

VII
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Human Resources Committee Meeting

Douglas County, Nebraska

Wednesday, June 22, 2016

The meeting convened at 10:03 A.M. in Room 903 of the Omaha-Douglas Civic Center, 1819 Farnam Street, Omaha, NE 68183. A copy of the Open Meetings Act is located on the wall near the entrance of the room. A notice of the meeting was published in the June 15, 2016, issue of *The Daily Record*. The County Commissioners present at the meeting were Mary Ann Borgeson, Chris Rodgers, P.J. Morgan, and Marc Kraft. Others present at the meeting were Patrick Bloomingdale, Chief Administrative Officer; Theresia Urich, Douglas County Attorney's office; Joe Lorenz, Diane Carlson, and Catherine Hall, County Administration; Karen Buche, Matt Oberle, and Tim McNally, Human Resources; Jane Faust and Constance Mierendorf, Douglas County Clerk/Comptroller's office. Commissioner Borgeson chairs the Committee.

A video recording of the meeting is available on the Douglas County Website:
<http://commissioners.douglascounty-ne.gov/board-meetings/videos>.

Compensation 101

- Matt Oberle presented an overview of Compensation including a recap of the Fox Lawson Study findings from 2009 (See Attachment A). He reviewed definitions of Compensation, Compensation Program Design, and Salary Structures (See A 2-8).
- Mr. Oberle also discussed Methodology for Objective Job Analysis that involves 3 basic steps:
 - The organization chooses compensable factors that are valued for its jobs. This includes education, experience requirements and level of responsibility.
 - Each compensable factor is weighted and scaled.
 - Each job is measured against each factor and a total score is derived and compared with the scores of other jobs.
- He discussed Market Pricing. This methodology identifies jobs that are a common match in the market, e.g. Administrative Assistant, Accountant, etc. Using published salary surveys, the jobs match base pay to remain market-competitive. Ideally, local data and employers of comparable size and industry are used.
- The advantages to Market Pricing are that it is easy to use; it enhances competitiveness and provides solid data for pay discussions.
- The disadvantages to Market Pricing include the cost of surveys, the fact that not every job can be market priced, the fact that statistics can be manipulated or misreported, and the level of expertise required to do market pricing correctly.

- For the most part, the County is considered "Market Aware" where the pace of industry change is low. Entry level jobs at the County usually begin at a rate over the minimum wage.
- Salary surveys are not reliable sources of data because data is self-reported and information comes from unnamed sources. There are no checks and balances on the data.
- Mr. Oberle reviewed the Fox Lawson Study that was completed in 2009. The study benchmarked 47 jobs at that time. Salaries were 8.8% above the market. To be competitive, Fox Lawson recommends 10% and Human Resources recommends 5% above market. At the time of the study, Douglas County minimums were 1.3% below market; midpoints averaged 3.8% above market and maximums averaged 7.6% above market.
- Commissioner Morgan asked how many County jobs are below market.
- Karen Buche said most of the County's entry level positions are above minimum wage. She cited a recent position for a \$15/hour clerk with 1 year of experience and the office received 200 applicants for the job.
- When Human Resources met with the Commissioners last year, the focus of that meeting was Management and Professional Range Employees as well as Administrative employees who only have COLA as an opportunity for a pay increase. The other groups, General/Administrative, Management/ Professional and Unions, have essentially 2 opportunities for increases: a step increase and a COLA increase.
- Mr. Oberle said Fox Lawson had 5 recommendations: 3 Immediate and 2 long-term (see A 18-24).
- Commissioner Morgan asked what the cost of the study was and Ms. Buche responded that the cost was \$75,000 in 2009.
- Mr. Oberle said the Fox Lawson findings were costly and the recommendation was to implement changes over several years, adopt the pay policies that did not cost additional money, and begin development on a performance evaluation system. Most of the focus of Fox Lawson was on the non-union jobs.
- Recommendations from Human Resources:
 1. Eliminate the 3 separate structures for nonunion staff and create one salary structure.
 2. Design a market driven compensation plan for selected positions that are difficult to fill.
 3. Review supervisors' pay related to subordinate and other management staff.
 4. Implement a matrix for non-union employees to move through steps, tenure, merit, etc.
 5. Create an equitable system of descriptions and structures for the County Attorney and Public Defender offices.
 6. Create descriptions and structures for other legal/ court employees who do not have an assigned pay grade.
- Commissioner Borgeson asked which of the recommendations Human Resources wanted the County Board to support.

