____	Vote: _____
County Board	Meeting date: 03/21/2023

Background:

A compensation study was conducted by McGrath Human Resources Group, which included a presentation to the County Board on January 17, 2023, by Dr. Victoria McGrath. During the course of this process, external market data was solicited from 16 comparable public sector organizations and that data was used to propose updates to the compensation schedule, adjustments to employee pay, and various other recommendations related to benefits and the merit pay system.

The compensation schedule is adjusted periodically in order to attempt to keep the schedule in line with the labor market. Based on the analysis from the study, Dr. McGrath concluded that 33% of positions are under market for the minimum pay rate. In addition, 50% of positions are under market compared to the control point, which is the average market rate and an employee should reach that rate within 3-5 years.

A major issue, as concluded by Dr. McGrath was in-range compression. There are 381 employees with 6 years or more of experience that are below the control point (which ideally should be reached within 3-5 years). The range from minimum pay to the control point has been identified as the hiring range.

However, those 381 employees with 6 or more years of experience are "clogging up" the hiring range, meaning that in order to avoid bringing new employees into the organization at a higher rate than long tenured employees, the full hiring range cannot be utilized. An artificially lower pay rate than what the market supports based on the new employees' knowledge, skills, and abilities, makes recruitment more difficult. In addition, not moving experienced employees up to the control point in a timely manner creates retention issues because their pay is not commensurate with the market rate, and employees are not experiencing timely progression in their rate of pay within the salary schedule.

Policy Discussion:

Dr. McGrath has incorporated many adjustments to the existing compensation schedule in order to address two primary goals: 1) updating the compensation schedule to more closely align with the current market and 2) address in-range compression by proposing adjustments to existing employees' pay based on length of tenure in position (not overall service with the County) in relation to the control point.

Updating the compensation schedule:

In order to achieve updates to the compensation schedule that brings the various positions to a closer alignment with the market rate, the following strategies were used and incorporated into the proposed update by McGrath Human Resources Group:

- Changing some percentages between pay grades
- Adjusting pay ranges to be more competitive
- Eliminating some pay grades
- Reassigning positions to appropriate pay grades
- Re-titling some positions
- Renumbering pay grades

Addressing in-range compression:

In order to free up the hiring range for new employees and address in-range compression, Dr. McGrath proposes adjustments to employee wages. First, if any employees' current rate of pay would cause them to fall below the new minimum for that position, the employees' rate would be adjusted to the newly established minimum. This is consistent with current practice when adjustments are made to pay grades.

Secondly, across-the-board adjustments would be made to employees based upon length of tenure in position in relation to the control point. In 2016, when the last compensation study was completed, the focus had been on adjusting the minimum rate for positions. No adjustments were made to tenured employees. This allowed the minimum rates to increase, and without any adjustment, existing employees moved closer (downward on the schedule) to the minimum rates. This is part of the cause of the in-range compression issue we are now facing. In addition, the current merit system does not include an across-the-board cost of living increase. A merit raise does not necessarily keep pace with the rate of adjustment to compensation schedule for employees above the control point, meaning that again, in-range compression occurs. Adjustments would be made based on years in position and percentage to the compensation ratio.

The following process was used to determine pay adjustments: Years in position determined the percentage of the compensation ratio for the employee within the pay range, then an adjustment was applied so that the pay rate reflects that placement within the range.

If an employee's rate of pay is already at or above the comp ratio expected based upon length of time in position, then no further adjustment would be made. However, if an employee's rate of pay is less than would be expected based upon length of time in position, an adjustment would be made in order to align their pay commensurate with their service.

Adjustments of this nature allow the focus to be on employees that should be higher within the range but are not.

Comp Ratio	40%	45%	50%	52.5%	55%	57.5%	60%	62%	64%	66%	68%	70%	74%
Years	0	3	5	7	9	11	13	15	17	19	21	23	

The proposed revisions seek to balance the tension between increasing pay rates to be more competitive in hiring, and simultaneously moving longer tenured employees out of the hiring range and adjusting pay based on length in position to aid in retention, while staying within budget constraints.

(Note: proposed revisions to the merit pay system to include the recommendation by Dr. McGrath to include a cost of living adjustment, in addition to a performance-based merit raise, will be part of future recommendations for action by the County Board.)

Attachments:

The following attachments are included:

- A revised Final Executive Report which includes an addendum regarding compression costing and proposed revisions to the compensation schedule
- The current 2023 Compensation Schedule
- Resolution to adopt proposed changes