- Ms. Buche responded that she believed the last 2 recommendations addressing the legal/court employees could be done with the cooperation of the Public Defender and the County Attorney. Both Lancaster and Sarpy counties have similar systems to what the Human Resources office is proposing. The changes to the County Attorney and Public Defender's offices could probably be accomplished in 2016.
- The first two recommendations could also be accomplished this year in-house.
- Recommendations 3 and 4 would be costlier to implement, might require hiring an outside consultant, and would need to be delayed until 2017.

Fair Labor Standards Act (FLSA)

- Karen Buche said the new minimum salary for nonexempt status is \$47,476 and the effective date of the new standard is December 1, 2016.
- Jobs that pay less than \$47,476 will be switched from exempt to nonexempt. The transaction should be fairly seamless since only 35 employees would be affected and most of them do not put in any kind of overtime.
- Joe Lorenz asked about what the likelihood is that Congress will try to stop this order.
- Ms. Buche said that the trade associations she participates in think the FLSA will be successful and labor attorneys plan to proceed with the December 1 deadline. Human Resources is not implementing changes until that deadline. Once it is implemented, it will most likely be permanent.
- Two other executive orders will be issuing regulations in September. Ms. Buche will prepare a memo explaining the regulations.
- Commissioner Borgeson suggested that Ms. Buche prepare a power point presentation on the executive orders that could be presented to the board.

Health Savings Account Hosting Services

- Diane Carlson said Union Bank hosts the County employees' high deductible plan for health insurance. It is raising its rates from \$20/year to \$24/year. When the County first began the plan in 2010-11, it did not issue an RFP (Request for Proposal). At that time, the County collected information from area banks and Union Bank had no maintenance fees.
- In June, an employee contacted a Board member complaining that the fees from Union keep going up.
- Ms. Carlson said the County does not currently have a contract with Union Bank, but they are willing to negotiate a contract. Their fees have increased because they have a new online system that is more customer friendly. Union Bank would work with us and agree not to raise fees for 3 more years.
- Ms. Carlson contacted 6 other banks: Security National Bank has a fee but might be willing to waive it. First National Bank has a \$3 monthly fee, but Ms. Carlson was not able to speak with anyone at the bank in person. Mutual of Omaha Bank also has a \$2/ month fee but would probably waive it. Core Bank does not have a maintenance fee.

- The employees are interested in having the County pay the fees.
- Ms. Buche said that moving from Union Bank might be more difficult than anticipated since employees may have investments at Union and may be using other services.
- 50 employees are enrolled in this plan.
- Ms. Carlson said the new fee goes into effect mid-July.
- Mr. Lorenz recommended that the County go where there is no fee; however, Ms. Buche noted that often banks will waive fees, but in exchange, they want an organization's entire banking business.
- Commissioner Morgan asked Ms. Carlson to contact Core Bank and Commissioner Borgeson suggested that she do more research on what other banks would be willing to offer as well as what their other fees are. Commissioner Borgeson asked Ms. Carlson to investigate whether any of the banks would agree to a 3-5 year contract.
- Commissioner Borgeson said the County is not going to pay the fee.
- Ms. Carlson said she would also contact Brian Parizek and Union Bank again.

The meeting adjourned at 11:04 A.M.

Compensation 101

and Fox Lawson Study from 2009

What is Compensation?

Refers to all forms of financial returns employees receive as part of an employment relationship

Objectives of Compensation

1. Formal recognition of contributions
2. Attract and retain talented employees
3. Emphasize and reward performance
4. Challenge and reward work assignments
5. Allow personal growth

Total Compensation

- ▶ **Base/Merit Pay** –
 - ▶ The pay received in exchange for work performed, may be based on metrics or other factors such as tenure
- ▶ **Benefits** –
 - ▶ Fringe and voluntary programs such as medical insurance, life insurance, and retirement savings programs
- ▶ **Gain/Performance Sharing*** -
 - ▶ System of management in which an organization seeks higher levels of performance through the involvement and participation of its people
 - ▶ As performance improves, employees share financially in the gain
- ▶ **Profit Sharing*** –
 - ▶ Systems of compensation in which the financial success of the company is shared by employees
- ▶ **Bonus*** -
 - ▶ Discretionary program in which employees are monetarily rewarded for achieving goals or other performance metrics

*A compensation program that cannot be used by Douglas County

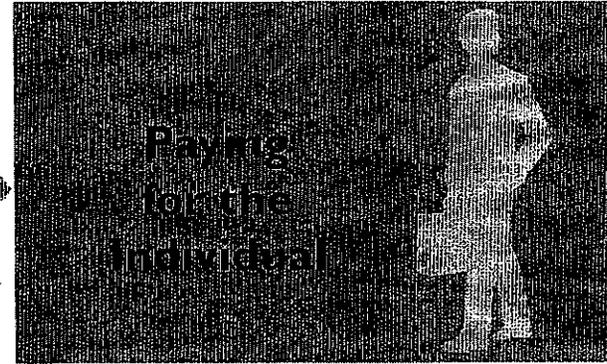
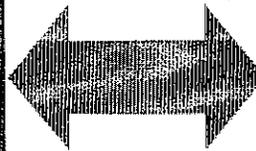
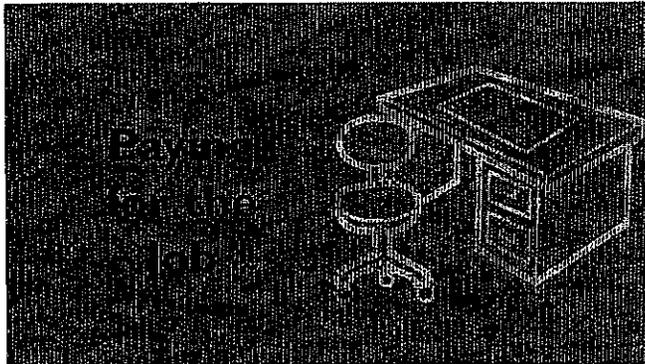
Union Compensation

- ▶ Wages are negotiated
- ▶ Salary survey completed by consultants using comparable counties that fall within established guidelines
- ▶ Union can and has sponsored surveys
- ▶ Comply with Commission of Industrial Relations (CIR)
 - ▶ Nebraska State Constitution Article XV-9
 - ▶ When multiple comparables match a benchmark, the lowest minimum and highest maximum are generally used for the pay range spread
 - ▶ Local market data is irrelevant

Non-Union Compensation

- ▶ External salary surveys or objective job analysis are used to determine salaries for all non-union positions
- ▶ Positions are assigned to salary grade by objective job analysis -
 - ▶ Multifactor job scoring system that accounts for position qualifications, responsibility level, supervision, etc. is used to assign a point value, which then corresponds to a grade
 - ▶ Market data may play a role in grade assignment depending on situation

Compensation Program Design



- Salary grade structure
- Market definition
- Pay position relative to market
- Balance market value and internal value

- Role of skills, knowledge, and experience
- Role of supervisors in pay decisions
- Performance versus longevity
- Internal equity

Salary Structures

- ▶ The salary structure consists of the series of salary ranges used by an organization
- ▶ Salary structure review should be completed on a regular basis to ensure salary ranges remain competitive
- ▶ Can be adjusted to be reflective of market conditions, generally at the beginning of each year

Methodology

- ▶ **Objective Job Analysis (Point Factor) –**
 - ▶ Involves three basic steps:
 - ▶ Compensable factors are chosen by the organization based on what is valued for its jobs (such as education and experience requirements and level of responsibility)
 - ▶ Each compensable factor is weighted and scaled
 - ▶ Each job is measured against each compensable factor and a total score is derived and compared with the scores of other jobs

Methodology

▶ Market Pricing

- ▶ Identify jobs which may have a common match in the market – e.g., Administrative Assistant, Accountant, etc.
- ▶ Match base pay to remain market-competitive
- ▶ Uses published salary surveys
- ▶ Ideally uses local data and comparable employer size and industry

Market Pricing

▶ Advantages

- ▶ Easy to explain and understand
- ▶ Competitive necessity
- ▶ Reduced administrative burdens
- ▶ Solid data for pay discussions

▶ Disadvantages

- ▶ Not every job can be market priced
- ▶ Statistics can be manipulated or misreported
- ▶ Survey cost
- ▶ Requires expertise to be done correctly
- ▶ Shift in company culture if traditionally focused on pay equity

Typical Market Pricing Matrix

COMPENSATION PROGRAMS FOCUS ON MARKET COMPETITIVENESS		
Market Aware	Market Integrated	Market Based
INDUSTRIES		
Government Education	Manufacturing Health Care Brick And Mortar Retail	Technology Finance/Insurance Deregulated Healthcare
USE OF MARKET PRICING		
By exception, when "system" doesn't give the right answer	In parallel with job evaluation, to set grade/band pay ranges using specific benchmarks	Basis of position evaluation and pay range development for all positions
PACE OF INDUSTRY CHANGE		
Low	Moderate	High

Salary Surveys

▶ Good

- ▶ Clear job roles
- ▶ Sufficient sample size
- ▶ Data auditing and validation

▶ Bad

- ▶ Brief job roles
- ▶ Average pay – not incumbent specific data
- ▶ Base pay only – some may include bonus or other incentive pay
- ▶ Self-reported data

▶ Ugly

- ▶ Statistically biased or recruiting firm “surveys”
- ▶ Unnamed sources and participants (e.g., Web based surveys, Salary.com, Monster.com, etc.)

Fox Lawson Study (2009)

- ▶ Fox Lawson & Associates was hired to study Douglas County compensation practices
 - ▶ 47 jobs were benchmarked with local market as well as with survey data
 - ▶ At the time, salaries were 8.8% above the market – according to Fox Lawson & Associates, 10% above or below market is generally considered competitive
 - (HR recommends 5% as the competitive threshold)*
 - ▶ Salary range comparison:
 - ▶ minimums average 1.3% below market
 - ▶ midpoints average 3.8% above market
 - ▶ maximums average 7.6% above market

Fox Lawson Study Findings

- ▶ **Compression issues**
- ▶ **Salary structure compression**
 - ▶ **Non-union grades identified as causing compression issues**
 - ▶ G1 and M5
 - ▶ G2 and M7
 - ▶ A5 and M1

 - ▶ **Current differences (measured at midpoint)**
 - ▶ G1 and M6 – 1.4%
 - ▶ G2 and M7 – 0.6%
 - ▶ A5 and M2 – 1.9%
 - ▶ A4 and M1 – 1.1%

Fox Lawson Study Findings

▶ Pay Administration Analysis

▶ Two causes of current compression issues

- ▶ The County provides a COLA and step increase to employees on step structures, but only a COLA increase to employees on open range structures
- ▶ There are three Mgmt/Prof salary structures with both open range and step structures and different administration policies

Salary Structure	Open Range	Step Structure	COLA & Step Increase	COLA Only
General/Admin		X	X	
Mgmt/Prof - Step		X	X	
Mgmt/Prof - Range	X			X
Administrative	X			X
Union Scales	X	X	X	

Fox Lawson Study Findings

- ▶ **Recommendations**
 - ▶ **Immediate changes:**
 - ▶ Salary structure consolidation (1)
 - ▶ Market premiums (2)
 - ▶ Supervisory pay policy (3)

 - ▶ **Moderate (long-term) changes:**
 - ▶ Salary range adjustments (1)
 - ▶ Non-COLA increases (2)

All cost estimates are in 2009 dollars

Fox Lawson Study Findings

- ▶ Immediate Changes
- ▶ (I) Salary Structure Consolidation
 - ▶ Eliminate duplicate Mgmt/Prof salary structures
 - ▶ One grade will have different salary ranges
 - ▶ We developed a combined structure based on the current highest maximum and lowest minimum
 - ▶ This new structure would require increases for 11 employees totaling \$15,236.26

Fox Lawson Study Findings

- ▶ Immediate Changes
- ▶ (2) Market Premiums
 - ▶ The County developed alternate salary structures to address changing market rates
 - ▶ We recommend the County implement a formal “market premium” policy that would create temporary salary ranges for positions with dynamic market rates
 - ▶ The County currently does this informally with Pharmacists
 - ▶ There would be no fixed cost for this policy, costs will vary as jobs requiring market premium are identified

Fox Lawson Study Findings

- ▶ Immediate Changes
- ▶ (3) Supervisory Pay Policy
 - ▶ Compression currently exists in some supervisor-employee relationships
 - ▶ We recommend the County implement a formal policy to address supervisor-employee pay
 - ▶ Supervisors are placed in a salary range with a midpoint 10% higher than employee ranges
 - ▶ Supervisors paid a minimum of 5% more than employees
 - ▶ Provide a 5-10% increase for supervisory promotion

Fox Lawson Study Findings

- ▶ Immediate Changes
- ▶ (3) Supervisory Pay Policy
 - ▶ We reviewed 1,089 supervisor-employee relationships and found 24 compression issues (less than 10% difference)
 - ▶ Addressing salaries with less than 5% difference would increase the salaries 17 supervisors for a cost of \$99,462
 - ▶ Addressing salaries with less than 10% difference would increase the salaries 24 supervisors for a cost of \$157,578

Fox Lawson Study Findings

- ▶ Moderate Changes
- ▶ (I) Salary Range Adjustments
 - ▶ Increase the number of steps in the Mgmt/Prof and Gen/Admin salary ranges from 9 to 16
 - ▶ Current annual increases average 5-8% because of steps and COLA increases
 - ▶ Expanded structure would provide average increases of 3-5% which is market competitive
 - ▶ This would bring the increases consistent with other structures
 - ▶ There would be no cost to implement an expanded structure
(This change would perpetuate the increase inequity between union and nonunion groups unless all groups used a similar structure)

Fox Lawson Study Findings

- ▶ Moderate Changes
- ▶ (2) Non-COLA increases
 - ▶ Currently, the County only provides COLA increases to Administrative and some Mgmt/Prof salary range employees
 - ▶ Employees do not move through the salary range
 - ▶ We recommend the County develop a merit budget to provide increases on top of COLA increases
 - ▶ This would require a performance management system
 - ▶ We developed an implementation method to place Administrative and Mgmt/Prof employees at the appropriate place in the salary range based on years in their current positions
 - ▶ This implementation would cost a total of \$684,521

Fox Lawson Study Findings

- ▶ Adopt pay polices at no cost
 - ▶ This will help alleviate any future problems
- ▶ Adopt a plan to implement salary structure changes
 - ▶ 1 year, 2 years, 3 years?
 - ▶ This will correct structure inconsistencies
- ▶ Begin the development of a performance evaluation program

Conclusion

- ▶ Working on analysis and study
 - ▶ Fox Lawson has some good recommendations
 - ▶ Some will be cost prohibitive to implement unless done gradually
 - ▶ Must remain mindful of union pay practices
 - ▶ External market analysis
 - ▶ Grades for some jobs would increase, others may decrease
 - ▶ Continuing market-based philosophy going forward requires investment beyond purchasing surveys

HR Recommendations

- ▶ Create one salary structure for nonunion staff
 - ▶ Currently 3 separate structures depending on
- ▶ Market driven compensation for selective positions
 - ▶ Ability to classify selected hard to fill positions at a higher grade level due to market conditions
- ▶ Review supervisory pay related to subordinates and other management staff
- ▶ Mechanism for employees to move through the range
 - ▶ Steps
 - ▶ Pay for Performance
 - ▶ Other (tenure)
- ▶ Create job descriptions and structures for County Attorney and Public Defender offices
- ▶ Create job descriptions and structures for employees designated Legal/Court who currently do not have a pay grade assigned

Compensation Terms

▶ **Pay Range Spread** –

- ▶ The span of a pay range encompassing the minimum and maximum

▶ **Compa-ratio** –

- ▶ Measures the relationship of an employee's salary relative to the midpoint of the range
- ▶ 1.00 denotes a salary the same as the midpoint
- ▶ County range is .77 – 1.61, average is 1.06

▶ **Compression** –

- ▶ Little or no difference in pay, coupled with large differences in qualifications, responsibilities, or skill level
- ▶ Compression can also refer to pay ranges, when many jobs are clustered among only a few pay grades

▶ **Red-Circled Employees** –

- ▶ Individuals whose pay exceeds the maximum of the pay range
- ▶ Currently 15 employees above the max

Compensation Terms

▶ **Pay for Performance** –

- ▶ Rewards employees based on exceeds, meets, or fails to meet expectations

▶ **Differential** –

- ▶ Pay premiums for selected shifts

▶ **Step Pay Plan** –

- ▶ Pay plan where predefined increases occur based on tenure
- ▶ County step plans generally contain 8-9 steps

▶ **Range Pay Plan** –

- ▶ Pay plan where the minimum and maximum of the range are defined but movement between is determined by other factors

(Note: There is currently no mechanism to move employees through the range)

Compensation Terms

- ▶ **Exempt** –

- ▶ A job that meets the Fair Labor Standards Act (FLSA) criteria to not be subject to overtime

- ▶ **Nonexempt** –

- ▶ A job that does not meet the Fair Labor Standards Act (FLSA) test and is subject to overtime

- ▶ **Objective Job Analysis** –

- ▶ A method of job grading that uses predetermined compensable factors to assign and point value and grade
- ▶ Also known as Point Factor

Fair Labor Standards Act

- ▶ **New minimum salary was recently announced - \$47,476**
 - ▶ **Effective date is December 1, 2016**
 - ▶ **Will be adjusted every three years based on the salary level at the 40th percentile of earnings of full-time salaried workers in the lowest-wage Census Region**
 - ▶ **Jobs paying less than this amount will be eligible for overtime**
 - ▶ **19 County jobs and approximately 35 employees may be changed from exempt to nonexempt**